

HLIB Research
PP 9484/12/2012 (031413)

Andrew Lim Ken-Wern
kwlim@hlib.hongleong.com.my
(603) 2083 1730

BUY (Maintain)

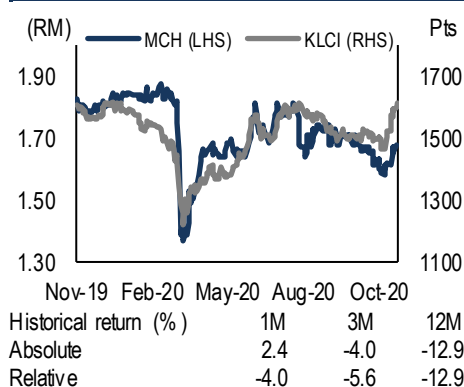
Target Price: **RM2.11**
Previously: **RM2.11**
Current Price: **RM1.69**

Capital upside	24.9%
Dividend yield	6.6%
Expected total return	31.5%

Sector coverage: Property

Company description: Matrix involves in property development and construction businesses primarily focus in Negeri Sembilan and Johor.

Share price



Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,410
3-mth avg. volume ('000)	239
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.1
Shining Term Sdn Bhd	12.7
EPF	10.0

Earnings summary

FYE (Mar)	FY20	FY21f	FY22f
PATMI - core (RM m)	237.2	205.2	252.4
EPS - core (sen)	28.6	24.7	30.4
P/E (x)	5.9	6.8	5.6

Matrix Concepts Holdings

Strong earnings indeed

Matrix reported 2QFY21 core PATMI of RM75.1m (141.7% QoQ, 37.6% YoY), bringing 1HFY21 core PATMI to RM106.1m (-6.3% YoY). The improved progressive earnings recognition in 2QFY21 can be largely attributed to the company carrying out construction works at c.120% capacity to make up the loss of operations during the MCO period by year-end. 1HFY21 sales of RM602m (50% of full year target) was recoded while launches worth RM353m were carried out. Maintain forecast and BUY rating with an unchanged TP of RM2.11 based on 35% discount to RNAV of RM3.24.

Within expectations. Matrix reported 2QFY21 core PATMI of RM75.1m (141.7% QoQ, 37.6% YoY), bringing 1HFY21 core PATMI to RM106.1m (-6.3% YoY). The results were in-line with expectations forming 51.7% and 51.2% of our and consensus full year forecasts respectively. No EIs were excluded from the reported earnings.

Dividend. Declared second interim dividend of 3.0 (2QFY20: 3.0) sen per share going ex on 23 Dec 2020, bringing 1HFY21 dividends to 5 sen per share.

QoQ/YoY. 2QFY21 core earnings rose 141.7%/37.6% to RM75.1m on the back of improved progressive earnings recognition and a higher margin product mix. Notably, the improved progressive earnings recognition can be largely attributed to the company carrying out construction works at c.120% capacity to make up the loss of operations during the MCO period by year-end.

YTD. 1HFY21 core earnings fell marginally by -6.3% to RM106.1m largely due to the loss of operations during the MCO period in 1QFY21 but was partially mitigated by a higher margin product mix.

Strong sales recorded. 2QFY21 new sales came in at RM252m, bringing 1HFY21 sales to RM602m which represents 50% of the full year target (RM1.1bn). With regards to launches, 2QFY21 launched RM95m worth of products bringing 1HFY21 launches to RM353m.

Outlook. Given the current market conditions, management continues to focus its efforts on launching affordably priced products e.g. Laman Sendayan 1 which consists of 1 & 2 storey terrace houses priced below RM500k per unit. Notably, the launches have been well received with the most recent one in 2QFY21 (i.e. first phase of Laman Sendayan) being fully booked on first day of launch. Earnings visibility will continue to be supported by new sales and unbilled sales of 0.9x cover (RM1.1bn). We remain positive on management's efforts to make up for the loss of operations during the MCO period.

Forecast. Unchanged.

Maintain **BUY** with unchanged TP of **RM2.11** based on 35% discount to RNAV of RM3.24. We continue to like Matrix as it is well-positioned to ride on affordable housing theme within its successful townships with cheap land cost and sustained property sales. This is supported by an attractive dividend yield of 6.3% for FY21 and 6.8% for FY21, being one of the highest in the sector.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Cash	264.2	281.0	811.6	603.8	681.0
Receivables	425.0	533.0	357.0	497.2	528.7
Inventories	671.4	624.1	510.1	710.3	755.3
Others	737.2	1,138.7	855.3	1,001.6	1,031.5
Assets	2,097.9	2,576.9	2,534.0	2,812.9	2,996.4
Payables	381.6	484.5	331.5	461.7	490.9
Debt	362.3	427.6	427.6	427.6	427.6
Others	26.0	61.8	61.8	61.8	61.8
Liabilities	770.0	973.9	820.9	951.1	980.3
Shareholder's equity	1,327.1	1,605.1	1,718.0	1,869.4	2,026.4
Minority interest	0.8	(2.1)	(4.8)	(7.6)	(10.3)
Equity	1,327.9	1,603.0	1,713.2	1,861.8	2,016.1

