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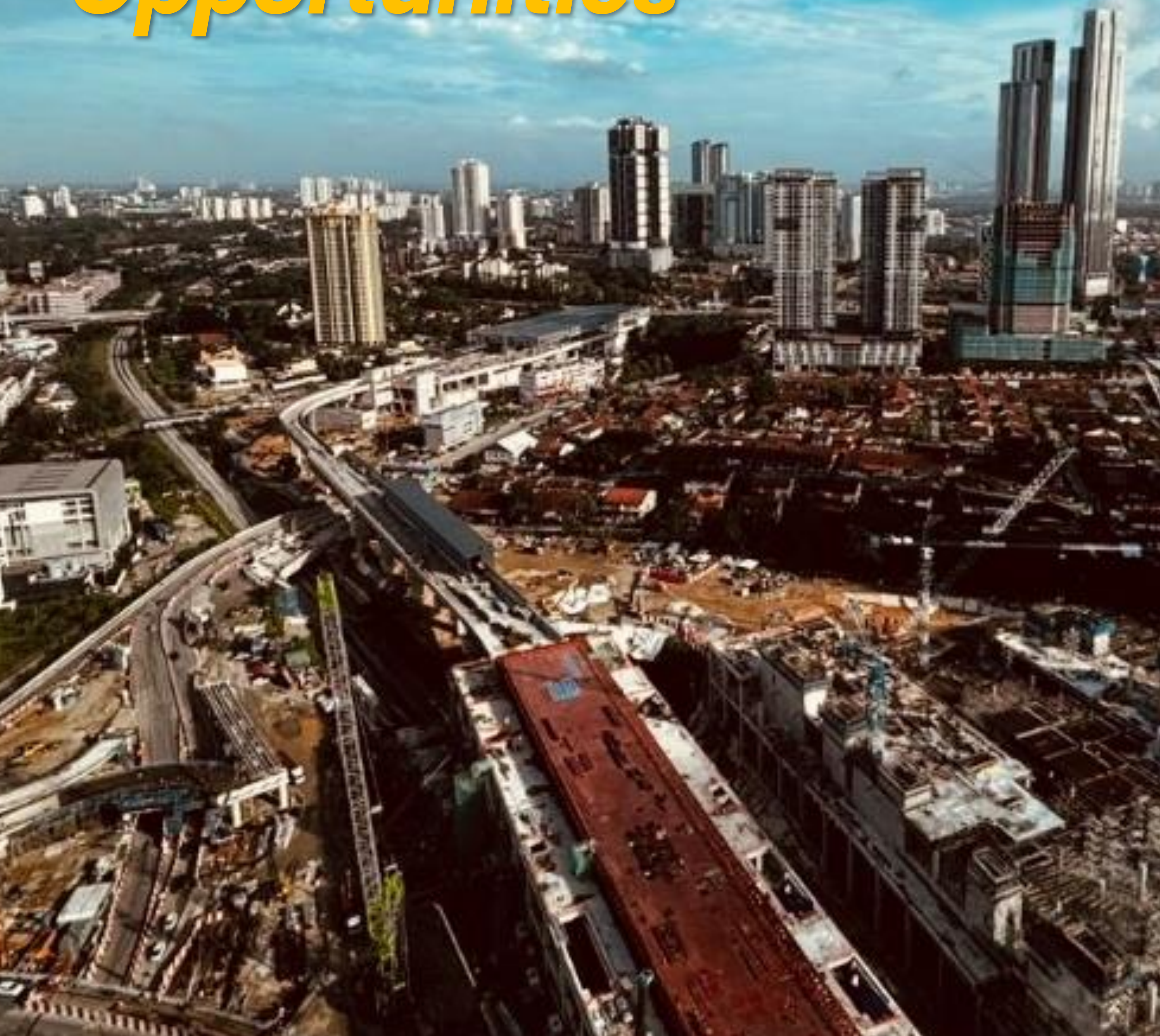
Malaysia Strategy

JS-SEZ
Realising Opportunities



SEE PAGE 71 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Maybank Investment Bank

STRATEGY

Malaysia

Malaysia Strategy

JS-SEZ: Realising Opportunities

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JS-SEZ: It is for "RRR"eal!

Our recent visit to Johor, a week after the signing of the JS-SEZ agreement reaffirms our confidence of its success. The cherry on top of our trip is the meeting with the Chief Minister of Johor who shared his views and the commitment of both Malaysia and Singapore to see this agreement through. We met with JLand Group, and more importantly, a site visit to the data centre hotspot, Sedenak, a testimony of the burgeoning activity there. Not forgetting, sighting landbank of a handful of property companies, as we had identified the property sector as a key beneficiary of the JS-SEZ. A view of the progress of the RTS suggests that the project is on track to complete by end-2026. Our JS-SEZ proxies are ECW, ITMAX, DIALOG, YTLP while plantation beneficiaries are SDG, GENP and KLK.

Upclose and personal with the Chief Minister of Johor

Our session with YAB Dato' Onn Hafiz, Chief Minister of Johor, gave us the conviction on the willpower of both Malaysia and Singapore to make JS-SEZ a success. He also shared with us his recent trips abroad and the slew of investment propositions lined up to Johor. YB Lee Ting Han (Johor state exco) was also there to offer details. The session was also attended by members of the press. We expect more announcements of fiscal incentives with more details pertaining to respective flagships in coming days.

JCorp's real estate companies and data centres

The other highlight of our trip was a session with Johor Corp (JCorp) and its real estate & infrastructure subsidiary JLand Group which holds prime landbank at the Johor Bahru City Centre (JBCC) area branded as IIBD. Within that space, a prime shopping mall which is about to begin its rejuvenation plan should see it regain its luster given its strategic location right next to the RTS link. Our site visit to Sedenak reaffirms our conviction on the data centre play which remains a hotspot of activities.

Property sight-seeing and a view of the RTS

No Johor road-trip is complete without property site visits. To which, we drove by site of ECW's Quantum Edge site in Kulai, Scientex's Bandar Kulai sales gallery, IWH's Danga Bay site and its landbank which is next to the RTS track. We also had a glimpse of the RTS development progress from Menara JLand's Skyscape, which gave us confidence that it should be on track for completion by end Dec 2026.

JS-SEZ proxies

The market has reacted positively as the signing of the JS-SEZ agreement validates implementation of the government's initiatives. The direct beneficiary of JS-SEZ is the property sector. Apart from the property sector which we pick ECW as our JS-SEZ proxy, the other picks include ITMAX, DIALOG, YTLP and plantations companies with landbank in Kulai which are prime for potential development, including SDG, GENP and KLK. We also visited AME Elite (AME MK, CP MYR1.70, Not Rated), Johor's key industrial park play.

JS-SEZ : Peer valuation summary

Stock	Bloomberg code	Mkt cap (USD'm)	Rating	Price (LC)	TP (LC)	Upside (%)	P/E (x) 25E	P/E (x) 26E	P/B (x) 25E	P/B (x) 26E	Div yld (%) 25E	Div yld (%) 26E
SD Guthrie	SDG MK	7,572	Buy	4.90	5.41	13	20.7	19.8	1.7	1.7	2.4	2.5
YTL Power	YTLP MK	7,457	Buy	4.04	4.70	18	11.0	10.8	1.5	1.3	1.7	1.7
KL Kepong	KLK MK	4,960	Hold	20.20	21.30	8	18.0	17.4	1.5	1.5	2.8	2.9
Dialog Group	DLG MK	2,498	Buy	1.98	2.97	52	15.7	15.2	1.7	1.6	1.9	2.2
Eco World Dev	ECW MK	1,239	Buy	1.88	2.25	20	14.1	13.2	1.1	1.0	3.2	3.2
Genting Plant	GENP MK	1,163	Buy	5.80	6.96	24	15.8	15.0	0.9	0.9	4.4	4.7
ITMAX System	ITMAX MK	822	Buy	3.58	4.40	23	34.6	27.6	7.6	6.2	0.6	0.7

Source: Maybank IBG, share prices as at 22 Jan, 2025 closing.

Contents

Companies

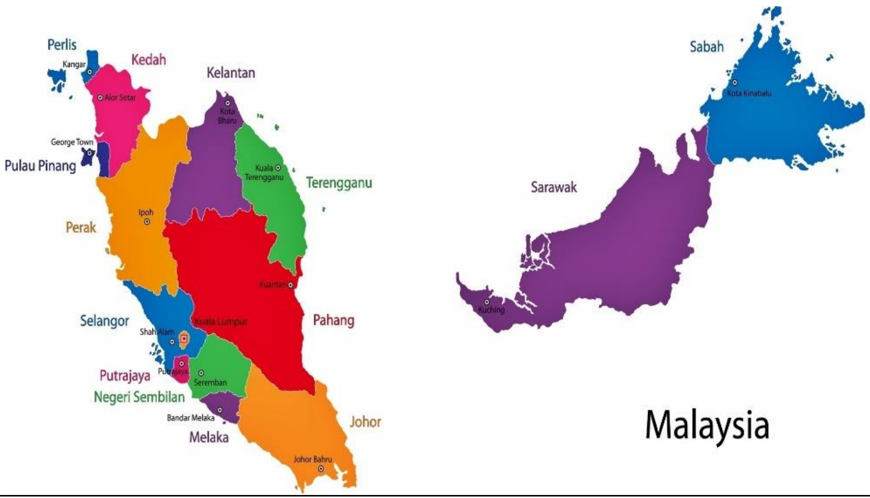
1. Johor's economic growth drivers

(by Suhaimi Ilias; suhaimi_illias@maybank-ib.com)

1.1 A "sizeable" state...

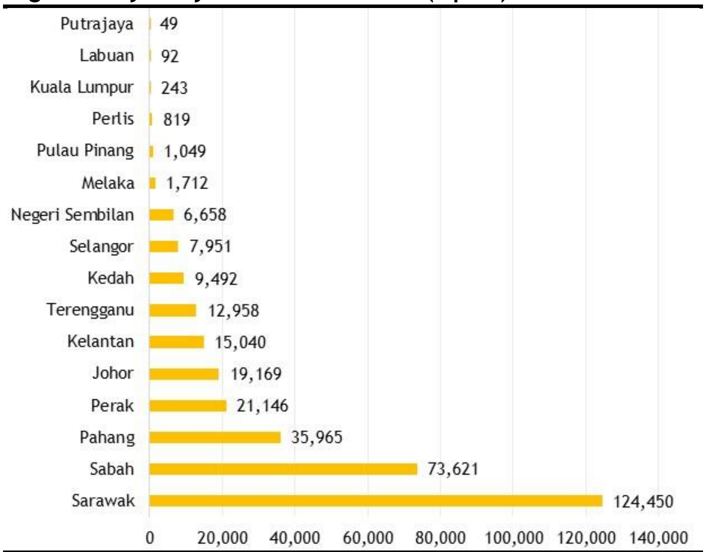
Geographically, Johor is located at the south of Peninsular Malaysia (Fig 1) and borders with Singapore. It is the **fifth the largest state in Malaysia** in terms of size (Fig 2-3) i.e. 19,169 sq.km or 5.8% of Malaysia's land area, after Sarawak, Sabah, Pahang and Perak. Johor is the **second biggest in terms of population** i.e. 4.2m or 12.3% of the country's population, second after Selangor (Fig 4-5).

Fig 1: Map of Malaysia – By States



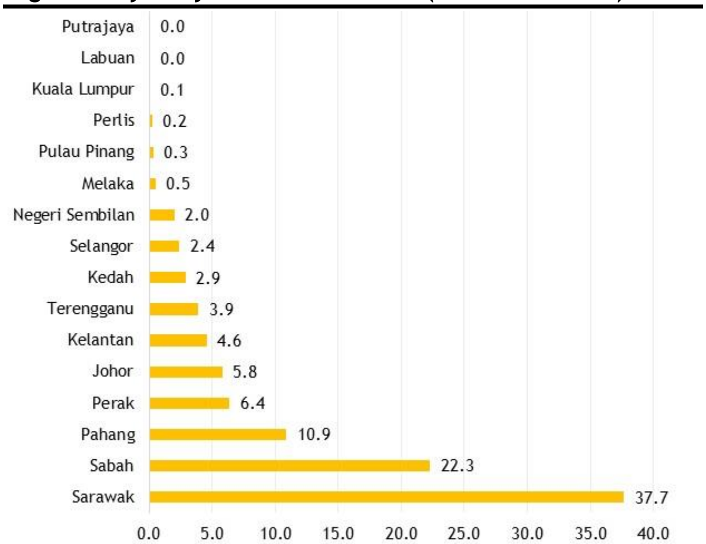
Source: Maybank IBG

Fig 2: Malaysia by States – Land Area (sq km)



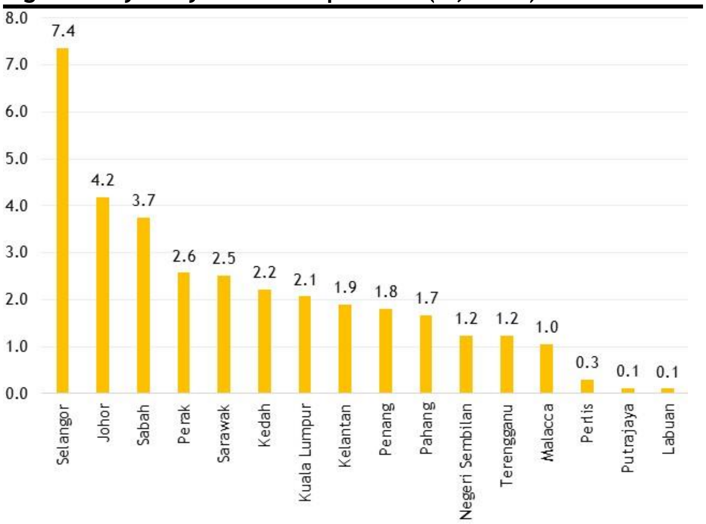
Source: Department of Statistics Malaysia (DOSM)

Fig 3: Malaysia by States – Land Area (% Share of Total)



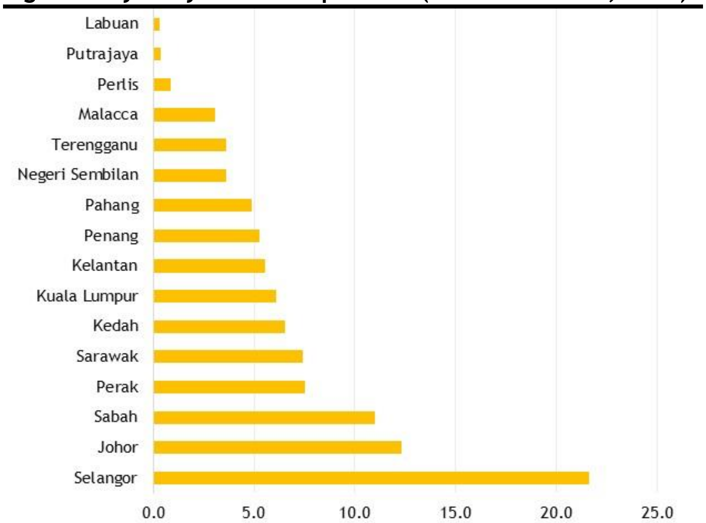
Source: DOSM

Fig 4: Malaysia by States – Population (m, 2024)



Source: DOSM

Fig 5: Malaysia by States – Population (% Share of Total, 2024)



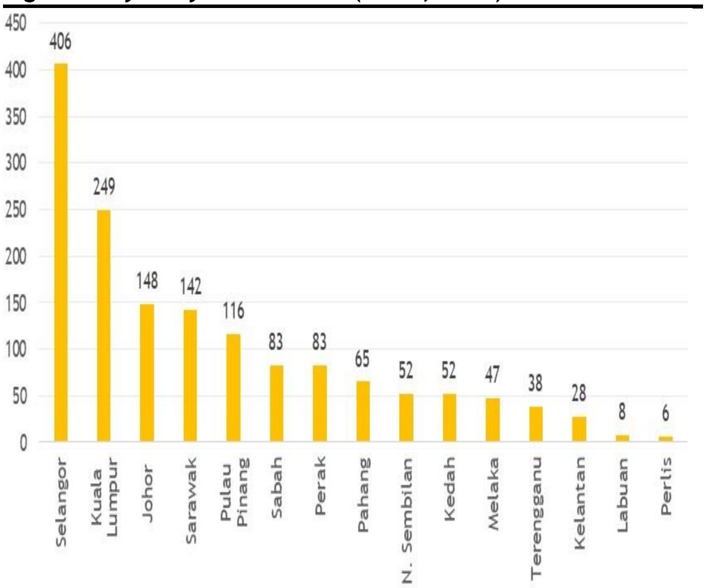
Source: DOSM

1.2 … with a "statistically significant" economy

Economically, Johor's real GDP was MYR148b in 2023 (latest available data on GDP by States), accounting for 9.5% of Malaysia's GDP, placing it third after Selangor, Federal Territory of Kuala Lumpur (KL) and Selangor (Fig 6-7).

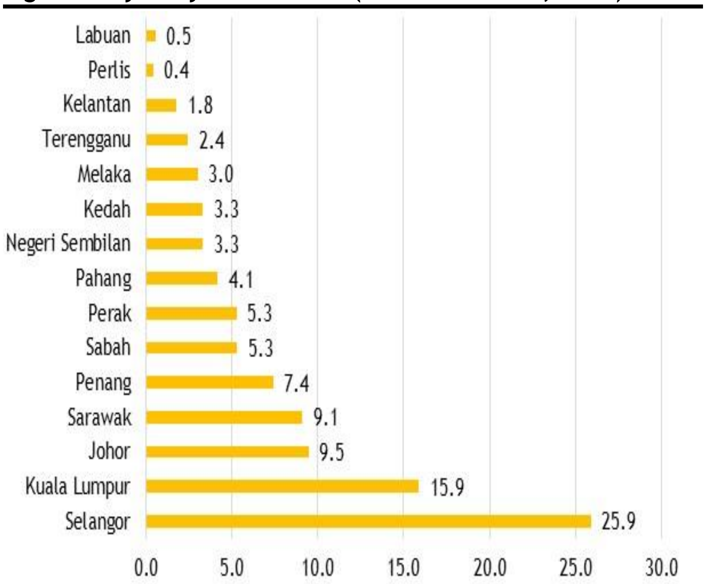
Between 2015 to 2023, Johor state economy expanded by +3.8% p.a., the fifth fastest after Selangor, Penang, KL and Federal Territory of Labuan (Labuan) (Fig 8). It's per capita GDP in 2023 ranked ninth in terms of level (Fig 9) and 11th in terms of CAGR for the period 2015-2023 (Fig 10).

Fig 6: Malaysia by States – GDP (MYRb, 2023)



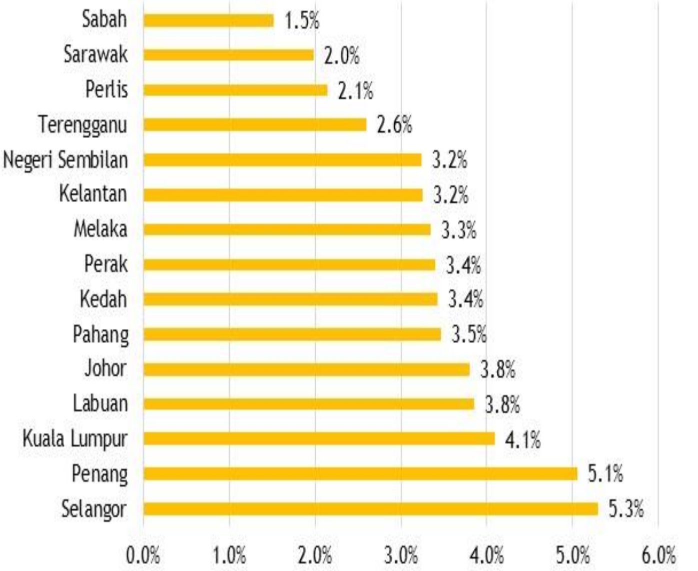
Source: DOSM

Fig 7: Malaysia by States - GDP (% Share of Total, 2023)



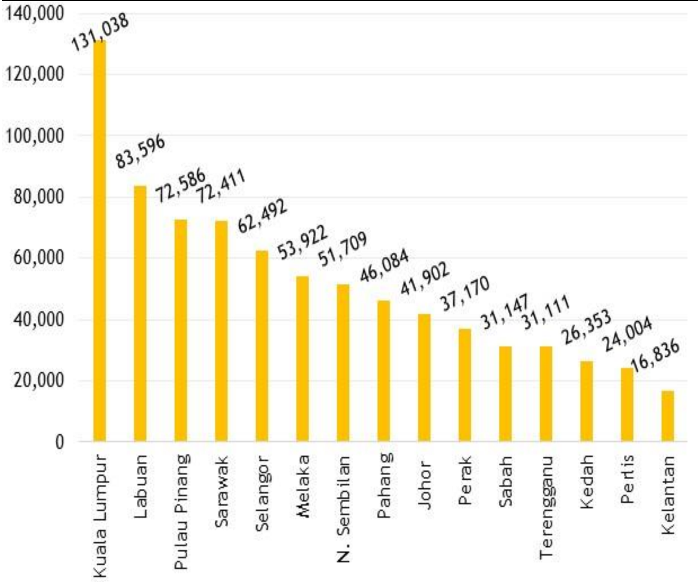
Source: DOSM

Fig 8: Malaysia by States – GDP Growth (% p.a., 2015-2023)



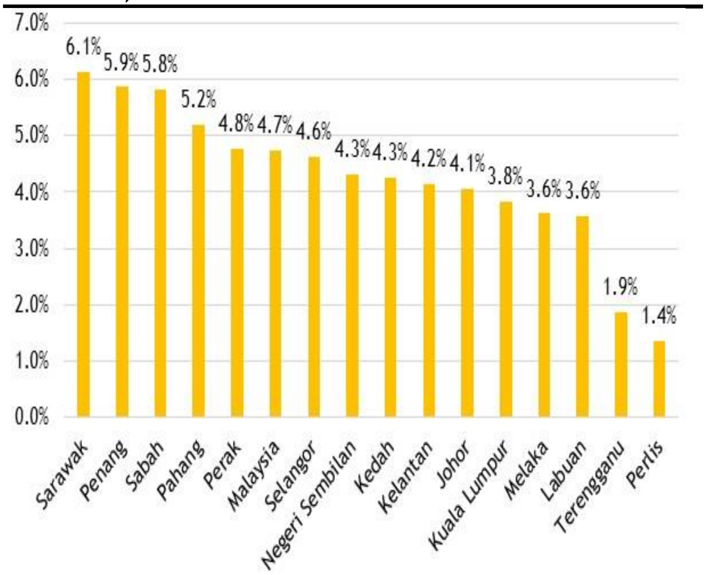
Source: DOSM

Fig 9: Malaysia by States – GDP per capita (MYR)



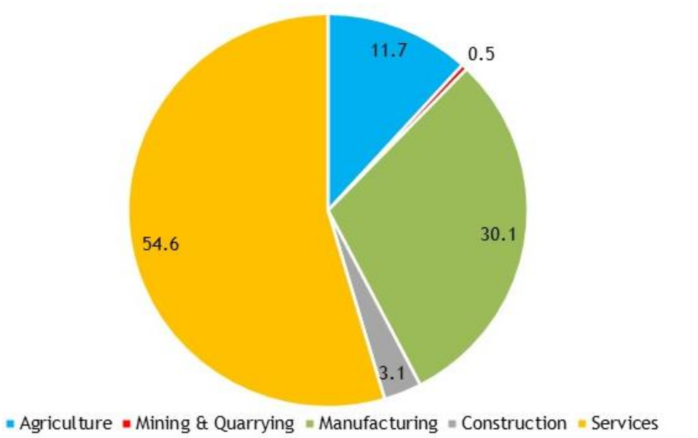
Source: CEIC

Fig 10: Malaysia by States – GDP Per Capita Growth (% p.a., 2015-2023)



Source: CEIC

Fig 11: Johor – GDP by Sectors (% Share of State GDP)



Source: DOSM, Maybank IBG Research

Johor's economy is made up of 54.6% services, 30.1% manufacturing, 11.7% agriculture, 3.1% construction and 0.5% mining (Fig 11).

The significant share of agriculture to the state GDP reflects the importance of plantations, which makes up 7.9% of the state GDP, followed by livestock with 2.9% share.

The manufacturing sector's nearly one-third share of Johor's economy – and its 4.0% p.a. growth in 2015-2023 - is underpinned by the "electronics, electrical & optical" industry that accounts for 10% share of the state GDP and recorded +5.6% p.a. growth over the same period. The other key manufacturing industries in Johor are "petroleum, chemicals, rubber & plastics" (6.3% of state GDP; +4.5% p.a. growth in 2015-2023), "vegetable & animal oils & fats, food processing, beverages & tobacco products" (3.9%

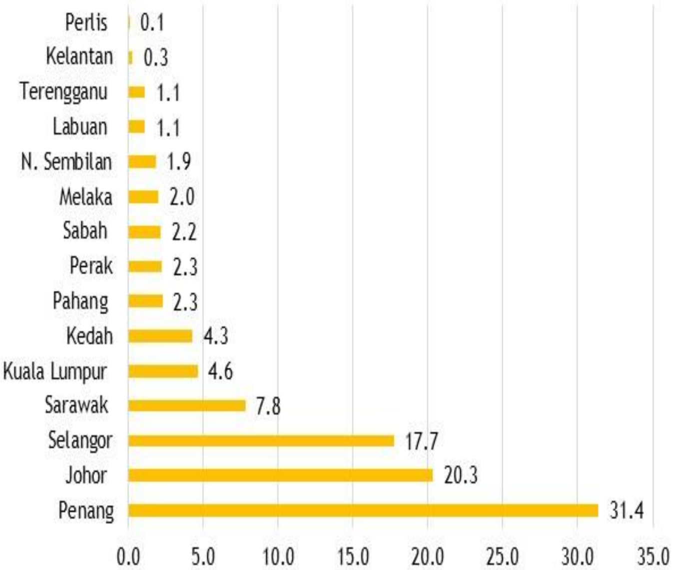
of state GDP; +2.6% p.a. growth in 2015-2023), “non-metallic minerals, basic & manufactured metals” (3.7% of state GDP; +0.9% p.a. growth in 2015-2023) and “woods, furniture, paper & printing” (3.5% of state GDP; +5.0% p.a. growth in 2015-2023).

