Matrix Concepts Holdings (MCH MK)

1QFY27 Results Preview: Largely On Track With Decent Yield Of 5.8%

Highlights

- We expect Matrix's 1QFY27 results to come in flattish yoy at RM60m-65m. Its sales should normalise from the earlier disruption of e-SPA implementation to reach RM400m, accounting for around 22% of its full-year sales target.
- Valuation has eased by 11% ytd to 0.93x P/B on a 12-month forward basis, and currently offers a decent dividend yield of 5.8% for FY27.
- Maintain BUY with an unchanged target price of RM1.72.

Analysis

- **1QFY27 results preview.** We expect Matrix Concepts Holdings (Matrix) to report 1QFY27 core earnings of RM60m-65m, broadly stable yoy against RM63m in 1QFY26 and accounting for 23-25% of our full-year forecast. We believe near-term earnings could be capped by slower progress billing due to a full quarter's impact of higher diesel costs, while revenue recognition from industrial sales is likely to be backloaded.
- **Sales to normalise from earlier disruption caused by e-SPA implementation.** The impact of the compulsory electronic sale and purchase agreement (e-SPA) implementation from 1 Jan 26 has largely normalised, with monthly residential SPAs recovering from RM90m in Jan 26 to RM120m-130m in 1QFY27 (Apr-Jun 26). Meanwhile, the proposed RM33m land sale to Golog Holdings remains subject to the fulfilment of conditions precedent. Industrial sales at MVV Tech Valley have reached RM90m in FY27 to date, implying a take-up rate of 75%, up from 65% as of end-Mar 26. Overall, we estimate 1QFY27 sales at around RM400m, representing 22% of its RM1.8b full-year sales target and broadly on track. Sales should pick up in 2HFY27, as it launches the first block of Levia Residence @ Puchong that has a GDV of RM356m.
- **FY27 set for strong double-digit earnings growth.** We forecast Matrix's FY27 earnings to grow by 20.4% yoy, supported by: a) the progressive conversion of its enlarged unbilled sales backlog following the normalisation of e-SPA signings, and b) a stronger contribution from high-margin industrial projects. We expect industrial revenue recognition to rise to around RM270m in FY27 from RM68m in FY26. Assuming a 25% net margin, the segment could contribute RM67.5m, equivalent to 26% of our FY27 earnings forecast.

Key Financials

Year to 31 Mar (RMm)	FY25	FY26	FY27F	FY28F	FY29F
Net Turnover	1,150.7	1,359.6	1,571.0	1,740.1	1,847.4
EBIT	290.4	312.3	360.2	416.1	442.6
Net Profit (Reported)	214.0	219.3	259.5	301.9	322.1
Net Profit (Adjusted)	202.9	215.5	259.5	301.9	322.1
EPS (sen)	10.8	11.5	13.8	16.1	17.2
PE (x)	11.7	10.5	8.8	7.5	7.1
P/B (x)	1.1	1.0	0.9	0.9	0.8
EV/EBITDA (x)	7.6	8.7	7.8	6.7	6.2
Dividend Yield (%)	4.9	5.0	5.8	6.7	7.2
Net Margin (%)	17.6	15.8	16.5	17.4	17.4
Net Gearing (%)	16.0	37.3	39.2	36.1	31.0
ROE (%)	9.1	9.3	10.6	11.6	11.7
Consensus Net Profit	-	-	252.7	275.9	291.0
UOBKH/Consensus (x)	-	-	1.0	1.1	1.1

Source: Matrix Concepts Holdings, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	RM1.24
Target Price	RM1.72
Upside	38.7%

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Stock Data

GICS sector	Real Estate
Bloomberg ticker:	MCH MK
Shares issued (m):	1,877.0
Market cap (RMm):	2,327.5
Market cap (US$m):	571.5
3-mth avg daily t'over (US$m):	0.6

Price Performance (%)

52-week high/low				RM1.48/RM1.1
1mth	3mth	6mth	1yr	YTD
2.5	(5.3)	(10.8)	(9.5)	(4.6)

