



# Matrix Concepts Holdings Berhad

(5236 | MCH MK) Main | Property

## An Established Township Developer in Seremban

**Initiate with BUY****Target Price: RM1.81**

### KEY INVESTMENT HIGHLIGHTS

- **We initiate coverage on Matrix Concepts with BUY call and TP of RM1.81**
- **An established township developer in Seremban**
- **Good track record of dividend pay-out**
- **Better earnings outlook for FY24F/25F**
- **Healthy balance sheet at net cash position**

**We initiate coverage on Matrix Concepts with BUY call and TP of RM1.81.** We derive our TP of RM1.81 by pegging 25% discount to RNAV. Our positive view on Matrix Concepts are premised on (1) its status as an established township developer in Seremban that focus on affordable home, (2) good track record of dividend payout, (3) better earnings prospect from FY24 onwards, (4) near-term catalyst from Indonesia project and land banking in Labu, and (5) healthy balance sheet.

### INVESTMENT THESIS

**An established township developer in Seremban.** Matrix Concepts Holdings Berhad (Matrix Concepts) is a property developer based in Seremban. Matrix Concepts was listed on the Main Market of Bursa Malaysia on 28 May 2013. Matrix Concepts is mainly involved in property development business. Property development division contributed 96% of revenue in FY23. Matrix Concepts is the developer of Bandar Sri Sendayan township in Seremban. Bandar Sri Sendayan is an established township with size of 13,287 acres. More than 7,000 acres has been completed under the township while there are 6,172 acres for ongoing and future developments. Property sales from Bandar Sri Sendayan are encouraging as the township is focusing on offering affordable landed homes.

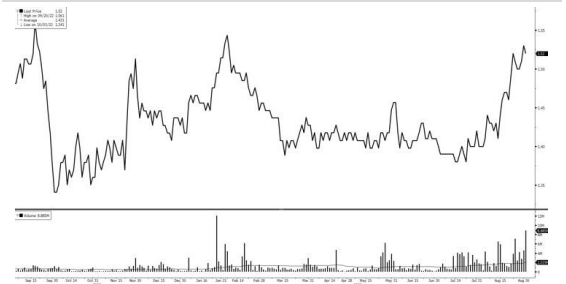
**Good track record of dividend pay-out.** Matrix Concepts has been rewarding shareholders by dishing out dividend consistently since its listing. Matrix Concepts has dividend policy of paying out not less than 50% of earnings. We estimate Matrix Concepts to pay dividend of 9.5sen per share in FY24 which translates into dividend yield of 6.4%. Meanwhile, balance sheet of Matrix Concepts improved to net cash position in FY23 from low net gearing of 0.04x in FY22 which should help to sustain its dividend payout to shareholders.

**Better earnings outlook for FY24F/25F.** We see better earnings outlook for Matrix Concepts in FY24 and FY25 as construction progress at project sites normalized. We estimate earnings of Matrix Concepts to be higher at RM255.5m (+15.8%yoy) and RM280.3m (+9.7%yoy) for FY24F and FY25F respectively. Earnings should also support by better new sales outlook. Note that Matrix Concepts targets to achieve new sales of RM1.3b in FY24F, which is higher than new sales of RM1.2b achieved in FY23.

### RETURN STATISTICS

Price @ 1 <sup>st</sup> Sept 2023 (RM)	1.52
Expected share price return (%)	19.1%
Expected dividend yield (%)	6.4%
Expected total return (%)	+25.5%

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.8	6.5
3 months	7.8	-3.1
12 months	-1.7	0.1

### 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	6.4%	7.1%	7.3%

### KEY STATISTICS

FBM KLCI	1,463.43
Issue shares (m)	834.23
Estimated free float (%)	57.07
Market Capitalisation (RM'm)	1,902
52-wk price range	RM1.4–RM1.68
3-mth average daily volume (m)	1.98
3-mth average daily value (RM'm)	2.85
Top Shareholders (%)	
Shining Term Sdn Bhd	12.67
Lee Tian Hock	11.47
EPF	6.03

