

26 February 2024

Property | Real Estate

Matrix Concepts (MCH MK)

Buy (Maintained)

Maiden Sales Contribution From Levia Residence

Target Price (Return): MYR2.02 (+13%)
 Price (Market Cap): MYR1.79 (USD469m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (MYR/USD) 2.65m/0.56m

- **Maintain BUY, TP rises to MYR2.02 from MYR1.88, 13% upside with c.6% FY24F (Mar) yield.** Matrix Concepts' 3QFY24 results are within expectations. Although earnings weakened QoQ, DPS remained intact at 2.5 sen. Its 9MFY24 property sales amounted to MYR961m vs its MYR1.35bn FY24 sales target. We raise our TP after updating our RNAV estimate. The stock could benefit from the revival of the Kuala Lumpur-Singapore High-Speed Rail project, given its landbank exposure in Labu.
- **3QFY24 results review.** The sequential decline in revenue was largely due to billings from a different product mix, as well as the timing of new launches during the quarter. Meanwhile, revenue from the hospitality and education divisions improved by 11% and 2.4% QoQ. Projects in Sendayan remained the key revenue driver, contributing MYR268.3m for the quarter. GPM expanded to 53.9% from 43.6% in 2QFY24 due to higher sales and billings from a wider-margin product mix. A third interim single-tier DPS of 2.5 sen was declared, ie level with that of the previous quarter but higher than its DPS of 2.0 sen in 3QFY22. The company remains in a net cash position.
- **Stronger sales in 3QFY24 driven by new launches.** 3QFY24 property sales came up to MYR345.3m vs MYR310.8m in 2QFY24. 9MFY24 total sales was at MYR961.4m. Levia Residence in Cheras, which was launched during the quarter, chalked a maiden sales contribution of MYR97.9m. Phase 1 (Tower A) was well-received, as its bookings and take-up rate have reached 50.4%. Meanwhile, Eka Heights 3A and Hijayu Phase 2 Parcel 2 (Resort Residence 2B), which were launched in Nov 2023 and Dec 2023, are 37.8% and 100% sold. Other earlier launches in Jul-Aug 2023 such as Bayu Sutera 7 (Precinct 3B) and Irama Sendayan 2C achieved take-up rates of 81.5% and 87.3%, marking an improvement from 63% and 19% in the previous quarter.
- **Minimal launches in 4QFY24.** MCH has already launched MYR978.6m worth of projects so far vs its MYR1.1bn worth of planned launches for FY24. As most major developments have already been rolled out in 2QFY24-3QFY24, launches in 4QFY24 will be minimal. These include a new phase in Bayu Sutera (GDV: MYR85.5m) and Irama Sendayan (GDV: MYR73.7m).
- **Forecasts.** We maintain our earnings forecasts. Unbilled sales fell slightly to MYR1.2bn, from MYR1.3bn as at 2QFY23. Note that the company sold an industrial property for MYR48m in end-2023, and this is expected to bring an estimated gain of about MYR20m.
- **Higher TP.** Our TP is based on an unchanged 30% discount to RNAV, with a 2% ESG premium applied on intrinsic value, as our ESG score of 3.10 for the company is one notch above the country median.

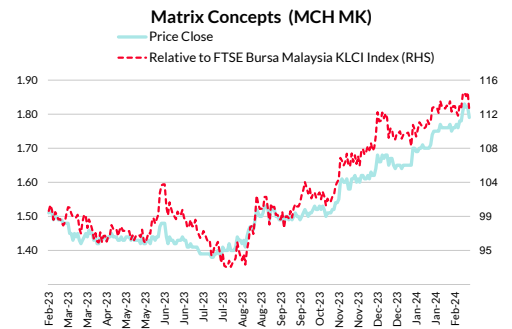
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	8.5	2.9	10.5	17.8	18.5
Relative	2.0	(0.6)	3.9	10.2	12.2
52-wk Price low/high (MYR)	1.38 - 1.83				



Source: Bloomberg

Forecasts and Valuation	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
Total turnover (MYRm)	887	1,118	1,405	1,542	1,598
Recurring net profit (MYRm)	205	209	250	265	274
Recurring net profit growth (%)	(21.1)	1.7	20.1	5.9	3.2
Recurring EPS (MYR)	0.25	0.17	0.20	0.21	0.21
DPS (MYR)	0.08	0.08	0.10	0.11	0.11
Recurring P/E (x)	7.28	10.74	9.03	8.61	8.43
P/B (x)	0.78	1.12	1.06	1.01	0.96
Dividend Yield (%)	4.7	4.6	5.6	5.9	6.1
Return on average equity (%)	11.0	10.7	12.1	12.1	11.8
Net debt to equity (%)	4.6	net cash	6.9	4.1	net cash

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E: GOOD

MCH adopts various environmentally-sustainable initiatives, including recycling office and household waste and consuming renewable energy from Tenaga Nasional's solar PV system.

S: EXCELLENT

MCH has built three public schools and numerous houses of worship for various religions. It is also a premier sponsor of Negeri Sembilan's sports associations. The company is also involved in various CSR programmes for cultural activities, education and community enrichment activities.

