# Matrix Concepts Holdings Berhad

(5236 | MCH MK) Main | Property

**Better Earnings Outlook in 2HFY25**

***Maintain* BUY**

***Unchanged* Target Price: RM2.48**

## KEY INVESTMENT HIGHLIGHTS

- **Matrix Concepts results briefing**
- **Earnings to pick up in 2HFY25**
- **Higher net gearing post land acquisition**
- **New sales target maintained at RM1.3b**
- **Earnings forecast maintained**
- **Maintain BUY with an unchanged TP of RM2.48**

**We attended results briefing of Matrix Concepts.** We came away the briefing feeling positive on the near-term prospect for Matrix Concepts. Key takeaways from the briefing as below:

**Earnings to pick up in 2HFY25.** Matrix Concepts recorded lower core net earnings of RM116.6m (-9.4%yoy) in 1HFY25, in line with lower topline (-13%yoy). The weaker earnings were due to lower progress billing of its projects at Bandar Sri Sendayan. We understand that the lower progress billing was due to temporary issue with contractor in relating to construction material at Bayu series projects which has been resolved. Hence, earnings are expected to pick up in 2HFY25. Besides, we expect higher revenue recognition of Levia Residences in Cheras to support earnings growth in 2HFY25.

**Higher net gearing post land acquisition.** Net gearing of Matrix Concepts increased to 0.09x in 2QFY25 from net cash position in 1QFY25 due to drawdown of borrowings to fund 1,382 acres land acquisition in MVV2.0. Note that the land acquisition was completed in October 2024. Meanwhile, Matrix Concepts is acquiring 1,000 acres of land in MVV2.0 which is expected to complete in 2HFY26. Management expects net gearing to inch up to 0.3x post-acquisition. Despite the expected higher net gearing, management is prudent in capital management as Matrix Concepts inked land sales of ~RM250m at MVV2.0 which should progressively being recognised from FY26 onwards and improve balance sheet of Matrix Concepts.

**New sales target maintained at RM1.3b**. Matrix Concepts registered total new sales of RM663m in 1HFY25, on track to meet management new sales target of RM1.39b for FY25. Management expects new sales momentum to be stronger in 2HFY25 as second phase of Levia Residences in Cheras will be launched in 2HFY25. Note that Levia Residences in Cheras is Matrix Concepts' high-rise project in Cheras with total GDV of RM532m. Besides, new sales from Bandar Sri Sendayan should remain stable due to healthy demand for landed properties in Negeri Sembilan.

| RETURN STATISTICS | |
|---|---|
| Price @ 27 Nov 2024 (RM) | 2.30 |
| Expected share price return (%) | +7.8 |
| Expected dividend yield (%) | +4.6 |
| **Expected total return (%)** | **+12.4** |

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 9.0 | 10.0 |
| 3 months | 15.0 | 25.3 |
| 12 months | 42.9 | 29.0 |

**INVESTMENT STATISTICS**

| FYE March | 2025E | 2026F | 2027F |
|---|---|---|---|
| Revenue | 1,423 | 1,501 | 1,608 |
| Operating Profit | 353 | 386 | 433 |
| Profit Before Tax | 347 | 379 | 427 |
| Core PATAMI | 264 | 289 | 325 |
| Core EPS | 21.13 | 23.08 | 26.00 |
| DPS | 10.6 | 11.5 | 13.0 |
| Dividend Yield | 4.6% | 5.0% | 5.7% |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,604.25 |
| Issue shares (m) | 1251 |
| Estimated free float (%) | 61.70 |
| Market Capitalisation (RM'm) | 2,878 |
| 52-wk price range | RM1.6–RM2.36 |
| 3-mth average daily volume (m) | 1.74 |
| 3-mth average daily value (RM'm) | 3.62 |
| Top Shareholders (%) | |
| Shining Term Sdn Bhd | 12.67 |
| Lee Tian Hock | 10.31 |
| Lembaga Tabung Haji | 5.76 |

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**Maintain BUY with an unchanged TP of RM2.48.** Post briefing, we make no changes to our earnings forecast for FY25F/26F/27F. We also maintain our **TP** for Matrix Concepts at **RM2.48**, based on 22% discount to RNAV. Long-term prospect for Matrix Concepts is positive with strong earnings visibility from MVV 2.0 land. MVV2.0 with total acreage of 2,382 acres and GDV of RM12b will propel property sales and earnings growth beyond FY27. Besides, the growing earnings contribution from healthcare division will further support earnings growth. Meanwhile, dividend yield of Matrix Concepts remains attractive at 4.6%. Hence, we maintain our **BUY** call on Matrix Concepts.

## 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 |
| MVV land | 85% | 12,000 | 10% | 808 |
| **International** | | | | |
| Australia | 100% | 268 | 10% | 32 |
| Indonesia | 30% | 2,000 | 10% | 63 |
| Unbilled sales | | 1,200 | 10% | 139 |
| **Total** | | | | **1,843** |
| Shareholder Funds | | | | 2,130 |
| Total RNAV | | | | 3,973 |
| Number of shares | | | | 1,251 |
| RNAV per share | | | | 3.18 |
| Discount | | | | 22% |
| **Target Price** | | | | **2.48** |

*Source: MIDF Research*

## FINANCIAL SUMMARY

| Income Statement (RM'm) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Revenue | 1,113 | 1,340 | 1,423 | 1,501 | 1,608 |
| EBIT | 268 | 339 | 353 | 386 | 433 |
| PBT | 261 | 334 | 347 | 379 | 427 |
| Net Income | 207 | 246 | 264 | 289 | 325 |
| Core Net Income | 221 | 237 | 264 | 289 | 325 |
| Core EPS (sen) | 17.6 | 19.0 | 21.1 | 23.1 | 26.0 |
| Core PER (x) | 13.0 | 12.1 | 10.9 | 10.0 | 8.8 |
| NTA/share | 1.59 | 1.69 | 1.74 | 1.77 | 1.81 |
| P/NTA | 1.45 | 1.36 | 1.32 | 1.30 | 1.27 |

| 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 | 269 | 278 |
| Other current assets | 169 | 0 | 83 | 127 | 179 |
| **Total Assets** | **2638** | **2743** | **2848** | **2943** | **3051** |
| 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 | 1258 | 1308 |
| Total Equity | 1988 | 2117 | 2177 | 2219 | 2270 |
| **Equity + Liability** | **2638** | **2743** | **2848** | **2943** | **3051** |

| FY March (RM m) | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| Cash flows from operating activities | | | | | |
| Net income before taxation | 261 | 334 | 347 | 379 | 427 |
| Net cash from operating activities | 211 | 327 | 332 | 336 | 343 |
| | | | | | |
| 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 | 81 | 61 | 51 |
| Cash and cash equivalent at 1 April | 150 | 200 | 289 | 370 | 430 |
| Cash and cash equivalent at 31 March | 150 | 200 | 289 | 370 | 430 |

| Profitability Margins | 2023A | 2024A | 2025F | 2026F | 2027F |
|---|---|---|---|---|---|
| EBIT margin | 24.1% | 25.3% | 24.8% | 25.7% | 27.0% |
| PBT margin | 23.4% | 24.9% | 24.4% | 25.3% | 26.6% |
| PAT margin | 18.2% | 18.5% | 18.3% | 18.9% | 19.9% |
| Core PATAMI margin | 19.8% | 17.7% | 18.6% | 19.2% | 20.2% |
| ROE | 11.1% | 11.2% | 12.1% | 13.0% | 14.3% |
| ROA | 8.4% | 8.6% | 9.3% | 9.8% | 10.7% |

*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 *rise* 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 *fall* 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