INITIATE COVERAGE

Matrix Concepts Holdings (MCH MK)

A Rare Gem

We like Matrix as it ticks all the boxes and boasts quality earnings with strong management. It is poised to benefit from the economic reopening-fuelled pent-up demand as it focuses on affordable landed homes. We expect resilient earnings outlook amid sustainable sales take-up. The stock is attractive, trading at 6x FY23F PE and offering a 6% yield. Its strong value propositions should propel it to trade at a higher multiple. Above average P/B is justifiable with its efficient capital recycling. Initiate coverage with BUY and target price of RM2.50 based on a 35% discount to RNAV/share.

- **An underappreciated gem.** Matrix Concepts Holdings (Matrix) is an underappreciated property gem with the following key-value propositions: a) above-industry profit margins, b) consistent double-digit ROA and ROE, c) strong balance sheet position (net gearing at 0.04x, cash-to-short-term debt of 2x), d) attractive valuation, and e) resilient earnings base. Matrix appears to be the laggard of the recent gradual rotational play into the property sector (especially among the landed and township developers) (Figure 9). We expect Matrix to trade at a higher valuation relative to its peers, with a potential 27% upside after factoring in a sustainable dividend yield of 6%.
- **Above-industry margin in a soft market.** Matrix's margins are higher than the property industry's average. This can be attributed to: a) low land cost, b) minimal inventory levels, c) synergies via in-house procurement and construction, and d) quick turnaround of its landbanks. This allows Matrix to reap decent gross development margins of 50-55% vs the industry's 20-25%.
- **Well-positioned to ride on reopening-fuelled pent-up demand.** Matrix is well positioned to ride on the economic reopening-fuelled pent-up demand which was previously evident in 1Q21. This comes against the backdrop of the resounding success of Matrix's flagship township development in the Seremban-based Bandar Sri Sendayan (BSS) and its well-known, competitively-priced landed homes. As an early mover into Phase 4 of the National Recovery Plan (NRP) since mid-Sep 21, Matrix is now experiencing encouraging sales momentum and a pick-up in construction activities. Despite an expected weak 2QFY22, management is confident that FY22 could achieve its full-year sales target of RM1.2b (achieved 25% in 1QFY22) and earnings to match FY21.
- **Initiate coverage with BUY and target price of RM2.50**, based on a 35% discount to its fully-diluted RNAV/share of RM3.84. Our target price implies a 0.98x FY23F P/B and a 7.5x FY23F PE. We believe Matrix warrants a higher valuation given its: a) relatively efficient capital recycling, b) strong management, c) scarce 6% dividend yield, and d) the sustainable take-up of affordable homes in Malaysia.

KEY FINANCIALS

Year to 31 Mar (RMm)	2020	2021	2022F	2023F	2024F
Net Turnover	1,283	1,128	1,200	1,228	1,339
EBITDA	351	367	347	374	394
Operating Profit	340	355	334	361	381
Net Profit (Reported/Actual)	237	260	248	275	291
Net Profit (Adjusted)	237	280	248	275	291
EPS (sen)	28.5	33.6	29.8	33.0	34.9
PE (x)	7.2	6.1	6.9	6.2	5.9
P/B (x)	1.1	1.0	0.9	0.8	0.7
EV/EBITDA (x)	5.2	4.9	5.2	4.9	4.6
Dividend Yield (%)	5.6	5.8	5.8	6.4	6.8
Net Margin (%)	18.5	23.0	20.7	22.4	21.8
Net Debt/(Cash) to Equity (%)	6.9	5.9	(1.3)	(7.9)	(11.0)
Interest Cover (x)	163.4	14.9	22.1	24.1	28.1
ROE (%)	16.2	15.2	13.2	13.5	13.2
Consensus Net Profit	-	-	246	263	272
UOBKH/Consensus (x)	-	-	1.01	1.05	1.07

Source: Matrix, Bloomberg, UOB Kay Hian

BUY

(Initiation)

Share Price	RM2.06
Target Price	RM2.50
Upside	+21.4%

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)	1,718.5
Market cap (US$m)	413.4
3-mth avg daily t'over (US$m)	0.2

Price Performance (%)

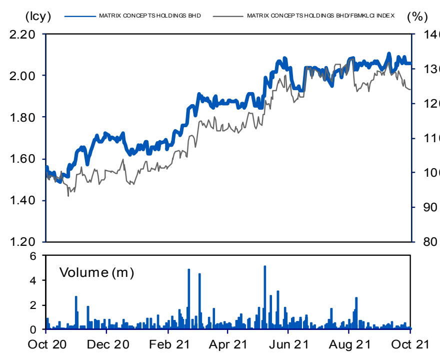
52-week high/low RM2.15/RM1.58

1mth	3mth	1mth	3mth	1mth
(1.0)	0.0	(1.0)	0.0	(1.0)

Major Shareholders	%
Lee Tian Hock	13.90
Shi Ning Term Sdn Bhd	12.67
Employees Provident Fund	9.79

FY20 NAV/Share (RM)	2.34
FY20 Net Cash/Share (RM)	0.03

PRICE CHART



Source: Bloomberg

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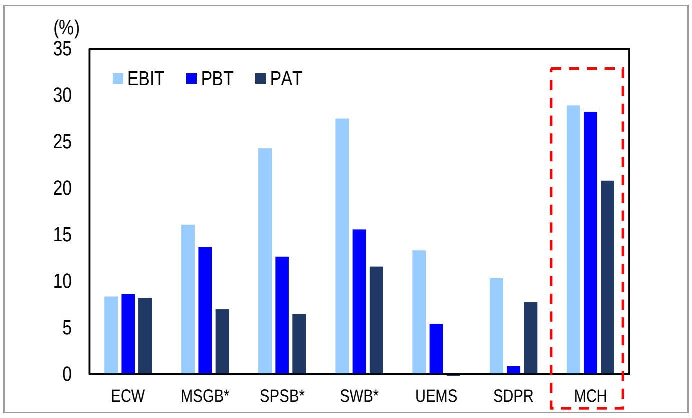
Investment Highlights

A gem that ticks all the boxes. We view the Seremban-based developer Matrix as an underappreciated gem hidden within the industry, basing our assessment on some of the key financial metrics of the mid/big-cap property companies under our purview (Figure 1-4). However, Matrix appears to be the laggard of the recent gradual rotational play into the property sector, especially among the landed and township developers (Figure 9).

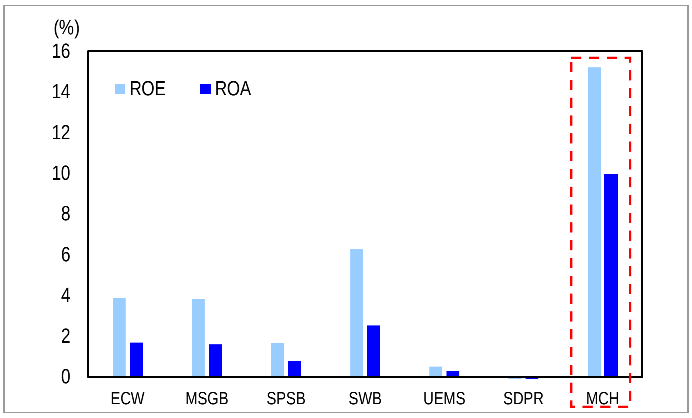
We expect Matrix to trade at a higher valuation relative to its peers, given its: a) above-industry profit margins, b) consistent double-digit ROA and ROE, c) strong balance sheet position (net gearing at 0.04x, cash-to-short-term debt of 2x), d) attractive dividend yield and PE vs peers, and e) resilient earnings (an 18% yoy core net profit growth in a COVID-19 impacted year vs the industry's -47% yoy). All in all, we envisage a potential 27% total return when we factor in a sustainable dividend yield of 6% in the near term.

FIGURE 1: COMPANIES' 3-YEAR (2018-20) AVERAGE MARGIN



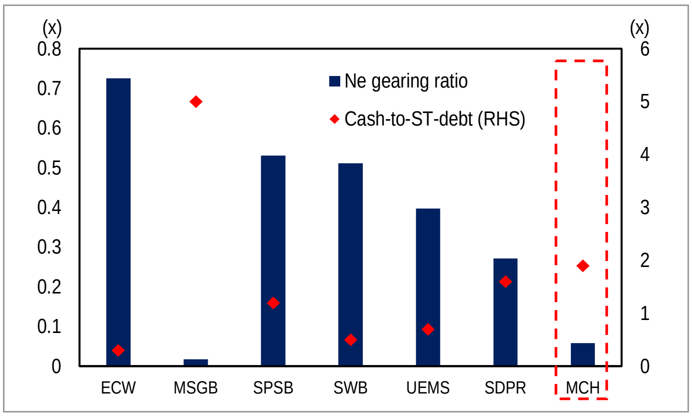
** Only property division compared for EBIT margin*
Source: Respective companies, UOB Kay Hian

FIGURE 2: COMPANIES' 3-YEAR (2018-20) AVERAGE ROE AND ROA



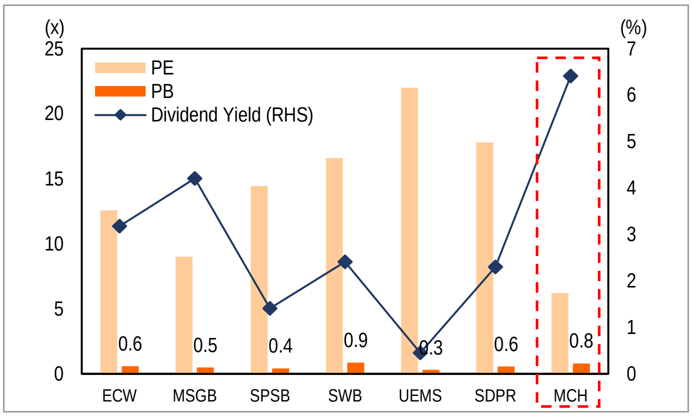
Source: Respective companies, UOB Kay Hian

FIGURE 3: COMPANIES' 3-YEAR (2018-20) FINANCIAL STABILITY



Source: Respective companies, UOB Kay Hian

FIGURE 4: COMPANIES' CURRENT VALUATION (PE, P/B, DIVIDEND YIELD)



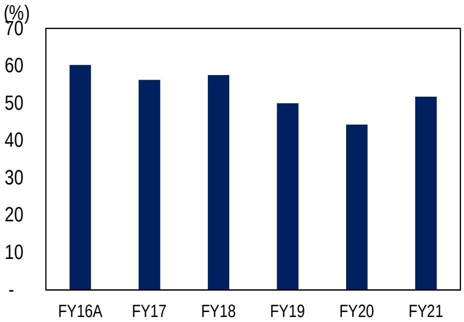
Source: Respective companies, Bloomberg, UOB Kay Hian

Above-industry margins in a soft market. Matrix has delivered higher-than-average margins in the property industry (Figure 1). This can be attributed to:

a) **Low land cost**. Matrix's landbanks are largely locked in at favourably low prices. Most of their landbanks in Seremban were acquired at less than RM5/sf (c.RM9/sf including infrastructure works), less than 10% land cost/GDV ratio as compared to the industry average of 15-20%. The lower holding cost allows Matrix to reap decent gross development margins of 50-55% (Figure 5) as compared to the industry's average of 20-25%.

b) **Minimal inventory level.** Matrix has a low inventory-to-sales level of less than 0.1x. Although the figure crept up slightly in 4QFY20-4QFY21 due to the COVID-19 impact, it remained low vs the industry's average of 0.45x (Figure 6). This was supported by strong property sales with an average historical take-up of close to 80% (Figure 16 and 17).

