



Matrix Concepts Holdings Berhad

(5236 | MCH MK) Main | Property

Maintain BUY

Strengthening Presence in Labu

Revised Target Price: RM2.05
(Previously RM2.00)


KEY INVESTMENT HIGHLIGHTS

- **Development rights for land in Labu**
- **Strengthening presence in Labu**
- **Higher net gearing**
- **Earnings forecast maintained**
- **Maintain BUY with a revised TP of RM2.05**

Development rights for 1000 acres land in MVV2.0. Matrix Concepts announced that its wholly owned subsidiary, Megah Sedaya Sdn Bhd (MSSB) and NS Corp have entered into Development Rights Agreement to jointly develop 1,000 acres of freehold land in Malaysia Vision Valley 2.0 (MVV 2.0), Labu. The 1,000 acres of land shall acquire by NS Corp from Sime Darby Berhad while MSSB shall pay for the Development Rights by way of the settlement of the purchase price amounting RM435.6m. Matrix Concepts will hold 85% stake in the JV that undertake development of the 1,000 acres of land.

Strengthening presence in Labu. We view the land deal positively as it will strengthen Matrix Concepts' footprint in Negeri Sembilan. Recall that Matrix Concepts announced acquisition of 1,382 acres of land in MVV 2.0 for RM460m in 2022 while the land acquisition should complete by 4QCY24. Meanwhile, the 1,000 acres of land in Labu that Matrix Concepts being granted development rights is adjacent to the previous land in MVV 2.0. Hence, that enlarges Matrix Concepts landbank in Labu to 2,382 acres which will be used for residential, commercial, and industrial development. The purchase consideration of RM435.6m translates into RM10psf which is higher than price of RM7.64psf for the previous land deal. Nevertheless, we opine that the acquisition price is fair considering the land appreciation and positive prospect of property development projects in Negeri Sembilan. Potential GDV from the land is RM5b which translates into attractive cost to GDV ratio of 8.7%.

Higher net gearing. Matrix Concepts intend to fund the land deal with a combination of borrowings and internally generated funds. Balance sheet of Matrix Concepts is strong at net cash position as of FY24. Nevertheless, we estimate net gearing to go up 0.31x post balance of payment for first MVV 2.0 land acquisition and the latest land acquisition. Meanwhile, earnings impact is limited as the land should develop beyond FY26, hence we maintain our earnings forecast.

Maintain BUY with a revised TP of RM2.05. We revise our TP for Matrix Concepts to **RM2.05** from RM2.00 as we narrow our RNAV discount to 19% from 21% in view of the better long-term prospect of Matrix Concepts. We remain positive on Matrix Concepts' strong exposure to affordable landed homes in Seremban which supported by resilient demand for affordable landed home. Meanwhile, estimated dividend yield of Matrix Concepts is attractive at 5.8%. Hence, we maintain our **BUY** call on Matrix Concepts. 

RETURN STATISTICS

Price @ 19 June 2024 (RM)	1.81
Expected share price return (%)	+13.3
Expected dividend yield (%)	+5.8
Expected total return (%)	+19.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	1.4
3 months	0.6	-4.2
12 months	26.6	9.5

INVESTMENT STATISTICS

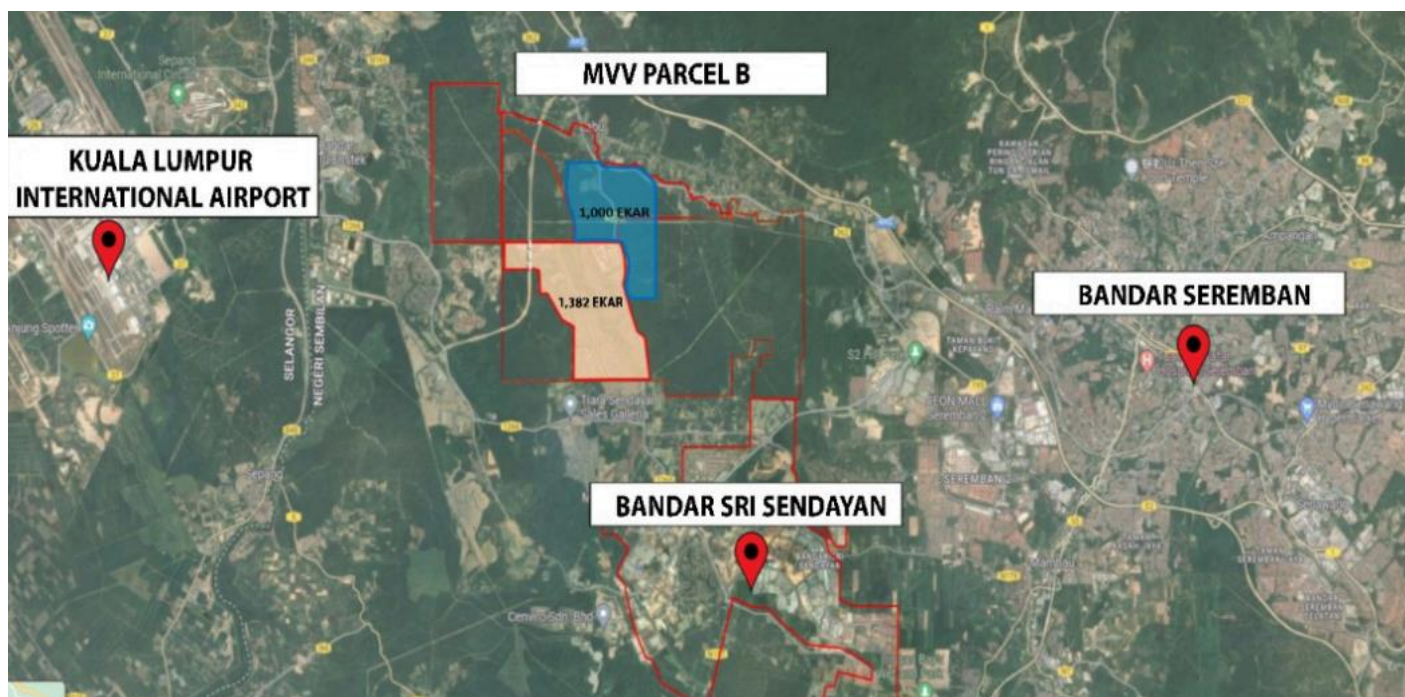
FYE March	2025E	2026F	2027F
Revenue	1,423	1,476	1,526
Operating Profit	353	374	394
Profit Before Tax	347	367	388
Core PATAMI	264	280	296
Core EPS	21.13	22.37	23.65
DPS	10.6	11.2	11.8
Dividend Yield	5.8%	6.2%	6.5%

