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Matang: Looking to buy two plots of land in Raub for RM180m.

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TPPA: Negotiations likely to conclude in November, says Mustapa.

KEY INDICES

	Index	pt chg	% chg
FBMKLCI	1,754.92	(0.3)	(0.0)
Bursa Emas	12,517.54	14.7	0.1
Industrial	3,266.74	(6.5)	(0.2)
Ind Product	153.70	(0.0)	(0.0)
Finance	16,658.96	16.4	0.1
Trading Services	229.80	0.2	0.1
Consumer	626.35	(0.3)	(0.0)
Construction	333.98	0.7	0.2
Properties	1,279.18	8.7	0.7
Plantations	7,864.33	23.3	0.3

BURSA MALAYSIA TRADING & PARTICIPATION

Malaysia Turnover	18-Jul-17	% chg
Volume (m units)	2,164	5.9
Value (RMm)	2,219	29.3

By Investor type	(%)	ppt chg
Foreign investors	18.1	(0.9)
Local retail	24.0	1.3
Local institution	57.9	(0.3)

TOP VOLUME / GAINERS / LOSERS

	Price (RM)	Chg (%)	Volume ('000)
Top Volume			
UMW Oil & Gas	0.34	(8.1)	98,026
GD Express Carrier	0.71	10.2	27,632
AirAsia X	0.40	0.0	21,393
Malayan Banking	9.60	(0.1)	14,053
CIMB Group	6.33	0.8	13,752

Top Gainers			
GD Express Carrier	0.71	10.2	27,632
Faber Group	2.67	4.3	284
AirAsia	3.28	4.1	13,309
Media Prima	0.92	2.8	2,744
FELDA	1.62	2.5	8,450

Top Losers			
UMW Oil & Gas	0.34	(8.1)	98,026
7- Eleven Malaysia Holdings	1.24	(4.6)	3,584
Btoto	2.32	(2.5)	4,293
Cahaya Mata Sarawak	3.98	(2.0)	1,153
POS Malaysia	5.07	(1.9)	531

OTHER STATISTICS

	18-Jul-17	chg	% chg
RM/US\$	4.29	(0.00)	(0.1)
CPO Aug 17 (RM/mt)	2,512	(25.0)	(1.0)

Top volume, gainers and losers are based on FBM100 component stocks

SMALL/MID CAP HIGHLIGHTS

Ekovest (EKO MK)

Back In Flavour

The recent share price retracement provides a buying opportunity given the strong fundamentals of the company which includes: a) a gigantic unbilled orderbook of RM13b (14x cover), b) expected signing of DUKE2A concession agreement in 4Q17, and c) potential listing of the DUKE1/2 Highways in 2018. Aside from that, the recent launch of the KL River City by the federal territories minister could enhance value creation in the near term. Maintain BUY. Target price: RM1.55.

WHAT'S NEW

- KL River City project officially launched.** Yesterday, the Federal Territories Minister launched the KL River City project. The project entails the construction of a new 2km river tunnel, the rehabilitation of the Gombak River and the redevelopment of the river bank stretching 2.2km. To recap, back in Jun 17, Ekovest received the approval in principal from the Government of Malaysia to undertake the proposed redevelopment. Further details on the development (ie financials) would be made upon finalisation of the proposed privatisation terms and conditions which are expected to be formalised in 4Q17.
- Recent share price retracement provides buying opportunity.** Ekovest's share price has dipped 20% since its ytd high in May. Nevertheless, we think that at the current level, the stock is trading at a bargain at a FY18/19 (June FYE) PE of 15.4x and 10.5x respectively which is: a) at -1SD to its 3-year PE trading range, and b) at a 25-37% discount to contractor-concessionaire peers' trading range which is in the high teens. In addition, the launch of the KL River City by a prominent minister also lifts investors' confidence in the stock.

