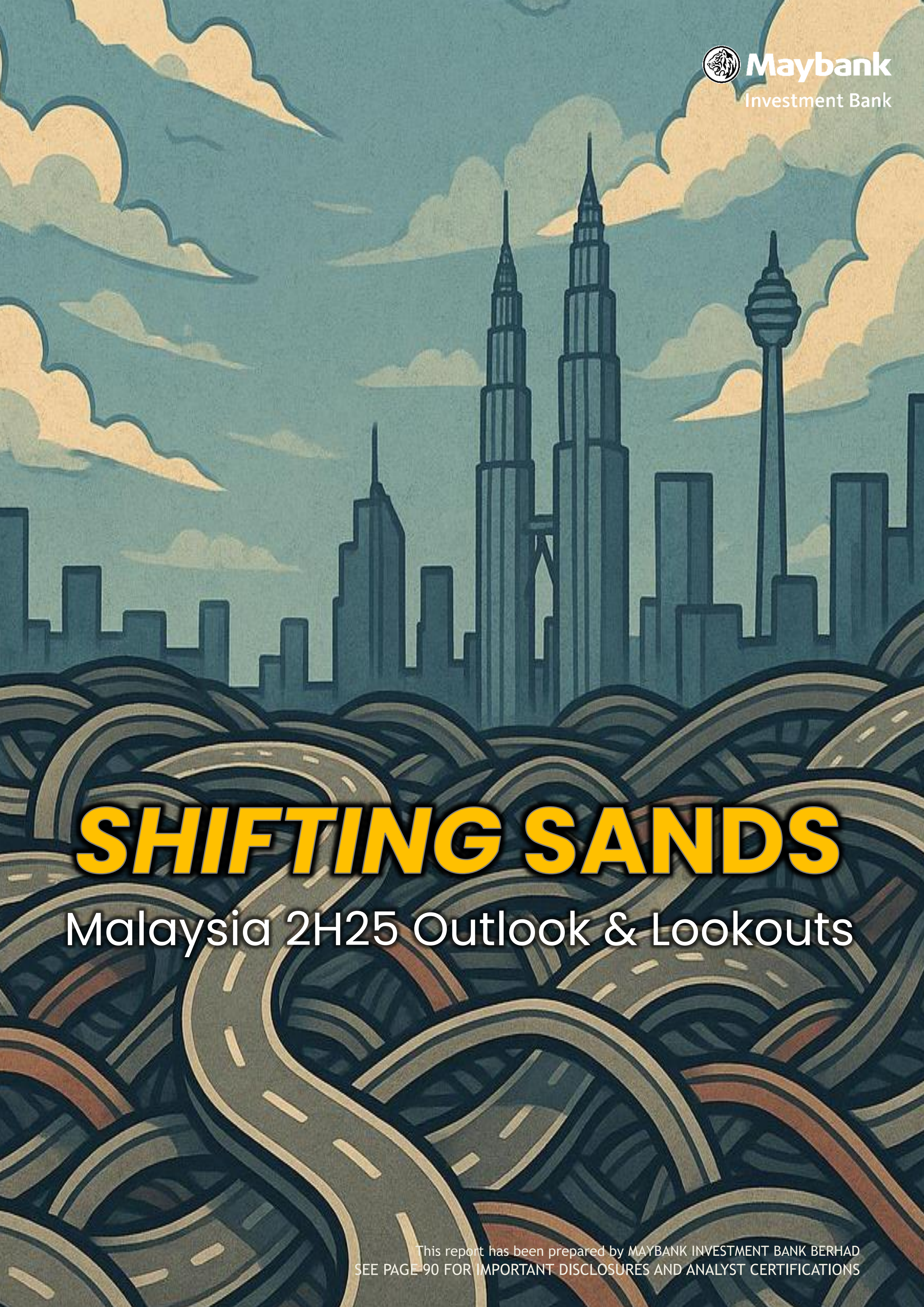

Maybank
Investment Bank

SHIFTING SANDS

Malaysia 2H25 Outlook & Lookouts

SEE PAGE 90 FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Malaysia 2H25 Outlook & Lookouts

Shifting sands

In search of opportunities amid uncertainties

1H25 has been tumultuous and 2H25 might be more of the same if not even more fluid. Recent Middle Eastern conflicts coupled with on-going tariff negotiations and supply chain disruption plus domestic policy changes are expected to shift sands in 2H25. Our YE KLCI target stays at 1,660 (14.4x 2026E PER); this is our base case and assumes further de-escalation in trade tensions and favourable tariff negotiations. We add SDG and WPRTS as our tactical picks, while reaffirming YTLP and GAM as our data centre conviction thematic plays, further adding SCGB and MNH as activities pick up. Our top picks are PBK, AMMB, TNB, YTLP, GAM, KPJ, FFB (previously AEON), SOLAR and PREIT (previously SREIT). FRCB, ITMAX and ATECH remain our selective picks in the tech space.

More of the same…quo vadis

From a macro perspective, we expect attention in 2H25 to be focused on cross currents of external headwinds amid domestic tailwinds, which when combined, should still offer upside to the equities market albeit more selective. Our five themes are intact and remain well in progress. We reiterate our NEUTRAL stance on the banks, leveraging on the softer 2H25 macro outlook but stress that there could be upside to our forecasts should banks decide to use management overlays to buffer credit costs; PBK and AMM, our bank picks, are well positioned for this. Elsewhere, we remain positive on domestic-centric consumer plays as we expect domestic policy tailwinds to keep the Malaysian economy on a growth path. Besides the consumer sector, we remain POSITIVE on healthcare, REITs and renewable energy. For 2H25, we raise our conviction for the construction sector amid build-up in activities within the data centre space. Besides REITs, other defensive picks such as TM and TDC among our telcos fits the theme.

Flagging three additional themes

Given current circumstances with heightened external uncertainties, we flag additional three sector thematics to explore for the rest of the year - plantations, utilities/renewable energy and ports. The Middle Eastern conflict has triggered oil prices surge and indirectly crude palm oil (CPO) price bounce, though this could be temporary. While we expect CPO prices to end the year at MYR4,000/t, only a sustained level above MYR4,500/t could surprise for planters on the upside. Regardless, SDG would be the best proxy for the planters. Separately, as the National Energy Transition Roadmap (NETR) continues to track well, awards for renewable energy, battery energy storage systems (BESS) and carbon capture, utilisation and storage (CCUS) abound. Apart from TNB, MN Holdings is well positioned to benefit from BESS contracts. Lastly, as ports face congestions amid tariff and Middle Eastern concerns, expect to see storage rates surge. Coupled with higher tariff rates wef 1 July, Westports standout as a beneficiary.

Putting behind uncertainties, focus on the long term

We believe there should be a resolution to tariff issues though with a timing risk. As we write, the Malaysian govt is still in negotiation with US on reciprocal tariffs (link). A further risk that could arise from here is the extended Middle Eastern tensions. Softer 2H25 macro and any market weakness would offer investors an opportunity to accumulate stocks, especially the banks, which we believe stand out as long-term winners. Separately, the tech sector remains at cross roads; we selectively like FRCB and GREATECH in the semicon space and ATECH among EMS plays, while new initiation CPETECH offers growth potential among metal fabricators. We also list high beta stocks (GAM, YTLP. SDPR, SCGB, SPSB) to play when market returns to risk-on mode. Dividend yield stocks also remain appealing.

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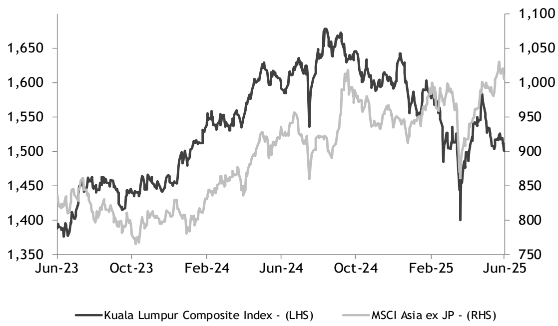
KLCI vs MSCI



M'sia equities growth & valuation

		2024E	2025E	2026E
KLCI @ 1,502.74	PE (x)	14.4	14.1	13.1
Earnings growth	(%)	11.7	3.7	8.4
Research Universe	PE (x)	15.1	14.6	13.5
Earnings Growth	(%)	9.7	2.5	7.7

Source: Maybank IBG Research (as of 20 Jun 2025)

Top BUY picks

Stocks	BBG Ticker	Share Price (MYR)	Target Price (MYR)	Upside (%)*
Large Caps				
Public Bank	PBK MK	4.21	5.05	20
AMMB	AMM MK	5.05	6.05	20
YTL Power	YTLP MK	3.64	4.20	17
Tenaga	TNB MK	14.22	15.50	12
Gamuda	GAM MK	4.72	5.37	15
Mid-small caps				
KPJ Healthcare	KPJ MK	2.58	3.24	28
Frontken	FRCB MK	3.86	5.10	33
ITMAX	ITMAX MK	3.86	4.50	17
Aurelius Tech.	ATECH MK	1.08	1.19	13
Farm Fresh	FFB MK	1.84	2.10	15
Solarvest	SOLAR MK	1.84	2.28	25
Pavilion REIT	PREIT MK	1.55	1.83	24

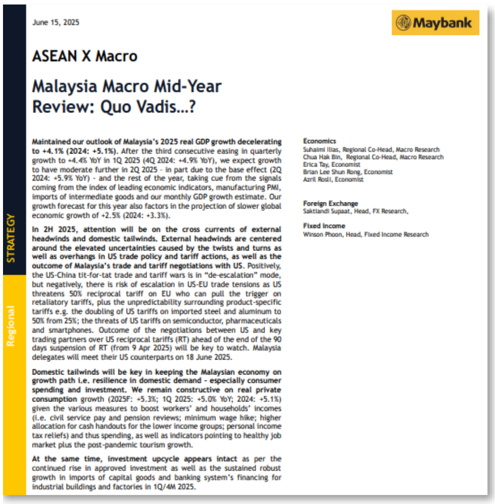
Source: Maybank IBG Research (as of 20 Jun 2025)

Contents

Malaysia Macro: Quo Vadis…?

Maintained growth outlook for 2025

Maintained our outlook of Malaysia's 2025 real GDP growth decelerating to +4.1% (2024: +5.1%). After the third consecutive easing in quarterly growth to +4.4% YoY in 1Q25 (4Q24: +4.9% YoY), we expect growth to have moderate further in 2Q 2025 – in part due to the base effect (2Q24: +5.9% YoY) - and the rest of the year, taking cue from the signals coming from the index of leading economic indicators, manufacturing PMI, imports of intermediate goods and our monthly GDP growth estimate. Our growth forecast for this year also factors in the projection of slower global economic growth of +2.5% (2024: +3.3%). Our full-year 2025 growth forecast of +4.1% (1Q25: +4.4% YoY; 2024: +5.1%) implying real GDP growth moderating to the average of around +4.0% YoY per quarter in 2Q-4Q25.


June 15, 2025

Maybank

STRATEGY

Regional

ASEAN X Macro

Malaysia Macro Mid-Year Review: Quo Vadis…?

Maintained our outlook of Malaysia's 2025 real GDP growth decelerating to +4.1% (2024: +5.1%). After the third consecutive easing in quarterly growth to +4.4% YoY in 1Q 2025 (4Q 2024: +4.9% YoY), we expect growth to have moderate further in 2Q 2025 - in part due to the base effect (2Q 2024: +5.9% YoY) - and the rest of the year, taking cue from the signals coming from the index of leading economic indicators, manufacturing PMI, imports of intermediate goods and our monthly GDP growth estimate. Our growth forecast for this year also factors in the projection of slower global economic growth of +2.5% (2024: +3.3%).

In 2H 2025, attention will be on the cross currents of external headwinds and domestic tailwinds. External headwinds are centered around the elevated uncertainties caused by the twists and turns as well as overhangs in US trade policy and tariff actions, as well as the outcome of Malaysia's trade and tariff negotiations with US. Positively, the US-China tit-for-tat trade and tariff wars is in "de-escalation" mode, but negatively, there is risk of escalation in US-EU trade tensions as US threatens 50% reciprocal tariff on EU who can pull the trigger on retaliatory tariffs, plus the unpredictability surrounding product-specific tariffs e.g. the doubling of US tariffs on imported steel and aluminum to 50% from 25%; the threats of US tariffs on semiconductor, pharmaceuticals and smartphones. Outcome of the negotiations between US and key trading partners over US reciprocal tariffs (RT) ahead of the end of the 90 days suspension of RT (from 9 Apr 2025) will be key to watch. Malaysia delegates will meet their US counterparts on 18 June 2025.

Domestic tailwinds will be key in keeping the Malaysian economy on growth path i.e. resilience in domestic demand - especially consumer spending and investment. We remain constructive on real private consumption growth (2025F: +5.3%; 1Q 2025: +5.0% YoY; 2024: +5.1%) given the various measures to boost workers' and households' incomes (i.e. civil service pay and pension reviews; minimum wage hike; higher allocation for cash handouts for the lower income groups; personal income tax reliefs) and thus spending, as well as indicators pointing to healthy job market plus the post-pandemic tourism growth.

At the same time, investment upcycle appears intact as per the continued rise in approved investment as well as the sustained robust growth in imports of capital goods and banking system's financing for industrial buildings and factories in 1Q/4M 2025.

Economics
Suhaimi Ilias, Regional Co-Head, Macro Research
Chua Hak Bin, Regional Co-Head, Macro Research
Erica Tay, Economist
Brian Lee Shun Rong, Economist
Azril Rosli, Economist

Foreign Exchange
Saktiandi Supaat, Head, FX Research,

Fixed Income
Winson Phoon, Head, Fixed Income Research

Figure 1: Malaysia - Real GDP (% YoY)

	ACTUAL						MAYBANK		OFFICIAL
	1Q 2024	2Q 2024	3Q 2024	4Q 2024	2024	1Q 2025	2025F	2026F	2025F
Real GDP	**4.2**	**5.9**	**5.4**	**4.9**	**5.1**	**4.4**	**4.1**	**4.2**	**4.5 - 5.5**
Services	4.8	5.9	5.2	5.5	5.3	5.0	4.8	4.9	5.7
Manufacturing	2.1	4.7	5.6	4.2	4.2	4.1	3.5	3.5	3.9
Agriculture	1.9	7.6	3.6	(0.7)	3.1	0.6	1.0	1.5	2.2
Mining	4.3	2.7	(2.8)	(0.7)	0.9	(2.7)	(1.3)	1.0	(0.8)
Construction	11.9	17.2	20.0	20.7	17.5	14.2	11.5	8.0	11.0
Domestic Demand	6.1	6.5	7.1	6.4	6.5	6.0	5.8	5.5	6.3
Private Consumption	4.7	5.7	4.7	5.3	5.1	5.0	5.3	5.1	5.6
Public Consumption	7.3	1.8	6.0	4.0	4.7	4.3	4.4	4.8	4.9
Gross Fixed Capital Formation	9.6	11.5	15.3	11.8	12.0	9.7	8.0	7.1	9.3
Private Investment	9.2	12.0	15.6	12.7	12.3	9.2	8.0	7.5	10.1
Public Investment	11.5	9.1	14.4	10.0	11.1	11.6	8.1	6.1	6.4
Net External Demand	(8.3)	0.3	(5.3)	63.6	9.2	19.6	5.5	0.5	4.5
Exports of Goods & Services	4.2	8.5	11.7	8.7	8.3	4.1	4.0	4.3	6.5
Imports of Goods & Services	5.2	9.0	13.0	5.9	8.2	3.1	3.8	4.5	6.6

Sources: Department of Statistics, BNM Economic & Monetary Review (Mar 2025), Maybank IBG Research

Expect moderating growth in subsequent quarters

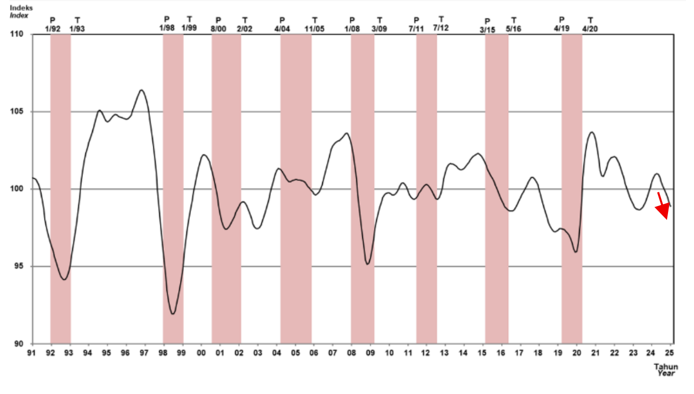
2Q25 growth likely moderated in large part due to a high base a year ago

2Q25 likely saw continued moderate downward trajectory in growth, in large part due to the high base in 2Q24 when the economy expanded by +5.9% YoY – the fastest growth since +7.4% YoY in 4Q22, that subsequently saw 4Q23 growth slowed to +2.8% YoY on base effect. Excluding the volatile quarterly GDP during the pandemic, lockdowns and economic re-opening years of 2020-2022, 2Q24 growth was the highest since +6.1% YoY in 3Q17, with 3Q18 growth moderated to +4.5% YoY. ***Bottomline*, *"base effect" matters*.**

In addition, leading indicators point to moderating growth in GDP, manufacturing and exports i.e.

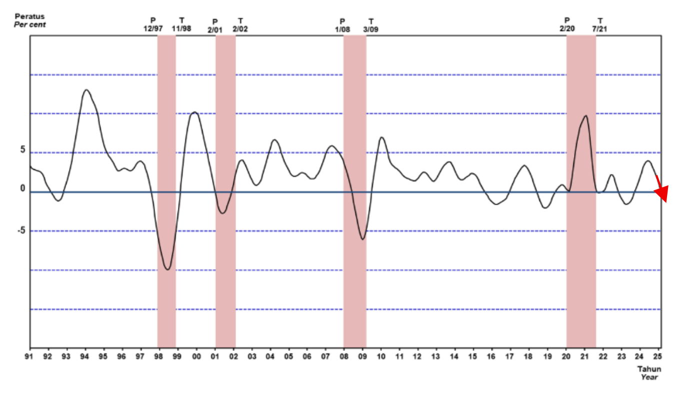
- The "smoothed" trends in the index and growth rate of leading economic indicators are pointing to slowing economy (Fig 2-3).
- Malaysia's manufacturing purchasing managers index (PMI) averaged 48.7 in Apr-May 2025 vs 49.1 1Q25 and 49.0 in 2Q24, foretelling moderating manufacturing activities – thus growth - last quarter (Fig 4).
- Meanwhile, the outlook for slowing exports is flagged by the downward trend in imports of intermediate goods (Fig 5).

Figure 2: Malaysia – Leading Composite Index and Economic Activity (Long Term Trend=100)



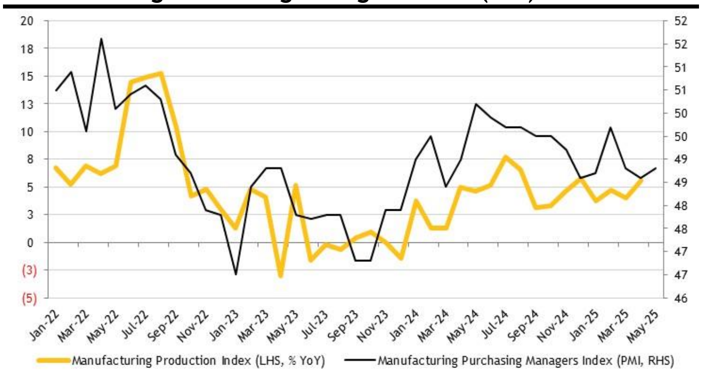
Source: Department of Statistics, Maybank IBG Research

Figure 3: Malaysia - Growth Rate of Leading Index (Smoothed) and Business Cycle



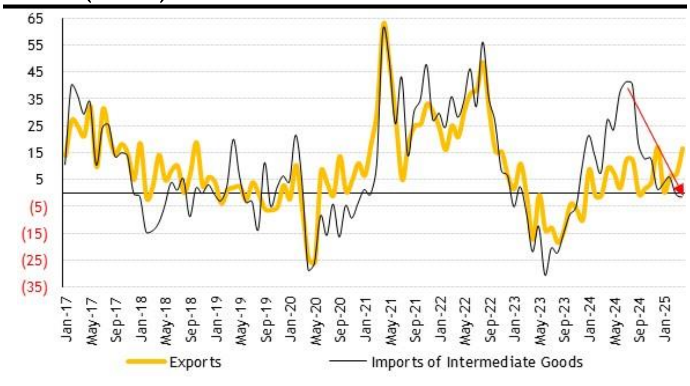
Sources: Department of Statistics, Maybank IBG Research

Figure 4: Malaysia – Manufacturing Production Index vs Manufacturing Purchasing Managers Index (PMI)



Sources: Department of Statistics, CEIC, Maybank IBG Research

Figure 5: Malaysia - Exports vs Imports of Intermediate Goods (% YoY)

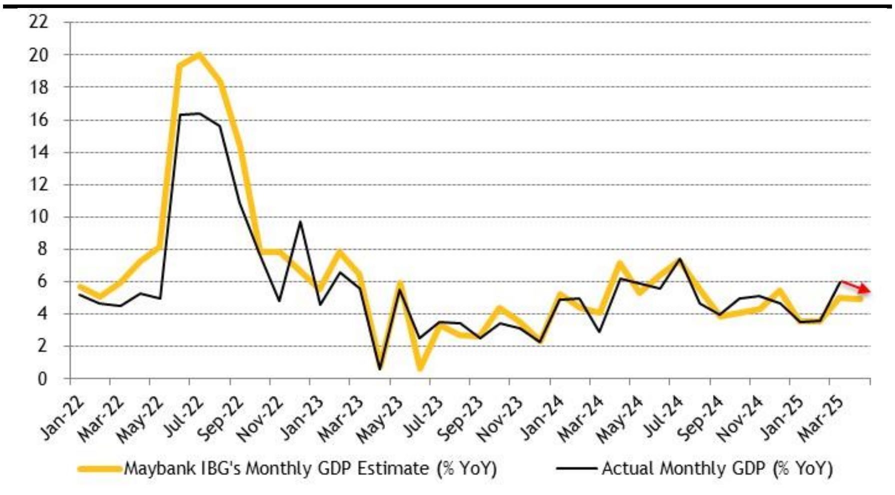


Sources: Department of Statistics, CEIC, Maybank IBG Research

At the same, our estimate of monthly GDP – based on the monthly industrial production index (which covers manufacturing, mining and electricity output), distributive trade index (which covers wholesale, retail and motor vehicle trade volumes) and crude palm oil (CPO) output – suggests GDP growth eased to +4.8% YoY in Apr 2025 vs +6.0% YoY in Mar 2025 and compared with +6.2% YoY back in Apr 2024 (Fig 6).

Monthly GDP growth based on monthly production index suggests that GDP growth eased to +4.8% YoY in April 2025

Figure 6: Malaysia – Monthly GDP (% YoY)



Sources: Department of Statistics, Maybank IBG Research

2H25: Cross currents of external headwinds and domestic tailwinds

External headwinds centred around tariffs…still

External headwinds are centred around the elevated uncertainties caused by the twists and turns as well as overhangs in US trade policy and tariff actions, as well as the outcome of Malaysia's trade and tariff negotiations with US. Positively, the US-China tit-for-tat trade and tariff wars is in "de-escalation" mode, but negatively, there is risk of escalation in US-EU trade tensions as US threatens 50% reciprocal tariff on EU who can pull the trigger on retaliatory tariffs, plus the unpredictability surrounding product-specific tariffs e.g. the doubling of US tariffs on imported steel and aluminium to 50% from 25%; the threats of US tariffs on semiconductor, pharmaceuticals and smartphones. Outcome of the negotiations between US and key trading partners over US reciprocal tariffs (RT) ahead of the end of the 90 days suspension of RT (from 9 Apr 2025) will be key to watch.

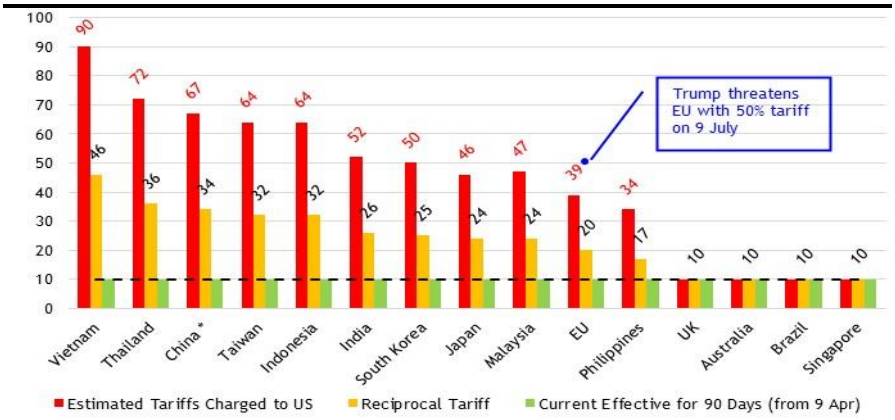
We understand that during the week of 9-15 June 2025, Malaysia has submitted to the US its "maximum, best offers" as requested by Trump's Administration, comprising of measures such as lowering/eliminating Malaysia's tariffs on US products; addressing the non-tariff barriers/measures (NTBs/NTMs) raised by the US; and purchases from US and investments into US next few years. In terms of possible outcomes:

- Base-case outcome will be *continuation* of current 10% reciprocal tariff and exemptions - especially for the all-important semiconductor and electronics products exported to the US.
- Best-case scenario will be the above base case *plus* additional exemptions or lower tariffs on other Malaysian exports to US, coupled with no semiconductor tariffs by US.
- Worst-case result will be the imposition of higher reciprocal tariffs of more than 10% up to 24% on *all* Malaysia's exports to the US i.e. no exemptions, with additional tariff levied on semiconductor later in the year.

Malaysia is still in the midst of tariff negotiations with the US

Meanwhile, at the time of writing, Malaysia is in the midst of talks with the US on 18 June 2025 to negotiate on the 24% reciprocal tariff imposed by the US that is currently suspended for 90 days since 9 Apr 2025. Malaysia – like its ASEAN peers and other US major trading partners - is currently subjected to the baseline reciprocal tariff on 10% (Fig 15) with exemptions, particularly on semiconductors and electronics products (Fig 16).

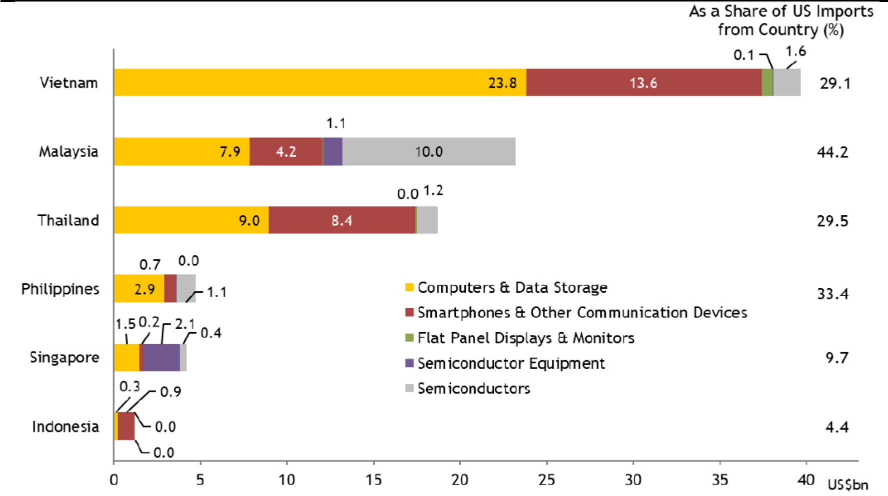
Figure 7: US Reciprocal Tariffs on Selected Countries (%)



*Note: * Chronology of US reciprocal tariff on China*
- *April 2, 2025: Trump announces 34% reciprocal tariff on China.*
- *April 9, 2025: 34% reciprocal tariff on China takes effect.*
- *April 8-9, 2025: Trump raises reciprocal tariff on China to 84%, then 125%, effective immediately, following retaliatory action from China.*
- *May 14, 2025: Reciprocal tariff on China reduced to 10% for 90 days following US-China Geneva talks.*

Sources: The White House, 2 Apr 2025, "Regulating Imports with a Reciprocal Tariff to Rectify Trade Practices that Contribute to Large and Persistent Annual United States Goods Trade Deficits" Factsheet; Media Reports; Maybank IBG Research

Figure 8: US Imports of Semiconductors and Electronic Products from Malaysia/ASEAN Exempted from Reciprocal Tariffs (Value in USDb and % Share of US Imports, 2024)



Sources: The White House; US Census Bureau; Maybank IBG Research

Domestic tailwinds should keep the Malaysian economy on a growth path; constructive outlook on real private consumption growth

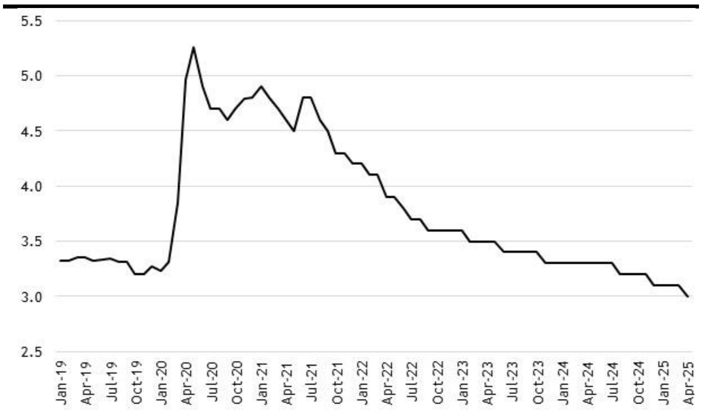
Domestic tailwinds will be key in keeping the Malaysian economy on a growth path. Resilience in domestic demand – especially consumer spending and investment upcycle will be the ones to watch.

We remain constructive on the outlook of real private consumption growth (2025F: +5.3%; 1Q 2025: +5.0% YoY; 2024: +5.1%) given the various measures to boost workers' and households' incomes and thus spending i.e.

- Civil service salary revision (+7% to +15%) plus Government pension review in 2 Phases – 1 Dec 2024 & 1 Jan 2026. For Phase 1 – additional +MYR12.3b income for civil service (1.6m) and government pensioners (0.8m).
- Minimum wage hike in 2025 from MYR1,500 per month to MYR1,700 per month (4.37m workers).
- Higher cash handouts to lower income households i.e. 2025: MYR13b; 2024: MYR10.3b; 2023: MYR8.1b.
- Personal income tax reliefs in Budget 2025 e.g. medical treatment; education & medical insurance; education & retirement savings; mortgage interest payment for first home; disabled persons; healthy lifestyle; elderly and childcare.

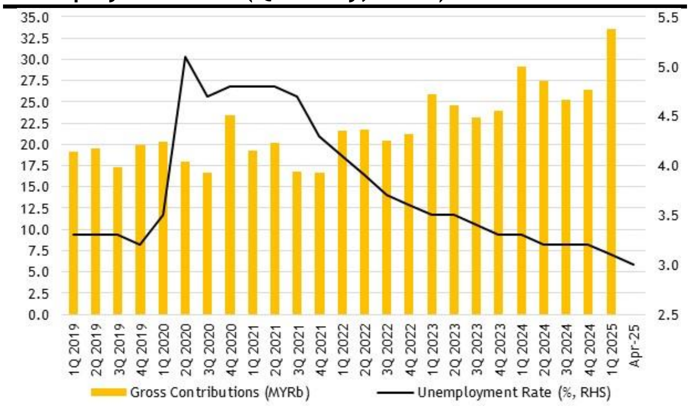
The above measures, together with the healthy job market as well as wages and salaries conditions (Fig 23-26) plus the on-going post-pandemic tourism growth (Fig 27-28) underpin the consumer spending growth outlook.