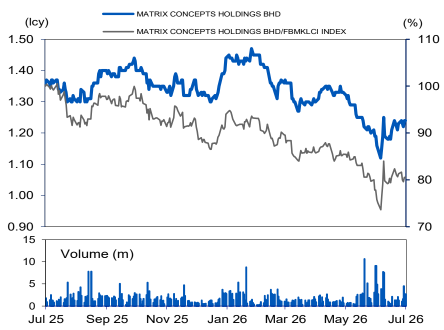
Major Shareholders

	%
Shi Ning Term Sdn Bhd	12.7
Lee Tian Hock	9.9
Lembaga Tabung Haji	7.6
Employees Provident Fund	5.0

Balance Sheet Metrics

FY26F NAV/Share (RM)	1.30
FY26F Net Debt/Share (RM)	0.52

Price Chart



Source: Bloomberg

Company Description

A Negeri Sembilan-based property developer primarily focused on township development. Their business model includes property development, construction, education, and hospitality.

- **Favourable sales mix to drive margin improvement.** Note that Matrix's expansion outside Negeri Sembilan generally carries lower gross margins than its Sendayan developments (>40%). Specifically, its landed products in Johor yield a gross margin of around 37%, while high-rise products yield around 30%. Despite that, we expect the stronger contribution from high-margin industrial projects to more than offset the lower-margin product mix. Accordingly, we forecast net margin to improve to 16.5% in FY27, from the low base of 15.8% in FY26, which was weighed down by a larger contribution from M333 St Kilda (approximately 8% gross margin).
- **Exploring landbanking opportunities in Johor.** The commencement of electric train services in Aug 25 has improved Bandar Seri Impian's connectivity and should help widen its buyer catchment beyond Kluang to surrounding areas. Management is also exploring new landbank opportunities in Johor, with a focus on landed developments located close to its existing operating footprint. This allows Matrix to leverage its established brand and execution capabilities.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.72,** based on a 25% discount to our RNAV/share of RM2.30. Our target price implies 1.3x FY27F P/B and 12.4x FY27F PE, which we consider fair against 20% earnings growth in FY27 and 14.3% three-year CAGR over FY26-29F. Matrix's valuation has retreated by 11% ytd, from 1.04x P/B in Jan 26 to 0.93x on a 12-month forward basis, which we attribute to concerns over potential project approval delays surrounding the state election and higher diesel costs impacting its early-stage infrastructure works. Nevertheless, we believe the recent weakness presents an accumulation opportunity, as any election-related approval delays should be temporary and have a limited impact on project execution. At current levels, the stock offers a decent yield of 5.8% for FY27. We continue to like Matrix for its above-industry margins and ROE, strong earnings visibility and generous dividend payouts.

Earnings Revision/Risk

- None.

Environmental, Social, Governance (ESG)

Environmental

- d'Tempat Country Club received certified Gold Standard (Provisional) on Green Building Index (GBI).

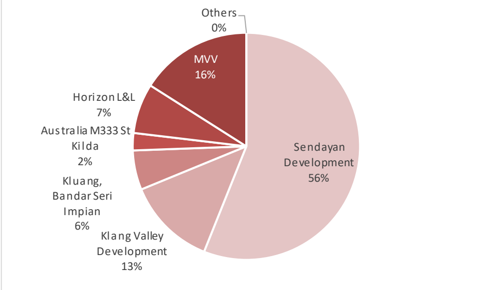
Social

- Matrix contributed RM15.3m for CSR in FY25.

Governance

- Good company transparency along with an Anti-Bribery and Anti-Corruption Policy.
- Ranked BBB by MSCI for ESG rating and constituent of the FTSE4Good Index Series.