KEY STATISTICS

FBM KLCI	1,599.79
Issue shares (m)	1251
Estimated free float (%)	56.53
Market Capitalisation (RM'm)	2,265
52-wk price range	RM1.4–RM1.85
3-mth average daily volume (m)	2.06
3-mth average daily value (RM'm)	3.72
Top Shareholders (%)	
Shining Term Sdn Bhd	12.67
Lee Tian Hock	10.31
Lembaqa Tabung Haji	5.70

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Location of land in MVV 2.0, Labu



Source: Company

RNAV table

	Stake	Est remaining GDV (RM m)	WACC (%)	Value (RM m)
Domestic				
Sendayan	100%	5,744	10%	492
BSI	100%	1,926	10%	179
Other N.S.	100%	128	10%	14
Klang Valley	100%	1,138	10%	115
International				
Australia	100%	268	10%	32
Indonesia	30%	2,000	10%	63
Unbilled sales		1,200	10%	139
Total				1,035
Shareholder Funds				2,130
Total RNAV				3,165
Number of shares				1,251
RNAV per share				2.53
Discount				19%
Target Price				2.05

Source: MIDF Research

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	1,113	1,340	1,423	1,476	1,526
EBIT	268	339	353	374	394
PBT	261	334	347	367	388
Net Income	207	246	264	280	296
Core Net Income	221	237	264	280	296
Core EPS (sen)	17.6	19.0	21.1	22.4	23.6
Core PER (x)	10.3	9.6	8.6	8.1	7.7
NTA/share	1.59	1.69	1.74	1.77	1.80
P/NTA	1.15	1.08	1.05	1.03	1.01

FY March (RM m)	2023A	2024A	2025F	2026F	2027F
Property, plant and equipment	211	204	212	214	216
Inventories	774	640	556	545	534
Total non-current assets	1203	1072	1113	1138	1163
Trade receivables and contract assets	618	795	820	828	837
Inventories	398	542	569	581	594
Deposits, Cash and bank balances	250	335	263	268	274
Other current assets	169	0	83	124	169
Total Assets	2638	2743	2848	2940	3037
Long-term borrowings	77.6	85.7	90.0	96.3	103.0
Short-term borrowings	168.3	145.1	60.1	63.1	63.7
Other Liabilities	405	396	521	564	615
Total Liability	651	627	671	724	781
Share capital	961	961	961	961	961
Other Equity	1027	1155	1216	1254	1295
Total Equity	1988	2117	2177	2216	2256
Equity + Liability	2638	2743	2848	2940	3037

FY March (RM m)	2023A	2024A	2025F	2026F	2027F
Cash flows from operating activities					
Net income before taxation	261	334	367	367	388
Net cash from operating activities	211	327	331	324	317
Cash flows from investing activities					
Purchase of PPE	-2	-2	-1	-1	-1
Net cash used in investing activities	19	-2	-2	-1	-1
Cash flows from financing activities					
Repayment of term loan	-55	-110	-108	-114	-103
Net cash from/(used in) financing activities	-171	-239	-249	-274	-291
Net increase/(decrease) in cash and cash equivalents	60	86	80	49	25
Cash and cash equivalent at 1 April	150	200	289	369	418
Cash and cash equivalent at 31 March	150	200	289	369	418

Profitability Margins	2023A	2024A	2025F	2026F	2027F
EBIT margin	24.1%	25.3%	24.8%	25.3%	25.8%
PBT margin	23.4%	24.9%	24.4%	24.9%	25.5%
PAT margin	18.2%	18.5%	18.3%	18.7%	19.1%
Core PATAMI margin	19.8%	17.7%	18.6%	19.0%	19.4%
ROE	11.1%	11.2%	12.1%	12.6%	13.1%
ROA	8.4%	8.6%	9.3%	9.5%	9.7%

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology