HLIB Research
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Matrix Concepts Holdings

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BUY (Maintain)

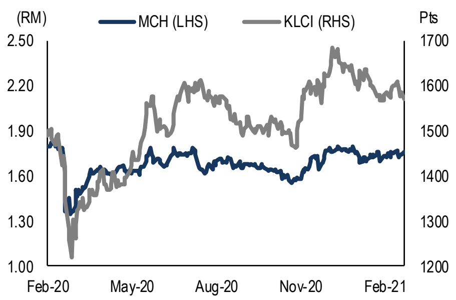
Target Price:	**RM2.12**
Previously:	**RM2.11**
Current Price:	**RM1.80**

Capital upside	17.8%
Dividend yield	6.1%
Expected total return	23.9%

Sector coverage: Property

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

Share price



Historical return (%)	1M	3M	12M
Absolute	4.7	3.4	-5.8
Relative	4.3	4.5	-10.6

Stock information

Bloomberg Ticker	MCH MK
Bursa Code	5236
Issued Shares (m)	834
Market cap (RM m)	1,502
3-mth avg. volume ('000)	466
SC Shariah-compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★

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)	238.5	228.4	259.4
EPS - core (sen)	26.7	25.6	29.0
P/E (x) - FD	6.7	7.0	6.2

A healthy showing

Matrix's 9MFY21 core PATMI of RM181.5m (+1.6% YoY) was above our and consensus expectation. The improved progressive earnings recognition in 9MFY21 is largely attributed to expedited construction progress and higher new property sales. 9MFY21 sales of RM865m (79% of full year target) was recoded while launches worth RM420m were carried out. We increase our forecast by 10.6%/2.2%/1.9% for FY21/22/23 to account for higher progressive billings recognitions and higher sales. Maintain BUY with a marginally higher TP of RM2.12 (from RM2.11) based on 35% discount to RNAV of RM3.27.

Above expectations. Matrix reported 3QFY21 core PATMI of RM75.3m (+0.4% QoQ, 15.3% YoY), bringing 9MFY21's sum to RM181.5m (+1.6% YoY). The results were above expectations forming 87% of our and consensus full year forecasts, attributable to expedited construction progress and higher new property sales.

Dividend. Declared third interim dividend of 3.0 (3QFY20: 3.0) sen per share going ex on 24 Mar 2021, bringing 9MFY21 dividends to 8 sen per share.

QoQ. Top line increased by 20.4% attributable to higher progress billing recognition in addition to higher sales. Nonetheless, core PATAMI was flattish (+0.4%) on the back of higher COGS (+60.3%) and higher other expenses (+42.9%).

YoY. Revenue rose by 13.1% on the back of improved progress billing recognition. Notwithstanding the lower gross profit by 4.2% from lower margin products, Matrix's core earnings increased by 15.3% thanks to reduced administrative and general expenses as well as higher share of results from the its JV-co in Indonesia.

YTD. Core earnings fell by 8.7% largely due to the loss of operations during the MCO period in 1QFY21 (impacted Apr month) but this was partially mitigated by lower selling and marketing expenses as well as administrative expenses. In turn, core earnings were flattish (1.6%).

Strong sales recorded. 3QFY21 new sales came in at RM263m, bringing 9MFY21 sales to RM865m which represents 79% of the full year target (RM1.1bn). With regards to launches, 3QFY21 launched RM420m worth of products bringing 9MFY21 launches to RM773.2m.

Outlook. For 4Q21, management is targeting to launch RM252.4m worth of GDV coming from Tiara Sendayan 7, Nusari Bayu 2 and Laman Sendayan 3. We believe Matrix's FY21 sales target of RM1.1bn (+6% YoY vs FY20) is achievable (despite the pandemic) given the encouraging response in recent quarter (81.9% take up rate in 3Q21 achieved). Earnings visibility will continue to be supported by new sales and unbilled sales of 0.8x cover (RM963m). In terms of dividend, we projected Matrix to be able to pay at least 11 sen per share for FY21 (40% dividend payout ratio) which translates to a yield of 6.1%. Furthermore, Matrix's healthy balance sheet of 0.04x net gearing (3Q21) will provide the buffer to sustain through this challenging environment.

Forecast. We increase our forecast by 10.6%/2.2%/1.9% for FY21-23 to account for higher progressive billings recognitions and higher sales.

Maintain **BUY** with a marginally higher TP of **RM2.12** (from RM2.11) based on 35% discount to RNAV of RM3.27 as we make changes to our earnings base. 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 6.1% for FY21 and 7.0% for FY22, 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	735.5	598.6	685.0
Receivables	425.0	533.0	395.5	509.3	538.1
Inventories	671.4	624.1	565.0	727.5	768.7
Others	749.2	1,138.7	896.5	1,014.4	1,041.5
Assets	**2,109.9**	**2,576.9**	**2,592.6**	**2,849.8**	**3,033.2**
Payables	381.6	484.5	367.3	472.9	499.6
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**	**856.6**	**962.2**	**989.0**
Shareholder's equity	1,327.1	1,605.1	1,742.2	1,897.8	2,058.7
Minority interest	0.8	(2.1)	(6.2)	(10.3)	(14.4)
Equity	**1,327.9**	**1,603.0**	**1,736.0**	**1,887.5**	**2,044.3**

