

Team Coverage

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Recommendation:	BUY
Current Price:	RM 1.82
Previous Target Price:	-
Target Price:	RM 2.14
Upside/Downside:	17.6%

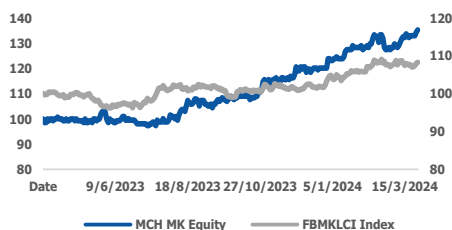
Stock information

Board	MAIN
Sector	Property
Bursa / Bloomberg Code	5236 / MCH MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	★★★★
Bloomberg ESG Rating	N/A
Shares issued (m)	1,251.3
Market Cap (RM' m)	2,277.5
52-Week Price Range (RM)	1.85-1.37
Beta (x)	0.8
Free float (%)	57.0
3M Average Volume (m)	1.5
3M Average Value (RM' m)	2.6

Top 3 Shareholders

	(%)
Shining Term Sdn Bhd	12.7
Lee Tian Hock	10.3
Lembaga Tabung Haji	5.5

Share Price Performance



	1M	3M	12M
Absolute (%)	3.4	7.1	26.4
Relative (%)	2.3	2.5	16.3

Matrix Concepts Holdings Bhd

Esteemed Urban Development Seremban Player

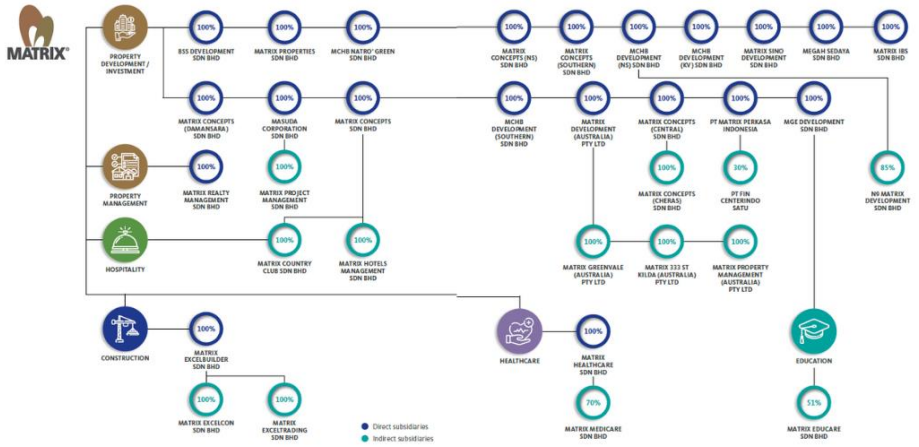
Summary

- **Proven track record in evident with more than 8,000 units delivered over the past five years, supported by successful flagship township.**
- **Core net profit is expected to record 24.1% and 16.5% yoy growth to RM257.1m and RM299.5m for FY24F and FY25F respectively, driven by progressive revenue recognition from recently launched projects and a healthy backlog of unbilled sales.**
- **We initiate coverage on Matrix with a buy recommendation and target price of RM2.14, based discount rate of 20% to our RNAV.**