Figure 9: Malaysia - Unemployment Rate (Monthly, %)



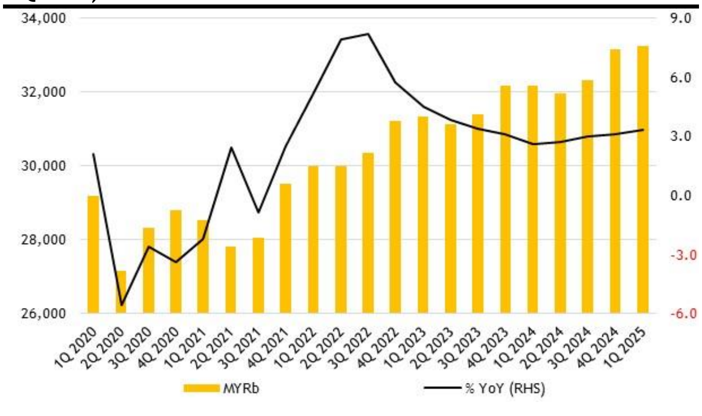
Source: CEIC, Maybank IBG Research

Figure 10: Malaysia - Gross Contribution to EPF and Unemployment Rate (Quarterly, MYRb)



Sources: Department of Statistics, EPF, , Maybank IBG Research

Figure 11: Malaysia – Private Sector Wages (1Q2020 – 1Q2025)

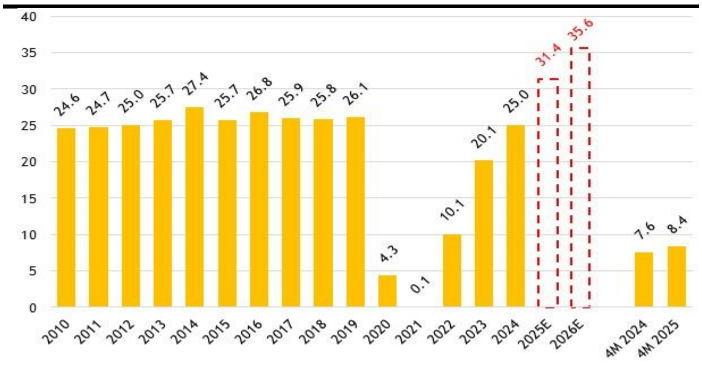


Sources: Bank Negara Malaysia, Maybank IBG Research

Figure 12: Malaysia – Manufacturing Sector Salaries and Wages (Jan 2018 – Apr 2025, % YoY)

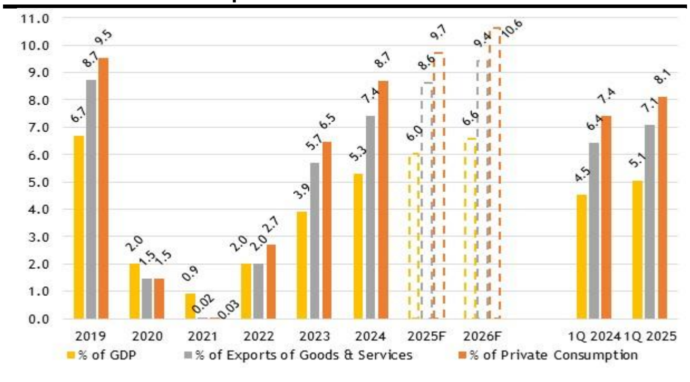
Source: CEIC, Maybank IBG Research

Figure 13: Malaysia – Tourist Arrivals (m)



Source: CEIC, Maybank IBG Research

Figure 14: Malaysia – Tourism Revenue as % of GDP, Exports and Private Consumption

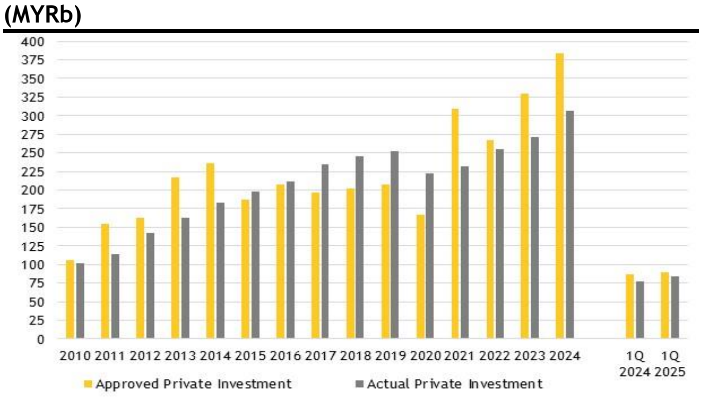


Sources: CEIC, Department of Statistics, Maybank IBG Research

At the same time, investment upcycle appears intact as per the continued rise in approved investment as well as the sustained robust growth in imports of capital goods and banking system's financing for industrial buildings and factories in 1Q/4M 2025.

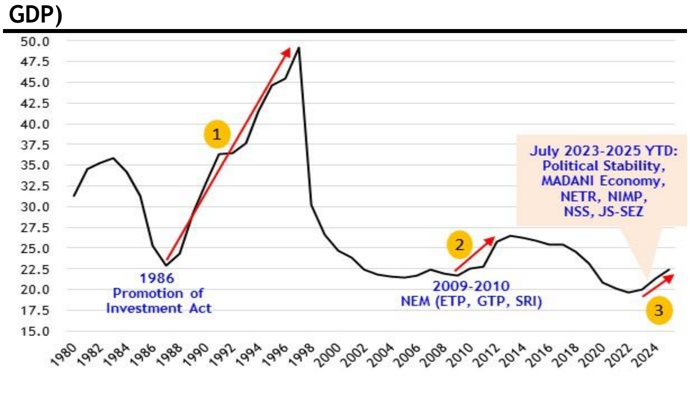
Investment upcycle theme appears intact

Figure 15: Malaysia – Approved Private Sector Investment (MYRb)



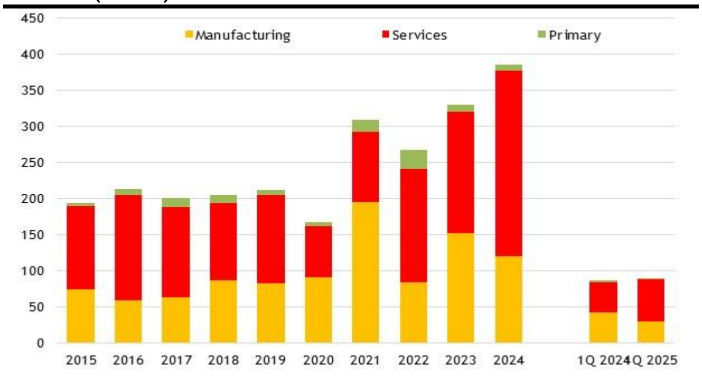
Source: Malaysian Investment Development Authority (MIDA), Maybank IBG Research

Figure 16: Malaysia – Gross Fixed Capital Formation (% of GDP)



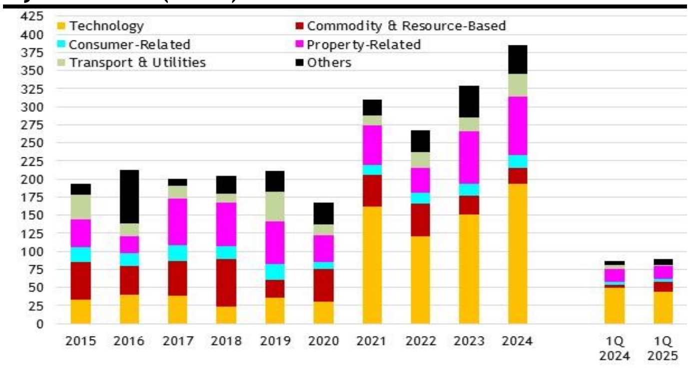
Source: Department of Statistics, Maybank IBG Research

Figure 17: Malaysia - Approved Private Sector Investment by Sectors (MYRb)



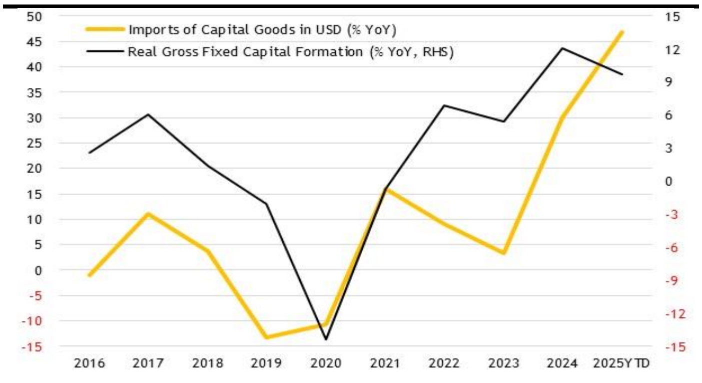
Sources: Malaysian Investment Development Authority (MIDA), CEIC, Maybank IBG Research

Figure 18: Malaysia - Approved Private Sector Investment by Industries (MYRb)



Sources: Malaysian Investment Development Authority (MIDA); CEIC, Maybank IBG Research

Figure 19: Imports of Capital Goods vs Investment (% YoY)



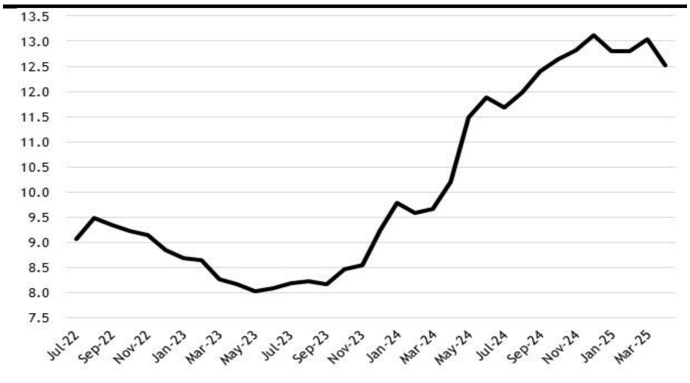
Notes:

1) Imports of Capital Goods in USD as proxy for "volume" and to strip out the effect of volatile USDMYR

2) Jan-Apr 2025 for Imports of Capital Goods; 1Q 2025 for Real Gross Fixed Capital Formation

Sources: CEIC, Department of Statistics, Maybank IBG Research

Figure 20: Banking System Loans for Industrial Buildings and Factories



Source: Bank Negara Malaysia, Maybank IBG Research

Domestic policy lookouts for 2H25 to likely focus on fiscal policy consolidation and reforms,

2H25 will also be dominated by domestic policy lookouts. First and foremost will be fiscal policy, pertaining to achieving the 3.8% budget deficit to GDP ratio (2024: +4.1%) amid the expected downward revision to current official growth forecast range of +4.5% to +5.5%; the still pending rollout of targeted RON95 subsidy rationalisation; the slightly delayed review in Sales Tax and broadening of the Services Tax scope; and the adjustment in e-invoice implementation timeline.

Budget deficit consolidation and fiscal reforms. Looking at the current trajectory of budget deficit, 1Q/4M 2025 recorded the second lowest as % of GDP and in value (MYRb) since the current period of fiscal consolidation begins in 2022. These provide us with comfort against the risk of "slippage" – at least for now.

Figure 21: Federal Government's Revenue, Expenditure & Budget Balance

MYRb	2024	Budget 2025	1Q 2025	4M 2025
Revenue	324.6	339.7	72.1	97.1
% chg YoY	3.1	4.6	3.1	4.2
Total Expenditure 1/	403.8	419.7	94.0	127.8
% chg YoY	(0.6)	3.9	(2.4)	(4.0)
Operating Expenditure	321.5	335.0	76.5	-
% chg YoY	3.3	4.2	(1.5)	-
Current Balance 2/	3.1	4.7	(4.4)	-
% of GDP	0.2	0.2	(0.001)	-
Gross Development Expenditure	84.0	86.0	-	-
% chg YoY	(12.6)	2.4	-	-
Net Development Expenditure	82.3	84.7	17.6	-
% chg YoY	(13.5)	2.9	(6.0)	-
Overall Balance 3/	(79.2)	(80.0)	(21.9)	(30.7)
% of GDP	(4.1)	(3.8)	(4.5)	-

1/ Operating Expenditure + Net Development Expenditure
2/ Revenue Minus Operating Expenditure
3/ Revenue Minus Operating Expenditure, Net Development Expenditure
Sources: Ministry of Finance (Budget 2025), Bank Negara Malaysia, Maybank IBG Research

Fiscal focus in 2H25 will be on the rollout of fiscal reforms and tax measures outlined in Budget 2025, namely RON95 petrol subsidy rationalisation, Sales and Services Taxes (SST), e-invoice and stamp duty.

RON95 petrol subsidy rationalisation remains; the govt is already incurring savings from the drop in crude oil prices and firmer Ringgit

The overhang in the implementation of the targeted RON95 petrol subsidy rationalisation remains. It appears that the official statements on the execution timing, responsibility and scope have changed somewhat i.e. from mid-year to 2H 2025; from Economy Ministry to Finance Ministry; from the exclusion of Top-15% (T15) income group to exclusion of Top-5% (T5) income group in terms of RON95 fuel subsidy eligibility – while maintaining the exclusion of foreigners.

However, it is also worth noting that the Government is incurring savings in fuel subsidies thanks to the drop in crude oil prices as well as firmer Ringgit vs USD. To recap, the Budget 2025 allocation for fuel subsidies was based on the average (Brent) crude oil price assumption of USD75-80/bbl vs USD72/bbl year-to-date (YTD). We currently expect crude oil price to average USD67/bbl this year, although the outbreak of Israel-Iran conflict poses upside risk to this outlook.

In addition, Ringgit is firmer vs USD so far this year after the volatility in 2022-2024 as it recorded again vs the greenback YTD i.e. 4.24 on 13 June 2025 vs 4.47 end-2024. The effect of lower crude oil price and firmer Ringgit on fuel prices can be clearly seen from the decline in prices of unsubsidised RON97 petrol and diesel since early-Mar 2025 (Fig 38-39).

The lower the oil price, the more savings the govt could get - we estimated that every USD10/bbl drop in annual average crude oil price can save the Government around MYR1.5b to MYR2.0b in RON95 petrol subsidy

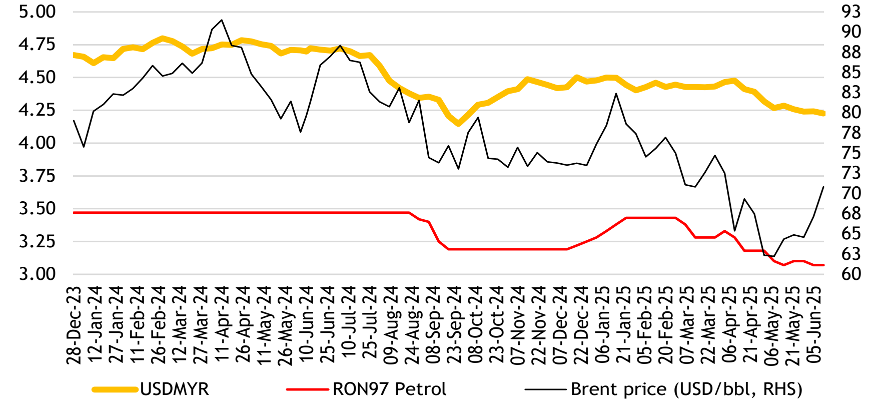
Meanwhile, the current unsubsidised RON95 price is MYR2.61/litre (as of 15 June 2025) vs the existing subsidised price of MYR2.05/litre (Fig 40). We estimated that every USD10/bbl drop in annual average crude oil price can save the Government around MYR1.5b to MYR2.0b in RON95 petrol subsidy. The savings on fuel subsidies due to the favourable movements in crude oil price and Ringgit may well explain why the Government is being relatively more flexible and patient in rolling out the RON95 petrol subsidy rationalisation.

At the same time, while the Government is mulling over the citizens' eligibility criteria for the targeted RON95 petrol subsidy, excluding the 4m non-citizens in the country from the RON95 petrol subsidy will save MYR3b to MYR4b annually[1].

[1] https://www.malaymail.com/news/malaysia/2025/05/24/pm-anwar-rules-out-ron95-price-hike-signals-premium-petrol-review-for-non-malaysians/178039

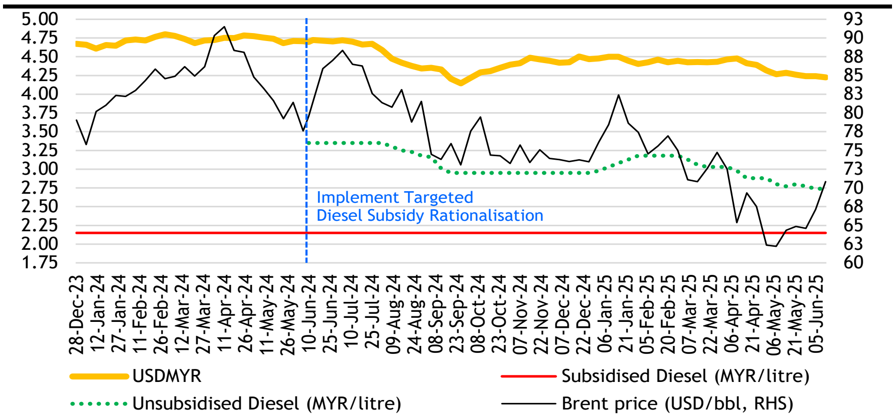
To add, the Government is also incurring larger savings on diesel subsidy this year due to the full-year effect after the partial-year effect from last year's roll out of the targeted diesel subsidy on 10 June 2024, which resulted in monthly savings of MYR600m[2].

Figure 22: Malaysia – RON97 Petrol Price (MYR/litre), Crude Oil (USD/bbl) and USDMYR



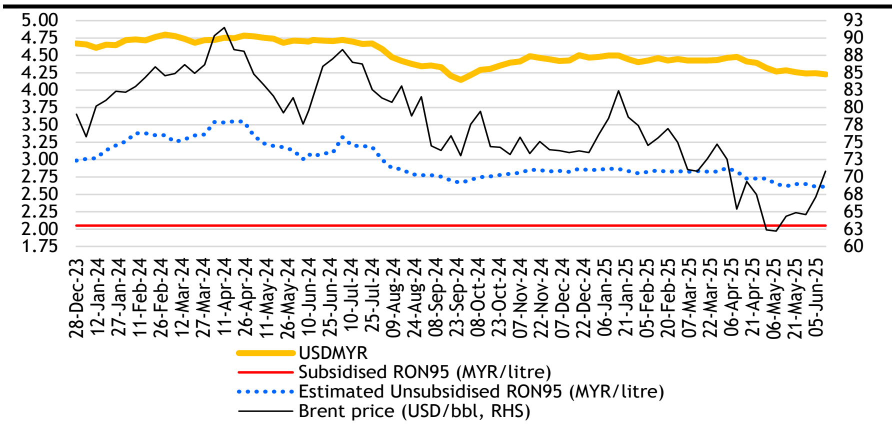
Sources: Department of Statistics, CEIC

Figure 23: Malaysia – Subsidised and Unsubsidised Diesel Prices (MYR/litre), Crude Oil (USD/bbl) and USDMYR), Crude Oil (USD/bbl) and USDMYR



Sources: Department of Statistics, CEIC

Figure 24: Malaysia – Subsidised and Estimated Unsubsidised RON95 Petrol Prices (MYR/litre), Crude Oil (USD/bbl) and USDMYR), Crude Oil (USD/bbl) and USDMYR



Sources: Department of Statistics, CEIC, Maybank IBG

[2] https://www.nst.com.my/news/nation/2025/01/1158826/rm75bil-savings-diesel-reform-amir-hamzah

Further savings likely from actions on other subsidies:

At the same time, the Government is taking actions to save on other subsidies. First, the egg price control – and thus subsidy - is being phased out, first via the halving of the egg subsidy to 5 sen per egg from 10 sen per egg effective 1 May 2025, to be followed by the complete removal of egg subsidy from 1 Aug 2025. This is as eggs production cost have stabilised and eggs supplies have normalised. Furthermore, like the terminated subsidy for chicken producers back in Nov 2023, the egg subsidy was meant to be temporary. To note, between Feb 2022 and Dec 2024, the government spent MYR2.5b on egg subsidy. We estimated the cut and the eventual removal of egg subsidy to save the Government around MYR0.6b this year and MYR1b next year.

…eggs

…LPG

Second, the Government is getting strict on the subsidised liquefied petroleum gas (LPG)[3] or "cooking gas" priced at MYR26 for the 14kg cylinder i.e. undertaking operations between 1 May and 31 Oct 2025 to enforce the Control of Supplies (Amendment) Regulations 2021 which stipulated that non-household users consuming more than 42kg of subsidised LPG must obtain Scheduled Controlled Goods Permits and used non-subsidised (or commercial) LPG priced at MYR70 per 14kg cylinder. However, micro and small-sized F&B operators are currently exempted from the regulation, pending review and amendment of the Control of Supplies (Amendment) Regulations 2021 targeted by end-Oct 2025. The enforcement is also to tackle "leakages" via illegal decanting (i.e. transferring gas from subsidised LPG cylinders to non-subsidised ones), smuggling and the use of subsidised LPG by medium-sized and large-scale industries. The stricter enforcement to address leakages can bring some savings to the current MYR3.4b per annum cost of LPG subsidy.

…sugar, education and health subsidies

Furthermore, there are other subsidies that the Government can tackle as well - possibly next year if not in the remaining part this year. These include sugar subsidy as well as targeted rationalisation of education and health subsidies by applying the same principle on the planned targeted RON95 petrol subsidy rationalisation i.e. excluding top income group and foreigners. With regards to sugar subsidy, the Government currently provides incentive to local sugar producers since Nov 2023 to ensure adequate supplies of refined white sugar (RWS) to households and micro entrepreneurs. This is at the cost of MYR42m a month or MYR0.5b per annum. This sugar subsidy is meant to be a temporary measure until the Government finalises the new price mechanism for RWS, although to our knowledge there has been no news or announcement on this so far. In his Budget 2025 speech, Prime Minister also alluded to reviewing top-income households and non-citizens access to public healthcare and education subsidies.

There are also tweaks in the effective dates for revenue-enhancing measures i.e. 1) restructuring of Sales Tax rates on predominantly imported and non-essential items as well as the broadening of the Services Tax scope; 2) e-invoice; 3) stamp duty on employment-related documents i.e. employment contracts; services agreements.

Sales tax restructuring and service tax broadening, e-invoice and stamp duty on employment-related documents to further uplift govt revenues

The imposition of higher Sales Tax of 5%/10% from 0%/5% on mainly non-essential and imported items (Fig 41) as well as the broadening of the 6%/8% Services Tax coverage to include leasing or rental, construction, financial services, private healthcare, education, and beauty services (Fig 42) was slightly postponed from the originally scheduled 1 May 2025 to 1 July 2025, following the extension of Ministry of Finance's (MoF) stakeholder engagements. We understand that MoF is maintaining the Budget 2025's estimated MYR5b revenue uplift projection from these Sales and Services Taxes (SST) measures, which also means annualised revenue uplift of MYR10b.

In the case of e-invoice, the Inland Revenue Board (IRB) announced a revised implementation schedules/dates for certain categories of companies/businesses based on their annual turnover/revenue (Fig 43).

[3] Small-scale food traders exempt from LPG enforcement until October

Figure 25: Latest e-Invoice Implementation Timeline

Phase	Targeted Taxpayers	Implementation Date
1	Companies/Businesses with annual turnover or revenue of more than MYR100m	1 Aug 2024
2	Companies/Businesses with annual turnover or revenue of more than MYR25m and up to MYR100m	1 Jan 2025
3 (Previous)	All companies/businesses including micro, small and medium enterprises (MSMEs), hawkers and petty traders	1 July 2025
3 (Revised)	Companies/Businesses with annual turnover or revenue of more than MYR5m and up to MYR25m	1 July 2025
4 (Revised)	Companies/Businesses with annual turnover or revenue of more than MYR1m and up to MYR5m	1 Jan 2026
5 (Revised)	Companies/Businesses with annual turnover or revenue of more than MYR0.5m and up to MYR1m	1 July 2026

Notes:

1) *Companies/Businesses with annual turnover or revenue of MYR0.5m and less are exempted from adopting e-invoice for now*
2) *Companies/Businesses are eligible to a 6 months interim grace period from the mandatory implementation date for each of phase*

Source: Inland Revenue Board (IRB)

As for the stamp duty on employment-related documents (i.e. MYR10 per employment contract or services agreement - including full-time, part-time, fixed-term and short-term jobs) following the Stamp Duty Audit Framework on the Stamp Act 1949, the implementations are adjusted as follows:

- No retrospective imposition of the stamp duty on contracts/agreements signed prior to 1 Jan 2025 vs the previous retrospective application of the stamp duty on contracts/agreements signed since 1 Jan 2023.
- Contracts/Agreements that are finalised between 1 Jan 2025 and 31 Dec 2025 remained subjected to the stamp duty but remission of late stamping penalties will be granted, provided that the employment contracts are stamped on or before 31 Dec 2025.
- Contracts/Agreements that are finalised from 1 Jan 2026 onwards will be subject to the stamp duty and must be stamped within 30 days, and any delays in stamping will result in penalties being imposed.

Eyes will be on whether the 3.8% budget deficit to GDP target for this year is achievable, after delivering better-than-expected 4.1% vs the target of 4.3% last year.

Crude oil price movements could affect govt revenues - we estimated that a USD10/bbl drop in annual average crude oil price can cut O&G-related revenue (both taxes and dividend) by MYR7.9b

Aside for the above listed lookouts, the flipside of savings on fuel subsidies from the lower crude oil price is the impact on oil & gas (O&G) related revenue. Budget 2025 projected O&G related revenue of MYR61.9b (2024: MYR63b), based on USD75-USD80/bbl annual average crude oil price. Taking note of the aforementioned movement in crude oil price so far this year, we estimated that a USD10/bbl drop in annual average crude oil price can cut O&G-related revenue (both taxes and dividend) by MYR7.9b.

Furthermore, Budget 2025's non-O&G tax revenue forecast is based on official *nominal* GDP growth forecast of +7.8% for this year vs +5.9% actual growth last year (note: official *real* GDP growth forecast for 2025 is a range of between +4.5% and +5.5%) which is currently under review pending official announcement in June/July 2025. We estimated that every 1 percentage point (ppt) drop in *nominal* GDP growth can shave MYR2.0b-MYR2.5b off the Government's *non-O&G tax* revenue.

Nonetheless, we are encouraged by the Government's continued commitments to undertake the tax measures and fiscal reforms to enhance and diversify revenues as well as pursuing prudent, efficient and sustainable spending.

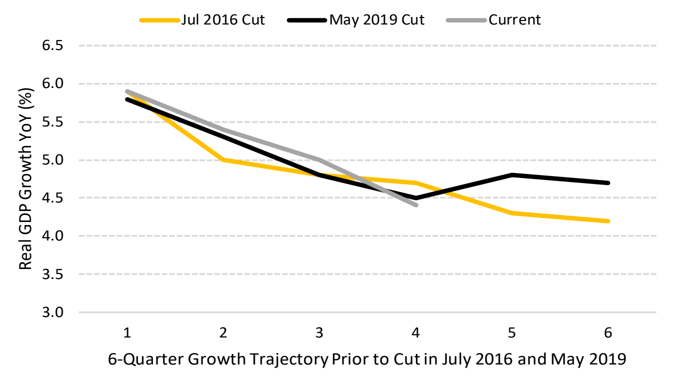
BNM monetary policy to be closely watched; we expect BNM to undertake a single 25bps cut in OPR in 2H25

Eyes will also be on BNM's monetary policy, taking cue from the increasingly dovish tone of the Monetary Policy Statement (MPS) amid slowing growth and tame inflation as well as the unexpected -100bps reduction in the Statutory Reserve Requirement (SRR) in May 2025. We expect BNM to undertake a single 25bps cut in OPR in 3Q 2025, where there are two Monetary Policy Committee (MPC) meetings i.e. 8-9 July 2025 and 3-4 Sep 2025.

Our view is based on the past episodes of a single 25bps cut during a calendar year i.e. 2016 and 2019 where a notable similarity with current situation is that the moves were preceded by slowing quarterly economic growth i.e. not recession (Fig 44).

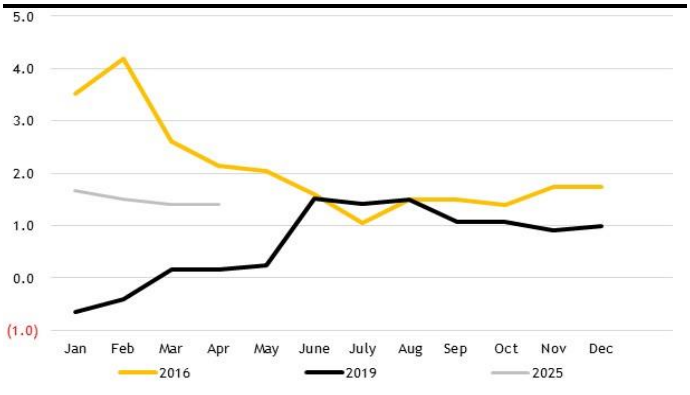
At the same time, we take note of the increasingly dovish tone of the latest Monetary Policy Statements (MPS) amid heightened emphasis on global headwinds and fallouts on key trading partners' growth stemming from US-driven trade policy shifts and tariff actions, thus downsides to domestic growth primarily through the external trade channel[4]. At the same time, BNM remains relatively sanguine on domestic inflation given the trajectory year-to-date (Fig 45), expecting it to remain manageable this year, with the "overall impact of the announced domestic policy reforms on inflation" to be contained. We are looking at inflation rate this year to pick up moderately to +2.0% (4M25: +1.5% YoY; 2024: +1.8%).

Figure 26: Malaysia – Quarterly Real GDP Growth Trajectory Prior to OPR Cuts in July 2016 and May 2019 vs Current



Source: CEIC; Maybank IBG Research

Figure 27: Inflation Rate (Monthly CPI, % YoY)



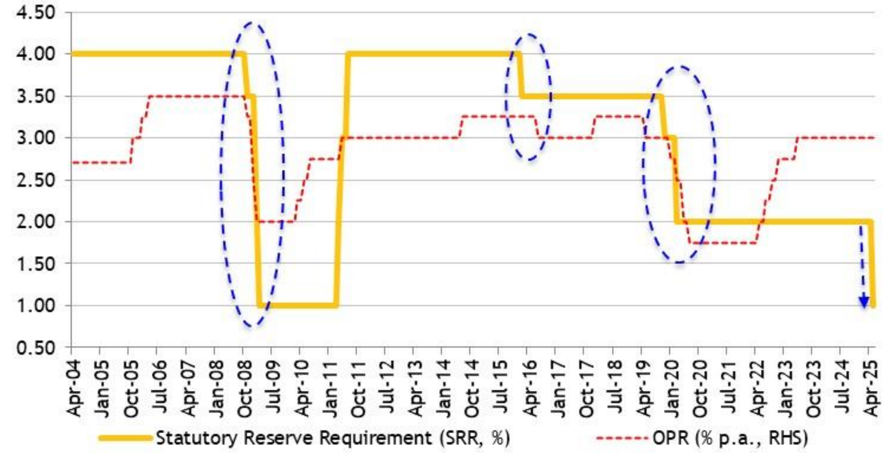
Sources: CEIC; Maybank IBG Research

The 100bps reduction in SRR is expected to release MYR19bn into the banking system; from past trends, it was followed by a OPR cut

Furthermore, while BNM has kept OPR unchanged at 3.00% p.a. after three Monetary Policy Committee (MPC) meetings this year, the MPC on 8-9 May was followed by the announcement of a 100bps cut in the Statutory Reserve Requirement (SRR) to 1% from 2%, releasing MYR19b into the banking system. Granted that BNM emphasised the SRR is not a monetary policy instrument and thus the cut in SRR is not monetary policy easing per se, historically, cuts in SRR and OPR were not far apart (Fig 46).

[4] BNM Monetary Policy - OPR stays but SRR cut, while MPS is "increasingly dovish"

Figure 28: Malaysia – Overnight Policy Rate (OPR) and Statutory Reserve Requirement (SRR)



Source: Bank Negara Malaysia

Other key policy lookouts in 2H25 i.e. 13th Malaysia Plan (13MP); New Investment Incentives Framework (NIIF); JS-SEZ Blueprint; Budget 2026.

13th Malaysia Plan to be presented in Parliament session (21 July – 28 Aug 2025); lookout for the NIIF, which is expected to be unveiled in 3Q25; same for the JS-SEZ Blueprint; Budget 2026 to be tabled on 10 Oct 2025

- **13MP (2026-2030) – to be presented at the upcoming Parliament session (21 July – 28 Aug 2025)** - will mark the critical next five years to realise the ambitious macroeconomic, social and sectorial/industrial targets outlined in the MADANI Economy Framework and its supporting masterplans, roadmaps, blueprints and strategic initiatives, including National Energy Transformation Roadmap (NETR), New Industrial Master Plan 2030 (NIMP 2030), Johor-Singapore Special Economic Zone (JS-SEZ) and National Semiconductor Strategy (NSS). 13MP is also about building greater economic resilience in facing global risks and uncertainties; accelerating structural reforms; narrowing socio-economic and inter-state/regional development gaps – including income disparities; as well as strengthening the commitment to sustainability – including fiscal sustainability, where the country's budget deficit to GDP ratio is envisaged to be at 3% in 3-5 years after the passing of the Public Finance and Fiscal Responsibility Act (FRA) in Oct 2023.
- **At the same time, we will be on the lookout for the National Investment Incentives Framework (NIIF) that was mentioned in Budget 2025 speech back in Oct 2024 and proposed to be unveiled in 3Q25.**
- **We also await Johor-Singapore Special Economic Zone's (JS-SEZ) Blueprint – originally slated for 2Q 2025 but likely to be out in 3Q 2025** - which we expect among others to provide more details on the target of 50/100 high-growth, high-value and high-technology projects next 5/10 years, thus the expected investment values, economic outcome (e.g. +USD28b annual uplift to Malaysia's GDP) and social impact (e.g. job creation – 20,000 skilled jobs in the first 5 years was mentioned; wages/income); as well as addressing issues like infrastructure and talents developments.
- **Meanwhile, Budget 2026 will be tabled in the Parliament on 10 Oct 2025**, and it should be a budget that in terms of focus, measures and incentives, should complement and support 13MP, NIIF and JS-SEZ Blueprint.

