

HLIB Research

PP 9484/12/2012 (031413)

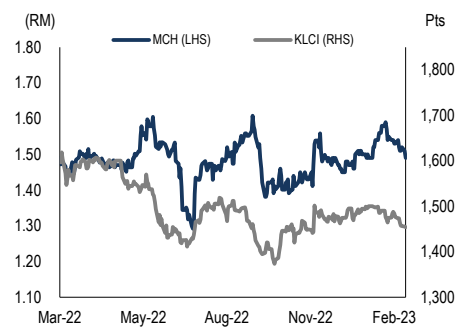
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BUY (Maintain)

Target Price: RM1.82
Previously: RM1.82
Current Price: RM1.49

Capital upside	22.1%
Dividend yield	5.3%
Expected total return	27.4%

Sector coverage: Property

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

Share price


Historical return (%)	1M	3M	12M
Absolute	-2.0	-4.5	-7.6
Relative	2.8	-0.6	2.9

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	1,251
Market cap (RM m)	1,902
3-mth avg. volume ('000)	1,402
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

Shining Term Sdn Bhd	12.7%
Lee Tian Hock	12.0%
EPF	8.2%

Earnings summary

FYE (Mar)	FY22	FY23f	FY24f
PATMI - core (RM m)	205.2	198.4	250.4
EPS - core (sen)	16.4	15.9	20.0
P/E (x)	9.1	9.4	7.4

Matrix Concepts Holdings

Results miss

Matrix reported 3QFY23 core PATAMI of RM54.4m, bringing 9MFY23's sum to RM152m (+5.6% YoY). The result was below our and consensus expectations. The negative deviation was due to lower-than-expected contribution from its Australia M Greenvale project. We understand labour shortage situation has seen encouraging improvement in 4QFY23, which should help to expedite its progress billings from 4QFY23 onwards. We lower our FY23f forecast by -10.1% to account for the results shortfall, but leave our FY24/FY25 forecasts unchanged. Maintain BUY with an unchanged TP of RM1.82 based on 35% discount to RNAV of RM2.80.

Below expectations. Matrix reported 3QFY23 core PATAMI of RM54.4m (+7.5% QoQ, -10.1% YoY), bringing 9MFY23's sum to RM152m (+5.6% YoY). The result was below our (68.9%) and consensus (66.5%) expectations. The negative deviation was due to lower-than-expected contribution from its Australia M Greenvale project.

Dividend. 2 sen, ex-date: 22 Mar 2023 (3QFY22: 2.5 sen). 9MFY23: 6 sen (9MFY22: 5.83 sen).

QoQ. Revenue increased by +63.6% due to (i) lumpy recognition of its Australia M Greenvale project (RM65.1m or 17.9% of revenue); and (ii) higher contribution from its KL high-rise project The Chambers during project completion. Despite the large top line increase, core PATAMI increased by only +7.5% due to (i) lower GP margin of 41.4% (vs. 51.1% in 2Q23) as both Greenvale and The Chambers have lower margin; (ii) higher selling and distribution cost of RM38.3m (+83.6%) due to agent fees recognized for M Greenvale project; and (iii) higher admin expenses of RM40.6m (+44.4%) due to provision for staff bonus during the quarter.

YoY. Revenue increased by +56.1% due to the same reasons as QoQ paragraph above. Despite the top line increase, core PATAMI declined by -10.1% due to (i) lower GP margin of 41.4% (vs. 58.4% SPLY); and (ii) higher selling and distribution cost (+1x).

YTD. Revenue increased by +28.2% while core PATAMI increased by +5.6% due to same reasons as YoY paragraph above.

Sales and launches. Matrix recorded 3QFY23 sales of RM340.3m (-3.5% QoQ; -4.6% YoY) which brought 9MFY23's sum to RM1bn (+0.4% YoY), making up 77.1% of its full year sales target of RM1.3bn. In 3QFY23, the group launched RM283.8m from its Bandar Sri Sendayan township, which brought 9MFY23 total launches to RM934.8m (+83.8% YoY). As at 3QFY23, unbilled sales stood at RM1.51bn (+8.1% QoQ), representing 1.77x cover of its FY22 property development revenue.