Company Background

- Matrix Concepts Holdings Berhad (Matrix) is regarded as a prominent Malaysian property developer located at Negeri Sembilan. The Group's primary focus lies within property development and operates in a diversified business model with exposure in construction, education, hospitality, and healthcare segments.
- The Group was incorporated in 1996 and listed on Bursa Malaysia's Main Market since 2013. Matrix established its development footprint in Negeri Sembilan with its maiden project; a mixed residential and commercial development in Taman Bahau. The Group subsequently took another leap forward in 2005 through a joint venture with Koperasi Kemajuan Tanah Negeri Johor Berhad. This collaboration earmarked their first flagship township, Taman Seri Impian, in Kluang, Johor.
- In 2008, Matrix launched the initial phases of Bandar Sri Sendayan, comprising 1,159 terrace houses and 18 commercial plots. Since then, the Group has ventured into international markets, undertaking a joint venture in 2019 for the development of Menara Syariah (29 storeys) in Pantai Kapuk Indah 2, Jakarta, Indonesia. In 2022, Matrix launched M333 St Kilda, a premium residence in Melbourne, Australia.
- Matrix ventured into development of high-rise residential projects in Kuala Lumpur, and has several projects in the pipeline located at Puchong, Damansara Perdana, and Cheras. To-date, Matrix has delivered over 8,000 residential and commercial properties, notching cumulative gross development value (GDV) of RM4.5b over the past five years.
- Over the years, Matrix has positioned itself as a reliable property developer. The success is evident from a numerous prestigious award, including the StarProperty Awards, The Edge Top 10 Property Developers Awards 2022, and Asia's Best Performing Company.
- Matrix also stands out for its robust ESG credentials, integrating sustainability principles into its core business strategy. Since the first lockdown in March 2020, the Group has demonstrably integrated sustainability into actions, contributing over RM11.5m to various organisations and communities. Their emphasis onto ESG has been recognised by FTSE Russell, upgrading the group to a prestigious 4-star rating, placing them within the top 25% of ESG performers in the FBM Bursa Malaysia EMAS Index.

Business Overview



Source: Matrix

- Matrix is regarded as a diversified company with four core business segments: property development and construction, education, hospitality, and healthcare. The group's 34 subsidiaries provide vertical integration and broad market reach across these segments.
- Matrix's core business lies in property development and construction, generating a dominant 96.4% of total revenue in 2023. The group involves in a diversified range of property segments, including residential, commercial, and industrial. Matrix boasts a successful track record in property development and construction projects across Malaysia, with a growing presence in select international markets.

Matrix's Property Development : Bandar Seri Impian



Source: Matrix

Matrix's Property Development : Levia Residence

Source: Matrix

- Matrix's Sendayan Developments township exemplifies its capabilities in the Malaysian property sector. Spanning over 6,000-ac in Negeri Sembilan, the township is recognised for its sustainable and community-focused approach, having garnered various accolades. Within the township, Matrix has delivered over 21,000 residential and commercial properties with GDV of RM2.34b.

Matrix's Property Development : Bandar Sri Sendayan

Source: Matrix

- Beyond their core property development and construction business, Matrix ventured into education (Matrix Global School), hospitality (d'Tempat Country Club & d'Sora Boutique Business Hotel), and healthcare (Pusat Hemodialisis Mawar). While these segments currently contributions are minimal (hospitality @ 2.3%, education @ 1.1%, other services @ 0.8% in FY23), these segments have recorded positive yoy growth. With Matrix's core focus remains within the property development and construction segments, we expect these ventures to likely remain modest contributors to overall revenue in near future.

Matrix Global School



Source: Matrix

Matrix's Hospitality (d'Tempat Country Club)

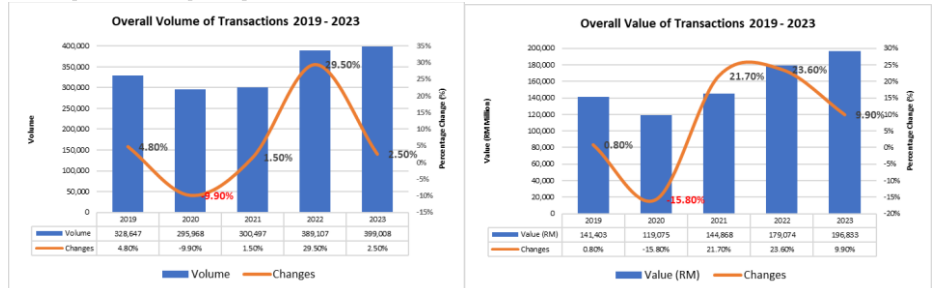


Source: Matrix

Industry Overview

- We are encouraged by the robust recovery observed in the property market throughout 2023. Notably, the market has surpassed pre-pandemic levels, driven in part by supportive government initiatives and a strengthening labour market. Transaction volume and value both exhibited healthy growth, rising 2.5% yoy and 9.9% yoy to reach 399,008 units and RM196.83b, respectively. We reckon the positive momentum may sustain, going forward premised to the improving economic outlook that is supported by healthy labour market and strong demand for housing.

