

27 November 2024

Property | Real Estate

Matrix Concepts (MCH MK)

Buy (Maintained)

MVV City To Drive The Next Phase Of Growth

Target Price (Return): MYR2.50 (+11%)
 Price (Market Cap): MYR2.25 (USD632m)
 ESG score: 3.1 (out of 4)
 Avg Daily Turnover (MYR/USD) 3.51m/0.80m

- Maintain BUY, new MYR2.50 TP from MYR2.15, 11% upside with c.5% FY25 (Mar) yield.** Matrix Concepts' 2QFY25 results are in line. The quarter also saw a contribution from the disposal of an industrial property that resulted in a gain of MYR24m. 1HFY25 property sales, already at MYR663m, puts it on track to hit its full-year target of MYR1.3bn. Meanwhile, the upcoming launch of Malaysian Vision Valley (MVV 2.0) – with residential, commercial and industrial components – should be its next growth driver. We raise our TP to reflect this next phase of growth ahead.
- 2QFY25 results.** The sequential growth in revenue was primarily driven by billings from existing projects, as well as a new project, Levia Residences in Cheras. The sale of an industrial property worth MYR45m was also recognised during the quarter. Revenue for the property development segment could have been stronger, as some works in Bayu Sutera were delayed by a contractor at certain stages of construction. Contributions from the education and hospitality as well as healthcare segments spiked up by 13.9% QoQ, supported by a steady increase in student enrolment numbers as well as higher demand at Mawar Medical Centre. MCH now has a net gearing of 0.09x (vs a net cash position in the previous quarter), as borrowings were drawn down to fund its acquisition of the first parcel of MVV land. A 2.75 sen second interim DPS was declared (1QFY25: 2.5 sen).
- Steady sales in 2QFY25.** 2QFY25 property sales amounted to MYR341.6m vs MYR321.4m in 1QFY25. Response for Levia Residences remained encouraging, with a take-up rate of 73.3% for Tower A units (from 61% in 1QFY25). MCH has just made Tower B units available for sale.
- Launches in the pipeline.** For FY25, the company plans to launch projects worth MYR1.78bn. So far, it has already rolled out MYR618.5m in new properties in 1H. Launches of projects or project parts other than Tower B at Levia Residences (GDV: MYR268m) include Eka Heights Precinct 9 (GDV: MYR208m) and Laman Sendayan 2A (GDV: MYR215m). The maiden launch of MVV City will be in FY26, while the ground-breaking ceremony of this project will be held next month.
- We make no changes to our earnings forecasts.** 4QFY25 earnings should strengthen as construction works at Bayu Sutera pick up. Unbilled sales fell to MYR1.32bn, from MYR1.59bn in 1QFY25.
- Higher TP.** Our new TP is based on a 20% discount to RNAV (from 30%), and with a 2% ESG premium imputed, given our ESG score of 3.10 for the company.

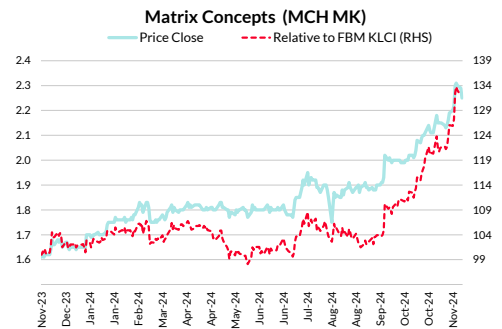
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	36.4	6.6	19.0	27.1	39.8
Relative	26.6	7.9	21.5	28.5	29.9
52-wk Price low/high (MYR)				1.61	–2.31