Malaysia Equity: Shifting Sands

Attention in 2H25 would be focused on cross currents of external headwinds amid domestic tailwinds, which when combined, should still offer upside to the equities market albeit more selective.

Our five themes are intact and remain well in progress

In our 2025 Outlook and Lookouts, we highlighted five themes for 2025. These remain intact. Traction for these themes are well in progress – positively and negatively.

Figure 29: Malaysia - Five themes for 2025 - a review

Themes	Stocks to watch
Theme 1: External uncertainties 1H25 looks more unsettled as far as external noises are concerned with **Trump's policies relating to tariffs being more disruptive than expected**. That said, we believe **committed investments should remain sound**, particularly related to data centres. We have not seen any significant halts in such investments to date. The semiconductor side had been in turmoil the past few quarters, as underscored by weak 1Q25 results and a challenging operating outlook. Domestically, the Malaysian government has the National Semiconductor Strategy (NSS) as a catalyst over the longer term.	GAM, SCGB, YTLP, ECW, INRI, VITRO, PENTA*
Theme 2: Domestic-centric consumer drivers We remain **positive on the consumer sector**, driven by government-led initiatives to boost disposable income. An expected, the stable interest rate environment is also conducive for both consumption and investment. We remain positive on the **consumer, healthcare and tourism sectors** as well as domestic-centric plays. Banks are also largely domestic-centric plays but we are tilted in favour of a neutral stance at the moment given the softer macro outlook for 2H25.	AEON, FFB, PAD, MR DIY, KPJ, GENM, CAPITALA, PBK, AMM, 99SM*
Theme 3: State-driven activities 2025 started with a bang with the official **Johor-Singapore Special Economic Zone (JS-SEZ) agreement** signed **in January 2025**. Further details on incentives were subsequently announced. Market awaits further investment commitments to the zone. We also see a pick-up in momentum in Negeri Sembilan with the **Malaysia Vision Valley 2.0 revisited**.	ECW, SWB, UEMS, GAM, SDG, MCH*, AME*
Theme 4: Investment realisation Based on data up to end 1Q/4M25, this theme stays intact but risks lie ahead should Trump's tariff tantrums be more severe than expected. That said, **approved and committed investments are unlikely to diverge**, in our view. Trade diversion and diversification strategies remain a strategic priority for businesses. Government initiatives contained in the **National Energy Transition Roadmap (NETR)** are still seeing traction with catalytic projects on track, while the **New Industrial Master Plan (NIMP)** and **National Semiconductor Strategy (NSS)** should set the country on a long term growth path.	TNB, SOLAR, GAM, PIE, ATECH, CPETECH, MNH, PEKAT*
Theme 5: Corporate restructuring While we have not seen much traction in 1H25, we do believe there are plans to execute multiple restructurings through the rest of the year. The initial phase of the Gear-up programme may not have an immediate direct impact on the capital markets but the related **positive repercussions and uplifts will be more evident over time**. We **would focus more on those restructuring companies that would see improved performance and efficiencies over time.**	SPSB, SDPR, SDG

**Not Rated; Note: glossary (for stock names) on pg 38; Source: Maybank IBG Research*

Tariff negotiations and sector implications

While Trump's tariffs were largely expected, the extent of their impact has lingered longer than initially anticipated. Tariff negotiations remain a topic that is still fluid, but we reaffirm our data centre play conviction for YTLP and GAM, adding SCGB and MNH as activities pick up. At the time of writing, there has yet to be any conclusion to tariff negotiations between Malaysia and the US. The 90-day RT pause is slated to end on 8 July and there has yet to be any announcement on the semicon space either. Our base case is for a favourable tariff negotiation which could see tariffs below the originally slated 24% and we remain hopeful that tariffs on semicon could be partially, if not fully, mitigated.

Tariff negotiations remain a topic that is still fluid

That said, the tech sector remains challenging in the medium term due to structural headwinds and we stay neutral on the sector. The recent 1Q25 results season disappointed street expectations due to throttled growth outlook, induced by tariff-related macro uncertainties. While we expect front-loading of export orders in the near term, mostly in 2Q25, we believe 2H25 could still see overheads-related margin pressures from expense-driven factors (OSATs – labour, ATEs – SG&A), capex deferrals by ATE/FAS customers and lethargic OSAT growth outlook from prior underinvestment in advanced packaging capex. More positively, the Malaysia tech ecosystem is poised to benefit from the National Semiconductor Strategy (NSS) which is putting in place the building blocks necessary to move Malaysia's tech capabilities further up the value chain.

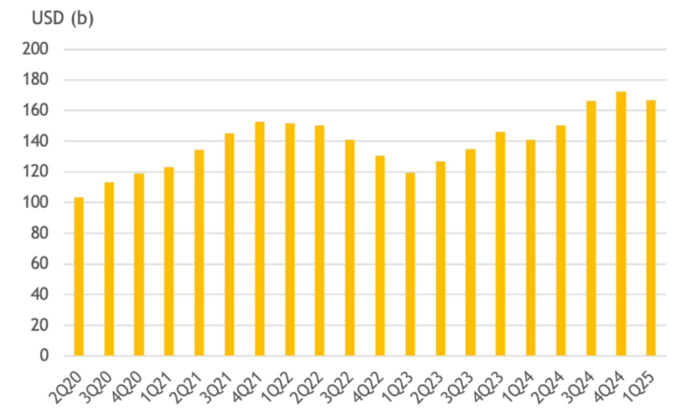
Tech sector remains challenging in the medium term from structural headwinds

The National Semiconductor Strategy (NSS) which is putting in place the building blocks necessary to move Malaysia's tech capabilities further up the value chain

Another positive is that within the electronic manufacturing services (EMS) sector, we observed front-loading activities among the tariff turmoil but we also expect structural drivers, mainly global supply chain diversification, to remain intact. The latter will continue to be underpinned by geopolitical tensions and higher tariffs, which intensify urgency to derisk manufacturing footprint. The EMS sector remains supported by technological shifts with the proliferation of AI and accelerated digitalisation which drives outsourcing demand across the supply chain. Risk to the EMS players would be an indecisive outcome from tariff negotiations which could delay customer decision making and delay project rollouts.

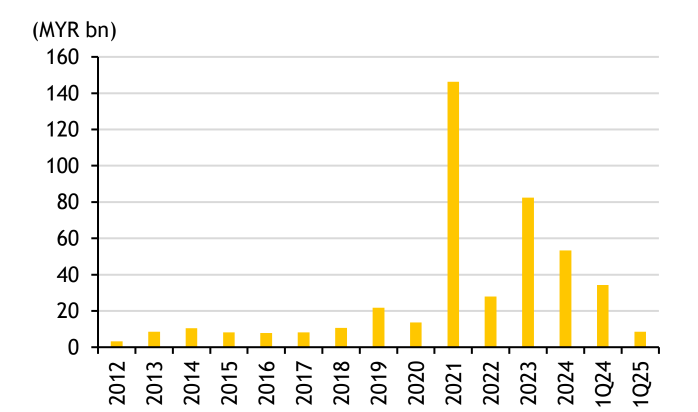
The EMS sector is seeing front-loading activities while structural supply chain diversification angle remains intact

Figure 30: Global semiconductor billings (blended total)



Source: WSTS, Maybank IBG Research

Figure 31: E&E Approved FDIs 2012-24



Source: MIDA, Maybank IBG Research

Separately, in the data centre space, momentum of awards did not stop but in fact continued to accelerate despite concerns of pull back in investments projects around the world. Ongoing negotiations with data centre operators remained on track. Data centre investments were a key contributor to Malaysia's approved investments in 2024. We have seen awards still being dished out by hyperscalers even in recent months; Gamuda and Sunway Construction have been main beneficiaries. Guidance from Tenaga during its recent 1Q25 results analyst briefing further affirms that there are another 10 Electricity Supply Agreements (ESAs) to be signed for 2025, indicating 1.5-2GW capacity uplift ahead. We understand as at 1Q25, Tenaga has locked in 666MW.

Data centre theme is intact; momentum has been strong

Link to reports:

Gamuda - Exposure to data centres to grow meaningfully

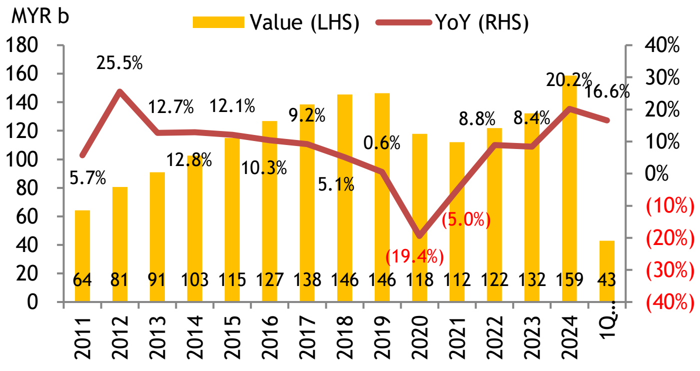
Sunway Construction - Upping the ante

Tenaga - A decent start

Raising our conviction for the construction sector in 2H25 - more activities to come

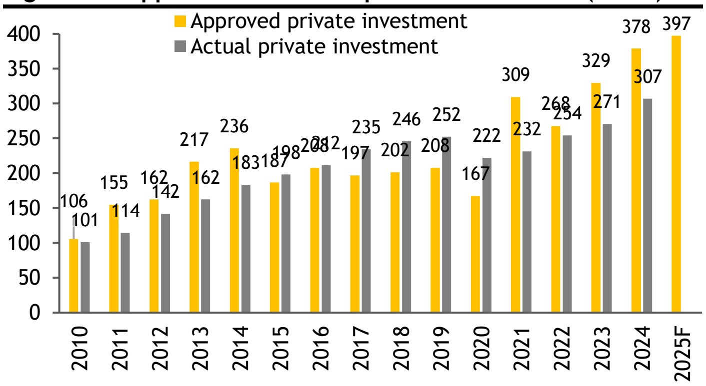
While we have been POSITIVE on the construction stocks, our conviction for the sector has intensified and would be a theme we push for 2H25 and beyond. The 13th Malaysia Plan and Pearl Computing data centre awards are key catalysts for the sector. Separately, notable property transactions for data centres continue to crystallise though this appears to be moderating vs the momentum we saw in 2024.

Figure 32: Value of construction works completed



Source: Department Of Statistics Malaysia, Maybank IBG Research

Figure 33: Approved and actual private investment (MYRb)



Source: Malaysian Investment Development Authority; Maybank IBG Research

Hyperscale data centres have visibility until 2028

Figure 34: Selected hyperscale data centres (current and pipeline)

Entity	Location	State	Power (MW)	Commission Year
Bridge	Sedenak	Johor	110	2022
GDS (DayOne)	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	170	2024
DC-Science (Brightray)	Sedenak	Johor	90	2025
ST Telemedia	Nusajaya	Johor	120	2025
Epoch Digital	Nusajaya	Johor	120	2025
Bridge	Bukit Jalil	Klang Valley	48	2025
Vantage	Cyberjaya	Klang Valley	256	2025
TM-Nxera	Nusajaya	Johor	200	2026
GDS (DayOne)	Kempas	Johor	50	2026
edgeconnex	Bukit Jalil	Klang Valley	70	2026
edgeconnex	Cyberjaya	Klang Valley	200	2026
Bridge - Mah Sing*	Bukit Jalil	Klang Valley	300	2026
Bridge	Ulu Tiram	Johor	300	2027
NTT Data	Nusajaya	Johor	290	2027
Stack Infrastructure	Nusajaya	Johor	220	2027
Princeton Digital Group	Kulai	Johor	200	2027
Airtrunk	Nusajaya	Johor	270	2028
Total			**4,234**	

** The collaboration agreement between Mah Sing and Bridge Data Centres Malaysia (BDC) with up to 100MW power capacity expired following the end of the exclusivity period, its second collaboration with BDC, for a 200MW data centre is valid until 28 Oct 2025 (see announcement);*

Source: Companies, various media portals, Maybank IBG Research

Figure 35: Notable land transactions for data centres in Malaysia between 2023-2025 (YTD)

No	Land owners	Date	Buyer	Land size (acre)	Location	Transation value (MYRm)	Land price (MYR/psf)
	2023						
1	Crescendo (CCDO MK)	Nov-23	STT GDC Malaysia 2	22.4	Pulai	117.0	120
2	Crescendo (CCDO MK)	Nov-23	Yu Ao	20.4	Pulai	111.0	125
3	Crescendo (CCDO MK)	Nov-23	Microsoft Payments	60.4	Pulai	315.2	120
4	Crescendo (CCDO MK)	Nov-23	Microsoft Payments	25.3	Pulai	132.5	120
	2024						
5	Crescendo (CCDO MK)	Jun-24	Digital Halo	20.5	Pulai	115.9	130
6	AME Elite (AME MK)	May-24	Digital Hyperscale Malaysia	34.9	Iskandar Puteri	209.8	138
7	Sime Darby Property (SDPR MK)	May-24	Pearl Computing	49.0	Elmina, Selangor	(leasing)	2,000
8	Eco World Development (ECW MK)	Jun-24	Microsoft Payments	123.1	Kulai	402.3	75
9	UEM Sunrise (UEMS MK)	Jun-24	Undisclosed	28.9	Iskandar Puteri	144.9	115
10	Sime Darby Property (SDPR MK)	Dec-24	Pearl Computing	77.0	Elmina, Selangor	(leasing)	5,600
11	Paragon Globe (PG MK)	May-24	Bridge Data Centres	47.9	Plentong	238.3	114
12	River Retreat (80% owned by IIB)	Jun-24	ST Dynamo	41.7	Iskandar Puteri	178.2	98
13	Sunway Iskandar (SWB MK)	Jul-24	Equalbase Pte Ltd	64.0	Pulai	380.0	136
14	Paragon Globe (PG MK)	Aug-24	Bridge Data Centres	19.8	Plentong	99.0	115
15	Eco World Development (ECW MK)	Aug-24	Princeton Digital Group	57.1	Kulai	223.8	90
16	Tropicana Corp (TRCB MK)	Aug-24	NTT Global Data Centers Holding Asia Pte Ltd	68.5	Iskandar Puteri	383.1	128
17	Tropicana Corp (TRCB MK)	Oct-24	ZData Technologies Co	38.5	Iskandar Puteri	240	143
18	Sime Darby Property (SDPR MK)	Dec-24	Pearl Computing	77.0	Elmina	-	5,600
19	Crescendo (CCDO MK)	Dec-24	Data Cloud Innovation	18.4	Pulai	120.1	150
20	MUI Properties (MUI MK)	Dec-24	Gamuda	389.7	Port Dickson	424.4	25
	2025						
21	Crescendo (CCDO MK)	Jan-25	Microsoft Payments	22.6	Pulai	119.8	122
22	Eco World Development (ECW MK)	Feb-25	Microsoft Payments	138.5	Tebrau	694.0	115
23	Eco World Development (ECW MK)	Feb-25	Pearl Computing	58.2	Puncak Alam, Selangor	266.1	105
24	Eco World Development (ECW MK)	Feb-25	Pearl Computing	92.4	Puncak Alam, Selangor	(leasing)	4,800

Source: Companies, various media portals, Maybank IBG Research

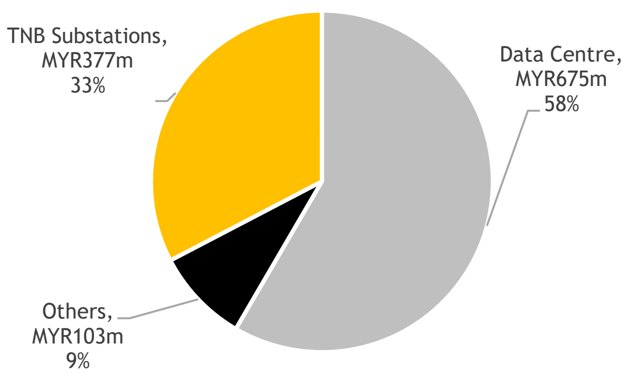
Along the data centre supply chain are the consumer landing station (CLS) contractors; MN Holdings is a proxy to this play. The Malaysian government, through Tenaga, is ramping up grid readiness efforts to support data centre growth. We believe MN Holdings has built a good reputation in the data centre segment, through several collaborations with data centre players, including Bridge Data Centres (a regional DC operator backed by Bain Capital), GDS Services (a leading China-based hyperscale DC provider) and DC-Science (Shanghai-based DC developer focused on AI and cloud infrastructure). This bodes well for MNH given its expertise in high-voltage underground cable and CLS projects. Of the MYR1.16b order book, DCs projects account for 58.4%, comprising both underground cabling works and the construction of internal high-voltage substations to support hyperscale facilities, reflecting the growing demand for digital infrastructure. TNB substation projects account for 32.7%, backed by the ongoing grid upgrade initiatives under RP4 and new RE-linked connections such as LSS5.

Link to report:

MN Holdings - Power Up; initiate BUY

MN Holdings is an alternate data centre play, also a proxy for renewable energy

Figure 36: Order Book Breakdown by Sector Exposure (as at Apr 2025)

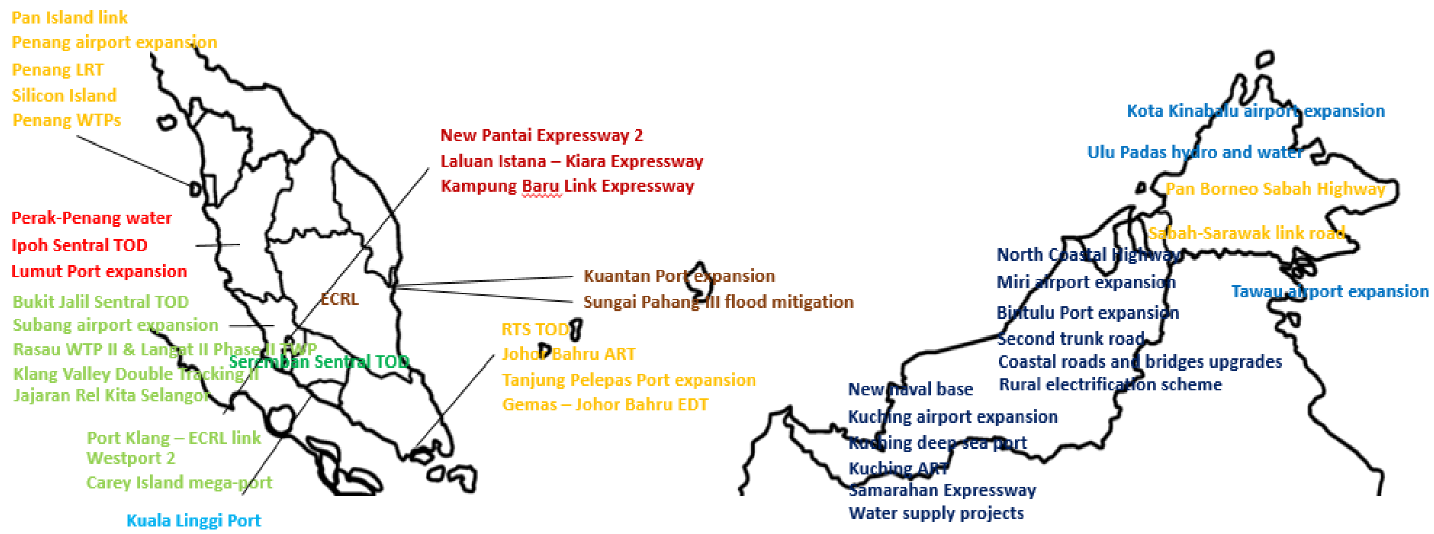


Source: Company, Maybank IBG Research

Beyond the data centre space, we also expect further momentum in Penang (Penang Mutiara LRT line system works) and East Malaysia infrastructure and airport expansions to drive domestic orderbook. We list below, major infrastructure projects under construction or in planning.

Data centres aside, there are ample job scopes ahead to support orderbook build up

Figure 37: Major infrastructure projects under construction or planning



Source: Various; Companies; Maybank IBG Research

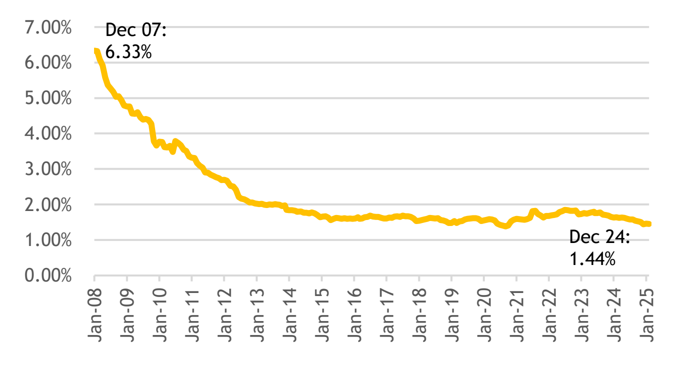
Banks the typical macro bellwether

We reiterate our NEUTRAL stance on the banks, leveraging on the softer 2H25 macro outlook but stress that there could be upside to our forecasts should banks decide to use management overlays to buffer credit costs; Public Bank and AMMB Holdings, our bank picks, are well positioned for this. We would keep a close watch on CIMB. While it is the cheapest bank proxy (by PB multiple) among the large cap banks, we are mindful of its relatively greater exposure to regional volatility compared to its domestic peers. Nevertheless, banks' fundamentals are strong and they remain well equipped to weather any adverse macro conditions. We note that the banking sector is significantly healthier vs 2007 (global financial crisis). Banks remain a key component of the KLCI index and is typically a sector favoured by foreign investors when they look at adjusting their weightings in Malaysia.

Banks are now on a NEUTRAL weight to reflect softer macro outlook; but there could be upside to our forecasts should banks decide to use management overlays to buffer credit costs

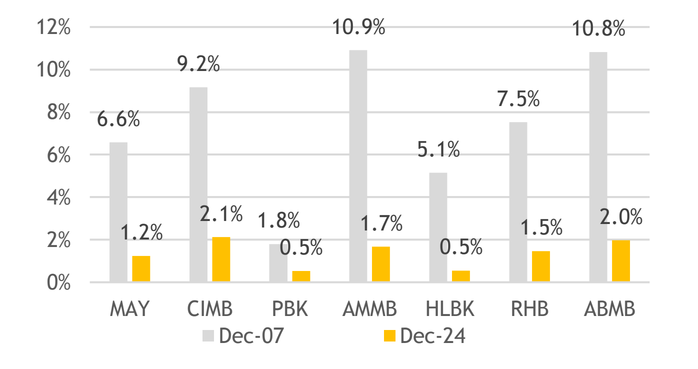
Banks remain a sector favoured by foreign investors when they look at adjusting their weightings in Malaysia

Figure 38: Industry asset quality is significantly much better than back in 2007



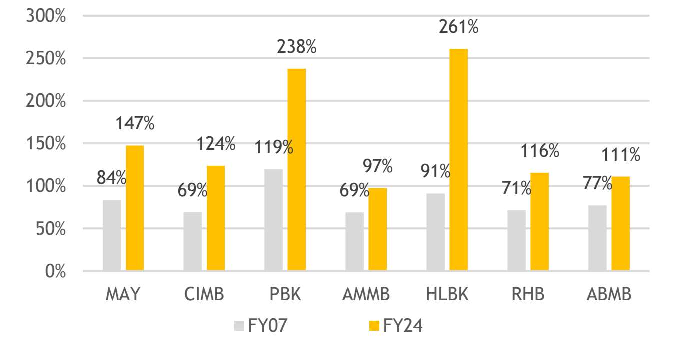
Source: Companies, Maybank IBG Research

Figure 39: Similar trends are noted for individual banks - in a much healthier position today vs 2007



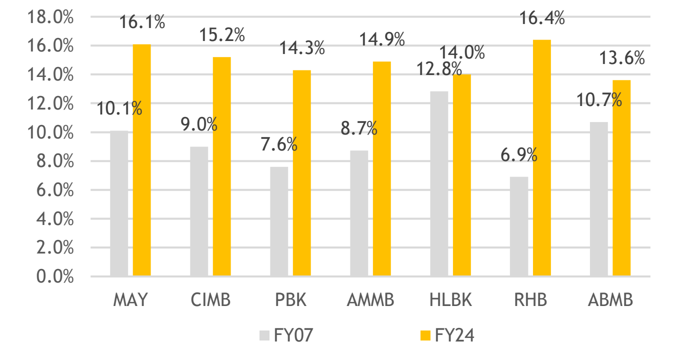
Source: Companies, Maybank IBG Research

Figure 40: Loan loss coverage is higher with all exceeding 100% now, including regulatory reserves



Source: Companies, Maybank IBG Research

Figure 41: Tier 1 capital ratios are at least 13.6% and above versus an average of 9.4% in FY07



Source: Companies, Maybank IBG Research

Domestic tailwinds favour the domestic-centric sectors

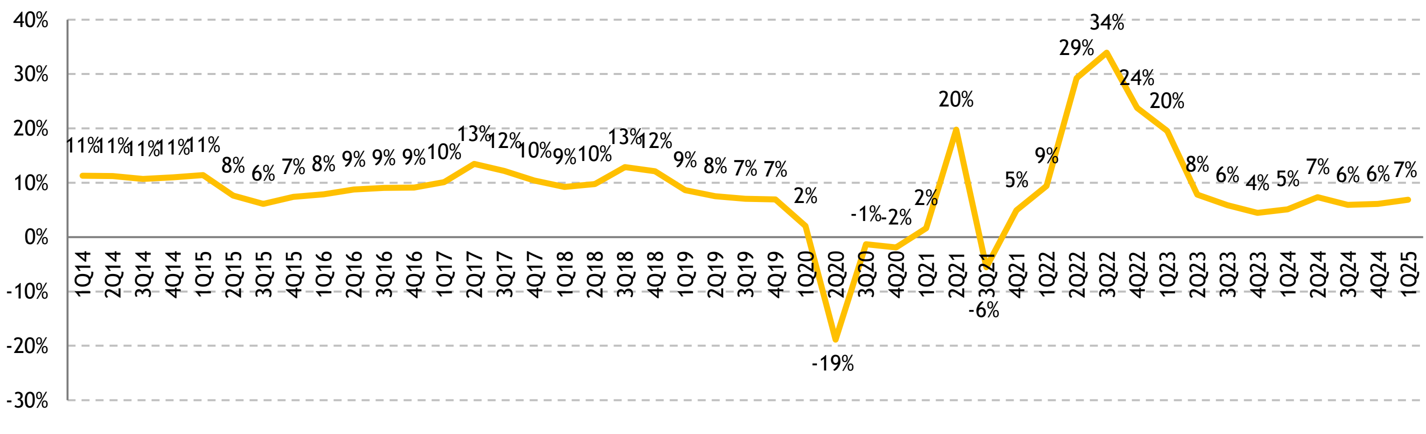
Elsewhere, we remain positive on domestic-centric consumer plays as we expect domestic policy tailwinds to keep the Malaysian economy on a growth path. Besides the consumer sector, we remain POSITIVE on healthcare, REITs and renewable energy.

We remain POSITIVE on consumer, healthcare, REITs and renewable energy

Within the consumer sector, demand should remain resilient for staple F&B goods and low-priced retail goods amid periods of cost inflation. The rollback of subsidies for eggs and the anticipated RON95 petrol subsidy rationalisation is expected to leave consumer spending largely intact, in our view. However, the SST expansion from 1 July 2025 affecting rental and leasing service provides than exceed MYR500k income per year could have broader negative impact to consumer discretionary purchases as companies could pass the higher expense to consumers. This could partially offset the overall positive consumer spending effects of higher wages.

Despite policy changes, we believe consumer spending should remain largely intact, supported by income buffers

Figure 42: Quarterly retail sales growth YoY (%)

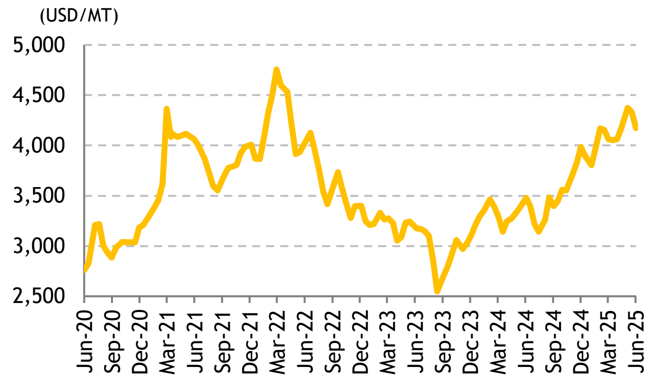


Source: CEIC, Maybank IBG Research

We switch to Farm Fresh as our top BUY pick (from AEON) due to its stable product demand, additional revenue streams from new product launches and medium-term earnings growth prospects through regional expansion. Given that milk is a daily food essential, it is also relatively shielded from any risks of weaker consumer spending resulting from subsidy roll-backs and SST expansion in 2H25.

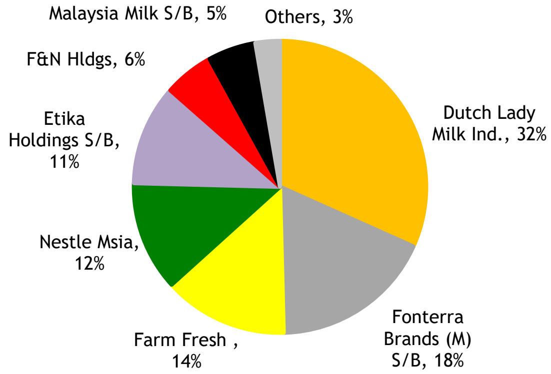
Our consumer top pick is switched to FFB from AEON, though the latter is still a BUY

Figure 43: Whole milk powder ASP (USD/MT)



Source: Bloomberg, Maybank IBG Research

Figure 44: Market share of drinking milk products* in Malaysia



**Drinking milk products include milk, flavoured milk drinks and powder milk; Source: Euromonitor, Maybank IBG Research*

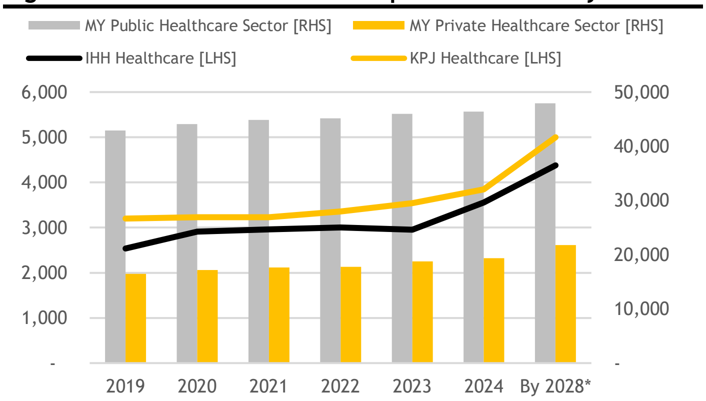
We have BUYs on all consumer stocks under our coverage except QLG (HOLD), BFOOD (SELL) and 7-Eleven (SELL)

As we are POSITIVE on the consumer sector, our ratings for consumer stocks under our coverage are mostly BUYs. Mr DIY and Padini are well positioned to benefit from both consumer down-trading trends and increases in consumer disposable income due to their mass-market consumer target market and affordable pricing. For AEON, the strategy to undergo renovations to its existing shopping malls have successfully translated into stronger earnings contribution from its property management services segment. AEON is also trading at undemanding valuations of c.12x FY26E PER, below its mean PER of 17x. Our BUY ratings on the brewers (Heineken and Carlsberg) are based on potential volume recovery, defensive group margins in tandem with softer raw material costs and decent dividend yields of c.5% to 6%. With the waning effects of consumer boycotts on Nestle, our positive outlook stems from an expected progressive earnings recovery, leveraging on its product range of daily F&B necessities and its efforts to rebuild its domestic brand image.

POSITIVE on healthcare (hospitals) on expansion ramp-up, aided by delayed DRG implementation; but rather cautious on the ITO actions; medical tourism remains a catalyst

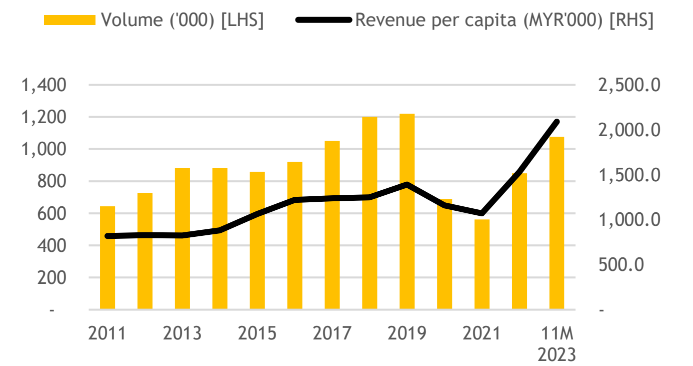
Elsewhere, we remain POSITIVE on healthcare, namely hospitals - the expected ramp-up of inorganic and organic expansions and delayed Diagnostic-related Group (DRG) rollout are key drivers of growth. However, we are cautious on potential retaliations from insurance and takaful operators (ITOs) in the form of potential price negotiations or revoking cashless payments for policyholders, as these may affect volume turnover. On the recent SST expansions, we believe impact to be neutral for the 6% SST introduction (levied for companies with annual revenue >MYR1.5m) on foreign patients as IHH/KPJ remain price-competitive vs regional peers. Medical tourism remains a catalyst for the sector.