**Analyst**

Jessica Low Jze Tieng  
jessica.low@midf.com.my

**MVV land acquisition.** Matrix Concepts announced acquisition of 1382 acres of land located within the Malaysia Vision Valley (MVV) corridor from NS Corporation for RM460m. Matrix Concepts, via its indirect subsidiary MCHB Development (NS) Sdn Bhd, will also set up a joint venture company with NS Corp on a 85:15 stake basis called N9 Matrix Development Sdn Bhd to develop the land. The land which is located in Mukim Labu, Seremban will feature a balanced mix of residential, commercial, and retail elements to fulfill the growing demand from Klang Valley. The land acquisition is expected to underpin prospect for Matrix Concepts beyond 2030. Meanwhile, first project launch is anticipated in FY26 and support earnings growth going forward.

**Indonesia venture.** Matrix Concepts expanded its overseas venture to Indonesia. Matrix Concepts launched Menara Syariah Twin Towers which is a 29-storey 2 blocks of premium office towers located at Islamic financial district of Pantai Indah Kapuk 2 (PIK 2) in 2019. The GDV of Menara Syariah is RM1b. Note that Menara Syariah Twin Towers will be developed by PT Fin Centerindo Satu, a joint venture company between Matrix Concepts and three other Indonesian companies which are Agung Sedayu Group, Salim Group and PT Fin Centerindo Dua. Matrix Concepts hold 30% in the JV company. Construction progress of Menara Syariah is estimated at 95% as of June 2023 and the project is targeted to complete in 4QCY23. Matrix Concepts targets to sell Menara Syariah on en-bloc basis which should contribute lumpy earnings contribution in FY24/25.