FIGURE 5: GROSS DEVELOPMENT MARGIN



Source: Matrix, UOB Kay Hian

c) **Synergies via in-house procurement and construction.** Matrix leverages entirely on in-house construction development (except high-rise development in Kuala Lumpur). This allows it to lower construction costs with a large procurement centre for building materials, and ensures product quality and timeliness of delivery. This also provides flexibility for Matrix to change its product line-up according to market demand.

d) **Quick turnaround of landbanks.** Matrix has not had idle landbanks for >8 years and thus has managed to avoid incurring holding cost. All the land parcels were acquired with planned projects assigned, which enables a quick turnaround of the land parcels. With the swift turnaround, coupled with low net gearing and healthy cash flow, Matrix carries a historically high ROA and ROE of 10% and 15% on average, vs the industry's average ROA and ROE of 2% and 3% respectively (Figure 2).

Well-positioned to ride on reopening-fuelled pent-up demand for landed properties. Affordable landed properties have been Matrix's key focus. We believe the economic reopening would give Matrix the upper hand due to the resilient underlying demand for landed properties, which could see pent-up demand kick in as previously seen in 1Q21 post-lockdown. The average transacted price for terraced house in N.Sembilan grew 2% yoy in 2Q21 (Malaysia: +0.9% yoy) despite the lockdown, contrasting with the average transacted prices for high-rise, which saw a 1% decline in N.Sembilan (Malaysia: -3% yoy) (Figure 7). As N.Sembilan is one of the earliest states to move into Phase 4 of the NRP since mid-Sep 21, sales momentum has garnered good traction since then with the reopening of sales galleries, while its construction productivity has also picked up to beyond 100%.

Sustainable demand… Housing affordability has been a key concern in the Malaysian property market since a decade ago, where it has deteriorated in recent years as seen in the rising house price-to-income ratio (Appendix III). As a result, over 80% of the total transaction volume in 1H21 were residential properties priced below RM500,000. As the Klang Valley region (Figure 8) sees some of the highest price-income ratios, there has been growing inbound migration to its proximity states such as N.Sembilan with a relatively affordable housing market.

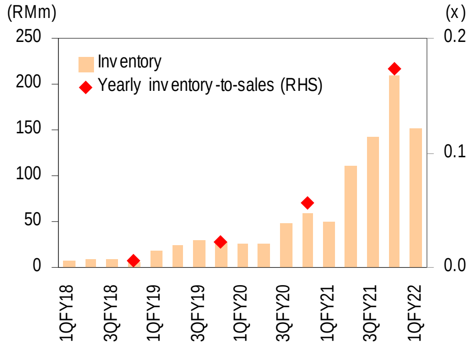
This has benefitted Matrix on the back of: a) the resounding success of its Seremban-based township development − BSS, b) the strategic location of BSS as part of the Greater Kuala Lumpur (KL) Conurbation with good connectivity (Figure 21), and c) attractive pricing with over 90% of Matrix's products priced below RM500,000. This helps Matrix to attract Klang Valley's homebuyers with better-value-for-money properties, where over 50% of its customers hail from the Klang Valley region.

…bodes well for ongoing expansion plans. With the good track record of its BSS township which saw a 95% take-up rate in the recent launch post-pandemic and the prospect of sustainable demand for affordable landed properties, Matrix continues to acquire more strategic landbanks near BSS. At this juncture, Matrix is acquiring a total of 900 acres of land, targeting to be completed in the next 6-12 months. This will increase its existing land size from the current 1,851 acres to 2,751 acres, adding an estimated RM4b GDV to its current portfolio.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

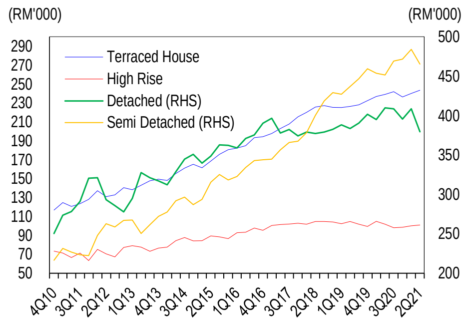
• **Environmental**
- In FY21, Matrix's emissions from diesel and electricity fell 41.78% and 11.22% yoy. - Matrix plans to adopt RE alternatives to reduce reliance on electricity from the national grid. Key initiatives include a maiden solar photovoltaic project at its 50,000-sf d'Tempat Country Club, where it generated 242,095 kWh 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. - During FY21, 20,278 lunch packs were given to staff during the MCO and CMCO.
• **Governance**
- Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.

FIGURE 6: INVENTORY TO SALES BELOW INDUSTRY'S AVERAGE OF 0.45X



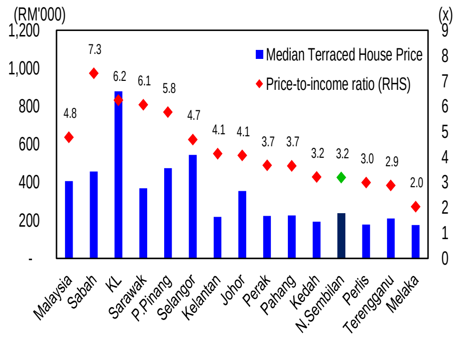
Source: Matrix, UOB Kay Hian

FIGURE 7: 2Q21 AVERAGE TRANSACTED HOUSE PRICES FOR TERRACED HOUSE REMAIN RESILIENT IN N. SEMBILAN



Source: CEIC, UOB Kay Hian

FIGURE 8: MEDIAN TERRACED HOUSE PRICE TO ANNUAL HOUSEHOLD INCOME RATIO (2020)



Source: CEIC, UOB Kay Hian

Valuation

Initiate coverage with BUY and target price of RM2.50, based on a 35% discount to its fully-diluted RNAV/share of RM3.84. The discount to RNAV is lower than the industry's average of 55-70%, close to its mean discount to RNAV of 40% (Figure 11). We believe this is justifiable given Matrix's: a) resilient earning base, b) sustainable dividend yield of 6-7%, c) ability to generate above-industry margins and ROE, and d) below-peers gearing level. Our target price implies a 0.98x FY23F P/B (its 5-year mean P/B) (Figure 12), and a 7.5x FY23F PE (1SD above its 5-year mean PE of 6.5x).

35% discount to RNAV is justifiable given: a) resilient earning base, b) sustainable dividend yield, c) above-industry margins, and d) below-industry gearing.

Defensive shelter, attractive 6-7% dividend yield. We believe Matrix's resilient earnings base and strong balance sheet position will pave the way for the company to maintain its 40% dividend payout policy. This will translate to an attractive 6-7% net dividend yield for FY22-24. Matrix is one of the few developers that offer a consistent >5% dividend yield and is the only developer that pays out quarterly dividend (Figure 13). Despite the COVID-19 impact, Matrix remains committed to its dividend policy and this reiterates management's confidence in its strong cash flow position.

A rare property gem, Matrix has offered an attractive dividend yield of >5% in past years.

Attractive valuation. On a relative basis, the stock is trading at an undemanding valuation of 6x FY23F PE, a discount to the industry's normalised average FY22 PE of 14x (Figure 15). In terms of P/B, the stock is trading at 0.8x for FY23, higher than the industry's average of 0.6x. We believe the higher-than-average P/B is justifiable given Matrix's relatively efficient capital recycling model that allows it to have a quick turnaround of its land**.** Anecdotally, Matrix appears to be the laggard of the recent gradual rotational play into the property sector, especially landed and township developers given the prospect of reopening fuelled pent-up underlying demand, we opine (Figure 9).

Matrix is trading at an undemanding valuation, and appears to be the laggard in the recent property rally.

FIGURE 9: SHARE PRICE PERFORMANCE OF THE TOP DEVELOPERS

Co.	Share Price 18 Oct 21 (RM)	Share Price Performance (%) WoW	MoM	3 mth
SPSB*	1.48	14.8	38.7	37.0
ECW *	0.985	15.0	38.1	39.7
SDPR*	0.745	10.4	24.2	23.1
MSGB	0.81	10.4	(2.2)	(1.8)
UEMS	0.415	9.2	7.8	6.4
IOIPG*	1.28	5.7	12.0	9.4
SWB	1.81	3.4	4.0	4.6
MCH*	2.06	0.0	1.0	0.5

** Developer focuses on landed and township developments*
Source: Bloomberg

Key re-rating catalysts for the stock include: a) higher-than-expected dividend payout, b) expansion of its industrial landbanks, c) favourable government policy for the sector, and d) the success of MVV 2.0 that attracts higher FDI to spur economic growth in N.Sembilan. That said, we believe Matrix ticks all boxes and its prudent management continues to focus on driving quality earnings, both of which should lead to further share price appreciation.

