

28 May 2024

Buy

Price
 RM1.79

Target Price
 RM1.98

Market Data

Bloomberg Code	MCH MK
No. of shares (m)	1,251.3
Market cap (RMm)	2,214.9
52-week high/low (RM)	1.85 / 1.37
Avg daily turnover (RMm)	2.9
KLCI (pts)	1,618.3

Source: Bloomberg, CIMB Securities

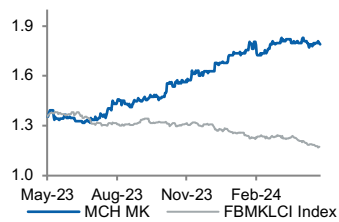
Major Shareholder (%)

Shining Term Sdn Bhd	(12.7%)
Lee Tian Hock	(10.3%)
Lembaga Tabung Haji	(5.1%)
Free Float	710.7

Source: Bloomberg, CIMB Securities

Performance

	3M	6M	12M
Absolute (%)	(1.1)	9.9	22.9
Rel Market (%)	(5.4)	(1.3)	7.0



Source: Bloomberg, CIMB Securities

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Matrix Concepts Holdings

Expecting a better year ahead

FY24 core net profit was below our and consensus expectations, dragged by the marketing expenses incurred in 4Q to promote newly launched projects. A final dividend for FY24 amounting to 2.5 sen was declared, bringing FY24 DPS to 10 sen, in line with expectations. We expect better earnings ahead supported by improved performance from the healthcare segment, gain from the disposal of an industrial building, maiden contribution from Menara Syariah, and contribution from new projects in MVV land. With higher earnings, we project a forward DPS of 10.6sen, translating to an attractive dividend yield of 6.5%.

Financial Highlights

FYE Mar	2023	2024	2025F	2026F	2027F
Revenue (RMm)	1,113.1	1,339.9	1,396.3	1,442.3	1,502.6
Core net profit (RMm)	214.2	227.4	240.1	263.2	284.2
Core EPS (Sen)	17.1	18.2	19.2	21.0	22.7
EPS growth (%)	8.1	6.1	5.6	9.6	8.0
DPS (Sen)	9.3	10.0	10.6	11.6	12.5
Core PE (x)	10.5	9.9	9.3	8.5	7.9
Div yield (%)	5.2	5.6	5.9	6.5	7.0
ROE (%)	10.8	10.7	10.8	11.2	11.5
Net Gearing (%)	1.6	Net Cash	Net Cash	Net Cash	Net Cash
PBV(x)	1.1	1.1	1.0	1.0	0.9

Source: Company, CIMB Securities

4QFY3/24 core net profit dragged down by higher operating expenses

Matrix Concepts (MCH)'s 4QFY3/24 core net profit fell 35% yoy to RM41.5m, after stripping off reversal of impairment totaling RM19.1m. This brings its full-year FY24 core net profit to RM227.4m (+6.1% YoY), below our and consensus expectations, making up 90% and 94% of full-year estimates, respectively. The negative deviation was partly due to the surge in operating expenses, particularly marketing expenses incurred in 4Q to promote recently launched projects. A final dividend was declared, amounting to 2.5 sen DPS, bringing FY24 DPS to 10 sen (FY23: 8.3 sen), which is in line with our expectations. This represents around 75% payout on core EPS, above the group's dividend policy of 50% payout.

Presales secured were slightly under FY24 target

The group raked in RM287m worth of new sales in 4QFY3/24, bringing the FY24 pre-sales secured to RM1.2bn. This is just slightly under its RM1.3bn pre-sales target set for the year. The presales were predominantly contributed by its flagship Sendayan developments, with RM1.0bn presales secured, which accounts for around 83% of total sales. Additionally, the completed unsold inventory is minimal at an estimated GDV of below RM42.2m, which accounts for less than 1% of the total GDV of ongoing projects. The group's unbilled sales stood at RM1.2bn at the end of March 2024, which provides secure earnings visibility over the next 12 months.

Healthcare segment on a positive trajectory

After its maiden profit contribution of RM2.2m in 3QFY3/24, Mawar Medical Centre (Mawar), a 77-bedded multidisciplinary private hospital in Seremban reported a sequentially higher profit of RM3.1m in 4QFY3/24. Overall, the healthcare segment registered around RM5.3m core profit for FY24, after excluding reversal of impairment of RM12.1m. With gradual bed addition, estimated at around 10 beds in FY25 until reaching full operational capacity of 97 beds, we project Mawar to record annual recurring income of at least RM12m from FY25F.

