

HLIB Research

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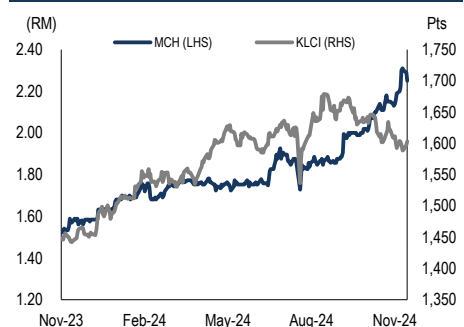
BUY (Maintain)

Target Price: RM2.45
Previously: RM2.10
Current Price: RM2.25

Capital upside	8.9%
Dividend yield	4.7%
Expected total return	13.6%

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	6.6	19.0	39.8
Relative	7.6	22.7	26.2

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	1,251
Market cap (RM m)	2,816
3-mth avg. volume ('000)	1,739
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)	235.5	256.9	270.1
EPS - core (sen)	18.8	20.5	21.6
P/E (x)	12.0	11.0	10.4

Matrix Concepts Holdings

Results within expectations

Matrix reported 2QFY25 core PATAMI of RM55.9m (-7.9% QoQ; -12.7% YoY), which brought 1HFY25 sum to RM116.6m (-9.4% YoY). The results were within our and consensus expectations, making up 45.4% of our and 45.1% of full year forecast, respectively. Sales momentum is anticipated to strengthen, supported by a robust pipeline of new launches. Maintain forecasts and our BUY recommendation with a higher TP of RM2.45 (from RM2.10) based on a lower 30% discount (from 40%) to our estimated RNAV of RM3.50. The stock has a generous dividend payout ratio of >50% with a decent projected yield of 4.7% for FY25.

Within expectations. Matrix reported 2QFY25 core PATAMI of RM55.9m (-7.9% QoQ; -12.7% YoY), which brought 1HFY25 sum to RM116.6m (-9.4% YoY). The results were within expectations, making up 45.4% of our and 45.1% of consensus expectations, respectively.

Dividend and bonus issue. 2.75 sen, ex-date: 17 Dec 2024 (2QFY24: 2.5 sen). 1HFY25: 5.25 sen (1HFY24: 5 sen). Proposed bonus issue of 1 bonus share for every 2 existing shares, entitlement date TBD and TBA later.

QoQ. Revenue increased by +14.8% driven by higher billings from the group's Sendayan township and Levia Residence in KL. Despite the revenue increase, core PATAMI fell by -7.9% due to increase in admin expenses to RM37.8m (+57.5%) arising from provision made for staff bonus.

YoY. Revenue fell by -10.7% due to lower contribution from its Sendayan township as there was a temporary hiccup in the construction progress for the group's Bayu series products due to termination of a subcontractor following work quality issues. This issue had been resolved in Oct-24 and construction has progressed since then. Consequently, core PATAMI declined by -12.7%.

YTD. Revenue fell by -13.0% due to lower contribution from its Sendayan township for the same reason as above. However, due to higher GP margin of 50.0% (1HFY24: 44.7%) from favourable product mix, core PATAMI declined by a lower pace of -9.4%.

Sales and launches. Matrix recorded 2QFY25 sales of RM341.7m (+6.3% QoQ; +9.9% YoY), which brought 1HFY25 sum to RM663m (+7.6% YoY), making up 49.1% of its full-year sales target of RM1.35bn. In 2QFY25, the group launched projects amounting to RM409.2m, which brought 1HFY25 sum to RM618.5m (+1.4% YoY). For 2HFY25, the group has an indicative launch pipeline amounting to RM1.16bn (73.1% from BSS; 23% from Chambers KL Tower B; 3.9% from BSI), indicating a strong ramp up in launches ahead. As at 2QFY25, unbilled sales stood at RM1.32bn (-16.6% QoQ), representing 1.02x cover of its FY24 property development revenue.