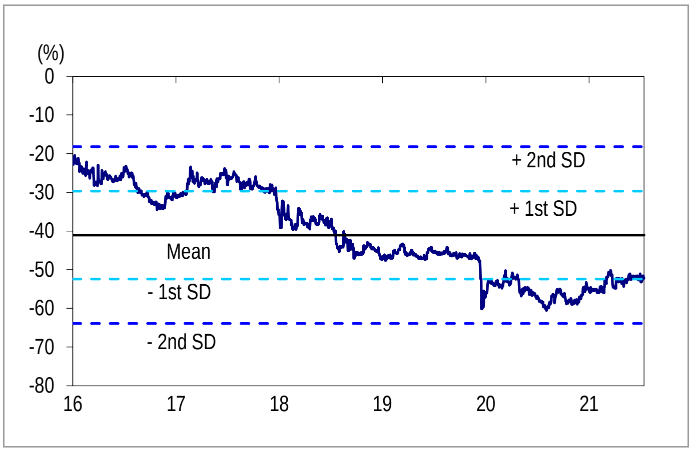
Value-accretive land acquisitions. We believe the market has not fully priced in the ongoing acquisitions of 900 acres of land with an estimated GDV of RM4b. This will contribute a total NPV of RM556m to our RNAV calculations (Figure 10). We derived a total purchase consideration of RM335m based on an average RM9/sf, in line with management's guidance. That said, the cost as a % of GDV is as low as close to 8%. A preliminary assessment indicates that the land acquisitions would generate an attractive IRR of about 20% based on a 20% PAT margin and an 8% discount rate.

FIGURE 10: RNAV CALCULATIONS

	Stake (%)	Total GDV (RMm)	Remaining GDV (RMm)	NPV @ avg 9% (RMm)	Remarks
Seremban (Bandar Sri Sendayan)	100	9,216	7,957	1,188	
- Ongoing		1,399	140	26	
- Future Development		3,817	3,817	606	
Ongoing Acquisition		4,000	4,000	555.6	GDV for 900 acres in ongoing land acquisitions
Johor (Bandar Sri Impian)	100	2,268	2,121	318	
- Ongoing		240	93	13	
- Future Development		2,028	2,028	305	
Klang Valley	100	1,501	1,214	152	
- Ongoing		326	39	5	
- Future Development		1,175	1,175	147	Including projects in Damansara Perdana, Puchong and Cheras
Others	100	153	153	21	
Sub total		13,138	11,445	1,679	
Australia	100	240	240	32	
Jakarta	30	2,044	613	74	
Total NPV		15,422	12,298	1,786	
Shareholders' Funds				1,457	Deducted RM335m cash for land acquisitions of 900 acres
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 (%)				35%	Lower-than-industry average, close to its 5-year mean
FD Target Price (RM)				2.50	

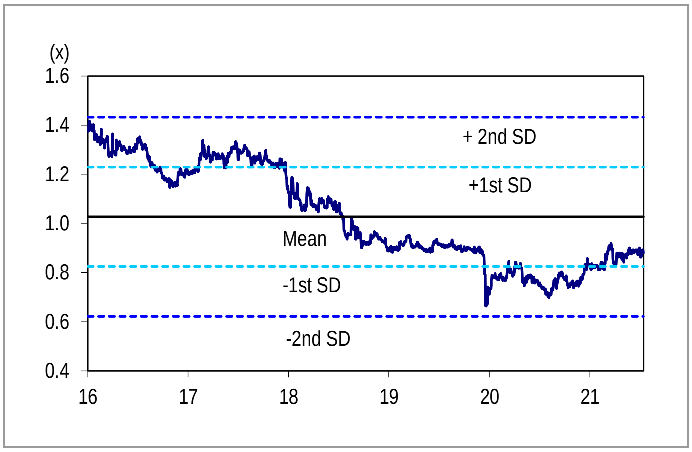
Source: Matrix, UOB Kay Hian

FIGURE 11: 5-YEAR FORWARD DISCOUNT TO RNAV



Source: Bloomberg, UOB Kay Hian

FIGURE 12: 5-YEAR FORWARD P/B

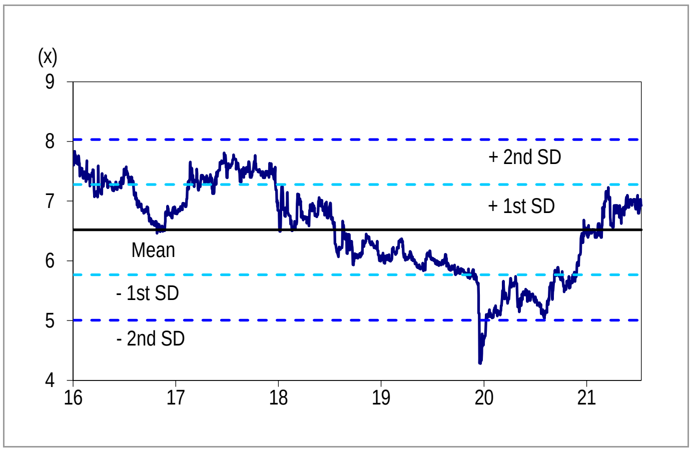


Source: Bloomberg, UOB Kay Hian

FIGURE 13: HISTORICAL ABOVE 5% DIVIDEND YIELD

Source: Bloomberg, UOB Kay Hian

FIGURE 14: 5-YEAR FORWARD PE



Source: Bloomberg, UOB Kay Hian

FIGURE 15: PEER COMPARISON

Company	Tickers	Rec	Share Price 18 Oct 21 (RM)	Target Price (RM)	Market Cap (RMm)	Discount to RNAV (%)	P/B FY21F (x)	P/B FY22F (x)	PE FY21F (x)	PE FY22F (x)	Div Yield FY22F (%)	ROE FY22F (%)	Net Margin FY22F (%)
Mid-Big Cap													
Matrix Concepts Holdings^	MCH MK	BUY	2.06	2.50	1,719	46	0.9	0.8	6.9	6.2	6.4	13.5	22.4
EcoWorld Development	ECW MK	HOLD	0.960	0.75	2,827	60	0.6	0.6	15.9	12.2	3.3	4.8	9.2
Mah Sing Group	MSGB MK	HOLD	0.795	0.80	1,930	65	0.5	0.5	15.6	9.5	4.0	5.6	8.6
SP Setia	SPSB MK	BUY	1.47	1.35	5,980	65	0.4	0.4	21.1	14.4	1.4	2.9	8.5
Sunway Bhd	SWB MK	BUY	1.81	2.25	8,849	50*	0.9	0.9	29.4	16.7	2.4	5.4	12.2
UEM Sunrise	UEMS MK	HOLD	0.415	0.40	2,099	75	0.3	0.3	69.5	22.0	n.a.	1.4	6.9
Sime Darby Property*	SDPR MK	NOT RATED	0.745	n.a.	4,284	n.a.	0.5	0.5	27.2	16.7	2.4	3.1	11.8
Average							0.6	0.6	26.5	14.0	3.3	5.2	11.8
Small Cap													
Kerjaya Prospek Property*^	KPPROP MK	BUY	0.835	1.00	338	42	0.6	0.6	29.1	18.7	n.a.	3.1	0.1

** Year-end 31 Mar 21, reflects FY22 and FY23 earnings.*
^ Based on fully-diluted share base
** Only property development*
Source: Bloomberg, UOB Kay Hian

Earnings Outlook

Good track record. Given the success of its township development in BSS, Matrix has demonstrated a steady sales track record (Figure 16) despite the soft market. Its quarterly average take-up rate has consistently exceeded 70% since 3QFY17 (5-year average at 77%). This is reflected in its revenue CAGR of 12% and earnings CAGR of 10% in FY18-21.

Matrix recorded an average sales take-up rate of 77%.

Solid performance despite COVID-19. In FY21 (ended-Mar 21), Matrix grew its net profit by 18% yoy despite the COVID-19 impact. While revenue dropped 12% yoy (vs industry's -26% yoy), the company was able to secure a decent PAT margin of 25% (+6.4 ppt) due to: a) strong property sales (+17% yoy) with resilient demand for affordable homes, b) cost-cutting initiatives to reduce opex by going digital, and c) higher sales of high-margin industrial properties. This is a sharp contrast to the industry's slower sales and progress billings, with earnings dropping an average of 47% yoy (PAT margin at 6.5%).

Matrix's core earnings grew 18% yoy in FY21 vs the industry's 47% yoy decline.

Recovery in property take-up to support RM1.2b sales target. Matrix is on schedule to launch projects with a GDV of RM1.6b (FY21: RM1b) for FY22, with 90% being houses below RM500,000. The 1QFY22 average take-up recovered to pre-COVID-19 levels at 88%, while its launch of Celyn@Bayu Sutera has received overwhelming interest with over 95% take-up since the Aug 21 launch. We believe Matrix is on track to meet or exceed its FY22 sales target of RM1.2b (achieved 25% in 1QFY22) with healthy pipeline bookings (c.RM620m) and the anticipated reopening-fuelled pent-up demand for affordable homes.

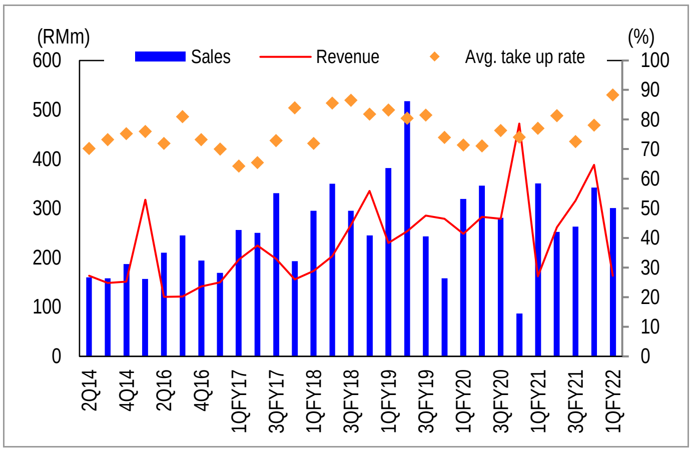
The reopening-fuelled pent-up demand is likely to drive higher-than-expected sales.

