

COMPANY RESULTS

Matrix Concepts Holdings (MCH MK)

4QFY22: Below Estimates Due To Labour Shortage; Achieves Highest-ever Sales In FY22

4QFY22 earnings grew 9% qoq but dropped 33% yoy due to labour shortage. FY22 earnings came in below expectations, accounting for 87% of our full-year forecast. FY22 sales exceeded 112% of its full-year target thanks to a strong take-up rate of 90%. FY22 DPS represents a 50% payout. We expect FY23 earnings to catch up on the back of strong unbilled sales and bookings, and contributions from Melbourne and Jakarta. Matrix offers an attractive yield of 7% for FY23-25. Maintain BUY. Target: RM2.70.

4QFY22 RESULTS

Year to 31 Mar (RMm)	4QFY22	qoq % chg	yoy % chg	FY22	yoy % chg
Total revenue	250.8	7.6	(35.4)	886.9	(21.4)
Gross Profit	165.4	21.5	(19.6)	496.1	(15.0)
EBIT	86.0	5.1	(27.7)	281.2	(20.8)
PBT	75.1	(9.1)	(21.2)	270.7	(19.2)
Net profit	61.1	1.1	(22.2)	205.0	(21.1)
Core net profit	66.1	9.4	(33.1)	210.1	(25.0)
Margins (%)		+/- ppt	+/- ppt	(%)	+/- ppt
Gross Profit	66.0	7.5	13.0	55.9	4.2
EBIT	34.3	(0.8)	3.6	31.7	0.2
PBT	29.9	(5.5)	5.4	30.5	0.8
Core net profit	26.4	0.4	0.9	23.7	(1.2)

Source: Matrix Concepts, UOB Kay Hian

RESULTS

- Results below expectations amid labour shortage.** Matrix Concepts' (Matrix) 4QFY22 core net profit came in at RM66.1m (-33% yoy, +9% qoq). Headline net profit includes a RM12m impairment on Industrialised Building System (IBS). The weaker yoy earnings was dragged by industry-wide labour shortage issues and slower loans conversion that led to lower revenue recognition. Having said that, the group grew earnings sequentially by 9% in 4QFY22 on the back of: a) higher revenue (+8% qoq), and b) lower tax expenses (-39% qoq). FY22 earnings of RM210m (-25% yoy) were below expectations, accounting for 87% of house and 89% of street's full-year estimates.
- Achieved 112% sales target.** Positively, Matrix achieved total sales of RM347m in 4QFY22 (+1.5% yoy, -3% qoq). Full-year sales of RM1.345b represents 112% of its full-year sales target of RM1.2b.

KEY FINANCIALS

Year to 31 Mar (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	1,128	887	1,288	1,299	1,338
EBITDA	367	293	375	380	393
Operating profit	355	281	364	368	382
Net profit (rep./act.)	260	208	272	279	290
Net profit (adj.)	280	202	272	279	290
EPS (sen)	33.6	24.2	32.6	33.5	34.8
PE (x)	7.2	10.1	7.4	7.3	7.0
P/B (x)	1.1	1.1	1.0	0.9	0.9
EV/EBITDA (x)	5.7	7.2	5.6	5.5	5.3
Dividend yield (%)	4.9	5.1	6.7	6.9	7.2
Net margin (%)	23.0	23.4	21.1	21.5	21.7
Net debt/(cash) to equity (%)	4.9	4.6	10.5	4.9	0.5
Interest cover (x)	14.9	28.2	22.7	22.8	25.7
ROE (%)	15.2	11.2	13.8	13.2	12.9
Consensus net profit	-	-	261	276	-
UOBKH/Consensus (x)	-	-	1.04	1.01	-

Source: Matrix Concepts Holdings, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM2.43
Target Price	RM2.70
Upside	+11.1%

COMPANY DESCRIPTION

A pure township developer based in Negeri Sembilan.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	MCH MK
Shares issued (m):	834.2
Market cap (RMm):	2,027.2
Market cap (US\$m):	461.3
3-mth avg daily t'over (US\$m):	0.2

Price Performance (%)

