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## Matrix Concepts 'still a yield stock'

Despite a cap of 40% on DPR to conserve cash for 'bargain hunting' next year

## BY TAN SIEW MUNG

KUALA LUMPUR: Matrix Concepts Holdings Bhd, which was one of the small- to mid-capitalisation property developers that have been offering a decent dividend payout ratio (DPR) - at least 40% of its net profit - recently capped its DPR to a maximum of 40% instead.

This has raised concerns over the Seremban-based builder's future earnings prospects.

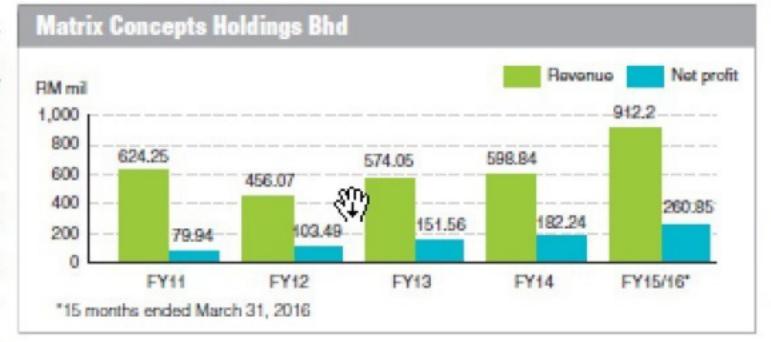
The move came after its peer Hua Yang Bhd cut back on its dividend payout, though the latter still rewarded shareholders via a bonus issue amid the softening

property market. Financial Daily, Matrix Concepts managing director and chief executive officer Datuk Lee Tian Hock said the adjustment of its dividend policy is due to the need to conserve cash for "bargain hunting" next year as he anticipates some competitively priced land parcels will or Port Dickson, Negeri Sembilan.

"The property market has been facing a tough time in the last two years. We want to conserve some liquidity as we foresee some good picks in the next two years," said Lee, who does not rule out the possibility of further DPR cuts, if necessary.

However, he said the company's board will consider giving higher dividends if it is more comfortable with its cash position in future.

Due to its generous dividend payout previously, Matrix Concepts has been among the top



picks in the property market for analysts. Interestingly, though the new DPR ceiling is no good news to yield-seeking investors, analysts In an interview with The Edge by and large believe Matrix Concepts remains an attractive pick providing it sustains its earnings growth momentum going forward.

"In terms of yield, it is still considered attractive [by] the sector, given the uncertain market and the recent OPR (overnight policy rate) cut. I think when the global of years, potentially in Seremban environment, this is still a yield stock that investors can [consider]," RHB Research's analyst Loong Kok Wen said when contacted.

still seeing resilient sales as its land sell lower-priced products.

"It is still reasonable and deserves a buy call (target price of group is able to maintain its earn-Research's Quah He Wei.

will outperform its peers in the dar Sri Sendayan, the residential prices while offering smaller units. next two years, underpinned by NS Residensi SIGC, both in Serem-

its unbilled sales - which stood at RM600 million as at March 31 besides its healthy 30% margin.

Meanwhile, Matrix Concepts chief is confident the group can achieve its sales target of RM950 million to RM1 billion for the financial year ended March 31, 2017 (FY17), about 10% higher than its FY16 sales, due to the affordability of its properties.

Lee also said the group's landed properties in Seremban, priced be put up for sale in the next couple market is entering a negative yield between RM500,000 and RM600,000, are affordable for Klang Valley folk, who accounted for over half of the group's customers last year.

"The idea of 'work in Klang Val-Loong said Matrix Concepts is ley, live in Seremban' has become a reality. We are shifting our target distance, for them, is still manageable," he added.

The group has planned RM1.3 Quah also believes the group namely its flagship township Ban-



Lee is positive the group will be able to maintain its earnings performance in the current downturn. Photo by Haris Hassan

ban, and its Bandar Seri Impian project in Kluang, Johor.

The group's land bank stands at 2,350 acres (951ha), which can last it for the next nine years.

velopments are in the affordable segment. We are confident the take-up rate will be good," said Lee, adding its project take-up rates are cost is cheap and it can afford to to Klang Valley purchasers as the normally between 70% and 80%.

Lee said the group's RM600 million unbilled sales should also sustain the group's cash flow for the RM3.20) from us, as long as the billion worth of launches, in terms next two years. Further, to mainof gross development value, for tain the group's affordable housing ings growth," said Alliance DBS FY17. They comprise different margin at 30% amid the softenphases of three developments, ing property market, Lee said the group is keeping to their selling

On expectations of higher sales in the property sector.

and a sustainable margin, Lee is positive the group will be able to maintain its earnings performance in the current downturn.

The group charted a net profit of RM260.9 million for the 15-month ended March 31, 2016 (FY16), growing 43.2% from RM182.2 million in FY14. It changed its FY16 financial year end to March 31, 2016, from Dec 31, 2015. On a 12-month versus 12-month basis, its net profit gained 17% year-on-year in the cumulative period ended Dec 31, 2015, to RM213.2 million.

FY18 may be an even better year for the group, as it expects to see an income of about A\$30 million (RM92 million) from its development project in Melbourne, while its new but loss-making international school and clubhouse business is expected to turn a profit.

"The construction of the M Carnegie Boutique Apartment project in Melbourne will start in September as all funding are already in place. It should be completed by November next year," said Lee.

He said annual revenue con-"Over 70% of our property de-tribution from its international school and clubhouse businesses will gradually rise to 15% from 7% currently, as it is a strategic business that is insulated from cyclical risks.

Matrix Concept rose two sen to RM2.52 last Friday, for a gross dividend yield of 6%. The counter hit its all-time high of RM2.65 on May 22 last year after it was listed at RM2.20 a share in 2013.

Analysts, however, think the stock will likely be rangebound in the near term due to macro risks