Expect stable earnings with sustainable margins. 2QFY22 earnings is anticipated to be weak amid slower progress billings during the lockdown (June to Aug 21). Nevertheless, we believe the strong property take-up and its effort to crank up construction productivity to beyond 100% could see a strong earnings recovery in 2HFY22. Management is confident on matching FY22 earnings to FY21 (PAT at RM260m).

Expect 28% and 21% average EBIT and PAT margin respectively for FY22-24.

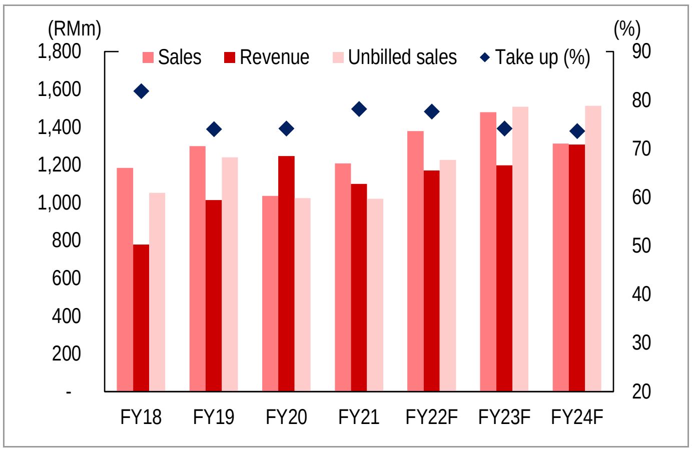
All in all, we project earnings to stay resilient in FY22-24 (Figure 17, 18). This is underpinned by: a) average sales of RM1.35b with an average 75% take-up rate, b) consistent EBIT and PAT margin of 28% and 21% respectively with good cost discipline, and c) contribution from its Indonesia JV (expect about RM30m for FY23-24). The increase in cost of material (mainly concrete and steel) will have minimal impact on earnings. This will see revenue CAGR of 6% and PAT CAGR of 4% in FY21-24F, which compare favourably against the declining profit trend in the industry.

FIGURE 16: HISTORICAL QUARTERLY SALES, REVENUE, TAKE-UP RATES



Source: Matrix, UOB Kay Hian

FIGURE 17: PROPERTY KEY METRICS FORECASTS



Source: Matrix, UOB Kay Hian

Strong financial strength, ample headroom for further landbank replenishment. Given its efficient capital recycling model, the group has a low net gearing ratio of 0.04x (as of 30 Jun 21) vs the industry's average. The financial stability provides ample headroom for Matrix to gear up for further expansion and land replenishments.

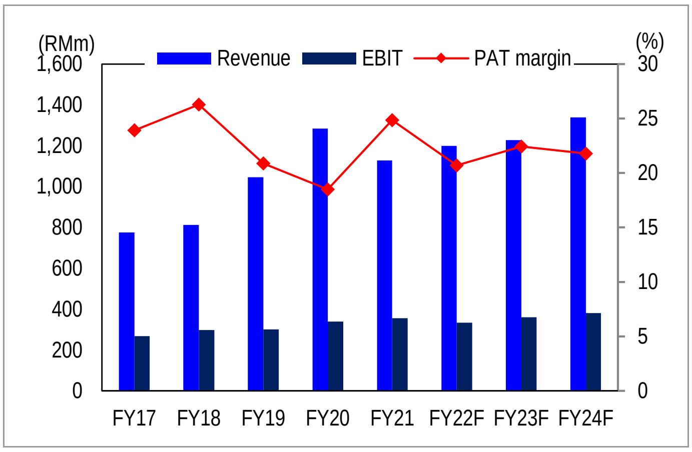
Strong balance sheet position provides headroom for land replenishment

FIGURE 18: GROWTH AND MARGIN OUTLOOK

	FY2020	FY2021	FY2022F	FY2023F	FY2024F
Sales (RMm)	1,035	1,208	1,377	1,477	1,312
Unbilled Sales (RMm	1,022	1,019	1,226	1,507	1,512
Average Take-up Rate (%)	74	78	78	74	74
Revenue (RMm)	1,283	1,128	1,200	1,228	1,339
Growth yoy (%)	22.8	(12.1)	6.4	2.3	9.0
EBITDA (RMm)	340	355	334	361	381
Growth yoy (%)	8.7	18.0	(11.4)	10.9	5.9
PAT (RMm)	237	280	248	275	291
Growth yoy (%)	8.7	9.5	(3.2)	9.4	5.9
EBIT Margin (%)	26.5	31.5	27.8	29.4	28.5
PAT Margin (%)	18.5	24.8	20.7	22.4	21.8

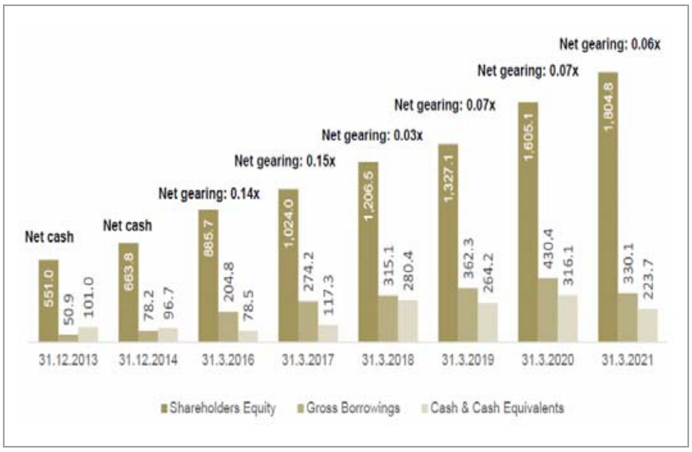
Source: Matrix, UOB Kay Hian

FIGURE 19: REVENUE, EBIT, AND PAT MARGIN FORECAST



Source: Matrix, UOB Kay Hian

FIGURE 20: FINANCIAL STABILITY

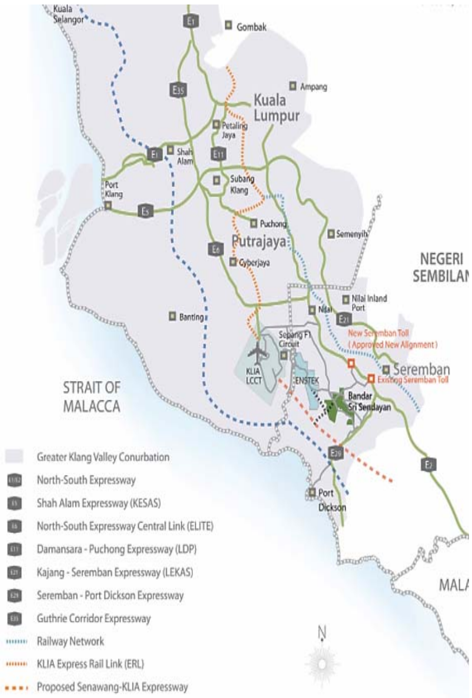


Source: Matrix, UOB Kay Hian

Business Outlook

BSS − Successful township development to sustain demand. Matrix's flagship project – BSS in Seremban, N.Sembilan – is the key earnings contributor to the group, accounting for more than 85% of the group's revenue (Appendix I). Property sales at BSS have been solid over the few past years, mainly attributable to healthy demand for landed properties within township developments that provide a holistic living environment. Surrounding amenities include clubhouse facilities (d'Tempat Country Club), an educational institution (Matrix Global Schools), a recreation park, and commercial and retail outlets. After developing RM9.7b (3.7b acres of land) worth of projects, it has an ongoing and remaining landbank of 2.75b acres with an estimated GDV of RM13.1b. This would provide its visibility up to 2030.

FIGURE 21: STRATEGIC LOCATION



Source: Matrix Concepts Holdings, UOB Kay Hian

FIGURE 22: TOTAL LANDBANK AND GDV (AS OF 30 JUN 21)

Project	Remaining Land* (acres)	Est Total GDV (RMm)
Sendayan Developments (Seremban)	1,338	5,216
Bandar Seri Impian (Johor)	473	2,268
Others	40	1,653
Sub-total	1,851	9,138
Announced Land Acquisitions in BSS	900	4,000**
Total	2,751	13,138

** Ongoing and future; **Estimated GDV*
Sources: Matrix Concepts Holdings, UOB Kay Hian

Strategic location within the Klang Valley Conurbation. Its strategic location within the Klang Valley Conurbation (Figure 21) allows BSS to enjoy the spillover effect from the rapid growth of the other urban developments. BSS is also close to transport networks, and is accessible to highways such as Seremban Port Dickson Expressway, North-South Expressway, and KLIA/LCCT. Given BSS's good connectivity and better-value-for-money properties, the increasing acceptance of "Stay Seremban, Work in Kang Valley" has allowed BSS to welcome more than 50% of its customers from the Klang Valley region. For illustration, buyers from KL could enjoy a more spacious landed home in BSS's township (average RM500,000/unit or RM250/sf) with an hour's drive from Seremban to KL City Centre. This compares with an average RM880,000/unit for landed properties and RM480,000/unit for a smaller unit high-rise apartment in KL.

Negeri Sembilan's ambition. Seremban falls under the Malaysia Vision Valley 2.0 (MVV 2.0), and will be transformed into an investor-friendly central business district. MVV 2.0 is expected to attract RM290b worth of investments with development spanning 153,411ha of land over 30 years, and is poised to be the main development catalyst in N.Sembilan and form a new growth corridor south of Greater KL. MVV 2.0 is projected to create 600,000 jobs and attract more FDI inflow, which will continue to stimulate population growth and inbound migration. This exciting development, together with the continuous improvement in connectivity – with the proposed Senawang-KLIA expressway and West Coast Highway – is expected to create more housing demand in Seremban.

Attractive pricing with a holistic living environment. The majority of Matrix's launches are priced affordably below the RM600,000/unit mark, with an average price/sf of RM250. Compared with neighbouring projects (Figure 23), Matrix offers competitively-priced properties in terms of ASP/sf. This could be attributable to Matrix's low land cost advantage.

