

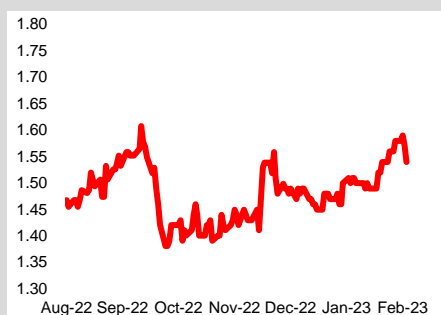


### DESCRIPTION

Matrix Concepts Holdings is a township developer with flagship development based in Seremban, Negeri Sembilan.

12-Month Target Price	RM1.80
Current Price	RM1.54
Expected Return	+17%
Market	Main
Sector	Property
Bursa Code	5236
Bloomberg Ticker	MCH MK
Shariah-Compliant	Yes

### SHARE PRICE CHART



52 Week Range (RM) 1.78 – 2.00  
 3-Month Average Vol ('000) 763.1

### SHARE PRICE PERFORMANCE

	1M	3M	12M
Absolute Returns	4.5	4.7	3.9
Relative Returns	2.1	-5.9	-4.9

### KEY STOCK DATA

Market Capitalisation (RMm)	1,927.1
No. of Shares (m)	1,251.3

### MAJOR SHAREHOLDERS

	%
Shining Term	12.7
Lee Tian Hock	12.0
EPF	8.2

### Tan Siang Hing

T 603 2268 3000

F 603 2268 3014

E research@publicinvestbank.com.my

## Consistently Delivering Earnings

Matrix Concepts Holdings (MCH) is primarily a Negeri Sembilan-based property developer which started by focusing on affordable housing. It now has exposure to a wide range of property offerings priced from the affordable range (RM400k-RM600k) to more than RM1m. The Group has projects in the Klang Valley and others countries such as Australia and Indonesia. Currently, it owns a remaining total landbank of c. 1,382 acres with estimated gross development value (GDV) in excess of RM15bn. Unbilled sales as at 3QFY23 stood at RM1.4bn, with RM662m pre-sales secured (or 55.2% of FY23 sales target of RM1.12bn). We like MCH for its consistent performance in delivering superior margins (averaging c.51% gross margin for the last 5 years) and commitment to paying out at least 50% of its earnings quarterly (5.8% yield in FY22) as dividends. We initiate coverage on MCH with an **Outperform** call, and a book-valued based target price (TP) of RM1.80, translating to an implied PER of 11x.

### § Anchored by its flagship development, Sendayan Developments (BSS).

MCH is the leading developer in Negeri Sembilan, with over 2,000 acres of on-going and future landbank located 15-20 minutes away from Seremban town, which has benefited from spill over demand from Klang Valley due to its proximity to the KL International Airport and which is about 72km (or about an hour's drive) from the Kuala Lumpur City Centre (KLCC). BSS remains the key revenue driver for the Group, accounting for more than 80% of MCH's total revenue in 1HFY23. BSS is left with landbank of almost 1,647 acres with GDV in excess of RM5bn. Not resting on its laurels, it also in the process of completing a land deal to add another 1,382 acres in Malaysia Vision Valley (MVV) with potential GDV of RM7bn. The new land, we understand, is priced at about RM7.64psf or at RM460m.

### § Good earnings visibility.

MCH has c. 2,158 acres of landbank with estimated GDV in excess of RM15bn. In 1HFY23, the Group secured RM662m pre-sales with unbilled sales standing at RM1.4bn, which will underpin its earnings in the next 12 to 15 months. We believe that the Group can maintain its sales momentum, with overall take-up rate at 90.2%. Net margins are also expected to remain stable despite cost pressures and supply chain disruptions. Its net margin as at 2QFY23 was at 22.7%, which is close to its 5-year average of 22.2% due to a low land cost of MYR9psf (in BSS), and cost savings from in-house procurement and construction.

### § 50% dividend payout policy.

MCH is committed to paying out at least 50% of its earnings quarterly, or translating to average dividends of c.10 sen a year or 5.8% yield. The Group has been consistently paying out dividends since 2013 despite market challenges, continuing even during the COVID-induced lockdown periods in FY21-22.

