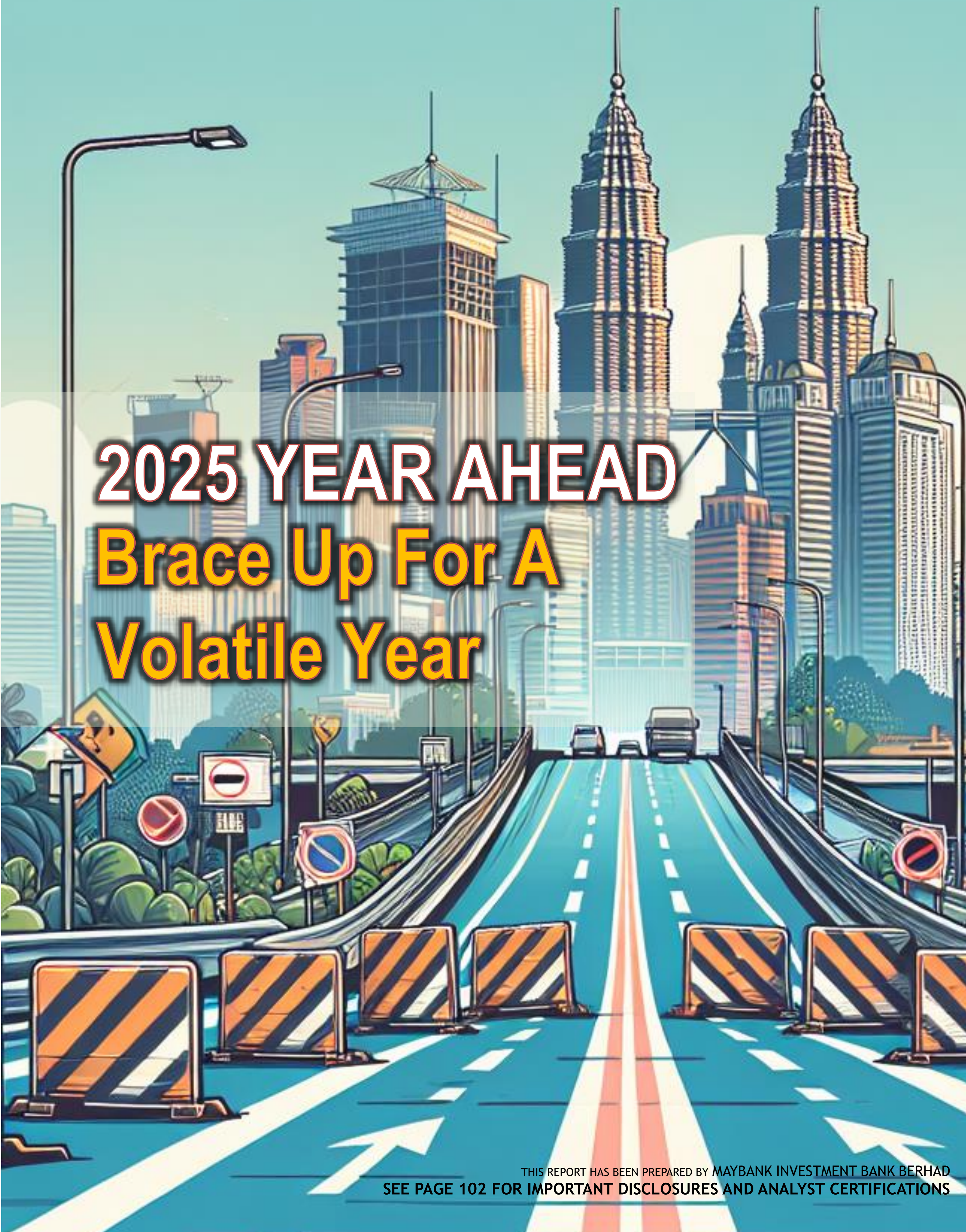
Maybank
Investment Bank



2025 YEAR AHEAD
Brace Up For A Volatile Year

SEE PAGE 102 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Maybank Investment Bank

STRATEGY

Malaysia

Malaysia 2025 Outlook & Lookouts

Brace up for a volatile year

Analysts

Suhaimi Ilias
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

Lim Sue Lin
(603) 2297 8612
suelin.lim@maybank-ib.com

Malaysia Research Team
(603) 2297 8888
MSSG_ResearchDesk@maybank.com

Navigating opportunities and challenges

Navigating Trump 2.0 would be a task in 2025. Although ASEAN will likely not be a priority or a direct target, Malaysia could catch some attention as it has been a beneficiary of trade diversion. Domestically, Malaysia is seeing an investment upcycle wave with non-trade growth engines including tourism, data centres and ASEAN Economic integration as growth supports. We list five themes to play in 2025, mostly centric on consumption and investment realisation. We have a 2025 YE KLCI target of 1,740 (15x 2026E PER), driven mainly by banks, which is our key OW.

Malaysia Macro: Domestic tailwinds vs external headwinds

Our thesis of Malaysia's third investment upcycle is on-going as sustained investments are feeding into rising actual investments. Income-boosting measures unveiled in Budget 2025 will uplift consumer spending. while we expect Bank Negara Malaysia (BNM) to keep the Overnight Policy Rate (OPR) unchanged in 2025. Domestically, all eyes will be on the Johor-Singapore Special Economic Zone (JSSEZ), petrol subsidy rationalisation, 13th Malaysia Plan (13MP), the National Investment Incentive Framework (NIIF) and the Sabah state elections. Downside to growth arises from external uncertainties, namely Trump 2.0 which is a major wildcard for the economic outlook from potential US trade policies and tariff measures.

Malaysia Equity: Themes to play in 2025

We lay out five themes to lookout in 2025: (1) External disruptions: We see opportunities in a shift of trade diversion to trade diversification which would benefit manufacturing and tech plays, (2) Domestic secular plays: Hedging uncertainties externally, we see positive trends to benefit banks, consumer and tourism (incl REITs), (3) State-driven activities: Following through from Johor, Sarawak and Penang where we will continue to see investment action, we would also watch for developments in Sabah, Kedah and Perlis in the energy and EV space, (4) Investment realisation: After receiving strong approved investments since 2023, it is time to reap the fruits of the harvest. We expect positives from tech, construction and industrial properties to spread to second order beneficiaries such as consumer, retail and offices, (5) Corporate restructuring: We expect to see a stepping-up of GLC reinvigoration given new head honchos on board. Separately, we expect the GEAR-uP initiatives to take shape in 2025.

Positioning for 2025: Growth, yields and ESG

We forecast YE 2025 KLCI target of 1,740 (15x 2026E PER), driven mainly by banks, our key OW. We are also OW consumer and healthcare while selectively positive on construction (DC plays), oil & gas (FPSOs) and tech (EMS). Other key sectors such as property, plantations, telcos and utilities are Neutral. Petrochemicals is our only Underweight. Our BUYs are AMMB, CIMB, Gamuda, YTLP, Hartalega, KPJ, VSI, Frontken, Aeon and Solarvest. Top Sells are Lotte Titan, Astro, Tan Chong, BFood and RCE. Top 5 high-yield picks in FY25E-26E are Eco World Int'l, Bermaz Auto, DXN, MBM Resources and Sentral REIT. Not forgetting, our ESG picks are Allianz, Gamuda, IOI, Public Bank and Hong Leong Bank.

Contents

ECONOMICS: Domestic Tailwinds vs External Headwinds

We expect global real GDP growth to moderate to +2.9% in 2025 (2024E: +3.2%), mainly reflecting soft landings in US (2025F: +2.0%; 2024E: +2.8%) and China (2025F: +4.5%; 2024E: +4.8%). ASEAN-6 growth will stay resilient (2025F: +4.7%; 2024E: +4.8%) amid global electronics upcycle – as per global semiconductor sales growth forecast of +11.2% in 2025 (2024E: +19.0%; 2023: -8.2%); FDI structural uptrend on drivers like manufacturing supply chain shifts and data centre boom; and on-going post-pandemic tourism normalisation.

Key external events to watch in 2025 are Trump 2.0 policies, US Fed's interest rate path and China's policy responses to Trump 2.0. Our forecast of US soft-landing is premised on Trump 2.0 delivering pro-growth measures e.g. de-regulations to spur investment; tax cuts. However, the inflation risk from Trump 2.0 pro-growth – and anti-immigrants - policies will result in shallower US Fed interest rate cuts in 2025 of -75bps after the estimated -100bps in 2024 as the path towards 2% inflation target may turn "stickier". At the same time, how the tariff rhetoric of Trump 2.0 will play out vs the reality will be the biggest wild card on global economic outlook. In response to Trump 2.0's tariffs threats, we foresee China announcing further monetary and fiscal stimuli in 2025 - including additional interest rate cuts and larger budget deficit aimed at boosting domestic demand, especially consumer spending, and in the event of US tariffs action on China, China will likely announce strategic retaliatory tariffs.

We forecast Malayia's real GDP growth to moderate to +4.9% in 2025 from +5.2% in 2024 (9M2024: +5.2%) given the crosscurrent of domestic tailwinds and the Trump 2.0-related external headwinds. Two key domestic tailwinds for the economy to take note of. First, Malaysia's investment upcycle is on-going as per the trend in gross fixed capital formation as sustained robust momentum in approved investment since 2021 is translating into rising actual/realised investment, in line with the uptrends in the implementation rate of approved manufacturing investment, imports of capital goods, banking system loans for "industrial buildings, factories and lands" and corporate earnings. Second, income-boosting measures in Budget 2025 will uplift consumer spending i.e. civil service salary and pension reviews involving additional +MYR12.3b allocation for emolument and retirement charges in the Federal Government's operating expenditure; higher amount of cash handouts to lower income group (Budget 2025: MYR13b; Budget 2024: MYR10.7b; Budget 2023: MYR8.13b); increases, extensions and enhancements in personal income tax reliefs; and monthly minimum wage hike of +13.3% to MYR1,700 from MYR1,500.

Investment upcycle and Budget 2025's measures to boost wages and salaries – coupled with the outlook of Bank Negara Malaysia (BNM) keeping the Overnight Policy Rate (OPR) steady at 3.00% in 2025 - underpin growth in private investment (2025F: +10%; 2024E: +12.3%) and consumer spending (2025F: +5.8%; 2024E: +5.2%). We project slower public investment growth (2025F: +4.8%; 2024E: +11.5%), factoring in capex by Government-Linked Companies/Investment Funds (GLCs/GLIFs), especially via the Government-Linked Entities Activation and Reform Programme (GEAR-uP - where GLCs/GLIFs commit to domestic direct investment (DDI) of MYR120b over the next five years, starting with MYR25b in 2025); "flat" gross development expenditure of MYR86b in 2025. Given our forecast of slower global growth, we project slower growth in both goods and services exports (2025F: +5.0%; 2024E: +5.8%; 9M2024: +8.5%) and imports (2025F: +7.0%; 2024E: +7.5%; 9M2024: +10.1%).

Domestically, 2025 will see several key policy events i.e. signing of Johor-Singapore Special Economic Zone (JSSEZ) agreement in Jan 2025; RON95 petrol subsidy rationalisation and announcement of 13th Malaysia Plan (13MP, 2026-2030) in mid-2025; and National Investment Incentives Framework (NIIF) in 3Q 2025.

GLOBAL ECONOMY

Global growth drifting lower in 2025

We expect global real GDP growth to slow to +2.9% in 2025 after displaying resilience in 2024 given the estimated +3.2% expansion (Fig 1). While the outlook mainly reflects the expected soft landings in US (2025F: +2.0%; 2024E: +2.8%) and China (2025F: +4.5%; 2024E: +4.8%), the narrative of an uneven global economy continues amid the relative under-performance – despite the projected pick up - in Eurozone (2025F: +1.2%; 2024E: +0.8%), UK (2025F: +1.5%; 2024E: +1.0%) and Japan (2025F: +1.0%; 2024E: +0.1%).

Fig 1: Real GDP Growth (% YoY)

	1Q 2024	2Q 2024	3Q 2024	2022	2023	2024E	2025F	2026F
WORLD	**-**	**-**	**-**	**3.6**	**3.3**	**3.2**	**2.9**	**2.8**
US	3.1	3.0	2.4	2.5	2.9	2.8	2.0	2.0
Eurozone	0.5	0.6	0.9	3.3	0.4	0.8	1.2	1.4
Japan	(0.8)	(1.1)	0.3	1.2	1.7	0.1	1.0	0.9
UK	0.3	0.7	1.0	4.8	0.3	1.0	1.5	1.5
China	5.3	4.7	4.6	3.0	5.2	4.8	4.5	4.2
ASEAN-6	**4.4**	**4.8**	**4.9**	**5.7**	**4.0**	**4.8**	**4.7**	**4.7**
Singapore	3.0	3.0	5.4	3.8	1.1	3.6	2.6	2.3
Indonesia	5.1	5.0	4.9	5.3	5.0	5.1	5.2	5.3
Thailand	1.6	2.2	3.0	2.5	1.9	2.6	2.8	3.0
Malaysia	4.2	5.9	5.3	8.9	3.6	5.2	4.9	4.6
Philippines	5.8	6.4	5.2	7.6	5.5	5.8	6.0	6.2
Vietnam	5.7	7.1	7.4	8.1	5.0	6.7	6.4	6.1

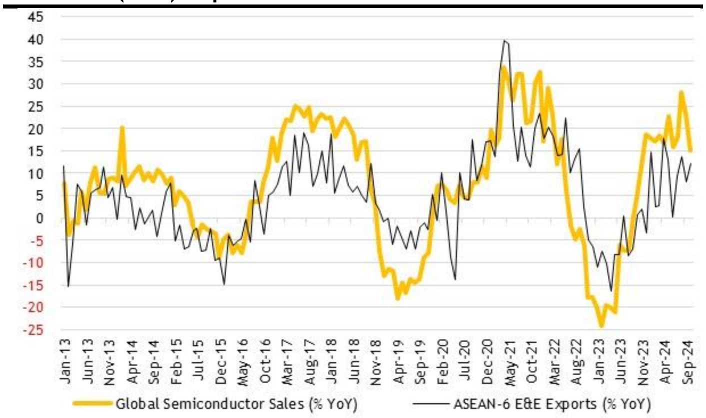
Sources: CEIC & IMF (1Q 2023 - 3Q 2024, 2022-2023); Maybank IBG Research (2024E-2026F Global, China, ASEAN-6); Consensus (2024E-2026F for others)

Our view is ASEAN-6's growth to stay resilient (2025F: +4.7%; 2024E: +4.8%), but it is a mixed bag of moderation in Singapore (2025F: +2.6%; 2024E: +3.6%), Malaysia (2025F: +4.9%; 2024E: +5.1%) and Vietnam (2025F: +6.4%; 2024E: +6.7%) vs the projected pick up in Indonesia (2025F: +5.2%; 2024E: +5.1%), Thailand (2025F: +2.8%; 2024E: +2.6%) and the Philippines (2025F: +6.0%; 2024E: +5.8%). Overall, ASEAN-6 growth resilience is underpinned by the trifecta of 1) global electronics upcycle (Fig 2) – as per global semiconductor sales growth forecast of +11.2% in 2025 (2024E: +19.0%; 2023: -8.2%); 2) FDI structural uptrend amid drivers like manufacturing supply chain shifts and data centre boom (Fig 3); and 3) on-going post-pandemic tourism normalisation (Fig 4). Other growth drivers for ASEAN-6 include domestic consumer spending on interest rate cuts, lower inflation and favourable labor market conditions that include income growth; ASEAN economic integration initiatives, including the Johor-Singapore Special Economic Zone and upgrading of the ASEAN energy grid; and spillovers from China's stimulus measures (see ASEAN Economics: Finding Growth in a Fragmented World, 25 Oct 2024).

We see US growth soft-landing on Trump 2.0 policies amid US Fed's interest rate cuts. The forecast of US soft-landing is bolstered by Trump's victory and Republican's sweep of both houses of the US Congress at the 5 Nov 2024 elections which strengthen the likelihood of Trump 2.0 delivering the promises of pro-growth measures such as de-regulations to spur investments plus extension of tax cuts under the Tax Cuts and Jobs Act (TCJA – expiring by end-2025), and the proposed corporate income tax cut to 15% from 21%. At the same time, US Fed has been on an interest rate cut cycle since Sep 2024, with total of -75bps cuts in the fed funds rate (FFR) delivered as of end-Nov. Interestingly, the Cleveland Fed's forecasts of quarterly US real GDP based on the US Treasury yield curve point to a soft-landing rather than recession despite the preceding yield curve inversion (Fig 5).

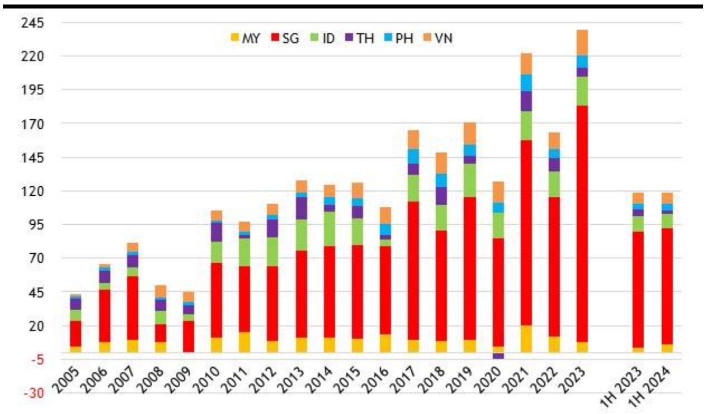
China's growth stabilising on policy stimulus. We also note emerging signs of China's growth stabilising in 3Q 2024, and the full-year 2025 growth forecast reflects the expectation of growth stabilising on the impact of monetary and fiscal stimulus measures announced in Sep-Nov 2024 (Fig 6).

Fig 2: Global Semiconductor Sales vs ASEAN-6 Electronics & Electrical (E&E) Exports



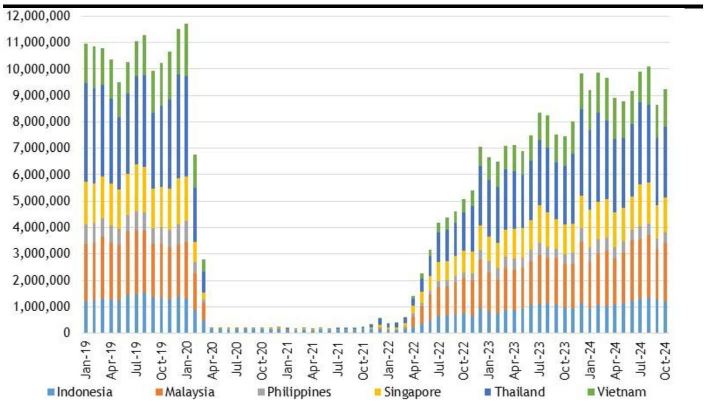
Sources: World Semiconductor Trade Statistics (WSTS), CEIC

Fig 3: FDI into ASEAN-6 (USDb)



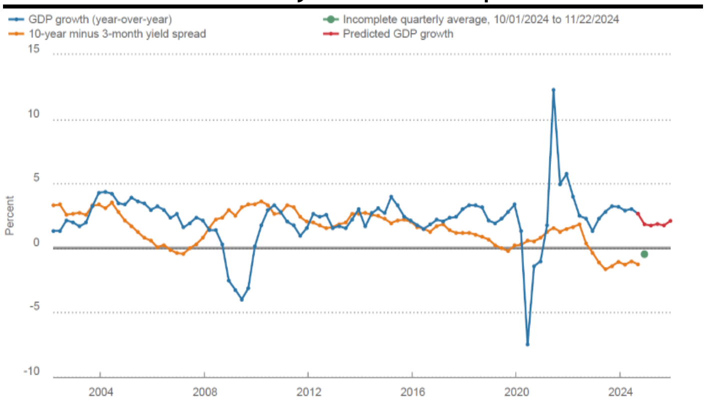
Source: CEIC

Fig 4: ASEAN-6's Tourist Arrivals (persons)



Source: CEIC

Fig 5: Cleveland Fed's US GDP Growth Forecast 4Q 2024 – 4Q 2025 Based on US Treasury 3M-10Y Yield Spread



Source: Cleveland Fed

Fig 6: China's Monetary and Fiscal Stimulus, Sep-Nov 2024

PBOC's "Easing Blitz"	Politburo Statement 26 Sep 2024	MoF's Fiscal Stimulus
24 Sep 2024 • Cuts 7-Day Repo by 20 bps to 1.5% • Existing Mortgage Interest Rates lowered by 50 bps • Reduce RRR by 50 bps to 6.50% releasing RMB1tr liquidity • Cut Second-Home Down-Payment from 25% to 15% • Guide banks to lower mortgage rates by 50bps • Raise PBOC's Share of Affordable Housing Re-Lending from 60% to 100% • RMB800bn of liquidity for the stock market 21 Oct 2024 • Cuts 1-Year and 5-Year Loan Prime Rates by 25bps	• Fiscal Stimulus – Increase Central and Local Governments issuance of Special Bonds • Policy pivot from letting housing bubble deflate, to halting in the property market's decline • Introduce private sector promotion law, create a conducive environment for protecting entrepreneurs' rights • Focus on the employment of fresh graduates, migrant workers, low-income and zero-employment families and other key groups	12 Oct 2024 • Additional special Central Govt Bonds (CGB) issuance (current total RMB1tn) • RMB400b Local Govt Bonds (LGB) issuance to relieve provinces' shortfalls, restructure debts, repay arrears owed to corporates. • RMB3.9tn in special LGBs earmarked for this year, RMB2.3tn have yet to be spent. Disbursement will be sped up in 4Q 2024. Local governments allowed to use these funds to buy back land sold but undeveloped, and buying unsold housing inventory to be converted into affordable housing 8 Nov 2024 • Local government debt swap of RMB10trn over five years, resulting in RMB600bn in interest savings

Source: Maybank IBG Research compilation

Trump 2.0 coming into sharp focus

As Trump's inauguration scheduled on 20 Jan 2025 approaches, the speed and scope of executing the policies and priorities of Trump 2.0 comes under sharp focus. We expect the Trump 2.0 administration to do as much as possible as soon as possible, given the strong mandate for Trump and the Republican sweep at the elections on 5 Nov 2024, and the need to produce tangible results ahead of the mid-term elections in Nov 2026 as Trump is on his second – and final - four-year term as President, given the two terms limit for the US Presidency (successive two terms or a total of two terms).

We listed in Fig 7 the key policies and priorities under Trump 2.0 i.e. "De-regulation", "Immigration", "Tariffs" and "Taxes", and the path towards implementing them i.e. involving the President's executive action and/or Congress approvals, plus risk of legal challenges. This is on top of the appointments of loyalists, aides and high-profile supporters into the Trump 2.0 administration. This is to avoid the "revolving door" administration of Trump 1.0 that was beset by teams made up of "pro-establishment" and "institutionalists" Republicans and appointees who were not necessarily on the same page with Trump, resulting in a string of changes in personnel, resignations and firings.

Fig 7: Path to Enacting Trump 2.0's Policies and Priorities

Key Trump 2.0's Policies and Priorities, and examples of measures	Executive Action Alone	Congressional Legislation Required	Potential Legal Challenge?
Deregulation e.g.			
Reverse Biden's Limits on Energy Projects	X		
Exit Paris Climate Accord	X		
Ease Regulations on Crypto-Currency Industry	X	X	
Immigration - Deporting Illegal Immigrants/Foreign Workers e.g.			
Deploy National Guard	X		X
Invoke Alien Enemies Act, 1789	X		X
Reinstate Trump 1.0 policies/measures invalidated by Biden	X		X
Tariffs e.g.			
Proposed 60% on all imports from China	X		X
Proposed 10%-20% on all imports from Rest of the World (RoW)	X		X
Taxes e.g.			
Extend tax cuts under the Tax Cuts & Jobs Act (TCJA) 2017		X	
Lower Corporate Tax Rate from 21% to 15%		X	

Sources: Bloomberg News; The Peterson Institute for International Economics; The USC Sol Price School of Public Policy; Cato Institute; Centre for Strategic and International Studies (CSIS)

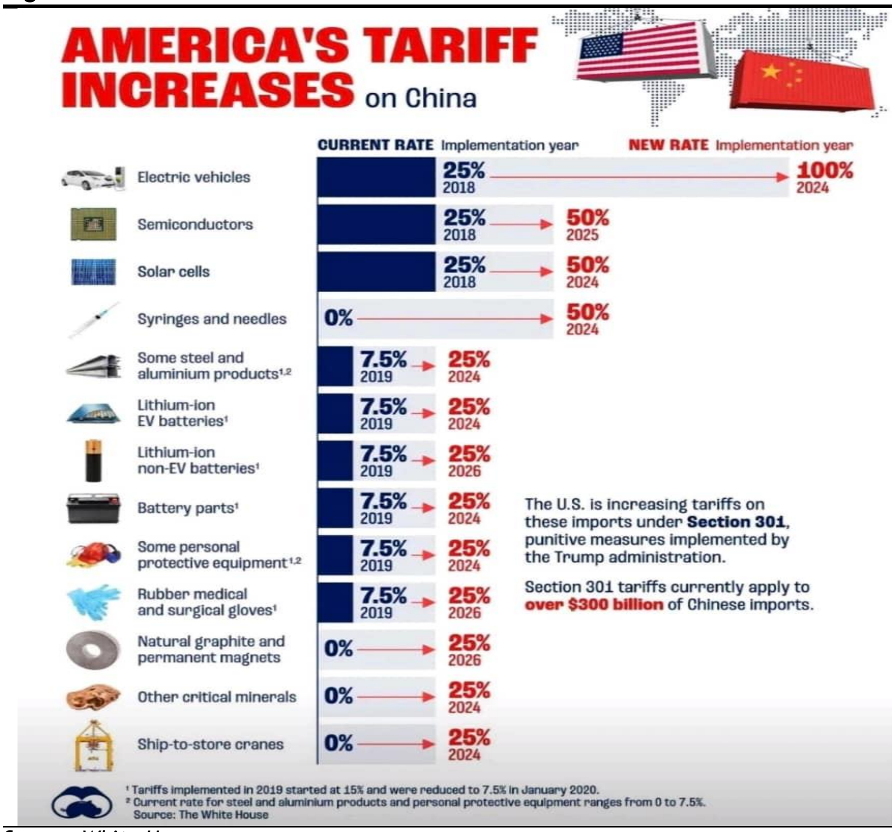
From Fig 7, "Deregulation" is the one with the path of least resistance as they largely involve the President's executive power and Congressional legislation where both houses are under Republican control. Among the earliest acts of Trump 2.0 under the "Deregulation" headline is likely to be the reversing of Biden's curbs on energy projects and exiting (again) the Paris Climate Accord. This is in view of the appointments of i) Chris Wright as Energy Secretary; he is from – and is a vocal advocate of – the oil & gas industry, including fracking, as well as being the industry's main critic of efforts to address climate change; and ii) the "pro-deregulation" Led Zeldin to lead the Environmental Protection Agency. Moreover, the lists of the Trump 2.0 administration's appointees from industries or with business backgrounds further point to the strong "Deregulation" bias.

There is also the likelihood of fast and hard execution on "Immigration" i.e. deporting illegals, which is emphasised and exemplified by Trump's early/quick appointments of immigration hardliners as Homeland Security Secretary and Border Czar (note: a key position created that requires no Senate hearing and confirmation).

Speeding up the deportation of illegal immigrants and foreign workers will very likely involve bringing back Trump 1.0's policies and measures that were invalidated by President Biden e.g. elimination of Deferred Action for Childhood Arrivals Programme (DACA). In addition, there will also be the potential new rules e.g. during the election campaign, Trump renewed his call to end the long-standing constitutional right of birthright citizenship, saying he would sign an executive order on day one of his Presidency that will result in children born to parents who do not have legal status in the US not being considered US citizens.

On "Tariffs", US trade and tariff policy under Trump 2.0 will be a continuation - with risk of intensification / escalation - of the hawkish trade policy and punitive tariff measures on China in place since 2018 under Trump 1.0 and continuing under the Biden Presidency. As per Fig 7 and Fig 9, US President has the executive power to impose tariffs on China as amply demonstrated during Trump 1.0 and Biden Presidency (Fig 8), especially via the applications of Section 301 of the Trade Act 1974 and Section 232 of the Trade Expansion Act of 1962, and on China's products that are already subjected to tariffs and/or tariffs hikes.

Fig 8: US Tariffs Hikes on Selected China Products 2018-2026



Source: White House

China aside, the Rest of the World (RoW) is also mindful of being in the gunsights of US trade policy and tariffs actions. Underscoring this, and in the final weeks of the Biden Administration, on 29 Nov 2024, US announced anti-dumping duties of between 21% and 271% on solar panels/cells imported from Malaysia, Cambodia, Thailand and Vietnam that are produced by Chinese solar panel makers in these countries. And amid the US-China "technology/chips war", on 2 Dec 2024, for the third time in three years, US announced new export restrictions on shipments of advanced memory chips as well as chip-making and software tools to China which affect US, Japanese and Dutch chip-making equipment manufacturers operating outside US, namely in Malaysia, Singapore, Israel, Taiwan and South Korea.

Fig 9: US Laws Granting US Presidents Discretionary Powers to Impose Tariffs and Restrict Trade

	International Emergency Economic Powers Act of 1977	Section 232 of the Trade Expansion Act of 1962	Section 301 of the Trade Act of 1974	Section 338 of the Tariff Act of 1930	Section 122 of the Trade Act of 1974
Issue/purpose	"Unusual or extraordinary" threats to national security, foreign policy, or the economy	Imports that threaten national security	Unfair foreign trade practices, including trade agreement violations, or acts that are unjustifiable or unreasonable and burden US commerce	Discrimination of US commerce by foreign countries	"Large and serious" balance-of-payments deficits
Powers granted to the president to restrict trade	Impose embargoes or sanctions; block imports and exports; block numerous types of transactions, sales, and acquisitions	Adjust imports of the products that threaten national security and their derivatives	Direct the US trade representative (USTR) to impose tariffs or other trade restrictions; withdraw from or suspend trade agreement concessions; enter into binding agreements that require the targeted country to eliminate the practice(s) at issue or provide the United States with compensatory trade benefits	1) Impose tariffs of up to 50 percent ad valorem on imports from countries that have discriminated against US commerce, relative to commerce from other nations; 2) Bar the importation of goods from the foreign country into the United States, in case the president finds that a foreign country already targeted by tariffs under this has maintained or increased its discriminations against US commerce	Temporarily impose tariffs of up to 15 percent and/or quotas on imported products
Targets of actions taken or directed by the president	Property, including financial assets and currencies, in which a foreign country, organization, or individual has interest	Imports of specific products from all countries	Imports of all products from a specific country	Imports from a particular foreign country (or specific subdivisions of such country, as determined by the president)	Imports of goods, from all countries unless the president determines more targeted actions are necessary
Temporal, numerical, geographical, or circumstantial limits to powers granted to the president	The action is effective until the president or Congress terminates the national emergency declared under the National Emergencies Act (NEA)	None, for the most part; if an action targets imports of petroleum or petroleum products, Congress may render it ineffective by passing a disapproval resolution	1) An action must be specific to a foreign country; 2) For instances where the USTR is statutorily mandated to take action, such action must be equivalent in value to the burden or restriction imposed on US commerce (this limit is not applicable to discretionary actions); 3) If the practices at issue are covered by the provisions of US trade agreements (i.e., the WTO agreements or US free trade agreements), the USTR must initiate proceedings under the dispute settlement mechanisms of the relevant agreements; 4) If an action is taken within a four-year period and before the end of that four-year period neither the petitioner of the Section 301 investigation nor any representative of the domestic industry that benefits from the action submits a request for continuation of the action, the action shall terminate at the end of the four-year period	1) Tariff rate of up to 50 percent 2) Action must be specific to a foreign country (or subdivisions of such country)	1) Tariff rate of up to 15 percent; 2) The duration of any action is limited to 150 days unless extended by an affirmative act of Congress; 3) Quotas may only be imposed if there are existing international trade or monetary agreements that allow the imposition of quotas as a balance-of-payments measure and if the fundamental imbalance cannot be addressed through a tariff alone
Prerequisites for exercising presidential authority	1) A national emergency is declared under the NEA 2) The president must consult with Congress "in every possible instance" before taking action	Issuance of a report by the Department of Commerce's Bureau of Industry and Security showing that imports of certain products constitute a threat to national security	The USTR must initiate a Section 301 investigation and decide (or be mandated) to take action following the recommendations of the Section 301 committee that conducted the investigation	Existence of discrimination of US commerce by a foreign country, relative to commerce from other countries, which the president or the International Trade Commission may ascertain	Existence of "fundamental" international payments problems; the statute provides no limitations for the president ascertaining this at their own discretion
Requirements to report to Congress	1) The president must "immediately" report to Congress the factual elements surrounding the exercise of IEEPA authorities—-including the circumstances that necessitate taking action(s) under the statute; the authorities exercised and action(s) taken; and the countries affected by the action(s)—and their justification for exercising them in light of those factual elements; 2) At least once every six months, the president must report to Congress on additional actions taken since the last report and any changes to the facts and justifications reported upon taking action under the statute	Within 30 days after making a determination to take (or not take) action, the president must transmit a report to Congress on the reasons for taking (or not taking) action	The USTR must submit a report to the House of Representatives and the Senate semiannually describing the Section 301 petitions filed and determinations made; the status of ongoing Section 301 investigations or proceedings; the actions taken or reasons for taking no actions; and the commercial effects of the actions taken	None	None

Source: Cato Institute

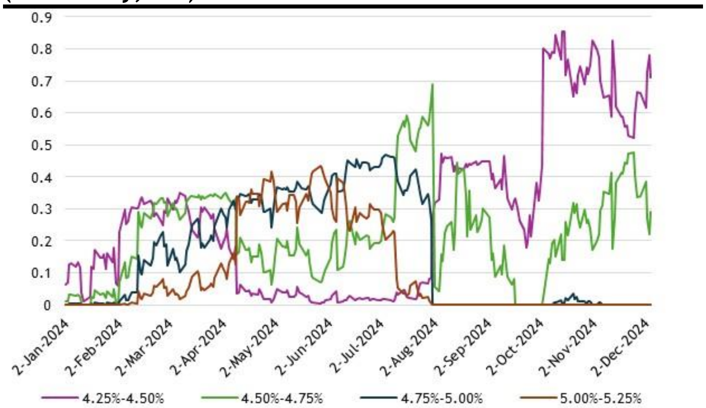
Trump 2.0's agenda on "Taxes" should be the key part of the upcoming budget for fiscal year Oct 2025 – Nov 2026. Extending all the "goodies" under the 2017 Tax Cuts and Jobs Act (TCJA) that are expiring at the end of 2025 and the proposal to lower corporate income tax rate to 15% from 21% is expected to materialise in time for the next US fiscal year given that it requires the greenlight from the now Republican-controlled Congress.

Meanwhile, legal challenges to Trump 2.0 policies are possible, but risk of major derailments of Trump 2.0's policies seem low. A key reason for this is that past cases suggest that the courts – including the Supreme Court - are likely to take a deferential approach to executive branch decisions involving foreign policy, national security, and international economic policymaking, recognising that these fall outside their normal purview and expertise. Furthermore, we note that the positions of Attorney General, Deputy Attorney General, Solicitor General and White House Counsel are filled with "Pro-Trump" individuals. Given that prosecuting a sitting President is unlikely, existing cases against incoming President Trump will be "null and void". We take the liberty of interpreting the purpose of these "pro-Trump" legal appointees as being to provide backing to Trump 2.0 policies, including to address any court challenges.

US Fed's Policy Path, and China's Responses to, Trump 2.0

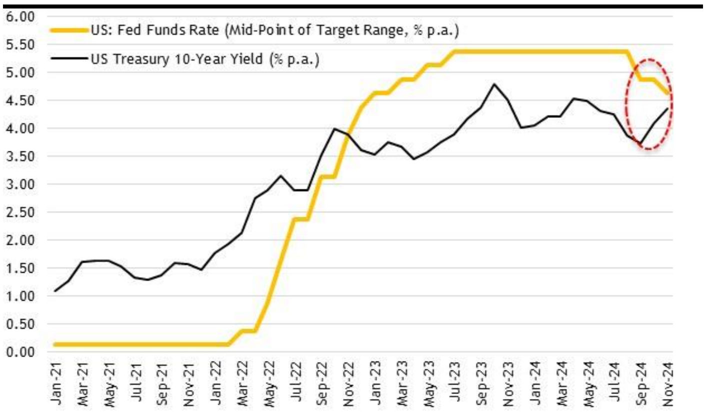
We are now in the new round of the guessing game on Fed's interest rate policy. Recall that when Fed was on policy tightening mode / interest rate hike cycle in Mar 2022 - July 2023, it was about how fast and how high will the Fed go. When Fed paused since Aug 2023, the debate was whether fed funds rate (FFR) is going to stay high for longer. Now that the Fed is in an easing cycle since Sep 2024, market pricing of the federal funds rate has turned volatile again, as per the swings in the probability of FFR at the last FOMC meeting of 2024 on 17-18 Dec 2024 i.e. another round of -25bps cut to 4.25%-4.50% or stay at 4.50%-4.75% (Fig 10) and the recent diverging trend between FFR and the 10-Year US Treasury yield (Fig 11).

Fig 10: Fed Funds Rate at the 17-18 Dec 2024 FOMC Meeting (Probability, 0-1)



Source: CME FedWatch Tools

Fig 11: Fed Funds Rate vs 10-Year US Treasury Yield (% p.a.)



Sources: CEIC, Bloomberg

Expect Fed to cut fed funds rate (FFR) by -75bps cuts in 2025 after -100bps in 2024. At the time of writing, we still expect another -25bps cut in FFR target range to 4.25%-4.50% at the FOMC meeting on 17-18 Dec 2024 to bring a total of -100bps cuts in 2024. We expect FFR to be cut further in 2025 by a total of -75bps to 3.50%-3.75%. The forecast reflects the upside risk to US inflation as the result of the policies and priorities of Trump 2.0. We expect a "stickier" path towards Fed's 2% inflation target ahead i.e. forecasting inflation rate of +2.8% in 2025 vs the estimated +3.0% in 2024 after +4.1% in 2023 and +8% in 2022. Fed's interest rate outlook will have bearings on ASEAN interest rates, especially the policy interest rates of Indonesia and Philippines that have tracked US Fed's latest FFR hike cycle.

Fig 12: Major Advanced Economies & ASEAN-6: Benchmark Interest Rates, 2022-2026 (% p.a.)

	2022	2023	2024E	2025F	2026F
US	4.25-4.50	5.25-5.50	4.25-4.50	3.50-3.75	3.00-3.25
Eurozone	2.00	4.00	3.00	2.00	2.00
Japan	(0.10)	(0.10)	0.50	1.00	1.00
UK	3.50	5.25	4.75	3.75	3.25
China	3.65	3.45	3.10	2.85	2.85
Indonesia	5.50	6.00	5.75	5.00	4.50
Malaysia	2.75	3.00	3.00	3.00	3.00
Philippines	5.50	6.50	5.75	4.75	4.25
Singapore	3.10	3.71	3.10	2.65	2.30
Thailand	1.25	2.50	2.25	2.25	2.00
Vietnam	6.00	4.75	4.75	4.75	4.75

Sources: CEIC, Maybank IBG Research

Meanwhile, we foresee China announcing further coordinated monetary and fiscal stimuli in 2025 in response to Trump 2.0's tariff threats, which among others include additional interest rate cuts (e.g. -25bps cut in the 1-Year Loan Prime Rate (LPR) to 2.85% from 3.10%) and larger deficit spending by the central government (2025F: -5.5% of GDP; 2024E: -4.3% of GDP; 2023: -3.9% of GDP) reflecting a potential RMB10-15 trillion stimulus package aimed at boosting domestic demand, especially consumer spending.

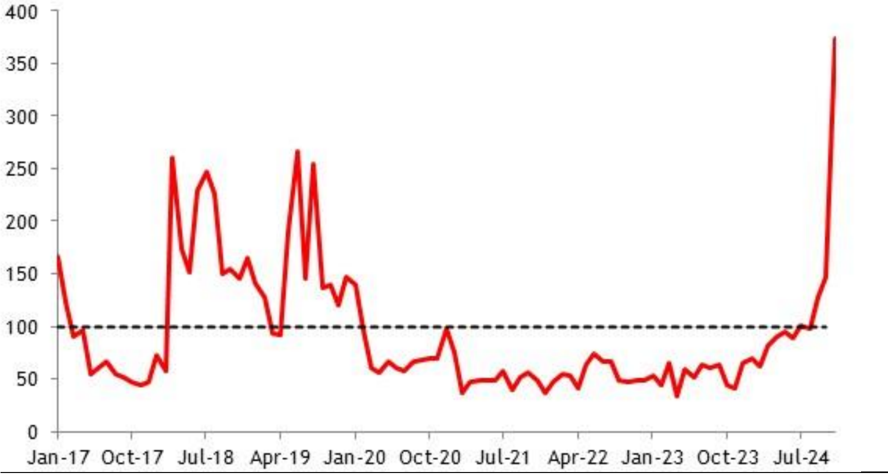
And in the event of US tariffs action on China, China will likely announce strategic retaliatory tariffs i.e. choosing products that affect US economy/industry the most while minimising the harm to its own firms that rely on US inputs. It will likely target goods from the states of influential US politicians, as well as focus on US goods where there are adequate substitutes, whether domestically or from other exporting nations e.g. agriculture and livestock products (soyabeans, corns, pork); energy commodities (crude oil; LNG); airplanes; critical materials for advanced manufacturing and strategic sectors (including semiconductor, defence, renewable energy and clean technology). China may also restrict domestic market access to US products such as automotive and the various segments within the broad universe of technology.

Indeed, and unsurprisingly, China's response to the latest round of tech/chip export curbs by the US mentioned above was the announcements on 3 Dec 2024 banning the exports of items related to gallium, germanium, antimony and superhard materials to the US, leveraging on its dominance in global mining and processing of critical and rare earth materials.

Wild Card - Trump 2.0's Tariff Rhetoric vs Reality

Renewed heightened uncertainty on trade policy under Trump 2.0 (Fig 13) is also due to whether, in reality, Trump 2.0's tariffs threat is more of a strategy for US to extract deals and negotiate concessions from its trade partners. For that matter, it is also about whether the Trump 2.0 administration will fully carry out what was said during the election campaign, where the prevailing narrative was that of universal/blanket tariffs on all imports i.e. 60% tariff on all imports from China; 10%-20% tariffs on imports of RoW.

Fig 13: Trade Policy Uncertainty Index



Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo (2020), "The Economic Effects of Trade Policy Uncertainty," Journal of Monetary Economics, 109, pp.38-59. (https://www.matteoiacoviello.com/tpu.htm)

Immediately imposing universal or blanket tariffs on all imports is unlikely as Fig 9 above indicates the due process that must be adhered to – and time taken by the likes of US Commerce Department and US Trade Representative to undertake and complete investigations - even with the applications of relevant sections in the trade-related Acts that grant discretionary powers to the President to restrict trade and impose tariffs. The flipside of this is the risk – albeit low - of Trump making use of Section 122 of the Trade Act 1974 – which have never been used before - where the President can impose import tariffs across the board without prior investigation. However, the application of blanket import tariffs under this legal provision is limited i.e. up to 15% tariff (and/or import quotas) for a period of 150 days against countries with large balance of payments surplus, and any extension would require Congress approval.

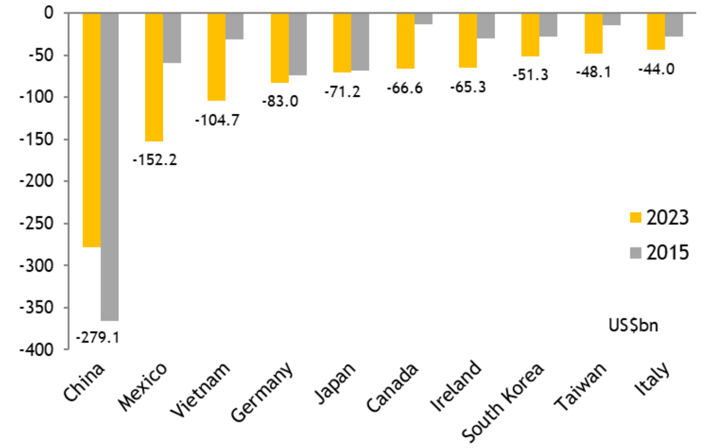
Furthermore, post-election news on US trade and tariffs sends mixed signals. For example, Trump said he wants to impose 25% tariffs on imports from Mexico and Canada along with an additional 10% tariff on imports from China over the issues of illegal immigrants entering US via Canada and Mexico as well as China's exports of fentanyl-related substances, pointing to the use tariffs as leverage to extract negotiations and deals.

Meanwhile, Trump appointed Scott Bessent, a veteran hedge fund manager, as Treasury Secretary despite naming Jamieson Greer - a trade and tariff policy hawk - as the US Trade Representative, suggesting it is not all about walking the talk on trade policy rhetoric and tariff threats, but also the reality of not spooking Wall Street and Main Street by taking into account economic stability and inflation control via potentially a more measured approach to tariffs.

Meanwhile, ASEAN may not be an immediate priority or on Trump's radar in his first year. Trump 2.0 administration may likely focus on purging the "deep state" from the arms of government; deporting illegal immigrants; using the opening salvo on tariffs that targets Mexico, Canada and China to extract deals and negotiate to address borders and drugs issues; and rolling back Biden's executive orders, including the LNG export ban and prohibitions on drilling.

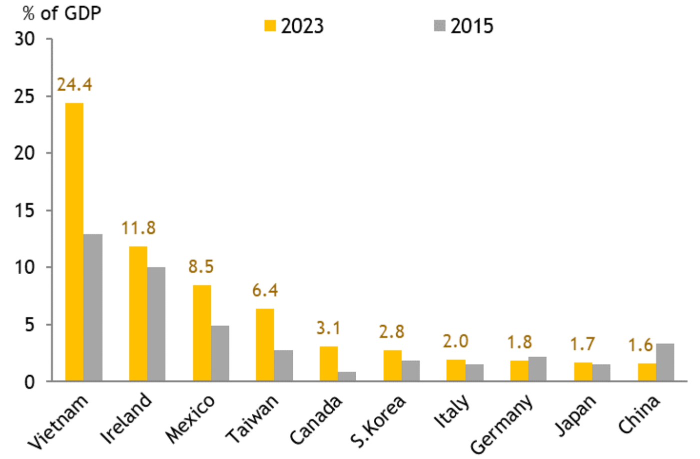
However, the risk of Trump 2.0 trade and tariff policy is that of targeting specific ASEAN countries because of issues such as widening bilateral trade surpluses and currency manipulation. Vietnam is more vulnerable given its ballooning bilateral trade surplus with the US and its Top-3 position in terms of bilateral trade surplus in absolute terms (Fig 14) and as a % of GDP (Fig 15).

Fig 14: China, Mexico and Vietnam - Top 3 Countries with Largest Bilateral Trade Surplus with the US in 2023



Source: CEIC

Fig 15: Vietnam, Ireland and Mexico - Top 3 Countries with Highest Bilateral Trade Surplus, as % Share of GDP in 2023



Source: CEIC

China, Vietnam and Singapore meet two of the three criteria for being labelled as a "currency manipulator" on the US Treasury Watch List. Singapore is not likely to tick the third box, as Singapore runs a bilateral trade deficit with the US. Both China and Vietnam may be more at risk of ticking all the 3 criteria. Malaysia has recently been dropped from the watch list, as her current account surplus has fallen well below the 3% of GDP threshold (Fig 16).

Fig 16: China, Singapore and Vietnam Meet 2 of the 3 Criteria of a "Currency Manipulator" on US Watch List

Country	[1] Bilateral Trade Surplus with US > $15b	[2] Current Account > 3% of GDP		[3] Foreign Exchange Intervention (>2% of GDP)		
	Goods and Services Surplus with US (USD b, 4Q Trailing Sum)	Balance (% of GDP, 4Q Trailing Sum)	Balance (USD b, 4Q Trailing Sum)	Net Purchases (% of GDP, 4Q Trailing Sum)	Net Purchases (USD b, 4Q Trailing Sum)	Net Purchases 8 of 12 months
China	247	1.2	211	0.3 to -1.5	58 to - 267	Yes
Indonesia*	16.4	-0.5	-7.5	0.2	2.6	No
Malaysia	23	1.5	6	-2.2	-9	No
Philippines*	3.5	-2.3	-10.3	1.3	5.8	No
Singapore	-31	20.1	104	9.4	49	Yes
Thailand	40	2.0	10	-0.5	-3	No
Vietnam	112	5.4	24	-1.5	-6	No
Cambodia*	11.4	-25.7^	0.2	-0.03^	-0.01^	No^

Indicators that met thresholds are marked red. Latest data as of 2Q 2024

**Indonesia, Philippines and Cambodia: Based on estimates for goods trade as they are not included in US Treasury's report.*

^Based on 2022 annual figures as 2023 GDP is unavailable

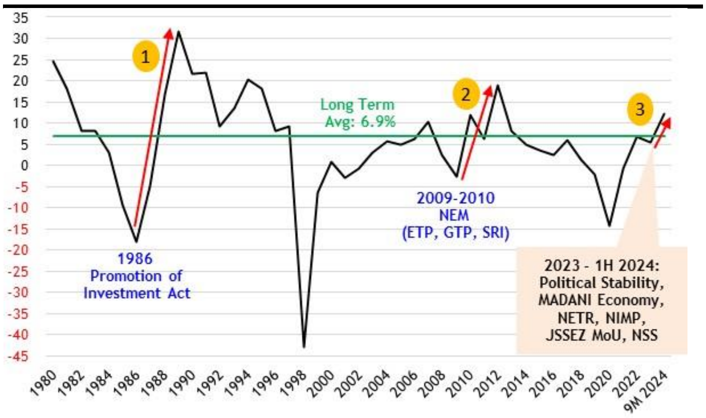
Source: US Department of the Treasury, CEIC, IMF Article IV Reports of Cambodia, Indonesia and Philippines, Maybank IBG Research, National Bank of Cambodia, Bureau of Economic Analysis US Department of the Treasury, "Report to Congress - Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the United States", Nov 2024. National Bank of Cambodia, "Annual Report 2023", 10 May 2024

MALAYSIAN ECONOMY

Investment upcycle in motion

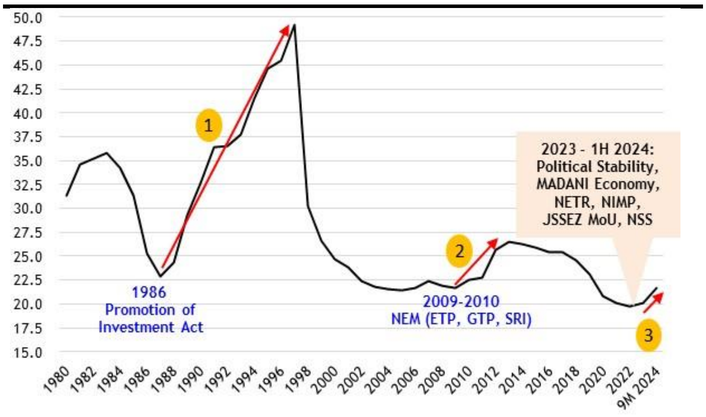
Our thesis of Malaysia's third investment upcycle (since 1980s) is on-going as per the trend in gross fixed capital formation (Fig 17-18). The sustained robust momentum in approved investment since 2021 is feeding into rising actual investment (Fig 19-21). Realization of approved investments is shown by indicators such as implementation rate of approved manufacturing investment (Fig 22), imports of capital goods (Fig 23) and banking system lending for "industrial buildings, factories and lands" (Fig 24). Another supporting evidence for our investment upcycle thesis is the upcycle in corporate earnings (Fig 25-26) which is correlated with real private investment trend. Our tracking of potential FDIs announced following Prime Minister's overseas working trips this year totalled MYR235b as at end-Nov 2024 (2023: MYR368b), signalling continued robust pipeline for investment.