FIGURE 23: COMPARISON OF ASP FOR PROJECTS SURROUNDING BSS

Developer	Launch Date	Project	Type	No. of units	Total GDV (RMm)	ASP (RM)	Built-up (sf)	ASP/sf (RM/sf)
IJM Land	Sep 20	Rimbun Jasmin	SST	129	65.0	503,876	1,932	260.8
IJM Land	Apr 21	Rimbun Aman	DST	304	110.0	361,842	1,053	343.6
IJM Land	Apr 21	Rimbun Kiara	DST	255	140.0	549,020	1,770	310.2
SIME Darby Property	Aug 20	Embun 2	DST	113	61.5	544,248	1,972	276.0
SIME Darby Property	May 21	Anggun	DST	59	31.8	539,000	1,817	296.6
Matrix Concepts	1Q-2Q20	Laman Sendayan (1 and 2)	SST/DST	686	233.3	340,087	1,467	231.8
Matrix Concepts	3Q20	Tiara Sendayan (precinct 6,7,8)	DST	778	405.7	521,465	2,009	259.6
Matrix Concepts	Aug 21	Bayu Sutera (Phase 1 and 2)	DST	580	307.3	529,828	2,144	247.1

Note: SST: Single-storey terrace DST: Double-storey terrace
Source: Respective Companies, UOB Kay Hian

Financial Statement

FIGURE 24: PROFIT & LOSS

Year to 31 Mar (RMm)	2020	2021	2022F	2023F	2024F
Net turnover	1,283	1,128	1,200	1,228	1,339
EBITDA	351	367	347	374	394
Depreciation & Amortisation	(11)	(12)	(13)	(13)	(13)
EBIT	340	355	334	361	381
Associate Contributions	(0)	5	6	15	15
Net Interest Income/(Expense)	(2)	(25)	(16)	(16)	(14)
Pre-tax Profit	338	335	324	360	382
Tax	(103)	(84)	(81)	(90)	(95)
Minorities	3	9	5	5	5
Net Profit	237	260	248	275	291
Net Profit (Adjusted)	237	280	248	275	291
Adjusted EBITDA	351	367	347	374	394
Adjusted PBT	338	335	324	360	382

Source: Matrix, UOB Kay Hian

FIGURE 25: BALANCE SHEET

Year to 31 Mar (RMm)	2020	2021	2022F	2023F	2024F
Cash/Near Cash Equivalent	316	224	358	503	591
Accounts Receivable/Debtors	533	565	601	615	671
Other Current Assets	624	539	574	587	640
Current Assets	1,473	1,328	1,532	1,705	1,901
Fixed Assets	911	984	983	983	984
Investments	119	132	138	153	168
Other Intangible Assets	-	-	-	-	-
Other Tangible Assets	74	76	76	76	76
Total Non-current Assets	1,103	1,192	1,198	1,212	1,228
Total Assets	2,577	2,520	2,730	2,917	3,129
Accounts Payable/Creditors	460	344	408	432	472
Short-term Debt/Borrowings	188	115	115	115	115
Other Current Liabilities	67	28	28	28	28
Current Liabilities	715	487	551	576	615
Long-term Debt	239	215	217	220	222
Other Non-current Liabilities	19	24	24	24	24
Total Non-current Liabilities	259	239	241	244	246
Total Liabilities	974	726	793	820	862
Minority Interest - Accumulated	(2)	(11)	(16)	(21)	(26)
Shareholders' Equity	1,605	1,805	1,954	2,119	2,294
Liabilities & Shareholders' Funds	2,577	2,520	2,730	2,917	3,129

Source: Matrix, UOB Kay Hian

FIGURE 26: CASH FLOW

Year to 31 Mar (RMm)	2020	2021	2022F	2023F	2024F
Operating	52	84	259	281	229
Pre-tax Profit	338	335	324	360	382
Tax	(71)	(84)	(81)	(90)	(95)
Depreciation & Amortisation	11	12	13	13	13
Associates	0	(5)	(6)	(15)	(15)
Working Capital Changes	(185)	(156)	(7)	(3)	(69)
Other Operating Cashflows	(40)	(19)	16	16	14
Investing	(108)	(6)	(12)	(12)	(13)
Capex (Maintenance)	(7)	(2)	(12)	(12)	(13)
Proceeds from Sale of Assets	0	2	-	-	-
Others	(102)	(6)	-	-	-
Financing	139	(137)	(113)	(123)	(128)
Dividend Payments	(98)	(88)	(99)	(110)	(117)
Issue of Shares	161	0	-	-	-
Proceeds from Borrowings	58	(54)	2	2	3
Others/Interest Paid	17	5	(16)	(16)	(14)
Net Cash Inflow (Outflow)	83	(59)	134	145	88
Beginning Cash & Cash Equivalent	264	316	224	358	503
Changes Due to Forex Impact	(12)	68	-	-	-
Ending Cash & Cash Equivalent	316	224	358	503	591

Source: Matrix, UOB Kay Hian

FIGURE 27: KEY METRICS

Year to 31 Mar (%)	2020	2021	2022F	2023F	2024F
Profitability					
EBITDA Margin	27.3	32.6	28.9	30.4	29.4
Pre-tax Margin	26.3	29.7	27.0	29.4	28.5
Net Margin	18.5	23.0	20.7	22.4	21.8
ROA	9.2	11.1	9.1	9.4	9.3
ROE	14.8	15.5	12.7	13.0	12.7
Growth					
Turnover	22.8	(12.1)	6.4	2.3	9.0
EBITDA	12.5	4.8	(5.6)	7.7	5.4
Pre-tax Profit	13.4	(0.8)	(3.2)	11.1	6.0
Net Profit	8.7	9.5	(4.5)	10.9	5.9
Net Profit (Adjusted)	8.7	18.0	(11.4)	10.9	5.9
EPS	8.7	18.0	(11.4)	10.9	5.9
Leverage					
Debt to Total Capital	16.6	13.1	12.2	11.5	10.8
Debt to Equity	26.6	18.3	17.0	15.8	14.7
Net Debt/(Cash) to Equity	7.0	5.9	Net Cash	Net Cash	Net Cash
Interest Cover (x)	13.0	14.9	22.3	27.2	28.5

Source: Matrix, UOB Kay Hian

Appendix I – Company Background

KEY CORPORATE MILESTONES

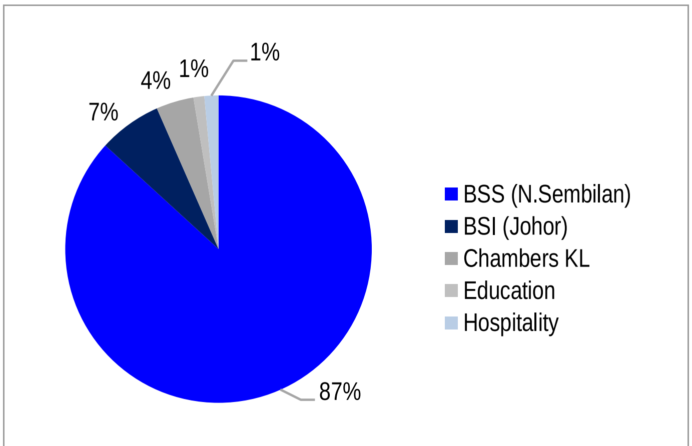
Year	Events
1996	Incorporation of Matrix Concepts Holdings.
1997	Maiden project at Taman Bahau in Negeri Sembilan comprising 595 units of mixed residential and commercial development.
1999	JV with Menteri Besar Incorporated (MBI) of Negeri Sembilan to develop Taman Andalas on 39 acres of land.
2005	Entered into JVs with landowners to develop its two flagship developments, namely: i) Bandar Seri Sendayan (with MBO of Negeri Sembilan state) in Seremban, Negeri Sembilan and ii) Taman Seri Impian (with Koperasi Kemajuan Tanah Negeri Johor) in Kluang, Johor.
2012	Signed MOU with six foreign companies from Japan, Taiwan, Hong Kong and France for purchase of industrial lots at Sendayan Techvalley
2013	Matrix Concepts Holdings listed on the Main Market of Bursa Malaysia Securities on 28 May 13. Venture into Kuala Lumpur with purchase of 1.1-acre land.
2016	Launched its first overseas project, M.Carnegie Boutique Apartments in Melbourne, Australia.
2018	Entered into a JV with PT Bangun Kosambi Sukses (BKS) and PT Nikko Sekuritas Indonesia (NSI) for the joint development of an Islamic Financial District (IFD) in Pantai Indah Kapuk 2 (PIK2), Jakarta.
2019	Entered into an agreement between Matrix Global Education and Bonanza Educare with a mutual objective to provide efficient operations and management of Matrix Global Schools based on an agreed business plan.
2020	Entered into an agreement between Matrix Medicare (MMSB) and Pusat Hemodialisis Mawar (PHM) wherein MMSB was appointed as the exclusive service provider in respect of the management of Mawar Medical Centre (Mawar).

Source: Matrix

Matrix's principal business operations are predominantly property development, its portfolio spans three regions: N.Sembilan (Seremban), Johor (Kluang) and Klang Valley.

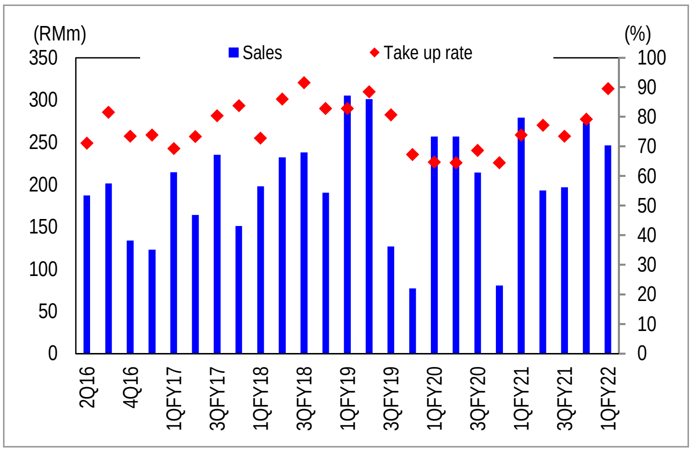
Bandar Sri Sendayan remains the crown jewel. Matrix secured BSS land in 2005 from the Negeri Sembilan state government, and began its first integrated township development in 2008 with 5.2b acres of land with an estimated GDV of RM5b. The Seremban-based BSS remains the key earnings driver to date, having accounted for the largest portion of the group's total revenue at about 87% in FY21. Over the past few years, sales take-up has been strong at an average 78% for all projects under BSS, and this boils down to the well-executed planning of its township in collaboration with the state government. With Seremban as one of the national and state governments' main focus of development areas to spur economic growth, Matrix will continue to focus on BSS township development given its reputation and ability to generate decent margins with its low land cost advantage.