### KEY FINANCIAL SUMMARY

FYE Mar (RM m)	2021A	2022A	2023F	2024F	2025F	CAGR
Revenue	1,127.6	892.4	1,004.0	1,148.0	1,201.0	1.3%
Gross Profit	565.2	490.4	486.8	552.9	572.6	0.3%
Pre-tax Profit	349.9	272.7	273.6	322.7	331.3	-1.1%
Net Profit	253.1	200.9	207.9	245.2	251.8	-0.1%
EPS (Sen)	20.2	16.1	16.6	19.6	20.1	-0.1%
P/E (x)	7.6	9.6	9.3	7.9	7.7	
DPS (Sen)	8.0	8.0	10.0	11.0	11.0	
Dividend Yield (%)	5.2	5.2	6.5	7.1	7.1	

Source: Company, PublicInvest Research estimates

Listed in 2013, and has since successfully delivered 32,000 properties

Key townships include Sendayan Developments and Taman Seri Impian

BSS still has about 1,647 undeveloped land with estimated GDV in excess of RM15bn

BSS, key earnings contributor for the Group

## Company Background

MCH was established in 1996 by major shareholder and executive deputy chairman/founder Dato' Seri Lee Tian Hock. Dato' Seri Lee has more than 30 years of experience in property development. MCH was listed in 2013 with landbank mainly in Seremban, Negeri Sembilan and Kluang, Johor. Since then, it has successfully delivered 32,000 properties and expanded its development footprint to the Klang Valley, Australia and Indonesia.

## Key Projects

**Two flagship townships.** MCH has two major township land banks located in Negeri Sembilan and Johor, namely Sendayan Developments ("BSS", 6,437 acres) located in Seremban, Negeri Sembilan and Taman Seri Impian located in Kluang, Johor (1004 acres). All in, the Group has a total of 2,158 acres of landbank with GDV in excess of RM15bn.

**Table 1: Landbank**

	Project	Acres	GDV (RMm)
<b>Sendayan Developments</b>	Completed	1,716	7,028
	Ongoing	860	8,659
	Future	787	2,954
	<b>Total</b>	<b>3,363</b>	<b>18,641</b>
<b>Bandar Seri Impian</b>	Completed	538	1,411
	Ongoing	28	190
	Future	437	2,028
	<b>Total</b>	<b>1,004</b>	<b>3,629</b>
<b>Other Projects</b>	Completed	1,275	1,605
	Ongoing	2	326
	Future	43	1,328
	<b>Total</b>	<b>1,320</b>	<b>3,258</b>