STOCK IMPACT

- KL River City is part of the entire River of Life project.** The KL River City development sits on Precinct 1 and 2 of the entire River of Life project. The development is aimed at transforming part of the Gombak River into a riverfront lifestyle destination which would be complemented by both residential and commercial property developments. Presently, Ekovest owns over 27 acres of land near the river with GDV potential of over RM5.7b.
- Fundamentals of the company remain intact with construction as a primary growth driver.** Presently, the group is armed with RM7b (orderbook cover 7.5x) worth of unbilled construction jobs, excluding the DUKE2A expressway construction job that could be worth RM6.32b. Including the potential DUKE2A construction job, its outstanding orderbook would be a whopping RM13.1b, representing a 14x orderbook cover (one of the highest in the industry). While orderbook is near its all-time high, we expect it to grow further in the near term as the group is eyeing several other large construction jobs within the Klang Valley, which may include the a RM1b rehabilitation job.

KEY FINANCIALS

Year to 30 Jun (RMm)	2015	2016	2017F	2018F	2019F
Net turnover	439	794	1,246	1,800	2,304
EBITDA	124	297	385	446	618
Operating profit	118	282	369	414	565
Net profit (rep./act.)	18	156	162	185	272
Net profit (adj.)	18	43	162	185	272
EPS (sen)	2.1	5.1	7.6	8.7	12.7
PE (x)	64.2	26.3	17.7	15.4	10.5
P/B (x)	1.0	0.9	1.6	1.5	1.3
Dividend yield (%)	1.7	2.6	9.6	1.7	1.7
Net margin (%)	4.1	5.5	13.0	10.3	11.8
Net debt/(cash) to equity (%)	166.7	150.8	131.3	146.4	159.2
ROE (%)	1.5	3.3	9.0	9.6	12.6
Consensus net profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Ekovest, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM1.17
Target Price	RM1.55
Upside	+32.5%

COMPANY DESCRIPTION

A construction company which owns the highly coveted Duta-Ulu Kelang Expressways. It also has exposure to construction and property development.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	EKO MK
Shares issued (m):	2,139
Market cap (RMm):	2,503
Market cap (US\$m):	584
3-mth avg daily t'over (US\$m):	4.9

Price Performance (%)

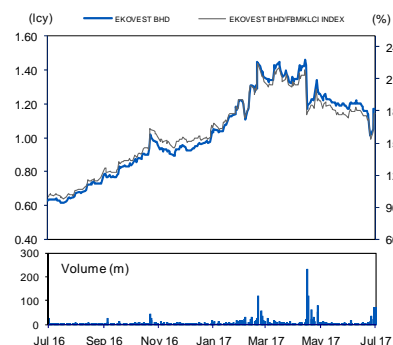
52-week high/low	RM1.52/RM0.54			
1mth	3mth	6mth	1yr	YTD
(1.7)	(14.0)	23.6	112.9	35.0

Major Shareholders

Tan Sri Lim Kang Hoo	20.2
Ekovest Holdings Sdn bhd	12.2
Lim Seong Hai Holdings	9.5

FY17 NAV/Share (RM)	0.73
FY17 Net Debt/Share (RM)	0.96

PRICE CHART



Source: Bloomberg

ANALYST

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- Updates on the DUKE 1/2 Expressway.** The partial opening of DUKE2 has driven an additional 10,000 vehicles per day (VPD) into DUKE1, which represents about 7% of DUKE1's current average daily traffic (ADT) of 135,000 vpd. We estimate that the 10,000 increase in ADT has led to a 8% (or RM2.2m/quarter) rise in quarterly toll. Albeit delayed, the remaining portions of the expressway are due to be opened by Sep 17, which we expect would add about an additional 50,000 vpd in traffic to the group.
- DUKE2A concession agreement expected to be signed in 4Q17.** The concession agreement for its newest expressway, DUKE2A, is expected to be signed in 4Q17. Given that major terms of the concession have yet to be disclosed, which include the period of the concession and toll rates (pending discussion with the government), the NPV from this project is uncertain at this juncture. However, our back-of-the-envelope calculation shows RM3b-4b in NPV enhancement and a high single-digit IRR.
- Listing of DUKE1/2 still in the cards; paperwork expected to begin by year-end.** The next major catalyst for the group would be the eventual IPO of the DUKE 1/2 Expressways, which are worth about RM1.9b (based on its 60%-stake). The group has hinted that the listing of the expressways could result in more special dividend distributions. Assuming that it pares down its stake in the highway by a further 20%, the net cash inflow could be around RM632m. In a blue-sky scenario, we estimate that the expressway could be worth up to RM2.1b (for its 60%-stake), which on a simulation of a 20% stake downsize could result in net cash inflow of about RM700m.

EARNINGS REVISION/RISK

- We make no changes to our earnings estimates.
- Key risks include: a) execution risk, b) fluctuation in raw material prices which will impact margins, and c) traffic flow at the expressways.

VALUATION/RECOMMENDATION

- Maintain BUY and SOTP based target price of RM1.55.** Our target price is based on a 30% discount to our fully-diluted valuation of RM2.21/share, and implies 20.4x fully-diluted FY18F PE and a more palatable 13.9x FY19F PE. We forecast a strong 3-year (FY16-19) earnings CAGR of 84%. Our valuation has yet to impute the remaining 70% value of the Setiawangsa Pantai Expressway (SPE) (worth 74 sen/share) and the recently-secured DUKE 2A (potentially worth RM1.23-1.64/share).

VALUATION/RECOMMENDATION

- Potential introduction of a dividend policy.

PEER COMPARISON (CONSTRUCTION COMPANIES)

Company	Ticker	Rec	Market Cap (US\$m)	Price 18 Jul 17 (RM)	Target Price (RM)	O/B (RMb)	O/B Cover	PE			P/B 17F (x)	ROE 17F (%)
								16 (x)	17F (x)	18F (x)		
IJM Corp	IJM MK	BUY	2,911.4	3.44	3.95	8.6	4.0	21.5	20.7	18.7	1.2	6.1
Gamuda	GAM MK	BUY	3,063.8	5.36	6.00	8.2	9.1	23.9	21.1	17.2	2.2	10.3
Kerjaya Prospek	KPG MK	BUY	430.7	3.57	3.69	2.5	2.6	19.8	16.1	13.6	2.4	15.5
Sunway Construction	SCGB MK	HOLD	609.1	2.02	1.91	4.6	3.0	30.8	16.5	15.9	4.4	29.0
WCT Holdings	WCTHG MK	HOLD	622.7	1.90	2.03	4.8	3.0	36.6	18.0	16.1	1.0	5.5
Ekovest	EKO MK	BUY	584.1	1.17	1.55	13.1*	14.0	26.3	17.7	15.4	1.6	9.0

* Includes DUKE2A
Source: UOB Kay Hian

SOTP VALUATION

	(RMm)	Remarks
DUKE 1 & DUKE 2	1,897	NPV of DUKE 1 & 2 at 60% stake.
SPE	776	30% of the NPV worth RM2.5b
Construction	2,013	13x PE to FY17 construction PAT of RM155m
Property Development	736	30% discount to RNAV
Net Cash	-171	Excluding highway debts, including net receipts from DUKE 1 & 2 disposal
Warrants conversion proceeds	147	Conversion price at RM0.48
Total	5,398	
Existing share base (m)	2,139	
Warrants (m)	306	
Enlarged share base (m)	2,444	
SOTP/share (RM)	2.21	
Discount	30%	
Target Price (RM)	1.55	
Implied fully-diluted PE (x)		
FY17F	23.4	
FY18F	20.4	
FY19F	13.9	

Source: UOB Kay Hian

EARNINGS BY SEGMENT

	2017F	2018F	2019F
Operating Profit (EBIT)	368.7	413.7	564.5
Construction	203.8	196.1	284.9
Property	34.5	57.5	68.5
Toll	130.4	160.0	211.2