Cash Flow Statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Profit before taxation	301.8	337.6	306.0	348.3	360.1
D&A	10.5	11.7	11.1	10.9	10.7
Working capital	(148.4)	(165.5)	317.4	(292.5)	(74.1)
Taxation	(89.7)	(100.1)	(81.7)	(93.0)	(96.2)
Others	3.6	(31.3)	-	0.0	(0.0)
CFO	**77.9**	**52.4**	**552.8**	**(26.3)**	**200.6**
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)	(91.4)	(103.8)	(107.2)
Others	-	-	(0.0)	0.0	(0.0)
CFF	**(68.8)**	**138.5**	**(91.4)**	**(103.8)**	**(107.2)**
Net cash flow	**(3.7)**	**82.4**	**454.5**	**(137.0)**	**86.4**
Forex	-	14.9	-	-	-
Others	80.5	-	-	-	-
Beginning cash	187.4	183.7	281.0	735.5	598.6
Ending cash	264.2	281.0	735.5	598.6	685.0

Income statement

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Revenue	**1045.5**	**1283.4**	**1031.1**	**1327.7**	**1402.8**
Operating cost	(733.9)	(931.9)	(721.9)	(979.7)	(1042.6)
EBITDA	**311.6**	**351.5**	**309.3**	**348.0**	**360.3**
D&A	(10.5)	(11.7)	(11.1)	(10.9)	(10.7)
Net Interest	(3.3)	(2.1)	7.8	11.2	10.6
Pretax profit	**301.8**	**337.6**	**306.0**	**348.3**	**360.1**
Taxation	(79.5)	(103.2)	(81.7)	(93.0)	(96.2)
Minority Interest	(4.1)	(4.1)	(4.1)	(4.1)	(4.1)
PATAMI	226.3	238.5	228.4	259.4	268.1
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Earning	**226.3**	**238.5**	**228.4**	**259.4**	**268.1**
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			208.5	240.8	253.5
HLIB/ Consensus			110%	108%	106%

Valuation ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
Net DPS (sen)	12.8	12.9	11.0	12.5	12.9
Yield (%)	7.1	7.2	6.1	7.0	7.2
Core EPS (sen)	27.3	28.8	27.5	31.3	32.3
Fully Diluted EPS (sen)	25.3	26.7	25.6	29.0	30.0
P/E (x)	6.6	6.3	6.5	5.8	5.6
FD P/E (x)	7.1	6.7	7.0	6.2	6.0
Market capitalization (m)	1492.5	1492.5	1492.5	1492.5	1492.5
Net cash (m)	(98.1)	(146.5)	308.0	171.0	257.4
Net gearing (%)	0.07	0.09	CASH	CASH	CASH
BV / share	1.6	1.9	2.1	2.3	2.5
P/BV (x)	1.1	0.9	0.9	0.8	0.7
ROA (%)	10.7	9.3	8.8	9.1	8.8
ROE (%)	17.0	14.9	13.2	13.7	13.1
Enterprise value	1590.6	1639.0	1184.5	1321.5	1235.1
EV/ EBITDA (x)	5.1	4.7	3.8	3.8	3.4

Margin ratios

FYE Mar	FY19	FY20	FY21f	FY22f	FY23f
EBITDA Margin	29.8	27.4	30.0	26.2	25.7
PBT Margin	28.9	26.3	29.7	26.2	25.7
PATMI	21.6	18.6	22.1	19.5	19.1

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Figure #1 Quarterly results comparison

FYE March	3Q20	2Q21	3Q21	QoQ	YoY	9M20	9M21	YoY
Revenue	279.0	262.0	315.4	20.4%	13.1%	810.2	739.4	-8.7%
COGS	(123.2)	(118.5)	(166.2)	40.3%	35.0%	(389.5)	(361.7)	-7.1%
Gross Profit	155.8	143.5	149.2	3.9%	-4.2%	420.7	377.7	-10.2%
Other income	1.3	1.5	2.4	60.3%	92.3%	4.0	4.8	19.1%
Other expenses	(66.9)	(43.4)	(62.0)	42.9%	-7.3%	(184.3)	(149.5)	-18.9%
EBIT	90.1	101.6	89.6	-11.9%	-0.6%	240.4	233.0	-3.1%
Net Interest	1.3	1.0	0.9	-3.7%	-25.7%	3.4	2.9	-14.6%
PBT	91.4	102.6	94.5	-7.9%	3.5%	243.8	239.8	-1.6%
Tax	(26.0)	(29.1)	(20.5)	-29.5%	-21.1%	(65.2)	(62.5)	-4.1%
PAT	65.3	75.1	75.3	0.4%	15.3%	178.6	181.5	1.6%
EI (Gain/(Losses)	-	-	-	N.M.	N.M.	-	-	N.M.
Core PAT	**65.3**	**75.1**	**75.3**	**0.4%**	**15.3%**	**178.6**	**181.5**	**1.6%**
EBIT margin	32.3%	38.8%	28.4%	-10.4%	-3.9%	29.7%	31.5%	1.8%
PBT margin	32.7%	39.2%	30.0%	-9.2%	-2.8%	30.1%	32.4%	2.3%
PAT margin	23.4%	28.6%	23.9%	-4.8%	0.5%	22.0%	24.5%	2.5%

Company; HLIB

Figure #2 RNAV Table

Projects	Stake (%)	NPV (RM m)
Bandar Sri Sendayan		
BSS	100%	863.5
BSI	100%	249.1
Others	100%	152.4
Australia	100%	22.4
Indonesia	30%	24.0
Total NPV		1,311.4
Shareholders funds		1,605.1
RNAV		**2,916.5**
Share base		893.1
RNAV/share		3.27
Discount		35%
Discounted RNAV/share		**2.12**

Company, HLIB

Disclaimer

1. As of 26 February 2021, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:
(a) -.

2. As of 26 February 2021, 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) -.

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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.

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