

Prolintas Infra Business Trust (PLINTAS MK)

A ride on Klang Valley's expanding traffic volume

Initiate coverage with a BUY and MYR1.13 TP

Prolintas Infra Business Trust (PIBT) is an Islamic business trust that has four major intra-urban toll highway assets in its portfolio, with a combined market share of 15.7% (by traffic volume) in the Klang Valley in 2021. The Trust Group offers an exposure to expanding traffic volume amid rising economic activities and urbanisation. At the same time, it also offers sustainable and regular distribution to unitholders. We initiate coverage on the Trust Group with a BUY recommendation and a MYR1.13 TP.

Cashflow generating assets

Having restructured its concession terms with the Government in Oct 2022, PIBT's three toll highways will see higher toll rates in 2033 and 2043 (the other highway will not see any rate hike). We forecast a net profit of MYR11m in FY24E for PIBT, and MYR12m in FY25E, after an estd. headline net loss of MYR276m in FY23E. Due to its business trust set-up, PIBT can give dividends out of distributable income (without being constrained by accounting profits), and for FY24E, it plans to distribute MYR70m (6.4sen/unit). We expect distribution to grow over time.

Acquisitions another growth driver

The Trustee-Manager (Prolintas Managers Sdn Bhd) does not rule out future toll highway acquisitions, both domestically and abroad. Major unitholder, Projek Lintasan Kota Holdings Sdn Bhd (PLKH), now manages and operates the Damansara-Shah Alam Elevated Highway (DASH) and Sungai Besi-Ulu Kelang Elevated Expressway (SUKU), which commenced operations in Oct 2022 and Sep 2022 respectively. PIBT has the right of first refusal over future acquisition of highway assets from PLKH.

Equity value of MYR1.24b

We estimate PIBT's equity value to be MYR1.24b, thus a TP of MYR1.13. As PIBT's business model derives fairly predictable cash flows, we favour the discounted cash flow (DCF) methodology to derive its equity value. We discount PIBT's future cash flows at the consolidated equity cash flow level (after debt servicing/repayment), using an estd. cost of equity of 11.2%.

FYE Dec (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	384	309	312	324	335
EBITDA	269	201	209	220	228
Core net profit	(11)	(152)	11	12	13
Core EPS (sen)	(1.0)	(13.8)	1.0	1.1	1.2
Core EPS growth (%)	nm	nm	nm	15.6	6.3
Net DPS (sen)	0.0	0.0	6.4	6.4	6.4
Core P/E (x)	na	na	95.0	82.2	77.3
P/BV (x)	na	na	1.7	1.9	2.1
Net dividend yield (%)	na	na	7.0	7.0	7.0
ROAE (%)	(3.8)	(59.6)	1.7	2.2	2.6
ROAA (%)	(0.3)	(4.4)	0.3	0.3	0.3
EV/EBITDA (x)	8.6	14.5	14.1	13.8	13.8
Net gearing (%) (incl perps)	548.1	293.9	327.8	382.8	449.7
Consensus net profit	-	-	14	27	28
MIBG vs. Consensus (%)	-	-	(26.3)	(54.9)	(54.2)

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BUY

Share Price MYR 0.91
12m Price Target MYR 1.13 (+31%)

Company Description

PIBT is a business trust with four urban toll highway assets - AKLEH, GCE, LKSA, SILK - in its portfolio.

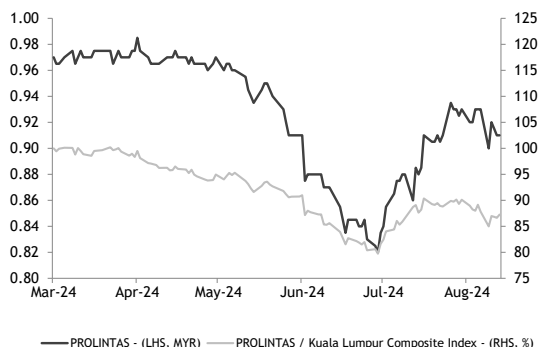
Statistics

52w high/low (MYR)	na/na
3m avg turnover (USDm)	0.3
Free float (%)	37.3
Issued shares (m)	1,100
Market capitalisation	MYR1.0B USD231M

Major shareholders:

Projek Lintasan Kota Holdings Sdn. Bhd.	51.0%
Urusharta Jamaah Sdn. Bhd.	5.8%
Employees Provident Fund	5.7%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	(3)	na
Relative to index (%)	(2)	(5)	na

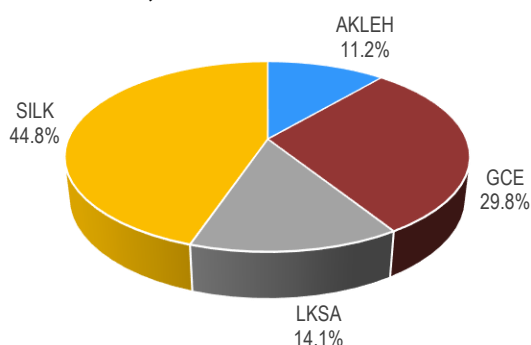
Source: FactSet

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Value Proposition

- PIBT provides exposure to an Islamic business trust that has four major toll highway assets in its portfolio - AKLEH, GCE, LKSA, SILK - all of which are located in the Klang Valley.
- PIBT's toll assets have an average remaining concession period of 31 years as at 1 Sep 2024. As such, there is long-term visibility on future toll revenues and cash flows, which translates into sustainable distribution for unitholders.
- SILK is the largest contributor to total toll collection at 45% in FY23, followed by GCE (30%), LKSA (14%) and AKLEH (11%).

PIBT's toll collection, FY23

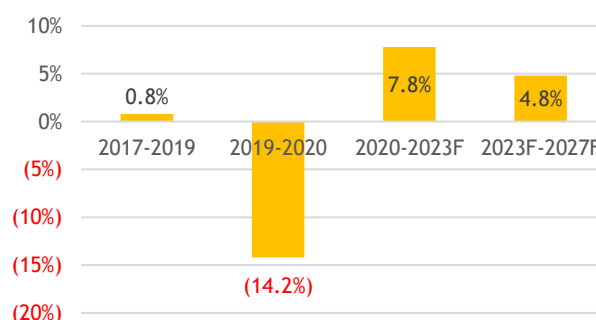


Source: PIBT

Market share & traffic

- In comparing the 19 Klang Valley urban toll highways that were in operation as at end-2021, *Frost & Sullivan's* Independent Market Research (IMR) Report dated 19 Sep 2023 noted that the total market size, based on revenue of these concessionaires, was MYR2.3b in 2021. PIBT's market share was estimated to be 14.9% (by revenue), and 15.7% (by traffic volume) during that year.
- Frost & Sullivan's* IMR Report projects traffic volume along urban highways in the Klang Valley to grow at a 4-year (2023E-2027E) CAGR of 4.8%, while revenue is expected to expand at a similar 4-year CAGR of 4.8%. The latter compares against a 3-year CAGR of 7.8% in 2020-2023E and a 14.2% contraction in 2019-2020.

Revenue CAGR trends for urban highways in Klang Valley

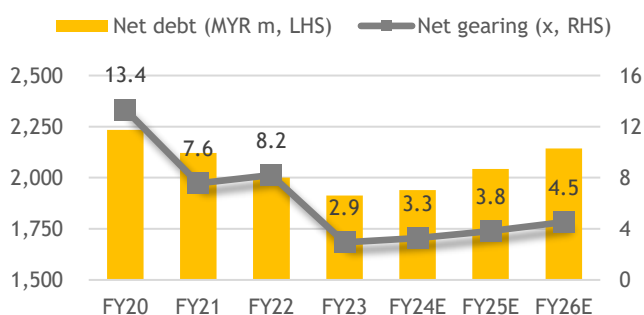


Source: Frost & Sullivan's IMR Report, Sep 2023

Financial Metrics

- We forecast a net profit of MYR11m in FY24E, MYR12m in FY25E and MYR13m in FY26E, after an estd. headline loss (after tax) of MYR276m in FY23E and MYR152m excluding MYR124m in impairment loss on HDE in FY23E. This assumes 3.6% p.a. traffic growth in FY24E-FY26E (FY23: 5.8%).
- Based on our estimates, PIBT will remain in net debt in FY24-26E. We forecast a net gearing of 3.3x at end-FY24E (2.9x end-FY23E), rising to 4.5x end-FY26E as it draws down on Tawarruq financing 2 for committed capex (estd. MYR420m).
- PIBT's Trustee-Manager intends to distribute at least 90% of PIBT's distributable income on a semi-annual basis. For FY24E, the intention is to distribute MYR70m (6.4sen/unit).

Net debt & net gearing



Source: Company

Swing Factors

Upside

- Better-than-expected economic conditions, population growth and increased urbanisation trends that lead to higher motor vehicle ownership and usage in Klang Valley.
- The building of more and bigger townships and greater interconnectivity that contribute to increased traffic flows into the concession highways.
- Improved cost efficiencies and better-than-expected traffic flows, that contribute to higher revenues and cash flows, therefore higher distribution payout opportunities.

Downside

- Early termination of the concessions if the Concession Companies fail to meet their obligations in accordance with the terms of the Concession Agreements.
- Downward revisions to toll rates or increased frequencies of discounts on toll rates. While there are compensation clauses, there could be disruptions to cash flows due to the timing of such compensations.
- Fluctuation in interest rates that could lead to increased borrowing costs and/or increased maintenance costs from factors such as rising raw material prices.

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Risk Rating & Score ¹	NA
Score Momentum ²	NA
Last Updated	NA
Controversy Score ³	NA

Business Model & Industry Issues

- With PIBT established only on 11 Dec 2023, our review of its ESG risks (including its 4 toll highways) is referenced from major unitholder, Project Lintasan Kota Holdings Sdn Bhd (PLKH)'s Sustainability Report 2023 which also covers 2 other highways - DASH and SUKE.
- Overall, the PLKH Group of Companies' sustainability principles align with the Economic, Environmental, Social and Governance pillars to meet the objectives set out. Its five sustainability focus areas are: 1) advancing road safety & promoting road user wellbeing, 2) people & industrial development, 3) net-zero transition strategy, 4) sustainable supply chain, 5) responsible resource management.
- Relating to Environmental, the objective is to achieve a 30% reduction in Scope 1 & 2 emissions by 2030 (vs. 2019 baseline) in line with the GHG Protocol Framework. Relating to Governance, the Group has established policies, codes and guidelines on ethic & integrity.
- Based on our review of PLKH's Sustainability Report 2023, we believe ESG risks relating to PIBT's operations, and its 4 toll highway assets - AKLEH, GCE, LKSA, SILK - are adequately managed.

Material E issues

- GHG & climate action.** With Scope 2 (purchased energy) and Scope 3 (fuel & energy-related emissions) making up 38%* and 44%* of total GHG emissions in 2019-23, the focus is on reducing energy consumption, enhancing energy efficiency, transitioning to RE sources. Energy management initiatives in 2023 included changing to LED lighting from SON lanterns (at AKLEH, GCE, LKSA, SILK) and smart lighting systems for streetlights (at SILK). Relating to RE adoption, 1 solar PV system each was installed on GCE (Elmina) and LKSA (Alam Impian) toll plazas in Jun 2023; the plan is 2 more solar PVs at GCE, 1 more at LKSA, 4 at SILK.
- Sustainable materials.** Still in exploratory stage, the Group has paved 13.9km* of its highways using sustainable materials (vs. conventional asphalt) as at end-2023 (this initiative started in 2020), comprising 5.3%* of the total highway effective length.
- Water management.** Rainwater harvesting system has been installed at GCE, LKSA and SILK - to be used for cleaning and landscaping. Also, the Group* has developed retention (23,951 m³) and detention ponds (35,778 m³) that can replenish ground-water levels and minimise the risk of local flash floods.
- Waste management.** The Group segregates waste materials at the source into municipal and scheduled waste. Since 2020, 9-13%* of its annual waste has been recycled.
- Biodiversity.** Green initiatives include an 'Edible Garden' (pilot project) at SILK's Sg Balak Toll Plaza, and collaboration with the FT Forest Dept to reforest parts of Sg Besi Forest Reserve (14,000 saplings have since been planted on 11.3ha).

Material S issues

- Workforce diversity*.** Women made up 40% of total workforce in 2020-23, with 28% at senior management level, 49% at middle management, and 39% at operations & support (O&S). Female-to-male ratio of mean salary in 2023 was 0.64:1 at senior mgmt, 0.77:1 at middle mgmt, 0.94:1 at O&S levels.
- Employees training*.** MYR1.16m was invested in 2023 with the same 37 avg. training hours for female and male employees.
- Community*.** CSR investments totaled MYR2.9m in 2021-23 of which MYR2.3m went to education, benefitting 3,255 students.

Key G metrics and issues

- The Board of Prolintas Managers Sdn Bhd (Trustee-Manager for PIBT) comprises 7 Directors: 4 Independent Non-Executive + 2 Non-Independent Non-Executive (incl Chairman) + 1 Executive (CEO). Independent directors make up 57% of the Board.
- There are presently 2 women on Prolintas Managers Sdn Bhd's Board or 29% representation.
- Ernst & Young PLT has been appointed as external auditor of PIBT and Prolintas Managers Sdn Bhd for FY24.
- Group policies, codes & guidelines on ethics & integrity*:
 - To promote transparency, discourage bribery & corruption
 - Anti-Bribery & Corruption Policy
 - No Gift Policy
 - Whistleblowing Policy
 - Integrity Pact Policy
 - Declaration of Assets Policy
 - Declaration of Interest Policy
 - To uphold ethical business practices
 - Facilitation Policy
 - Hospitality Policy
 - Due Diligence Policy
 - Code of Business Ethics & Conduct
 - Supplier Code of Conduct
- Relating to corruption, all Group* operations were assessed for corruption-related risks in 2020-23, and all employees have been communicated on anti-corruption policies & procedures and they have received training. No confirmed incidents of corruption have been reported within the PLKH Group, encompassing assets under PIBT - AKLEH, GCE, LKSA and SILK.
- Relating to procurement, there are no direct negotiations for the highways under PIBT, and all contracts are tendered out. Approval levels are at the Management Tender Committee (for value of up to MYR1m), Board Tender Committee (for MYR1m-MYR5m) and Board of Directors of Prolintas Managers Sdn Bhd (Trustee-Manager; for >MYR5m).
- Relating to the M'sian Anti-Corruption Commission's remand on some of PLKH's Board members to assist in an investigation, these individuals have been given leave of absence starting 26 Jun 2024. PIBT is now run by an interim executive mgmt team led by its Trustee-Manager's Chairman.

* Relates to PLKH Group of Companies

¹**Risk Rating & Score** - derived by Sustainability and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainability in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

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1. Investment thesis

1.1 Introduction

Prolintas Infrastructure Business Trust (PIBT) is an Islamic business trust registered with the Securities Commission on 11 Dec 2023. The Trust is managed by Prolintas Managers Sdn Bhd as Trustee-Manager, and it was listed on the Main Market of Bursa Malaysia Securities on 25 Mar 2024 at an issue price of MYR0.95. The Trust has four major intra-urban toll highway assets in its portfolio, all of which are located in the Klang Valley. According to *Frost & Sullivan's* Independent Market Research (IMR) Report dated 19 Sep 2023, the four highways under PIBT have a combined market share of 14.9% of the total industry toll revenue in the Klang Valley back in 2021.



1.2 Future plans

The Trustee-Manager does not rule out future toll highway acquisitions, both domestically and abroad. The Trust's Promoter, Projek Lintasan Kota Holdings Sdn Bhd (PLKH), which now holds 51% of PIBT, also manages and operates the Damansara-Shah Alam Elevated Highway (DASH) and Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), which commenced operations in Oct 2022 and Sep 2022 respectively. PIBT has been granted the right of first refusal over future acquisition of highway assets from PLKH. The focus will also be on organic growth of the existing highways through increased value-added services and a focus on cost efficiencies. Also, the Trustee-Manager will look to optimise PIBT's capital structure and cost of capital.