**Figure 1: Menara Syariah, Indonesia**

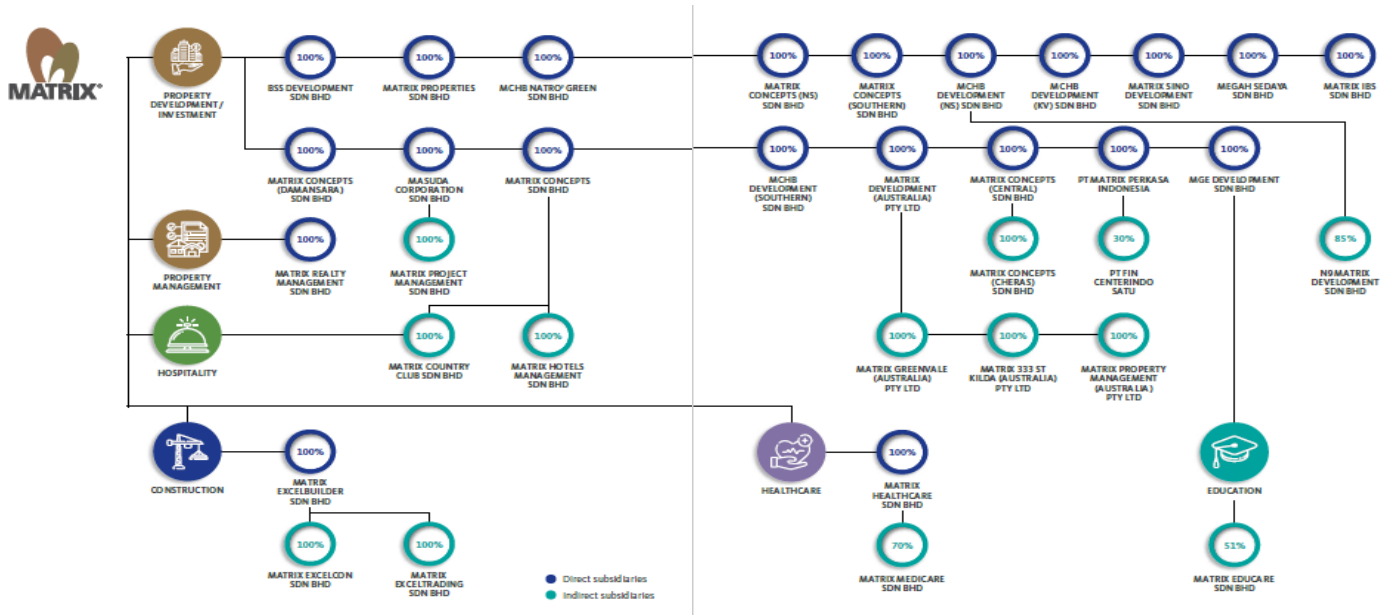


*Source: Company*

## **COMPANY BACKGROUND**

Matrix Concepts Holdings Berhad was incorporated in 1996 and was listed on the main board of Bursa Malaysia Securities Berhad on 28<sup>th</sup> May 2013. The principal business activities of Matrix focus on four main pillars namely property development, construction, education and hospitality. Property development division is the main earnings contributor, contributed to 96% of revenue in FY23.

**Figure 2: Corporate Structure**



**Property development**

Property development segment is the biggest earnings contributor to Matrix Concepts, contributing to 96% to total revenue in FY23. As at 31<sup>st</sup> March 2023, total landbank of Matrix Concepts stands at 2,203.7 acres. Meanwhile, Matrix Concepts is expanding its landbanking as Matrix Concepts entered into Sale and Purchase Agreement for acquisition of 1,382 acres of land within the Malaysia Vision Valley (MVV) corridor. Besides, Matrix Concepts has international project exposure in Australia and Indonesia. Matrix Concepts launched its third Australian project, M333 St. Kilda in Melbourne. Note that earlier projects in Australia include M. Carnegie and M. Greenvale which were launched in 2016 and 2019 respectively. On the other hand, Matrix Concepts ventured in Indonesia through the development of Menara Syariah which is located in Islamic Financial District at Pantai Indah Kapuk 2.

**Key Projects:**

**Bandar Sri Sendayan**

Bandar Sri Sendayan is Matrix Concept’s flagship project in Negeri Sembilan. Total acreage of Bandar Sri Sendayan in Seremban is 13,287.6 acres. Matrix Concepts completed development of 7,114 acres while acreage for ongoing and future developments is at 6,172 acres which should last Matrix Concepts for the next five to seven years. Projects at Bandar Sri Sendayan recorded encouraging average take up rate of 91% for ongoing projects in FY23.

**Figure 3: Bandar Sri Sendayan township**



Source: Company



### Sendayan TechValley @ Bandar Sri Sendayan

Spanning across 1,100 acres of freehold land, Sendayan TechValley is a modern technology park at Bandar Sri Sendayan. Sendayan TechValley is developed in synergy with the Negeri Sembilan government to attract foreign direct investment as well as assist with the expansion of domestic direct investment. Sendayan TechValley is offering approximately 748 acres of net saleable industrial land with a total GDV of RM1b.

**Figure 4: Sendayan TechValley**



*Source: Company*

### Bandar Sri Impian

Bandar Sri Impian (BSI) is located in Kluang, Johor. BSI covers an area of 1,209 acres which was acquired through a joint venture agreement between Matrix Concepts and Koperasi Kemajuan Tanah negeri Johor Berhad.

**Figure 5: Bandar Sri Impian, Kluang**



*Source: Company*

### Levia Residence, KL

Levia Residence is Matrix Concepts' latest high-rise residential condominium project in KL. Levia Residence is a 35-storey condominium with total GDV of RM532.6m. The project is located on 5.2 acres of site in Cheras. The project is Green RE Certified which incorporated rainwater harvesting system for gardening and solar energy for common area. Matrix Concepts targets to launch the project in FY24.

**Figure 6: Levia Residence**

Source: Company

**M333 St Kilda**

M333 is a mixed development on 0.6-acre land. It is located less than 8km from Melbourne CBD. It features 79 residential apartment units and ground floor retail. Estimated GDV for the project is AUD76.9m (RM245.6m). The project was launched in July 2022 and target completion for the project is in June 2025.