Expecting a better year ahead

Besides the healthcare segment, we expect FY25F earnings to be lifted by recognition of the gain from the proposed disposal of the industrial premise estimated at RM25m. Furthermore, proceeds from either sales or lease of Menara Syariah in Indonesia (effective GDV of around RM350m) is also expected to be recognized in FY25F as discussions with prospective

buyers and tenants are already at an advanced stage. Also, the completion of the proposed acquisition of 1,382 acres of Malaysia Vision Valley in the 3QCY24 or 1QFY3/25 will significantly increase the group's total landbank by 84% to 3,034 acres. This development is anticipated to add to profitability from FY27F onwards.

Maintain Buy with an unchanged TP of RM1.98

We revise our earnings forecasts for FY25F and FY26F downwards by 4% and 2%, respectively, after imputing a higher assumption for selling and distribution expenses. Nevertheless, our RNAV-based TP for MCH remains unchanged at RM1.98. This is based on a 20% discount to its RNAV (compared to the industry's average of ~50%), given its robust balance sheet (net cash of RM189m), high ROE of 10.7%, favorable profit margin of 25% in FY24, and attractive dividend yield of more than 5% compared to its peers. Valuation-wise, MCH is trading at a forward P/BV of 1.0x or +1.0SD above its ten-year historical P/BV. We believe the premium is warranted given that the proposed acquisition of land within MVV is expected to significantly boost the group's earnings if the deal materializes.

Exhibit 1: Results Review

Year to 30 Mar	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	% chg		Cumulative		
RM m						qoq	yoy	FY23	FY24	% chg
Revenue	302.2	331.4	359.4	296.0	353.1	19.3	16.9	1,113.1	1,339.9	20.4
Cost of sales	(158.0)	(179.2)	(202.6)	(136.4)	(177.2)	29.9	12.2	(624.3)	(695.5)	11.4
Gross profit	144.2	152.2	156.7	159.5	175.9	10.3	22.0	488.8	644.4	31.8
Other income	16.7	2.3	4.5	7.3	28.6	292.3	71.1	21.8	35.6	63.7
OPEX	(89.3)	(66.4)	(74.3)	(89.3)	(117.9)	31.9	32.0	(237.0)	(338.1)	42.7
Finance costs	(2.4)	(1.3)	(2.8)	(0.6)	(0.1)	(74.5)	(94.2)	(6.2)	(4.8)	(22.9)
Associates	0.3	0.4	-	(0.8)	0.4	nm	26.5	1.8	(0.4)	nm
PBT	69.5	87.2	84.1	76.1	86.9	14.1	25.1	260.7	334.1	28.2
Taxation	(14.9)	(23.5)	(20.7)	(19.5)	(22.3)	14.4	49.3	(57.9)	(85.9)	48.5
Net Profit (before NCI)	54.6	63.7	63.4	56.7	64.6	14.1	18.5	202.8	248.1	22.3
Non-controlling interest	(2.0)	(0.9)	(0.9)	(0.6)	4.0	nm	Nm	(4.4)	1.6	nm
Core net profit	63.6	64.6	64.3	57.2	41.5	(27.5)	(34.7)	214.2	227.4	6.1
Margin										
Gross profit	48%	46%	44%	54%	50%			44%	48%	
Cost of sales	52%	54%	56%	46%	50%			56%	52%	
EBITDA	24%	27%	24%	26%	25%			29%	25%	
OPEX	30%	20%	21%	30%	33%			21%	25%	
PBT	24%	27%	24%	26%	25%			29%	25%	
PERP	0%	0%	0%	0%	0%			0%	0%	
Net profit	21%	19%	18%	19%	12%			19%	17%	
Core net profit	21%	19%	18%	19%	12%			19%	17%	
Effective Tax rate	-21%	-27%	-25%	-26%	-26%			-22%	-26%	