Figure 17: Gross Fixed Capital Formation (% YoY)



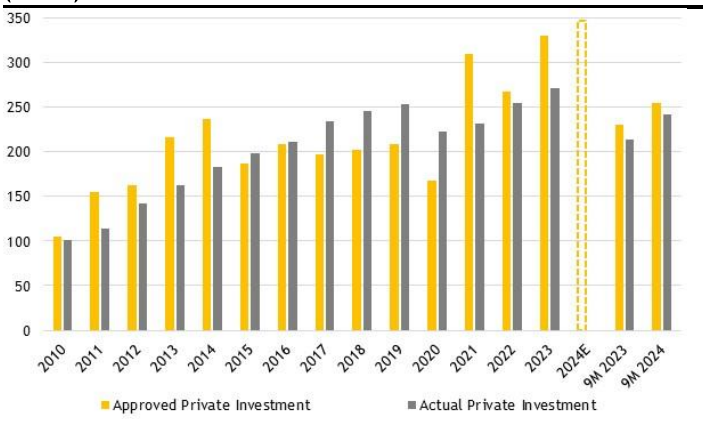
Source: Department of Statistics Malaysia (DOSM)

Figure 18: Gross Fixed Capital Formation (% of GDP)



Source: DOSM

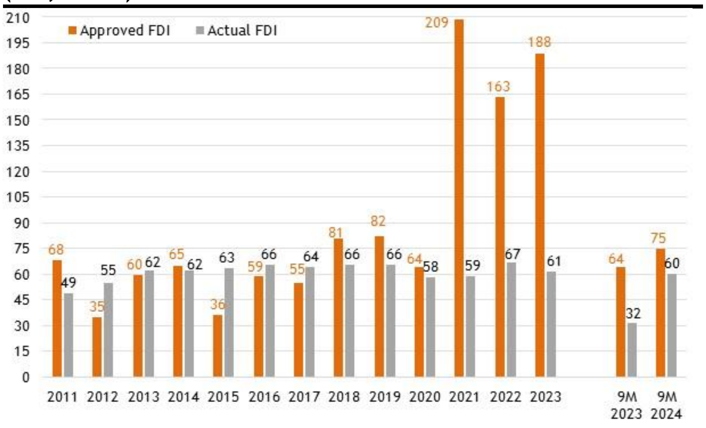
Figure 19: Approved and Actual Private Sector Investments (MYRb)



Note: Dotted bar refers to MIDA target for "Approved" in 2024

Source: Malaysia Investment Development Authority (MIDA)

Figure 20: Approved and Actual Foreign Direct Investments (FDI, MYRb)



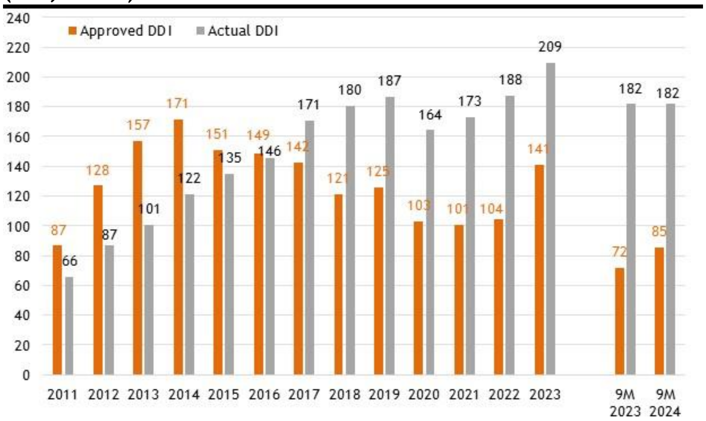
Note:

1) Actual FDI for 2011-2022 is based on DOSM's Statistics of Foreign-Owned Establishments

2) Actual FDI for 2023-2024 YTD is Maybank IBG estimates (based on DOSM's Balance of Payment statistics)

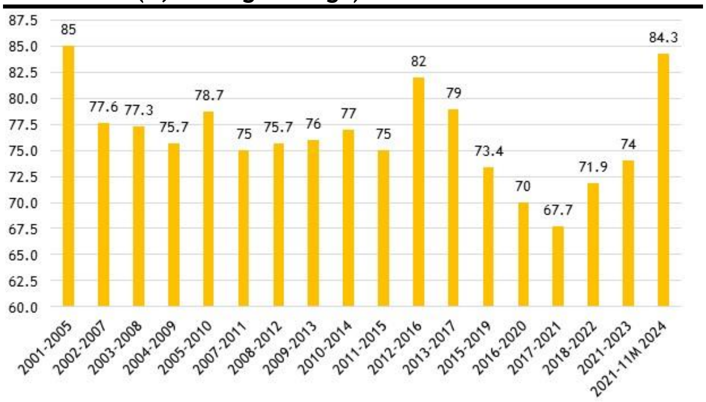
Sources: MIDA, DOSM, Maybank IBG Research

Figure 21: Approved and Actual Domestic Direct Investments (DDI, MYRb)



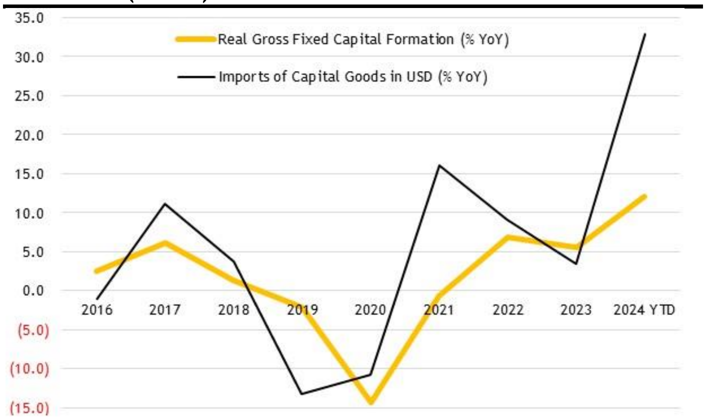
Note: Actual DDI is derived from the difference between actual total private investments (Fig 19) and actual FDI (Fig 20)
Sources: MIDA, DOSM, Maybank IBG Research

Figure 22: Implementation Rate of Approved Manufacturing Investment (%, Moving Average)



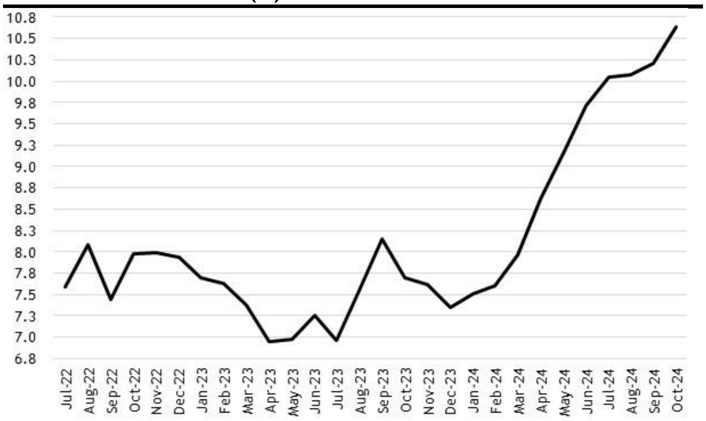
Note: Implementation refers to ground-breaking phase, construction phase, machinery installation phase and commencement of actual operation
Source: MIDA

Figure 23: Imports of Capital Goods vs Gross Fixed Capital Formation (% YoY)



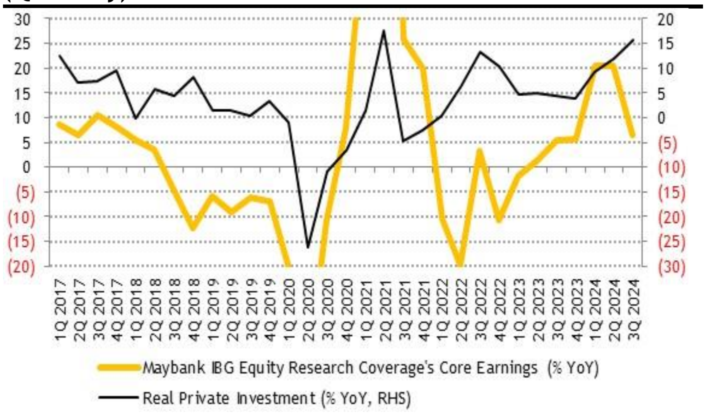
Note: Imports of Capital Goods % YoY growth is derived from values in USD to strip out effect of Ringgit volatility and as proxy for volume
Source: MIDA

Figure 24: Banking System's Loans for "Industrial Buildings, Factories and Lands" (%)



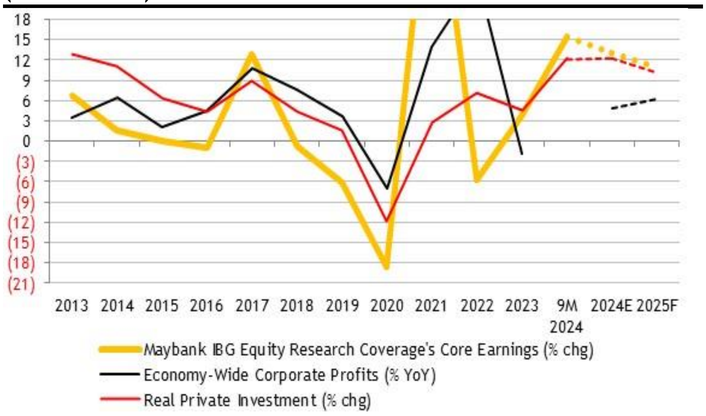
Source: BNM

Figure 25: Corporate Profit vs Real Private Investment (Quarterly)



Note: Chart excludes Pandemic extremes of 2020-2021
Sources: DOSM, Maybank IBG Equity Research

Figure 26: Corporate Profit vs Real Private Investment (Annual/YTD)



Notes:
1) Chart excludes Pandemic extremes of 2020
2) Economy-Wide Corporate Profits refers to Gross Operating Surplus of GDP by Income (annual data only)
Sources: DOSM, Maybank IBG Equity Research

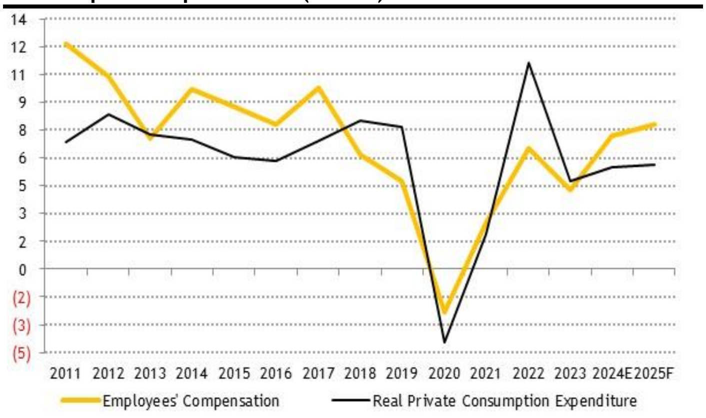
Firmer consumer spending growth on Budget 2025's income measures

We also expect firmer growth in consumer spending ahead, driven by income-boosting measures announced in Budget 2025 i.e.

- Civil service salary and pension review involving additional +MYR12.3b allocation for emolument and retirement charges in the Federal Government's operating expenditure for 2025.
- Higher amount of cash handouts to lower income group (Budget 2025: MYR13b; Budget 2024: MYR10.7b; Budget 2023: MYR8.13b).
- Increases, extensions and enhancements in personal income tax reliefs e.g. medical treatment; education & medical insurance; education & retirement savings; mortgage interest payment for first home; disabled persons; healthy lifestyle; elderly and childcare.
- Monthly minimum wage hike of +13.3% to MYR1,700 from MYR1,500.

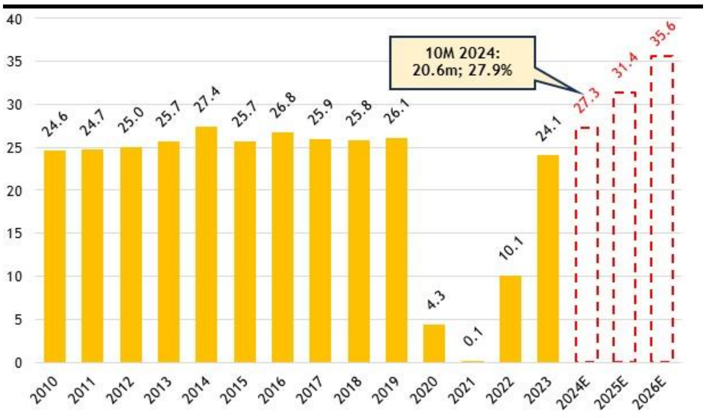
All these factors combined contribute to the projected employees' compensation growth of +7.8% in 2025 (2024E: +7.2%; Fig 27). In addition, consumer spending growth is supported by the post-pandemic tourism recovery and growth momentum – with additional boost for "meetings, incentives, conferences and exhibitions" (MICE) arising from Malaysia's chairmanship of ASEAN in 2025, en-route to Visit Malaysia Year 2026 (Fig 28). We also factored in our plantation sector analyst's upward revision to crude palm oil (CPO) average selling price (ASP), which is positive for rural household income (2024E: MYR4,200/tonne from MYR3,850/tonne; 2025F: MYR4,000/tonne from MYR3,700/tonne).

Figure 27: Compensation of Employees vs Real Private Consumption Expenditure (% YoY)



Sources: DOSM, Ministry of Finance (MoF), Maybank IBG Research

Figure 28: Tourist Arrivals (m)



Sources: CEIC, Ministry of Tourism, Culture and Arts (MOTAC)

Domestic Tailwinds vs External Headwinds

We expect Malayia's real GDP growth to moderate to +4.9% in 2025 from +5.2% in 2024 (9M2024: +5.2%) given the crosscurrent of domestic tailwinds and the Trump 2.0-related external headwinds discussed in the Global Economy section.

The aforementioned investment upcycle and Budget 2025's measures to boost income underpin our forecasts of sturdy private investment growth of +10% in 2025 (2024E: +12.3%; 9M2024: +12.2%) and firmer private consumption growth of +5.8% in 2025 (2024E: +5.2%; 9M2024: +5.2%).

Public investment growth is projected to moderate to +4.8% in 2025 (2024E: +11.5%; 9M2024: +11.8%), factoring in capex by Government-Linked Companies/Investment Funds (GLCs/GLIFs), especially under the Government-Linked Entities Activation and Reform Programme (i.e. GEAR-uP - where the GLCs/GLIFs commit to domestic direct investment (DDI) of MYR120b in the next five years, starting with MYR25b in 2025); the "flat" gross development expenditure of MYR86b in 2025 i.e. the same as 2024; and uncertainty over Petronas capex outlook given the "overhang" in the transfer of oil & gas controls and rights to the state of Sarawak's oil company Petros. In addition, Budget 2025 highlighted MYR9b worth of Public-Private Partnership (PPP) projects.

Meanwhile, the higher Government consumption growth in 2025 of +5.6% (2024E: +5.2%; 9M2024: +5.2%) is mainly a reflection of the faster growth in the Federal Government's operating spending under Budget 2025 of +4.2% (2024E: +3.3%).

With our expectation of slower global economic growth (2025F: +2.9%; 2024E: +3.2%) primarily due to the trade policy and tariff uncertainty of "Trump 2.0" that culminates into moderating growth in US (2025F: +2.0%; 2024E: +2.8%) and China (2025F: +4.5%; 2024E: +4.8%), we project slower growth in both goods and services exports (2025F: +5.8%; 2024E: +8.3%; 9M2024: +8.5%) and imports (2025F: +7.5%; 2024E: +10.0%; 9M2024: +10.1%).

Fig 29: Malaysia - Key Macroeconomic Indicators

	2021	2022	2023	2024E	2025F	2026F
Real GDP (%)	**3.3**	**8.9**	**3.6**	**5.2**	**4.9**	**4.6**
Private Consumption (%)	1.8	11.3	4.7	5.2	5.8	5.5
Government Consumption (%)	5.8	5.1	3.3	5.2	5.6	5.2
Gross Fixed Capital Formation (%)	(0.7)	6.8	5.5	12.1	8.8	8.4
Private Investment (%)	2.8	7.2	4.6	12.3	10.0	9.5
Public Investment (%)	(11.0)	5.3	8.6	11.5	4.8	4.5
Exports of Goods & Services (%)	18.5	14.5	(8.1)	8.3	5.8	5.0
Imports of Goods & Services (%)	21.2	16.0	(7.4)	10.0	7.5	7.0
Current Account Balance (% of GDP)	3.9	2.6	2.0	1.3	1.3	1.5
Fiscal Balance (% of GDP)	(6.4)	(5.6)	(5.0)	(4.3)	(3.8)	(3.5)
Inflation Rate (%, period average)	2.5	3.3	2.6	1.9	3.0	2.3
Unemployment Rate (%, period average)	4.6	3.9	3.4	3.3	3.2	3.3
Exchange Rate (per USD, end-period)	4.17	4.40	4.59	4.40	4.45	4.30
10-Year Government Bond Yield (%, end-period)	3.59	4.00	3.80	3.85	3.75	3.70
Benchmark Interest Rate (% p.a., end-period)	1.75	2.75	3.00	3.00	3.00	3.00

Source: CEIC, Maybank IBG Research

What's next on policy front…? Eyes on JSSEZ and mid/3Q-2025

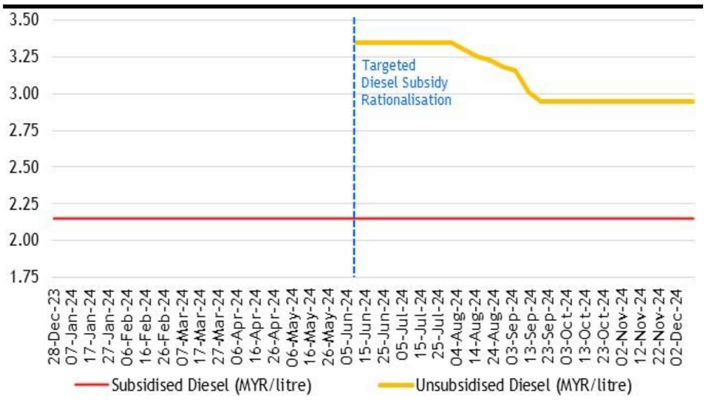
On monetary policy, we expect Bank Negara Malaysia (BNM) to keep the Overnight Policy Rate (OPR) at 3.00% in 2025. This is in view of the upside risk to domestic inflation (2025F: +3.0%; 2024E: +1.9%) from Budget 2025 measures like the further broadening of the Sales and Services Taxes (SST), RON95 petrol subsidy rationalisation, and higher labour costs due to the minimum wage hike and foreign workers' multi-tier levy and mandatory EPF contribution, and the downside risk to domestic growth from external uncertainties, especially "Trump 2.0".

Meanwhile, to recap, Government has announced various masterplans, roadmaps, strategies and initiatives as well as legislations since mid-2023, notably MADANI Economy Framework (27 July 2023); National Energy Transition Roadmap (NETR - Part 1 on 27 July 2023; Part 2 on 29 Aug 2023); New Industrial Master Plan 2030 (NIMP2030, 1 Sep 2023), Mid-Term Review of 12th Malaysia Plan (12MP MTR, 11 Sep 2023); Public Finance and Fiscal Responsibility Act (FRA, 11 Oct 2023); Memorandum of Understanding (MoU) between Malaysia and Singapore on the Johor-Singapore Special Economic Zone (JSSEZ, 11 Jan 2024); National Semiconductor Strategy (NSS, 28 May 2024).

2025 will see several key policy events that provide further tangible evidence of execution and implementation of the afore-mentioned masterplans, roadmaps, strategies initiatives and legislations. First on the watch-list is the signing of Johor-Singapore Special Economic Zone (JSSEZ) agreement which is rescheduled to Jan 2025 from the previous timeline of Dec 2024.

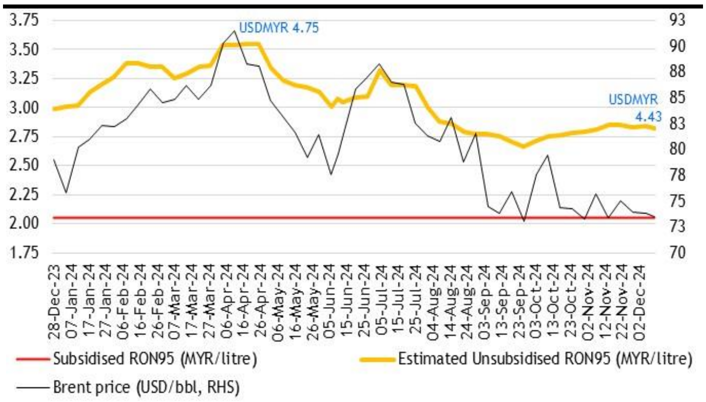
This will be followed by RON95 petrol subsidy rationalisation and the 13th Malaysia Plan (13MP, 2026-2030) in mid-2025. The Government can potentially save between MYR5b and MYR8b from implementing targeted RON95 petrol subsidy rationalisation by excluding the high-income group. The question now is on the mechanics of targeted RON95 petrol subsidy. This includes the method or basis to means-testing eligibility for RON95 subsidy (e.g. gross or net income or even net worth?). On pricing, an option is to follow the two-tier system of subsidized (to qualified vehicles and recipients) and unsubsidized diesel prices following the diesel subsidy rationalisation in June 2024 i.e. two-tier RON95 petrol prices – subsidized (MYR2.05/litre) and unsubsidized (estimated at MYR2.80-2.85/litre at the time of writing). The alternative is to float RON95 price and provide cash offset to qualified lower income or target groups.

Fig 30: Diesel Prices



Sources: CEIC, Maybank IBG Research

Fig 31: RON95 Petrol and Crude Oil (Brent) Prices



Sources: CEIC, Maybank IBG Research

We will also be keeping our eyes on 13MP as this will cover the critical period of 2026-2030 where key targets of MADANI Economy are expected to see further progress and eventually to be achieved and delivered, as summarized in Fig 32 (overleaf).

Another major policy event is the New Investment Incentive Framework (NIIF) which will be implemented in 3Q 2025, focusing on high value added and strategic sectors, industries and areas. Among the expected allocations, initiatives and incentives under NIIF are 1) MYR1b Strategic Investment Fund for local talent development and high-value added activities; 2) tax incentives to promote export growth of integrated circuit design activities, in support of the National Semiconductor Strategy (NSS) to move to higher value-added and front-end semiconductor industry; 3) incentives for supply chain development and resilience, focusing on investment by multinational enterprises (MNEs), co-investment or joint ventures between MNEs and local suppliers, as well as the development of local suppliers in E&E, specialty chemicals and medical devices; 4) investment tax allowances and income tax exemptions for Carbon Capture, Utilisation and Storage (CCUS) and smart logistics; and 5) allocations and incentives to foster growth in less-developed states by establishing economic clusters based on each state's unique strengths (e.g. renewable energy in Perlis and Sabah; chemical industry in Pahang and Terengganu) and promote investments in 21 economic sectors in Perlis, Kedah, Kelantan, Terengganu, Sabah and Sarawak.

Fig 32: Key Performance Indicators (KPIs) of MADANI Economy by 2030 or Within 10 Years from 2023

KPI	Current Position and Remarks
1. Top-30 Largest Economy	Currently ranked #36. Policy focusing on meaningful regionalisation, prioritising economic complexities, moving up value chain, human capital development and investment.
2. Top-12 in Global Competitiveness	Highest ranking was #10 in 2010. On clear declining trend since 2012 (#12) and currently ranked #34. Policy to focus on economic diversification, boosting innovation and R&D, regulatory reforms.
3. Top-25 in Human Development Index	Ranked #63 in Human Development Index 2023/2024. Top-ranked nations such as Germany, Singapore, Australia, South Korea and Japan generally have advanced healthcare systems, high quality of life, and high-income economy.
4. Increase in Labour Share of GDP to 45%	33.1% in 2023, estimated 33.2% in 2024 and projected to rise to 33.5% in 2025, which falls short of 40% target under 12MP (2021-2025). Highest was 37.4% in 2020. Policies to implement various measures to enhance workers' income and welfare, including promoting high-paying jobs, strengthening labour rights for fair compensation, investing in education and skills development. (Note: NIMP targets to raise monthly median manufacturing salary to MYR4,510 by 2030 (1H 2024: MYR2,626; 2023: MYR2,580)
5. Top-25 in Corruption Perception Index	Ranked #57 in 2023 (2022: #61). Government launched the National Anti-Corruption Strategy (NACS) 2024 – 2028, in continuation of the National Anti-Corruption Plan 2019 – 2023. The NACS provides detailed framework and trajectory to combat corruption, aiming to strengthen integrity and accountability in the country. Government Procurement Act (GPA) will also be tabled to strengthen the governance and transparency in Government spending.
6. Budget Deficit of 3% of GDP - or better	On fiscal consolidation path i.e. budget deficit trending lower from the high of 6.4% in 2021 to 5.6% in 2022 and 5% in 2023, estimate of 4.3% in 2024, Medium-Term Fiscal Framework's targets of 3.8% in 2025 and 3.5% in 2026. and aiming for 3% in 2027.
7. Female Labour Participation Rate of 60%	56.6% in 9M2024 (2023: 56.2%), trailing behind overall (9M 2024: 70.4%; 2023: 70%) and male (9M 2024: 83.3%; 2023: 82.9%). The lower participation rate is due to several factors such as limited access to childcare, unattractive wages and insufficient support for work-life balance. To bridge this gap, comprehensive measures need to be further strengthened, including expanding affordable and high-quality childcare services, instituting flexible work arrangements, and enforcing policies that promote better wages. Additionally, initiatives to enhance women's access to professional development opportunities remain essential.

Sources: Ministry of Finance (Economic Outlook 2025), Maybank IBG Research

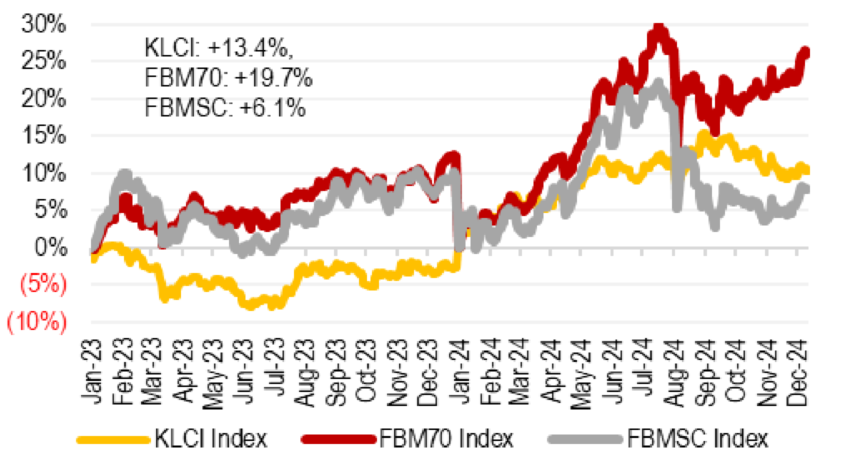
EQUITY

EQUITY: Progressive momentum to follow through

Can 2025 repeat 2024's market momentum?

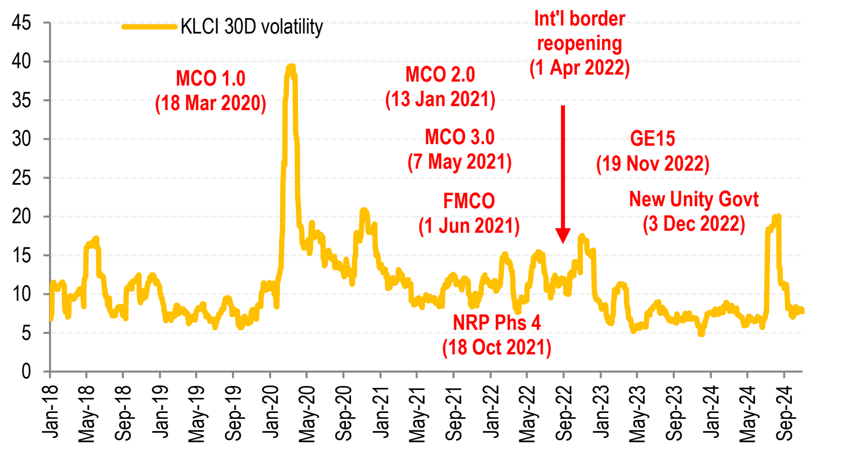
The Malaysia market was one of the best performers in ASEAN in 2024 YTD driven mainly by the construction, utilities and, in the 2H24, the banks propping up the KLCI to as high as 1,678 (+15%) though now settling around the 1,600 range (+0%). By themes, the market was driven by the data centre buzz which led to excitement for the utilities sector related to the anticipated electricity demand growth while positive GDP and investment momentum saw banks surge. With no major newsflow expected for the remainder of the year, we see little movement in the market for the rest of this month and expect the index to end at 1,630 on 31 Dec 2024 (see Malaysia 3Q24 Results Roundup).

Fig 33: Key indices, 2024 YTD (11 Dec) (% gains/ (losses))



Source: Bloomberg, Maybank IBG Research (chart)

Fig 34: KLCI 30-day volatility, 2018-2024 YTD (29 Nov)



Source: Bloomberg, Maybank IBG Research (chart)

Current KLCI:	1,603.2 (11 Dec 2024)
2025 YE KLCI target:	1,740 (new)

M'sia equities growth & valuation

		2023A	2024E	2025E
KLCI @ 1,603.2	**PE (x)**	**17.8**	**16.2**	**14.8**
Earnings Growth	(%)	2.8%	9.4%	9.4%
Research Universe	**PE (x)**	**18.0**	**16.0**	**14.4**
Earnings Growth	(%)	3.9%	13.0%	10.7%

Source: Maybank IBG Research (as of 11 Dec 2024)

Top BUYs

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	*Upside (%)*
CIMB Group	CIMB	8.13	9.20	*13.2%*
YTL Power	YTLP	3.69	4.70	*27.4%*
Gamuda	GAM	9.77	10.50	*7.5%*
AMMB Hldgs.	AMM	5.50	6.30	*14.5%*
Hartalega	HART	3.88	4.31	*11.1%*
KPJ Healthcare	KPJ	2.38	2.60	*9.2%*
Frontken Corp.	FRCB	4.24	4.95	*16.7%*
V.S. Industry	VSI	1.10	1.28	*16.4%*
AEON Co. (M)	AEON	1.46	1.95	*33.6%*
Solarvest	SOLAR	1.63	2.14	*31.3%*

Source: Maybank IBG Research (share price on 13 Dec 2024)

Top SELLs

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	*Down-side (%)*
RCE Capital	RCE	1.61	1.45	*-9.9%*
Lotte Chemical	TTNP	0.63	0.91	*44.4%*
Astro M'sia	ASTRO	0.22	0.10	*-54.5%*
Berjaya Food	BFD	0.37	0.25	*-32.4%*
Tan Chong Motor	TCM	0.44	0.39	*-11.4%*

Source: Maybank IBG Research (share price on 13 Dec 2024)

Top Yields

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	Ind. DY (FY25E)
Eco World Int.	ECWI	0.34	0.27	18.8%
Bermaz Auto	BAUTO	1.94	2.42	10.0%
MBM Resources	MBM	6.45	6.25	7.8%
Sentral REIT	SENTRAL	0.79	0.89	7.7%
DXN Hldgs.	DXN	0.51	0.80	7.3%

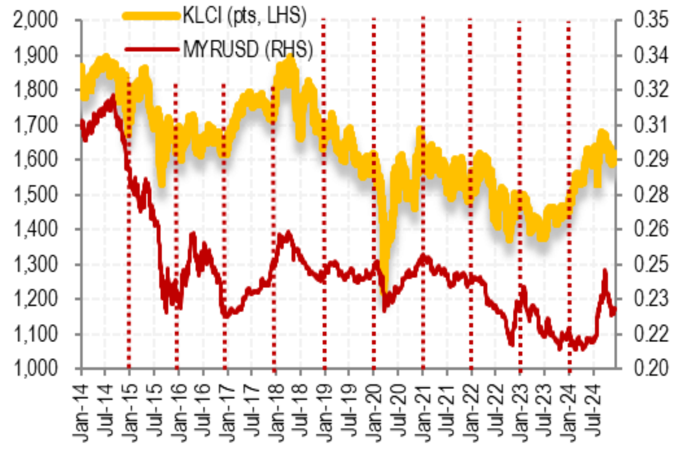
Source: Maybank IBG Research (share price on 13 Dec 2024)

Top ESG Picks

Stock	BBG Ticker	Share Price (MYR)	Target Price (MYR)	MIBG ESG score
Allianz M'sia	ALLZ	20.48	24.85	78
Gamuda	GAM	9.77	10.50	75
IOI Corp.	IOI	3.86	4.06	75
Public Bank	PBK	4.57	5.20	73
HL Bank	HLBK	20.44	24.30	71

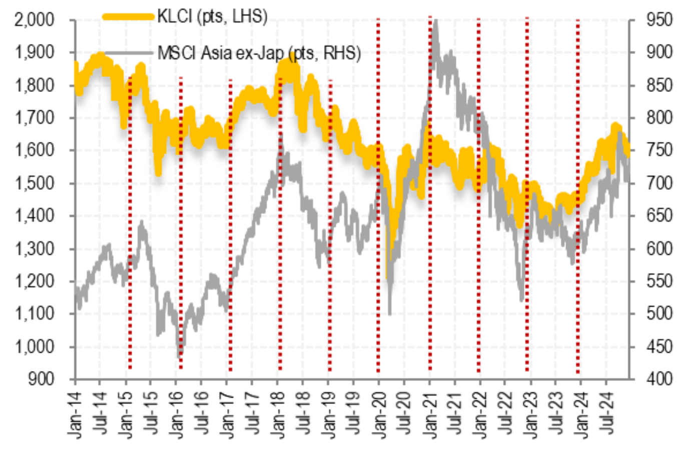
Source: Maybank IBG Research (share price on 13 Dec 2024)

Fig 35: KLCI vs. MYRUSD, 2014-2024 YTD (11 Dec)



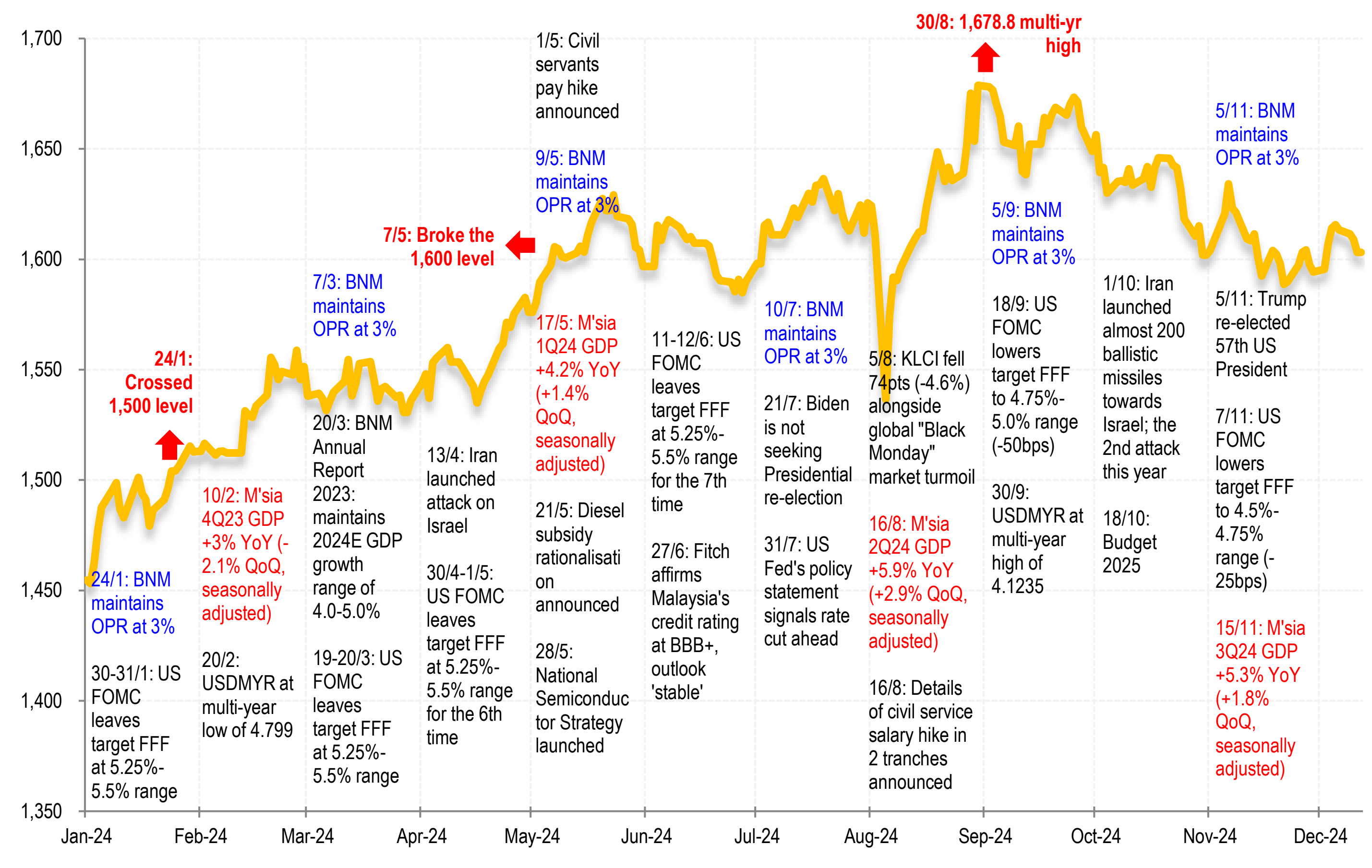
Source: Bloomberg, Maybank IBG Research (chart)

Fig 36: KLCI vs. MSCI Asia ex-Japan, 2014-2024 YTD



Source: Bloomberg, Maybank IBG Research (chart)

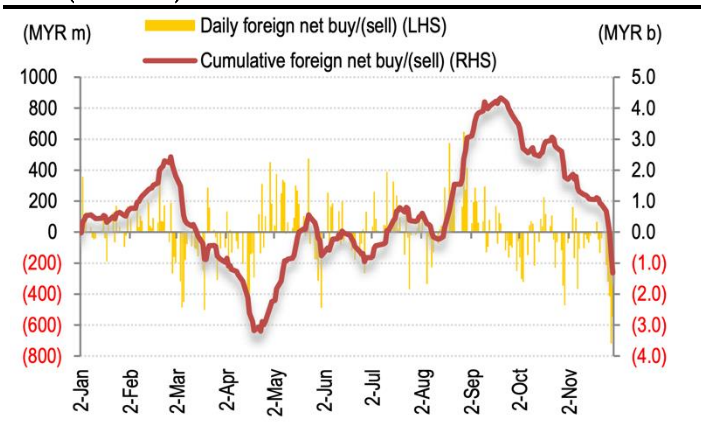
Fig 37: KLCI's 12 months' journey, major events



Note: KLCI at 1,455 (29 Dec 2023), 1,495 (31 Dec 2022), 1,568 (31 Dec 2021), 1,627 (31 Dec 2020), 1,531 (31 Dec 2019), 1,691 (31 Dec 2018), 1,797 (29 Dec 2017), 1,642 (30 Dec 2016)
Source: Bloomberg, Maybank IBG Research (compilation)

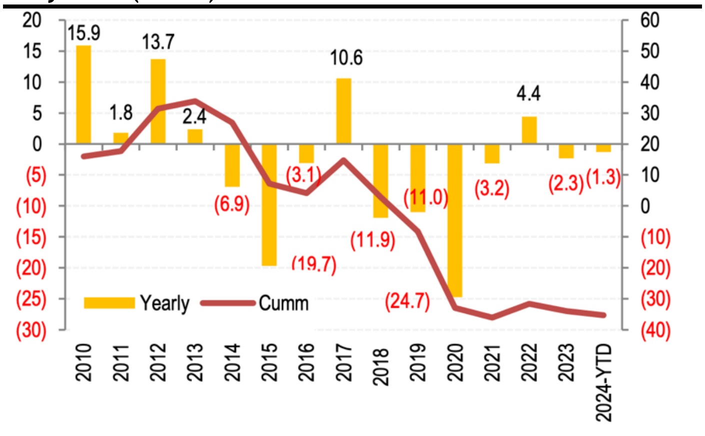
Positively, we also noted a significant improvement in foreign participation in equity trades in 2024 YTD, the highest we have seen over the past decade. Based on net foreign buy flows, while we saw cumulative net foreign buying trends up to 9M24, the past two months saw net foreign sells, very visibly in the run up to the US Presidential elections.

Fig 38: Daily & cumulative foreign net buy/(sell) since early 2024 (MYR m/b)



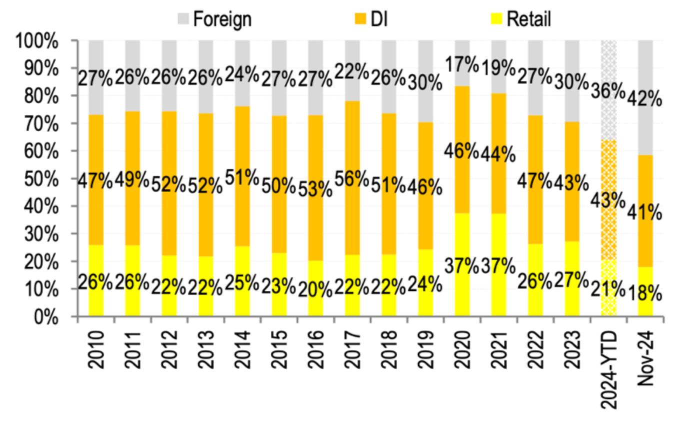
Source: Bursa Malaysia, Maybank IBG Research (chart)

Fig 39: Yearly & cumulative foreign net buy/(sell) since early 2010 (MYR b)



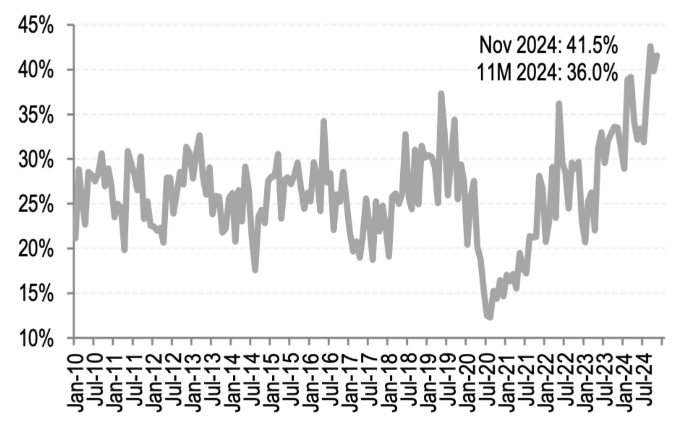
Source: Bursa Malaysia, Maybank IBG Research (chart)

Fig 40: Foreign vs. domestic institutions vs. domestic retail participation in equity trades since early-2010 (%)



Source: Bursa Malaysia, Maybank IBG Research (chart)

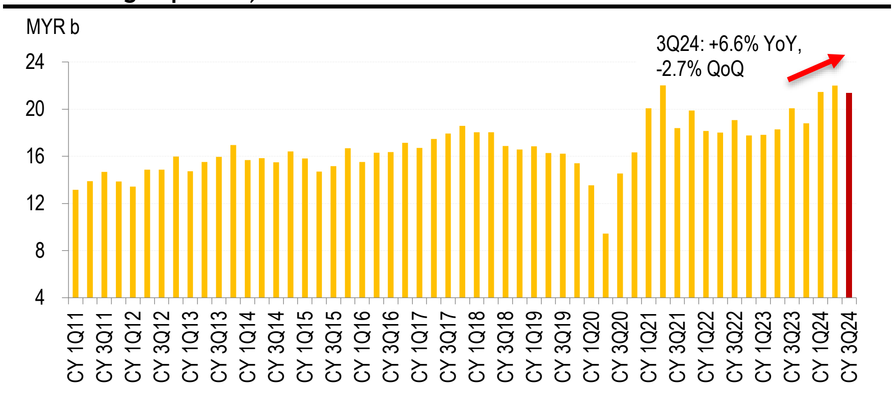
Fig 41: Foreign participation in equity trades (%)



Source: Bursa Malaysia, Maybank IBG Research (chart)

That said, we believe it is time to start positioning for 2025 now that we have clues on expectations for Trump 2.0 and the build-up of domestic policy realisation, the investment upcycle and finally, hopes for the consumer sector. Recent results wrap for 3Q24 appears encouraging and puts the market on track for a 9.4% KLCI earnings growth for 2024. For now, we expect a 9.4% earnings growth for 2025E, but we assume a 1.5% downside on margin of error, typically the case unless there is positive surprises along the way.

Fig 42: Quarterly core net profit of research universe (PLCs with quarters ended Aug/Sep 2024)

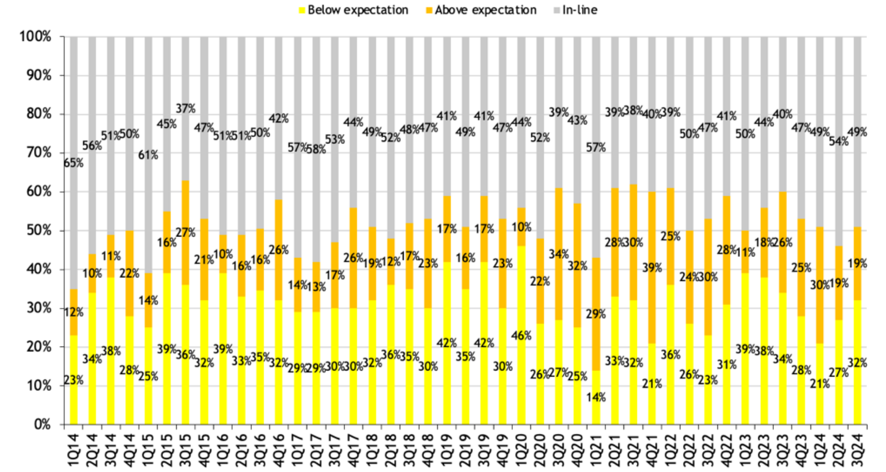


Source: Company results data, Maybank IBG Research (compilation)

Note:

Exclude stocks with FYE Jan, Apr, Jul, Oct, i.e. Gamuda, Yinson, ECW, EWI, MyNews, BAuto, Astro, Cypark, VSI.

Fig 43: 3Q24 report card breakdown (% of research universe)



Source: Company results data, Maybank IBG Research (compilation)

Fig 44: Research universe & KLCI core earnings growth & valuations

		2023	2024E	2025E
KLCI @ 1,603.2 on 11 Dec 2024	**PE (x)**	**17.8**	**16.2**	**14.8**
Earnings Growth (%) - new		2.8%	9.4%	9.4%
Earnings Growth (%) - early-Sep '24		2.9%	12.1%	9.4%
Earnings Growth (%) - early-Dec '23		1.5%	11.2%	-
Maybank IBG's Research Universe	**PE (x)**	**18.0**	**16.0**	**14.4**
Earnings Growth (%) - new		3.9%	13.0%	10.7%
Earnings Growth (%) - early-Sep '24		4.2%	14.5%	11.0%
Earnings Growth (%) - early-Dec '23		2.6%	15.6%	-

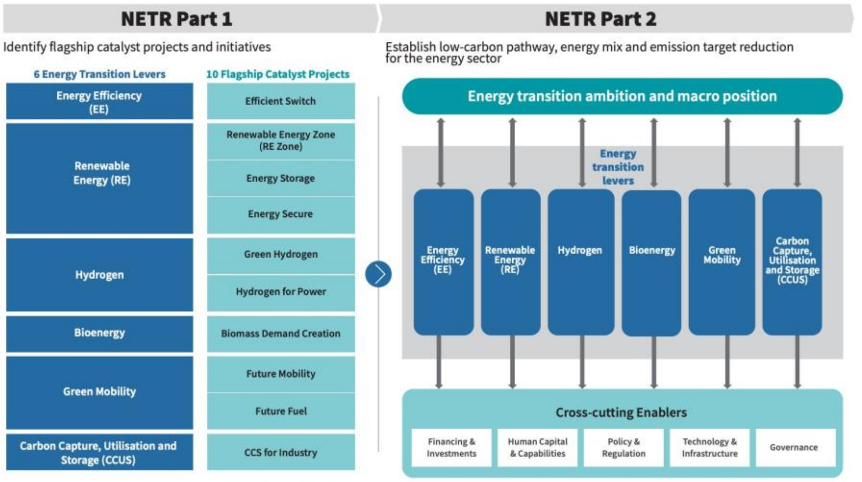
Note: Based on closing share prices of stocks on 11 Dec 2024;
Source: Maybank IBG Research

Materialisation of policy initiatives

The slew of policy initiatives announced since July 2023 - starting with the National Energy Transition Roadmap (NETR) through to the corporate renewable energy supply scheme (CRESS), as well as rising approved investments (including significantly from data centres), New Industrial Master Plan 2030 (NIMP 2030) and National Semiconductor Strategy (NSS) from the investment side - positions Malaysia well for the investment upcycle. Furthermore, the long awaited RON95 subsidiary rationalisation finally has a timeline to be tracked and should be well supported by higher disposable income/cash buffers from the civil servant salary and minimum wage hikes – the latter offer levers for the consumer sector to finally take off after two years of being a laggard.

The market has reacted positively to the above policies but mainly in anticipation as these initiatives take time to materialise. The NETR, in our view, has been partially priced in but there are further follow ups that have yet to be materialised. Recall, when the NETR was launched, it had 10 catalytic projects.

Fig 45: National Energy Transition Roadmap (NETR) – Key flagship projects



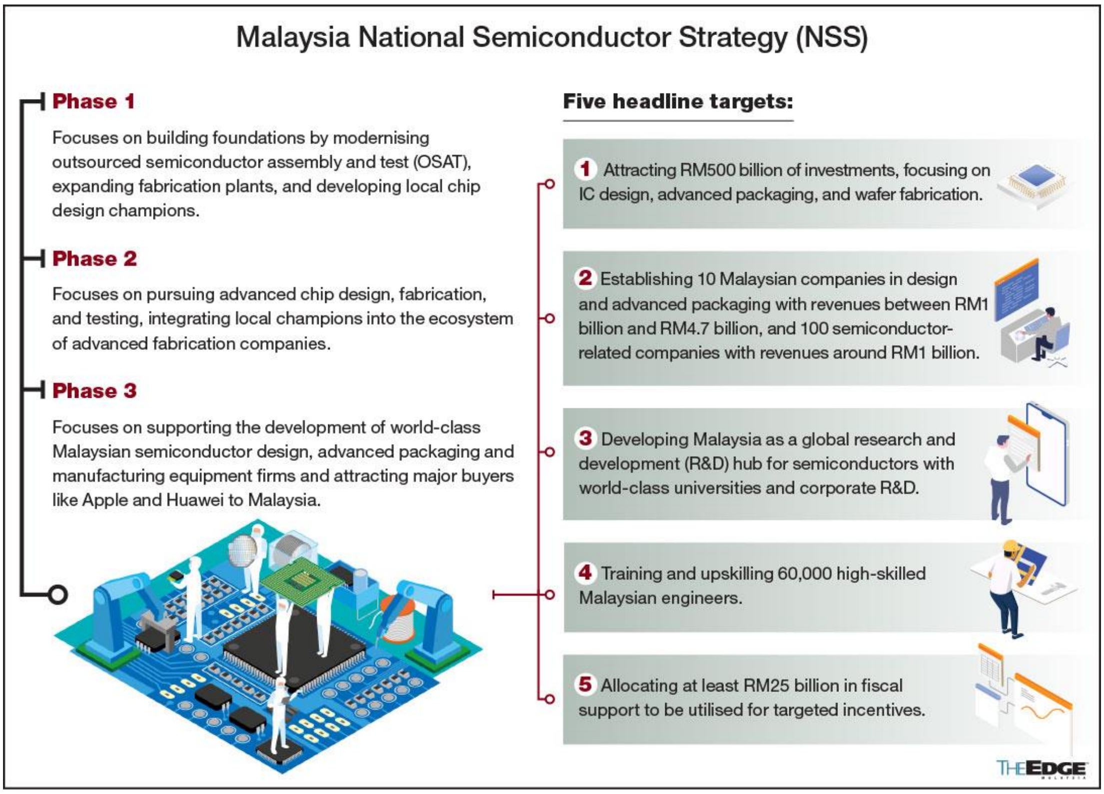
Source: Energy Commission

Data centres were not part of the NETR but fits nicely into the narrative for rising electricity demand growth. As we know, the surge in data centre projects were a result of the moratorium by Singapore from as early as 2019 due to scarce resources (energy and land), resulting in companies starting to venture into Malaysia. Over 2023-2024, Malaysia attracted some 50 data centres (link) in Johor which are either in the application, construction, or operational stages. This has benefited the construction, utilities (power and water) and property (industrial) sectors. These are probably just the first order beneficiaries. While data centres are said to not bring in significant employment, the second order beneficiaries have yet to be seen. The value chain of data centres has yet to be explored while industries such as high end electrical and electronics (E&E), semiconductors and real estate have yet to see realised business cases. Further spillover effects could stretch into retail, office spaces and residential properties. We believe this would be the impetus for follow though following the expected signing of the JSSEZ agreement in Jan 2025.

The NIMP 2030 would position manufacturing as a key engine of growth for Malaysia. Still in early stages, this would be a masterplan to watch in coming years. For now, Malaysia has been a beneficiary of the "plus one" strategy as part of trade diversion and increasingly for trade diversification due to global trade conditions. This has benefitted the industrial property plays via industrial parks and the electronic manufacturing services (EMS) companies. We expect to see positive traction for EMS companies in coming years.

The NSS, while still lacking details have ambitious plans to place Malaysia further up the E&E value chain to solidify its position in the global supply chain. Malaysia is already the 6th largest semiconductor exporter in the world and accounts for 13% of the world's semiconductor assembly, testing and packaging. The NSS can also be seen as a spin-off of the NIMP 2030 which further leverages on the trade diversion and diversification thematics. Malaysia already has several home-grown champions such as Inari, Vitrox, Pentamaster, Oppstar and Skychip, to name a few. Malaysia has also managed to attract FDIs such as Lam Research to set up shop in Penang, touted as the Silicon Valley of the East, among many others. These FDIs could also spawn into domestic direct investments (DDI) along the supply chain. Key challenge remains talent, which we note the government is trying to also address via changes to the education system, from primary school level upwards.

Fig. 46: National Semiconductor Strategy (NSS) Roadmap



Source: The Edge, Maybank IBG (compilation)

On the consumption side, the set timeline to finally implement the RON95 targeted subsidy by mid-2025 should offer validation of initiatives to bring down the country's fiscal deficit with minimal impact to overall Malaysians. We see this as timely as the implementation would be well cushioned by the civil servants' salary hikes in Dec 2024 and the upcoming increase in minimum wages effective from 1 Feb 2025. This should finally bring the consumer sector out of the doldrums which followed the post-Covid recovery phase. We have an Overweight stance on the consumer sector.