Source: UOB Kay Hian

KL RIVER CITY LAUNCH EVENT



Source: UOB Kay Hian

PROFIT & LOSS

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Net turnover	794	1,246	1,800	2,304
EBITDA	297	385	446	618
Deprec. & amort.	(15)	(16)	(32)	(53)
EBIT	282	369	414	565
Associate contributions	-	(0)	-	-
Net interest income/(expense)	(92)	(157)	(170)	(207)
Pre-tax profit	191	211	244	357
Tax	(34)	(50)	(59)	(86)
Minorities	0	-	-	-
Net profit	156	162	185	272
Net profit (adj.)	43	162	185	272

CASH FLOW

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Operating	72	319	211	398
Pre-tax profit	191	211	244	357
Tax	(15)	(50)	(59)	(86)
Deprec. & amort.	15	16	32	53
Working capital changes	(46)	141	(6)	73
Other operating cashflows	(72)	0	0	0
Investing	25	(85)	(648)	(966)
Capex (growth)	(595)	(365)	(648)	(966)
Investments	0	0	1	2
Proceeds from sale of assets	1	1,130	0	0
Others	619	(850)	(1)	(2)
Financing	(25)	3,000	(43)	(43)
Dividend payments	(17)	(240)	(43)	(43)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	3,640	0	0
Loan repayment	(1)	(400)	0	0
Others/interest paid	(7)	0	0	0
Net cash inflow (outflow)	72	3,234	(480)	(611)
Beginning cash & cash equivalent	160	232	3,466	2,986
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	190	3,466	2,986	2,376

BALANCE SHEET

Year to 30 Jun (RMm)	2016	2017F	2018F	2019F
Fixed assets	67	424	1,051	1,976
Other LT assets	2,858	3,120	3,109	3,096
Cash/ST investment	190	3,466	2,986	2,376
Other current assets	873	2,269	2,497	2,704
Total assets	3,989	9,279	9,643	10,152
ST debt	289	289	289	289
Other current liabilities	277	787	1,008	1,288
LT debt	1,739	5,379	5,379	5,379
Other LT liabilities	365	677	677	677
Shareholders' equity	1,318	1,790	1,933	2,162
Minority interest	0	357	357	357
Total liabilities & equity	3,989	9,279	9,644	10,152

KEY METRICS

Year to 30 Jun (%)	2016	2017F	2018F	2019F
Profitability				
EBITDA margin	37.4	30.9	24.8	26.8
Pre-tax margin	24.0	17.0	13.6	15.5
Net margin	5.5	13.0	10.3	11.8
ROA	1.1	1.7	1.9	2.7
ROE	3.3	9.0	9.6	12.6
Growth				
Turnover	80.9	56.9	44.5	28.0
EBITDA	140.6	29.6	15.7	38.6
Pre-tax profit	497.9	10.9	15.5	46.5
Net profit	778.5	3.4	14.7	46.5
Net profit (adj.)	778.5	3.4	14.7	46.5
EPS	143.9	48.9	14.7	46.5
Leverage				
Debt to total capital	54.6	62.7	60.3	57.3
Debt to equity	165.1	325.0	301.0	269.1
Net debt/(cash) to equity	150.8	131.3	146.4	159.2
Interest cover (x)	3	1	2	2

UOBKH HIGHLIGHTS

Berjaya Sports Toto (BST MK/BUY/RM2.32/Target: RM3.15)

Berjaya Philippines Acquired 5.4m Shares Of 7-Eleven Malaysia

WHAT'S NEW

- Berjaya Sports Toto's (BST) 88.3%-owned subsidiary, Berjaya Philippines (BP), which is listed on the Philippine Stock Exchange, has acquired 5.4m shares of Bursa Malaysia-listed 7-Eleven Malaysia Holdings (7-Eleven) in 4-14 Jul 17, for RM7.38m (Php 87.16m). (Source: Bursa Malaysia)

COMMENT

- **Negative reaction to BST's repeated investments in sister companies.** Despite minority investors' general disapproval for companies to make forays into non-core businesses or related-company investments, BST continued to do so via its Philippines subsidiary BP, with its latest investment in 7-Eleven (its third investment in sister companies in less than eight months). BP's average acquisition price for 7-Eleven is RM1.37 per share, which is 10% higher than its yesterday's closing price of RM1.24. Following the latest acquisition, BP owns 1.02% of 7-Eleven. The Php 87.16m investment is immaterial relative to the company's current assets and total assets of Php 8.5b and Php13.5b respectively. To recap on BP's earlier investments, BP acquired 7m shares in Berjaya Assets for RM6.8m in end-16 and 3.9m shares in 7-Eleven for RM5.4m in Jun 17. It also bought an additional 26% stake in UK automobile distributor H.R. Owen for RM83m in end-16. Prior to these investments, BP also invested in a hotel in Makati, Philippines, although the acquisition was deemed cheap and strategic (as it showed BP's commitment to reinvest in the Philippines which would strengthen its concession renewal bids). Separately, we note that 7-Eleven's major shareholder, US-based Franklin Resources, sold 512,500 shares in the past one week, according to the company's filings to Bursa Malaysia.
- **But no impact on dividends.** Nevertheless, BST's dividends are not impacted, having never been dependent on BP's cash flows. We understand that BST has never repatriated BP's retained earnings as that would have incurred repatriation taxes, but instead, prefers to reinvest BP's cash.
- **Meanwhile, expect a modest qoq improvement in sales and earnings for 1QFY18.** We understand that ticket sales in certain states have seen improvement in the past two months, reflecting the state authorities' efforts in curbing illegal bookies. This, coupled with operating cost and luck normalisation, could lead to modest earnings improvement in 1QFY18.
- **Gaming Act amendment could only be a 2018 catalyst.** While the proposed amendment on the Common Gaming House Act 1953 (which paves the way for an eventual liberalisation of online NFO) may have been delayed to 2018, we are still hopeful that this amendment could level the playing field within the NFO sector, noting that both BST and Magnum do not have rival Da Ma Cai's (which is governed by the Tote Board instead of the Ministry of Finance) flexibility to offer betting via internet.
- **Maintained BUY and DCF-based target price of RM3.15,** which implies 14.8x FY18F PE and 14.0x FY19F PE. BST's share price has fallen 21% ytd, which we attribute in part to its investment excursions, and in part to the negative sentiment created by an unrelated event - IRB's huge tax claims against industry peer Magnum. BST's prospective yields at 7.3-7.7% appear attractive, based on payout assumption of 80%. Despite our positive view on BST's NFO business and potential industry catalyst, its share price could be under near-term pressure should the company stubbornly invest in related-party companies, which are non-synergetic to its core business, potentially triggering more exits by minority shareholders.

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CORPORATE

Axiata: Says no sale of Singapore telco M1. Singapore telecom company M1's three biggest shareholders are not going ahead with the strategic review to sell their collective stakes. Axiata Group said the majority shareholders – Keppel Telecommunications & Transportation and Singapore Press Holdings and itself – had taken into consideration the proposals from interested parties. "For the avoidance of doubt, no arrangement or agreement with any third party has been reached in relation to each majority shareholders' respective shareholdings in M1," it said. (Source: *The Star*)

Chin Hin: Acquires 45% stake in solar system installer for RM24.75m. Building materials manufacturer Chin Hin Group has proposed to acquire a 45% stake in Atlantic Blue Sdn Bhd, a solar system installer, for RM24.75m. The sellers are four individuals - Tan Chyi Boon, Lim Chin Siu, Tan Paw Boon and Chong Chun Shiong - who currently hold all the shares in Atlantic Blue. Chin Hin said the acquisition will enable the group to enhance its involvement in the solar power investment business and diversify its customer base. (Source: *The Edge*)

