

## HLIB Research

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**BUY** (Maintain)

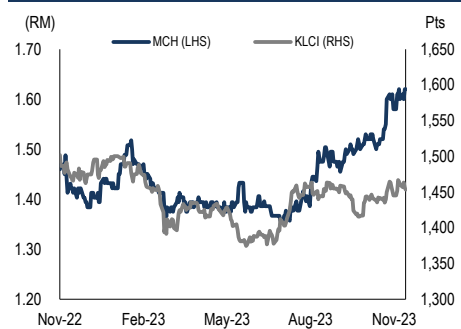
**Target Price:** RM1.87  
**Previously:** RM1.87  
**Current Price:** RM1.62

Capital upside	15.4%
Dividend yield	6.2%
Expected total return	21.6%

**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	7.3	7.3	4.5
Relative	6.0	6.6	8.0

### Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	1,251
Market cap (RM m)	2,027
3-mth avg. volume ('000)	2,507
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

### Major shareholders

Shining Term Sdn Bhd	12.7%
Lee Tian Hock	11.1%
EPF	4.7%

### Earnings summary

FYE (Mar)	FY23	FY24f	FY25f
PATMI - core (RM m)	220.6	250.3	256.1
EPS - core (sen)	17.6	20.0	20.5
P/E (x)	9.2	8.1	7.9

# Matrix Concepts Holdings

## Another solid quarter

Matrix reported 2QFY24 core PATAMI of RM64.0m, which brought 1HFY24's sum to RM128.6m (+31.8% YoY), matching our and consensus expectations. The group posted a commendable 1HFY24 results benefitting from the acceleration in construction activities following the resolution of labour shortage situation. Looking ahead, the group has a healthy pipeline of launches from its BSS township and KL area which should help to sustain its sales momentum. Maintain forecasts and BUY call with an unchanged TP of RM1.87 based on 45% discount to our estimated RNAV of RM3.40. We like Matrix as we believe its strategically located BSS township is well positioned to capture the spill over demand from Klang Valley. The stock has a generous dividend payout ratio of >50% with a good projected dividend yield of 6.2% for FY24.

**Within expectations.** Matrix reported 2QFY24 core PATAMI of RM64.0m (-0.9% QoQ, +26.6% YoY), which brought 1HFY24's sum to RM128.6m (+31.8% YoY), matching our (51.4%) and consensus (52.0%) expectations.

**Dividend.** 2.5 sen, ex-date: 21 Dec 2023 (2QFY23: 2 sen). 1HFY24: 5 sen (1HFY23: 5 sen).

**QoQ.** Revenue increased by +8.4% due to better progress billings as construction activities picked up following the resolution of labour shortage. Despite the top-line improvement, core PATAMI was flattish at -0.9% as a result of higher selling and marketing expenses of RM42.9m (+33.6%) due to sales commission payout and legal fees.

**YoY/YTD.** Revenue surged by +61.6% YoY and 53.0% YTD due to better progress billings as construction activities were impacted in preceding year due to the labour shortage issue. GP margin was lower at 43.6% for 2QFY24 (vs. 51.1% in 2QFY23) and 44.7% for 1HFY24 (vs. 49.3% in 1HFY23) from changes in product mix as launches in recent quarters are from the lower priced range homes. Selling and marketing expenses also increased by +1.06x YoY to RM42.9m in 2QFY24 and +86.5% YTD to RM75m in 1HFY24 due to same reasons in the QoQ paragraph above. Consequently, despite the surge in revenue, core PATAMI increased at a more moderate pace of +26.6% YoY and +31.8% YTD due to lower GP margin and higher marketing costs.

**Sales and launches.** Matrix recorded 2QFY24 sales of RM310.8m (+1.8% QoQ; -11.9% YoY), which brought 1HFY24's sales to RM616.1m (-6.9% YoY), making up 47.4% of its full year sales target of RM1.3bn. In 2QFY24, the group launched projects amounting to RM421m from its Bandar Sri Sendayan township, which brought 1HFY24's launches to RM609m (-6.5% YoY). As at 2QFY24, unbilled sales stood at RM1.29bn (-6.7% QoQ), representing 1.21x cover of its FY23 property development revenue.