Key events to watch out for in 2025

20 Jan 2025 – Trump inauguration

A crucial date to mark is the start of Trump 2.0. We expect the Trump 2.0 administration to do as much as possible as soon as possible, given the strong mandate for Trump at the elections on 5 Nov 2024, and the need to produce tangible results ahead of the mid-term elections in Nov 2026. Our macro team (see first section of this combined report for details) lists key polices and priorities under Trump 2.0 – Deregulation, Immigration, Tariffs and Taxes, and the path towards implementing them. Of these four, Tariffs would have the most impactful implication to Malaysia. The tariff policy under Trump 2.0 would be a continuation from Trump 1.0 – with risk of intensification/ escalation – of the hawkish trade policy and punitive measures on China since 2018. The US President has the executive power to impose tariffs on China as amply demonstrated during Trump 1.0 and Biden Presidency especially via the applications of Section 301 of the Trade Act 1974 and Section 232 of the Trade Expansion Act 1962, and on China's products that are already subjected to tariffs and/or tariff hikes (see Fig 7 and Fig 8 under 'Global Economy' for further details).

China aside, the Rest of the World (RoW) is also mindful of being in the gunsights of US trade policy and tariffs actions. Underscoring this, and in the final weeks of the Biden Administration, on 29 Nov 2024, US announced anti-dumping duties of between 21% and 271% on solar panels/cells imported from Malaysia, Cambodia, Thailand and Vietnam that are produced by Chinese solar panel makers in these countries. And amid the US-China "technology/chips war", on 2 Dec 2024, for the third time in three years, US announced new export restrictions on shipments of advanced memory chips as well as chip-making and software tools to China which affect US, Japanese and Dutch chip-making equipment manufacturers operating outside the US, namely in Malaysia, Singapore, Israel, Taiwan and South Korea.

What could spring a nasty surprise is if tariffs were imposed on other products tracked to its original country of origin for example, the move that was initiated under the Biden administration on solar panels/cells from Malaysia, Cambodia, Thailand and Vietnam (collectively countries businesses relocated to) that are produced by Chinese (country of origin) solar panel makers. This could affect other sectors such as gloves and tech. With Malaysia as one of the key beneficiaries of trade diversion and the "plus one" strategy, such operations in Malaysia could be impacted, possibly derailing ambitions intended under NIMP 2030 and NSS. This could also pose risks to manufacturers operating at industrial parks. While we see this a remote possibility, it does nevertheless pose a risk.

1 Feb 2025 – Minimum wage hike

The minimum wage hike to MYR1,700 (from MYR1,500) applies to most businesses but companies that employ fewer than 5 workers will have till 1 August 2025 to implement the new minimum wage. This was first announced in Budget 2025. The minimum wage also applies to foreign workers. Across the B40 and M40 income groups, offering more room for spending as these groups tend to have a higher marginal propensity to consume, which would then be positive for consumer staple stocks. However, we believe it would unlikely lift sentiment for consumer discretionary. On the flip side, the higher minimum wage would cause businesses to incur higher operating costs. Not only would it affect workers' salaries, it would also cause businesses to incur higher contribution to EPF and SOCSO.

Fig 47: Table of min wages and disposable income since 2013

Source: National Human Resource Centre

Mid-2025 - RON95 petrol subsidy rationalisation; 13th Malaysia Plan

The long awaited RON95 petrol subsidy rationalisation is expected to take place by mid-2025 as announced during Budget 2025. We expect the impact to be somewhat neutral given that there have been several income cushions already put in place (civil servants' salary hikes and minimum wage increase). What remains unknown for now is the mechanism of its implementation but we believe it will be well managed and not cause unintended repercussions. As such, we believe inflation will be well under control and there will be no pressure to move interest rates. This outcome would generally be positive for the consumer sector and banks.

The 13th Malaysia Plan (13MP) which will run from 2026-2030 would likely pivot towards a more socio-economic focus. Recall the 12MP (2021-2025) was formulated based on post-Covid recovery strategies. There will also be collaborative efforts between states and federal government to bridge socio-economic and development gaps, which is inline with the MADANI government's aspirations. Reflective of plans to become a high income nation, the 13MP would also target transformative reforms to enhance global competitiveness. This bodes well in dovetailing with the ambitions of the NIMP 2030 and the NSS. Importantly, we believe the 13MP will see the return of prioritization of infra projects related to transportation (rail and highways), water and flood mitigation projects, as well as schools and hospitals. The 13MP is expected to be tabled in parliament in July 2025.

3Q25 – New investment incentive framework

The New Investment Incentive Framework (NIIF) is yet another investment-driven agenda with an allocation of MYR1bn which is aimed at ensuring that the country transitions to emphasising quality of investments rather than quantity. This was also announced under Budget 2025. Under this new framework, incentives will not be automatically granted to investors just because they operate in a promoted sector. The government also wants investments to not only create high-income jobs but also to support local businesses, especially SMEs. The NIIF will also focus on ESG.

Oct 2025 – Budget 2026

Typically, Budget tabling does not excite the market but given that we are at the halfway point to the next general election (GE16) due end 2027 (or at the latest, early 2028), there will be some emphasis on sentiment boosters. It will be crucial to see most of the policy initiatives implemented. We believe the budget measures will not shy far from the typical social stances though this time around there would be more measures primed to stimulate economic growth, which means more investment-based initiatives. This would also ride on the 13MP and NIIF as the base.

Figure 48: Federal Government Development Expenditure by Sectors, 2022-2024

SECTOR	RM MILLION			CHANGE (%)			SHARE (%)		
	2022	2023[1]	2024[2]	2022	2023[1]	2024[2]	2022	2023[1]	2024[2]
Economic	**39,115**	**55,035**	**45,231**	***25.0***	***40.7***	***-17.8***	***54.6***	***56.7***	***50.3***
of which:									
Transport	16,560	17,565	19,128	*27.5*	*6.1*	*8.9*	*23.1*	*18.1*	*21.3*
Trade and industry	2,308	2,749	3,611	*31.4*	*19.1*	*31.4*	*3.2*	*2.8*	*4.0*
Energy and public utilities	2,359	3,240	3,070	*11.6*	*37.4*	*-5.2*	*3.3*	*3.3*	*3.4*
Agriculture	2,548	3,261	3,116	*3.4*	*28.0*	*-4.4*	*3.6*	*3.4*	*3.5*
Environment	1,736	2,673	3,330	*32.5*	*54.0*	*24.6*	*2.4*	*2.8*	*3.7*
Social	**21,132**	**26,546**	**28,320**	***-6.5***	***25.6***	***6.7***	***29.5***	***27.4***	***31.5***
of which:									
Education and training	10,029	13,557	14,268	*21.9*	*35.2*	*5.2*	*14.0*	*14.0*	*15.9*
Health	4,412	4,916	6,143	*-49.4*	*11.4*	*25.0*	*6.2*	*5.1*	*6.8*
Housing	1,653	2,114	1,998	*21.5*	*27.9*	*-5.5*	*2.3*	*2.2*	*2.2*
Security	**8,210**	**11,518**	**12,554**	***9.5***	***40.3***	***9.0***	***11.5***	***11.9***	***13.9***
General administration	**3,117**	**3,901**	**3,895**	***8.5***	***25.1***	***-0.2***	***4.4***	***4.0***	***4.3***
Total	**71,574**	**97,000**	**90,000**	***11.4***	***35.5***	***-7.2***	***100.0***	***100.0***	***100.0***
% of GDP	***4.0***	***5.2***	***4.6***						

[1] Revised estimate
[2] Budget estimate, excluding Budget 2024 measures

Source: Ministry of Finance (Fiscal Outlook 2024)

4Q25 – Sabah state elections

The Sabah state elections must be held by 9 Dec 2025 at the latest. Political power within the state is more fluid compared to other states in Malaysia. It is the only state in Malaysia that has changed its state government more than 5 times. Critical issues would include economic development disparities, infrastructure issues and the Malaysia Agreement 1963 (MA63). Sabah's endeavors towards obtaining autonomy for selected economic developments have not been as clear as Sarawak's. And unlike Sarawak, Sabah's politics are more open and not as insulated from federal politics. Sabah and Sarawak continued to receive among the highest allocation in Budget 2025 at MYR6.7bn for Sabah and MYR5.9bn for Sarawak.

Fig 49: History of Sabah state legislative assembly and the ruling party/coalition

Term	Majority party/ coalition	Opposition
1963 - 1967	Sabah Alliance	USNO, UPKO, SIC
1967 - 1975	Sabah Alliance	USNO, SCA
Apr 1976 - Feb 1981	BERJAYA	USNO, SCA
Mar 1981 - Apr 1985	BERJAYA	USNO
Apr 1985 - Feb 1986	Parti Bersatu Sabah (PBS)	BERJAYA, USNO
May 1986 - Jul 1990	Parti Bersatu Sabah (PBS)	USNO
Feb 1990 - Feb 1994	Parti Bersatu Sabah (PBS)	USNO
Feb 1994 - Mar 1994	Parti Bersatu Sabah (PBS)	Barisan Nasional (BN)
Mar 1994 - Mar 1999	Barisan Nasional (BN)	Parti Bersatu Sabah (PBS)
Mar 1999 - Mar 2004	Barisan Nasional (BN)	-
Mar 2004 - Feb 2008	Barisan Nasional (BN)	Non-affiliated (bebas)
Mar 2008 - Apr 2013	Barisan Nasional (BN)	SAPP, DAP
May 2013 - May 2018	Barisan Nasional (BN)	PKR, DAP, STAR
May 2018 - Jul 2020	Barisan Nasional (BN)	STAR
Sep 2020 - current	GRS (BN + PN + PBS)	WARISAN

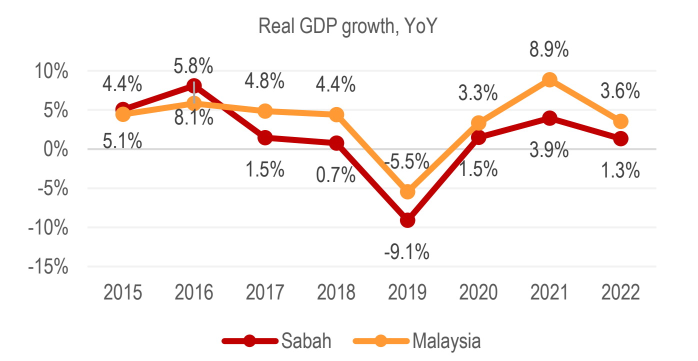
Glossary (political parties): BN = Barisan Nasional; PBS = Parti Bersatu Sabah; SCA = Sabah Chinese Association; BERJAYA = Sabah People's United Front; USNO = United Sabah National Organisation; UPKO = United National Kadazan Organisation; BUNAP = Borneo Utara National Party (coalition of United Party and Democratic Party); STAR = Homeland Solidarity Party; GRS = Gabungan Rakyat Sabah; PN = Perikatan Nasional

Source: Official website of Sabah Election Commission [link]; Brown, G., and Lim, R., (2013) [link]; Maybank IBG Research

Fig 50: Parties and number of seats at the 16th Sabah State Legislative Assembly

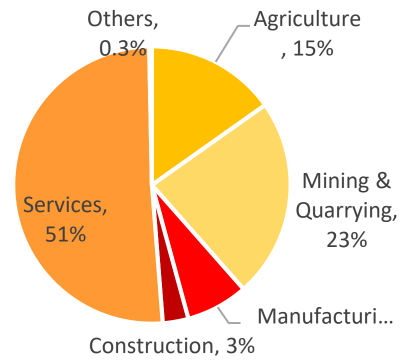
Source: Official website of Sabah State Legislative Assembly

Fig 51: Real GDP growth YoY: Sabah vs Malaysia



Source: DOSM, Maybank IBG Research (chart)

Fig 52: Key economic activities - as % of Sabah GDP in 2023



Source: DOSM, Maybank IBG Research (chart)

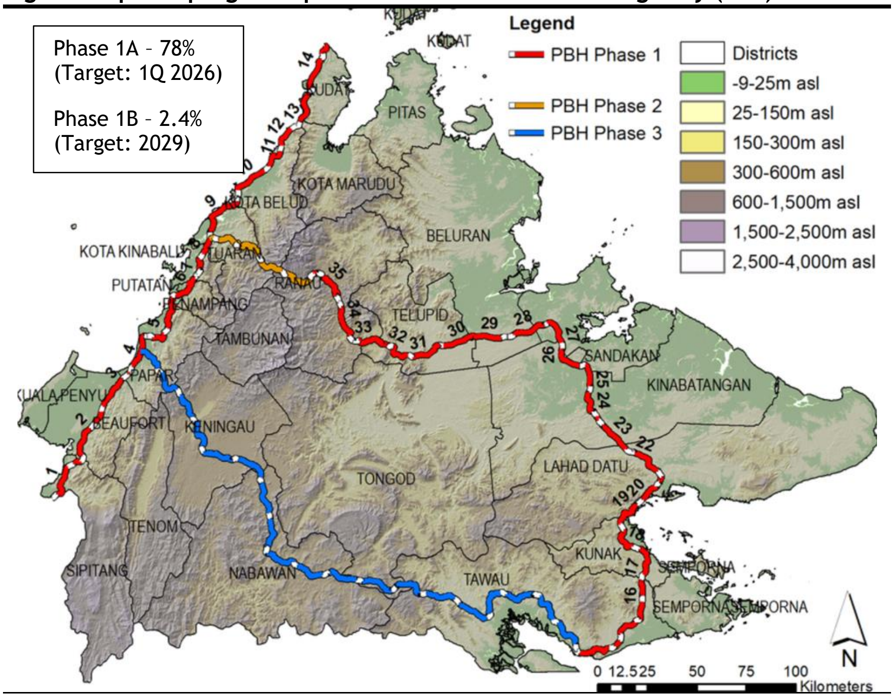
Fig 53: Sabah Budget 2025: Key infrastructure projects

Focus Areas	
Manufacturing	▪ New solar glass manufacturing plant with est. value of MYR7.2b and addition of a third production line of Kibing Group's existing solar glass facility in KKIP.
Infrastructure	▪ MYR18.1m - Development of industrial parks at (i) KKIP, Palm Oil Industrial Cluster (POIC), Sabah Oil & Gas Industrial Park (SOGIP). ▪ MYR16.3m – Construction of new business premises and completion of existing projects, including implementation of Industrial Ecosystem and Capability Development Project. ▪ MYR75m – Construction of an alternative road between Kundasang and Ranau to alleviate traffic congestion, and construction of bridges between Pensiangan and Pitas.
Housing	▪ MYR19.3m - Continuation of existing development low-cost housing projects, construction of Native Courts building.
Utilities	▪ MYR174.9m - Upgrade of water treatment plants and replace/enhance booster pumps at plants in Putatan, Beaufort, Paper, Keningau, Lahad Datu, and Kota Kinabalu. ▪ Installation of Starlink tech in 300 locations to expand internet coverage.

Source: Budget Text of Sabah State Government's Budget 2025 Proposal [link], Official announcements, Media reports [link, link], Maybank IBG Research

The progress of the Pan Borneo Highway in Sabah has been slow vs. its neighbouring state of Sarawak. It was reported that progress of the Sabah side of the Pan Borneo Highway for Phase 1A is at 87% and expected to complete in 2026, while Phase 1B is only at 2.4% and slated to complete only in 2029. Meanwhile, the portion of the highway in Sarawak is already close to completion. We expect a lot more infra projects to be done in coming years for the Borneo states.

Fig 54: Map and progress update of Sabah Pan Borneo Highway (LPB)



Source: Abram N.K., Lim H.Y., Ng C., Yorath S., Razi M., Ong C., et al. (2022) The socio-economic and cultural impacts of the Pan Borneo Highway on Indigenous and local communities in Sabah, Malaysian Borneo [link]; Media reports [link]; Maybank IBG Research

Five themes to play in 2025

How Malaysia can navigate 2025

What we know at the time of writing is 1) Trump will be inaugurated as the next US President come 20 Jan 2025, 2) tariffs will be here to stay and could intensify, 3) domestic macro factors appear to be favourable though a slight nudge down from 2024, and 4) no interest rate changes in Malaysia in 2025. Amid these conditions, we believe if Malaysia plays its cards right, the country could still emerge as a winner in the impending Trump 2.0 global environment.

We identify five themes to play in 2025 balancing external disruptions and domestic tailwinds. The strong approved investments in 2023 and 2024 should start to translate to investment realisation in 2025, with state-driven activities to also spread beyond the three states in focus in 2024. In addition, we expect corporate restructuring to create interest in the market.

Theme 1: External disruptions

Centered on Trump 2.0, we believe Malaysia could be a beneficiary of persistent trade diversion but more so on trade diversification pressured by heightened tariffs. Other possible impacts could emerge from Malaysia's associate membership in BRICS. Sectors in play under this theme include commodities, oil & gas, plantations and tech.

"China plus one", BRICS and FDI flows

Global trade uncertainties under Trump 2.0 could accelerate "China plus one" investments into Malaysia, while Malaysia's BRICS partnership could support FDI flows (BRICS member economies make up c.28% of global GDP). We expect committed FDIs since 2023 to gradually realise in 2025. It typically takes 18-24 months from approved investments stage to actual start of operations. The positive FDI flow has and will benefit the contractors (Gamuda, IJM) and ports (Westports).

Trump's higher tariffs

In Sept 2024, the United States Trade Representative (USTR) has already unexpectedly announced higher tariffs on China-made medical and surgical gloves, to 50% by 2025 and 100% by 2026. This would make Malaysia-made gloves more price attractive. However, the question now lies as to whether there will be further tariffs under Trump 2.0. Regardless, share prices of the Malaysia glove makers have priced in most of the opportunistic upside, leaving Hartalega as our only Buy rating. Within the commodities space, China may retaliate by raising tariffs on US agricultural products like soybean. China could buy other vegetable oils to supplement, and this could benefit Malaysia's palm oil. We are Neutral on Plantations but believe there would be near term CPO price premium due to festivities – longer-term, this premium should normalise due to concerns around the sustainability of the Indonesian government's ambitious B40 mandate amidst widening POGO spread.

Stronger USD (weaker MYR)

The MYR (vs USD) strengthened by 10% at its peak in mid-Sep 2024 when the Fed initiated its first rate cut after four years. Trump's policies are likely leaning towards a stronger USD and fewer rate cuts ahead. This would generally be positive for exporters which include the Tech sector and CPO. Already in 3Q24, we observed how companies in these sectors and others with forex exposures saw a swing in earnings due to the stronger MYR. These are largely expected to reverse in 4Q24. Come 2025, our macro team expects some swings in the MYR, with the local currency forecast to end 2025E at 4.45 to the USD (2024E: 4.40). We continue to watch company quarterly earnings for such swings.

Fig 55: FX movements in 3QCY24 for selected MIBG coverage universe sectors

Stock	BBG Code	Realised FX (MYR m)	Unrealised FX (MYR m)	Total FX (MYR m)	Reported P&L (MYR m)	UFX* as % of Rep. P&L (%)
Automotive						
Tan Chong	TCM MK	N.A.	N.A.	(53.2)	(90.3)	N.A.
MBM Resources	MBM MK	N.A.	N.A.	0.0	87.4	N.A.
Sime Darby	SIME MK	N.A.	N.A.	5.0	812.0	N.A.
Aviation						
AirAsia X	AAX MK	10.9	114.4	125.3	121.6	94.0%
Capital A	CAPITALA MK	79.7	2,190.1	2,269.8	1,640.5	133.5%
Gaming (Casinos)						
Genting M'sia	GENM MK	22.3	568.0	590.3	569.2	99.8%
Genting Bhd	GENT MK	22.8	461.8	484.6	223.8	206.3%
Gloves						
Hartalega	HART MK	(17.4)	(34.5)	(51.9)	8.6	-399.6%
Kossan	KRI MK	(3.3)	(27.8)	(31.1)	29.4	-94.4%
Top Glove	TOPG MK	(6.9)	(21.7)	(28.6)	(3.6)	607.2%
Oil & Gas						
Bumi Armada	BAB MK	(0.9)	(44.0)	(44.9)	211.7	-20.8%
Press Metal	PMAH MK	(30.3)	(64.9)	(95.2)	402.3	-16.1%
Icon Offshore	ICON MK	(0.4)	(0.0)	(0.4)	19.4	-0.2%
Lotte Chemical	TTNP MK	(21.9)	(6.3)	(28.3)	(246.4)	2.6%
MISC	MISC MK	(6.1)	32.0	25.9	336.9	9.5%
Petronas Chem	PCHEM MK	N.A.	N.A.	(1,114.0)	(789.0)	N.A.
Wasco	WSC MK	N.A.	N.A.	(47.3)	27.8	N.A.
Dialog	DLG MK	N.A.	N.A.	(9.1)	151.0	N.A.
Velesto	VEB MK	N.A.	N.A.	1.6	42.9	N.A.
Plantation						
TH Plantation	THP MK	N.A.	(11.7)	(11.7)	17.0	-68.7%
S'wak Oil Palm	SOP MK	N.A.	(8.0)	(8.0)	121.8	-6.6%
Ta Ann	TAH MK	1.1	0.0	1.1	74.3	0.0%
SD Guthrie	SDG MK	N.A.	19.0	19.0	766.0	2.5%
Genting Plantation	GENP MK	N.A.	19.2	19.2	83.1	23.2%
TSH Resources	TSH MK	(0.9)	8.8	7.9	33.1	26.5%
IOI Group	IOI MK	(31.1)	365.9	334.8	710.7	51.5%
KL Kepong	KLK MK	N.A.	17.1	17.1	6.8	251.5%
Tech (Semicon)						
Inari Amertron	INRI MK	(6.1)	(47.2)	(53.3)	24.1	-195.7%
ViTrox Corp	VITRO MK	(5.9)	(15.7)	(21.6)	22.5	-69.9%
Greatech Tech	GREATEC MK	(12.7)	(12.0)	(24.7)	23.0	-52.4%
Frontken Corp	FRCB MK	(0.1)	(0.6)	(0.8)	35.3	-1.8%
Globetronics	GTB MK	(2.2)	(7.7)	(9.9)	(4.9)	157.6%
SAM Engineering	SEQB MK	N.A.	N.A.	(2.8)	24.9	N.A.
Tech (Software)						
CTOS Digital	CTOS MK	(0.1)	(0.1)	(0.3)	27.5	-0.5%
Ramssol Bhd	RAMSSOL MK	0.0	0.0	0.0	4.4	0.0%
ITMAX Systems	ITMAX MK	(0.0)	0.2	0.2	22.1	0.7%
MyEG Services	MYEG MK	(7.0)	2.6	(4.5)	195.1	1.3%
Tech (EMS)						
Aurelius Tech	ATECH MK	(10.7)	(6.7)	(17.4)	0.8	-842.1%
V.S. Industry	VSI MK	N.A.	N.A.	2.9	30.6	N.A.
Telcos						
TIME	TDC MK	N.A.	N.A.	(68.9)	58.7	N.A.
Maxis	MAXIS MK	N.A.	N.A.	(11.0)	366.0	N.A.
CelcomDigi	CDB MK	N.A.	N.A.	21.9	437.0	N.A.
Telekom	T MK	N.A.	N.A.	158.6	465.0	N.A.
Axiata	AXIATA MK	N.A.	N.A.	1,035.0	976.7	N.A.
Utilities						
YTL Power	YTLP MK	N.A.	N.A.	(292.2)	470.6	N.A.
Mega First	MFCB MK	N.A.	N.A.	(18.4)	116.6	N.A.
Gas M'sia	GMB MK	N.A.	N.A.	0.0	116.0	N.A.
Malakoff	MLK MK	N.A.	N.A.	4.4	58.8	N.A.
Ranhill	RAHH MK	N.A.	N.A.	5.7	16.3	N.A.
Petronas Gas	PTG MK	N.A.	N.A.	52.1	493.7	N.A.
Tenaga	TNB MK	N.A.	N.A.	1,120.1	1,584.3	N.A.

Note: UFX = unrealised loss.
Source: Companies, Maybank IBG Research (compilation)

Theme 2: Domestic-centric consumer drivers

We look for opportunities to focus domestically given the potential external disruptions which are generally not within Malaysia's control. The consumer-driven angle stands out with sufficient disposable income cushion from government aid amid preparation to finally rationalise the RON95 subsidies. Separately, a stable interest rate could help ensure decent loan growth while maintaining robust asset quality. Sectors in play for this theme would be banks, consumer, tourism and REITs.

Domestic secular growth plays

As 2025 is expected to deliver better consumption growth, in parallel with robust investment growth, we see a return in favour of the consumer sector after lagging for the past two years. Our macro team expects domestic private consumption growth to accelerate to 5.8% YoY from 5.2% in 2024E and 4.7% in 2023, boosted by the civil servant salary increases, higher cash handouts and minimum wage hikes (see Fig 27 and Fig 28). These would also contribute to better employees' compensation growth of 7.8% in 2025E. Furthermore, the return of tourism coupled with Malaysia as the ASEAN chair should draw in higher tourist arrivals. These would collectively be positive for the consumer and the REITs (retail and hospitality) sectors. The Ministry of Tourism, Culture and Arts (MOTAC) expects tourist arrivals to surpass pre-pandemic levels of 26m visitors. Alternatively, sectors/companies insulated from trade/external demand concerns would include some small-mid cap picks such as CTOS, Farm Fresh, ITMAX and Solarvest.

Stable banks outlook

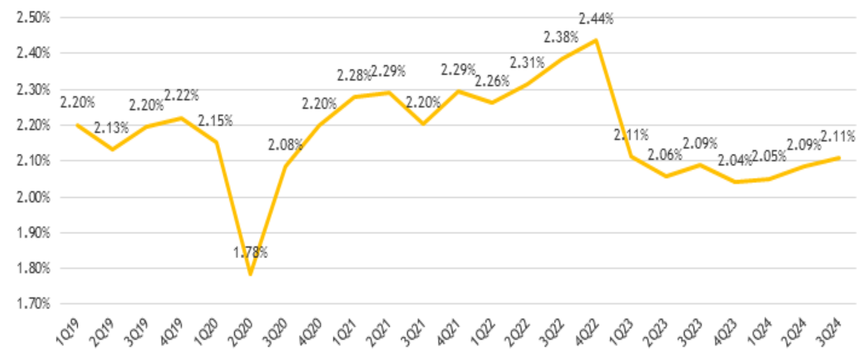
With expectations of no interest rate cuts, the banks will see NIM pressure ease and head towards stability in 2025. Separately, the still strong GDP growth in 2025E (though slightly lower than 2024E), offers loan growth opportunities. While we expect consumer lending growth to be softer after a strong year in 2024, we expect a pick-up in business loans on the back of further progress at the JSSEZ and Sarawak. Collectively, we forecast a 5.5% loan growth for 2025. The stable interest rate and strong macro growth should also keep credit cost benign and asset quality intact. Selectively, we also see higher dividend payouts by some banks. Our top three bank picks are AMMB, CIMB and PBK.

Fig 56: Total loans – YoY growth

	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Maybank	5.3%	5.1%	9.2%	11.2%	10.4%	7.6%
CIMB	8.3%	6.4%	8.3%	7.0%	4.2%	1.2%
Public	5.2%	5.4%	5.9%	6.2%	6.1%	5.3%
AMMB	7.4%	5.2%	4.0%	3.0%	2.9%	2.8%
HL Bank	8.0%	7.2%	7.5%	7.8%	7.3%	6.9%
RHB	4.5%	4.6%	4.8%	5.4%	6.4%	3.7%
ABMB	7.9%	10.0%	12.9%	13.6%	14.8%	14.8%
Total	6.3%	5.7%	7.5%	7.9%	7.2%	5.2%

Source: Banks, Maybank IBG Research

Fig 57: Quarterly NIM (1Q18 – 3Q24)

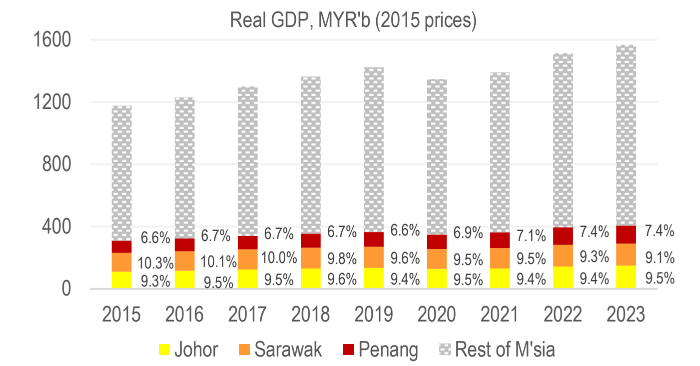


Source: Banks, Maybank IBG Research

Theme 3: State-driven activities

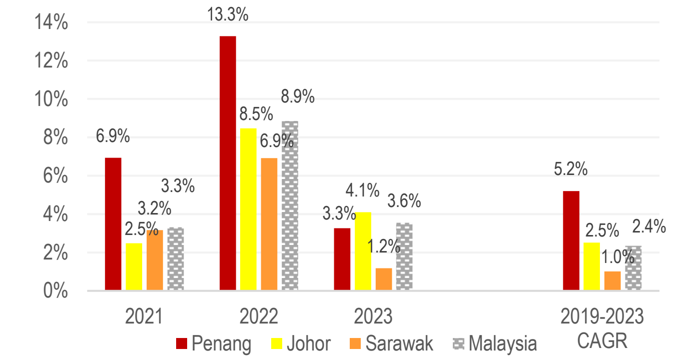
2024 saw a lot of focus on Johor, Sarawak and Penang. We believe 2025 will offer more in store for these states while also bringing more states into focus. The JSSEZ agreement which is expected to be signed by Malaysia and Singapore in Jan 2025 (delayed by a month) should signal validation of the government's ability to deliver on its' stated plans and initiatives. We have also seen a lot of developments in Sarawak. The state has, in our view, been able to achieve significant milestones.

Fig 58: States' real GDP & as % of Malaysia



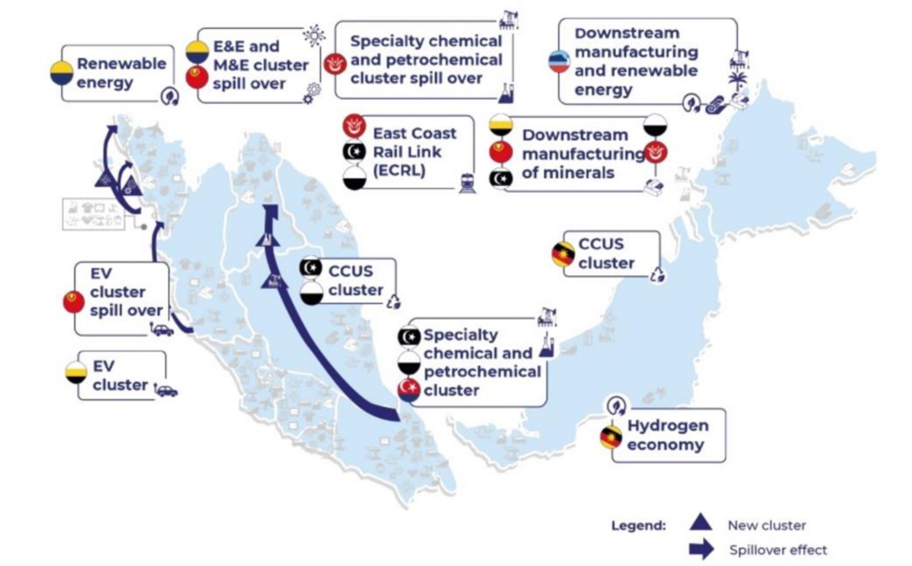
Source: DOSM, Maybank IBG Research (chart)

Fig 59: States' real GDP growth – annual & CAGR



Source: DOSM, Maybank IBG Research (chart)

Fig 60: Economic clusters in Malaysia under NIMP2030



Note: The cluster mapping above is illustrative and not drawn to indicate the exact location of each cluster
Source: NIMP2030 blueprint

JSSEZ – the centre of activity

As we await the final signing of the JSSEZ in Jan 2025, activities remain robust in the state. While there has been lots of excitement centered around data centres, there are still secondary beneficiaries that have yet to fully manifest. We expect further pick up in retail, offices and residential property in coming years. The property sector has run up ahead of fundamentals when it comes to sales but we hope to see definite materialisation of revenues and profits in coming quarters.

Fig 61: Selected hyperscale data centres (current and pipeline)

Entity	Location	State	Power (MW)	Commission Year
Bridge	Sedenak	Johor	110	2022
GDS	Nusajaya	Johor	70	2023
SIPP YTL	Kulai	Johor	500	2024
Airtrunk	Nusajaya	Johor	150	2024
Yondr	Sedenak	Johor	300	2024
K2 Strategic	Sedenak	Johor	200	2024
Princeton Digital Group	Sedenak	Johor	150	2024
DC-Science	Sedenak	Johor	120	2024
ST Telemedia	Nusajaya	Johor	120	2025
Bridge	Bukit Jalil	Klang Valley	48	2025
Vantage	Cyberjaya	Klang Valley	256	2025
edgeconnex	Bukit Jalil	Klang Valley	70	2026
edgeconnex	Cyberjaya	Klang Valley	200	2026
TM-Nxera	Nusajaya	Johor	200	2026
Google	Elmina Biz Park	Selangor	80	2026
Total			**2,574**	

Note: Excludes:

1) *Microsoft's USD2.2b investment pledge in cloud and AI infrastructure (announced on 2 May 2024), pending details;*
2) *ByteDance's planned expansion its data centre facilities in Sedenak, Johor with an additional investment of MYR1.5b [link].*

Source: Maybank IBG Research

Fig 62: Landbanks of Johor developers

i) Sedenak - Kulai area

Developers:

- ECW MK (500.2 acres - Eco Business Parks including 132.6 acres in Kulai)
- IOIPG MK [N.R., CP: MYR2.14]
- SCI MK [N.R., CP: MYR4.57]
- LAGENDA MK [N.R., CP: MYR1.34]
- AME MK [N.R., CP: MYR1.68]

Plantation estate owner:

- SDG MK [BUY, CP: MYR5.01, TP: MYR5.41]
- GENP MK [BUY, CP: MYR5.86, TP: MYR6.96]
- KLK MK [HOLD, CP: MYR21.80, TP: MYR21.30]
- JPG MK [N.R., CP: MYR1.33]

Unlisted landowner:

- Johor Corporation (via Johor Land Bhd)

ii) Iskandar Puteri

Developers:

- UEMS MK (4,783 acres)
- SWB MK (1,770 acres)
- ECW MK (314 acres in Iskandar Puteri, 422.8 acres in Masai and Tebrau area)
- SPSB MK (1,129.8 acres in various location in Iskandar M'sia)
- EAST MK [N.R., CP: MYR0.985]
- 3905 MK [N.R., CP: MYR2.50]
- KSL MK [N.R., CP: MYR1.73]
- AME MK [N.R., CP: MYR1.68]

Plantation estate owner:

- KLK MK

Unlisted land owner:

- Iskandar Investment Berhad (IIB)

iii) Johor Bahru

Developers:

- IWCB MK [N.R, CP: MYR0.565]
- TRCB MK [N.R., MYR1.19])
- EKO MK [N.R., CP: MYR0.365]
- CCDO MK [N.R., CP: MYR1.36]

Unlisted land owner:

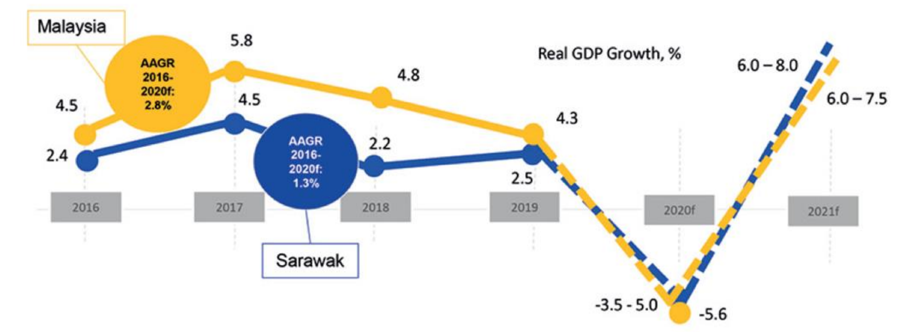
- Johor Corporation (via Johor Land Bhd)

N.R. = Not Rated; Source: Maybank IBG Research

Sarawak – becoming the region's powerhouse

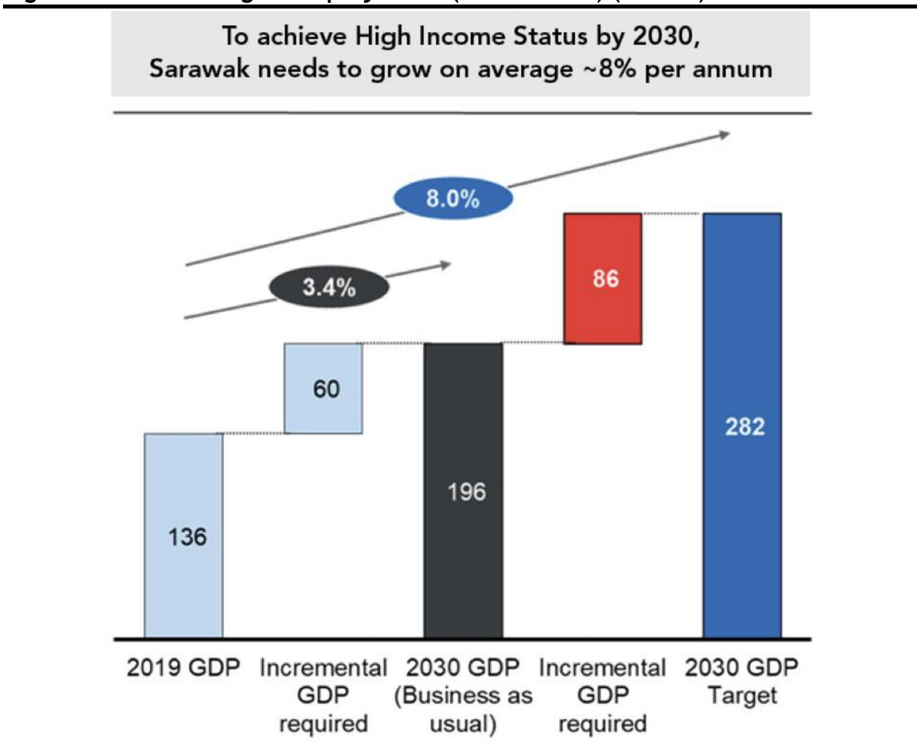
In Nov 2024, Sarawak launched its first report for its post-Covid Development Strategy 2030 (PCDS 2030), highlighting its success so far in its journey to becoming a high income and developed nation by 2030. Among its key successes was the increase in Sarawak's annual revenue. The Sarawak government is also investing in several infrastructure initiatives including a new airport, port and other projects. Most issues relating to gas distribution have finally been resolved between PETRONAS and PETROS. We expect to see more newsflow from Sarawak as it aims to be a regional powerhouse in ASEAN. Sarawak has been exporting electricity to Indonesia since 2016, and now looks to export to Sabah in 2025 and to Brunei between 2027-2030. Sarawak is also committed to support ASEAN's transition to renewable energy and to be the "battery of ASEAN" by sharing its renewable energy with ASEAN neighbour countries though the Borneo interconnections and the ASEAN power grid.

Fig 63: Malaysia and Sarawak Real GDP Growth (%)



Source: Bank Negara Malaysia, DOSM, Economic Planning Unit Sarawak

Fig 64: Sarawak GDP growth projection (2020 – 2030) (MYR 'b)

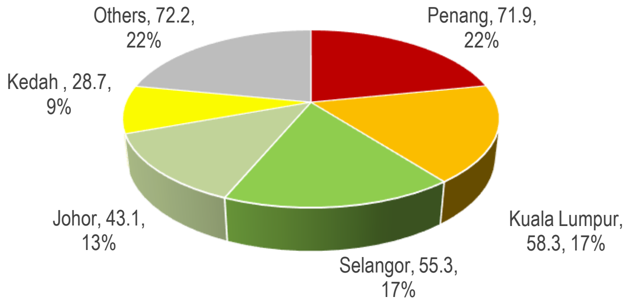


Source: Sarawak Post COVID-19 Development Strategy 2030

Penang – keeping its name as the Silicon Valley of the East

Penang remains one of the states in Malaysia continuously attracting FDIs, benefitting from the “plus one” strategies. Penang launched its one million sq ft integrated circuit (IC) design and digital park at the Bayan Lepas Industrial Park in May 2024, with its first phase expected to complete by 4Q25 and second phase by 2027. The completion of both phases will see the park host high-impact initiatives in IC design, research and development, in line with the aspirations and support provided by the NSS. This development further seals Penang’s name as the Silicon Valley of the East. The tech companies will remain a sector to drive interest.

Fig 65: Approved investments in M’sia, 2023 (MYR329.5b) – by states



Source: MIDA

Spreading up further north – potential growth in Perlis and Kedah

Apart from Penang, the northern states of Malaysia have the potential to benefit from the global supply chain relocation for tech and EVs. Kulim Hi-Tech Park still has potential to grow. It was recently reported that Perlis has received proposals for EV-related investments (link) but timeline remains uncertain and negotiations are still on-going. Chuping Valley Industrial Area is said to focus on four clusters in green energy halal hub, EV and renewable energy.

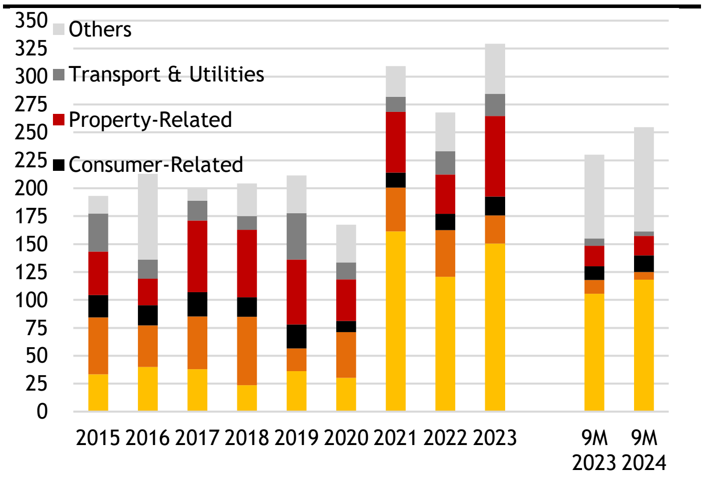
Sabah - building momentum towards its next state elections

We believe there will be a lot more momentum build-up in terms of infrastructure as Sabah heads for state elections towards 4Q25. In 2024, we saw an additional 4 newly-listed companies from Sabah – Azam Jaya (construction), KTI Landmark (property developer), Colform Group (steel manufacturer) and the latest being Life Water (beverages manufacturer) which was recently listed on 13 Nov 2024. Sabah has also been active in the energy space and recently awarded large scale solar (LSS) projects with 199MW capacity to 15 bidders (link). Sabah, like its neighbour state, Sarawak, is rich in hydropower sources and has the potential to see further increase in its hydropower mix. We expect to see more developments on this front.

Theme 4: Investment realisation

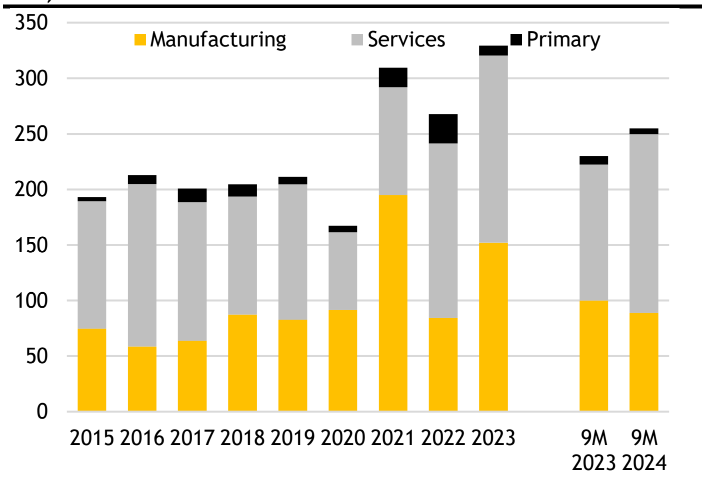
As Malaysia has been attracting record high approved investments since 2023, we expect to see realisation of investments from as early as 2025. Typically, approved investments take between 18-24 months to see the start of actual operations. The focus will be back on industrial properties which have seen heavy activity. In April 2024, it was reported that Malaysia realised MYR46bn or one-third of MYR152bn approved investments for the manufacturing sector in 2023. These were reported to have involved over 400 projects which created close to 30k jobs. The Ministry of Investment, Trade and Industry (MITI) has improved its tracking mechanism to ensure the necessary authorities are able to assist businesses in implementing their planned capex. Bank Negara Malaysia had shared in its 2024 outlook report that the role of implementation between 2021-2023 was 74% for manufacturing projects (see Fig 2 and Fig 3 above).

Fig 66: Approved investment in Malaysia (MYR b) – record high in 2023



Source: MIDA, CEIC, Maybank IBG Economics Research (chart)

Fig 67: Approved investments – MYR254.7m in 9M24 (+11% YoY)



Source: MIDA, CEIC, Maybank IBG Economics Research (chart)

Key sector beneficiaries are the tech, construction and the industrial properties with secondary beneficiaries being the consumer sector as job creation leads to better income accumulation and spending power.

Fig 68: Malaysia – Tracking execution and implementation of fiscal consolidation & reforms; JSSEZ; NETR; NIMP

Fiscal Consolidation & Reforms	▪ 1 Jan 2024: Expansion of targeted electricity subsidy i.e. lower subsidy eligibility to domestic/residential users consuming no more than 600kWh per month (from users consuming no more than 1,500kWh per month in 2023). ▪ 1Q 2024: Revenue enhancement measures i.e. introduction of Capital Gains Tax and Low Value Goods Tax (1 Jan 2024); broadening of Services Tax base and rate (to 6%-8% from 6%) as well as Sugar Tax hike (1 Mar 2024). ▪ 10 June 2024: Implement targeted fuel subsidy rationalisation i.e. starts with diesel. ▪ "e-invoice" to enhance tax compliance and revenue (1 June 2024 - Pilot Programme; 1 Aug 2024 - Phase 1; 1 Jan 2025 - Phase 2; 1 July 2025 - Full Implementation). ▪ Government Procurement Act (GPA) expected to be tabled in Parliament later this year.
Johor-Singapore Special Economic Zone (JSSEZ)	▪ 11 Jan 2024: Signing of JSSEZ MoU. ▪ Moves to ease people flows between Johor & Singapore i.e. Singapore and Malaysia launched QR-code based immigration clearance system on 19 Mar 2024 and 1 June 2024 respectively. ▪ July-Aug 2024: Legal reviews by Malaysia and Singapore Attorney General Chambers; Joint Malaysia-Singapore Workshop for JSSEZ Agreement Refinement (6-8 Aug 2024). ▪ JSSEZ Agreement expected in between Sep 2024 and end-2024. ▪ JSSEZ's Invest Malaysia Johor Facilitation Centre (IMFC-J) and Talent Development Council to be operational in 4Q 2024.
National Energy Transition Roadmap (NETR	▪ 9 May 2023: Raised renewable energy (RE) quotas and installed capacity targets to 70% by 2050 (vs 40% previously); abolished RE export ban. ▪ 15 Apr 2024: Energy Exchange Malaysia (ENEGEM) to facilitate cross-border trading of renewable energy (RE) with a pilot 100MW renewable energy (RE) export to Singapore. ▪ Corporate Renewable Energy Supply Scheme (CRESS) to connect RE suppliers and buyers. ▪ Carbon Trading Bill to be tabled later this year. ▪ Existing coal-fired power plants to be cut by 50% in 2035 and fully retired in 2044 plus not building new ones from 2040, in support of RE capacity targets of 31% in 2030, 52% in 2040 and 70% in 2050 (vs 27.05% as of Oct 2023).
New Industrial Master Plan (NIMP) 2030	Strategies and actions for High-Value, High Growth (HVHG) sectors/industries e.g. ▪ 22 Apr 2024: KL20 Action Plan to promote and intensify the development of - and attract investment in - start-ups as well as establish Malaysia as top-20 global start-up hubs by 2030, with incentive packages that include 1) Unicorn Golden Pass (e.g. exemption from fees for employment passes for senior management; subsidized rentals; concessionary corporate tax rates; relocation services; start-up concierge that handles backroom registration); 2) Innovation Pass (i.e. multi-tier employment pass programmes to attract high-skilled talents); 3) Venture Capital (VC) Golden Pass (e.g. limited partners funding access opportunities, subsidised office spaces; expedited licence registrations; exemption from fees for employment passes); 4) GPU Scheme (i.e. a rebate scheme for the use of cloud services and general-purpose computing on graphics processing units or GPUs); and 5) Innovation Belt (i.e. where startups, talents, investors, corporates, and academics can congregate in areas around KL Sentral and the Bukit Jalil's Technology Park Malaysia). ▪ 22 Apr 2024: Announcement of Semiconductor Accelerator and Integrated Circuit (IC) Design Park in Selangor (45,000 sqft - with potential expansion to 60,000 sqft - in Puchong) and to start operations in July/Aug 2024. ▪ 4 May 2024: 42.5ha Penang IC Design Park in Bayan Lepas with 1m sqft of premium office spaces unveiled for high-impact activities including IC design, research and development (R&D), global business services (GBS), digital technologies investments, and a circular digital economy ecosystem. ▪ 28 May 2024: National Semiconductor Strategy (NSS) to attract investments in "front-end" segment of the semiconductor industry, especially IC designs, high-end fabrication and semiconductor manufacturing equipment. ▪ June-Aug 2024: Progressive Wage Policy pilot programme involving 1,000 employers & 1.05m workers to raise workers income i.e. manufacturing sector median salary (2030F: MYR4,510 vs 1Q 2024: MYR2,691; 2023: MYR2,529); labour share of GDP (2030F: 45%; 2023: 33.1%)

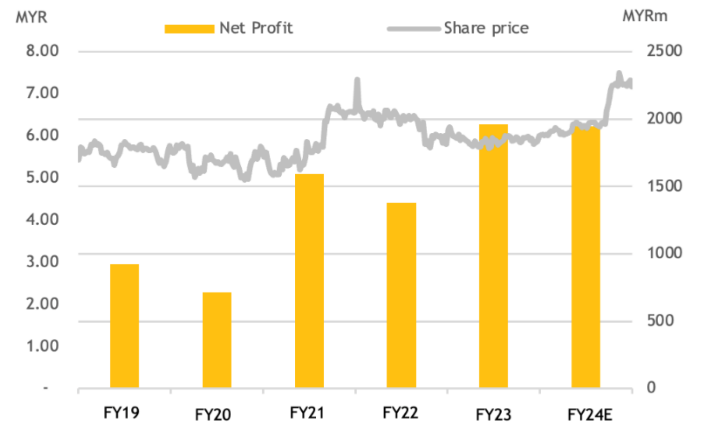
Source: Official announcements; Media reports; Maybank IBG Research

Theme 5: Corporate restructuring

In our report, we had suggested that there was a need for a properly executed government linked companies (GLC) reform or GLC Transformation 2.0. This could be the most tangible opportunity for Malaysia to reinvigorate the country's economy. The GLCs collectively account for more than one-third of the KLCI market capitalization.

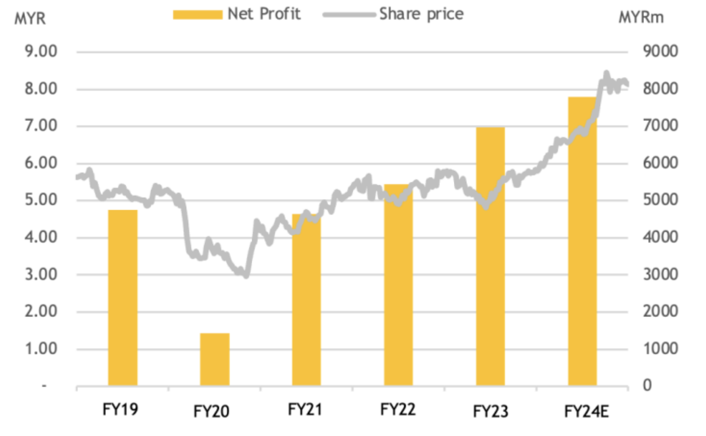
With new heads at Permodalan National Bhd (PNB) and also EPF, we believe there would be opportunities for more of the GLC companies improve their performance going forward, supported by the introduction and execution of strategies to reinvigorate underperforming GLCs.

