

**HLIB** Research

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**BUY** (Maintain)

**Target Price:** RM2.54

**Previously:** RM2.20

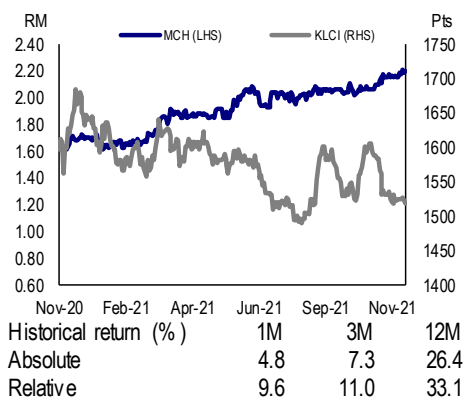
**Current Price:** RM2.20

Capital upside	15.5%
Dividend yield	5.7%
Expected total return	21.2%

**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)	1,835
3-mth avg. volume ('000)	457
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★

**Major shareholders**

Lee Tian Hock	13.9%
Shining Term Sdn Bhd	12.7%
EPF	9.7%

**Earnings summary**

FYE (Mar)	FY21	FY22f	FY23f
PATMI - core (RM m)	282.5	233.5	261.0
EPS - core (sen)	31.6	26.1	29.2
P/E (x)	7.0	8.4	7.5

# Matrix Concepts Holdings

## Expect a strong 2HFY22

Matrix reported 1HFY22 core PATMI of RM83.5m (-21.3% YoY) that were within expectations. Declared second tier first interim dividend of 3.0 sen (1QFY22: 2.0 sen; 2QFY21: 3.0sen) per share going ex on 21 Dec 2021. 1HFY22 cumulative dividend of 5.0 sen (representing 52% of payout ratio) was above our expectation (making up 45% of our forecast). 2QFY22 new sales came in at RM340.4m brought 1HFY22 sales to RM641.3m (53% of its full year target of RM1.2bn). We are expecting stronger 2HFY22 earnings from a higher progressive billings contribution in line with higher productivity. We maintain our earnings forecast but increase our dividend forecast of FY22-24 by 12% to reflect higher payout moving forward. Maintain BUY with a higher TP of RM2.54 (from RM2.20) based on a lower discount of 25% (from 35%) of RNAV of RM3.39.

**Within expectations.** Matrix reported 2QFY22 core PATMI of RM51.8m (+63.4% QoQ, -31.0% YoY), which brought 1HFY22 core PATMI to RM83.5m (-21.3% YoY), making up 36% of our and 34% of consensus expectation. We deem the results inline as we are expecting a stronger 2HFY22 from a higher progressive billings contribution in line with higher productivity.

**Dividend.** Declared second tier first interim dividend of 3.0 sen (1QFY22: 2.0 sen; 2QFY21: 3.0sen) per share going ex on 21 Dec 2021. 1HFY22 cumulative dividend of 5.0 sen (representing 52% of payout ratio) was above our expectation (making up 45% of our forecast). To recap, Matrix has a dividend policy to distribute 40% of profit after tax.

**QoQ.** Despite longer number of days for lockdown in 2QFY22 vs 1QFY22, Matrix rebounded strongly by registering core PATMI growth of 63.4% on the back of higher revenue by 46.5% attributed to its expedited construction activities and new property launches.

**YoY/YTD.** Core PATMI declined (-31% YoY; -21.3% YTD) largely due to the loss of operations during lockdown period as well as lower contribution from its latest development series of Laman Sendayan 1 & 2 (currently at the early phases).

**Sales and launches.** 2QFY22 new sales came in at RM340.4m brought 1HFY22 sales to RM641.3m (53% of its full year target of RM1.2bn). 1HFY22 saw RM306m new launches from Laman Sendayan 3 & 4 as well as Tiara Sendayan 9. Management shared that newly launched Laman Sendayan 3 and Tiara Sendayan 9 were nearly 100% taken up. The company has GDV of c.RM1.2bn in the pipeline for launches in the 2HFY22. Unbilled sales stood at RM1.1bn (1.0x cover ratio).

**Outlook.** We believe earnings delivery should improve in 2HFY22 in tandem with looser restrictions. To recap, after MCO1.0 was lifted, Matrix operated its construction works at 120% capacity and able to catch up on its schedule within 6 months.

