

**Team Coverage**

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<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	RM 1.88
<b>Previous Target Price:</b>	RM 2.14
<b>Target Price:</b>	↓ RM 2.07
<b>Upside/Downside:</b>	10.1%

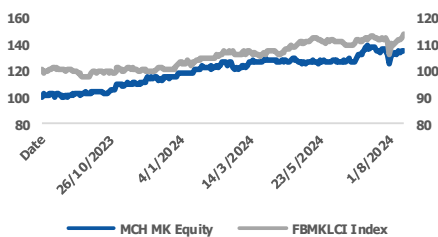
**Stock information**

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	5236 / MCH MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	1,251.3
Market Cap (RM' m)	2,352.5
52-Week Price Range (RM)	1.96-1.46
Beta (x)	0.7
Free float (%)	56.0
3M Average Volume (m)	1.9
3M Average Value (RM' m)	3.5

**Top 3 Shareholders (%)**

Shining Term Sdn Bhd	12.7
Lee Tian Hock	10.3
Lembaga Tabung Haji	5.8

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-2.1	4.4	26.2
Relative (%)	-2.8	3.7	10.7

# Matrix Concepts Holdings Berhad

## Earnings impacted by weaker BSS contribution

### Summary

- **MATRIX's 1QFY25 core net profit at RM60.7 (-6.1% yoy and flattish qoq) came below expectations, accounting to only 18.6% and 22.8% of ours and consensus forecast respectively, impacted by timing of launches of BSS township projects.**
- **Tweaked our FY25-26 earnings forecast lower by -24.5%/-19.9%, adjusting to weaker-than-expected contribution from BSS township.**
- **Maintained BUY recommendation on MATRIX, but with lower target price of RM2.07 (based discount rate of 20% to our RNAV) post earnings revision.**

### Results Review



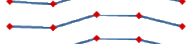



- **Results review.** 1QFY25 core net profit fell -6.1% yoy to RM60.7m, impacted by timing of launches of BSS township projects and completion of M. Greenvale in Australia and The Chambers in previous financial year. Revenue for the quarter declined -15.6% yoy to RM279.7m. A first interim dividend of 2.5 sen per share, payable on 10 October 2024 was declared.
- **Results below expectations.** Reported core net profit came below expectations, making up to 18.6% of our core net profit forecast and was at 22.8% of consensus forecasted net profit of RM275.4m. Key deviation is due to slower sales recognition from BSS flagship development that was impacted by timing of launches.
- **Operations Highlights.** Unbilled sales stood at RM1.59bn as at end-1QFY25, implying 1.2x of FY24 revenue is sufficient to maintain revenue visibility over the next 18 months. We gather that MATRIX launched a total of RM209m worth of GDV in 1QFY25 and targets total launches of RM1.72bn in FY25. During the quarter, average take up rate remains relatively healthy at 86.5%. Meanwhile, EBITDA margins improved to 29.5% vs 26.9% in 1QFY24, lifted by lower marketing expenses.
- **Industry Highlights.** Malaysia property transactions continue to demonstrate resiliency with housing loan applications rose 16.9% qoq to RM121.5bn in 2Q24, while loan approval rate hovered above 40% during the period. Channel checks highlight that Seremban property market remains attractive, premised to the strategic location and affordability. Hence, we expect take-up rates to remain relatively solid for future launches.
- **Outlook.** MATRIX is equipped with a total landbank of 1,966-ac that carries a total GDV of RM11.4bn to sustain operations over the next 7-10 years. Going forward, key developments in remainder of FY25 include progressive launches in BSS township, launch of Levia at Klang Valley, stable growth in healthcare segment and finalisation of SPA of MVV land that is slated for first launch towards end-FY26.
- **Valuation.** Tweaked our FY25-26 earnings forecast lower by -24.5%/-19.9%, adjusting to weaker-than-expected contribution from BSS township. Maintained our **BUY** recommendation on MATRIX with a lower target price of RM2.07 post earnings revision, based discount rate of 20% to our RNAV.

- **Risk.** Inability to replenish landbank, rising construction cost beyond expectations, changes in housing as well as property regulations and labour shortages.

Friday, August 23, 2024

Company Results

**Figure 1: Results Comparison**

FYE Mar (RM m)	1QFY25	1QFY24	YoY (%)	4QFY24	QoQ (%)	3MFY24	3MFY25	YoY (%)	5 Quarters Trend	Comments
Revenue	279.7	331.4	(15.6)	353.1	(20.8)	331.4	279.7	(15.6)		Lower revenue recognition from Sendayan Developments
EBITDA	82.4	89.2	(7.6)	88.5	(6.8)	89.2	82.4	(7.6)		
Pre-tax profit	81.1	87.2	(7.0)	86.9	(6.7)	87.2	81.1	(7.0)		
Net profit	61.5	63.7	(3.5)	64.6	(4.9)	63.7	61.5	(3.5)		
Core net profit	60.7	64.6	(6.1)	60.6	0.1	64.6	60.7	(6.1)		In line with weaker topline
Core EPS (sen)	4.9	5.2	(6.1)	4.8	0.1	5.2	4.9	(6.1)		
EBITDA margin (%)	29.5	26.9		25.0		26.9	29.5			
PBT margin (%)	29.0	26.3		24.6		26.3	29.0			
Core PATMI margin (%)	21.7	19.5		17.2		19.5	21.7			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Revenue</b>	<b>892.4</b>	<b>1113.1</b>	<b>1344.1</b>	<b>1269.8</b>	<b>1404.1</b>
<b>Gross Profit</b>	<b>490.4</b>	<b>488.8</b>	<b>623.3</b>	<b>588.8</b>	<b>651.1</b>
<b>EBITDA</b>	<b>271.6</b>	<b>235.4</b>	<b>333.5</b>	<b>321.3</b>	<b>355.2</b>
Depreciation & Amortisation	-11.9	-10.3	-9.8	-10.3	-10.0
<b>EBIT</b>	<b>271.9</b>	<b>260.3</b>	<b>323.7</b>	<b>310.9</b>	<b>345.3</b>
Net Finance Income/ (Cost)	-6.9	-1.5	4.3	-2.3	-5.2
Associates & JV	3.4	1.8	-0.7	0.8	0.7
<b>Pre-tax Profit</b>	<b>268.4</b>	<b>260.7</b>	<b>332.4</b>	<b>315.1</b>	<b>348.8</b>
Tax	-67.5	-57.9	-86.6	-72.5	-75.0
<b>Profit After Tax</b>	<b>200.9</b>	<b>202.8</b>	<b>245.8</b>	<b>242.6</b>	<b>273.8</b>
Minority Interest	-4.3	-4.4	1.5	-3.2	-3.2
<b>Net Profit</b>	<b>205.2</b>	<b>207.2</b>	<b>244.3</b>	<b>245.8</b>	<b>277.0</b>
Exceptionals	0.0	3.0	-8.8	0.0	0.0
<b>Core Net Profit</b>	<b>205.2</b>	<b>210.3</b>	<b>235.5</b>	<b>245.8</b>	<b>277.0</b>

**Key Ratios**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
EBITDA margin	30.4%	21.1%	24.8%	25.3%	25.3%
EBIT margin	30.5%	23.4%	24.1%	24.5%	24.6%
PBT margin	30.1%	23.4%	24.7%	24.8%	24.8%
PAT margin	22.5%	18.2%	18.3%	19.1%	19.5%
NP margin	23.0%	18.6%	18.2%	19.4%	19.7%
Core NP margin	23.0%	18.6%	18.2%	19.4%	19.7%
ROE	10.8%	10.4%	11.5%	10.8%	11.3%
ROA	7.8%	7.9%	9.1%	8.2%	8.6%
Net gearing	4.4%	Net Cash	Net Cash	Net Cash	Net Cash