Fig 69: Khazanah's key holdings: IHH Healthcare's 5Y core net profit trend and share price movement



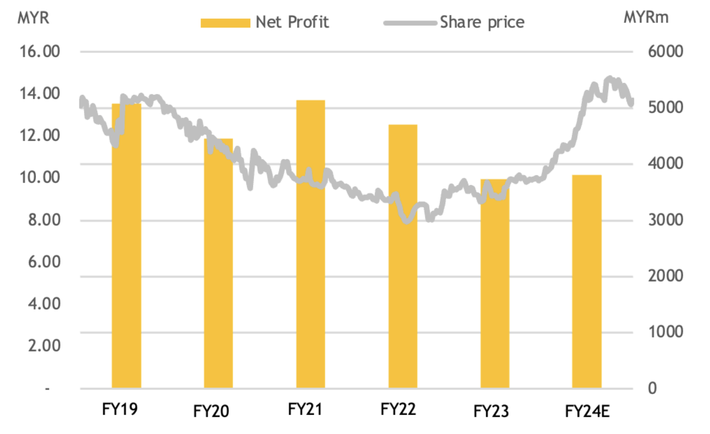
Source: Bloomberg, Company, Maybank IBG Research

Fig 70: Khazanah's key holdings: CIMB's 5Y core net profit trend and share price movement



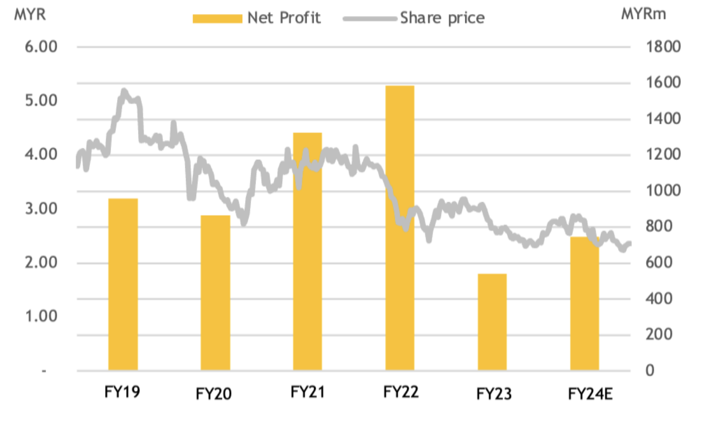
Source: Bloomberg, Company, Maybank IBG Research

Fig 71: Khazanah's key holdings: TNB's 5Y core net profit trend and share price movement



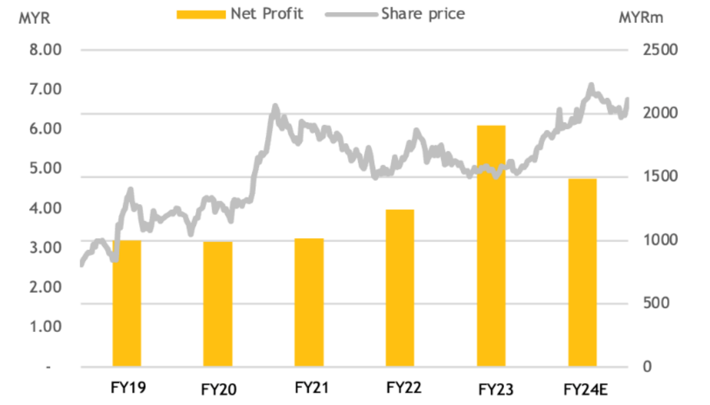
Source: Bloomberg, Company, Maybank IBG Research

Fig 72: Khazanah's key holdings: Axiata's 5Y core net profit trend and share price movement



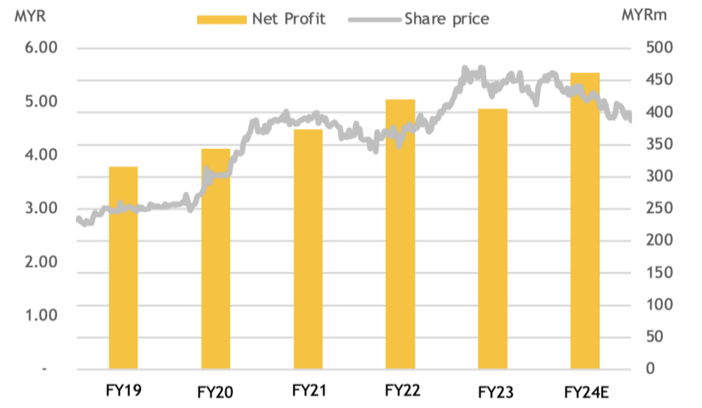
Source: Bloomberg, Company, Maybank IBG Research

Fig 73: Khazanah's key holdings: Telekom's 5Y core net profit trend and share price movement



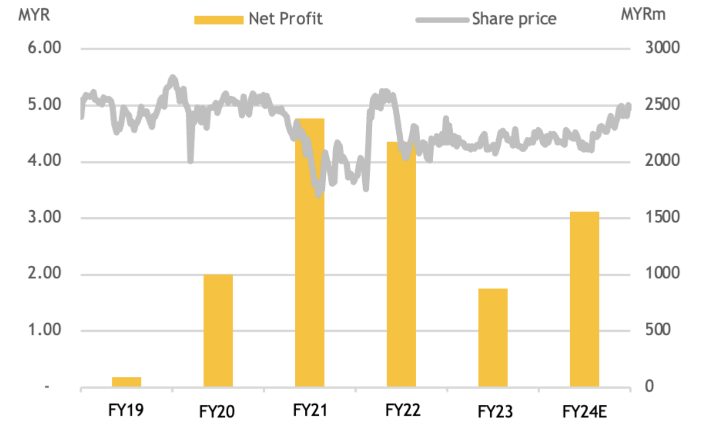
Source: Bloomberg, Company, Maybank IBG Research

Fig 74: Khazanah's key holdings: Time dotCom's 5Y core net profit trend and share price movement



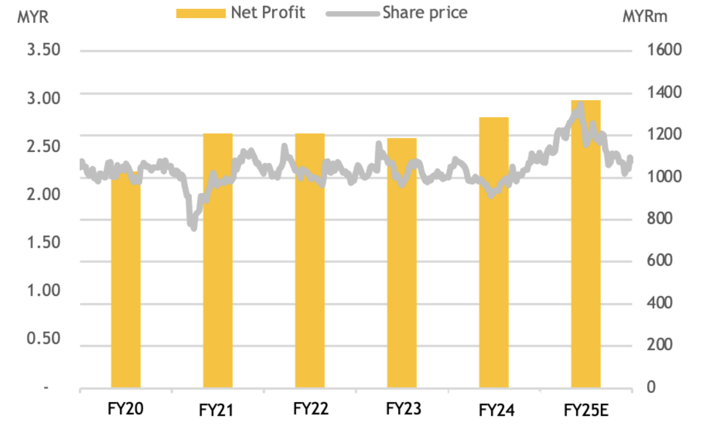
Source: Bloomberg, Company, Maybank IBG Research

Fig 75: PNB's key holdings: SD Guthrie's 5Y core net profit trend and share price movement



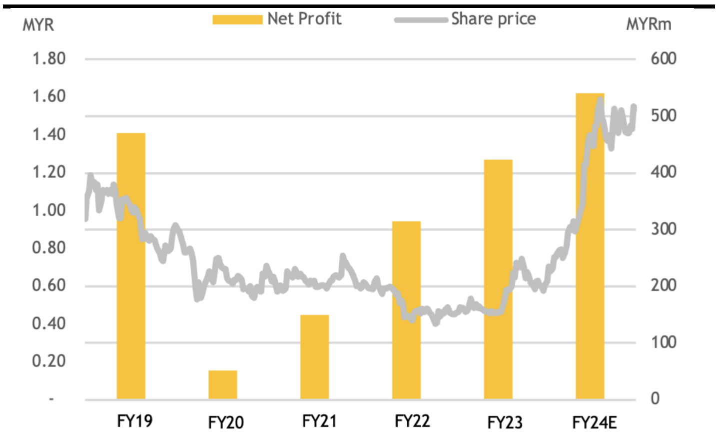
Source: Bloomberg, Company, Maybank IBG Research

Fig 76: PNB's key holdings: Sime Darby's 5Y core net profit trend and share price movement



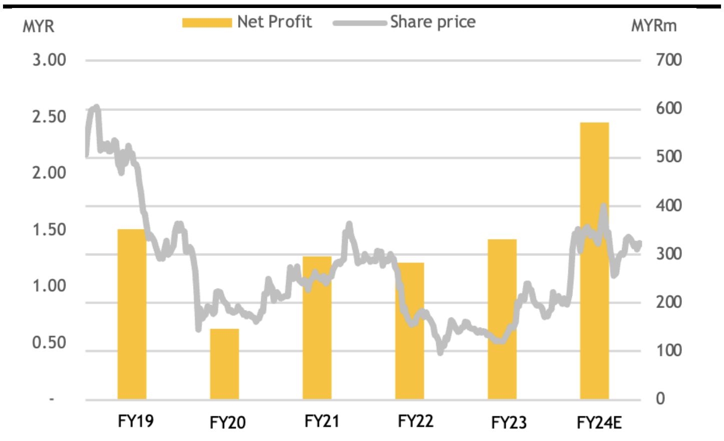
Source: Bloomberg, Company, Maybank IBG Research

Fig 77: PNB's key holdings: Sime Darby Property's 5Y core net profit trend and share price movement



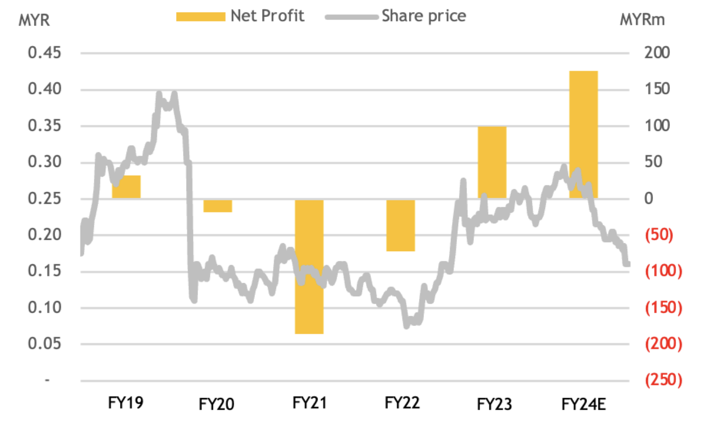
Source: Bloomberg, Company, Maybank IBG Research

Fig 78: PNB's key holdings: SP Setia's 5Y core net profit trend and share price movement



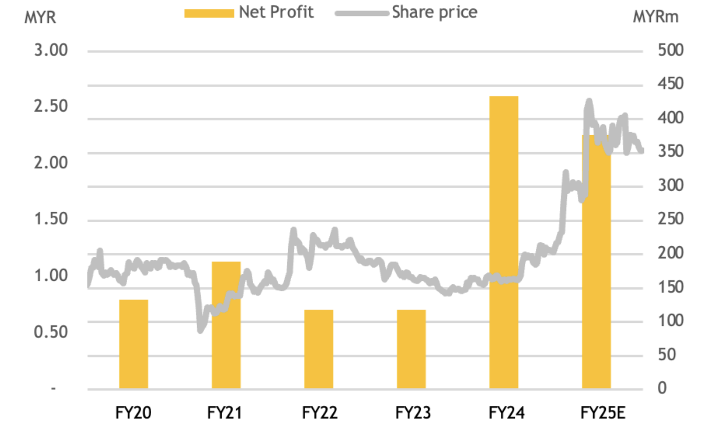
Source: Bloomberg, Company, Maybank IBG Research

Fig 79: PNB's key holdings: Velesto's 5Y core net profit trend and share price movement



Source: Bloomberg, Company, Maybank IBG Research

Fig 80: PNB's key holdings: MNRB's 5Y core net profit trend and share price movement



Source: Bloomberg, Company, Maybank IBG Research

Separately, the Ministry of Finance is spearheading a programme aimed at synergising efforts across government-linked entities to catalyse growth in key economic sectors. Known as GEAR-uP, the first phase would see the GLICS collectively pledge MYR120bn in DDIs over the next 5 years directed to high growth-high value industries.

Fig 81: "GEAR-uP" MADANI Economy Programme

1st phase to see 6 GLICs collectively pledging to invest MYR120b in domestic direct investments (DDI) over the next 5 years, on top of MYR440b in public market investments under their steady state investment programmes.

Focus Areas		
Khazanah	▪	Will ensure semiconductor ecosystem resilience, nurture mid-tier company growth and invest in the venture capital (VC) ecosystem.
KWAP	▪	Has identified eight sectors, including food security, digital economy, energy transition and advanced manufacturing.
PNB	▪	Specific focus on investments in new industrial parks, supporting automation and smart farming in palm oil, and green and energy transition assets.
EPF	▪	Investing in sustainable healthcare solutions in partnership with the Government, including building private wings in public hospitals in line with the Health Transformation agenda championed by the Ministry of Health.
Lembaga Tabung Haji	▪	To broaden the role of Islamic banks.
LTAT	▪	To elevate Malaysia's pharmaceutical value creation by strengthening its capacity to produce local biopharmaceutical products.

Source: Press release by the Ministry of Finance, 8 Aug 2024 [link]

Market momentum

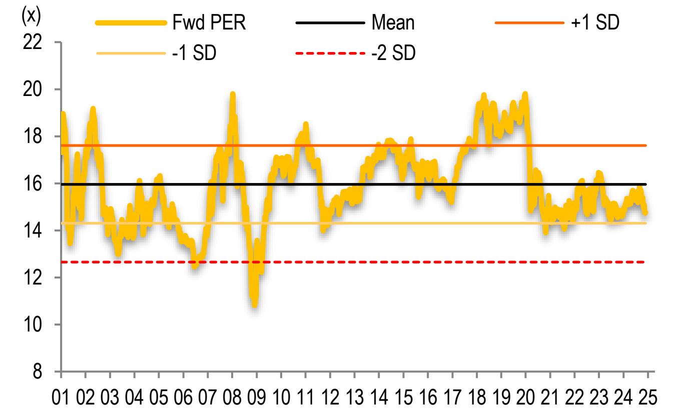
2025 YE KLCI target at 1,740

We forecast YE 2025 KLCI target of 1,740 or 15x 2026E PER, on the back of 8% earnings growth. In a bear case scenario, assuming earnings growth drops to 5% and a moderation in terms of applicable PER to 14x, the KLCI could be as low as 1,580. Positively, on a bull case scenario, at 16x PER and 8% earnings growth, the index could surge as high as 1,850.

The sector driver to achieve our KLCI target is the banks, which a key OW. We are also OW consumer and healthcare while selectively positive on construction (DC plays), oil & gas (FPSOs) and tech (software & EMS). Other key sectors such as property, plantations, telcos and utilities are Neutral. We are also Neutral on Gloves after a good share price run up that has priced in most positives. Petrochemicals is our only Underweight.

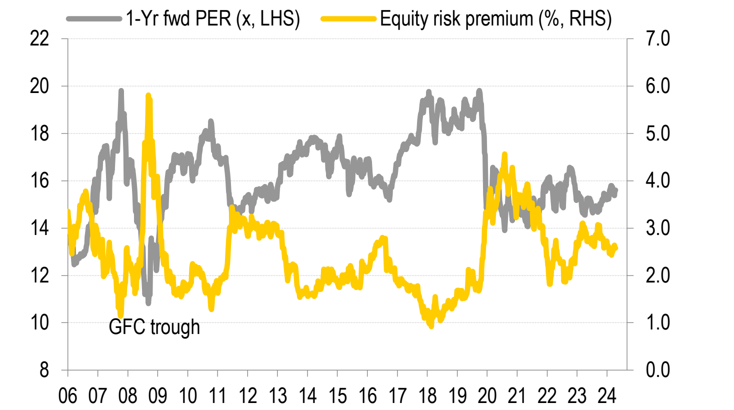
From a valuation perspective, post-3Q24 earnings season, we estimate KLCI's valuation trading at 14.8x 12M forward PER, 0.7SD below its long term mean (since 2001) of 16.0x (1SD is 1.6x). Meanwhile, we forecast core earnings at 9.4% for 2025E barring any further adjustments which by the year-end typically runs in a margin of error of 1-2%, hence our assumption of 8% earnings growth in deriving our index target.

Fig 82: 12M forward PER at 14.8x @ 30 Nov 2024, or -0.7SD of LT mean (mean = 16.0x, 1SD = 1.7x)



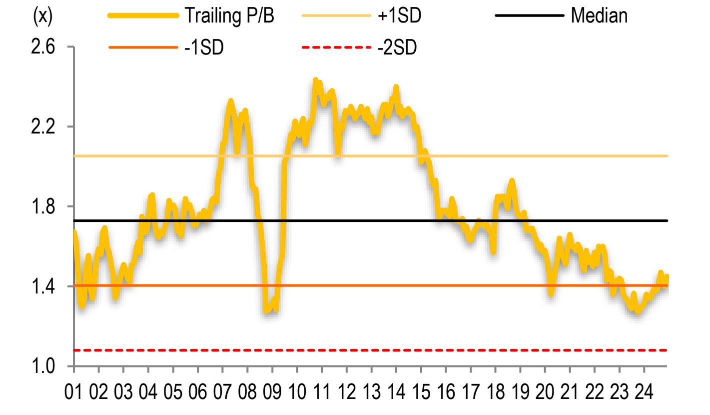
Source: Maybank IBG Research, Bloomberg

Fig 83: KLCI's 12M fwd, PER and ERP @ 30 Nov 2024



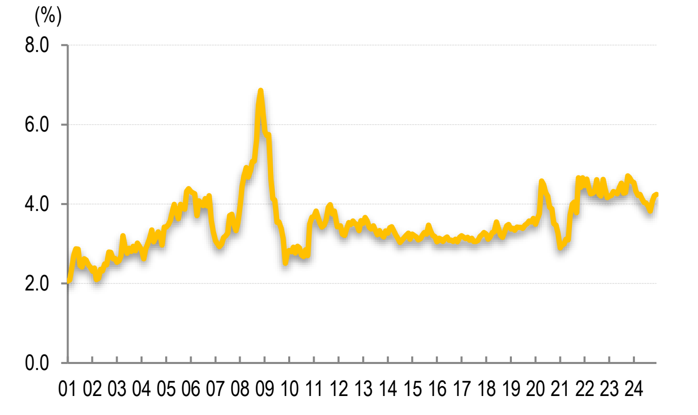
Source: Maybank IBG Research, Bloomberg

Fig 84: Trailing P/B at 1.45x @ 30 Nov 2024, or -0.9SD of LT mean (mean = 1.73x, 1SD = 0.32x)



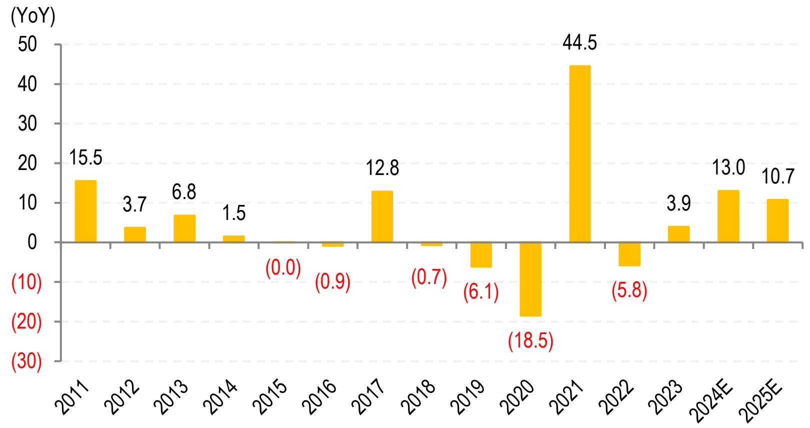
Source: Maybank IBG Research, Bloomberg

Fig 85: Trailing dividend yield at 4.2% @ 30 Nov 2024



Source: Maybank IBG Research, Bloomberg

Fig 86: Research universe core earnings growth



Source: Maybank IBG Research

Fig 87: Research universe & KLCI core earnings growth & valuations

		2023	2024E	2025E
KLCI @ 1,603.2 on 11 Dec 2024	**PE (x)**	**17.8**	**16.2**	**14.8**
Earnings Growth (%) - new		2.8%	9.4%	9.4%
Earnings Growth (%) - early-Sep '24		2.9%	12.1%	9.4%
Earnings Growth (%) - early-Dec '23		1.5%	11.2%	-
Maybank IBG's Research Universe	**PE (x)**	**18.0**	**16.0**	**14.4**
Earnings Growth (%) - new		3.9%	13.0%	10.7%
Earnings Growth (%) - early-Sep '24		4.2%	14.5%	11.0%
Earnings Growth (%) - early-Dec '23		2.6%	15.6%	-

Note: Based on closing share prices of stocks on 11 Dec 2024;
Source: Maybank IBG Research

Our earnings expectations for 2025E (Fig 88).

- We expect all sectors to deliver YoY core earnings growth except Port & Logistic (-1.6% YoY) with Westports' core earnings to be marginally down by 2% YoY due to higher opex (labour, payments to Port Klang Authority.

- For the heavy-weights, we expect Banks' earnings growth to be slower (+5.8% YoY), and Utilities earnings growth to taper after a robust 2024. However, we expect Telco earnings growth to be strong (+25.7% YoY), contributed by Celcom-Digi (merger synergies), Telekom M'sia (ongoing cost optimisation), and Axiata (also benefitting from CelcomDigi's merger synergies). Also, Plantations core earnings to expand for the 2nd year (+12.4% YoY vs. 2024E's +19.8%) due to FFB recovery esp. for those with ops in Indonesia, offsetting our lower YoY CPO ASP forecast of MYR4,000/t (2024E: MYR4,200/t). Separately, Petrochem core profit to rise 58.7% YoY (losses at Lotte Chem to narrow.

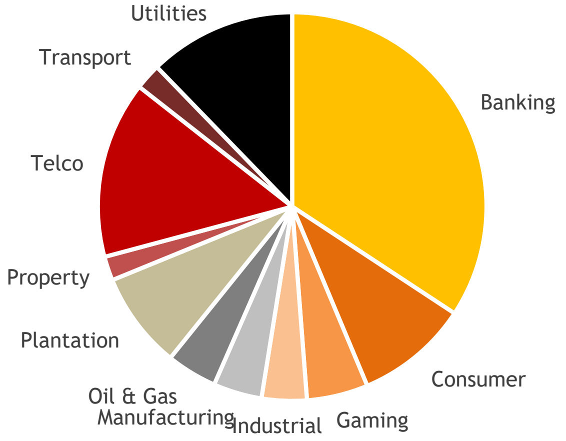
- For Consumer, we expect earnings to rebound (+15.5% YoY vs. 2023's -3.2%) amid better sentiment from civil service salary hikes (wef Dec 2024) and minimum wage increases (wef Feb 2025), supporting our OW call.

Fig 88: Research universe core earnings, growth, PER, P/B and ROE

	Core earnings (MYR m)				Core earnings gwth (% YoY)				CAGR (%)
Sector	**CY22**	**CY23**	**CY24E**	**CY25E**	**CY22**	**CY23**	**CY24E**	**CY25E**	**CY23-25E**
Banks	31,037	35,836	38,722	40,969	6.3	15.5	8.1	5.8	6.9
Non-bank Financials	1,095	1,477	1,593	1,677	(4.2)	34.9	7.9	5.2	6.6
Consumer	3,278	3,552	3,439	3,971	39.0	8.3	(3.2)	15.5	5.7
Healthcare	1,562	2,205	2,267	2,473	(5.5)	41.2	2.8	9.1	5.9
Automotive	1,638	1,734	1,791	1,888	11.1	5.9	3.3	5.4	4.3
Construction, Infra	1,406	1,449	1,846	2,173	(3.6)	3.1	27.4	17.7	22.4
Gaming - NFO	295	350	357	401	70.1	18.4	2.1	12.5	7.1
Gaming - Casino	323	1,808	2,041	2,459	NA	459.7	12.9	20.5	16.6
Gloves	1,037	(254)	159	523	(90.9)	NA	NA	228.7	NM
Materials	1,421	1,242	1,674	1,900	40.9	(12.6)	34.8	13.5	23.7
Media	304	207	150	207	(41.9)	(32.0)	(27.5)	38.4	0.1
Oil & Gas	2,433	2,768	3,360	3,390	46.5	13.8	21.4	0.9	10.7
Petrochemical	5,965	812	939	1,490	(27.8)	(86.4)	15.6	58.7	35.4
Plantation	7,205	3,912	4,686	5,267	(0.3)	(45.7)	19.8	12.4	16.0
Property - Developer	1,467	1,810	2,400	2,410	41.0	23.4	32.6	0.4	15.4
Property - REIT	2,072	2,173	2,370	2,583	38.5	4.9	9.1	9.0	9.0
Renewable Energy	99	31	12	61	37.3	(68.8)	(61.4)	413.4	40.8
Technology	1,680	1,759	1,954	2,287	6.2	4.7	11.1	17.0	14.0
Telco	5,199	5,403	5,678	7,140	0.2	3.9	5.1	25.7	15.0
Transport - Aviation	(4,198)	(596)	928	1,669	(13.6)	(85.8)	NA	79.8	NM
Transport - Shipping	1,491	2,410	2,061	2,469	(16.2)	61.6	(14.5)	19.8	1.2
Transport - Port & Logistic	719	807	861	847	(8.2)	12.2	6.7	(1.6)	2.5
Utilities	8,510	8,123	9,980	10,704	3.9	(4.5)	22.9	7.3	14.8
Stocks under coverage	**76,041**	**79,018**	**89,269**	**98,959**	**(5.8)**	**3.9**	**13.0**	**10.9**	**11.9**

Source: Bloomberg pricing, Maybank IBG Research

Fig 89: FBMKLCI sector weights (as at 12 Dec 2024)



Source: Bloomberg, Maybank IBG Research

Fig 90: Sector weights

OVERWEIGHT (OW)	NEUTRAL (NT)	UNDERWEIGHT (UW)
Aviation	Automotive	Petrochem
Banks	Gloves	
Construction	Media	
Consumer	Plantation	
Gaming	Ports & Shipping	
Healthcare	Property	
Oil & Gas (FPSO)	Technology (Semicon)	
REITs	Telecom	
Renewable Energy	Utilities	
Technology (EMS & Software)		

Source: Maybank IBG Research

Fig 91: Sector specific outlook in 2025

Sector	Outlook	Comments
Aviation	POSITIVE	We expect CAPITALA and AirAsia X to be more profitable in 2025. With industry overcapacity being rationed (higher demand and lower supply growth), all Malaysian airlines (especially Malaysia Airlines) are pricing fares rationally – coupled with MYR recovering and oil prices easing, we expect 2025 to be another core profitable year for CAPITALA (HOLD) and AirAsia X (BUY) after many years of losses.
Banking	POSITIVE	Amid easing NIM pressure, the earnings performance of banks in 3Q24 was encouraging, with aggregate core net profit up 9% YoY in 9M24. We forecast 2025E operating and net profit growth of 5.9% respectively, and an aggregate ROE of 10.5%. Dividend yields average a decent 4.9% in CY24E, 5.1% in CY25E. We had recently upgraded ABMB to BUY and downgraded RHB to HOLD. Our top 3 BUYs are AMMB, CIMB and PBK.
Construction	POSITIVE	Realisation of committed FDIs/ DDIs led to many industrial building, data centre, E&E manufacturing, warehousing and logistic hub projects being awarded in 2024, and we expect this momentum to continue into 2025. In terms of major infra projects, we expect a decision on NPE Phase 2 by 1Q25, and award of Mutiara Line LRT turnkey contractor role by 3Q25 after the tender exercise closes on 14 Apr 2025. We foresee 3 sector thematics in 2025 – 13MP, PPP and East M'sia construction. BUYs on Gamuda, IJM and CMS.
Consumer	POSITIVE	For Consumer, we maintain an OW rating premised on resilient product demand for consumer staple players (i.e. QL Resources, Farm Fresh, Leong Hup), undemanding valuation for the brewers and consumer retailers (i.e. Heineken, Carlsberg, AEON) and a refreshed perspective from income support measures (eg. civil service salary hikes and minimum wage increases) to support consumer spending into 2025. Our top BUY is AEON.
Gaming	POSITIVE	2024 started off well but the operating environment deteriorated as the year progressed, especially for casinos. We expect the operating environment in 2025 to be marginally better. Notwithstanding the above, our POSITIVE call on the sector is unchanged. With both GENM and GENT's share prices plumbing close to Covid lows, we believe most if not all related negatives have been priced in. Potential catalysts include GENM and GENS being successful in expanding into New York City and Thailand, respectively, and GENT's 20%-owned associate TauRx securing approval for its Alzheimer's combating drug from the United Kingdom Medicines & Healthcare Products Regulatory Agency. For the NFOs, SPTOTO and MAG, we like them as dividend yield plays. MAG has the added catalyst should 8%-owned U Mobile list and its shares distributed in specie to MAG shareholders.
Healthcare	POSITIVE	We are OW on the healthcare sector. We anticipate strong structural growth driven by ageing and a wealthier population, boosting inpatient admissions and revenues. Occupancy rates have been improving especially for KPJ. There is also potential for valuations to re-rate ahead of a couple of healthcare-related IPOs this year.
Oil & Gas	POSITIVE	We expect Brent crude oil prices to be lower in 2025E at USD70/bbl (from ~USD80/bbl in 2024E) as the oil markets may turn into a supply surplus next year due to the possibility of OPEC+ unwinding its production cuts. For Malaysia-centric developments, a potentially lower PETRONAS capex spending could mean that many local-centric upstream OGSE names may see slower growth expectations in 2025E. While we remain POSITIVE on the sector, we favour: **i)** defensive midstream companies – with Dialog (BUY, TP: MYR3.09) as our pick; **and ii)** FPSO players which are poised to ride on the global deep and ultra-deepwater capex investments – with Bumi Armada (BUY, TP: MYR0.71) as our pick.
REITs	POSITIVE	We forecast the sector's CY25E YoY earnings growth at +9.1%, to be supported by sustained occupancy and rental rates, coupled with several new asset injections. The sector offers average CY25E net DPU yield of 6.0% (CY24E: 5.4%). Our top BUY is CLMT. We also have BUY ratings for Axis REIT, PavREIT, and SENTRAL.
Renewable Energy	POSITIVE	We maintain an OW rating on the Renewable Energy (RE) sector. We forecast strong sector earnings growth in CY25E mainly from higher orderbook replenishments as well as higher solar capacity awarded by the Government via the NEM, CGPP and LSS5 programmes. Meanwhile, as solar panel prices remain low, demand for solar installation will continue to rise and benefit the RE players. Our key BUY is Solarvest.
Technology	POSITIVE – EMS & Software	For EMS, we expect a continuation of its recovery trajectory, underpinned by utilisation and capacity improvements. We maintain our positive stance on the software sector due to snowballing digital adoption trends. We are currently OW on Software and EMS, but Neutral (NT) on Semicon. In the Software space, our sector BUY picks are MYEG, ITMAX and Ramssol. For EMS, we prefer ATech, while for Semicon, our top pick is Frontken.
Automotive	NEUTRAL	We project 750k 2025E TIV (-6.3% YoY, historical avg. c.650k) amid strong backlogs for certain OEMs. However, earnings growth may be constrained by capacity bottlenecks and intensified competition, particularly in the mass premium segment. On the EV front, we expect increased localization investment from OEMs as incentives for CBU EVs are set to expire. Additionally, Perodua is set to launch its first EV model by 4Q25. We have BUYs on BAuto and SIME on compelling valuations and attractive DYs of >9% and >4%, respectively. Growth will be driven primarily by inorganic factors, such as new distributorships (for BAuto) and M&As (SIME).
Gloves	NEUTRAL	The Malaysian glove sector is recovering, driven by inventory replenishment since 2024 and is set to gain further from a 50% US tariff on China-made gloves from 2025, boosting utilisation rates and ASPs. New disease concerns, like Disease X in Congo, may offer trading opportunities. However, risks persist from potential US tariff threats under the Trump administration and intensified competition from Chinese rivals in non-US markets and stemming from their overseas expansions. To stay competitive, Malaysian glove makers are focusing on automation and cost efficiency. We maintain a NEUTRAL stance on the sector, with a BUY on HART, a HOLD on KRI, and a SELL on TOPG.

Plantation	NEUTRAL	We are upbeat on CPO price in 1Q25 as the early CNY (Jan) and early Ramadhan demand (Mar-Apr) will coincide with the typical low output cycle of Q1. However, we are concerned about the CPO price outlook for the rest of 2025. Our concern stems from the sustainability of Government of Indonesia's (GOI) ambitious B40 mandate amidst widening POGO spread (Nov 2024: USD446/t subsidy required). By our estimate, the CPO Fund will run dry by end-1Q25. Also, we anticipate strong FFB output recovery in 2025E for those with operations in Indonesia following an unexpectedly low output for 9M24 due to biological tree rest and lagged impact of 2023's mild El Nino in Indonesia. Large-scale solar (LSS) such as LSS5, TPA, cross-border electricity sales offer selected planters with strategic landbank the opportunity to diversify their businesses into Renewable Energy (RE) which should generate better returns than oil palm (on a per hectare basis), and grow their earnings. The much-awaited JSSEZ announcement is anticipated to benefit SDG, KLK, GENP and JPG MK (N.R) as they are the largest real estate owners in Iskandar.
Ports & Shipping	NEUTRAL	Malaysia's maritime throughput remained on an upward trajectory in 9M24, on strong FDI inflows and intra-Asia trade; we expect this to continue into 2025. Shipping alliances reshuffling, effective Feb 2025, is likely to present more opportunities than risks for Westports. We have a BUY on Westports, a proxy for FDIs and intra-Asia trade growth.
Property	NEUTRAL	Maintain Neutral on property sector. Sector themes remain centered on Johor (JSSEZ), data centres and value-enhancing corporate exercises. However, most drivers are well-established and largely priced in, with no new themes emerging. We are BUYers of SPSB and SDPR.
Telcos	NEUTRAL	We believe mobile operators will continue to be plagued by regulatory uncertainty and 5G capex risk into 2025E. We maintain a NEUTRAL stance on the sector. The telecom industry increasingly depicts a long-drawn out race to the bottom as competition hampers monetization and regulatory demands intensify. As revenues stagnate, telcos can only rely on optimising costs (including engaging in mergers) to preserve earnings. Into 2025E, we expect merger synergies to crystallize for CelcomDigi and Axiata (indirectly). Our preferred BUY is CelcomDigi.
Utilities	NEUTRAL	We maintain a NEUTRAL stance on the sector. In our view, the prevailing euphoria for the sector (due to expectations of earnings accretion from stronger electricity demand and higher grid investments) is largely priced-in. We however note the sector is generally insulated from demand risk, and thus does not materially benefit from demand upside. Nevertheless, given the market views this as a multi-year thesis, the mismatch between earnings expectations and actual delivery might not manifest until some years down the road. Our preferred BUYs are YTL Power and Mega First.
Petrochem	NEGATIVE	Petrochems remains an Underweight (UW) as we anticipate downstream polymer ASPs to remain unexciting for most of 2025E as demand outlook stays tepid while the start-up of new regional capacities is looking to overflood supply. While we believe that the petrochemical sector has found a bottom in terms of ASPs (before the next influx of PE & PP capacities in 2026), the sector appears to be in an L-shaped recovery. Coupled with additional polymer capacities coming onstream regionally in 2026, it is unlikely that the industry will revisit its ASP highs in 2021 and 2H22. We have SELL ratings on both PCHEM and LCTITAN.

Source: Maybank IBG Research

Top picks

Our BUYs are AMMB, CIMB, Gamuda, YTLP, Hartalega, KPJ, VSI, Frontken, Aeon and Solarvest. Top SELLs are Lotte Titan, Astro, Tan Chong, BFood and RCE. Top 5 high-yield picks in FY25E-26E are Eco World Int'l, Bermaz Auto, DXN, MBM Resources and Sentral REIT. Not forgetting, our ESG picks are Allianz, Gamuda, IOI, Public Bank and Hong Leong Bank.

Fig 92: Top BUYs

	Price MYR	TP MYR	Rec	Mkt Cap MYRm	PER (x) CY24E	PER (x) CY25E	PER (x) CY26E	ROE (%) CY25E	DY (%) CY25E	P/B (x) CY25E
CIMB Group	8.13	9.20	Buy	87,150	11.1	10.6	10.0	n.a.	5.2%	1.2
YTL Power	3.69	4.70	Buy	30,484	12.3	10.0	9.8	13.4%	1.9%	1.3
Gamuda	9.77	10.50	Buy	27,718	23.6	24.3	20.7	9.3%	2.0%	2.3
AMMB Holdings	5.50	6.30	Buy	18,228	8.0	9.4	8.9	n.a.	5.3%	0.9
Hartalega	3.88	4.31	Buy	13,299	187.8	82.8	45.2	3.4%	0.7%	2.8
KPJ Healthcare	2.38	2.60	Buy	10,773	34.0	28.9	25.7	13.6%	2.1%	4.1
Frontken Corp.	4.24	4.95	Buy	6,699	48.6	34.7	30.2	29.0%	0.9%	10.1
V.S. Industry	1.10	1.28	Buy	4,327	24.4	18.4	14.5	9.4%	2.2%	1.7
AEON Co. (M)	1.46	1.95	Buy	2,050	13.4	12.8	11.9	7.8%	2.7%	1.0
Solarvest	1.63	2.14	Buy	1,177	35.2	24.7	19.5	14.4%	0.0%	3.6

** Share price as of 13 Dec 2024; Source: Maybank IBG Research*

Fig 93: Top SELLs

	Price MYR	TP MYR	Rec	Mkt Cap MYRm	PER (x) CY24E	PER (x) CY25E	PER (x) CY26E	ROE (%) CY25E	DY (%) CY25E	P/B (x) CY25E
RCE Capital	1.610	1.45	Sell	2,387	14.2	16.1	14.9	17.1%	5.0%	2.7
Lotte Chemical	0.630	0.91	Sell	1,457	n.a.	n.a.	n.a.	n.a.	0.0%	0.1
Astro Malaysia	0.215	0.10	Sell	1,122	10.7	14.0	13.4	7.1%	5.3%	1.0
Berjaya Food	0.365	0.25	Sell	718	n.a.	n.a.	65.0	n.a.	0.0%	2.0
Tan Chong Motor	0.435	0.39	Sell	292	n.a.	n.a.	n.a.	n.a.	0.0%	0.1

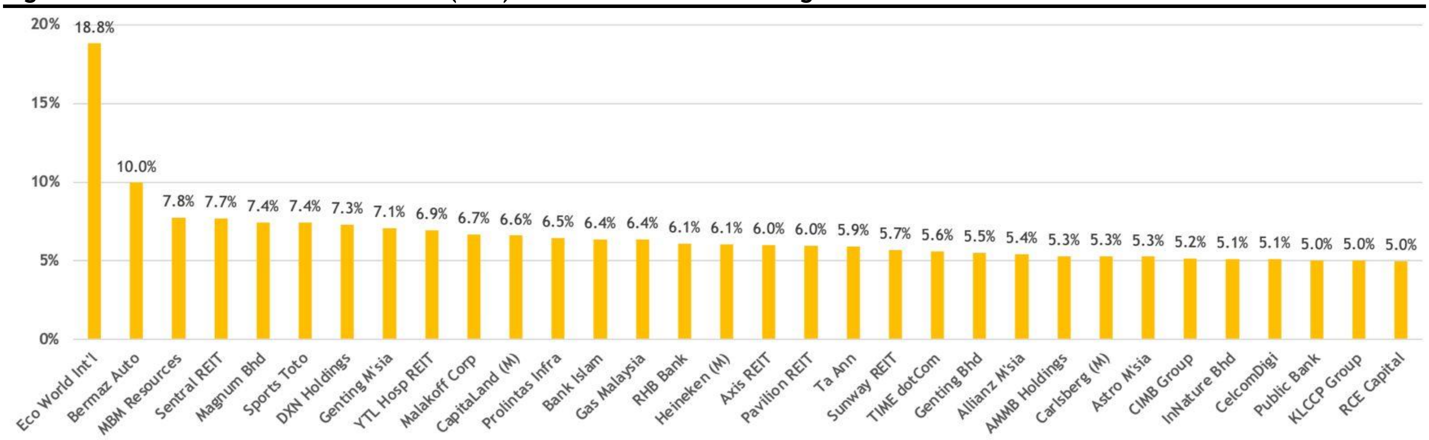
** Share price as of 13 Dec 2024; Source: Maybank IBG Research*

Fig 94: Top-yield stocks

Stock	Price MYR	Rec	Div. Yield 2024E (%)	Div. Yield 2025E (%)	Div. Yield 2026E (%)	FCF Yield 2024E (%)	FCF Yield 2025E (%)	FCF Yield 2026E (%)	N/Gearing 2025E (%)
Eco World Int'l	0.335	Hold	36.7%	18.8%	11.0%	nm	nm	nm	Net cash
Bermaz Auto	1.94	Buy	11.3%	10.0%	11.2%	10.7%	13.1%	11.0%	Net cash
DXN Holdings	0.505	Buy	5.7%	7.3%	8.4%	7.8%	14.1%	15.6%	Net cash
MBM Resources	6.45	Hold	9.5%	7.8%	7.9%	1.9%	2.1%	2.1%	Net cash
Sentral REIT	0.79	Buy	7.5%	7.7%	7.9%	14.7%	13.9%	14.1%	78%

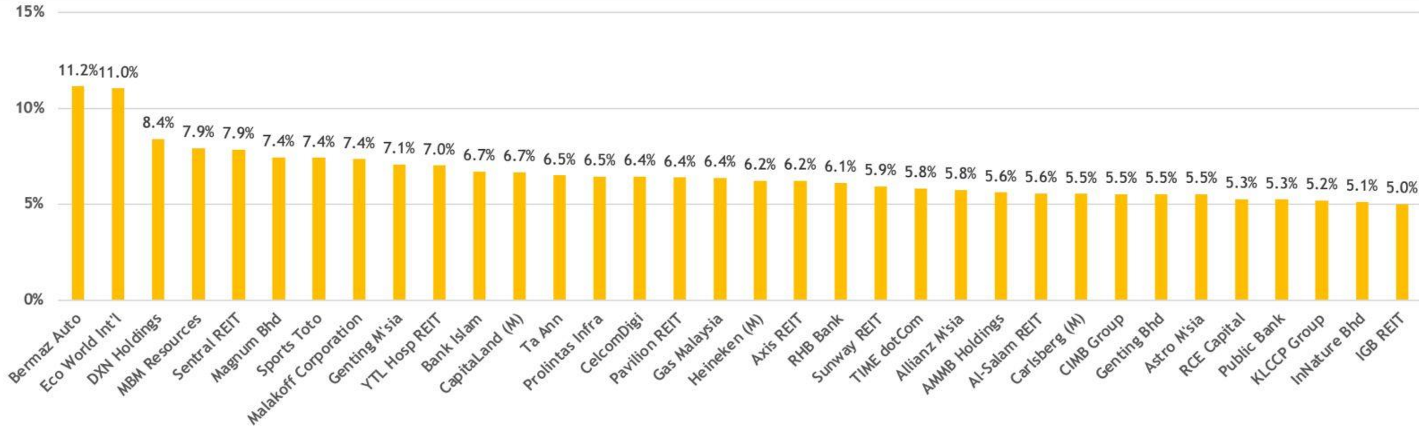
** Share price as of 13 Dec 2024; Source: Maybank IBG Research, Factset*

Figure 95: Ranked FY25E indicative DY (>5%) for stocks in MIBG coverage universe



Source: Maybank IBG Research, Factset

Figure 96: Ranked FY26E indicative DY (>5%) for stocks in MIBG coverage universe



Source: Maybank IBG Research, Factset

Fig 97: ESG stocks (ranked by Maybank IBG Research's ESG score)

Stock	BBG Code	Mkt Cap. (MYRm)	Rec.	Price (MYR)	TP (MYR)	MIBG ESG Score	Quant Score	Qual Score	Targets Score	Sustainalytics Risk Score	In FBM4G Index?
Allianz M'sia	ALLZ MK	3,645	Buy	20.48	24.85	78	72	67	100	20.1	No
Gamuda	GAM MK	27,718	Buy	9.77	10.50	75	67	100	67	29.4	Yes
IOI Corp.	IOI MK	24,261	Hold	3.86	4.06	75	59	100	83	21.9	Yes
Public Bank	PBK MK	88,707	Buy	4.57	5.20	73	45	100	100	21.2	Yes
HL Bank	HLBK MK	44,308	Buy	20.44	24.30	71	43	100	100	17.6	Yes

Source: Maybank IBG Research, Sustainalytics (leading external ESG research & data provider), Bloomberg pricing (as of 13 Dec 2024)

Maybank IBG Research Universe

Ticker	Company		FYE	Price	Market	TP	Rec	Core Net Profit			EPS			CAGR	PER			ROE	Div Yld	PBV	*Px chg*
				10 Jul	Cap			CY23	CY24E	CY25E	CY23	CY24E	CY25E	23-25E	CY23	CY24E	CY25E	CY24E	CY24E	CY24E	*YTD*
				MYR	MYR m	MYR		|---------- MYR m ----------|			|--------- MYR sen --------|			(%)	|------------ (x) ------------|			(%)	(%)	(x)	*(%)*
Auto																					
BAUTO MK	Bermaz Auto	*	4	2.06	2,409	2.42	Buy	336.5	305.1	318.3	28.9	26.2	27.3	(2.7)	7.1	7.9	7.5	36.2	10.5	2.8	*(12.7)*
MBM MK	MBM Resources	*	12	6.36	2,486	6.25	Hold	302.2	320.3	325.8	77.3	81.9	83.3	3.8	8.2	7.8	7.6	14.5	9.7	1.1	*50.0*
TCM MK	Tan Chong Motor	*	12	0.47	303	0.39	Sell	(130.0)	(164.0)	(157.7)	(20.2)	(25.5)	(24.5)	n.a.	n.a.	n.a.	n.a.	(6.2)	0.0	0.1	*(52.1)*
SIME MK	Sime Darby	*	6	2.33	15,880	2.64	Buy	1,225.5	1,329.2	1,401.7	18.0	19.5	20.6	6.8	12.9	11.9	11.3	7.0	4.2	0.8	*(0.9)*
Banks																					
AMM MK	AMMB Holdings		3	5.59	18,489	6.30	Buy	1,726.3	1,884.4	2,018.0	52.0	56.5	61.0	8.3	10.8	9.9	9.2	9.3	4.9	0.9	*39.4*
BIMB MK	Bank Islam M'sia	*	12	2.64	5,983	2.65	Hold	553.1	550.6	589.4	25.0	24.0	26.0	2.0	10.6	11.0	10.2	7.3	6.1	0.8	*19.5*
ABMB MK	Alliance Bank		3	4.90	7,586	5.30	Buy	687.3	725.9	772.7	44.8	47.3	50.3	6.0	10.9	10.4	9.8	9.7	4.0	1.0	*44.5*
CIMB MK	CIMB Group		12	8.11	86,953	9.20	Buy	6,981.0	7,804.1	8,183.9	65.0	73.0	77.0	8.8	12.5	11.1	10.5	11.0	5.8	1.2	*38.6*
HLBK MK	Hong Leong Bk		6	20.50	44,438	24.30	Buy	4,029.7	4,372.0	4,692.9	197.0	213.5	229.0	7.8	10.4	9.6	9.0	11.3	3.6	1.1	*8.5*
HLFG MK	HL Fin Group		6	18.34	21,004	22.70	Buy	3,053.7	3,262.7	3,431.5	269.5	287.5	302.5	5.9	6.8	6.4	6.1	10.8	3.1	0.7	*11.6*
PBK MK	Public Bank		12	4.61	89,483	5.20	Buy	6,649.3	7,019.8	7,405.9	34.0	36.0	38.0	5.7	13.6	12.8	12.1	12.3	4.6	1.6	*7.5*
RHBBANK MK	RHB Bank		12	6.59	28,729	6.80	Hold	2,806.2	3,067.4	3,221.5	70.0	70.0	73.0	2.1	9.4	9.4	9.0	9.5	6.1	0.9	*20.9*
Construction																					
GAM MK	Gamuda	*	7	9.57	27,151	10.50	Buy	881.8	996.6	1,195.5	33.0	36.2	43.1	14.3	29.0	26.5	22.2	8.6	1.8	2.3	*108.5*
IJM MK	IJM Corp	*	3	2.86	10,028	3.70	Buy	463.7	518.2	556.3	13.2	14.8	15.9	9.7	21.7	19.4	18.0	5.0	2.8	1.0	*52.1*
CMS MK	Cahya Mata S'wak	*	12	1.18	1,268	1.60	Buy	114.4	147.1	170.9	10.7	13.7	15.9	21.9	11.0	8.6	7.4	4.3	1.7	0.4	*9.3*
SCGB MK	Sunway Con	*	12	4.41	5,686	3.70	Sell	145.1	170.3	226.7	11.3	13.2	17.6	24.8	39.0	33.4	25.1	18.6	1.4	6.2	*127.3*
PINT MK	Pintaras Jaya	*	6	1.58	262	1.64	Hold	(3.6)	3.7	11.4	(2.2)	2.3	6.9	n.a.	n.a.	70.2	22.9	0.9	2.2	0.7	*(1.3)*
PIBT MK	Prolintas Infra	*	12	0.96	1,056	1.13	Buy	(151.9)	10.5	12.2	(25.1)	1.0	1.1	n.a.	n.a.	100.2	86.7	1.8	6.7	1.8	*1.1*
Consumer																					
AEON MK	AEON Co. (M)	*	12	1.48	2,078	1.95	Buy	137.1	153.4	160.3	9.8	10.9	11.4	7.9	15.1	13.6	13.0	7.8	2.7	1.1	*35.8*
CAB MK	Carlsberg Brew		12	20.50	6,268	23.10	Buy	316.0	358.0	371.8	103.3	117.1	121.6	8.5	19.8	17.5	16.9	145.2	5.1	22.6	*6.3*
HEIM MK	Heineken Msia		12	23.98	7,244	30.20	Buy	386.8	431.3	434.8	128.0	142.8	143.9	6.0	18.7	16.8	16.7	85.7	6.0	15.8	*(0.7)*
PAD MK	Padini Holdings	*	6	3.28	2,158	3.80	Buy	182.9	155.9	178.8	27.8	23.7	27.2	(1.1)	11.8	13.8	12.1	13.5	3.5	1.9	*(6.6)*
NESZ MK	Nestle (Malaysia)	*	12	98.78	23,164	111.50	Buy	767.4	520.8	667.3	327.3	222.1	284.6	(6.8)	30.2	44.5	34.7	74.4	2.1	33.1	*(16.0)*
QLG MK	QL Resources	*	3	4.72	17,229	4.70	Hold	415.1	475.6	510.7	11.4	13.1	14.0	10.9	41.5	36.2	33.7	14.9	0.9	5.4	*(17.3)*
SEM MK	7 - Eleven Msia		12	1.92	2,129	1.90	Hold	68.7	60.1	75.5	6.2	5.4	6.8	4.7	31.0	35.6	28.2	15.3	1.4	5.4	*(4.0)*
MNHB MK	Mynews Holdings		10	0.69	518	0.80	Buy	(8.1)	9.6	17.7	(1.2)	1.3	2.4	n.a.	n.a.	53.8	29.4	3.9	0.7	2.1	*32.7*
BFD MK	Berjaya Food	*	6	0.36	638	0.25	Sell	32.9	(53.0)	(27.5)	1.8	(3.0)	(1.5)	n.a.	20.0	n.a.	n.a.	(14.7)	0.6	1.8	*(40.0)*
LHIB MK	Leong Hup Intl.		12	0.62	2,245	0.85	Buy	301.7	320.8	345.5	8.3	8.8	9.5	7.0	7.4	7.0	6.5	13.0	4.2	0.9	*8.8*
MRDIY MK	MR D.I.Y. Group	*	12	1.81	17,125	2.35	Buy	560.7	586.7	732.6	5.9	6.2	7.8	15.0	30.7	29.2	23.2	29.1	1.8	8.5	*24.8*
INNATURE MK	InNature	*	12	0.21	145	0.23	Hold	10.5	7.0	9.8	1.5	1.0	1.4	(3.4)	13.7	20.5	14.6	4.8	4.9	1.0	*(43.8)*
FFB MK	Farm Fresh	*	3	1.80	3,375	2.05	Buy	59.4	93.3	135.2	3.2	5.0	7.3	51.1	56.7	35.8	24.8	12.9	0.8	4.6	*36.4*
DXN MK	DXN Holdings	*	2	0.50	2,486	0.80	Buy	320.5	319.2	358.8	6.5	6.4	7.2	5.8	7.7	7.8	6.9	22.9	7.4	1.7	*(21.3)*

** Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 31 May 2024; Source: Bloomberg pricing, Maybank IBG Research*

… continued

Ticker	Company		FYE	Price 10 Jul MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit CY23 (MYR m)	Core Net Profit CY24E (MYR m)	Core Net Profit CY25E (MYR m)	EPS CY23 (MYR sen)	EPS CY24E (MYR sen)	EPS CY25E (MYR sen)	CAGR 23-25E (%)	PER CY23 (x)	PER CY24E (x)	PER CY25E (x)	ROE CY24E (%)	Div Yld CY24E (%)	PBV CY24E (x)	*Px chg YTD (%)*
Gaming																					
SPTOTO MK	Sports Toto		6	1.48	1,996	1.65	Buy	224.7	222.4	226.6	16.8	16.6	16.8	0.1	8.8	8.9	8.8	18.6	7.1	1.7	*0.0*
MAG MK	Magnum		12	1.19	1,710	1.36	Buy	125.0	134.5	174.8	8.7	9.4	12.2	18.4	13.7	12.7	9.8	5.4	5.9	0.7	*9.2*
GENT MK	Genting Bhd		12	3.59	13,824	4.48	Buy	1,224.8	1,353.9	1,673.5	31.8	35.2	43.5	17.0	11.3	10.2	8.3	4.0	5.6	0.4	*(22.3)*
GENM MK	Genting Msia		12	2.12	12,016	2.73	Buy	583.5	687.3	785.9	10.3	12.1	13.9	16.2	20.6	17.5	15.3	5.4	7.1	1.0	*(21.2)*
Glove																					
HART MK	Hartalega Hldgs	*	3	3.91	13,346	4.31	Buy	78.1	132.6	259.7	2.3	3.9	7.6	81.2	170.0	100.3	51.8	2.8	0.6	2.8	*44.8*
KRI MK	Kossan Rubber	*	12	2.64	6,736	2.49	Hold	56.8	106.3	112.8	2.2	4.2	4.4	41.4	120.0	62.9	60.0	2.8	3.0	1.8	*42.7*
TOPG MK	Top Glove Corp	*	8	1.35	10,816	1.08	Sell	(388.7)	(79.7)	150.8	(4.8)	(1.0)	1.8	n.a.	n.a.	n.a.	73.6	(1.7)	0.2	2.3	*50.0*
Healthcare																					
KPJ MK	KPJ Healthcare	*	12	2.27	9,907	2.60	Buy	232.2	305.8	359.7	5.3	7.0	8.2	24.4	42.8	32.4	27.7	12.2	1.9	4.1	*57.6*
OPTIMAX MK	Optimax	*	12	0.61	329	0.87	Buy	12.9	13.2	16.6	2.3	2.3	3.0	14.2	26.3	26.3	20.2	18.6	2.8	4.8	*(3.2)*
Materials																					
PMAH MK	Press Metal	*	12	4.93	40,621	5.76	Buy	1,242.0	1,674.2	1,899.8	15.1	20.3	23.1	23.7	32.6	24.3	21.3	21.1	1.6	5.1	*2.5*
Media																					
ASTRO MK	Astro Malaysia		1	0.24	1,226	0.10	Sell	183.8	87.9	83.4	3.5	1.7	1.6	(32.2)	6.8	14.2	14.8	7.8	4.4	1.1	*(40.5)*
MPR MK	Media Prima		6	0.47	516	0.46	Hold	23.1	36.9	38.3	2.1	3.4	3.5	29.6	22.3	13.9	13.3	5.0	3.2	0.7	*0.0*
Non-Banking Financials																					
BURSA MK	Bursa Malaysia	*	12	8.72	7,057	9.50	Hold	252.4	313.0	325.7	31.2	38.7	40.2	13.5	27.9	22.5	21.7	35.8	4.2	8.4	*26.2*
ALLZ MK	Allianz Malaysia		12	20.44	3,670	24.85	Buy	730.9	744.8	809.2	211.1	215.0	234.0	5.3	9.7	9.5	8.7	13.6	5.0	0.7	*10.8*
RCE MK	RCE Capital	*	3	1.60	2,349	1.45	Sell	138.8	144.7	155.8	9.5	9.9	10.8	6.4	16.8	16.2	14.9	17.0	4.9	2.8	*(47.7)*
MNRB MK	MNRB Holdings		3	2.11	1,652	2.70	Buy	354.7	390.7	385.9	45.3	49.9	49.3	4.3	4.7	4.2	4.3	11.4	2.2	0.5	*73.0*
Oil & Gas																					
DLG MK	Dialog Group	*	6	1.87	10,552	3.09	Buy	558.5	662.2	724.7	9.9	11.7	12.8	13.7	18.9	16.0	14.6	10.7	2.0	1.7	*(9.7)*
ICON MK	Icon Offshore	*	12	1.02	636	1.20	Hold	(12.3)	8.8	62.1	(2.0)	1.4	10.0	n.a.	n.a.	72.9	10.2	2.5	0.0	1.6	*74.4*
WSC MK	Wasco	*	12	1.10	852	1.76	Buy	76.2	174.0	113.5	9.9	22.5	14.7	21.9	11.1	4.9	7.5	20.4	3.1	1.0	*10.6*
BAB MK	Bumi Armada	*	12	0.63	3,735	0.71	Buy	662.4	974.5	770.2	11.2	16.4	13.0	7.7	5.6	3.8	4.8	14.7	0.0	0.6	*27.3*
YNS MK	Yinson Hldgs		1	2.75	8,074	4.78	Buy	909.3	852.2	1,025.6	31.1	26.9	32.2	1.7	8.8	10.2	8.5	13.4	1.4	1.3	*10.0*
VEB MK	Velesto Energy	*	12	0.16	1,273	0.25	Buy	99.5	176.4	163.2	1.2	2.1	2.0	29.1	12.9	7.4	7.8	6.7	2.6	0.5	*(32.6)*
HIBI MK	Hibiscus Petro	*	6	2.04	1,556	1.60	Sell	474.9	512.0	530.6	59.0	63.6	65.9	5.7	3.5	3.2	3.1	15.4	3.7	0.5	*(19.7)*

** Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 31 May 2024; Source: Bloomberg pricing, Maybank IBG Research*

... continued

Ticker	Company		FYE	Price 10 Jul	Market Cap	TP	Rec	Core Net Profit CY23	Core Net Profit CY24E	Core Net Profit CY25E	EPS CY23	EPS CY24E	EPS CY25E	CAGR 23-25E	PER CY23	PER CY24E	PER CY25E	ROE CY24E	Div Yld CY24E	PBV CY24E	*Px chg YTD*
				MYR	MYR m	MYR		MYR m	MYR m	MYR m	MYR sen	MYR sen	MYR sen	(%)	(x)	(x)	(x)	(%)	(%)	(x)	*(%)*
Petrochemical																					
PCHEM MK	Petronas Chem	*	12	4.98	39,840	3.82	Sell	1,704.0	1,795.0	1,747.5	21.3	22.4	21.8	1.2	23.4	22.2	22.8	4.3	2.2	1.0	*(30.4)*
TTNP MK	Lotte Chemical	*	12	0.66	1,492	0.91	Sell	(891.6)	(856.2)	(257.8)	(39.1)	(37.6)	(11.3)	n.a.	n.a.	n.a.	n.a.	(8.0)	0.0	0.1	*(51.5)*
Plantation																					
GENP MK	Genting Plant	*	12	5.88	5,275	6.96	Buy	253.6	296.0	328.5	28.3	33.0	36.6	13.7	20.8	17.8	16.1	5.5	3.9	1.0	*3.5*
IOI MK	IOI Corp	*	6	3.86	23,946	4.06	Hold	1,212.1	1,223.9	1,325.9	19.6	19.8	21.4	4.6	19.7	19.5	18.0	10.2	2.7	2.0	*(1.8)*
KLK MK	KL Kepong	*	9	21.32	23,375	21.30	Hold	983.8	848.1	1,230.6	91.1	77.9	113.0	11.4	23.4	27.4	18.9	6.1	1.8	1.7	*(2.3)*
SDG MK	SD Guthrie	*	12	4.95	34,233	5.41	Buy	875.4	1,559.2	1,640.1	12.7	22.5	23.7	36.6	39.0	22.0	20.9	8.3	2.8	1.9	*11.0*
SOP MK	Swak Oil Palms	*	12	3.42	3,053	4.60	Buy	300.2	401.4	372.3	33.7	45.1	41.8	11.4	10.1	7.6	8.2	10.6	3.9	0.8	*32.0*
TSH MK	TSH Resources	*	12	1.23	1,694	1.15	Hold	87.1	131.3	131.8	6.3	9.5	9.6	23.4	19.5	12.9	12.8	6.1	2.4	0.8	*26.2*
THP MK	TH Plantations	*	12	0.75	658	0.68	Hold	17.1	52.9	54.6	1.9	6.0	6.2	80.6	39.2	12.4	12.0	7.1	4.0	0.9	*53.6*
TAH MK	Ta Ann Hldgs	*	12	4.31	1,898	4.38	Buy	182.7	173.3	183.5	41.5	39.3	41.7	0.2	10.4	11.0	10.3	9.5	8.1	1.0	*17.8*
Property Dev																					
SPSB MK	SP Setia	*	12	1.34	6,703	1.64	Buy	331.9	573.1	293.1	8.1	13.7	7.0	(7.0)	16.5	9.8	19.1	3.9	2.2	0.4	*67.5*
UEMS MK	UEM Sunrise	*	12	0.99	4,983	1.05	Hold	75.6	99.1	108.6	1.5	2.0	2.1	18.3	65.7	49.3	46.9	1.4	1.0	0.7	*20.9*
SWB MK	Sunway Berhad	*	12	4.51	27,863	4.78	Hold	737.8	871.3	899.0	12.3	14.5	15.0	10.4	36.7	31.1	30.1	6.1	1.2	2.0	*118.9*
ECW MK	Eco World Devt	*	10	1.99	5,868	2.25	Buy	285.2	354.3	397.3	9.7	12.1	13.5	17.7	20.5	16.5	14.8	7.2	3.0	1.2	*89.5*
ECWI MK	Eco World Intl	*	10	0.32	756	0.27	Hold	(106.5)	(51.0)	(39.0)	(4.5)	(2.1)	(1.7)	n.a.	n.a.	n.a.	n.a.	(4.0)	32.4	0.6	*1.6*
TILB MK	Tambun Indah	*	12	0.94	411	0.93	Hold	49.0	47.3	52.7	11.1	10.8	12.0	4.0	8.4	8.7	7.8	6.1	4.6	0.5	*10.0*
SDPR MK	Sime Darby Prop	*	12	1.53	10,405	1.66	Buy	423.3	540.8	664.4	6.2	8.0	9.8	25.7	24.7	19.1	15.6	5.2	2.4	1.0	*144.8*
REIT																					
AXRB MK	Axis REIT	*	12	1.71	3,438	2.12	Buy	149.6	167.7	201.0	8.6	9.6	11.5	15.6	19.9	17.8	14.9	5.9	5.0	1.1	*(4.5)*
SALAM MK	Al-Salam REIT	*	12	0.37	212	0.36	Sell	9.1	4.6	9.4	1.6	0.8	1.6	-	22.8	45.6	22.8	0.7	1.9	0.3	*(23.2)*
KLCCSS MK	KLCCP Stapled	*	12	8.03	14,497	8.23	Hold	726.4	800.4	834.1	40.2	44.3	46.2	7.2	20.0	18.1	17.4	5.8	4.8	1.1	*13.3*
SENTRAL MK	Sentral REIT		12	0.80	950	0.89	Buy	73.7	81.4	84.1	6.2	6.8	7.0	6.3	12.8	11.7	11.4	6.0	7.4	0.7	*1.3*
CLMT MK	Capitaland MT		12	0.68	1,944	0.73	Buy	106.5	130.9	133.0	3.9	4.8	4.8	10.9	17.3	14.1	14.1	4.8	6.5	0.7	*20.5*
SREIT MK	Sunway REIT		12	1.84	6,302	1.86	Hold	319.0	341.0	397.1	9.3	10.0	11.6	11.7	19.8	18.4	15.9	6.6	4.9	1.2	*19.5*
IGBREIT MK	IGB REIT		12	2.09	7,556	2.22	Hold	359.1	382.6	393.4	10.0	10.6	10.9	4.4	20.9	19.7	19.2	9.5	4.7	1.9	*21.5*
PREIT MK	Pavilion REIT		12	1.47	5,381	1.72	Buy	285.3	309.4	388.7	7.8	8.4	9.1	8.0	18.8	17.5	16.2	6.1	5.6	1.1	*21.5*
YTLREIT MK	YTL REIT		6	1.18	2,011	1.25	Hold	144.2	152.4	157.3	8.5	9.0	9.3	4.6	14.0	13.2	12.8	5.1	6.7	0.7	*14.6*
Renewable Energy																					
CYP MK	Cypark Res	*	10	0.85	699	0.73	Hold	1.8	(32.1)	4.4	0.3	(3.9)	0.5	33.3	283.3	n.a.	159.4	(4.4)	0.0	0.7	*(10.1)*
SOLAR MK	Solarvest	*	3	1.63	1,177	2.14	Buy	29.2	44.4	58.0	4.0	6.1	7.9	40.8	41.0	26.9	20.7	14.3	0.0	4.1	*25.4*

** Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 31 May 2024; Source: Bloomberg pricing, Maybank IBG Research*

… continued

Ticker	Company		FYE	Price 10 Jul MYR	Market Cap MYR m	TP MYR	Rec	Core Net Profit CY23 (MYR m)	Core Net Profit CY24E (MYR m)	Core Net Profit CY25E (MYR m)	EPS CY23 (MYR sen)	EPS CY24E (MYR sen)	EPS CY25E (MYR sen)	CAGR 23-25E (%)	PER CY23 (x)	PER CY24E (x)	PER CY25E (x)	ROE CY24E (%)	Div Yld CY24E (%)	PBV CY24E (x)	*Px chg YTD (%)*
Technology																					
INRI MK	Inari Amertron	*	6	2.97	11,252	2.93	Hold	319.6	329.0	357.2	8.4	8.6	9.4	5.8	35.6	34.5	31.8	12.2	2.6	4.0	*(1.3)*
VITRO MK	ViTrox Corp	*	12	3.58	6,773	3.40	Sell	133.2	118.0	190.5	7.0	6.2	10.1	20.1	51.1	57.7	35.4	11.0	0.4	6.5	*(50.9)*
GTB MK	Globetronics	*	12	0.57	382	0.54	Hold	25.7	21.0	25.9	3.8	3.1	3.9	1.3	14.9	18.2	14.5	6.7	4.4	1.2	*(65.1)*
VSI MK	V.S. Industry	*	7	1.07	4,142	1.28	Buy	200.3	206.8	254.9	4.9	5.1	6.2	12.3	21.7	21.1	17.2	8.8	2.1	1.8	*31.3*
GREATEC MK	Greatech Tech	*	12	2.27	5,701	2.25	Hold	151.2	163.8	201.2	6.0	6.5	8.0	15.5	37.8	34.9	28.4	18.1	0.0	6.2	*(52.7)*
FRCB MK	Frontken Corp	*	12	4.24	6,708	4.95	Buy	111.3	137.4	192.2	7.1	8.7	12.2	31.1	59.7	48.7	34.8	22.0	0.6	9.0	*30.9*
MYEG MK	My E.G. Services	*	12	0.94	7,079	1.68	Buy	488.4	627.0	624.9	6.5	8.4	8.4	13.7	14.5	11.2	11.2	23.1	1.8	2.6	*15.3*
CTOS MK	CTOS Digital	*	12	1.25	2,888	1.65	Buy	118.6	111.7	140.7	5.1	4.8	6.1	9.4	24.5	26.0	20.5	17.8	2.6	4.5	*(11.3)*
ATECH MK	Aurelius Tech	*	1	3.31	1,435	3.34	Buy	38.4	57.5	69.0	9.7	13.3	15.9	28.0	34.1	24.9	20.8	12.1	2.8	3.8	*27.3*
RAMSSOL MK	Ramssol	*	12	0.72	253	1.00	Buy	6.4	16.0	18.7	2.0	4.8	5.6	67.3	35.8	14.9	12.8	21.3	1.5	2.3	*88.2*
ITMAX MK	ITMAX System	*	12	3.55	3,656	4.40	Buy	63.9	78.5	106.3	6.2	7.6	10.3	28.9	57.3	46.7	34.5	19.6	0.4	9.1	*98.3*
SEQB MK	SAM Eng & Equip	*	3	4.00	2,708	5.50	Buy	101.9	87.1	105.1	15.1	12.9	15.5	1.4	26.6	31.1	25.8	5.9	0.8	1.8	*(1.5)*
Telecommunication																					
CDB MK	CelcomDigi	*	12	3.64	42,703	4.50	Buy	1,552.3	1,580.9	2,372.6	13.2	13.5	20.2	23.7	27.6	27.0	18.0	9.6	3.5	2.6	*(10.8)*
T MK	Telekom Msia	*	12	6.52	25,022	7.50	Buy	1,908.8	1,490.0	1,634.6	49.9	38.8	42.6	(7.6)	13.1	16.8	15.3	15.0	3.0	2.5	*17.5*
AXIATA MK	Axiata Group	*	12	2.37	21,763	3.20	Buy	542.2	745.2	1,172.6	5.9	8.1	12.8	47.3	40.2	29.3	18.5	3.4	4.2	1.0	*(0.4)*
Maxis MK	Maxis	*	12	3.53	27,651	3.70	Hold	993.0	1,399.8	1,476.7	12.7	17.9	18.9	22.0	27.8	19.7	18.7	23.8	4.5	4.2	*(8.3)*
TDC MK	TIME dotCom	*	12	4.73	8,745	5.10	Hold	406.4	462.5	483.0	22.1	24.9	26.0	8.5	21.4	19.0	18.2	11.2	5.3	2.1	*(12.4)*
Transport																					
CAPITALA MK	Capital A	*	12	1.01	4,370	1.00	Hold	(877.4)	93.5	701.3	(18.9)	2.7	12.9	n.a.	n.a.	37.4	7.8	(1.1)	0.0	(0.5)	*22.4*
AAX MK	AirAsia X	*	2	1.90	849	2.69	Buy	(79.4)	159.8	200.4	(17.8)	35.8	44.8	n.a.	n.a.	5.3	4.2	57.9	0.0	2.9	*1.6*
WPRTS MK	Westports	*	12	4.40	15,004	5.38	Buy	774.8	824.9	809.2	22.7	24.2	23.7	2.2	19.4	18.2	18.6	22.1	4.1	4.0	*20.5*
MISC MK	MISC	*	12	7.40	33,032	8.09	Hold	2,409.8	2,061.0	2,468.8	54.0	46.2	55.3	1.2	13.7	16.0	13.4	5.2	4.9	0.8	*1.5*
SWIFT MK	Swift Haulage	*	12	0.45	396	0.49	Hold	31.7	35.9	38.2	3.6	4.1	4.3	9.3	12.5	11.0	10.5	4.9	3.1	0.5	*(17.4)*
Utilities																					
TNB MK	Tenaga Nasional	*	12	13.76	79,986	14.00	Hold	3,734.5	3,815.2	4,515.2	64.4	65.8	77.9	10.0	21.4	20.9	17.7	6.4	3.3	1.3	*37.1*
PTG MK	Petronas Gas	*	12	17.06	33,757	18.00	Hold	1,842.2	1,783.9	1,822.9	93.1	90.2	92.1	(0.5)	18.3	18.9	18.5	12.8	4.2	2.4	*(2.0)*
GMB MK	Gas Msia	*	12	4.07	5,226	3.80	Hold	383.4	448.1	403.1	29.9	34.9	31.4	2.5	13.6	11.7	13.0	30.3	6.4	3.5	*26.8*
MLK MK	Malakoff Corp	*	12	0.80	3,885	0.80	Hold	(837.2)	318.3	363.9	(17.1)	6.5	7.4	n.a.	n.a.	12.2	10.7	5.9	5.8	0.8	*25.2*
YTLP MK	YTL Power		6	3.61	29,642	4.70	Buy	2,549.0	3,099.3	3,047.1	31.5	38.0	37.2	8.7	11.5	9.5	9.7	14.5	1.9	1.4	*42.1*
MFCB MK	Mega First Corp	*	12	4.42	4,166	4.80	Buy	393.5	467.1	491.8	41.7	49.5	52.2	11.9	10.6	8.9	8.5	13.6	2.1	1.2	*19.8*
RAHH MK	Ranhill Utilities	*	12	1.44	1,866	0.90	Sell	57.9	48.4	60.0	4.5	3.7	4.7	1.7	32.0	38.9	31.0	6.1	1.8	2.3	*60.0*

** Shariah compliant, based on Securities Commission's latest Shariah compliant list effective 31 May 2024; Source: Bloomberg pricing, Maybank IBG Research*

SECTOR OUTLOOK

AUTOMOTIVE: Setting new base for EV transition

NEUTRAL (unchanged)

- **We project 750k 2025E TIV (-6.3% YoY, historical avg. c.650k) amid strong backlogs for certain OEMs; however, earnings growth may be constrained by capacity bottlenecks and intensified competition, particularly in the mass premium segment.**
- **On the EV front, we expect increased localization investment from OEMs as incentives for CBU EVs are set to expire. Additionally, Perodua is set to launch its first EV model by 4Q25.**
- **We have BUYs on BAuto and SIME on compelling valuations and attractive DYs of >9% and >4%, respectively. Growth will be driven primarily by inorganic factors, such as new distributorships (for BAuto) and M&As (SIME).**

In retrospect. TIV has begun to contract, with three consecutive months of MoM decline to Oct 2024, leading to 10M24 vehicle sales down 8.3% YoY to 663,309 units. This decline reflects a normalization after two consecutive years of record-breaking TIVs (2022: 720,658, 2023: 799,713). 10M24 vehicle sales outperformers are Perodua (+10% YoY) and Honda (+7% YoY), while new entrants BYD and Chery collectively sold 20,913 units, capturing a 3% share of TIV, from only 1% in 2023.

Meanwhile, EV/HEV sales reached 9,955/22,913 units, respectively, in the first nine months of 2024 (data is disclosed on quarterly basis), accounting for 2%/4% of TIV, compared to 1%/4% in 2023. However, infrastructure development lags significantly, with only 3,354 EV chargers installed as at Oct 2024 (source: MEVnet) - far short of the national target of 10,000 EV chargers by 2025.

Outlook. We remain cautiously optimistic on the domestic TIV outlook for 2025, introducing a forecast of 750k units. While this represents a moderation in YoY growth (-6.3% from e.800k units in 2024E), it remains significantly above the pre-pandemic average of 600k-650k units. We expect the sustained strength to be driven primarily by local OEMs in the mass-market segment (vehicles priced <MYR100k), supported by robust order backlogs for certain OEMs, availability of value-for-money models, and improved consumer spending power from the civil service wage hike in Dec 2024 and minimum wage hike in Feb 2025. However, growth may be constrained by production limitations, as key OEMs with remaining backlogs (e.g. Perodua, Proton, and Toyota) are already operating at full capacity.

Challenges persist in the mass premium segment (vehicles priced MYR100k-MYR200k), which is entering a downcycle following two strong years. This segment faces heightened competition due to an influx of new brands, particularly from Chinese OEMs. Additionally, consumer sentiment in this category could be negatively impacted by petrol subsidy rationalization, potentially weighing on purchasing sentiment.

Abbreviations

TIV = Total Industry Volume
EV = electric vehicle
HEV = hybrid vehicle (including plug-in and non plug-in)

Analyst: Loh Yan Jin
(lohyanjin.loh@maybank-ib.com)

Automotive sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Sime Darby	Buy	15,880	2.33	2.64	12.9	11.9	11.3	0.8	7.0	4.2	(0.9)
Bermaz Auto	Buy	2,409	2.06	2.42	7.1	7.9	7.5	2.8	36.2	10.5	(12.7)
MBM Resources	Hold	2,486	6.36	6.25	8.2	7.8	7.6	1.1	14.5	9.7	50.0
Tan Chong Motor	Sell	303	0.47	0.39	n.a.	n.a.	n.a.	0.1	(6.2)	0.0	(52.1)
Simple average		**21,078**			**9.4**	**9.2**	**8.8**	**1.2**	**12.9**	**6.1**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Thematic: EV transition. We expect to see more EV developments in 2025. This comes as the import duty and excise duty exemptions for CBU EVs, along with restrictions on importing CBU EVs priced below MYR100k, are set to expire in end-2025. Consequently, EV OEMs, particularly those in the mass premium segment (e.g. BYD, Tesla, XPeng, and Deepal), will need to consider localizing car assembly in Malaysia to remain price-competitive.

On the domestic OEMs front, Proton is set to launch its first EV SUV (C-segment), the *eMas 7*, on 16 Dec 2024, with an estimated price of c.MYR120k. Perodua's inaugural EV, a B-segment hatchback, is scheduled for release by 4Q25, with prices expected to range between MYR50k-MYR90k. Notably, Perodua aims to position this as the most affordable EV in Malaysia, targeting an initial production capacity of 500 units per month.

Traditional Japanese OEMs are also expanding their EV/HEV offerings. Honda Malaysia plans to debut its first EV, the *e:N 1*, in 2025 (estimated price >MYR160k). Toyota is set to introduce the facelifted Corolla Cross Hybrid, expected to be priced >MYR140k, while Nissan has already launched the Kicks e-Power, an electric vehicle using a petrol engine as a generator, priced at >MYR110k.

The growing range of EV models in Malaysia could drive investment in public charging infrastructure as OEMs ramp up efforts to support their offerings. However, government incentives remain critical to accelerate this agenda, given the slow progress towards achieving the national target of 10,000 EV chargers by 2025. To meet this goal, c.554 chargers would need to be installed monthly, compared to the average rate of c.111 units per month in 2024. Urgent action is required to bridge this gap as time runs short.

Based on our 2025 TIV projection of 750k units, we expect EV/HEV adoption to reach 3%/5%, respectively. Sustained growth in EV adoption will require further government policies and incentives to support the transition over the longer term.

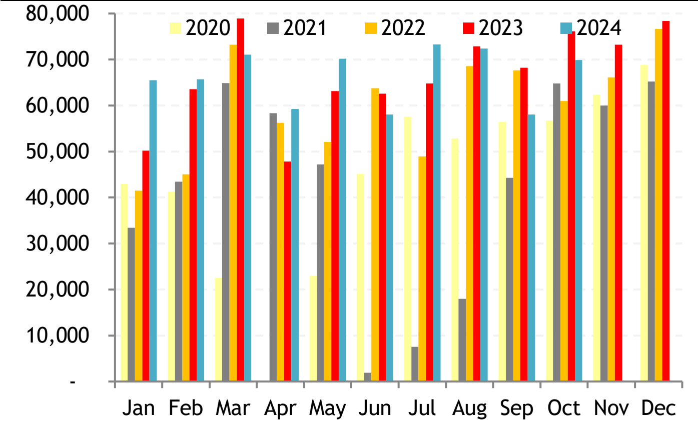
Sector rating. We maintain **NEUTRAL** on the sector, anticipating a tapering in TIV growth. Key risks include (i) the impact of fuel subsidy rationalization and implementation of a high-value goods tax, and (ii) an influx of new market entrants, which could intensify competition and potentially trigger price wars, compressing industry margins. On the upside, TIV could benefit from (i) sustained robust consumer demand driven by improved spending power, and (ii) the launch of attractive new brands and models (including EV/HEV), which may sustain consumer interest and potentially shorten the vehicle replacement cycle.

Sector top BUYs. We maintain **BUYs** on **BAuto** and **SIME** due to their compelling valuations and attractive dividend yields of over 9% and 4%, respectively. For BAuto, we believe the sales normalization for Mazda and Kia has largely stabilized. The recent launch of the Kia Sportage in Dec 2024, Kia's first volume model, is expected to drive stronger sales from a low base, moving forward. Additionally, BAuto's recently secured distributorships for XPeng and Deepal would enhance its portfolio with strong Chinese brands and EV offerings, partly cushioning the impact of muted Mazda sales, which are weighed down by steep competition.

SIME's positive outlook is underpinned by its UMW contribution, particularly its exposure in Perodua, which is expected to provide a buffer against slowdowns in its industrial and motor segments, mainly dragged by the challenging economic outlook in China.

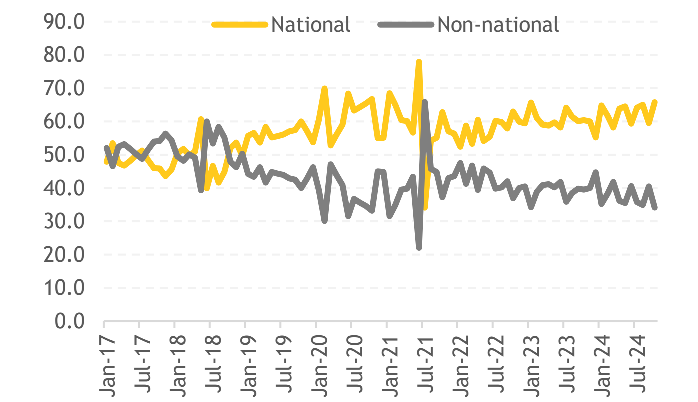
Risks. (i) An unfavorable and sudden shift in automotive policies and direction could adversely impact local vehicle sales, and vice versa; and (ii) a significant downturn in consumer sentiment or disruptions in the supply chain could affect vehicle sales and production.

Total Industry Volume (TIV)



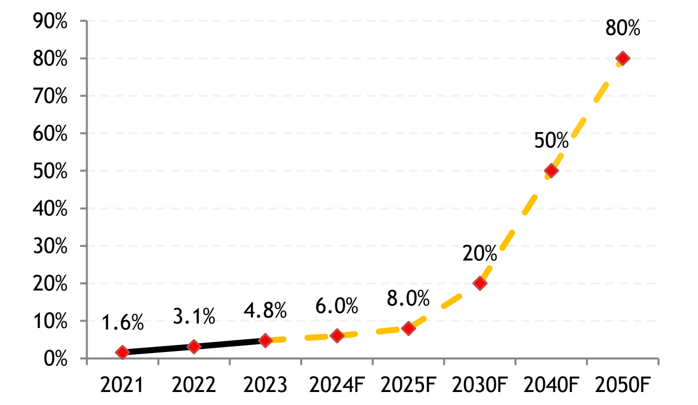
Source: MAA, Maybank IBG Research

Malaysia's market share of national/non-national marques



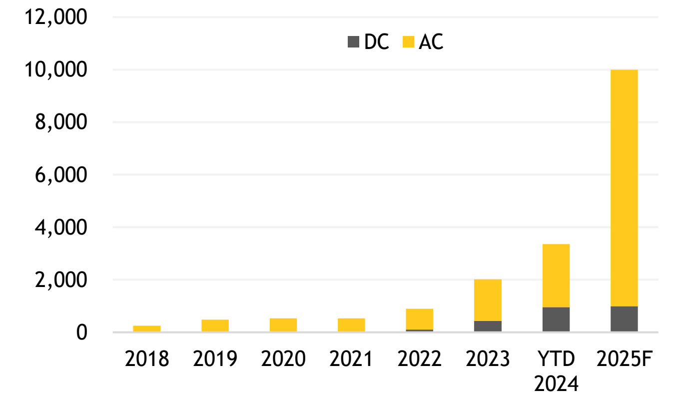
Source: MAA, Maybank IBG Research

% of xEVs vs. TIV



Source: MOT, MAA, Maybank IBG Research

EV chargers in Malaysia



Source: MGTV, MEVnet; Note: YTD 2024 refers to Jan-Oct

Target sales and upcoming new launches for key marques in Malaysia

Marques	Target sales (2024E)	Backlogs	New launches for 2025
Perodua	330,000	90,000	EV (eMO)
Proton	160,000	25,000	eMas EV
Toyota	95,000	19,000	Toyota Corolla Cross facelift, Toyota Camry facelift
Mazda	14,700	-	CX-60
Kia	900	-	Kia Sportage
Honda	95,000	-	e-N1
Others (EV)	-	-	Deepal S05, Deepal S07, Denza D9, Zeekr X, Zeekr 009, GAC Aion ES, Volvo EX90, Volvo ES90, BMW iX facelift
Others	-	-	Jaecoo J8, Jaecoo Omoda C9, MG5, GWM Tank 500
Total TIV	**800,000**	-	

Source: Companies, Maybank IBG Research (compilation)

AVIATION: To completely banish the Covid-19 ghost

POSITIVE (unchanged)

- **In 2025, we expect the post-Covid recovery to continue consolidating as airlines reactivate their fleet.**
- **Key themes are more foreign visitors in the run up to Visit Malaysia Year 2026, recovering MYR and lower jet fuel prices.**
- **AAX is our sole BUY call. CAPITALA is a HOLD.**

In retrospect. Fresh from the suspension of MYAirline's operations on 12 Oct 2023, airfares rose on less industry supply. 1Q24 CAPITALA average fare grew 6% QoQ to MYR264 and 1Q24 AAX average fare grew 5% QoQ to MYR650. Thus, 1Q24 CAPITALA and AAX earnings positively surprised. 1Q24 CAPITALA core net profit came in at MYR66.5m and 1Q24 AAX core net profit came in at an eye-watering MYR118.4m. These results were very meaningful to both companies. For CAPITALA, 1Q24 was its first core profitable quarter since the Covid-19 pandemic commenced. For AAX, 1Q24 was its most profitable quarter on a core net profit basis.

On 25 Apr 2024, AAX and CAPITALA announced what has been anticipated for a while now. They announced that CAPITALA will sell 100% of Malaysia AirAsia, 41% of Thai AirAsia, 47% of Indonesia AirAsia, 98% of Philippine AirAsia and 51% of Cambodia AirAsia to AAX in exchange for 2.3b new AAX shares. Recall this was to generate a large enough gain on disposal to turn CAPITALA's negative shareholders' equity positive again in an effort to uplift its PN17 classification. Of the 2.3b new AAX shares, CAPITALA intends to distribute 1.7b in specie to CAPITALA shareholders or 0.4 AAX shares for every 1 CAPITALA share. For AAX, they will receive ½ a free warrant for every 1 AAX share.

As the year progressed and more supply was reinstated, fares started to ease. CAPITALA swung back to generating core net losses of MYR72.8m in 2Q24 and MYR59.3m in 3Q24 as average fares eased to MYR240 and MYR231 respectively. AAX fared better by generating narrower core net losses of MYR5.7m in 2Q24 and MYR3.7m in 3Q24 as average fares eased to MYR458 and MYR443 respectively. AAX fared better as 89% of its aircraft were active as at end-3Q24 whereas CAPITALA fared worse as only 77% of its aircraft were active as end-3Q24.

Outlook. Going into 4Q24, we expect both CAPITALA and AAX to report better earnings. CAPITALA expects 88% load factor (3Q24: 89%), average fare of MYR235 (3Q24: MYR231) and average ancillary revenue per pax of >MYR50 (3Q24: MYR52). AAX expects passengers carried and average fares to trend higher QoQ on seasonally higher demand. It expects 4Q24 average fare to be similar to the 4Q23 one of MYR619 which is a marked 40% higher QoQ. At the same time and positively for both CAPITALA and AAX, spot jet fuel prices have eased to USD87/bbl (3Q24 average: USD92/bbl).

Going into 2025, we expect it to be an even better year. 100% of CAPITALA and AAX's fleets ought to have returned to service by the end of 1Q25. While we expect fares to ease on more capacity, we do not expect it to return to pre-Covid lows. For 2025, we expect average fares of MYR234 for CAPITALA and MYR535 for AAX. On another note, AAX hopes to complete its MYR1.0b private placement in Dec 2024 while CAPITALA hopes to complete the disposal of its 5 airlines to AAX and submit its PN17 regularisation plant to Bursa Malaysia Exchange in 1Q25 and obtain approval to uplift its PN17 classification sometime in 1H25.

Analyst: Samuel Yin Shao Yang
(samuel.y@maybank-ib.com)

Aviation sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Capital A	Hold	4,370	1.01	1.00	n.a.	37.4	7.8	(0.5)	(1.1)	0.0	22.4
AirAsia X	Buy	849	1.90	2.69	n.a.	5.3	4.2	2.9	57.9	0.0	1.6
Simple average		**5,219**			**n.a.**	**21.4**	**6.0**	**1.2**	**28.4**	**0.0**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

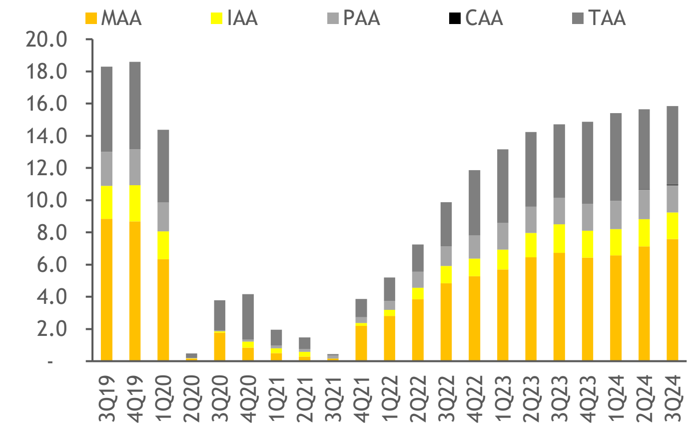
Thematic. A major thematic in 2025 is more foreign visitors in the run up to Visit Malaysia Year 2026. Tourism Malaysia targets to attract 31.4m tourists in 2026 (2024E: 27.3m). We notice that tourist arrivals to Malaysia begin to rise in the years preceding Visit Malaysia Years. This will be most positive for AAX as just about 100% of its destinations are international. We do not believe it is a stretch to assume that approximately 50% of its total passengers carried are foreign visitors travelling to Malaysia. More foreign visitors will also be positive for CAPITALA but we estimate that foreign visitors travelling to Malaysia via Malaysia AirAsia accounted for, at most, 20% of total passenger carried in 2019.

Another major thematic in 2025 could be the recovering MYR and lower jet fuel prices. This is positive for both airlines as 70-80% of their operating expenses are denominated in USD and jet fuel accounts for 40-50% of their operating expenses. Every 5sen recovery in average MYR:USD exchange rate will accrete MYR100m-MYR125m p.a. to CAPITALA's earnings and MYR25m-MYR30m p.a. to AAX's earnings while every USD1/bbl reduction in average jet fuel price will accrete MYR45m-MYR55m p.a. to CAPITALA's earnings and MYR13m-MYR14m p.a. to AAX's earnings.

Sector top BUYs. Our sole **BUY** call is on **AAX**. While we do not dislike CAPITALA, the full return to service of its fleet has been repeatedly delayed causing its earnings to come in below our expectations on more than 1 occasion. We prefer AAX as nearly all of its aircraft are active enabling it to generate profits in 1Q and 4Q while minimizing losses in 2Q and 3Q. Moreover, the 5 airlines under CAPITALA which drove group profits in the past will be disposed to AAX in 1Q25 leaving it with the non-aviation assets which are still relatively nascent.

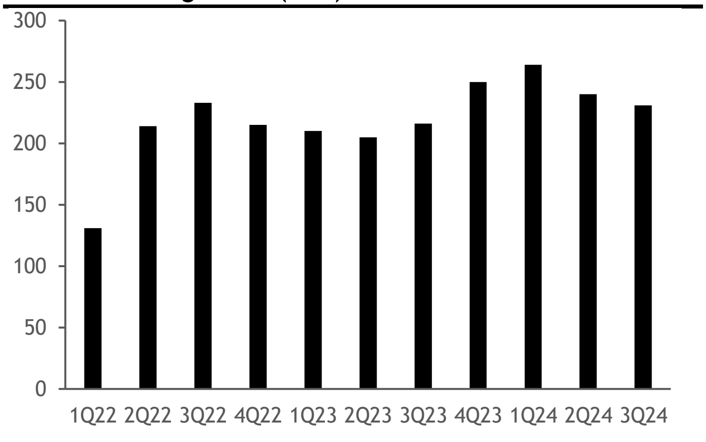
Risks to our call. (i) Full blown global recession leading to subdued demand for air travel and/or lower fares; (ii) slower-than-expected return to service of aircraft; (iii) higher jet fuel prices and USD exchange rate relative to MYR leading to higher expenses; (iv) oversupply of aircraft leading to lower fares; and (v) potential delisting due to PN17 listed issuer status for CAPITALA.

CAPITALA passengers carried (m)



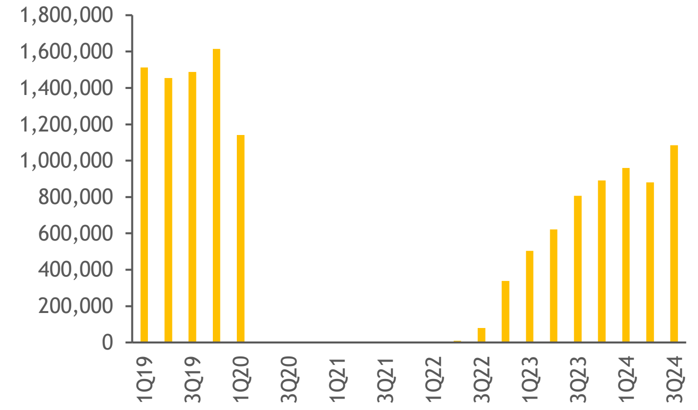
Source: CAPITALA

CAPITALA average fares (MYR)



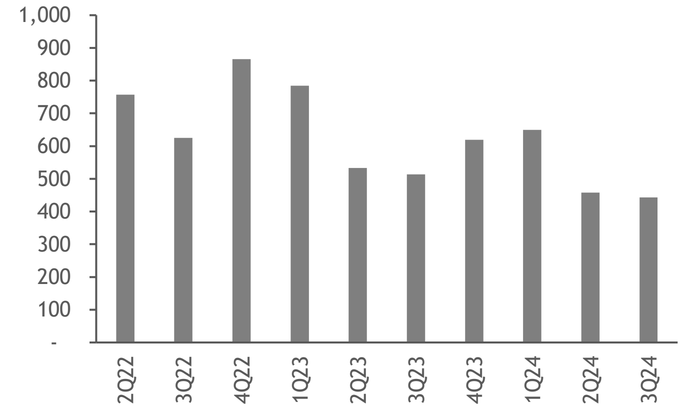
Source: CAPITALA

AAX passengers carried (m)



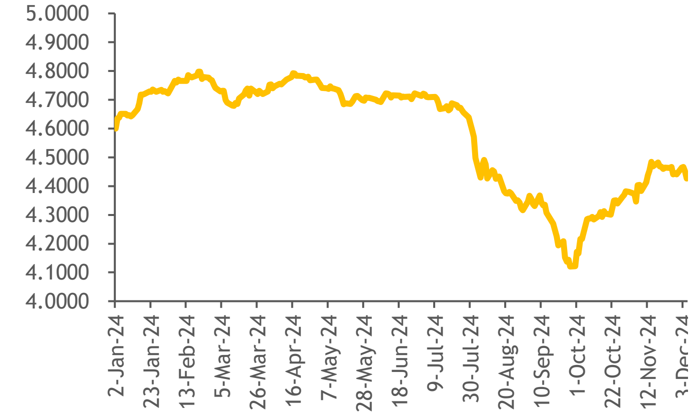
Source: AAX

AAX average fares (MYR)



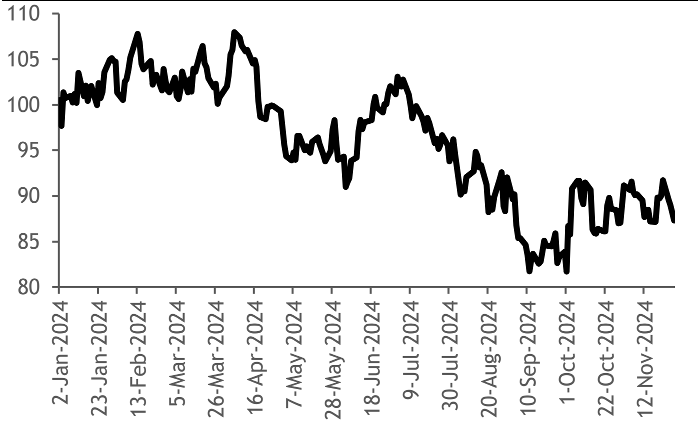
Source: AAX

USD/MYR exchange rate



Source: Bloomberg

Jet fuel price (USD/bbl)



Source: Bloomberg

BANKING: Stable outlook ahead

POSITIVE (unchanged)

- **Earnings momentum to sustain in 2025; we forecast aggregate operating and net profit growth of 5.9% respectively for the banks under our coverage, and an average ROAE of 10.5%.**
- **Key variable to earnings would be net interest margins, and we look forward to a pick-up in business lending, on the back of further progress at the JSSEZ and in Sarawak.**
- **AMMB, CIMB and Public Bank are our Top BUY picks in the sector.**

In retrospect. Cumulative operating income for the banks in our coverage rose 9% YoY in 3Q24 and 8% YoY in 9M24. Group loan growth moderated but margins were generally stable to positive QoQ in 3Q24. Positively, non-interest income was buoyant, up 20% YoY in 9M24. JAWS was marginally negative, but with slightly lower credit cost and robust contribution from associates, cumulative core net profit growth kept pace, up 9% YoY in 9M24.

Outlook. Against the backdrop of our GDP growth forecast of 4.9%, we forecast domestic loan growth of 5.5% in 2025, led particularly by a pick-up in business loans, and slightly softer consumer loan demand. Deposit competition is expected to persist, but at a more rational level. Coupled with easing lending rate pressures and expectations of no cuts in the Overnight Policy Rate (OPR) in 2025, we expect NIMs to be stable (+1bps YoY on aggregate). After a strong showing in 2024, NOII growth is likely to taper off amid lower forex and bond market volatility, especially since US Fed rate cuts are expected to be more gradual. Credit costs, nevertheless, are expected to remain fairly benign amid sustained economic momentum and the availability of management overlay buffers at most banks. We forecast aggregate 2025E operating profit and net profit growth of 5.9% respectively, for banks in our coverage, as well as an average ROAE of 10.5%.

Thematic. The key variable to earnings in 2025, would be net interest margins, in our view. Renewed deposit competition, as we saw in 2023, would have a negative impact on banks' earnings. As such, developments on this front would have to be closely monitored. Thematics wise, we look to a pick-up in business lending, on the back of further progress at the JSSEZ and in Sarawak.

Analyst: Desmond Ch'ng, BFP, FCA
(desmond.chng@maybank-ib.com)

Banking sector - Peer valuation summary

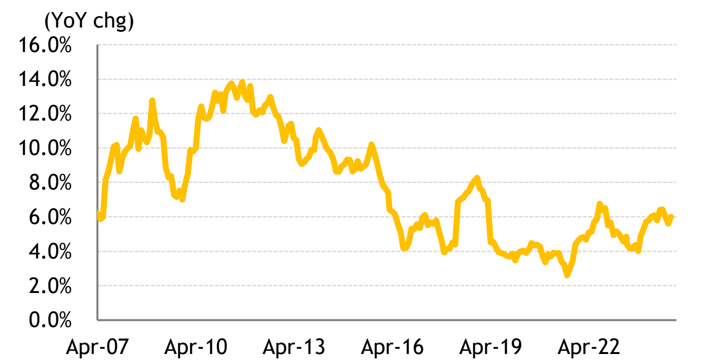
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Public Bank	Buy	89,483	4.61	5.20	13.6	12.8	12.1	1.6	12.3	4.6	7.5
CIMB Group	Buy	86,953	8.11	9.20	12.5	11.1	10.5	1.2	11.0	5.8	38.6
Hong Leong Bank	Buy	44,438	20.50	24.30	10.4	9.6	9.0	1.1	11.3	3.6	8.5
RHB Bank	Hold	28,729	6.59	6.80	9.4	9.4	9.0	0.9	9.5	6.1	20.9
Hong Leong Fin Grp	Buy	21,004	18.34	22.70	6.8	6.4	6.1	0.7	10.8	3.1	11.6
AMMB Holdings	Buy	18,489	5.59	6.30	10.8	9.9	9.2	0.9	9.3	4.9	39.4
Bank Islam M'sia	Hold	5,983	2.64	2.65	10.6	11.0	10.2	0.8	7.3	6.1	19.5
Alliance Bank Malaysia	Buy	7,586	4.90	5.30	10.9	10.4	9.8	1.0	9.7	4.0	44.5
Simple average		**302,666**			**10.9**	**10.3**	**9.7**	**1.0**	**10.2**	**4.9**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector top BUYs. We have **BUY** calls on **ABMB, AMMB, CIMB, HLBK, HLFG** and **PBK** but our top 3 picks would be AMMB, CIMB and PBK. AMMB's focus on proactive funding cost management and business banking operations should contribute to growth momentum, while its push for higher dividend payouts should drive interest. CIMB's operations in Indonesia and Singapore are strong contributors, while a turnaround of CIMB Thai would enhance earnings. Public Bank is well-managed and its MYR1.5b management overlays should keep credit costs low. The acquisition of LPI Capital enhances Public Bank's FY25E net profit by about 1.4% and its ROAE by about 0.2%-pts to 12.9%. We think that concerns over a share overhang from the family's stake selldown are overblown.

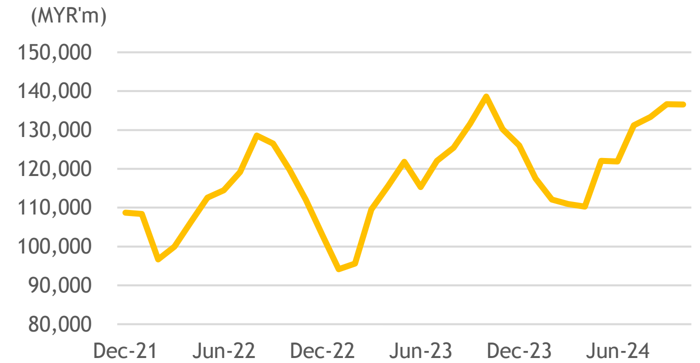
Risks. (i) Weaker-than-expected GDP growth, which could lead to slower loan growth and asset quality issues, (ii) inflationary pressure and its negative impact on consumption and spending power, (iii) heightened deposit competition that would further compress interest margins, and (iv) global economic volatility.

Industry loan growth (Jan 2011 - Oct 2024)



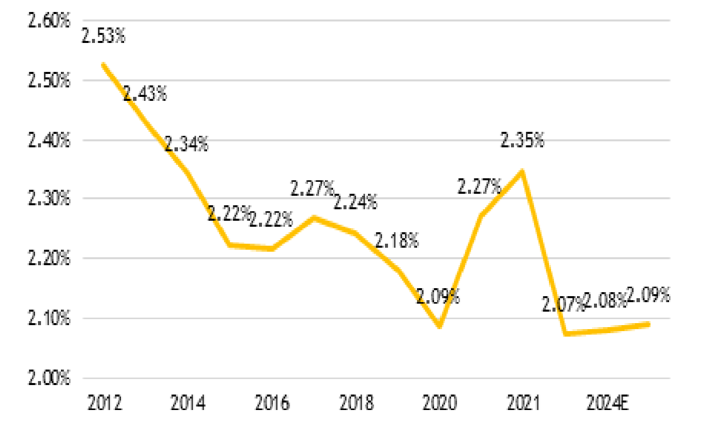
Source: BNM, Maybank IBG Research

Total loan applications - 3MMA (Dec 2021 - Oct 2024)



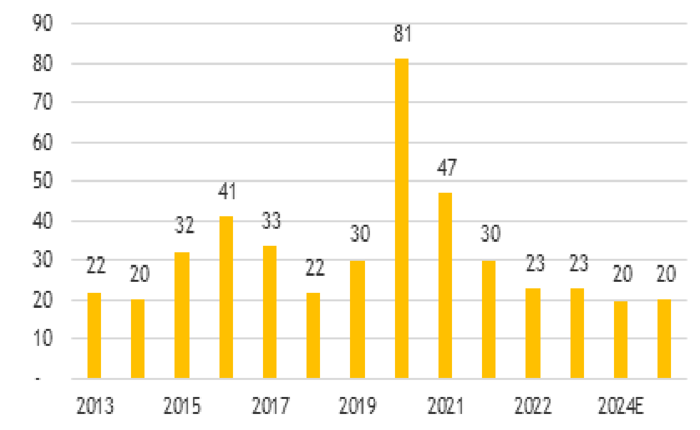
Source: BNM, Maybank IBG Research

NIM trends (2012-2025E)



Source: Banks, Maybank IBG Research

Average credit cost (2013-2025E)



Source: Banks, Maybank IBG Research

CONSTRUCTION: Extended tailwind

POSITIVE (unchanged)

- **2025 to see higher construction activities from the spill-over of robust committed FDIs/DDIs and their infrastructure support needs.**
- **Key thematics are 13MP (priorities are urban public transportation, water and flood mitigation projects), PPP and East Malaysia construction.**
- **Gamuda, IJM and CMS are our BUY picks in the sector.**

In retrospect. The value of completed construction works throughout the country rose 19% YoY to MYR116.8b in 9M24, driven by civil engineering (+20% YoY) and residential building works (+20% YoY), while non-residential building works grew 13% YoY. 61% of the completed works were private sector projects; the balance government and public corporation owned projects. Realisation of committed FDIs/DDIs led to many industrial building, data centre, E&E manufacturing, warehousing and logistic hub projects being awarded. However, decisions on new major infra projects have been slow, with tender for the Mutiara Line LRT having only started in Dec 2024, while construction of the KVMRT3 is now expected to commence only in 2027 after its land acquisition is completed. As for the KL-SG HSR, a decision (on whether to proceed or otherwise) is still pending, after having shortlisted 3 (out of 7) consortiums that responded to a RFI exercise which closed in Jan 2024.

Outlook. We remain upbeat for 2025. Budget 2025 forecasts the sector's real output to expand by still a robust 9.4% (2024E: +14.1%), supported by sustained GDE allocation of MYR86b (2024E: MYR86b; 4.1% of GDP), and MYR9b of PPP projects. Focus will be on projects that directly benefit the people, and on facilities (including infra) that support the industrial areas throughout the country. Among the new projects mentioned in Budget 2025 are the Sg Perak raw water transfer (to support KIGIP), water reservoir/treatment projects at Sg Sedili Besar (Johor) and Machang (Kelantan), and flood mitigation projects in Pahang, Terengganu and Selangor (Sg Langat flood mitigation plan 2). We expect a decision on the NPE Phase 2 by 1Q25, and Mutiara Line LRT turnkey contractor role to be awarded by 3Q25 after the tender exercise closes on 14 Apr 2025. Beyond these infra projects, the positive momentum in committed FDIs/DDIs will continue to offer higher value industrial building type of construction works.

