

**HLIB Research**

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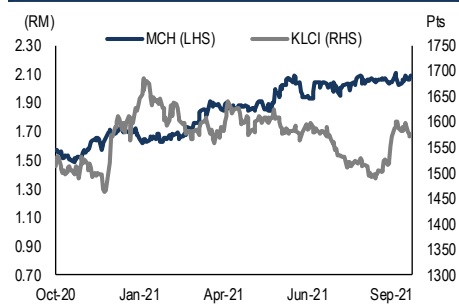
**BUY** (Maintain)

**Target Price:** **RM2.20**
**Previously:** **RM2.20**
**Current Price:** **RM2.09**

Capital upside	5.3%
Dividend yield	5.4%
Expected total return	10.7%

**Sector coverage:** Property

**Company description:** Matrix involves in property development and construction businesses primarily focus in Negeri Sembilan and Johor.

**Share price**


	1M	3M	12M
Historical return (%)			
Absolute	0.0	2.0	25.1
Relative	-2.3	-2.6	19.0

**Stock information**

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,744
3-mth avg. volume ('000)	432
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

**Major shareholders**

Lee Tian Hock	13.9%
Shining Term Sdn Bhd	12.7%
EPF	9.8%

**Earnings summary**

FYE (Mar)	FY21	FY22f	FY23f
PATMI - core (RM m)	282.5	233.6	261.5
EPS - core (sen)	33.9	28.0	31.3
P/E (x)	6.2	7.5	6.7

# Matrix Concepts Holdings

## Lockdown to weigh down earnings in 2QFY22

The longer restrictions during Jul-Sept had affected Matrix's construction activities and expected to weigh down the earnings in 2QFY22. However, booking of properties has been strong (RM700m achieved to date) and its conversion to sales started to pick up towards end-Aug as more government agencies began to operate at full capacity. Construction activities also started to resume since late Aug at >100% capacity. Hence, we believe any shortfall experienced during 2QFY22 will be compensated later through higher productivity. Maintain our forecast and BUY recommendation with an unchanged TP of RM2.20 based on 35% discount to RNAV of RM3.39.

We hosted a meeting with Matrix recently with the following key takeaways:

**2QFY22 updates and expectations.** Matrix guided that 2QFY22 will likely be its worst quarter due to longer days of restrictions from lockdown implemented by government. Nonetheless, we gathered that there could be some potential reprieve to earnings as its construction activities has been picking up (at more than 100% capacity) since late August. Earnings execution should improve in 3Q-4QFY22 in tandem with looser restrictions. To recap, after MCO1.0 was lifted last year, Matrix operated its construction works at 120% capacity and was able to catch up on its schedule within 6 months.

**Sales and booking.** Booking remained strong with RM700m achieved since June. Conversion from booking to sales has started to pick up towards end-Aug as more government agencies began to operate. Management shared that current conversion rate is at >50%. We understand that this could be slightly higher compared to pre pandemic levels if not for stringent bank approval and lockdowns that hindered the SPA process. Overall, management is still confident of achieving RM1.2bn sales target for FY22, having already achieved confirmed sales of RM300.9m in 1QFY22 and RM700m booking pipeline.

**Launches.** We understand that some of the targeted launches of RM1.6bn GDV might be pushed back to FY23 (RM375m worth of GDV from Cheras project potentially be postponed). A new phase of Bayu Sutera (average selling price of RM540k per unit) has been launched in Aug and received an encouraging take up rate of c.98% to date. Recently, management also did a soft launch on the new phase of Tiara Sendayan and is confident with the take up rate since it has been the best-seller for Matrix.

**Menara Syariah, Indonesia.** The progress construction of Menara Syariah project (RM1bn GDV) is currently at 4<sup>th</sup> floor (out of 27<sup>th</sup> floor). Management is targeting to complete construction by FY23 and should contribute positively at JV level. Any launches and sales activities will be carried out once the project near completion.

**Outlook.** We believe Matrix sales momentum is sustainable given the appealing product mix that they have in pipeline. Hence, we believe any shortfall experience during these 2QFY22 will be compensated later through higher productivity.

**Forecast.** Maintain.

Maintain **BUY** with an unchanged TP of **RM2.20** based on 35% discount to RNAV of RM3.39. We continue to like Matrix as it is well-positioned to ride on affordable housing theme within its successful townships with cheap land cost and sustained property sales. This is supported by an attractive dividend yield of 5.4-6.4% for FY22-24, being one of the highest in the sector.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Cash	281.0	229.4	456.7	604.0	786.2
Receivables	533.0	620.6	583.9	449.9	482.7
Inventories	624.1	618.0	581.5	692.3	804.8
Others	1,138.7	1,142.2	1,092.1	1,205.8	1,321.9
<b>Assets</b>	<b>2,576.9</b>	<b>2,610.2</b>	<b>2,714.2</b>	<b>2,952.0</b>	<b>3,395.6</b>
Payables	484.5	456.0	429.0	519.1	804.6
Debt	427.6	325.5	325.5	325.5	325.5
Others	61.8	32.1	32.1	32.1	32.1
<b>Liabilities</b>	<b>973.9</b>	<b>813.7</b>	<b>786.7</b>	<b>876.7</b>	<b>1,162.2</b>
Shareholder's equity	1,605.1	1,807.7	1,947.9	2,104.8	2,272.0
Minority interest	(2.1)	(11.2)	(20.4)	(29.5)	(38.7)
<b>Equity</b>	<b>1,603.0</b>	<b>1,796.5</b>	<b>1,927.5</b>	<b>2,075.3</b>	<b>2,233.3</b>

