INITIATE COVERAGE

Ekovest (EKO MK)

Multi-year Growth Story In The Making

A deep-value contractor and toll highway concessionaire, Ekovest is a prime candidate for asset monetisation and a significant beneficiary of the rapidly-growing vibrancy of Johor's property and construction sectors. Operationally, Ekovest should turn profitable in FY24, driven by improvements in all business segments and commencement of the Setiawangsa-Pantai Expressway. We initiate coverage with a BUY and target price of RM1.10 based on a 50% discount to SOTP of RM2.21.

- **Monetisation of highways seems possible.** Ekovest has long been on investors' radars for its highly-valuable Duta-Ulu Kelang Expressway (DUKE). We consider the monetisation of DUKE (starting with Duke Phase 1 and Phase 2) to be timely, aligning with the rebound in highway traffic to pre-pandemic levels since early-23. The potential monetisation can be a major re-rating catalyst since DUKE Phase 1 and Phase 2 could command a lucrative equity value of RM3.1b or enterprise value of RM4.6b (on a 60% basis), about two times above Ekovest's market cap, while generating disposal gains of about RM2-3b.
- **Swelling construction orderbook.** We expect Ekovest to significantly grow its existing construction orderbook which is backed by the RM1.2b rapid transit system project. Opportunities include the potential activation of DUKE Phase 2A Istana Link (estimated value of RM3.8b), projects from Johor and the reinvigoration of the River of Life project.
- **Corporate restructuring to further streamline business operations.** Helmed by its founder and executive chairman, Tan Sri Lim Kang Hoo, the enlarged conglomerate through Ekovest after restructuring proposals will have a stronger asset portfolio and vast strategic landbank from its exposure to the merged IWC-IWH entity. IWC-IWH is a master developer in the Flagship A Zone of Iskandar Malaysia with landbank of >4,000 acres, primarily concentrated in the Danga Bay area, near RTS Bukit Chagar.
- **Tapping rising vibrancy of Johor property and construction scene.** We are positive on Ekovest's proposal to acquire land near RTS and develop Transit-Oriented Development (TOD) 2 and 3 with at least RM5b GDV. With the Johor market gaining traction backed by the federal government's incentives, spillover demand from Singapore, the eventual launch of RTS and the special economic zone in Iskandar Malaysia, we anticipate that the development will thrive, bolstering Ekovest's crucial role in driving growth within the region.
- **Initiate coverage with BUY and a target price of RM1.10, based on a 50% discount to its SOTP of RM2.21, which is largely anchored by the valuation of its highways.** We ascribe a 50% discount to the valuation to factor in execution risk and complexity of its business structure. However, there might be potential upside to our target price should the execution be better than expected. The stock is trading at 79.4x FY24F PE (above its 10-year mean of 17.9x, justified by its potential return to profitability). In terms of P/B, Ekovest is still undervalued, trading at 0.5x 2FY24F P/B (below 10-year P/B of 0.8x).

KEY FINANCIALS

Year to 30 Jun (RMm)	FY22	FY23	FY24F	FY25F	FY26F
Net Turnover	809	1,117	1,207	1,218	1,091
Operating Profit	180	237	272	352	363
Net Profit (Reported/Actual)	(124)	(111)	(85)	(41)	(37)
Net Profit (Adjusted)	(90)	(40)	20	64	68
EPS (sen)	(3.0)	(1.3)	0.7	2.2	2.3
PE (x)	n.m.	n.m.	79.4	24.3	22.9
P/B (x)	0.5	0.5	0.5	0.5	0.6
EV/EBITDA (x)	35.3	27.5	23.7	18.9	18.3
Dividend Yield (%)	0	0	0	0	0
Net Margin (%)	n.m.	n.m.	1.6	5.3	6.2
Net Debt/(Cash) to Equity (%)	227	226	210	206	203
Interest Cover (x)	1.1	1.23	1.42	1.8	1.9
ROE (%)	(3.7)	(1.7)	0.8	2.7	2.9
Consensus Net Profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Ekovest, Bloomberg, UOB Kay Hian

BUY

Share Price	RM0.53
Target Price	RM1.10
Upside	+108%

COMPANY DESCRIPTION

A conglomerate with businesses in construction, toll operation, property development and plantation.

STOCK DATA

GICS sector	Construction
Bloomberg ticker	EKO MK
Shares issued (m)	2,695.8
Market cap (RMm)	1,586.5
Market cap (US$m)	332.3
3-mth avg daily t'over (US$m)	5.6

Price Performance (%)

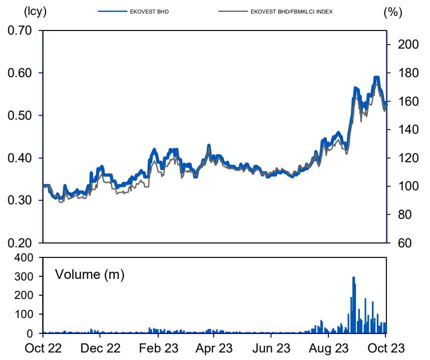
52-week high/low RM0.62/RM0.30

1mth	3mth	6mth	1yr	YTD
17.0	61.1	42.7	72.1	67.1

Major Shareholders	%
Lim Kang Hoo	30.8

FY23 NAV/Share (RM)	0.94
FY23 Net Debt/Share (RM)	2.05

PRICE CHART



Source: Bloomberg

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This report uses the 12:30pm closing prices of 3 Oct 23

Investment Highlights

INFRASTRUCTURE – DUKE OF HIGHWAYS

Potential monetisation of highways… News of Ekovest's plan to monetise its DUKE Phase 1 and Phase 2 projects comes as no surprise to the market as investors are betting on the potential takeover of highways by the current government in a bid to fulfil their earlier promises to abolish highway tolls in stages. The completed takeover of four highway concessionaires in 2022 by Amanat Lebuhraya Rakyat (ALR), the private company mandated by the government to restructure Klang Valley highways, has augmented investors' belief that the government would continue to push for highway takeovers, albeit with a lack of clarity.

To recap, ALR earlier acquired full ownership of four toll concessionaires − the Shah Alam Expressway (KESAS), SPRINT Expressway (SPRINT), Lebuhraya Damansara-Puchong (LDP) and Projek Smart Holdings (Smart Tunnel) − for a total price tag of RM7.78b. Following the completion of the takeover, the then government promised to freeze all future scheduled toll rate hikes, mainly by extending the concessionaire period.

…can help unlock enormous investment value. To put into perspective, Konsortium Lebuhraya Utara-Timur (KL) (Kesturi), the concessionaire holder of DUKE, is 60%-owned by Ekovest via its wholly-owned subsidiary Nuzen Corporation (the remaining 40% owned by EPF). Kesturi effectively operates DUKE Phase 1 and Phase 2 which collectively cover a total length of 34km. On the other hand, Ekovest also has full ownership of Setiawangsa-Pantai Expressway (SPE) which was previously known as DUKE Phase 3. The SPE is estimated to cost RM4.3b which is fully funded by Ekovest via both internally-generated funds and debts. The construction of SPE is nearing completion, and is anticipated to begin operations soon.

Potential disposal of DUKE highways to the government timely as traffic at DUKE Phase 1 and Phase 2 have recovered to pre-pandemic levels since early-23. This means the highways are now able to fetch a better valuation should the government's takeover offer materialise. We understand that the highways posted an average daily traffic of 230,073 motorists in the year to Aug 23, surpassing 2019 levels by around 19%. Also, the disposal of DUKE Phase 1 and Phase 2 may help reduce Ekovest's gearing ratio, placing the company in a stronger financial position to take on new projects from its construction and property development arms. Such potential monetisation can be a major re-rating catalyst since DUKE Phase 1 and Phase 2 could command a lucrative equity value of RM3.1b or enterprise value (EV) of RM4.6b (on a 60% basis), about two times above Ekovest's market cap, while generating disposal gains of about RM2-3b.

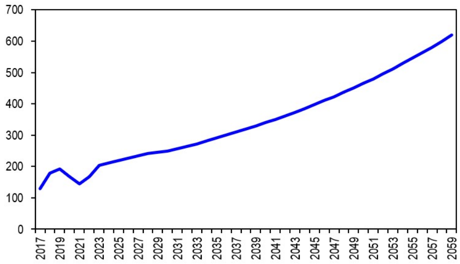
Highways likely profitable if not for delay in government compensation. As stated in the concession agreement, the government will compensate a concession holder for any reduction in toll collection should the government reduce the toll rate below the agreed rates. Also, Kesturi is scheduled to see toll rates for DUKE Phase 1 and Phase 2 rise 24-27% across all vehicle classes in 2024. This implies potentially higher toll collections for Kesturi, thus leading to a better bottom line. However, if the government again requests another toll rate reduction (which is possible), that might again distort the group's earnings given the long gestation period to receive the shortfall in toll collection in the form of government compensation.

Fetching RM7.6b enterprise valuation; Ekovest's 60% stake at RM4.6b. Our DCF valuation for DUKE Phase 1 and Phase 2 is based on 5.5% WACC. In addition, the RM7.6b valuation (on a 100% stake basis) for DUKE Phase 1 and Phase 2 mirrors a six-year IRR of 10% compared with the implied EV of RM2.8b from EPF's acquisition in 2017 of a 40% stake for RM1.13b which valued the highways at an EV of RM2.8b on a 100% basis. Note that our valuation is conservative compared with management's guidance.