Source: Company, PublicInvest Research

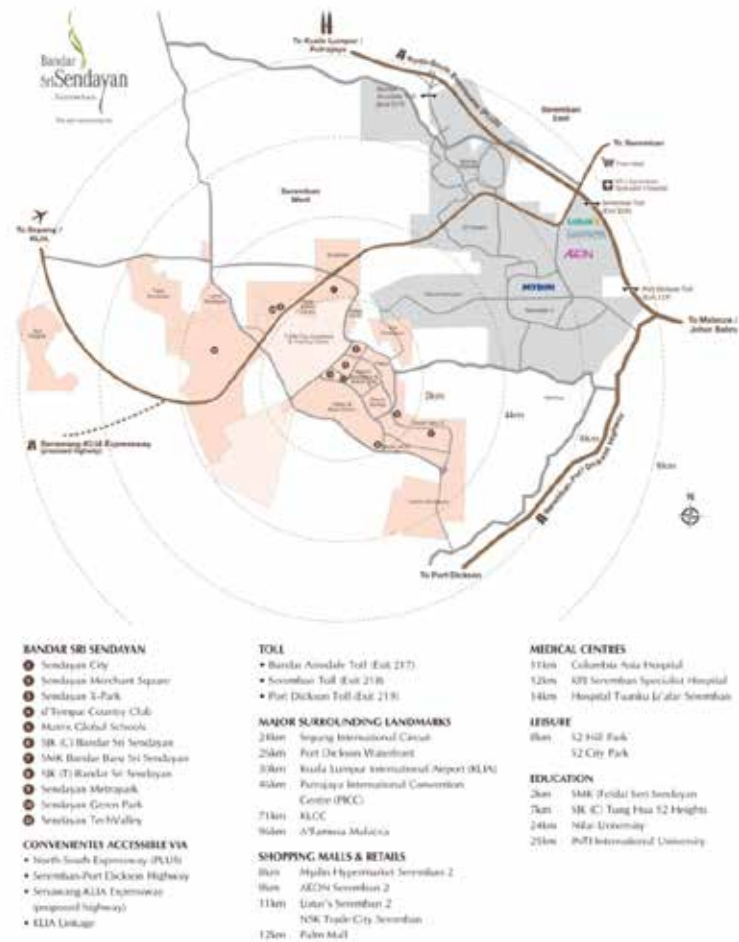
### Sendayan Developments

BSS, MCH's flagship development, has about 1,647 acres of remaining land to be developed. BSS is located about 22km away from KLIA, 20km from Port Dickson, and 70km from KL. The township, which was started back in 2008, has been a key earnings contributor to the Group given its strong population catchment and economic drivers. Nearby townships and industrial areas, among others, include Seremban 2, S2 Heights, Bandar Enstek, Oakland Commercial Centre and Industrial Park, Tuanku Jaafar Industrial Park, Senawang Industrial Park and Nilai Industrial Estate.

BSS is currently the key earnings contributor, consistently making up 70-80% of the Group's total revenue. We understand that the take-up rate of all phases in the township is close to 90% on average. MCH has also planned for a central business district i.e. Icon Park, which consists of a convention centre, shopping mall, hotels, hospital and high-rise apartments with combined GDV of RM6bn.

**BSS expected to continue to deliver.** We are of the view that its flagship projects in BSS will continue to enjoy strong sales momentum. Encouragingly, BSS continued to chalk up strong sales despite the challenging environment especially the last few years.

**Figure 1: Location Map of Sendayan Developments**



Source: Company

**Table 2: Sendayan Developments' Sales Performance**

RM m	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Start-Quarter GDV	1,635.2	1,258.9	1,367.7	1,570.6	1,649.3	1,943.5
Less Completed Projects	375.9	197.2	-	330.8	-	236.5
Add New Launches	-	306.0	202.6	409.3	317.2	333.8
Add GDV Adjustment	-0.4	-	0.3	0.2	-23.0	-
<b>End-Quarter GDV</b>	<b>1,258.9</b>	<b>1,367.7</b>	<b>1,570.6</b>	<b>1,649.3</b>	<b>1,943.5</b>	<b>2,040.8</b>
New Sales*	246.2	321.0	325.7	302.8	245.3	345.1
Total Take-up GDV	1,126.7	1,195.7	1,474.7	1,451.6	1,718.0	1,826.7
<b>Take-up Rate</b>	<b>90%</b>	<b>87%</b>	<b>94%</b>	<b>88%</b>	<b>88%</b>	<b>90%</b>
Unbilled Sales	775.5	906.0	1,073.6	1,097.2	1,160.1	1,270.1

(including completed projects)  
Source: Company, PublicInvest Research

TSI has 1,004 acres undeveloped landbank

**Taman Seri Impian**

Taman Seri Impian (TSI) is a 1,004-acre development with an estimated GDV of MYR3.6bn located in Kluang, Johor. Currently, MCH has completed c.538 acres worth RM1.4bn and has remaining 466 acres worth RM2.2bn to be developed.

**Figure 2: Taman Seri Impian's Location**



Source: Company

**Other Projects**

Other than the two townships mentioned (BSS & TSI), MCH also has pockets of smaller developments, mainly located in the Klang Valley. The projects in the Group's backburner include landbank located, among others, in Puchong, Damansara Perdana and Cheras. It launched its high-rise project, Chambers (KL) back in 2018 (RM323m GDV, 513 units, located near the Putra World Trade Centre and Sunway Putra Mall). Despite the pandemic and oversupply-related challenges, we understand the project has achieved an encouraging take-up rate of 93%.

**Australian projects.** MCH, at present, is undertaking two projects in Australia, M.Greenvale (RM76m GDV, fully sold) and M333 St Kilda (RM238m GDV). Admittedly, these projects are smallish but the Group believes that it is important to diversify its product exposure and elevate its branding equity. That said, the Group could bring back the capital to Malaysia should the opportunity arise as the margins are more attractive back home.

**Maiden venture in Indonesia.** To recap, MCH inked a joint venture (JV) agreement with Indonesian conglomerate Bangun Kosambi Sukses (BKS) and Nikko Sekuritas Indonesia (NSI) for the joint development of an Islamic Financial District (IFD) in Jakarta. We understand that the IFD project which has an estimated GDV of US\$500m (c.RM2bn) will be developed in two phases, with the Phase 1 development of the Menara Syariah twin towers (GDV: US\$250m) launched in Dec 19. We understand that construction progress as at 30 September 2022 for the project is estimated at 86% with structural, electrical, plumbing, ducting, and fire safety works fully completed. Menara Syariah is on track for completion by 1H2023 and we understand the Group is looking to dispose it en-bloc and could see the deals to close in 2023.

Indonesian JV project to complete Phase 1 in 2023

**Figure 3: Islamic Financial District**

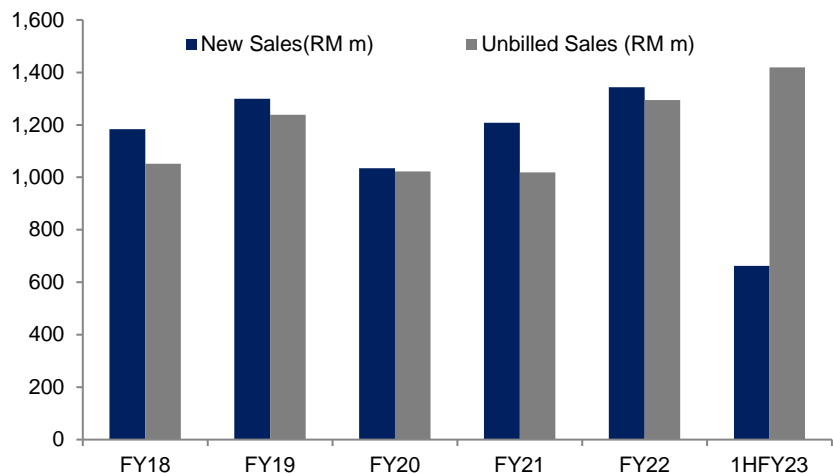


Source: Company

## Investment Merits

**Proven track record.** MCH has consistently been delivering sales performance even as the property market was adversely impacted by the various lockdowns during the pandemic. This is a strong testament to its ability to adapt, and also speaks of the marketability of its products especially those from BSS. For the last five years, MCH's new property sales averaged about RM1.1bn per annum, with unbilled sales rising from RM1.1bn to about RM1.4bn currently.

**Figure 4: Sales Performance**



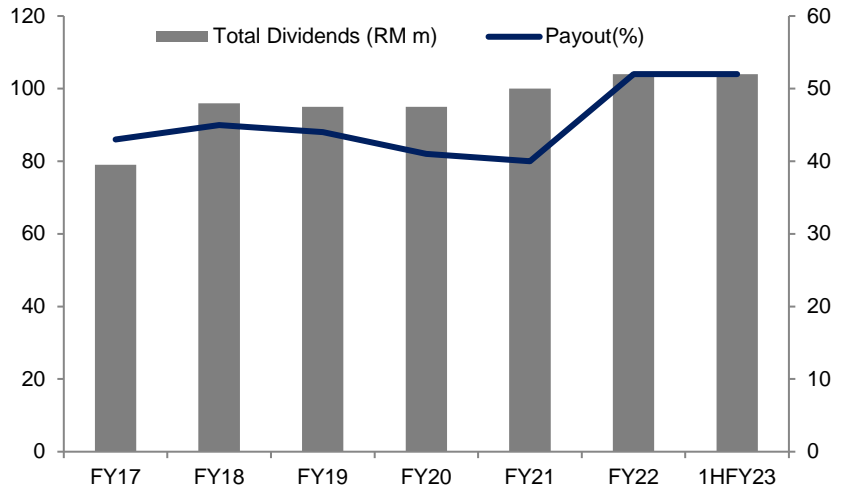
Source: Company, PublicInvest Research

*Steady pre-sales and unbilled sales are healthy at RM1.4bn currently*

**Consistent dividends.** MCH has unbroken dividend payments since 2013, which are paid quarterly. We understand that it has a dividend payout policy of paying at least 50% of its earnings. Based on the dividends paid in FY22, MCH is offering dividend yield in excess of 5%.

