

HLIB Research

PP 9484/12/2012 (031413)

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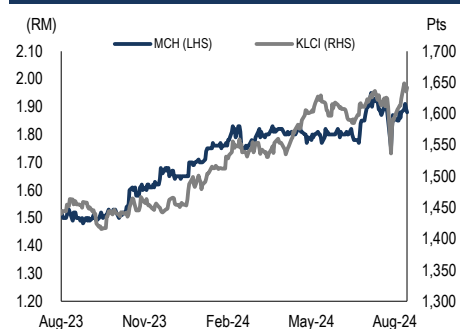
BUY (from Hold)

Target Price: RM2.10
Previously: RM1.87
Current Price: RM1.88

Capital upside	11.7%
Dividend yield	5.6%
Expected total return	17.3%

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
Absolute	-0.5	5.0	23.7
Relative	-1.3	4.2	8.5

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	1,251
Market cap (RM m)	2,353
3-mth avg. volume ('000)	1,870
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

Major shareholders

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

Earnings summary

FYE (Mar)	FY24	FY25f	FY26f
PATMI - core (RM m)	237.7	260.1	271.9
EPS - core (sen)	19.0	20.8	21.7
P/E (x)	9.8	9.0	8.6

Matrix Concepts Holdings

Results within expectations

Matrix reported 1QFY25 core PATAMI of RM60.7m (+17.1% QoQ, -6.1% YoY). The results were within our and consensus projections, forming 23.7% and 22.8% of full-year forecasts respectively. Post annual report updates, we tweaked our FY25/26 forecasts by +0.3%/2.0% and introduce FY27 forecast at RM297.8m (+10.2% YoY). Upgrade to BUY (from Hold) with a higher TP of RM2.10 (from RM1.87) based on a lower 40% discount (from 45%) to our estimated RNAV of RM3.49. We are turning more positive on Matrix as its recent land acquisition in Negeri Sembilan provides longer earnings visibility and indicates the group steadfast effort in charting its next phase of growth. Additionally, the stock has a generous dividend payout ratio of >50% with a good projected dividend yield of 5.7% for FY25.

Within expectations. Matrix reported 1QFY25 core PATAMI of RM60.7m (+17.1% QoQ, -6.1% YoY). The results were within our and consensus projections, forming 23.7% and 22.8% of full-year forecasts respectively.

Dividend. 2.5 sen, ex-date: 25 Sep 2024 (1QFY24: 2.5 sen).

QoQ. Revenue fell by -20.8% due to lower contribution from its Sendayan township as several projects were completed during the quarter while some of its newer launches had yet to commence billings. Despite the revenue decline, core PATAMI increased by +17.1% due to lower admin expenses (-57.7%) as the preceding quarter has higher admin expenses relating to staff benefits.

YoY. Revenue fell by -15.6% due to lower contribution from its Sendayan township. Consequently, core PATAMI declined by -6.1%.

Sales and launches. Matrix recorded 1QFY25 sales of RM321.3m (+12.0% QoQ; +5.2% YoY), making up 23.8% of its full-year sales target of RM1.35bn. In 1QFY25, the group launched projects amounting to RM209.3m (+11.3% YoY). For FY25, the group has an indicative launch pipeline of RM1.72bn (+30% YoY), mainly from its Bandar Sri Sendayan township, which made up 81.3% of the launch amount. As at 1QFY25, unbilled sales stood at RM1.59bn (+34% QoQ), representing 1.22x cover of its FY24 property development revenue. We understand that the sharp rise in unbilled sales was a result of the group previously not accounting for Levia Residences sales in the unbilled sales.

Outlook. The group's recent acquisition of a large parcel of land in Negeri Sembilan alleviates one of investor's main concerns with regards to the group's depleting landbank in BSS. This expansion provides longer earnings visibility ahead, with meaningful contributions coming from the new township in FY27. We anticipate sales momentum for the group BSS township to gain traction following the group's higher pipeline launches. As landed home supply in the Klang Valley area becomes increasingly scarce and pricey, buyers are looking further away from 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 townships in Negeri Sembilan, which is strategically located at the fringe of the Klang Valley.

Forecast. Post annual report updates, we tweaked our FY25/26 forecasts by +0.3%/2.0%. We introduce FY27 forecast at RM297.8m (+10.2% YoY).

We upgrade the stock to **BUY** (from Hold) with a higher TP of **RM2.10** (from RM1.87) based on a lower 40% discount (from 45%) to our estimated RNAV of RM3.49. Our lower discount is premised on the improving residential and industrial market in the

Greater Klang Valley region. We are turning more positive on Matrix as its recent land acquisition in Negeri Sembilan provides longer earnings visibility and indicates the group steadfast effort in charting its next phase of growth. Additionally, the stock has a generous dividend payout ratio of >50% with a good projected dividend yield of 5.7% for FY25.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Cash	250.2	375.6	150.2	222.7	210.3
Receivables	778.8	709.7	547.6	873.2	587.3
Inventories	397.6	464.1	595.0	571.0	638.1
Others	1,211.8	1,140.6	1,918.9	1,924.7	2,391.8
Assets	2,638.4	2,689.9	3,211.7	3,591.5	3,827.5
Payables	382.2	396.9	491.8	488.3	527.5
Debt	222.7	131.7	431.7	681.7	731.7
Others	45.6	39.2	39.2	39.2	39.2
Liabilities	650.6	567.8	962.7	1,209.2	1,298.4
Shareholder's equity	2,003.6	2,136.4	2,261.7	2,393.5	2,538.7
Minority interest	(15.8)	(14.2)	(12.7)	(11.2)	(9.6)
Equity	1,987.9	2,122.1	2,249.0	2,382.3	2,529.1