Outlook. We understand that Matrix has seen encouraging improvement in the labour shortage situation in 4QFY23. The group had received approval for intake of almost 400 workers, in excess of the labour they needed. As at Feb, they have received >25% of the workers they applied and the group expects to fill up all the labour they need by Mar. With this, we expect an expedition in recognition of its unbilled sales from 4QFY23 onwards. In addition, we also understand that labour cost has eased substantially compared to its peak last year. We believe the group's upcoming new launches from its township should continue to be well received due to (i) the well-established road infrastructure and facilities in its mature township; as well as (ii) the vicinity of Bandar Seri Sendayan township to the Klang Valley region which allows it to capture spill over demand from the region.

Forecast. We lower our FY23f forecast by -10.1% to account for the results shortfall,

but leave our FY24/FY25 forecasts unchanged.

Maintain **BUY** with an unchanged TP of **RM1.82** based on 35% discount to RNAV of RM2.80. We continue to like Matrix as we believe its strategically located developments are well positioned to capture the spill over demand from Klang Valley. The stock also has a generous dividend payout ratio of >50%, translating to a decent projected dividend yield of 5.3% for FY23.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY21	FY22	FY23f	FY24f	FY25f
Cash	229.4	202.1	220.8	716.7	607.6
Receivables	620.6	714.4	424.3	463.0	561.3
Inventories	618.0	463.2	618.4	731.0	818.0
Others	1,142.2	1,239.7	1,988.0	1,743.8	1,885.5
Assets	2,610.2	2,619.4	3,251.5	3,654.5	3,872.4
Payables	456.0	412.3	489.6	771.7	863.5
Debt	325.5	282.9	742.9	742.9	742.9
Others	32.1	25.3	25.3	25.3	25.3
Liabilities	813.7	720.5	1,257.8	1,539.9	1,631.7
Shareholder's equity	1,807.7	1,910.4	2,009.6	2,134.8	2,265.2
Minority interest	(11.2)	(11.5)	(15.8)	(20.2)	(24.5)
Equity	1,796.5	1,898.9	1,993.7	2,114.6	2,240.7

Cash Flow Statement

FYE Mar	FY21	FY22	FY23f	FY24f	FY25f
Profit before taxation	340.8	268.4	219.2	288.8	342.6
D&A	12.3	11.9	11.9	10.8	10.3
Working capital	(133.3)	(100.5)	(516.8)	395.5	(244.2)
Taxation	(123.1)	(76.5)	(55.1)	(72.7)	(86.2)
Others	(5.6)	4.6	-	-	-
CFO	91.2	107.9	(340.8)	622.4	22.5
Capex	(2.3)	(1.3)	(1.3)	(1.3)	(1.3)
Others	(20.2)	(2.1)	-	-	-
CFI	(22.5)	(3.4)	(1.3)	(1.3)	(1.3)
Changes in debt	(61.7)	(43.8)	460.0	-	-
Shares issued	4.8	4.1	-	-	-
Dividends	(87.6)	(100.1)	(99.2)	(125.2)	(130.4)
Others	-	-	-	-	-
CFF	(144.5)	(139.8)	360.8	(125.2)	(130.4)
Net cash flow	(75.9)	(35.3)	18.7	495.9	(109.1)
Forex	20.0	0.0	-	-	-
Others	51.9	51.9	51.9	51.9	51.9
Beginning cash	241.5	185.6	150.3	169.0	664.9
Ending cash	229.4	202.1	220.8	716.7	607.6