CONSTRUCTION – KEEN ON REPLENISHING ORDERBOOK AND TENDERBOOK

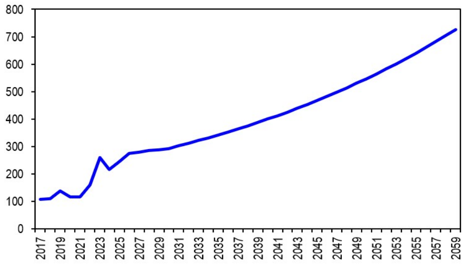
Swelling construction orderbook. Since its inception, Ekovest has completed over RM9b worth of construction projects ranging from universities and office buildings to highways and train stations. It also played a role in constructing the Petronas Twin Towers, with Ekovest and a foreign partner completing the fitting out works. As of end-4QFY23, outstanding orderbook stood at RM1.2b which we understand contains only remaining works for Johor Bahru-Singapore Rapid Transit System Link (RTS).

FIGURE 1: PROJECTED TRAFFIC GROWTH AT DUKE 1 & 2



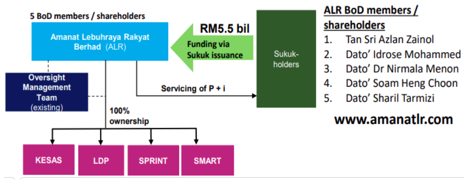
Source: Ekovest, UOB Kay Hian

FIGURE 2: EBIT PROJECTIONS FOR DUKE 1 & 2



Source: Ekovest, UOB Kay Hian

FIGURE 3: ALR STRUCTURE



Source: Ekovest, UOB Kay Hian

FIGURE 4: COMPLETED CONSTRUCTION JOBS

Project	Contract Value (RMm)
Construction and Completion of DUKE	891.7
Shop Offices in Johor	126.5
Universiti Tun Hussein Onn Malaysia	963.2
University Malaysia Sabah	1,490.7
Federal building job, Putrajaya	257.6
Station and Related Infrastructure for KL Sentral	713.7
Fitting out of Petronas Twin Towers, Podium and Grade Spaces	471.5
KLIA1 - Terminal Areas Roads and Structures	113.8
Labuan International Financial Centre	318.8
Construction and Completion of SPE	4,150
Total	**9,497.5**

Source: Ekovest

There is outstanding progress billing of RM280m for SPE to be booked in 1QFY24 due to a delayed verification of completed works by the government. We note its current tenderbook of RM6.2b mainly comprises two projects: RTS Phase 2 (RM1.4b) involving the construction of new Custom, Immigration, and Quarantine (CIQ) facilities connecting to the RTS station at Bukit Chagar and Istana Link of DUKE Phase 2A (~RM2.3b). While we conservatively assume no sizeable orderbook replenishment in the next three years, due to a lack of clarity on contract timelines, any potential award of the contracts under its current tenderbook may substantially uplift the construction arm's future earnings growth.

Based on channel checks, the award of the RTS Phase 2 contract may transpire by end-23. We believe Ekovest is primed to be the frontrunner to secure the project as it is the collaborative partner of Adil Permata, the main contractor of RTS. Meanwhile, the DUKE Phase 2A tender may not be concluded in the near term as the project has been idle for years, since the approval in-principal by the government in 2017. This implies that DUKE Phase 2A may not be on the government's high-priority project list. Having said that, we believe prospective contract flows from sister company Iskandar Waterfront Holdings, amid increased vibrancy of Johor's property market, may further bump up its orderbook visibility.

CORPORATE RESTRUCTURING TO FURTHER STREAMLINE BUSINESS OPERATIONS

Restructuring proposal positively streamlines group structure. Helmed by its founder and group executive chairman, Tan Sri Lim Kang Hoo (TSLKH), Ekovest is positioned to benefit from TSLKH's extensive business empire. TSLKH's 30.8% ownership of Ekovest is just one facet of his diversified portfolio, which also includes listed companies like Iskandar Waterfront City (IWC) and Knusford Berhad (Knusford), along with unlisted Iskandar Waterfront Holdings (IWH). Capitalising on TSLKH's rich experience, extensive network and strategic partnerships, exemplified by JVs like IWH with the Johor State government and DUKE Phase 1 and Phase 2 with EPF, Ekovest is well-positioned to explore diverse sectors and ventures, contributing to its sustainable success and value creation in the long run.

To recap, TSLKH announced four proposals on 27 Sep 23 to undertake a reorganisation, rationalisation and merger exercise involving companies under his ownership (Appendix I). The restructuring proposals positively streamline the group structure and eliminate many of the existing recurrent-related party transactions and transfer pricing concerns among the companies moving forward. The enlarged conglomerate through Ekovest after restructuring will have a stronger asset portfolio and vast strategic landbank.

Stands to gain from IWC-IWH's vast landbank. IWH Group, encompassing IWC, its subsidiaries, JVs and associates, holds the distinguished position of master developer in the Flagship A Zone of Iskandar Malaysia, boasting a vast landbank of >4,000 acres, primarily concentrated in the Danga Bay area, in close proximity to RTS Bukit Chagar. IWH Group has a unique business model where its key source of income is from land sales and JVs. As a master developer, IWH Group will partner various developers (including CapitaLand, Brunsfield, Tropicana and Country Garden) and local and global companies to build the Waterfront City. Based on previous details of the merger that was called off in 2017 (due to the cancellation of Bandar Malaysia), we understand that IWH Group has an open market value of RM25b (ie total selling price its entire landbank would fetch in the marketplace) which implies an average of RM120psf for its landbank.

TAPPING INTO RISING VIBRANCY OF JOHOR PROPERTY AND CONSTRUCTION SCENE

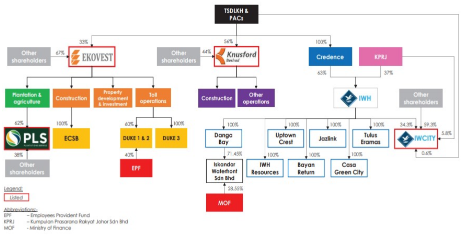
We are positive on Ekovest's proposal to acquire land near RTS and develop TOD 2 and 3 with at least RM5b GDV. With the Johor market gaining traction backed by the federal government's incentives, spillover demand from Singapore, the eventual launch of RTS and the special economic zone in Iskandar Malaysia, we anticipate that the development will thrive, bolstering Ekovest's crucial role in driving growth within the region.

FIGURE 5: OUTSTANDING ORDERBOOK AND TENDERBOOK

	Contract Value (RMm)	Outstanding Orderbook (RMm)
Project		
RTS (Phase 1)	1,438	1,200
Tenderbook		
DUKE 2A (Istana Link)	3,800	
KL Bund	950	
RTS Phase 2 (CIQ & other Infrastructure)	1,400	

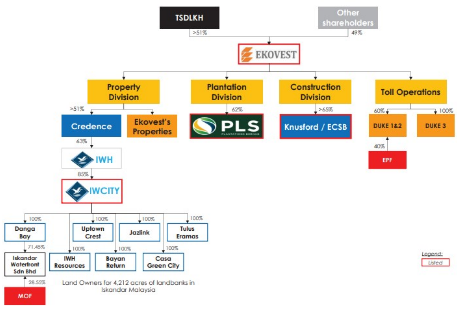
Source: Ekovest

FIGURE 6: CORPORATE STRUCTURE BEFORE RESTRUCTURING



Source: Respective companies, UOB Kay Hian

FIGURE 7: CORPORATE STRUCTURE AFTER RESTRUCTURING



Source: Respective companies, UOB Kay Hian

FIGURE 8: SOME OF THE MNCS THAT IWH GROUP PARTNERS

Source: IWC, IWH, UOB Kay Hian

Valuation

We value Ekovest using **sum-of-the-parts** given its diverse business ventures:

- **Concessions.** For DUKE projects, given their concessionary nature, we see the discounted cash flow method as an appropriate method of valuation. Our DCF-based valuation for DUKE Phase 1 and Phase 2 is based on 5.5% WACC. In addition, the RM7.6b valuation (on a 100% stake basis) for DUKE Phase 1 and Phase 2 mirrors a six-year IRR of 10% compared with the implied EV of RM2.8b from EPF's acquisition back in 2017.
- **Construction.** We value this division by ascribing a FY24F PE of 10x, which is well below the 15x mean one-year forward PE of the large-cap construction companies under our coverage. Our more conservative PE ascribed is premised on Ekovest's lower orderbook cover ratio of 1x (compared with peers' average of 2.4x), which suggests weaker earnings visibility from the construction arm.
- **Property.** We value the division using RNAV based on expected future development profits in the respective development periods and the book value of landbank with no immediate development plan.
- **Plantation.** We value the division using 1x book value.

Initiate coverage with BUY and a target price of RM1.10, based on a 50% discount to its SOTP of RM2.21, which is largely anchored by the valuation of its highways. We ascribe a 50% discount to the valuation to factor in execution risk and complexity of its business structure. However, there might be potential upside to our target price should the execution be better than expected. The stock is trading at 79.4x FY24F PE (above its 10-year mean of 17.9x, justified by its potential return to profitability). In terms of P/B, Ekovest is still undervalued, trading at 0.5x 2FY24F P/B (below 10-year P/B of 0.8x).

We like Ekovest for its: a) undervalued concession asset whose value has yet to be appreciated, b) track record of taking on a role of the primary contractor in the past highway projects it has undertaken, and c) the good locations of its landbanks.

Potential upside to our target price after restructuring. Our assessment takes into account value creation from: a) TOD 2 and 3, which are expected to yield NPV of RM660m, assuming a five-year development period with GDV of RM5b, net margin of 20%, take-up rate of 80% and WACC of 5.9%; b) merged IWC-IWH, for which we estimate after-tax net realisable value at RM16b for its enlarged 4,212-acre landbank assuming a selling price from an open market value of RM25b and land cost of RM4b; and c) expected 15% dilution from issuance of 3.0b new shares, increasing Ekovest's total number of shares to 5.97b. After the restructuring exercise, our target price may increase to RM1.32 theoretically, after applying a lower discount of 30% (vs 50%) due to the streamlined business structure. Should Johor's property and construction space perform better than expected, we estimate a blue-sky scenario of equity value per share at RM3.00 before SOTP discount, assuming the IWH-IWC landbank is sold at RM300psf (vs current assumption of RM120psf).

FIGURE 9: SOTP

Segment	Stake	Fair Value (RMm)	Remarks
Property development	100%	766.0	RNAV
Construction	100%	972.8	10x FY24 PE
Duke 1&2	60%	4,557.0	DCF to concession expiry, 5.5% WACC
Duke 3	100%	5,170.1	DCF to concession expiry, 6.6% WACC
Plantation	62%	204.6	Book value
Enterprise Value		**11,670.4**	
(-) Net debt		(5,120.5)	End-FY23
Equity Value		**6,549.9**	
Enlarged no. of shares (mil shares)		2,965.4	After the latest private placement
Equity Value/share		**2.21**	
Discount		50%	
Target Price (RM)		**1.10**	

** Net debt took out 40% of RM2.4b debt from DUKE Phase 1 and Phase 2 (40% owned by EPF)*
Source: Ekovest, UOB Kay Hian

FIGURE 10: THEREOTICAL SOTP AFTER CORPORATE EXERCISE

Segment	Stake	Fair Value (RMm)	Remarks
Property development	100%	766.0	RNAV
Construction/Knusford	65%	671.5	10x FY24 PE
Duke 1&2	60%	4,557.0	DCF to concenssion expiry, 5.5% WACC
Duke 3	100%	5,170.1	DCF to concenssion expiry, 6.6% WACC
Plantation	62%	204.6	Book value
TOD 2 & 3	100%	660.3	NPV based on GDV of RM5b, 20% net profit margin, 5.9% WACC
IWH-IWC	27%	4,320.0	After tax net realisable value of RM16b (100% basis)
Enterprise Value		**16,349.4**	
(-) Net debt		(5,120.49)	End-FY23
Equity Value		**11,228.9**	
Enlarged no. of shares (mil shares)		5,973.4	
Equity Value per share		**1.88**	
Discount		30%	
Target Price (RM)		**1.32**	

Source: Ekovest, UOB Kay Hian

FIGURE 11: PEER COMPARISON

Company	Ticker	Rating	Share Price 3 Oct 23 (RM)	No. of Shares (m)	Market Cap (RMm)	PE 2023F (x)	PE 2024F (x)	P/B 2023F (x)	P/B 2024F (x)	Dividend Yield 2023F (%)	Dividend Yield 2024F (%)	Net Gearing 2023F (%)
Big-cap (above RM1b market cap)												
Gamuda*	GAM MK Equity	BUY	4.41	2,696.1	11,889.6	15.7	13.3	1.2	1.1	2.7	2.7	12.9
IJM Corporation**	IJM MK Equity	HOLD	1.87	3,647.6	6,820.9	17.0	15.4	0.7	0.7	3.0	3.4	26.0
Sunway Construction Group	SCGB MK Equity	HOLD	1.89	1,289.4	2,436.9	17.1	16.0	3.1	2.9	3.5	3.8	5.4
Malaysian Resources Corporation	MRC MK	HOLD	0.46	4,467.5	2,032.7	23.9	18.2	0.4	0.4	2.2	2.2	35.4
Kerjaya Prospek Group	KPG MK Equity	BUY	1.29	1,267.2	1,634.7	12.5	10.4	1.5	1.4	3.2	3.9	n.a.
Ekovest***	EKO MK Equity	BUY	0.53	2,965.4	1,556.8	79.4	24.3	0.5	0.5	0.0	0.0	202.1
Average						**27.6**	**16.3**	**1.2**	**1.2**	**2.4**	**2.7**	**56.4**

** FYE 31 Jul; ** FYE 31 Mar; *** FYE 30 Jun*
Source: Bloomberg, UOB Kay Hian

Earnings Outlook

Potential return to profitability in FY24. Ekovest is poised to deliver stellar earnings growth in the next three years backed by: a) higher earnings from the construction division as the RTS project gradually picks up pace with accelerating progress billing going ahead, and b) the maiden profit from SPE upon the official commencement of the highway's operations in 4Q23 (albeit with only 6-7 months of contributions in FY24 ending Jun 24). Having said that, we believe a return to profitability in 2HFY24 appears imminent. This would sequentially pave the path for profitable full-year earnings in FY24, after two years of loss-making bottom-line in FY22-23.

With the RTS project now at a more mature stage, we anticipate the project would generate a quarterly revenue run-rate of RM120m-130m until the project's tail-end in late-26. This also suggests a quarterly EBIT run-rate of RM24m-26m from the construction division, assuming the RTS project yields a 20% operating margin, even in the absence of notable orderbook replenishment in the coming years.

On the other hand, toll operations' growth in FY24 largely hinges on the maiden earnings contribution from SPE as well as the organic traffic growth of the existing DUKE 1 and 2. For 2024, we expect DUKE Phase 1 and Phase 2 to post an average daily traffic of 225,000 motorists, which is 18% higher than 2019 levels. Note that the highways' traffic already surpassed pre-pandemic levels by 19% in the year to Aug 23. This is followed by an average growth rate of 2% per annum until the end of the concession in 2059.

We also project SPE to make a fresh revenue and EBIT of RM54m and RM25m respectively in FY24, albeit with only 6-7 months of contributions. Furthermore, we foresee a quick improvement in the highway's traffic in FY25, resulting in a rise of 11% yoy growth in EBIT for FY25, which contributes the most to the group's earnings growth in FY25. Meanwhile, our forecasts also factored in 20% average annual traffic growth for SPE in the first seven years, followed by an average growth of 2.0% per annum until concession expiry in 2077.

Further upsides to our projections would largely come from the better-than-expected performance of its property division, potentially benefitting from higher take-up rates of its upcoming property launches under the Eko Titiwangsa project. Meanwhile, we foresee marginally lower earnings contributions from its plantation and property investment segments, given a lack of growth drivers in the coming years.

Potential disposal of DUKE to result in fundamental change. While the potential monetisation of DUKE Phase 1 and Phase 2 remains up in the air due to a lack of clarity, we highlight that it may give rise to a significant improvement in Ekovest's balance sheet by taking the huge debts amounting RM2.4b arising from the ownership of DUKE Phase 1 and Phase 2 off its highly-geared balance sheet currently. This is despite giving up the lucrative recurring income from highway operations. Our back-of-the-envelope calculations suggest that the group's gross gearing ratio may improve substantially from 2.32x (in FY23) to 1.33x upon the potential disposal of DUKE Phase 1 and Phase 2. The remaining debts sitting on the balance sheet would largely come from SPE. We estimate Ekovest's net gearing at 0.19x to exclude all non-recourse loans from DUKE Phase 1 and Phase 2 and SPE.

FIGURE 12: REVENUE BY SEGMENT

	FY23	FY24F	FY25F	FY26F
Construction	529	640	480	360
Property	139	92	186	141
Toll Operations	288	307	376	406
Plantation	118	124	130	137
Others	44	45	46	47
Total	**1,117**	**1,207**	**1,218**	**1,091**
yoy growth (%)	38.2	8.0	0.9	(10.5)

Source: Ekovest, UOB Kay Hian

FIGURE 13: EBIT BY SEGMENT

	FY23	FY24F	FY25F	FY26F
Construction	90	128	96	72
Property	12	37	74	56
Toll Operations	259	193	252	279
Plantation	17	12	13	14
Others	(5)	(6)	(4)	(3)
Total	**372**	**365**	**431**	**418**
yoy growth (%)	106.9	(2.0)	18.1	(3.0)

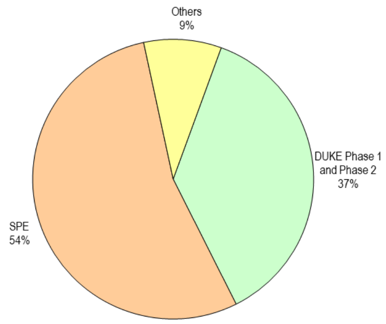
** Excludes administrative expenses*
Source: Ekovest, UOB Kay Hian

FIGURE 14: BALANCE SHEET

	FY23	FY24F	FY25F	FY26F
Interest Coverage (x)	1.23	1.42	1.80	1.90
Net Cash/(Debt) (RMm)	6,306	5,984	5,820	5,750
Gross Gearing (x)	2.32	2.22	2.14	2.12
Net Gering (x)	2.26	2.10	2.06	2.03

Source: Ekovest, UOB Kay Hian

FIGURE 15: DEBT COMPOSITION (AS OF FY23)



Source: Ekovest, UOB Kay Hian

Risk Factors

Delay in compensation payment from government. There will be payment from the government to compensate for stagnant highway toll rates. Note that Ekovest recognised highway revenue solely based on toll fares collected, without factoring in government compensation. The compensation is expected to be received annually and recorded in revenue. Delay in compensation payment may impact earnings and cash flow operation.

Lower-than-expected traffic. Several factors could contribute to lower-than-expected traffic, including but not limited to economic downturns, changes in transport patterns, increased competition from alternative routes, and adverse weather conditions that may impact travel patterns. These could hurt highway revenue. Our sensitivity analysis also suggests that any change in traffic growth rate by 0.5% may affect our target price by around 11 sen.

Economic downturns, changes in transport patterns, stiffer competition from other routes and bad weather may affect highway revenue

FIGURE 16: SENSITIVITY ANALYSIS

Traffic Growth	Base -2.0%	Base -1.5%	Base -1.0%	Base -0.5%	Base	Base +0.5%	Base +1.0%	Base +1.5%	Base +2.0%
TP (RM)	0.74	0.81	0.90	0.99	1.10	1.21	1.34	1.49	1.65

Source: Ekovest, UOB Kay Hian

Delay in commencement of SPE highway. The SPE highway is expected to commence operations in 4Q23, which we have accounted for in our forecasts. Any delay in commencement will impact our earnings forecasts.

Low replenishment of orderbook. The construction and infrastructure industries can be highly competitive, with multiple players vying for the same projects. We believe there are risks to securing contracts due to intense competition that can lead to a stagnant orderbook.

Cost overruns. The construction industry is inherently subject to uncertainties and challenges, which can lead to cost overruns on construction projects. These include: a) changes in project specifications, scope or design (which can result in additional expenses, especially if they are made after construction has commenced); b) disruptions in the supply chain, including shortages of materials or skilled labour (which can lead to project delays and increased costs); and c) evolving regulatory requirements or compliance issues (which can necessitate costly modifications to projects).

Lower-than-anticipated accretion from new acquisitions. Challenges in executing the strategic plan or achieving cost savings and revenue enhancements in a timely manner can impact accretion.

Longer-than-expected corporate restructuring can be influenced by approvals from the board of directors, as well as unexpected legal and regulatory challenges, all of which can extend the restructuring timeline and introduce legal complexities. Ekovest's restructuring plan is still in its early stages and faces the possibility of potential delays or may not materialise as planned.

Restructuring plan still in nascent stages and faces risks of delays or not materialising as planned

Financial Statement

FIGURE 17: PROFIT & LOSS

Year to 30 Jun (RMm)	FY22	FY23	FY24F	FY25F	FY26F
Revenue, Net	809	1,117	1,207	1,218	1,091
Operating Expenses	(628)	(880)	(935)	(866)	(727)
EBIT	**180**	**237**	**272**	**352**	**363**
Other Non-operating Income	-	-	-	-	-
Associate Contributions	(0.03)	(0.12)	(0.12)	(0.12)	(0.12)
Net Interest Income/(Expense)	(220)	(247)	(240)	(232)	(226)
Pre-tax Profit	**(41)**	**(10)**	**32**	**119**	**137**
Tax	(82)	(100)	(114)	(137)	(142)
Minorities	(2)	(2)	(4)	(23)	(32)
Extraordinary Items	34	71	105	105	105
Net Profit(Reported/Actual)	**(124)**	**(111)**	**(85)**	**(41)**	**(37)**
Net Profit (Adjusted)	(90)	(40)	20	64	68
Per Share Data (sen)					
EPS - Diluted	(3.3)	(1.5)	0.7	2.2	2.3
Reported EPS - Diluted	(4.2)	(3.7)	(2.9)	(1.4)	(1.3)
Book Value Per Share (BVPS)	1.06	1.04	0.96	0.95	0.95
Dividend Per Share (DPS)	0.0	0.0	0.0	0.0	0.0

Source: Ekovest, UOB Kay Hian

FIGURE 18: BALANCE SHEET

Year to 30 Jun (RMm)	FY22	FY23	FY24F	FY25F	FY26F
Cash	24	172	329	248	233
Other Short Term Investment	900	503	503	503	503
Accounts Receivable/Debtors	274	311	222	188	147
Other Current Assets	1,242	734	685	681	674
Current Assets	**1,540**	**1,217**	**1,236**	**1,117**	**1,054**
Fixed Assets	235	248	251	251	251
Investments Properties	855	858	858	858	858
Land held for property development	529	529	530	530	531
Concession Assets	7,337	7,702	7,673	7,645	7,618
Other Non-current Assets	731	720	712	706	699
Total Non-current Assets	**9,687**	**10,057**	**10,024**	**9,992**	**9,957**
Total Assets	**11,227**	**11,274**	**11,260**	**11,108**	**11,011**
Accounts Payable/Creditors	710	744	842	953	945
Short-term Debt/Borrowings	693	353	631	607	598
Other Current Liabilities	12	39	39	39	39
Current Liabilities	**1,414**	**1,137**	**1,512**	**1,599**	**1,583**
Long-term Debt	5,830	6,125	5,682	5,462	5,385
Deferred Tax Liability	509	594	594	594	594
Other Non-current Liabilities	612	623	623	623	623
Total Non-current Liabilities	**6,951**	**7,342**	**6,899**	**6,678**	**6,602**
Total Liabilities	**8,365**	**8,479**	**8,411**	**8,277**	**8,185**
Shareholders' Equity	2,408	2,306	2,355	2,314	2,277
Non-controlling Interests	454	490	494	517	549
Total Equity	**2,862**	**2,795**	**2,849**	**2,831**	**2,826**
Liabilities & Shareholders' Funds	**11,227**	**11,274**	**11,260**	**11,108**	**11,011**

Source: Ekovest, UOB Kay Hian

FIGURE 19: CASH FLOW

Year to 30 Jun (RMm)	FY22	FY23	FY24F	FY25F	FY26F
Operating Cashflows	**268**	**352**	**221**	**199**	**102**
Pre-tax Profit	(41)	(10)	32	119	137
Tax	(41)	(10)	(114)	(137)	(142)
Depreciation & Amortisation	21	23	23	23	23
Associates	0.0	0.1	0.1	0.1	0.1
Working Capital Changes	51	81	235	150	40
Others	277	267	44	44	44
Cash from Investing Activities	**18**	**158**	**(34)**	**(35)**	**(32)**
Capex (Growth)	(367)	(234)	(28)	(29)	(26)
Proceeds from Sale of Assets	0.9	3.6	0.0	0.0	0.0
Net Redemption of Investment Funds	315	410	0	0	0
Others	68	(21)	(6)	(6)	(5)
Cash from Financing Activities	**(404)**	**(362)**	**(30)**	**(245)**	**(85)**
Dividend Payments	0	0	0	0	0
Issue of Shares	0	39	135	0	0
Net Drawdown/(Repayment) of Borrowings	(498)	(392)	(165)	(245)	(85)
Others	94	(9)	0	0	0
Net Increase/(Decrease) in Cash	**(119)**	**148**	**157**	**(81)**	**(15)**
Beginning Cash	**144**	**24**	**172**	**352**	**305**
Changes Due to Forex Impact	0	(0)	0	23	57
End Cash	**24**	**172**	**329**	**248**	**233**

Source: Ekovest, UOB Kay Hian

FIGURE 20: KEY METRICS

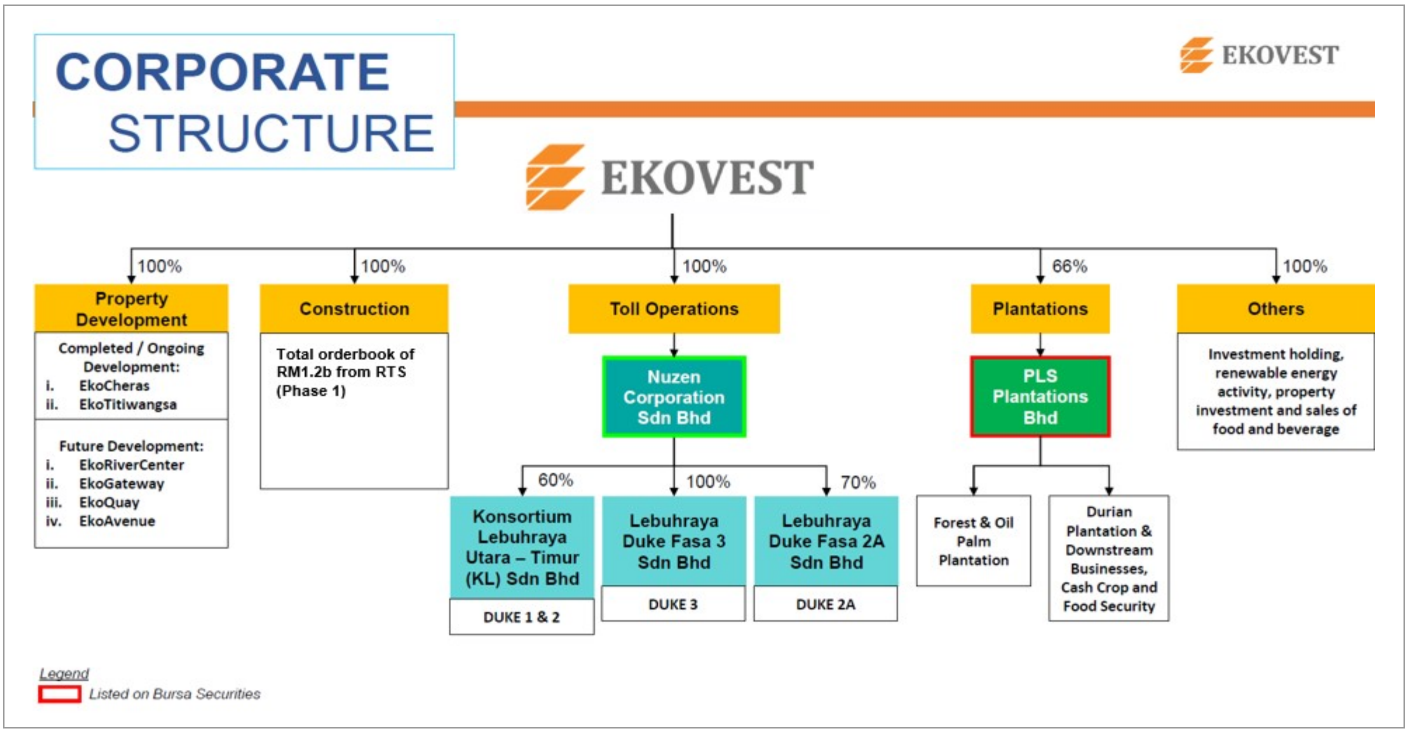
Year to 30 Jun (%)	FY22	FY23	FY24F	FY25F	FY26F
Growth					
Turnover	(36.3)	(11.9)	(4.8)	(4.0)	(14.0)
Operating Profit	(46.5)	31.8	14.8	29.1	3.4
Pre-tax Profit	n.m.	n.m.	n.m.	269.7	15.1
Net Profit	n.m.	n.m.	n.m.	n.m.	n.m.
Net Profit (Adjusted)	n.m.	n.m.	n.m.	227.1	5.8
EPS	n.m.	n.m.	n.m.	227.1	5.8
Profitability					
Operating Profit Margin	22.3	21.2	22.5	28.9	33.3
Pre-tax Margin	(5.0)	(0.9)	2.7	9.8	12.6
Net Margin	(11.1)	(3.6)	1.6	5.3	6.2
ROE	(3.1)	(1.4)	0.7	2.3	2.4
ROA	(0.8)	(0.4)	0.2	0.6	0.6
ROIC	1.1	1.5	1.8	2.2	2.2
Leverage					
Interest Cover (x)	1.1	1.2	1.4	1.8	1.9
Debt to Total Capital	73.0	73.8	72.8	72.4	72.4
Debt to Equity	227.9	231.8	221.6	214.4	211.7
Net Debt/(Cash) to Equity	227.1	225.6	210.1	205.6	203.5
Current Ratio (x)	1.1	1.1	0.8	0.7	0.7