**Outlook.** The group recorded a commendable 1HFY24 benefitting from the acceleration in construction activities as the group caught up on progress following the resolution of labour shortage situation. The group is accelerating its launches with FY24 total launch pipeline amounting to RM1.9bn (a significant step up of +48.1% YoY from RM1.28bn in FY23). Recently on 1 Oct, it launched Levia Residences in Cheras with GDV of RM532m. It also targets to activate another RM533.4m of GDV in 3QFY24, bringing total target launch in 3QFY24 to RM1.07bn. The strong launch pipeline should help to sustain its sales momentum.

**Forecast.** Unchanged.

Maintain **BUY** with unchanged TP of **RM1.87** based on 45% discount to our estimated RNAV of RM3.40. Looking ahead, as landed home supply in the Klang Valley area becomes increasingly scarce and pricey, buyers will gradually look further away from the city centre for landed homes. Additionally, the improving road and railway infrastructure also helps to enhance connectivity of city centre and fringe areas. Both of these factors should augur well for demand for Matrix's township in Negeri Sembilan, which is strategically located at the fringe of Klang Valley area. The stock has a generous dividend payout ratio of >50% with a good projected dividend yield of 6.2% for FY24.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Cash	202.1	250.2	495.3	729.8	596.9
Receivables	714.4	778.8	469.9	520.4	524.5
Inventories	463.2	397.6	741.8	565.5	828.0
Others	1,239.7	1,211.8	1,453.6	1,553.1	1,554.8
<b>Assets</b>	<b>2,619.4</b>	<b>2,638.4</b>	<b>3,160.5</b>	<b>3,368.9</b>	<b>3,504.1</b>
Payables	412.3	382.2	783.1	867.4	874.1
Debt	282.9	222.7	222.7	222.7	222.7
Others	25.3	45.6	45.6	45.6	45.6
<b>Liabilities</b>	<b>720.5</b>	<b>650.6</b>	<b>1,051.5</b>	<b>1,135.7</b>	<b>1,142.5</b>
Shareholder's equity	1,910.4	2,003.6	2,129.2	2,257.7	2,390.7
Minority interest	(11.5)	(15.8)	(20.2)	(24.6)	(29.0)
<b>Equity</b>	<b>1,898.9</b>	<b>1,987.9</b>	<b>2,109.0</b>	<b>2,233.1</b>	<b>2,361.6</b>

### Cash Flow Statement

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Profit before taxation	268.4	260.7	277.5	323.5	334.8
D&A	11.9	10.3	10.3	9.7	9.3
Working capital	(100.5)	0.5	146.0	103.1	(268.4)
Taxation	(76.5)	(68.1)	(61.6)	(71.8)	(74.3)
Others	4.6	8.0	-	-	-
<b>CFO</b>	<b>107.9</b>	<b>211.3</b>	<b>372.1</b>	<b>364.5</b>	<b>1.4</b>
Capex	(1.8)	(2.4)	(2.4)	(2.4)	(2.4)
Others	(1.5)	21.7	-	-	-
<b>CFI</b>	<b>(3.4)</b>	<b>19.3</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>(2.4)</b>
Changes in debt	(62.6)	(111.7)	-	-	-
Shares issued	4.1	1.2	-	-	-
Dividends	(100.1)	(112.6)	(124.7)	(127.6)	(132.0)
Others	-	-	-	-	-
<b>CFF</b>	<b>(158.6)</b>	<b>(223.1)</b>	<b>(124.7)</b>	<b>(127.6)</b>	<b>(132.0)</b>
<b>Net cash flow</b>	<b>(54.1)</b>	<b>7.6</b>	<b>245.1</b>	<b>234.5</b>	<b>(133.0)</b>
Forex	18.8	60.2	-	-	-
Others	51.9	32.2	32.2	32.2	32.2
Beginning cash	185.6	150.3	218.0	463.1	697.6
Ending cash	202.1	250.2	495.3	729.8	596.9