52-week high/low RM2.43/RM1.95

1mth	3mth	6mth	1yr	YTD
5.7	0.4	10.5	24.0	10.5

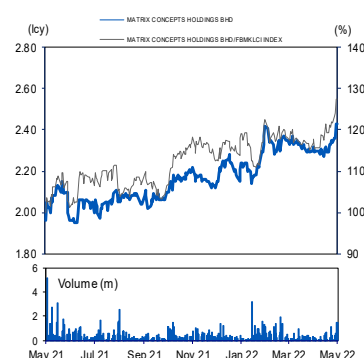
Major Shareholders

	%
Lee Tian Hock	13.9
Shi Ning Term Sdn Bhd	12.7
Employees Provident Fund	9.8

FY23 NAV/Share (RM) 2.45

FY23 Net Debt/Share (RM) 0.26

PRICE CHART



Source: Bloomberg

ANALYST(S)

Chloe Tan Jie Ying
+603-2147 1916
chloetan@uobkayhian.com

- **Dividend: 50% earnings payout.** The group declared its final interim dividend of 3.75 sen/share (51% of earnings payout). FY22 dividend of 12.5 sen/share (51% earnings payout) translates to 5.4% dividend yield.

STOCK IMPACT

- **Resilient sales with average take-up rate of 90.** Matrix secured RM347m worth of property sales in the quarter, bringing FY22 sales to RM998m (+15% yoy). This came as the average take-up rate of its products remained high at 89.7% as of Mar 22, with take-up rates of its recent projects (Tiara Sendayan 13 and Bayu Sutera 1&2) launched in 4QFY22 coming in at almost 100%. This was also accelerated by the wide adoption of digital services such as live balloting and virtual gallery. Meanwhile, inventory level has eased 67% yoy to RM69m.
- **Sales target of RM1.2b for FY23.** After achieving RM1.345b of sales (Matrix's highest sales historically (see chart on right)), the group remains conservative and has set a sales target of RM1.2b for FY23. This will be underpinned by strong bookings of c.RM600m and planned launches of RM1.55b in FY23 (FY22: RM919m).
- **Earnings outlook.** We expect a stronger FY23 on the back of: a) strong unbilled sales of RM1.295b (unbilled sales/2023 revenue: 1.01x), b) a strong pipeline of bookings with high take-up rate, c) contribution from Menara Shariah from its JV in Jakarta (targeted completion by end-FY23), d) contribution from its Melbourne projects, and e) good cost discipline. Management expects rising building material costs to have a minimal impact on its margin due to its strong bargaining power with the supply chain and vendors. Meanwhile, the non-extension of Home Ownership Campaign (HOC) appears to have minimal impact on Matrix, as Matrix has been absorbing stamp duty fees as part of its ongoing campaign.

EARNINGS REVISION/RISK

- **None.** Our dividend assumption of 50% earnings payout will translate to a sustainable dividend yield of 7% for FY23-25.

VALUATION/RECOMMENDATION

- **Maintain BUY and target price of RM2.70**, or a 30% discount (close to its 5-year mean) to its fully-diluted RNAV/share of RM3.84. We continue to like Matrix given its: a) above-industry margin and ROE, b) resilient earnings base, c) strong balance sheet, and d) sustainable dividend yield. We believe its attractive 7% yield could be a defensive shelter amid market volatility, and its strong value propositions should propel it to trade at a higher multiple. Our target price also implies a 1.1x FY23F P/B (0.5SD above its 5-year mean P/B).
- **Bonus 1-for-2 issue announced.** Once the bonus issue is completed, our target price will be adjusted to RM1.80 from RM2.70. This could improve volume traded and therefore could improve liquidity for Matrix. An entitlement date has yet to be determined (to be completed by 4Q22).

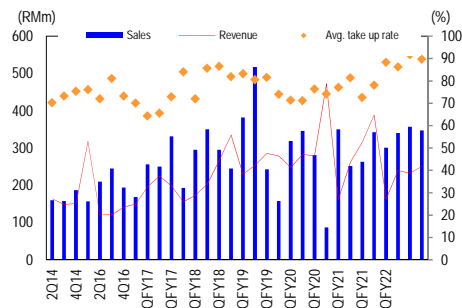
SHARE PRICE CATALYST

- **Key re-rating catalysts:** a) deal completion with NS Corp for a 1.35-acre land within Malaysia Vision Valley 2.0, b) higher-than-expected dividend payout, c) expansion of its industrial landbanks, d) favourable government policies.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

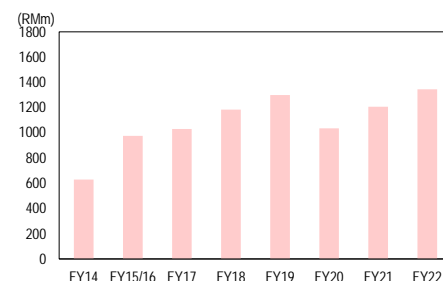
• Environmental
- In FY21, Matrix's emissions from diesel and electricity fell 41.78% and 11.22% yoy.
- Matrix plans to adopt renewable energy (RE) alternatives to reduce reliance on electricity from the national grid. Key initiatives include a maiden solar photovoltaic project at its 50,000-sf d'Tempat Country Club, where it generated 242,095kWh of clean energy between Nov 20 and Mar 21.
• Social
- Matrix has initiated community and corporate social responsibility (CSR) projects, where it contributed RM8.4m and RM6.4m for CSR in FY20 and FY21 respectively, of which RM1m and RM325,000 were for the COVID-19 fund.
• Governance
- Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

HISTORICAL QUARTERLY SALES, REVENUE, TAKE-UP RATES



Sources: Matrix, UOB Kay Hian

HISTORICAL YEARLY SALES



Sources: Matrix, UOB Kay Hian

RNAV CALCULATIONS FOR RM2.50/SHARE

	NPV @ avg 9% (RMm)
Seremban (BSS)	1,188
- Ongoing	26
- Future Development	606
Ongoing Acquisition	555.6
Johor (BSI)	318
- Ongoing	13
- Future Development	305
Klang Valley	152
- Ongoing	5
- Future Development	147
Others	21
Sub total	1,679
Australia	32
Jakarta	74
Total NPV	1,786
Shareholders' Funds	1,457
Proceed from Warrant Conversion	205
Total RNAV	3,447
Share Base (m)	834
Warrant (m)	64
Enlarge Share Base (m)	898
RNAV/share (RM)	3.84
Discount (%)	30%
FD Target Price (RM)	2.70

Source: Matrix, UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2022	2023F	2024F	2025F
Net turnover	887	1,288	1,299	1,338
EBITDA	293	375	380	393
Deprec. & amort.	12	12	12	12
EBIT	281	364	368	382
Associate contributions	3	10	15	15
Net interest income/(expense)	(10)	(17)	(17)	(15)
Pre-tax profit	274	357	367	381
Tax	(70)	(89)	(92)	(95)
Minorities	4	4	4	4
Net profit	208	272	279	290
Net profit (adj.)	202	272	279	290

BALANCE SHEET

Year to 31 Mar (RMm)	2022	2023F	2024F	2025F
Fixed assets	973	974	976	977
Other LT assets	227	237	252	267
Cash/ST investment	194	66	175	268
Other current assets	1,178	1,710	1,724	1,776
Total assets	2,572	2,987	3,127	3,289
ST debt	160	160	160	160
Other current liabilities	368	651	656	677
LT debt	121	121	121	121
Other LT liabilities	24	24	24	24
Shareholders' equity	1,910	2,046	2,186	2,331
Minority interest	(12)	(16)	(20)	(25)
Total liabilities & equity	2,572	2,987	3,127	3,289

CASH FLOW

Year to 31 Mar (RMm)	2022	2023F	2024F	2025F
Operating	98	37	279	267
Pre-tax profit	271	357	367	381
Tax	(70)	(89)	(92)	(95)
Deprec. & amort.	12	12	12	12
Associates	(3)	(10)	(15)	(15)
Working capital changes	(114)	(248)	(10)	(31)
Other operating cashflows	2	17	17	15
Investing	22	(13)	(13)	(13)
Capex (growth)	(4)	(13)	(13)	(13)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	26	0	0	0
Financing	(138)	(153)	(156)	(160)
Dividend payments	(100)	(136)	(140)	(145)
Issue of shares	0	0	0	0
Loan repayment	(45)	0	0	0
Others/interest paid	7	(17)	(17)	(15)
Net cash inflow (outflow)	(18)	(128)	109	94
Beginning cash & cash equivalent	238	194	66	175
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	194	66	175	268

KEY METRICS

Year to 31 Mar (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	33.0	29.1	29.3	29.4
Pre-tax margin	30.8	27.7	28.2	28.5
Net margin	23.4	21.1	21.5	21.7
ROA	8.0	9.8	9.1	9.1
ROE	11.2	13.8	13.2	12.9
Net profit (adj.)	(28.1)	35.1	2.7	3.9
Leverage				
Debt to total capital	12.9	12.2	11.5	10.9
Debt to equity	14.7	13.7	12.9	12.1
Net debt/(cash) to equity	4.6	10.5	4.9	0.5
Interest cover (x)	28.2	22.7	22.8	25.7

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2022, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W