50% dividend payout

**Figure 5: Historical Dividend Payments**



Source: Company, PublicInvest Research

**Solid balance sheet.** The Group has a low net gearing of 0.05x as at 3QFY23, giving it the flexibility to expand its landbank. To recap, the Group accounted for the acquisition of 1,382.2 acres of land in Malaysia Vision Valley 2.0 (MVV2.0), Negeri Sembilan from NS Corporation (NS Corp), which had taken over the parcel from Sime Darby Bhd, for RM460m. MCH, via its indirect subsidiary MCHB Development (NS) Sdn Bhd, will also set up a joint venture company with NS Corp on an 85:15 basis called N9 Matrix Development Sdn Bhd to develop the land. We view the acquisition of land near BSS positively as we believe MCH will be able to add considerable value given the success of BSS. We understand that funding is likely to come from banks, and also internally-generated funds from its unbilled sales.

## Key Risks

**Rising mortgage rates.** Bank Negara Malaysia's (BNM) move to hike the overnight policy rate (OPR) multiple times last year to tame surging inflation has tempered the buying momentum for big ticket items such as properties. Despite the latest dovish stance by BNM, we believe OPR could further normalize in 2H2023.

**Unexpected increase in building material prices.** Group profitability may be adversely affected by increase in building material prices. Given that selling price of properties is locked in once the sales and purchase agreement is signed, any unexpected increase in building materials price will lead to margin erosion.

**Volatile externalities.** Property demand has been dampened by the recently volatile stock market, geopolitical issues and the ongoing Ukraine-Russia war. Hence, home buyers could remain more cautious before signing on the dotted line, with further macro-prudential measures possibly deterring decisions on big financial commitments.

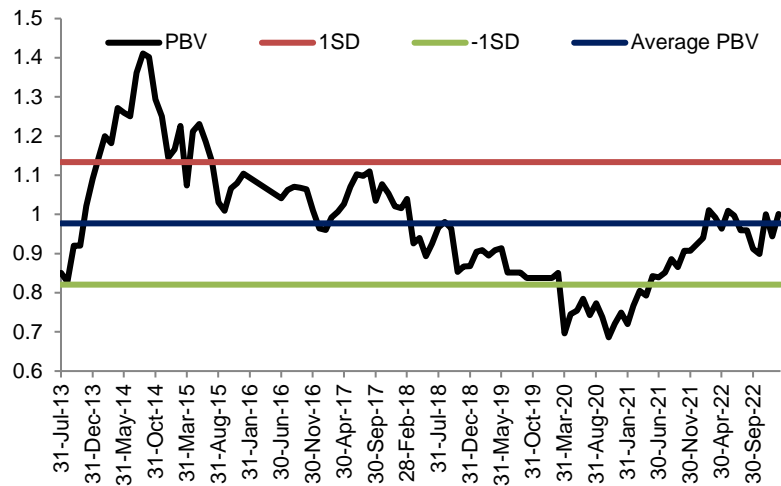


Premium valuation justifiable, backed by steady earnings and proven track record

## Valuation

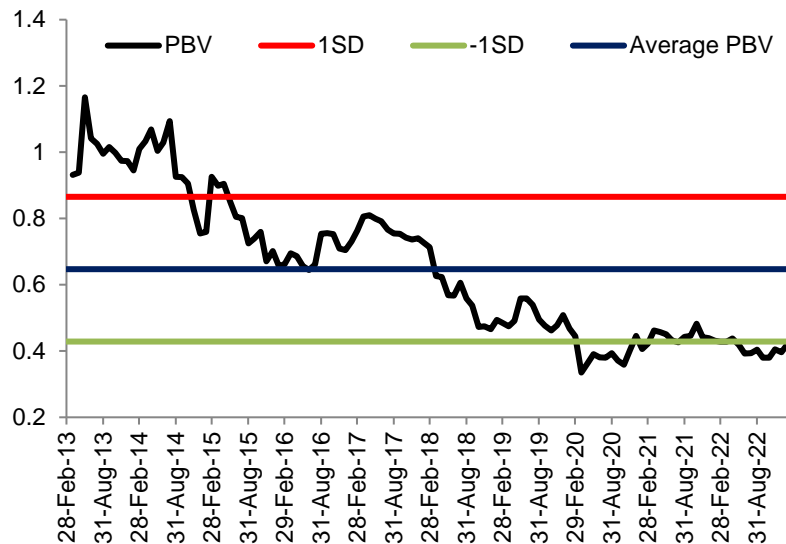
We initiate coverage on MCH with an **Outperform** call and target price of RM1.80, or at 1.1x its book value. We believe the valuation premium (vis-à-vis sector which is trading at c.0.4x PBV) is justifiable given its stable earnings (and dividends) even at the worst of the pandemic-induced restrictions that affected construction progress and property sales. Assuming steady dividends at c.10 sen annually, the stock provides an attractive dividend yield in excess of 5%.

**Figure 6: MCH's Price to Book Value (PBV)**



Source: Bloomberg, PublicInvest Research

**Figure 7: Property Sector PBV (KL Property Index)**



Source: Bloomberg, PublicInvest Research

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Mar (RM m)	2021A	2022A	2023F	2024F	2025F
Revenue	1,127.6	892.4	1,004.0	1,148.0	1,201.0
Gross Profit	565.2	490.4	479.8	552.9	572.6
Operating expenses	-242.9	-241.1	-253.2	-265.9	-279.2
Operating Profit	322.4	249.3	226.6	287.0	293.4
Other Gains / (Losses)	48.7	31.5	40.1	35.8	37.9
Finance Costs	-26.2	-11.5	-0.1	-0.1	-0.1
Pre-tax Profit	349.9	272.7	266.6	322.7	331.3
Income Tax	-87.7	-67.5	-64.0	-77.4	-79.5
Effective Tax Rate (%)	-25%	-25%	-24%	-24%	-24%
Minorities	-9.1	-4.3	0.0	0.0	0.0
Net Profit	253.1	200.9	207.9	245.2	251.8
<b>Growth</b>					
Revenue (%)	115.9	-20.9	-11.0	14.3	4.6
Operating Profit (%)	-4.5	-13.2	-15.1	15.2	3.6
Net Profit (%)	36.1	-20.6	-20.0	21.0	2.7

Source: Company (actual), PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Mar (RM m)	2021A	2022A	2023F	2024F	2025F
Property, Plant & Equipment	1,161.1	1,080.7	1,150.2	1,234.7	1,336.3
Land Held for Property Development	685.1	803.0	786.9	747.6	710.2
Cash and Cash Equivalents	0.0	0.0	0.0	0.0	0.0
Receivables	229.4	202.2	438.8	512.8	570.5
Other Assets	534.6	533.6	533.6	533.6	533.6
<b>Total Assets</b>	<b>2,610.2</b>	<b>2,619.4</b>	<b>2,909.4</b>	<b>3,028.6</b>	<b>3,150.5</b>
Payables	456.0	412.3	425.3	444.1	464.7
Borrowings	2.4	2.2	2.2	2.2	2.2
Provisions	0.0	1.0	0.0	0.0	0.0
Other Liabilities	355.2	305.0	329.7	329.7	329.7
<b>Total Liabilities</b>	<b>813.7</b>	<b>720.5</b>	<b>757.2</b>	<b>776.0</b>	<b>796.6</b>
Shareholders' Equity	1,796.5	1,898.9	2,152.2	2,252.7	2,353.9
<b>Total Equity and Liabilities</b>	<b>2,610.2</b>	<b>2,619.4</b>	<b>2,909.4</b>	<b>3,028.6</b>	<b>3,150.5</b>

Source: Company (actual), PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Mar (RM m)	2021A	2022A	2023F	2024F	2025F
Book Value Per Share	1.4	1.5	1.7	1.8	1.9
NTA Per Share	1.4	1.5	1.7	1.8	1.9
EPS (Sen)	20.2	16.1	16.2	19.6	20.1
DPS (Sen)	8.0	8.0	10.0	11.0	11.0
Payout Ratio (%)	39.6	49.8	61.8	56.1	54.7
ROA (%)	9.7	7.7	7.0	8.1	8.0
ROE (%)	14.1	10.6	9.4	10.9	10.7

Source: Company (actual), PublicInvest Research estimates



## **RATING CLASSIFICATION**

### **STOCKS**

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### **SECTOR**

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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**PUBLIC INVESTMENT BANK BERHAD (20027-W)**

26<sup>th</sup> Floor, Menara Public Bank 2  
78, Jalan Raja Chulan  
50200 Kuala Lumpur  
T 603 2268 3000  
F 603 2268 3014