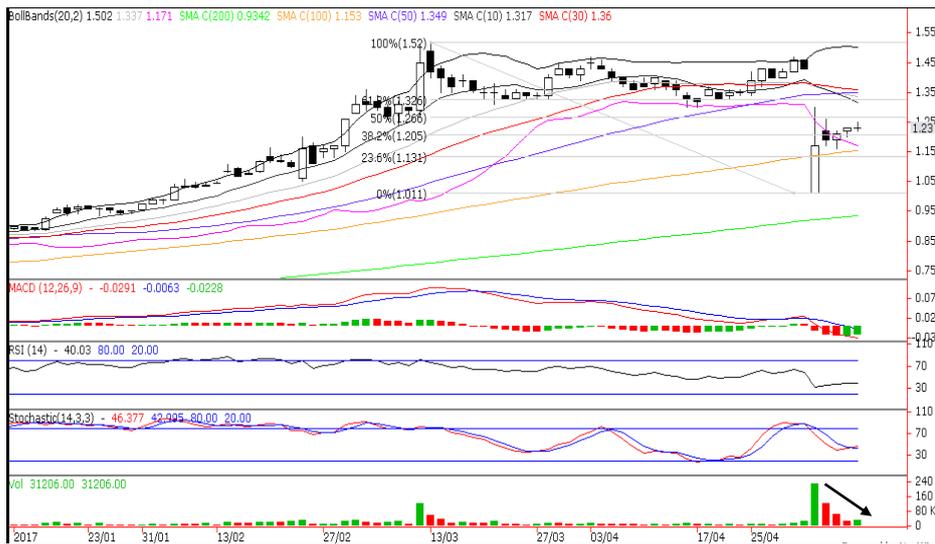


**Trading idea: EKOVEST – Stable growth with solid earnings visibility and a cash cow in the making**

**May 12, 2017**
**EKOVEST (RM1.23/Vol:31.2m)**
**DAILY CHART: SIGNS OF STABILISATION**


- Building an empire of urban traffic dispersal system.** Listed in 1993, Ekovest is principally involved in construction, property development and toll road operations. The major shareholder of Ekovest is Tan Sri Lim Kang Hoo and family, who collectively own ~40% of the group. Apart from Ekovest, Lim is also a major shareholder of listed property developer Iskandar Waterfront City Bhd (IWCITY with ~47% shareholding).
- Ekovest is the concession holder and main contractor of the DUKE Highway (DUKE 1, 2 & 3),** which collectively costs RM6.3bn. In Feb17, it disposed a 40% stake in DUKE 1 and 2 to EPF for RM1.13bn, valuing the concessions (DUKE 1 & 2 only) at RM2.83bn or RM1.32/share (7.6% higher against 10 May closing). Ekovest has indicated that it plans to list its expressway concession business. It is currently working towards the listing for DUKE as early as 2018 with the aim of raising ~US\$500m.
- The group has a sizeable orderbook of RM5.6bn, excluding Duke 2A.** The construction work on its DUKE toll roads Phase 2-3 amount to RM4.3bn and forms the biggest portion of Ekovest's construction order book. Building construction work for its property project and river beautification work for the River of Life project account for the rest of its orderbook. Its order book could increase further by 113% or RM6.3bn if it includes the construction of DUKE-Phase 2A, which is expected to be carried out by its construction division To recap, Ekovest received a letter in Jan 2017 from the Government on the principle approval of the proposed privatisation of the Kampung Baru Link, Istana Link and Kapar Link Expressway. Overall, if the DUKE master plan is executed as planned, the construction of subsequent expressways under DUKE master plan could potentially provide construction earnings visibility for another 5 to 10 years.
- Sitting on a large prime landbank in Klang Valley.** Ekovest has 76 acres undeveloped landbank located at prime areas in the Klang Valley (39 acres), Danga Bay, Johor (25 acres) and Kuantan (12 acres). It has been developing lands in Cheras (12.0 acres) and Titiwangsa (27 acres) with a combined GDV of RM7.8bn over 10-years development period. The group has an intention to retain the shopping mall in Cheras and Titiwangsa developments for recurring income. In longer term, the group is exploring the option of REITing the shopping malls to unlock the value of the property.

**Loui Low Ley Yee**
**LYLow@hlib.hongleong.com.my**
**(603) 2168 1063**
**Risk Profile**

Low Risk Moderate Risk High Risk


**FIG1: Financials and technical snapshots**

Last price (RM)	1.23
1 Day Change (%)	0.00
5 Day Change (%)	-13.99
1 Day Range (%)	33.33
5D High	1.26
5 Day Range (%)	70.00
52Wk High (RM)	1.52
52Wk Low (RM)	0.524
52Week Range (%)	70.88
Outlook (2-4 weeks)	Bottoming up
Daily RSI	Up
Daily Stochastics	Up
Daily MACD	Hook up
Avg volumes 100D ('mln)	15.29
S1/S2 (RM)	1.20 / 1.15
R1/R2 (RM)	1.32 / 1.36
LT Technical Objective (RM)	1.50
Upside reward (%)	21.95
Stop Loss (RM)	1.12
Downside risk (%)	-8.94
HLIB Institutional TP (RM)	-
Bloomberg TP (RM)	1.46
Trading period (max)	4 Weeks
Proforma BVPS (RM)	0.65
P/BV (x)	1.88
Dividend yield	9.11

Source: HLIB, Bloomberg

- **Values emerge after recent selldown.** The stock tumbled from YTD high of RM1.52 (13 Mar) to a low of RM1.01 (4 May) before ending at RM1.23 yesterday following the shocking announcement that the sale of Bandar Malaysia to the IWCITY-China Railway Engineering Corp JV has lapsed on 3 May. However, we believe the recent selldown as an opportunity to accumulate a deeply undervalued contractor and concessionaire. We like the company for its i) huge outstanding construction order book; ii) potential unlocking of asset value through IPO for its expressways; iii) potential REITing of its shopping malls in long term; iv) its projects are not dependent on China FDI investments.
- **Further relief rally?** Overall, we see limited downside risks for Ekovest in the short term, as values begin to emerge after recent selloff. Moreover, indicators are on the mend and selling pressures are tapering off. A decisive breakout above RM1.32 (the Duke 1&2 valuation) will spur prices higher to retest the RM1.36 (30-d SAM) levels and our LT objective at RM1.50 (upper Bollinger band). On the flip side, key supports are RM1.20 (38.2% FR) and RM1.15 (100-d SMA). Cut loss at RM1.12.

#### EARNINGS SUMMARY

FYE 31 Dec	FY15	FY16	FY17e	FY18e
Revenue (RM'm)	439.0	794.0	1,246.0	1,800.0
Core PATAMI (RM'm)	18.0	43.0	162.0	185.0
Issued shrs (m)	2,139.0	2,139.0	2,139.0	2,139.0
EPS (sen)	0.8	2.0	7.6	8.6
Dividend (sen)	2.0	3.0	12.0	3.0
P/ E (x)	146.2	61.2	16.2	14.2
Yield (%)	1.6	2.4	9.8	2.4

Source: Bloomberg

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Published & Printed by  
**Hong Leong Investment Bank Berhad (10209-W)**  
 Level 23, Menara HLA  
 No. 3, Jalan Kia Peng  
 50450 Kuala Lumpur  
 Tel 603 2168 1168 / 603 2710 1168  
 Fax 603 2161 3880

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