Damansara Realty: Awards deal to build PPA1M units in Putrajaya to O&C Resources. Damansara Realty's unit Damansara Realty (Johor) Sdn Bhd (DRJ) has given a letter of award to O&C Resources (OCR) to develop a 1Malaysia Civil Servants Housing (PPA1M) project in Precinct 5, Putrajaya. OCR, a rubber product maker that last year diversified into property development and construction, said the final governing contract would include a turnkey construction contract between it and DRJ for the PPA1M portion estimated to be worth RM324m. There will also be a commercial and collaboration agreement - or a contract of that nature - between OCR and DRJ for the non-PPA1M, or commercial portion, of the project. To recap, in October last year, DRJ inked a development agreement with Putrajaya Corp whereby DRJ secured the right to develop 1,350 residential units and 45 commercial units at Precinct 5, Putrajaya. It was announced then that the development was scheduled to be completed by the end of 2019. (Source: *The Star*)

Matang: Looking to buy two plots of land in Raub for RM180m. Matang is looking to acquire two contiguous parcels of leasehold agricultural land in Raub, Pahang, which measures a total of 4,219.79 acres (1,707.69ha) for RM180m. Matang said it has issued a letter of intent to Raub Mining & Development Company Sdn Bhd and Raub Oil Mill Sdn Bhd, setting out its intention to buy the land. The proposed purchase will include the oil palm plantation, buildings, plant, machinery, equipment, and a palm oil mill on the lands, as well as vehicles and stocks of the aforesaid plantation and mill, said Matang. (Source: *The Edge*)

Mlabs: Teams up with China-based Red Dragon to create IPs. Mlabs Systems' unit, Multimedia Research Lab Sdn Bhd (MRL), plans to assist Beijing-based content creation company helmed by Walter McDaniel, a former Marvel lead artist for Deathlok and Deadpool, to create international intellectual properties (IPs). Mlabs said MRL had signed an agreement with Red Dragon Media Ltd to bring innovative IPs to China and Malaysia for the expansion and evolution of Malaysia's animation and augmented reality businesses. McDaniel, Red Dragon's chief executive officer and chief creative director, will lead the initiative. (Source: *The Star*)

Nexgram: Sued for RM12.5m over proposed acquisition of 70% stake in Blue Hill. Nexgram Holdings' wholly-owned Nexgram Land Sdn Bhd is being sued by Spacious Glory Sdn Bhd for RM12.5m over a 70% stake in Blue Hill Development Sdn Bhd it had agreed to acquire in April last year from the plaintiff. The sum represents the purchase consideration for 770,000 ordinary shares in Blue Hill, which it was supposed to pay to Spacious Glory. According to an announcement by Nexgram, the group has a strong defence and counter-claim against Spacious Glory, and therefore does not expect the writ and statement of claims to impact it financially and operationally. (Source: *The Edge*)

Prestariang: Secures RM3.5b concession to implement SKIN. Prestariang's 70%-owned Prestariang Skin Sdn Bhd (PSkin) has entered into a RM3.5b, 15-year concession agreement with the Home Affairs Ministry to implement an integrated core immigration system known as SKIN. To be fully commissioned in three years, the new border control system will replace the current Malaysian Immigration System (myIMMs). The technology firm said PSkin would undertake the design, financing, development and commissioning of SKIN as well as carry out maintenance services. The agreement is conditional on PSkin having obtained a written notice from the government confirming that it has fulfilled the conditions precedent within six months from Tuesday or such extended period not exceeding three months as may be granted by the government. (Source: *The Star*)

ECONOMICS

TPPA: Negotiations likely to conclude in November, says Mustapa. Negotiations on the Trans-Pacific Partnership Agreement (TPPA) are still ongoing and likely to see a conclusion in November this year during the Asia-Pacific Economic Cooperation meeting in Manila. International Trade and Industry Minister Datuk Seri Mustapa Mohamed said Malaysia remains open to proposals raised by other participating countries on the TPPA. The trade pact was painfully negotiated over more than five years but is now uncertain following US President Donald Trump's decision to withdraw from it. The 11 countries left, including Malaysia, are still deciding on the pact's future. "Malaysia's focus is now on the Regional Comprehensive Economic Partnership which could possibly be finalised early next year, with Australia, China, India, Japan, New Zealand and South Korea and Asean as the main driver," Mustapa told reporters after officiating the Asian Strategy and Leadership Institute's Third National Economic Summit in Subang on Tuesday. (Source: *The Star*)

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