Figure 45: Number of licensed hospital beds in Malaysia



Source: Ministry of Health, Statista, IHH Healthcare, KPJ Healthcare, Maybank IBG Research

Figure 46: Malaysia inbound medical tourism



Source: MHTC, Malaysian Investment Development Authority (MIDA), various news articles, Maybank IBG Research (computation)

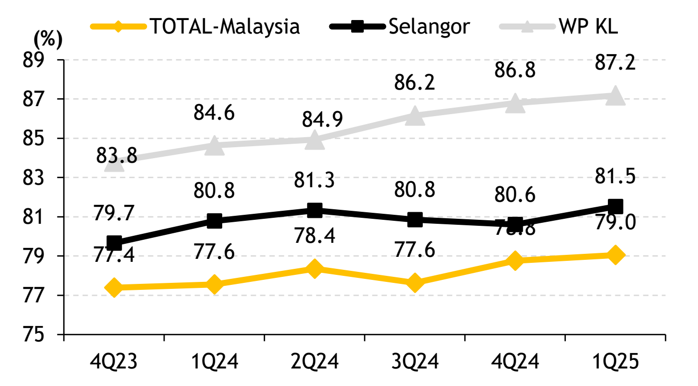
Tourism recovery play bodes well for Genting Malaysia, Capital A and REITs with hospitality assets

Added domestic strength is the recovery in tourism. Proxies are limited but could be represented by Genting Malaysia and Capital A, more so the latter. 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. More foreign visitors will also be positive for Capital A but we estimate that foreign visitors travelling to Malaysia via Malaysia AirAsia accounted for, at most, 20% of total passenger carried in 2019.

REITs should be driven by additional revenues from asset acquisitions, asset recycling and asset restructuring, offering further enhancement to dividend yields

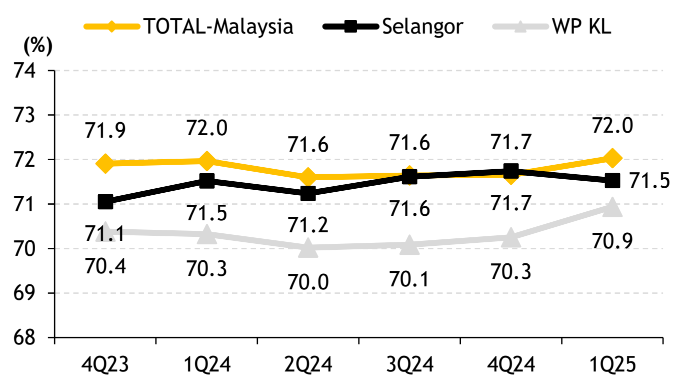
Complementing tourism would be the REITs but the main driver to the REITs sector would be positive rental reversions, improved occupancy rates and contributions from newly acquired assets. Operationally, the retail and industrial segments remained resilient, while office stayed challenging, though largely defended by long leases and stable occupancy. Separately, we also see strategic catalysts, including Capitaland Malaysia Trust (CLMT)'s industrial diversification (logistics to make up 7.9% of AUM by FY26) and Sentral REIT's ongoing pivot away from pure-play office exposure. Al-Salam is progressing on its "DISRUPT27" repositioning strategy, with asset recycling and KOMTAR JBCC's on-going reconfiguration expected to support medium-term yield and valuation recovery.

Figure 47: Retail space occupancy in shopping complexes



Source: National Property Information Centre (NAPIC)

Figure 48: Office space occupancy in purpose-built offices



Source: National Property Information Centre (NAPIC)

Expect more awards in the renewable energy space to be rolled out in 2H25

The renewable energy space is favourably underpinned by strong corporate green power programme (CGPP) execution, stabilising trend on solar panel prices and upcoming catalysts from large-scale solar (LSS) - LSS5+ and LSS6 - rollouts. We expect 2H25 to be driven by solar project commissioning, stable EPCC margins and initial progress on BESS investment. Looking ahead, orderbook visibility improved sector-wide. Solarvest's order book hit an all-time high of MYR1.2bn as at end 1Q25, with ~75% comprising CGPP and LSS-related projects. Several other listed peers similarly reported strong order book replenishment, underpinned by the spillover from LSS5 contracts and corporate power purchase agreements (PPAs) with commercial & industrial (C&I) clients.

As of May 2024, Malaysia's operational RE capacity (excluding large hydro) stood at 4,018,7MW. By end-2025, an additional 505.9MW under LSS is expected to have been completed. Including ~6GW of large hydro, we estimate that RE represented around 26% of total installed capacity by end-2024.

Renewable energy sector expected to remain upbeat even into 2026

The sector outlook remains upbeat into 2026, anchored by strong policy pipeline. The government is progressing toward LSS5+ and LSS6 rollouts, with RFPs expected to be released in 2H25. LSS6 is anticipated to open up ~2GW of new solar capacity and may incorporate BESS elements as part of grid firming requirements. Meanwhile, CGPP and LSS5 remains a critical growth engine, with most awarded projects targeting to complete by 2026-2027.

Figure 49: Latest RE programmes

RE programmes	Capacity Awarded MW	Notes
Govt programme:		
- Net Energy Metering (NEM) 3.0	2,500.0	Quota for 2021 – 2025. Balance of 579.4 MW (as at 9 Jun 2025).
- Corporate Green Power Programme (CGPP)	800.0	Scheduled to commence operations by end-2025.
- Self-Consumption (SELCO)	N/A	No quota
- Corporate Renewable Energy Supply Scheme (CRESS)	N/A	No quota. For corporate companies
- Community Renewable Energy Aggregation Mechanism (CREAM)	N/A	No quota. For Residential
Competitive bidding:		
LSS 5	2,000.0	Shortlisted bidders were announced from 23 Dec 2024. Scheduled to commence operations by 2026-2027. EPCC tender on-going.
LSS 5+	2,000.0	Request for proposal (RFP) was closed on 28 Feb 2025. Shortlisted bidder expect to be announce in the next one or two months, followed by EPCC tender
BESS	400 MW /1,600 MWh	Request for qualification (RFQ) was closed on 12 Feb 2025, then will followed by RFP and shortlisted bidder announcement, expect to be in 2H25. All projects are scheduled to commence operations by 2026.

Source: SEDA, Energy Commission, Maybank IBG Research

Figure 50: Operational renewable energy assets by types (excl. large hydro) - May 2024*

Renewable energy assets	Operational MW
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**

**Latest available information; Source: SEDA, Energy Commission, Maybank IBG Research*

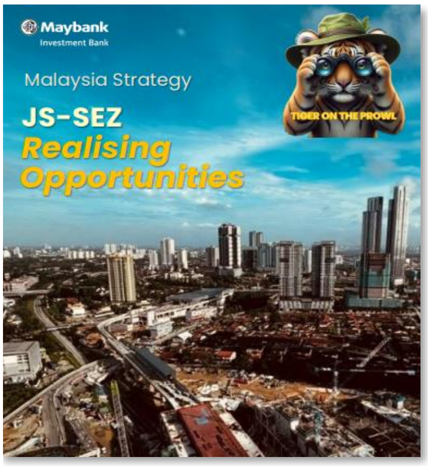
Figure 51: Large Scale Solar (LSS) in Peninsular Malaysia

LSS	Total Projects	Capacity Awarded MW	Operational Capacity MW
Fast track	4	200.0	200.0
LSS 1	14	354.0	354.0
LSS 2	27	465.5	405.5
LSS 3	5	490.9	390.9
LSS 4 (LSS@MEnTARI)	30	823.0	477.1
LSS 5 (LSS PETRA)		2,000.0	
LSS 5+ (LSS PETRA 5+)		2,000.0	
Total		**6,333.4**	**1,827.5**

Source: National Property Information Centre (NAPIC), Maybank IBG Research

State driven activities still in play

We started 2025 with a bang with the Johor-Singapore Special Economic Zone (JS-SEZ) agreement signed. JS-SEZ will be made up of 9 flagship areas (Fig 52) i.e. adding Forest City (which is also designated as the Special Financial Zone), Pengerang (i.e. the integrated petrochemical complex) as well as Desaru and Sedenak to the 5 flagship areas under Iskandar Malaysia i.e. Johor Bahru City Centre, Iskandar Puteri, Tanjung Pelepas-Tanjung Bin, Pasir Gudang and Senai Skudai. JS-SEZ will prioritise manufacturing (including advanced electronics e.g. chips design), digital and green economy, business and financial services, logistics, energy, chemicals, aerospace, tourism, health (including pharmaceuticals and medical devices), education and food security.

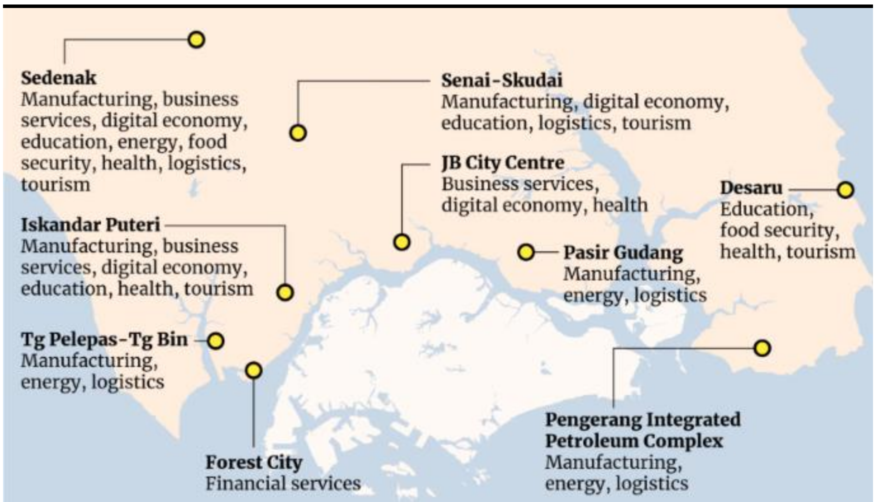


JS-SEZ blueprint expected to be released in 2H25

From newsflows, it was reported that the JS-SEZ is drawing increasing interest from investments across the globe as the special economic zone positions itself as the strategic gateway into ASEAN. As we understand, enquiries are pouring in. It was also reported that close to 90% of the RM27.4 billion new investments in Johor were located in the economic zone. We now await the JS-SEZ blueprint - likely to be out in 3Q 2025 - which we expect among others to provide more details on the target of 50/100 high-growth, high-value and high-technology projects over next 5/10 years, thus the expected investment values, economic outcome (e.g. +USD28b annual uplift to Malaysia's GDP) and social impact (e.g. job creation –

20,000 skilled jobs in the first 5 years was mentioned; wages/income); as well as addressing issues like infrastructure and talents developments.

Figure 52: JS-SEZ in Johor (map)



Source: Malaysia Investment Development Authority

April 28, 2025

Maybank Investment Bank

Malaysia Macro Update

JS-SEZ: Forward march…

ECONOMICS

Malaysia

Malaysia and Singapore joining hands pitching JS-SEZ to businesses and investors

We attended the inaugural JS-SEZ Joint Business & Investment Forum titled "Bridging Economies, Strengthening Supply Chain" (21 Apr 2025; Maybank was the Forum's Strategic Partner). Malaysia and Singapore policymakers together with agencies like MITI/MIDA, Iskandar Regional Development Authority (IRDA), Invest Johor, Economic Development Board (EDB) and Enterprise Singapore, as well as business/industry representatives - namely Federation of Malaysian Manufacturers (FMM) and Singapore Business Federation (SBF), jointly made the "sales pitch" for JS-SEZ to businesses and investors, especially within the context of win-win outcomes of - and twinning opportunities in - JSSEZ given the complementarities of Johor and Singapore.

The event also included Business Clinic Programme - where businesses and investors met with Malaysia and Johor authorities i.e. MITI/MIDA, Royal Malaysian Customs Department, Immigration Department, Department of Environment, IRDA, Invest Johor, Johor State's local councils that fall within JS-SEZ, Tenaga Nasional Berhad and Ranhill SAJ. There was also Business Matching Programme involving companies in semiconductor/electronics, information technology, datacentre, medical device and food industries.

Positive impact of JS-SEZ i.e. strong investment approvals amid biz & invest "twinning" in Johor…

According to Johor's Menteri Besar (MB - Chief Minister) Dato' Onn Hafiz Ghazi, the state approved MYR27.4b investment in 1Q 2025 in sectors like pharmaceuticals, information technology, AI, semiconductor and manufacturing. And as of this month (Apr 2025), there are MYR23b investment applications in the pipeline pending approvals. These figures signal 2025 will be a year of strong investment approvals in Johor after full-year investment approvals of MYR48.5b in 2024 and MYR43.3b in 2023, clearly pointing to the positive effect of JSSEZ (Fig 1).

Meanwhile, Singapore's Deputy Prime Minister (DPM) cum Minister for Trade and Industry (MTI), Mr Gan Kim Yong, together with speakers from EDB and SBF highlighted several examples of business and investment "twinning" between Singapore and Johor in the food-related industry - which we see as an area of low-hanging fruit for quick wins in JS-SEZ from the perspective of food security and halal food industry i.e.

- Singapore-based agri-tech company Archisen and Johor Corp's subsidiary Farm-Byte are jointly developing a smart indoor vertical farm in Nusajaya Tech Park to produce over 300 tonnes of vegetables per annum.
- Singapore-based global agri-commodity firm Agrocorp and one of Japan's leading diary Megmilk Snow Brand are jointly developing a facility in Tanjung Langsat to manufacture protein and starch products from climate-friendly crops.
- Korea's F&B giant SPC Foods, owner of Paris Baguette Singapore, completed its halal bakery hub in Nusajaya Tech Park Johor, not only to increase production capacity, streamline international distribution, and reinforce its position in global bakery and food industry, but also to facilitate its expansion into the halal markets in Southeast Asia and Middle East. The Johor facility also complements SPC Foods' regional HQ and innovation centre in Singapore.

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Early winners were the property developers in the industrial properties segment. We now await materialisation of retail and residential properties. Key property developers in the JS-SEZ area are Eco World, Sunway and UEM Sunrise.

Figure 53: Landbank of Johor developers - Beneficiaries of JS-SEZ

i) **Sedenak - Kulai area**
Developers:
¤ Eco World (327.4 acres - Eco Business Parks including 132.6 acres in Kulai)
¤ IOI Properties [3,668 acres]
¤ Scientex
¤ Lagenda[1,070 acres]
¤ AME Elite [116.4 acres (pending completion of the 641-acre acquisition)]

Plantation estate owner:
¤ SD Guthrie [5,197 hectares]
¤ Genting Plantations [2,536 hectares]
¤ KL Kepong [2,927 hectares]
¤ Johor Plantations

Unlisted landowner:
¤Johor Corporation (via Johor Land)

ii) **Iskandar Puteri**
Developers:
¤ UEM Sunrise (4,463.4 acres)
¤ Sunway (701.9 acres)
¤ Eco World (302.7 acres in Iskandar Puteri, 406 acres in Masai and Tebrau area)
¤ SP Setia (1,119.8 acres in various location in Iskandar M'sia)
¤ E&O
¤ Mulpha International
¤ KSL
¤ AME Elite
¤ Crescendo

Plantation estate owner:
¤ KL Kepong (203 hectares)

Unlisted land owner:
¤ Iskandar Investment Berhad (IIB)

iii) **Johor Bahru**
Developers:
¤ Iskandar Waterfront Holdings
¤ Tropicana
¤ Ekovest
¤ Mah Sing [6 acres]

Unlisted land owner:
¤ Johor Corporation (via Johor Land Bhd)

iv) **Desaru**
Developers:
Lagenda (Mersing area – 432 acres)
UEM Sunrise (Desaru – 198.7 acres)

Source: Companies, Maybank IBG Research

MVV 2.0 could be an extension of play for plantations companies and property developers

Interestingly, the spillover effect of data centres has moved on to Negeri Sembilan as the Malaysia Vision Valley 2.0 (MVV 2.0) has been revisited. We expect a longer development period for the MVV2.0 project, as it is relatively undeveloped and mostly covered by plantation estates. Its infrastructure and connectivity are also not as established compared to JS-SEZ. Nevertheless, due to its strategic location as a natural extension of Greater KL, coupled with relatively lower land costs, MVV2.0 should be able to capitalise on the spillover effects from Greater KL's rapid development and we believe it has the potential to emerge as a key industrial hub in central Malaysia. To attract more investments to the region, the state government could, we reckon, offer similar incentives to those provided by JS-SEZ. Rising investments and commercial activities are expected to drive job creation, boosting long-term demand for residential, commercial, and industrial properties through population growth and rising wealth. Key beneficiaries include landowners like SDG and Sime Darby.

Figure 54: Landbank of MVV developers

Developers	Land size (acres)
MUI Properties- Chin Teck Plantations	e. 675.8 acres^ (post-land sale to Gamuda)
Sime Darby Properties	930.5 acres
Matrix Concept	1,067 acres (Sendayan) 2,382 acres (MVV City 1&2)**
Future:	
Eco World	1,166 acres (JV with SDG and NSC); land acquisition is slated for completion by May 2025
Gamuda	390 acres; land acquisition is slated for completion by Jul 2025
Other land owners:	SD Guthrie, Sime Darby

Source: Companies, Maybank IBG Research

Three additional themes for the rest of the year

Besides construction, we believe there are three other sector themes to hone in - plantations, utilities/renewable energy and ports

Our strongest sector conviction for 2H25 would be construction as we reaffirm momentum from the data centre plays where we see activities still going strong. Apart from tactically positioning for the rest of the year to take advantage of transient disruptions, we also see opportunities in plantations, utilities/renewable energy and ports.

Commodities war premium - what if…

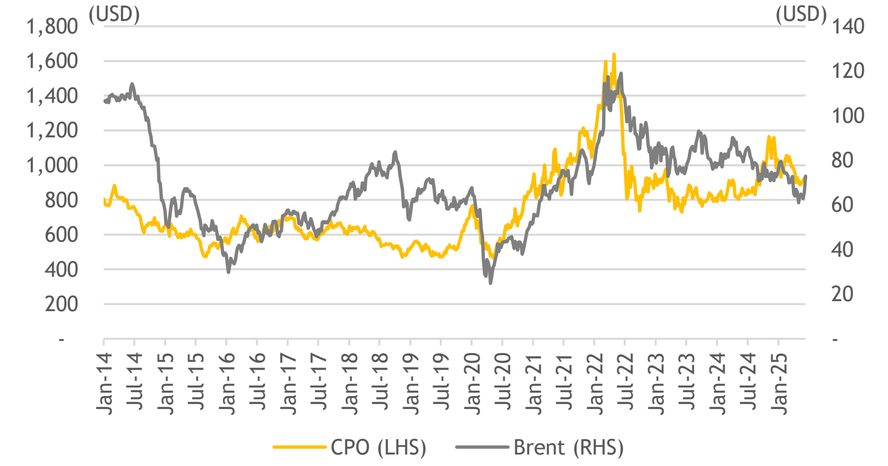
Spike in oil price could it see a spillover effect to CPO prices. But only a higher and prolonged high oil price which would sustain a CPO level above MYR4,500/t would surprise for planters on the upside

The Middle Eastern conflict has triggered oil prices surge and indirectly crude palm oil (CPO) price bounce, though this could be temporary. We believe war premiums are unlikely to last. Geopolitical events may create uncertainty on future supply and demand, which can lead to high crude oil price volatility. Also, any heightened tensions in Russia-Ukraine, Gaza and Israel-Iran could give some short-term "war premium" boosts to crude oil prices. Based on precedence, war premiums on crude oil are often short-lived if supply is unaffected i.e. supply-demand fundamentals are unchanged.

The correlation between crude oil price and CPO is positive, but rather complex, due to the demand-supply dynamics of other oils. We expect CPO ASP to trade in the range of MYR3,500/t to MYR4,000/t in 3Q25, and likely trade at a higher range of MYR3,500/t to MYR4,250/t in 4Q25 as market starts to factor in low output cycle going into 2026. In the immediate term, we believe only a sustained level above MYR4,500/t could surprise for planters on the upside. Regardless, SD Guthrie would be the best proxy for the planters.

Figure 55: Brent oil price vs CPO prices - correlation

Brent oil price and CPO price are positively correlated BUT correlation is low; crude oil price need to be higher (and for longer) to exert strong price influence on CPO and other vegetable oils



Source: Bloomberg, Maybank IBG Research (chart)

Silver lining for planters – their land bank - monetization for renewable energy and industrial property purposes

However, the silver lining for the plantations sector could arise from selected planters with suitable and well-located land near the national grid and interconnection points having the opportunity to participate in LSS projects. LSS6 is said to open for tender in 2H25 while the results of LSS5+ tender should be out soon. LSS initiative basically allows planters to sweat a small part of their estate land, augmenting returns multi-fold compared to oil palm. Some of the plantation companies are already in joint-ventures with property developers for industrial property development potential. JSSEZ development/project announcements may continue to benefit SD Guthrie, KL Kepong, Genting Plantations, and Johor Plantations (JPG; Not Rated) as they are the largest real estate owners in Iskandar, allowing them to hasten monetisation of their land values over time.

Link to reports:

The magnifying power of solar is a game changer for earnings

JS-SEZ beneficiaries in Kulai District

Utilities and renewable energy ramp up - BESS

BESS, a theme to watch in the long term; progress is still preliminary but EPCC works have started

Separately, as the National Energy Transition Roadmap (NETR) continues to track well, awards for renewable energy, battery energy storage systems (BESS) and carbon capture, utilisation and storage (CCUS) abound. Apart from TNB, MN Holdings is well positioned to benefit from BESS contracts.

BESS are usually deemed as generation assets. They can potentially be deployed directly at solar farms, or as standalone facilities connected to the grid. Conceptually, BESS removes the “intermittent” characteristic of solar, effectively allowing solar capacity to function as a base load, thus reducing reliance on fossil-fuel generation plants.

In Malaysia, BESS has evolved from concept (under feasibility studies) to reality (a live utility-scale project in Sabah now under construction). Over the past year, Sabah Electricity had in Sep 2024, finalised the EPC (engineering, procurement and construction) award of Malaysia’s first large-scale BESS project to unlisted MSR Green Energy (in turn sourcing equipment from global BESS major Sungrow). Located in Lahad Datu with a capacity of 100MW/400MWh (among the largest in ASEAN), construction of the c.MYR645m facility is scheduled for completion in mid-2025. MSR Green Energy is a 20% associate of Seal Inc.

Meanwhile, according to press reports, Tenaga and UEM Group-backed NUR Power are involved in the development of a 400MWh BESS facility in Kulim for RM600 million, targeted to be operational by 2025. This represents the first utlity-scale BESS project in Peninsular Malaysia. Separately, Leader Solar Energy II (100% subsidiary of Leader Energy) had in Oct 2024, announced the deployment of a 1.45MWh BESS (from Plus Xnergy) at its LSS site in Kedah to improve the efficiency and reliability of its solar energy operations.

The Energy Commission has signaled its push for BESS through the design of CRESS (electricity third-party access scheme) rates (where a MYR0.20/kWh fee difference exists between firm and intermittent system access charges). This fee difference potentially serves as a reference for BESS monetisation, in our view.

Energy Commission closed a pre-qualification exercise for four BESS projects scheduled for commissioning in 2026

In Feb 2025, the Energy Commission closed a pre-qualification exercise for potential participants of an upcoming tender comprising four BESS projects, each with a capacity of 100MW/400MWh scheduled for commissioning in 2026. At the time of writing, no public announcements have been made on the successfully-shortlisted companies. The regulator has yet to publicly disclose revenue models for BESS. According to press reports, successful bidders will sign a “storage service agreement" with Tenaga that potentially resembles a PPA.

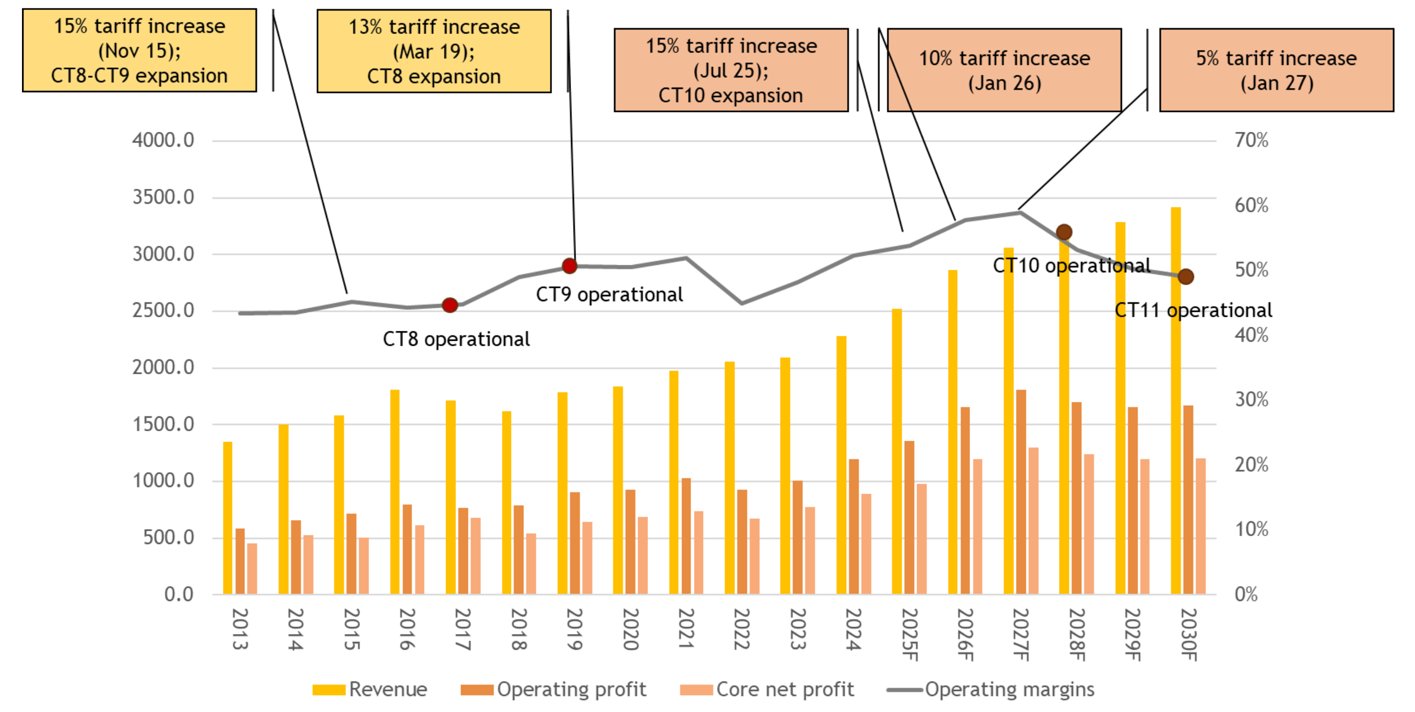
Tenaga aside, we expect prospective BESS participants to likely have some solar background given their complementary natures. Future solar projects could potentially be up-sized in value upon incorporating BESS requirements. Solar players (both asset owners and EPCC contractors) are thus potential beneficiaries from the higher prospective project values, in our view. Other companies with association to BESS include Seal Inc (SEAL MK, Not Rated) for its involvement in the Sabah project, and Genetec-Citaglobal JV (GENE MK, CITAGLB MK – both Not Rated) which manufactures BESS locally under the "MYBESS" brand. MN Holdings also has its hand in BESS projects. It has worked on 132kV BESS development and substation works in Santong, Terengganu. The contract is expected to be completed by April 2026. Solarvest too aims to have BESS projects as part of its EPCC orderbook in 2026.

Ports - riding on tariff hikes and storage fees

Ports are well positioned to take advantage os tariff war concerns on higher storage fees; the tariff hike wef 1 July is also a timely catalyst

As ports face congestions amid tariff war concerns, expect to see storage rates surge. Coupled with higher tariff rates wef 1 July, Westports stands out as a clear beneficiary. For Westports, 2H25 earnings are expected to improve, supported by the first phase of its newly gazetted tariff hike (+15% effective July 2025), which should boost revenue and margins despite moderate container volume expectations (we forecast +2% volume growth in FY25E–27E). Seasonal factors in 2H may further lift throughput, although geopolitical uncertainties remain a key risk. The higher tariff (part of the aggregated 30% increase by 2027) will help offset cost pressures from yard congestion and any volume slowdown, supporting earnings growth ahead. Westports is also executing a dividend reinvestment plan (DRP) beginning in 2H25 to fund its W2 expansion. Higher earnings from the tariff hike are expected to support larger dividend payouts, which in turn will help strengthen the equity base needed for the expansion.

Figure 56: Westports financial performances and key milestones



Source: Maybank IBG Research, company

In search of opportunities amid uncertainties

1H25 has been tumultuous and 2H25 might be more of the same if not even more fluid. Recent Middle Eastern conflicts coupled with on-going tariff negotiations and supply chain disruption plus domestic policy changes are expected to shift sands in 2H25. Our YE KLCI target stays at 1,660 (14.4x 2026E PER); this is our base case and assumes further de-escalation in trade tensions and favourable tariff negotiations. We add SDG and WPRTS as our tactical picks, while reaffirming YTLP and GAM as our data centre conviction thematic plays, further adding SCGB and MNH as activities pick up. Our bread-and-butter top picks are PBK, AMMB, TNB, KPJ, FFB (previously AEON), SOLAR and PREIT (previously SREIT). FRCB, ITMAX and ATECH remain our selective picks in the tech space.

2H25 might be more of the same if not even more fluid. A further risk that could arise from here is the extended Middle Eastern tensions

We believe there should be a resolution to tariff issues though with a timing risk. As we write, the Malaysian govt is still in negotiation with US on reciprocal tariffs (link). A further risk that could arise from here is the extended Middle Eastern tensions. Softer 2H25 macro and any market weakness would offer investors an opportunity to accumulate stocks, especially the banks, which we believe stand out as long-term winners.

Separately, the tech sector remains at a cross roads, we selectively like Frontken and Greatech in the semicon space and Aurelius Tech among the EMS plays, while new initiation CPETECH offers growth potential among metal fabricators. We also list high beta stocks (GAM, YTLP. SDPR, SUNCON, SPSB) to play when market returns to risk-on mode. Dividend yield stocks also remain appealing.

YE 2025 KLCI target at 1,660

The market currently trades at around 13x 2026E PER based on our estimates as at end May 2025. Earnings growth was lowered in 2025E post-1Q25 earnings season, but it is now backloaded to 2026E which saw our earnings growth increase to 7.7% from 7.0% previously. Keeping the PER peg of 15x on our 2026E earnings would push the KLCI target to 1,730 which would be a bull case in the near term. From a bottom-up approach (based on our target prices for stocks we cover and consensus target prices for stocks not under our coverage), the KLCI upside maps to 1,694 vs 1,783 using purely consensus target prices.

Our KLCI target of 1,660 is pegged to 14.4x 2026E PER which is equivalent to -0.5SD of the 10Y mean (10Y mean at 15x). This reflects market volatility amid tariff negotiation uncertainty. Our base case of 1,660 assumes further de-escalation in trade tensions and favourable outcome from tariff negotiations.

Our bear case scenario assumes 2026E earnings growth drops to 5% which, with an applicable 13x PER, could see KLCI at 1,450. Pegging to the 5-year PER trough of 12x and 0% earnings growth would imply a KLCI level of 1,300.


June 8, 2025

Maybank Investment Bank

STRATEGY

Malaysia

Malaysia Strategy: 1Q25 wrap

Underwhelming but… there is still hope

A generally soft quarter
1Q25 was not a pleasant quarter, being tilted to a negative bias. Even the banking sector saw misses when they typically have an unblemished track record. Post-1Q25, we downgraded banks and O&G to NEUTRAL while KLCI earnings growth is moderated to 2.5%/7.7% for 2025/2026E, mainly due to banks. A key upgrade was Tenaga (BUY from HOLD). With decent upside to key KLCI component stocks, we believe the KLCI still has upside though we have lowered our YE target to 1,660 (from 1,700). We remain POSITIVE on domestic-driven sectors: consumer, REITs, renewable energy and healthcare. We expect some recovery in 2H25.

More misses than beats, universe core profit down
With the weaker showing in 1Q25, there were more misses than beats, with 28% of companies under our coverage delivering results below expectations (15% above; 55% inline). There were no sectors that clearly outperformed. The banks were mostly below expectations; similarly for gaming. While more than half the sectors covered in our universe were inline, the rest were mixed though with a negative bias.1Q25 universe earnings contracted 2.4% YoY, 0.8% QoQ, the weakest trend since 1Q23.

Earnings growth lowered due to banks and planters
A total of 33 companies under our coverage of 101 stocks for the quarter ending Feb/Mar 2025 saw earnings changes, tilted to downgrades. The drag came mainly from the banks after trimming loan growth and NIM while raising credit costs - the sector now has earnings growth of 1.0%/5.0% for 2025/2026E (from 5.7%/5.5%). Plantations was the other large-cap sector that saw earnings downgrades on a combination of higher export levies and weaker downstream operations. To reflect weaker activities, the earnings for the O&G sector were also lowered. Earnings upgrades were mostly limited to consumer and REITs. Post 1Q25, our 2025/2026E KLCI earnings growth is revised to 2.5%/7.7% (from 6.1%/7.0%) and 3.6%/8.3% (from 6.5%/7.8%) for our universe.

Banks, O&G sector D/G-ed; U/G-ed Tenaga
Post 1Q25, we downgraded the banks and oil & gas (O&G) sectors to NEUTRAL (from POSITIVE) on weaker outlook. While banks are likely to be hampered by weak macro, the O&G sector is anticipated to see slower job flows due to lower capex by PETRONAS. That said, there is still a sweet spot for rigs (Velesto) and FPSO (Bumi Armada). Tenaga was upgraded to BUY (from HOLD)) to reflect the RP4 contingent capex. The utilities sector (though still NEUTRAL) is looking more attractive on a defensive angle rather than growth. We stay POSITIVE on key domestic-driven sectors - consumer, construction, healthcare, REIT and renewable energy. NEGATIVE sectors are petrochemicals and gloves. We expect recovery in property, REITs, renewable energy and healthcare in 2H25.

KLCI target cut to 1,660; top picks largely intact
Our 2025 YE KLCI target is trimmed to 1,660 (from 1,700), based on lower 14.4x 2026E PER (from 15x) which is -0.5SD vs. 10Y mean as we expect market to be volatile amid tariff uncertainty. Base case assumes further tariff de-escalation and favourable outcome from negotiations. Our bear case scenario assumes 2026E earnings growth drops to 5% - on 13x PER, KLCI target would fall to 1,450. Pegging to 5-year PER trough of 12x and 0% earnings growth would imply a KLCI of 1,300. Our top picks are PBK, AMM, YTLP, TNB (new), GAM among large caps; KPJ, FRCB, ITMAX, ATECH, AEON, SOLAR and SREIT (new) among the small-mid caps. Dividend yield stocks are seen in the REITs, banks and utilities sectors.

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KLCI vs MSCI

M'sia equities growth & valuation

		2024E	2025E	2026E
KLCI @ 1,516.8	PE (x)	14.4	14.1	13.1
Earnings growth	(%)	9.2%	2.5%	7.7%
Research Universe	PE (x)	15.1	14.6	13.5
Earnings Growth	(%)	11.7%	3.6%	8.3%

Source: Maybank IBG Research (as of 6 Jun 2025)

Top BUY picks

Stocks	BBG Ticker	Share Price (MYR)	Target Price (MYR)	Upside (%)*
Large Caps				
Public Bank	PBK MK	4.26	5.05	18.5
AMMB	AMM MK	5.35	6.05	13.1
YTL Power	YTLP MK	3.51	4.20	21.6
Tenaga	TNB MK	14.20	15.50	12.2
Gamuda	GAM MK	4.77	4.95	5.5
Mid-small caps				
KPJ Health	KPJ MK	2.75	3.24	19.8
Frontken	FRCB MK	3.92	5.10	31.0
ITMAX	ITMAX MK	3.68	4.50	22.8
Aurelius Tech	ATECH MK	3.39	3.73	13.5
AEON Co. (M)	AEON MK	1.39	2.00	46.7
Solarvest	SOLAR MK	1.74	2.28	32.0
Sunway REIT	SREIT MK	2.08	2.13	7.6

*ex dividend yields;
Source: Maybank IBG Research (as of 6 Jun 2025)

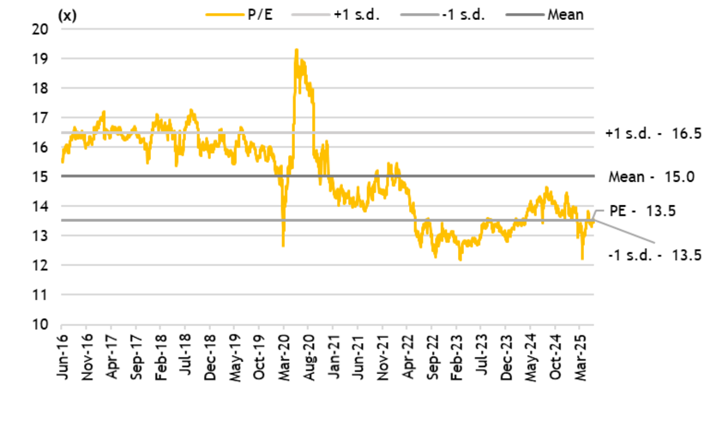
Bear case KLCI at 1,450 assuming 13x PER and 5% 2026E earnings growth; if pegged to 12x PER with 0% earnings growth (trough 5Y PER), KLCI could trend to 1,300

Figure 57: FBMKLCI base/bear case

		2024	2025E	2026E
Base Case				
KLCI @ 1660	PE(x)	15.7	15.3	14.2
Earnings Growth	(%)	9.2%	2.5%	7.7%
Bear Case (5%)				
KLCI @ 1450	PE(x)	13.7	13.6	12.9
Earnings Growth	(%)	9.7%	1.0%	5.0%
Bear Case (0%)				
KLCI @ 1300	PE(x)	12.3	12.3	12.3
Earnings Growth	(%)	9.7%	0.0%	0.0%

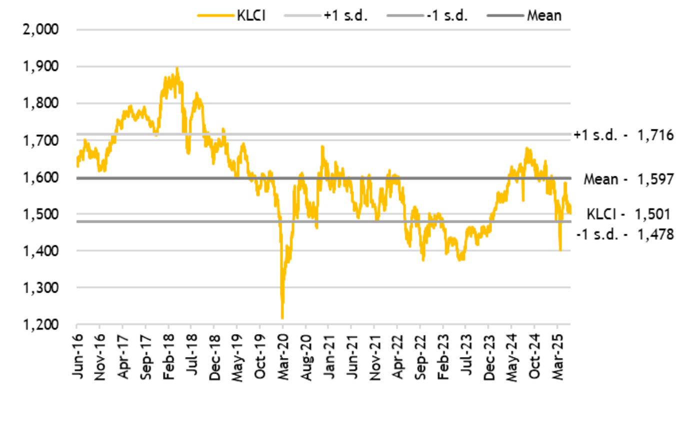
Source: Maybank IBG Research (as 20 Jun 2025)

Figure 58: 10Y KLCI PER band



Source: Bloomberg, Maybank IBG Research (chart)

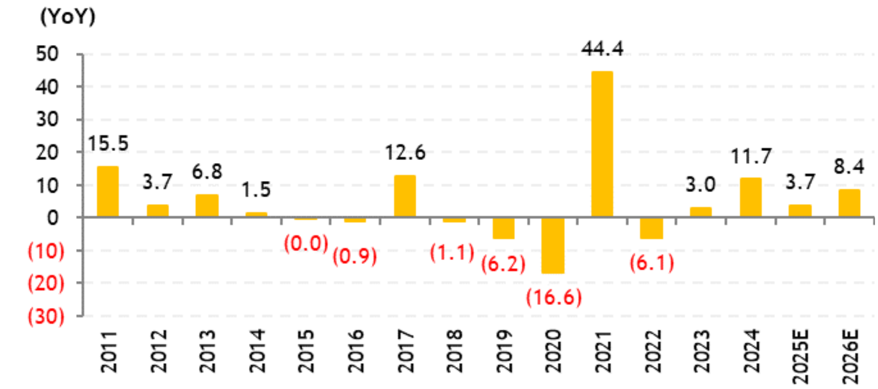
Figure 59: 10Y KLCI trend



Source: Bloomberg, Maybank IBG Research (chart)

Our 2025/2026E KLCI earnings growth currently stands at 2.5%/7.7% and 3.7%/8.4% for our universe. The slower growth in 2025E is expected to come mainly from the banks on the back of slower loan growth, NIM compression and higher credit costs- the sector has forecast earnings growth of 1.0%/5.0% for 2025/2026E.

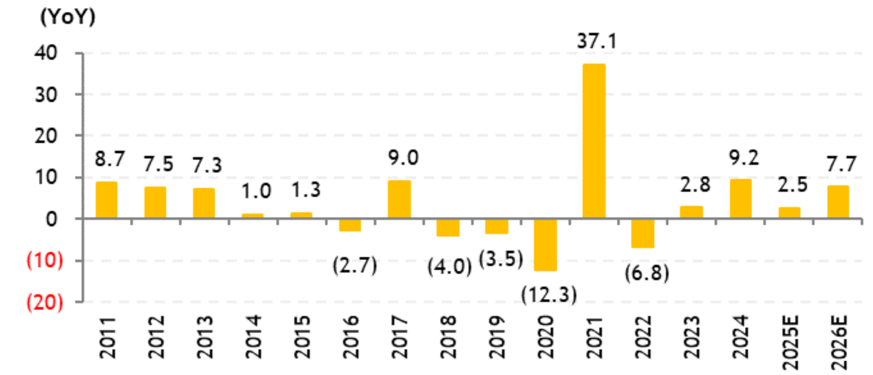
Figure 60: Research universe core earnings growth



Source: Maybank IBG Research

2025/26E MIBG universe earnings growth at 3.7%/8.4%

Figure 61: KLCI core earnings growth



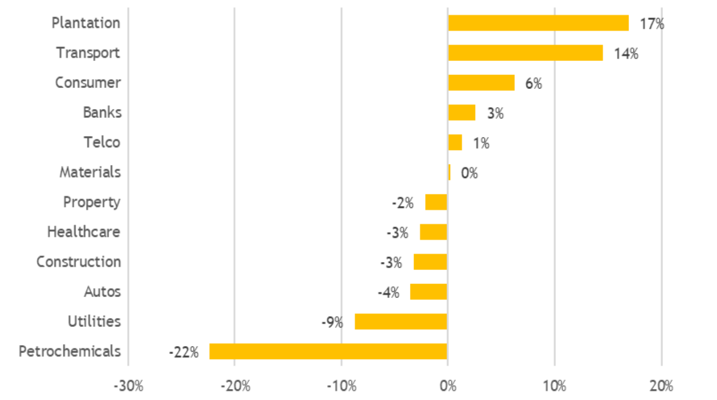
Note: For stocks not under our coverage, Bloomberg consensus earnings is used; Source: Maybank IBG Research

2025/26E KLCI earnings growth at 2.5%/7.7%

KLCI earnings growth in 2025 appears to be driven by the plantations sector, supported in part by better downstream outlook as well as higher FFB output (especially for those planters with higher exposure in Indonesia such as TSH Resources, SD Guthrie, Genting Plantations and KL Kepong). Meanwhile for the transport sector, the uplift in earnings is expected to be driven by the recovery in airlines/aviation. On the other end, earnings contractions remain relatively severe for the petrochem companies due to price pressures amid an industry downcycle.

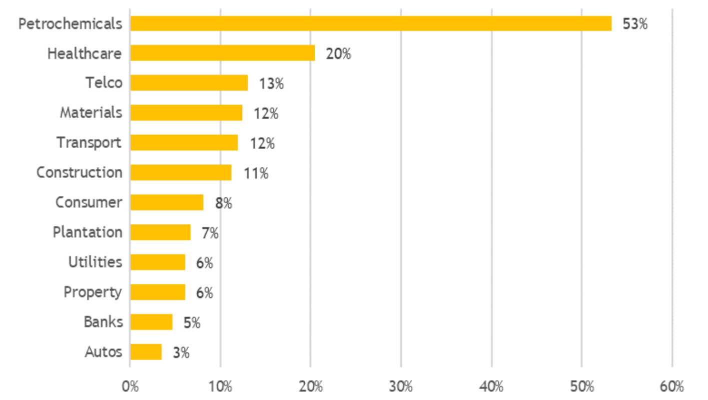
A glimpse of 2026E KLCI earnings, which appears relatively positive currently, suggests that a recovery in petrochems is apparent, followed by healthcare, which is proxied by IHH Healthcare as its Singapore operations should see a key hospital reopen after refurbishment. Banks too should see a recovery in earnings. Though a mere 5%, but in absolute terms, the banks remains a key contributor to KLCI earnings; which would mean, the sector needs a strong re-rating to see the KLCI hit a bull case scenario (1,750-1,800). That in turn would require stars to align with a better-than-expected outcome from tariff negotiations, domestic policy delivery and an uplift in macro outlook.

Figure 62: 2025E KLCI earnings growth by sectors



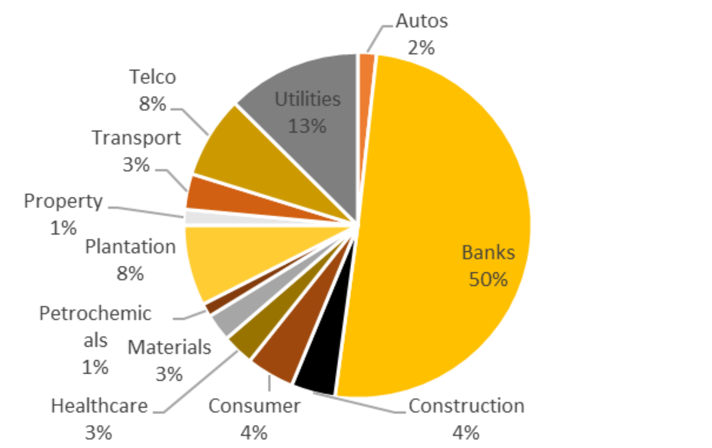
Source: Bloomberg, Maybank IBG Research

Figure 63: 2026E KLCI earnings growth by sectors



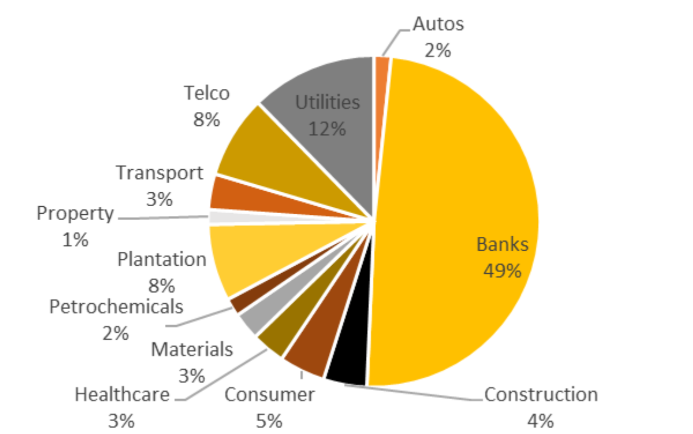
Source: Bloomberg, Maybank IBG Research

Figure 64: 2025E KLCI earnings growth breakdown



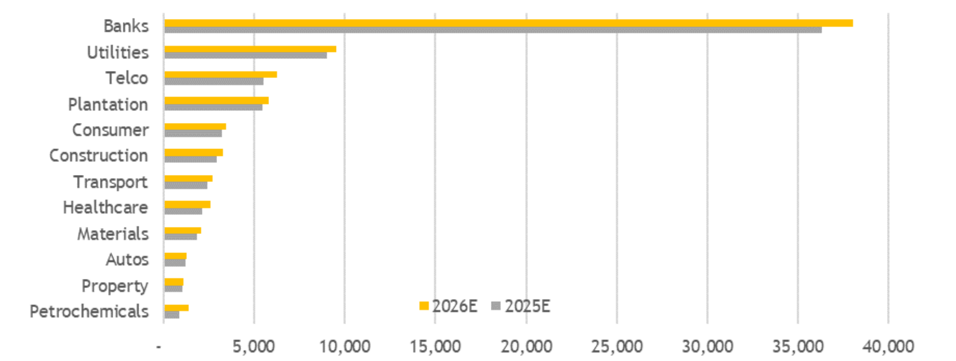
Source: Bloomberg, Maybank IBG Research

Figure 65: 2026E KLCI earnings growth breakdown



Source: Bloomberg, Maybank IBG Research

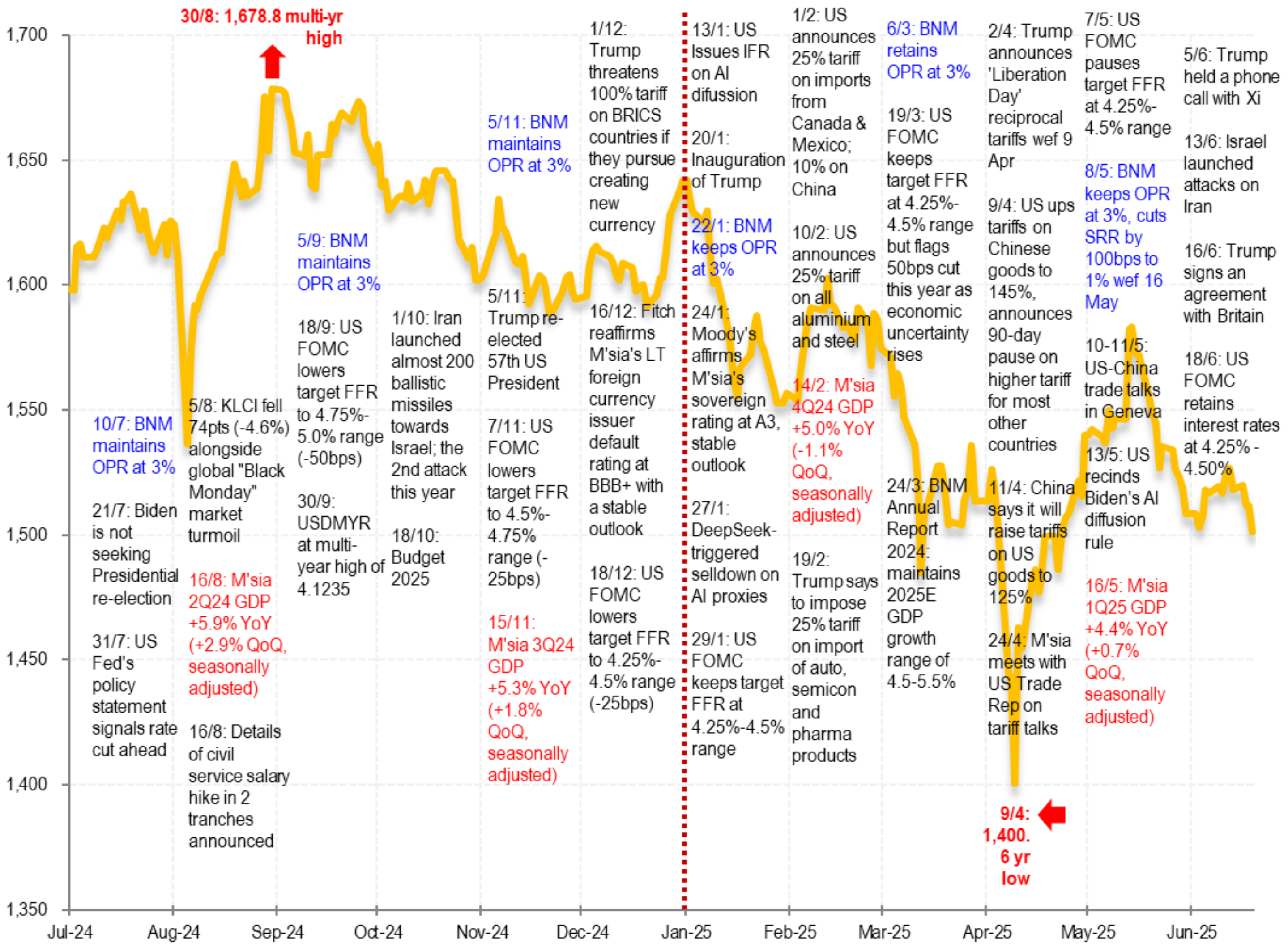
Figure 66: 2025/26E absolute core earnings (MYRm)



Source: Bloomberg, Maybank IBG Research

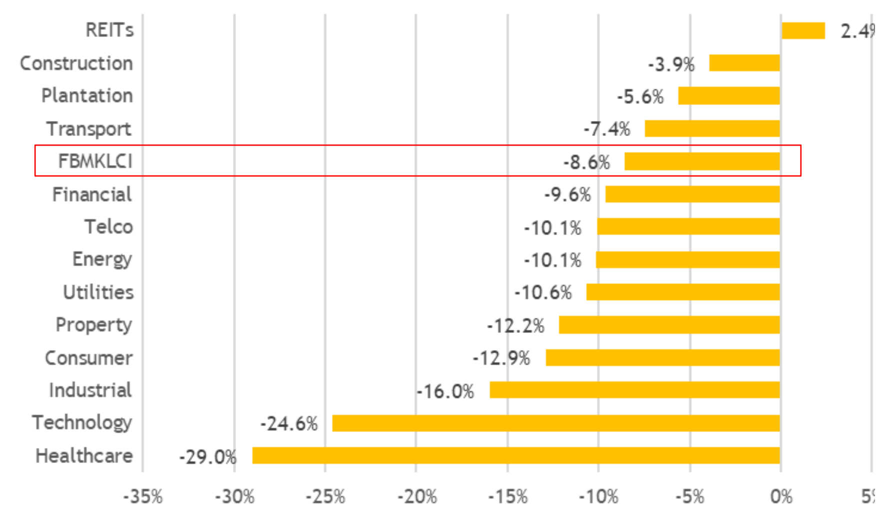
Banks form bulk of KLCI earnings, so even if it's just a 2.5% and 5.0% earnings growth in 2025E and 2026E, it's meaningful to overall earnings base

Figure 67: KLCI events chart



Source: Bloomberg, Maybank IBG Research

Figure 68: YTD 2025 KL indices(by sector) price change



Only 4 sectors outperformed the KLCI - REITs, Construction, Plantations and Transport

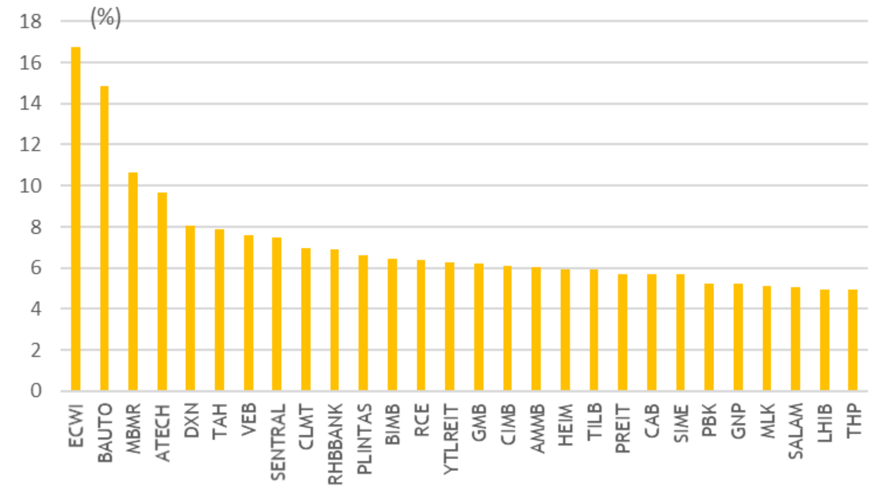
Source: Bloomberg, Maybank IBG Research

For the defensives and yielders

We still have defensive bets and yield plays on the table

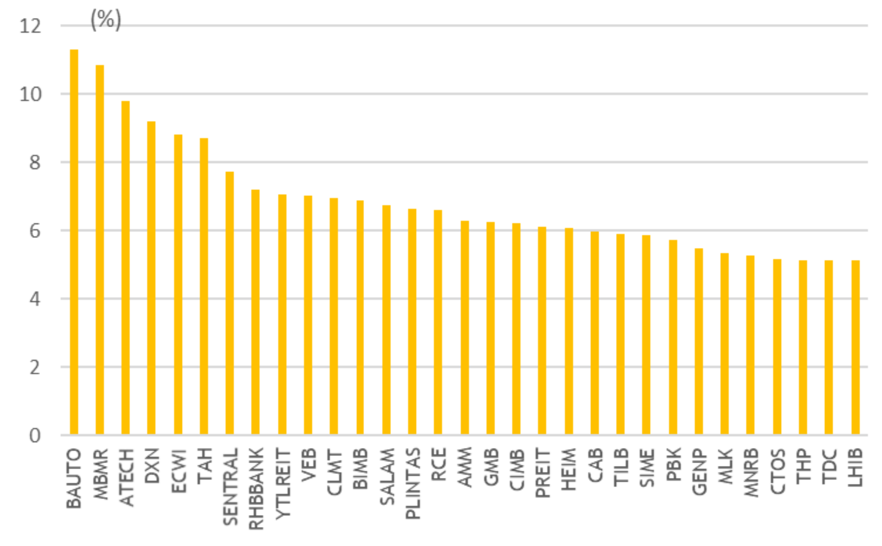
We reiterate our stance to be weighted in defensive stocks amid market volatility which includes Tenaga, Gas Malaysia and MISC. Apart from that, our market still offers a handful of high dividend yield stocks with Eco World International topping the charts. While we note the change in their operations, we believe there will still be dividend upside in the near term. Bulk of the dividend yield stocks are from REITs, banks and utilities. Bermaz Auto and MBM Resources offers sustainable dividend yields in our view which should support their share price despite our NEUTRAL stance on the auto sector.

Figure 69: 2025E dividend yield stocks (>5%)



Source: Maybank IBG Research (chart)

Figure 70: 2026E dividend yield stocks (>5%)

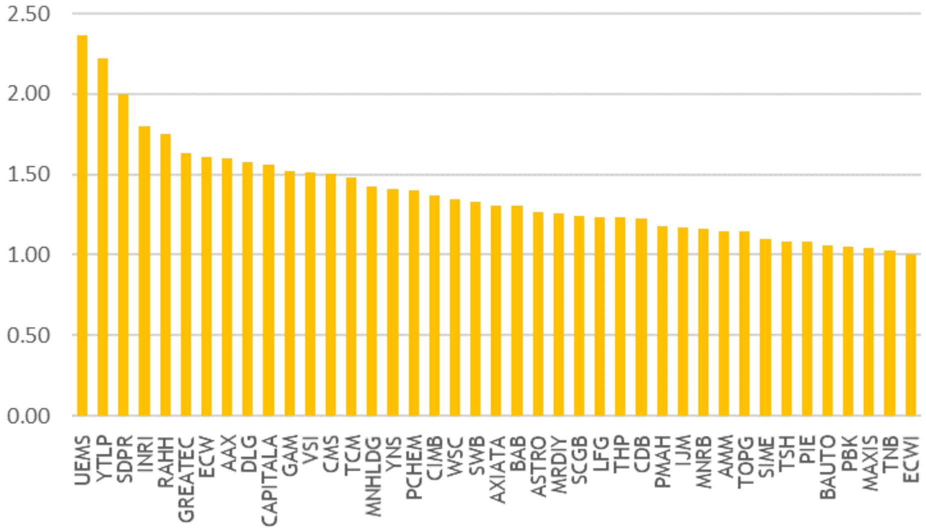


Source: Maybank IBG Research (chart)

For the aggressors

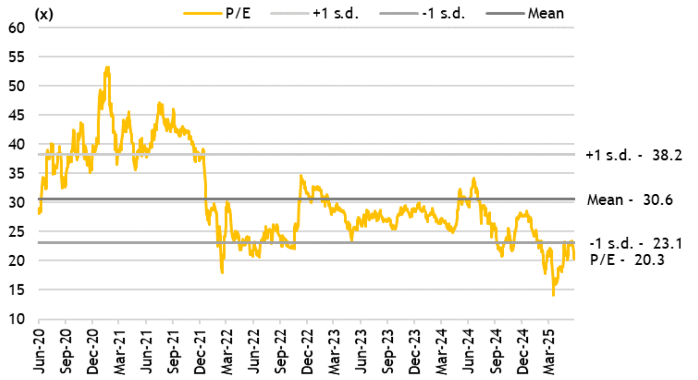
While the market remains risk-averse, in our view, any newsflow that indicates further tariff and Middle Eastern conflict de-escalations would increase investor appetite for adopting a more risk-on mode wherein high beta stocks and selected tech stocks should come into play.

Figure 71: High beta stocks under MIBG's coverage



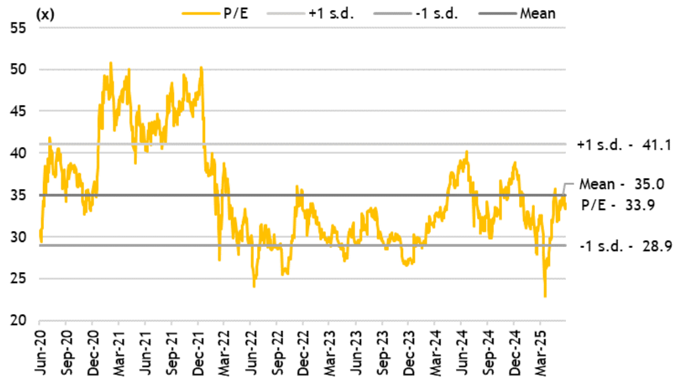
Source: Bloomberg, Maybank IBG Research (chart)

Figure 72: Greatech 5Y PE band



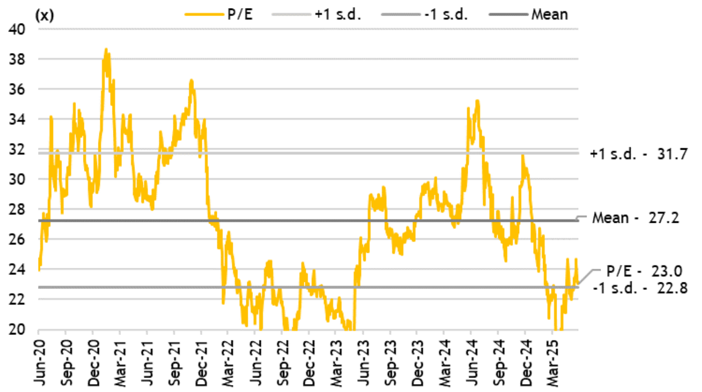
Source: Bloomberg, Maybank IBG Research (chart)

Figure 73: Frontken 5Y PE band



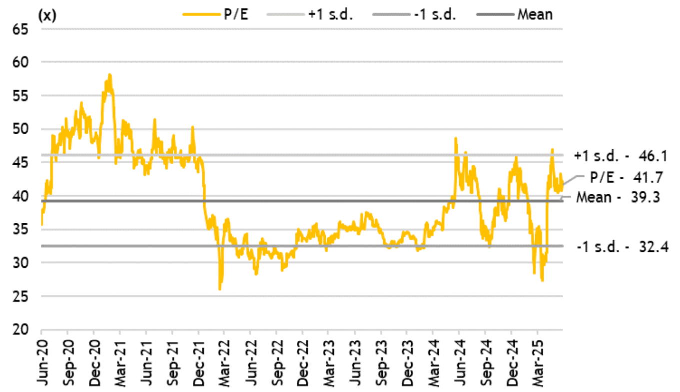
Source: Bloomberg, Maybank IBG Research (chart)

Figure 74: Inari 5Y PE band



Source: Bloomberg, Maybank IBG Research (chart)

Figure 75: Vitrox 5Y PE band



Source: Bloomberg, Maybank IBG Research (chart)

Sector weights

We remain positive on domestic-centric consumer plays as we expect domestic policy tailwinds to keep the Malaysian economy on a growth path. Besides the consumer sector, we remain POSITIVE on healthcare, REITs and renewable energy. For 2H25, we raise our conviction for the construction sector amid the build-up in activities within the data centre space. Besides REITs, other defensive picks include Telekom Malaysia and Time Dotcom among the telcos, as well as key utilities plays such as Tenaga and Gas Malaysia.

We are POSITIVE on Consumer, Construction, Healthcare, REITs, Renewable Energy, Tech (EMS), and Aviation

We raise our conviction for the construction sector for 2H25

Figure 76: Sector weights

POSITIVE	NEUTRAL	NEGATIVE
Aviation	Automotive	Gloves
Construction	Banks	Petrochem
Consumer	Media	
Gaming	Oil & Gas	
Healthcare	Plantation	
Ports & shipping	Property	
REITs	Telecom	
Renewable Energy	Technology (Semicon)	
Technology (EMS & Software)	Utilities	

Source: Maybank IBG Research

See details by sectors in Figure 78 and subsequent section.

Top picks – AEON / SREIT replaced by FFB / PREIT, respectively

Our top picks are Public Bank, AMMB Holdings, YTL Power, Tenaga (new) and Gamuda among large caps; KPJ, Frontken, ITMAX, Aurelius Tech, Farm Fresh (from AEON Co), Solarvest and Pavilion REIT (from Sunway Reit) among the small-mid caps.