**Forecast.** We maintain our earnings forecast but increase our dividend forecast of FY22-24 by 12% to reflect higher payout moving forward.

Maintain **BUY** with a higher TP of **RM2.54** (from RM2.20) based on a lower discount of 25% (from 35%) of RNAV of RM3.39 to reflect the higher dividend payout as well as stronger sales moving forward. 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 5.7-6.8% for FY22-24, being one of the highest in the sector.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Cash	281.0	229.4	445.0	579.0	746.7
Receivables	533.0	620.6	583.9	449.9	482.7
Inventories	624.1	618.0	581.5	692.3	804.8
Others	1,138.7	1,142.2	1,092.1	1,205.8	1,321.9
<b>Assets</b>	<b>2,576.9</b>	<b>2,610.2</b>	<b>2,702.5</b>	<b>2,926.9</b>	<b>3,356.1</b>
Payables	484.5	456.0	429.0	519.1	804.6
Debt	427.6	325.5	325.5	325.5	325.5
Others	61.8	32.1	32.1	32.1	32.1
<b>Liabilities</b>	<b>973.9</b>	<b>813.7</b>	<b>786.7</b>	<b>876.7</b>	<b>1,162.2</b>
Shareholder's equity	1,605.1	1,807.7	1,936.2	2,079.7	2,232.5
Minority interest	(2.1)	(11.2)	(20.4)	(29.5)	(38.7)
<b>Equity</b>	<b>1,603.0</b>	<b>1,796.5</b>	<b>1,915.8</b>	<b>2,050.2</b>	<b>2,193.9</b>

### Cash Flow Statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Profit before taxation	337.6	361.1	296.3	332.7	355.0
D&A	11.7	12.3	11.8	11.4	10.9
Working capital	(165.5)	(133.3)	86.8	(9.5)	15.4
Taxation	(100.1)	(123.1)	(72.0)	(80.8)	(86.2)
Others	(31.3)	(25.9)	-	-	-
<b>CFO</b>	<b>52.4</b>	<b>91.2</b>	<b>322.9</b>	<b>253.7</b>	<b>295.1</b>
Capex	(7.0)	(2.3)	(2.3)	(2.3)	(2.3)
Others	(101.6)	(20.2)	-	-	-
<b>CFI</b>	<b>(108.5)</b>	<b>(22.5)</b>	<b>(2.3)</b>	<b>(2.3)</b>	<b>(2.3)</b>
Changes in debt	57.8	(61.7)	-	-	-
Shares issued	178.3	4.8	-	-	-
Dividends	(97.5)	(87.6)	(105.1)	(117.4)	(125.1)
Others	-	-	-	-	-
<b>CFF</b>	<b>138.5</b>	<b>(144.5)</b>	<b>(105.1)</b>	<b>(117.4)</b>	<b>(125.1)</b>
<b>Net cash flow</b>	<b>82.4</b>	<b>(75.9)</b>	<b>215.6</b>	<b>134.0</b>	<b>167.7</b>
Forex	14.9	24.2	-	-	-
Others	-	-	-	-	-
Beginning cash	183.7	281.0	229.4	445.0	579.0
Ending cash	281.0	229.4	445.0	579.0	746.7

### Income statement

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
<b>Revenue</b>	<b>1283.4</b>	<b>1127.6</b>	<b>1060.9</b>	<b>1263.1</b>	<b>1468.3</b>
Operating cost	(931.9)	(733.1)	(761.7)	(911.0)	(1099.3)
<b>EBITDA</b>	<b>351.5</b>	<b>394.5</b>	<b>299.3</b>	<b>352.1</b>	<b>369.0</b>
D&A	(11.7)	(12.3)	(11.8)	(11.4)	(10.9)
Net Interest	(2.1)	(26.2)	8.9	(8.0)	(3.1)
<b>Pretax profit</b>	<b>337.6</b>	<b>361.1</b>	<b>296.3</b>	<b>332.7</b>	<b>355.0</b>
Taxation	(103.2)	(87.7)	(72.0)	(80.8)	(86.2)
Minority Interest	(2.9)	(9.1)	(9.1)	(9.1)	(9.1)
PATAMI	237.4	282.5	233.5	261.0	277.9
Exceptionals	0.0	20.3	0.0	0.0	0.0
<b>Core Earning</b>	<b>237.4</b>	<b>282.5</b>	<b>233.5</b>	<b>261.0</b>	<b>277.9</b>
Basic shares (m)	804.8	834.2	834.2	834.2	834.2
Diluted shares (m)	893.1	893.1	893.1	893.1	893.1
Consensus core PATMI			245.5	265.7	278.0
HLIB/ Consensus			95%	98%	31%