Source: Bloomberg

Forecasts and Valuation	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Total turnover (MYRm)	1,118	1,340	1,381	1,427	1,568
Recurring net profit (MYRm)	209	248	251	261	274
Recurring net profit growth (%)	1.7	19.0	1.3	3.9	4.9
Recurring EPS (MYR)	0.17	0.20	0.20	0.20	0.21
DPS (MYR)	0.08	0.10	0.11	0.11	0.12
Recurring P/E (x)	13.50	11.35	11.32	11.01	10.60
P/B (x)	1.40	1.32	1.26	1.21	1.16
Dividend Yield (%)	3.7	4.4	4.7	4.9	5.1
Return on average equity (%)	10.7	12.0	11.5	11.3	11.2
Net debt to equity (%)	net cash	net cash	4.5	3.9	13.3

Source: Company data, RHB

Overall ESG Score: 3.1 (out of 4)

E: GOOD

MCH adopts various environmentally-sustainable initiatives, including recycling office and household waste and consuming RE.

S: EXCELLENT

MCH has constructed three public schools and numerous houses of worship for various religions. It is also a premier sponsor of the state's sports associations. The company is also involved in various CSR programmes for cultural activities, education and community enrichment activities.

G: GOOD

56% of its board members are independent directors, with full disclosure on remuneration (including salaries and bonuses on a named basis). MCH has both in-house and external investor relations teams and holds investor meetings regularly, embodying good transparency and disclosure practices

Financial Exhibits

Asia	Financial summary (MYR)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
Malaysia	Recurring EPS	0.17	0.20	0.20	0.20	0.21
Property	EPS	0.17	0.20	0.20	0.20	0.21
Matrix Concepts	DPS	0.08	0.10	0.11	0.11	0.12
MCH MK	BVPS	1.60	1.70	1.78	1.86	1.94
Buy	Return on average equity (%)	10.7	12.0	11.5	11.3	11.2
	Return on average assets (%)	8.0	9.2	8.5	8.0	7.9
Valuation basis						
20% discount to RNAV.						
Key drivers						
i. Growth in new property and industrial land sales;						
ii. More land acquisitions.						
Key risks						
Weaker-than-expected market conditions.						
Company Profile						
Matrix Concepts is a Negeri Sembilan-based developer that currently has 2,732 acres of land with a total portfolio GDV of MYR8.2bn. The group focuses mainly on developing residential and commercial properties, as well as selling industrial land.						
	Valuation metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Recurring P/E (x)	13.50	11.35	11.32	11.01	10.60
	P/B (x)	1.4	1.3	1.3	1.2	1.2
	Dividend Yield (%)	3.7	4.4	4.7	4.9	5.1
	EV/EBITDA (x)	3.99	3.77	3.18	3.01	2.75
	Income statement (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Total turnover	1,118	1,340	1,381	1,427	1,568
	Gross profit	518	644	666	687	769
	EBITDA	279	339	344	354	371
	Operating profit	279	339	344	354	371
	Net interest	(7)	(5)	(5)	(1)	(1)
	Pre-tax profit	273	334	340	353	370
	Taxation	(69)	(86)	(88)	(92)	(96)
	Reported net profit	209	248	251	261	274
	Recurring net profit	209	248	251	261	274
	Cash flow (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Change in working capital	49	(125)	16	(21)	(45)
	Cash flow from operations	296	169	313	288	277
	Capex	(2)	0	(450)	(120)	(350)
	Cash flow from investing activities	(66)	7	(442)	(111)	(340)
	Dividends paid	(70)	(103)	(125)	(133)	(140)
	Cash flow from financing activities	(155)	(228)	(158)	(164)	(171)
	Cash at beginning of period	194	246	335	354	363
	Net change in cash	74	(52)	(287)	12	(234)
	Ending balance cash	268	193	49	367	129
	Balance sheet (MYRm)	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Total cash and equivalents	246	335	354	363	225
	Total investments	1,178	992	1,427	1,528	1,856
	Total other assets	71	79	69	59	49
	Total assets	2,637	2,743	3,198	3,335	3,613
	Short-term debt	123	60	70	70	70
	Total long-term debt	117	86	386	386	486
	Total liabilities	648	627	963	979	1,131
	Shareholders' equity	2,005	2,131	2,249	2,370	2,495
	Minority interests	(16)	(14)	(14)	(14)	(14)
	Total equity	1,989	2,117	2,235	2,356	2,481
	Total liabilities & equity	2,637	2,743	3,198	3,335	3,613
	Key metrics	Mar-23	Mar-24	Mar-25F	Mar-26F	Mar-27F
	Revenue growth (%)	26.0	19.9	3.1	3.3	9.9
	Recurring net profit growth (%)	1.7	19.0	1.3	3.9	4.9
	Recurrent EPS growth (%)	(32.2)	18.9	0.3	2.8	3.8
	Gross margin (%)	46.3	48.1	48.2	48.2	49.0
	Recurring net profit margin (%)	18.7	18.5	18.2	18.3	17.4
	Dividend payout ratio (%)	49.5	50.4	52.8	53.8	54.2