Two changes to our top picks AEON -> SREIT; PREIT

Despite a NEUTRAL rating on banks, we still favour Public Bank and AMMB as our top picks for the sector. Public Bank is well managed and has management overlays that should keep credit costs low. The acquisition of LPI Capital enhances non-interest income and we believe concerns over the share overhang relating to the family's stake sale are overblown. AMMB's focus on proactive funding cost management and business banking operations should contribute to growth momentum, as it strives for higher dividend payout.

Public Bank and AMMB are our top picks for the banks for strong asset quality and proactive funding cost momentum respectively, in addition to higher dividends

We remain positive on YTL Power and, coupled with the recent upgrade of Tenaga to BUY, the utilities sector is looking more attractive though still more from a defensive angle rather than growth. Our Tenaga upgrade is premised on factoring in the MYR10bn contingent capex into our forecasts, raising earnings from FY26E. The eventual finalisation of the recovery mechanism is a potential catalyst for the stock to outperform, in our view. Meanwhile, we remain positive on YTL Power with its AI compute on track for launch in 3Q25. With undemanding valuations, we see catalysts for YTL Power with the affirmation of Wessex Water's medium-term recovery and positive progress on its DC/AI compute business.

We remain positive on YTL Power with catalysts from Wessex Water's medium term recovery and positive progress on its AI/DC compute business.

The eventual finalisation of the recovery mechanism is a potential catalyst for Tenaga to outperform, in our view

While we are positive on both Gamuda and Sunway Construction, our preference within the construction sector remains with Gamuda despite its underperformance in its last results. Notwithstanding the latter, we expect a larger mix of higher margin domestic contracts going forward. More importantly, we are reassured that the data centre thesis remains intact especially with a search engine giant buying land from Gamuda to build data centres and awarding it MYR1.0bn of enabling works.

Gamuda remains our top pick for the construction sector for both domestic contracts and sustained momentum for data centres

Meanwhile, in the healthcare space (ex-gloves), our preference still lies with KPJ given its focus in Malaysia, with revenue and earnings upside potential as the diagnosis-related group (DRG) roll-out is expected to take a back seat and as it continues to benefit from medical tourism. We also have a BUY rating on premium

KPJ should see revenue and earnings potential with the delay in the DRG roll-out and medical tourism ramp up.

healthcare play IHH which, while more diversified by geographies, is balancing positives in its Malaysian operations with challenges in its Turkiye operations.

Within the challenging tech space, we remain positive on Frontken, ITMAX and Aurelieus Tech, each with their own positives. Frontken should see robust near-term outlook for its semicon business with few customers showing signs of scaling back utilization so far. We favour ITMAX despite high PER valuations given its' starring role as Malaysia's leading smart city integrator. Meanwhile, we continue to like Aurelius Tech's growth trajectory underpinned by its exposure to ongoing global supply chain diversification, strong expertise in IoT and automotive modules. We recently initiated coverage of CPE Tech whose niche is in Integrated Gas Systems (IGS), a critical tool in frontend (FE) semicon manufacturing. CPE Tech is well-positioned to ride on global wafer fab expansion.

While the tech sector remains volatile due to tariff concerns, we are positive on Frontken, ITMAX and Aurelius Tech

Link to report:

CPE Tech - Niche front-end semicon proxy; initiate BUY

We are POSITIVE on the consumer sector with BUYs across most consumer stocks under our coverage. We have however switched our top pick to Farm Fresh (from AEON Co) due to its stable product demand, additional revenue streams from new product launches and medium-term earnings growth prospects through regional expansion. We are still positive on AEON Co although we expect a seasonally softer retail contribution ahead post festivities – nonetheless, its property management segment is expected to shore up growth.

With quite a few BUYs to choose from the consumer sector, our preference is on AEON given its resilient outlook and further growth from its mall operations

Solarvest remains a key player within the renewable energy space and stands out as a key beneficiary of the multiplying growth opportunities in the sector given its scale, recurring revenue build up and strong pipeline execution.

Solarvest is poised to benefit from award wins given its strong track record

Our top pick for REITS is now switched to Pavilion REIT (from Sunway REIT). We like Pavilion REIT for its prime retail exposure in KL, offering resilient earnings and attractive yields. Upside catalysts include hotel contributions in 2H25 and the turnaround of Da Men Mall, now under a 3-year master lease to Easyhome International. The mall is expected to breakeven, with earnings kicking in by 4Q25. Sunway REIT's share price has performed well, reflecting its robust retail performance and strong growth potential from recent acquisitions and asset enhancing initiatives.

Sunway Reit is our pick among the REITs robust retail performance and strong growth potential from recent acquisitions and asset enhancing initiatives

Figure 77: Top BUY picks – valuation table

Stock	Bloomberg code	Mkt cap (USD'm)	Price (LC)	TP (LC)	Upside (%)	P/E (x) 25E	P/E (x) 26E	P/B (x) 25E	P/B (x) 26E	Div yld (%) 25E	Div yld (%) 26E
Large Caps											
Public Bank	PBK MK	19,183	4.21	5.05	20	11.2	10.7	1.4	1.3	5.2	5.7
AMMB Holdings	AMM MK	3,929	5.05	6.05	20	8.3	8.4	0.8	0.8	6.0	6.0
YTL Power	YTLP MK	7,084	3.64	4.20	17	12.0	12.2	1.4	1.2	1.9	1.9
Tenaga Nasional	TNB MK	19,458	14.22	15.50	12	17.5	15.6	1.3	1.3	2.9	3.2
Gamuda	GAM MK	6,392	4.72	5.37	15	27.6	19.7	2.3	2.1	1.7	2.3
Mid-small caps											
KPJ Healthcare	KPJ MK	2,741	2.58	3.24	28	25.7	22.2	4.3	3.9	2.0	2.3
Frontken Corp	FRCB MK	1,444	3.86	5.10	33	37.5	32.0	9.5	9.2	0.8	1.0
ITMAX System	ITMAX MK	932	3.86	4.50	17	42.1	30.3	8.3	6.8	0.5	0.7
Aurelius Tech	ATECH MK	330	1.08	1.19	13	19.0	17.7	2.8	2.6	3.2	3.4
Farm Fresh	FFB MK	803	1.84	2.10	15	30.5	26.0	4.7	4.3	0.8	1.0
Solarvest	SOLAR MK	326	1.84	2.28	25	23.7	17.8	3.4	3.3	0.0	1.4
Pavilion REIT	PREIT MK	1,332	1.55	1.83	24	17.0	15.8	1.1	1.1	5.7	6.1

Source: Maybank IBG Research; (as of 20 Jun 2025)

Figure 78: Sector specific outlook in 2H25

Sector	Outlook	Comments
Automotive	NEUTRAL	We maintain our 2025E TIV forecast at 790k units (-3% YoY), supported in part by strong order backlogs, particularly in the mass market segment. Sales in this segment are expected to benefit from the increase in minimum wage and civil servant salaries this year. However, the outlook for the mass premium and higher-end segments remains challenging, pressured by rising competition from new Chinese entrants, which has triggered a price war and margin compression for distributors. The impending petrol subsidy rationalisation may also weigh on sentiment. On the EV front, local investment momentum is picking up ahead of the expiry of CBU EV incentives. Perodua is targeting to launch its first in-house developed EV by 4Q25. We do not have any BUY ratings in the sector, but highlight MBM and BAUTO as dividend yield plays (both >8%).
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 (BUY) and AirAsia X (BUY) after many years of losses. Key lookout this year is CAPITALA selling its aviation business to AirAsia X in an effort to uplift its PN17 classification.
Banking	NEUTRAL	In light of slower GDP growth ahead and expectation of 25bp cut in the Overnight Policy Rate this year, we had recently lowered our loan growth estimates, trimmed our net interest margin forecasts and raised overall credit costs. We now forecast a subdued 2025 aggregate net profit growth of 1.1%, but with an expected 5% rebound in 2026. We forecast aggregate ROEs to average a lower 10.1% in 2025E and 2026E respectively, as opposed to 10.6% in 2024. Dividend yields average above 5% for most banks, providing support. We are NEUTRAL on the sector with BUYs on Public Bank, AMMB, Hong Leong Bank and Hong Leong Financial Group, in that order of preference.
Construction	POSITIVE	We expect the momentum of realisation of committed FDIs/ DDIs which is leading to many industrial building, data centre, E&E manufacturing, warehousing and logistic hub projects to continue in 2025. Key lookouts in 2H25 are the 13th Malaysia Plan and Pearl Computing awarding data centre contracts of up to MYR10b worth. We also expect a continuing thematic on Penang (e.g. Penang Mutiara LRT line system works) and East Malaysia (e.g. roads, water reservoir/treatment plants, rural electrification, airport expansions). We have BUYs on Gamuda (top pick), Sunway Construction, IJM, CMS and Prolintas.
Consumer	POSITIVE	We forecast 2025E/2026E consumer sector earnings growth of +4%/+12%. We believe that consumer staples will be largely shielded from uncertainties surrounding various subsidy roll-backs and the extension of SST's impact to consumer spending. For selected consumer discretionary companies, favourable FX movements may also aid in defending group margins amid rising operating costs. Our top BUY is FFB. We also like MRDIY, AEON and PAD.
Gaming	POSITIVE	With both GENM and GENT's share prices plumbing close to or even below COVID-19 lows, we believe most, if not all their negatives have been priced in. Should negative catalysts like the RAV Bahamas lawsuit against GENM be resolved in GENM's favour, we believe that their share prices will recover. Again, GENM's RWNYC may be successful in expanding into New York City and GENM or GENS could win a casino license in Thailand. 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.
Gloves	NEGATIVE	With China players increasingly deploying overseas capacity to penetrate the US market more effectively, the competitive landscape is turning more aggressive, especially after 2025. In our view, a price war is highly likely shaping up an over-supplied gloves market. That said, a key upside risk to our call would be a shift in US trade policy particularly if the Trump administration finalises higher tariffs on gloves from Vietnam, Indonesia and Thailand while maintaining lower tariffs for Malaysia. Such a move would restore Malaysia's cost competitiveness in the US market and partially offset the structural headwinds facing the sector. We maintain our Negative stance on the Malaysian glove sector, with SELL calls on Hartalega, Kossan, and Top Glove.
Healthcare	POSITIVE	We expect earnings momentum to pick up in 2H25, driven by a rebound in patient volumes from deferred procedures and continued strength in revenue intensity. KPJ and IHH target both inorganic and organic expansions to match growing demand from domestic and foreign patients. On OPTIMAX, we expect steady earnings growth as pre-ops costs normalise, supported by surgery volume growth and increasing adoption in panel lists of key insurance operators. Regulatory overhangs take a pause with the pushback on DRG, but we remain cautious on possible negative earnings impact from the introduction of 8% SST affecting hospitals under leaseback. Macro and political tensions across IHH's key markets also pose a risk to earnings.
Oil & Gas	NEUTRAL	We expect crude oil prices to be volatile and weaker at an average of USD67/bbl (Brent) in 2025E (2024E: USD80/bbl) as the oil markets are in a supply surplus position, largely on OPEC+ unwinding its production cuts. For Malaysia, potentially lower PETRONAS capex spending means that many domestic-centric upstream OGSE names may not see YoY growth in 2025E. We maintain our NEUTRAL stance on the sector. Any hikes in geopolitical tensions could give some short-term "war premium" boosts to crude oil prices. Unless actual barrels go offline, the market soon unwinds the premium as reality sets in – in weeks/months to come. We favour: i) defensive midstream companies – with Dialog (BUY, TP: MYR2.34) 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: MYR0.73) as our pick.

Source: Maybank IBG Research

Figure 78: Sector specific outlook in 2H25 (cont'd)

Sector	Outlook	Comments
Petrochemicals	NEGATIVE	We are NEGATIVE on the petrochems sector as we anticipate downstream polymer ASPs to remain unexciting in 2H25 as demand outlook stays tepid while the start-up of new regional capacities is looking to overflood supply. 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 bottom line will continue to be tepid as ASPs are expected to remain under pressure with persistent imbalanced supply-demand dynamics. Coupled with additional polymer capacities coming on stream regionally in 2025-2026, it is unlikely that the industry will revisit its ASP highs in 2021 and 2H22. We have SELL ratings on both PCHEM and LCTITAN.
Plantation	NEUTRAL	3Q25 CPO price will likely remain subdued during the peak output cycle before trending higher towards 4Q25. USDA continues to project a relatively tight supply for 9 major vegetable oils for 2024/25F Oct/Sept marketing year, but the oilseeds market is projected to remain ample over the same marketing period. Against the backdrop of macro-economic uncertainties, we remain cautious of near term outlook as palm oil holds a dominant position in global trade among vegetable oils, with >50% market share, making its susceptible to global events. Large-scale solar such as LSS5+ & LSS6 tenders offer selected planters with well-located land the opportunity to diversify into Renewable Energy (RE) for sustainable recurring income (which is also anticipated to generate better returns than oil palm on a per hectare basis). Announcements of JSSEZ development projects is anticipated to benefit SD Guthrie, KL Kepong, Genting Plantations and Johor Plantations (JPG MK, Not Rated) as they are the largest real estate owners there.
Ports & Logistics	POSITIVE	Our POSITIVE view on the sector, supported by regulatory tailwinds such as phased tariff hikes for port operators and stricter haulage weight limits, both of which are expected to lift margins and drive revenue growth. The 2H25 outlook is further underpinned by seasonally stronger volumes. We have a BUY on Westports as a defensive long-term play, underpinned by resilient intra-Asia trade exposure and tariff-led near-term earnings upside.
Property	NEUTRAL	Looking ahead, key drivers include the JSSEZ, asset monetization, and industrial properties. Malaysia Vision Valley is also gaining traction. Developers are increasingly expanding investment properties for recurring income, with plans to list them once mature. The data center theme may have peaked, with hyperscalers turning more cautious amid regulatory uncertainty. Our top pick is Eco World International, followed by SP Setia and Eco World.
REITs	POSITIVE	We forecast the sector's CY25E YoY earnings growth at +9.6%, to be supported by sustained occupancy and rental rates, coupled with several new asset injections. The sector offers average CY25/26E net DPU yield of 5.6%/6.1% (CY24E: 5.4%). Our top BUY is Pavilion REIT.
Renewable Energy	POSITIVE	We maintain an OW rating on the Renewable Energy 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 - EMS	POSITIVE	We retain our cautious optimism with a POSITIVE sector rating as structural drivers mandating for an urgency to de-risk global manufacturing footprints remain intact. We favour Aurelius Technologies for its outsized exposure to industrial electronics which are less susceptible to cyclical demand swings.
Technology - Semicon	NEUTRAL	We continue to remain NEUTRAL on MY Semicon, specifically back-end assembly & test (OSAT/ATE) owing to (i) tariff-induced macro and supply chain uncertainties, (ii) overhead margin pressures, and (iii) a lethargic OSAT growth outlook. We remain selective on Top Picks and prefer names with significant front-end exposure - (i) Frontken (resilient demand outlook from global wafer fabs amidst the ongoing AI upcycle), and (ii) CPE Technology (secular growth narrative underpinned by the WFE capex upcycle).
Technology - Software	POSITIVE	Our outlook for the largely fragmented and consumption-driven MY Software space remains POSITIVE amidst favourable structural tailwinds in relation to nationwide digital adoption. Our key BUYs are (i) ITMAX (sound competitive advantages vis-à-vis peers, impending 2H25 expansion to other states ie. Sabah/Selangor), and (ii) Ramssol (stellar earnings accretion potential from its HCM/AI business pillars).
Telcos	NEUTRAL	We remain NEUTRAL, with ongoing operational challenges of telcos priced-in given share price underperformances in recent years. Operational challenges continue to persist for both mobile (5G uncertainty) and fixed (elevated broadband competition) telco segments in 2H25. Axiata meanwhile is in the midst of a portfolio rationalisation as it pivots into a yield stock. Longer term, the long term "race to the bottom" thematic for the telecom industry remains intact as competition hampers monetisation and regulatory demands intensify. We have BUYs on Axiata and TM
Utilities	NEUTRAL	We remain NEUTRAL, with growth drivers being balanced by regulatory/ execution uncertainty; generation returns are increasingly less lucrative. Material power sector lookouts for 2H25 include the finalisation of consumer tariffs and contingent capex recovery mechanism. For the gas sector, investors would likely continue to scrutinise the impact of the Putra Height fire in the upcoming quarters. We expect the Malaysia Reference Price (MRP) to continue trending down into 2H25 based on current crude oil price trends. We have BUYs on Tenaga, YTL Power and Mega First.

Source: Maybank IBG Research

Glossary

Company Name	Ticker	Company Name	Ticker
7-Eleven Malaysia Holdings	SEM	Maxis Bhd	MAXIS
AEON Co. (M)	AEON	MBM Resources	MBM
AirAsia X Bhd	AAX	Media Prima	MPR
Al-Salam REIT	SALAM	Mega First Corporation	MFCB
Alliance Bank	ABMB	MISC Bhd	MISC
Allianz Malaysia	ALLZ	MN Holdings	MNHLDG
AMMB Holdings	AMM	MNRB Holdings	MNRB
Astro Malaysia	ASTRO	MR D.I.Y. Group (M)	MRDIY
Aurelius Technologies	ATECH	My EG Services	MYEG
Axiata Group	AXIATA	Mynews Holdings	MNHB
Axis REIT	AXRB	Nestle (Malaysia)	NESZ
Bank Islam Malaysia	BIMB	Optimax Holdings	OPTIMAX
Berjaya Food	BFD	Padini Holdings	PAD
Bermaz Auto Berhad	BAUTO	Pavilion REIT	PREIT
Bumi Armada	BAB	Petronas Chemicals	PCHEM
Bursa Malaysia	BURSA	Petronas Gas	PTG
Cahya Mata Sarawak	CMS	PIE Industrial	PIE
Capital A	CAPITALA	Press Metal Aluminium	PMAH
CapitaLand Malaysia Trust	CLMT	Prolintas Infra Business Trust	PLINTAS
Carlsberg Brewery Malaysia	CAB	Public Bank	PBK
CelcomDigi	CDB	QL Resources	QLG
CIMB Group Holdings	CIMB	Ramssol Group Bhd	RAMSSOL
CTOS Digital Berhad	CTOS	Ranhill Utilities	RAHH
Cypark Resources	CYP	RCE Capital Bhd	RCE
Dialog Group	DLG	RHB Bank	RHBBANK
DXN Holdings	DXN	SAM Eng & Equipment	SEQB
Eco World Development	ECW	Sarawak Oil Palms	SOP
Eco World International	ECWI	SD Guthrie	SDG
Farm Fresh Berhad	FFB	Sentral REIT	SENTRAL
Frontken Corp. Bhd	FRCB	Sime Darby Bhd	SIME
Gamuda	GAM	Sime Darby Property	SDPR
Gas Malaysia	GMB	Solarvest Holdings	SOLAR
Genting Bhd	GENT	SP Setia	SPSB
Genting Malaysia	GENM	Sunway	SWB
Genting Plantations	GENP	Sunway Construction Group	SCGB
Greatech Technology	GREATEC	Sunway REIT	SREIT
Hartalega	HART	Swift Haulage	SWIFT
Heineken Malaysia	HEIM	Ta Ann	TAH
Hong Leong Bank	HLBK	Tambun Indah Land	TILB
Hong Leong Financial Group	HLFG	Tan Chong Motor	TCM
IGB REIT	IGBREIT	Telekom Malaysia	T
IHH Healthcare	IHH	Tenaga Nasional	TNB
IJM Corporation	IJM	TH Plantations	THP
Inari Amertron	INRI	TIME dotCom	TDC
IOI Corporation	IOI	Top Glove	TOPG
ITMAX System Bhd	ITMAX	TSH Resources	TSH
KLCCP Stapled Group	KLCCSS	UEM Sunrise	UEMS
Kossan Rubber Industries	KRI	V.S. Industry	VSI
KPJ Healthcare	KPJ	Velesto Energy Berhad	VEB
Kuala Lumpur Kepong	KLK	ViTrox Corp	VITRO
Leong Hup International	LHIB	Wasco	WSC
Lianson Fleet Group	LFG	Well Chip Group	WELLCHIP
Lotte Chemical Titan	TTNP	Westports Holdings	WPRTS
Malakoff Corporation	MLK		

Source: Maybank IBG Research

SECTOR OUTLOOK

AUTOMOTIVE: Flat road ahead

NEUTRAL

- **We project 790k 2025E TIV (-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 localisation 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 currently do not have any BUY ratings within the sector, but highlight MBM and BAUTO as dividend yield plays, both offering yields >8%.**

1H25 in review. TIV recorded sales of 316,737 units in 5M25 (-5% YoY), representing 40% of our full-year forecast of 790,000 units for 2025E. We view this as in line with expectations, anticipating a stronger sales performance in 2H25, driven by seasonal strength, i.e. new model launches, year-end promotions, and fulfilment of remaining backlogs from key OEMs. Meanwhile, EV and HEV sales stood at 5,394/8,251 units, respectively in 1Q25 (disclosed on a quarterly basis), accounting for 3%/4% of TIV, vs. 2%/4% in 2024. However, infrastructure development continues to lag, with only 4,161 EV chargers installed as of Mar 2025 (source: MEVnet), well below the national target of 10,000 chargers by end-2025.

2H25 outlook. We maintain our 2025E domestic TIV forecast at 790k units (-3% YoY). While this reflects a moderation from the strong post-pandemic rebound, it remains well above the pre-pandemic average of 600k–650k units. We expect the sustained strength to be led by local OEMs in the mass-market segment (vehicles priced <RM100k), supported by robust order backlogs, a wide range of value-for-money models, and improved consumer spending power following the civil service wage hike in Dec 2024 and the minimum wage increase in Feb 2025. That said, further upside may be capped by ongoing production constraints.

Challenges persist in the mass-premium segment (vehicles priced between MYR100k-200k), which is entering a downcycle following two strong years. The segment faces heightened competition due to an influx of new brands, particularly from Chinese OEMs. Additionally, consumer sentiment in this category could be negatively affected by petrol subsidy rationalisation, potentially weighing on purchasing decisions.

Thematic: EV-related investments began gaining traction in 1H25 as the current exemptions on import and excise duties for CBU EVs, as well as restrictions on importing CBU EVs priced <RM100k, are set to expire at end-2025. This momentum is expected to continue into 2H25. Notably, Proton has commenced construction of its dedicated EV plant in Tanjung Malim (estimated capex: RM82m), with an initial annual capacity of 20k units targeted for completion by year-end. Perodua is also doubling its capex to RM1.6b in 2025 as it prepares to launch its first in-house developed EV by end-2025. Channel checks indicate that other brands, including BYD, XPeng, and Dongfeng, are also actively establishing local supply chains for their EV models.

Abbreviations

TIV = Total Industry Volume
OEM = Original Equipment Manufacturer
EV = Electric Vehicle
HEV = Hybrid Vehicle (including plug-in and non plug-in)
CBU = Completely Built-Up
OMV = Open Market Value

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Automotive sector – Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Sime Darby Bhd	Hold	11,109	1.63	1.83	13.9	8.9	0.9	0.6	6.5	5.6	(30)
MBM Resources	Hold	1,747	4.47	5.63	7.2	5.2	1.1	0.7	14.3	10.7	(26)
Bermaz Auto	Hold	885	0.76	0.96	7.8	7.8	3.3	1.9	21.4	16.0	(53)
Tan Chong Motor	Sell	326	0.49	0.38	na	na	0.1	0.1	(5.8)	0.0	12
Simple average		**14,068**			**9.6**	**7.3**	**1.3**	**0.8**	**9.1**	**8.1**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

The growing variety of EV offerings in the market is expected to spur further investment in public charging infrastructure, as OEMs scale up supporting ecosystems. However, government incentives remain a crucial catalyst, especially given the slow progress towards the national target of 10,000 EV chargers by end-2025. As of Mar 2025, only 4,161 chargers have been installed, implying that around 649 new chargers would need to be deployed each month, far above the 2024 average of just 111 units/month.

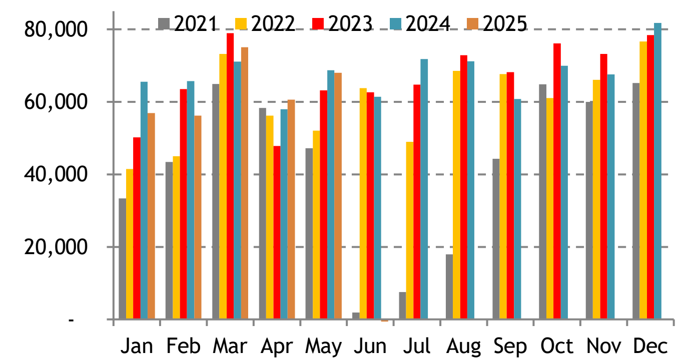
Based on our 2025 TIV forecast of 790k units, we project EV/HEV penetration rates to reach 3%/5% respectively. Sustaining growth in EV adoption over the longer term will hinge on continued policy support and incentives to ease the transition for both consumers and industry players.

Sector rating. We maintain our **NEUTRAL** stance on the sector, reflecting expectations of tapering annual TIV growth. We believe the sector could be impacted by (i) the potential impact of fuel subsidy rationalisation and the introduction of a high-value goods tax; (ii) intensifying competition from new market entrants amid global overcapacity, causing price wars and margin compression; and (iii) regulatory uncertainties, such as the implementation of the OMV framework and the expiry of CBU EV incentives, which may influence OEMs' investment decisions. Balancing these, TIV could be supported by (i) sustained consumer demand backed by stronger disposable income; and (ii) the launch of compelling new models and brands, particularly in the EV/HEV space, may help sustain buyer interest and potentially shorten the vehicle replacement cycle.

Sector top picks. We currently do not have any BUY ratings within the sector, but highlight MBM and BAUTO as dividend yield plays, both offering yields >8%.

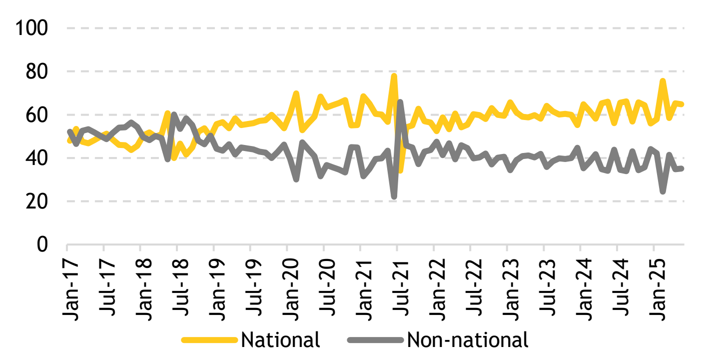
Risks. (i) An unfavourable and sudden shift in automotive policies and direction could adversely impact local vehicle sales and investment sentiment, and vice versa; (ii) a sharp decline in consumer confidence or material supply chain disruptions could weigh on both sales and production.

Figure 79: Total Industry Volume (TIV)



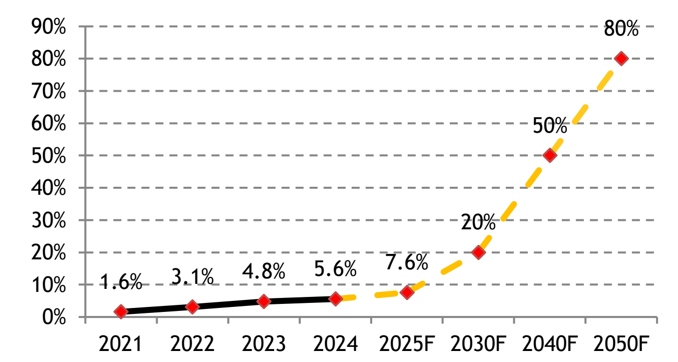
Source: MAA, Maybank IBG Research

Figure 80: Malaysia's mkt share of national/non-national marques



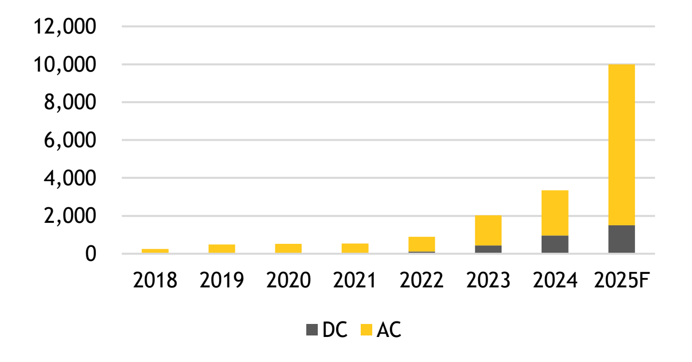
Source: MAA, Maybank IBG Research

Figure 81: % of EVs vs. TIV



Source: MOT, MAA, Maybank IBG Research

Figure 82: EV chargers in Malaysia



Source: MGTV, MEVnet

AVIATION: Hope to chart a steady course

POSITIVE

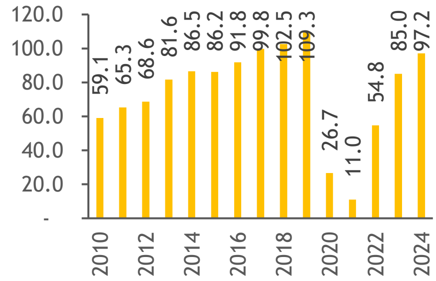
- **We are POSITIVE on the aviation sector. Results were mixed but AAX and CAPITALA remain profitable when they were not during pre-COVID times.**
- **Their earnings could be boosted even further thanks to the weaker USD and jet fuel prices. Corporate action for CAPITALA to materialise in 2H25.**
- **We have BUY calls on AAX (TP: MYR1.09) and CAPITALA (TP: MYR2.69).**

1H25 in review. Although MAVCOM does not release passenger traffic figures regularly, it is widely known that passenger traffic has exceeded pre-COVID levels since January this year. Corporates wise, it was a mixed bag of results. 1Q25 AAX core net profit of MYR45.8m (-61% YoY, -12% QoQ) came in below expectations at 23% of our FY estimate when we expected it to account for 30-40% as the 1Q is seasonally strong not because of lower-than-expected revenue but because of higher-than-expected maintenance cost due to unscheduled aircraft checks. 1Q25 maintenance cost of MYR202.8m accounted for 31% of our FY estimate. 1Q25 CAPITALA core net profit (aviation and non-aviation) of MYR116.8m came in above expectations at 33% of our FY estimate due to higher-than-expected ancillary income per passenger which came in MYR3 higher than we expected. Extrapolated over the 16.2m passengers carried in 1Q25, we estimated that this had a MYR30m-MYR40m positive impact on core earnings. Focusing on CAPITALA's non-aviation business (aviation business to be sold to AAX in 3Q25), 1Q25 core net profit of MYR37.7m which was within our expectations at 23% of our FY estimate. Operationally, AAX and CAPITALA carried more passengers YoY as capacity was reinstated. Yet, fares began to ease YoY as capacity was reinstated. Corporate developments wise, it was uneventful with CAPITALA going through the motions to uplift its PN17 classification.

2H25 outlook. Going into 2Q25 and 3Q25, we expect passengers carried and fares to seasonally ease. Yet, we expect earnings to be buoyed by the weaker USD and jet fuel prices. For AAX, we estimate that every MYR0.10 depreciation in the USD relative to the MYR will accrete c.MYR55m to earnings on a full year basis while every MYR1/bbl decline in jet fuel prices will accrete c.MYR15m to earnings on a full year basis. For CAPITALA, we estimate that every MYR0.10 depreciation in the USD relative to the MYR will accrete c.MYR225m to earnings on a full year basis while every MYR1/bbl decline in jet fuel prices will accrete c.MYR55m to earnings on a full year basis. In 4Q25, we expect passengers carried and fares to seasonally rise due to the year-end holidays and festivities.

Corporate developments wise, we hope that CAPITALA will secure consent from 2 aircraft lessors and Thailand's Securities and Exchange Commission first so that AAX can execute its MYR1.0b private placement. The private placement is a condition precedent for AAX to acquire CAPITALA's shareholding in its 5 airlines. CAPITALA aims to complete the disposal of its aviation business to AAX by Jul 2025 to zerorise its negative shareholders' equity. Coupled with 2 quarters of profitability, CAPITALA targets to have its PN17 classification lifted by Sep 2025. CAPITALA will also explore a dual listing on the Hong Kong Stock Exchange and is also exploring listing Brand AA (contributed 48% of 1Q25 non-aviation EBITDA) on the NASDAQ.

Malaysia air passenger traffic (m)



Abbreviations

MAVCOM = Malaysian Aviation Commission

ASK = Available Seat Kilometres

Analyst: Samuel Yin Shao Yang

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Aviation sector – Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Capital A	Buy	3,510	0.81	1.09	na	6.9	na	na	(4.3)	0.0	(19)
AirAsia X	Buy	697	1.56	2.69	5.6	3.5	2.6	1.3	44.8	0.0	(22)
Simple average		**4,207**			**5.6**	**5.2**	**2.6**	**1.3**	**20.2**	**0.0**	

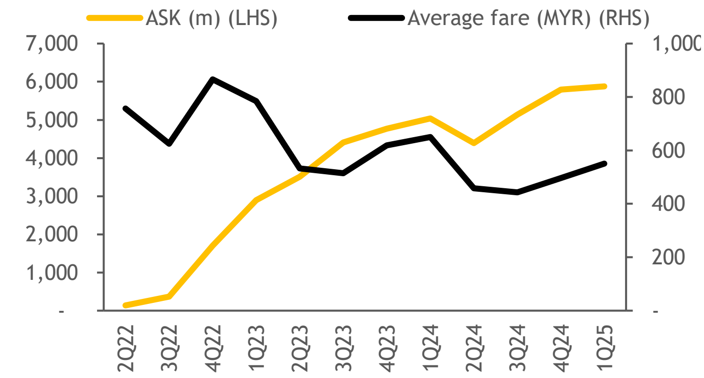
Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

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.