The large contribution of the services sector to the state economy is derived from “wholesale & retail trade, F&B and accommodation” (15.6% of state GDP; +5.4% p.a. growth in 2015-2023), “utilities, transport & storage, information & communication” (14.4% of state GDP; +7.3% p.a. growth in 2015-2023), “finance, insurance, real estate & business services” (10% of state GDP; +3.6% p.a. growth in 2015-2023), “government services” (8.8% of state GDP; +4.1% p.a.) and “other services” (5.1% of state GDP; +4.7% p.a. growth in 2015-2023).

Johor is also a major contributor to Malaysia’s external trade. It is the second largest exporter by states, accounting for 20.3% of Malaysia’s total exports in 2023 (Fig 12) after Penang (31.4% share) and ahead of Selangor (17.7% share). **On imports, the state also comes second with 22.4% share of Malaysia’s total imports in 2023** (Fig 13), coming in between Selangor (26.6% share) and Penang (20.7% share). **Johor recorded a +MYR18.5b trade surplus in 2023** (Fig 14), ranked fourth after the electronics’ powerhouse Penang (+MYR197.2b) and the oil & gas producing and exporting states of Sarawak (+MYR80.9b) and Sabah (+MYR20.7b).

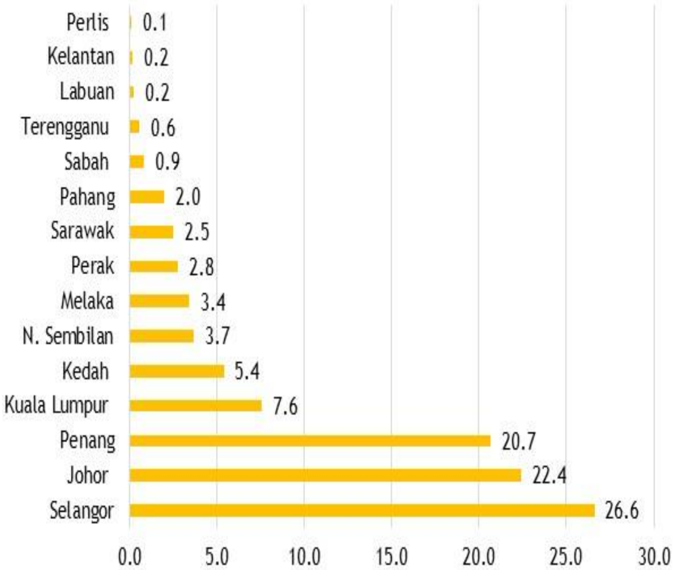
Unsurprisingly, neighbouring Singapore is by far the top destinations of Johor’s exports, accounting for 28.8% of total exports in 2023 (Fig 15), followed by US (9.1% share), Indonesia (8.2% share), China (5.7% share), Australia (5.4% share), Japan (4.9% share), South Korea (3.5% share), Thailand (2.5% share) , Vietnam (2.3% share) and the Netherlands (2% share) that make up the top-10. **Johor’s Top-3 exports are essentially refined petroleum products, electronics and electrical (E&E) products and palm oil related** (Fig 16) **while top-3 imports are refined petroleum products, crude petroleum and E&E products** (Fig 17).

Fig 12: Malaysia by States – Merchandise Exports (% Share of Malaysia’s Total Exports, 2023)



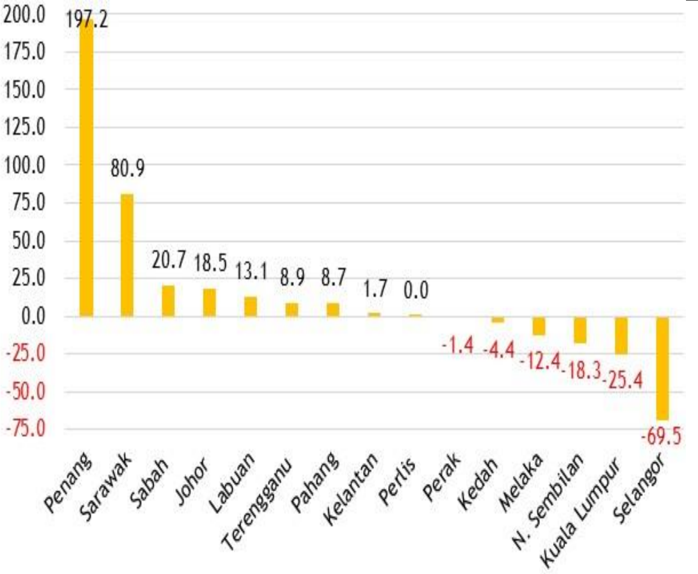
Source: DOSM

Fig 13: Malaysia by States – Merchandise Imports (% Share of Malaysia’s Total Imports, 2023)



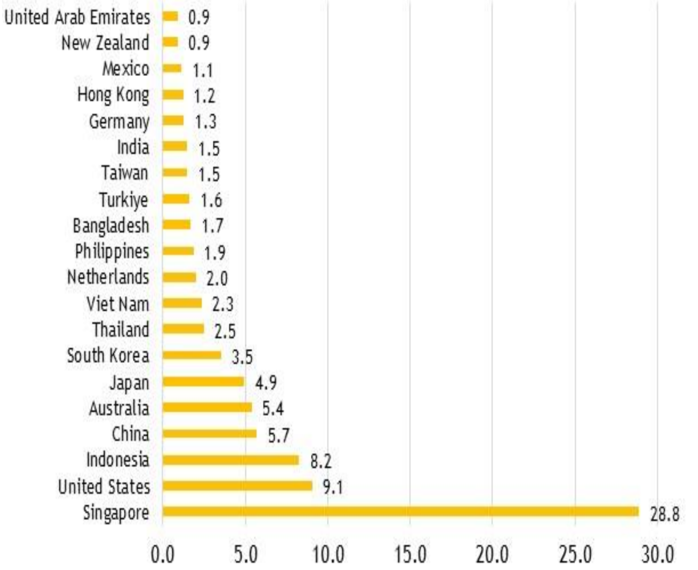
Source: DOSM

Fig 14: Malaysia by States – Merchandise Trade Balance (MYRb, 2023)



Source: DOSM

Fig 15: Johor – Top-20 Exports Destinations (% Share of State's Total Merchandise Exports



Source: DOSM

Fig 16: Johor – Merchandise Exports by Products, 2023

	MYRb	% Share
Total merchandise exports	***290.0***	***100.0***
Refined petroleum products	83.6	28.8
Electronic integrated circuits	28.0	9.7
Other electrical & electronic products	21.7	7.5
Palm oil	11.4	3.9
Palm based oleochemical	7.4	2.5
Electrical apparatus & parts	6.8	2.3
Wooden and rattan furniture	5.8	2.0
Crude petroleum	5.7	2.0
Other palm-based products	5.3	1.8
Telecommunications equipment, parts and accessories	5.1	1.7
Articles of apparel and clothing accessories	3.1	1.1
Piezo - electric crystals & parts	2.7	0.9
Professional, scientific and controlling instruments and apparatus, n.e.s.	2.6	0.9
Cocoa butter, fats and oils	2.5	0.9
Parts and accessories for office machines and automatic data processing equipment	2.2	0.8
Other exports commodities	96.1	33.1

Source: D3eOSM

Fig 17: Johor – Merchandise Imports by Products, 2023

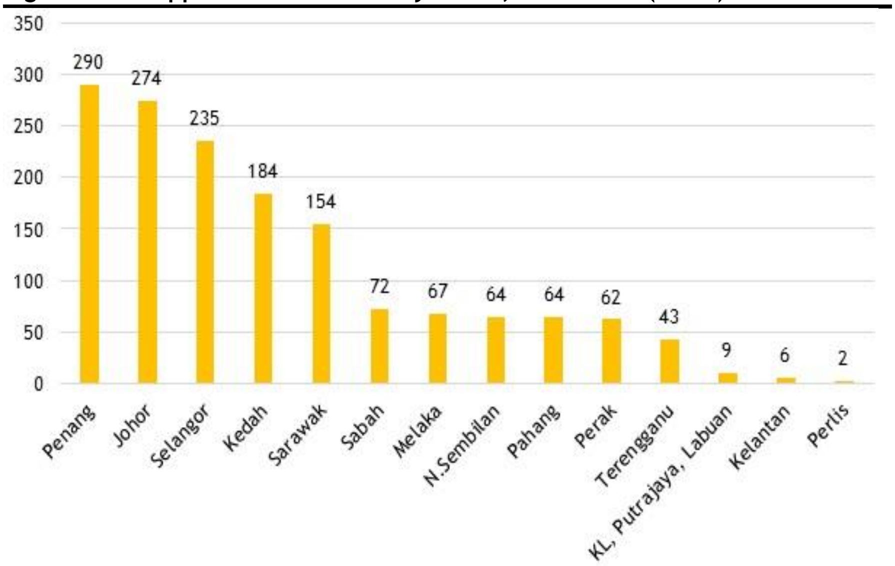
	MYRb	% Share
Total merchandise imports	***271.5***	***100.0***
Refined petroleum products	79.3	29.2
Crude petroleum	38.0	14.0
Electronic integrated circuits	23.7	8.7
Other electrical and electronic products	9.4	3.5
Electrical apparatus & parts	4.9	1.8
Copper (including alloys)	4.4	1.6
Flat-rolled products of iron or steel	4.2	1.5
Machinery & equipment specialized for particular industries & parts	3.7	1.3
Piezo-electric crystals & parts	3.2	1.2
Gold, non-monetary	2.7	1.0
Other valves and tubes, photocells, etc.	2.6	1.0
Manufactures of base metal, n.e.s.	2.2	0.8
Articles of plastics, n.e.s.	2.0	0.7
Telecommunication equipment, parts and accessories	1.8	0.6
Parts & accessories of tractors, motor cars/other road motor vehicles	1.7	0.6
Other imports commodities	87.8	32.4

Source: DOSM

1.3 An investment "magnet"

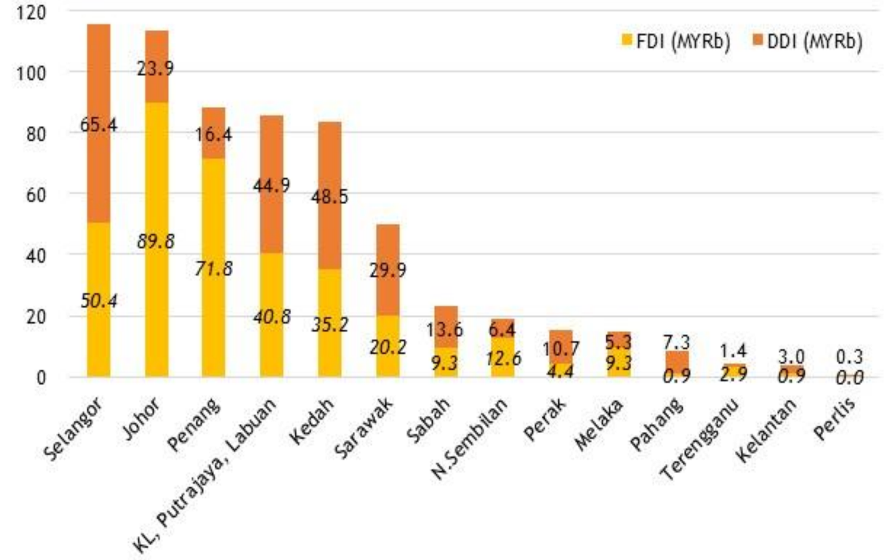
Data on approved investments showed an interesting fact about Johor i.e. it is an investment magnet in the past 2 decades (Fig 18), and notably foreign direct investment (FDI) in recent years (Fig 19). No doubt this is in large part due to its proximity to Singapore, plus the impact and benefits from strategic initiatives, namely Iskandar Malaysia and Pengerang Integrated Petroleum Complex (PIPC - that included the refinery and petrochemical integrated development project or RAPID).

Fig 18: Total Approved Investment by States, 2000-2023 (MYRb)



Source: MIDA

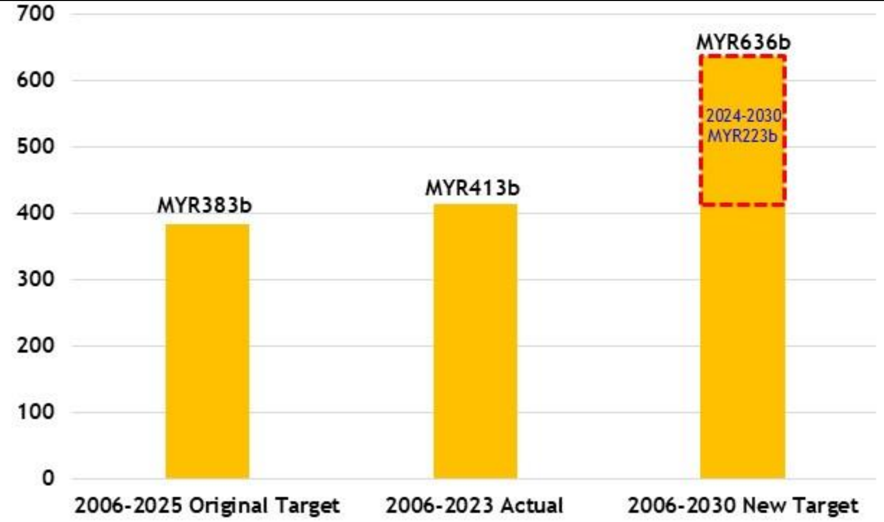
Fig 19: Total Approved Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI) by States, 2022-2023 (MYRb)



Source: MIDA

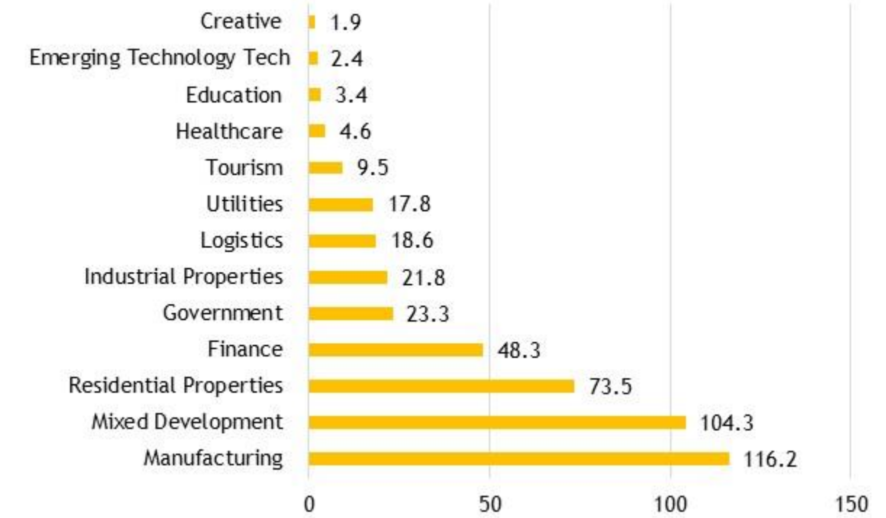
Iskandar Regional Development Authority (IRDA) is aiming for MYR223b in 2024-2030 after MYR413b recorded in 2026-2023 which beat IRDA's original target of MYR383b for 2006-2025 (Fig 20). It was off to a very strong start for the 2024-2030 period as IRDA recorded MYR32.9b investments in 1H 2024, which already surpassed the annual target of MYR31.8b for the period 2024-2030. Meanwhile, breakdown of cumulative investment recorded by IRDA in 2006-1H 2024 is provided in Fig 21, showing diversified investments into manufacturing, real estates and services.

Fig 20: Iskandar Malaysia – Target and Actual Investments



Source: IRDA

Fig 21: Iskandar Malaysia - Cumulative Investment by Sectors/Industries, 2006-1H 2024 (MYRb)



Source: IRDA

1.4 JS-SEZ the next macroeconomic catalyst

The above points to the prospect of further influx of investments following the official signing of Johor-Singapore Special Economic Zone (JS-SEZ) Agreement between Malaysia and Singapore on 6 Jan 2025. The exchange of signed agreement was witnessed by the two countries' Prime Ministers on 7 Jan 2025.

JS-SEZ will be made up of 9 flagship areas (Fig 22) i.e. adding **Forest City** (which is also designated as the Special Financial Zone), **Pengerang** (i.e. the integrated petrochemical complex) as well as **Desaru** and **Sedenak** to the 5 flagship areas under Iskandar Malaysia i.e. **Johor Bahru City Centre**, **Iskandar Puteri**, **Tanjung Pelepas-Tanjung Bin**, **Pasir Gudang** and **Senai-Skudai**.

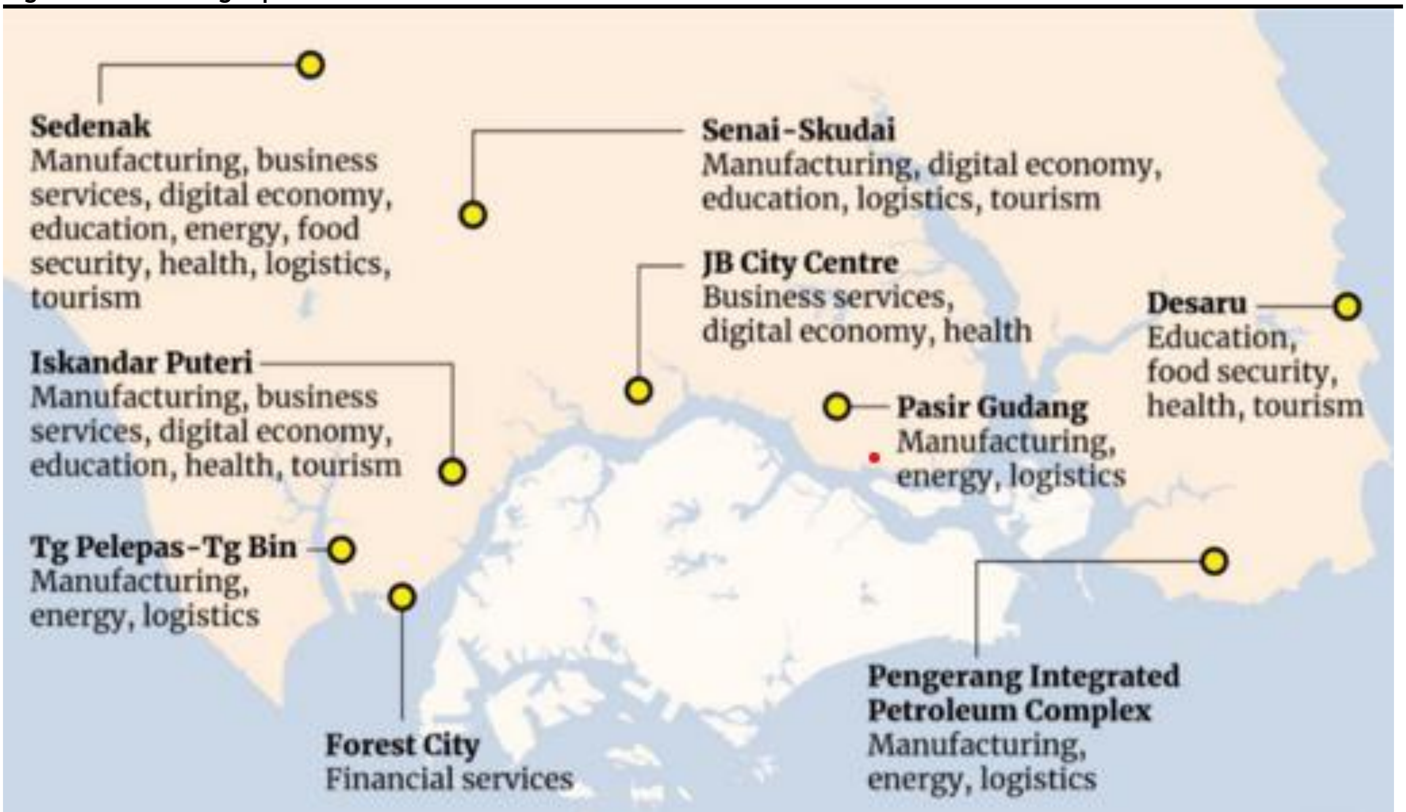
JS-SEZ will prioritise manufacturing (including advanced electronics e.g. chips design), digital and green economy, business and financial services, logistics, energy, chemicals, aerospace, tourism, health (including pharmaceuticals and medical devices), education and food security.

The day after the official signing of JS-SEZ agreement, Ministry of Finance (MoF) announced several fiscal incentives for JS-SEZ 1) special corporate tax rate of 5% for up to 15 years for companies undertaking new investments in qualifying manufacturing and services activities, such as artificial intelligence (AI) and Quantum Computing Supply Chain, Medical Devices, Aerospace Manufacturing and Global Services Hub; 2) special income tax rate of 15% for 10 years for eligible knowledge workers working in JS-SEZ; and 3) additional tailor-made incentives allocated to businesses operating in certain flagship areas in JS-SEZ.

There will be a JS-SEZ blueprint - likely in 2Q 2025 - which we expect among others to provide more details on the target of 50/100 high-growth, high-value and high-technology projects next 5/10 years, thus the expected investment values, economic outcome (e.g. reportedly JS-SZ will add +USD28b (+MYR125b) per annum to Malaysia's GDP) and social impact (e.g. job creation - 20,000 skilled jobs in the first 5 years was mentioned; wages/income that could rise to be around 2/3 to Singapore's level); as well as addressing issues like infrastructure and talents developments.

In addition, there will be dedicated JS-SEZ funds by Malaysia and Singapore governments i.e. Malaysia will establish an infrastructure development fund under Economy Ministry, which we see mainly for improving and enhancing connectivity within JS-SEZ, thus complement the Johor Bahru – Singapore Rapid Transit System (RTS) Link, as well as for utilities; **Singapore will provide funding support to facilitate Singaporean companies expanding into JS-SEZ and the potential twinning operations of multi-national companies (MNCs) in Singapore and JS-SEZ.**

Fig 22: JS-SEZ - Flagship Areas



Source: CNA

Note: Readers can also refer to last year's thematic report on JS-SEZ i.e. ASEAN X Macro - Johor-Singapore SEZ: What's Special and Different

2. Why JS-SEZ will be a success, but more importantly, a session with the Chief Minister

(by Lim Sue Lin; suelin.lim@maybank-ib.com)

2.1 JS-SEZ – Realising opportunities

The JS-SEZ is being structured so as to maximise leveraging of synergies from the combining of Singapore's sophisticated finance, logistics and manufacturing sectors with Malaysia's cost and resource advantages. There will be dedicated JS-SEZ funds by Malaysia and Singapore governments i.e. Malaysia will establish an infrastructure development fund under Economy Ministry, which we see mainly for improving and enhancing connectivity within JS-SEZ, thus complement the Johor Bahru – Singapore Rapid Transit System (RTS) Link, as well as for utilities; Singapore will provide funding support to facilitate Singaporean companies expanding into JS-SEZ and the potential twinning operations of multi-national companies (MNCs) in Singapore and JS-SEZ.

Importantly, JS-SEZ also offers global investors the best location to position for ASEAN's robust economic growth, supported by the region's unique demographic profile. ASEAN is expected to be the 4th largest economy in 10-15 years' time – the next economic powerhouse - defined by a youthful and digitally savvy population, and with a large percentage of middle class. ASEAN's offering is similar to China in the late-1990s/early-2000s, which had attracted a lot of global investments in anticipation of a boom in consumption demand.

To reiterate, the government's early estimate is that the JS-SEZ could add USD28b a year to Malaysia's GDP – and Johor's GDP can rival that of Klang Valley in the next 5-10 years if all goes according to plan. Malaysia's GDP (in current prices) was an estimated MYR1.95tr in 2024; a USD28b/MYR126b projected addition from the JS-SEZ therefore translates into a 6.5% uplift.

Leveraging on the complementary elements of Singapore, Johor should be the next engine of growth in the next decade. On negotiations with Singapore, while the process has been complex as the JS-SEZ involves two jurisdictions, the negotiation was held up by the fact that both countries understand the value proposition of JS-SEZ.

2.2 Cross-border movements

At the onset of the JS-SEZ discussions, it was already identified that one of the issues that needed to be addressed was the ease of mobility of people and goods between Malaysia (especially in Johor) and Singapore. In the agreement, we understand that customs would need to be streamlined for land intermodal transshipments where traders need to only apply for a single permit with the customs (instead of two permits from each country), passport free QR code clearance at land checkpoints (see below for live experiences and feedback), completion of the rail link between Johor and Singapore (i.e. the Rapit Transit System (RTS)) and the Invest Malaysia Facilitation Centre – Johor (IMFC-J).

We understand that approximately 350,000 travellers cross the causeway daily for work, education, business and family reasons, making the causeway one of the busiest in the world. Ease of commute between the two countries is crucial to make the JS-SEZ a success. The RTS, when ready adds another land-base link between the two countries. There are hopes that another link via ferry would be considered (see link). There was a proposed initiative to attract investors to the Special Financial Zone in Forest City and JS-SEZ via ferry route from Tuas to Forest City. In our previous engagement with Forest City, they had indicated that there would be a CIQ proposed at Forest City; there has yet to be any finalisation on this.

Anecdotal evidence - JB-SG cross border experience

Our trip included clients/investors traveling into Johor Bahru (JB) into Singapore (SG) by land in a small bus which required them to come down individually to clear immigration. We managed to gather some feedback (thank you to all who responded).

All respondents replied saying that the immigration process from SG-JB and also JB-SG was smooth. It took around 5-15 minutes to clear immigration. It also happened that during that hour of travel (around 7.30am) there was little traffic on the roads. Another colleague who travelled over to JB later at around 11am did see a queue but did not have to wait long to reach the immigration booth for immigration clearance. Despite the slight queue, our colleague was cleared from the check point within 15 minutes.

Fig 23: Entering the customs from Singapore

Source: Maybank IBG Research

Fig 24: Entering the immigration clearance counter

Source: Maybank IBG Research

Fig 25: Getting out of Johor immigration

Source: Maybank IBG Research

When asked on how frequent our Singaporean friends would consider coming over to JB for leisure or work-related activity given this convenience, we had mixed responses. The frequency of commuting averages once a quarter. One cited the requirement to get the vehicle entry pass (VEP) from Singapore and was still wary of traffic congestion.