Source: Company data, RHB

Results At a Glance

Figure 1: Quarterly results

FYE Mar (MYRm)	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1HFY24	1HFY25	YoY (%)	Comments
Turnover	359.4	279.7	321.0	14.8	(10.7)	690.8	600.8	(13.0)	The QoQ revenue growth was mainly driven by billings on existing projects, as well as the newly launched project Levia Residence in Kuala Lumpur. Contributions from the education, hospitality and healthcare segments collectively grew 13.9% QoQ.
EBIT	86.9	82.3	95.4	15.9	9.8	175.1	177.7		EBIT in 2QFY25 included a MYR45m disposal of an IBS plant, which resulted in a pre-tax gain of MYR24m.
EBIT margin (%)	24.2	29.4	29.7			25.3	29.6		
Net interest	(2.8)	(1.0)	(4.5)	n.m.	n.m.	(4.1)	(5.5)	34.4	The increase in interest expense was due to the drawdown of borrowings to fund the acquisition of the first piece of land for the MVV project.
Pretax profit	83.8	81.1	90.1	11.1	7.5	171.0	171.2	0.1	
Pretax margin (%)	23.3	29.0	28.1			24.8	28.5		
Taxation	(20.7)	(19.6)	(21.7)	10.9	4.9	(44.2)	(41.3)	(6.6)	
Tax rate (%)	24.7	24.2	24.1			25.9	24.1		
Minority interest	0.9	(0.8)	(0.9)	n.m.	n.m.	1.8	(1.8)		
Net profit	64.0	60.7	67.4	11.1	5.3	128.6	128.1	(0.4)	Within expectations.
Net margin (%)	17.8	21.7	21.0			18.6	21.3		
EPS (sen)	5.1	4.9	5.4			10.3	10.2		
Gross DPS (sen)	2.5	2.5	2.8			5.0	5.3		
NTA/share (MYR)	1.7	1.7	1.7			1.7	1.7		

Source: Company data, RHB

Figure 2: RNAV estimate

Projects	Remaining landbank (acres)	GDV (MYR m)	Stake	NPV @ 10%
Bandar Sri Sendayan, Negeri Sembilan	1,724.2	5,866.1	100%	695.4
New land in Labu	1,382.2	7,000.0	85%	524.4
MVV Parcel B	1,000.0	5,000.0	85%	127.2
Taman Seri Impian, Kluang, Johor	465.7	2,217.9	100%	234.6
Others	27.7	156.8	100%	7.3
Damansara Perdana	5.5	400.0	100%	27.3
Puchong	5.8	400.0	100%	28.7
Cheras	5.2	532.0	100%	54.7
St Kilda, Melbourne	0.6	240.0	100%	21.6
Islamic Financial District, Jakarta	8.9	2,044.0	30%	47.5
Total				1,768.7
Shareholders' fund				2,107.7
Warrants conversion				123.6
ESOS proceeds				57.7
Total RNAV				4,057.7
Share base (incl. warrants and placement)				1,324.4
RNAV/share				3.06
Discount to RNAV				20%
Intrinsic value				2.45
ESG premium				2%
Target price				2.50

Source: RHB

Emissions And ESG

Trend analysis

MCH's Scope 3 emissions are calculated from the commute of employees to work, the disclosure on ESG key performance indicators and targets as well as based on the Taskforce on Climate Related Disclosures framework.

