



Matrix Concepts Holdings Berhad

(5236 | MCH MK) Main | Property

Resilient Earnings

Maintain BUY**Unchanged Target Price: RM1.86**

KEY INVESTMENT HIGHLIGHTS

- **1HFY24 earnings within expectations**
- **Resilient earnings in 1HFY24**
- **Stable new sales**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged TP of RM1.86**

1HFY24 earnings within expectations. Matrix Concepts 1HFY24 core net income of RM128.6m came in within expectations, making up 50% and 52% of our and consensus full year estimates respectively. Meanwhile, Matrix Concepts announced dividend of 2.5sen per share in 2QFY24, bringing cumulative dividend to 5sen per share in 1HFY24 which is on track to meet our dividend forecast of 9.8sen per share in FY24.

Resilient earnings in 1HFY24. Sequentially, 2QFY24 core net earnings were little-changed at RM64m (-0.9%qoq) while revenue was higher at RM359.4m (+8.4%qoq). The higher revenue was mainly driven by higher progress billing at project sites. Nevertheless, earnings were partly dragged by higher selling and marketing expenses (+33.6%qoq). On yearly basis, 2QFY24 core net income was higher (+26.6%yoy), bringing cumulative earnings in 1HFY23 higher at RM128.6m (+31.8%yoy). The higher earnings were mainly lifted by acceleration of construction activities at projects site as labour shortage issue is resolved. Its flagship township namely Bandar Sri Sendayan continues to be the main earnings contributor which contributed to 95% to total revenue in 1HFY24. Meanwhile, the higher expenses partly mitigated earnings growth.

Stable new sales. New sales momentum of Matrix Concepts was stable in 2QFY24 as it secured new property sales of RM310.8m in 2QFY24 which was marginally higher than new property sales of RM305m in 1QFY24. That brought total new sales to RM616m in 1HFY24, on track to hit management new sales target of RM1.3b for FY24. New sales were largely underpinned by sale of landed house at its flagship township Bandar Sri Sendayan as it contributed 95% of total new sales. Meanwhile, unbilled sales stood at RM1.3b, providing earnings visibility for more than one year.

Maintain BUY with unchanged TP of RM1.86. We make no changes to our earnings forecast for FY24F/25F/26F. We maintain our **TP** at **RM1.86**, based on 23% discount to RNAV. We remain sanguine on earnings prospect for Matrix Concepts due to pick up in progress billing. Besides, balance sheet of Matrix Concepts is healthy at net cash position which should support dividend payout. Dividend yield of Matrix Concepts is attractive, estimated at 6%. Meanwhile, landbank expansion in Labu will support earnings growth in the longer term. Hence, we maintain our **BUY** call on Matrix Concepts.



RETURN STATISTICS

Price @ 23 Nov 2023 (RM)	1.62
Expected share price return (%)	14.8%
Expected dividend yield (%)	6.0%
Expected total return (%)	20.8%

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	8.0	6.9
3 months	8.7	5.6
12 months	8.7	8.0

INVESTMENT STATISTICS

FYE March	2024E	2025F	2026F
Revenue	1,190	1,250	1,266
Operating Profit	344	377	388
Profit Before Tax	335	367	378
Core PATAMI	256	280	288
Core EPS	20.42	22.40	23.04
DPS	9.80	10.75	11.06
Dividend Yield	6.0%	6.6%	6.8%

KEY STATISTICS

FBM KLCI	1,453.29
Issue shares (m)	834.23
Estimated free float (%)	58.91
Market Capitalisation (RM'm)	2,027
52-wk price range	RM1.4–RM1.64
3-mth average daily volume (m)	2.51
3-mth average daily value (RM'm)	3.82
Top Shareholders (%)	
Shining Term Sdn Bhd	12.67
Lee Tian Hock	11.11

Analyst

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Matrix Concepts: 2Q24 RESULTS SUMMARY

