

HLIB Research

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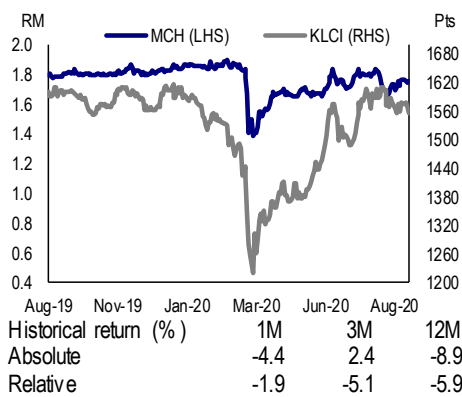
BUY (Maintain)

Target Price: **RM2.11**
Previously: **RM2.06**
Current Price: **RM1.74**

Capital upside	21.3%
Dividend yield	6.3%
Expected total return	27.6%

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)	1,452
3-mth avg. volume ('000)	543
SC Shariah-compliant	Yes

Major shareholders

Lee Tian Hock	15.1%
Shining Term Sdn Bhd	12.7%
EPF	9.9%

Earnings summary

FYE (Mar)	FY20	FY21f	FY22f
PATMI - core (RM m)	234.5	202.4	244.9
EPS - core (sen)	28.3	24.4	29.5
P/E (x)	6.2	7.1	5.9

Matrix Concepts Holdings

Decent showing despite MCO

Matrix's 1QFY21 core PATMI of RM31m (-41.3% QoQ, -38.1% YoY) were above expectations due to better than expected contributions from its operations during MCO coupled with expectation of stronger quarters ahead. 1QFY21 new sales came in at RM350.3m, representing 32% of the full year target of RM1.1bn. We increase our FY21 earnings forecast by +4.6% as we impute higher progressive billings recognition while tweaking our FY22 earnings forecast downwards by -5.4% as we were previously too bullish on the margins in FY22. We introduce FY23 earnings forecast at RM253.2m. Maintain BUY with a higher TP of RM2.11 (from RM2.06) based on 35% discount to RNAV of RM3.24.

Slightly above expectations. Matrix reported 1QFY21 core PATMI of RM31.1m (-41.3% QoQ, -38.1% YoY), which formed 16% of both our and consensus full year forecasts. We deem it slightly above expectations due to better-than-expected contributions from its operations during MCO coupled with expectation of stronger quarters ahead. No EIs were excluded from the reported earnings.

Dividend. Declared first interim dividend of 2.0 (1QFY20: 3.0) sen per share going ex on 23 Sep 2020.

QoQ/YoY. 1QFY21 fell -65.7%/-29.6% to RM162m largely due to operating activities being impacted by the MCO. Subsequently, core PATMI fell -41.3%/-38.1% to RM31.1m in tandem with revenue coupled with unavoidable operating costs incurred during MCO.

Strong sales recorded. 1QFY21 new sales came in at RM350.3m, representing 32% of the full year target of RM1.1bn. With regards to launches, RM258.5m worth of products was launched.

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 1x cover (RM1.2bn). The company's prospects look promising as it recorded a relatively decent quarter despite being hit by the MCO. Furthermore, we note that Matrix plans to operate construction works at 115% capacity (by working overtime) to catch up on its schedule by year-end. We remain positive on management's efforts as we note that the past two months were on track whereby construction works have been going close to 120%.

Forecast. We increase our FY21 earnings forecast by +4.6% as we impute higher progressive billings recognition while tweaking our FY22 earnings forecast downwards by -5.4% as we were previously too bullish on the margins in FY22. We introduce FY23 earnings forecast at RM253.2m

Maintain **BUY** with a higher TP of **RM2.11** (from RM2.06) based on 35% discount to RNAV of RM3.24 as we recalibrate our valuation to reflect the changes in forecast coupled with the rollover of valuation. 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	781.9	624.4	706.9
Receivables	425.0	533.0	369.1	489.0	517.5
Inventories	671.4	624.1	527.2	698.6	739.2
Others	737.2	1,138.7	868.2	992.7	1,019.5
Assets	2,097.9	2,576.9	2,546.4	2,804.7	2,983.1
Payables	381.6	484.5	342.7	454.1	480.5
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	832.1	943.4	969.9
Shareholder's equity	1,327.1	1,605.1	1,716.4	1,863.4	2,015.3
Minority interest	0.8	(2.1)	(2.1)	(2.1)	(2.1)
Equity	1,327.9	1,603.0	1,714.3	1,861.3	2,013.2