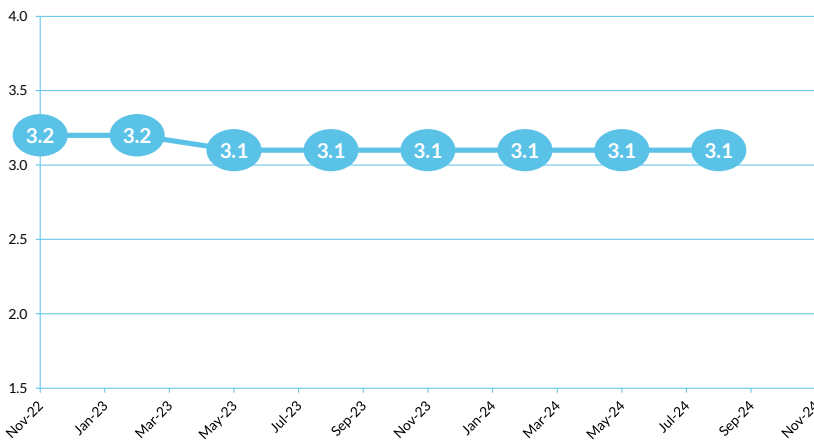
Emissions (tCO2e)	Mar-22	Mar-23	Mar-24
Scope 1	601	428	na
Scope 2	4,210	4,373	na
Scope 3	na	136,639	na
Total emissions	4,811	141,440	na

Source: Company data, RHB

Latest ESG-Related Developments

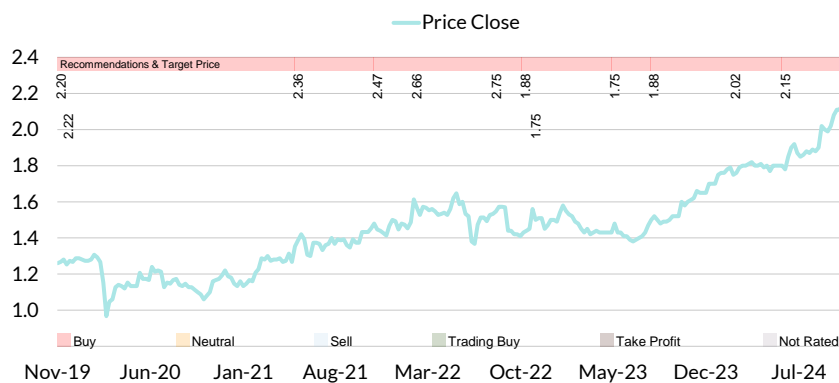
- The company has been upgraded to a 4-star rating by FTSE Russell's Top 25% ESG ratings among public-listed companies that are a component stock of FBM EMAS.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-22	Buy	2.15	1.88
2024-06-19	Buy	2.15	1.81
2024-05-27	Buy	2.02	1.79
2024-02-25	Buy	2.02	1.79
2023-11-23	Buy	1.88	1.62
2023-08-22	Buy	1.88	1.49
2023-05-24	Buy	1.75	1.44
2023-05-11	Buy	1.75	1.43
2022-11-23	Buy	1.75	1.49
2022-10-30	Buy	1.88	1.41
2022-08-25	Buy	2.75	1.55
2022-08-23	Buy	2.66	1.53
2022-05-25	Buy	2.66	1.62
2022-02-23	Buy	2.66	1.55
2021-11-25	Buy	2.47	1.47

Source: RHB, Bloomberg

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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Analyst	Company
-	-

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