G: GOOD

56% of the Board members are independent directors. There is full disclosure on director remuneration, which includes salaries and bonuses on a named basis. MCH has both in-house and external investor relations teams and holds investor meetings regularly, embodying good transparency and disclosure practices

Note:

Small cap stocks are defined as companies with a market capitalization of less than USD0.5bn.

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Financial Exhibits

Asia	Financial summary (MYR)	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
Malaysia	Recurring EPS	0.25	0.17	0.20	0.21	0.21
Property	EPS	0.25	0.17	0.20	0.21	0.21
Matrix Concepts	DPS	0.08	0.08	0.10	0.11	0.11
MCH MK	BVPS	2.29	1.60	1.69	1.77	1.86
Buy	Return on average equity (%)	11.0	10.7	12.1	12.1	11.8
	Return on average assets (%)	8.1	8.0	8.8	8.4	8.3
Valuation basis						
30% discount to RNAV	Valuation metrics	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
	Recurring P/E (x)	7.28	10.74	9.03	8.61	8.43
	P/B (x)	0.8	1.1	1.1	1.0	1.0
	Dividend Yield (%)	4.7	4.6	5.6	5.9	6.1
	EV/EBITDA (x)	2.48	3.24	2.69	2.54	2.30
Key drivers						
i. New property and industrial land sales;						
ii. Land acquisitions.						
Key risks						
Weaker-than-expected market conditions						
Company Profile						
Matrix Concepts is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group is focused mainly on developing residential and commercial properties, as well as selling industrial land.						
	Income statement (MYRm)	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
	Total turnover	887	1,118	1,405	1,542	1,598
	Gross profit	496	518	619	668	691
	EBITDA	281	279	352	374	385
	Operating profit	281	279	352	374	385
	Net interest	(13)	(7)	(13)	(16)	(15)
	Pre-tax profit	271	273	338	358	370
	Taxation	(70)	(69)	(88)	(93)	(96)
	Reported net profit	205	209	250	265	274
	Recurring net profit	205	209	250	265	274
	Cash flow (MYRm)	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
	Change in working capital	(78)	49	(113)	(54)	11
	Cash flow from operations	163	296	183	257	332
	Capex	(1)	0	(200)	(50)	(50)
	Cash flow from investing activities	(4)	(64)	(193)	(42)	(41)
	Dividends paid	(66)	(70)	(103)	(126)	(134)
	Cash flow from financing activities	(181)	(155)	(137)	(159)	(166)
	Cash at beginning of period	224	194	246	275	289
	Net change in cash	(21)	76	(147)	56	125
	Ending balance cash	202	270	99	331	414
	Balance sheet (MYRm)	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
	Total cash and equivalents	194	246	275	289	420
	Total investments	1,116	1,178	1,360	1,393	1,425
	Total other assets	85	71	51	41	31
	Total assets	2,572	2,637	3,079	3,205	3,367
	Short-term debt	160	123	133	143	153
	Total long-term debt	121	117	287	237	237
	Total liabilities	673	648	965	961	990
	Shareholders' equity	1,910	2,005	2,129	2,260	2,392
	Minority interests	(12)	(16)	(16)	(16)	(16)
	Total equity	1,899	1,989	2,114	2,245	2,377
	Total liabilities & equity	2,572	2,637	3,079	3,205	3,367
	Key metrics	Mar-22	Mar-23	Mar-24F	Mar-25F	Mar-26F
	Revenue growth (%)	(21.4)	26.0	25.7	9.7	3.6
	Recurring net profit growth (%)	(21.1)	1.7	20.1	5.9	3.2
	Recurrent EPS growth (%)	(21.8)	(32.2)	18.9	4.9	2.1
	Gross margin (%)	55.9	46.3	44.1	43.4	43.2
	Recurring net profit margin (%)	23.1	18.7	17.8	17.2	17.1
	Dividend payout ratio (%)	33.9	49.5	50.5	50.5	51.8

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results

FYE Mar (MYRm)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)	Comments
Turnover	363.8	359.4	296.0	(17.6)	(18.6)	815.4	986.8	21.0	The decline in revenue was due to the timing of new launches, as well as lower billings stemming from changes in its product mix.
EBIT	74.9	86.9	77.5	(10.8)	3.5	206.9	252.6		EBIT margin widened in 3QFY24 due to a higher-margin product mix.
EBIT margin (%)	20.6	24.2	26.2			25.4	25.6		
Net interest	(1.9)	(2.8)	(0.6)	n.m.	n.m.	(4.5)	(4.7)	4.4	
Pretax profit	73.5	83.8	76.1	(9.2)	3.6	203.8	247.2	21.3	
Pretax margin (%)	20.2	23.3	25.7			25.0	25.0		
Taxation	(19.8)	(20.7)	(19.5)	(6.0)	(1.9)	(54.3)	(63.7)	17.4	
Tax rate (%)	27.0	24.7	25.6			26.6	25.8		
Minority interest	0.7	0.9	0.6	n.m.	n.m.	2.4	2.4		
Net profit	54.4	64.0	57.2	(10.6)	5.3	152.0	185.9	22.3	Within expectations.
Net margin (%)	14.9	17.8	19.3			18.6	18.8		
EPS (sen)	4.3	5.1	4.6			14.0	14.9		
Gross DPS (sen)	2.0	2.5	2.5			7.0	7.5		
NTA/share (MYR)	1.6	1.7	1.7			1.6	1.7		