On whether they would use the RTS when it is operational, we also received mixed responses though most were positive and would be using the mode of transport. However, one cited that given the interest to go over to JB is for shopping (especially for groceries), the RTS would not be feasible given the hassle to lug shopping bags (some even suitcases). As we understand, if the purpose of going to JB is for shopping and dining, the option to drive in prevails. Most have also cited that entry to JB via the second link at Tuas was very smooth.

An observation we noted at each morning when we were there, there were queues of cars coming into JB, which puzzled us as we had thought it would be JB people going over to SG for work. We discovered that it is a daily affair that are frequented by possibly retirees and those who work part time, who typically drive into JB in the morning to do their grocery shopping and other necessary activities and usually go back to SG by lunch time.

Fig 26: Queue of cars coming into Johor Bahru (JB) at 8am on a weekday morning

Source: Maybank IBG Research

2.3 A session with the Chief Minister of Johor

The highlight of our Johor trip was having a 1.5 hour session with the Chief Minister of Johor, YAB Dato' Onn Hafiz. Together with him were YB Lee Ting Han (state investment, trade and consumer affairs and human resource committee chairman), and heads of the government and state agencies. The session was also attended by members of the press, which is why readers would have seen a handful of media articles on some of the content of the session.

Fig 27: Group of investors and Maybank team with YAB Dato' Onn Hafiz, YB Lee and heads of government/state agencies

Source: Maybank IBG Research

Fig 28: YAB Dato' Onn Hafiz addressing questions from investors

Source: Maybank IBG Research

Fig 29: Investors in attendance during the session

Source: Maybank IBG Research

We came out of the session feeling positive and believe the strong willpower between Malaysia and Singapore is key to ensure the success of the JS-SEZ. While there were already enquiries for investments pouring in even before the JS-SEZ agreement was signed on 7 January 2025, the momentum of enquiries has picked up even more intensively after the signing of the agreement. It was reported (link), that the state had received queries from Qatar during their visit to the country. This included a potential interest by Qatar Airways in landing in Senai International Airport as well as possibly setting up their maintenance, repair and overhaul (MRO) centre there. There has also been increased interest by local property developers who came to present investment plans for the state. Companies across the causeway too have been waiting to meet up on investment enquiries; this also involves MIDA Johor.

Enablers to ensure the success of the JS-SEZ have mostly been completed with some going live within 1Q25. These are the QR code immigration clearance which is expected to begin in February, Invest Malaysia Facilitation Centre – Johor (IMFC-J) as a one-stop centre to ensure smooth facilitation of investments processes, the Special Financial Zone in Forest City as a regional financial hub to complement Singapore, and Johor Talent Development Council (JTDC) to address talent issues. While there were already preliminary announcements on fiscal incentives for the flagship areas of the JS-SEZ, we expect further details relating to more specific fiscal incentives to be announced soon for respective flagship areas.

Q&A session with the Chief Minister

During the Q&A session, there were a fair bit of questions related to data centres investments in Johor and the sustainability of such investments amid resource availability, to which YAB Dato' Onn Hafiz and YB Lee gave assurance that there was indeed huge demand for data centres in Johor with high requirements for power and water. But the state is careful in ensuring there will be enough resources to facilitate such investments. Johor wants to ensure that what has been approved can be delivered. There is a major and long term plan to ensure there is enough water up to 2030 and beyond. There is also room for other investments with a healthy pipeline at the moment. There was also questions on the role of Singapore in JS-SEZ as it is perceived that it could be a zero sum game for the two countries but the response was clear that both countries will complement each other and work to promote the SEZ. There is a MYR5bn budget allocation for infrastructure and there will be a clear roadmap and plan to maximise value to fit into the 13th Malaysia Plan which will be launched mid of 2025.

As the RTS heads towards completion, investors wanted to know of there were already plans for the last mile activity for traffic and people dispersion. We were made to understand that the state is working closely with the Ministry of Transport in a special task force to address this issue. There has been a proposal for an automated rapid transit (ART) system. It was reported earlier <link> that the state government wants an elevated ART system as it is more cost effective and be constructed in a much faster way compared to a a light transit rail (LRT) system.

In dealing with talent, we understand that the JS-SEZ via JTDC hopes to ensure high paying jobs and most companies have already started to increase salaries. This is important as with the ease of mobility between the two countries, salaries will need to be competitive to attract talent.

On the high speed rail (HSR), the state appeared to be accommodating but there must be a station in Johor. As with the Shenzhen-Hong Kong economic zone set up, there has to be several ways of commuting. To which, ferry services between Tuas and Puteri Harbour is in discussion.

On concerns of property market speculation in the state, the state government said it will leave it to market forces but it will protect the people of Johor in ensuring affordable homes for Johoreans and fellow Malaysias from other states. Several property developers are working to ensure there is enough supply to meet such demand.

Fig 30: Group photograph in the meeting hall

Source: Maybank IBG Research

3. JCorp and its companies

(by Lim Sue Lin; *suelin.lim@maybank-ib.com*)

3.1 Who is JCorp

Johor Corporation (JCorp) is a state-owned corporation with history dating 50 years back. JCorp was mandated by the state government to eradicate poverty, reform the economy and organize society. JCorp was established under the name Johor State Economic Development Corporation. At inception, its core activities were centred on real estate and agriculture-related development, and investments. In 1995, JCorp aimed to further accurate growth and drive equitable wealth creation.

JCorp today has four core business pillars i.e. real estate & infrastructure, agribusiness, wellness and healthcare as well as food & restaurant. Its property arm, namely JLand Group S/B, has 6 townships (>10,500 acres of land) and 34 industrial parks (>16,200 acres of land). JLand also has two listed REITs under the Bursa Malaysia, namely Al Salam REIT and Al Alqar Healthcare REIT (AQAR MK). Apart from property development and investment, Jland Group also provides other real estate services such as facilities management, Proptech and Infratech such as rooftop solar service and EV charging services.

Fig 31: JCorp company structure

Source: JLG Group

3.2 JLand Group – a pivoting moment

The focus of our meet up with JCorp is to understand the development of its real estate operations given that Johor is now at a pivotal moment with the JS-SEZ in place. Comprising two main segments – industrial and residential & commercial, its landbank sprawls across the flagship zones of the JS-SEZ. Two key ones are the Ibrahim International Business District (IIBD) and Ibrahim Technopolis (IBTEC) with Sedenak Tech Park as its key asset which is also the hotspot for data centres. It also has an industrial park at Pengerang and an industrial complex in Tanjung Langsat. Within its investment arm houses its two real estate investment trusts (REITs), which we had a glimpse of its upcoming rejuvenation of JBCC Komtar mall (a key asset of Al-Salam Reit), primely located asset in close proximity to the RTS upon completion.

Our meeting with JCorp was held at Menara Komtar, right next to Menara JLand.

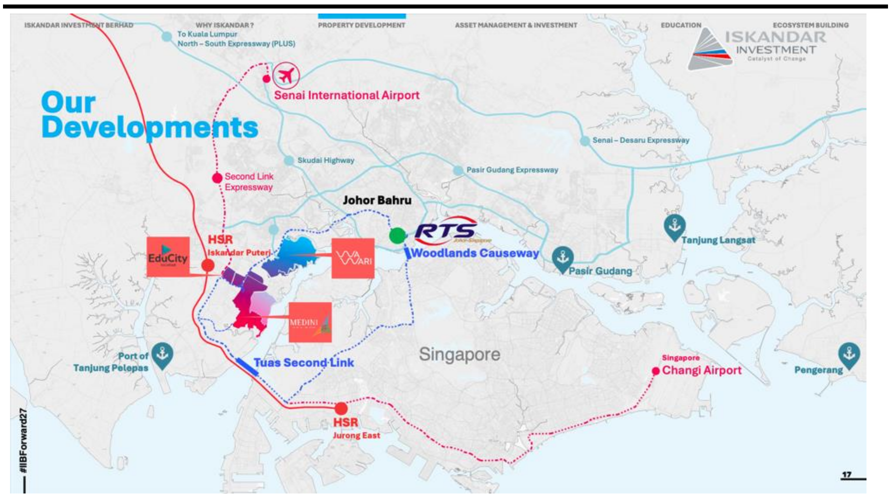
Fig 32: Current Development by JCorp Group at IIBD

Source: JLG Group

3.2.1 Ibrahim International Business District (IIBD)

Formerly known as Johor Bahru Central Business District, the centre got its new name Ibrahim International Business District (IIBD) back in 2015. Officially, the area is defined within the Johor Bahru Inner Ring Road comprising the city centre, Jalan Wong Ah Fook, Royal Johor Museum, the palace grounds, Sultanah Amiyah Hospital and the Southern Integrated Gateway. Within this area, houses two major shopping malls – Johor Bahru City Square (bought by the Kuok Group in May 2024) and Komtar JBCC (part of the Al-Salam REIT). The area also hosts the Custom, Immigration and Quarantine (CIQ) complex and soon the Immigration, Customs and Quarantine (ICQ) complex and the Rapid Transit System (RTS) rail station.

Fig 33: IIBD – Master plan



Source: Iskandar Investment

We were given a tour of Skyscape Johor Bahru, at Level 34 of Menara JLand, with a breathtaking view of IIBD, which oversees the RTS development and ICQ as well as a view across to Singapore where Senoko Power Plant is located.

Fig 34: View of the CIQ from Menara JLand

Source: Maybank IBG Research

Fig 35: View of the RTS development from Menara JLand

Source: Maybank IBG Research

Fig 36: View of the CIQ being built

Source: Maybank IBG Research

Fig 37: View of the RTS adjoining to Singapore and overseeing Senoko Power Plant

Source: Maybank IBG Research

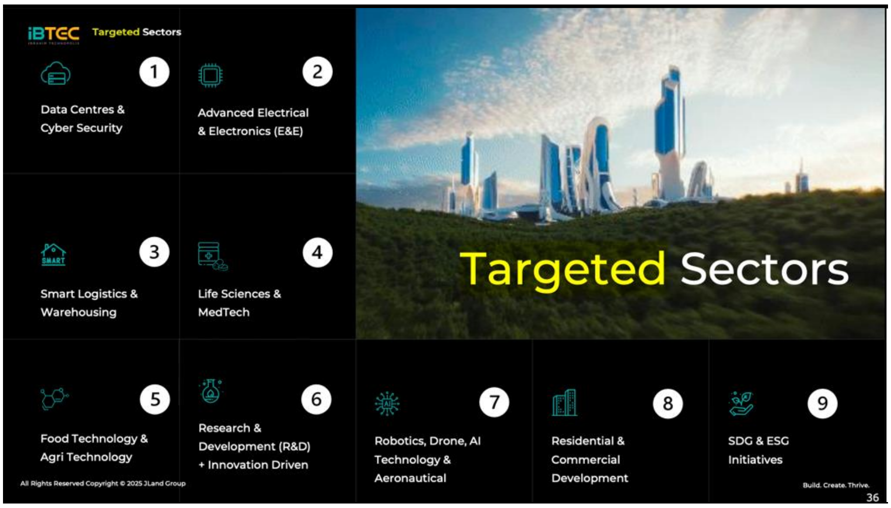
3.2.2 Ibrahim Technopolis (IBTEC)

Ibrahim Technopolis (IBTEC) has a gross development value (GDV) of MYR27b over 7,290 acres is set to become a centre of innovation to attract high-tech industries. Located at Sedenak, in the Kulai District, houses Johor's data centre hotspot, Sedenak Tech Park (STeP) spanning across 1,376 acres. IBTEC's masterplan is holistic. Apart from data centres at STeP East and STeP West, the area also includes developments for smart logistics, advanced E&S, food & agri technology, life sciences & MedTech, R&D and innovation, robotics, drone, AI & aeronautical as well as residential and commercial sites.

Fig 38: IBTEC – Master plan

Source: JLG Group, IBTEC

Fig 39: IBTEC - targeted sectors that form a circular economy



Source: JLG Group, IBTEC

3.3 Data centre buzz – seeing is believing

Amid concerns on data centres given the latest reports from the US, our visit to **Sedenak Tech Park (STeP)** gave us confidence that data centre investments and built-ups are here to stay. Not forgetting that from our conversations with the state government, there has been continuous enquiries for more data centre investments underway. In our meeting session with management of IBTEC, they have indicated that a couple of data centres are already in full operation with a few others already at the certificate of completion and compliance (CCC) stage, meaning it would take another 6-12 months to start operations. There was also one more data centre in the midst of construction. We also understand that the data centres built in Johor are hyperscalers and are largely meant to support Singapore operations connected by undersea cables and mainly for the ASEAN region. The identity of the offtakers from various countries and identities are not revealed.

Formerly known as Kulai Iskandar Iskandar Data Exchange (KIDEX), Sedenak Tech Park (STeP) was dedicated to attract the development of data centres. The secured area boasts of energy and water resources which are crucial to the development of data centre operations. STeP was developed in part of a 7,290 acre land area in Sedenak and has since seen several data centre operators setting up data centre builds there. Apart from data centres, STeP is also going to be the home of a smart logistics hub.

Fig 40: One of the first data centre to operate in Sedenak

Source: Maybank IBG Research

Fig 41: One in construction

Source: Maybank IBG Research

Fig 42: A data centre in the midst of a fit up

Source: Maybank IBG Research

Fig 43: One that has received a CCC

Source: Maybank IBG Research

Fig 44: Powering up the area

Source: Maybank IBG Research

Fig 45: Water supply for now, more to come

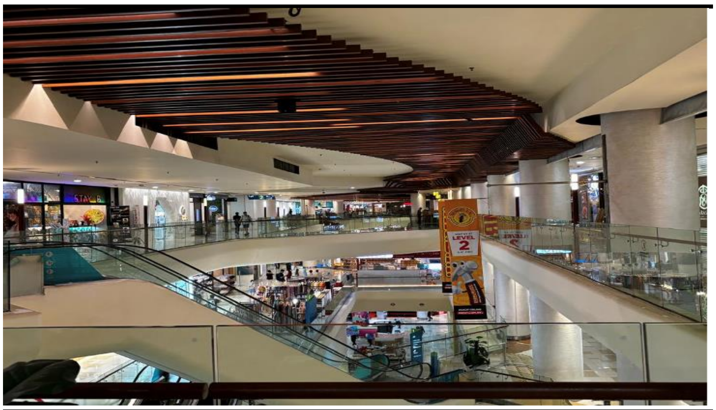
Source: Maybank IBG Research

3.4 Retail uplift – Komtar JBCC

Komtar JBCC is one of the key assets under Al-Salam REIT, strategically located right smack in the middle of the action where the RTS runs. The shopping mall was completed way back in 2014 with net lettable area of 367,973 sqft. There is a planned pedestrian overhead bridge that will be directly connected to the RTS link from Komtar JBCC (at the first and second floor) which will be opportunistic for the shopping mall.

Meantime, works are underway for a massive asset enhancing initiative to rejuvenate the shopping mall. Occupancy rate as at 3Q24 stood at 69% and there is a huge effort to increase Komtar JBCC after a tenant repositioning exercise. One of which involved the moving out or a major department store to make way for a reconfiguration into smaller spaces for rental.

Fig 46: View of Komtar JBCC - inside



Source: Maybank IBG Research

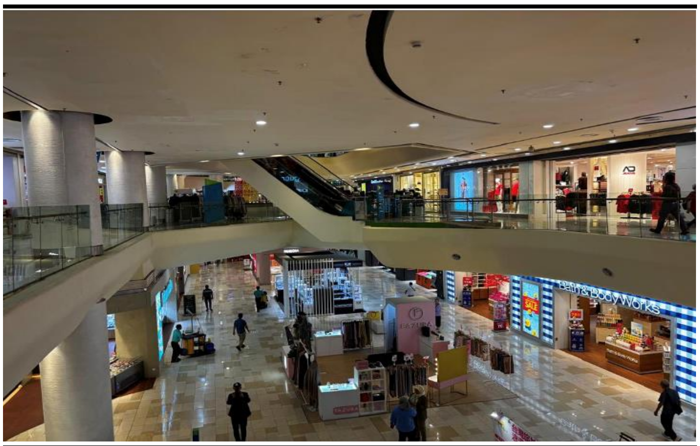
Fig 47: Empty space to be repurposed for higher yields

Source: Maybank IBG Research

Fig 48: Bridge directly linked to the CIQ

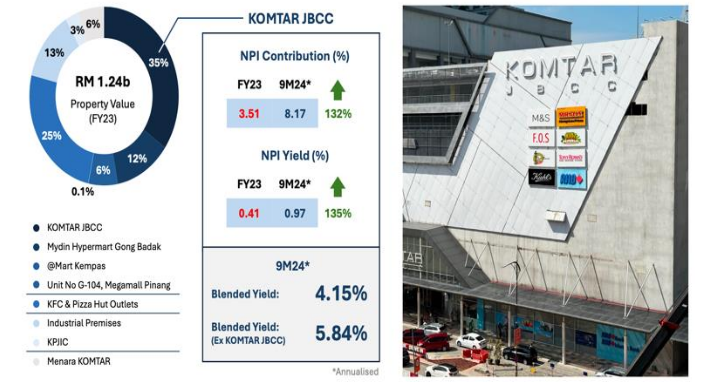
Source: Maybank IBG Research

Fig 49: Another view of Komtar JBCC inside



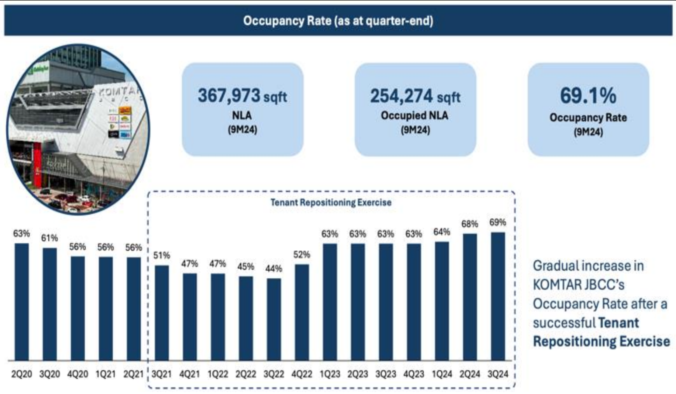
Source: Maybank IBG Research

Fig 50: JBCC – situational analysis



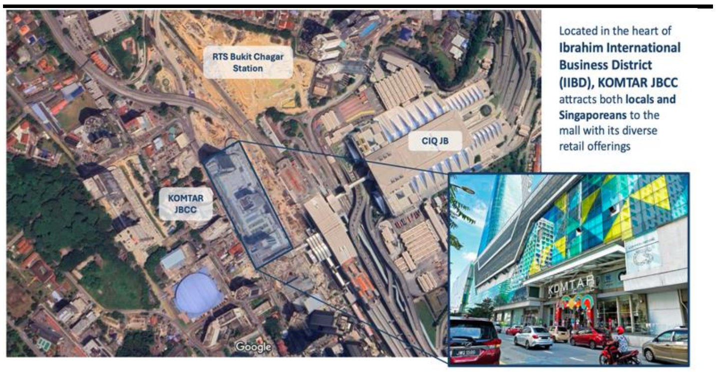
Source: Damansara REIT Managers, JLG Group

Fig 51: JBCC – occupancy rate



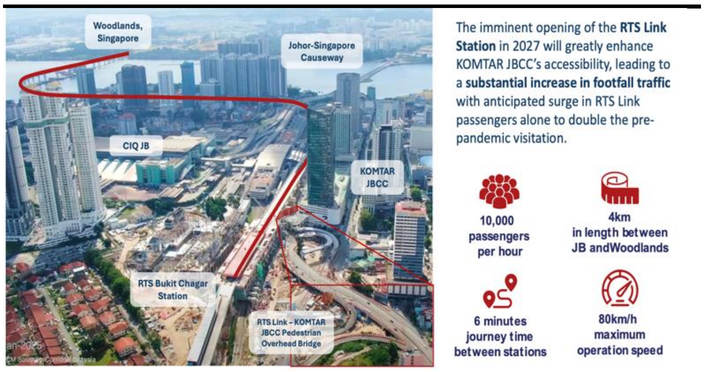
Source: Damansara REIT Managers, JLG Group

Fig 52: Location of KOMTAR JBCC



Source: Damansara REIT Managers, JLG Group

Fig 53: Location of KOMTAR JBCC – RTS link connection



Source: Damansara REIT Managers, JLG Group

4. JS-SEZ proxies

4.1 Property developers – JCorp's 4 core business pillars

(by Wong Wei Sum, CFA, *weisum@maybank-ib.com*)

To gain a better understanding of the local property market, we also visited a new mixed-use development project in Kulai, as well as property sites in Danga Bay, Tebrau, and the RTS areas.

Property site visits on 15 Jan - 17 Jan 2025 - ECW Quantum Edge Industrial Park

Sites	Commentary
ECW's Quantum Edge industrial park (Zone E)	- Land Size: 404 acres (133 acres undeveloped), - GDV: MYR1.6b (MYR0.95b remaining GDV) Project status: a) ECW has secured two land sales so far for Quantum Edge. These include: i) Microsoft – 123 acres for MYR402m (or MYR75 psf, June 2024) ii) Princeton Digital Group – 57 acres for MYR224m (MYR90 psf, Aug 2024) b) Earthworks for the Microsoft land are slated for completion before Chinese New Year 2025. Earthworks for the remaining land are in progress and expected to be completed by 3Q25. Other infrastructure, such as roads, drainage, the TNB substation, and the water reservoir, will commence progressively in the next few months once the earthworks are ready. c) In terms of earnings contributions, the majority of the land sale to Microsoft will be recognized in 2025 (80% of the total), with the remaining 20% in 2026, while the land sale to Princeton Digital Group will be evenly split between 2025 and 2026

Source: Companies

Fig 54: ECW's QUANTUM Edge business park in Kulai

Source: Maybank IBG Research

Fig 55: Earthworks at QUANTUM Edge business park will be completed by 3Q25

Source: Maybank IBG Research

Property site visits on 15 Jan - 17 Jan 2025 - Scientex's Bandar Kulai

Sites	Commentary
Scientex's Bandar Kulai (Zone E)	- Scientex has launched its new project in Kulai -Bandar Kulai on 9 Nov 2024. - Bandar Kulai's land size: 551 acres (estimated 8,000 units) - Phase 1 & 2 comprise 445 units double storey terraces with a pricing of MYR297k/unit (bumi lots) to MYR348k/unit (non bumi) have received strong take-up of 85%. Most of the buyers are the locals. Management is looking to launch phase 3 in Apr 2025. - Adjacent to Scientex's Bandar Kulai is Lagenda Properties' (LAGENDA MK, CP: MYR1.34, Not Rated) Kulai project, covering 1,075 acres and featuring a mixed development primarily comprising single-storey terrace houses. The project, set to launch by 1Q25, targets the B40 and M40 income groups, with terraces priced below MYR300k/unit

Source: Companies

Fig 56: Scientex's 551 acres of land in Kulai

Source: Maybank IBG Research

Fig 57: Scientex's Bandar Kulai sales gallery

Source: Maybank IBG Research

Fig 58: Lagenda land

Source: Maybank IBG Research

Property site visits on 15 Jan – 17 Jan 2025 - Iskandar Waterfront City

Sites	Commentary
Iskandar Waterfront Holdings (IWH, privately-owned) – Iskandar Waterfront City (IWCB MK)- Ekovest (EKO MK) (Zone A and D)	- IWH started with 2,000 acres of land and has now expanded to 4,300 acres, with a focus on infrastructure development over the past 15 years. It has collaborated with 13 internationally renowned developers, including Country Garden, Tropicana and CapitaLand, in the waterfront city development. Tanjung Puteri, Danga Bay and Tebrau Bay are major development areas owned by IWH and IWCB respectively. - Past land sales include 555 acres to Country Garden at Danga Bay and the 40:60 JV with CapitaLand Singapore (93 acres) where IWH holds a 40% stake in the JV.

Source: Companies

Fig 59: Briefing at IWH office at Danga Bay

Source: Maybank IBG Research

Fig 60: IWH's 157 acres of land (next to RTS track) to be reclaimed depending on demand and supply

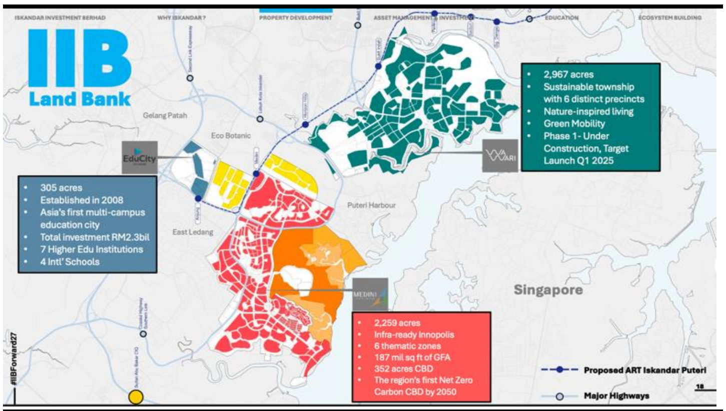
Source: Maybank IBG Research

Property site visits on 15 Jan – 17 Jan 2025 – Iskandar Waterfront City

Sites	Commentary
Iskandar Investment Bhd (IIB) (Zone B)	- The IIB landbank encompasses 305 acres dedicated to EduCity, Asia's first multi-campus education city, 2,259 acres for a metropolis with themed zones including a Net Zero Carbon CBD, and 2,967 acres for the Wawari sustainable township, focusing on nature-inspired living and green mobility. - Medini features major developments such as the Medini International Convention City (M.I.C.C; 62 acres), Medini Central Business District (CBD), and Tech Medini, targeting industries like technology and innovation (160 acres), tourism and hospitality (62 acres), healthcare and wellness (100 acres), and sustainability initiatives. - New projects include Menara MX, a 26-story corporate tower and Medini 9 Office Tower, offering 418,141 sq. ft. of premium office space with tenants such as EY and SPAN. - IIB's asset portfolio covers 2.3m sq.ft. with a market value of MYR720m, comprising office buildings, institutional spaces, and student facilities. - Land usage distribution - 26.8% for commercial, 18.4% for residential, and 26.4% for infrastructure, reflecting a balanced and sustainable urban planning approach.

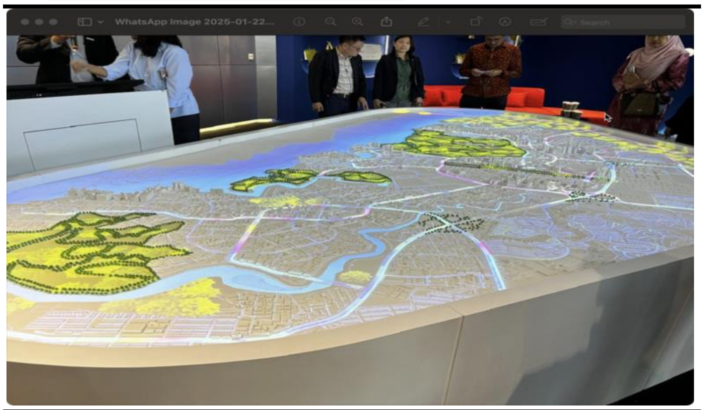
Source: Companies

Fig 61: IIB Landbank



Source: Maybank IBG Research

Fig 62: IIB at Medini 9 Office Tower



Source: Maybank IBG Research

Property site visits on 15 Jan – 17 Jan 2025 – Iskandar Waterfront City

Sites	Commentary
AME Elite (AME MK) (Zone E)	- AME, a leading integrated industrial space solution provider, has completed the construction of more than 200 large manufacturing and industrial buildings, along with four industrial parks. Key ongoing projects include i-Park@Senai Airport City, i-TechValley at SiLC, and Northern TechValley @BKE. - AME's industrial parks are equipped with advanced worker dormitories that comply with international and local standards for living spaces. AME also provides recreational facilities in the parks, including futsal courts, jogging tracks, and green spaces, creating an employee-friendly environment. AME's worker dormitories are closed to fully leased, with occupancy rates of 95-100% as at 2QFY25. - AME differentiates itself with end-to-end industrial solutions, including planning, designing, construction, property management, and leasing. From the meeting, we understand that local businesses are increasingly adopting the gated and guarded industrial park concept, aligning with multinational preferences for secure and sustainable facilities. - Recent expansions include Northern TechValley@BKE (MYR1.3b GDV, 50% owned, 176 acres) in Seberang Perai, Penang. AME has also formed a 60:40 JV with KLK Land to develop a 151-acre industrial park in Ijok, Selangor. It also signed an MOU with SD Guthrie (SDG MK, CP: MYR4.81, TP: MYR5.41, BUY) to jointly develop a green industrial park with an integrated solar farm in Kulai. - On the sustainability front, AME conducts monthly environmental monitoring for water discharge, air quality, and noise pollution, ensuring compliance with regulatory standards.

Source: Companies

Fig 63: Factories in the SAC industrial park

Source: Maybank IBG Research

Fig 64: Workers dormitories at i-Park@SAC

Source: Maybank IBG Research

For more details of our view on the property sector impact from the JS-SEZ, please refer to link.

4.2 Data centre thematic in full swing; JS-SEZ the centre of attraction

(by Tan Chi Wei, CFA, *chiwei.t@maybank-ib.com*)

Malaysia has experienced a boom in data centres in recent years. Prior to 2020, data centres in Malaysia were of smaller power loads (typically <10MW), focusing mainly on co-location, and geographically concentrated in Cyberjaya. There were also pockets of development in the Klang Valley and Nusajaya, Johor. After 2020, Malaysia started attracting more high-powered hyperscale data centres, with Sedenak in Johor emerging as a major hub. Pipeline-wise, Tenaga estimates energy demand attributable to data centres to grow from c.635MW at end-2023, to >5,000MW in 2035, representing a CAGR of >18%.

Fig 65: Selected hyperscale data centres (current and pipeline)

Entity	Location	State	Power (MW)	Commission Year
Bridge	Sedenak	Johor	110	2022
GDS	Nusajaya	Johor	70	2023
SIPP YTL	Kulai	Johor	500	2024
Airtrunk	Nusajaya	Johor	150	2024
Yondr	Sedenak	Johor	300	2024
K2 Strategic	Sedenak	Johor	200	2024
Princeton Digital Group	Sedenak	Johor	150	2024
DC-Science	Sedenak	Johor	120	2024
ST Telemedia	Nusajaya	Johor	120	2025
Bridge	Bukit Jalil	Klang Valley	300	2025
Vantage	Cyberjaya	Klang Valley	256	2025
edgeconnex	Bukit Jalil	Klang Valley	70	2026
edgeconnex	Cyberjaya	Klang Valley	200	2026
TM-Nxera	Nusajaya	Johor	200	2026
Google	Sungai Buloh	Klang Valley	80	2026
Total			**2,826**	

Source: Maybank IBG Research

The rise of data centre created monetisation opportunities for land owners. The initial beneficiaries were government-affiliated landowners – Cyberview for Cyberjaya, UEM Group (Khazanah) for Nusajaya, and Johor Corp for Sedenak. In recent years, data centre developers have started moving outside traditional hubs, by purchasing land from private property players. Public-listed companies that have sold land to develop data centres include **Eco World, Cresendo, UEM Sunrise** and **Boustead Plantation** among others. The likes of **Mah Sing** and **Sime Property** have diversified into data centre ownership by taking on equity stakes in their respective data centre entities (in partnership with the land buyer).

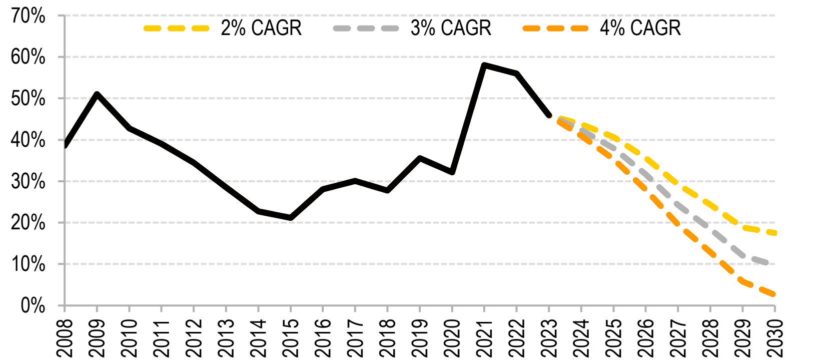
Costing MYR30-50m/MW, construction of data centres (particularly those of large power loads catering to hyperscalers) are potentially sizable jobs for contractors. Listed construction names that have engaged in data centre jobs include majors such as **Sunway Construction**, **Gamuda** and **IJM Corp**. Listed companies involved in specialized M&E works that have participated in data centre jobs are **MN Holdings**, **AWC** and **Powerwell**, with many others currently tendering for data centre-related jobs.

On the connectivity front, fixed-line telcos **TM** and **TIME dotCom** to some extent, are the main owners of on-land fibre and offshore submarine cable systems in Malaysia, and thus are beneficiaries of the data centre boom. Conceptually, the higher traffic brought about by hyperscale data centres should result in an accretion in telcos' wholesale revenue. Quantifying the amount however is a challenge given limited disclosure (wholesale terms are inherently customizable and confidential).

With data centres being defined by its power load, the power sector also features prominently under this thematic. Higher electricity demand has already started to manifest, with Peninsular Malaysia's electricity demand growing 9.6% YoY (generation was up 10.0% YoY) in 1Q24. We however note that under the prevailing regulatory framework (Tenaga's IBR model, IPPs' PPA terms), Malaysia's power sector is largely insulated from demand risk, and thus does not materially benefit from demand upside.

The growth rate of data centres is inevitably constrained by the nation's generation capacity. Peninsular Malaysia's reserve margin is still ample presently (c.45% at end-2023 including solar, c.30% without), but could fall in the coming years due to ongoing peak demand growth and PPA expiries. To facilitate the planned growth of new data centres, we believe the regulator would need to contemplate either extending expiring PPAs, or look to build new capacity (likely base-load gas plants). This bodes well for generation players such as **Tenaga** and **Malakoff** in our view. New power plants also create EPCC opportunities for contractors.

Fig 66: Peninsular Malaysia's reserve margin



Source: Energy Commission, Maybank IBG Research

The customers of hyperscale data centres are typically the international tech names with their own ESG aspirations to achieve. Hence longer term, we believe these renowned companies would eventually begin pushing for a higher proportion of renewable energy (RE) supply to their respective data centres. This could result in another round of land procurement for solar farm development. Landowners such as **plantation companies**, and **RE names** (both project owners and EPCC) could potentially benefit. Supporting policies such as the Third-Party Access (TPA) for electricity are presently being developed, and could be announced in the coming years.

Apart from power, data centres are also major consumers of water, primarily for cooling purposes. In terms of treated water, **Ranhill** is the water operator licensee in Johor, which along with Selangor, are the two states experiencing the proliferation of hyperscale data centres. We think reserve margins in Johor (17% in 2023) and Selangor (13% in 2023) are sufficient to cater for rising demand from data centres over the next 3-5 years. To support further growth longer-term, we believe there is a need to bring forward the planning and construction of new raw water intake, water treatment plants (WTP) and other supporting distribution infrastructure. Here, beneficiaries of new water infrastructure would be the construction players especially those with relevant track records such as **Gamuda** and **IJM Corp**.

4.3 Plantations – Kulai District is the new hot spot in JS-SEZ

(by Ong Chee Ting, CA, *ct.ong@maybank-ib.com*)

Demand for agricultural land in Kulai is heating up

Nearly 20 years since the formation of Iskandar Malaysia, development interest has gravitated towards the northern region now. While the District of Pulai has enjoyed robust transaction deals in recent years, there appears to have some spill over benefits to its neighbouring district, Kulai. The latter offers cheaper options for businesses and residents as property demand heats up in Pulai.

More property developers are seen mopping up agricultural land in the Kulai District in recent year including Eco World (ECW MK), Scientex (SCI MK, Not Rated) and Lagenda Properties (LAGENDA MK, Not Rated) which collectively bought up more than 2,000 acres of land (see Figs.68-69). While Kulai District's development is presently anchored by two larger developers, namely GENP (ie Genting Indahpura township) and IOI Properties (IOIPG MK, Not Rated; ie Bandar Putra Kulai), the addition of other developers would surely add to the vibrancy and appeal of Kulai, and in turn further hasten the real estate value in Kulai.

Selected plantation players are key beneficiaries

In terms of landbank, the plantation companies are now the largest real estate owners in the Iskandar region. Most of these real estates are presently planted with oil palm estates and located in the District Kulai. By land area, SDG has the largest landbank in Kulai / Iskandar (~5,197ha), followed by KLK (~2,927ha), Johor Plantations (~2,808 ha; JPG MK, Not Rated), and GENP (~2,536ha) – see Fig.2 ***[Please see separate corporate write ups for SDG, KLK and GENP in the Company Profiles section]***. Presently, they are also the top 4 largest landowners in Iskandar region, followed by UEMS and IOIPG.

Fig 67: Land transactions and land owners near Sedenak and Kulai in the District of Kulai

Source: SDG, Company, Maybank IBG Research [please note that the above highlighted areas are not drawn to scale]

Fig 68: Recent major land transactions in Senai and Kulai, Johor

Date announced *[Deal #]*	Acquirer	Seller	District	Area in hectares (in acres)	Price MYR' m	Tenure *(land use)*	Purchase cost per hectare MYR /ha	Purchase cost per sq ft MYR psf
16.8.24	Princeton Digital Group	Eco World Development *(within #B)*	Kulai	23.1 *(57.1 ac)*	223.8	Freehold *(likely Industrial)*	9,688,361	90.00
18.6.24 *[#A]*	Kuala Lumpur Kepong	UEM Sunrise's **40% equity stake** in Aura Muhibah	Kulai	1011.7 x 40% *(2,500 ac x 40%)*	386.2	Freehold *(Oil Palm)*	954,324	8.87
7.6.24	Microsoft Payments (Malaysia) SB	Eco World Development *(within #B)*	Kulai	49.8 *(123.1 ac)*	381.4	Freehold *(likely Industrial)*	8,072,768	75.00
31.5.24	AME Elite	Golden Symphony SB	Kulai	15.1 *(37.5 ac)*	106.17	Freehold *(Commercial)*	6.996.080	65.00
6.9.23 *[#B]*	Eco World Development	IOI Properties	Kulai	163.4 *(403.8 ac)*	211.1	Freehold *(Agri)*	1,291,667	12.00
11.7.23 *[#C]*	Scientex	PNB	Kulai	222.85 *(550.7 ac)*	299.8	Freehold *(Durian/Oil Palm)*	1,345,487	12.50
13.2.23 *[#D]*	Lagenda Properties	PNB	Kulai	435.2 *(1,075.5 ac)*	398.2	Freehold *(Oil Palm)*	914,928	8.50
				Sub-total	***1,782.9***			
28.9.21 *[#E]*	YTL Power	Boustead Plantations	Kulai	664 *(1,640.7a c)*	428.8	Freehold *(Oil Palm)*	645,831	6.00
23.10.20 *[#F]*	Kuala Lumpur Kepong	UEM Sunrise's **20% equity stake** in Aura Muhibah	Kulai	1011.7 x 20% *(2,500 ac x 20%)*	182.6	Freehold *(Oil Palm)*	902,427	8.38

*Source: Bursa, Maybank IBG; ** Based on total area as planted area are not disclosed; # denotes underperforming estates*

Fig 69: Listed plantation companies with landbank in Kulai District, Johor, and their estimated values

Denoted by	Company	Location	Tenure	Present use	Estimated remaining land in hectare (and in acre)	Estimated land value MYR psf	Estimated land value MYR 'm
I	SD Guthrie (SDG MK)	Kulai Estate, District of Kulai	Freehold	Oil Palm	~3,097 ha *(~7,654 ac)*	9.50	3,167
II	SD Guthrie (SDG MK)	Seri Pulai Estate, District of Kulai	Freehold	Oil Palm	~2,100 ha *(~5,190 ac)*	6.00	1,356
				Sub-total	~5,197 ha *(~12,842 ac)*	**8.09**	***4,523***
III	Kuala Lumpur Kepong (KLK MK)	Fraser Estate, District of Kulai	Freehold	Oil palm	~2,927 ha *(~7,233 ac, included 2,500 ac under Aura Muhibah)*	8.87	2,795
IV	Genting Plantation (GENP MK)	Kulai Besar Estate, District of Kulai	Freehold	Oil palm	2,427 ha *(~5,997 ac)*		
				Property Development	109 ha *(~269 ac)*		
				Sub-total	~2,536 ha *(~6,266 ac)*	**12.73**	***3,475***
V	Johor Plantations (JPG MK)	Sedenak Estate, Mukim of Bukit Batu and Sedenak, District of Kulai	Freehold	Oil palm	~2,808 ha *(~6,938 ac)*	6.50	1,965

Source: Company, Maybank IBG

Company Profiles

Maybank Investment Bank

Shariah Compliant

Oil & Gas

Malaysia

Dialog Group (DLG MK)

Beneficiary of JS-SEZ development

BUY

Share Price	MYR 1.96
12m Price Target	MYR 2.97 (+54%)
Previous Price Target	*MYR 2.97*

Maintain BUY with a SOP-based TP of MYR2.97

We maintain our BUY recommendation, earnings forecasts and SOP-based TP of MYR2.97 on Dialog. We think that Dialog will be a beneficiary of the long-term development of the Johor-Singapore Special Economic Zone (JS-SEZ) project. Also, we continue to like Dialog for its operational/financial stability from its dedicated midstream tank terminal assets.

JS-SEZ comprises 9 flagship zones, including PIPC

Based on our understanding, the JS-SEZ will comprise 9 flagship zones catering to different economic sectors: Johor Bahru City Centre, Iskandar Puteri, Pengerang Integrated Petroleum Complex (PIPC), Tanjung Pelepas-Tanjung Bin, Pasir Gudang, Senai-Skudai, Sedenak and Desaru. Dialog has substantial assets in Pengerang Deepwater Terminals (PDT) with major partners including Petronas Gas (PTG MK, HOLD, TP: MYR18.00), Petronas Chemicals (PCHEM MK, SELL, TP: MYR3.82), Vopak (VPK NA, Not Rated).

Development of Pengerang will benefit Dialog

Dialog still has 500 acres of vacant, reclaimed land in PDT for expansion purposes. As the JS-SEZ development unveils more incentives/benefits to attract more investors into PIPC, we think that Dialog will be a key beneficiary as more investments into the largest petrochemical hub in Malaysia due to the need for storage of crude/refined/distilled products. Dialog currently has an operating capacity of 5.1 million m3 and is the second largest tank terminal operators in the region. Every new storage tank will boost the group's LT recurring income stream.

Pengerang will still anchor Dialog's LT growth story

Dialog's LT growth will still be anchored by Pengerang. The potential entry of: i) Rongsheng Petrochemical with an estimated commitment of MYR80b; ii) ChemOne's development of PEC; and iii) PETRONAS's MYR6b development of a 650k MT biorefinery with Eni and Euglena may potentially benefit Dialog via the need for tank terminals. We think that Dialog needs to win new, sizeable tank terminal contracts to further grow its recurring income portfolio – which will be a re-rating catalyst.

FYE Jun (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	3,002	3,152	3,460	3,666	3,766
EBITDA	517	768	821	855	868
Core net profit	506	611	714	736	739
Core EPS (sen)	9.0	10.8	12.6	13.0	13.1
Core EPS growth (%)	(0.0)	20.7	16.8	3.1	0.4
Net DPS (sen)	3.4	3.7	3.8	4.4	4.6
Core P/E (x)	23.0	22.1	15.5	15.0	15.0
P/BV (x)	2.1	2.3	1.7	1.6	1.5
Net dividend yield (%)	1.7	1.5	1.9	2.3	2.3
ROAE (%)	9.6	10.0	11.6	11.1	10.4
ROAA (%)	5.6	6.6	7.5	7.3	7.0
EV/EBITDA (x)	22.5	17.2	13.1	12.6	12.4
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	624	657	692
MIBG vs. Consensus (%)	-	-	14.3	12.1	6.7

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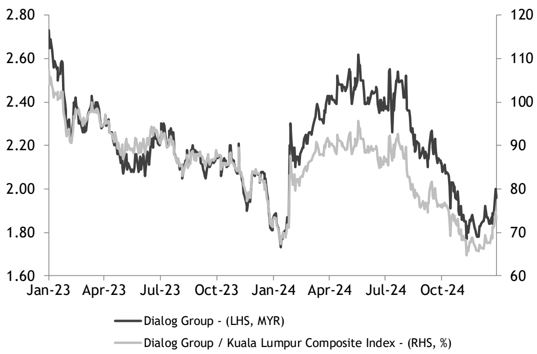
Company Description

Dialog Group engages in the provision of technical services to the energy sector.

Statistics

52w high/low (MYR)	2.62/1.73
3m avg turnover (USDm)	3.6
Free float (%)	62.5
Issued shares (m)	5,646
Market capitalisation	MYR11.1B
	USD2.5B
Major shareholders:	
Employees Provident Fund	16.2%
Kumpulan Wang Persaraan	10.6%
Wide Synergy Sdn. Bhd.	8.0%

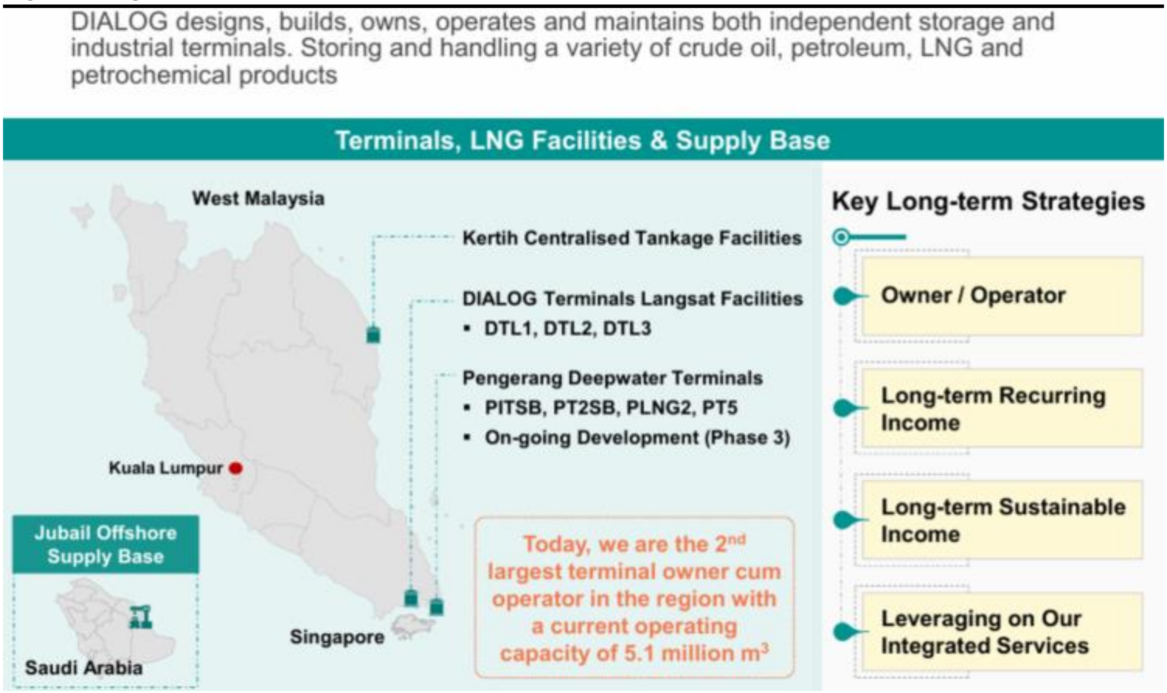
Price Performance



	-1M	-3M	-12M
Absolute (%)	10	(8)	8
Relative to index (%)	11	(4)	2

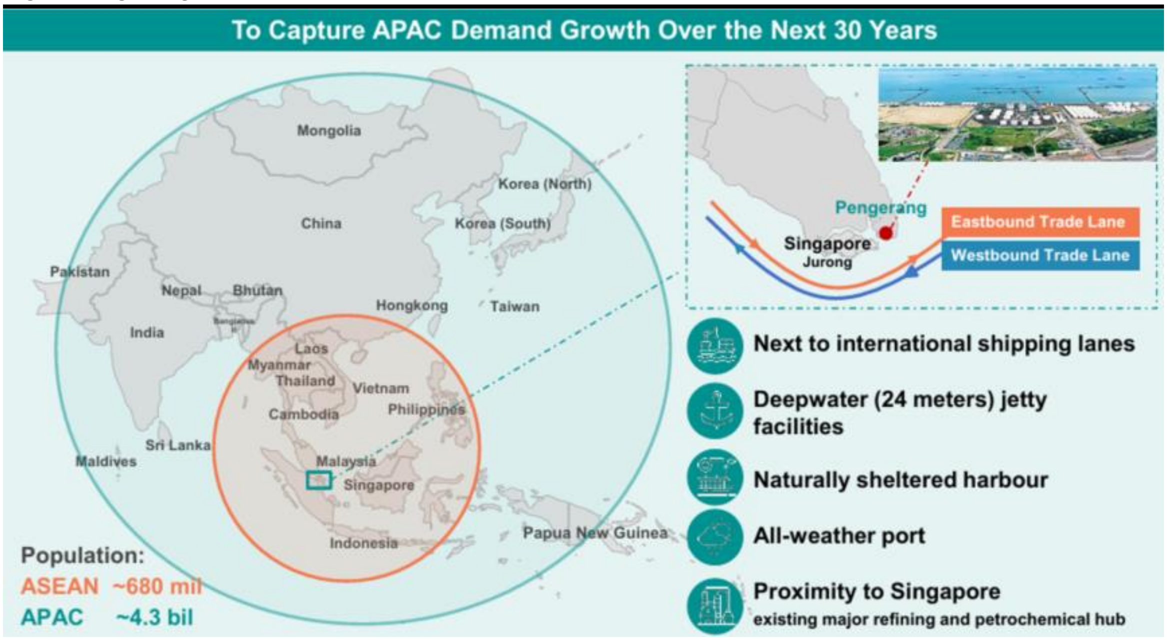
Source: FactSet

Fig 1: Dialog's Midstream Assets & Services



Source: Company

Fig 2: Pengerang: The Ideal Location



Source: Company

Fig 3: Dialog's Pengerang Deepwater Terminal Assets

Source: Company

Valuation

Fig 1: Sum of Parts Valuation

Assets	Equity value	Value/share (MYR)	Basis
Downstream business (EPCC)	3,220.0	0.57	10x FY25E PER
Kertih Terminal (30% stake)	534.0	0.09	Equity Value: WACC @ 6.5%
Tanjung Langsat Terminals 1, 2 and 3	1,200.4	0.21	Equity Value: WACC @ 6.5%
SPV1 - PITSB (46% stake)	2,051.3	0.36	Equity Value: WACC @ 6.5%
SPV2 - PT2SB (25% stake)	2,418.6	0.43	Equity Value: WACC @ 6.5%
SPV3 - PLNG (25% stake)	1,654.4	0.29	Equity Value: WACC @ 6.5%
SPV5 - BP Singapore terminal	782.9	0.14	Equity Value: WACC @ 6.5%
Pengerang Phase 3 future expansion	3,299.3	0.58	Equity Value: WACC @ 6.5%
Upstream business (Bayan, D35/D21/J4, POEC)	1,741.8	0.31	Equity Value: WACC @ 10.0%
FY25E net cash / (debt)	(131.0)	(0.02)	
Total	**16,771.7**		
Number of shares	5,642.6		
Target Price (MYR/share)	**2.97**		

Source: Maybank IBG Research

Risk Statement

Several risk factors may impact our earnings estimates, target price and BUY rating for Dialog. Key risks include: (i) an unexpected slump in crude oil prices; (ii) cost-overruns for its EPCC projects; and (iii) a dip in tank terminal utilisation rates.

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	24.7	21.4	15.5	15.0	15.0
Core P/E (x)	23.0	22.1	15.5	15.0	15.0
P/BV (x)	2.1	2.3	1.7	1.6	1.5
P/NTA (x)	2.5	2.7	2.0	1.9	1.7
Net dividend yield (%)	1.7	1.5	1.9	2.3	2.3
FCF yield (%)	3.3	6.8	2.7	3.0	3.1
EV/EBITDA (x)	22.5	17.2	13.1	12.6	12.4
EV/EBIT (x)	44.4	30.4	22.9	22.1	22.3
INCOME STATEMENT (MYR m)					
Revenue	3,001.5	3,151.9	3,460.2	3,665.8	3,765.8
EBITDA	517.1	767.7	821.2	855.1	868.4
Depreciation	(254.9)	(333.7)	(350.3)	(367.9)	(386.2)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	262.2	434.1	470.9	487.2	482.1
Net interest income /(exp)	(72.3)	(64.8)	(50.0)	(47.5)	(45.0)
Associates & JV	364.0	309.9	379.9	385.4	391.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	553.9	679.1	800.7	825.0	828.1
Income tax	(33.3)	(73.8)	(72.1)	(74.3)	(74.5)
Minorities	(10.1)	(30.3)	(15.0)	(15.0)	(15.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	510.5	575.0	713.6	735.8	738.5
Core net profit	506.1	610.8	713.6	735.8	738.5
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	1,720.6	1,572.8	1,871.0	1,795.7	1,735.0
Accounts receivable	904.6	789.2	790.3	791.4	792.4
Inventory	70.9	94.7	95.8	96.9	97.9
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,750.1	2,794.1	2,843.8	2,875.9	2,889.7
Intangible assets	922.4	993.0	993.0	993.0	993.0
Investment in Associates & JVs	1,814.3	1,727.7	2,107.5	2,492.9	2,883.9
Other assets	1,128.7	1,158.8	1,208.8	1,258.8	1,308.8
Total assets	**9,311.6**	**9,130.3**	**9,910.3**	**10,304.6**	**10,700.6**
ST interest bearing debt	298.8	127.7	127.7	127.7	127.7
Accounts payable	907.0	822.0	823.1	824.2	825.2
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,363.7	1,074.8	1,374.8	1,274.8	1,174.8
Other liabilities	582.0	598.0	598.0	598.0	598.0
Total Liabilities	**3,151.3**	**2,622.7**	**2,923.8**	**2,824.9**	**2,725.9**
Shareholders Equity	5,576.1	5,944.2	6,408.0	6,886.3	7,366.3
Minority Interest	85.2	64.5	79.5	94.5	109.5
Total shareholder equity	**5,661.4**	**6,008.7**	**6,487.5**	**6,980.8**	**7,475.8**
Perpetual securities	498.9	498.9	498.9	498.9	498.9
Total liabilities and equity	**9,311.6**	**9,130.3**	**9,910.3**	**10,304.6**	**10,700.6**
CASH FLOW (MYR m)					
Pretax profit	553.9	679.1	800.7	825.0	828.1
Depreciation & amortisation	254.9	333.7	350.3	367.9	386.2
Adj net interest (income)/exp	38.8	18.9	50.0	47.5	45.0
Change in working capital	123.7	(28.3)	(1.1)	(1.1)	(1.0)
Cash taxes paid	(67.3)	(75.1)	(72.1)	(74.3)	(74.5)
Other operating cash flow	(394.0)	(259.1)	(379.9)	(385.4)	(391.0)
Cash flow from operations	717.4	1,187.0	748.1	779.8	792.8
Capex	(336.3)	(269.7)	(450.0)	(450.0)	(450.0)
Free cash flow	381.1	917.3	298.1	329.8	342.8
Dividends paid	(191.8)	(220.1)	(249.8)	(257.5)	(258.5)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(305.5)	(484.1)	300.0	(100.0)	(100.0)
Other invest/financing cash flow	(59.9)	(365.9)	(50.0)	(47.5)	(45.0)
Effect of exch rate changes	23.8	5.0	0.8	0.8	0.8
Net cash flow	(152.3)	(147.7)	299.0	(74.5)	(59.9)

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	29.4	5.0	9.8	5.9	2.7
EBITDA growth	(10.5)	48.5	7.0	4.1	1.6
EBIT growth	(22.6)	65.5	8.5	3.5	(1.0)
Pretax growth	0.7	22.6	17.9	3.0	0.4
Reported net profit growth	0.5	12.6	24.1	3.1	0.4
Core net profit growth	0.0	20.7	16.8	3.1	0.4
Profitability ratios (%)					
EBITDA margin	17.2	24.4	23.7	23.3	23.1
EBIT margin	8.7	13.8	13.6	13.3	12.8
Pretax profit margin	18.5	21.5	23.1	22.5	22.0
Payout ratio	37.6	36.3	30.0	33.9	34.9
DuPont analysis					
Net profit margin (%)	17.0	18.2	20.6	20.1	19.6
Revenue/Assets (x)	0.3	0.3	0.3	0.4	0.4
Assets/Equity (x)	1.7	1.5	1.5	1.5	1.5
ROAE (%)	9.6	10.0	11.6	11.1	10.4
ROAA (%)	5.6	6.6	7.5	7.3	7.0
Liquidity & Efficiency					
Cash conversion cycle	4.7	(3.4)	(5.7)	(5.0)	(4.3)
Days receivable outstanding	103.3	96.7	82.2	77.7	75.7
Days inventory outstanding	9.5	10.6	11.5	10.9	10.7
Days payables outstanding	108.1	110.8	99.4	93.6	90.7
Dividend cover (x)	2.7	2.8	3.3	2.9	2.9
Current ratio (x)	2.2	2.4	2.7	2.7	2.6
Leverage & Expense Analysis					
Asset/Liability (x)	3.0	3.5	3.4	3.6	3.9
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	3.6	6.7	9.4	10.2	10.7
Debt/EBITDA (x)	3.2	1.6	1.8	1.6	1.5
Capex/revenue (%)	11.2	8.6	13.0	12.3	11.9
Net debt/ (net cash)	(58.1)	(370.2)	(368.4)	(393.1)	(432.4)

Source: Company; Maybank IBG Research

Shariah Compliant

Real Estate

Malaysia

Eco World Development (ECW MK)

Reaping the fruits of its industrial park

BUY

Share Price	MYR 1.90
12m Price Target	MYR 2.25 (+18%)
Previous Price Target	*MYR 2.25*

Kulai site visit note

We visited ECW's *Quantum Edge* business park (QEBP) in Kulai last week. With secured land deals to Microsoft and Princeton Digital Group (PDG), QEBP is expected to start contributing to earnings from FY25E onwards. Management is actively negotiating with data centre (DC) operators and could secure 1-2 DC-related land sale by the end of 2024/2025. We raise FY25-26E earnings forecasts by +1% to +2%. Our TP is unchanged at MYR1.96 (on an unchanged 1.1x FY25E P/B). Maintain BUY.

Strategically-located *Quantum Edge* business park

We visited ECW's 404-acre QEBP in Kulai, Johor last week. QEBP targets digital and high-tech players in AI, cloud computing, high-tech manufacturing and R&D. We are impressed by its strategic location – 6 min drive from Kulai toll and 25 min from Sedenak toll, and the availability of TNB pylons on the site, which serves as an attractive pull factor for DC developments. Preliminary approvals for power and water supply are required before finalizing any land deals with DC players. We understand that QEBP has secured sufficient power and water supply.

Will start contributing to earnings from FY25E

The QEBP site works are progressing well, with 40% of overall earthworks completed to date (see pictures on page 5). Infrastructure works are expected to commence by the end of 2024 once earthworks are completed. With secured land deals with Microsoft (123 acres; MYR402.3m or MYR75 psf) and PDG (57 acres; MYR224m or MYR90 psf), QEBP will start contributing to earnings from FY25E onwards. The project accounts for 28%/11% of our FY25E/26E pretax profit.

More DC deals?

ECW is actively negotiating with DC players and could secure 1-2 DC land sale for its Eco Business Park V and QEBP by end-2024/2025. Backed by healthy balance sheet (0.21x net gearing in end-3QFY24), ECW is also actively looking for new landbank in Klang Valley and Iskandar Malaysia for its township/QUANTUM products. We fine-tune our FY25/26E earnings forecasts by +0.7%/+2.4% to factor in change in work billing assumptions for QEBP. Our FY24E property sales assumption is unchanged at MYR3.9b.

FYE Oct (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	2,227	2,258	3,060	3,276	3,767
EBITDA	388	468	542	567	640
Core net profit	273	347	393	419	490
Core EPS (sen)	9.3	11.8	13.3	14.2	16.6
Core EPS growth (%)	17.9	26.9	13.4	6.6	17.0
Net DPS (sen)	6.0	6.0	6.0	6.0	6.0
Core P/E (x)	10.9	15.2	14.2	13.4	11.4
P/BV (x)	0.6	1.1	1.1	1.0	1.0
Net dividend yield (%)	5.9	3.4	3.2	3.2	3.2
ROAE (%)	4.0	6.3	7.9	8.0	8.9
ROAA (%)	3.0	3.9	4.2	4.1	4.6
EV/EBITDA (x)	10.8	13.2	12.9	12.3	10.6
Net gearing (%) (incl perps)	25.2	18.7	27.5	25.7	21.4
Consensus net profit	-	-	371	388	441
MIBG vs. Consensus (%)	-	-	5.9	7.9	11.1

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Company Description

Eco World Development is principally involved in the property development business.

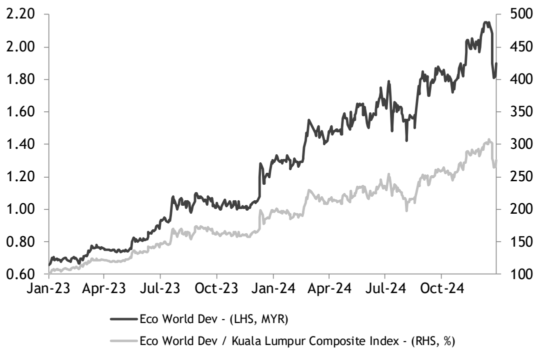
Statistics

52w high/low (MYR)	2.15/1.25
3m avg turnover (USDm)	3.1
Free float (%)	39.0
Issued shares (m)	2,949
Market capitalisation	MYR5.6B
	USD1.3B

Major shareholders:

Syabas Tropikal Sdn. Bhd.	32.9%
LIEW KEE SIN	8.7%
Eco World Development Holdings Sdn. Bhd.	7.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(5)	2	53
Relative to index (%)	(4)	7	45

Source: FactSet

Background of *Quantum Edge* business park

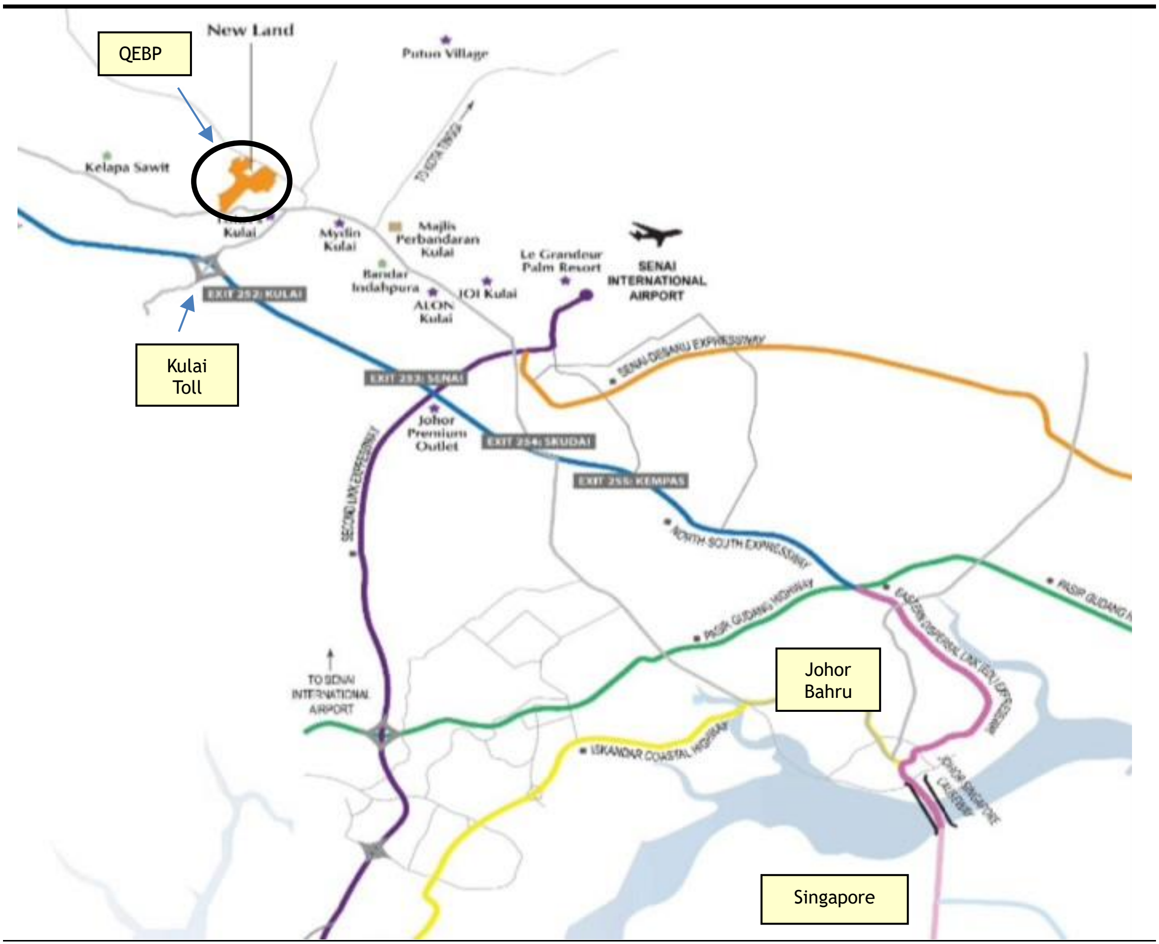
ECW entered into a conditional SPA with IOI Prima Property S/B (99.9%-owned by IOI Properties Group Bhd [IOIPG MK; Not Rated; CP: MYR2.16]) to acquire 403.8 acres of freehold agricultural land in Kulai for MYR211.1m cash (MYR12 psf) in early Sep 2023. The land, which is being developed into a business park named *Eco Business Park VI (EBPVI)*, and caters to medium and light industrial businesses, is strategically located and easily accessible through the North-South Highway, just 5 km drive away from the Kulai toll. The acquisition was completed in Jan 2024.

In early Jun 2024, ECW secured Microsoft as an anchor tenant for the industrial park. Microsoft acquired 123 acres of land in EBPVI for MYR402m (or MYR75 psf).

To set a clearer marketing strategy, ecosystem, and branding for ECW in the high-tech industrial segment that targets digital and high-tech players in AI, cloud computing, high-tech manufacturing, and R&D, ECW unveiled its new industrial products revenue pillar, *QUANTUM*, in early Aug 2024 and renamed *EBPVI* to *Quantum Edge*. Besides data centre players, ECW also targets operators in the upstream and downstream data centre, digital, and high-tech manufacturing value chains.

In Aug 2024, ECW secured another DC player, Princeton Digital Group, which acquired 57 acres of land in *Quantum Edge* for MYR224m (MYR90 psf). As at Aug 2024, QEBP's remaining landbank and GDV stood at 132.6 acres and MYR1b, respectively.

Fig 1: Location of *Quantum Edge* business park



Source: Company

Site visit to *Quantum Edge* business park, Kulai

Fig 2: TNB pylons are on the site, 25 Sep 2024

Source: Maybank IBG Research

Fig 3: Picture taken on 29 Sep 2023 for comparison purposes

Source: Maybank IBG Research

Fig 4: Ongoing earthworks at the site, 25 Sep 2024

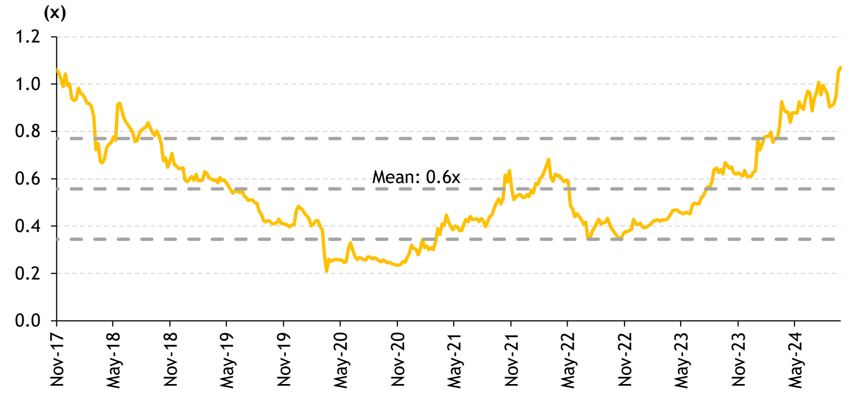
Source: Maybank IBG Research

Fig 5: Site view on 25 Sep 2024

Source: Maybank IBG Research

Valuation

Fig 6: ECW's 1-year forward PBV (2018-2023)



Source: Bloomberg, Company data, Maybank IBG Research

Risk statement

There are several risk factors to our earnings estimates, target price and rating for ECW. This includes a prolonged slowdown in the property sector, higher-than-expected losses from its 29%-associate ECWI, weaker-than-expected operating margins on higher marketing expenses and construction material prices, and regulatory/policy changes.

FYE 31 Oct	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	12.5	14.0	14.2	13.4	11.4
Core P/E (x)	10.9	15.2	14.2	13.4	11.4
P/BV (x)	0.6	1.1	1.1	1.0	1.0
P/NTA (x)	0.6	1.1	1.1	1.0	1.0
Net dividend yield (%)	5.9	3.4	3.2	3.2	3.2
FCF yield (%)	7.1	5.4	nm	3.6	6.1
EV/EBITDA (x)	10.8	13.2	12.9	12.3	10.6
EV/EBIT (x)	10.8	13.2	13.0	12.4	10.7
INCOME STATEMENT (MYR m)					
Revenue	2,226.9	2,258.2	3,059.7	3,276.2	3,766.8
EBITDA	387.8	468.2	542.3	567.1	640.3
Depreciation	0.0	0.0	(5.0)	(5.6)	(6.2)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	387.8	468.2	537.3	561.5	634.2
Net interest income /(exp)	(122.7)	(117.4)	(63.8)	(79.5)	(79.0)
Associates & JV	87.0	101.0	42.4	66.5	85.5
Exceptionals	(82.0)	(45.0)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	270.0	406.9	515.9	548.4	640.7
Income tax	(80.7)	(103.4)	(123.8)	(131.6)	(153.8)
Minorities	0.0	0.0	1.0	2.0	3.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	189.3	303.5	393.0	418.8	489.9
Core net profit	272.9	346.6	393.0	418.8	489.9
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	1,336.6	1,356.6	1,172.1	1,198.3	1,361.6
Accounts receivable	642.6	539.0	730.3	781.9	899.1
Inventory	238.8	176.3	238.9	255.8	294.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	144.3	130.7	186.6	205.3	222.4
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	2,142.5	2,196.3	2,196.3	2,196.3	2,196.3
Other assets	4,398.0	4,524.3	5,385.2	5,669.3	5,999.1
Total assets	**8,902.8**	**8,923.2**	**9,909.3**	**10,306.9**	**10,972.5**
ST interest bearing debt	740.0	510.7	510.7	510.7	510.7
Accounts payable	844.4	866.2	1,173.7	1,256.7	1,444.9
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,800.9	1,763.4	2,063.4	2,063.4	2,063.4
Other liabilities	744.0	889.0	1,057.0	1,129.0	1,293.0
Total Liabilities	**4,129.3**	**4,029.5**	**4,804.4**	**4,959.9**	**5,312.4**
Shareholders Equity	4,773.5	4,893.7	5,104.9	5,346.9	5,660.1
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	**4,773.5**	**4,893.7**	**5,104.9**	**5,346.9**	**5,660.1**
Total liabilities and equity	**8,902.8**	**8,923.2**	**9,909.3**	**10,306.9**	**10,972.5**
CASH FLOW (MYR m)					
Pretax profit	270.0	406.9	515.9	548.4	640.7
Depreciation & amortisation	0.0	0.0	5.0	5.6	6.2
Adj net interest (income)/exp	(125.6)	(131.2)	(63.8)	(79.5)	(79.0)
Change in working capital	418.0	713.1	248.2	67.1	152.0
Cash taxes paid	(51.9)	(97.9)	(123.8)	(131.6)	(153.8)
Other operating cash flow	61.5	(0.9)	0.0	0.0	0.0
Cash flow from operations	572.1	890.0	539.1	343.5	480.5
Capex	(356.0)	(521.3)	(925.5)	(140.5)	(140.5)
Free cash flow	210.4	284.0	(342.6)	203.0	340.0
Dividends paid	(176.7)	(176.8)	(176.8)	(176.8)	(176.8)
Equity raised / (purchased)	0.0	5.1	0.0	0.0	0.0
Change in Debt	(263.9)	(266.7)	300.0	0.0	0.0
Other invest/financing cash flow	(340.1)	218.8	78.6	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(564.5)	149.1	(184.5)	26.2	163.3

FYE 31 Oct	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	9.0	1.4	35.5	7.1	15.0
EBITDA growth	13.6	20.7	15.8	4.6	12.9
EBIT growth	13.6	20.7	14.8	4.5	12.9
Pretax growth	19.6	50.7	26.8	6.3	16.8
Reported net profit growth	20.4	60.3	29.5	6.6	17.0
Core net profit growth	17.9	27.0	13.4	6.6	17.0
Profitability ratios (%)					
EBITDA margin	17.4	20.7	17.7	17.3	17.0
EBIT margin	17.4	20.7	17.6	17.1	16.8
Pretax profit margin	12.1	18.0	16.9	16.7	17.0
Payout ratio	93.3	58.2	45.0	42.2	36.1
DuPont analysis					
Net profit margin (%)	8.5	13.4	12.8	12.8	13.0
Revenue/Assets (x)	0.3	0.3	0.3	0.3	0.3
Assets/Equity (x)	1.9	1.8	1.9	1.9	1.9
ROAE (%)	4.0	6.3	7.9	8.0	8.9
ROAA (%)	3.0	3.9	4.2	4.1	4.6
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.2	2.1	2.1	2.1
Net gearing (%) (incl perps)	25.2	18.7	27.5	25.7	21.4
Net gearing (%) (excl. perps)	25.2	18.7	27.5	25.7	21.4
Net interest cover (x)	3.2	4.0	8.4	7.1	8.0
Debt/EBITDA (x)	6.6	4.9	4.7	4.5	4.0
Capex/revenue (%)	16.0	23.1	30.2	4.3	3.7
Net debt/ (net cash)	1,204.3	917.5	1,402.0	1,375.8	1,212.6

Source: Company; Maybank IBG Research

January 22, 2025

Genting Plantations (GENP MK)

Poised to benefit from optimism on JS SEZ

BUY

Share Price	MYR 5.78
12m Price Target	MYR 6.96 (+25%)
Previous Price Target	*MYR 6.96*

4th largest real estate owner in Iskandar region

Among the listed planters, GENP is the only one converting its oil palm estate into property development in Iskandar region. Despite having developed its Genting Indahpura township since 1996, GENP is still the 4th largest real estate land owner in Iskandar region, and poised to further benefit from JS-SEZ catalyst. GENP remains a BUY with an unchanged TP of MYR6.96 on unchanged 19x PER (-1SD of 8Y mean).

~6,266 acres of land remaining for development

GENP has been developing this 8,000 acres Genting Indahpura flagship township since 1996 (see Fig.1a). By our estimate, GENP has remaining ~6,266 acres (or ~2,536 ha) of freehold land in the Kulai area. Of these, ~5,997 acres (or ~2,427 ha) are still operating as oil palm estates, and the rest is under property development.

Genting Indahpura, its flagship property development

The Genting Indahpura township is centrally located near the Senai International Airport and served by the major highways. For the North-South Expressway, the township is accessible via the Senai Exit or the Kulai Exit. Besides its strategic location, one of the township's key attraction has been the Johor Premium Outlet (JPO), a 50%:50% JV with Simon Property Group. The premium outlet proved so popular that GENP has had its 2nd outlet in Genting Highlands. Its 3rd outlet will be in Jakarta, Indonesia and it is on track to open by end-1Q25.

Kulai land value alone is estimated at MYR3,475m

We estimate GENP's ~6,266 acres land in Kulai to be valued at c.MYR3,475m or MYR12.73psf. We attached a higher value to its land given its land relative to peers in Kulai District (see Fig.1c) because of its prime location, and it being closer to Johor Bahru. We understand GENP is constantly looking for opportunity to monetize the value of its landbank in Kulai but on one condition: the prospective buyer must help to further enhance the value of its township in Kulai.

FYE Dec (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	3,190	2,966	3,016	3,055	3,122
EBITDA	1,042	726	773	821	842
Core net profit	491	254	296	329	346
Core EPS (sen)	54.7	28.3	33.0	36.6	38.6
Core EPS growth (%)	12.9	(48.4)	16.7	11.0	5.3
Net DPS (sen)	34.0	21.0	23.1	25.6	27.0
Core P/E (x)	11.7	20.1	17.5	15.8	15.0
P/BV (x)	1.1	1.0	1.0	0.9	0.9
Net dividend yield (%)	5.3	3.7	4.0	4.4	4.7
ROAE (%)	9.1	4.8	5.5	6.0	6.2
ROAA (%)	5.6	2.9	3.5	3.9	4.1
EV/EBITDA (x)	6.4	8.6	8.5	8.1	8.1
Net gearing (%) (incl perps)	15.6	18.8	23.7	25.2	26.8
Consensus net profit	-	-	295	316	328
MIBG vs. Consensus (%)	-	-	0.4	4.0	5.4

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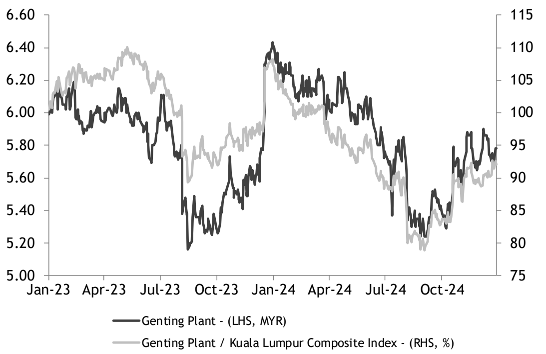
Company Description

Genting Plantations is principally an upstream oil palm player in the region. It also has a property development arm in Malaysia.

Statistics

52w high/low (MYR)	6.43/5.24
3m avg turnover (USDm)	0.4
Free float (%)	30.5
Issued shares (m)	897
Market capitalisation	MYR5.2B
	USD1.2B
Major shareholders:	
Genting Bhd.	55.4%
Employees Provident Fund	13.5%
Kumpulan Wang Persaraan	7.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	2	7	(9)
Relative to index (%)	4	12	(14)

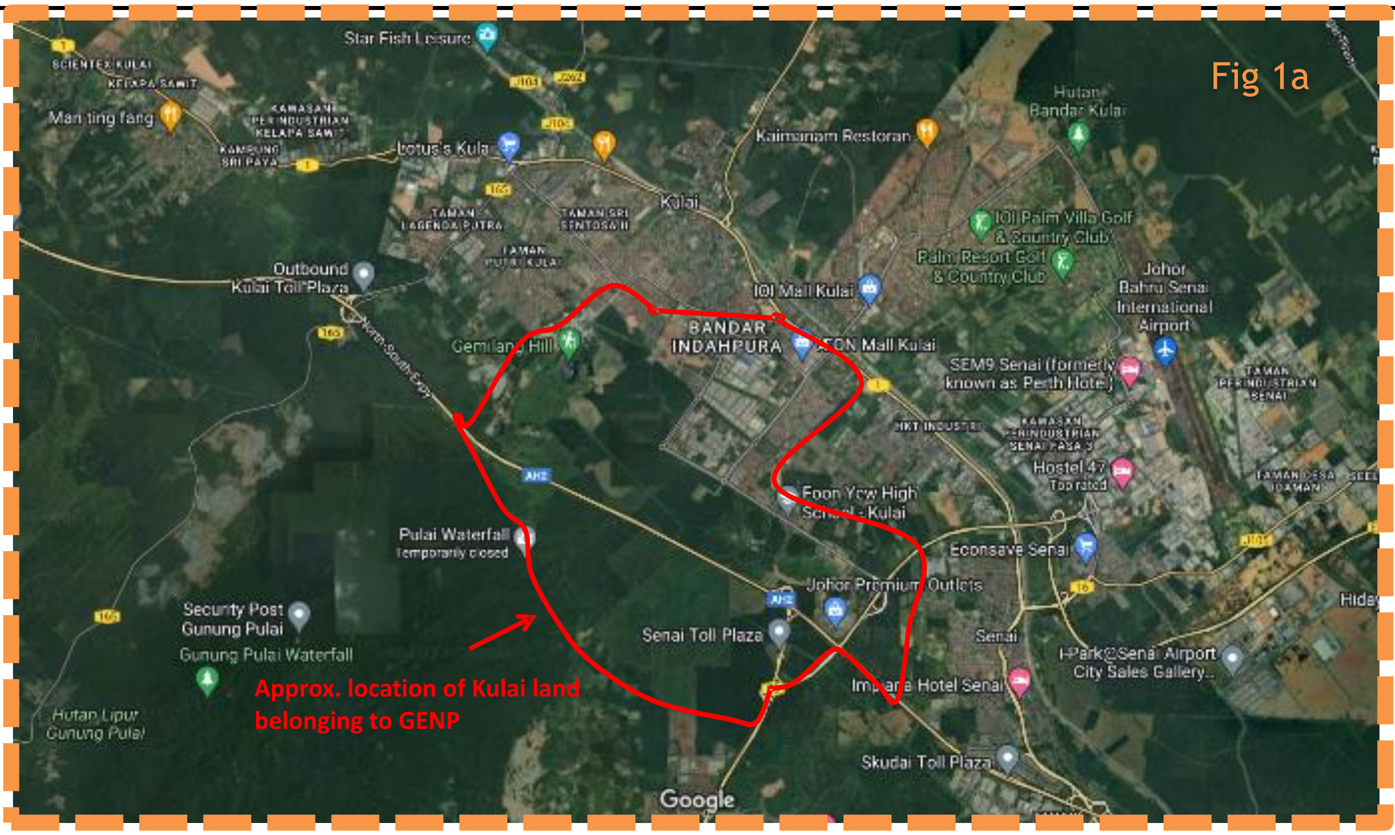
Source: *FactSet*

See related report -> "*JS-SEZ beneficiaries in Kulai District*" issued on 19 July 2024

Fig 1: Genting Plantations' land vs peers in the District of Kulai

Source: SDG, Company, Maybank IBG Research [please note that the above highlighted areas are not drawn to scale]; TRX = Transactions

Fig 1a: A bigger view of Genting Plantations' main land bank in Kulai (demarcated in red)



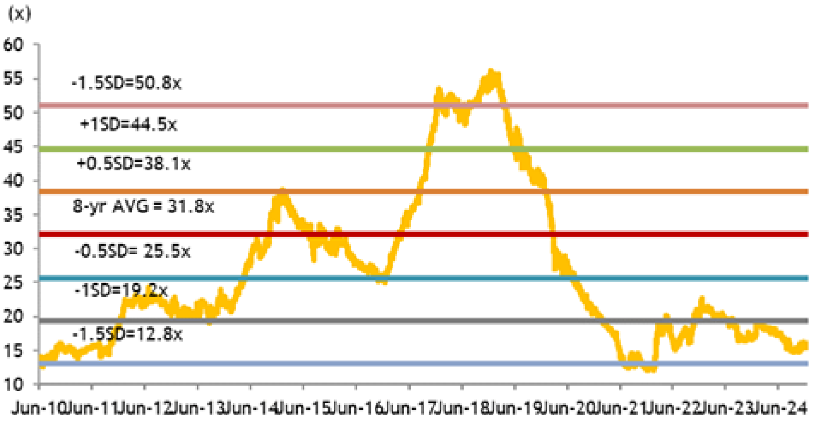
Source: Google Map, Company; Note: Area demarcated in red (Maybank IBG's est.) is the land area owned/ developed under GENP since 1990s

Fig 1c: Listed plantation companies with landbank in Kulai District, Johor, and their estimated values

Denoted by (in Fig 1a)	Company	Location	Tenure	Present use	Estimated remaining land in hectare (and in acre)	Estimated land value MYR psf	Estimated land value MYR 'm
I	SD Guthrie (SDG MK)	Kulai Estate, District of Kulai	Freehold	Oil Palm	~3,097 ha *(~7,654 ac)*	9.50	3,167
II	SD Guthrie (SDG MK)	Seri Pulai Estate, District of Kulai	Freehold	Oil Palm	~2,100 ha *(~5,190 ac)*	6.00	1,356
				Sub-total	~5,197 ha *(~12,842 ac)*	**8.09**	***4,523***
III	Kuala Lumpur Kepong (KLK MK)	Fraser Estate, District of Kulai	Freehold	Oil palm	~2,927 ha *(~7,233 ac, included 2,500 ac under Aura Muhibah)*	8.87	2,795
IV	Genting Plantation (GENP MK)	Kulai Besar Estate, District of Kulai	Freehold	Oil palm	2,427 ha *(~5,997 ac)*		
				Property Development	109 ha *(~269 ac)*		
				Sub-total	~2,536 ha *(~6,266 ac)*	**12.73**	***3,475***
V	Johor Plantations (JPG MK)	Sedenak Estate, Mukim of Bukit Batu and Sedenak, District of Kulai	Freehold	Oil palm	~2,808 ha *(~6,938 ac)*	6.50	1,965

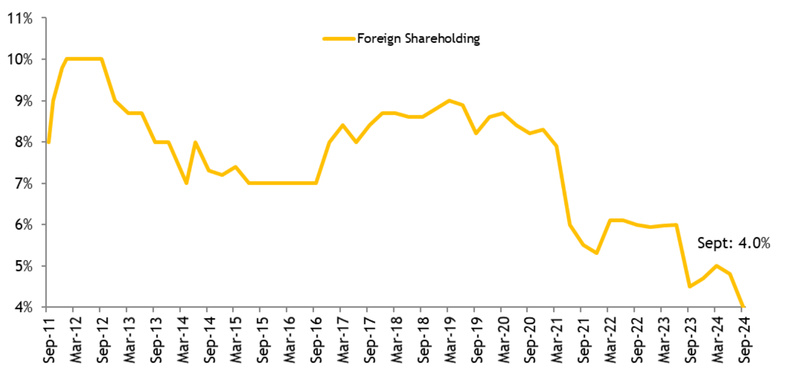
Source: Company, Maybank IBG

Fig 3: GENP's 12M forward PER



Sources: Bloomberg, Maybank IBG Research

Fig 4: GENP's foreign shareholding



Source: Company

Risk statement

There are several risk factors for our earnings estimates, target price and rating for Genting Plantations (GENP). Key risks to the palm oil sector and GENP are: (i) weather anomalies resulting in poorer-than-expected output growth; (ii) lower-than-expected CPO price achieved; (iii) negative policies imposed by import countries; (iv) unfriendly policies imposed by the Malaysian and Indonesian government on upstream or downstream segments; (v) sharply lower crude oil prices, which makes palm biodiesel demand not viable; and (vi) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	13.5	20.5	17.5	15.8	15.0
Core P/E (x)	11.7	20.1	17.5	15.8	15.0
P/BV (x)	1.1	1.0	1.0	0.9	0.9
P/NTA (x)	1.1	1.0	1.0	0.9	0.9
Net dividend yield (%)	5.3	3.7	4.0	4.4	4.7
FCF yield (%)	10.2	4.5	nm	2.9	3.1
EV/EBITDA (x)	6.4	8.6	8.5	8.1	8.1
EV/EBIT (x)	8.7	14.6	14.2	13.3	13.2
INCOME STATEMENT (MYR m)					
Revenue	3,189.8	2,966.5	3,015.6	3,055.1	3,121.9
EBITDA	1,041.9	726.3	773.4	820.9	841.9
Depreciation	(278.6)	(301.5)	(310.1)	(318.9)	(328.0)
EBIT	763.3	424.8	463.3	502.0	513.9
Net interest income /(exp)	(73.0)	(72.2)	(72.6)	(79.1)	(80.4)
Associates & JV	35.4	42.7	42.5	52.5	62.5
Exceptionals	(36.7)	(11.1)	0.0	0.0	0.0
Pretax profit	688.9	384.1	433.2	475.4	496.0
Income tax	(205.5)	(118.4)	(117.2)	(126.9)	(130.1)
Minorities	(11.9)	(12.3)	(20.0)	(20.0)	(20.0)
Reported net profit	471.4	253.5	296.0	328.5	346.0
Core net profit	491.1	253.6	296.0	328.5	346.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	1,598.5	1,072.4	690.8	481.3	268.8
Accounts receivable	541.5	519.6	619.6	627.8	641.5
Inventory	280.7	202.6	248.0	247.0	251.9
Property, Plant & Equip (net)	5,741.0	6,028.9	6,171.4	6,309.3	6,444.3
Intangible assets	0.8	0.8	0.8	0.8	0.8
Investment in Associates & JVs	331.9	385.3	427.8	480.3	542.8
Other assets	297.4	357.4	357.4	357.4	357.4
Total assets	**8,791.8**	**8,567.1**	**8,515.9**	**8,504.0**	**8,507.6**
ST interest bearing debt	591.2	531.3	481.3	431.3	381.3
Accounts payable	539.5	465.3	434.1	432.3	440.9
LT interest bearing debt	1,838.1	1,565.2	1,515.2	1,465.2	1,415.2
Other liabilities	514.0	570.0	570.0	570.0	570.0
Total Liabilities	**3,482.6**	**3,132.2**	**3,001.0**	**2,899.2**	**2,807.8**
Shareholders Equity	5,209.6	5,334.3	5,423.1	5,521.7	5,625.4
Minority Interest	99.6	100.6	91.8	83.1	74.3
Total shareholder equity	**5,309.2**	**5,434.9**	**5,514.9**	**5,604.7**	**5,699.8**
Total liabilities and equity	**8,791.8**	**8,567.1**	**8,515.9**	**8,504.0**	**8,507.6**
CASH FLOW (MYR m)					
Pretax profit	688.9	384.1	433.2	475.4	496.0
Depreciation & amortisation	278.6	301.5	310.1	318.9	328.0
Adj net interest (income)/exp	(58.4)	(72.2)	(72.6)	(79.1)	(80.4)
Change in working capital	230.0	145.4	(176.7)	(8.9)	(10.0)
Cash taxes paid	(175.9)	(139.5)	(117.2)	(126.9)	(130.1)
Other operating cash flow	(28.0)	7.3	0.0	0.0	0.0
Cash flow from operations	958.3	656.1	406.8	606.1	621.4
Capex	(371.0)	(425.3)	(452.5)	(456.9)	(463.0)
Free cash flow	587.2	230.8	(45.7)	149.2	158.4
Dividends paid	(332.3)	(271.0)	(235.9)	(258.7)	(270.9)
Equity raised / (purchased)	0.0	0.2	0.0	0.0	0.0
Change in Debt	(283.5)	(505.1)	(100.0)	(100.0)	(100.0)
Other invest/financing cash flow	(26.4)	16.3	0.0	0.0	0.0
Net cash flow	(54.9)	(528.8)	(381.7)	(209.5)	(212.5)

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	1.9	(7.0)	1.7	1.3	2.2
EBITDA growth	3.6	(30.3)	6.5	6.2	2.6
EBIT growth	1.7	(44.3)	9.1	8.4	2.4
Pretax growth	2.8	(44.2)	12.8	9.8	4.3
Reported net profit growth	9.1	(46.2)	16.8	11.0	5.3
Core net profit growth	12.9	(48.4)	16.7	11.0	5.3
Profitability ratios (%)					
EBITDA margin	32.7	24.5	25.6	26.9	27.0
EBIT margin	23.9	14.3	15.4	16.4	16.5
Pretax profit margin	21.6	12.9	14.4	15.6	15.9
Payout ratio	64.7	74.3	70.0	70.0	70.0
DuPont analysis					
Net profit margin (%)	14.8	8.5	9.8	10.8	11.1
Revenue/Assets (x)	0.4	0.3	0.4	0.4	0.4
Assets/Equity (x)	1.7	1.6	1.6	1.5	1.5
ROAE (%)	9.1	4.8	5.5	6.0	6.2
ROAA (%)	5.6	2.9	3.5	3.9	4.1
Liquidity & Efficiency					
Cash conversion cycle	18.7	16.0	26.6	39.0	39.0
Days receivable outstanding	66.3	64.4	68.0	73.5	73.2
Days inventory outstanding	45.4	44.8	41.5	46.0	45.6
Days payables outstanding	93.0	93.2	82.9	80.6	79.7
Dividend cover (x)	1.5	1.3	1.4	1.4	1.4
Current ratio (x)	2.2	1.9	1.8	1.7	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	2.5	2.7	2.8	2.9	3.0
Net gearing (%) (incl perps)	15.6	18.8	23.7	25.2	26.8
Net gearing (%) (excl. perps)	15.6	18.8	23.7	25.2	26.8
Net interest cover (x)	10.4	5.9	6.4	6.3	6.4
Debt/EBITDA (x)	2.3	2.9	2.6	2.3	2.1
Capex/revenue (%)	11.6	14.3	15.0	15.0	14.8
Net debt/ (net cash)	830.9	1,024.0	1,305.7	1,415.1	1,527.7

Source: Company; Maybank IBG Research

Maybank Investment Bank

Technology

Malaysia

ITMAX System Bhd (ITMAX MK)

Johor's smart city juggernaut

BUY

Share Price	MYR 3.61
12m Price Target	MYR 4.40 (+22%)
Previous Price Target	*MYR 4.40*

Integrated player with strong competitive advantage

ITMAX is a domestic smart city player offering a fully integrated suite of services encompassing CCTVs, traffic controllers (TCs), street lighting and automated parking solutions. Having established a firm foothold in Johor whilst maintaining significant cost, security and technical advantages over its peers, it is well-positioned as the frontrunner to capitalise on potential JSSEZ-driven urban infrastructure developments sponsored by the state. Our FY24-26E earnings, BUY rating and TP of MYR4.40 are maintained.

Established track record in the state of Johor

Following its maiden entry into Johor when its 65%-owned subsidiary, Southmax S/B (SSB) secured an MBJB LOA in Sep 2023 for the deployment of 500 CCTVs in the district, SSB has since secured installation contracts for 1,640 CCTVs and 100 TCs from all 4 districts (JB, IP, PG, Kulai) in the Greater JB region. SSB was also appointed as the "smart parking" operator overseeing 57,389 outdoor parking bays in 5 of the 16 Johor districts. We estimate Johor to currently account for c.12% of ITMAX's group turnover in FY24E, with the share expected to increase to 21% by end-FY25E.

JSSEZ-driven economic growth to spur prospects

In preparation for c.MYR200b JSSEZ-related investments through to 2030, Johor has launched its "Smart City 2030" blueprint to catalyse urban infrastructure development in the state. We believe this could accelerate new contract wins for ITMAX, especially from other JSSEZ districts outside Greater JB. ITMAX has also signed an MOU with JLand for the smart city infra development of two key economic hubs in Sedenak. Longer-term, we believe Sedenak could be carved out as Johor's 17th district with ITMAX being designated as the sole smart city infra developer for the enclave.

Tangible earnings uplift from future contract wins

Our base case scenario for Johor's total addressable "smart city" market based on ITMAX's existing service suite is c.6k CCTVs, c.500 TCs, and 150k parking bays. Assuming full translation, it could hypothetically uplift ITMAX's FY26E group turnover/earnings by 23%/20% respectively. Further, Johor's share of ITMAX's FY26E group turnover would also increase to 34%.

FYE Dec (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	107	150	190	260	320
EBITDA	72	95	127	173	212
Core net profit	43	64	79	106	133
Core EPS (sen)	4.2	6.2	7.6	10.3	13.0
Core EPS growth (%)	48.2	47.6	22.8	35.4	25.5
Net DPS (sen)	0.8	1.2	1.5	2.1	2.6
Core P/E (x)	33.7	28.8	47.3	34.9	27.8
P/BV (x)	5.1	5.5	9.3	7.7	6.3
Net dividend yield (%)	0.6	0.7	0.4	0.6	0.7
ROAE (%)	23.9	20.3	21.3	24.0	24.8
ROAA (%)	15.6	15.6	17.3	20.3	21.5
EV/EBITDA (x)	18.2	18.0	28.1	20.4	16.3
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	79	95	121
MIBG vs. Consensus (%)	-	-	0.0	12.1	10.1

Company Description

Itmax System Bhd. engages in providing video surveillance and analytics services.

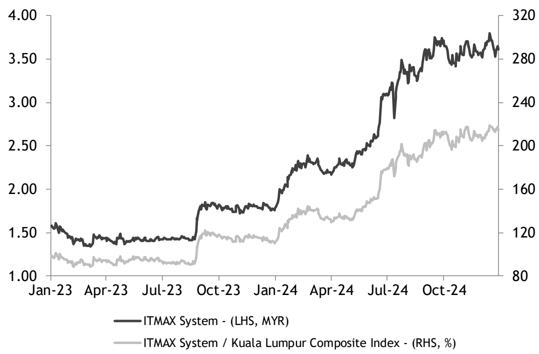
Statistics

52w high/low (MYR)	3.80/1.76
3m avg turnover (USDm)	1.0
Free float (%)	40.7
Issued shares (m)	1,028
Market capitalisation	MYR3.7B
	USD829M

Major shareholders:

Sena Holdingds Sdn. Bhd.	53.2%
BINTI ZAINAL ABIDIN AFINALIZA	6.0%
Kenanga Investors Bhd.	3.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	(3)	103
Relative to index (%)	3	1	92

Source: FactSet

Abbreviations

CCTV = closed-circuit television
IP = Iskandar Puteri
JB = Johor Bahru
JLand = real estate arm of Johor Corp (JCorp)
JSSEZ = Johor-Singapore Special Economic Zone
LOA = Letter of Award
MBJB = Majlis Bandaraya Johor Bahru
MOU = Memorandum of Understanding
PG = Pasir Gudang

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Fig 1: ITMAX's TP Derivation based on PEG

FY25E EPS (sen) = (a)	10.3
Earnings 2Y CAGR 24-26E (%)	30.3
PEG ratio (x) - pegged to the regional peer median of 1.4x	1.4
Implied PER at FY25E (x) = (b)	42.5
Value per share (MYR) = (a) x (b)	**4.40**

Source: Maybank IBG Research

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	35.2	25.1	47.3	34.9	27.8
Core P/E (x)	33.7	28.8	47.3	34.9	27.8
P/BV (x)	5.1	5.5	9.3	7.7	6.3
P/NTA (x)	5.2	5.5	9.3	7.5	6.1
Net dividend yield (%)	0.6	0.7	0.4	0.6	0.7
FCF yield (%)	0.2	0.4	0.9	1.8	2.7
EV/EBITDA (x)	18.2	18.0	28.1	20.4	16.3
EV/EBIT (x)	16.5	57.6	32.9	23.4	18.6
INCOME STATEMENT (MYR m)					
Revenue	107.3	149.7	189.5	260.0	320.1
EBITDA	72.4	94.6	126.7	172.9	211.7
Depreciation	(10.7)	(14.7)	(18.4)	(22.2)	(25.6)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	79.9	29.6	108.4	150.7	186.2
Net interest income /(exp)	(2.6)	3.2	0.8	2.0	3.7
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(2.7)	(0.7)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	56.3	82.4	109.1	152.7	189.8
Income tax	(15.7)	(19.2)	(27.3)	(38.2)	(47.5)
Minorities	0.0	0.0	(3.3)	(8.2)	(9.0)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	40.6	63.2	78.5	106.3	133.4
Core net profit	43.3	63.9	78.5	106.3	133.4
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	217.6	196.5	198.4	228.5	290.8
Accounts receivable	18.3	25.5	32.3	44.4	54.6
Inventory	8.4	13.9	15.8	20.6	24.7
Property, Plant & Equip (net)	127.3	172.6	214.3	252.1	286.5
Intangible assets	3.8	3.8	3.8	3.8	3.8
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	16.5	16.5	16.5	16.5	16.5
Total assets	**391.9**	**428.9**	**481.1**	**565.9**	**677.0**
ST interest bearing debt	19.0	19.0	19.0	19.0	19.0
Accounts payable	15.8	16.4	17.5	24.0	29.4
LT interest bearing debt	56.5	41.5	26.5	11.5	1.5
Other liabilities	15.0	15.0	15.0	15.0	15.0
Total Liabilities	**106.1**	**91.8**	**77.9**	**69.4**	**64.8**
Shareholders Equity	285.8	337.1	399.9	485.0	591.7
Minority Interest	0.0	0.0	3.3	11.6	20.5
Total shareholder equity	**285.8**	**337.1**	**403.2**	**496.5**	**612.2**
Total liabilities and equity	**391.9**	**428.9**	**481.1**	**565.9**	**677.0**
CASH FLOW (MYR m)					
Pretax profit	56.3	82.4	109.1	152.7	189.8
Depreciation & amortisation	10.7	14.7	18.4	22.2	25.6
Adj net interest (income)/exp	2.6	(3.2)	(0.8)	(2.0)	(3.7)
Change in working capital	(24.8)	(12.1)	(7.6)	(10.3)	(8.9)
Cash taxes paid	(8.5)	(19.2)	(27.3)	(38.2)	(47.5)
Other operating cash flow	4.7	0.7	0.0	0.0	0.0
Cash flow from operations	41.3	66.6	92.7	126.3	159.0
Capex	(39.0)	(60.0)	(60.0)	(60.0)	(60.0)
Free cash flow	2.3	6.6	32.7	66.3	99.0
Dividends paid	(8.0)	(12.6)	(15.7)	(21.3)	(26.7)
Equity raised / (purchased)	203.9	0.0	0.0	0.0	0.0
Change in Debt	(2.5)	(15.0)	(15.0)	(15.0)	(10.0)
Other invest/financing cash flow	(11.9)	0.0	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	183.8	(21.1)	1.9	30.1	62.3

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	34.5	39.5	26.6	37.2	23.1
EBITDA growth	51.3	30.7	34.0	36.4	22.5
EBIT growth	91.3	(63.0)	266.5	39.1	23.5
Pretax growth	37.6	46.3	32.4	39.9	24.3
Reported net profit growth	38.9	55.7	24.2	35.4	25.5
Core net profit growth	48.2	47.6	22.8	35.4	25.5
Profitability ratios (%)					
EBITDA margin	67.5	63.2	66.9	66.5	66.2
EBIT margin	74.5	19.8	57.2	58.0	58.2
Pretax profit margin	52.5	55.1	57.6	58.7	59.3
Payout ratio	20.3	19.5	20.0	20.0	20.0
DuPont analysis					
Net profit margin (%)	37.8	42.2	41.4	40.9	41.7
Revenue/Assets (x)	0.3	0.3	0.4	0.5	0.5
Assets/Equity (x)	1.4	1.3	1.2	1.2	1.1
ROAE (%)	23.9	20.3	21.3	24.0	24.8
ROAA (%)	15.6	15.6	17.3	20.3	21.5
Liquidity & Efficiency					
Cash conversion cycle	(165.1)	(5.7)	34.3	35.1	32.9
Days receivable outstanding	56.5	52.7	55.0	53.1	55.7
Days inventory outstanding	184.4	133.2	147.9	129.4	128.1
Days payables outstanding	406.0	191.6	168.6	147.4	150.8
Dividend cover (x)	4.9	5.1	5.0	5.0	5.0
Current ratio (x)	6.5	6.2	6.3	6.4	7.2
Leverage & Expense Analysis					
Asset/Liability (x)	3.7	4.7	6.2	8.2	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	30.4	na	na	na	na
Debt/EBITDA (x)	1.0	0.6	0.4	0.2	0.1
Capex/revenue (%)	36.4	40.1	31.7	23.1	18.7
Net debt/ (net cash)	(142.1)	(136.0)	(153.0)	(198.1)	(270.4)

Source: Company; Maybank IBG Research

Shariah Compliant

Plantations

Malaysia

January 22, 2025

Maybank Investment Bank

Kuala Lumpur Kepong (KLK MK)

2nd largest land owner in Iskandar

HOLD

Share Price	MYR 20.18
12m Price Target	MYR 21.30 (+8%)
Previous Price Target	*MYR 21.30*

Awaiting its JS-SEZ catalyst to materialise

KLK has 2 large tracts of land in Iskandar region located in Kulai and Tanjung Kupang measuring 7,733 acres (or 3,130 ha) in total or worth at least MYR3.3b. While KLK has yet to announce any plans in Johor, we reckon the JS-SEZ will be a strong impetus to hasten its development plans in the coming year(s). For now, we maintain our HOLD call & TP of MYR21.30 on 19x FY25E PER, its -0.5SD of 6Y mean.

Two large tracts of land in JS-SEZ

Recall that in 2014 KLK and UEM Sunrise ((UEMS MK, HOLD, TP: MYR1.05) entered into two separate shareholders' agreements and SPAs to set up two JV companies (via land swaps) to jointly-develop lands in Gerbang Nusajaya (500 acres at MYR40psf land cost; 40%:60% JV [under Scope Energy SB] between UEMS and KLK) and Kulai (Fraser Metropolis; 2,500 acres at MYR8psf; 60%:40% JV [under Aura Muhibbah SB] between UEMS: KLK) – see Figs.1a & 1b. The intention is to grow and diversify KLK's property development projects beyond Klang Valley, and the gradually unlock the value of its strategic landbank in JS-SEZ.

Kulai land, the larger tract, is worth MYR2,795m

In 2020, KLK raised its stake in Aura Muhibah SB (AMSB) by 20% (from 40%) and paid MYR182.6m cash (or MYR8.38psf, +4.8% higher than initial transacted price) to UEMS. In 2024, KLK acquired the remaining 40% in AMSB from UEMS for MYR386.2m or MYR8.87psf, a 10.8% premium to 2014's transacted price. The acquisition gives KLK 100% ownership of AMSB, which holds the 2,500 acres land in Kulai, designated for property development. Within the same vicinity, KLK still has another parcel measuring 4,733 acres, bringing its total Kulai landsize to 7,233 acres (or ~2,927 ha; see Fig. 2a-2b). Based on its own latest transacted price of MYR8.87psf, we estimate its entire Kulai land to be worth MYR2,795m (Fig. 2b).

Tanjung Kupang land is worth at least MYR523m

In 2014, KLK acquired the 500 acres Gerbang Nusajaya land (via a 60% equity stake in Scope Energy) in Tanjung Kupang for MYR871m or MYR40psf. KLK's 60%-stake in Scope Energy was effectively valued at MYR523m. After 10 years, its land value has surely exceeded MYR40psf.

FYE Sep (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	23,648	22,274	24,411	24,348	24,746
EBITDA	2,658	2,668	3,355	3,403	3,568
Core net profit	1,070	724	1,220	1,261	1,369
Core EPS (sen)	99.3	66.5	112.1	115.8	125.7
Core EPS growth (%)	(51.4)	(33.0)	68.6	3.3	8.5
Net DPS (sen)	60.0	33.2	56.0	57.9	62.8
Core P/E (x)	21.6	30.9	18.0	17.4	16.1
P/BV (x)	1.6	1.6	1.5	1.5	1.4
Net dividend yield (%)	2.8	1.6	2.8	2.9	3.1
ROAE (%)	6.0	4.4	8.7	8.6	9.0
ROAA (%)	3.5	2.4	4.0	4.0	4.3
EV/EBITDA (x)	12.2	12.3	9.6	9.2	8.5
Net gearing (%) (incl perps)	46.9	61.3	56.0	46.9	38.4
Consensus net profit	-	-	1,284	1,375	1,360
MIBG vs. Consensus (%)	-	-	(5.0)	(8.3)	0.7

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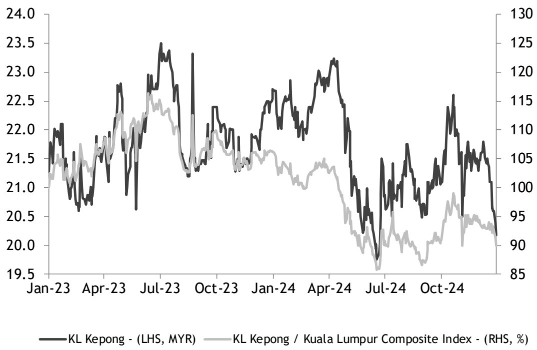
Company Description

KLK is an integrated palm oil operator. It has a property development arm to monetise estates that are prime for development.

Statistics

52w high/low (MYR)	23.24/19.76
3m avg turnover (USDm)	2.4
Free float (%)	34.6
Issued shares (m)	1,099
Market capitalisation	MYR22.2B
	USD5.0B
Major shareholders:	
Batu Kawan Bhd.	47.9%
Employees Provident Fund	15.6%
Permodalan Nasional Bhd.	3.4%

Price Performance

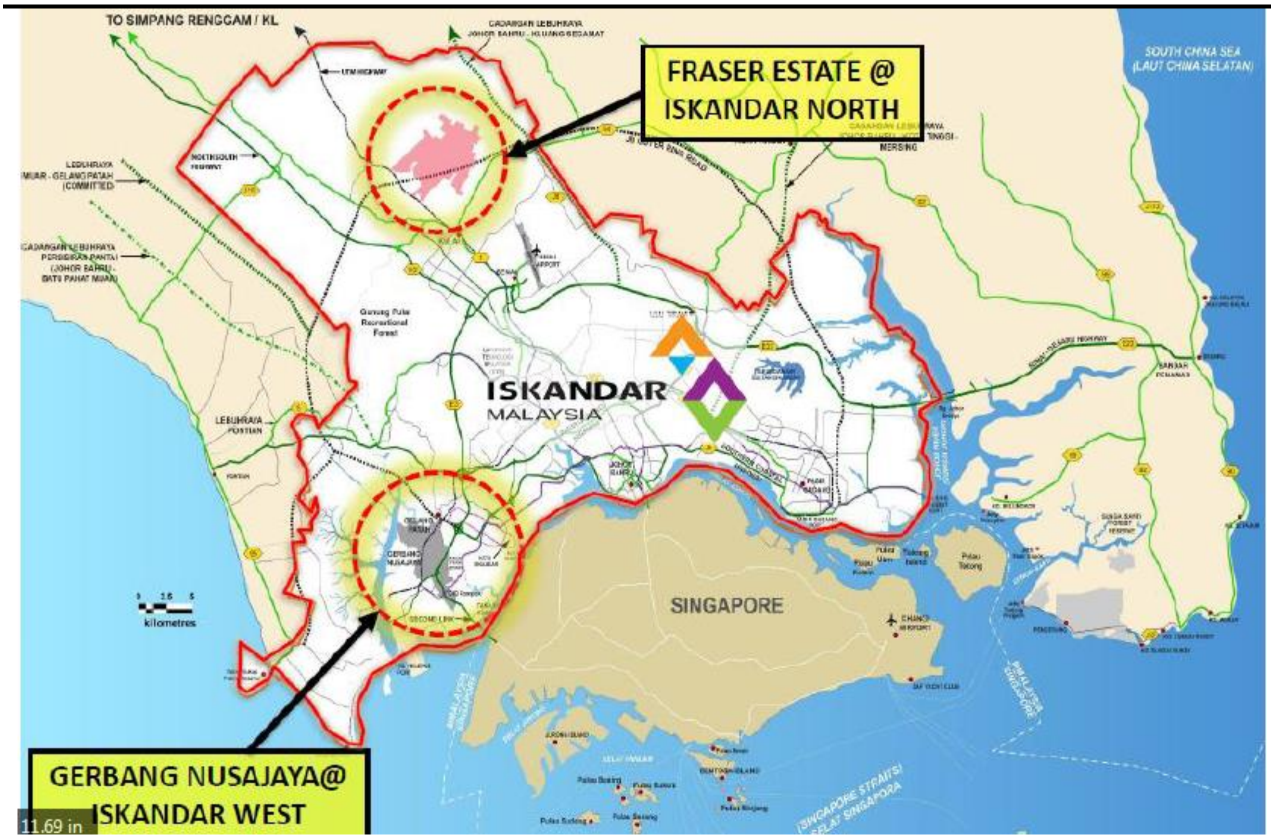


	-1M	-3M	-12M
Absolute (%)	(6)	(5)	(10)
Relative to index (%)	(5)	(0)	(15)

Source: FactSet

See related report -> *"JS-SEZ beneficiaries in Kulai District"* issued on 19 July 2024

Fig.1a: Location of KLK's two landbank in Iskandar, within the JS-SEZ region



Source: Company announcement in 2014

Fig.1b: A summary of the land swaps and partnerships signed with UEMS back in 2014

JV companies	JV structure	Land size (acres)	Land cost (MYRm)	Land cost (MYR psf)*	GDV (MYRm)	Remarks
Aura Muhibah S/B (Fraser Metropolis @ Iskandar North)	60 UEMS: 40 KLK	2,500 (land owner - KLK)	871.2	8.0	15,000 (over a period of 15 years)	- With an option to purchase another 500 acres from KLK (phase 2) and is also granted first right of refusal for another 2,000 acres (phase 3). - The land will be developed into residential, commercial and industrial properties at more affordable price tags, targeting the locals; the project is slated to be launched by 2017.
Scope Energy S/B (Gerbang Nusajaya @ Iskandar West)	40 UEMS: 60 KLK	500 (land owner - UEMS)	871.2	40.0	5,000 (over a period of 8 years)	- The land will be developed into residential and commercial properties; to be launched by 2017

* land costs were appraised by property valuer, DTZ Nawawi Tie Lung Property Consultants S/B

Source: Company announcement in 2014

Fig. 2a: KLK's land in Kulai, and its surrounding land owners

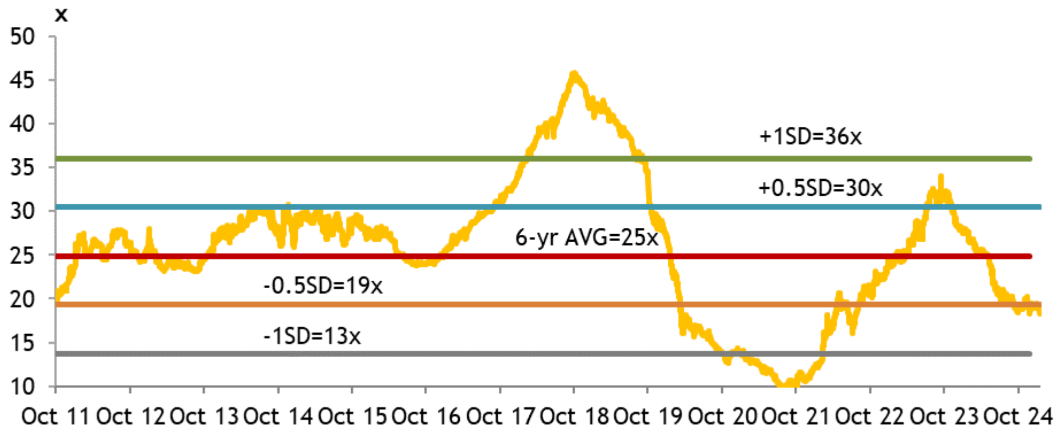
Source: SDG, Company, Maybank IBG Research [please note that the above highlighted areas are not drawn to scale]; TRX = Transactions

Fig. 2b: Selected listed plantation companies with landbank in Johor, and their estimated values

Denoted in Fig 2a as:	Company	Location	Tenure	Present use	Estimated remaining land in hectare (and in acre)	Estimated land value MYR psf	Estimated land value MYR 'm
I	SD Guthrie (SDG MK)	Kulai Estate, District of Kulai	Freehold	Oil Palm	~3,097 ha *(~7,654 ac)*	9.50	3,167
II	SD Guthrie (SDG MK)	Seri Pulai Estate, District of Kulai	Freehold	Oil Palm	~2,100 ha *(~5,190 ac)*	6.00	1,356
				Sub-total	~5,197 ha *(~12,842 ac)*	**8.09**	***4,523***
III	Kuala Lumpur Kepong (KLK MK)	Fraser Estate, District of Kulai	Freehold	Oil palm	~2,927 ha *(~7,233 ac, included 2,500 ac under Aura Muhibah)*	8.87	**2,795**
(see Fig 1a map)	Kuala Lumpur Kepong (KLK MK)	Gerbang Nusajaya, Tanjung Kupang	Freehold	Oil Palm	~203 ha *(~500 ac)*	40.0	871 *(60% equity = **523**)*
				Sub-total	~3,130 ha *(~7,733 ac)*		***3,318***
IV	Genting Plantation (GENP MK)	Kulai Besar Estate, District of Kulai	Freehold	Oil palm Property Development	2,427 ha *(~5,997 ac)* 109 ha *(~269 ac)*		
				Sub-total	~2,536 ha *(~6,266 ac)*	**12.73**	***3,475***
V	Johor Plantations (JPG MK)	Sedenak Estate, Mukim of Bukit Batu and Sedenak, District of Kulai	Freehold	Oil palm	~2,808 ha *(~6,938 ac)*	6.50	1,965

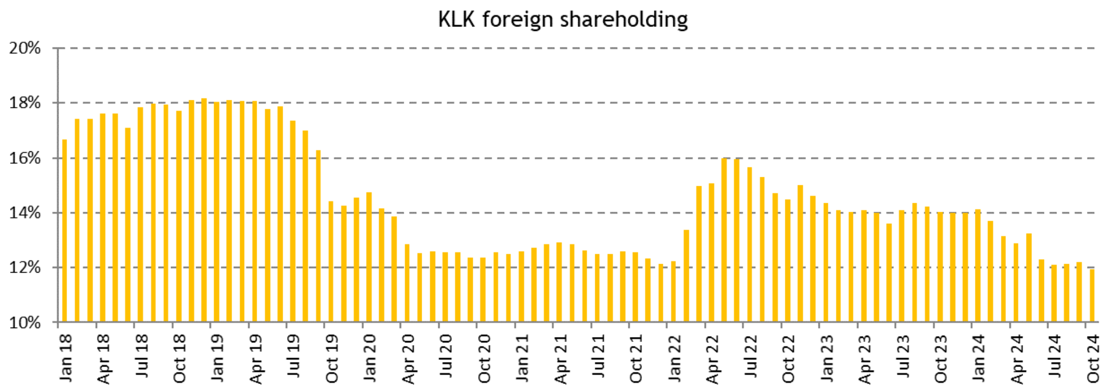
Source: Company, Maybank IBG

Fig. 3: KLK's 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig. 4: KLK's foreign shareholding



Source: Company

Risk statement

There are several risk factors for our earnings estimates, target price and rating for KLK. Key risks to the palm oil sector and KLK are: (i) weather anomalies resulting in poorer-than-expected output growth; (ii) lower-than-expected CPO price achieved; (iii) negative policies imposed by import countries; (iv) unfriendly policies imposed by the Malaysian and Indonesian governments on upstream or downstream segments; (v) sharply lower crude oil prices, which make palm biodiesel demand unviable; and (vi) weaker competing oil prices (like soybean and rapeseed).

FYE 30 Sep	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	27.4	38.4	18.0	17.4	16.1
Core P/E (x)	21.6	30.9	18.0	17.4	16.1
P/BV (x)	1.6	1.6	1.5	1.5	1.4
P/NTA (x)	1.7	1.7	1.6	1.5	1.4
Net dividend yield (%)	2.8	1.6	2.8	2.9	3.1
FCF yield (%)	0.4	nm	2.6	5.1	5.4
EV/EBITDA (x)	12.2	12.3	9.6	9.2	8.5
EV/EBIT (x)	19.2	19.2	14.0	13.5	12.5
INCOME STATEMENT (MYR m)					
Revenue	23,647.6	22,273.7	24,410.8	24,348.5	24,746.0
EBITDA	2,657.8	2,668.1	3,354.8	3,403.5	3,567.5
Depreciation	(966.2)	(959.9)	(1,046.2)	(1,087.8)	(1,129.3)
EBIT	1,691.6	1,708.2	2,308.5	2,315.7	2,438.2
Net interest income /(exp)	(326.2)	(373.6)	(393.1)	(379.2)	(340.6)
Associates & JV	(195.5)	(126.5)	(58.1)	(31.6)	(31.6)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Pretax profit	1,169.9	1,208.1	1,857.2	1,905.0	2,066.0
Income tax	(161.5)	(445.4)	(478.8)	(484.1)	(524.4)
Minorities	(156.4)	(147.2)	(158.0)	(159.8)	(173.0)
Reported net profit	852.0	615.6	1,220.4	1,261.1	1,368.6
Core net profit	1,070.4	724.0	1,220.4	1,261.1	1,368.6
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	2,499.9	2,391.6	2,517.3	3,358.3	4,215.0
Accounts receivable	3,682.9	3,226.5	3,536.1	3,527.1	3,584.6
Inventory	3,175.8	3,447.5	3,778.3	3,768.7	3,830.2
Property, Plant & Equip (net)	14,231.3	14,712.8	14,846.0	14,736.3	14,584.8
Intangible assets	404.6	411.8	403.6	395.5	387.6
Investment in Associates & JVs	2,354.9	2,385.1	2,327.0	2,295.4	2,263.8
Other assets	3,777.0	3,954.4	3,832.0	3,715.7	3,605.2
Total assets	**30,126.4**	**30,529.8**	**31,240.2**	**31,796.9**	**32,471.3**
ST interest bearing debt	2,917.4	4,806.0	4,565.7	4,337.4	4,120.6
Accounts payable	1,970.1	1,902.2	2,084.8	2,079.4	2,113.4
LT interest bearing debt	7,157.7	6,788.0	6,788.0	6,788.0	6,788.0
Other liabilities	1,937.0	2,027.0	2,027.0	2,027.0	2,027.0
Total Liabilities	**13,982.6**	**15,522.8**	**15,465.0**	**15,231.4**	**15,048.5**
Shareholders Equity	14,318.7	13,704.3	14,314.5	14,945.0	15,629.3
Minority Interest	1,825.0	1,302.6	1,460.7	1,620.4	1,793.5
Total shareholder equity	**16,143.8**	**15,006.9**	**15,775.1**	**16,565.4**	**17,422.8**
Total liabilities and equity	**30,126.4**	**30,529.8**	**31,240.2**	**31,796.9**	**32,471.3**
CASH FLOW (MYR m)					
Pretax profit	1,169.9	1,208.1	1,857.2	1,905.0	2,066.0
Depreciation & amortisation	966.2	959.9	1,046.2	1,087.8	1,129.3
Adj net interest (income)/exp	(404.4)	(515.7)	(476.9)	(467.3)	(458.2)
Change in working capital	400.1	(213.9)	(457.8)	13.3	(85.2)
Cash taxes paid	(644.4)	(398.9)	(478.8)	(484.1)	(524.4)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	1,682.9	1,165.9	1,548.1	2,086.3	2,159.2
Capex	(1,589.8)	(1,679.8)	(970.0)	(970.0)	(970.0)
Free cash flow	93.1	(513.9)	578.1	1,116.3	1,189.2
Dividends paid	(1,163.7)	(422.7)	(610.2)	(630.5)	(684.3)
Change in Debt	450.6	1,481.9	(240.3)	(228.3)	(216.9)
Other invest/financing cash flow	(10.3)	208.9	599.3	583.6	568.6
Net cash flow	(630.3)	754.3	326.9	841.0	856.7

FYE 30 Sep	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	(12.9)	(5.8)	9.6	(0.3)	1.6
EBITDA growth	(37.6)	0.4	25.7	1.5	4.8
EBIT growth	(49.2)	1.0	35.1	0.3	5.3
Pretax growth	(63.6)	3.3	53.7	2.6	8.5
Reported net profit growth	(60.6)	(27.7)	98.3	3.3	8.5
Core net profit growth	(51.4)	(32.4)	68.6	3.3	8.5
Profitability ratios (%)					
EBITDA margin	11.2	12.0	13.7	14.0	14.4
EBIT margin	7.2	7.7	9.5	9.5	9.9
Pretax profit margin	4.9	5.4	7.6	7.8	8.3
Payout ratio	75.9	58.8	50.0	50.0	50.0
DuPont analysis					
Net profit margin (%)	3.6	2.8	5.0	5.2	5.5
Revenue/Assets (x)	0.8	0.7	0.8	0.8	0.8
Assets/Equity (x)	2.1	2.2	2.2	2.1	2.1
ROAE (%)	6.0	4.4	8.7	8.6	9.0
ROAA (%)	3.5	2.4	4.0	4.0	4.3
Liquidity & Efficiency					
Cash conversion cycle	78.1	81.2	77.7	81.4	80.8
Days receivable outstanding	49.3	55.8	49.9	52.2	51.7
Days inventory outstanding	64.0	61.0	62.1	65.1	64.8
Days payables outstanding	35.2	35.7	34.3	35.9	35.8
Dividend cover (x)	1.3	1.7	2.0	2.0	2.0
Current ratio (x)	1.8	1.3	1.5	1.6	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.0	2.0	2.1	2.2
Net gearing (%) (incl perps)	46.9	61.3	56.0	46.9	38.4
Net gearing (%) (excl. perps)	46.9	61.3	56.0	46.9	38.4
Net interest cover (x)	5.2	4.6	5.9	6.1	7.2
Debt/EBITDA (x)	3.8	4.3	3.4	3.3	3.1
Capex/revenue (%)	6.7	7.5	4.0	4.0	3.9
Net debt/ (net cash)	7,575.2	9,202.4	8,836.4	7,767.1	6,693.6

Source: Company; Maybank IBG Research

Maybank Investment Bank

Shariah Compliant

Plantations

Malaysia

SD Guthrie (SDG MK)

A prime beneficiary of JS-SEZ

BUY

Share Price	MYR 4.89
12m Price Target	MYR 5.41 (+14%)
Previous Price Target	*MYR 5.41*

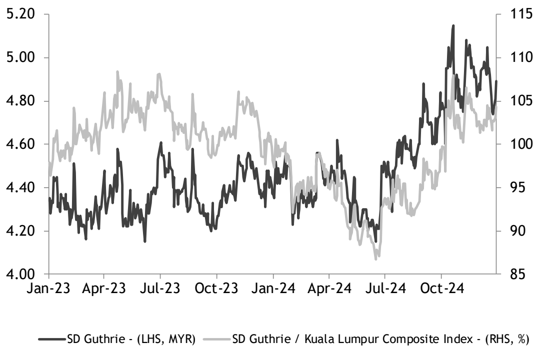
Company Description

SD Guthrie (formerly Sime Darby Plantation) is an integrated plantation company with the largest oil palm planted area, and largest CSPO producer.

Statistics

52w high/low (MYR)	5.15/4.15
3m avg turnover (USDm)	3.6
Free float (%)	48.0
Issued shares (m)	6,916
Market capitalisation	MYR33.8B
	USD7.6B
Major shareholders:	
Permodalan Nasional Berhad (total)	55.1%
EPF	15.2%
KWAP	6.6%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	3	10
Relative to index (%)	3	8	4

Source: FactSet

See related report -> *"JS-SEZ beneficiaries in Kulai District"* issued on 19 July 2024

Land monetisation with future development profits

We are seeing growing interest on Kulai's real estate and SDG, being the largest owner there, is a prime beneficiary. More importantly, its willingness to monestise land via outright sales or forming JV entities to build (green) industrial parks will help provide SDG with steady recurring development income while enhancing the remaining land's value over time. SDG remains a BUY with a TP of MYR5.41 on unchanged 0.55x RNAV.

Largest real estate owner in JS-SEZ

UEM Sunrise (UEMS MK, HOLD, TP: MYR1.05) was once the largest landowner in Iskandar region, but the top spot has been overtaken by SDG with its 12,842 acres (~5,197 ha; as at 31 Dec 2023) land located in the district of Kulai. Its land, presently planted with oil palm, is broadly split into two parcels (see Fig.1 & 1b). The parcel to the north is relatively more populated than the south. We value these Kulai estates at MYR4.5b.

Partnering AME Elite to build a green industrial park

On 4 Nov 2024, SDG signed a MoU with AME Elite (AME MK, Not Rated) to jointly develop a green industrial park on a 641-acres land located near to the Kulai toll plaza (see Fig.1b). AME is an integrated industrial property development, construction, engineering services and property management services provider, specialising in the development of industrial parks and the construction of large scale manufacturing plan. SDG targets to sign the JV agreement with AME by 2Q25.

More JVs and land disposals to come?

At SDG's 3Q24 results brief, we understand part of the MYR390m land disposal gain recognised during that quarter emanated from the sale of a 207 ha (or ~511 acres) land in Kulai for MYR15psf (estimated sales value = MYR334m). The exact location of the said land is unclear. Nonetheless, we believe there will be more of such land sales by SDG and/or potentially more JV developments (similar to AME) in the future in Kulai.

FYE Dec (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	21,030	18,428	20,272	20,811	21,416
EBITDA	4,661	3,191	4,013	4,095	4,239
Core net profit	2,180	875	1,559	1,640	1,714
Core EPS (sen)	31.5	12.7	22.5	23.7	24.8
Core EPS growth (%)	(8.5)	(59.8)	78.1	5.2	4.5
Net DPS (sen)	16.0	15.0	13.8	11.9	12.4
Core P/E (x)	14.8	35.2	21.7	20.6	19.7
P/BV (x)	2.0	1.7	1.8	1.7	1.7
Net dividend yield (%)	3.4	3.4	2.8	2.4	2.5
ROAE (%)	15.8	10.9	10.5	8.6	8.6
ROAA (%)	7.1	2.8	4.9	5.0	5.1
EV/EBITDA (x)	8.2	11.3	9.6	9.3	8.8
Net gearing (%) (incl perps)	29.7	23.0	20.7	16.7	12.5
Consensus net profit	-	-	1,432	1,575	1,615
MIBG vs. Consensus (%)	-	-	33.4	4.2	6.2

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Fig 1: Land owners near Sedenak and Kulai in the District of Kulai

Source: SDG, Company, Maybank IBG Research [please note that the above highlighted areas are not drawn to scale]; TRX = Transactions

[see Fig.1b for list of landowners with large tract of land in Kulai]

Fig 1a: SDG and AME Elite to jointly develop Green Industrial Park in JS-SEZ

Co-Development of Industrial Park and Solar Energy

MOU signed with AME on 4 November for 641 acres of prime land in SD Guthrie's Kulai estate in Johor.

The park will include a dedicated solar park and cater to industries such as:
- Logistics
- Advanced manufacturing
- Clean technologies.

Strategic Rationale

Strategically located near Senai International Airport and key ports.

The site's connectivity via the North-South Highway provides logistical benefits to potential investors.

Surrounding developments namely i-Park@Senai Airport City and i-Park@Indahpura have high take-up rates, underscoring the potential for robust development.

Source: Company

Fig 1b: Listed plantation companies with landbank in Kulai District, Johor, and their estimated values

Denoted by	Company	Location	Tenure	Present use	Estimated remaining land in hectare (and in acre)	Estimated land value MYR psf	Estimated land value MYR 'm
I	SD Guthrie (SDG MK)	Kulai Estate, District of Kulai	Freehold	Oil Palm	~3,097 ha *(~7,654 ac)*	9.50	3,167
II	SD Guthrie (SDG MK)	Seri Pulai Estate, District of Kulai	Freehold	Oil Palm	~2,100 ha *(~5,190 ac)*	6.00	1,356
				Sub-total	~5,197 ha *(~12,842 ac)*	**8.09**	***4,523***
III	Kuala Lumpur Kepong (KLK MK)	Fraser Estate, District of Kulai	Freehold	Oil palm	~2,927 ha *(~7,233 ac, included 2,500 ac under Aura Muhibah)*	8.87	2,795
IV	Genting Plantation (GENP MK)	Kulai Besar Estate, District of Kulai	Freehold	Oil palm Property Development	2,427 ha *(~5,997 ac)* 109 ha *(~269 ac)*		
				Sub-total	~2,536 ha *(~6,266 ac)*	**12.73**	***3,475***
V	Johor Plantations (JPG MK)	Sedenak Estate, Mukim of Bukit Batu and Sedenak, District of Kulai	Freehold	Oil palm	~2,808 ha *(~6,938 ac)*	6.50	1,965

Source: Company, Maybank IBG

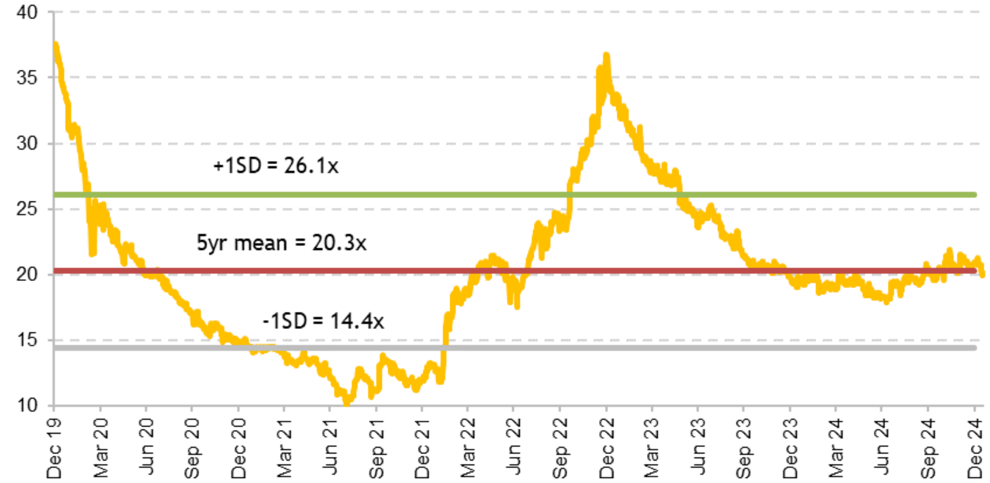
Fig 2: SDG - Revised Net Asset Value (RNAV)

FYE Dec	Status	Size Hectare	Estimated Mkt price MYR psf	Estimated Mkt Value MYR 'm	Remarks MYR per hectare (equivalent)
Selangor	Freehold	35,140*	5.00	18,904	537,966
Malacca	Freehold	14,724*	2.00	3,168	215,186
Negeri Sembilan	Freehold	36,019*	2.00	7,751	215,186
Johor	Freehold	54,207*	1.50	8,748	161,390
Pahang	Freehold	9,315*	1.00	1,002	107,593
Perak	Freehold	36,690*	1.50	5,921	161,390
Kedah	Freehold	18,741*	1.00	2,016	107,593
Value of estates with property development potential		204,836*		**47,512**	
	**** Adj EBIT FY12/25**	**Adj EBIT less tax**	**Target multiple**		
Plantation (MYR 'm)	1,424	1,083	20x	21,652	
Downstream (MYR 'm)	603	459	12x	5,503	
Associate/ JV company (BV)				472	
Cash				896	As at 31 Dec 2024
Debt				(5,317)	As at 31 Dec 2024
Perpetual Sukuk				(2,231)	As at 31 Dec 2024
Minority Interest				(452)	As at 31 Dec 2024
Total RNAV (MYR 'm)				**68,034**	
No of shares ('m)				6,916	
RNAV per share				**9.84**	
At 0.55x RNAV				**5.41**	

*Source: Company, Maybank IBG Research; *Freehold land per annual report*

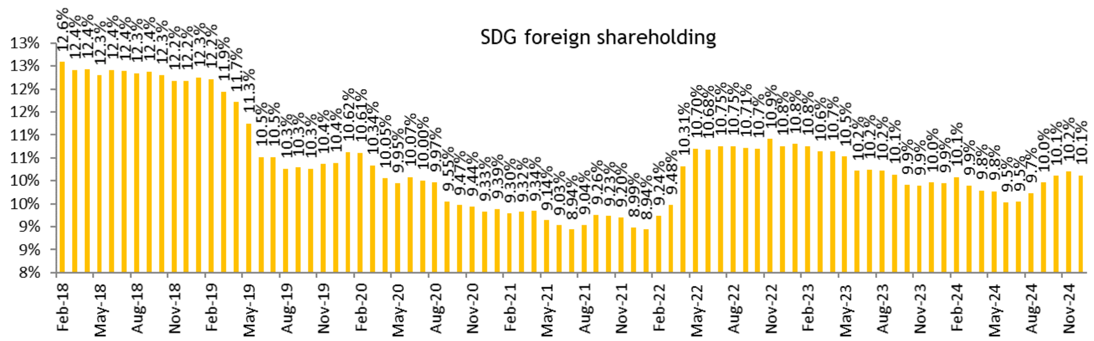
*** Annualised and adjusted to exclude EBIT of estates with property development potential to avoid double counting*

Fig 3: SDG's 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig 4: SDG's foreign shareholding



Source: Company

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for SD Guthrie (formerly known as Sime Darby Plantation). Key risks to the palm oil sector and SDG are: (i) weather anomalies resulting in poorer-than-expected output growth; (ii) lower-than-expected CPO price achieved; (iii) negative policies imposed by import countries; (iv) unfriendly policies imposed by the Malaysian, Indonesian, Papua New Guinea (PNG) and EU governments on upstream or downstream segments; (v) sharply lower crude oil prices which makes palm biodiesel demand not viable; and (vi) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	12.5	16.2	17.7	20.6	19.7
Core P/E (x)	14.8	35.2	21.7	20.6	19.7
P/BV (x)	2.0	1.7	1.8	1.7	1.7
P/NTA (x)	2.4	2.1	2.2	2.1	2.0
Net dividend yield (%)	3.4	3.4	2.8	2.4	2.5
FCF yield (%)	5.9	3.1	4.5	5.4	5.8
EV/EBITDA (x)	8.2	11.3	9.6	9.3	8.8
EV/EBIT (x)	11.6	20.4	15.2	14.8	14.0
INCOME STATEMENT (MYR m)					
Revenue	21,030.0	18,428.0	20,271.9	20,811.4	21,416.3
EBITDA	4,660.5	3,191.0	4,013.4	4,095.5	4,239.1
Depreciation	(1,372.5)	(1,431.0)	(1,463.7)	(1,527.1)	(1,590.6)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	3,288.0	1,760.0	2,549.7	2,568.3	2,648.5
Net interest income /(exp)	(123.0)	(175.0)	(136.0)	(127.6)	(103.2)
Associates & JV	52.0	40.0	4.0	34.0	34.0
Exceptionals	275.0	1,127.0	390.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	3,492.0	2,752.0	2,807.7	2,474.8	2,579.3
Income tax	(809.0)	(719.0)	(700.0)	(646.8)	(674.5)
Minorities	(71.0)	(49.0)	(73.3)	(63.5)	(66.2)
Perpetual securities	(124.0)	(124.0)	(124.3)	(124.3)	(124.3)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,488.0	1,860.0	1,910.2	1,640.1	1,714.3
Core net profit	2,180.1	875.4	1,559.2	1,640.1	1,714.3
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	635.0	830.0	896.4	1,402.3	2,025.0
Accounts receivable	1,942.5	1,459.9	1,943.9	1,995.6	2,053.6
Inventory	2,778.0	2,664.0	2,399.9	2,506.3	2,574.4
Property, Plant & Equip (net)	17,800.0	19,145.0	19,371.3	19,354.2	19,273.6
Intangible assets	2,947.0	3,055.0	3,055.0	3,055.0	3,055.0
Investment in Associates & JVs	425.0	468.0	472.0	506.0	540.0
Other assets	4,619.5	4,265.1	4,270.1	4,270.1	4,270.1
Total assets	**31,147.0**	**31,887.0**	**32,408.5**	**33,089.5**	**33,791.6**
ST interest bearing debt	2,499.0	1,741.0	1,541.0	1,341.0	1,141.0
Accounts payable	1,098.8	1,004.6	1,157.7	1,209.1	1,241.9
LT interest bearing debt	3,780.0	3,776.0	3,776.0	3,776.0	3,776.0
Other liabilities	4,753.0	4,958.0	4,552.0	4,552.0	4,552.0
Total Liabilities	**12,131.0**	**11,480.0**	**11,027.2**	**10,878.5**	**10,711.4**
Shareholders Equity	16,367.0	17,743.0	18,698.1	19,518.2	20,375.3
Minority Interest	418.0	433.0	452.3	461.8	474.0
Total shareholder equity	**16,785.0**	**18,176.0**	**19,150.3**	**19,979.9**	**20,849.3**
Perpetual securities	2,231.0	2,231.0	2,231.0	2,231.0	2,231.0
Total liabilities and equity	**31,147.0**	**31,887.0**	**32,408.5**	**33,089.5**	**33,791.6**
CASH FLOW (MYR m)					
Pretax profit	3,492.0	2,752.0	2,807.7	2,474.8	2,579.3
Depreciation & amortisation	1,372.5	1,431.0	1,463.7	1,527.1	1,590.6
Adj net interest (income)/exp	123.0	175.0	136.0	127.6	103.2
Change in working capital	310.0	731.0	(477.7)	(106.8)	(93.2)
Cash taxes paid	(1,281.0)	(1,010.0)	(700.0)	(646.8)	(674.5)
Other operating cash flow	(334.5)	(959.0)	0.0	0.0	0.0
Cash flow from operations	3,640.0	3,088.0	3,225.8	3,341.9	3,471.4
Capex	(1,742.0)	(2,130.0)	(1,690.0)	(1,510.0)	(1,510.0)
Free cash flow	1,898.0	958.0	1,535.8	1,831.9	1,961.4
Dividends paid	(1,630.0)	(697.0)	(1,009.1)	(874.1)	(911.2)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(431.0)	(1,029.0)	(200.0)	(200.0)	(200.0)
Perpetual securities distribution	(124.0)	(124.0)	(124.3)	(124.3)	(124.3)
Other invest/financing cash flow	240.0	1,093.0	(136.0)	(127.6)	(103.2)
Effect of exch rate changes	28.0	(6.0)	0.0	0.0	0.0
Net cash flow	(47.0)	201.0	66.4	505.9	622.7

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	12.5	(12.4)	10.0	2.7	2.9
EBITDA growth	(8.0)	(31.5)	25.8	2.0	3.5
EBIT growth	(12.0)	(46.5)	44.9	0.7	3.1
Pretax growth	(3.1)	(21.2)	2.0	(11.9)	4.2
Reported net profit growth	10.2	(25.2)	2.7	(14.1)	4.5
Core net profit growth	(8.5)	(59.8)	78.1	5.2	4.5
Profitability ratios (%)					
EBITDA margin	22.2	17.3	19.8	19.7	19.8
EBIT margin	15.6	9.6	12.6	12.3	12.4
Pretax profit margin	16.6	14.9	13.9	11.9	12.0
Payout ratio	44.6	55.8	50.0	50.0	50.0
DuPont analysis					
Net profit margin (%)	11.8	10.1	9.4	7.9	8.0
Revenue/Assets (x)	0.7	0.6	0.6	0.6	0.6
Assets/Equity (x)	1.9	1.8	1.7	1.7	1.7
ROAE (%)	15.8	10.9	10.5	8.6	8.6
ROAA (%)	7.1	2.8	4.9	5.0	5.1
Liquidity & Efficiency					
Cash conversion cycle	86.1	84.5	79.7	75.5	75.8
Days receivable outstanding	33.7	33.2	30.2	34.1	34.0
Days inventory outstanding	84.7	83.5	86.3	80.0	80.7
Days payables outstanding	32.2	32.3	36.8	38.6	38.9
Dividend cover (x)	2.2	1.8	2.0	2.0	2.0
Current ratio (x)	1.4	1.3	1.5	1.7	2.0
Leverage & Expense Analysis					
Asset/Liability (x)	2.6	2.8	2.9	3.0	3.2
Net gearing (%) (incl perps)	29.7	23.0	20.7	16.7	12.5
Net gearing (%) (excl. perps)	33.6	25.8	23.1	18.6	13.9
Net interest cover (x)	26.7	10.1	18.7	20.1	25.7
Debt/EBITDA (x)	1.3	1.7	1.3	1.2	1.2
Capex/revenue (%)	8.3	11.6	8.3	7.3	7.1
Net debt/ (net cash)	5,644.0	4,687.0	4,420.6	3,714.7	2,892.0

Source: Company; Maybank IBG Research

January 22, 2025

Maybank Investment Bank

YTL Power (YTLP MK)

Data centre visit

BUY

Share Price	MYR 4.02
12m Price Target	MYR 4.70 (+19%)
Previous Price Target	*MYR 4.70*

Commendable construction progress

A visit to YTLP's Kulai site on 3 Dec reaffirms the commendable progress achieved thus far with regards to data centre construction. We continue to view YTLP's risk-reward favourably. Reiterate BUY with an unchanged SOP-based TP of MYR4.70. Potential re-rating catalysts include 1) affirmation of Wessex's recovery over the medium-term, and 2) positive progress on its AI compute business.

Phase 1 is operational

The Johor Data Center Park is located in Kulai on a 664ha of land previously acquired from Boustead. The entire park has a planned IT load of >400MW, spread over 6 phases. There are plans for an on-site solar farm. The first phase, Johor Data Center 1 (JDC 1) with a prevailing IT load of 48MW for co-location (expandable to 72MW), has already been operational since May 2024, with an anchor tenant taking up 32MW.

Subsequent phases under construction

Meanwhile, phase 2 (JDC 2) with a planned IT load of 20MW + 80MW to house AI servers, is currently being constructed, with the initial 20MW ready for handover to sister company YTL AI Cloud (which will offer AI compute services). As highlighted in YTLP's recent results call, delivery timelines of Nvidia's AI GPUs are still being negotiated. Separately, phase 3 (JDC 3) with a planned IT load of 40MW (committed hyperscale customer) + 40MW for colocation, is also being constructed. The team has not yet begun work on the solar farm.

Maintaining forecasts

For FY25E, we continue to expect further Wessex recovery to offset PowerSeraya tapering. Our earnings forecasts and MYR4.70 TP for YTLP (based on a sum-of-parts, with the operating entities each valued by DCF) are unchanged, with data centre / AI accounting for MYR0.47/share (12% IRR on MYR15b capex). We note that data centres typically require 2-3 years to be net profit accretive. Meanwhile, AI compute would realistically only begin contributing to revenue earliest in FY26E, in our view.

FYE Jun (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	21,893	22,321	21,995	22,463	22,677
EBITDA	4,847	6,604	6,171	6,306	6,145
Core net profit	1,918	3,180	3,019	3,076	2,808
Core EPS (sen)	23.7	39.2	36.8	37.5	34.3
Core EPS growth (%)	nm	65.6	(6.0)	1.9	(8.7)
Net DPS (sen)	6.0	7.0	7.0	7.0	7.0
Core P/E (x)	5.5	12.3	10.9	10.7	11.7
P/BV (x)	0.6	2.0	1.5	1.3	1.2
Net dividend yield (%)	4.6	1.5	1.7	1.7	1.7
ROAE (%)	13.0	18.8	14.2	12.9	10.7
ROAA (%)	3.5	5.1	4.4	4.3	3.7
EV/EBITDA (x)	6.6	9.5	9.1	8.9	9.1
Net gearing (%) (incl perps)	129.1	117.1	103.1	92.2	84.4
Consensus net profit	-	-	2,952	3,071	3,396
MIBG vs. Consensus (%)	-	-	2.3	0.1	(17.3)

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Company Description

YTL Power owns a portfolio of utility concessions (both operational and developmental) in six countries.

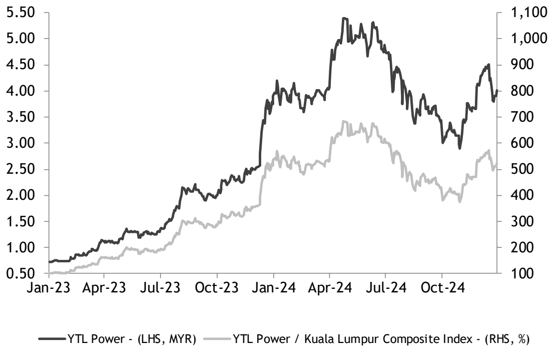
Statistics

52w high/low (MYR)	5.39/2.90
3m avg turnover (USDm)	14.1
Free float (%)	27.3
Issued shares (m)	8,261
Market capitalisation	MYR33.2B
	USD7.4B

Major shareholders:

YTL Corp Bhd.	54.5%
Yeoh Tiong Lay & Sons Holdings Sdn. Bhd.	9.8%
Employees Provident Fund	3.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(3)	17	11
Relative to index (%)	(2)	23	5

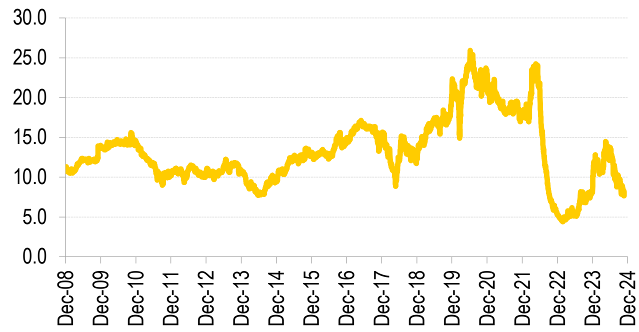
Source: FactSet

Target price derivation

(MYR m)	Equity Value	Stake	Attri. value	per share	%
Power Seraya	18,435	100%	18,435	2.25	48%
Wessex	11,958	100%	11,958	1.46	31%
Mobile	155	60%	93	0.01	0%
Jawa Power	5,088	20%	1,018	0.12	3%
Data Centre	5,440	70%	3,808	0.46	10%
Attarat Power	8,193	45%	3,687	0.45	10%
Residual net cash			-488	-0.06	-1%
Total equity value			**38,511**	**4.70**	**100%**

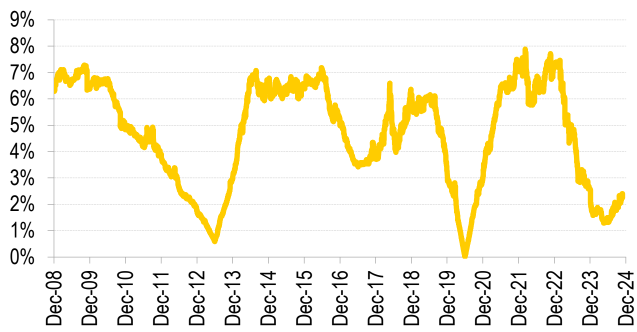
Source: Maybank IBG Research

Trailing PER



Source: Bloomberg, Maybank IBG Research

Trailing net yield



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, target price, and rating for YTL Power. Changes to regulatory parameters, such as the rate of return, have direct impact on profitability, while plant outages could also pose a risk to earnings. With most of the plants being situated outside Malaysia, YTL Power is also exposed to currency risk.

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	3.3	7.2	10.9	10.7	11.7
Core P/E (x)	5.5	12.3	10.9	10.7	11.7
P/BV (x)	0.6	2.0	1.5	1.3	1.2
P/NTA (x)	1.4	3.9	2.6	2.2	1.9
Net dividend yield (%)	4.6	1.5	1.7	1.7	1.7
FCF yield (%)	21.2	5.9	6.3	5.7	5.6
EV/EBITDA (x)	6.6	9.5	9.1	8.9	9.1
EV/EBIT (x)	9.0	11.8	11.7	11.6	12.3
INCOME STATEMENT (MYR m)					
Revenue	21,892.5	22,320.5	21,995.4	22,462.8	22,676.9
EBITDA	4,846.8	6,604.1	6,171.3	6,305.6	6,145.3
Depreciation	(1,282.9)	(1,294.7)	(1,377.7)	(1,485.5)	(1,588.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	3,563.9	5,309.4	4,793.5	4,820.1	4,556.3
Net interest income /(exp)	(1,553.1)	(1,743.7)	(1,411.2)	(1,351.4)	(1,395.4)
Associates & JV	328.3	264.8	357.3	362.2	367.1
Exceptionals	104.1	284.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	2,443.2	4,114.6	3,739.6	3,830.8	3,528.0
Income tax	(416.8)	(604.3)	(680.5)	(694.4)	(639.2)
Minorities	(4.4)	(46.2)	(40.5)	(60.8)	(80.6)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	2,022.0	3,464.1	3,018.5	3,075.6	2,808.1
Core net profit	1,917.9	3,180.1	3,018.5	3,075.6	2,808.1
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	10,235.6	9,913.6	11,211.6	12,348.7	13,435.0
Accounts receivable	7,061.9	8,178.0	7,894.2	7,938.9	7,890.3
Inventory	593.2	988.5	990.3	1,015.9	1,044.2
Property, Plant & Equip (net)	29,528.2	33,160.3	35,635.4	38,100.2	40,461.6
Intangible assets	9,416.9	10,083.1	10,083.1	10,083.1	10,083.1
Investment in Associates & JVs	1,961.2	2,470.3	2,487.9	2,508.9	2,533.5
Other assets	294.2	1,959.0	1,959.0	1,959.0	1,959.0
Total assets	**59,091.2**	**66,752.6**	**70,261.5**	**73,954.6**	**77,406.7**
ST interest bearing debt	3,173.4	2,678.9	2,678.9	2,678.9	2,678.9
Accounts payable	6,311.6	7,566.7	7,562.6	7,665.1	7,783.9
LT interest bearing debt	28,712.8	30,774.0	31,774.0	32,774.0	33,774.0
Other liabilities	4,122.0	5,630.0	5,698.0	5,787.0	5,886.0
Total Liabilities	**42,319.5**	**46,649.7**	**47,713.7**	**48,904.9**	**50,122.6**
Shareholders Equity	16,771.6	20,103.0	22,547.8	25,049.7	27,284.2
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	**16,771.6**	**20,103.0**	**22,547.8**	**25,049.7**	**27,284.2**
Total liabilities and equity	**59,091.2**	**66,752.6**	**70,261.5**	**73,954.6**	**77,406.7**
CASH FLOW (MYR m)					
Pretax profit	2,443.2	4,114.6	3,739.6	3,830.8	3,528.0
Depreciation & amortisation	1,282.9	1,294.7	1,377.7	1,485.5	1,588.9
Adj net interest (income)/exp	1,553.1	1,743.7	1,411.2	1,351.4	1,395.4
Change in working capital	(207.3)	(780.9)	277.8	32.3	139.0
Cash taxes paid	(70.6)	(343.0)	(507.3)	(520.3)	(474.1)
Other operating cash flow	(497.5)	(375.2)	(357.3)	(362.2)	(367.1)
Cash flow from operations	4,503.8	5,653.9	5,941.8	5,817.6	5,810.2
Capex	(2,266.2)	(3,339.1)	(3,852.8)	(3,950.3)	(3,950.3)
Free cash flow	2,237.6	2,314.7	2,088.9	1,867.3	1,859.8
Dividends paid	(405.1)	(529.4)	(573.7)	(573.7)	(573.7)
Equity raised / (purchased)	(0.0)	53.3	0.0	0.0	0.0
Change in Debt	1,061.0	(954.0)	1,000.0	1,000.0	1,000.0
Other invest/financing cash flow	(1,067.7)	(1,713.0)	(1,217.1)	(1,156.5)	(1,199.7)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,825.8	(828.3)	1,298.1	1,137.1	1,086.4

FYE 30 Jun	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	23.0	2.0	(1.5)	2.1	1.0
EBITDA growth	138.4	36.3	(6.6)	2.2	(2.5)
EBIT growth	351.8	49.0	(9.7)	0.6	(5.5)
Pretax growth	75.0	68.4	(9.1)	2.4	(7.9)
Reported net profit growth	60.8	71.3	(12.9)	1.9	(8.7)
Core net profit growth	nm	65.8	(5.1)	1.9	(8.7)
Profitability ratios (%)					
EBITDA margin	22.1	29.6	28.1	28.1	27.1
EBIT margin	16.3	23.8	21.8	21.5	20.1
Pretax profit margin	11.2	18.4	17.0	17.1	15.6
Payout ratio	24.0	16.4	19.0	18.7	20.4
DuPont analysis					
Net profit margin (%)	9.2	15.5	13.7	13.7	12.4
Revenue/Assets (x)	0.4	0.3	0.3	0.3	0.3
Assets/Equity (x)	3.5	3.3	3.1	3.0	2.8
ROAE (%)	13.0	18.8	14.2	12.9	10.7
ROAA (%)	3.5	5.1	4.4	4.3	3.7
Liquidity & Efficiency					
Cash conversion cycle	1.4	(13.4)	(12.5)	(14.3)	(13.5)
Days receivable outstanding	107.0	122.9	131.5	126.9	125.6
Days inventory outstanding	11.0	17.5	21.7	21.4	21.4
Days payables outstanding	116.5	153.9	165.7	162.6	160.5
Dividend cover (x)	4.2	6.1	5.3	5.4	4.9
Current ratio (x)	1.8	1.7	1.8	1.9	2.0
Leverage & Expense Analysis					
Asset/Liability (x)	1.4	1.4	1.5	1.5	1.5
Net gearing (%) (incl perps)	129.1	117.1	103.1	92.2	84.4
Net gearing (%) (excl. perps)	129.1	117.1	103.1	92.2	84.4
Net interest cover (x)	2.3	3.0	3.4	3.6	3.3
Debt/EBITDA (x)	6.6	5.1	5.6	5.6	5.9
Capex/revenue (%)	10.4	15.0	17.5	17.6	17.4
Net debt/ (net cash)	21,650.6	23,539.4	23,241.4	23,104.3	23,017.9

Source: Company; Maybank IBG Research

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