

Stronger footprint for Matrix in Negri Sembilan

Latest acquisition adds to company's land bank in state

PROPERTY

PETALING JAYA: Matrix Concepts Holdings Bhd's latest land acquisition in Labu, Negri Sembilan, will strengthen its footprint in the state.

The new acquisition is adjacent to the property group's 1,382 acres of land that was acquired in August 2022.

Together, both sites will form an enlarged 2,380 acres development with an estimated gross development value (GDV) of RM12bil and a development period of 12 years, starting in financial year 2026 (FY26).

On Wednesday, Matrix Concepts announced it was acquiring 1,000 acres of land in Malaysia Vision Valley 2.0 (MVV 2.0) in Labu from Sime Darby Bhd through its 85%-owned special purpose vehicle Megah Sedaya Sdn Bhd (MSSB).

The remaining 15% of MSSB is owned by NS Corp, which is a state owned corporation responsible for promoting and managing economic developments in Negri Sembilan.

"We view the land deal positively as it will strengthen Matrix Concepts' footprint in Negri Sembilan.

"The purchase consideration of RM435.6mil translates to RM10 per sq ft (psf), which is higher than the price of RM7.64 psf for its previous land deal.

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potential GDV from the land is RM5bil, which translates into an attractive cost to GDV ratio of 8.7%.

Matrix Concepts intends to fund the land deal with a combination of borrowings and internally generated funds.

This will raise its gearing, but MIDF Research said Matrix Concepts has a strong balance sheet, being in a net cash position as of FY24.

"We estimate net gearing rising to 0.31 times post balance of payment for the first MVV 2.0 land acquisition and the latest land acquisition.

"Meanwhile, the impact on earnings is limited as the land should only be developed beyond FY26, hence we maintain our earnings forecast," the research house added.

In view of its better long-term prospect, MIDF Research maintains a "buy" call on the stock with a revised target price of RM2.05.

The research firm said it remains positive on Matrix Concepts' strong exposure to affordable landed homes in Seremban, which is supported by resilient demand for such homes. The stock's estimated

dividend yield is also attractive at 5.8%.

Meanwhile, Hong Leong Investment Bank Research (HLIB Research) said based on a 12-year development period, this translates to roughly RM850mil of effective GDV per year.

The research house said Matrix Concepts achieved a core profit margin of 19.9% and 17.7% in FY23 and FY24, respectively. This is a blended margin that included lower margin products in Kuala Lumpur and Australia.

"Assuming the new MVV township has a net profit margin of 20%, this translates to annual earnings of RM170mil. For perspective, this is 71.5% of the group's FY24 earnings," said HLIB Research.

The research house noted that the group's Bandar Sri Sendayan (BSS) township has a remaining land bank of 1,500 acres and remaining GDV of RM7.85bil with a development period of seven to eight years more to go.

"The newly acquired land should help alleviate investor concerns on the depleting land bank in BSS and provide longer earnings visibility ahead for Matrix Concepts," HLIB Research said.