### Income statement

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
<b>Revenue</b>	<b>892.4</b>	<b>1113.1</b>	<b>1429.1</b>	<b>1582.9</b>	<b>1595.3</b>
Operating cost	(604.0)	(837.7)	(1131.4)	(1239.8)	(1241.1)
<b>EBITDA</b>	<b>288.4</b>	<b>275.3</b>	<b>297.8</b>	<b>343.2</b>	<b>354.1</b>
D&A	(11.9)	(10.3)	(10.3)	(9.7)	(9.3)
Net Interest	(11.5)	(6.2)	(10.0)	(10.0)	(10.0)
JV & associates	3.4	1.8	30.0	0.0	0.0
Pretax profit	<b>268.4</b>	<b>260.7</b>	<b>277.5</b>	<b>323.5</b>	<b>334.8</b>
Taxation	(67.5)	(57.9)	(61.6)	(71.8)	(74.3)
Minority Interest	(4.3)	(4.4)	(4.4)	(4.4)	(4.4)
<b>Core PATMI</b>	<b>210.2</b>	<b>220.6</b>	<b>250.3</b>	<b>256.1</b>	<b>264.9</b>
Exceptionals	(5.0)	(13.4)	0.0	0.0	0.0
Reported PATMI	205.2	207.2	250.3	256.1	264.9
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			240.8	249.8	251.7
HLIB/ Consensus			104%	103%	105%

### Valuation ratios

FYE Mar	FY22	FY23	FY24f	FY25f	FY26f
Net DPS (sen)	8.3	8.3	10.0	10.2	10.5
Yield (%)	5.6	5.5	6.7	6.8	7.1
Core EPS (sen)	16.8	17.6	20.0	20.5	21.2
Fully Diluted EPS (sen)	16.8	17.6	20.0	20.5	21.2
P/E (x)	8.9	8.5	7.4	7.3	7.0
FD P/E (x)	8.9	8.5	7.4	7.3	7.0
Market capitalization (m)	1864.5	1864.5	1864.5	1864.5	1864.5
Net cash (m)	(80.7)	27.5	272.6	507.1	374.1
Net gearing (%)	0.04	CASH	CASH	CASH	CASH
BV / share	1.5	1.6	1.7	1.8	1.9
P/BV (x)	1.0	0.93	0.88	0.83	0.78
ROA (%)	8.0	8.4	7.9	7.6	7.6
ROE (%)	11.1	11.1	11.9	11.5	11.2
Enterprise value	1945.2	1837.0	1592.0	1357.4	1490.4
EV/ EBITDA (x)	6.7	6.7	5.3	4.0	4.2

**Figure #1** Quarterly results comparison

FYE Mar (RM m)	2Q23	1Q24	2Q24	QoQ	YoY	1H23	1H24	YoY
Revenue	222.4	331.4	359.4	8.4%	61.6%	451.6	690.8	53.0%
COGS	(108.8)	(179.2)	(202.6)	13.1%	86.2%	(228.8)	(381.8)	66.9%
Gross Profit	113.6	152.2	156.7	3.0%	38.0%	222.8	308.9	38.7%
Other income	1.4	1.2	2.6	123.5%	86.8%	3.2	3.8	20.3%
Other expenses	(49.0)	(66.4)	(74.3)	12.0%	51.8%	(96.3)	(140.7)	46.1%
EBIT	66.0	87.1	85.0	-2.3%	28.9%	129.7	172.1	32.7%
Net Interest	0.2	(0.2)	(0.9)	425.7%	NM	(0.3)	(1.1)	335.8%
PBT	66.5	87.2	83.8	-3.9%	26.0%	130.3	171.0	31.2%
Tax	(16.8)	(23.5)	(20.7)	-12.0%	23.2%	(34.4)	(44.2)	28.5%
Reported PATMI	50.6	64.6	64.0	-0.9%	26.6%	97.6	128.6	31.8%
EI (Gain/(Losses))	-	-	-			-	-	
<b>Core PATMI</b>	50.6	64.6	64.0	-0.9%	26.6%	97.6	128.6	31.8%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	29.7%	26.3%	23.7%	-2.6	-6.0	28.7%	24.9%	-3.8
PBT margin	29.9%	26.3%	23.3%	-3.0	-6.6	28.9%	24.8%	-4.1
PAT margin	22.7%	19.5%	17.8%	-1.7	-4.9	21.6%	18.6%	-3.0

Company; HLIB

**Figure #2** RNAV Table

Projects	Stake (%)	NPV (RM m)
<b>Bandar Sri Sendayan</b>		
BSS & MVV	100%	1,808.1
BSI	100%	196.1
Klang Valley	100%	201.6
Australia	100%	21.2
Indonesia	30%	22.7
Total NPV		2,249.7
Shareholders funds		2,003.6
<b>RNAV</b>		<b>4,253.3</b>
Share base		1,251.3
RNAV/share		3.40
Discount		45%
<b>Discounted RNAV/share</b>		<b>1.87</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.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

**Sector rating guide**

<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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