Source: Ekovest, UOB Kay Hian

Appendix I: Company Background

Founded in Jan 85 as Ekovest Bina, Ekovest assumed its new name after converting into a public listed company in Aug 92 and was promoted to the Main Board of Bursa in Mar 00. The company is mainly involved in building construction and civil engineering works, with its most notable project being the DUKE highways. The company is also involved in other businesses such as property development, toll operation, plantation and others.

CORPORATE STRUCTURE



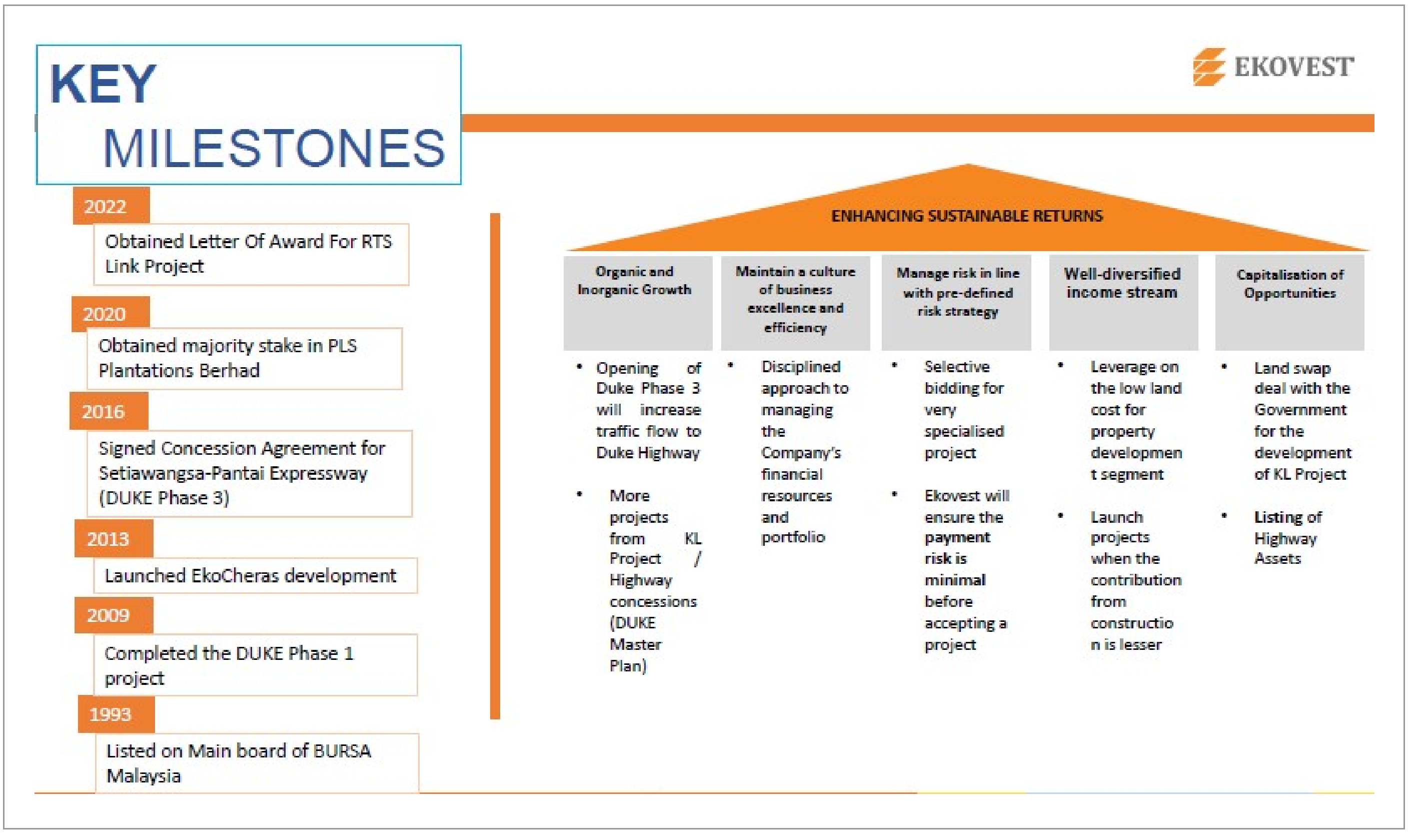
Source: Ekovest

KEY SENIOR MANAGEMENT

Name	Position	Description
Tan Sri Dato' Lim Kang Hoo	Group Executive Chairman	• Founder of Ekovest and appointed Executive Chairman on 22 Nov 10. • He has more than 50 years of experience in the construction industry and machinery-related industry. • He is also an Executive Vice Chairman of PLS Plantations.
Tan Sri Datuk Seri Lim Keng Cheng	Managing Director	• Appointed Managing Director on 16 May 11. • He has more than 39 years of experience in a diverse range of industries, including building, civil, design and build turnkey construction projects, machinery trading and property development. • He also holds directorship in several private limited companies which include, among others, Iskandar Waterfront Holdings. • He is also TSLKH's nephew.
Dato' Lim Hoe	Executive Director	• Appointed Executive Director on 16 May 11. • She has more than 48 years of working experience in various industries, gaining exposure in the fields of finance, management, human resource and corporate matters. • She is one of the pioneers during the company's formative years. • She is also TSLKH's sister.
Mr Lim Chen Thai	Executive Director	• Appointed to the Board of Directors on 26 Apr 18 as an Alternate Director and became an Executive Director on 25 Feb 20. • He has been serving the Ekovest Group of companies in various capabilities since joining them in 2018. • He is also an Executive Director of Knusford. • He is also TSLKH's son.
Mr Wong Khai Shiang	Alternate Director to Dato' Lim Hoe	• Appointed to the Board of Directors on 27 Feb 14. • He has 21 years of experience in the construction and property development industries. • He is currently the Head of Sales and Marketing of the Ekovest Group's property division. • He is also TSLKH's nephew and son to Dato' Lim Hoe.
Mr Lim Ding Shyong	Alternate Director to Tan Sri Lim Keng Cheng	• He has been a Project Engineer in Ekovest since 1 Feb 12. • He is involved in the planning, design and construction of the extension of DUKE Phase 2 and SPE highway and in Ekovest-MRCB Construction, which has been appointed the Swiss Challenge Contractor for the proposed improvement and beautification works at Precinct 7 under the River of Life project.

Source: Ekovest

KEY MILESTONES



Source: Ekovest

History of DUKE Phase 1. In 2004, Ekovest was granted a 34-year concession to build, operate and transfer DUKE Phase 1. One of the primary reasons for the construction of the 18km urban expressway is to provide a link between the New Klang Valley Expressway (NKVE) and the Kuala Lumpur-Karak Expressway, which are the key connectivity points to the South, West and East Coast of Peninsular Malaysia. Besides improving connectivity, the expressway also serves as a reliable urban traffic dispersal scheme that provides connectivity to several parts of Kuala Lumpur, thereby bypassing the highly-congested Middle Ring Road 1 (MRR1) and the Kuala Lumpur Inner Ring Road. Phase 1 of DUKE Phase 1 construction was completed in 2009 at a total construction cost of about RM1.108b.

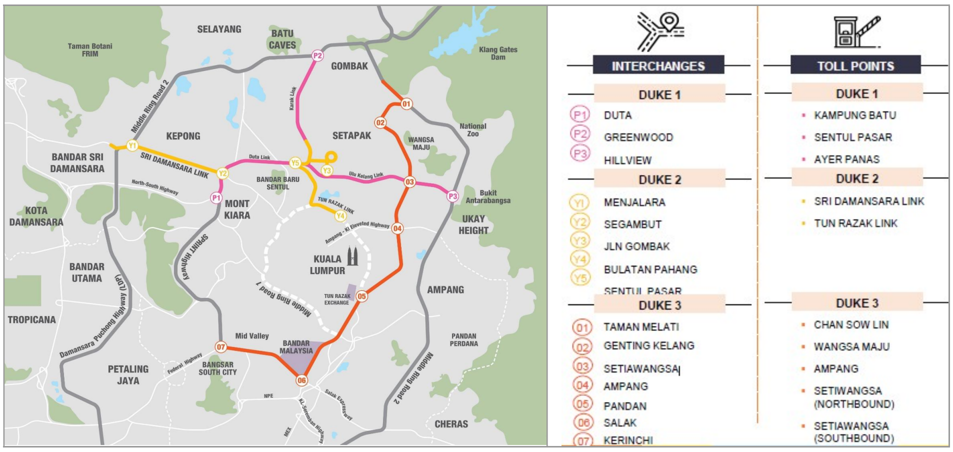
History of DUKE Phase 2. In 2012, Ekovest obtained the concession to extend the existing DUKE Phase 1. The extension was named DUKE Phase 2. The construction of DUKE Phase 2 commenced in Dec 13 and was meant to complement the existing DUKE Phase 1 expressway. DUKE Phase 2 is divided into two major links: a) from Bandar Manjalara to Segambut (7km), and b) from Jalan Tun Razak to DUKE Phase 1 Jalan Gombak interchange (9km). The total 16km extension was completed in 2017 at a total construction cost of RM1.182b.