Property Revenue By Development In 4QFY26



Source: Matrix, UOB Kay Hian

12-Month Forward P/B Band

Source: Matrix, Bloomberg, UOB Kay Hian

Profit & Loss

Year to 31 Mar (RMm)	FY26	FY27F	FY28F	FY29F
Net turnover	1,359.6	1,571.0	1,740.1	1,847.4
EBITDA	321.2	368.8	424.3	450.6
Depreciation & Amortisation	(8.9)	(8.6)	(8.3)	(8.0)
EBIT	312.3	360.2	416.1	442.6
Associate contributions	(4.1)	-	-	-
Net Interest Income/(Expense)	(10.8)	(13.6)	(13.6)	(13.6)
Pre-tax Profit	297.5	346.6	402.4	429.0
Tax	(74.3)	(83.2)	(96.6)	(103.0)
Minorities	3.9	3.9	3.9	3.9
Net Profit	227.2	267.3	309.8	330.0
Net Profit (Adjusted)	215.5	259.5	301.9	322.1

Balance Sheet

Year to 31 Mar (RMm)	FY26	FY27F	FY28F	FY29F
Fixed assets	1,942.6	1,934.0	1,927.6	1,921.4
Other LT assets	267.6	267.6	267.6	267.6
Cash/ST investment	181.7	87.2	111.0	194.4
Other current assets	1,591.8	1,839.3	2,037.2	2,162.8
Total assets	3,983.7	4,128.1	4,343.5	4,546.3
ST debt	220.8	220.8	220.8	220.8
Other current liabilities	592.6	605.4	667.8	707.6
LT debt	827.2	827.2	827.2	827.2
Other LT liabilities	4.1	4.1	4.1	4.1
Shareholders' equity	2,320.4	2,448.2	2,597.2	2,756.3
Minority interest	18.6	22.5	26.4	30.3
Total liabilities & equity	3,983.7	4,128.1	4,343.5	4,546.3

Cash Flow

Year to 31 Mar (RMm)	FY26	FY27F	FY28F	FY29F
Operating	(209.7)	52.7	192.1	261.9
Pre-tax Profit	297.5	346.6	402.4	429.0
Tax	(74.3)	(83.2)	(96.6)	(103.0)
Depreciation & Amortisation	8.9	8.6	8.3	8.0
Associates	4.1	-	-	-
Working Capital Changes	(456.7)	(232.9)	(135.6)	(85.8)
Other Operating Cashflows	10.8	13.6	13.6	13.6
Investing	(73.8)	(1.8)	25.7	(1.8)
Capex (Maintenance)	(9.7)	(1.8)	(1.8)	(1.8)
Proceeds from Sale of Assets	-	-	27.5	0.0
Others	(64.1)	-	-	-
Financing	220.2	(145.3)	(166.5)	(176.6)
Dividend Payments	(116.4)	(131.7)	(152.9)	(163.0)
Issue of Shares	-	-	-	-
Proceeds from Borrowings	506.1	-	-	-
Others/Interest Paid	(169.5)	(13.6)	(13.6)	(13.6)
Net Cash Inflow (Outflow)	(63.3)	(94.5)	51.3	83.4
Beginning Cash & Cash Equivalent	187.0	181.7	87.2	111.0
Changes Due to Forex Impact	(83.9)	-	-	-
Ending Cash & Cash Equivalent	181.7	87.2	111.0	194.4

Key Metrics

Year to 31 Mar (%)	FY26	FY27F	FY28F	FY29F
Profitability				
EBITDA margin	23.6	23.5	24.4	24.4
Pre-tax margin	21.9	22.1	23.1	23.2
Net margin	16.1	16.5	17.4	17.4
ROA	7.2	8.3	9.4	9.7
ROE	12.0	13.7	15.4	15.8
Growth				
Turnover	18.2	15.5	10.8	6.2
EBITDA	8.9	14.8	15.1	6.2
Pre-tax profit	8.2	16.5	16.1	6.6
Net profit	5.3	17.7	15.9	6.5
Net profit (adj.)	6.2	20.4	16.4	6.7
EPS	6.2	20.4	16.4	6.7
Leverage				
Debt to total capital	44.8	42.4	39.9	37.6
Debt to equity	45.2	42.8	40.4	38.0
Net debt/(cash) to equity	37.3	39.2	36.1	31.0
Interest cover (x)	29.8	27.1	31.1	33.1