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AT a time when the property market is seeing lacklustre performance, Negri Sembilan-based Matrix Concepts Holdings Bhd has been producing results on the upturn.

Under the stewardship of its founder and executive deputy chairman Datuk Lee Tian Hock, the group has a track record of making good profits and a dividend payout of at least 40% of its net profit annually since its listing on the Main Market of Bursa Malaysia in 2013.

Its shares carry a dividend yield of 6.35%, going by Bloomberg data. It is also among the few property stocks that continues to trade above the value of its net tangible asset (NTA) per share.

Matrix Concepts closed at RM1.93 yesterday, above its NTA per share of around RM1.50.

The counter debuted on Bursa with a market capitalisation of RM660mil six years ago. That value has more than doubled since, nudging the company into the billion ringgit club with a market capitalisation of RM1.58bil.

For Matrix Concepts, its financial numbers show the robustness in their business operations.

Its profit after tax for the financial year ending March 31, 2017 was RM185.28mil.

This rose 15.11% and 2.32% to RM213.28mil and RM218.23mil, respectively, in FY18 and FY19.

Revenue has also been on an increasing trend at RM774.98mil in FY17, RM818.48mil in FY18 and RM1.05bil in FY19.

Its FY20 ending March 31 also sets to be an exciting one with positive results already seen in its first half of the financial year.

Net profit for the first six months jumped 10% year-on-year (y-o-y) to RM113.39mil, on the back of 9.9% increase in revenue to RM531.23mil.

For Lee, he is not in the same predicament as most other property players. But he is not stopping there.

While the group is primarily a property developer, it also has a construction arm and businesses in education and hospitality.

Matrix Concepts is doing well enough now that it wants to venture into a new segment which, universally, is said to be lucrative – healthcare.

Healthcare venture

Matrix Concepts is planning to kick off construction works for a 400-bed Matrix Specialist Hospital in Seremban this year, which will involve a huge investment of about RM400mil.

This is also part of the plan of the Bandar Sri Sendayan township, which the group is famed for developing.

Speaking to *StarBizWeek* at his head office in Seremban, Lee talks about the importance of diversifying the group's income stream.

"Long-term wise, this will be good for the company. We cannot depend entirely on property. We need to have a diverse income."

"We may have been able to depend 100% of our income based on property in our earlier years but in the time to come, it may be something like property 70%, with the balance coming from hospitality, education and construction," he says.

Strategy-wise, Lee says the plan is to go into healthcare with the right partners that have the requisite experience in hospital management.

The plan is for the hospital to specialise in neurology.

Lee says they have successfully attracted some individuals from Taiwan to invest 35% into the hospital venture, with Matrix Concepts undertaking around 60%.

"We want to specialise in areas such as neurology, where Taiwan is a pioneer."

"We know a few specialists there who are willing to come here to help set up this area of speciality at the hospital," he says.

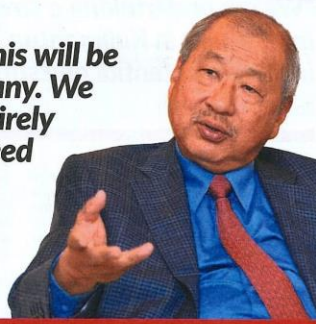
Lee explains that Matrix Concepts' venture into the medical sector began last year when it "bailed out" the privately-owned Mawar Medical Centre (MMC) and Mawar Haemodialysis Centre (MHC) after their

Matrix Concepts diversifies for better prospects

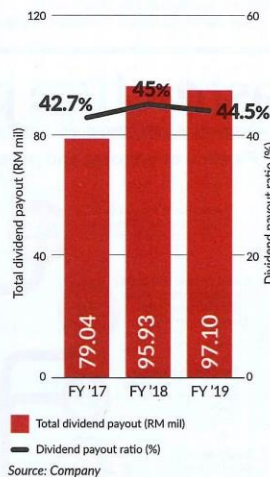
Developer to build and operate private hospital

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Datuk Lee Tian Hock



Summary of dividend payout for FY2017 to FY2019



licences were revoked by the Health Ministry.

The amount required to get the hospital back on its feet was about RM30mil and Lee got Matrix to assist.

Its 70%-owned subsidiary Matrix Medicare Sdn Bhd inked an agreement with MHC to manage its operations for 30 years for non-clinical matters such as financial, administration and resource management.

This is not the first time in Lee's involvement in seeking turnaround a debt-laden hospital.

Back in 2013, he assisted the Negri Sembilan Chinese Maternity Hospital on his own accord, pumping in millions of ringgit to put it back on track.

It achieved a turnaround for the first time last year with a profit of RM4mil.

"I'm very confident in Mawar. Based on our business plan, we will only need one year to break even operationally."