1.3 Earnings growth drivers

Earnings drivers for toll highways are traffic volume and toll rates. Having restructured its concession terms with the Government in Oct 2022, PIBT's three toll highways will only see higher toll rates in 2033 and 2043 (the other highway will not see any rate hike). We forecast a net profit of MYR11m in FY24E, MYR12m in FY25E, and MYR13m in FY26E after an estimated net loss of MYR276m in FY23E (note that as PIBT was only registered as a business trust on 11 Dec 2023 and listed on 25 Mar 2024, its 1st FY will only be FY24). Due to its business trust structure, PIBT can make distribution to unitholders out of distributable cash flows, unlike companies that can only make dividend payments out of accounting profits. For FY24E, PIBT plans to distribute MYR70m (6.4sen/unit). We expect future dividends to, at least sustain at FY24's level, if not grow, over the years.

1.4 MYR1.24b equity value, target price of MYR1.13

We estimate the equity value for PIBT to be MYR1.24b. As PIBT's business model derives fairly predictable cash flows, we favour the discounted cash flow (DCF) methodology to derive PIBT's equity value. We discount PIBT's future cash flows at the consolidated equity cash flow level (after debt servicing/repayment), using an estimated cost of equity of 11.2%. Our equity value est. of MYR1.24b translates into a target price of MYR1.13.

1.5 ESG considerations

As PIBT was established only on 11 Dec 2023, our review of its ESG risks (in page 3) is referenced from its Promoter, Project Lintasan Kota Holdings Sdn Bhd's (PLKH) Sustainability Report 2023. Overall, PLKH and its Group of Companies' sustainability principles align with their Economic, Environmental, Social and Governance pillars to meet the objectives set out. Relating to Environmental, the objective is to achieve a 30% reduction in Scope 1 & 2 emissions by 2030 (vs. 2019 baseline), while on Governance, the Group has established policies, codes and guidelines on ethic & integrity. Based on our review, we believe the ESG risks relating to PIBT's 4 toll highway assets are adequately managed.

1.6 Risk factors

Risk factors include (i) potential financial liability arising from non-compliance issues highlighted in page 40, (ii) early termination of the concessions if the Concession Companies fail to meet their obligations in accordance with the terms of the Concession Agreements, (iii) the Government invoking early termination clause on the concessions, (iv) downward revisions to toll rates or increased frequencies of discounts on toll rates without Government compensation, (v) fluctuations in interest rates that could lead to increased borrowing costs and/or (vi) increased maintenance costs from factors such as rising construction material prices.

2. Corporate information

2.1 A highway business trust

PIBT is a business trust that was set up to invest, directly and indirectly, in Shariah-compliant investments, including equity interests in corporations which develop, operate and/or maintain toll highways, and/or all assets comprised in the business of development, operation and/or maintenance of toll highways. The objective of the Trust is to provide unitholders with stable distribution (or dividend) per unit, alongside sustainable long-term distribution growth potential.

A business trust structure allows the Trustee-Manager to distribute income to unitholders from the cashflow generated without being constrained by accounting profits. PIBT had a cash balance of MYR407m (37sen/unit) as at end-Dec 2023, but its profits are impacted by non-cash expenses such as the amortisation of Highway Development Expenditure (HDE). The four toll highways under PIBT generated a combined free cash flow (operating cash flow before debt servicing cost but after capex) of MYR324m in FY22 and we estimate MYR196m in FY23E.

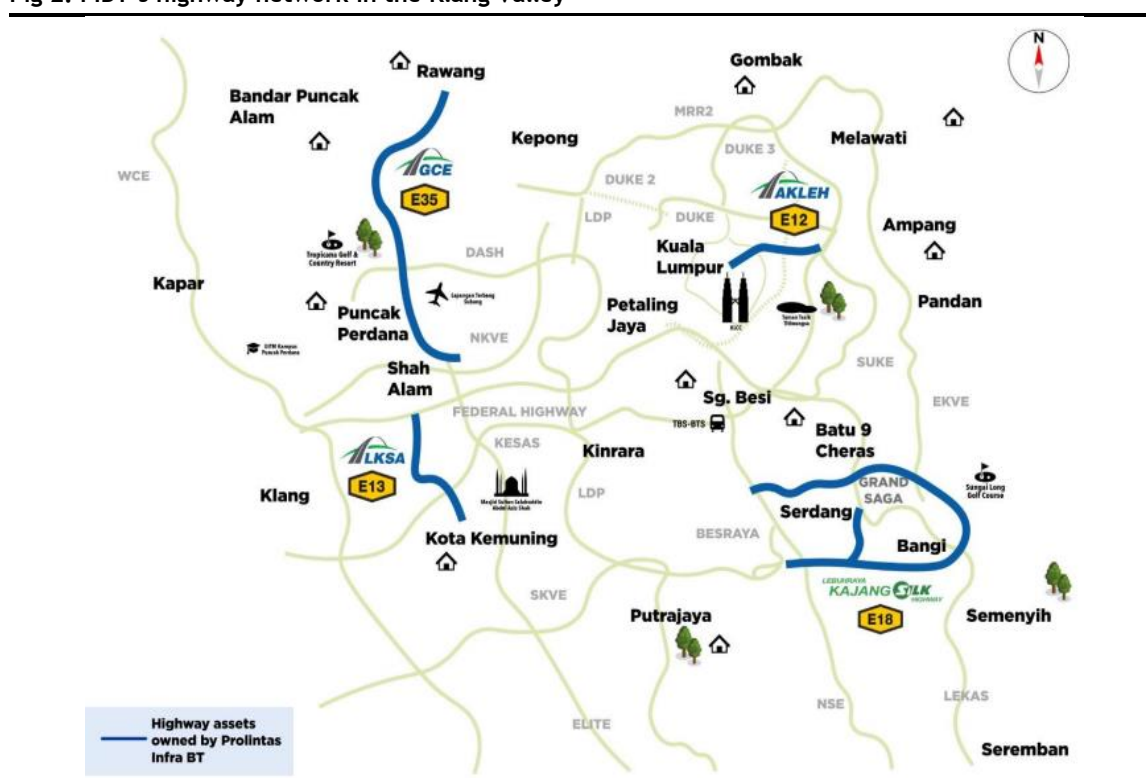
At the time of writing, the assets of PIBT comprise four major highways under four Concession Companies:

Fig 1: Highways and their Concession Companies

Acronym	Highway	Concession Companies
AKLEH	Ampang-Kuala Lumpur Elevated Highway	Projek Lintasan Kota Sdn Bhd (AKLEH Co)
GCE	Guthrie Corridor Expressway	Prolintas Expressway Sdn Bhd (GCE Co)
LKSA	Lebuhraya Kemuning-Shah Alam	Projek Lintasan Shah Alam Sdn Bhd (LKSA Co)
SILK	Sistem Lingkaran-Lebuhraya Kajang	Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd (SILK Co)

Source: PIBT

Fig 2: PIBT's highway network in the Klang Valley



Source: PIBT

2.2 Promoter and major shareholders

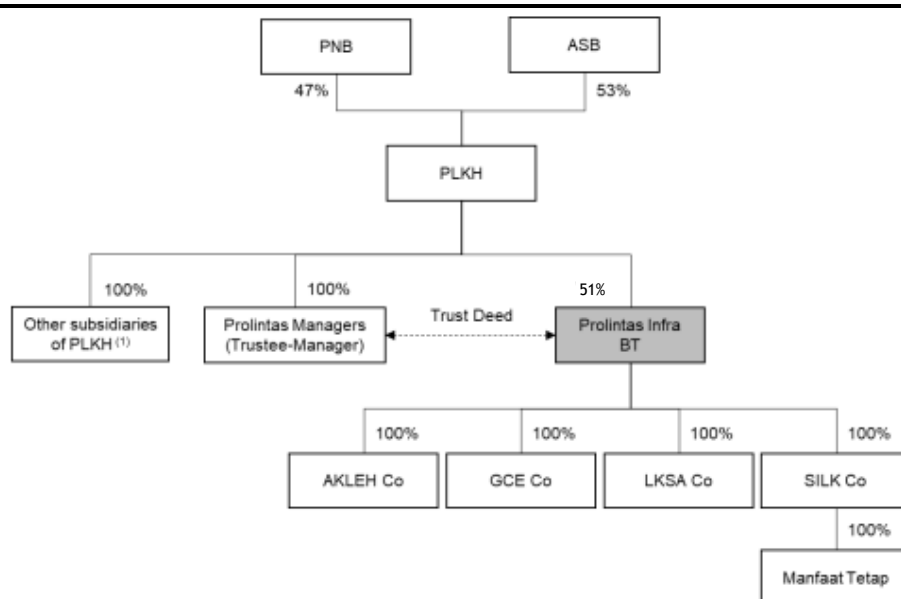
PIBT's Promoter is Projek Lintasan Kota Holdings Sdn Bhd (PLKH), which currently holds a 51% stake in the Trust Group. The Trustee-Manager of the Trust Group is Prolintas Managers Sdn Bhd.

PLKH's major shareholders are Permodalan Nasional Bhd (PNB) and Amanah Saham Bumiputera (ASB) with stakes of 47% and 53% respectively. PNB, meanwhile, is 99.99%-owned by Yayasan Pelaburan Bumiputra (YPB; Bumiputra Investment Foundation) and 0.01% owned by Minister of Finance (Incorporated). ASB is a unit trust fund that is managed by Amanah Saham Nasional Bhd (ASN), which in turn, is a wholly-owned subsidiary of PNB.

2.3 PIBT's group structure

Pursuant to an internal restructuring in 2023, PLKH had fully owned PIBT but its stake is now down to 51% after an offer-for-sale to the public for PIBT's listing (IPO). PIBT in turn, holds 100% of the four toll Concession Companies - AKLEH Co, GCE Co, LKSA Co and SILK Co.

Fig 3: PIBT's group structure



Source: PIBT

Other subsidiaries of PLKH include the following:

Fig 4: PLKH's other subsidiaries and their principal activities

Subsidiary	Principal activities
Projek Lintasan Damansara-Shah Alam Sdn Bhd	Provision of operation, maintenance and toll collection services for DASH
Prolintas Corporate Shared Services Sdn Bhd (PCSSSB)	Provision of management services
Prolintas Highway Services Sdn Bhd (PHSSB)	Provision of commercial management services for the highways
Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd	Provision of operation, maintenance and toll collection services for SUKE
Turnpike Synergy Sdn Bhd	Provision of asset management, consulting services, project management services, highway maintenance, repair works and toll management services

Source: PIBT

3. An overview of the highways

3.1 Four toll concessions

As highlighted earlier, the PIBT Group comprises four toll highway assets, all of which are located in the Klang Valley.

According to the Independent Market Research (IMR) report prepared by *Frost & Sullivan* dated 19 Sep 2023, there were 19 operational urban toll highways in the Klang Valley in 2021, for which total industry revenue from toll collection and government compensation totalled MYR2.3b. PIBT's toll-related revenue in 2021 was MYR340.3m, representing a market share of 14.9% of total industry revenue.

Fig 5: Details of PIBT's highways at a glance

	AKLEH	GCE	LKSA	SILK
Date of concession	16 May 1996	18 July 2000	27 Nov 2006	8 Oct 1997
Expiry of concession	15 May 2037	31 May 2062	31 July 2062	31 July 2062
Remaining tenure as at 1 Sep 2024	12 years 8 months	37 years 8 months	37 years 10 months	37 years 10 months
Mainline length	7.4 km	25.0 km	14.7 km	37.0 km
Location	Kuala Lumpur	Selangor	Selangor	Selangor
Name of toll plaza(s)	Datuk Keramat	Bukit Jelutong Elmina Lagong	Seri Muda Alam Impian	Sungai Long Bukit Kajang Sungai Ramal Sungai Balak

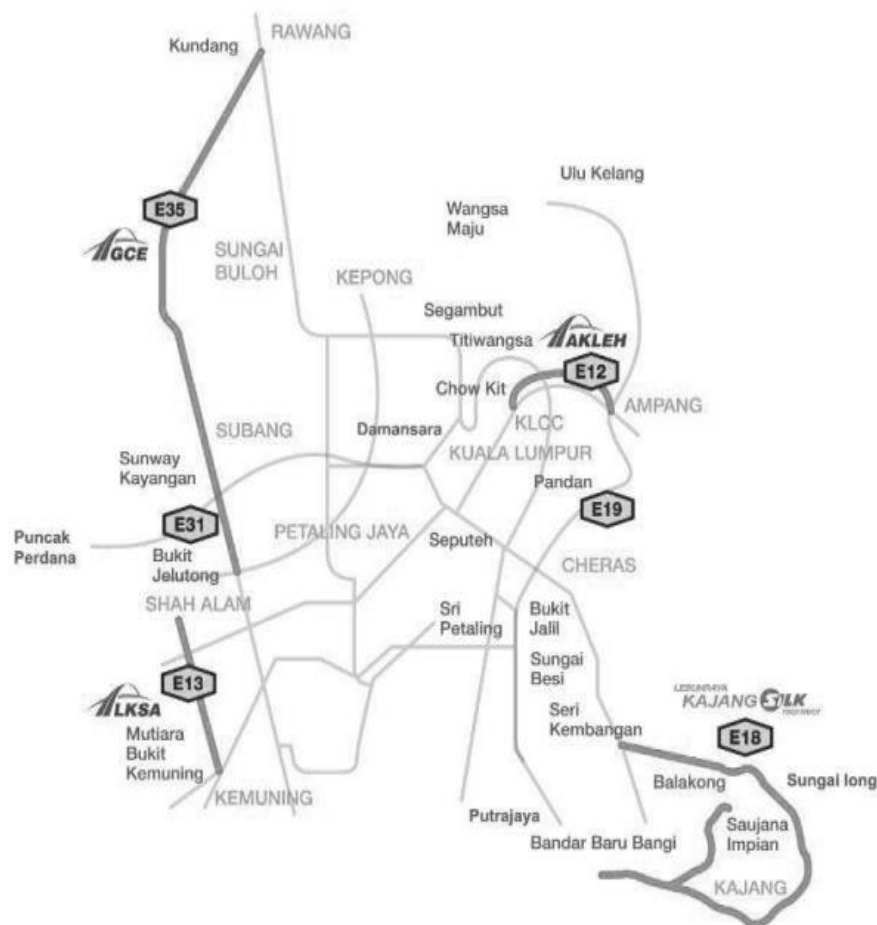
Source: PIBT

3.2 A map of the highways

The positioning and functionalities of the highways may be summarised as follows:

- AKLEH assists traffic flow going into Kuala Lumpur from Ampang as well as traffic within Kuala Lumpur,
- GCE provides connectivity between Shah Alam and Rawang,
- LKSA assists with the traffic flow in Shah Alam, Selangor, while
- SILK assists with the traffic flow through Kajang, Selangor.

Fig 6: Map of PIBT's highways



Source: PIBT

3.3 About the concessions

Highway concessions in Malaysia are granted on a build-operate-transfer model, whereby the ownership and operations of the highways at the end of the concession period are transferred back to the Government. The Concession Agreements (CAs) fall under the purview of the Ministry of Works (Kementerian Kerja Raya), through its agency, Malaysian Highway Authority (MHA; Lembaga Lebuhraya Malaysia). Highway concessions are regulated by the Federal Roads Act, 1959 (Revised 1989) and Federal Roads (Private Management) Act, 1984.

The CAs set out the concessionaires' obligations for the construction of the highways, upgrading works, adherence to key performance indicators set by the MHA as well as the submission of reports in the areas of maintenance, toll collection, traffic and safety. These obligations extend to ancillary facilities along the highways such as lay-bys and Rest and Service Areas.

The Government agrees to grant or procure to be granted the leases, licenses and permits to land, waterways, roads and any surfaces or air space required for the construction, operation and maintenance of the highways. The concession companies will bear any premium, assessment, rent, taxes or other costs and expenses that may be payable in respect of all or any land within the concession area.

3.4 Toll rates

Toll collection for PIBT's highways is on an open system whereby fixed toll rates are charged at each toll plaza based on the class of vehicles, regardless of distance travelled.

Fig 7: Vehicle classes

Vehicle class	Description
Class 1	Vehicles with two axles, and three or four wheels (excluding taxis and buses)
Class 2	Vehicles with two axles and five or six wheels (excluding buses)
Class 3	Vehicles with three or more axles (excluding buses)
Class 4	Taxis
Class 5	Buses

Source: PIBT

On 12 Oct 2022, the Government entered into separate Supplemental Concession Agreements (SCAs) 2022 with the respective Concession Companies to restructure the toll rates and extend the toll concession periods. The Government will not provide compensation for the reduction in toll rates, which were effective from 1 Jan 2023. In the future, if the Government were to impose or gazette toll rates lower than those provided for under the SCA 2022, the Government will compensate the concession companies based on the compensation mechanism set out in the respective SCAs 2022. Except for AKLEH which will see no change in toll rates until the end of its concession, the other toll highways will see two increases each over a 10-year interval, in 2032 and 2043; the highest increase at 48%.

Fig 8: Toll rates before and after restructuring (MYR)

	% of inc (%) - Class 1	Class 1	Class 2	Class 3	Class 4	Class 5
Gazetted toll rates prior to SCA 2022						
AKLEH	-	2.50	7.00	10.50	1.80	1.50
GCE	-	1.90	3.80	5.70	0.90	1.40
LKSA (Seri Muda)	-	1.70	3.40	5.10	0.90	1.20
LKSA (Alam Impian)	-	0.90	1.80	2.70	0.90	0.60
SILK	-	1.80	3.60	5.40	0.90	1.00
New agreed toll rates based on SCAs 2022 (2023-2032) - gazetted on 20 Oct 2022						
AKLEH	(15%)	2.13	7.00	10.50	1.53	1.28
GCE	(8%)	1.75	3.80	5.70	0.83	1.29
LKSA (Seri Muda)	(8%)	1.56	3.40	5.10	0.83	1.10
LKSA (Alam Impian)	(8%)	0.83	1.80	2.70	0.83	0.55
SILK	(8%)	1.66	3.60	5.40	0.83	0.92
New toll rates based on SCAs 2022 (2033-2042)						
AKLEH	0%	2.13	7.00	10.50	1.53	1.28
GCE	48%	2.59	5.20	7.80	1.23	1.91
LKSA (Seri Muda)	48%	2.31	6.00	9.00	1.23	1.63
LKSA (Alam Impian)	48%	1.23	3.00	4.50	1.23	0.81
SILK	30%	2.15	4.80	7.20	1.07	1.91
New toll rates based on SCAs 2022 (2043-2062) - AKLEH's concession period ends on 15 May 2037						
AKLEH	-	-	-	-	-	-
GCE	31%	3.40	7.00	10.50	1.70	2.83
LKSA (Seri Muda)	48%	3.42	9.40	14.10	1.82	2.41
LKSA (Alam Impian)	48%	1.82	4.80	7.20	1.82	1.21
SILK	7%	2.30	4.80	7.20	1.20	1.54

Source: PIBT

To compensate for the restructured toll rates, the concession periods for all four highways were extended as follows:

Fig 9: Restructured concession periods

Highway	Concession expiry before toll restructuring	New concession expiry date after toll restructuring based on SCAs 2022	Extension of concession period
AKLEH	15 May 2029	15 May 2037	8 years
GCE	31 May 2036	31 May 2062	26 years
LKSA	31 July 2047	31 July 2062	15 years
SILK	31 July 2037	31 July 2062	25 years

Source: PIBT

3.5 Traffic volume

Traffic volume data along the highways are submitted to the MHA by the Concession Companies on a weekly, monthly and annual basis, but only the annual traffic volumes are certified by MHA.

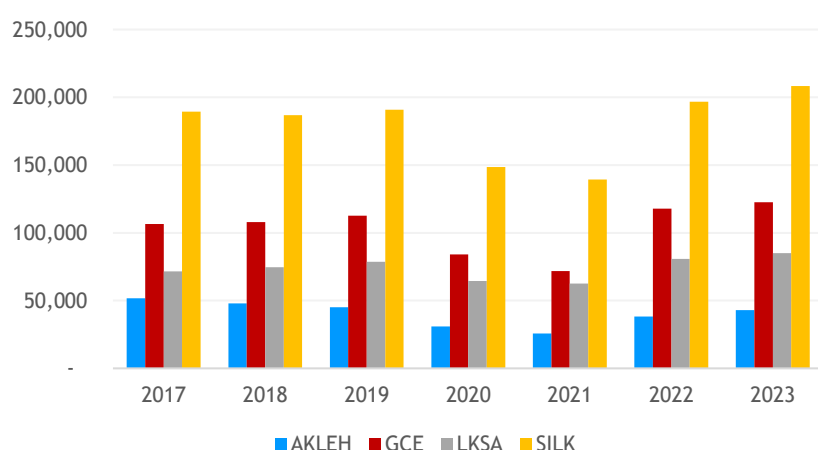
The low traffic volumes in 2020 and 2021 were primarily due to the Movement Control Orders (MCOs) and other movement restrictions in place during the COVID-19 pandemic. Traffic volume recovered in 2022 as Malaysia transitioned into the endemic phase in May 2022.

Fig 10: Total traffic volumes of PIBT's four toll highways in 2020 - 2023 (m vehicles)

	Class 1		Class 2		Class 3		Class 4		Class 5		Total
FYE	Vol (m)	%	Vol (m)	%	Vol (m)	%	Vol (m)	%	Vol (m)	%	vol (m)
2020	112.1	93.7	4.2	3.5	2.5	2.1	0.5	0.4	0.4	0.3	119.7
2021	101.9	93.3	4.3	3.9	2.3	2.1	0.4	0.4	0.3	0.3	109.3
2022	148.8	94.0	5.4	3.4	3.0	1.9	0.6	0.4	0.5	0.3	158.2
2023	Not available										167.4

Source: PIBT

Fig 11: Average daily traffic volume on PIBT's toll highways in 2017-2023



Source: PIBT

3.6 Revenue segments

PIBT's revenue comprises both toll revenue (toll collection and government compensation), non-toll revenue and construction revenue.

Toll collection revenue. The Concession Companies retain the right to demand, collect and retain toll from selected classes of vehicles during the concession period.

Government compensation. Revenue is received from the Government for any downward revision in toll rates during the concession period. This is computed based on the difference between toll receipts collected using the Government-imposed revised toll rates, and the toll revenue the Concession Companies would have collected based on the agreed toll rates in the Concession Agreements.

Non-toll revenue. These include rental income of billboard space, space rental for telecommunication towers and rental from stall operators in Rest and Service Areas.

Construction revenue. Construction revenue is measured using the input method under MFRS15 when a private operator is contracted to develop, upgrade, operate and maintain the infrastructure assets. This revenue is net off with the construction costs incurred, and the assets and cost are recognised as a concession intangible asset.

Fig 12: Revenue breakdown

	FY2020		FY2021		FY2022		FY2023E	
	(MYR'000)	(%)	(MYR'000)	(%)	(MYR'000)	(%)	(MYR'000)	(%)
Toll revenue	388,192	98.4	340,314	93.1	378,842	98.6	302,325	97.7
Toll collection	228,947	58.0	209,092	57.2	295,168	76.8	287,453	92.9
Govt compensation & deferred income	159,245	40.4	131,222	35.9	83,674	21.8	14,872	4.8
Non-toll revenue								
Rental and sundry income	1,860	0.5	1,589	0.4	1,855	0.5	1,875	0.6
Construction revenue	4,320	1.1	23,897	6.5	3,464	0.9	5,085	1.6
Total	394,372	100.0	365,800	100.0	384,161	100.0	309,285	100.0

Source: PIBT, Maybank IBG Research (for FY2023E, based on AR2023 of the respective Concession Companies)

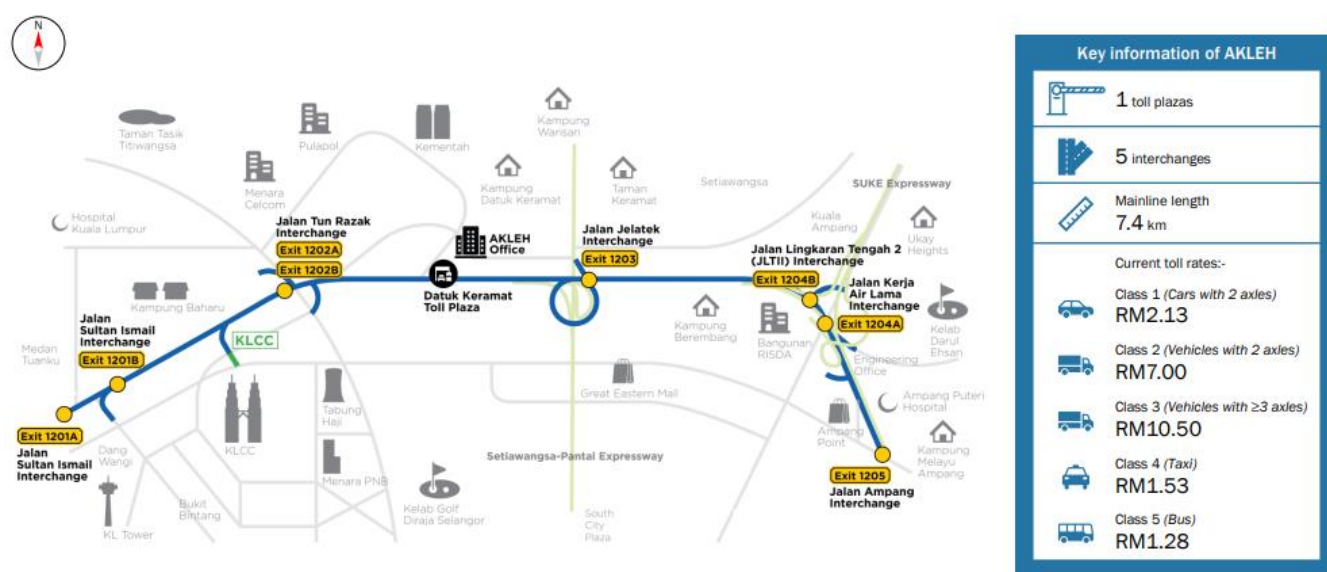
4. About each highway

4.1 Ampang - Kuala Lumpur Elevated Highway (AKLEH)

AKLEH is 7.4km long and it starts from Jalan Sultan Ismail to Taman Ampang Utama in Ampang. It comprises a dual three-lane highway from the Jalan Sultan Ismail interchange to the Jalan Lingkaran Tengah 2 interchange, and a dual two-lane highway from the Jalan Ampang interchange onwards.

It has one open system toll plaza i.e. the Datuk Keramat Toll Plaza and five interchanges at Jalan Sultan Ismail, Jalan Tun Razak, Jalan Jelatek, Jalan Lingkaran Tengah 2 and Jalan Ampang.

Fig 13: Ampang-Kuala Lumpur Elevated Highway (AKLEH)



Source: PIBT

In FY22, AKLEH's annual traffic volume was 13.9m or an average of 38,215 traffic per day. Toll collection was MYR33.2m, representing 11.2% of total toll collection for the PIBT Group. In FY23, its annual traffic volume rose to 15.7m or 42,943 average daily volume (+12.4% YoY), while toll collection was MYR32.3m (-3% YoY) after lower toll rates based on SCA 2022.

Fig 14: AKLEH's annual traffic volume and toll collection

FYE	Traffic volume m vehicles	% chg YoY	Toll collection MYR'm	% chg YoY
2019	16.5	(6.1)	40.6	NA
2020	11.3	(31.4)	28.0	(31.1)
2021	9.4	(16.8)	23.3	(16.5)
2022	13.9	48.2	33.2	42.3
2023	15.7	12.4	32.3	(2.8)

Source: PIBT, AKLEH Co AR2023

In FY22, Class 1 vehicles contributed to 98.6% of total vehicles and were primarily passenger cars. Commercial and other classes of vehicles accounted for the balance of 1.4%.

AKLEH's concession period ends on 15 May 2037.

Fig 15: AKLEH's toll rates (MYR)

	Class 1	Class 2	Class 3	Class 4	Class 5
Gazetted toll rates before the Toll Restructuring	2.50	7.00	10.50	1.80	1.50
New toll rates based on SCA 2022 (2023-2037)	2.13	7.00	10.50	1.53	1.28
New toll rates based on SCA 2022 (2033-2042)	2.13	7.00	10.50	1.53	1.28

Source: PIBT

4.2 Guthrie Corridor Expressway (GCE)

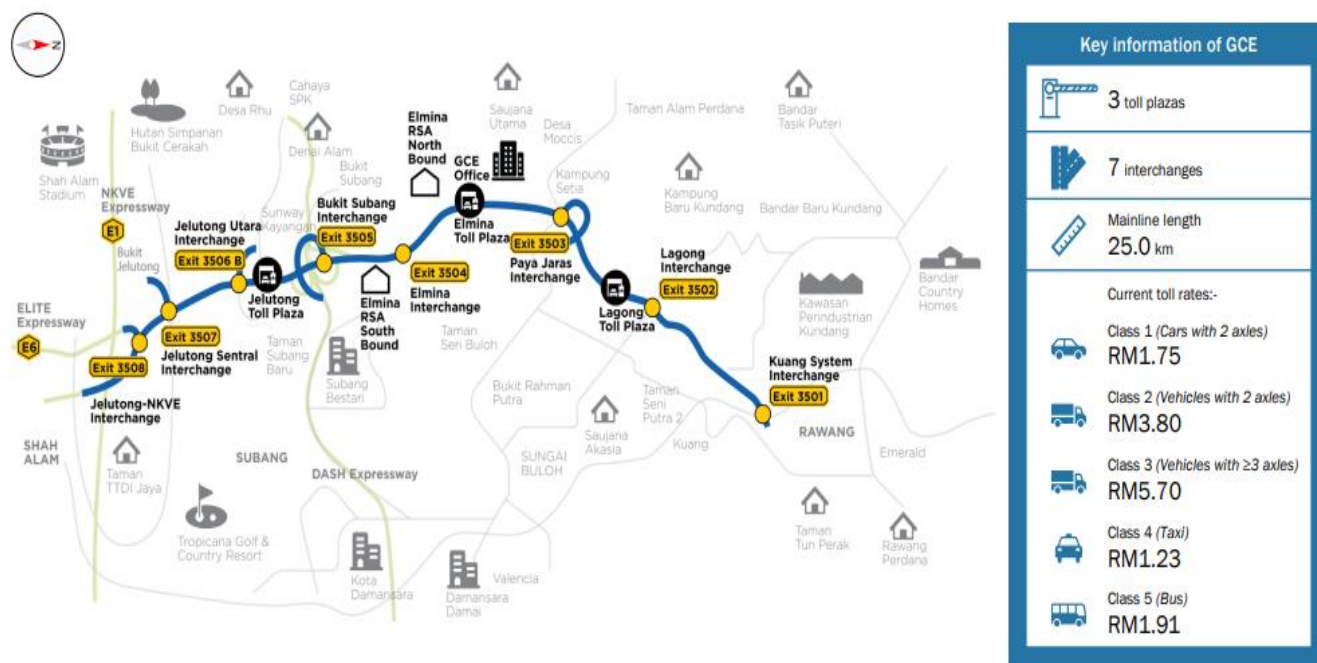
GCE spans 25.0km and is a dual three-lane highway. It connects Shah Alam and Rawang, and provides road users with access to the North-South Expressway as an alternative route to bypass the North Klang Valley Expressway (NKVE) as well as a direct link to the Kuala Lumpur - Kuala Selangor Expressway.

GCE has three open system toll plazas at Bukit Jelutong, Elmina and Lagong. There are seven interchanges, being the Jelutong-NKVE Interchange, Jelutong Sentral Interchange, Jelutong Utara Interchange, Bukit Subang Interchange, Elmina Interchange, Paya Jaras Interchange and Lagong Interchange.

The Trust Group also operates and maintains ancillary facilities along GCE. These include two Rest and Service Areas at Elmina north and south bound, as well as amenities such as food courts, washrooms and playgrounds.



Fig 16: Guthrie Corridor Expressway (GCE)



Source: PIBT

In FY22, GCE's annual traffic volume was 43.0m or an average of 117,735 vehicles per day. Toll collection was MYR88.3m, representing 29.9% of total toll collection for the Trust Group. In FY23, its annual traffic volume rose to 44.7m or 122,526 average daily volume (+4.1% YoY), while toll collection was MYR85.7m (-3% YoY) after lower toll rates based on SCA 2022.

Fig 17: GCE's annual traffic volume and toll collection

FYE	Traffic volume m vehicles	% chg YoY	Toll collection MYR'm	% chg YoY
2019	41.1	4.4	85.7	NA
2020	30.7	(25.4)	64.9	(24.3)
2021	26.2	(14.7)	55.8	(14.0)
2022	43.0	64.3	88.3	58.2
2023	44.7	4.1	85.7	(2.9)

Source: PIBT, GCE Co AR2023

GCE's concession period ends on 31 May 2062. In FY22, Class 1 vehicles contributed to 91.2% of total vehicles and were primarily passenger cars. Commercial and other classes of vehicles accounted for the balance of 8.8%.

Fig 18: GCE's toll rates (MYR)

	Class 1	Class 2	Class 3	Class 4	Class 5
Gazetted toll rates before the Toll Restructuring	1.90	3.80	5.70	0.90	1.40
New toll rates based on SCA 2022 (2023-2032)	1.75	3.80	5.70	0.83	1.29
New toll rates based on SCA 2022 (2033-2042)	2.59	5.20	7.80	1.23	1.91
New toll rates based on SCA 2022 (2043-2062)	3.40	7.00	10.50	1.70	2.83

Source: PIBT

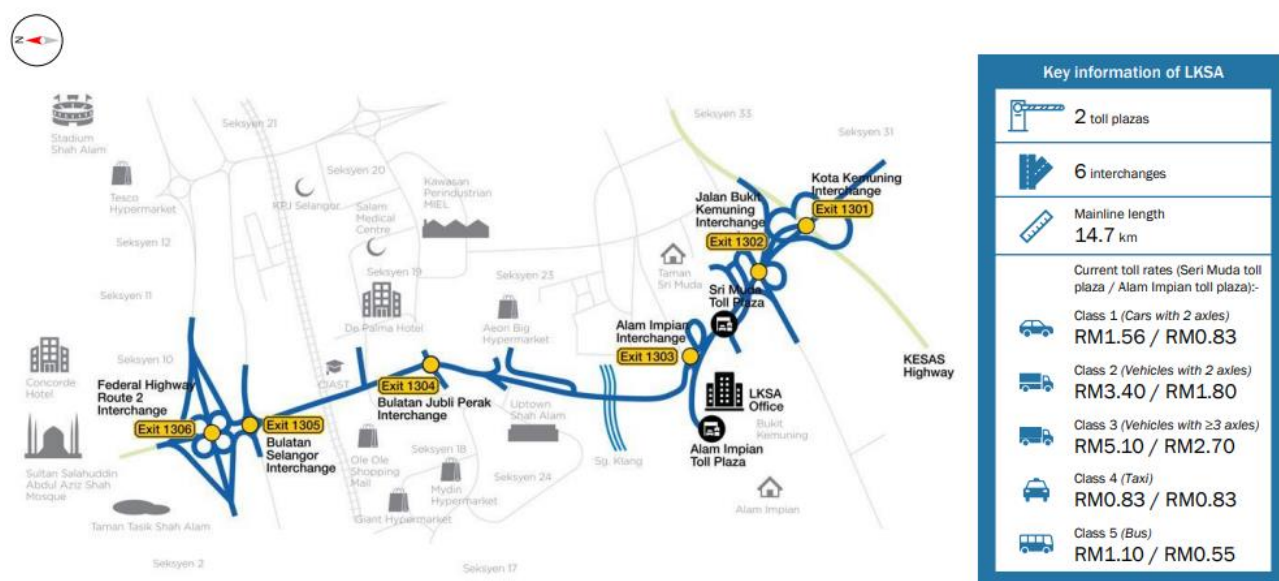
4.3 Lebuhraya Kemuning - Shah Alam (LKSA)

LKSA is a dual three-lane highway that is 14.7km long. It connects to Kemuning Interchange of the Shah Alam Expressway (KESAS) in the south and the Federal Highway Route 2 (FHR2) in the north.

It has two open system toll plazas i.e. at Alam Impian and Sri Muda. It has six interchanges i.e. at Kota Kemuning, Jalan Bukit Kemuning, Alam Impian, Bulatan Jubli Perak, Bulatan Selangor and FHR2.



Fig 19: Lebuhraya Kemuning - Shah Alam (LKSA)



Source: PIBT

In FY22, LKSA's annual traffic volume was 29.5m or an average of 80,824 vehicles per day. Toll collection was MYR42.0m, representing 14.2% of total toll collection for the Trust Group. In FY23, its annual traffic volume rose to 31.1m or 85,088 average daily volume (+5.3% YoY), while toll collection was MYR40.6m (-3% YoY) after lower toll rates based on SCA 2022.

Fig 20: LKSA's annual traffic volume and toll collection

FYE	Traffic volume m vehicles	% chg YoY	Toll collection MYR'm	% chg YoY
2019	28.7	5.4	41.2	NA
2020	23.5	(18.2)	33.9	(17.6)
2021	22.9	(2.6)	33.5	(1.3)
2022	29.5	28.9	42.0	25.5
2023	31.1	5.3	40.6	(3.3)

Source: PIBT, LKSA Co AR2023

LKSA's concession period ends on 31 July 2062. In FY22, Class 1 vehicles contributed to 94.2% of total vehicles and were primarily passenger cars. Commercial and other classes of vehicles accounted for the balance of 5.8%.

Fig 21: LKSA's toll rates

	Class 1	Class 2	Class 3	Class 4	Class 5
Gazetted toll rates before the Toll Restructuring					
LKSA (Seri Muda)	1.70	3.40	5.10	0.90	1.20
LKSA (Alam Impian)	0.90	1.80	2.70	0.90	0.60
New toll rates based on SCA 2022 (2023-2032)					
LKSA (Seri Muda)	1.56	3.40	5.10	0.83	1.10
LKSA (Alam Impian)	0.83	1.80	2.70	0.83	0.55
New toll rates based on SCA 2022 (2033-2042)					
LKSA (Seri Muda)	2.31	6.00	9.00	1.23	1.63
LKSA (Alam Impian)	1.23	3.00	4.50	1.23	0.81
New toll rates based on SCA 2022 (2043-2062)					
LKSA (Seri Muda)	3.42	9.40	14.10	1.82	2.41
LKSA (Alam Impian)	1.82	4.80	7.20	1.82	1.21

Source: PIBT

4.4 Sistem Lingkaran-Lebuhraya Kajang (SILK)

SILK is a dual three-lane highway that is 37km in length. It provides road users with access to and from Kuala Lumpur, Cheras, Sungai Long, Balakong, Putrajaya, Semenyih and Bangi. It also connects with other major highways such as the North-South Expressway (NSE), Sungai Besi Expressway (BESRAYA), Cheras-Kajang Highway (GRAND SAGA), Kajang-Seremban Highway (LEKAS) and South Klang Valley Expressway (SKVE).

It has four open system toll plazas i.e. at Sungai Balak, Sungai Ramal, Bukit Kajang and Sungai Long. SILK has 12 interchanges at Balakong, Sungai Long, Kajang Perdana, Kajang Prima, Jalan Reko, Sungai Ramal, Country Heights, UNITEN, UPM, Sungai Chua, Sungai Balak, and Taman Kajang Utama. SILK consists of the main link (Mines - UPM interchange) and Sungai Balak link (Sungai Balak - Sungai Ramal interchange).

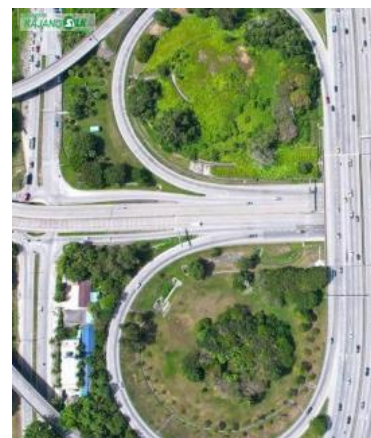
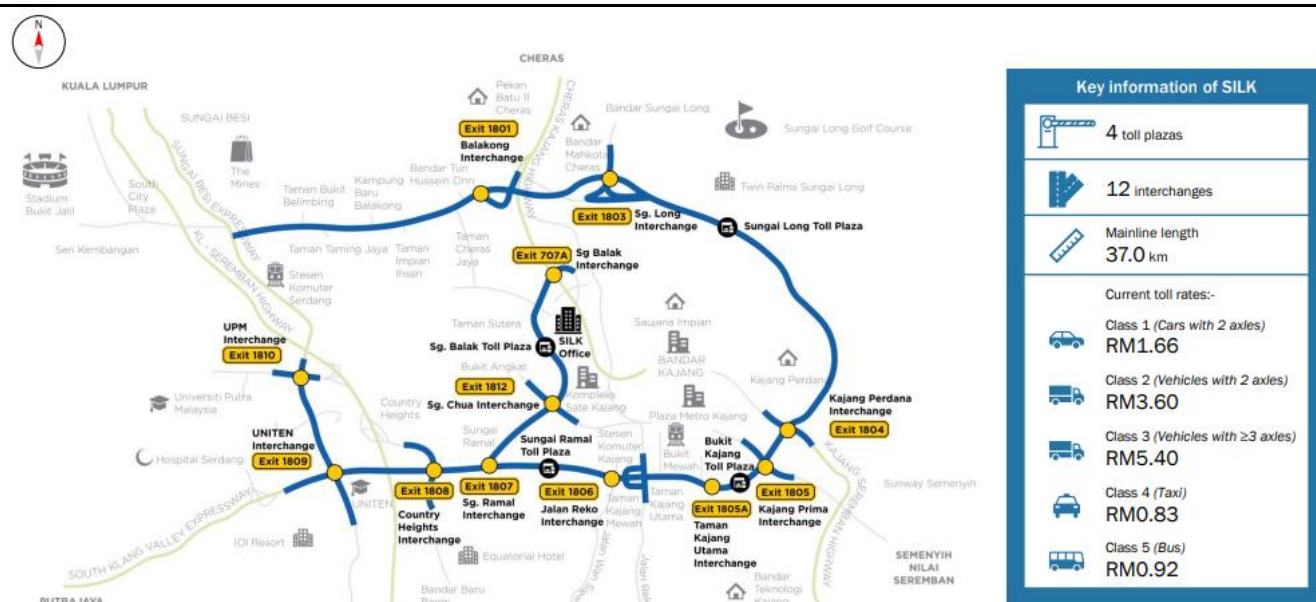


Fig 22: Sistem Lingkaran - Lebuhraya Kajang (SILK)



Source: PIBT

In FY22, SILK's annual traffic volume was 71.8m or an average of 196,683 vehicles per day. Toll collection was MYR131.7m, representing 44.6% of total toll collection for the PIBT Group. In FY23, its annual traffic volume increased to 76m or 208,203 average daily volume (+5.9% YoY), while toll collection was MYR128.8m (-2% YoY) after lower toll rates based on SCA 2022.

Fig 23: SILK's annual traffic volume and toll collection

FYE	Traffic volume m vehicles	% chg YoY	Toll collection MYR'm	% chg YoY
2019	69.6	2.1	130.0	NA
2020	54.2	(22.1)	102.2	(21.4)
2021	50.8	(6.2)	96.5	(5.6)
2022	71.8	41.2	131.7	36.5
2023	76.0	5.9	128.8	(2.2)

Source: PIBT, SILK Co AR2023

SILK's concession period ends on 31 July 2062. In FY22, Class 1 vehicles contributed to 94.8% of total vehicles and were primarily passenger cars. Commercial and other classes of vehicles accounted for the balance of 5.2%.

Fig 24: SILK's toll rates

	Class 1	Class 2	Class 3	Class 4	Class 5
Gazetted toll rates before the Toll Restructuring (MYR)	1.80	3.60	5.40	0.90	1.00
New toll rates based on SCA 2022 (2023-2032)	1.66	3.60	5.40	0.83	0.92
New toll rates based on SCA 2022 (2033-2042)	2.15	4.80	7.20	1.07	1.19
New toll rates based on SCA 2022 (2043-2062)	2.30	4.80	7.20	1.20	1.54

Source: PIBT

5. Operation & maintenance of the highways

Operation of the highways involves the following activities:

5.1 Toll collection

An open toll system is deployed across the highways, whereby the toll charges are fixed according to the class of the vehicle, regardless of the distance travelled or where the vehicle enters or leaves the highway.

Collection takes the form of an automated ETC, which collects tolls via third-party electronic payment systems such as Touch 'n Go (TnG), SmartTAG and RFID. Road users may also use debit and credit cards for payment.

Touch 'n Go Sdn Bhd (TnG Sdn Bhd) provides the Concession Companies with centralised electronic payment systems that are linked to its own system. TnG Sdn Bhd charges a transaction commission rate, which is deducted before payment is made to the Concession Companies.

5.2 Toll collection controls

Every toll lane has a control system that comprises:

- a. an amber siren beacon which is activated when there are violations e.g. failure to pay the toll;
- b. an Automatic Lane Barrier (single/dual barrier; ALB) which will open once a payment has been made;
- c. lane CCTV to record vehicle registration numbers and the types of vehicles;
- d. automatic vehicles classification which measures users' vehicle class using sensor treadle that differentiates vehicle class according to the number of axles;
- e. a control system that records vehicle movement at toll lanes to identify if the vehicle has already passed the toll booth, thus allowing the ALB to close;
- f. a manual lane barrier to notify road users of lanes that are either closed or not in operation.

5.3 Toll and volume certification

The Concession Companies submit the actual traffic volume and toll revenue data to MHA on a monthly and annual basis, which is audited by an independent auditor on an annual basis. This is reconciled with TnG Sdn Bhd's report, for which a verification certificate is then issued - this determines the amount of toll compensation to be paid to the Concession Companies.

5.4 Traffic management and surveillance

The Trust Group provides a 24-hour vehicle breakdown and/or accident response. It is assisted by its Auxillary Police personnel, known as the Prolintas Emergency Response and Patrol Team (PERONDA), of which there were 53 personnel patrolling the highways as at 1 Sep 2023.

5.5 Maintenance of the highways

The Trust Group carries out maintenance works on the highways and these may be categorised into a) routine and preventive maintenance, and/or b) corrective maintenance.

Routine and preventive management can be subdivided into either Civil & Structure (C&S) routine maintenance e.g. grass cutting, mainline cleaning (road sweeping, litter collection, signboard cleaning), or C&S preventive maintenance works e.g. the inspection of bridges, retaining walls, structures and slopes. Corrective/curative maintenance is to identify, record and repair any damage/defect so as to restore asset conditions or rectify faulty equipment.

5.6 Had previously been outsourced to Turnpike

Up to 1 Sep 2023, AKLEH Co, GCE Co and LKSA Co had outsourced the majority of their operation & maintenance (O&M) services to Turnpike Synergy Sdn Bhd. These include routine maintenance services, ad-hoc repair works and toll operation services.

These O&M arrangements and agreements have been mutually terminated and moving forward, all O&M services will be carried out by the respective Concession Companies.

PIBT may still engage Turnpike for turnkey contract services for highway upgrading and development works as well as for consultancy services e.g. matters pertaining to civil and structure, mechanical, electrical and electronic. Turnpike is a 100%-subsidiary of PIBT's Promoter, PLKH.

6. Competitive strengths

PIBT's competitive strengths include the following:

6.1 A long concession period remaining

That the infrastructure assets have an average remaining concession period of about 31 years as at 1 Sep 2024, provides for long-term visibility on future toll revenues and cash flows, which in turn translate into sustainable distribution for unitholders. Moreover, aside from the extended concession periods, the respective CAs and SCAs comprehensively outline all future toll rate hikes for the highways (excluding AKLEH). The Trustee-Manager intends to distribute yearly distribution (or dividend) of at least 90% of PIBT's distributable income on a semi-annual basis.

6.2 Highways are located in high traffic areas

Strategically situated across Klang Valley, the highways serve to enhance the connectivity of urbanised townships. The cumulative annual traffic volume from the four highways was 109.3m in 2021 (representing a 15.7% market share by total traffic volume for the 19 urban toll highways in the Klang Valley) and this rose to 158.2m in 2022 and 167.4m in 2023.

The development of townships and corridors near the highways will also contribute to increased traffic. For instance, the Elmina and Lagong townships will directly impact GCE while the Alam Impian township will impact LKSA. SILK stands to benefit from the Balakong, Semenyih and Bandar Baru Bangi townships.

The opening of DASH and new development corridors along Jalan Shah Alam - Batu Arang and Sungai Buloh may contribute to traffic at GCE while the SUKE traffic inflow from Sungai Besi and adjoining areas into the KL City Centre may further add to traffic in AKLEH.

6.3 High barriers to entry

Highway infrastructure assets operate in a highly regulated environment whereby long-term concessions are granted by the Government, taking into consideration a highway operator's financial strength and experience. Such assets are also deemed to be non-direct competing assets in nature, granted only after consideration of economic, social benefit and town planning requirements.

6.4 Operational excellence through ISO compliance

The highways have received various ISO certifications. These include ISO 9001:2015 for Quality Management Systems and ISO 14001:2015 for Environmental Management Systems. ISO 45001:2018 deals with the provision of safe and healthy workplaces while ISO 39001:2002 entails reducing and preventing road fatalities and injuries using systematic and evidence-based interventions. ISO 37001:2016 certification allows the highways to prevent, detect and address bribery incidents by adopting prescribed anti-bribery policies.

6.5 Adoption of innovative technologies

PIBT utilises innovative technologies to enhance operations and customer experience. It uses autonomous highway surface monitoring leveraging on Artificial Intelligence and Internet of Things to identify anomalies on the road surface. It also employs an online reporting system during inspections as well as a mobile application, Prolintas Digital Assist, that allows road users to request assistance via mobile application.

6.6 An experienced management team

The Trustee-Manager is led by a well-qualified Board of Directors, supported by an experienced senior management team. The team (details for whom may be found in Appendix 1 & 2) includes CEO Malik Parvez, General Manager (Highway Operations) Azmee bin Nin and Financial Controller Mukholisah bt Mohd Majid. Moreover, PLKH, as the Promoter, has a proven track record and extensive experience in both highway construction and highway management.

7. Future plans

PIBT's future plans include the following:

7.1 Growth through strategic acquisitions

The Trustee-Manager intends to source for and selectively acquire future highway assets with the objective of delivering strong returns to unitholders. PIBT's major unitholder, PLKH, now manages and operates the Damansara-Shah Alam Elevated Highway (DASH) and Sungai Besi-Ulu Kelang Elevated Expressway (SUKE), which commenced operations in Oct 2022 and Sep 2022 respectively. PIBT has been granted the right of first refusal over potential future acquisition of highway assets from PLKH. The acquisition of highway assets in international markets will also not be ruled out.

7.2 Organic growth through proactive management

The Trustee-Manager intends to focus on the organic growth of the highways with value-added services such as petrol stations, convenience stores and electric vehicle charging stations. It will also focus on cost efficiencies as well as the strengthening of internal processes and systems to improve the utilisation of resources.

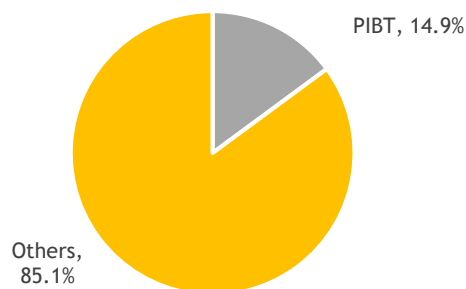
7.3 Capital and risk management

To optimise returns to investors, the Trustee-Manager intends to optimise the capital structure and cost of capital of the PIBT Group. This will entail maintaining appropriate aggregate leverage levels as well as an appropriate combination of debt and equity in funding acquisitions.

8. Industry overview

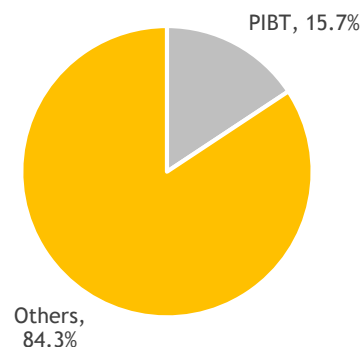
In comparing the 19 urban toll highways that were in operation as at end-2021, *Frost & Sullivan's* Independent Market Research (IMR) Report dated 19 Sep 2023 noted that the total market size, based on the revenue of these concessionaires, was MYR2.3b in 2021. PIBT's market share was estimated to be 14.9% of total revenue and 15.7% of the total toll highway traffic volume in the Klang Valley, during that year.

Fig 25: PIBT's market share by revenue, Klang Valley 2021



Source: Frost & Sullivan's IMR Report

Fig 26: PIBT's market share by traffic volume, KV 2021



Source: Frost & Sullivan's IMR Report

8.1 An overview of the toll concessionaires

As at Aug 2023, there are 21 urban toll highways in the Klang Valley. Figures 27 and 28 break down the profiles and the latest available financials of these highways.

Fig 27: Klang Valley highway concessionaires in 2023

Highway operator	Highway	ACRONYM	Concession Company
Prolintas Infra Business Trust	Ampang-Kuala Lumpur Elevated Highway	AKLEH	Project Lintasan Kota Sdn Bhd
	Kajang Dispersal Link Expressway	SILK	Sistem Lingkaran-Lebuhraya Kajang Sdn Bhd
	Guthrie Corridor Expressway	GCE	Prolintas Expressway Sdn Bhd
	Kemuning-Shah Alam Highway	LKSA	Projek Lintasan Shah Alam Sdn Bhd
Amanat Lebuhraya Rakyat Bhd	Shah Alam Expressway	KESAS	Kesas Sdn Bhd
	Damansara-Puchong Expressway	LDP	Lingkaran Trans Kota Sdn Bhd
	Western Kuala Lumpur Traffic Dispersal Sys	SPRINT	Sistem Penyuraian Trafik KL Barat Sdn Bhd
	Storm Management and Road Tunnel	SMART	Sykt Mengurus Air Banjir & Terowong Sdn Bhd
Bina Puri Holdings Bhd	Kuala Lumpur-Kuala Selangor Expressway	KLKS	KL-Kuala Selangor Expressway Bhd
Ekovest Bhd	Duta-Ulu Kelang Expressway	DUKE	Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd
IJM Corporation Bhd	Sungei Besi Highway	BESRAYA	Besraya (M) Sdn Bhd
	New Pantai Expressway	NPE	New Pantai Expressway Sdn Bhd
	Kajang-Seremban Expressway	LEKAS	Lebuhraya Kajang-Seremban Sdn Bhd
Maju Holdings Sdn Bhd	Kuala Lumpur-Putrajaya Highway	MEX	Maju Expressway Sdn Bhd
PLUS Malaysia Bhd	New Klang Valley Expressway	NKVE	Projek Lebuhraya Usahasama Bhd
	North-South Expressway Central Link	ELITE	Projek Lebuhraya Usahasama Bhd
Projek Lintasan Kota Holdings Sdn Bhd	Sungai Besi-Ulu Kelang Elevated Expressway	SUKE	Projek Lintasan Sungai Besi-Ulu Klang Sdn Bhd
	Damansara-Shah Alam Elevated Expressway	DASH	Projek Lintasan Damansara-Shah Alam Sdn Bhd
SKVE Holdings Sdn Bhd	South Klang Valley Expressway	SKVE	SKVE Holdings Sdn Bhd
Taliworks Corporation Bhd	Cheras-Kajang-Expressway	GRANDSAGA	Grand Saga Sdn Bhd
	New North Klang Straits Bypass Expressway	NNKSB	Grand Sepadu (NK) Sdn Bhd

Source: Frost & Sullivan's IMR Report

Fig 28: Financial performance of Highway Concessionaires in the Klang Valley

ACRONYM	Highway length (km)	Toll commenced	Traffic vol 2021 (m)	Financials For FY	Revenue (MYR'm)	Toll revenue (MYR'm)	PBT/(LBT) (MYR'm)	PBT/(LBT) margin (%)
AKLEH	7.4	2001	9.4	Dec 22	80.1	79.7	17.9	22%
SILK	37.0	2004	50.8	Dec 22	133.4	132.4	6.1	5%
GCE	25.0	2005	26.2	Dec 22	110.7	108.9	15.5	14%
LKSA	14.7	2010	22.9	Dec 22	59.9	57.9	(28)	(48%)
KESAS	34.3	1996	79.0	Jul 22	241.8	241.8	131.4	54%
LDP	40.0	1999	116.2	Mar 22	400.9	396.2	246.1	61%
SPRINT	26.0	2001	37.7	Mar 22	171.5	171.5	(4.3)	(3%)
SMART	7.5	2007	3.2	Dec 21	16	16	(18.4)	(115%)
KLKS	33.0	2011	18.7	Dec 22	101.2	101.2	5.7	6%
DUKE	30.7	2009	47.5	Jun 22	189.8	189.8	11.8	6%
BESRAYA	28.2	1999	41.6	Mar 22	123.4	123.4	29	24%
NPE	19.6	2004	48.3	Mar 22	137.8	137.8	41.1	30%
LEKAS	44.3	2009	21.3	Mar 22	70.2	70.2	(121.9)	(174%)
MEX	26.0	2008	27.2	Dec 22	182.6	180.2	99.2	54%
NKVE	32.5	1994	NA	NA since unable to split the data for NKVE and ELITE				
ELITE	63.0	1997	68.2					
SKVE	53.0	2010	11.1	Dec 22	70.8	70.8	(70.6)	(100%)
GRANDSAGA	11.5	1999	40.4	Dec 22	97.6	97.6	72.1	74%
NNKSB	17.5	2001	26.8	Dec 22	73.2	73.2	32.2	44%

Source: Frost & Sullivan's IMR Report

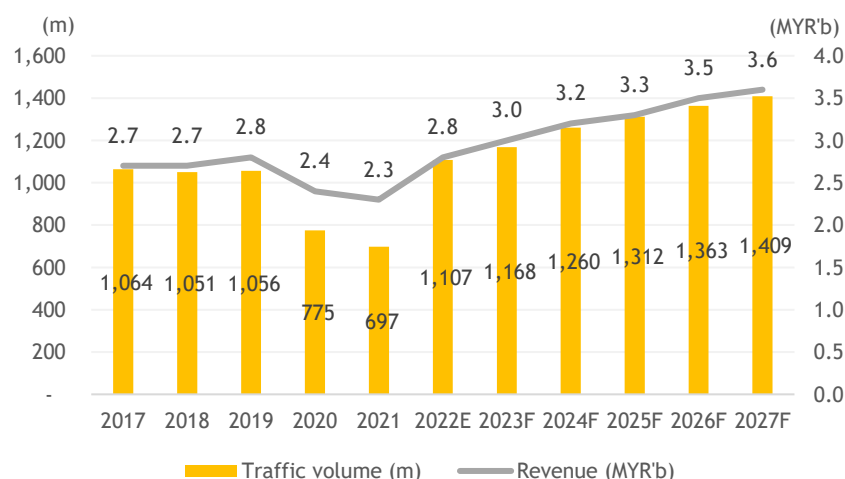
*PBT/LBT (profit before tax/loss before tax)

To note that the financials of SUKE and DASH are not included in the table above as both highways started operations only in 2022.

8.2 Growth trends

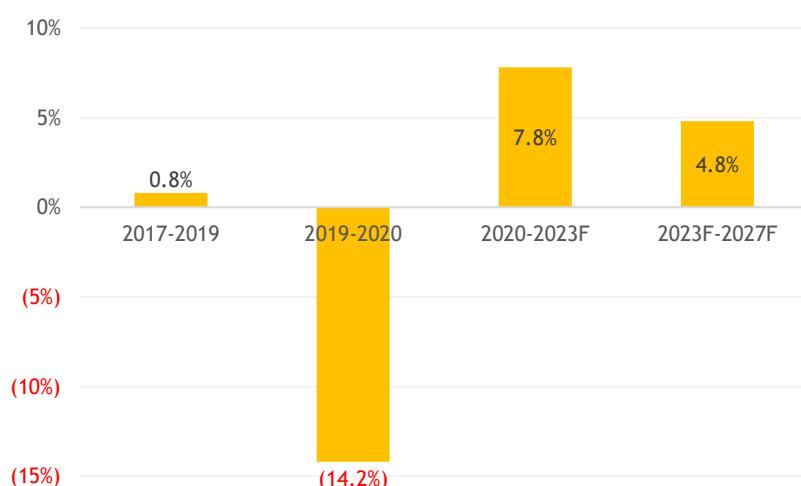
Frost & Sullivan's IMR Report projects traffic volume along urban highways in the Klang Valley to grow at a 4-year (2023F-2027F) CAGR of 4.8%, while revenue is expected to expand at a similar 4-year CAGR of 4.8%.

Fig 29: Revenue and traffic volumes along urban highways in Klang Valley



Source: Frost & Sullivan's IMR Report

The anticipated revenue CAGR of 4.8% in 2023F-2027F compares against a 3-year CAGR of 7.8% in 2020-2023F and a 14.2% contraction in 2019-2020.

Fig 30: Revenue CAGR trends for urban highways in Klang Valley

Source: Frost & Sullivan's IMR Report

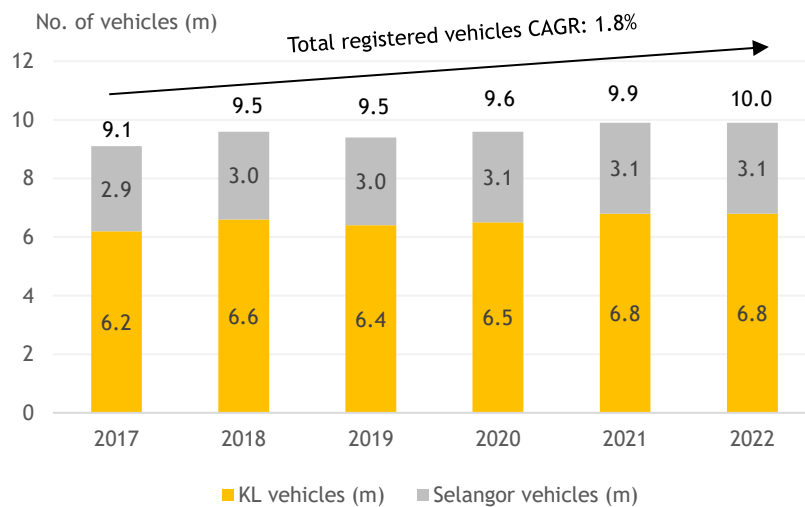
8.3 Growth factors

The expected stable expansion in both traffic volumes and thus revenues along urban highways in the Klang Valley of 4.8% from 2023F-2027F, is expected to be driven by various factors such as:

Population growth and urbanisation in the Klang Valley. The population in KL and Selangor grew from 2.5m in 1980 to 5.6m in 2000, and to an estimated 9.0m in 2022, accounting for 27.5% of the total population in Malaysia. The population in the Klang Valley is expected to reach 9.2m in 2025 and 9.7m in 2030.

New township developments. Many new large-scale townships are being built further away from the city centre of KL and the surrounding areas of Selangor. These include the likes of City of Elmina in Shah Alam, Lagong Mas in Rawang and Kota Warisan in Salak Tinggi. Such a trend will contribute to the rising need for tolled highways for daily commute. This, in turn, will benefit highways with the purpose of improving connectivity such as GCE, LKSA, SILK, the South Klang Valley Expressway (SKVE) and North-South Expressway Central Link (ELITE).

Road overcapacity. According to the Ministry of Transport, total registered vehicles in KL increased from 6.2m vehicles in 2017 to 6.8m vehicles in 2022. Correspondingly, the number of vehicles in Selangor increased from 2.9m vehicles in 2017 to 3.1m vehicles in 2022. Cumulatively, this implies a 5-year total registered vehicles CAGR of 1.8% for the Klang Valley.

Fig 31: Total registered vehicles in KL and Selangor (2017-2022)

Source: Frost & Sullivan's IMR Report

Limitation of public transport. Much as public transportation has vastly improved with the Mass Rapid Transport (MRT) and Light Rail Transit (LRT) systems, first-mile and last-mile connectivity issues continue to persist. Moreover, public and feeder buses provided have proven to be lacking in capacity and low on time performance, although improving. As such, public transportation has seen a reduction in modal share (defined as the split between different modes of transport by travellers) over the years, from as high as 47% in 1970 to 17% in 2010. The development of new public transportation networks has served to enhance this modal share, but not significantly, with the modal share in 2022 being just 25%.

9. Financials

We forecast a net profit of MYR11m in FY24E for PIBT, MYR12m in FY25E, and MYR13m in FY26E after an estimated headline net loss of MYR276m in FY23E (FY23 remains an estimate as PIBT's 1st FY is FY24 as it was only registered as a business trust on 11 Dec 2023 and listed on 25 Mar 2024). As PIBT's operating subsidiaries are toll concessionaires that have invested heavily on highway development (capex), their accounting profits are materially impacted by (and are thus very sensitive to) amortisation of Highway Development Expenditure (HDE). Also, a MYR2.7b Tawarruq financing facility (of which MYR2.32b has been drawn down as at end-FY23E) to re-finance the individual Concession Companies' debts and for future committed capex, will weigh on PIBT's bottomline.

9.1 Accounting considerations

We highlight two key accounting considerations relating to the business of toll operations generally, and PIBT specifically:

Amortisation of HDE. HDE is amortised over the toll collection period under the 'intangible asset model' using a formula that relates the current year's traffic volume over the projected traffic volume until the concession ends.

Thus, significant estimates are needed in determining the traffic volume for the current year and remaining concession period, taking into consideration (i) the impact of toll rate hikes (in specific years), and (ii) new competing highways or other modes of transport (e.g. new mass rapid transit system). Based on our observation, some toll highways in the Klang Valley had, in the past, experienced a fall in traffic volume during the year when the toll rate was hiked, and slower traffic growth when the MRT Phase 1 became operational (*more of this in the later section of this write-up*).

$$\left[\frac{\text{Actual traffic volume for the year}}{\text{Forecasted traffic volume for the remaining concession period} + \text{actual traffic volume for the year}} \right] \times \text{Opening HDE book value} + \text{capex during the year}$$

For PIBT, total carrying amount of HDE for its concessions was MYR2.85b (cost less amortisation and impairment losses) as at end-FY23. Our forecasts are for MYR48m HDE amortisation in FY24E, MYR52m in FY25E and MYR54m in FY26E.

Fig 32: HDE breakdown, as of end-FY23E

	HDE at end-FY23E (MYR m)	No. of years of amortisation (calculated from FY23E)	Concession ends
AKLEH	108	14 years and 4.5 months	15 May 2037
GCE	1,380	39 years and 5 months	31 May 2062
LKSA	624	39 years and 7 months	31 Jul 2062
SILK	742	39 years and 7 months	31 Jul 2062
Total	2,854		

Source: PIBT

Impairment of HDE. PIBT will assess, at the end of each FY, for evidence of any impairment in the HDE. Factors for consideration include a decline in traffic volume which is expected to become permanent, compared to the volume forecasted. In FY20, PIBT recognised a MYR56m impairment relating to AKLEH due to the COVID-10 pandemic, and in FY23, total impairment was MYR124m comprising MYR75m for AKLEH, and MYR49m for LKSA. We have not imputed any further impairment into our forecasts.

9.2 Key assumptions

We list down our key assumptions in deriving our forecasts - net profit and cash flows (CF) - for PIBT (*the CF forecast is used to build a discounted cash flow model - to be elaborated on, in the later part of this write-up*):

Traffic growth. During the height of the COVID-19 pandemic, road traffic throughout the country was significantly impacted, including PIBT's four toll highways. In our forecasts, we have not assumed any pandemic.

We have also relied on traffic consultant, Perunding Traffic Klasik Sdn Bhd's traffic forecast report dated 19 Sep 2023, to build our financial model. In our view, the consultant's projected traffic growth for AKLEH until 2037 (its concession end) is reasonable, as are their projections for GCE, LKSA and SILK until 2033.

In 2033, toll rates are expected rise by 48%* at GCE and LKSA, 27%* at SILK. The impact on traffic volume in 2033 could therefore be sizeable. We have thus assumed a more aggressive 5% fall in traffic in 2033 at these three highways (versus the traffic consultant's forecast for traffic at GCE, LKSA and SILK to be down by 2-2.2% respectively), drawing from past experience of the other tolled highways in the Klang Valley. For example, traffic at SPRINT Highway fell 9.7% in 2016 (1st full year post toll rate hike) when toll rates were raised by 33%/40% at its Damansara/Kerinci Links in Oct 2015. Similarly, traffic at New Pantai Expressway declined 5% in FY16 (FYE Mar) after a 15% toll rate hike in Jan 2015. We do acknowledge that each highway serves different/specific or niche catchment areas and demographics. The other consideration is the pace of residential/commercial developments along their respective alignments.

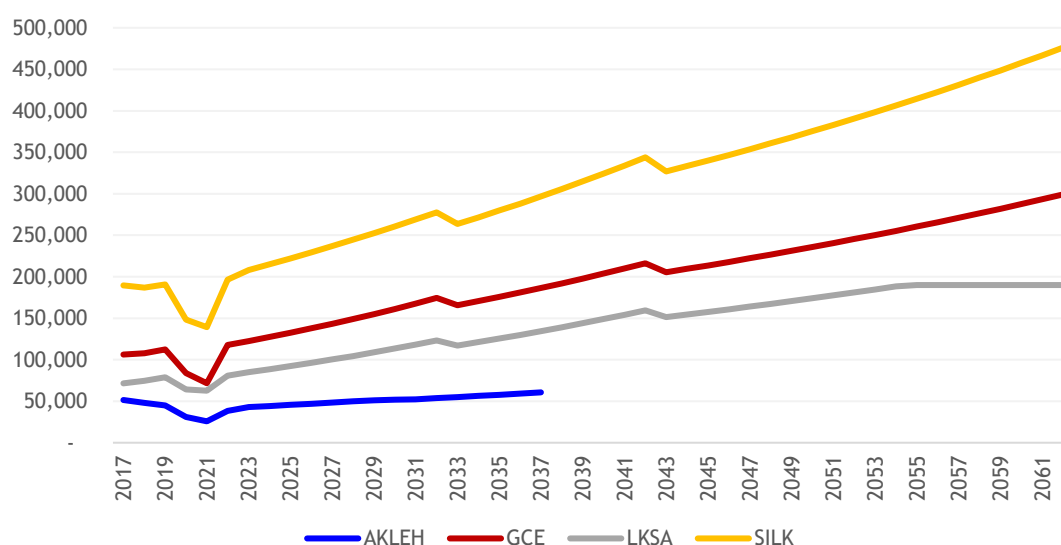
* The 48% and 27% are in reference to Class 1 vehicles

Similarly, for the following toll rate hike in 2043, we have assumed a more aggressive highway users' reaction at GCE, LKSA and SILK. However, we expect traffic growth to resume in the following year post toll rate hikes.

Fig 33: Traffic growth assumptions

	2020	2021	2022	2023	2024E	2025E	2026E	From 2027E until end of concession
Volume	'000	'000	'000	'000	gwth	gwth	gwth	
AKLEH	11,292	9,414	13,948	15,674	3.0%	3.0%	3.0%	+3% (2027-29); +1% (2030-31; KVMRT3 becomes operational); +2.5% (2032-2037)
GCE	30,678	26,162	42,973	44,722	4.0%	4.0%	4.0%	+4% (2027-32); -5% (2033; toll rate hike); +3% (2034-42); -5% (2043; toll rate hike); +2% (2044-62)
LKSA	23,502	22,884	29,501	31,057	4.2%	4.2%	4.2%	+4.2% (2027-32); -5% (2033; toll rate hike); +3.5% (2034-42); -5% (2043; toll rate hike); +2% (2044-54); +0% (2055-62; to hit capacity in 2055)
SILK	54,193	50,839	71,789	75,994	3.3%	3.3%	3.3%	+3.2-3.3% (2027-32); -5% (2033; toll rate hike); +3% (2034-42); -5% (2043; toll rate hike); +2% (2044-62)
Total	119.665	109.299	158.211	167,447	3.6%	3.6%	3.6%	

Source: PIBT (2020-2023), Maybank IBG Research (forecasts)

Fig 34: Projected traffic volume (AADV)

Note: Combined traffic volume was down 23.2%/8.7% in 2020/21 respectively, up 44.8% in 2022 and 5.8% in 2023; traffic at GCE, LKSA and SILK in 2022 had surpassed pre-pandemic (2019)'s level.

Source: PIBT, Maybank IBG Research

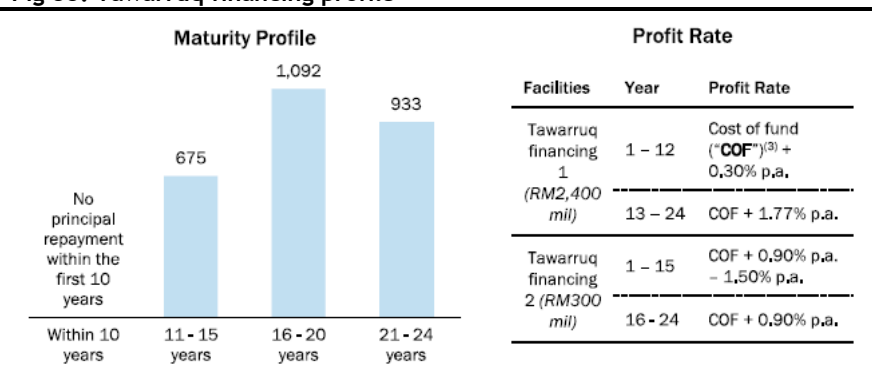
Operating costs. With the contracting out of O&M services by AKLEH Co, GCE Co and LKSA Co to Turnpike having terminated from Sep 2023, and each Concession Company now taking on these O&M works themselves, salaries and direct highway operating costs (for routine maintenance, ad-hoc repairs, toll operation service) will increase, but these will be offset by the absence of fees payable to Turnpike. PIBT's total employee count is believed to have risen to 382 from 110 - this increase came from staff transferred from Turnpike and/or other Concession Companies. Earlier guidance was for PIBT's total salary cost to rise to MYR24m in FY24E, from MYR8.6m in FY23E. But, repair & maintenance, toll management and other management fees will fall from MYR57.2m in FY23E to MYR29.3m in FY24E.

Our financial model takes its cue from the above cost guidance. Beyond FY24E, we have built in inflation-adjusted costs into our financial model. Our key assumptions relating to the yearly inflation adjustments are +5% in FY25E, +4% p.a. in FY26E-30E, and +3.5% p.a. in FY31E and beyond.

Financing cost. Of the MYR2.7b Tawarruq financing secured to re-finance the Concession Companies' debts, and for concession committed capex, MYR2.32b was drawdown as at end-FY23. This re-financing is taken by PMSB, the Trustee-Manager (on behalf of PIBT) and it comprises two tranches - Tawarruq financing 1 of MYR2.4b, and Tawarruq financing 2 of MYR300m. The tenure is 24 years with repayment to start from FY33, until FY46. Tawarruq financing 2 will be drawn down progressively; it is to finance lane widening of SILK, and a new Strathairlie Interchange at GCE. The lender is Bank Pembangunan, and the profit rate is cost of funds plus.

Based on an indicative cost of funds of 4.88%, the profit rate for Tawarruq financing 1 is 5.18% (for the first 12 years) and Tawarruq financing 2 is 4.28% (for the first 15 years). Our financial model has imputed these profit rates. Accordingly, we forecast MYR126m financing cost (relating to Tawarruq financing 1 & 2) in FY24E, MYR129m in FY25E and MYR132m in FY26E. This compares to MYR136m in FY23E, before the refinancing.

Fig 35: Tawarruq financing profile



Source: PIBT

Accounting and cash taxes. For accounting taxes, any potential review of traffic forecasts in the future may impact the deferred taxation estimates in the balance sheet of the respective Concession Companies, thus requiring either further provision or write-back. This would impact the effective tax rate in the year when such traffic review occurs. We have not imputed this possibility in our financial model.

As for cash taxes, due to losses in the past, LKSA and SILK have sizeable unabsorbed business losses, to be offset against future profits. From SILK and LKSA's FY23 annual report filed with Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia), the unutilised business loss was MYR362m as at end-FY23 for SILK, and MYR462m LKSA. Under a new tax ruling, unutilised business losses will expire after 10 years; i.e. the entire MYR362m for SILK will expire in assessment year 2028 and for LKSA, MYR53m in 2028 and MYR409m in 2033. In terms of cash taxes, our financial model assumes that LKSA and SILK will not have to pay taxes in the earlier years of our forecasts, i.e. until and including FY28E for SILK and FY33E for LKSA.

9.3 Profit forecasts

Based on the above assumptions, we forecast a net profit of MYR11m for PIBT in FY24E, MYR12m in FY25E and MYR13m in FY26E.

Fig 36: P&L statement

FYE Dec (MYR m)	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Revenue	365.8	384.2	309.3	311.7	323.5	335.0
EBITDA	259.5	268.9	200.7	208.6	220.2	227.6
Dep'n & Amortisation	(103.8)	(149.9)	(40.8)	(47.8)	(52.0)	(54.2)
Interest (Exp)/Inc	(146.8)	(150.5)	(147.7)	(137.8)	(141.0)	(144.2)
One-off Items	0.0	0.0	(124.2)	0.0	0.0	0.0
Investment income	6.9	9.2	12.5	12.5	12.5	12.5
Amort'n of deferred inc	10.3	18.0	7.6	0.0	0.0	0.0
Pre-Tax Profit	26.0	(4.3)	(92.0)	35.5	39.7	41.7
Tax	113.9	(9.2)	(184.1)	(25.0)	(27.5)	(28.8)
Minority Interest	2.7	2.3	0.0	0.0	0.0	0.0
Net Profit	142.6	(11.3)	(276.1)	10.5	12.2	13.0
Recurring Net Profit	142.6	(11.3)	(151.9)	10.5	12.2	13.0
Revenue Growth %	(7%)	5%	(19%)	1%	4%	4%
EBITDA Growth (%)	(16%)	4%	(25%)	4%	6%	3%
Pre- Tax Profit Growth (%)	289%	NM	2023%	NM	12%	5%
Net Profit Growth (%)	1336%	NM	2347%	NM	16%	6%

Source: PIBT, Maybank IBG Research

9.4 1H24 earnings review

Fig 37: Results summary

FYE Dec (MYR m)	Quarterly					Cumulative		
	2Q24	2Q23	% YoY	1Q24	% QoQ	6M24	6M23	% YoY
Revenue	77.6	33.5	131.8	75.8	2.4	153.4	65.5	134.3
EBITDA	54.2	27.8	95.0	55.2	(1.8)	109.3	53.3	105.0
Amortisation of HDE	(11.7)	(2.9)	309.2	(11.4)	2.6	(23.1)	(5.6)	311.9
EBIT	42.5	24.9	70.4	43.8	(3.0)	86.2	47.7	80.6
Finance cost	(34.6)	(14.1)	145.3	(34.6)	0.1	(69.2)	(25.5)	172.0
Inc fr placement with Fis	4.1	0.8	437.8	2.9	38.7	7.0	2.2	213.5
Listing expenses	-	-	NM	(5.2)	NM	(5.2)	-	NM
Pre-tax profit	11.9	11.6	3.0	6.9	73.7	18.8	24.5	(23.4)
Tax	(7.9)	3.1	NM	(4.8)	65.3	(12.7)	(91.7)	(86.2)
Net profit	4.0	14.6	(72.5)	2.1	93.0	6.1	(67.1)	NM
Distributable amount	14.3	NA	NM	16.7	(14.8)	31.0	NA	NM
EPU (sen)	0.37	-	NM	0.19	94.7	0.56	-	NM
DPU (sen)	3.18	-	NM	-	NM	3.18	-	NM
	2Q24	2Q23	+/- ppt	1Q24	+/- ppt	6M24	6M23	+/- ppt
EBITDA margin (%)	54.7	74.4	(19.7)	57.7	(3.0)	71.3	81.5	(10.2)
Pretax margin (%)	15.3	34.5	(19.2)	9.0	6.3	12.2	37.5	(25.2)
Tax rate (%)	66.2	(26.6)	92.8	69.5	(3.4)	67.4	373.8	(306.4)
Revenue:	2Q24	2Q23	% YoY	1Q24	% QoQ	6M24	6M23	% YoY
Toll collection								
- AKLEH	8.9	-	NM	8.8	1.1	17.7	-	NM
- GCE	22.8	-	NM	21.9	3.8	44.7	-	NM
- LKSA	10.8	-	NM	10.8	0.3	21.6	-	NM
- SILK	34.7	33.7	2.9	33.8	2.6	68.5	65.6	4.4
Non-toll revenue	0.4	(0.2)	NM	0.4	(1.3)	0.9	(0.2)	NM

Note: The Trust Group's financial statements have been prepared on the basis of a reverse acquisition with SILK Co being the acquirer/parent in accordance with Malaysian Financial Reporting Standards (MFRS). The 2Q/6M23 financial results comprises that of the accounting acquirer, SILK Co. Source: PIBT

PIBT's 1H24 net profit was MYR6m (YoY comparison is not available as 1H23 net profit comprises just SILK's profit, being the accounting acquirer due to reverse acquisition accounting of the Trust Group). PIBT's 1H24 net profit was ahead of its prospectus forecast of MYR8m for FY24E, with 1H24 total traffic volume coming in slightly above prospectus forecast for FY24E - mainly at AKLEH and SILK (see table below) - and better cost management. In addition, a one-off MYR9.5m listing expense included in the prospectus' FY24E net profit forecast is now reduced to MYR5.2m with the balance borne by PIBT's Promotor. Our FY24E net profit forecast is MYR11m in anticipation for an uptick in highway routine and maintenance costs in 2H.

Fig 38: AADT in 1H24 vs. prospectus forecast and our assumptions

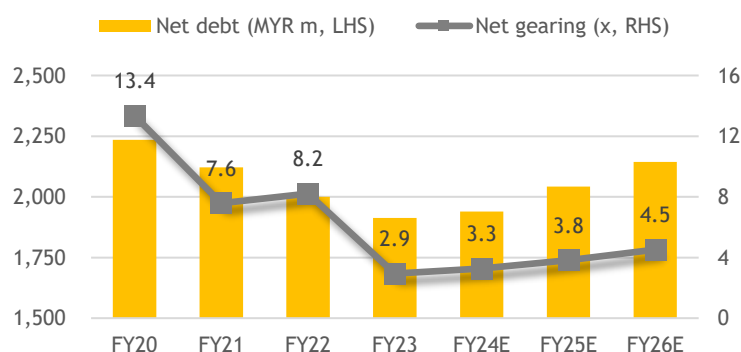
	FY23 ('000)	1Q24 ('000)	2Q24 ('000)	1H24 ('000)	Prospectus FY24 forecast ('000)	Maybank IBG Research's FY24 forecast ('000)
AKLEH	42.94	45.71	46.48	46.10	44.66	44.23
GCE	122.53	121.75	127.65	124.69	125.76	127.43
LKSA	85.09	88.48	88.86	88.60	88.92	88.66
SILK	208.21	212.38	218.25	215.32	214.42	215.07
Total	458.76	468.31	481.25	474.70	473.76	475.39

Source: PIBT, Maybank IBG Research

9.5 Net gearing

Based on our estimates, PIBT will remain in a net debt position in FY24-26E. Based on a capex commitment of estimated MYR420m for its obligations under the concessions to build an interchange at GCE and lane widening at SILK, we expect its annual free CFs to build up stronger from FY29E. We forecast a net gearing of 3.3x as at end-FY24E (2.9x end-FY23E), building up to 4.5x as at end-FY26E as it draws down on the Tawarruq financing 2 for its committed capex.

Fig 39: Net debt and net gearing



Source: PIBT, Maybank IBG Research

9.6 Dividend distribution

PIBT's Trustee-Manager intends to make distribution (on a semi-annual basis) of at least 90% of PIBT's distributable income. For FY24E, the intention is to distribute MYR70m (6.4sen/unit), which works out to be 101% of its distributable income, based on our calculation (we expect the "shortfall" for distribution to come from the utilisation of PIBT's cash balance - MYR407m as at end-FY23E). PIBT has declared a 3.18sen/unit DPU, being its 1H distribution for FY24E which went ex- on 2 Sep.

The calculation of distributable income is after adjusting for cash taxes payment, repayment of the principal portion of its debt, payment of capex not funded by debt ie. from internally generated funds (estimated MYR110m for an interchange at GCE and lane widening at SILK), and non-cash items such as depreciation, amortisation, impairment and other adjustments.

We expect FY24E's MYR70m distribution to, at least sustain, if not grow in FY25-FY26E as the Trust Group is able to draw from its cash balance for the "shortfalls" in its yearly distributable income. To sustain a MYR70m p.a. distribution, we project "shortfalls" in its distributable income until FY28E, solely due to its capex commitment for GCE and SILK. We expect PIBT's yearly distributable income to rise to above MYR80m from FY29E onwards after it fulfils its capex commitment for GCE and SILK.

Fig 40: Distributable income calculation

FYE Dec (MYR m)	FY24E	FY25E	FY26E
Profit before tax	35.5	39.7	41.7
Amortisation of HDE	47.8	52.0	54.2
Unwinding of discount iro lane widening on SILK and construction of Strathairlie Interchange	10.8	11.0	11.0
Income tax payment	(17.5)	(18.1)	(18.9)
Capex not funded by debt financing	(12.3)	(20.0)	(25.0)
Listing expenses	5.2	-	-
Distributable income	69.5	64.5	63.0
Utilisation of cash balance of Trust Group	0.5	5.5	7.0
Available for distribution	70.0	70.0	70.0

Source: Maybank IBG Research

10. Valuation

10.1 We favour a discounted cash flow methodology

As PIBT's business model derives fairly predictable cash flows, we favour the discounted cash flow (DCF) valuation methodology to derive PIBT's equity value. We discount PIBT's future cash flows (CF; until 2062 i.e. the end of its GCE, LKSA and SILK concessions) at the consolidated equity CF level (after debt servicing/repayment), using an estimated cost of equity. As for the choice of equity CF versus free CF (which uses WACC as the discount factor), we believe the former best reflects valuation from an business trust investor's perspective. The latter assumes an optimal gearing ratio throughout the entire projected period, which typically leads to a higher valuation since the cost of debt is usually lower than cost of equity, when calculating the WACC.

10.2 Cost of equity of 11.2%

We use a 4.0% risk-free rate and 6.5% market risk premium to derive the cost of equity. We consider the toll highway sector to be defensive. This, together with the fact that PIBT's existing assets are located only in Malaysia, reduces operating and regulatory risks. We deem beta of 1.1x to be appropriate to reflect the risk of traffic volume falling short due to new competing highways, and fuel/petrol subsidy rationalisation, among others. These assumptions translate to a cost of equity of 11.2%. We list below our basis for the above-mentioned parameters.

Fig 41: Cost of equity (Ke) calculation

Parameter	Rate	Basis / justification
Rf	4%	<ul style="list-style-type: none"> Malaysian Government Securities' (MGS) yield over the past 12 months
Rm	10.5%	<ul style="list-style-type: none"> KLCI's long term yield + long term dividend yield
Beta	1.1	<ul style="list-style-type: none"> Being brownfield assets, there is no construction risk; hence, the main risk is traffic volume falling short. That the next toll rate hike will only be in 2033 for GCE, LKSA and SILK supports the assumption that traffic is unlikely to contract over the next 9 years. As for AKLEH, there will be no toll rate hike until the end of its concession period (in 2037), thus traffic downside risk is minimal into 2037. Subsidy rationalisation relating to RON95 petrol (which is pending implementation) is likely to have a negative impact on traffic volume especially in the 1st year of implementation. Depending on the quantum of increase in pump petrol prices, the subsequent recovery in traffic volume could also be prolonged. We however do not expect the increase in pump petrol prices to be exorbitant.

Source: Maybank IBG Research

Fig 42: Sensitivity of cost of equity (Ke) to market risk premium and beta

Rm-Rf (%)	Beta				
	0.7	0.9	1.0	1.1	1.3
4.0%	6.8%	7.6%	8.0%	8.4%	9.2%
5.0%	7.5%	8.5%	9.0%	9.5%	10.5%
6.0%	8.2%	9.4%	10.0%	10.6%	11.8%
6.5%	8.6%	9.9%	10.5%	11.2%	12.5%
7.0%	8.9%	10.3%	11.0%	11.7%	13.1%
8.0%	9.6%	11.2%	12.0%	12.8%	14.4%
9.0%	10.3%	12.1%	13.0%	13.9%	15.7%

Source: Maybank IBG Research

10.3 Equity value of MYR1.24b; target price of MYR1.13

Based on the above cost of equity assumptions, we estimate PIBT's equity value to be MYR1.24b, deriving a target price of MYR1.13.

Fig 43: Sensitivity of equity value (MYR m) to traffic deviation (from our base case in FY24E), and cost of equity (Ke)

Traffic deviation	Ke				
	8.6%	9.9%	10.5%	11.2%	12.5%
-10%	1,265	1,059	979	911	803
-5%	1,488	1,250	1,157	1,077	949
Base case	1,711	1,442	1,335	1,244	1,096
+5%	1,934	1,633	1,513	1,410	1,243
+10%	2,157	1,824	1,692	1,577	1,390

Source: Maybank IBG Research

Fig 44: Sensitivity of TP (MYR) to traffic deviation (for our base case in FY24E), and cost of equity (Ke)

Traffic deviation	Ke				
	8.6%	9.9%	10.5%	11.2%	12.5%
-10%	1.15	0.96	0.89	0.83	0.73
-5%	1.35	1.14	1.05	0.98	0.86
Base case	1.56	1.31	1.21	1.13	1.00
+5%	1.76	1.48	1.38	1.28	1.13
+10%	1.96	1.66	1.54	1.43	1.26

Source: Maybank IBG Research

10.4 Compelling yield offering

Based on the Trustee-Manager's intention to distribute MYR70m (6.4sen/unit) in FY24E, this works out to be a 7% yield based on PIBT's last closing unit price of MYR0.91. By comparison, the 10-year Malaysian Government Securities' yield has ranged between 3.7%-4.1% over the past 12 months.

10.5 Sector comparisons

PIBT is the first business trust listed on Bursa Malaysia Securities. The only listed toll highway group presently is WCE Holdings (WCE MK, Not Rated, CP: MYR0.78) which holds the concessionaire for the West Coast Expressway, an inter-urban highway. However, only sections of the highway are opened, with the remaining sections still under construction. As such, there are currently no comparisons with any listed peers for PIBT. Lingkaran Trans Kota Holdings Berhad (LITRAK; Not Listed), the holding company of two toll highways in the Klang Valley - Lebuhraya Damansara-Puchong (LDP) and SPRINT - was delisted in 2022; its distribution yield was 4.9% based on its last FY22 (FYE Mar) DPS of 25sen and a capital repayment of MYR5.08 per LITRAK share to its shareholders to facilitate its de-listing.

11. Non-compliance issues

Some of the non-compliance issues pertaining to PIBT are as follows:

Fig 45: Non-compliance issues

Non-compliance issue	Description
Construction of Strathairlie Interchange on GCE	A diamond interchange known as Strathairlie Interchange was required to be built on GCE not later than 2011. The Malaysian Highway Authority (MHA) is aware of this non-compliance and has confirmed that there is valid basis to enter into a supplemental Concession Agreement (CA) with GCE for changes to the work programme and design configuration of this interchange. The draft supplementary CA has been sent to the MHA and is still being reviewed.
Lane widening for SILK	Upgrading works (lane widening) from the UNITEN interchange to the Sungai Ramal Interchange on SILK had not been implemented within the timeframe provided in the CA. 51% of the works had been completed in 2017 and the remaining 49% was to be completed in 3 stages i.e. Phase 1, 2 and 3. Phase 1 was completed in 2015. Works on Phase 2 commenced in 2021 and is scheduled to be completed on 14 June 2025. The construction work programme for Phase 3 works has yet to be approved by MHA.
Absence of advertisement licences	<p>The Concession Companies do not hold advertisement licences for 46 advertisement structures along the highways, of which 14 structures are along LKSA. As at 30 Sep 2023, final approval from MHA has been obtained for 4 structures, while conditional approval has been obtained for 10 structures. The remaining 32 structures are owned by third party vendors that have been notified to remedy the non-compliance and obtain the relevant licences.</p> <p>The impact of this is deemed to be immaterial, as advertisement revenue from the affected structures contribute to just 0.7% of PIBT's operating profit in FY22. Moreover, the cost to rectify is estimated at MYR226,860 or 0.2% of PIBT's profit from operations in FY22.</p>
Outstanding land premium	SILK was handed a notice for the payment of MYR6.96m being the cost of land premium and related costs for the area at KM26.7 of SILK. SILK Co had entered into a licences agreement with Petronas Dagangan Bhd (PDB) whereby PDB would be responsible for bearing the cost and expense of these matters. At this stage, PDB has requested for more time to respond, as the issue of payment of land premium for highway sites is being discussed at an industrial level by all oil companies with the MHA and Ministry of Works.
Absence of planning permission and Certificate of Completion and Compliance (CCC)	<p>As at 30 Sep 2023, 35 buildings and structures along the Highways (including administration buildings, toll plazas, Rest and Service Areas and lay-bys) do not have planning permission and have not been issued with CCCs. This matter is a collective issue faced by all local highway concession companies, and is currently under discussion between the relevant parties, i.e. the highway concession companies, local authorities and the Ministry of Works.</p> <p>In the event that local authorities require these existing structures to obtain a CCC, the group estimates a cost of MYR13.1m to procure the issuance of the relevant planning permissions and CCCs for the 35 buildings and structures and it would take about three years to complete the rectification work. The potential maximum penalty to be imposed by the authorities, if any, for the 35 buildings and structures, is estimated to be MYR26.3m or 18% of the group's profit from operations in FY22. This takes the total potential cost, if any, to MYR39.4m or 27% of the group's FY22 profit from operations.</p>
Absence of airspace permits for elevated parts of the Highways	The issuance of air space permits is subject to the full land reservation of the relevant highways having been completed and gazetted. The land reservation status of the Highways takes time and is only partially completed.

Source: PIBT

12. Risk factors

Aside from the non-compliance matters highlighted in Section 11 above, the following risk factors apply as well, though the list is not exhaustive.

12.1 Expiration/early termination of the concessions

This may happen if the Concession Company does not perform its obligations in accordance with the terms of the Concession Agreement and fails to remedy breaches within the stipulated time frame.

12.2 Traffic volumes do not meet up to expectations

There is no guarantee that traffic volumes will meet expectations, given the myriad of factors that influence this variable. These factors include the likes of toll rates, vehicle volume growth, fuel prices, the quality and proximity of alternative routes and the development of alternative modes of road transport, among others.

12.3 Higher-than-anticipated capex and maintenance costs

The cost of operation and maintenance may be affected by various extenuating events such as increases in construction material prices, land acquisition costs, engineering requirements, work delays, higher fuel costs, etc. Moreover, increased traffic volume could result in more frequent maintenance than planned. The increase in cost, in turn, would impact on revenues and cash flows of the group.

12.4 Competing roads and alternative modes of transport

There is no guarantee that there will not be alternative roads/highways to be built, that would compete as alternative routes to the existing concession highways. For instance, the future Putrajaya Bangi Expressway is expected to be an alternative route to SILK. Moreover, there is also no guarantee that the alternative modes of transport such as the LRT/MRT would not be extended to eventually compete with the existing concessions.

12.5 Toll rates are outside the group's control

The Government may, from time to time, impose lower toll rates than those agreed upon, to alleviate economic hardship on consumers. It may also announce waivers or discounts to rates during festive periods and special events such as the federal election. While there is compensation from the Government, these compensation agreements may not result in the concessionaires receiving the equal amount of toll revenue lost. Moreover, any non-cash incentives may affect toll revenues and cash flows.

12.6 Dependence on external borrowings

PIBT has secured financing of up to MYR2.7b from Bank Pembangunan Malaysia. Additional financing above this is subject to approval from Bank Pembangunan and where there is recourse to the Trust and the Concession Companies, approval from the Government is required. The debt financing is on a floating rate basis and is as such, subject to fluctuations in interest rates.

Appendix 1: Board of Directors of Prolintas Managers Sdn Bhd (Trustee-Manager)

Name	Date of Appointment	Designation	Experience
Dato' Ikmal Hijaz Bin Hashim (Male; age: 70)	2 June 2022	Non-Independent Non-Executive Chairman	<ul style="list-style-type: none"> Dato' Ikmal graduated in 1976 from the University of Malaya with a Bachelor of Arts in History (Honours) and obtained a Master of Philosophy in Land Management from the University of Reading, United Kingdom in 1985. He has over 45 years of experience in the government sector, property and highway infrastructure industry. Dato' Ikmal participated in several key national infrastructure projects as the General Manager overseeing the Malaysian-Singapore Second Crossing Project (1990-1993), as well as the Projek Lebuhraya Utara-Selatan Berhad from 1993 to 2001. He currently holds positions on various committees of PLKH Group and holds directorships in Kumpulan Perangsang Selangor Berhad and Risda Holdings Sdn Bhd.
Malik Parvez Ahmad Bin Nazir Ahmad (Male; age: 54)	19 October 2023	Non-Independent Executive Director / Chief Executive Officer	<ul style="list-style-type: none"> En. Malik graduated from International Islamic University, Malaysia in 1992 with a Bachelor of Accounting. He is a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He has over 30 years of experience in financial management, strategic planning and financial reporting. He started his career in 1992 as an Auditor at KPMG Peat Marwick (as it was then known). He joined Medtexx Partners Inc. (incorporated in the United States) as a Financial Controller from 1998 to 2002. In 2004, he was appointed as Group Financial Officer of Latexx Partners Bhd where he was involved with its restructuring exercise. In 2008, he joined PLKH Group as Chief Financial Officer. On 4 Dec 2023, he resigned from his position in PLKH and assumed the role of Chief Executive Officer of the Trustee-Manager on the same date.
Dato' Mohammad Azlan Bin Abdullah (Male; age: 55)	2 June 2022	Non-Independent Non-Executive Director	<ul style="list-style-type: none"> Dato' Mohammad Azlan graduated in 1991 from the University of Tasmania, Australia with a Bachelor of Business (Accountancy). He is a Chartered Accountant with the Malaysian Institute of Accountants (MIA), a fellow member of the Certified Practising Accountant (CPA) Australia and a fellow member of the Institute of Corporate Directors Malaysia (ICDM). He has over 30 years of work experience in various industries including the managing of a highway infrastructure company, as well as in project financing, corporate affairs and internal audit. He is currently a director of SILK Co and Manfaat Tetap, and the Non-Independent Non-Executive Chairman of Sapura Energy Berhad and a trustee of Yayasan Bina Makmur.
Dato' Abdul Mutalib Bin Alias (Male; age: 62)	9 June 2023	Independent Non-Executive Director	<ul style="list-style-type: none"> Dato' Mutalib graduated in 1983 from Northern Illinois University DeKalb, Illinois, USA with a Bachelor of Science in Accounting. He obtained a Masters in Business Administration from Governors State University, University Park, Illinois, USA in 1984. He has over 35 years of experience in the banking and government sectors, having started his career as a credit analyst in The Chase Manhattan Bank in 1985. He served the Government of Malaysia as a Special Officer and Political Secretary to Ministers attached to various governmental ministries from 2000 to 2011. In 2011, he was tasked to set up a new government housing agency, Perumahan Rakyat 1Malaysia (PR1MA). He currently holds positions on the Board of Ekuiti Nasional Berhad, AirAsia X Berhad and Icon Offshore Berhad.
Datuk Syed Azmi Bin Syed Othman (Male; age: 67)	9 June 2023	Independent Non-Executive Director	<ul style="list-style-type: none"> Dato' Syed Azmi graduated in 1980 from Monash University, Melbourne, Australia with a Bachelor of Engineering. He is a member of the Institution of Engineers, Malaysia and a registered professional engineer with the Board of Engineers of Malaysia. He has over 40 years of experience in the construction and engineering industry and was involved in various key infrastructure projects such as Projek Lebuhraya Utara-Selatan Berhad (1993-1994), National Sports Complex and Games Village project in Bukit Jalil (1994-1999).

Source: PIBT

Appendix 1: Board of Directors (continued...)

Name	Date of Appointment	Designation	Experience
Nik Fazila Binti Nik Mohamed Shihabuddin (Female; age: 57)	9 June 2023	Independent Non-Executive Director	<ul style="list-style-type: none"> Pn. Nik Fazila graduated in 1988 from the Flinders University of South Australia with a Bachelor of Economics (Accounting). She is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA), a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and an Associate Member of the Certified Practising Accountant (Australia). She has over 35 years of experience in financial accounting, financial management and reporting, and corporate restructuring exercises. She started her career in 1988 in the audit and business advisory team at PricewaterhouseCoopers Malaysia and had served as the Chief Financial Officer of UDA Holdings Berhad, Biotropics Malaysia Berhad, and Chemical Company of Malaysia Berhad. Pn. Nik Fazila is also currently on the Board of MSM Malaysia Holdings Berhad, FGV Holdings Berhad, and MBM Resources Berhad.
Datin Nona Binti Salleh (Female; age: 56)	20 September 2023	Independent Non-Executive Director	<ul style="list-style-type: none"> Datin Nona graduated in 1990 with a Bachelor of Science (Honours) in Economics, specialising in Accounting and Finance from London School of Economics and Political Science, University of London, United Kingdom. She is a certified member of the Financial Planning Association of Malaysia and holds a Capital Markets Services Representative's License, with Phillip Capital Management Sdn Bhd listed as her principal entity. She has over 30 years of experience in investment banking, and is currently serving as the Executive Chairperson of Philip Capital Management Sdn Bhd, as well as 11 other non-executive directorships in Malaysian companies within the same group of companies as Philip Capital Management Sdn Bhd. She also holds positions on the Boards of IFS Capital (Malaysia) Sdn Bhd, Meridian Exquisite (M) Sdn Bhd, and IFS Factors (Malaysia) Sdn Bhd.

Source: PIBT

Appendix 2: Senior Management of Prolintas Managers Sdn Bhd (Trustee-Manager)

Name	Date of Appointment	Designation	Experience
Malik Parvez Ahmad Bin Nazir Ahmad (Male; age: 54)	NA	Non-Independent Executive Director / Chief Executive Officer	<ul style="list-style-type: none"> Please refer to page 42.
Azmee Bin Nin (Male; age: 61)	NA	General Manager (Highway Operations)	<ul style="list-style-type: none"> En. Azmee has a Bachelor of Science in Building, from Glasgow College of Technology, Scotland, in 1984. He has over 35 years of experience in highway construction, engineering, and project financing which started with Projek Lebuhraya Utara-Selatan Berhad. He led the Lebuhraya Borneo Utara project which included the construction of the Pan Borneo Highway in Sarawak. He was appointed as General Manager of the PLKH Group in 2021. His responsibilities in PLKH, among others, cover the management of highway operations and development, toll collection, and traffic safety and maintenance. On 1 Jan 2024, he resigned from his position in PLKH and assumed the position of General Manager (Highway Operations) of the Trustee-Manager on the same date.
Mukholisah Binti Mohd Majid (Female; age: 36)	NA	Financial Controller	<ul style="list-style-type: none"> Cik Mukholisah holds a Bachelor in Accounting from Universiti Teknologi MARA, and is a Chartered Accountant with the Malaysian Institute of Accountants (MIA) and a member of the Association of Chartered Certified Accountants. She has over 10 years of experience in the field of financial accounting and management, where she had served several corporations such as MNRB Holdings Bhd and Pfizer (M) Sdn Bhd before joining PLKH Group as the Financial Controller in 2023. Her responsibilities include overseeing and managing finance operations of the Group, as well as overseeing ad hoc and ancillary financial and accounting matters. On 1 Jan 2024, she was transferred from PLKH to the Trustee-Manager in the position of Financial Controller.
Latif Bin Ibrahim (Male; age: 42)	NA	Investor Relations & Corporate Finance	<ul style="list-style-type: none"> En. Latif holds a Bachelor of Accountancy from Universiti Utara Malaysia (UUM) and is a Chartered Accountant with the Malaysian Institute of Accountants (MIA). With over 15 years of experience in Corporate Finance, he began his career at Boustead Holdings in 2005. From 2009 to 2016, he held key positions at PLKH Group, eventually leading the Corporate Finance Division. On 1 Apr 2024, he was transferred from PLKH Group to the Trustee-Manager. His expertise extends to conducting valuation analyses, due diligence, and financial modeling for M&A activities, as well as securing substantial Islamic term financing from reputable financial institutions.

Source: PIBT

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	na	na	95.0	82.2	77.3
Core P/E (x)	na	na	95.0	82.2	77.3
P/BV (x)	na	na	1.7	1.9	2.1
P/NTA (x)	na	na	2.6	3.1	3.8
Net dividend yield (%)	na	na	7.0	7.0	7.0
FCF yield (%)	na	na	17.5	9.5	10.2
EV/EBITDA (x)	8.6	14.5	14.1	13.8	13.8
EV/EBIT (x)	19.4	18.2	18.3	18.1	18.1

INCOME STATEMENT (MYR m)

Revenue	384.2	309.3	311.7	323.5	335.0
EBITDA	268.9	200.7	208.6	220.2	227.6
Depreciation	0.0	0.0	0.0	0.0	0.0
Amortisation	(149.9)	(40.8)	(47.8)	(52.0)	(54.2)
EBIT	118.9	159.9	160.9	168.2	173.5
Net interest income /(exp)	(150.5)	(147.7)	(137.8)	(141.0)	(144.2)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	(124.2)	0.0	0.0	0.0
Other pretax income	27.3	20.1	12.5	12.5	12.5
Pretax profit	(4.3)	(92.0)	35.5	39.7	41.7
Income tax	(9.2)	(184.1)	(25.0)	(27.5)	(28.8)
Minorities	2.3	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(11.3)	(276.1)	10.5	12.2	13.0
Core net profit	(11.3)	(151.9)	10.5	12.2	13.0

BALANCE SHEET (MYR m)

Cash & Short Term Investments	315.4	406.7	536.3	507.3	481.7
Accounts receivable	186.8	41.9	42.2	43.8	45.4
Inventory	0.0	0.0	0.0	0.0	0.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,509.5	2,854.0	2,831.2	2,896.6	2,957.9
Intangible assets	0.0	210.6	210.6	210.6	210.6
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	264.0	102.0	102.0	102.0	102.0
Total assets	3,275.6	3,615.1	3,722.3	3,760.3	3,797.6
ST interest bearing debt	131.5	0.2	0.2	0.2	0.2
Accounts payable	138.7	30.4	23.4	22.7	23.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,517.9	2,319.6	2,475.0	2,550.0	2,625.0
Other liabilities	1,244.0	614.0	632.0	654.0	672.0
Total Liabilities	3,032.3	2,964.1	3,130.8	3,226.6	3,321.0
Shareholders Equity	276.4	651.0	591.5	533.7	476.6
Minority Interest	(33.0)	0.0	0.0	0.0	0.0
Total shareholder equity	243.4	651.0	591.5	533.7	476.6
Total liabilities and equity	3,275.6	3,615.1	3,722.3	3,760.3	3,797.6

CASH FLOW (MYR m)

Pretax profit	(4.3)	(92.0)	35.5	39.7	41.7
Depreciation & amortisation	149.9	40.8	47.8	52.0	54.2
Adj net interest (income)/exp	91.2	125.7	125.9	129.1	132.4
Change in working capital	0.0	0.0	0.0	0.0	0.0
Cash taxes paid	(12.0)	(14.2)	(17.5)	(18.1)	(18.9)
Other operating cash flow	102.7	146.3	11.9	11.9	11.9
Cash flow from operations	327.5	206.6	203.7	214.6	221.2
Capex	(3.4)	(11.0)	(28.1)	(119.4)	(119.5)
Free cash flow	324.0	195.6	175.6	95.2	101.8
Dividends paid	(23.4)	0.0	(70.0)	(70.0)	(70.0)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(104.7)	(5.7)	150.0	75.0	75.0
Other invest/financing cash flow	16.7	(96.1)	(125.9)	(129.1)	(132.4)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	212.7	93.8	129.7	(29.0)	(25.6)

FYE 31 Dec	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	5.0	(19.5)	0.8	3.8	3.5
EBITDA growth	3.6	(25.4)	4.0	5.5	3.4
EBIT growth	(23.6)	34.5	0.6	4.6	3.1
Pretax growth	nm	nm	nm	11.6	5.2
Reported net profit growth	nm	nm	nm	15.6	6.3
Core net profit growth	nm	nm	nm	15.6	6.3
Profitability ratios (%)					
EBITDA margin	70.0	64.9	66.9	68.1	68.0
EBIT margin	31.0	51.7	51.6	52.0	51.8
Pretax profit margin	nm	nm	11.4	12.3	12.5
Payout ratio	0.0	0.0	nm	nm	nm
DuPont analysis					
Net profit margin (%)	nm	nm	3.4	3.8	3.9
Revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	11.9	5.6	6.3	7.0	8.0
ROAE (%)	(3.8)	(59.6)	1.7	2.2	2.6
ROAA (%)	(0.3)	(4.4)	0.3	0.3	0.3
Liquidity & Efficiency					
Cash conversion cycle	nm	nm	nm	nm	nm
Days receivable outstanding	198.6	133.1	48.6	47.8	47.9
Days inventory outstanding	nm	nm	nm	nm	nm
Days payables outstanding	nm	nm	nm	nm	nm
Dividend cover (x)	nm	nm	0.2	0.2	0.2
Current ratio (x)	1.1	7.0	7.6	5.7	4.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.1	1.2	1.2	1.2	1.1
Net gearing (%) (incl perps)	548.1	293.9	327.8	382.8	449.7
Net gearing (%) (excl. perps)	548.1	293.9	327.8	382.8	449.7
Net interest cover (x)	0.8	1.1	1.2	1.2	1.2
Debt/EBITDA (x)	6.1	11.6	11.9	11.6	11.5
Capex/revenue (%)	0.9	3.6	9.0	36.9	35.7
Net debt/ (net cash)	1,334.0	1,913.1	1,938.9	2,042.8	2,143.4

Source: Company; Maybank IBG Research

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