Source: Company, CIMB Securities

Exhibit 2: Valuation table

Division	Stake (%)	Remaining Land Bank	Remaining GDV	Projects' NPV @ 11%		% of NAV
Development properties				mil	per share	
Domestic		3,603.9	20,932.1	997.0	0.8	
Bandar Sri Sendayan, Negeri Sembilan	100%	1734.2	11429.4	619.0	0.49	20.0
Bandar Seri Impian, Johor	100%	444.7	2067.8	112.0	0.09	3.6
The rest of Negeri Sembilan	100%	26.5	152.9	8.3	0.01	0.3
Klang Valley	100%	16.5	1332	72.1	0.06	2.3
MVV land	85%	1382	5950	185.5	0.15	6.0
International		8.9	545.6	18.2	0.0	
Australia	100%	0	245.6	13.3	0.01	0.4
Indonesia	30%	8.9	300.00	4.9	0.00	0.2
Total		3,612.8	21,477.7	1,015.1	0.8	32.8
Net book value		-	-	2,078.4	1.66	67.2
NAV				3,093.5	2.47	100.0
# of diluted shares				1,251.3		
RNAV / share				2.47		
TP / share - discount at 20%				1.98		

Source: CIMB Securities

Income Statement

FYE Mar (RMm)	2023	2024	2025F	2026F	2027F
Revenue	1,113	1,340	1,396	1,442	1,503
EBITDA	274	342	333	364	393
Depreciation/Amortisation	(10)	(10)	(10)	(10)	(11)
Operating income (EBIT)	263	332	323	354	382
Other income & associates	2	(0)	(0)	(0)	(0)
Net interest	(1)	2	3	3	3
Exceptional items	(7)	19	-	-	-
Pretax profit	261	334	326	357	385
Taxation	(58)	(86)	(84)	(92)	(99)
Minorities/pref dividends	(4)	2	2	2	2
Net profit	214	227	240	263	284
Core net profit	214	227	240	263	284

Balance Sheet

FYE Mar (RMm)	2023	2024	2025F	2026F	2027F
Fixed assets	211	204	216	223	232
Intangible assets	-	-	-	-	-
Other long-term assets	993	868	868	868	868
Total non-current assets	1,203	1,072	1,084	1,091	1,100
Cash & equivalent	191	335	294	329	396
Stock	398	542	542	542	542
Trade debtors	618	795	905	935	974
Other current assets	228	-	85	173	255
Total current assets	1,435	1,672	1,825	1,978	2,166
Trade creditors	382	447	508	525	547
Short-term borrowings	145	60	60	60	60
Other current liabilities	19	5	5	5	5
Total current liabilities	546	511	573	590	612
Long-term borrowings	78	86	86	86	86
Other long-term liabilities	27	30	25	50	98
Total long-term liabilities	105	115	111	136	184
Shareholders' funds	2,004	2,131	2,239	2,357	2,485
Minority interests	(16)	(14)	(14)	(14)	(14)

Cash flow Statement

FYE Mar (RMm)	2023	2024	2025F	2026F	2027F
Pretax profit	261	334	326	357	385
Depreciation/Amortisation	10	10	10	10	11
Net change in working capital	6	74	(95)	(76)	(54)
Others	(65)	(92)	(102)	(110)	(117)
Cash flow from operations	211	327	139	181	225
Capital expenditure	(2)	(2)	(2)	(2)	(2)
Net investments & sale of fixed assets	(0)	(1)	1	1	1
Others	22	1	1	1	1
Cash flow from investing	19	(2)	(0)	(0)	(0)
Dividends paid	(113)	(147)	(132)	(145)	(156)
Others	1	(1)	(1)	(1)	(1)
Cash flow from financing	(171)	(239)	(133)	(146)	(158)
Net cash flow	60	86	5	35	67
Cash b/f	150	200	289	294	329
Cash c/f	200	289	294	329	396

Key Ratios

FYE Mar	2023	2024	2025F	2026F	2027F
Revenue growth (%)	25	20	4	3	4
EBITDA growth (%)	(4)	25	(3)	9	8
Pretax margins (%)	23	25	23	25	26
Net profit margins (%)	19	17	17	18	19
Interest cover (x)	42	69	85	93	100
Effective tax rate (%)	22	26	26	26	26
Net dividend payout (%)	54	55	55	55	55
Debtors turnover (days)	203	192	222	233	232
Stock turnover (days)	141	128	142	137	132
Creditors turnover (days)	232	217	233	251	255

Source: Bloomberg, CIMB Securities

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Buy	The stock's total return is expected to exceed 10% over the next twelve (12) months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months.
Reduce	The stock's total return is expected to fall below 0% or more over the next twelve (12) months.
	<i>Note: The total expected return of a stock is defined as the sum of: the percentage difference between the target price and the current price; and the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i>
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