Malaysian Property Transaction Volume & Value



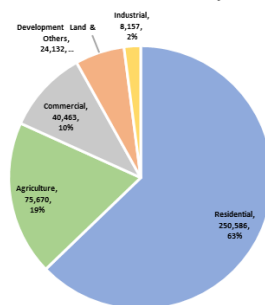
Source: NAPIC, Apex Securities

- All property sub-sectors exhibited positive growth in terms of volume 2023, with residential (+3.0% yoy), commercial (+23.3% yoy), and development land (+5.0% yoy) leading the pack. While industrial land saw modest growth (+0.9% yoy), agricultural land bucked the trend with a volume decline of -7.8% yoy. Transaction

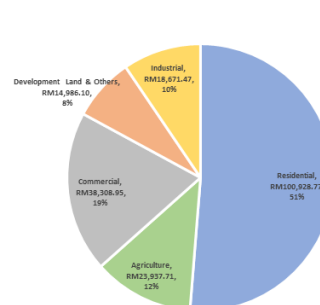
value in 2023 painted a more prominent picture, with all sub-sectors experiencing growth – residential (+7.1% yoy), commercial (+17.5% yoy), industrial (+13.1% yoy), agricultural (+4.6% yoy), and development land (+13.8% yoy). Notably, the residential sector remained dominant, contributing 62.8% of total transaction volume and 51.3% of value, followed by agriculture and commercial.

Sub-Sector Share of Transaction Volume & Value

Contribution to Transaction Volume by Sub-sector 2023



Contribution to Transaction Value by Sub-sector 2023



Source: NAPIC, Apex Securities

- In 2023, Matrix captured 0.65% of the Malaysian property market value, representing a total transaction value of RM1288.9m based on their total revenue from the property segment during the period. Going forward, we maintain a positive outlook for the property sector in 2024. Demand for mid-range homes is expected to remain robust, fuelled by a growing middle-income segment. Supportive government initiatives, industry efforts, and recovering consumer confidence are further tailwinds. Well-established developers with strong household names and proven track records are likely to see continued market acceptance, particularly for properties priced at RM550,000 and below, which will constitute a significant portion of new launches.

Investment Highlights

- **Strong track record as a reliable property developer.** Matrix points to a strong development track record, delivering over 8,000 units across residential, commercial, and industrial segments with a total gross development value (GDV) exceeding RM4.5b over the past five years. The consistent execution is further supported by their receipt of multiple prestigious awards, solidifying reputation on high-quality project delivery. Notably, their flagship township development in Sendayan has been a significant success story, contributing 92.1% to total revenue in FY23 and highlights their ability to translate development expertise into robust financial performance.
- **Outstanding Landbank coupled with impressive take-up rate.** Matrix boasts a substantial land bank of 2,067.6-ac across strategic locations in Negeri Sembilan (1,613.7-ac), Johor Bahru (444.7-ac), Kuala Lumpur (5.2-ac), Melbourne (0.6-ac) and Jakarta (3.4-ac) that will underpin Matrix's long-term revenue visibility. Additionally, Matrix's projects consistently achieve impressive average take-up rates exceeding 80%, attributable to their strategic launch approach, well-chosen development location, and satisfactory quality.