**Key Assumptions**

FYE Mar (RM m)	
RNAV (RM' m)	3250.14
RNAV/share (RM)	2.60

**Valuations**

RNAV/share (RM)	2.60
Discount Rate	20.0%
<b>Fair Value (RM)</b>	<b>2.08</b>

Source: Company, Apex Securities

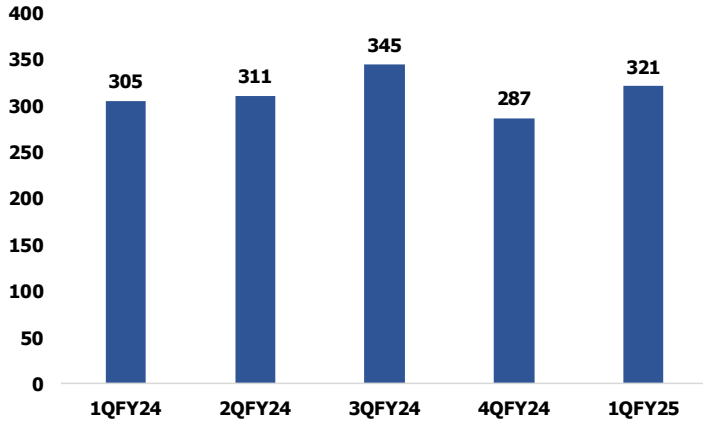
**Balance Sheet**

FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
Cash	202.1	250.2	375.6	434.2	514.0
Receivables	714.4	778.8	709.7	748.0	750.1
Inventories	463.2	397.6	464.1	577.7	598.9
Other current assets	12.9	8.3	9.3	8.8	9.7
<b>Total Current Assets</b>	<b>1392.6</b>	<b>1434.9</b>	<b>1558.7</b>	<b>1768.6</b>	<b>1872.7</b>
Fixed Assets	219.2	210.7	203.9	196.3	189.4
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	985.0	955.8	899.4	1015.8	1120.8
<b>Total Non-current assets</b>	<b>1226.8</b>	<b>1203.5</b>	<b>1131.3</b>	<b>1240.2</b>	<b>1338.3</b>
Short-term Debt	169.1	163.8	61.9	86.7	104.0
Payables	412.3	382.2	396.9	295.3	401.0
Other Current Liabilities	0.0	0.0	0.0	41.9	41.9
<b>Total Current Liabilities</b>	<b>581.4</b>	<b>546.0</b>	<b>458.8</b>	<b>423.9</b>	<b>546.8</b>
Long-term Debt	116.8	79.8	88.5	132.7	152.6
Other non-current liabilities	22.2	24.5	20.4	180.3	58.8
<b>Total Non-current Liabilities</b>	<b>139.1</b>	<b>104.6</b>	<b>109.0</b>	<b>313.1</b>	<b>211.5</b>
Shareholder's equity	961.3	961.3	961.3	961.3	961.3
Minority interest	-11.5	-15.8	-14.2	-14.2	-14.2
<b>Equity</b>	<b>1898.9</b>	<b>1987.9</b>	<b>2122.1</b>	<b>2271.8</b>	<b>2452.7</b>

**Cash Flow**

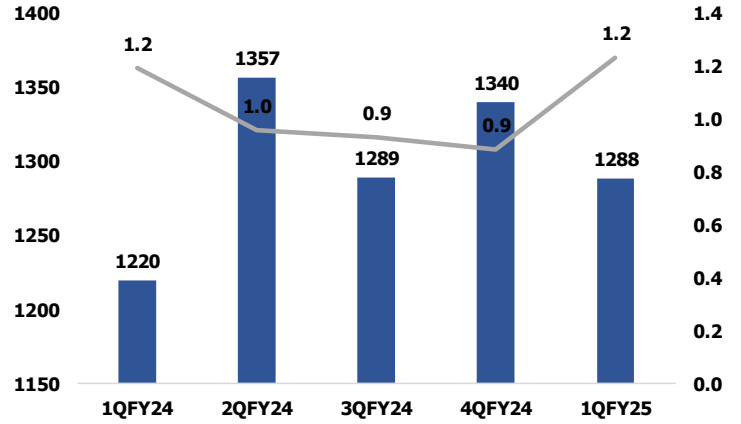
FYE Mar (RM m)	FY22	FY23	FY24	FY25F	FY26F
<b>Pre-tax profit</b>	<b>268.4</b>	<b>260.7</b>	<b>332.4</b>	<b>315.1</b>	<b>348.8</b>
Depreciation & amortisation	11.9	10.3	9.8	10.3	10.0
Changes in working capital	-105.6	5.5	80.9	80.9	80.9
Others	-85.5	-80.8	-79.5	-79.5	-100.0
<b>Operating cash flow</b>	<b>107.9</b>	<b>211.3</b>	<b>331.0</b>	<b>313.2</b>	<b>326.7</b>
Net capex	1.8	2.4	3.0	2.8	3.1
Others	-5.2	17.0	-5.8	-5.8	-5.8
<b>Investing cash flow</b>	<b>-3.4</b>	<b>19.4</b>	<b>-2.9</b>	<b>-3.0</b>	<b>-2.7</b>
Dividends paid	-100.1	-112.6	-115.7	96.1	96.1
Others	-39.7	-58.4	-93.9	-310.0	-350.0
<b>Financing cash flow</b>	<b>-139.8</b>	<b>-171.0</b>	<b>-209.6</b>	<b>-213.9</b>	<b>-253.9</b>
<b>Net cash flow</b>	<b>-35.3</b>	<b>59.7</b>	<b>118.5</b>	<b>96.3</b>	<b>70.2</b>
Forex	0.0	-9.9	9.6	9.6	9.6
Others	51.9	50.1	47.3	0.0	0.0
Beginning cash	185.6	150.3	200.1	328.3	434.2
<b>Ending cash</b>	<b>202.1</b>	<b>250.2</b>	<b>375.6</b>	<b>434.2</b>	<b>514.0</b>

**New Property Sales (RM m)**



Source: Company, Apex Securities

**Unbilled Sales (RM m) vs Trailing 12-Month Revenue Ratio (x)**



Source: Company, Apex Securities

**FY25 Pipeline Launches**

	1QFY25	2QFY25	3QFY25	4QFY25	FY25
Bandar Sri Sendayan	201.6	300.0	426.3	468.3	
Bandar Sri Impian	0.0	0.0	45.0	0.0	
Cheras Land (Tower B)	0.0	0.0	268.0	0.0	
SIGC (Vacant Lot)	7.6	0.0	0.0	0.0	
<b>Total</b>	<b>209.2</b>	<b>300.0</b>	<b>739.3</b>	<b>468.3</b>	<b>1716.8</b>

Source: Company, Apex Securities

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**RESEARCH RECOMMENDATION FRAMEWORK**

**STOCK RECOMMENDATIONS**

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.  
**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.  
**SELL:** Total returns\* are expected to be below -10% within the next 12 months.  
**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.  
**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.  
 \*Capital gain

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.  
**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.  
**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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