Cash Flow Statement

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	260.7	332.4	349.4	367.3	404.7
D&A	10.3	9.8	9.8	25.8	38.8
Working capital	0.5	69.6	(310.2)	(34.9)	(96.3)
Taxation	(68.1)	(80.1)	(91.0)	(95.6)	(105.4)
Others	8.0	(0.6)	-	-	-
CFO	211.3	331.0	(42.0)	262.6	241.9
Capex	(2.4)	(1.8)	(1.8)	(1.8)	(1.8)
Others	21.7	(1.1)	(350.0)	(300.0)	(150.0)
CFI	19.3	(2.9)	(351.8)	(301.8)	(151.8)
Changes in debt	(111.7)	(91.9)	300.0	250.0	50.0
Shares issued	1.2	(0.8)	-	-	-
Dividends	(112.6)	(115.7)	(131.6)	(138.4)	(152.5)
Others	52.1	(1.1)	-	-	-
CFF	(171.0)	(209.6)	168.4	111.6	(102.5)
Net cash flow	59.7	118.5	(225.3)	72.5	(12.4)
Forex	(9.9)	9.6	-	-	-
Others	32.2	33.6	33.6	33.6	33.6
Beginning cash	150.3	200.1	328.3	102.9	175.4
Ending cash	250.2	375.6	150.2	222.7	210.3

Income statement

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Revenue	1113.1	1344.1	1665.6	1653.7	1786.4
Operating cost	(837.7)	(996.1)	(1287.0)	(1243.9)	(1309.9)
EBITDA	275.3	347.9	378.7	409.8	476.5
D&A	(10.3)	(9.8)	(9.8)	(25.8)	(38.8)
Net Interest	(6.2)	(5.1)	(19.4)	(16.7)	(32.9)
JV & associates	1.8	(0.7)	0.0	0.0	0.0
Pretax profit	260.7	332.4	349.4	367.3	404.7
Taxation	(57.9)	(86.6)	(91.0)	(95.6)	(105.4)
Minority Interest	(4.4)	1.5	1.5	1.5	1.5
Core PATMI	220.6	235.5	256.9	270.1	297.8
Exceptionals	(13.4)	8.8	0.0	0.0	0.0
Reported PATMI	207.2	244.3	256.9	270.1	297.8
Basic shares (m)	1251.3	1251.3	1251.3	1251.3	1251.3
Consensus core PATMI			266.1	275.4	
HLIB/ Consensus			97%	98%	

Valuation ratios

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Net DPS (sen)	8.3	10.0	10.5	11.1	12.2
Yield (%)	4.4	5.3	5.6	5.9	6.5
Core EPS (sen)	17.6	18.8	20.5	21.6	23.8
P/E (x)	10.6	9.9	9.1	8.7	7.9
Market capitalization (m)	2340.0	2340.0	2340.0	2340.0	2340.0
Net cash (m)	27.5	243.9	(281.4)	(459.0)	(521.4)
Net gearing (%)	CASH	CASH	12.5	19.3	20.6
BV / share	1.6	1.7	1.8	1.9	2.0
P/BV (x)	1.2	1.1	1.0	1.0	0.9
ROA (%)	8.4	8.8	8.0	7.5	7.8
ROE (%)	11.1	11.1	11.4	11.3	11.8
Enterprise value	2312.5	2096.1	2621.4	2799.0	2861.4
EV/ EBITDA (x)	8.4	6.0	6.9	6.8	6.0

Figure #1 Quarterly results comparison

FYE Mar (RM m)	1QFY24	4QFY24	1QFY25	QoQ	YoY
Revenue	331.4	353.1	279.7	-20.8%	-15.6%
COGS	(179.2)	(177.2)	(139.3)	-21.4%	-22.3%
Gross Profit	152.2	175.9	140.4	-20.2%	-7.8%
Other income	1.2	27.4	5.3	-80.8%	345.5%
Other expenses	(66.4)	(117.9)	(63.4)	-46.2%	-4.5%
EBIT	87.1	85.5	82.3	-3.7%	-5.5%
Net Interest	(0.2)	1.1	(1.0)	NM	NM
PBT	87.2	86.9	81.1	-6.7%	-7.0%
Tax	(23.5)	(22.3)	(19.6)	-12.0%	-16.7%
Reported PATMI	64.6	60.6	60.7	0.1%	-6.1%
EI (Gain/(Losses))	-	8.8	-	NM	NM
Core PATMI	64.6	51.8	60.7	17.1%	-6.1%
				<i>ppts change</i>	<i>ppts change</i>
EBIT margin	26.3%	24.2%	29.4%	5.2	3.1
PBT margin	26.3%	24.6%	29.0%	4.4	2.7
PAT margin	19.5%	14.7%	21.7%	7.0	2.2

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS & MVV	100%	1,882.2
BSI	100%	156.0
Klang Valley	100%	148.4
Australia	100%	22.9
Indonesia	30%	24.5
Total NPV		2,234.0
Shareholders funds		2,136.4
RNAV		4,370.4
Share base		1,251.3
RNAV/share		3.49
Discount		40%
Discounted RNAV/share		2.10

Company, HLIB

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Published & printed by:

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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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