### Valuation ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
Net DPS (sen)	11.5	12.0	12.6	14.1	15.0
Yield (%)	5.2	5.5	5.7	6.4	6.8
Core EPS (sen)	29.5	33.9	28.0	31.3	33.3
Fully Diluted EPS (sen)	26.6	31.6	26.1	29.2	31.1
P/E (x)	7.5	6.5	7.9	7.0	6.6
FD P/E (x)	8.3	7.0	8.4	7.5	7.1
Market capitalization (m)	1770.5	1835.3	1835.3	1835.3	1835.3
Net cash (m)	(146.5)	(96.2)	119.4	253.4	421.2
Net gearing (%)	0.09	0.05	CASH	CASH	CASH
BV / share	2.0	2.2	2.3	2.5	2.7
P/BV (x)	1.1	1.0	0.9	0.9	0.8
ROA (%)	9.2	10.8	8.6	8.9	8.3
ROE (%)	14.8	15.7	12.2	12.7	12.7
Enterprise value	1917.0	1931.5	1715.9	1581.9	1414.1
EV/ EBITDA (x)	5.5	4.9	5.7	4.5	3.8

### Margin ratios

FYE Mar	FY20	FY21	FY22f	FY23f	FY24f
EBITDA Margin	27.4	35.0	28.2	27.9	25.1
PBT Margin	26.3	32.0	27.9	26.3	24.2
PATMI	18.5	25.1	22.0	20.7	18.9

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**Figure #1** Quarterly results comparison

FYE Mar (RM m)	2QFY21	1QFY22	2QFY22	QoQ	YoY	1HFY21	1HFY22	YoY
Revenue	262.0	163.4	239.5	46.5%	-8.6%	424.0	402.9	-5.0%
COGS	(118.5)	(82.9)	(125.6)	51.5%	6.0%	(195.5)	(208.5)	6.6%
Gross Profit	143.5	80.5	113.9	41.4%	-20.6%	228.6	194.5	-14.9%
Other income	1.5	1.0	2.1	116.4%	35.5%	2.4	3.0	28.0%
Other expenses	(43.4)	(38.9)	(46.2)	18.6%	6.3%	(87.5)	(85.1)	-2.8%
EBIT	101.6	42.6	69.8	64.0%	-31.3%	143.4	112.4	-21.6%
Net Interest	1.0	(0.6)	0.0	N.M.	-97.8%	1.9	(0.5)	-127.8%
PBT	102.6	42.7	70.4	64.9%	-31.4%	145.3	113.0	-22.2%
Tax	(29.1)	(12.2)	(20.0)	63.5%	-31.5%	(42.0)	(32.2)	-23.3%
<b>Core PATMI</b>	75.1	31.7	51.8	63.4%	-31.0%	106.1	83.5	-21.3%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.	-	-	N.M.
Reported PATMI	75.1	31.7	51.8	63.4%	-31.0%	106.1	83.5	-21.3%
				<i>pts change</i>	<i>pts change</i>			<i>pts change</i>
EBIT margin	38.8%	26.0%	29.2%	3.1	-9.6	33.8%	27.9%	-5.9
PBT margin	39.2%	26.1%	29.4%	3.3	-9.8	34.3%	28.1%	-6.2
PAT margin	28.6%	19.4%	21.6%	2.2	-7.0	25.0%	20.7%	-4.3

Company; HLIB

**Figure #2** RNAV Table

Projects	Stake (%)	NPV (RM m)
<b>Bandar Sri Sendayan</b>		
BSS	100%	754.6
BSI	100%	237.2
Others	100%	175.5
Australia	100%	24.7
Indonesia	30%	26.4
Total NPV		1,218.3
Shareholders funds		1,807.7
<b>RNAV</b>		<b>3,026.0</b>
Share base		893.1
RNAV/share		3.39
Discount		25%
<b>Discounted RNAV/share</b>		<b>2.54</b>

Company, HLIB

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

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<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
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