Cash Flow Statement

FYE Mar	FY18	FY20	FY20f	FY21f	FY21f
Profit before taxation	297.8	337.6	276.1	334.1	345.4
D&A	10.5	11.7	11.1	10.9	10.7
Working capital	(148.4)	(165.5)	385.4	(308.4)	(73.2)
Taxation	(89.7)	(100.1)	(73.7)	(89.2)	(92.2)
Others	7.6	(31.3)	-	-	-
CFO	77.9	52.4	598.9	(52.6)	190.8
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)	(91.1)	(98.0)	(101.3)
Others	-	-	-	-	-
CFF	(68.8)	138.5	(91.1)	(98.0)	(101.3)
Net cash flow	(3.7)	82.4	500.8	(157.5)	82.5
Forex	-	14.9	-	-	-
Others	80.5	-	-	-	-
Beginning cash	187.4	183.7	281.0	781.9	624.4
Ending cash	264.2	281.0	781.9	624.4	706.9

Income statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Revenue	1045.5	1283.4	962.2	1274.9	1349.1
Operating cost	(733.9)	(931.9)	(683.4)	(941.9)	(1004.1)
EBITDA	311.6	351.5	278.8	333.0	345.0
D&A	(10.5)	(11.7)	(11.1)	(10.9)	(10.7)
Net Interest	(3.3)	(2.1)	8.4	12.1	11.2
Pretax profit	297.8	337.6	276.1	334.1	345.4
Taxation	(79.5)	(103.2)	(73.7)	(89.2)	(92.2)
Minority Interest	0.0	0.0	0.0	0.0	0.0
PATAMI	218.2	234.5	202.4	244.9	253.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	218.2	234.5	202.4	244.9	253.2
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			196.8	228.8	220.0
HLIB/ Consensus			103%	107%	115%

Valuation ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	12.8	12.7	11.0	11.8	12.2
Yield (%)	7.3	7.3	6.3	6.8	7.0
Core EPS (sen)	26.3	28.3	24.4	29.5	30.5
Fully Diluted EPS (sen)	24.4	26.3	22.7	27.4	28.4
P/E (x)	6.6	6.2	7.1	5.9	5.7
FD P/E (x)	7.1	6.6	7.7	6.3	6.1
Market capitalization (m)	1442.8	1442.8	1442.8	1442.8	1442.8
Net cash (m)	(98.1)	(146.5)	354.3	196.8	279.3
Net gearing (%)	0.07	0.09	CASH	CASH	CASH
BV / share	1.6	1.9	2.1	2.2	2.4
P/BV (x)	1.1	0.9	0.8	0.8	0.7
ROA (%)	10.4	9.1	7.9	8.7	8.5
ROE (%)	16.4	14.6	11.8	13.2	12.6
Enterprise value	1540.9	1589.3	1088.4	1245.9	1163.4
EV/ EBITDA (x)	4.9	4.5	3.9	3.7	3.4

Margin ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	29.8	27.4	29.0	26.1	25.6
PBT Margin	28.5	26.3	28.7	26.2	25.6
PATMI	20.9	18.3	21.0	19.2	18.8

Figure #1 **Quarterly results comparison**

FYE March	1Q19	4Q20	1Q21	QoQ	YoY
Revenue	230.0	472.1	162.0	-65.7%	-29.6%
COGS	(125.4)	(302.9)	(77.0)	-74.6%	-38.6%
Gross Profit	104.6	169.3	85.0	-49.8%	-18.7%
Other income	0.6	0.1	0.8	768.7%	46.1%
Other expenses	(37.4)	(74.4)	(44.1)	-40.7%	17.9%
EBIT	67.8	95.0	41.8	-56.0%	-38.3%
Net Interest	0.2	0.2	1.0	309.5%	416.3%
PBT	68.0	95.2	42.7	-55.1%	-37.1%
Tax	(17.8)	(42.3)	(12.8)	-69.7%	-27.9%
PAT	50.2	52.9	31.1	-41.3%	-38.1%
EI (Gain/(Losses))	-	-	-	N.M.	N.M.
Core PAT	50.2	52.9	31.1	-41.3%	-38.1%
EBIT margin	29.5%	20.1%	25.8%	5.7%	-3.7%
PBT margin	29.5%	20.2%	26.4%	6.2%	-3.2%
PAT margin	21.8%	11.2%	19.2%	8.0%	-2.6%

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

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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

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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.

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