Thematic. The 13th Malaysia Plan (13MP; 2026-2030) blueprint is expected to be unveiled in mid-2025 and priority infra projects, in our view, include urban mass people mover public transportation (eg. KVMRT3), water treatment & distribution, and flood mitigation projects. Our observation is that development funding (going forward) will gravitate towards the PPP model with Budget 2025 having already mentioned 4 new projects under this approach - Sultan Aminah Hospital 2 (Johor), Juru-Sg Dua Elevated Highway (Penang), West Ipoh Span Expressway (WISE) from Gopeng to Kuala Kangsar (Perak), and West Coast Expressway (WCE) from Banting (Selangor) to Gelang Patah (Johor). We also expect a continuing thematic on East Malaysia amid higher Federal Government development allocation of MYR5.9b for Sarawak (2024E: MYR5.8b) and MYR6.7b for Sabah (2024E: MYR6.6b).

Abbreviations

KL-SG HSR = Kuala Lumpur-Singapore High Speed Rail
KVMRT3 = Klang Valley Mass Rapid Transit 3
KIGIP = Kerian Integrated Green Industrial Park
LRT = Light rail transit
NPE = New Pantai Expressway

DDIs = Domestic direct investments
FDIs = Foreign direct investments
E&E = Electrical & electronics
GDE = Gross development expenditure
GDP = Gross domestic products
PPP = Public-private partnership
RFI = Request for Information

E&C = Engineering & construction

Analyst: Wong Chew Hann, CA
(wchewh@maybank-ib.com)

Construction sector – Peer valuation summary

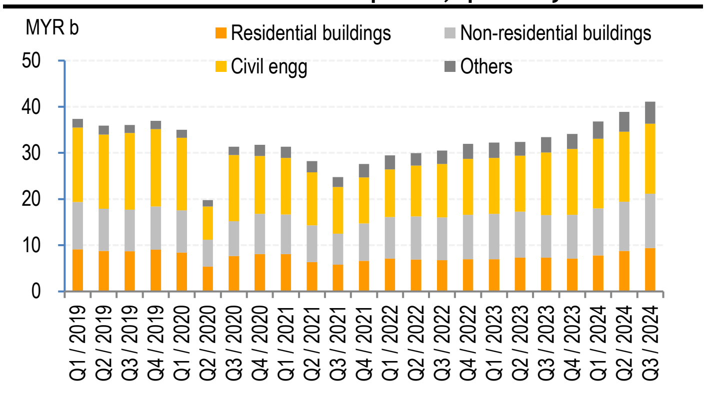
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Gamuda	Buy	27,151	9.57	10.50	29.0	26.5	22.2	2.3	8.6	1.8	108.5
IJM Corp	Buy	10,028	2.86	3.70	21.7	19.4	18.0	1.0	5.0	2.8	52.1
Sunway Construction	Sell	5,686	4.41	3.70	39.0	33.4	25.1	6.2	18.6	1.4	127.3
Cahya Mata Sarawak	Buy	1,268	1.18	1.60	11.0	8.6	7.4	0.4	4.3	1.7	9.3
Pintaras Jaya	Hold	262	1.58	1.64	n.a.	70.2	22.9	0.7	0.9	2.2	(1.3)
Prolintas Infra BT	Buy	1,056	0.96	1.13	n.a.	100.2	86.7	1.8	1.8	6.7	1.1
Simple average		**45,451**			**25.2**	**43.0**	**30.4**	**2.0**	**6.5**	**2.8**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector top BUYs. Our POSITIVE call on the sector is unchanged. Our three key BUYs are Gamuda, IJM and CMS. Catalysts for Gamuda are strong E&C orderbook replenishment and property pre-sales, while for IJM, monetisation of its matured highways after the restructuring of its NPE concession is a catalyst. CMS meanwhile remains a liquid proxy to higher construction activities in Sarawak. In addition, with infrastructure and development projects moving towards the PPP model in terms of financing, engineering & construction players with strong balance sheets will have an upper-hand. Gamuda's latest net gearing was 0.39x (Oct 2024), IJM 0.27x (Sep 2024), SCGB 0.28x (Sep 2024) and CMS in net cash (Sep 2024).

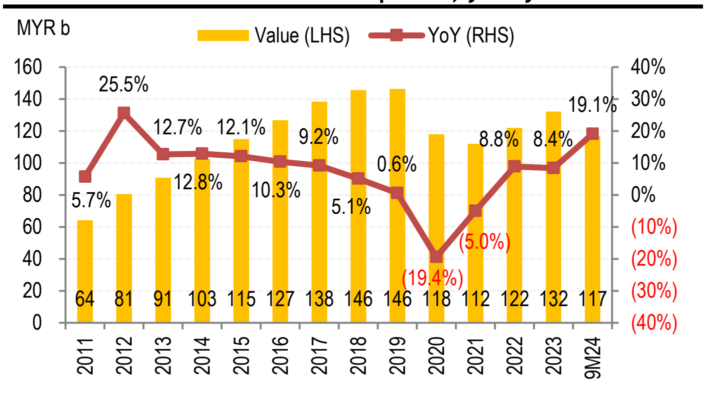
Risks. (i) Shortfall in orderbook replenishment will hamper future earnings momentum; (ii) surge in construction material, fuel and labour costs will cut into margins for jobs already secured.

Value of construction works completed, quarterly



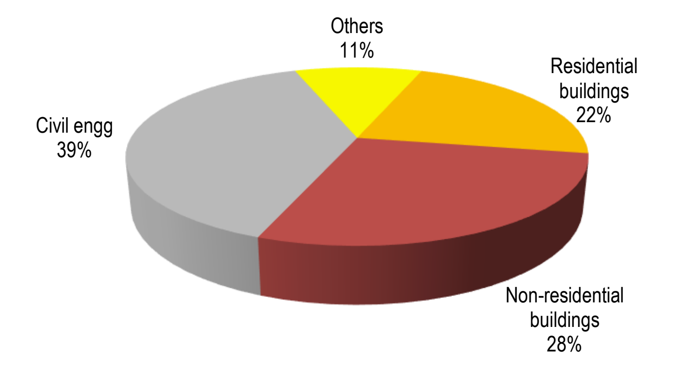
Source: DOSM, Maybank IBG Research

Value of construction works completed, yearly



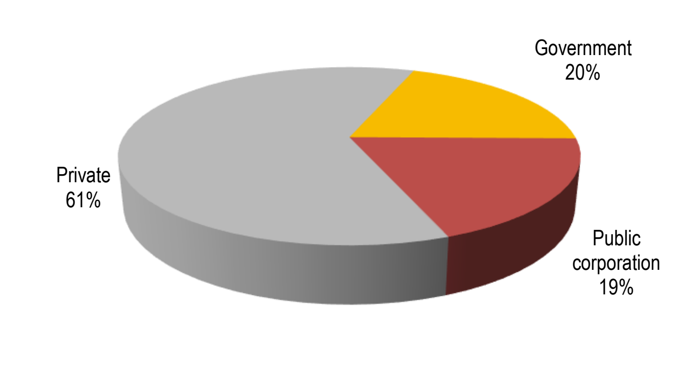
Source: DOSM, Maybank IBG Research

Value of construction works completed in 9M24 of MYR116.8b (+19% YoY), by sub-sector



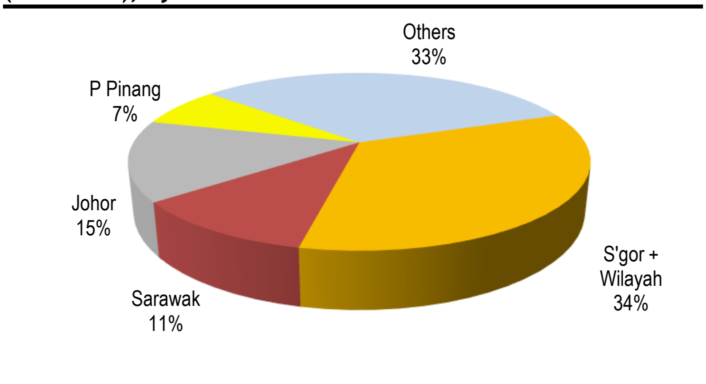
Source: DOSM, Maybank IBG Research

Value of construction works completed in 9M24 of MYR116.8b (+19% YoY), by project owner



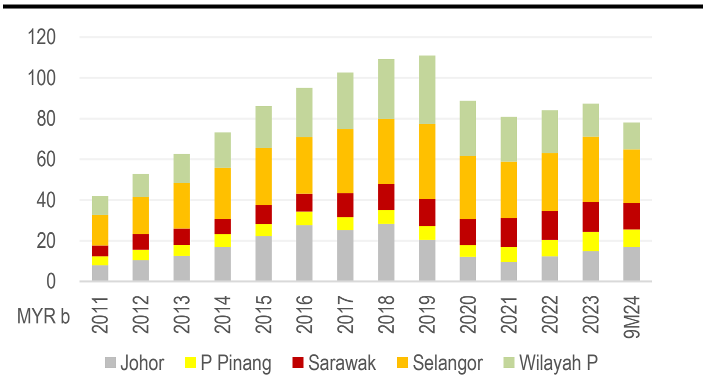
Source: DOSM, Maybank IBG Research

Value of construction works completed in 9M24 of MYR116.8b (+19% YoY), by state



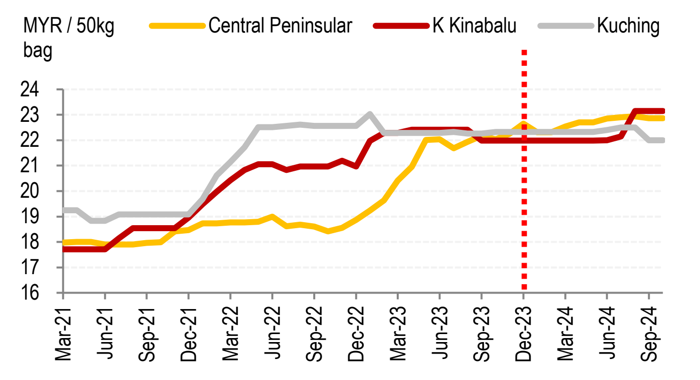
Source: DOSM, Maybank IBG Research

Value of construction works completed, 2011-9M24, by state



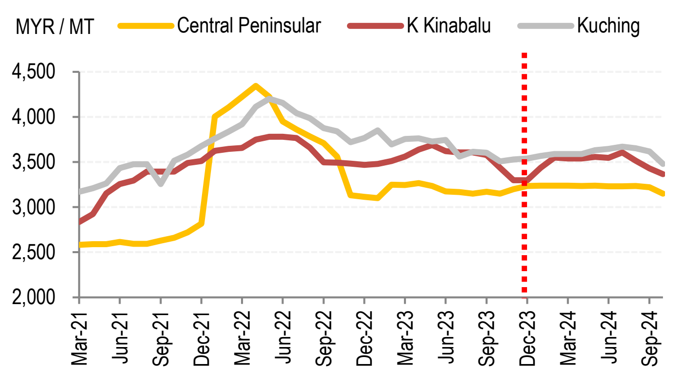
Source: DOSM, Maybank IBG Research

Selling price of portland cement BS12



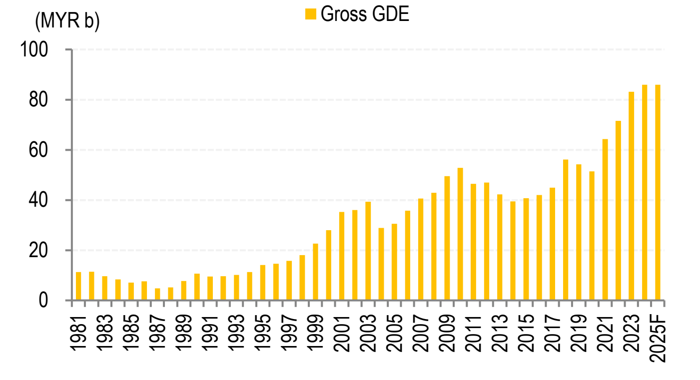
Source: DOSM, Maybank IBG Research

Selling price of high tensile deformed steel bars, 1/2 inch



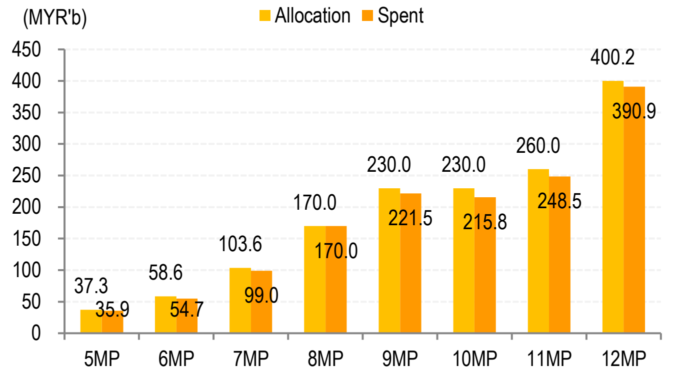
Source: DOSM, Maybank IBG Research

Gross development expenditure (GDE)



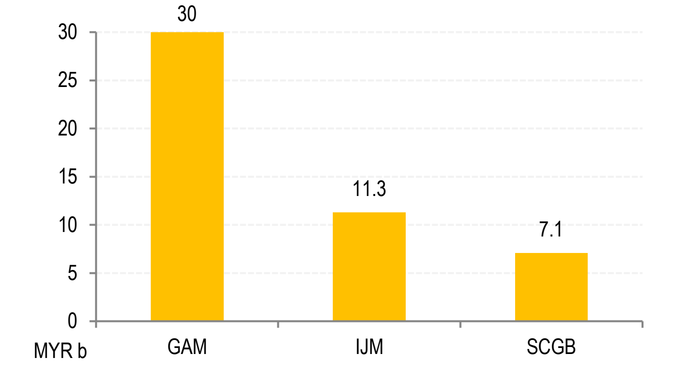
Source: Fiscal Reports (MoF), Maybank IBG Research

Malaysia Plan's development allocation & expenditure



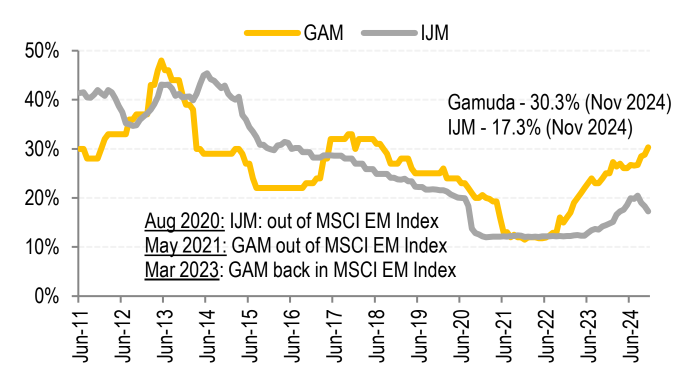
Source: Fiscal Reports (MoF), Maybank IBG Research

Outstanding orderbook



As of end-Sep 2024 for IJM & SCGB; end-Oct 2024 for GAM
Source: Companies

Foreign shareholding



Source: Companies

CONSUMER: Feeling optimistic

POSITIVE (unchanged)

- **Our 2025E core earnings growth projection of +16% mainly comes from stapled food manufacturers and retailers who cater to mass market income groups with low and affordably priced products.**
- **We expect consumer spending to rise in 2025 on the back of higher average consumer household income from civil service salary hikes and minimum wage increases.**
- **AEON is our top BUY pick in the sector. We also like MRDIY and FFB among our other sector BUY calls.**

In retrospect. Looking back at 9M24, our consumer stock coverage reported a marginal cumulative revenue growth of +1% YoY led by: (i) a marked decline in NESZ's sales volume (9M24: -11% YoY) given combined effects from weak consumer sentiment and brand boycotts from ongoing geopolitical tensions, which also had a significant impact to BFD's topline (9MCY24: -52% YoY), but (ii) offset by growing sales demand for the other F&B manufacturers (QLG, FFB, HEIM, CAB) due to the stapled nature of their products, and for the brewers, volume growth recovery. 9M24 cumulative core net profit posted a negative growth of -3% YoY dragged by higher input costs and lower margins product mix for NESZ, QLG, PAD and BFD. With prolonged inflationary pressure facing consumers, this also curbs the ability of companies to fully pass on higher costs to maintain group margins.

Outlook. Our projected core net profit growth of +16% for our basket of consumer stocks in 2025E, against -3% in 2024E are primarily attributed to NESZ, MRDIY and FFB on expectations for a broad-based increase in consumer spending momentum from positive drivers to consumer disposable income - namely, civil service salary hike (effective 1 Dec 2024), and minimum wage increase to MYR1,700/mth (from MYR1,500/mth, effective 1 Feb 2025). We believe that F&B-related companies will stand to benefit the most as consumption patterns feed into all parts of the F&B value chain. Retailers who are well positioned to cater to both B40 and M40 categories with mass market focused product offering and low price-point items, like MRDIY, PAD and AEON should also experience a boost in sales volume.

On the flipside of this, higher minimum wage will add pressure on retailers (MRDIY, SEM, MNHB) who remain dependent on foreign workers in their store and warehouse operations. This, however, will have a minimal impact on those who enjoy a higher degree of automation in their manufacturing processes (NESZ, HEIM, CAB).

Analyst: Jade Tam
(jade.tam@maybank-ib.com)

Consumer sector – Peer valuation summary (to be updated)

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Nestle (Malaysia)	Buy	23,164	98.78	111.50	30.2	44.5	34.7	33.1	74.4	2.1	(16.0)
MR D.I.Y. Group (M)	Buy	17,125	1.81	2.35	30.7	29.2	23.2	8.5	29.1	1.8	24.8
QL Resources	Hold	17,229	4.72	4.70	41.5	36.2	33.7	5.4	14.9	0.9	(17.3)
Heineken M'sia	Buy	7,244	23.98	30.20	18.7	16.8	16.7	15.8	85.7	6.0	(0.7)
Carlsberg Brewery	Buy	6,268	20.50	23.10	19.8	17.5	16.9	22.6	145.2	5.1	6.3
DXN Holdings	Buy	2,486	0.50	0.80	7.7	7.8	6.9	1.7	22.9	7.4	(21.3)
Farm Fresh	Buy	3,375	1.80	2.05	56.7	35.8	24.8	4.6	12.9	0.8	36.4
Padini Holdings	Buy	2,158	3.28	3.80	11.8	13.8	12.1	1.9	13.5	3.5	(6.6)
Leong Hup Intl.	Buy	2,245	0.62	0.85	7.4	7.0	6.5	0.9	13.0	4.2	8.8
7 - Eleven M'sia	Hold	2,129	1.92	1.90	31.0	35.6	28.2	5.4	15.3	1.4	(4.0)
AEON Co. (M)	Buy	2,078	1.48	1.95	15.1	13.6	13.0	1.1	7.8	2.7	35.8
Berjaya Food	Sell	638	0.36	0.25	20.0	n.a.	n.a.	1.8	(14.7)	0.6	(40.0)
Mynews Holdings	Buy	518	0.69	0.80	n.a.	53.8	29.4	2.1	3.9	0.7	32.7
InNature	Hold	145	0.21	0.23	13.7	20.5	14.6	1.0	4.8	4.9	(43.8)
Simple average		**86,802**			**23.4**	**25.5**	**20.0**	**7.6**	**30.6**	**3.0**	

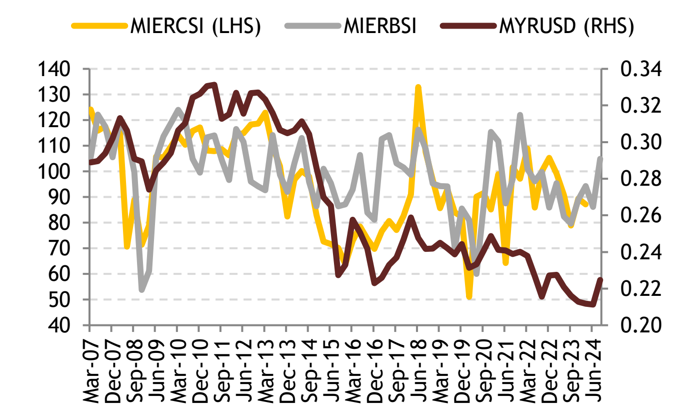
Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Thematic. Aside from the main sector theme of rising consumer disposable income, potential easing in key raw/intermediate materials ASPs for food production and product supplies, coupled with a stronger MYR against USD and CNY on a YoY basis in FY25E may translate into improved operating margins for consumer staples (i.e. NESZ, QLG, FFB, HEIM, CAB, LHIB) and consumer retail (i.e. MRDIY and PAD).

Sector top BUYs. We remain **POSITIVE** on the consumer sector with **AEON** as our ***top consumer BUY pick***. AEON's resilient property management services segment will continue to drive earnings growth through higher occupancy rates and mall traffic as its shopping mall rejuvenation/renovation exercises continue in FY25E. Government initiatives announced in Budget 2025 (i.e. minimum wage increase) and civil service salary hikes w.e.f. 1 Dec 2024, should also drive AEON's retail segment growth. The stock is currently trading at undemanding valuation of 13x FY25E PER, 26% below its 10-year mean of 18x FY25E PER. Our optimistic view on consumer spending momentum in FY25 stems from an expected broad-based increase in sales volume, hence we also have other BUY calls on food staples - **NESZ, FFB, LHIB**, and retailers - **MRDIY, PAD, MNHB**.

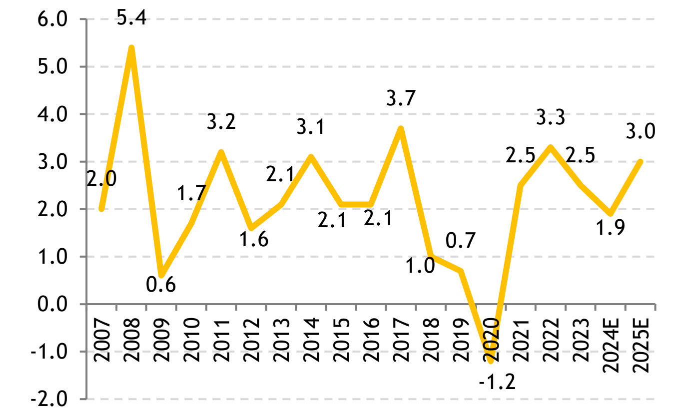
Risks. For 2025, risk to our earnings forecasts could arise from: (i) unexpected spikes in raw material costs and/or supply shocks, (ii) depreciating MYR currency exchange, (iii) subdued consumer sentiment and demand; and (iv) adverse regulatory policy changes within the brewery or poultry sectors.

Consumer Sentiment & Business Condition Index, MYRUSD



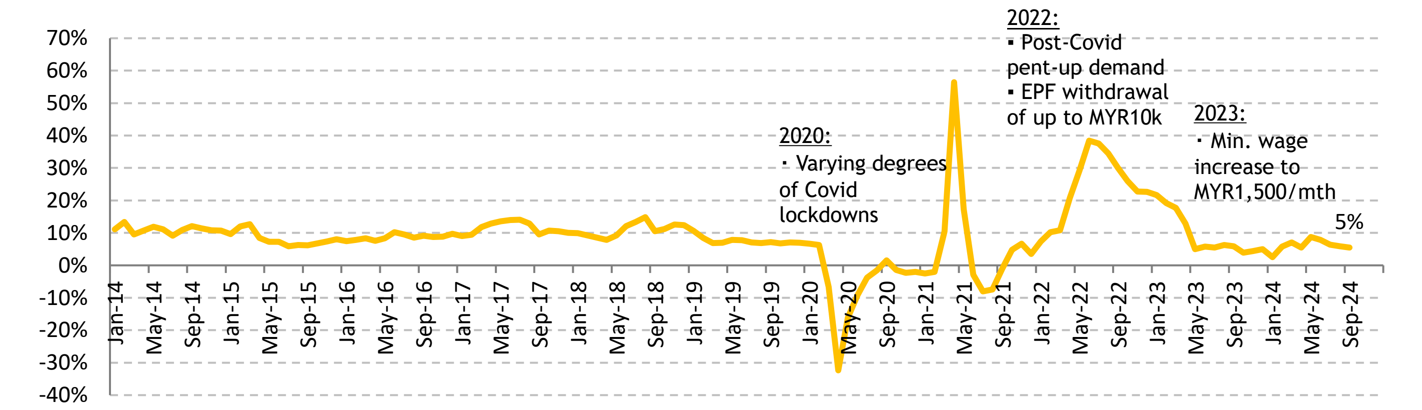
Source: MIER, Bloomberg

Consumer Price Index (%)



Source: Department of Statistics, Maybank IBG Research

Malaysia monthly retail sales growth YoY (%)



Source: CEIC

GAMING: Resetting expectations

Casinos & NFOs - POSITIVE (unchanged)

- **2024 started off well but the operating environment deteriorated as the year progressed especially for casinos.**
- **We expect the operating environment in 2025E to be marginally better with potential catalysts from a full casino license in New York City and Thailand.**
- **Sector valuations remain attractive. GENM, GENT, SPTOTO and MAG are our BUY picks in the sector.**

In retrospect - casinos. 2024 started off well. Both GENM and GENS 1Q24 earnings beat our expectations. The former was due to lower-than-expected tax while the latter was due to higher-than-expected VIP win rate of 4.6% (MIBG forecast: 3.3%). Then, GENM made the momentous decision to shutter the Circus Palace and Hollywood mass gaming floors at Resorts World Genting (RWG) on 28 Feb 2024.

Things started to go awry from 2Q24 especially at GENS where VIP volume fell 26% QoQ due to the weakening Chinese economy, VIP win rate normalized QoQ to 2.9% and the high 1Q24 VIP win rate manifested into more bad debts. Soon after, GENT's RWLV announced on 15 Aug 2024 that the Nevada Gaming Control Board (NGCB) filed a complaint against it for, amongst other things, failing to ban suspected criminals from patronising it. To add insult to injury, GENM's 22% Bahamian partner, RAV Bahamas sued it for USD600m on 9 Oct 2024.

Finally, both GENM and GENS reported less than ideal 3Q24 earnings. For GENM, RWG 3Q24 EBITDA margin compressed 3ppts QoQ on higher staff cost and VIP operating expenses. For GENS, VIP win rate fell below the theoretical level to 2.4% in 3Q24 and its high margin mass market gross gaming revenue counter seasonally fell 6% QoQ due to fewer premium mass gamblers as a result of the closure of its 364-room Hard Rock Hotel. GENT's RWLV EBITDA also fell 67% QoQ to a post-opening low of USD16m.

In retrospect - NFOs. For SPTOTO and MAG, nothing much happened as NFO sales/draw hovered around 80-95% of CY19 pre-pandemic levels range. The only 'excitement' that occurred in this subsector was when the High Court overturned the Kedah state government's ban on their operations, in effect since 1 Jan 2023.

Outlook - casinos. For GENM, we expect earnings growth to be pedestrian. We note that RWG visitor arrivals have recovered to c.95% of pre-Covid levels. Hitherto, there are no concrete timeline to reopen the Circus Palace and Hollywood mass gaming floors. A key lookout in 2025 is Resorts World New York City (RWNYC) bidding for a full casino license in New York City. The Request For Proposals (RFP) process is expected to resume in mid-2025 and winners are expected to be announced by end-2025. That said, the aforementioned NGCB complaint against its parent, GENT and lawsuit by RAV Bahamas could handicap its chances of securing a full casino license. Recall that RWNYC has budgeted USD5.0b to expand RWNYC should it secure a full casino license.

Analyst: Samuel Yin Shao Yang
(samuel.y@maybank-ib.com)

Gaming sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Genting	Buy	13,824	3.59	4.48	11.3	10.2	8.3	0.4	4.0	5.6	(22.3)
Genting Malaysia	Buy	12,016	2.12	2.73	20.6	17.5	15.3	1.0	5.4	7.1	(21.2)
Magnum	Buy	1,710	1.19	1.36	13.7	12.7	9.8	0.7	5.4	5.9	9.2
Sports Toto	Buy	1,996	1.48	1.65	8.8	8.9	8.8	1.7	18.6	7.1	0.0
Simple average		**29,546**			**13.6**	**12.3**	**10.5**	**0.9**	**8.4**	**6.4**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

For GENS, we do not expect VIP volume to recover meaningfully due to the still uncertain Chinese economy. That said, we do expect it to regain mass market share when it reopens its 364-room former Hard Rock Hotel in 1Q25. Over the long term, GENS will add another 700 or c.30% more rooms as part of its SGD6.8b RWS 2.0 reinvestment plan. Furthermore, GENS could try and expand into Thailand should the latter choose to issue RFPs and call for bids in 2025. To expand into Thailand, GENS plans to joint venture with a Thai property developer.

Outlook - NFOs. For the NFOs, SPTOTO and MAG, we do not expect NFO sales/draw to recover much more. Despite the High Court decision, both NFOs have not decided to reopen their NFO outlets in Kedah. Even if they do, this will only expand their number of NFO outlets by a not very meaningful 2-3%.

Thematic - casinos. Other than potential expansion into New York City and Thailand for the casinos, another thematic could be more foreign visitors in the run up to Visit Malaysia Year 2026. Tourism Malaysia targets to attract 31.4m tourists in 2026 (2024E: 27.3m). We notice that tourist arrivals to Malaysia begin to rise in the years preceding Visit Malaysia Years. This could be positive for GENM's RWG where foreign tourists account for c.15% of visitor arrivals.

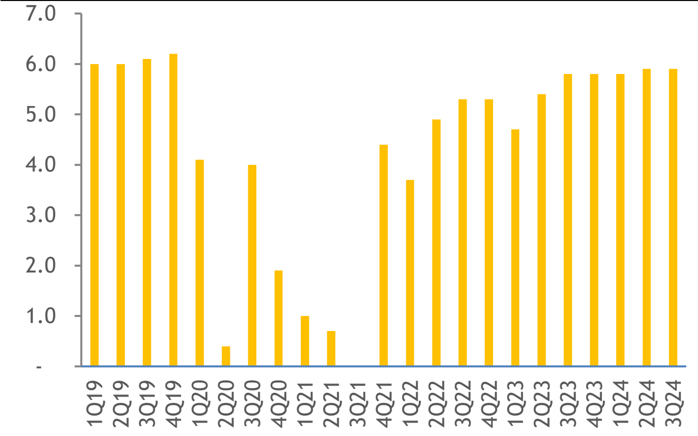
Thematic - NFOs. For the NFOs, SPTOTO and MAG, we watch with interest if the requirement for social media platforms (with more than 8.0m users) to register with the Malaysian Communications & Multimedia Commission by 1 Jan 2025 will come to fruition. In recent years, illegal NFOs have been migrating their sales platforms to social media platforms like Telegram. Any clampdown on social media platforms utilised by illegal NFOs may be positive for the NFOs.

Sector top BUYs. Notwithstanding the above, our **POSITIVE** call on the sector is unchanged. With both GENM and GENT's share prices plumbing close to Covid-19 lows, we believe most, if not all their negatives have been priced in. Should negative catalysts like the NGCB complaint and RAV Bahamas lawsuit be resolved in GENT and GENM's favour, we believe that their share prices will recover. Again, GENM's RWNYC and GENS could be successful in expanding into New York City and Thailand respectively. Lest we sound like a broken record, GENT's 20%-owned associate TauRx could secure approval for its Alzheimer's combating drug from the United Kingdom Medicines & Healthcare Products Regulatory Agency.

For the NFOs, SPTOTO and MAG, we like them as dividend yield plays. MAG has the added catalyst should 8%-owned U Mobile list and its shares are distributed in specie to MAG shareholders.

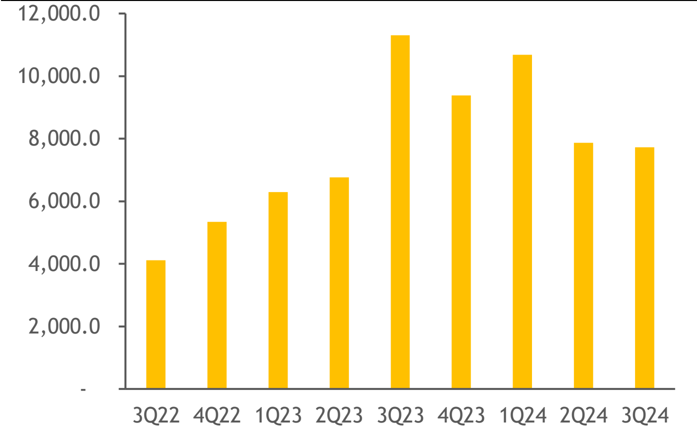
Risks. (i) Full blown recession leading to subdued demand for gaming; (ii) higher gaming taxes; (iii) even harsher clampdown on cross border gaming (VIP and mass market) by China; (iv) more intense regional competition should more jurisdictions like Thailand liberalise their casino industries; and (v) smoking bans (partial or full) in Malaysia and Singapore.

RWG visitor arrivals (m pax)



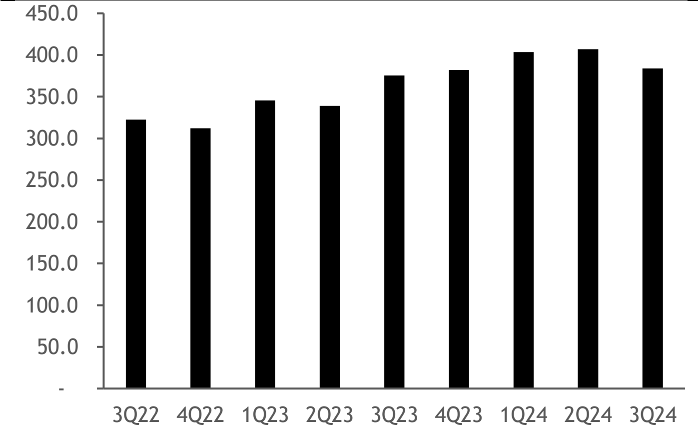
Source: GENM

RWS VIP volume (SGDm)



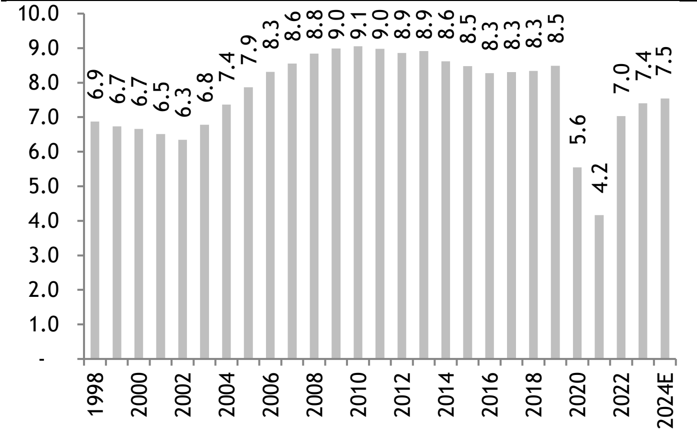
Source: GENS

RWS mass market GGR (SGDm)



Source: GENS

Industry gross NFO sales (MYRb)



Source: SPTOTO, MAG, Pan Malaysian Pools

GLOVES: 2025, a high stakes year

NEUTRAL (unchanged)

- **Sector recovery, driven by inventory replenishment in 2024, will be further boosted by a 50% US tariff on China-made gloves from 2025, supporting higher utilisation rate and ASPs for Malaysia glove makers. The spread of new diseases (e.g. Disease X in Congo) may offer trading opportunities.**
- **That said, Malaysia glove makers may face tariff threats under Trump 2.0 and competition from China rivals in non-US markets and in their overseas expansion.**
- **We maintain a BUY on HART, HOLD on KRI and SELL on TOPG following recent run-up in share prices. We maintain our NEUTRAL stance on the glove sector,**

In retrospect. 2024 saw visible recovery for the glove sector. Sales volume surged due to restocking activities and a narrower price gap between Malaysia and China-made gloves (from USD3-4/k pcs to USD1-2/k pcs). Order lead time for Malaysia glove makers was extended to 3 months (similar to China glove makers; vs. 1 month in 2023), boosting plant utilisation rate to 65-85% (vs. 30-50% in 2023) and lowering operating costs.

Tight supply, driven by limited capacity expansion, supported pricing, as glove makers successfully passed on most or all raw material cost increases to customers from Apr 2024. Additionally, the US has unexpectedly imposed steeper tariffs on China-made gloves, starting with a 25% tariff from 2026 (announced in May 2024, up from the current 7.5%); this escalated to 50% tariff in 2025 and 100% in 2026 (announced in Sep 2024). In view of stronger glove demand, glove makers have either restarted their idle factories (TOPG) or are cautiously resuming their previously halted expansion plans (TOPG, HART).

Outlook. A major industry game-changer is the implementation of 50% and 100% tariff by the US on China-made gloves, set to take effect in 2025 and 2026, respectively. These higher tariffs are expected to make Malaysia gloves more price competitive in the US (a key export market), positioning Malaysia glove makers to regain market share. As a result, we expect the ASP to rise further in the coming months to USD21-23/k pcs, from <USD21/k pcs in 3Q24, leading to improved margins. A higher ASP will also help cushion the impact of increased costs following the minimum wage hike to MYR1,700 per month (from MYR1,500), effective 1st Feb 2025. Additionally, with Malaysia glove makers expanding cautiously and gradually, we expect plant utilisation rates to stay high at 75-85% for HART and KRI and 65%-70% for TOPG.

That said, China glove makers are countering with strategies to expand in the non-US markets and establishing production facilities outside of China, which could come onboard as soon as 2H 2026 or 2027. Additionally, potentially higher tariff under the Trump administration on Malaysia gloves pose a risk, as any import restrictions by the US or additional tariffs could undermine the growth trajectory of Malaysia's glove sector and erode its competitiveness in the US market.

Analyst: Wong Wei Sum, CFA
(weisum@maybank-ib.com)

Glove sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Hartalega Hldgs	Buy	13,346	3.91	4.31	170.00	100.3	51.8	2.8	2.8	0.6	44.8
Top Glove Corp	Sell	10,816	1.35	1.08	n.a.	n.a.	73.6	2.3	(1.7)	0.2	50.0
Kossan Rubber	Hold	6,736	2.64	2.49	120.00	62.9	60.0	1.8	2.8	3.0	42.7
Simple average		**30,898**			**145.0**	**81.6**	**61.8**	**2.3**	**1.3**	**1.3**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

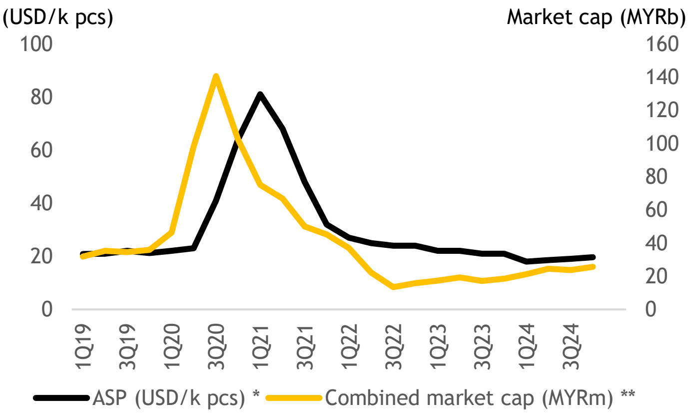
Sector rating. We are NEUTRAL on the glove sector. In our view, improved automation and cost efficiency are key to remain competitive amid external uncertainties. We reiterate a BUY on HART, HOLD on KRI and SELL on TOPG as the latter's share prices have approached/exceeded our TPs.

Sector top BUY. Our top pick is **HART**. We like HART for its hands-on management, proven track record in technology advancement and product quality, and strong balance sheet (MYR0.38/sh net cash as at end-Sep 2024). We see HART as a prime beneficiary of higher tariffs imposed by the US on China glove makers due to its relatively larger exposure in the US market. In 2QFY25, 56.7% of HART's revenue was derived from US (50% in 1QFY25).

We like KRI for its diversified income stream (gloves and technical rubber products) and strong balance sheet (71 sen/sh net cash as at end-3Q24). However, we believe the current share price already reflects much of the positives. As for TOPG, we are cautious on its high exposure to non-US markets, which are expected to face heightened competition from China counterparts starting Jan 2025. Additionally, its balance sheet is relatively weaker (0.1x net gearing) compared to its Malaysian peers.

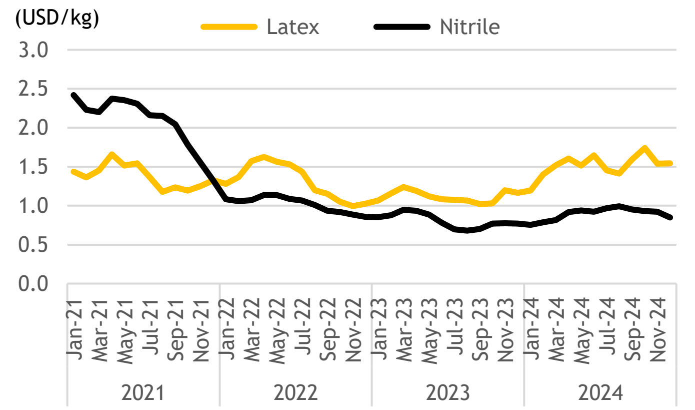
Risks. (i) Capacity expansion from Chinese glove makers outside of China, allowing them to avoid higher tariff imposed by the US government; (ii) a more aggressive pricing strategy by Chinese glove makers in non-US markets, potentially resulting in lower market share for Malaysia glove makers; (iii) aggressive capacity expansion by existing glove players; (iv) import restrictions or additional tariffs imposed by the US on Malaysia glove makers; (v) hikes in raw material prices that cannot be fully passed on; (vi) prolonged price wars and oversupply issues and (vii) volatile forex (MYR/USD) movement.

Average selling price and Gloves stocks' market cap trend



Source: TOPG, Bloomberg

Raw material price trend



Source: TOPG

HEALTHCARE: Bigger incoming wave

POSITIVE (unchanged)

- **We expect earnings uptrend to continue in 2025E, supported by organic growth in patient/surgery numbers, revenue intensity, and bed occupancy rates.**
- **Medical tourism and proposed tax relief boosts may cushion the potential impact of price pressures amid regulatory restructuring risks.**
- **We have BUYs on KPJ and OPTIMAX.**

In retrospect. 2024 has been a remarkable year in terms of sequential earnings outperformance for the hospital players as 9M24 EBITDA and CNP grew +12% and +21% YoY for IHH (ex-MFRS 129), and +7% and +23% YoY for KPJ. These were mainly attributed to (i) higher inpatient admissions surpassing pre-pandemic levels (9M24 inpatient admissions made up c.102% (IHH) and c.92% (KPJ) of FY19 inpatient volumes), (ii) greater revenue intensity due to increasing case/treatment complexities, and (iii) improvements in BOR. OPTIMAX's earnings were recovering on a more gradual basis with 9M24 EBITDA/CNP growth of +18%/+2% YoY, as it is still registering the effects of high depreciation and pre-ops costs related to its delayed expansions over the past year.

Outlook. For FY25E/26E, we expect KPJ to record an average BOR of c.70% (FY24E: 66%) to support inpatient admissions growth estimates of c.+14%/+9%. KPJ is slated to launch its 60-bed hospital in Kuala Selangor by 1H25, which will boost its supply-base (FY25E: +8%) to match growing demand. Beyond FY25E, KPJ has guided for a gradual bed capacity expansion of c.+16% over 3 years, to land at c.5,000 beds by FY28E, keeping its top rank in terms of bed capacity in Malaysia.

On OPTIMAX, we expect earnings improvement to materialize in FY25E as pre-ops costs normalise following the (i) operationalisation of its latest ACCs in Atria, Kota Kinabalu and Cambodia, and a (ii) higher blended volume of refractive surgeries.

We note that earnings for the healthcare service providers tend to be seasonally dampened by festivities and long holidays which are typically in the 1H. That being said, impact is likely to be more severe in 1Q25 as several major festivities (New Year, CNY, Eid-ul-Fitri) are concentrated within the quarter. On the brighter side, this leaves three solid quarters for earnings to catch-up.

Thematic. All eyes are on MOH for further details on the recent announcement to introduce DRG pricing, following Bank Negara's mandate on co-payment inclusions in all new medical insurance/takaful packages earlier this year. Worst-case, margins may be compressed short-term but even this impact should potentially be cushioned by headways in medical tourism (which generally registers c.+20% higher margins due to greater case complexity, add-on services, etc.) and Budget 2025's increased tax reliefs for medical charges and insurance premiums.

Medical tourism remains a low-hanging fruit for revenue uplift. Favouring the pure-Malaysian players, KPJ stands to be the biggest beneficiary of medical tourism, which contributes c.6% to revenue in FY23.

Abbreviations

EBITDA = Earnings before interest, tax, depreciation and amortization
CNP = Core net profit
BOR = Bed occupancy rate
ACC = Ambulatory care centre
CNY = Chinese New Year
MOH = Ministry of Health, Malaysia
NCD = Non-communicable diseases
CONGO = Cardiology, Oncology, Neurology, Gastroenterology, Orthopedics
ITO = Insurance and Takaful Operator
DRG = Diagnoses Related Group

Glossary

MFRS 129 = Financial reporting in hyperinflationary economies (refers to IHH's inflationary Turkiye ops)

Analysts: Nur Natasha Ariza Aiza Rizal
(natashaariza.aizarizal@maybank-ib.com)

Samuel Yin Shao Yang
(samuel.y@maybank-ib.com)

Healthcare sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
KPJ Healthcare	Buy	9,907	2.27	2.60	42.8	32.4	27.7	4.1	12.2	1.9	57.6
Optimax	Buy	329	0.61	0.87	26.3	26.3	20.2	4.8	18.6	2.8	(3.2)
Simple average		**10,236**			**34.6**	**29.4**	**23.9**	**4.4**	**15.4**	**2.3**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

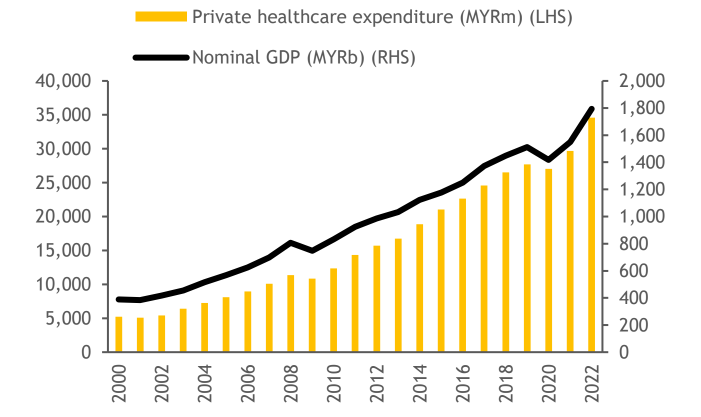
Sector top BUYs. Our **POSITIVE** call on the sector is unchanged. We maintain **BUYs** on **KPJ** and **OPTIMAX**. Structurally, resilience in demand and revenue intensity are supported by Malaysia's increasingly ageing population, rising NCD and CONGO cases, and insurance take-up.

We believe that KPJ's hub-and-spoke model via its ACC set-ups (to act as referrals to its specialist hospitals and/or to facilitate handling of less-risky procedures) stands to improve patient flow and frees up operational bed space – which could provide upside to either topline or cost-savings. We also believe that KPJ has a comparative advantage of centralized procurement via economies-of-scale, which should buoy the price-ceiling measure from MOH's DRG potential implementation.

As for OPTIMAX, we think upside could come from being on-boarded onto several big ITO panels (e.g. Great Eastern, AIA) – which is being targeted for 1Q25.

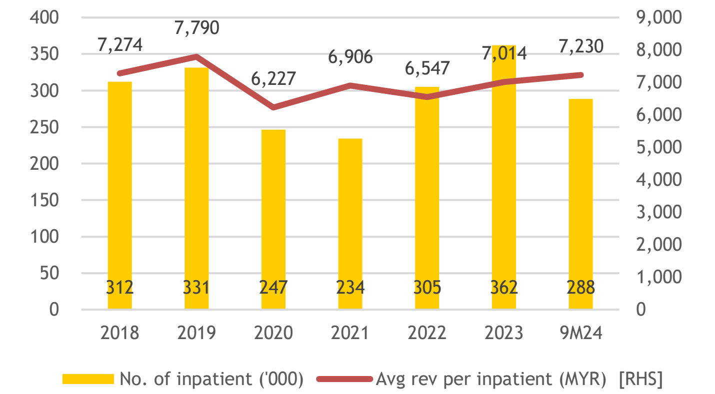
Risks. (i) Price pressures from unfavourable regulatory restructurings, (ii) longer-than-expected breakeven period of hospitals under gestation, (iii) rising staff costs, energy, pharmaceutical drugs and medical supplies, (iv) expansion delays, (v) travel/movement restrictions cutting down both domestic and foreign patient numbers, (vi) un-hedged impact of FX losses on overseas ops.

Malaysia private healthcare expenditure vs. nominal GDP



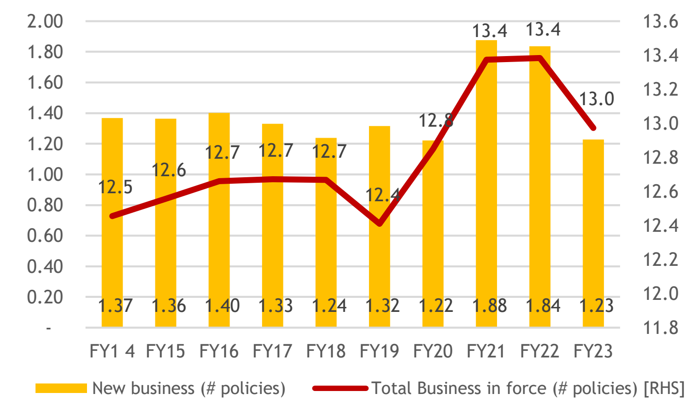
Source: WHOGHED, International Monetary Fund (IMF)

KPJ - Inpatient admissions ('000) and revenue intensity trend



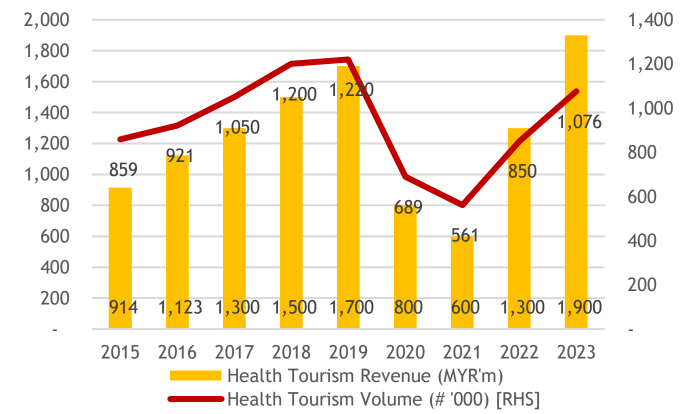
Source: Company, Maybank IBG Research (calculations)

Insurance penetration (new insurance take-up) ('m)



Source: Life Insurance Association Malaysia, Maybank IBG Research

Malaysia Inbound Medical Tourism - Volume and Revenue



Source: Malaysia Healthcare Travel Council (MHTC), Maybank IBG Research

OIL & GAS: Crude supply surplus in 2025E?

POSITIVE (unchanged)

- **We expect crude oil prices to be volatile and weaker at an avg. USD70/bbl (Brent) in 2025E (2024E: USD80/bbl) as oil markets may turn into a supply surplus position on OPEC+ possibly unwinding its production cuts.**
- **For Malaysia, potentially lower PETRONAS capex spending means that many domestic-centric upstream OGSE names may see slower growth in 2025E.**
- **We favour: i) defensive midstream companies - with Dialog as our pick; and ii) FPSO players which are poised to ride on the global deep and ultra-deepwater capex investments - with Bumi Armada as our pick.**

In retrospect. Global crude oil markets remained buoyant in 2024 with prices averaging at c.USD80/bbl, a slight 2% decline from 2023's average of USD82/bbl. In 2024, OPEC+ maintained its stance to prioritise balance in oil prices, and remained a relevant "swing producer". Throughout the year, OPEC continued on its production and voluntary cuts (without any additions), implemented in 2022-2023. Meanwhile, geopolitical conflicts (i.e. Russia-Ukraine, Gaza and Israel-Iran) did not have any direct impact on oil supplies and downstream refining products.

Outlook. Global oil markets may enter into a supply surplus, as reported in EIA's latest Short-Term Energy Outlook (STEO) report (Nov 2024) as OPEC+ producers may execute their plan to increase output by 2.2m bpd over an 18-month period, starting in Apr 2025 (link). However, any spike in geopolitical tension could raise war premiums on crude oil prices in fear of a supply disruption as we saw during the Russian-Ukraine crisis – where oil prices increased by approximately 50% (Brent USD80/bbl to USD120/bbl).

- ***Crude supply likely to exceed demand in 2025E.*** In EIA's latest STEO report (Nov 2024), it expects a net crude oil surplus in 2025E with global production at 104.66m bpd slightly eclipsing consumption at 104.36m bpd. However, with such a narrow supply/demand gap of only 0.30m bpd, any demand or supply disruptions globally could induce volatility in crude oil prices.
- ***OPEC+ may raise output.*** OPEC+ producers may execute their plan to increase output by 2.2m bpd over a 18-month period, starting in Apr 2025. This could lead to an inventory build-up in 2025E and put downward pressure on oil prices. Currently, OPEC+'s output cuts of 5.86m bpd represent about 6% of global demand, under agreements made since 2022. With that, we expect crude oil prices to be weaker YoY at USD70/bbl (Brent) in 2025E.