### Cash Flow Statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	337.6	361.1	296.5	333.3	356.1
D&A	11.7	12.3	11.8	11.4	10.9
Working capital	(165.5)	(133.3)	86.8	(9.5)	15.4
Taxation	(100.1)	(123.1)	(72.0)	(81.0)	(86.5)
Others	(31.3)	(25.9)	-	-	-
<b>CFO</b>	<b>52.4</b>	<b>91.2</b>	<b>323.1</b>	<b>254.2</b>	<b>295.9</b>
Capex	(7.0)	(2.3)	(2.3)	(2.3)	(2.3)
Others	(101.6)	(20.2)	-	-	-
<b>CFI</b>	<b>(108.5)</b>	<b>(22.5)</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>(2.3)</b>
Changes in debt	57.8	(61.7)	-	-	-
Shares issued	178.3	4.8	-	-	-
Dividends	(97.5)	(87.6)	(93.5)	(104.6)	(111.5)
Others	-	-	-	-	-
<b>CFF</b>	<b>138.5</b>	<b>(144.5)</b>	<b>(93.5)</b>	<b>(104.6)</b>	<b>(111.5)</b>
<b>Net cash flow</b>	<b>82.4</b>	<b>(75.9)</b>	<b>227.4</b>	<b>147.3</b>	<b>182.1</b>
Forex	14.9	24.2	-	-	-
Others	-	-	-	-	-
Beginning cash	183.7	281.0	229.4	456.7	604.0
Ending cash	281.0	229.4	456.7	604.0	786.2

### Income statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
<b>Revenue</b>	<b>1283.4</b>	<b>1127.6</b>	<b>1060.9</b>	<b>1263.1</b>	<b>1468.3</b>
Operating cost	(931.9)	(733.1)	(761.7)	(911.0)	(1099.3)
<b>EBITDA</b>	<b>351.5</b>	<b>394.5</b>	<b>299.3</b>	<b>352.1</b>	<b>369.0</b>
D&A	(11.7)	(12.3)	(11.8)	(11.4)	(10.9)
Net Interest	(2.1)	(26.2)	9.1	(7.4)	(2.0)
<b>Pretax profit</b>	<b>337.6</b>	<b>361.1</b>	<b>296.5</b>	<b>333.3</b>	<b>356.1</b>
Taxation	(103.2)	(87.7)	(72.0)	(81.0)	(86.5)
Minority Interest	(2.9)	(9.1)	(9.1)	(9.1)	(9.1)
PATAMI	237.4	282.5	233.6	261.5	278.7
Exceptionals	0.0	20.3	0.0	0.0	0.0
<b>Core Earning</b>	<b>237.4</b>	<b>282.5</b>	<b>233.6</b>	<b>261.5</b>	<b>278.7</b>
Basic shares (m)	804.8	834.2	834.2	834.2	834.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			267.7	277.0	272.0
HLIB/ Consensus			87%	94%	102%

### Valuation ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Net DPS (sen)	11.5	12.0	11.2	12.5	13.4
Yield (%)	5.5	5.7	5.4	6.0	6.4
Core EPS (sen)	29.5	33.9	28.0	31.3	33.4
Fully Diluted EPS (sen)	26.6	31.6	26.2	29.3	31.2
P/E (x)	7.1	6.2	7.5	6.7	6.3
FD P/E (x)	7.9	6.6	8.0	7.1	6.7
Market capitalization (m)	1682.0	1743.5	1743.5	1743.5	1743.5
Net cash (m)	(146.5)	(96.2)	131.2	278.5	460.6
Net gearing (%)	0.09	0.05	CASH	CASH	CASH
BV / share	2.0	2.2	2.3	2.5	2.7
P/BV (x)	1.0	1.0	0.9	0.8	0.8
ROA (%)	9.2	10.8	8.6	8.9	8.2
ROE (%)	14.8	15.7	12.1	12.6	12.5
Enterprise value	1828.5	1839.7	1612.3	1465.0	1282.9
EV/ EBITDA (x)	5.2	4.7	5.4	4.2	3.5

### Margin ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
EBITDA Margin	27.4	35.0	28.2	27.9	25.1
PBT Margin	26.3	32.0	27.9	26.4	24.2
PATMI	18.5	25.1	22.0	20.7	19.0

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**Figure #1 RNAV Table**

<b>Projects</b>	<b>Stake (%)</b>	<b>NPV (RM m)</b>
<b>Bandar Sri Sendayan</b>		
BSS	100%	753.4
BSI	100%	237.2
Others	100%	175.5
Australia	100%	24.7
Indonesia	30%	26.4
Total NPV		1,217.2
Shareholders funds		1,807.7
<b>RNAV</b>		<b>3,024.9</b>
Share base		893.1
RNAV/share		3.39
Discount		35%
<b>Discounted RNAV/share</b>		<b>2.20</b>

*Company, HLIB*

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
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