History of SPE. Ekovest entered into a concession agreement covering 53 years and six months ending 5 Aug 69 for the 32km SPE that connects Middle Ring Road 2 (MRR2) at Wangsa Maju to Kerinchi Link adjoining Federal Highway. When Ekovest first entered into the concession agreement, the total construction cost of the highway was estimated at RM3.7b. However, we understand that the total construction cost eventually ballooned to RM4.2b mainly due to additional costs from variation orders incurred through the years.

Within the four sections of SPE, only Section 4 (Wangsa Maju toll plaza) has commenced tolling since Mar 22, with the rest of the highways set to kick off operations in the coming months as the overall construction progress was close to 100% as of end-Jun 23.

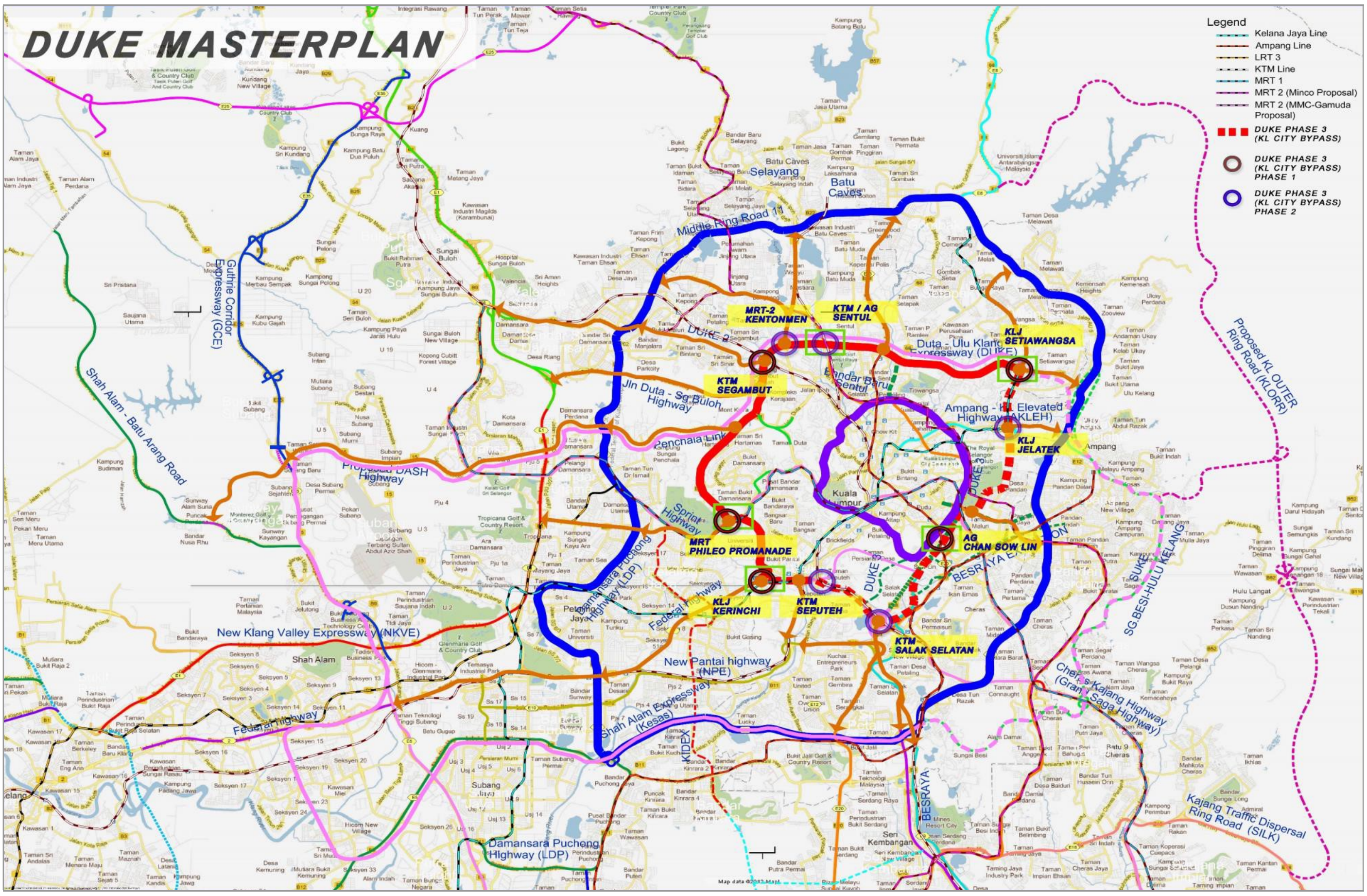
RTS details. The RTS project is a railway shuttle link about 4km long (Malaysia: 2.7km and Singapore: 1.3km) with one station in Bukit Chagar, Johor Bahru, Malaysia and one in Woodlands, Singapore. The link will be a modern light rail transit (LRT) system that will provide high-volume, fast and efficient transport between the two stations. It will be integrated with public transport systems at both stations, providing an alternative means of transport that will help alleviate the congestion at immigration checkpoints for both countries. The link will have a capacity of 10,000 passengers per hour, per direction and an expected ridership of about 40,000 passengers per day upon opening.

DUKE HIGHWAY NETWORK



Source: Ekovest, UOB Kay Hian

DUKE MASTERPLAN



Source: Ekovest, UOB Kay Hian

RAPID TRANSIT SYSTEM

Source: Ekovest, UOB Kay Hian

DUKE HIGHWAY TIMELINE

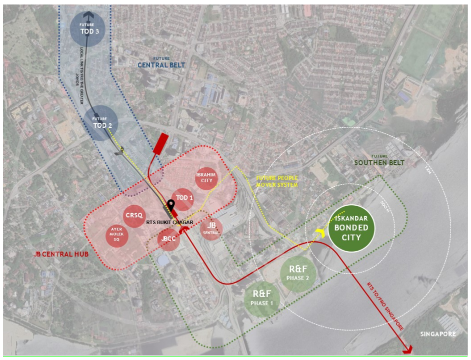
- On 30 Jan 12, Ekovest via a subsidiary proposed to acquire Wira Kristal, which owned 70% of Nuzen that in turn owned 100% of Kesturi, via a share swap agreement worth RM325.68m. Under the proposal, Wira Kristal's shareholders get 126,723,735 new ordinary shares in Ekovest at an issue price of RM2.57/share.
- On 5 Nov 12, the government approved the change in the ultimate shareholders of Kesturi, the concession holder of DUKE pursuant to the Proposed Share Exchange.
- On 3 Dec 12, Kesturi entered into a supplemental concession agreement (Supplemental Concession Agreement) with the government for the proposed extension of DUKE (DUKE Phase 2).
- On 25 Jan 13, Ekovest entered into a restated share exchange agreement with Wira Kristal shareholders to restate the terms of the Share Exchange Agreement dated 30 Jan 12.
- On 19 Mar 13, Bursa Securities approved the listing of and quotation for 126,723,735 new ordinary shares in Ekovest to be issued pursuant to the Proposed Share Exchange.
- Proposals are deemed completed following the listing of and quotation for the 126,723,735 new Ekovest shares on the Main Market of Bursa Malaysia Securities on 9 May 13.
- On 29 Jan 14, Ekovest entered into a sale agreement worth RM228m with Malaysian Resources Corporation (MRCB) for the disposal of MRCB's 30% equity in DUKE (funded partly by rights issue); disposal by MRCB of 1,500,000 ordinary shares and 13,500,000 redeemable preference shares in Nuzen, which represent MRCB's 30% stake in DUKE; the deal also included the sale of MRCB's RM58.5m Series A redeemable preference shares in Kesturi to Ekovest Construction (a wholly-owned subsidiary of Ekovest) and another RM54m in nominal value redeemable secured junior bonds in Kesturi to Ekovest.
- The government had vide its letter dated 5 May 14, approved the change in the ultimate shareholders and the shareholding structure of Kesturi involving the disposal of the 30% stake held by MRCB to Ekovest Group, pursuant to the Proposed Acquisition.
- The acquisition of the remaining 30% stake in Nuzen was completed on 30 Jun 14. With that, Nuzen has become a wholly-owned subsidiary of Ekovest.
- Kesturi on 14 Jan 15 received a letter from the Public Private Partnership Unit, Prime Minister's Department approving in-principle the Proposed Privatisation of DUKE.
- Ekovest's subsidiary on 11 Jan 16 entered into a Concession Agreement with the Government of Malaysia in relation to the design, construction, completion, operation, management and maintenance of SPE.
- On 19 Aug 16, Ekovest received an interest letter (EOI) from EPF to dispose of 40% equity interest in Kesturi.
- On 8 Nov 16, Ekovest's wholly-owned subsidiary Nuzen entered into a conditional share sale agreement with EPF for the disposal of 40% of Kesturi for a total cash consideration of RM1,130m.
- On 17 Jan 17, its subsidiary received a letter from the Government on the principle approval of the proposed privatisation of the Kampung Baru Link, Istana Link and Kapar Link Expressway (DUKE Phase 2A).