Outlook. We anticipate a stronger 2HFY25, supported by (i) pickup in the construction progress of the Bayu series products within the Sendayan township; (ii) normalization of administrative expenses; and (iii) stronger sales momentum following higher launches. The group's recent acquisition of a sizable land parcel in Negeri Sembilan addresses a key investor concern regarding its depleting landbank in Bandar Sri Sendayan (BSS). This strategic expansion not only extends the group's earnings visibility but also sets the stage for meaningful contributions from the new township, expected to materialize in FY27. Sales momentum is anticipated to strengthen, supported by a robust pipeline of new launches. With landed homes in the Klang Valley becoming increasingly scarce and expensive, homebuyers are shifting their focus to more affordable options in areas further from the city centre. This trend is further supported by the ongoing improvements in road and rail infrastructure, which enhances connectivity between the city centre and fringe areas. Matrix's townships in Negeri

Sembilan, strategically located on the fringe of the Klang Valley, are well-positioned to capture this growing demand, underscoring the group's strong prospects for sustained growth.

Forecast. Unchanged.

Maintain **BUY** with a higher TP of **RM2.45** (from RM2.10) based on a lower 30% discount (from 40%) to our estimated RNAV of RM3.50. Our lower discount is on expectation of the group impending activation of its new MVV township in FY26, providing it with a new avenue of growth. The stock has a generous dividend payout ratio of >50% with a decent projected dividend yield of 4.7% 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			258.4	271.7	281.6
HLIB/ Consensus			99%	99%	106%

Valuation ratios

FYE Mar	FY23	FY24	FY25f	FY26f	FY27f
Net DPS (sen)	8.3	10.0	10.5	11.1	12.2
Yield (%)	3.7	4.4	4.7	4.9	5.4
Core EPS (sen)	17.6	18.8	20.5	21.6	23.8
P/E (x)	12.8	12.0	11.0	10.4	9.5
Market capitalization (m)	2815.5	2815.5	2815.5	2815.5	2815.5
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)	1.4	1.3	1.2	1.2	1.1
ROA (%)	8.4	8.8	8.0	7.5	7.8
ROE (%)	11.1	11.1	11.4	11.3	11.8
Enterprise value	2788.0	2571.6	3096.9	3274.5	3336.9
EV/ EBITDA (x)	10.1	7.4	8.2	8.0	7.0

Figure #1 Quarterly results comparison

FYE Mar (RM m)	2QFY24	1QFY25	2QFY25	QoQ	YoY	1HFY24	1HFY25	YoY
Revenue	359.4	279.7	321.0	14.8%	-10.7%	690.8	600.8	-13.0%
COGS	(202.6)	(139.3)	(161.1)	15.7%	-20.5%	(381.8)	(300.5)	-21.3%
Gross Profit	156.7	140.4	159.9	13.9%	2.0%	308.9	300.3	-2.8%
Other income	2.6	5.3	12.6	138.8%	376.0%	3.8	17.8	366.6%
Other expenses	(74.3)	(63.4)	(78.7)	24.1%	5.8%	(140.7)	(142.1)	1.0%
EBIT	85.0	82.3	93.8	14.0%	10.3%	172.1	176.1	2.3%
Net Interest	(0.9)	(1.0)	(3.0)	197.1%	214.5%	(1.1)	(4.0)	253.1%
PBT	83.8	81.1	90.1	11.1%	7.5%	171.0	171.2	0.1%
Tax	(20.7)	(19.6)	(21.7)	10.9%	4.9%	(44.2)	(41.3)	-6.6%
Reported PATMI	64.0	60.7	67.4	11.1%	5.3%	128.6	128.1	-0.4%
EI (Gain/(Losses))	-	-	11.5	N.M.	N.M.	-	11.5	N.M.
Core PATMI	64.0	60.7	55.9	-7.9%	-12.7%	128.6	116.6	-9.4%
				<i>ppts change</i>	<i>ppts change</i>			<i>ppts change</i>
EBIT margin	23.7%	29.4%	29.2%	-0.2	5.6	24.9%	29.3%	4.4
PBT margin	23.3%	29.0%	28.1%	-0.9	4.7	24.8%	28.5%	3.7
PAT margin	17.8%	21.7%	17.4%	-4.3	-0.4	18.6%	19.4%	0.8

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS & MVV	100%	1,893.4
BSI	100%	156.0
Klang Valley	100%	148.4
Australia	100%	22.9
Indonesia	30%	24.5
Total NPV		2,245.2
Shareholders funds		2,136.4
RNAV		4,381.6
Share base		1,251.3
RNAV/share		3.50
Discount		30%
Discounted RNAV/share		2.45

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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