Top picks. We like both AAX and CAPITALA. We like AAX for its <5x forward PER valuations. If all goes according to plan, it will acquire CAPITALA's shareholding in its 5 airlines and will be a huge beneficiary of the weaker USD and jet fuel prices. We have a BUY call and MYR2.69 TP on AAX. We also like CAPITALA as its shareholders will receive AAX shares (0.4 AAX shares for every 1.0 CAPITALA share) and still be left with the non-aviation assets which are growing in tandem with the aviation assets which will be disposed to AAX sans the exposure to USD and jet fuel prices. We have a BUY all and MYR1.09 TP on CAPITALA.

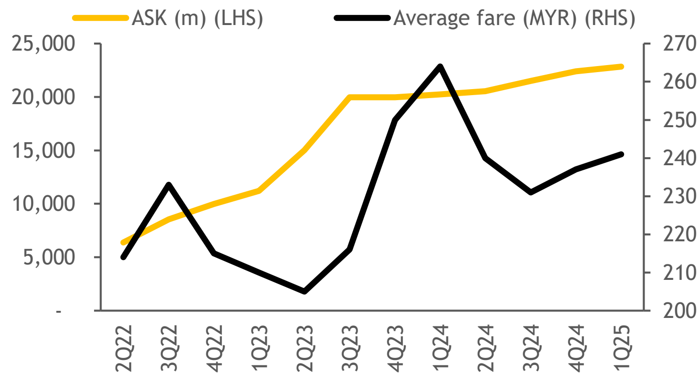
Key risks. (i) Full blown global recession leading to subdued demand for air travel and/or lower fares; (ii) slower-than-expected return to service of aircraft; (iii) higher jet fuel prices and USD exchange rate relative to MYR leading to higher expenses; (iv) oversupply of aircraft leading to lower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

Figure 83: AAX ASK vs. average fare



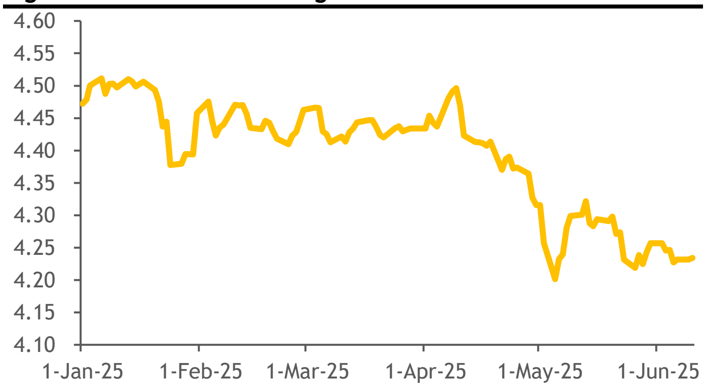
Source: AAX, Maybank IBG Research

Figure 84: CAPITALA ASK vs. average fare



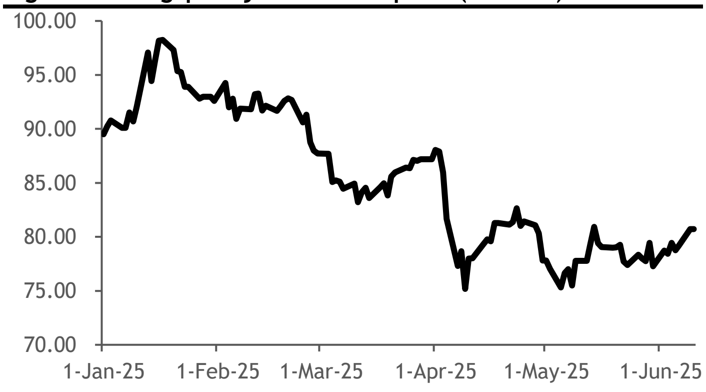
Source: CAPITALA, Maybank IBG Research

Figure 85: USD/MYR exchange rate



Source: Bloomberg, Maybank IBG Research

Figure 86: Singapore jet kerosene price (USD/bbl)



Source: Bloomberg, Maybank IBG Research

BANKING: A more cautious outlook ahead

NEUTRAL

- **Amid expectations of slower economic growth, we have trimmed loan growth, lowered NIM expectations and raised credit costs. We forecast cumulative operating profit growth of 3.6% and net profit growth of 1.1% in FY25E.**
- **Into 2026, we forecast cumulative operating profit growth to gather some momentum to 5.2%, with aggregate net profit growth of 5.0%. We forecast aggregate ROEs to average 10.1%.**
- **Positively, fundamentals remain strong across the board and dividend yields are decent, averaging around 5%. PBK, AMMB and HLBK are our Top BUY picks in the sector.**

1H25 in review. 1Q25 results season was lackluster, with the results of several banks coming in below expectations. Cumulative loan growth moderated to 4.4% YoY end-Mar 2025 from 5.5% end-Dec 2024 and net interest margins slipped by an average of 2bps QoQ. With lower NOII and negative JAWS, core operating profit rose just 1% YoY. Core pretax and net profit rose at a slightly faster pace of 4% YoY amid lower credit cost.

2H25 outlook. Our Economics team has lowered GDP growth forecasts domestically and across the region, with anticipation of lower interest rates as well. With this in mind, we have trimmed loan growth, lowered NIM expectations and raised credit cost across the board. We now forecast cumulative operating profit growth of 3.6%/5.2% for 2025/2026E (vs 5.3%/5.3% earlier). Our 2025 forecast is predicated on domestic loan growth of 5.0%, -2bps in aggregate NIMs and an aggregate CIR of 45.3%. Amid higher credit cost assumptions (aggregate 22bps vs 20bps previously, our aggregate 2025E net profit growth forecast is lowered to 1.1% (5.7% previously) and to 5.0% in 2026E (5.5% previously). We forecast aggregate ROEs to average a lower 10.1%/10.1% in 2025/2026E, as opposed to 10.6%/10.6% previously.

Thematic. The key variable to earnings in 2025, would be the pace of economic growth, and the extent to which it is expected to slow in the face of much external volatility. Nevertheless, banks's fundamentals are strong and they remain well equipped to weather through any such adverse conditions.

Link to key report:
Malaysia Banking - A more cautious outlook; D/G NEUTRAL dated 3 June 2025

Analyst: Desmond Ch'ng, BFP, FCA
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Banking sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	Div Yld (%) FY25e	Px Chg (%) YTD
Public Bank	Buy	81,331	4.19	5.05	12.4	11.2	1.5	1.4	5.3	(8)
CIMB Group Holdings	Hold	70,736	6.58	7.60	11.4	9.2	1.3	1.0	6.1	(19)
Hong Leong Bank	Buy	42,054	19.40	22.80	9.4	9.1	1.1	1.1	3.8	(5)
RHB Bank	Hold	27,203	6.24	7.10	9.2	9.0	0.9	0.8	6.9	(3)
Hong Leong Financial Grp	Buy	18,360	16.00	21.50	6.1	5.5	0.7	0.6	3.6	(10)
AMMB Holdings	Buy	16,538	4.99	6.05	8.0	8.2	0.7	0.8	6.1	(8)
Alliance Bank	Hold	6,736	4.24	4.68	8.3	9.5	0.8	0.9	4.2	(11)
Bank Islam Malaysia	Hold	5,258	2.32	2.50	9.8	9.3	0.7	0.7	6.5	(7)
Simple average		**268,217**			**9.3**	**8.9**	**1.0**	**0.9**	**5.3**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

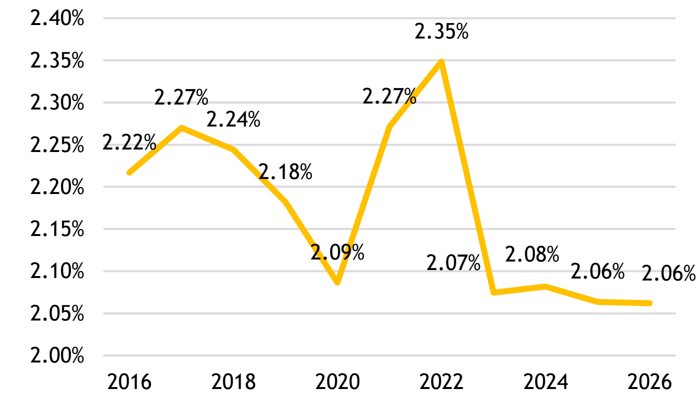
Top picks. Public Bank is well-managed and its MYR1.2b management overlays should keep credit costs low. The acquisition of LPI Capital enhances non-interest income and we think that concerns over a share overhang are overblown. AMMB's focus on proactive funding cost management and business banking operations should contribute to growth momentum, as it strives for higher dividend payouts. HLBK has strong asset quality, high loan loss coverage and a very liquid balance sheet. HLFG offers alternative exposure to HLBK at lower valuations, but it is more illiquid.

Key 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.

Figure 87: Industry loan growth (Jan 2011 – Apr 2025)

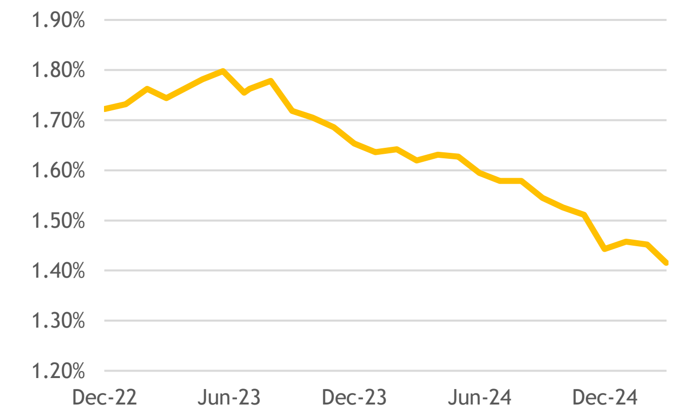
Source: BNM, Maybank IBG Research

Figure 88: NIM trends (2012-2026E)



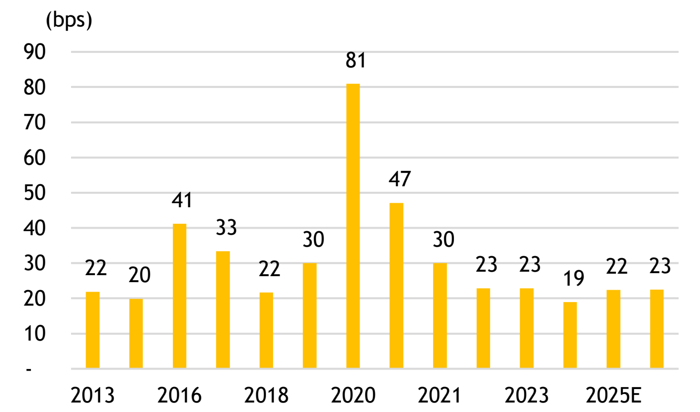
Source: BNM, Maybank IBG Research

Figure 89: Industry gross impaired loans ratio (Dec'22-Apr'25)



Source: Banks, Maybank IBG Research

Figure 90: Average credit cost (2013-2026E)



Source: Banks, Maybank IBG Research

CONSTRUCTION: Still going strong

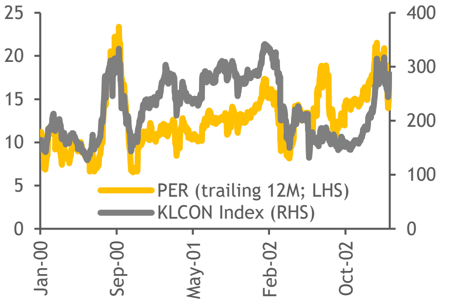
POSITIVE

- **We are POSITIVE on construction. 1H25 began with the award of long awaited projects (Penang Mutiara LRT line & New Pantai Expressway 2).**
- **And we expect this momentum to continue. Key lookouts in 2H25 are the 13th Malaysia Plan and Pearl Computing awarding data centre contracts.**
- **We have BUYs on GAM, SCGB, IJM, CMS and PLINTAS.**

1H25 in review. The value of completed construction works in Malaysia grew 17% YoY to MYR42.9b in 3M24, driven by residential (+27% YoY) and non-residential building works (+21% YoY), while civil engineering works grew 4% YoY. 63% of the completed works were private sector projects while the balance were government and public corporation owned projects. Realisation of committed FDIs and DDIs led to many industrial building, data centre, E&E manufacturing, warehousing and logistic hub projects being awarded. Corporate results wise, it was a mixed bag. GAM, CMS and PLINTAS underperformed. GAM due to higher-than-expected mix of low margin foreign contracts. CMS due to lower-than-expected quarry and oiltools contributions. PLINTAS on higher-than-expected deferred tax expense. SCGB and IJM outperformed our expectations due to faster-than-expected construction billings. Contracts wise, 1H25 started with a bang with the MYR8.3b Penang Mutiara LRT line civil works job awarded to a GAM led consortium. With the now rescinded US AI Diffusion policy, rise of DeepSeek and tariff wars, aspersions were cast on the data centre industry as a source of job wins. Those fears were put to rest when Pearl Computing, backed by a search engine giant, bought land in Negeri Sembilan from GAM to build data centres and awarding it MYR1.0b of enabling works and an e-commerce giant awarding SCGB MYR1.2b of general construction works for 2 data centres. For IJM, it was finally awarded the New Pantai Expressway (NPE) 2 concession that will yield it MYR1.4b of jobs.

2H25 outlook. We remain upbeat for 2025. Budget 2025 forecasts the sector's real output to expand by still a robust 9%, supported by sustained GDE allocation of MYR86b and MYR9b of PPP projects. Focus will be on projects that directly benefit the people and on facilities (including infrastructure) that support the industrial areas throughout the country. Among the new projects mentioned in Budget 2025 are the Sungai Perak raw water transfer, water reservoir/treatment projects at Sungai Sedili Besar (Johor) and Machang (Kelantan), and flood mitigation projects in Pahang, Terengganu and Selangor (Sungai Langat flood mitigation plan 2). Beyond these infrastructure projects, the positive momentum in committed FDIs and DDIs will continue to offer higher value industrial building type of construction works. We will also be looking out for any news on the construction of the KVMRT3 line which is now expected to commence only in 2027 after its land acquisition is completed. Regarding the notable underperformers during the 1Q25 results season: (i) GAM - we expect a higher mix of higher margin domestic contracts going forward; and (ii) CMS - the passing of the rainy season ought to bring relief to the quarry segment and higher rig activity in its key markets overseas should brighten the prospects of its oiltools' segment.

Kuala Lumpur Construction Index & 12M trailing PER



Abbreviations

FDI = Foreign Direct Investment
DDI = Domestic Direct Investment
E&E = Electrical & Electronic
LRT = Light Rail Transit
AI = Artificial Intelligence
GDE = Gross Development Expenditure
PPP = Public Private Partnerships
KVMRT3 = Klang Valley Mass Rapid Transit
E&C = Engineering & Construction

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Construction sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Gamuda	Buy	27,520	4.77	5.37	23.6	27.9	1.9	2.3	8.4	1.7	(0)
IJM Corporation	Buy	9,374	2.57	3.18	16.9	13.9	0.8	0.7	3.9	3.8	(16)
Sunway Construction	Buy	7,769	5.96	6.72	31.9	22.8	6.8	7.8	36.1	3.1	29
Cahya Mata Sarawak	Buy	1,204	1.12	1.66	8.9	8.1	0.4	0.3	4.3	3.1	(9)
Prolintas Infra Bus. Trust	Buy	1,062	0.97	1.17	40.2	40.5	1.7	1.8	4.2	6.6	(1)
Simple average		**46,929**			**24.3**	**22.6**	**2.3**	**2.6**	**11.4**	**3.7**	

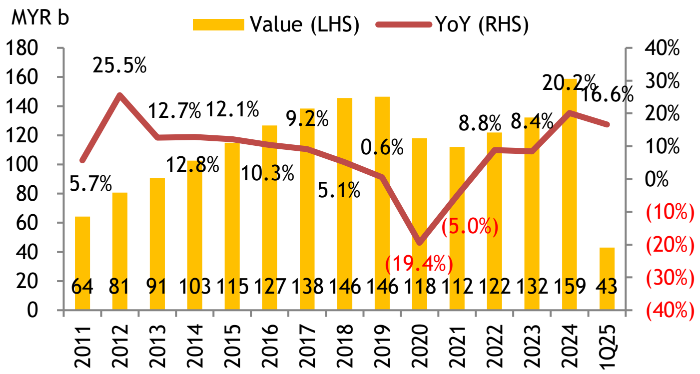
Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Thematic. The 13th Malaysia Plan (2026-2030) blueprint is expected to be unveiled in mid-2025 and priorities infrastructure projects, in our view, include urban mass people mover public transportation (e.g. KVMRT3), water treatment & distribution, and flood mitigation projects. Pearl Computing is expected to tender out jobs for 5 hyperscale data centres worth c.MYR10b in 2H25. We also expect a continuing thematic on Penang (e.g. Penang Mutiara LRT line system works) and East Malaysia (e.g. roads, water reservoir/treatment plants, rural electrification, airport expansions).

Top picks. All the construction and infrastructure companies under our coverage are BUYs. We like GAM for its strong E&C orderbook replenishment and property pre-sales. We like SCGB for its data centre driven job wins. We like IJM for potential monetisation of its matured highways after the restructuring of its NPE concession is a catalyst. We continue to like CMS as a liquid proxy to higher construction activities in Sarawak. We also like PLINTAS for its high dividend yields of >6% p.a.

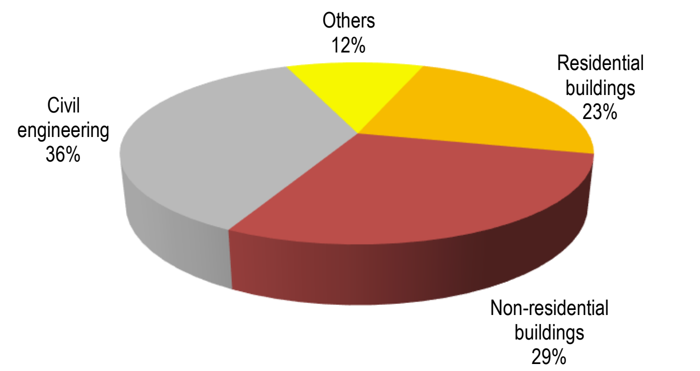
Key risks. (i) Shortfall in orderbook replenishment will hamper future earnings momentum; (ii) surge in construction material, fuel and labour costs will cut into margins for jobs already secured.

Figure 91: Value of construction works completed



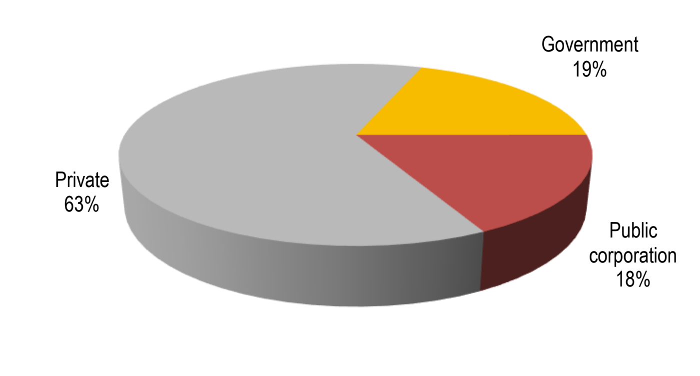
Source: Department Of Statistics Malaysia, Maybank IBG Research

Figure 92: Value of construction works in 1Q25 by sub-sector



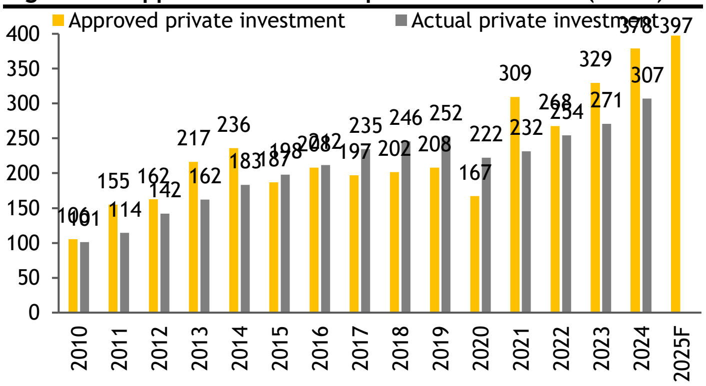
Source: Department Of Statistics Malaysia, Maybank IBG Research

Figure 93: Value of construction works in 1Q25 by owner



Source: Department Of Statistics Malaysia, Maybank IBG Research

Figure 94: Approved and actual private investment (MYRb)



Source: Malaysian Investment Development Authority, Maybank IBG Research

CONSUMER: Tempered spending in 2H25

POSITIVE

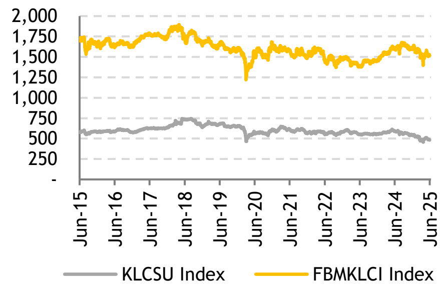
- **We remain POSITIVE on the sector with expectations for 2025E/2026E sector earnings growth of +4%/+12% YoY. This stems predominantly from consumer staples and mass-market retail goods.**
- **Announcements on Government subsidy rollbacks, and the extension of SST may however restrict consumer spending momentum in 2H25.**
- **Our Top BUY is now FFB (from AEON). We also like AEON, MRDIY and PAD.**

1H25 in review. Despite CNY and pre-Hari Raya Aidilfitri spending, cumulative 1QCY25 topline growth for the consumer stocks under our coverage grew at a flattish pace of +1% YoY. Festive spending led to stronger sales growth from selected food staples and retail companies (QLG, FFB, MRDIY, AEON, PAD, SEM). Consequently, with product mix improvements and favourable FX, this translated to higher operating margins for FFB, MRDIY, PAD, and AEON on a YoY basis. That said, weaker 1QCY25 sales growth resulted from: (i) the shorter CNY selling period for the brewers (HEIM & CAB), prolonged consumer boycott impact for NESZ and BFD, normalised regional poultry ASPs for LHIB, and softer sales volume post-price adjustments in core markets (eg. Latin America) for DXN.

2H25 outlook. We project for +4%/+12% YoY consumer sector earnings growth in 2025E/2026E, driven from selected stocks, namely FFB, MRDIY, NESZ, DXN and PAD, where consumer demand generally remains defensive for staple F&B goods and low-priced retail goods amid periods of cost inflation. Risks of subsidy roll-backs are key concerns towards the sustainability of consumer spending momentum in 2H25. However, we take comfort that the recently announced removal of egg subsidies (effective 1 Aug 2025) are not expected to overly burden consumers with significant spikes in egg ASPs due to the fall in egg production costs - through lower feed input cost. Further, the consumer spending impact from the impending subsidy rationalisation of RON95 petrol could also be limited to the T15 consumer category, leaving the rest of the consumer income groups unaffected.

That said, we caution that the SST expansion (effective 1 July 2025) to impose an 8% tax on rental and leasing service providers that exceed MYR500k income p.a., may have a broader negative impact to the consumer discretionary sector through higher rental expenses. Store operating costs have already risen for consumer retailers after the minimum wage was increased to MYR1,700/mth (from MYR1,500/mth, effective 1 Feb 2025).

Kuala Lumpur Consumer Index vs KLCI index



Abbreviations:
CNY: Chinese New Year
ASP: Average selling prices
SST: Sales and service tax
RTD: Ready-to-drink

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Consumer sector – Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
QL Resources	Hold	16,865	4.62	4.25	32.8	37.4	4.9	5.4	14.9	1.1	(3)
Nestle (Malaysia)	Buy	16,781	71.56	96.70	53.9	38.4	42.8	30.6	79.8	2.6	(27)
MR D.I.Y. Group (M)	Buy	15,459	1.64	1.85	30.8	24.9	9.0	7.4	30.9	3.0	(12)
Heineken Malaysia	Buy	7,981	26.42	33.00	15.6	16.8	13.5	14.6	87.5	5.9	12
Carlsberg Brewery	Buy	5,730	18.74	24.40	18.1	15.4	22.7	19.6	130.2	5.7	(5)
Farm Fresh Berhad	Buy	3,437	1.85	2.10	42.5	30.5	3.9	4.7	15.6	0.8	(1)
7-Eleven Malaysia	Sell	2,542	1.96	1.60	42.8	41.8	6.4	5.9	14.7	1.1	0
DXN Holdings	Buy	2,413	0.50	0.72	9.6	7.7	2.4	2.0	25.8	7.3	(3)
Leong Hup Int'l	Buy	2,208	0.61	0.80	5.1	6.0	0.9	0.8	14.2	5.0	0
Padini Holdings	Buy	1,993	2.02	2.85	16.4	11.5	2.2	1.7	15.0	4.1	(8)
AEON Co. (M)	Buy	1,923	1.37	2.00	13.7	11.5	1.1	0.9	8.4	2.9	(13)
Berjaya Food	Sell	551	0.28	0.20	na	na	2.5	1.9	(41.0)	0.0	(19)
Mynews Holdings	Buy	394	0.53	0.80	43.5	23.7	1.9	1.5	6.6	1.0	(22)
Simple average		**78,278**			**27.1**	**22.1**	**8.8**	**7.5**	**31.0**	**3.1**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

With the increase in rental expenses, this could drive companies to raise product prices, which in turn, curb the positive effects that higher disposable income (through minimum wage, civil service salary hikes etc.) may have had in 1HCY25. Given that essential goods, i.e. food staples (poultry, vegetables, flour, rice, sugar, etc.) continues to be exempted from SST, and rental expenses are not a large component to F&B manufacturers' cost of sales, consumer staples should be largely insulated from the SST extension.

Thematic: The macro indicators allows us to stay constructive on the outlook of real private consumption growth (2025F: +5.3%; 1Q 2025: +5.0% YoY; 2024: +5.1%) given the various measures to boost workers' and households' incomes and thus spending (civil service salary revision plus government pension review, minimum wage hike, higher cash handouts to lower income households and personal income tax reliefs in Budget 2025. These measures, together with the healthy job market as well as wages and salaries conditions (plus the on-going post-pandemic tourism growth underpin the consumer spending growth outlook.

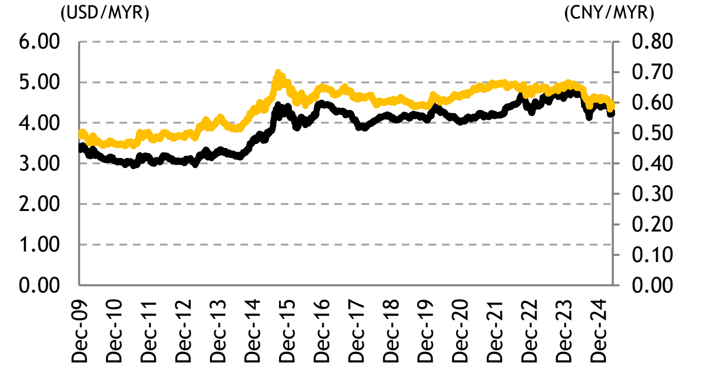
Top picks. Our top consumer BUY pick is FFB. We like its market positioning as one of the leaders in the domestic liquid milk industry along with expectations for product demand to be resilient given the stapled nature of its product range. FFB's extension into other dairy product categories i.e. CPG ice creams (*Cream Hauz*), children's fortified milk (*Farm Fresh Grow*), and butter also builds the foundation for its medium-term earnings growth prospects. Further, the group has also recently completed its milk processing plant in the Philippines, its first step to expanding its RTD milk presence outside Malaysia.

Other sector BUYs/SELLs. Our other BUY ratings are NESZ, MRDIY, HEIM, CAB, DXN, AEON, PAD, LHIB and MNHB. MRDIY and PAD are well positioned to benefit from both consumer down-trading trends and increases in consumer disposable income due to its mass-market consumer target market and affordable pricing. Operating margins for both companies should also improve from the appreciation of MYR vs. CNY, as majority of its products are sourced from suppliers in China. For AEON, the strategy to undergo renovations to its existing shopping malls have successfully translated to stronger earnings contribution from its property management services segment. AEON is also trading at undemanding valuations of c.12x FY26E PER, below its mean PER of 17x. Our BUY ratings on the brewers (HEIM and CAB) are based on its potential volume recovery, defensive group margins in tandem with softer raw material costs, and decent dividend yields of c.5% to 6%.

With the waning effects of consumer boycotts on NESZ, our positive outlook stems from an expected progressive earnings recovery, leveraging on its product range of daily F&B necessities and its efforts to rebuild its domestic brand image. Our BUY rating on LHIB is driven by stable poultry demand across its countries of operations alongside softer corn and soybean ASPs. For DXN, its stronghold in Peru and Bolivia will continue to drive sales volume, supplemented by the group's entry into new markets (eg. Brazil, Argentina). Our SELL ratings on SEM and BFD are premised on a declining average sales per store, rising store operating costs and prolonged impact from consumer boycotts respectively.

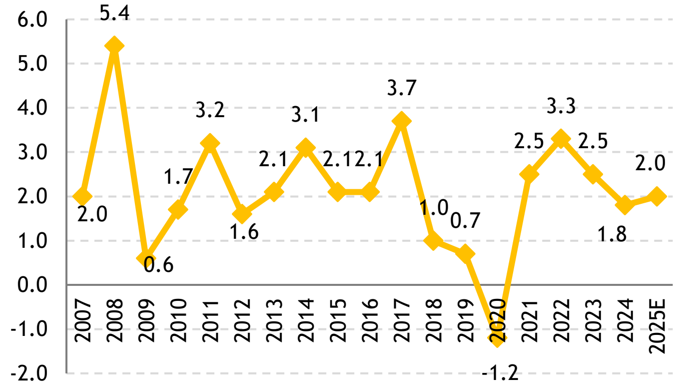
Key risks. For 2H25, key risks to our earnings forecasts are: (i) decline in consumer sentiment and spending, (ii) unexpected spikes in raw material costs, (iii) weakening MYR currency, (iv) Government subsidy roll-backs, and (v) regulatory and illicit risks for the brewery sectors.