CORPORATE RESTRUCTURING PROPOSALS

Proposals	Our View
Proposal 1: Knusford to acquire Ekovest Construction (100% subsidiary of Ekovest) at book value (RM2b as of end-FY22) through issuance of new shares of Knusford.	This proposal will give rise to a bigger construction arm. After the acquisition of Knusford via new share issuance, **we estimate Ekovest would own an effective stake of 65%** in the Knusford-Ekovest Construction MergedCo. **While there is no immediate increase in earnings from the merger, we believe more streamlined construction operations may lift operating efficiency.** We also think the merger would put Ekovest in a stronger position to take on more sizeable projects, which is rather timely amid a huge pipeline of infrastructure and private projects in the near to medium term.
Proposal 2: Ekovest to acquire land in Johor for potential TOD along the alignment of RTS Bukit Chagar. The acquisition will be satisfied via a combination of cash and issuance of new shares in Ekovest at RM0.60 per share to the vendor. The acquisition includes: a) Two parcels of freehold land totalling about 6.18 acres known as TOD 2. This acquisition involves taking over all the issued shares of Danga City Mall (DCM), which currently owns TOD 2. Note that Credence and a few other companies related to TSLKH are the holders of redeemable preference shares in DCM. b) Two parcels of leasehold lands totalling 9.64 acres known as TOD 3. This acquisition involves acquiring all the issued shares of Khazanah Melati, the current owner of TOD 3.	Based on our channel check, **the land acquisitions for both TOD 2 and TOD 3 are around RM500m, equivalent to RM725psf, which we consider slightly expensive.** For comparison, Crescendo recently purchased 3.3 acres of land near RTS Bukit Chagar for RM72m, translating to RM505psf. However, **we believe the premium is justifiable as the land already has infrastructure in place** which could result in cost savings and efficiencies. Both TOD 2 and 3 are expected to have RM5b GDV. Based on back-of-the-envelope calculations, **TOD 2 and 3 are expected to yield NPV of RM660m** assuming a five-year development period with net margin of 20%, 80% take-up rate and WACC of 5.9%.
Proposal 3: Ekovest to acquire at least 51% or more of the issued share capital of Credence (currently 100% owned by TSLKH) through issuance of new shares in Ekovest at RM0.60 per share.	We estimate Ekovest to acquire Credence at RM1.3b with a 51% stake. Based on IWH's net asset value of RM4b as of end-21 (which already includes its 34%-owned IWC), we value Credence at RM2.56b (as Credence owns 63% of IWH). **This proposal will allow Ekovest to have a 27% stake in IWC-IWH. Assuming a RM1.3b purchase value, we think Ekovest is only paying RM26.04psf for a 27% stake in IWC-IWH with a 4,212-acre landbank.** Therefore, we consider proposal 3 to be advantageous for Ekovest
Proposal 4: IWC to acquire IWH and all its direct subsidiaries through issuance of new shares in IWC at RM0.80 per share. IWH is 63%-owned by Credence and 37%-owned by Kumpulan Prasarana Rakyat Johor (KPRJ). IWH has a 3,250-acre strategic landbank, mainly located in the City Centre of Johor Bahru Waterfront, whereas IWC owns a 962-acre landbank in Johor. The merged entity will have a 4,212-acre landbank.	We view this proposal favourably as well. This merger is poised to enhance the landbank of the combined entity significantly, potentially benefitting all stakeholders. **IWC's 65% minority shareholders will own about 15% in the merged entity** (ie 65% minority shareholders of IWC will be diluted to 15%). After the issuance of 4.8b new shares, the total enlarged shares will be 5.7b. **IWC will acquire IWH based on IWH's net asset value (RM3.8b). This would mean IWC is only paying RM26.90psf for IWH's 3,250-acre landbank.**

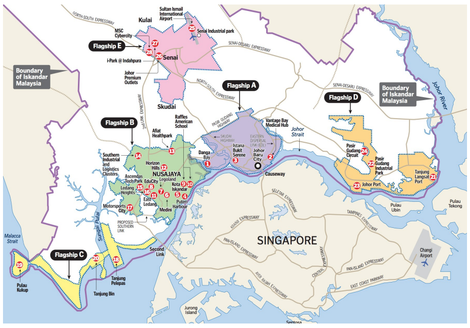
Source: Respective companies, UOB Kay Hian

TOD 2 AND 3 LOCATION



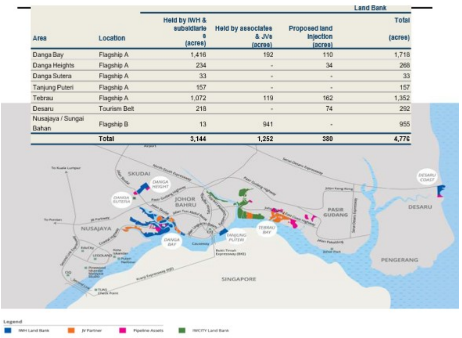
Source: Ekovest, UOB Kay Hian

ISKANDAR MALAYSIA



Source: IRDA, UOB Kay Hian

IWH GROUP LANDBANK



Area	Location	Land Bank: Held by IWH & subsidiaries (acres)	Held by associates & JVs (acres)	Proposed land injection (acres)	Total (acres)
Danga Bay	Flagship A	1,416	192	110	1,718
Danga Heights	Flagship A	234	-	34	268
Danga Sutera	Flagship A	33	-	-	33
Tanjung Puteri	Flagship A	157	-	-	157
Tebrau	Flagship A	1,072	119	162	1,352
Desaru	Tourism Belt	218	-	74	292
Nusajaya / Sungai Bahan	Flagship B	13	941	-	955
	Total	3,144	1,252	380	4,776

Source: IWC, IWH, UOB Kay Hian

PROPERTY DEVELOPMENT BUSINESS

Ekovest owns several plots of land over 39 acres, which are expected to generate GDV of over RM8b for the next 7-10 years. Its landbank is in the mature areas of Kuala Lumpur, including the areas of Jalan Pahang and Setapak. The group also owns plots of land in Johor Bahru, Kuantan and Port Dickson.

SUMMARY OF LANDBANK

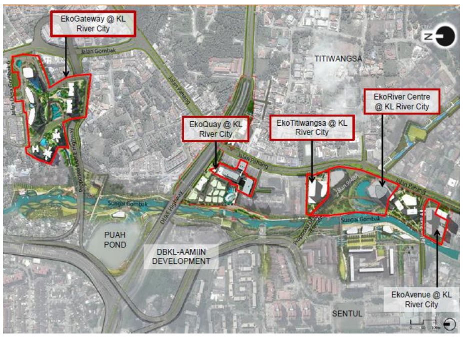
Project	Location	Size (acres)	Type	GDV (RMm)
Ongoing				
EkoTitiwangsa	Jalan Pahang	2.31	Office tower, serviced apartments & retail shops	470
Development Order Approved				
EkoRiverCenter	Jalan Pahang	6.64	Office/residential/hotel tower & shopping mall	2,160
EkoGateway	Setapak	14.5	Serviced apartments, shopping mall & hotel	2,670
EkoQuay	Jalan Pahang	2.75	Retail lots, serviced apartments & hotel	397
EkoAvenue	Jalan Pahang	1.75	Retail shops & serviced apartments	245
Danga Boulevard	Johor Bahru	11.36	Retail & soho	440
Submission of Planning				
Pasir Gudang	Johor Bahru	13.72	Coldroom, factory & retail	For Lease
Concept Planning				
Indra Mahkota	Kuantan	11.5	Vacant bungalow lots	Planning stage
Other Landbank With No Immediate Development				
Johor Bahru		39.9		
Port Dickson, Negeri Sembilan		124		

Source: Ekovest, UOB Kay Hian

Project delivery partner for River of Life. To recap, River of Life (ROL) was launched in Jul 11 to transform the Klang River into a vibrant and liveable waterfront with high economic value. Ekovest was appointed the project delivery partner for ROL, which will provide a riverfront lifestyle and serene landscape for the public. Ekovest is developing several properties − namely EkoTitiwangsa, EkoRiverCentre, EkoGateway, EkoQuay and EkoAvenue − with an estimated GDV of RM6b.

Planning to launch EkoTitiwangsa project with GDV of RM470m by end-23. EkoTitiwangsa is located along Titiwangsa, the DUKE highway, and is at the centre of a new and upcoming riverfront development by Ekovest. It comprises three blocks of freehold service apartments with 696 units and retail spaces (about 42,000sf) with ASP of RM750psf. Due to its prime location on the fringe of Kuala Lumpur's central business district, we think this project will be well-received and contribute to Ekovest's earnings in the next 2-3 years.

EKOVEST'S PROPERTY DEVELOPMENT PROJECT LOCATION



Source: Ekovest, UOB Kay Hian

EKOTITIWANGSA

Source: Ekovest, UOB Kay Hian

EKOQUAY

Source: Ekovest, UOB Kay Hian

PLANTATION BUSINESS

To recap, Ekovest acquired PLS Plantations (PLS) in 2020 with a stake of 62%. This has enabled Ekovest to venture into the management and operation of oil palm and forest plantations, and more importantly in durian plantations, production, distribution and related businesses. Ekovest's investment in PLS is a strategic move aimed at achieving greater stability, diversification and resilience in its business portfolio.