Abbreviations

OPEC = Organisation of the Petroleum Exporting Countries
OGSE = Oil & Gas Service and Equipment
E&P = Exploration & Production
OSV = Offshore Support Vessel
FPSO = Floating Production Storage and Offloading

Analyst: Jeremie Yap
(jeremie.yap@maybank-ib.com)

Oil & Gas sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
MISC	Hold	33,032	7.40	8.09	13.70	16.0	13.4	0.8	5.2	4.9	1.5
Dialog Group	Buy	10,552	1.87	3.09	18.89	16.0	14.6	1.7	10.7	2.0	(9.7)
Yinson Hldgs	Buy	8,074	2.75	4.78	8.84	10.2	8.5	1.3	13.4	1.4	10.0
Bumi Armada	Buy	3,735	0.63	0.71	5.63	3.8	4.8	0.6	14.7	0.0	27.3
Velesto Energy	Buy	1,273	0.16	0.25	12.92	7.4	7.8	0.5	6.7	2.6	(32.6)
Wah Seong Corp	Buy	852	1.10	1.76	11.11	4.9	7.5	1.0	20.4	3.1	10.6
Icon Offshore	Hold	636	1.02	1.20	n.a.	72.9	10.2	1.6	2.5	0.0	74.4
Simple average		**58,154**			**11.8**	**18.7**	**9.5**	**1.1**	**10.5**	**2.0**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

- ***Energy security vs. transition***. While energy security takes precedence over energy transition for now, we expect the sector will continue to see spending on low carbon energy in the longer term, as the energy transition momentum continues. A part of oil majors' capex will be dedicated towards green investments, with focus on renewables (solar, wind) and carbon capture and storage (CCS) as oil majors catch up on their climate goals and sustainability framework. In essence, most of the global oil majors have committed to meet the Net Zero Carbon Emission (NZCE) aspiration by 2050.

- ***Geopolitical tensions***. Geopolitical events may create uncertainty about future supply and demand, which can lead to high crude oil price volatility. Also, any hikes in tension in Russia-Ukraine, Gaza and Israel-Iran could give some short-term "war premium" boosts to crude oil prices.

Thematic: PETRONAS capex cuts. PETROS has been officially appointed as the sole gas aggregator for the state of Sarawak (link) – marking a significant shift in the control of Sarawak's natural gas resources away from PETRONAS. The transition of gas trading responsibilities could impact PETRONAS' revenue stream and free cash flows although we are unable to quantify the impact. We believe that a PETRONAS capex deferral is a possibility as a significant portion of its trading revenues have been lost. Consequently, further E&P works/ developing projects may be deferred until a resolution is mutually achieved between both parties. Under a PETRONAS capex deferral scenario, we expect this to impact OGSE names with exposure in the exploration & development sub-segments – mainly OSVs, offshore fabrication, drilling rigs & hook-up and commissioning (*Malaysia Oil & Gas: Uncertainty looms for local-centric upstream OGSE names?*).

FPSO investment upcycle. Rystad Energy estimates that deepwater (125-1,500m) and ultra-deepwater (>1,500m) will spearhead offshore liquids production growth at an estimated CAGR of 2.2% and 8.0% each from 2024-2030E. Rystad also projects a total of 64 FPSO awards from 2025-2030E, averaging 10-11 jobs/year. FPSOs are often the most popular/feasible option for developing oil & gas fields in deep & ultra-deepwaters as pipeline installation/ construction can be extremely expensive and technically challenging.

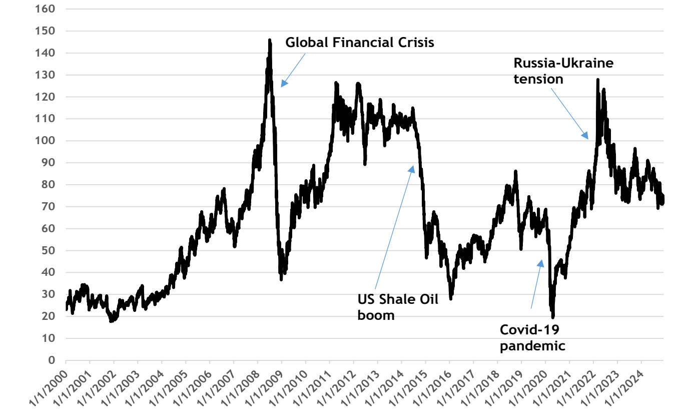
Sector top BUYs. Our **POSITIVE** call on the sector is unchanged. However, we choose: i) defensive midstream companies which will be unaffected by the potentially lower PETRONAS capex spending; and ii) FPSO players which are poised to ride on the global deep and ultra-deepwater capex investments.

- **Dialog** stands out via its strong operational/financial stability from its LT midstream tank terminal assets. We note that it has secured a renewal for its Master Service Agreement (3+2 years) from PETRONAS (for its plant maintenance segment) beginning 2H24 at significantly higher rates. Also, with the gradual phase-out of loss-making legacy EPCC contracts by Jun 2024, the segment (EPCC) will be profitable beginning FY25E as newer jobs are also signed at improved rates. Re-rating catalysts include: i) strong earnings growth delivery; ii) new tank terminal contracts in Pengerang.

- **Bumi Armada**'s balance sheet has improved tremendously over the years. It has recorded lower net debt for 18 consecutive quarters to MYR2.9b as at end-Sep 2024 (from MYR8.7b as at end-1Q20). The group has always aspired to get new FPSO jobs but has also emphasized that it wants to do it with a "partner". We believe Bumi Armada could be a strong contender given the robust mid-term FPSO upcycle outlook, combined with its improving balance sheet when it finds a strategic partner to share resources, construction and execution risks.

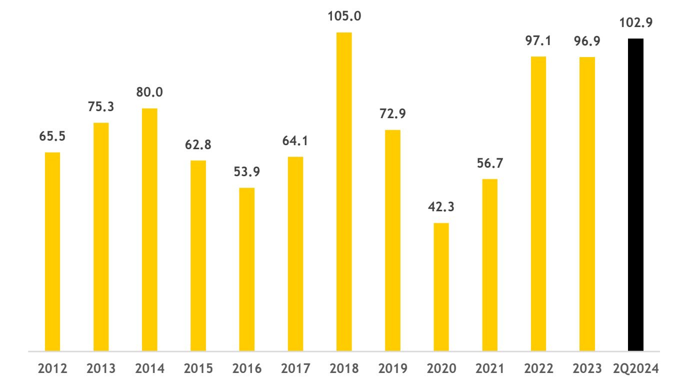
Risks. i) Geopolitical tensions; ii) OPEC+ compliance/discipline to manage output will create volatility and pressure on the oil market; iii) More severe-than-expected PETRONAS capex deferral environment.

Brent Crude Oil price, USD/bbl (2000 till current)



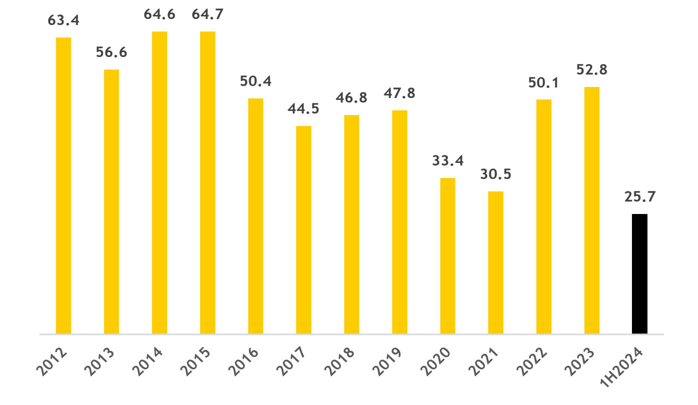
Source: Bloomberg, Maybank IBG Research

PETRONAS' net cash level, MYR'b (2012 till 2Q24)



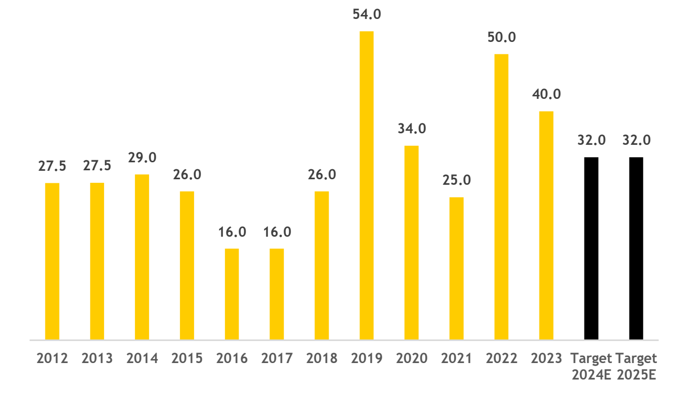
Source: PETRONAS, Maybank IBG Research

PETRONAS' capex, MYR'b (2012 till 1H24)



Source: PETRONAS, Maybank IBG Research

PETRONAS dividends to government, MYR'b (2012 till 2025E)



Source: PETRONAS, Maybank IBG Research

Production and Consumption of crude oil for 2023-2025E

Production (mbpd)	2023				2024E				2025E				Year		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024E	2025E
Total OPEC	32.7	32.44	31.63	31.93	32.16	32.09	32.03	32.09	32.34	32.51	32.59	32.60	32.18	32.09	32.51
Total Non-OPEC	68.85	69.16	70.19	71.16	69.87	70.39	70.59	71.26	71.30	71.87	72.54	72.88	69.84	70.53	72.15
Total World Production	**101.55**	**101.60**	**101.82**	**103.09**	**102.03**	**102.48**	**102.62**	**103.35**	**103.64**	**104.38**	**105.13**	**105.48**	**102.02**	**102.62**	**104.66**
OPEC / World (%)	32%	32%	31%	31%	32%	31%	31%	31%	31%	31%	31%	31%	32%	31%	31%

Consumption (mbpd)	2023				2024E				2025E				Year		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2023	2024E	2025E
OECD	45.26	45.52	45.90	46.00	44.80	45.55	46.15	46.22	45.44	45.22	46.05	46.16	45.67	45.68	45.72
Non-OECD	56.01	56.60	56.66	56.59	57.40	57.59	57.37	57.46	58.44	58.80	58.66	58.65	56.47	57.45	58.64
Total World Consumption	101.27	102.12	102.56	102.59	102.20	103.14	103.52	103.68	103.88	104.02	104.71	104.81	102.14	103.13	104.36
Net surplus/(deficit)	0.28	-0.52	-0.74	0.50	-0.17	-0.66	-0.90	-0.33	-0.24	0.36	0.42	0.67	-0.12	-0.51	$\boxed{0.30}$

Source: EIA STEO (Nov 2024)

PETROCHEMICALS: Possibly another soft year

NEGATIVE (unchanged)

- **We anticipate downstream polymer ASPs to remain unexciting for the most of 2025E as demand outlook stays tepid while the start-up of new regional capacities is looking to overflood supply.**
- **ICIS believes the petrochemical sector is still in the middle of a global polymer oversupply, with PE/PP capacities having to reduce by 23m/18m tonnes p.a. in 2023-2030 before reaching the end of the downcycle.**
- **We have SELLs on both PCHEM and LCTITAN.**

In retrospect - stable downstream petrochemical prices. 2024 saw some stability in polymer prices, where ASPs for HDPE, LLDPE and methanol were relatively unchanged at -2%/+0%/+0% YoY while urea ASP was down -9% YoY. While we believe that the petrochemical sector has found a bottom in terms of ASPs (before the next influx of PE & PP capacities in 2026E), the sector appears to be in an L-shaped recovery. Given sustained weak ASPs, LCTITAN's management has guided for a suboptimal FY24E plant utilisation rate of ~60% and another loss making year.

Outlook. According to Independent Chemical & Energy Market Intelligence (ICIS), global PE and PP capacities may have to reduce by 23m tonnes p.a. and 18m tonnes p.a. in 2023-2030 respectively for global operating capacities to return to their historic healthy average of >85%. The outlook for polymers looks gloomy, with supply likely to outstrip demand by a significant margin over the next 2 years, at least. With that, both PCHEM and LCTITAN's bottomline will continue to be tepid as ASPs are expected to remain under pressure with persistent imbalanced supply-demand dynamics. ICIS also estimates that average PP spreads need to recover by c.150% before the emergence of a new upcycle, which we concur. Meanwhile, we believe there is too much capacity chasing too little demand.

Thematic: Unexciting earnings in 2025E. PCHEM has guided the Commercial Operation Date (COD) of Pengerang to be sometime in Dec 2024 (delayed yet again from 1H24). The Pengerang Petrochemical Complex (PPC) is expected to increase PCHEM's total production capacity by 3.3 mTpa (+26%; currently 12.8 mTpa) in 2025E. PPC's PE/PP capacity of 1.65 mTpa will exceed LCTITAN's combined M'sia PE/PP capacity of 1.2 mTpa, thus posing margin pressure on LCTITAN's domestic premium pricing (c.USD50-100 per mT) in the downstream market for polyolefins (HDPE/PE/PP).

PCHEM has started to recognise its 50% share of PPC's operating costs, comprising MYR300m interest expense and MYR400m depreciation charge p.a. We also note that PPC will use naphtha as a primary feedstock, which may add volatility to PCHEM's earnings vis-à-vis its existing portfolio of ethane-based polymers that are protected by competitive long-term supply agreements with PETRONAS. In our view, incorporating PPC's losses of >MYR700m annually will likely lead to a -3% EPS contraction YoY for PCHEM in FY25E. As such, we believe PCHEM's outlook remains challenging too in 2025.

Abbreviations

ASP = Average Selling Price
PE = Polyethylene
HDPE = High Density Polyethylene
LLDPE = Linear Low Density Polyethylene
PP = Polypropylene
PPC = Pengerang Petrochemical Complex
COD = Commercial Operations Date

Analyst: Jeremie Yap
(jeremie.yap@maybank-ib.com)

Petrochemical sector – Peer valuation summary

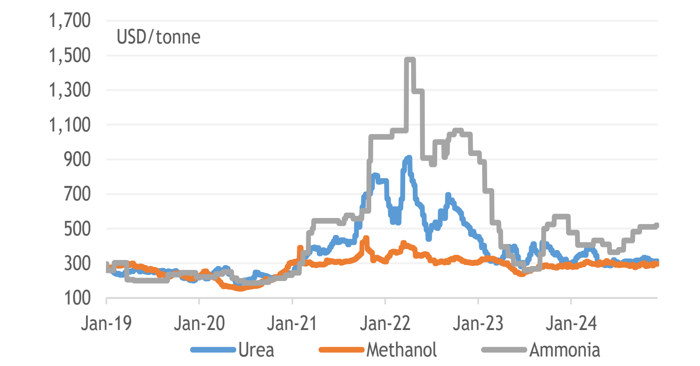
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Petronas Chemicals	Sell	39,840	4.98	3.82	23.4	22.2	22.8	1.0	4.3	2.2	(30.4)
Lotte Chemical Titan	Sell	1,492	0.66	0.91	n.a.	n.a.	n.a.	0.1	(8.0)	0.0	(51.5)
Simple average		**41,332**			**23.4**	**22.2**	**22.8**	**0.6**	**(1.8)**	**1.1**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector rating. While we believe that the petrochemical sector has found a bottom in terms of ASPs (before the next influx of PE & PP capacities in 2026), the sector appears to be in an L-shaped recovery. Coupled with additional polymer capacities coming onstream regionally in 2026, it is unlikely that the industry will revisit its ASP highs in 2021 and 2H22. We have a SELL rating on both PCHEM and LCTITAN. We view that: i) PCHEM's valuations are still lofty, trading at >22x FY25E EPS; and ii) PE-naphtha spreads are not wide enough for LCTITAN to turn profitable.

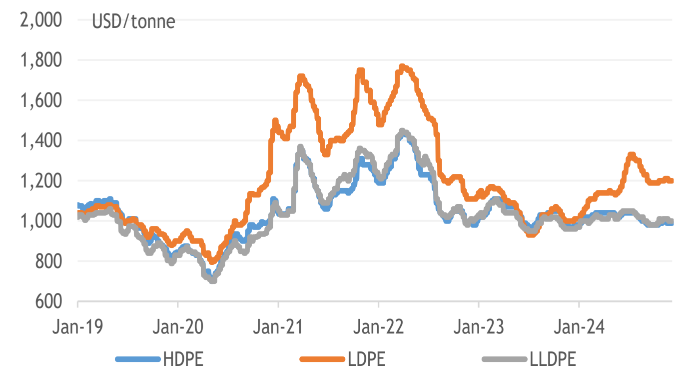
Risks. (i) Faster-than-expected recovery in polymer/monomer prices; and (ii) Sudden decline in crude oil/naphtha prices.

Urea, Methanol and Ammonia Prices



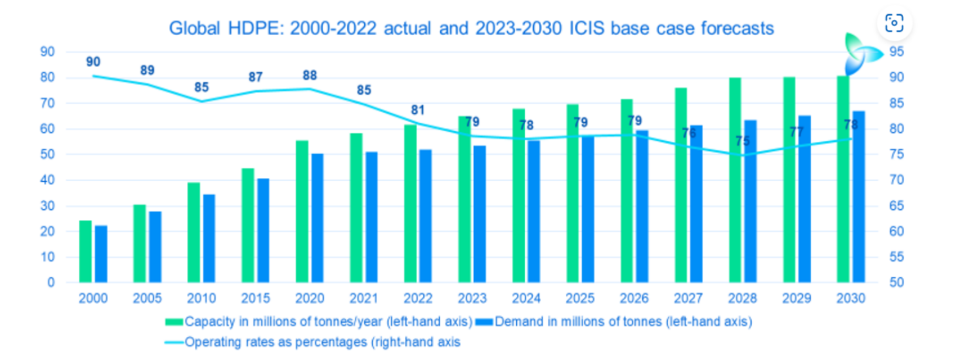
Source: Bloomberg

HDPE, LDPE & LLDPE Prices



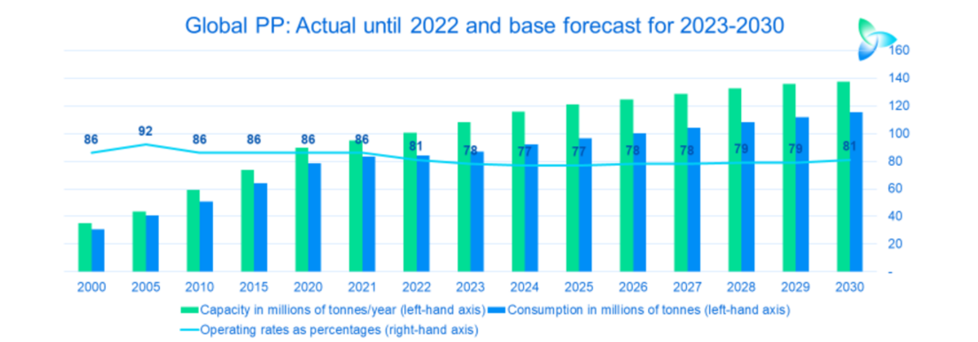
Source: Bloomberg

Global HDPE capacity, demand and operating rates (2000-2030E)



Source: ICIS

Global PP capacity, demand and operating rates (2000-2030E)



Source: ICIS

PLANTATION: Good start to a volatile 2025

NEUTRAL (unchanged)

- **2025 will be another volatile year swayed by geopolitical risk, and changing government policies especially ID's unsustainable B40 mandate.**
- **Without higher crude oil price to narrow the POGO spread, we believe CPO price will be under threat for a severe correction after Ramadhan.**
- **We advocate a short term trading strategy in 1Q25, but 12M NEUTRAL. SDG, GENP and SOP are our top BUY picks in the sector.**

In retrospect. 2024's CPO price was volatile mainly due to supply shock owing to unexpectedly low output from ID in 9M24 due to biological tree rest and the lagged impact of 2023's mild El Nino (which affected estates south of the equator). YTD CPO spot price traded as low as MYR3,629/t (on 3 Jan) to a recent high of MYR5,327/t (on 5 Dec); a huge range of ~MYR1,700/t. CPO was an unusual price leader relative to other major veg. oils for a number of months. CPO price chalked up new YTD highs over the past 2 months to reflect present tightness in CPO supply and future expectations, namely (1) a further tightening of supply in 2024/25F Oct/Sept marketing year in part due to excitement over GOI's B40 mandate (from B35) requiring an extra ~2mt p.a. of palm biodiesel to ~14mt, and (2) anticipated near term resilient demand ahead of CNY and Ramadhan in 1Q25.

Outlook. We are upbeat on CPO price in 1Q25 as the early CNY (end-Jan) and early Ramadhan (Mar-Apr) demand will coincide with the typical low output cycle of Q1. In addition, the presence of a (potentially) mild La Nina raises concern that excessive rainfall could disrupt supplies further. We expect CPO ASP to trade in the range of MYR4,500/t to MYR5,000/t in 1Q25.

However, despite global projections of a further tightening in SUR ratio for major vegetable oils by USDA for 2024/25F marketing year (see overleaf), we are concerned on CPO price outlook beyond 1Q25. Our concern stems from the sustainability of GOI's ambitious B40 mandate amidst widening POGO spread (Nov '24: USD446/t subsidy required). By our estimate, the GOI's CPO Fund that helps fund the POGO spread will run dry by end-1Q25 based on Nov's run rate – see our report *"ID's policy conundrum with more change(s) to come"*. By 2Q25, with no more CPO Fund, CPO price will have to correct sharply to narrow the POGO spread, or else the ID government may be forced to temporarily suspend or cut its B40 mandate aggressively (ie. demand destruction), and concurrently raise the export levies to rebuild the CPO Fund. Post 1Q25, we expect CPO price to trend lower, trading within a wider range of MYR3,500/t to MYR4,500/t for the remainder of 2025.

Abbreviations

B40 = 40% palm biodiesel blended with 60% diesel
CPO = Crude palm oil
CNY = Chinese New Year
GENP = Genting Plantations
GOI = Government of Indonesia
ID = Indonesia
JPG = Johor Plantations
JSSEZ = Johor Singapore Special Economic Zone
JV = Joint venture
KLK = Kuala Lumpur Kepong
LSS = large-scale solar
mt = million tonnes
MY = Malaysia
POGO = Palm Oil – Gas Oil
RE = Renewable energy
SDG = SD Guthrie
SOP = Sarawak Oil Palms
SUR = Stock-to-Usage
YTD = Year-To-Date

Analyst: Ong Chee Ting, CA
(ct.ong@maybank-ib.com)

Plantation sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
SD Guthrie	Buy	34,233	4.95	5.41	38.98	22.0	20.9	1.9	8.3	2.8	11.0
IOI Corp	Hold	23,946	3.86	4.06	19.74	19.5	18.0	2.0	10.2	2.7	(1.8)
KL Kepong	Hold	23,375	21.32	21.30	23.40	27.4	18.9	1.7	6.1	1.8	(2.3)
Genting Plantations	Buy	5,275	5.88	6.96	20.78	17.8	16.1	1.0	5.5	3.9	3.5
Sarawak Oil Palms	Buy	3,053	3.42	4.60	10.15	7.6	8.2	0.8	10.6	3.9	32.0
Ta Ann Hldgs	Buy	1,898	4.31	4.38	10.39	11.0	10.3	1.0	9.5	8.1	17.8
TSH Resources	Hold	1,694	1.23	1.15	19.52	12.9	12.8	0.8	6.1	2.4	26.2
TH Plantations	Hold	658	0.75	0.68	39.21	12.4	12.0	0.9	7.1	4.0	53.6
Simple average		**94,134**			**22.8**	**16.3**	**14.6**	**1.3**	**7.9**	**3.7**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Thematics. (i) We expect ID's output to recover strongly in 2025, to the benefit of 2024's laggards, namely SDG, GENP, and TSH; (ii) Selected planters with suitable and well-located land near the national grid and interconnection points have the opportunity to participate in LSS projects. LSS allows planters to sweat their assets, augment returns by multi-fold compared to oil palm – see our report *"The magnifying power of solar is a game changer for earnings".* (iii) The much awaited JSSEZ announcement (now delayed to Jan 2025) is anticipated to benefit SDG, KLK, GENP, and JPG MK (Not Rated) as they are the largest real estate owners in Iskandar, allowing them to hasten monetisation of land values over time – see our report *"JS-SEZ beneficiaries in Kulai District".*

Sector rating. We retain our 12M NEUTRAL call but advocate a short term trading strategy in 1Q25. CPO price should remain lofty in 1Q25, but would correct sharply in 2Q25 as ID's ~14mt palm biodiesel demand is at risk overnight when its CPO Fund runs dry. The Futures CPO price curve is in steep backwardation presently. For now, we maintain our CPO ASP forecast of MYR4,000/t for 2025E (2024E: MYR4,200/t). However, there is potential upside if the GOI decides to fund its ambitious B40 unreservedly.

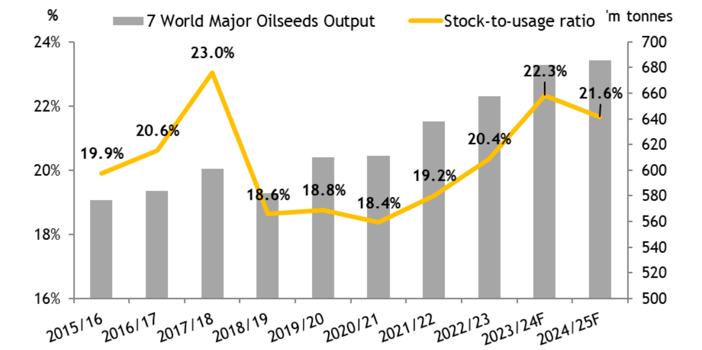
Sector top BUYs. SDG is our top BUY for the large cap. SDG's new engine of earnings growth in the coming years will emanate from outright land sales, JV into industrial land development, and RE development on its existing strategic land banks located across Peninsular Malaysia. On its RE ambition, SDG targets to achieve 1,000MW capacity over time. We also like **GENP** for its ID output recovery play in 2025 as well as a potential beneficiary of JSSEZ. For the SMID caps, we like **SOP** as a laggard play backed by its net cash position of ~MYR1.1b while trading at mid-single digit PERs (adj. for net cash). We expect SOP to raise its dividend payouts to shareholders over time.

Risks. There are several risk factors that may affect our sector view, earnings estimates, price targets, and ratings of stocks under coverage. Key risks to the sector and companies are:

Upside risks: (i) Weaker-than-expected production recovery of palm oil and other vegetable oils; (ii) Brent crude oil price rising closer to USD150/barrel; (iii) weather anomalies at major palm oil and oilseeds producing regions; (iv) unfriendly government policies at producing or exporting countries; and (v) escalation of geopolitical tensions in Russia-Ukraine and/or the Middle East.

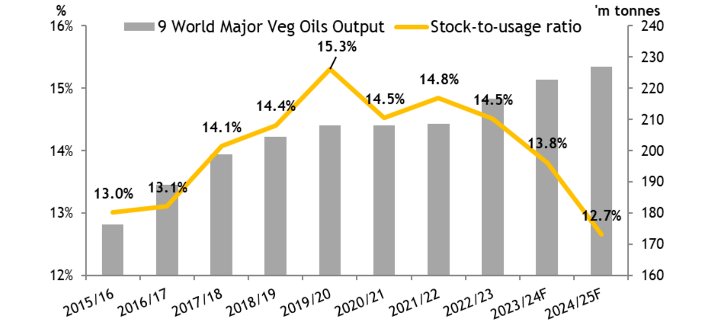
Downside risks: (i) Reversal of Brent crude oil price to sharply below USD80/ barrel; (ii) negative policies imposed by importing countries and/or exporting countries; (iii) global demand turning out to be weaker than expected on demand destruction and/or global recession; (iv) weaker competing oil prices (like soybean and rapeseed); and (v) banking crisis in the West extending into a global crisis.

7 major oilseeds output and stock-to-usage ratio



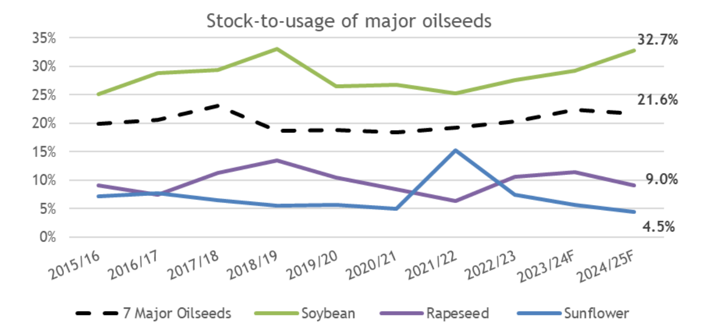
Sources: USDA, Maybank IBG Research

9 major vegetable oils output and stock-to-usage ratio



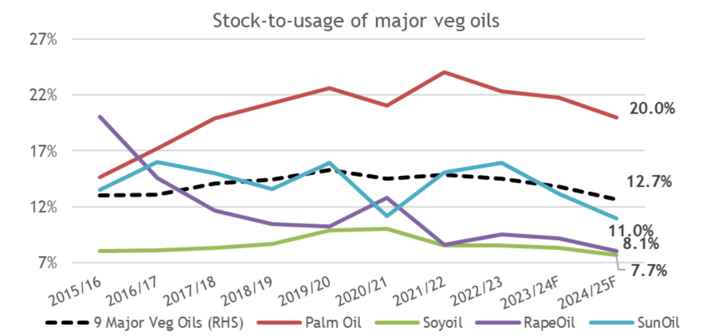
Sources: USDA, Maybank IBG Research

Stock-to-usage ratios of selected and 7 major oilseeds



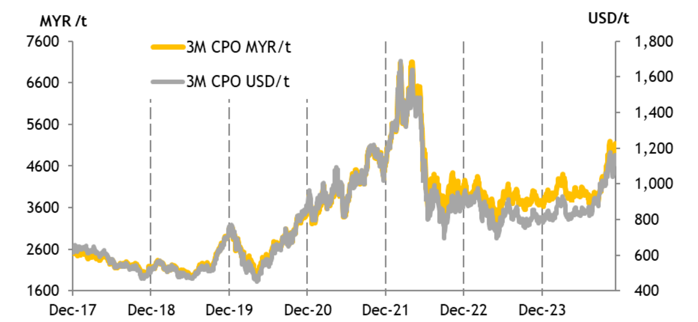
Sources: USDA, Maybank IBG Research

Stock-to-usage ratios of selected and 9 major veg oils



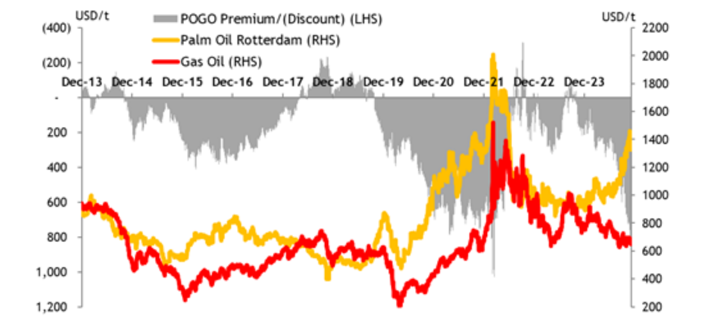
Sources: USDA, Maybank IBG Research

CPO price (in USD and MYR per tonne)



Source: Bloomberg

Palm Oil-Gas Oil (POGO) spread: Palm oil trades at a premium of USD737/t (8 Dec) to gas oil in Europe



Source: Bloomberg

PORTS & LOGISTICS: Spotlight on ports expansion/upgrade

NEUTRAL (unchanged)

- **Malaysia's maritime throughput remained on an upward trajectory in 9M24, on strong FDI inflows and intra-Asia trade; we expect this to continue into 2025.**
- **Shipping alliances reshuffling, effective Feb 2025, is likely to present more opportunities than risks for Westports.**
- **We have a BUY on Westports, a proxy for FDIs and intra-Asia trade growth.**

In retrospect. Malaysia's total container throughput grew +11% YoY to 22.9m TEUs in 9M24, comprising +10% growth in gateway throughput to 8.2m TEUs and +11% growth in transhipment volume to 14.7m TEUs. Westports experienced flat throughput growth at +1% YoY, despite +10% higher gateway volume (3.64m TEUs) due to -5% lower transshipment volume (4.46m TEUs). Notably, Westports achieved a record volume for gateway cargoes in 3Q24, prioritizing higher tariff gateway cargoes during peak period/seasons.

The transshipment volume loss at Westports was likely diverted to Northport, which saw record monthly volumes in Jul and Aug, leading to 3.33m TEUs in 2024 YTD (as of Nov), surpassing the previous record of 3.32m TEUs in 2021. Consequently, Port Klang recorded +5% YoY growth in total container throughput to 10.86m TEUs in 11M24 (gateway: 5.0m TEUs, +11% YoY; transshipment: 5.9m TEUs, flat YoY).

Port and logistic infrastructure in the region are attracting global investment. In Jan 2024, GIP (a global PE fund) was in talks to buy up to a 49% stake in MMC Port Holdings (Not Listed; owns Pelabuhan Tanjung Pelepas, Johor Port, Northport, Penang Port and Tanjung Bruas Port in Malaysia), but discussions halted due to valuation disagreements. Sabah Port (100%-subsidiary of Suria Capital [SURIA MK, Not Rated]) collaborated with DP World (a global logistics player) in Sep 2024 to transform Sapangar Bay Container Port into a key regional transshipment hub, aiming to increase capacity to 1.25m TEUs (from current 0.5m TEUs) by 2025.

Additionally, several mega port projects were proposed, including the Pulau Carey Port (a MYR28b project with a capacity of 30m TEUs p.a.) and a smart AI container port in Port Dickson (PD). Pulau Carey Port's feasibility study is completed, and the concession tendering process may begin soon. Elsewhere, the smart AI container port project in PD is led by Tanco (TANC MK, Not Rated), in partnership with CCCC Dredging Southeast Asia for design and engineering, and Cosco Shipping Ports (1199 HK, Not Rated) for port management.

Outlook. We expect cargo volume growth for Malaysia ports to sustain, supported by strong FDI/DDI investments and rising intra-Asia trade. Into 2025, we also expect more updates on port infrastructure developments, esp. on the Pulau Carey Port concession. Upgrading port infrastructure is crucial to support rising FDI/DDIs and local manufacturing activities, with ports serving as the main gateway for import/ export. Recall that in mid-2024, Sabah Port faced congestion following the commencement of new MNC operations in the Kota Kinabalu Industrial Park (KKIP), where underinvestment at the port led to bottlenecks as container volumes surged.

Abbreviations

TEU = twenty-foot equivalent unit
FDI = foreign direct investment
DDI – domestic direct investment
PE = private equity
MNC = multi-national companies

Analyst: Loh Yan Jin
(lohyanjin.loh@maybank-ib.com)

Port & Logistic sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Westports	Buy	15,004	4.40	5.38	19.38	18.2	18.6	4.0	22.1	4.1	20.5
Swift Haulage	Hold	396	0.45	0.49	12.50	11.0	10.5	0.5	4.9	3.1	(17.4)
Simple average		**15,400**			**15.9**	**14.6**	**14.5**	**2.3**	**13.5**	**3.6**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Specifically on Westports, dredging and land reclamation for CT10-17 ("Westports 2.0") should go into higher gear in 2025 which would double total capacity from 14m TEUs to 27m TEUs. Groundbreaking was held on 27 Sep 2024, while land clearing have commenced with the target for CT10 to start operations by 3Q28. The company is finalizing a multi-year dividend reinvestment plan to raise equity funds for the expansion. (is there any implication to dividends?)

Higher trade volume (import/export) and port infrastructure upgrades and expansions are also positive for local logistics players, such as Swift Haulage, Tasco (TASCO MK, Not Rated), and Trimode (TSMB MK, Not Rated). However, the sector faces competition from an overcrowded and fragmented market, squeezing margins.

Thematic: Shipping alliances reshuffling. The shipping industry is undergoing reshuffling of alliances, effective 1 Feb 2025. MSC will exit its 2M agreement with Maersk to operate a standalone East-West network covering key global trade lanes. Meanwhile, Maersk and Hapag-Lloyd (formerly part of THE Alliance) have formed the new Gemini Cooperation, adopting a Hub & Spoke model to enhance global connectivity. The remaining members of THE Alliance (ie. ONE, HMM, and Yang Ming) will rebrand as the Premier Alliance, focusing on major East-West trades and collaborating with MSC on a slot exchange program for Asia-Europe services. Separately, MSC and ZIM have announced a new cooperation targeting Asia–US East Coast and Gulf trades.

We believe the restructuring presents more opportunity than risk for Westports, which has reduced its reliance on transshipment volumes (now 55% of total volume vs. >70% pre-2017). During the 2017 shipping alliance reshuffle, Westports saw a -9% YoY drop in total container throughput as some services shifted to Singapore's PSA. However, in this round, Westports' East-bound trade is not affected via the unaffected Ocean Alliance and it has no direct exposure to the 2M Alliance. Additionally, Westports is positioning to attract new services from the Premier Alliance. While initial volume gains may be modest, these new partnerships would enhance network opportunities and support future growth as Westports 2 becomes operational. That said, transshipment volume growth at Westports will likely remain constrained until CT10 becomes operational in 3Q28, given its rather high terminal utilization of 78% as of 3Q24.

Sector top BUYs. We have a **BUY** on **Westports**, supported by sustained intra-Asia trade demand and rising FDI/DDIs in Malaysia, driving higher tariffs and resilient gateway container volume growth. Upside potential includes a higher-than-expected gateway vs. transshipment volume mix and an earlier-than-anticipated tariff revision. Our forecasts assume a 41% gateway container mix in FY25E (compared to 45% in 3Q24), with a tariff hike expected only in FY27E.

Risks. Abrupt shifts in trading routes due to shipping alliance reshuffles or geopolitical risks, along with a significant global economic slowdown, could reduce container and freight volumes, impacting earnings for port operators like Westports and the logistics players. Conversely, earnings could benefit from a higher-than-expected gateway volume mix at Westports (boosting margins) and increased haulier demand, as well as accelerated FDIs driven by geopolitical dynamics.

PROPERTY: From expectations to results

NEUTRAL (unchanged)

- **Sector themes are expected to remain focused on Johor (JSSEZ), data centre developments and corporate exercises aimed at enhancing corporate value through asset crystallization initiatives.**
- **That said, most thematic drivers in the sector have already been in play since July 2023 and most positives have been largely priced in.**
- **Our top BUY is SPSB for its undemanding valuation and potential listing of its investment properties. We also like ECW and SDPR for their substantial exposure to the booming industrial and data centre investments via their industrial parks.**

In retrospect. The KL Property Index (KLPI) outperformed the broader market by 16% YTD 2024 (KLPI +27% vs. KLCI +11% as of 10 Dec), driven by strong gains in property stocks with exposure in Iskandar Malaysia and data centres (DCs). ECW and SDPR saw share price surge due to DC-related investments, while developers undergoing corporate exercises, such as SPSB (REITs), SWB (listing of healthcare business), IOIPG (Not Rated; REITs) and WCT (Not Rated; REITs), also recorded share price gain. Developers like SDPR is growing its recurring income via DC leases after securing two deals with Pearl Computing (linked to Google) worth MYR7.6b over 20 years. Meanwhile, ECW is in talks with DC operators for its business parks in Kulai (Johor) and Selangor while actively looking to replenish its landbank. Property sales wise, most developers under our coverage have exceeded or on track to achieve their 2024 targets.

Outlook. 2025 is set to be eventful with corporate exercises like the listing of SWB's healthcare business and investment properties of SPSB, WCT MK (Not Rated), and probably IOIPG MK (Not Rated) *(source: media reports, companies)*. Thematic drivers like DC-related investments/land sale are expected to sustain interests in property stocks which have the relevant exposure. SDPR has recently secured another 20-year lease with Google for its Elmina Business Park (77 acres), while ECW is pursuing more DC deals in its Selangor and Kulai industrial parks. Elsewhere, SPSB is expected to finalise its Tanjung Kupang industrial park JV by 1H25.

As for JSSEZ, we believe it has reached a point where investors are looking to monetisation of 2024 efforts/sales, as much have already been priced in, in our view, given that the JSSEZ theme has been in play since July 2023. According to an earlier press article, the JSSEZ's location will cover an area governed by six authorities in Iskandar Malaysia and Pengerang, suggesting a level playing field for all landowners. As a result, strong track records and capable management will be critical for competitiveness.

Sector rating. We are NEUTRAL on the property sector (link) as we believe the positives from JSSEZ, data centres, and corporate exercises are largely priced in. We remain selective, focusing on companies with strong fundamentals, proven track records, and growth potential.

Analyst: Wong Wei Sum, CFA
(weisum@maybank-ib.com)

Property sector – Peer valuation summary

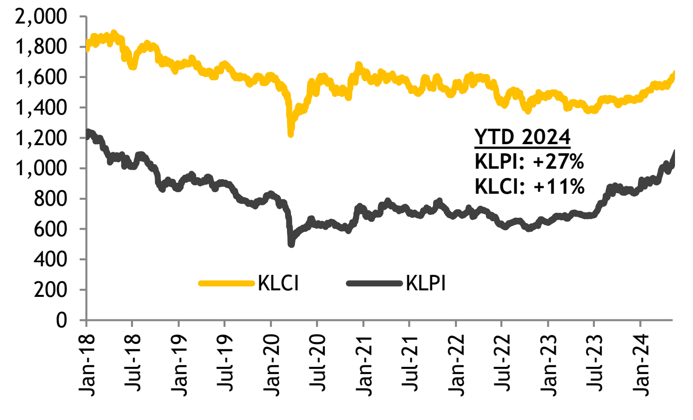
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Sunway Berhad	Hold	27,863	4.51	4.78	36.67	31.1	30.1	2.0	6.1	1.2	118.9
Sime Darby Property	Buy	10,405	1.53	1.66	24.68	19.1	15.6	1.0	5.2	2.4	144.8
SP Setia	Buy	6,703	1.34	1.64	16.54	9.8	19.1	0.4	3.9	2.2	67.5
UEM Sunrise	Hold	4,983	0.99	1.05	65.67	49.3	46.9	0.7	1.4	1.0	20.9
Eco World Dev	Buy	5,868	1.99	2.25	20.48	16.5	14.8	1.2	7.2	3.0	89.5
Eco World Int'l	Hold	756	0.32	0.27	n.a.	n.a.	n.a.	0.6	(4.0)	32.4	1.6
Tambun Indah Land	Hold	411	0.94	0.93	8.42	8.7	7.8	0.5	6.1	4.6	10.0
Simple average		**56,989**			**28.7**	**22.4**	**22.4**	**0.9**	**3.7**	**6.7**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector top BUYs. We favour i) **SPSB** for its attractive valuation (0.5x FY25E P/B vs. industry 1.0x), potential REIT listing of its investment properties, and plans to lower net gearing (0.35x end-3Q24) to 0.3x by FY27E while targeting >MYR700m net profit by FY29E. SPSB also offers exposure to data centres, with its Tanjung Kupang industrial park JV expected to be finalised by 1H25. ii) **ECW**, which is backed by hands-on management, a market-leading position, and healthy balance sheet (0.19x net gearing end-4QFY24). Its MYR402m land sale to Microsoft in *Quantum Edge* business park reflects its strong execution. ECW continues to seek landbank in Johor and Klang Valley. iii) **SDPR**, which stands out for its strong presence in industrial parks (Negeri Sembilan, Sepang, Klang), stable landed property segment, and recurring income from its investment properties, including two 20-year data centre leases.

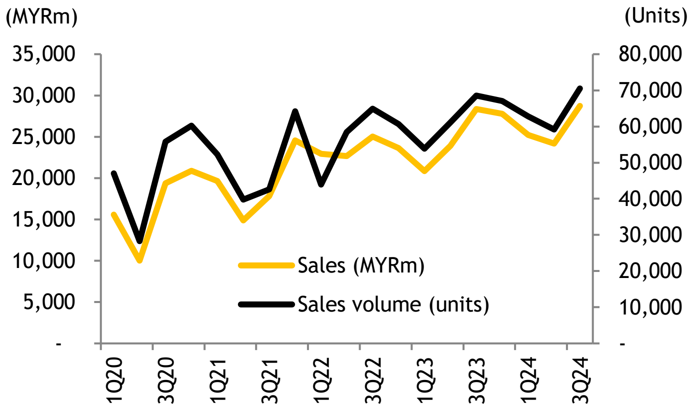
Risks. (i) Potential introduction of the build-then-sell scheme by the Government may set back developers with financial constraints; (ii) stronger-than-expected property sales driven by better economic growth; (iii) policy risks; (iv) easing of lending measures by the banks; (v) higher-than-expected Liquidated Ascertained Damages compensation; and (vi) rising building material costs and labour issues.

KL Property Index outperformed KLCI in 2024



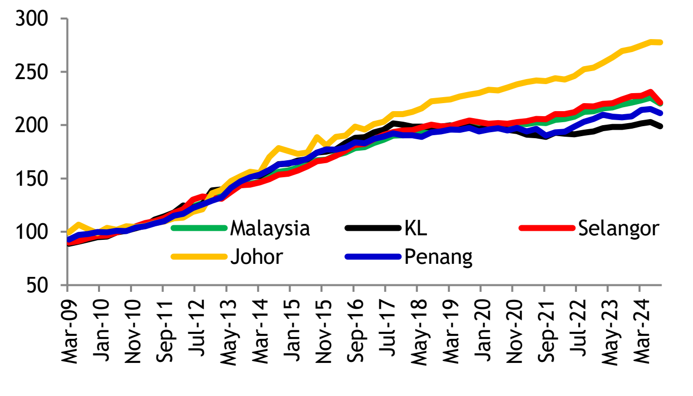
Source: Bloomberg

Property sales improved +19% QoQ,+3% YoY (volume), +19% QoQ and 1% YoY (value) in 3Q24



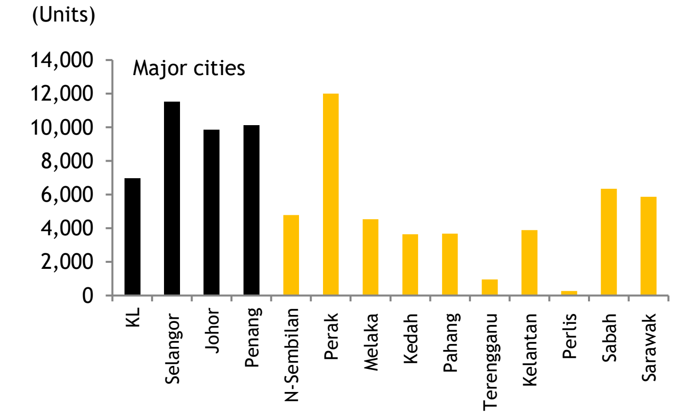
Source: CEIC, NAPIC, Maybank IBG Research (chart)

House Price Index up 0.4% YoY but down 2.4% QoQ in 3Q24



Source: CEIC, NAPIC, Maybank IBG Research (chart)

Selangor and Perak have the highest unsold stocks in 3Q24



Source: CEIC, NAPIC, Maybank IBG Research (chart)

REITs: Widening yield spread

POSITIVE (unchanged)

- **We forecast the sector's CY25E YoY earnings growth of +9.6% to be supported by sustained occupancy and rental rates, coupled with several new asset injections.**
- **The sector offers average CY25E net DPU yield of 5.9% (CY24E: 5.4%).**
- **Our top BUY is CLMT. We also have BUY on PavREIT, Axis REIT and SENTRAL.**

In retrospect. The 10-year MGS yield was less volatile in 2024 with a YTD (12 Dec) range of 32bps (3.69-4.00%), compared to 52bps in 2023 (3.64-4.16%). The yield spread between the 10-year MGS and M-REITs net DPU yield has sustained at around 164-229bps, above its 10-year mean of 134bps.

The KLREI index has risen +9.9% YTD (2023: +1.2%), in-line with the broader KLCI (+10.6%). This was mainly due to better earnings from Retail and Hospitality assets. M-REITs within our coverage reported core earnings growth of +7.8% for 9MCY24, mainly lifted by new assets (for SunREIT, Axis REIT, YTLREIT, SENTRAL), positive rental reversion for retail segment (IGBREIT, CLMT, SunREIT) and improved occupancy for hospitality assets (SunREIT, KLCCP, YTLREIT).

Outlook. We remain POSITIVE on the sector going into 2025. We forecast a CY25E YoY earnings growth of +9.6% for the sector, to be supported by sustained occupancy and rental rates, coupled with several new asset injections (ie. into SunREIT, PavREIT, Axis REIT and YTLREIT). The sector offers average CY25E net DPU yield of 5.9% (CY24E: 5.4%).

We continue to like M-REITs that are invested in the industrial segment for their resilient earnings due to long-term tenancies, with a rental reversion outlook that is strong. We also favour selective M-REITs with matured retail assets located in prime locations, which would enable them to sustain their high occupancy rates, and allow for positive rental reversions too. Hospitality assets should also benefit from higher inbound tourist arrivals into the country.

Elsewhere, we expect no change to the OPR at 3.00% throughout 2025, which will provide some stability to MREIT's financing cost. The debt profile of most M-REITs under our coverage still mainly comprises floating rate loans – ranging from 9% of total debt for KLCCP, to 100% for ALSREIT, and averaging 55% (MYR11.7b out of total debt of MYR21.5b) for the sector as at end-3Q24. Meanwhile, M-REIT's average interest costs in 9M24 ranged between 3.9% to 6.0%.

On the corporate front, 2025 could see the REIT-ing of some retail/commercial assets by SP Setia (SPSB MK), IOIPG (Not Rated) and WCT (Not Rated).

Analyst: Nur Farah Syifaa
nurfarahsyifaa.mohamadfuad@maybank-ib.com

REITs sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
KLCCP Stapled Group	Hold	14,497	8.03	8.23	20.0	18.1	17.4	1.1	5.8	4.8	13.3
IGB REIT	Hold	7,556	2.09	2.22	20.9	19.7	19.2	1.9	9.5	4.7	21.5
Sunway REIT	Hold	6,302	1.84	1.86	19.8	18.4	15.9	1.2	6.6	4.9	19.5
Pavilion REIT	Buy	5,381	1.47	1.72	18.8	17.5	16.2	1.1	6.1	5.6	21.5
Axis REIT	Buy	3,438	1.71	2.12	19.9	17.8	14.9	1.1	5.9	5.0	(4.5)
YTL REIT	Hold	2,011	1.18	1.25	14.0	13.2	12.8	0.7	5.1	6.7	14.6
Capitaland M'sia Trust	Buy	1,944	0.68	0.73	17.3	14.1	14.1	0.7	4.8	6.5	20.5
Sentral REIT	Buy	950	0.80	0.89	12.8	11.7	11.4	0.7	6.0	7.4	1.3
Al-Salam REIT	Sell	212	0.37	0.36	22.8	45.6	22.8	0.3	0.7	1.9	(23.2)
Simple average		**42,291**			**18.5**	**19.6**	**16.0**	**1.0**	**5.6**	**5.3**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

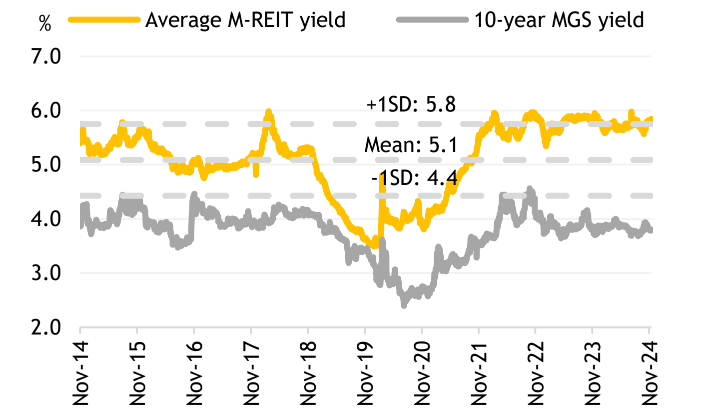
Thematic. M-REITs net DPU yield (1-year forward) is currently at +205bps above the 10Y-MGS yield, which is at +1SD above its 10-year mean. Our Fixed Income Research forecasts the 10Y-MGS yield to slip to 3.75% by 4Q25 from about 3.8% currently. The higher yield spread between M-REITs' forward dividend yield and 10Y-MGS yield offers a better risk-reward prospect for M-REITs.

Sector top BUYs. CLMT is our **Top BUY** for the sector. CLMT earnings will be driven by high shopper traffic and occupancies from its prime malls i.e. Gurney Plaza and Queensbay Mall, and offers an attractive FY25E dividend yield of 6.6%.

We also have **BUY** calls on **PavREIT, Axis REIT** and **SENTRAL**. PavREIT earnings growth will be supported by its prime mall (e.g. Pavilion KL) and newly acquired hospitality assets. Axis REIT will be supported by strong exposure to the industrial segment and its active search for new assets to grow its portfolio. Meanwhile, SENTRAL offers a favourable FY25E net yield of 7.7%.

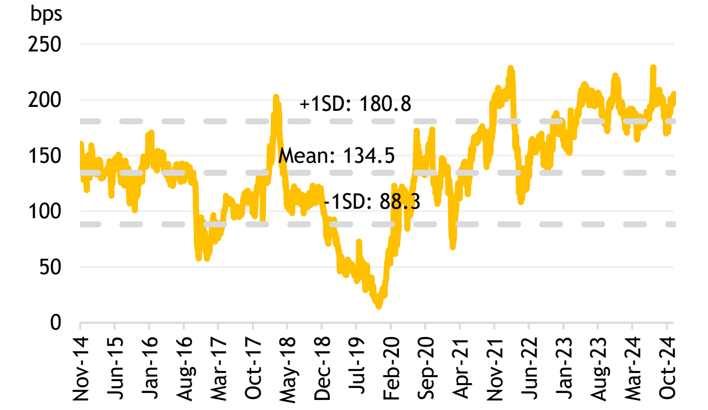
Risks. We remain cautious on the oversupply of retail and office space in the Klang Valley which could exert pressure on occupancy rates and/or rental reversions. These, in turn, would increase the downside risk to DPUs. Elsewhere, OPR hike(s) would lower M-REITs' profitability (higher finance cost) and deter asset acquisitions (more expensive to fund acquisitions via borrowings).

Average M-REIT net yield vs. 10-year MGS yield



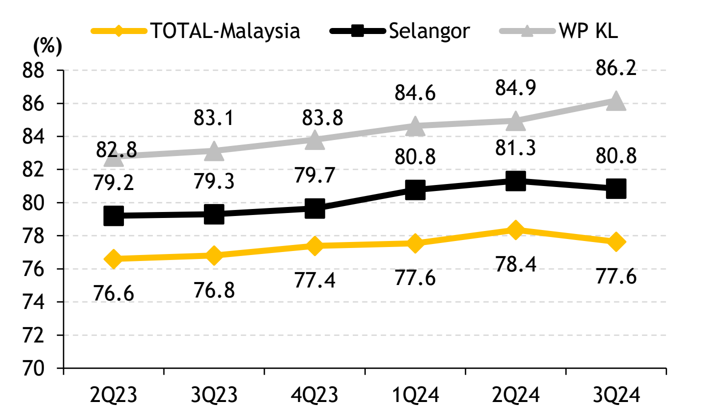
Source: Bloomberg, Maybank IBG Research

Net yield spread (M-REIT net yield vs. 10-year MGS yield)



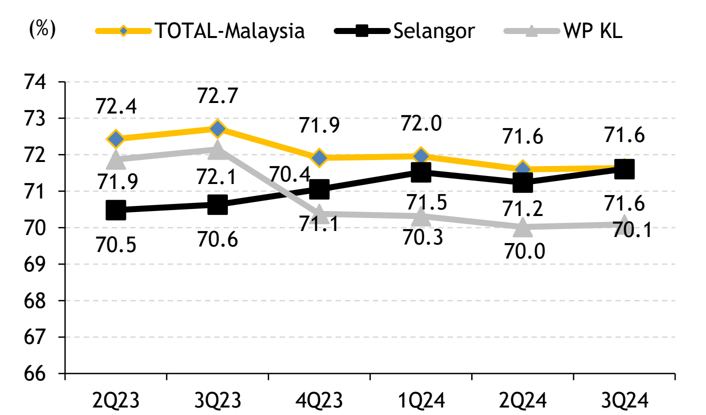
Source: Bloomberg, Maybank IBG Research

Retail space occupancy in shopping complexes



Source: National Property Information Centre (NAPIC)

Office space occupancy in purpose-built offices



Source: National Property Information Centre (NAPIC)

RENEWABLE ENERGY: The year of execution

POSITIVE (unchanged)

- **Into 2025E, the RE sector outlook remains robust, as earnings recognition for EPCC works on the 800MW Corporate Green Power Programme (CGPP) projects commence.**
- **The anticipated awards for the 2GW capacity of LSS5 will provide further opportunities for EPCC orderbook replenishment to RE pure-plays.**
- **We have a BUY on Solarvest.**

In retrospect. Several significant initiatives were announced in 2024 to accelerate renewable energy (RE) capacity and to align with National Energy Transition Roadmap (NETR), with the aim of increasing RE market share to 70% by 2050. These include the launch of the fifth Large Scale Solar (LSS5 or LSS PETRA) programme, with a capacity of 2GW, and the shortlisted bidders are expected to be announced soon. The Government has also introduced a new Low Carbon Energy Generation programme with a capacity of 400MW for non-solar renewable resources - wind, small hydro, biogas, biomass and hydrogen.

Another key development was the establishment of the Energy Exchange Malaysia (ENEGEM) for cross-border electricity sales to neighbouring countries. The first phase offers a capacity of up to 300MW using the existing interconnection between Malaysia and Singapore. Following this, Tenaga Nasional (TNB MK, CP MYR13.76, HOLD, TP MYR14.00) and Sembcorp Power Private Limited had recently signed an agreement for Malaysia’s first RE export to Singapore, supplying 50MW of electricity from Dec 2024, but the pricing and other details are undisclosed.

In addition, the Corporate Renewable Energy Supply Scheme (CRESS) was also introduced, which enables third party access (TPA) to the national grid. This programme allows corporate consumers to directly procure green electricity from RE generators. Under CRESS, it has a minimum plant capacity of 30MW, with varies System Access Charge (SAC), depending on the nature of the energy supplied. The SAC is set at 25sen per kWh for firm output (with battery energy storage systems (BESS)) and 45sen per kWh for non-firm output (without BESS). These charges will be reviewed every regulatory period of 3 years.

Outlook. Into 2025E, RE sector outlook remains robust, as earnings recognition for EPCC works of 800MW Corporate Green Power Programme (CGPP) projects commence. The projects are expected to complete by end-2025. Additionally, the anticipated awards for the 2GW capacity of LSS5 will provide further opportunities for EPCC orderbook replenishment to RE pure-plays, offering strong earnings visibility beyond 2025. Assuming an EPCC works value of MYR3.6m per MW, we estimate the 2GW capacity to be worth c.MYR7.2b in EPCC works.

Meanwhile, solar panel prices remain at record lows. According to IEA, global solar module manufacturing capacity could reach 1,546GW by 2035, compared to 1,115GW in 2023. China is expected to maintain a lead in solar production, but its market share may drop slightly as projects and policies in other regions drive manufacturing expansion. Meanwhile, global demand for solar modules will grow from 460GW in 2023 to 674GW in 2035, at an average growth rate of 3% per year, with China continuing to drive demand. As a result, IEA expects the average price of the solar module to remain low in the next few years.

Analyst: Nur Farah Syifaa
nurfarahsyifaa.mohamadfuad@maybank-ib.com

Renewable Energy sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Solarvest Holdings	Buy	1,177	1.63	2.14	41.0	26.9	20.7	4.1	14.3	0.0	25.4
Cypark Resources	Hold	699	0.85	0.73	283.3	n.a.	159.4	0.7	(4.4)	0.0	(10.1)
Simple average		**1,876**			**41.0**	**26.9**	**20.7**	**4.1**	**14.3**	**0.0**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Thematic. We expect execution from NETR projects to be the RE thematic for 2025. Apart from CGPP and LSS5, we look forward to the initial development of 2.5GW of Hybrid Hydro Floating Solar (HHFS) at Tasik Kenyir. TNB expects to commission up to 1GW of HHFS capacity by end-2026. In addition, we also expect some progress from the first utility-scale Battery Energy Storage System (BESS) development project, to be spearheaded by TNB, with a 400MWh capacity.

Sector top BUYs. Our top **BUY** is **Solarvest**. We remain upbeat on Solarvest's prospects in growing its orderbook and asset base amid strong demand for RE in the medium to longer term. Solarvest now trades at 20x CY25E EPS. We believe Solarvest deserves a premium valuation due to its leading market share position in the solar industry.

Solarvest has an outstanding orderbook of MYR961m to-date, due to be delivered by Dec 2025. They also currently owns 50MW LSS4 assets, with stable recurring income of c.MYR9m p.a., until 2049. Additionally, Solarvest is developing a total 90MW of solar assets (effective 49.5MWp out of 135MWp) under the CGPP. Upon completion, these CGPP assets will generate a recurring income of c.MYR10.4m in JV profits annually, estimated to start from 4QFY26E (until 2047).

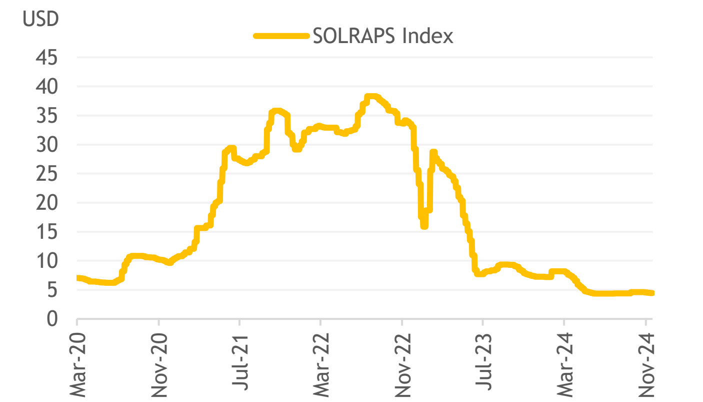
Risks. (i) Delays in commissioning of solar assets could affect the timing of earnings and cash flow recognition; and (ii) rising solar-related material cost and labour shortages could affect the solar projects' margins.

Operational RE by types (excl. large hydro) (as at May 2024)

RE types	Operational MWac
Mini hydro	137.5
Biogas	155.3
Biomass and waste	78.4
Solar:	
- Feed-in-Tariff (FiT)	693.0
- NEM 2.0	447.3
- NEM 3.0	619.8
- LSS	1,887.5
Total operational RE	**4,018.7**

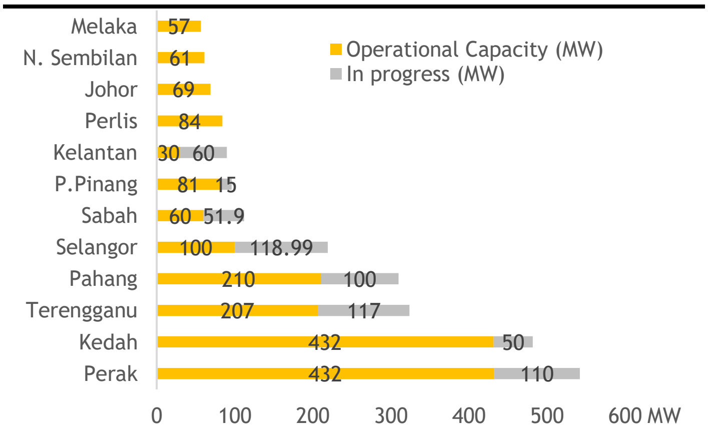
Source: SEDA, Energy Commission, Maybank IBG Research

Polysilicon price (USD/kg)



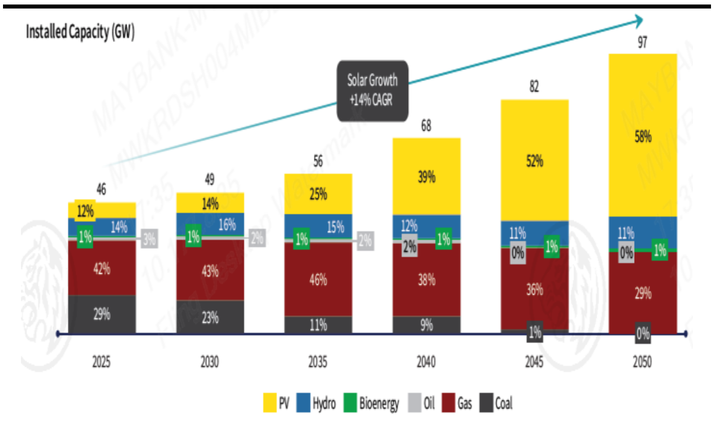
Source: Bloomberg, Maybank IBG Research

LSS progress by state as at 1Q24



Source: Energy Commission, Maybank IBG Research

Projected power system installed capacity mix 2050



Source: NETR Blueprint

TECHNOLOGY: Better to be selective

Semiconductors: NEUTRAL (unchanged)

Software & EMS: POSITIVE (unchanged)

- **We expect cyclical and structural challenges for back-end semicon (ATE/OSAT) to persist into 2025E, but we remain optimistic on its 2026E prospects. Meanwhile, growth momentum for front-end semicon is expected to continue unperturbed into 2025E.**
- **We remain cautiously optimistic on EMS, premised upon meaningful market share capture of AI-driven growth opportunities. We also maintain our positive stance on MY software due to snowballing digital adoption trends.**
- **Selective on hardware (BUY FRCB, SAMEE). Broad-based BUYs on our software and EMS coverage (top picks: MYEG, CTOS, RAMSSOL, VSI).**

In retrospect. The technology sector's mid-year euphoria in 2024 was short-lived. Having surged c.29% between late-April through to mid-June following the Prime Minister's NSS announcement, the KLTEC index's (Fig. 1) momentum shifted into reverse gear with an equally rapid -28% decline to reach its nadir on 11 Sep 2024 (its lowest point since May 2023). The decline can largely be attributed to (i) disappointing 2Q24 earnings delivery, (ii) weakening global growth outlook in key end-markets (consumer electronics/automotive) served by MY semicon PLCs, (iii) impending tariff threat uncertainties from a Trump 2.0 presidency that put key customer investment decisions on hold, and (iv) a sharp strengthening of the MYR vis-à-vis USD (-c.13%) throughout 3QCY24.

For our semicon coverage, earnings delivery broadly fell short of our expectations in two consecutive quarters with 5 (out of 6) earnings misses in both 2Q/3Q24. The exceptions were Greatech/SAM Engineering in 2Q/3Q respectively, as both registered quarterly earnings that were in-line.

For **ATEs/OSATs**, back-end ATP growth continued to remain sluggish as industry bellwethers Inari (OSAT), ViTrox (ATE) and Greatech (FAS) struggled to grow their turnover meaningfully amidst weak demand, mounting cost pressures and intensifying foreign competition. Inari's once-vaunted GP margin profile (averaging c.30% throughout CY21/22 – Fig. 3) has effectively been in steady decline (now averaging low-20s) as a result of muted volume loading from its US-based RF customer struggling to grow its smartphone market share in China. ViTrox's EBIT margin has also significantly compressed in FY24E-YTD, partially due to stronger R&D/SG&A investments to compete against heavily subsidised Chinese market entrants. Despite its limited exposure to the semicon inventory cycle, Greatech was not spared the downturn as O/B replenishment failed to materialise meaningfully in 3Q24 on the back of customer uncertainties over the outcome of the US presidential election. The strengthening MYR vis-à-vis USD (-c.13% QoQ) also posed additional drags to 3QCY24 earnings with Inari/ViTrox/Greatech suffering realised forex losses ranging from -8% to -37% as a percentage of CNP respectively.

Acronyms

AI - artificial intelligence
ASP - average selling price
ATE - automated test equipment
ATP - assembly, test & packaging
CNP - core net profit
DC - data centre
DeFi - decentralised finance
EMS - electronic manufacturing services
FAS - factory automation solutions
FDI - foreign direct investment
GP - gross profit
HCM - human capital management
FDI - foreign direct investment
KLTEC - Kuala Lumpur Technology Index
MNC - multinational corporation
MY - Malaysia
NPI - new product initiative
NSS - National Semiconductor Strategy
O/B - orderbook
O&G - oil & gas
OSAT - outsourced assembly & testing
PLC - public-listed company
R&D - research & development
RF - radio frequency
SG&A - selling, general & administrative
SMID - small & mid-caps
WSTS - World Semiconductor Trade Statistics

Analysts: Anand Pathmakanthan
anand.pathmakanthan@maybank-ib.com

Arvind Jayaratnam
arvind.jayaratnam@maybank.com

Lucas Sim
lucas.sim@maybank-ib.com

Semicon sector – Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Inari Amertron	Hold	11,252	2.97	2.93	35.6	34.5	31.8	4.0	12.2	2.6	(1.3)
Vitrox Corp	Sell	6,773	3.58	3.40	51.1	57.7	35.4	6.5	11.0	0.4	(50.9)
Greatech Technology	Hold	5,701	2.27	2.25	37.8	34.9	28.4	6.2	18.1	0.0	(52.7)
Frontken Corp	Buy	6,708	4.24	4.95	59.7	48.7	34.8	9.0	22.0	0.6	30.9
SAM Eng & Equip	Buy	2,708	4.00	5.50	26.6	31.1	25.8	1.8	5.9	0.8	(1.5)
Globetronics Tech	Hold	382	0.57	0.54	14.9	18.2	14.5	1.2	6.7	4.4	(65.1)
Simple average		**33,524**			**37.6**	**37.5**	**28.4**	**4.8**	**12.7**	**1.5**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Software sector - Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
My E.G. Services	Buy	7,079	0.94	1.68	14.5	11.2	11.2	2.6	23.1	1.8	15.3
CTOS Digital	Buy	2,888	1.25	1.65	24.5	26.0	20.5	4.5	17.8	2.6	(11.3)
ITMAX System	Buy	3,656	3.55	4.40	57.3	46.7	34.5	9.1	19.6	0.4	98.3
Ramssol	Buy	253	0.72	1.00	35.8	14.9	12.8	2.3	21.3	1.5	88.2
Simple average		**13,875**			**33.0**	**24.7**	**19.7**	**4.6**	**20.5**	**1.6**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

EMS sector - Peer valuation summary

Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
V.S. Industry	Buy	4,142	1.07	1.28	21.7	21.1	17.2	1.8	8.8	2.1	31.3
Aurelius Technologies	Buy	1,435	3.31	3.34	34.1	24.9	20.8	3.8	12.1	2.8	27.3
Simple average		**5,577**			**27.9**	**23.0**	**19.0**	**2.8**	**10.4**	**2.5**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

In the **EMS** space, Aurelius and VSI were not immune to forex fluctuations, which also impacted the broader local EMS sector. As a result, both companies reported weaker core earnings sequentially due to margin pressures from unfavourable currency movements.

The consumption-driven **software** space saw continued growth momentum, with heavyweights MYEG, ITMAX, and SMID outlier Ramssol all delivering strong 2/3Q24 earnings on the back of solid project execution. CTOS remained the only exception, as it struggled to shrug off share price overhang from its (now-resolved) litigation woes earlier in the year, with 2Q24 earnings delivery falling short due to deferred projects.

Outlook & thematics. In early Dec 2024, the WSTS revised its global semiconductor growth expectations upwards by 3ppts to 19% for 2024E (from 16% in June 2024). With global semicon sales expected to hit USD627b in 2024E, growth is expected to moderate slightly to 11.2% (USD697b) in FY2025E. While much of this growth is expected to be driven by continued robustness from the AI/compute-driven logic and memory sub-segments, ***we do not anticipate a meaningful follow-through*** for local semicon PLCs in the near-to-medium term.

Our thesis is premised upon 6 core assumptions: (i) the lack of domestic back-end (ex-EMS) exposure to emerging AI platforms, (ii) a strong reliance on legacy growth sectors (automotive, consumer electronics, industrial) that have yet to reach a trough in the ongoing cyclical downturn, (iii) significant dependence on Chinese customers/end-demand who are increasingly turning inwards on a government-mandated path of technological self-reliance in response to Western sanctions, (iv) increased labour costs from the various labour-related levies and measures announced in Budget 2025, (v) prior underinvestment in technical capabilities (advanced packaging capex) leading to less-than-favourable execution on NPIs, and (vi) supply chain uncertainties posed by the Trump 2.0 regime's tariff policies.

Notwithstanding throttled 2025E growth expectations for domestic **semicon (ATE/OSAT/FAS)** players from a combination of one or more of the above factors, we still expect blended plant utilisation rates to continue hovering above breakeven (c.55-65%) in 1H25E. As such, the risk of companies under our coverage incurring surprise loss-making quarters is minimal (assuming negligible realised forex impact from currency fluctuations), in our view. We remain optimistic of a stronger pick-up in earnings prospects in late-2025 from a recovery in global aggregate demand as the dust settles on currently uncertain US-Sino trade policies. Meanwhile, front-end auxiliary players (ie. Frontken) will likely see a continuation of its growth trajectory due to (a) its negligible exposure to China and (b) its strong relationship with the leading global foundry at the forefront of the AI/DC revolution.

On **EMS**, we maintain a cautiously optimistic view for 2025E, supported by the ongoing global supply chain shifts and the adoption of disruptive technologies. As the only sub-sector amongst Malaysian tech PLCs that has seen meaningful 2024E traction in AI/DC-related customer orders, the key focus for 2025 will be on capturing new growth opportunities from new products/customers, particularly in AI-driven technologies and MNCs seeking to diversify supply chains away from countries subject to international trade barriers. Further growth lies in the local EMS players who have recently expanded production capacities (Fig. 4) and enhanced their capabilities to cater for higher-value jobs. We remain positive on the long-term outlook for the sector, in view of the recent rise in FDIs.

Our outlook for the Malaysian **software** space remains positive amidst favourable structural tailwinds in relation to digital adoption. The positive momentum (and a thematic) will be supported by the expected introduction of the High-Growth High-Value (HGHV) blueprint for digital-based industries in 2025. We believe the blueprint will detail sub-sectoral roadmaps to intensify the development of Malaysia's start-up ecosystem and lay the foundations to turn Malaysia into an attractive investment hub for global tech companies.

Sector rating. Notwithstanding BUYs on auxiliary front-end players Frontken/SAM Engineering, we maintain our **NEUTRAL** stance on the **semicon** sector, underpinned by our HOLD and SELL ratings for OSAT/FAS and ATE market cap leaders Inari/ Greatech and ViTrox respectively. Although we like these companies (sound fundamentals backed by strong management teams), current valuations are fair amidst uncertain wider industry prospects. Meanwhile, our **POSITIVE** stance on **software** and **EMS** is maintained on more favourable risk-reward propositions and stock picks.

Sector top BUYs. For **semicon**, we remain selective and prefer players with limited exposure to China and the back-end (OSAT/ATE) inventory cycle. Our top picks are (i) **Frontken** and (ii) **SAM Engineering**. We remain upbeat on Frontken's growth prospects, underpinned by its (a) resilient demand outlook in Taiwan, (b) ongoing recovery in Singapore semicon volumes, and (c) the resolution of operational O&G uncertainties in Malaysia. Meanwhile, we like SAM Engineering for its earnings resilience as a secular growth stock poised to capitalise on both the front-end semicon upcycle, and the expected cyclical recovery of the aerospace sector.

For **EMS**, we favour VSI because of its strong position to capitalise on trade relocation opportunities from both new and existing customers. VSI's proven track record of trust and quality enables it to secure new orders for upcoming product models. We project a 16% CNP CAGR for FY24-27E.

In the **software** space, our top BUYs are (i) **MYEG** (continued earnings growth momentum from high-margin DeFi ventures); (i) **ITMAX** (sound competitive advantages vis-à-vis its peers, impending 2025 domestic expansion to other Peninsular states); and (iii) **Ramssol** (stellar earnings accretion potential from its HCM distributor projects and partnerships).

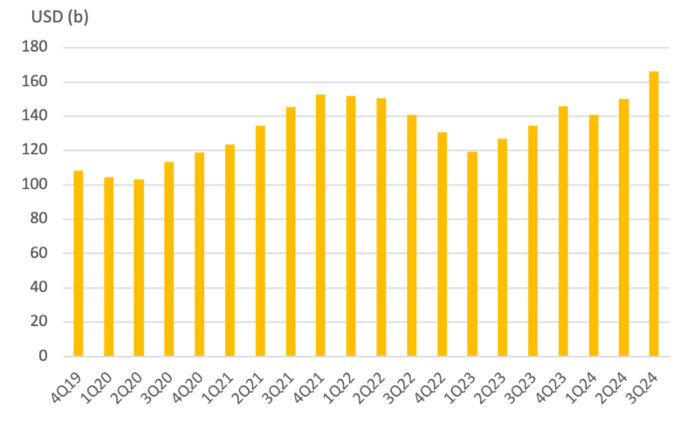
Risks. For **semicon and EMS**, risk factors affecting our earnings estimates, target price and ratings for companies under our coverage include (i) a prolonged downturn in the demand for automotive and consumer electronics; (ii) a stronger MYR vis-à-vis USD; and (iii) the imposition of wage-related/electricity tariff hikes.

For **software**, (i) softening of consumer spending patterns that could result in slower domestic consumption; (ii) security breaches affecting operational capabilities; and (iii) subsidy removals that could impact discretionary spending.

Fig. 1: KLTEC Technology Index (5Y performance)

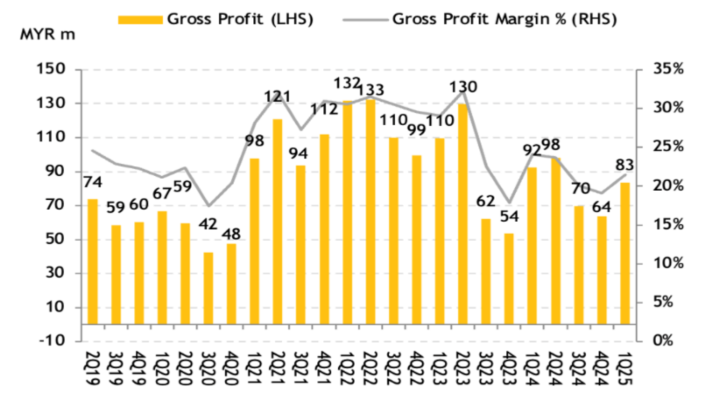
Source: Bloomberg, Maybank IBG (compilation)

Fig. 2: Global semiconductor billings (blended total)



Source: WSTS, Maybank IBG (compilation)

Fig. 3: Inari's quarterly gross profit & GP margin



Source: Company, Maybank IBG (compilation)

Fig. 4: Domestic EMS PLCs' capacity expansion status

Company	Expected Expansion Completion
Aurelius Technology	4QCY24
PIE Industrial	3QCY25
YBS International	2HCY25
VS Industry	1QCY25

Source: Company, Maybank IBG (compilation)

TELECOM: Challenging but possibly priced-in

NEUTRAL (unchanged)

- **Operational challenges persist for both mobile (5G uncertainty) and fixed (elevated broadband competition) telco segments in 2025.**
- **Risks are somewhat priced-in given mobile telcos' share price correction in 2024 YTD; there are also potential cost levers to engage.**
- **Our preferred sector picks are CelcomDigi and Axiata, we also have a BUY rating on TM.**

In retrospect. In the mobile space, cumulative Big 2 service revenue was up 0.9% YoY in 9M24, on course for a fourth consecutive year of growth. On 5G, 4 of the 5 telcos (TM being the exception) signed share subscription agreements for DNB. UMobile was surprisingly chosen to implement the second 5G network, and is allowed to collaborate with other telcos, subject to regulatory approval. Meanwhile, telcos continue to pay nominal access fees to DNB in 2024, which suggest there are other conditions outside coverage (already exceeded the 80% target) that have not yet been met.

In the fixed space, competition in the home fibre broadband segment intensified in 2024 as mobile operators offered greater discounts (essentially using fixed broadband as a subscriber retention tool). TM announced a 51-49 JV with Nxera (Singtel's data centre arm) to develop data centres (up to 200MW, Phase 1 comprises 64MW) in Iskandar Puteri, Johor. On the M&A front, Axiata's tower arm edotco announced the disposal of its Myanmar entity (a precursor to the broader edotco fund-raising). XL Axiata (61%-owned subsidiary of Axiata) and Smartfren are currently in merger talks (non-binding MOU) in Indonesia.

Outlook. We believe mobile operators could continue be plagued by regulatory uncertainty and 5G capex risk in 2025. UMobile is unlikely to deploy the second 5G network by itself, in our view, and could potentially collaborate with either CelcomDigi or Maxis (thus 5G capex concerns could resurface). We are also unsure if the present DNB access fees would be revised as part of the process of setting up the second 5G network. Nevertheless, given the share price de-rating of mobile telcos in recent years, some of the 5G capex risk could have been priced-in, in our view. Meanwhile, we expect competitive intensity in fixed broadband to remain elevated in 2025 as mobile players continue to use fixed broadband as a lever for subscriber retention.

Thematic. The telecom industry continues to depict a long-drawn race to the bottom as competition hampers monetisation and regulatory demands intensify. As revenue stagnate, telcos can only rely on optimising costs (including engaging in mergers) to preserve earnings. In our view, telcos with headroom to optimise costs are: TM (high staff costs), Axiata (holding co and finance costs) and CelcomDigi (realization of merger synergies).

Analyst: Tan Chi Wei, CFA
(chiwei.t@maybank-ib.com)

Telecom sector – Peer valuation summary

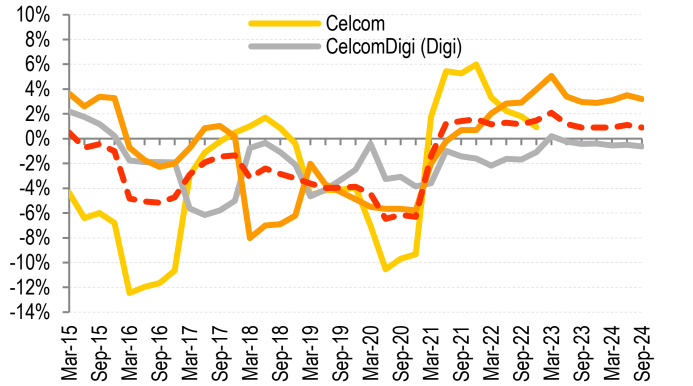
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
CelcomDigi	Buy	42,703	3.64	4.50	27.58	27.0	18.0	2.6	9.6	3.5	(10.8)
Maxis	Hold	27,651	3.53	3.70	27.80	19.7	18.7	4.2	23.8	4.5	(8.3)
Axiata Group	Buy	21,763	2.37	3.20	40.17	29.3	18.5	1.0	3.4	4.2	(0.4)
Telekom M'sia	Buy	25,022	6.52	7.50	13.07	16.8	15.3	2.5	15.0	3.0	17.5
TIME dotCom	Hold	8,745	4.73	5.10	21.40	19.0	18.2	2.1	11.2	5.3	(12.4)
Simple average		**125,884**			**26.0**	**22.3**	**17.7**	**2.5**	**12.6**	**4.1**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector top BUYs. Our preferred sector pick is **CelcomDigi**. We believe 5G-capex risk is largely priced-in, and the stock could re-rate when merger synergies begin to manifest more meaningfully (possibly from FY25 onwards). We retain our BUY rating on **Axiata**, with current share price only reflecting its stakes in CelcomDigi and XL. We view sequential net profit recovery and balance sheet repair as potential re-rating catalysts. **TM** meanwhile, potentially benefits from increased demand for connectivity arising from the data centre boom. Its overall earnings outlook remains favourable on the back of its ongoing multi-year cost optimisation efforts. For FY25, we believe investors are likely to focus on the delivery progress of its data centre venture.

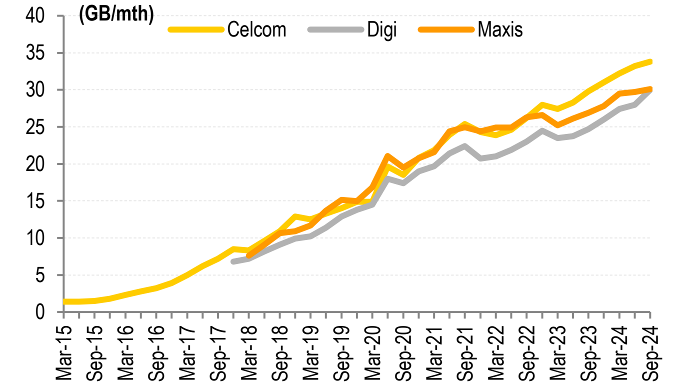
Risks. All telcos could be affected if consumer spending comes under pressure from economic weakness. Developments pertaining to industry consolidation could also have an impact on share prices. In the mobile space, the emergence of a serious price war remains a material risk, particularly if initiated by one of the Big 2. 5G developments are still fluid and could have material implications to telcos' operations. Currency is also a risk factor for Axiata, with sizable earnings being derived from outside Malaysia. In the fixed space, the broadband segment is getting increasingly competitive with encroachment from mobile operators. There remains a risk of retail subscribers potentially down-trading to cheaper plans.

Service revenue YoY growth (annual cumulative)



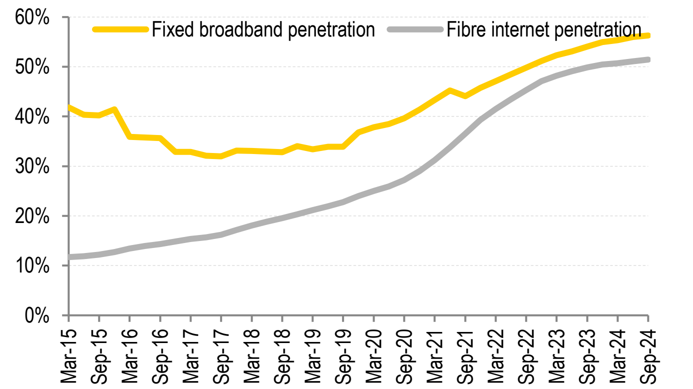
Source: Companies

Average monthly data usage



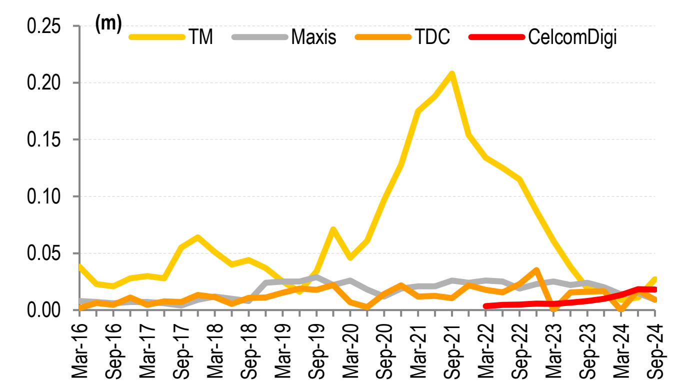
Source: Companies

Fibre broadband penetration



Source: MCMC, Companies

Quarterly fibre broadband subscriber additions



Source: Companies

UTILITY: A more balanced undertone

NEUTRAL (unchanged)

- **The power sector does not immediately benefit from an uplift in demand; returns on new generation projects are also increasingly less lucrative.**
- **There are no material regulatory events pending for the gas sector in 2025; we expect the MRP to continue trending down into 2Q25.**
- **Our preferred sector picks are YTL Power and Mega First.**

In retrospect. Tenaga disclosed that c.1.1GW of data centre capacity was completed in 9M24, bring total operational capacity to c.1.7GW. Consequently, Peninsular Malaysia's electricity demand was up 7.3% YoY, and generation up 7.1% YoY in 9M24. Tenaga's return of surplus revenue has thus remained elevated in 2024. Meanwhile coal prices were generally stable in 2024, thus there have been no sharp fluctuations in Tenaga's fuel cost under-recoveries and ICPT receivables. RP4 (2025-2027) negotiations are ongoing in 2024, with clarity on the inputs likely emerging in end-2024 or early-2025 (we expect c.MYR30b of regulated capex).

For YTL Power, PowerSeraya's quarterly earnings have been tapering sequentially (but not sharply) YTD. Malakoff returned to profitability in 2024 as fuel margins at the coal plants normalised. It also secured a 1+1 year extension (commencing 1 Sep 2024) for the Prai Power plant. Meanwhile, the 3rd five-year term of Petronas Gas' gas processing agreement (GPA) took effect in 2024, with fixed reservation charge being raised by 6% and incentive for liquids being raised by 33%.

Outlook. We believe electricity demand growth could remain elevated in 2025 as more data centres become operational. Nevertheless, we note that the power sector is generally insulated from demand risk under the IBR framework, and thus does not materially benefit from demand upside in the near term. Also based on channel checks, we note project returns for new domestic generation projects are increasingly less lucrative. Nevertheless, given the multi-year lead time to commission greenfield projects, the mismatch between earnings expectations and actual delivery might not manifest until some years down the road. For the gas sector, there are no material regulatory events pending in 2025. We expect the Malaysia Reference Price (MRP) to continue trending down into 2Q25 based on current crude oil price trends.

Thematic. RE transition is a secular theme. The 70% RE capacity by 2050 target outlined by the NETR alludes to substantial new RE capacity to be developed over time. There are also impending opportunities in the battery energy storage system (BESS) space. Securing optimal project returns remain key. Companies with substantial cash piles like Tenaga (sheer balance sheet size), Mega First (backed by Don Sahong's strong cashflows) and YTL Power (elevated distribution from PowerSeraya) are relatively better-positioned to pursue such opportunities.

Analyst: Tan Chi Wei, CFA
(chiwei.t@maybank-ib.com)

Utility sector – Peer valuation summary

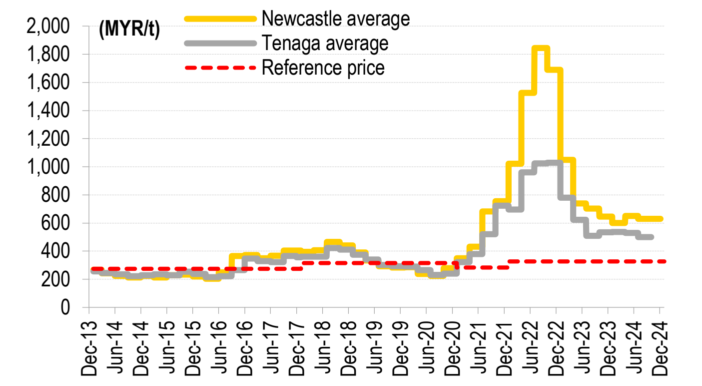
Stock	Rec	Mkt cap (MYRm)	Shr px (MYR)	TP (MYR)	PER (x) CY23	PER (x) CY24E	PER (x) CY25E	P/B (x) CY24E	ROE (%) CY24E	Div Yld (%) CY24E	Px chg (%) YTD
Tenaga Nasional	Hold	79,986	13.76	14.00	21.4	20.9	17.7	1.3	6.4	3.3	37.1
Petronas Gas	Hold	33,757	17.06	18.00	18.3	18.9	18.5	2.4	12.8	4.2	(2.0)
YTL Power	Buy	29,642	3.61	4.70	11.5	9.5	9.7	1.4	14.5	1.9	42.1
Gas Malaysia	Hold	5,226	4.07	3.80	13.6	11.7	13.0	3.5	30.3	6.4	26.8
Mega First Corp	Buy	4,166	4.42	4.80	10.6	8.9	8.5	1.2	13.6	2.1	19.8
Malakoff Corporation	Hold	3,885	0.80	0.80	n.a.	12.2	10.7	0.8	5.9	5.8	25.2
Ranhill Utilities	Sell	1,866	1.44	0.90	32.0	38.9	31.0	2.3	6.1	1.8	60.0
Simple average		**158,529**			**17.9**	**17.3**	**15.6**	**1.9**	**12.8**	**3.7**	

Source: Bloomberg pricing (11 Dec 2024), Maybank IBG Research

Sector top BUYs. Our preferred pick for the sector is **YTL Power**. We expect tapering PowerSeraya's earnings to be offset by recovering Wessex's earnings (from improved regulatory terms, to be announced in Dec 2024, and tapering UK inflation). We note of possible earnings uplift from its AI compute segment if monetisation challenges do not crop up (the announcement of its first major AI compute customer could serve as a re-rating catalyst). We also have a BUY rating on **Mega First**. We do not rule out the revised Concession Agreement (CA) and Power Purchase Agreement (PPA) for Don Sahong (incorporating the fifth turbine) being incrementally positive to Mega First. We also expect further progress and developments on its modern farming and hospital ventures.

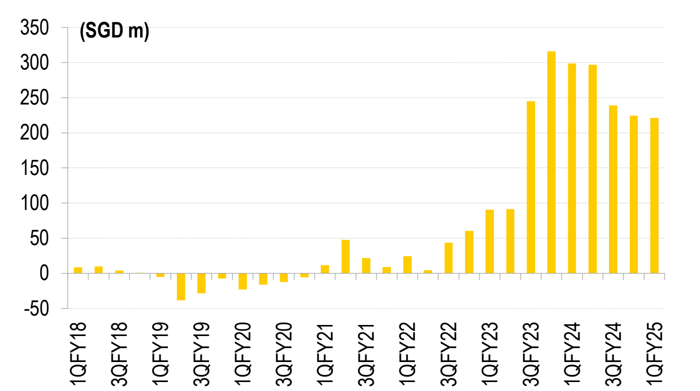
Risks. For Tenaga, Petronas Gas and Gas Malaysia, any changes to regulatory terms would have direct earnings implications. YTL Power's earnings are largely overseas-derived (with Wessex in UK being the main earnings contributor), and are thus vulnerable to currency fluctuations. For Malakoff, any major unscheduled plant outages could potentially lead to missed capacity payments, resulting in lower profitability. Mega First's investment thesis centres on its ability to optimally recycle capital, thus any non-accretive or non-complementary investments could adversely affect sentiment.

Coal prices



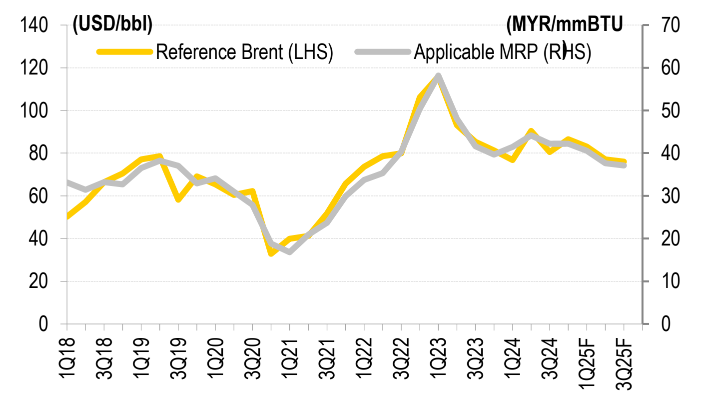
Source: Bloomberg, Company

PowerSeraya quarterly pre-tax profit



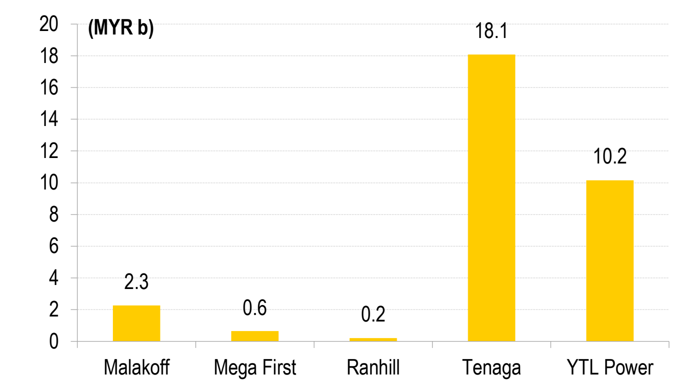
Source: Company

Domestic gas price



Source: Bloomberg, Energy Commission, DOSM

Cash pile at 3QCY24



Source: Company, Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

Erica TAY
China | Thailand
(65) 6231 5844
erica.tay@maybank.com

Brian LEE Shun Rong
Indonesia | Singapore | Vietnam
(65) 6231 5846
brian.lee1@maybank.com

Fatin Nabila MOHD ZAINI
Malaysia | Philippines
(603) 2297 8685
fatinnabila.mohdzaini@maybank-ib.com

Luong Thu Huong
(65) 6231 8467
hana.thuhuong@maybank.com

LEE Jia Yu
(65) 6231 5843
jiayu.lee@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

Fiona LIM
(65) 6320 1374
fionalim@maybank.com

Alan LAU, CFA
(65) 6320 1378
alanlau@maybank.com

Shaun LIM
(65) 6320 1371
shaunlim@maybank.com

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
Head of Fixed Income
(65) 6231 5831
winsonphoon@maybank.com

SOH Jing Ying
(603) 2074 7606
jingying.soh@maybank.com

PORTFOLIO STRATEGY

ONG Seng Yeow
(65) 6231 5839
ongsengyeow@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

LIM Sue Lin, *Co-Head of Research*
(603) 2297 8612
suelin.lim@maybank-ib.com
• Equity Strategy

WONG Chew Hann, CA *Co-Head of Research*
(603) 2297 8686
wchewh@maybank-ib.com
• Equity Strategy
• Non-Bank Financials (stock exchange)
• Construction & Infrastructure

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance

ONG Chee Ting, CA
(603) 2297 8678
ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916
samuel.y@maybank-ib.com
• Gaming – Regional
• Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690
chiwei.t@maybank-ib.com
• Power • Telcos

WONG Wei Sum, CFA
(603) 2297 8679
weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687
jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Renewable Energy • REITs

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Automotive • Technology (EMS)

Jeremie YAP
(603) 2297 8688
jeremie.yap@maybank-ib.com
• Oil & Gas • Petrochemicals

Nur Natasha ARIZA
(603) 2297 8691
natashaariza.aizarizal@maybank-ib.com
• Healthcare

Arvind JAYARATNAM
(603) 2297 8692
arvind.jayaratnam@maybank.com
• Technology (Semicon & Software)

TEE Sze Chiah *Head of Retail Research*
(603) 2082 6858
szechiah.t@maybank-ib.com
• Retail Research

Amirah AZMI
(603) 2082 8769
amirah.azmi@maybank-ib.com
• Retail Research

Amirul RUSYDY, CMT
(603) 2297 8694
rusydy.azizi@maybank-ib.com
• Chartist

SINGAPORE

Thilan WICKRAMASINGHE *Head of Research*
(65) 6231 5840
thilanw@maybank.com
• Strategy • Consumer
• Banking & Finance - Regional

Eric ONG
(65) 6231 5849
ericong@maybank.com
• Healthcare • Transport • SMIDs

Jarick SEET
(65) 6231 5848
jarick.seet@maybank.com
• Technology • SMIDs

Krishna GUHA
(65) 6231 5842
krishna.guha@maybank.com
• REITs • Industrials

Hussaini SAIFEE
(65) 6231 5837
hussaini.saifee@maybank.com
• Telcos • Internet

PHILIPPINES

Kervin Laurence SISAYAN *Head of Research*
(63) 2 5322 5005
kervin.sisayan@maybank.com
• Strategy • Banking & Finance • Telcos

Daphne SZE
(63) 2 5322 5008
daphne.sze@maybank.com
• Consumer

Raffy MENDOZA
(63) 2 5322 5010
joserafael.mendoza@maybank.com
• Property • REITs • Gaming

Michel ALONSO
(63) 2 5322 5007
michelxavier.alonso@maybank.com
• Conglomerates

Germaine GUINTO
(63) 2 5322 5006
germaine.guinto@maybank.com
• Utilities

Ronalyn Joyce LALIMO
(63) 2 5322 5009
rona.lalimo@maybank.com
• SMIDs

VIETNAM

Quan Trong Thanh *Head of Research*
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8182
loi.nguyen@maybank.com
• Property

Nguyen Thanh Hai
(84 28) 44 555 888 ext 8081
thanhhai.nguyen@maybank.com
• Industrials

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Retail Research

INDONESIA

Jeffrosenberg CHENLIM *Head of Research*
(62) 21 8066 8680
jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance • Property

Willy GOUTAMA
(62) 21 8066 8688
willy.goutama@maybank.com
• Consumer

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos • Internet • Construction

Paulina MARGARETA
(62) 21 8066 8690
paulina.tjoa@maybank.com
• Autos • Healthcare

Jocelyn SANTOSO
(62) 21 8066 8689
jocelyn.santoso@maybank.com
• Consumer

Hasan BARAKWAN
(62) 21 8066 2694
hasan.barakwan@maybank.com
• Metals & Mining • Oil & Gas

Faiq ASAD
(62) 21 8066 8692
faiq.asad@maybank.com
• Banking & Finance

Satriawan HARYONO, CEWA, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

THAILAND

Chak REUNGSINPINYA *Head of Research*
(66) 2658 5000 ext 1399
chak.reungsinpinya@maybank.com
• Strategy • Energy

Jesada TECHAHUSDIN, CFA
(66) 2658 5000 ext 1395
jesada.t@maybank.com
• Banking & Finance

Wasu MATTANAPOTCHANART
(66) 2658 5000 ext 1392
wasu.m@maybank.com
• Telcos • Technology (Software) • REITs
• Property • Consumer Discretionary

Surachai PRAMUALCHAROENKIT
(66) 2658 5000 ext 1470
surachai.p@maybank.com
• Auto • Conmat • Contractor

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Food & Beverage • Commerce

Natchaphon RODJANAROWAN
(66) 2658 5000 ext 1393
natchaphon.rodjanarowan@maybank.com
• Utilities • Property

Boonyakorn AMORNSANK
(66) 2658 5000 ext 1394
boonyakorn.amornsank@maybank.com
• Services (Hotels, Transport)

Nontapat SAHAKITPINYO
(66) 2658 5000 ext 2352
nontapat.sahakitpinyo@maybank.com
• Healthcare

Yugi TAKESHIMA
(66) 2658 5000 ext 1530
yugi.takeshima@maybank.com
• Technology (EMS & Semicon)

Tanida JIRAPORNKASEMSUK
(66) 2658 5000 ext 1396
tanida.jirapornkasemsuk@maybank.com
• Food & Beverage

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "Maybank IBG") and consequently no representation is made as to the accuracy or completeness of this report by Maybank IBG and it should not be relied upon as such. Accordingly, Maybank IBG and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. Maybank IBG expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Maybank IBG and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. One or more directors, officers and/or employees of Maybank IBG may be a director of the issuers of the securities mentioned in this report to the extent permitted by law.

This report is prepared for the use of Maybank IBG's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of Maybank IBG and Maybank IBG and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Research Pte. Ltd. ("MRPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact MRPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act 2001), MRPL shall be legally liable for the contents of this report.

Thailand

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of Maybank Securities (Thailand) Public Company Limited. Maybank Securities (Thailand) Public Company Limited ("MST") accepts no liability whatsoever for the actions of third parties in this respect.

Due to different characteristics, objectives and strategies of institutional and retail investors, the research products of MST Institutional and Retail Research departments may differ in either recommendation or target price, or both. MST reserves the rights to disseminate MST Retail Research reports to institutional investors who have requested to receive it. If you are an authorised recipient, you hereby tacitly acknowledge that the research reports from MST Retail Research are first produced in Thai and there is a time lag in the release of the translated English version.

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. MST does not confirm nor certify the accuracy of such survey result.

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, MST does not confirm, verify, or certify the accuracy and completeness of the assessment result.

US

This third-party research report is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Wedbush Securities Inc. ("Wedbush"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Wedbush in the US shall be borne by Wedbush. This report is not directed at you if Wedbush is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Wedbush is permitted to provide research material concerning investments to you under relevant legislation and regulations. All U.S. persons receiving and/or accessing this report and wishing to effect transactions in any security mentioned within must do so with: Wedbush Securities Inc. 1000 Wilshire Blvd, Los Angeles, California 90017, +1 (646) 604-4232 and not with the issuer of this report.

UK

This document is being distributed by Maybank Securities (London) Ltd ("MSUK") which is authorized and regulated, by the Financial Conduct Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938- H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. **Singapore:** This report is distributed in Singapore by MRPL (Co. Reg No 198700034E) which is regulated by the Monetary Authority of Singapore. **Indonesia:** PT Maybank Sekuritas Indonesia ("PTMSI") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the Financial Services Authority (Indonesia). **Thailand:** MST (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Philippines:** Maybank Securities Inc (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. **Vietnam:** Maybank Securities Limited (License Number: 117/GP-UBCK) is licensed under the State Securities Commission of Vietnam. **Hong Kong:** MIB Securities (Hong Kong) Limited (Central Entity No AAD284) is regulated by the Securities and Futures Commission. **India:** MIB Securities India Private Limited ("MIBSI") is a participant of the National Stock Exchange of India Limited and the Bombay Stock Exchange and is regulated by Securities and Exchange Board of India ("SEBI") (Reg. No. INZ000010538). MIBSI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) and as Research Analyst (Reg No: INH000000057). **UK:** Maybank Securities (London) Ltd (Reg No 2377538) is authorized and regulated by the Financial Conduct Authority.

Disclosure of Interest

Malaysia: Maybank IBG and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 2 January 2025, Maybank Research Pte. Ltd. and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MST may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MST, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: As of 2 January 2025, MIB Securities (Hong Kong) Limited and the authoring analyst do not have any interest in any companies recommended in this research report.

India: As of 2 January 2025, and at the end of the month immediately preceding the date of publication of the research report, MIBSI, authoring analyst or their associate / relative does not hold any financial interest or any actual or beneficial ownership in any shares or having any conflict of interest in the subject companies except as otherwise disclosed in the research report.

In the past twelve months MIBSI and authoring analyst or their associate did not receive any compensation or other benefits from the subject companies or third party in connection with the research report on any account what so ever except as otherwise disclosed in the research report.

Maybank IBG may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

Definition of Ratings

Maybank IBG Research uses the following rating system

BUY	Return is expected to be above 10% in the next 12 months (including dividends)
HOLD	Return is expected to be between 0% to 10% in the next 12 months (including dividends)
SELL	Return is expected to be below 0% in the next 12 months (including dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Malaysia

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

Singapore

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

London

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221
Fax: (44) 20 7332 0302

Hong Kong

MIB Securities (Hong Kong) Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800
Fax: (852) 2877 0104

Indonesia

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188
Fax: (62) 21 2557 1189

India

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600
Fax: (91) 22 6623 2604

Philippines

Maybank Securities Inc
17/F, Tower One & Exchange
Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888
Fax: (63) 2 8848 5738

Thailand

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)
Tel: (66) 2 658 6801 (research)

Vietnam

Maybank Securities Limited
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888
Fax : (84) 28 38 271 030

Sales Trading

Indonesia
Helen Widjaja
helen.widjaja@maybank.com
Tel: (62) 21 2557 1188

London
Greg Smith
gsmith@maybank.com
Tel: (44) 207 332 0221

Philippines
Keith Roy
keith_roy@maybank.com
Tel: (63) 2 5322 3184

India
Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91) 22 6623 2629

www.maybank.com/investment-banking
www.maybank-keresearch.com