FYE June (RM'm, unless otherwise stated)	Quarterly Results				
	2QFY24	%YoY	%QoQ	FY24	%YoY
Revenue	359.35	61.6%	8.4%	690.78	53.0%
Gross Profit	156.73	38.0%	3.0%	308.95	38.7%
Operating Profit	88.21	30.9%	0.0%	176.42	33.6%
Profit Before Tax	83.81	26.0%	-3.9%	171.03	31.2%
Net Income	64.03	26.6%	-0.9%	128.63	31.8%
Core Net Income	64.03	26.6%	-0.9%	128.63	31.8%
Dividend	2.50	25.0%	0.0%	5.00	0.0%
EPS (sen)	5.12	26.6%	-0.9%	10.28	31.8%
Core EPS (sen)	5.12	26.6%	-0.9%	10.28	31.8%
Operating Profit Margin (%)	24.5%	N/A	N/A	25.5%	N/A
NTA/share	1.66	7%	1.5%	1.66	6.6%
Net Gearing	Net Cash	N/A	N/A	Net Cash	N/A

RNAV table

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Domestic				
Sendayan	100%	3187	10%	294
BSI	100%	1935	10%	194
Other N.S.	100%	153	10%	18
Klang Valley	100%	1,332.0	10%	145
International				
Australia	100%	238	10%	114
Indonesia	30%	1000	10%	34
Unbilled sales		1400	10%	174
Total				972
Shareholder Funds				2048
Total RNAV				3020
Number of shares				1251
RNAV per share				2.41
Discount				23%
Target Price				1.86

Source: MIDF Research

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	892	1,113	1,190	1,250	1,266
EBIT	276	268	344	377	388
PBT	268	261	335	367	378
Net Income	205	207	256	280	288
Core Net Income	216	221	256	280	288
Core EPS (sen)	25.9	17.6	20.4	22.4	23.0
Core PER (x)	6.2	9.1	7.8	7.1	6.9
NTA/share	2.28	1.59	1.63	1.68	1.71
P/NTA	0.70	1.01	0.98	0.95	0.94

FY March (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Property, plant and equipment	219	211	214	222	225
Inventories	803	774	791	688	674
Total non-current assets	1227	1203	1230	1278	1306
Trade receivables and contract assets	618	618	632	652	659
Inventories	463	398	406	426	435
Deposits, Cash and bank balances	202	250	294	249	254
Other current assets	110	169	184	247	294
Total Assets	2619	2638	2746	2852	2949
Long-term borrowings	114.6	77.6	79.2	83.1	89.0
Short-term borrowings	139.8	168.3	145.1	148.4	155.9
Other Liabilities	466	405	478	520	567
Total Liability	720	651	702	751	812
Share capital	961	961	961	961	961
Other Equity	938	1027	1083	1139	1176
Total Equity	1899	1988	2044	2101	2137
Equity + Liability	2619	2638	2746	2852	2949

FY March (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash flows from operating activities					
Net income before taxation	268	261	274	312	355
Net cash from operating activities	108	211	209	212	207
Cash flows from investing activities					
Purchase of PPE	-2	-2	-2	-2	-2
Net cash used in investing activities	-3	19	20	18	13
Cash flows from financing activities					
Repayment of term loan	-16	-55	-47	-32	-29
Net cash from/(used in) financing activities	-140	-171	-155	-162	-159
Net increase/(decrease) in cash and cash equivalents	186	60	74	67	62
Cash and cash equivalent at 1 April	186	150	200	274	341
Cash and cash equivalent at 31 March	186	150	200	274	341

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBIT margin	31.0%	24.1%	28.9%	30.2%	30.6%
PBT margin	30.1%	23.4%	28.1%	29.4%	29.8%
PAT margin	22.5%	18.2%	21.1%	22.0%	22.4%
Core PATAMI margin	24.2%	19.8%	21.5%	22.4%	22.8%
ROE	11.4%	11.1%	12.5%	13.3%	13.5%
ROA	8.2%	8.4%	9.3%	9.8%	9.8%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology