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Matrix Concepts sees better days ahead as labour woes ease

BY **KANG SIEW LI**

Property developer Matrix Concepts Holdings Bhd expects labour shortages to continue to plague the group into its third financial quarter ending Dec 31, 2022 (3QFY2023), before normalisation happens in the subsequent quarter.

Group managing director Ho Kong Soon says construction activities at its projects have been affected by labour shortages, but the supply problems are expected to ease as a total of 400 new foreign workers are scheduled to join the company by December. Matrix currently employs about 1,000 people.

"With the increase in the number of workers, we can expedite our construction works and thereby increase the percentage of our projects' completion. This translates into higher revenue recognition. Thus, I expect we will see higher revenue from 4QFY2023, as the 400 foreign workers are scheduled to arrive in December," he tells *The Edge* in a recent interview.

On a quarterly basis, Matrix's revenue was flat in 2QFY2023, coming in at RM222.35 million, compared with RM229.26 million in 1QFY2023, as its insufficient labour force slowed down construction activities.

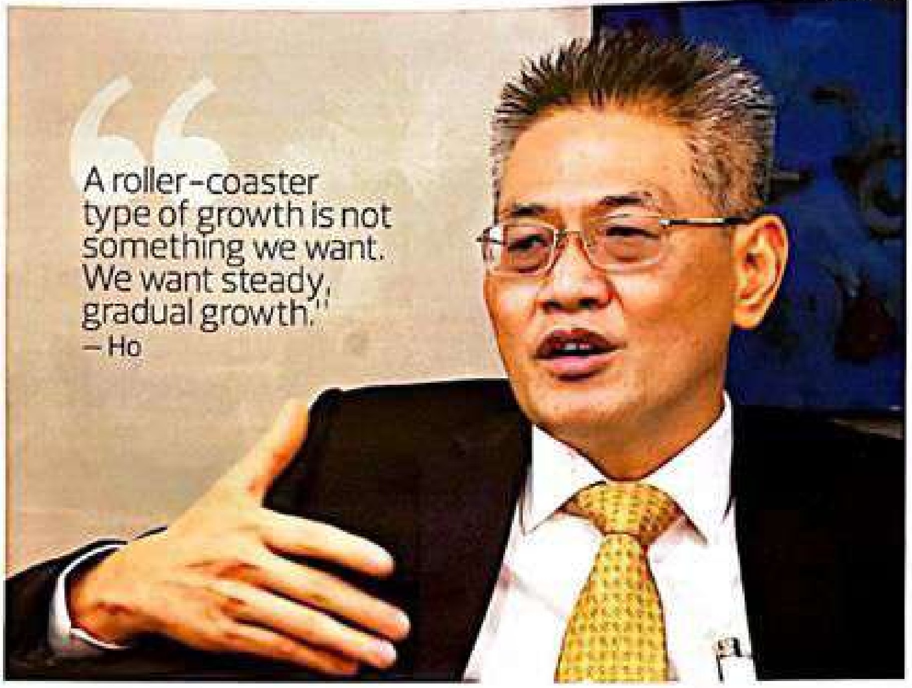
Notwithstanding the shortage, Matrix still posted revenue growth of 12% year on year (y-o-y) to RM451.61 million in 1HFY2023. "Even without the 400 foreign workers, our revenue fared relatively well in the first two quarters of FY2023. So, when the foreign workers come, things will be better," says Ho.

But the numbers are still well below what they were at the onset of the Covid-19 pandemic. Matrix founder and group executive deputy chairman Datuk Seri Lee Tian Hock says the sweet spot for the group is to have 2,000 workers in order to return to the developer's pre-pandemic normal. Lee is the single largest shareholder of Matrix, with a direct stake of 12.39% and an indirect stake of 21.59%.

Matrix is optimistic that its FY2023 performance will be better than FY2022, as demand for its new launches remains strong. The group saw net profit drop 21.7% to RM205.2 million in FY2022, from RM262.22 million in the previous financial year, as revenue fell 20.9% y-o-y, attributable largely to the various Movement Control Orders imposed from January to August 2021. For 1HFY2023, Matrix's net profit was RM97.61 million, up 16.9% y-o-y from RM83.49 million.

"[Every year,] we hope to maintain moderate growth, even though the overall property market has not seen exponential growth as the environment remains challenging. As such, we have to balance our supply chain and resources to ensure that [our growth] is a long-term story. A roller-coaster type of growth is not something we want. We want steady, gradual growth, and you can see our performance has been that so far," says Ho.

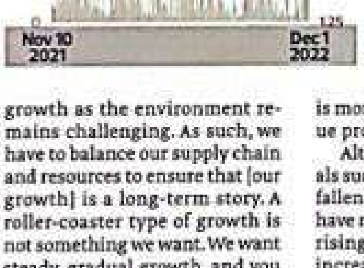
Significantly, more than half of the buyers of its township developments are end-users. "This is important because end-users move to the area and create economic activity and vibrancy, which will help the commercial properties. If the buyers are mainly investors, that situation will create empty units. This will not be good. You need to get people to move to the area, spend their money and create economic activity. Then they make the area more exciting and liveable," he observes.



Matrix Concepts Holdings Bhd's financial performance

FOR THE YEAR ENDED MARCH 31	2018	2019	2020	2021	2022	1HFY2023 (UNAUDITED)
Revenue (RM mil)	818.48	1,045.53	1,283.41	1,127.60	892.40	451.61
Net (loss)/profit (RM mil)	213.28	218.39	237.39	262.22	205.20	97.61
Dividend per share (sen)	13.5	12.8	11.5	12.0	12.5	5.0

SOURCE: ANNUAL REPORT/BURSA



Property prices to stay up amid high inflation

Ho notes that the prices of Matrix's residential properties have risen by 10% in the past year even though building material prices have fallen. "People are now willing to accept something that is more premium, or higher-value products."

Although prices of raw materials such as steel and cement have fallen by 20%, prices of properties have not moved in tandem, given rising labour costs, which have increased 30% to 40%.

"So, it's impossible for housing prices to go back to pre-pandemic levels. Additionally, the ringgit has weakened [against the US dollar]. This has led to increased cost of building materials such as aluminium and copper, which are imported. This, coupled with the ongoing labour shortage, has resulted in property prices remaining at their elevated levels. Buyers will have to prepare to pay higher prices due to high inflation," says Ho.

The group achieved new property sales of RM661.9 million in 1HFY2023, up 3.2% from RM641.3 million in 1HFY2022, on strong demand for affordable-premium residential projects at its Bandar Seri Sendayan developments in Negeri Sembilan. The group is on track to hitting its full-year sales target of RM1.2 billion for FY2023.

Earlier, during an analyst briefing, Lee said: "We still managed to secure more than RM300 million per quarter in terms of new sales, and this trend has been going on for the past eight consecutive quarters, where we hit RM300 million. Three to four years ago, we were doing about RM200 million to RM250 million per quarter."

The take-up rate for the group's overall developments stood at 90.2% as at Sept 30, compared with 86.2% last year. "From October to today [Nov 24], our sales momentum and take-up rate continued to be strong. That's because our new launches are mainly within our [existing] townships. The acceptance is already there. Around 60% of the buyers [at our Sendayan developments] are from the Klang Valley," says Ho.

At end-September, Matrix's total unbilled sales stood at RM1.4 billion, which will be recognised over the next 12 to 15 months.

The group's total land bank spans 2,158.4 acres, with a potential gross development value of RM15.4 billion. This does not include its recently announced, but yet to be concluded, acquisition of a 1,382-acre tract in Malaysian Vision Valley, Negeri Sembilan, which has a potential GDV of RM7 billion.

Following its maiden Klang Valley development, called The Chambers, near the World Trade Centre in Kuala Lumpur, Matrix plans to launch its next KL project in Cheras, Ho says, adding that it will also depend on market conditions.

"Because of the high land price in the Klang Valley, most of the projects here are high-rise. However, the market for high-rise properties in the Klang Valley is currently quite soft because there are many offerings. This has triggered a price war [because] every developer wants to unlock its stock. It is a red-ocean market. Thus, we are very cautious of our next launch in KL to ensure that there is market acceptance and a good take-up rate before we commence this project," Ho told the briefing.

In a Nov 24 report, Hong Leong Investment Bank Research analyst Tan Kai Shuen indicates that contribution from Matrix's M Greenvale bungalow project in Australia, which has a GDV of RM76.1 million, will help cushion the slower progress billings from its local projects that were affected by the labour shortage in 3QFY2023.

"We understand that foreign labour has started coming in since 3QFY2023 and we expect gradual improvement from 4QFY2023. As raw material costs are stabilising while labour conditions are improving, the situation has turned more conducive for the group to launch higher-value products in upcoming quarters," Tan writes.

He also believes the upcoming new launches from Matrix's Bandar Seri Sendayan township should continue to be well received because of the well-established road infrastructure and facilities in its mature townships, as well as the vicinity of the township to the greater Klang Valley region, which allows it to capture spillover demand from the region.

Shares in Matrix are up 4.32% so far this year, closing at RM1.53 last Thursday, which translates into a market capitalisation of RM1.91 billion. According to Bloomberg, all four analysts covering the stock have a "buy" call, with an average target price of RM2.05 — a 34% upside potential.