"I find that medical services in Malaysia can shoulder the ups and downs in the economy. The other one is education."

Matrix Concepts owns and runs the award-winning international school Matrix Global Schools in Seremban that offers the international Cambridge syllabus and education from pre-school to private-primary and secondary schools.

"In the medium and long term, these businesses will contribute to the company's bottom line," he said.

The right ingredients for township development

Lee says Matrix Concepts continues to put effort into making the Bandar Sri Sendayan township a successful one and knows that this cannot be an overnight success.

It also has to have the right products at the right time.

For example, of the 5,300 acres in the Bandar Sri Sendayan township, about 1,000 acres are industrial land and this is where Matrix Concepts aims to ensure that factories or businesses set up there are on the higher end and less labour intensive, so that the people working there are semi-skilled and skilled.

"And for the township to be more affluent, you need to add in some of the services like international schools, hospital and in time to come, shopping facilities."

"Within the township, we have a central business district (CBD) which comprises 116 acres. This is a town centre which will normally be developed towards the end," he says.

He cites the classic examples of the Bandar Utama and Mid Valley town centres which were developed over a long period.

According to Lee, even a period of 30 years is actually quite short as development of town centres have a long gestation period and takes time to mature.

"So we are very cautious, more so that we are in the suburb and our level of income here is still low. Otherwise it will be a white elephant."

"In order to attract the crowd here, I must start with a hospital first. You will start to see commercial activities coming in and we will start to build, so that will take us around 20 to 30 years," he says.

Lee says Matrix Concepts is a very conservative developer and that it is very prudent in ensuring that its products are consumer oriented and for owner-occupiers rather than building speculative products.

"The market is bad and developers dare not flood the market (with properties) but when demand comes, you must ensure you have the products."

"Compared with properties in Kuala Lumpur where most of them are high rise, we are better covered compared with them. We price our properties conservatively in

the market so it will be taken up," he says.

Double-storey terrace houses built by Matrix Concepts are priced in the range of RM400,000 to RM500,000.

Other properties such as single-storey terrace houses are priced lower, which usually sees a 100% take-up rate overnight.

Matrix Concepts is also in the midst of developing a 33-storey serviced apartment on a one-acre land near the Putra World Trade Centre (PWTC). It will house more than 600 units.

This is its first project in Kuala Lumpur.

"Condominiums in KL are still very sluggish but we are very cautious, more so that this is our first high-rise project in KL. We must make sure we succeed."

"For FY21, we have condominium projects in KL in the pipeline, one in Cheras and one in Damansara Perdana. We're at various stages of approval," he says.

While it is developing the projects "slowly", Matrix Concepts is ready to ramp up its operations when demand comes in.

Lee believes properties in Kuala Lumpur have gone beyond the reach of the average income earner over the past 10 years and he has noticed an increasing trend of property buyers from Kuala Lumpur in Seremban.

Purchasers from Kuala Lumpur stood at less than 5% in 2010. Today, it is close to 60%.

Lee is cautiously optimistic about the Malaysian economy but as far as Matrix Concepts is concerned, he is way more upbeat.

Over the last five years when the market was not doing so well, Lee says the company was still able to sell 100% of its products upon completion.

He recalls that everytime Matrix Concepts had a launch, the take-up rate would be between 70% and 80% within six months.

As for its third quarter ending December 2019, Lee is confident that the group has surpassed RM1bil in sales and there should be no issue for it to hit its target of RM1.25bil to RM1.3bil for FY20.

"Now we're planning for the next financial year (ending March 2021). With our present stock, excluding our CBD town centre, we will have around 22,000 units of houses to be built, 80% of which are landed properties while the remaining ones would be apartments."

"The total revenue will be about RM10bil, which will last us about seven to eight years."

"So we are still pretty confident. But once the economy picks up, the demand will be much higher and we will expedite sales," Lee says, adding that Matrix Concepts is ready to ride on any upturn with many units in the pipeline that it will be able to offer to the market.

He is optimistic in achieving about a 7% growth in FY20 and has set a target for a growth of between 5% and 10% for FY21.

Whatever the situation is, Lee says the demand for affordable housing will always be there.

The average household size for a developed nation is 2.5 to three persons. Malaysia's ratio stands at six, out of the number of dwelling units of between five million and six million.

Based on Malaysia's present production of about 100,000 to 120,000 completed units annually, Lee believes Malaysia is unable to catch up even in the next 20 to 25 years and might be able to reach up to five or four persons per house at best.

As for its land bank, Matrix Concepts has 2,000 acres. The bulk of that, around 1,500 acres, are in Negri Sembilan. It also has around 400 acres in Klang, Johor.

It is setting its eyes on several parcels of land which it might acquire to increase its land bank.