**Figure 7: M333 St Kilda**

Source: Company

**Construction**

Matrix Concepts construction segment comprises the operations of Matrix Excelcon Sdn Bhd, which is the Group's in-house construction arm. Matrix Excelcon undertakes all construction works and manages all construction with the exception of high-rise projects. It undertakes only construction projects related to the Matrix Group.

**Education**

Matrix Global Schools comprise of Matrix Private School, Matrix International School and Matrix International Perschool located in one campus. The campus is located at Bandar Sri Sendayan. As of June 2023, there are total of 670 students enrolled at Matrix Global Schools. Earnings contribution from education segment is minimal as the division is still in the red.



**Figure 8: Matrix Global Schools**

Source: Company

### Hospitality

Matrix Concepts has d'Tempat Country Club and d'Sora Boutique Business Hotel under its hospitality business segment. D'Tempat Country Club in Bandar Sri Sendayan, Negeri Sembilan caters to needs of residents and guests for leisure, sporting and dining facilities. Meanwhile, d'Sora Boutique Business Hotel is a 3-Star contemporary business hotel, offers a range of facilities that meets business needs and travelers. In FY23, d'Sora Hotel registered a higher occupancy rate of 58.4% as compared to occupancy rate of 40.7% in FY22 due to revival in international travel and tourism as well as domestic tourism.

**Figure 9: d'Tempat Country Club**

Source: Company

**Figure 10: d'Sora Boutique Business Hotel**

Source: Company

### Healthcare

Matrix penetrated into the healthcare sector through its 30-year management agreement with Pusat Hemodialisis Mawar (PHM). Matrix Medicare Sdn Bhd, the Group's subsidiary company, manages PHM's non-clinical operations of Mawar Medical Center such as finance, administration and human resources.

**Figure 11: Mawar Medical Center**

Source: Company

**Figure 12: Board of Directors**

Name	Designation	Date of Appointment	Academic/Professional Qualification (s)
Dato' Haji Mohamd Haslah Bin Mohamad Amin	Non-Independent Non-Executive Chairman	2 April 2012	Diploma in Banking from the Institute of Bankers, London, UK.
Dato' Seri Lee Tian Hock	Founder, Group Executive Deputy Chairman	4 March 1997	Degree in Housing, Building and Planning from Universiti Sains Malaysia
Ho Kong Soon	Group Managing Director	30 December 2002	Bachelor of Engineering Degree from University of Malaya
Dato' Logendran A/L K Narayanasamy	Non-Independent Non-Executive Director	15 November 2016	Diploma in Architectural
Mazhairul Bin Jamaludin	Senior Independent Non-Executive Director	20 August 2021	Bachelor Degree in Accounting & Finance from Lancaster University, United Kingdom
Dato' Hajah Kalsom Binti Khalid	Independent Non-Executive Director	15 March 2016	Bachelor of Arts in Geography from University of Malaya
Dato' Hon Choon Kim	Independent Non-Executive Director	19 June 2015	Bachelor of Social Sciences (Econ) from Universiti Sains Malaysia

## FINANCIALS

**FY23 earnings recovered marginally.** FY23 revenue increased strongly (+24.7%yoy) mainly due to higher revenue from Sendayan developments and contribution from M. Greenvale project in Australia. Nevertheless, core net earnings growth was flattish at +2.2%yoy to RM220.6m as earnings were dragged by higher cost of sales which led gross profit margin to fell to 43.9% in FY23 from 55% in FY23. Besides, earnings were also partly dragged by higher selling & marketing expenses which offset by lower finance costs following repayment of bank borrowings.


**1QFY24 earnings review.** Matrix Concepts recorded higher earnings of RM64.6m in 1QFY24 which grew +37.3%yoy. The improved earnings were due to acceleration of progress billing as labour shortage issue was gradually resolved. Meanwhile, Matrix Concepts secured new property sales of RM305.3m in 1QFY24 which is on track to meet management new sales

target of RM1.3b for FY24. On the other hand, unbilled sales stood at RM1.4b in 1QFY24, providing more than one-year earnings visibility. On a positive note, Matrix Concepts announced dividend of 2.5sen per share. We project Matrix Concept to pay dividend of 9.5sen for FY24 which translates into dividend yield of 6.4%.