- **Decent dividend yield.** Matrix has consistently upheld a dividend payout ratio exceeding 38% for the past five years. This translates into attractive dividend yields, with payouts ranging from 9 to 13 sen per share. Supported by steady operating cash flow generation, we expect Matrix to maintain its dividend policy, implying a minimum payout of 10 sen per share, translating to a prospective dividend yield of approximately 6% for FY24F and FY25F. This position Matrix favorably among its peers, offering longer-term investment horizon perspective.
- **Strong ESG Performance.** Matrix differentiates itself with a robust commitment to ESG principles. The focus on sustainability is strategically integrated into their core business operations, aligning with the United Nation's Sustainable Development Goals (UN SDGs) through their "Planet, People, Partnership & Prosperity, and Peace" framework. Their leadership in ESG is further validated by a recent 4-star rating from FTSE Russell, placing them within the top quartile of ESG performers on the FBM Bursa Malaysia EMAS Index.

Financial Highlights

- Matrix's core earnings demonstrated volatility over the past five years, ranging from RM205.2m to RM262.2m. This can be attributed, in part, to the disruptions caused by the Covid-19 pandemic. While the Group achieved a two-year compound annual growth rate (CAGR) of 6.3% between FY19 to FY21, FY22 saw a significant decline of RM205.2m (-21.7% yoy). The decline is primarily due to supply chain disruptions and labour shortages stemming from multiple Movement Control Orders (MCOs), which adversely impacted various projects, most notably M.Greenvale development. However, signs of a slow recovery emerged in FY23, with core earnings reflecting a modest +1.0% yoy growth.
- Moving into FY24F, we project revenue to reach RM1.35b (+20.9% yoy growth), while core net profit to climb 24.1% yoy to RM257.1m, driven by both improved revenue recognition from recently launched projects in Sendayan and Bandar Seri Impian, and a healthy backlog of unbilled sales amounting to RM1.2b. The positive outlook is supported by the Group's strong momentum in 9MFY24 as Matrix has achieved RM185.9m in core net profit, representing an impressive +22.3% yoy growth and amounted to 72.3% of our projection. Additionally, the Group sustained its high sales velocity with an 84.0% take-up rate across all projects.

Valuation & Recommendation

- We initiate coverage on Matrix with a **BUY** call at a target price of RM2.14, based discount rate of 20% to our RNAV.
- We are optimistic over Matrix's earnings growth prospect as the Group exhibits a clear growth strategy, in evident from ongoing landbank acquisition efforts to ensure sustainable development over the next two decades. Additionally, the expansion beyond Malaysia suggests strong management confidence and a diversified revenue stream, further bolstering our positive outlook.

Peers comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM 'm)	P/E (x)		Gross DY (%)	Revenue RM 'm	Net Income RM 'm
					FY23	FY24F			
MATRIX CONCEPTS HOLDINGS BHD	MAIN	Mar	1.82	2277.4	11.0	9.4	5.4	1113.1	207.2
Mah Sing Group Bhd	MAIN	Dec	1.25	3035.0	14.1	12.6	3.25	2,603.20	215.3
Eco World Development Group	MAIN	Oct	1.48	3374.4	17.8	12.0	4.0	2226.9	189.3
Ideal Capital Bhd	MAIN	Dec	3.20	1600.0	25.2	25.2	0.6	512.7	63.5
HCK Capital Group Bhd	MAIN	Dec	2.13	1159.1	43.4	44.2	-	215.2	26.7
LBS Bina Group Bhd	MAIN	Dec	0.71	1106.1	7.9	4.7	3.3	1828.5	140.3
Avg ex-Matrix Concepts Holdings Bhd					23.6	21.5	2.6	1195.8	105.0

Source: Bloomberg, Apex Securities

Investment Risk

- **Inability to replenish landbank.** Land scarcity can limit expansion, constraining the Group's ability to acquire new properties for development or investment.
- **Rising construction costs beyond expectations.** Increasing costs can impact the feasibility of new developments, potentially causing delays or cancellations of projects due to budget constraints as well as impact margins.
- **Changes in housing as well as property regulations.** New regulations, such as zoning laws, building codes, or tax policies, can increase compliance costs and alter the competitive landscape within the real estate market