REVENUE BY REGION/SEGMENT (FY21)



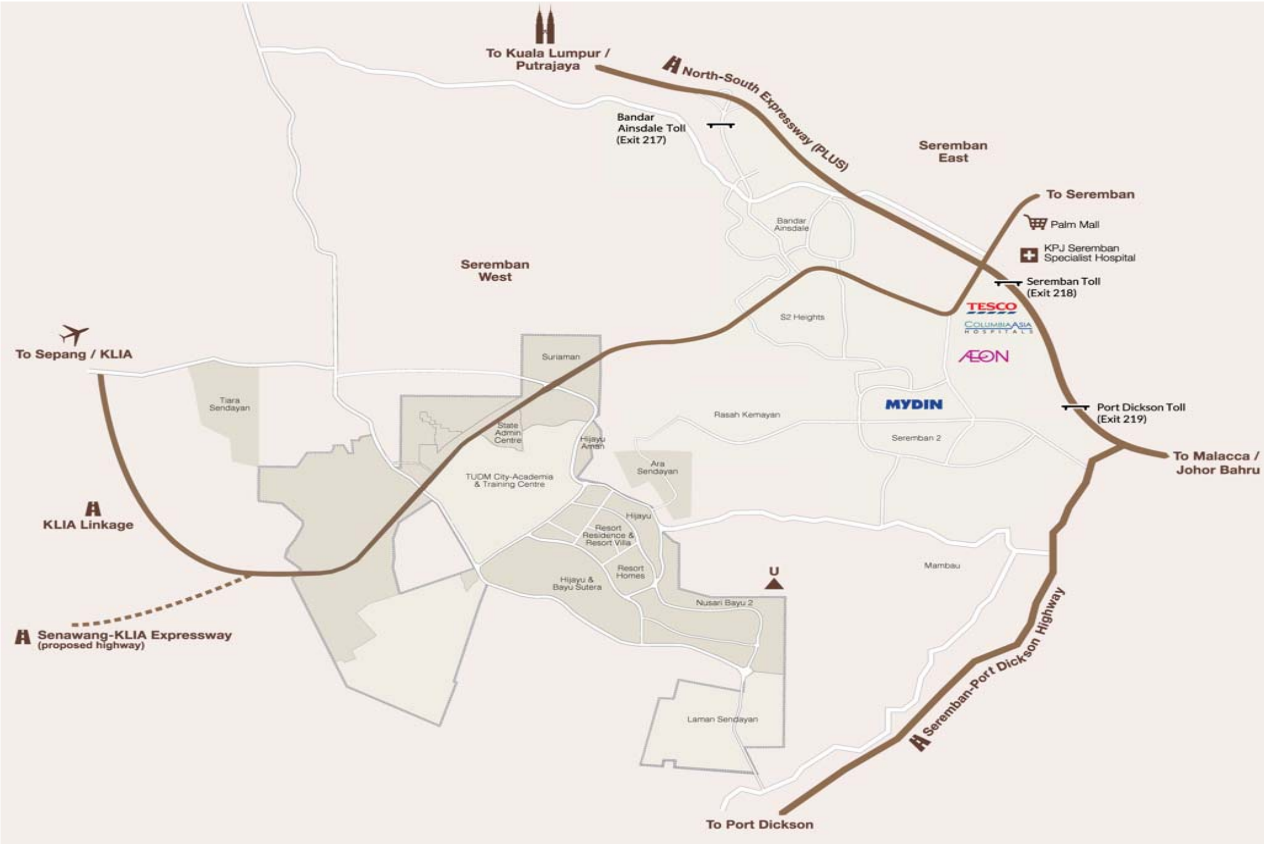
Source: Matrix, UOB Kay Hian

BSS SALES AND TAKE-UP RATES



Source: Matrix, UOB Kay Hian

BSS MASTER PLAN



Conveniently Accessible Via	Major Landmarks in the Vicinity		Nearby Amenities	
North-South Expressway (PLUS)	Seremban East	10km	Police Station	5km
Seremban-Port Dickson Highway	KTM Seremban	13km	Fire Station	5km
Senawang-KLIA Expressway (Proposed Linkage)	Terminal One	13km	Tesco Seremban	7km
KLIA Linkage (Under Construction)	Nilai	21km	Columbia Asia Hospital	7km
Toll	Sepang International Circuit	24km	AEON Shopping Centre	8km
New Interchange Seremban Toll (Exit 217)	Port Dickson	25km	Mydin Shopping Centre	8km
Seremban Toll (Exit 217 & 218)	KLIA / KLIA 2	35km	Palm Mall	9km
Port Dickson Toll (Exit 219)	Putrajaya	60km	KPJ Hospital	9km
	Cyberjaya	68km	Hospital Seremban	9km
	KLCC	75km		

Sources: Matrix

BSI LOCATION

Source: Matrix, UOB Kay Hian

OTHER LOCAL PROJECTS

a) **Taman Seri Impian (Kluang, Johor).** In 2005, Matrix commenced its second development in Johor named Taman Seri Impian (TSI) through a JV agreement with Koperasi Kemajuan Tanah Negeri Johor to develop a 900-acre (est GDV: RM1.3b) township located in Kluang. The landbank is accessible via Jalan Kluang-Bandar Tenggara Road with proposed connections to interchange/exit at Kluang-Pasir Gudang Highway, and located about an hour's drive from the JB City centre. Contribution from TSI to Matrix decreased from 15% in FY15 to 8% in FY21, as take-up rate slowed due to the saturated market in Johor.

b) **Klang Valley projects.** In a move to diversify its portfolio, Matrix has started venturing into the Klang Valley region by buying landbanks in KL in 2013. After developing for over five years, its first project named the Chambers KL was launched in Aug 18. This comprises high-rise residential and commercial apartments, and has achieved 88% take-up to date. Matrix also acquired three more land parcels over the past five years – Puchong, Damansara Perdana and Cheras with a total estimated GDV of RM1.175b. Matrix will be launching its Cheras project near MRR2 in 4QFY22, with units priced at RM600,000-650,000, which implies ASP/sf of RM360-380.

OVERSEAS PROJECTS

a) **Melbourne, Australia.** Matrix's first overseas expansion started in 2016 following Dato' Lee's opportunistic investment that gave him confidence to proceed with Matrix's first project in the city. Its maiden development back then was the M.Carnegie project launched in Mar 16 with 52 boutique apartments and a GDV of A$32m (c.RM93m). It has proceeded to expand its presence in Australia with its second project − M.Greenvale that houses 79 bungalow lots with a GDV of A$27.8m (c.RM79m). The project launched in Apr 19 and is expected to be completed by early-22. Both projects are successful with overwhelming interest and full take-up before completion. This underlines Matrix's capability in undertaking foreign projects. The company is launching its third project in 2022 – M.St Kilda that consists of a 12-storey mixed-use development with an estimated GDV of A$80m (c.RM240m). Matrix is on the lookout for more land and plans to sustain its presence in Melbourne for the long term. However, its strategy is to prudently develop small projects to avoid being a financial burden to its parent company in Malaysia.

b) **Jakarta, Indonesia.** In May 18, Matrix entered into a JV agreement with BKS and NSI to jointly develop an Islamic Financial District (IFD) in PIK 2 Sedayu Indo City, North Jakarta. BKS, jointly owned by Agung Sedayu Group and Salim Group, is the master developer of PIK 2, while NSI is an investment banking firm offering brokerage and fund management services. The JV is based on a shareholding structure of 40:30:30 (BKS:NSI:Matrix) and is undertaking the development on a 3.6ha (JV-owned) land parcel that sits in the larger international financial district (23.5ha) in PIK 2. Matrix injected a capital of RM139.2m and the transaction was completed in Sep 19. The group does not expect to incur more equity funding, and any further financing by JVco will be raised via conventional financing instruments ie loans, bonds, etc

The IFD project with an estimated GDV of US$500m will be developed in two phases. Phase 1 includes the development of the Menara Syariah twin towers across 1.4ha of land (GDV: US$250m) which were launched in Dec 19 and are slated to be completed in 2023. Matrix expects to recognise RM30m earnings (based on PAT 10% margin) from the Indonesian JV upon project completion. Phase 2 project will be launched beyond 2022.