**Better earnings outlook.** We see better earnings outlook for Matrix Concepts in FY24 and FY25 as construction progress at project sites normalized. We estimate earnings of Matrix Concepts to be higher at RM255.5m (+15.8%yoy) and RM280.3m (+9.7%yoy) for FY24F and FY25F respectively. Earnings should also support by better new sales outlook. Note that Matrix Concepts targets to achieve new sales of RM1.3b in FY24F, which is higher than new sales of RM1.2b achieved in FY23.

**Balance sheet at net cash position.** Balance sheet of Matrix Concepts improved to net cash position in FY23 from low net gearing of 0.04x in FY22. The improving balance sheet is due to repayment of Matrix Concepts bank borrowings in FY23. We think that the healthy net gearing of Matrix Concepts would help to support its dividend payout to shareholders as Matrix Concepts has dividend policy of paying out not less than 50% of earnings.

## Valuation

**We initiate coverage on Matrix Concepts with BUY call and a target price of RM1.81.** Our target price is based on 25% discount to RNAV. We are positive on Matrix Concepts for (1) its status as an established township developer in Seremban that focus on affordable home, (2) good track record of dividend payout, (3) Better earnings prospect from FY24 onwards, (4) near-term catalyst from Indonesia project and land banking in Labu, and (5) healthy balance sheet. 

### RNAV table

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
<b>Domestic</b>				
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
<b>International</b>				
Australia	100%	238	10%	114
Indonesia	30%	1000	10%	34
Unbilled sales		1400	10%	174
<b>Total</b>				<b>972</b>
Shareholder Funds				2048
Total RNAV				3020
Number of shares				1251
RNAV per share				2.41
Discount				25%
<b>Target Price</b>				<b>1.81</b>



Source: MIDF Research

**PEERS COMPARISON**

Stock	Rec.	Price @ 1-Sept-2023	Target Price (RM)	Core EPS (sen)		Core PER (x)		Net DPS (sen)		Net Dvd Yield	
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
MAHSING	BUY	0.805	0.83	8.5	9.7	9.5	8.3	3.4	3.9	4.2%	4.8%
SPSETIA	BUY	0.92	0.92	7.0	8.1	9.2	7.9	1.6	1.7	2.5%	2.6%
IOIPG	BUY	1.64	1.79	13.3	13.6	12.3	12.1	4.0	4.0	2.4%	2.4%
GLOMAC	BUY	0.40	0.47	4.1	5.3	9.8	7.6	1.3	1.5	3.1%	3.8%
MATRIX	BUY	1.52	1.81	17.6	20.4	8.6	7.4	8.50	9.80	5.6%	6.4%
ECOWLD	NEUTRAL	1.03	0.96	9.6	9.6	10.7	10.7	5.0	5.0	4.9%	4.9%
UOADEV	NEUTRAL	1.80	1.65	8.8	9.0	20.5	20.0	30.0	10.0	16.7%	5.6%
SUNWAY	NEUTRAL	1.96	1.71	10.2	10.5	19.2	18.7	5.5	5.5	2.8%	2.8%

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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)	5.8	8.6	7.4	6.7	6.6
NTA/share	2.28	1.59	1.63	1.68	1.71
P/NTA	0.66	0.95	0.92	0.90	0.88

<b>FY March (RM m)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>	<b>FY26F</b>
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
<b>Total Assets</b>	<b>2619</b>	<b>2638</b>	<b>2746</b>	<b>2852</b>	<b>2949</b>
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
<b>Equity + Liability</b>	<b>2619</b>	<b>2638</b>	<b>2746</b>	<b>2852</b>	<b>2949</b>

<b>FY March (RM m)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>	<b>FY26F</b>
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

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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