Cash Flow Statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	297.8	337.6	276.2	340.6	353.3
D&A	10.5	11.7	11.1	10.9	10.7
Working capital	(148.4)	(165.5)	416.3	(360.5)	(80.9)
Taxation	(89.7)	(100.1)	(73.8)	(90.9)	(94.3)
Others	7.6	(31.3)	-	-	-
CFO	77.9	52.4	629.9	(100.0)	188.8
Capex	(32.1)	(7.0)	(7.0)	(7.0)	(7.0)
Others	19.4	(101.6)	-	-	-
CFI	(12.8)	(108.5)	(7.0)	(7.0)	(7.0)
Changes in debt	29.2	57.8	-	-	-
Shares issued	3.5	178.3	-	-	-
Dividends	(101.5)	(97.5)	(92.3)	(101.0)	(104.7)
Others	-	-	-	-	-
CFF	(68.8)	138.5	(92.3)	(101.0)	(104.7)
Net cash flow	(3.7)	82.4	530.6	(207.9)	77.2
Forex	-	14.9	-	-	-
Others	80.5	-	-	-	-
Beginning cash	187.4	183.7	281.0	811.6	603.8
Ending cash	264.2	281.0	811.6	603.8	681.0

Income statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Revenue	1045.5	1283.4	930.8	1296.4	1378.4
Operating cost	(733.9)	(931.9)	(652.2)	(957.0)	(1025.0)
EBITDA	311.6	351.5	278.6	339.3	353.4
D&A	(10.5)	(11.7)	(11.1)	(10.9)	(10.7)
Net Interest	(3.3)	(2.1)	8.7	12.2	10.6
Pretax profit	297.8	337.6	276.2	340.6	353.3
Taxation	(79.5)	(103.2)	(73.8)	(90.9)	(94.3)
Minority Interest	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
PATAMI	221.0	237.2	205.2	252.4	261.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	221.0	237.2	205.2	252.4	261.7
Basic shares (m)	829.2	829.2	829.2	829.2	829.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			207.0	244.0	236.5
HLIB/ Consensus			99%	103%	111%

Valuation ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	12.8	12.9	11.1	12.2	12.6
Yield (%)	7.5	7.6	6.6	7.2	7.5
Core EPS (sen)	26.6	28.6	24.7	30.4	31.6
Fully Diluted EPS (sen)	24.7	26.6	23.0	28.3	29.3
P/E (x)	6.3	5.9	6.8	5.6	5.4
FD P/E (x)	6.8	6.4	7.4	6.0	5.8
Market capitalization (m)	1401.3	1401.3	1401.3	1401.3	1401.3
Net cash (m)	(98.1)	(146.5)	384.1	176.2	253.4
Net gearing (%)	0.07	0.09	CASH	CASH	CASH
BV / share	1.6	1.9	2.1	2.3	2.4
P/BV (x)	1.1	0.9	0.8	0.7	0.7
ROA (%)	10.5	9.2	8.1	9.0	8.7
ROE (%)	16.6	14.8	12.0	13.6	13.0
Enterprise value	1499.4	1547.8	1017.2	1225.1	1147.9
EV/ EBITDA (x)	4.8	4.4	3.7	3.6	3.2

Margin ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	29.8	27.4	29.9	26.2	25.6
PBT Margin	28.5	26.3	29.7	26.3	25.6
PATMI	21.1	18.5	22.0	19.5	19.0

Figure #1 Quarterly results comparison

FYE March	1Q20	1Q21	2Q21	QoQ	YoY	1H20	1H21	YoY
Revenue	248.5	162.0	262.0	61.7%	5.4%	531.2	424.0	-20.2%
COGS	(122.5)	(77.0)	(118.5)	53.9%	-3.3%	(266.3)	(195.5)	-26.6%
Gross Profit	126.0	85.0	143.5	68.8%	13.9%	264.9	228.6	-13.7%
Other income	2.0	0.8	1.5	82.5%	-22.6%	2.8	2.4	-14.6%
Other expenses	(55.3)	(44.1)	(43.4)	-1.5%	-21.5%	(117.3)	(87.5)	-25.4%
EBIT	72.7	41.8	101.6	143.3%	39.9%	150.3	143.4	-4.6%
Net Interest	0.3	1.0	1.0	2.5%	219.3%	2.1	1.9	-8.0%
PBT	73.0	42.7	102.6	140.1%	40.6%	152.4	145.3	-4.7%
Tax	(18.4)	(12.8)	(29.1)	127.1%	58.2%	(39.1)	(42.0)	7.2%
PAT	54.5	31.1	75.1	141.7%	37.6%	113.3	106.1	-6.3%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.	-	-	N.M.
Core PAT	54.5	31.1	75.1	141.7%	37.6%	113.3	106.1	-6.3%
EBIT margin	29.2%	25.8%	38.8%	13.0%	9.6%	28.3%	33.8%	5.5%
PBT margin	29.4%	26.4%	39.2%	12.8%	9.8%	28.7%	34.3%	5.6%
PAT margin	22.0%	19.2%	28.6%	9.5%	6.7%	21.3%	25.0%	3.7%

Company: HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	813.1
BSI	100%	245.6
Others	100%	182.5
Australia	100%	22.4
Indonesia	30%	24.0
Total NPV		1,287.6
Shareholders funds		1,605.1
RNAV		2,892.7
Share base		893.1
RNAV/share		3.24
Discount		35%
Discounted RNAV/share		2.11

Company, HLIB

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 19 November 2020, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 19 November 2020, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

Published & printed by:**Hong Leong Investment Bank Berhad (10209-W)**

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

The stock rating guide as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.