M. GREENVALE - AUSTRALIA

Source: Matrix, UOB Kay Hian

M.ST.KLIDA - AUSTRALIA

Source: Matrix, UOB Kay Hian

PIK2 LOCATION

Source: Matrix, PIK2, UOB Kay Hian

MENARA SYARIAH TWIN TOWER

Source: Matrix, PIK2 UOB Kay Hian

MANAGEMENT

KEY MANAGEMENT TEAM

Name	Position	Description
Dato' Haji Mohamad Haslah Bin Mohamad Amin	Non-Independent Non-Executive Chairman	Dato' Haji Mohamad Haslah began his career with the Malayan Banking group. He was Executive Director of Peregrine Fixed Income, Hong Kong; Country Director of Fleet Boston NA, Singapore; and Financial Advisor of Pacific Plywood Holdings, Hong Kong. He graduated with a Diploma in Banking from the Institute of Bankers, London and currently holds directorship of Stella Holdings. Dato' Haji Mohamad Haslah is Chairman of the Sustainability Committee and was appointed to the Board in 2012.
Dato' Lee Tian Hock	Founder, Group Executive Deputy Chairman	Dato' Lee Tian Hock graduated with a degree in Housing, Building, and Planning from Universiti Sains Malaysia and has more than 35 years of experience in the property development industry where he has held various executive positions throughout his career. He founded Matrix Concepts Group in 1996 and was appointed as Group Managing Director in 2012. In 2018, Dato' Lee was redesignated as Group Executive Deputy Chairman. Presently, he is President of Negeri Sembilan Chinese Maternity Association and Chairman of Pusat Hemodialisis Mawar, Seremban. He also holds a directorship of Stella Holdings, formerly known as Merge Energy. Dato' Lee is a member of the Sustainability Committee of the Board.
Ho Kong Soon	Group Managing Director	Mr Ho Kong Soon began his career as a Project Engineer at NS Industrial Development and was appointed as Director and General Manager of Matrix Concept Group five years later. In 2018, he was redesignated as Group Managing Director. Mr Ho graduated with a Bachelor of Engineering degree from University of Malaya. He is currently a member of the Risk, Sustainability, and ESOS Committee and was appointed to the Board in 2002.
Dato' Logendran A/LK Narayanasamy	Non-Independent Non-Executive Director	Dato' Logendran graduated with a Diploma in Architecture and has more than 34 years of experience in the architectural industry. He is Chairman of Matrix Concepts Foundation Committee; Executive Director of Negeri Sembilan Chinese Maternity Association; and Vice Chairman of Pusat Hemodialisis Mawar, Seremban. He was appointed to the Board in 2016 and is a member of the Risk Management, Sustainability, and ESOS Committee.
Rezal Zain Bin Abdul Rashid	Senior Independent Non-Executive Director	Encik Rezal Zain graduated with a Bachelor of Arts (Accounting) degree from the University of Canberra and is a member of the Malaysian Institute of Accountants and a CPA Australia. He began his career in audit with KPMG in 1989. For the next 11 years, he held various executive positions in different industries. Presently, he is a director of TD Technologies and an Independent Non-Executive Director of Fima Corporation. Encik Rezal was appointed to the Board in 2012 and is Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.
Dato' Firdaus Muhamad Rom Binn Harun	Independent Non-Executive Director	Dato' Firdaus Muhamand Rom graduated with a Diploma in Marketing from the Chartered Institute of Marketing, UK and holds a certificate in Public Relation from the Institute of Public Relations, London. He began his career as a Public Relations Officer in 1973 and was appointed as Political Secretary to the Menteri Besar of Negeri Sembilan from 2008 to 2010 with over 40 years of experience in the corporate sector and civil service. He is currently Chairman of the Nomination Committee and a member of the Audit and Risk Management Committee, and was appointed to the Board in 2012.
Dato' (IR.) Batumalai A/L Ramasamy	Independent Non-Executive Director	Dato' (Ir.) Batumalai began his career as a technical assistant with Department of Irrigation and Drainage (DID). He had served in the DID for 35 years and was appointed as the director of the DID, Negeri Sembilan. Dato' (Ir.) Batumalai held a Diploma in Civil Engineering from Universiti Teknologi Malaysia and a Bachelor of Science in Civil Engineering from the University of Aberdeen. Presently, he is an Associate Director of O&L Jurutera Perunding, Chairman of Pertubuhan Prasekolah Malaysia, a fellow member of the Institute of Engineers, Malaysia, registered professional engineer with Board of Engineers, Malaysia, Chairman of ESOS Committee, member of Audit and Nomination Committee. He was appointed to the Board in 2012.
Dato' Hon Choon Kim	Independent Non-Executive Director	Dato' Hon Choon Kim began his career in the government's statistical department and was appointed as a state executive councillor of Negeri Sembilan and Deputy Minister of Education from 1999 to 2008. He graduated with a Bachelor of Social Science (Econ) from University Sains Malaysia and currently holds directorship in Peterlabs Holdings. Dato' Hon is currently Chairman of the Remuneration Committee and a member of the Audit and Nomination Committee. He was appointed to the Board in 2015.
Dato' Hajah Kalsom Binti Khalid	Independent Non-Executive Director	Dato' Hajah Kalsom was the director of the Negeri Sembilan, State Education Department from 2012 to 2015. She graduated with a Bachelor of Arts in Geography from University of Malaya and has more than 36 years of experience in the education industry. She is currently a member of the Audit, Nomination, Remuneration, and Risk Management Committees and was appointed to the Board in 2016.

Source: Matrix, UOB Kay Hian

Apendix II – Business Outlook

RM1.6b pipeline of launches. After the successful launch of Celyn@Bayu Sutera (RM176m GDV) that achieved a 95% take-up rate, Matrix is on schedule to launch the remaining RM1.42b GDV (FY21: RM1b) projects for the remaining quarters, with 90% being houses below the RM500,000 mark.

PIPELINE OF LAUNCHES (FY22)

Project	Type	No. of units	ASP (RM'000)	Est. GDV (RMm)	Launch Date
Sendayan Developments					
Hijayu Resort Villa (Phase 1-3)	DSB	46	2,391	110.0	4QFY22
Hijayu Residence (Phase 1 - Parcel 2)	DST	183	730	133.6	3QFY22
Laman Sendayan 3	Town House	250	110	27.5	2QFY22
Laman Sendayan 4	DST	274	449	122.9	2QFY22
		266	494	131.4	
	SST Shop	20	565	11.3	
Bayu Sutera 1 (Precinct 2B)	DST	325	540	175.6	Launched
Bayu Sutera 2 (Precinct 2A)	DST	255	516	131.7	3QFY22
Tiara Sendayan 9	DST	90	538	48.4	2QFY22
Tiara Sendayan 11	Town House	266	83	22.0	4QFY22
Tiara Sendayan 12	Town House	120	83	9.9	3QFY22
Tiara Sendayan 13	SST/DST	476	272	129.6	4QFY22
Others					
Impiana Bayu 3B 1	DST	195	480	93.6	4QFY22
Taman Anggerik Tengara	DST	240	325	77.9	4QFY22
Cheras High-rise Residential Development	SA	583	643	375.0	4QFY22
Total				1,600.4	

Source: Matrix, UOB Kay Hian

Industrial expansion a potential growth driver. The Sendayan Tech Valley (STV) is an industrial component within BSS, comprising 768.9 acres of saleable freehold industrial land with a total GDV of RM927m. The location offers excellent accessibility and connectivity. STV targets high impact industries such as international automotive and aircraft part manufacturing as well as their supporting industries. STV is home to major industrial companies such as Daihatsu Motors and Hino Motors. To date, Matrix has sold over almost 100% of its industrial land in STV 1, 2 and 3, with the remaining 4.1 acres net saleable land at an estimated GDV of RM35.7m. Matrix is assessing the potential expansion of its industrial land exposure, which contributes a higher margin versus residential properties. We reckon that any future land replenishment will be a positive catalyst to the group's bottom-line given the ongoing trade diversion that has accelerated demand for industrial land/factories from MNC and local supply chains.

Appendix III – Industry Outlook

Recovery in sight, a potentially strong 4Q21. Given the faster-than-expected progress towards herd immunity and the reopening of economy, there could be a strong recovery in property sales fuelled by pent-up demand, as was already evident in 1Q21. This would also be supported by the low interest rate environment, and the ongoing Home Ownership Campaign (HOC). A recent survey by Property Guru showed that four in five Malaysians intend to buy properties in the short to medium term. While this might not translate to actual sales given the persistently lacklustre economic data (ie the deteriorating unemployment rate, peak household debt-to-GDP and slowing household income) together with the protracted lockdown, we believe the excessively high levels of individual savings, especially for non-impacted homeowners, could present an upside risk once the economic recovery is in sight.

Approval rate recovered at 36% ytd (+2ppt yoy)... Despite the more stringent lockdown that started in Aug 21, mortgage application value grew 6% mom to RM20.8b. Mortgage approval rate for Aug 21 weakened to 35% (-5ppt mom) and we believe this is largely due to a lockdown-induced slow loan processing as evident during Mar-May 20. Positively, on a ytd basis, mortgage applications and approval value have increased by 43% yoy and 51% yoy respectively, close to historical peak. Mortgage approval rate also inched up 2ppt yoy to 36% ytd.

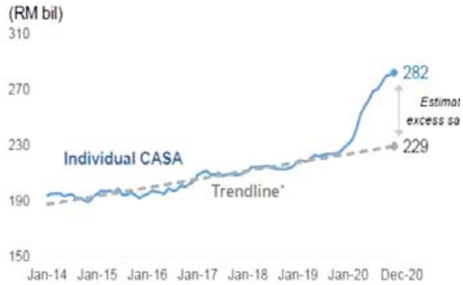
…and should continue to shape up well as economic recovery is in sight. We expect the recent lockdown to artificially suppress the loan approval rate for the next 1-2 months due to high loan processing backlog. However, we believe the rate could pick up again in 4Q21 with the reopening of the economy, as we do not expect banks to further tighten approval standards since they have been fairly stringent even before the onset of the pandemic. That said, this would also translate to a better conversion rate of property sales, as transacted value historically trends in tandem with the mortgage approval value.

2022 budget wish list. For the upcoming Budget 2022 (to be tabled on 29 Oct 21), we understand that real estate practitioners are hoping that the government would introduce more targeted measures to address the weakening affordability issue and attract foreign buyers. This could include: a) the extension of the HOC, b) raising loan-to-value (LTV) ratio to 100% for first-time homebuyers, c) the extension of loan tenure, and d) the extension of Real Property Gain Tax (RGPT) exemption for properties disposed of from the sixth year onwards.

Digitalisation efforts to help developers navigate the storm. We believe developers can better weather the storm this time as digitalisation efforts will be able to cushion the lockdown impact. Since mid-20, property companies have been accelerating their digital transformation to digitalise the end-to-end property buying process without buyers' physical presence. This helps developers to accelerate property sales conversion rate. More importantly, we expect improved margins for 2021 amid lower opex, particularly cost savings from marketing and admin expenses given the wide adoption of online platforms.