Source: Company data, RHB

Figure 2: RNAV estimate

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 10%
Bandar Sri Sendayan, Negeri Sembilan	1,724.2	5,866.1	100%	489.0
New land in Labu	1,382.2	7,000.0	85%	515.9
Taman Seri Impian, Kluang, Johor	465.7	2,217.9	100%	269.4
Others	27.7	156.8	100%	7.3
Damansara Perdana	5.5	400.0	100%	27.1
Puchong	5.8	400.0	100%	28.5
Cheras	5.2	532.0	100%	45.2
St Kilda, Melbourne	0.6	240.0	100%	21.5
Islamic Financial District, Jakarta	8.9	2,044.0	30%	47.1
Total				1,451.1
Shareholders' fund				2,107.7
Warrants conversion				123.6
ESOS proceeds				57.7
Total RNAV				3,740.1
Share base (incl. warrants and placement)				1,324.4
RNAV/share				2.82
Discount to RNAV				30%
Intrinsic value				1.98
ESG premium				2%
Target price				2.02

Source: RHB

Emissions And ESG

Trend analysis

Its Scope 3 emissions are calculated from the commute of employees to work, the disclosure on ESG KPIs and targets as well as data from the Taskforce on Climate-Related Financial Disclosures or TCFD framework.

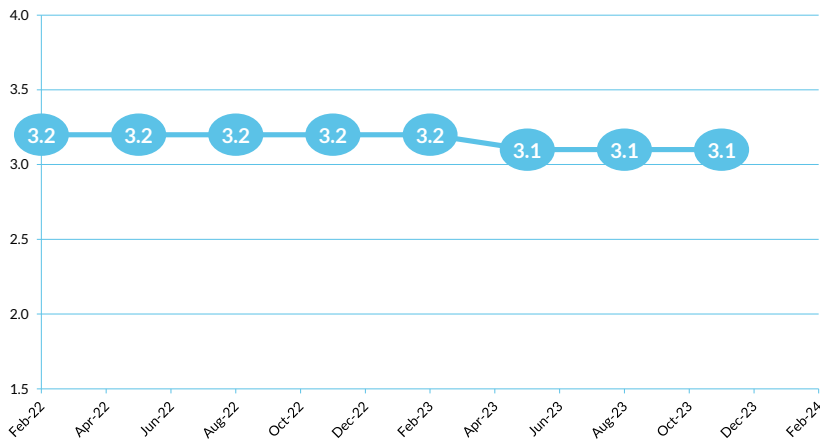
Emissions (tCO2e)	Mar-21	Mar-22	Mar-23
Scope 1	821	601	428
Scope 2	4,345	4,210	4,373
Scope 3	na	na	136,639
Total emissions	5,166	4,811	141,440

Source: Company data, RHB

Latest ESG-Related Developments

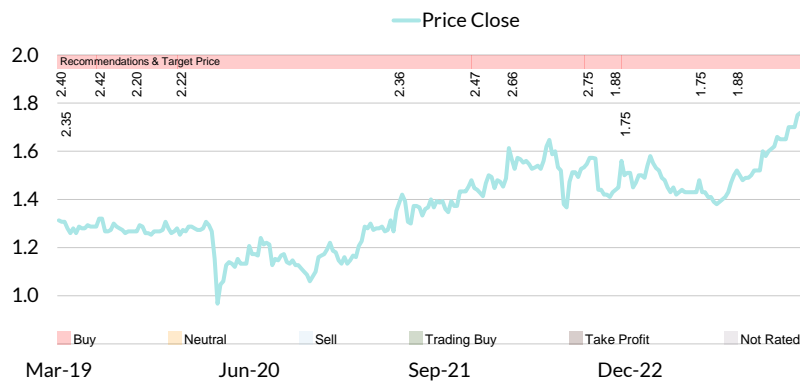
- The company has been upgraded to having a 4-star rating by FTSE Russell - Top 25% ESG ratings amongst the public-listed companies that are in the FBM Bursa Malaysia EMAS Index.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2023-11-23	Buy	1.88	1.62
2023-08-22	Buy	1.88	1.49
2023-05-24	Buy	1.75	1.44
2023-05-11	Buy	1.75	1.43
2022-11-23	Buy	1.75	1.49
2022-10-30	Buy	1.88	1.41
2022-08-25	Buy	2.75	1.55
2022-08-23	Buy	2.66	1.53
2022-05-25	Buy	2.66	1.62
2022-02-23	Buy	2.66	1.55
2021-11-25	Buy	2.47	1.47
2021-08-25	Buy	2.36	1.37
2021-08-08	Buy	2.36	1.36
2021-05-26	Buy	2.36	1.31
2021-02-25	Buy	2.22	1.20

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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Not Rated:	Stock is not within regular research coverage

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