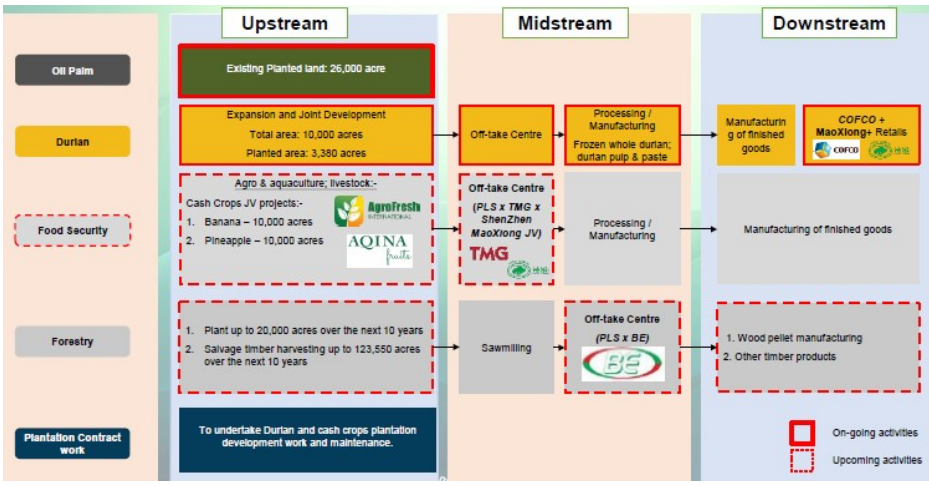
Segmental revenue mainly contributed by 70%-owned subsidiary Aramijaya. Aramijaya is largely engaged in the management, operation and maintenance of Ladang Hutan Ulu Sedili, a forest plantation project covering 35,223 hectares in Kota Tinggi and Mersing, Johor. Dominated by the acacia mangium tree species, the project land is also cultivated with crops such as oil palm, timber latex clone and karas. As at 30 Jun 22, the group had a total development area for oil palm cultivation of 12,346ha. The palm oil business remains PLS' largest revenue contributor, accounting for 65% of total revenue.

Trading revenue comes from Dulai Fruits Enterprise (Dulai), a 70%-owned subsidiary of PLS. Dulai started trading in fresh and processed fruits in Jul 17. Not having estates of its own, Dulai's existing products include externally-sourced whole fresh durian, frozen whole durian, frozen durian seed pulp, frozen durian seedless pulp, frozen durian paste or mixed paste, and frozen jackfruit seed pulp for the local market as well as export, mainly to China, Australia, Hong Kong and the US. Dulai has two durian processing plants, located in Raub, Pahang and Jasin, Melaka.

Building up PLS's durian portfolio. PLS entered into a 51:40 JV with MyFarm in Jan 23 for a large-scale durian cultivation project spanning over 1,000ha of land in Raub, Pahang. Note that this investment stands out as the largest ever made by a Japanese company in the realm of durian plantations. This demonstrates not only the global appeal of the Malaysian agricultural sector but also the strategic importance of durian production in the Asian market.

Under the deal, MAT (MyFarm's subsidiary) will subscribe to a 49% stake in JV company Akar Barat Jaya and has agreed to pay the JV company RM210m of the investment consideration. This substantial financial injection will play a pivotal role in supporting the establishment and ongoing development of the durian plantation, ensuring the necessary infrastructure, technology, and agricultural expertise are in place. We estimate PLS would book a gain in disposal of RM107m from this investment (RM6m to be recognised in FY24).

PLS BUSINESS PILLARS



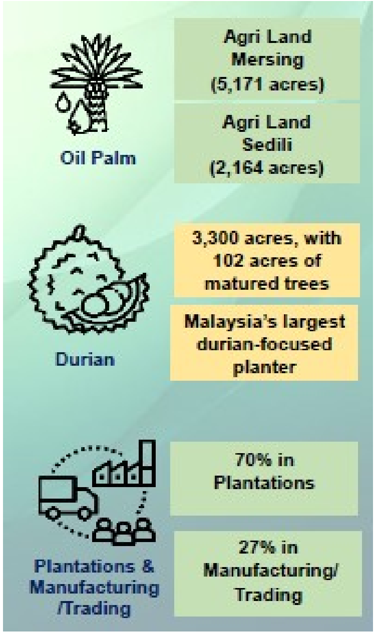
Source: Ekovest, PLS Plantation, UOB Kay Hian

PLS FY23 REVENUE

Segment	Revenue (RMm)	% of Revenue
Aramijaya (palm oil)	65.2	55
Dulai & Other Subsidiaries (trading & manufacturing segment)	37.6	32
Construction	18.3	15
Inter-elimination	(2.8)	
Total PLS Revenue	**118.3**	

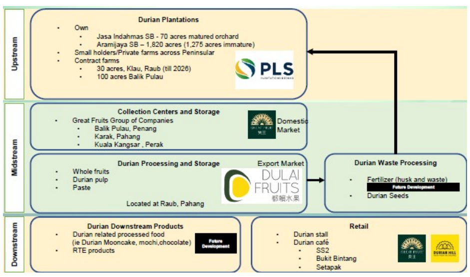
Source: Ekovest

PLS PLANTATION BUSINESS



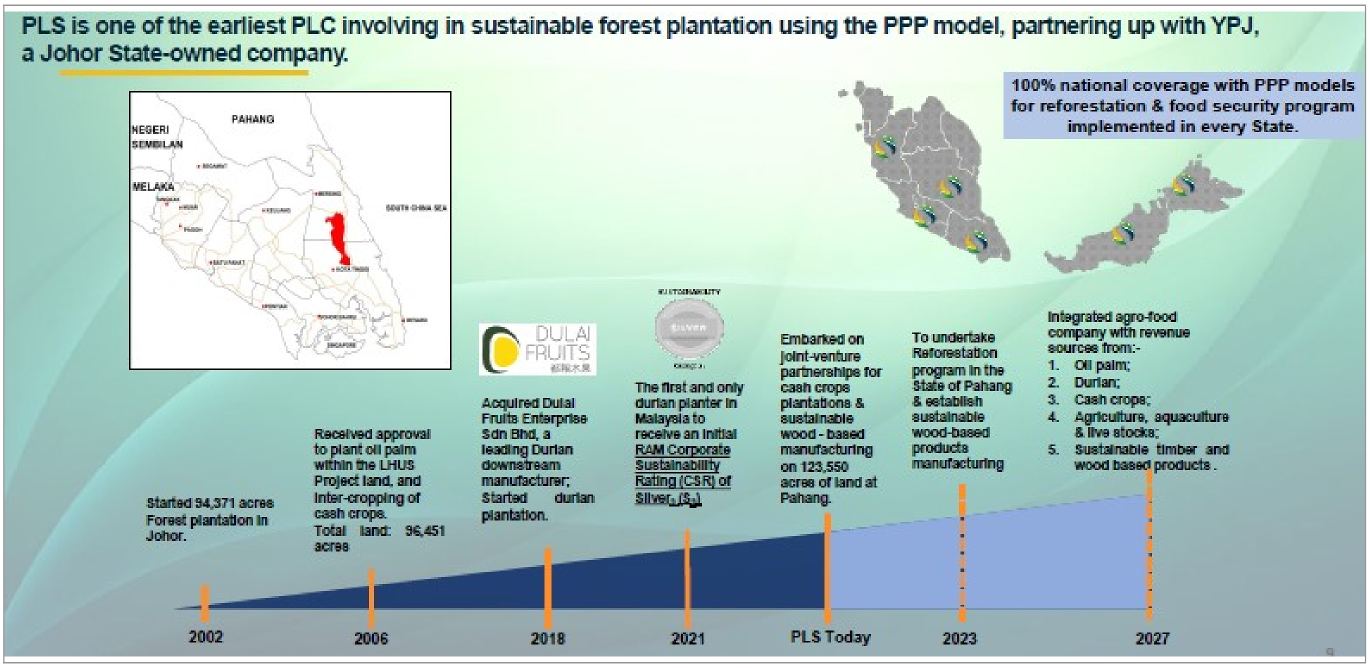
Source: Ekovest, PLS Plantation, UOB Kay Hian

PLS DURIAN VALUE CHAIN



Source: Ekovest, PLS Plantation, UOB Kay Hian

PLS KEY MILESTONES AND VISION



Source: PLS Plantation UOB Kay Hian

DANGA BAY TRANSFORMATION

Source: IWH, IWC, UOB Kay Hian

Appendix II: ESG

EKOVEST'S SELECTED UNITED NATION SUSTAINABILITY DEVELOPMENT ADOPTION

Goals	Ekovest's Contribution
Goal 3: Good Health and Well-being	• Apply Construction Design and Management, a widely practised approach in Europe, that ensures that health and safety during the project execution are embedded in the design phase • Enhance the parapet wall designs from precast to cast in situ and use the platform for casting the deck slab to overcome the risk of collapsing precast panels • Implement ISO45001 on Occupational Safety and Health management system • Provide employee health benefits, compassionate leave, maternal and paternal leave and not tolerating any form of harassment
Goal 4: Quality Education	• Establish Ekovest Graduate Attachment Programme • Promote employee education and career advancement
Goal 6: Clean Water and Santisation	• Participate in construction of water infrastructure Sullage Water Treatment Plant Project
Goal 11: Sustainable Cities and Communities	• Develop traffic dispersal schemes for congested roads in Kuala Lumpur • Idle land optimisation project along the expressway • Beautify cities
Goal 17: Partnerships for the Goal	• Develop sustainability rating tool for infrastructure projects • Engage and partner Dewan Bandaraya Kuala Lumpur in achieving sustainable cities and communities under Kuala Lumpur City Plan 2050

Source: Ekovest

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

ENVIRONMENTAL Sustainable Construction Management	Implementation of ISO14001:2015 on environmental management system, the environmental monitoring and measurement control plan and environmental impact assessment to identify and mitigate environmental impacts.
SOCIAL Health and Safety	No material accident and injury reported in the workplace during the year.
Social Wellbeing	Ekovest has sponsored "Jom Breakfast", one of Institute Onn Ja'afar's signature initiatives in 2022. Separately, in celebrating the Holy Month of Ramadan and Syawal, the company has contributed RM52,400 to five mosques and six prayer halls near the SPE highway project sites and provided voluntary assistance to the local communities surrounding the SPE construction sites in replacing and repairing drain pipes, installing new sumps drainage, cleaning drainage, bushes and grass at the nearby residential areas, and donated two units of submersible pump and hose.
GOVERNANCE Board Balance and Composition	Five of its nine directors are independent directors, amounting to 55% of its board members.
Women Participation in Board	One-third of the Board members are female directors.

Source: Ekovest

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