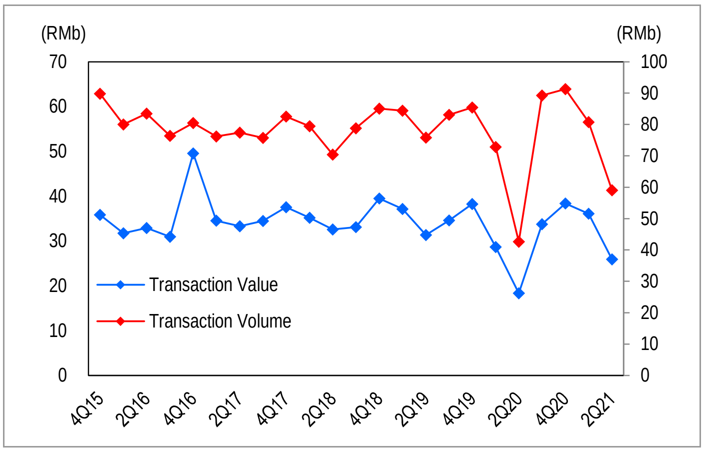
A potential strong recovery in 4Q21's sales given reopening fuelled pent-up demand

TOTAL INDIVIDUAL CASA BALANCE



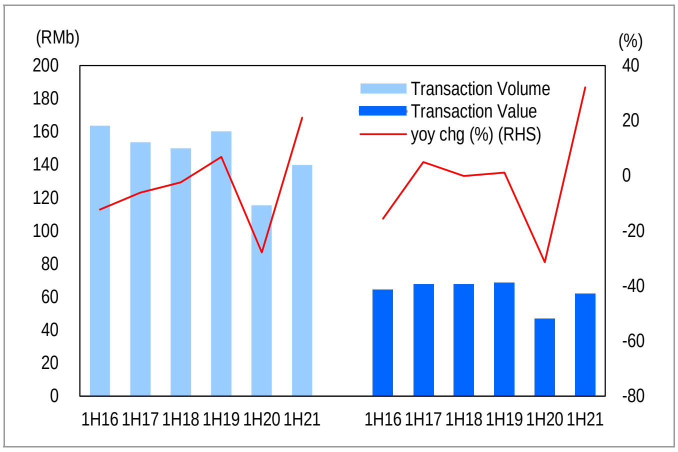
Source: Bank Negara Malaysia (BNM)

TOTAL TRANSACTION VALUE AND VOLUME (QUARTERLY)



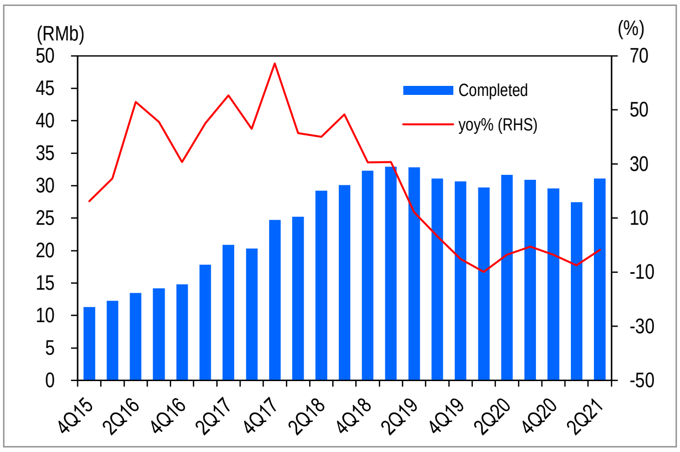
Source: CEIC, UOB Kay Hian

TOTAL TRANSACTION VALUE AND VOLUME (HALF YEARLY)



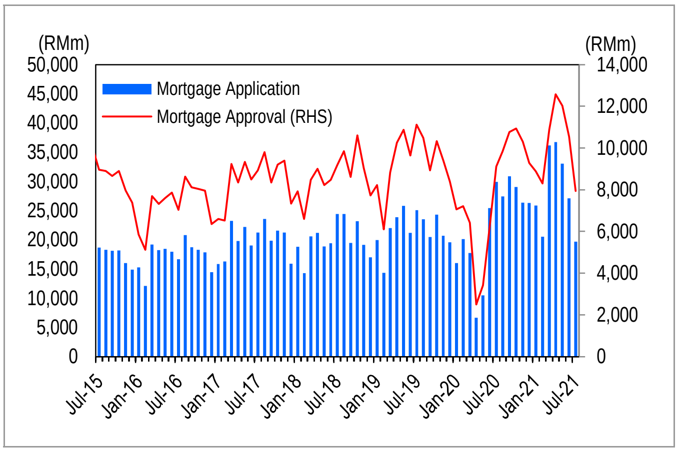
Source: CEIC, UOB Kay Hian

TOTAL UNSOLD UNITS DECREASED IN 1Q21 BUT INCHED UP IN 2Q21



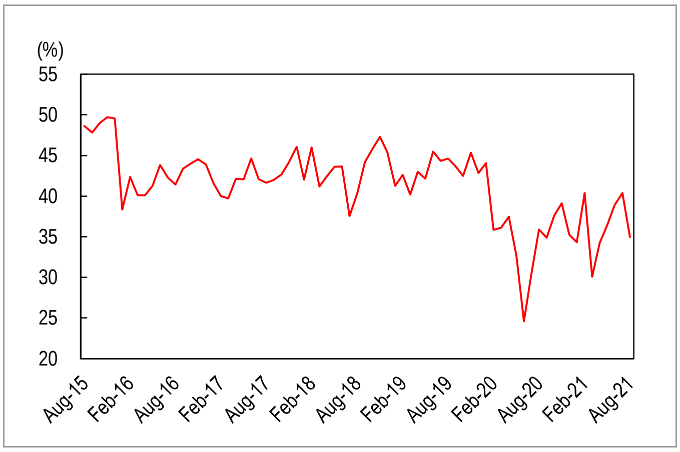
Source: CEIC, UOB Kay Hian

MORTGAGE APPLICATIONS AND APPROVALS AT PEAK LEVELS AMID LOW RATES



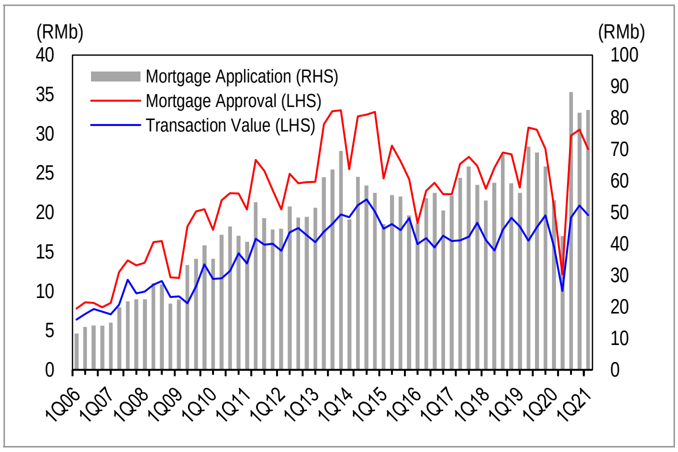
Source: BNM, UOB Kay Hian

STEADY MORTGAGE APPROVAL RATE



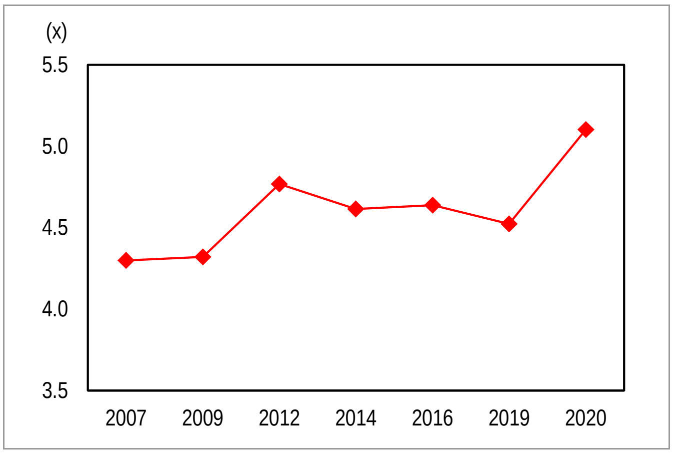
Source: BNM, UOB Kay Hian

POSITIVE CORRELATION BETWEEN MORTGAGE APPLICATION & APPROVAL VALUE AND TRANSACTION VALUE



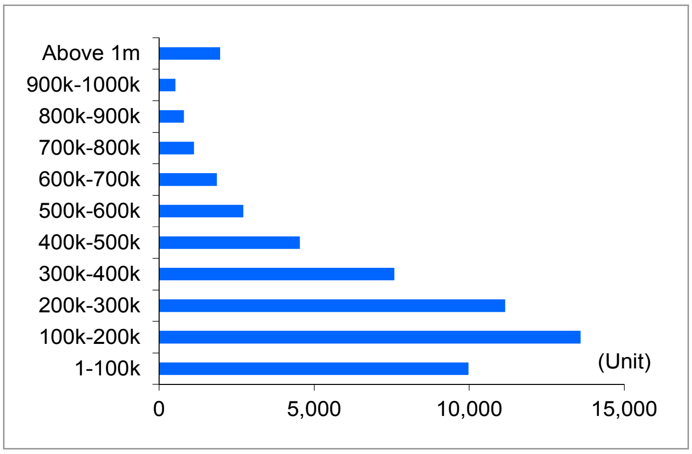
Source: BNM, CEIC, UOB Kay Hian

DETERIORATING MEDIAN HOUSE PRICE-TO-ANNUAL HOUSEHOLD INCOME RATIO (ABOVE 4.0 INDICATES SERIOUSLY UNAFFORDABLE)



Source: CEIC, UOB Kay Hian

OVER 80% OF PROPERTY TRANSACTIONS WERE PRICED BELOW RM500K IN 1H21



Source: CEIC, UOB Kay Hian

Appendix IV – Risk Factors

a) **Reimposition of lockdown** due to the resurgence of COVID-19.

b) **Sharp rise in raw material cost** in tandem with the spike in commodity prices.

c) **Concentration risk in BSS.** About 90% of Matrix's portfolio is concentrated in N.Sembilan.

d) **Unexciting long-term outlook for property sector.** The structural concerns pertaining to an escalating overhang, political uncertainties, worsening household debt-to-GDP and deteriorating house-price-to-income ratio could continue to cloud the sector's long-term growth prospects.

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