Income statement

FYE Mar	FY21	FY22	FY23f	FY24f	FY25f
Revenue	1127.6	892.4	1191.3	1408.3	1575.9
Operating cost	(753.4)	(604.0)	(930.5)	(1075.3)	(1189.5)
EBITDA	374.2	288.4	260.8	333.0	386.4
D&A	(12.3)	(11.9)	(11.9)	(10.8)	(10.3)
Net Interest	(26.2)	(11.5)	(29.7)	(33.4)	(33.4)
JV & associates	5.2	3.4	30.0	30.0	0.0
Pretax profit	340.8	268.4	219.2	288.8	342.6
Taxation	(87.7)	(67.5)	(55.1)	(72.7)	(86.2)
Minority Interest	(9.1)	(4.3)	(4.3)	(4.3)	(4.3)
Core PATMI	262.2	205.2	198.4	250.4	260.7
Exceptionals	20.3	(5.0)	0.0	0.0	0.0
Reported PATMI	241.9	210.2	198.4	250.4	260.7
Basic shares (m)	1251.3	1251.3	1251.3	1251.3	1251.3
Diluted shares (m)	1251.3	1251.3	1251.3	1251.3	1251.3
Consensus core PATMI			228.6	250.2	261.8
HLIB/ Consensus			87%	100%	100%

Valuation ratios

FYE Mar	FY21	FY22	FY23f	FY24f	FY25f
Net DPS (sen)	12.0	12.5	7.9	10.0	10.4
Yield (%)	8.1	8.4	5.3	6.7	7.0
Core EPS (sen)	21.0	16.4	15.9	20.0	20.8
Fully Diluted EPS (sen)	21.0	16.4	15.9	20.0	20.8
P/E (x)	7.1	9.1	9.4	7.4	7.2
FD P/E (x)	7.1	9.1	9.4	7.4	7.2
Market capitalization (m)	1864.5	1864.5	1864.5	1864.5	1864.5
Net cash (m)	(96.2)	(80.7)	(522.0)	(26.1)	(135.2)
Net gearing (%)	0.05	0.04	0.26	0.01	0.06
BV / share	1.4	1.5	1.6	1.7	1.8
P/BV (x)	1.0	1.0	0.9	0.9	0.8
ROA (%)	10.0	7.8	6.1	6.9	6.7
ROE (%)	14.6	10.8	9.9	11.8	11.6
Enterprise value	1960.7	1945.2	2386.5	1890.6	1999.7
EV/ EBITDA (x)	5.2	6.7	9.2	5.7	5.2

Figure #1 Quarterly results comparison

FYE Mar (RM m)	3Q22	2Q23	3Q23	QoQ	YoY	9M22	9M23	YoY
Revenue	233.1	222.4	363.8	63.6%	56.1%	636.0	815.4	28.2%
COGS	(96.9)	(108.8)	(213.1)	95.8%	119.9%	(305.4)	(441.8)	44.7%
Gross Profit	136.2	113.6	150.7	32.8%	10.7%	330.6	373.6	13.0%
Other income	2.6	1.4	1.9	32.2%	-27.2%	5.6	5.0	-9.6%
Other expenses	(58.0)	(49.0)	(78.9)	61.1%	36.1%	(143.1)	(175.2)	22.5%
EBIT	80.8	66.0	73.7	11.7%	-8.7%	193.1	203.4	5.3%
Net Interest	0.9	0.2	(0.7)	NM	NM	0.3	(1.0)	NM
PBT	82.6	66.5	73.5	10.4%	-11.0%	195.6	203.8	4.2%
Tax	(23.5)	(16.8)	(19.8)	18.0%	-15.5%	(55.6)	(54.3)	-2.5%
Core PATMI	60.5	50.6	54.4	7.5%	-10.1%	143.9	152.0	5.6%
EI (Gain/(Losses))	-	-	-			-	-	
Reported PATMI	60.5	50.6	54.4	7.5%	-10.1%	143.9	152.0	5.6%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	34.6%	29.7%	20.3%	-9.4	-14.4	30.4%	24.9%	-5.4
PBT margin	35.4%	29.9%	20.2%	-9.7	-15.2	30.8%	25.0%	-5.8
PAT margin	25.9%	22.7%	14.9%	-7.8	-11.0	22.6%	18.6%	-4.0

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	1,170.2
BSI	100%	209.7
Others	100%	165.8
Australia	100%	20.3
Indonesia	30%	21.8
Total NPV		1,587.8
Shareholders funds		1,910.4
RNAV		3,498.2
Share base		1,251.3
RNAV/share		2.80
Discount		35%
Discounted RNAV/share		1.82

Company, HLIB

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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