Financial Highlights

Income Statement

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	1127.6	892.4	1113.1	1345.6	1540.5
Gross Profit	565.3	490.4	488.8	632.5	724.0
EBITDA	344.2	271.6	235.4	340.4	389.7
Depreciation & Amortisation	-12.3	-11.9	-10.3	-9.0	-10.4
EBIT	357.3	271.9	260.3	331.5	379.3
Net Finance Income/ (Cost)	-21.6	-6.9	-1.5	-0.2	-1.4
Associates & JV	5.2	3.4	1.8	0.9	0.9
Pre-tax Profit	340.8	268.4	260.7	337.5	384.2
Tax	-87.7	-67.5	-57.9	-84.4	-88.4
Profit After Tax	253.1	200.9	202.8	253.1	295.8
Minority Interest	-9.1	-4.3	-4.4	-4.0	-3.9
Net Profit	262.2	205.2	207.2	257.2	299.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	262.2	205.2	207.2	257.2	299.7

Key Ratios

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	30.5%	30.4%	21.1%	25.3%	25.3%
EBIT margin	31.7%	30.5%	23.4%	24.6%	24.6%
PBT margin	30.2%	30.1%	23.4%	25.1%	24.9%
PAT margin	22.4%	22.5%	18.2%	18.8%	19.2%
NP margin	23.3%	23.0%	18.6%	19.1%	19.5%
Core NP margin	23.3%	23.0%	18.6%	19.1%	19.5%
ROE	14.6%	10.8%	10.4%	12.1%	13.0%
ROA	10.0%	7.8%	7.9%	9.0%	9.7%
Net gearing	5.5%	4.4%	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Mar (RM m)	
RNAV (RM' m)	3348.79
RNAV/share (RM)	2.68

Valuations

RNAV/share (RM)	2.68
Discount Rate	20.0%
Fair Value (RM)	2.14

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	229.4	202.1	250.2	378.8	493.2
Receivables	620.6	714.4	778.8	847.9	886.3
Inventories	618.0	463.2	397.6	392.9	442.2
Other current assets	8.2	12.9	8.3	9.4	10.8
Total Current Assets	1476.1	1392.6	1434.9	1629.1	1832.4
Fixed Assets	240.0	219.2	210.7	204.7	197.7
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	856.3	985.0	955.8	993.0	1015.8
Total Non-current assets	1134.0	1226.8	1203.5	1234.6	1250.5
Short-term Debt	140.9	169.1	163.8	70.4	98.6
Payables	456.0	412.3	382.2	521.2	441.4
Other Current Liabilities	7.3	0.0	0.0	41.9	41.9
Total Current Liabilities	604.2	581.4	546.0	633.5	581.8
Long-term Debt	188.1	116.8	79.8	70.2	105.3
Other non-current liabilities	21.2	22.2	24.5	30.0	81.5
Total Non-current Liabilities	209.5	139.1	104.6	100.5	187.1
Shareholder's equity	961.3	961.3	961.3	961.3	961.3
Minority interest	-11.2	-11.5	-15.8	-15.8	-15.8
Equity	1796.5	1898.9	1987.9	2129.7	2314.0

Cash Flow

FYE Mar (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	340.8	268.4	260.7	337.5	384.2
Depreciation & amortisation	12.3	11.9	10.3	9.0	10.4
Changes in working capital	-158.3	-105.6	5.5	5.5	5.5
Others	-136.4	-85.5	-80.8	-80.8	-80.8
Operating cash flow	91.2	107.9	211.3	253.3	298.5
Net capex	2.3	1.8	2.4	3.0	3.4
Others	-24.8	-5.2	17.0	17.0	17.0
Investing cash flow	-22.5	-3.4	19.4	19.9	20.3
Dividends paid	87.6	100.1	112.6	115.4	115.4
Others	-232.1	-239.9	-283.6	-200.0	-310.0
Financing cash flow	-144.5	-139.8	-171.0	-84.6	-194.6
Net cash flow	-75.9	-35.3	59.7	188.6	124.2
Forex	20.0	0.0	-9.9	-9.9	-9.9
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	241.5	185.6	150.3	200.1	378.8
Ending cash	185.6	150.3	200.1	378.8	493.2

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
 *Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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