Figure 95: USD/MYR vs. CNY/MYR FX trend



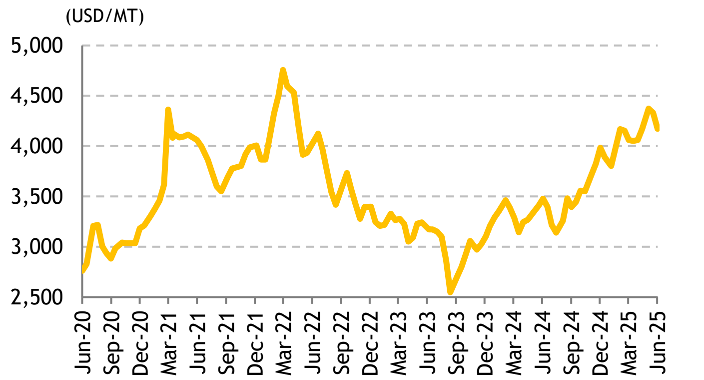
Source: Bloomberg

Figure 96: CPI Growth (%)



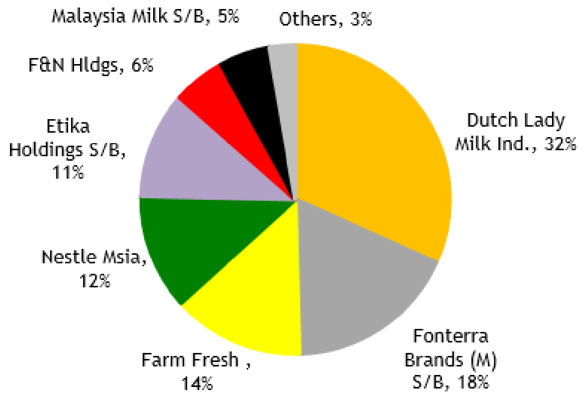
Source: CEIC, Maybank IBG Research

Figure 97: Whole milk powder ASP (USD/MT)



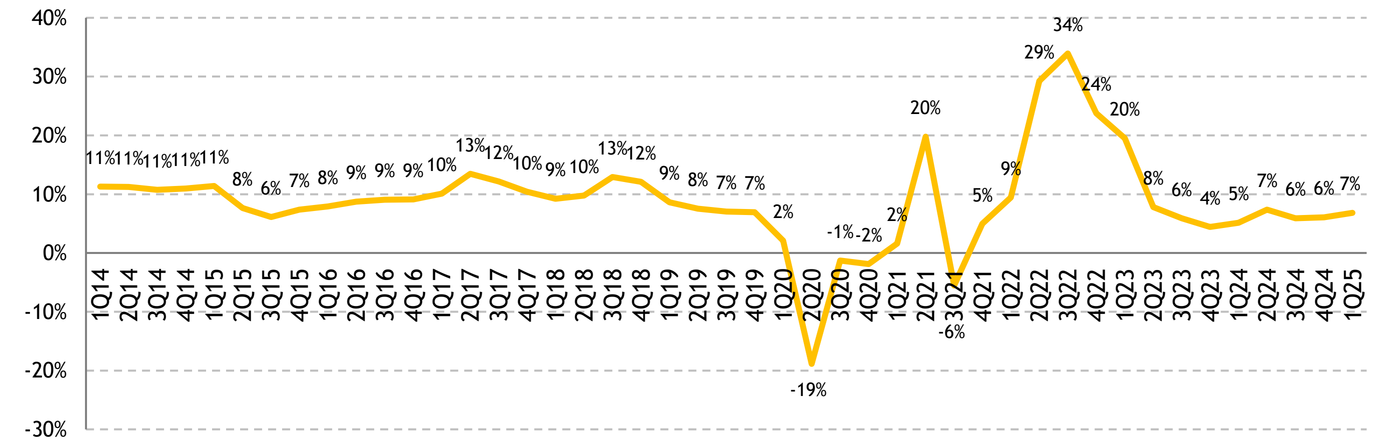
Source: Bloomberg, Maybank IBG Research

Figure 98: Market share of drinking milk products in Malaysia



**Drinking products include milk, flavoured milk drinks and powder milk*
Source: Euromonitor, Maybank IBG Research

Figure 99: Quarterly retail sales growth YoY (%)



Source: CEIC, Maybank IBG Research

GAMING: Hope for a positive change in luck

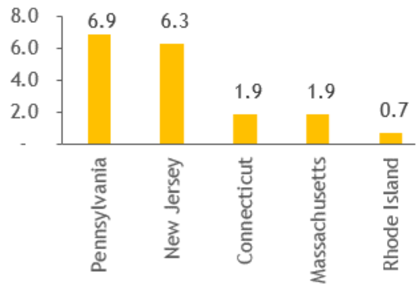
POSITIVE

- **We are POSITIVE on the gaming sector. Core net profit disappointed due to higher-than-expected interest expense but EBIT continues to recover.**
- **Key lookouts are GENM winning a full casino license in New York City and Thailand liberalising its casino industry.**
- **We have BUY calls on GENM (TP: MYR1.95) and GENT (TP: MYR3.86).**

1H25 in review. Both GENM and GENT underperformed our expectations. Both their EBIT were in-line but core net profit was compressed by higher-than-expected interest expense due to them having refinanced their USD debt at higher interest rates in 2H24. Yet, both their EBIT recovered well QoQ at 70% QoQ for GENM and 18% QoQ for GENT due to margin recovery at all their major gaming operations around the world and non-recurrence of a provision of doubtful debts of MYR58.9m from Empire Resorts. Notably, 1Q25 RWLV (100% owned by GENT) EBITDA of USD9.9m was an improvement from the 4Q24 EBITDA of only USD1m-USD2m. In other corporate developments:- (i) GENM's RWG began reopening some mass gaming floor that were closed since Feb 2024; (ii) GENT's RWLV was fined USD10.5m by the Nevada Gaming Control Board in late Mar 2025; (iii) GENM irked investors again by acquiring the remaining 10% economic interest in Empire Resorts from Kien Huat Realty for USD41m (MYR177m); and (iv) both GENM and GENS observed Thailand go through the motions of liberalising its casino industry while expressing conditional interest in bidding for a license there.

2H25 outlook. We expect 2Q25 to be seasonally slow but 3Q25 and 4Q25 to be seasonally stronger on higher spending. GENM also ought to benefit from the reopening of some mass gaming areas at RWG. RWLV operations also ought to improve markedly going forward after it paid its USD10.5m fine to the Nevada Gaming Control Board in late Mar 2025 and have been allowed to re-established VIP play. GENS (53% owned by GENT) will also be aided by the reopening of the 183-suite The Laurus hotel (former Hard Rock Hotel). Corporate developments wise, GENM's RWNYC reiterated that it will submit its bid for a full casino license in New York City which we estimate can add >50sen to our TP by 27 Jun 2025. We believe its potential is huge. New York City residents currently travel out of state to gamble at tables. The collective GGR of the 5 states surrounding New York is a whopping USD17.6b in 2024 (see side chart). Both GENM and GENS will continue observing Thailand go through the motions of liberalising its casino industry. The lower house of the National Assembly might examine the enabling bill for Thailand's casino legalisation in July when parliament reconvenes. While the stipulated minimum capex of THB100b (USD3.0b) is not overly onerous, the casino entry levy for locals of THB5,000 (USD154) and requirement for locals to have fixed deposits of at least THB50m (USD1.5m) before entering is. Both GENM and GENS stated to us that they may not bid for a license if the latter 2 are passed.

GGR of states surrounding New York (USDb)



Abbreviations

GGR = gross gaming revenue
RWLV = Resorts World Las Vegas
RWG = Resorts World Genting
RWNYC = Resorts World New York City

Link to key report:
Genting Malaysia (GENM MK) - Two latent catalysts in the United States taking shape

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

Gaming sector – Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Genting Bhd	Buy	11,476	2.96	3.86	14.8	11.9	0.5	0.3	3.3	3.7	(21)
Genting Malaysia	Buy	11,104	1.87	1.95	24.7	20.0	1.1	0.9	4.4	4.3	(18)
Simple average		**22,580**			**19.8**	**15.9**	**0.8**	**0.6**	**3.9**	**4.0**	

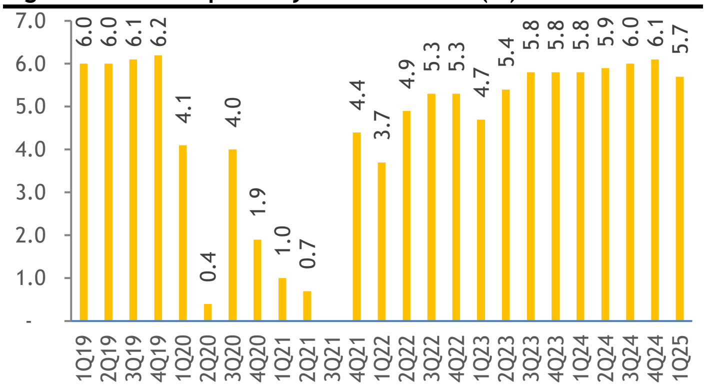
Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Thematic. Other than potential expansion into New York City and Thailand for GENM and GENS, 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: 25.0m). 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.

Top picks. Notwithstanding the above, our POSITIVE call on the sector is unchanged. With both GENM and GENT's share prices plumbing close to or even below COVID-19 lows, we believe most, if not all their negatives have been priced in. Should negative catalysts like the RAV Bahamas lawsuit against GENM be resolved in GENM's favour, we believe that their share prices will recover. Again, GENM's RWNYC may be successful in expanding into New York City and GENM or GENS could win a casino license in Thailand. 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.

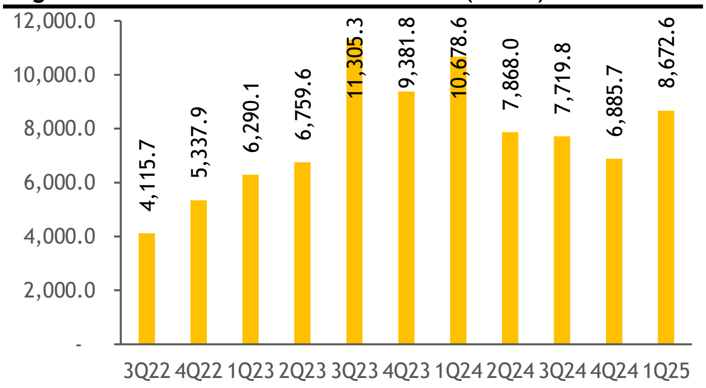
Key risks. (i) Full blown recession leading to subdued demand for gaming; (ii) higher gaming taxes; (iii) even harsher clampdown on cross border gaming (VIP and mass market) by China; (iv) more intense regional competition should more jurisdictions like Thailand liberalise their casino industries; and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

Figure 100: RWG quarterly visitor arrivals (m)



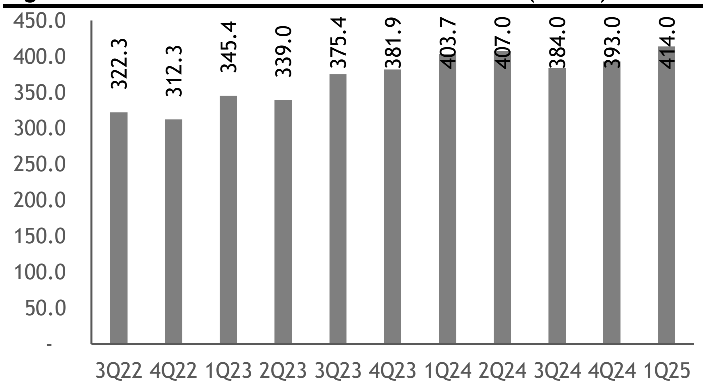
Source: GENM, Maybank IBG Research

Figure 101: Estimated GENS VIP volume (SGDm)



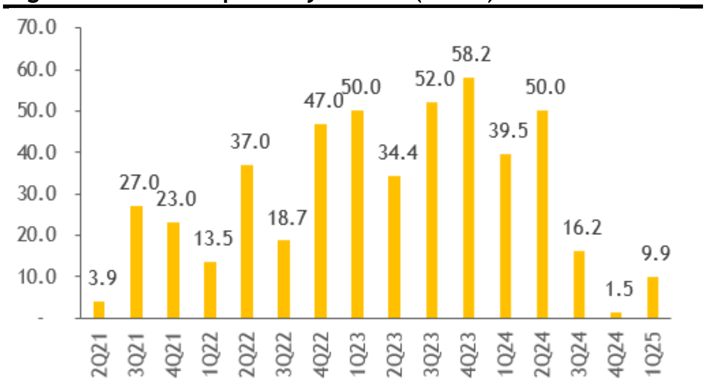
Source: GENS, Maybank IBG Research

Figure 102: Estimated GENS mass market GGR (SGDm)



Source: GENS, Maybank IBG Research

Figure 103: RWLV quarterly EBITDA (USDm)



Source: GENT, Maybank IBG Research

GLOVES: Tougher road ahead

NEGATIVE

- **With China players increasingly deploying overseas capacity to penetrate the US market more effectively, the competitive landscape is turning more aggressive, especially after 2025. In our view, a price war is highly likely shaping up an over-supplied gloves market.**
- **Upcoming results could be weak mainly due to weakening USD currency vs MYR. We estimate a 10-14% decline in FY25-26E net profit for every 1% strengthening of the MRY against the USD.**
- **Reiterate our NEGATIVE stance and maintain SELLs on HART, KRI and TOPG.**

1H25 in review. While Malaysia glove makers have regained market share in the US, the anticipated increase in ASP following the US tariff hikes on China-made gloves from Jan 2025 has yet to materialise, as competition from Malaysia and other producing countries remains strong. Due to uncompetitive post-tariff cost structures, China glove makers have shifted their focus to non-US markets, offering more competitive pricing there, prompting other producers, including Malaysia glove makers, to shift their focus to the US market. Meanwhile, restocking activity from US customers has yet to resume, likely due to higher-than-expected inventory build-up ahead of Jan 2025. Ongoing uncertainty around US tariff policy has further weighed on sales volume, as buyers adopt a wait-and-see approach, delaying orders. So far, Jan–Mar 2025 results were mixed - HART saw soft sales and elevated operating costs from new lines, while KRI saw higher ASP and lower input costs.

2H25 outlook. Competition in the glove sector is set to escalate, with new capacity from a major China glove maker expected to come online by end-2025. Industry sources indicate that the company has started engaging US customers, offering supply from its upcoming overseas plants in Vietnam and Indonesia at ASPs of USD16–17/k pcs, compared to Malaysia glove makers' current ASPs of USD18–19/k pcs. Deliveries are expected to begin from Nov 2025. In addition, the company's Indonesia plant is likely to be operational by end-2025 or early 2026, which is earlier than our initial expectation of 2H26. While pricing is likely to remain fluid, driven by tariffs, demand conditions, and counter-moves by Malaysia glove makers, competition is clearly intensifying, both from China-based operations targeting non-US markets and their overseas expansions aimed at the US. Although the exact timing and scale of supply from these overseas plants remain uncertain, any meaningful ramp-up could weigh on pricing and margins. The likelihood of a price war is rising, we believe. In addition to rising competition, operating costs are expected to increase with the 5% SST, leading to an estimated c.2% rise in total costs. In a competitive environment, it will be harder for glove makers to pass on the additional costs.

That said, a shift in US trade policy particularly if the Trump administration finalises higher tariffs on gloves from Vietnam, Indonesia and Thailand while maintaining lower tariffs for Malaysia could restore Malaysia's cost competitiveness in the US market and partially offset the structural headwinds facing the sector.

Link to key reports:
Malaysia Gloves Sector - Oversupply risks mount; D/G NEGATIVE dated 13 June 2025

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

Glove sector – Peer valuation summary

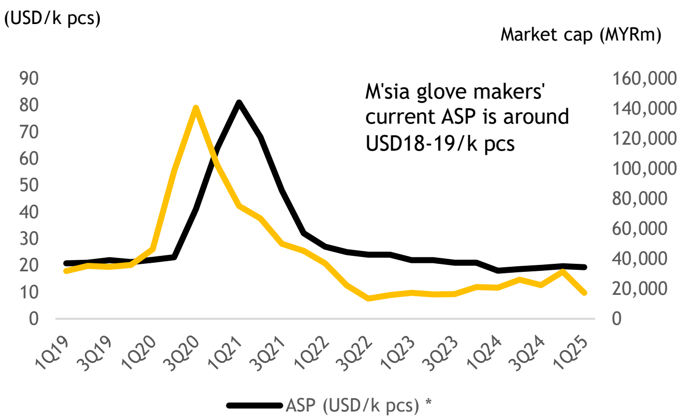
Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Top Glove	Sell	5,876	0.72	0.73	na	46.2	1.3	1.2	2.7	1.1	(47)
Hartalega	Sell	5,450	1.59	1.88	na	80.1	2.0	1.5	1.7	6.0	(60)
Kossan Rubber	Sell	3,709	1.45	1.60	74.2	25.0	2.0	1.0	4.0	2.8	(50)
Simple average		**181,299**			**18.0**	**20.2**	**1.3**	**1.1**	**8.2**	**3.4**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Thematic. Maintaining a strong balance sheet remains critical to sustaining operations over the longer term, especially in the event of a price war, which appears imminent given the competitive nature of global peers. Compared to HART and TOPG, KRI has a more diversified income stream (healthcare and cleanroom gloves and technical rubber products) and stronger balance sheet (62 sen/sh net cash as at end-1Q25) versus HART's 27sen/sh net cash and TOPG's 0.13x net gearing. Until policy clarity emerges, we maintain our NEGATIVE stance on the Malaysia glove sector. No change to our earnings forecasts and SELL ratings for HART, KRI, and TOPG.

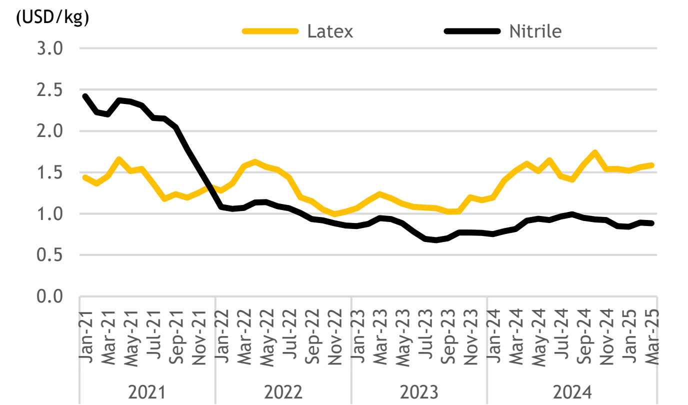
Key (upside) risks. i) import restrictions or additional tariffs imposed by the US on China, Indonesia, Vietnam and Thailand glove makers; (ii) favorable forex (MYR/USD) movement and (iii) stronger-than-expected demand for gloves.

Figure 104: Avg. selling price & Gloves stocks' market cap trend



Source: TOPG, Bloomberg, Maybank IBG Research

Figure 105: Raw material price trend



Source: TOPG, Maybank IBG Research

HEALTHCARE: Momentum building into 2H

POSITIVE

- **We expect back-loaded earnings in 2H25, supported by pent-up demand from a festive-heavy 1H and sustained growth in revenue intensity & BOR.**
- **Ramp-up of inorganic and organic expansions and delayed DRG rollout are key drivers of growth amid risks of expanded SST inclusions (MY) and hyperinflation/ macroeconomic concerns (Turkiye/ EU).**
- **We have BUYs on KPJ, IHH and OPTIMAX.**

1H25 review. Results for all healthcare names came within expectations, albeit on softer sequential revenue/EBITDA due to seasonally heavier overlap of festivities and holidays in 1Q25, and higher depreciation costs (IHH: +14% YoY; KPJ: +6% YoY; OPTIMAX: +49% YoY) on account of ongoing expansions. For IHH, MY ops recorded highest topline growth driven by contribution from Island Hospital, while Singapore ops was the weakest due to ongoing reno-works at Mt Elizabeth Hospital. For KPJ, ARIP of +10% YoY and BOR of 63% reinforced the transitory nature of 1Q25's seasonal drag. OPTIMAX's earnings improvement was largely attributed to a gradual normalisation of pre-ops costs of its latest ACCs/SCs.

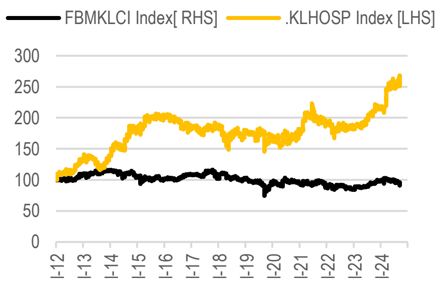
2H25 outlook. We expect earnings momentum to pick up in 2H25 on FY25E BOR estimates of 71%/70% for KPJ/IHH, driven by a rebound in patient volumes from deferred procedures and continued strength in revenue intensity (KPJ/IHH FY25E EBITDA margin: 24%/22%). KPJ's recent launch of its c.60-bed KPJ Kuala S'gor and IHH's targeted FY25E expansion of c.+1,000 beds across all geographies will boost its supply base to match growing demand from both domestic and foreign patients. We forecast a 3Y-forward EBITDA CAGR of 9%/10% for KPJ/IHH.

For OPTIMAX, we expect steady earnings growth as pre-ops costs begin to normalise following the ramp-up of its newest ACCs, supported by (i) growth in higher-margin refractive surgery in lieu of an increasingly ageing population, and (ii) further adoption onto the panel lists of key insurance providers (latest panel: Prudential).

Thematic. The delay of DRG implementation for Malaysia's private healthcare operators (link) is a positive especially for the pure-MY players i.e. KPJ, as topline growth remains uncapped for the near-to-mid term. Long-term, we expect any potential DRG roll-out to take >5 years and done in phases, in-line with global industry practice. Malaysia's medical tourism space is also growing exponentially, banking on low healthcare costs and high healthcare quality as main factors of attraction. IHH is the largest beneficiary of medical tourism post-acquisition of Island Hospital.

Top picks. KPJ remains our top pick as it is well-positioned to capture growth from its expansion plans, steady margins and scale-driven cost-efficiencies. Management has also given reassurance that KPJ remains on all major insurance panels, alleviating concerns over volume attrition amid medical inflation woes. We maintain bullish on IHH as a diversified play and backed by strong 1Q25 performance. However, we remain cautious over macro and political tensions in Turkiye, which is IHH's 2nd-largest revenue contributor.

FBMKLCI vs MY Hospitals (KPJ, IHH) index



Abbreviations

ACC = Ambulatory care centre
ARIP = Average revenue per inpatient
BOR = Bed occupancy rate
CAGR = Compound Annual Growth Rate
DRG = Diagnoses Related Group
EBITDA = Earnings before interest, tax, depreciation and amortization
ITO = Insurance and Takaful Operator
SC = Satellite clinic
SST = Sales & Services Tax

Glossary

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

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

Healthcare sector – Peer valuation summary

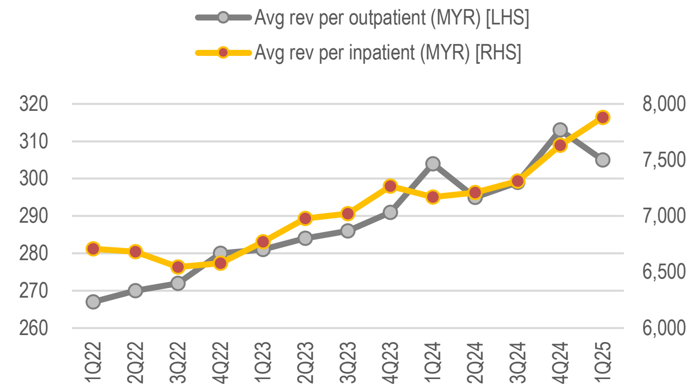
Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
IHH Healthcare	Buy	60,450	6.85	7.97	29.3	28.3	2.1	1.9	6.9	1.5	(6)
KPJ Healthcare	Buy	12,086	2.67	3.24	30.0	26.6	4.3	4.4	16.6	1.9	6
Optimax Holdings	Buy	277	0.51	0.83	25.0	19.3	4.8	3.7	18.5	2.8	(15)
Simple average		**72,814**			**28.1**	**24.7**	**3.8**	**3.3**	**14.0**	**2.1**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Key risks. We remain cautious on potential retaliations from insurance and takaful operators (ITOs) in the forms of potential price nego or revoking cashless payments for policyholders, as these may affect volume turnover. On the recent SST expansions, we believe impact to be neutral for the 6% SST introduction (levied for companies with annual revenue >MYR1.5m) on foreign patients as IHH/KPJ remain price-competitive vs regional peers.

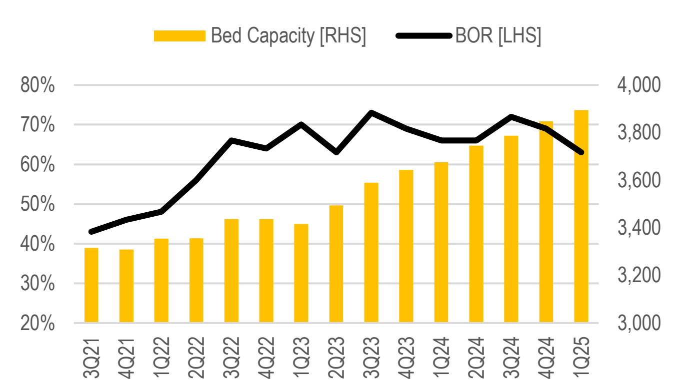
However, we expect a direct negative impact to earnings from the introduction of 8% SST on assets under lease/rentals for KPJ. We cannot quantify the impact at this juncture pending further clarity from management and ongoing lease renewals in the year, but suspect that it is likely to be addressed as OPEX.

Figure 106: KPJ - average revenue per patient trend (MYR'm)



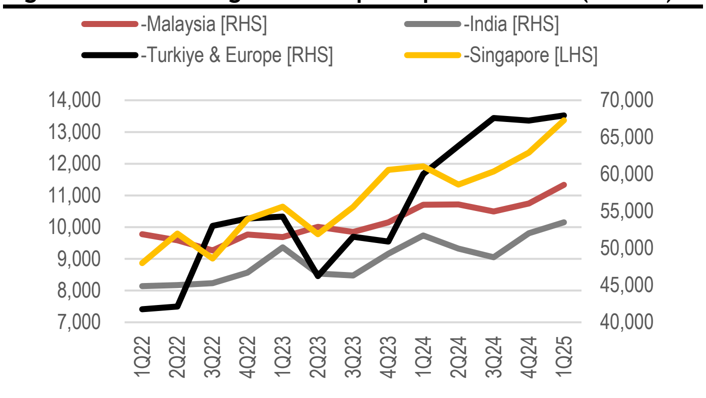
Source: KPJ

Figure 107: KPJ - BOR and bed capacity trend



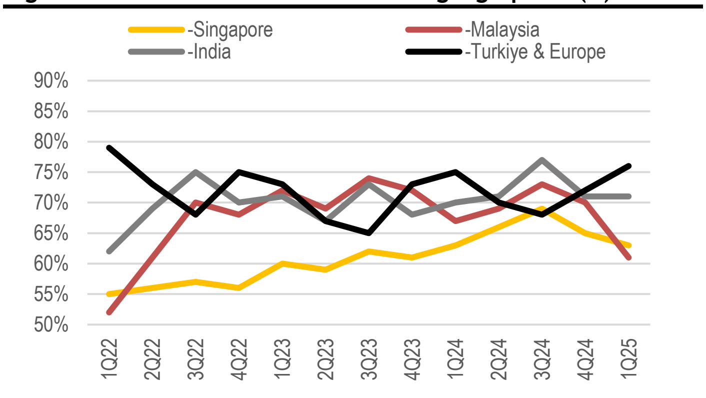
Source: KPJ

Figure 108: IHH - avg. revenue per inpatient trend (MYR'm)



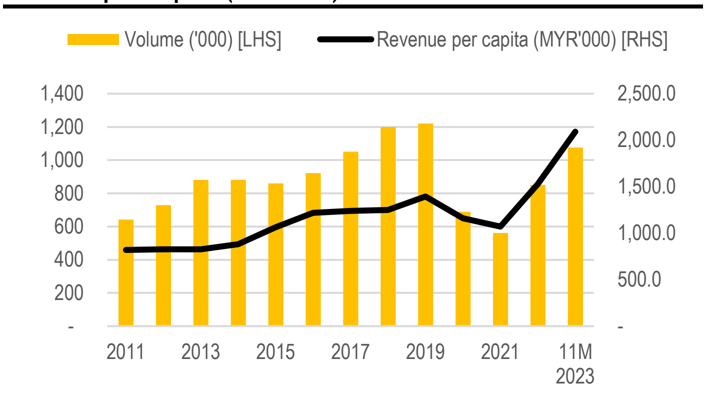
Source: IHH

Figure 109: IHH - BOR trend across all geographies (%)



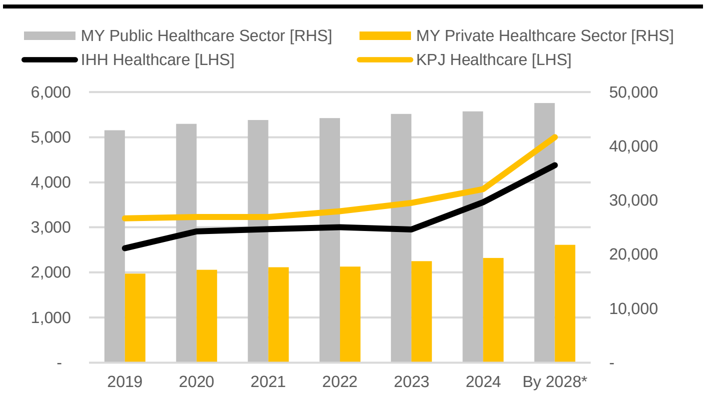
Source: IHH

Figure 110: Malaysia inbound medical tourism ('000) vs revenue per capita (MYR'000)



Source: MHTC, Malaysian Investment Development Authority (MIDA), various news articles, Maybank IBG Research (computation)

Figure 111: Malaysia - Bed capacity expansion trend



Source: Ministry of Health, Statista, IHH Healthcare, KPJ Healthcare, Maybank IBG Research

OIL & GAS: War premiums on crude unlikely to last

NEUTRAL

- **We expect crude oil prices to be volatile and weaker at an average of USD67/bbl (Brent) in 2025E (2024E: USD80/bbl) as the oil markets are in a supply surplus position, largely on OPEC+ unwinding its production cuts.**
- **For Malaysia, potentially lower PETRONAS capex spending means that many domestic-centric upstream OGSE names may not see YoY 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.**

1H25, in retrospect. Global crude oil markets weakened in 1H25 with prices averaging at c.USD72/bbl, a 10% decline from 2024's average of c.USD80/bbl. In 2025, OPEC+ maintained its stance to unwind production cuts of 411kbpd monthly in May-July 2025, and remained a relevant "swing producer". Meanwhile, geopolitical conflicts (i.e. Russia-Ukraine, Gaza and Israel-Iran) did not have any direct impact on oil supplies and downstream refining products but have contributed to significant "war premiums" on global crude oil prices.

2H25 outlook. Fundamentally, global oil markets will likely to continue in a supply surplus, as reported in EIA's latest Short-Term Energy Outlook (STEO) report (May 2025) as OPEC+ producers unwinds its production cuts by 2.2m bpd over an 18-month period, starting in Apr 2025 (link) till Sept 2026. 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 i) Russian-Ukraine crisis; and ii) Israel-Iran conflict.

- ***Crude supply likely to continue exceeding demand in 2H25E.*** In EIA's latest STEO report (May 2025), expectations of net crude oil surplus are likely to coninue in 2H25E with global production at 104.13m bpd slightly eclipsing consumption at 103.71m bpd. However, with such a narrow supply/demand gap of only 0.42m bpd, any demand or supply disruptions globally could induce volatility in crude oil prices.
- ***OPEC+ likely to continue raising output.*** OPEC+ producers may execute their plan to increase output by 2.2m bpd over an 18-month period, starting in Apr 2025. This could lead to an inventory build-up in 2025E and put downward pressure on oil prices. With that, we expect crude oil prices to be weaker YoY at USD67/bbl (Brent) in 2025E.

Link to key reports:
Malaysia Oil & Gas - Softer offshore activities ahead; D/G NEUTRAL (4 June 2025)

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

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Oil & Gas sector - Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Dialog Group	Buy	8,921	1.58	2.34	22.1	21.5	2.3	1.4	6.8	2.4	(17)
Yinson Holdings	Buy	7,145	2.32	4.33	7.7	62.9	1.4	1.4	14.1	1.7	(10)
Bumi Armada	Buy	2,756	0.47	0.73	4.0	4.1	0.6	0.4	10.6	2.5	(28)
Velesto Energy	Buy	1,520	0.19	0.19	6.1	9.2	0.5	0.6	1.9	7.6	16
Wasco	Hold	756	0.98	0.99	3.9	6.9	0.9	0.8	12.4	2.9	(7)
Lianson Fleet Group	Hold	722	0.85	0.74	25.6	8.9	1.4	1.4	17.2	2.4	(16)
Simple average		**23,157**			**10.4**	**16.6**	**1.1**	**0.9**	**11.1**	**3.4**	

Source: Bloomberg pricing (20 Jun 2025), 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.

- ***War premiums are unlikely to last***. 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. However, war premiums on crude oil are often short-lived if supply is unaffected – where supply-demand fundamentals are unchanged. Unless actual barrels go offline, the market soon unwinds the premium as reality sets in – in weeks/months to come.

Thematic: PETRONAS capex cuts - Due to the ongoing discussions between two local O&G companies, PETRONAS is putting on hold a number of upstream exploration works in Sarawak. 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: Softer offshore activities ahead*).

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.

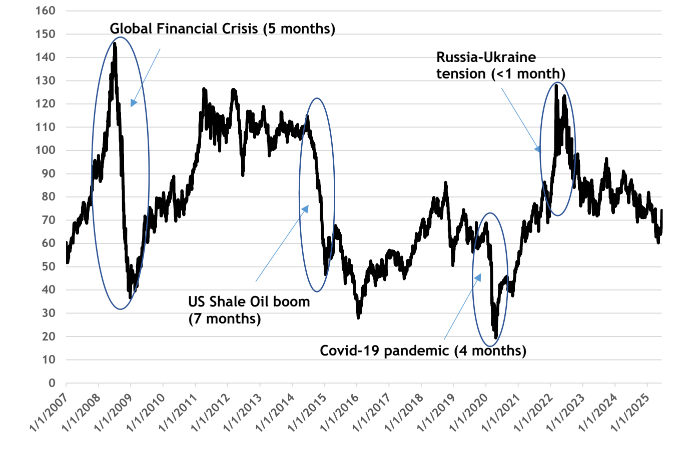
Sector top BUYs. Our **NEUTRAL** call on the sector is unchanged. However, we choose: i) defensive midstream companies which will be unaffected by the potentially lower PETRONAS capex spending; and ii) FPSO players which are poised to ride on the global deep and ultra-deepwater capex investments.

- **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 FY25E at significantly higher rates. Also, Dialog's EPCC segment will be profitable beginning FY26E 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 20 consecutive quarters to MYR2.1b as at end-March 2025 (from MYR8.7b as at end-1Q20). The group has always aspired to get new FPSO jobs but has also emphasised 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.

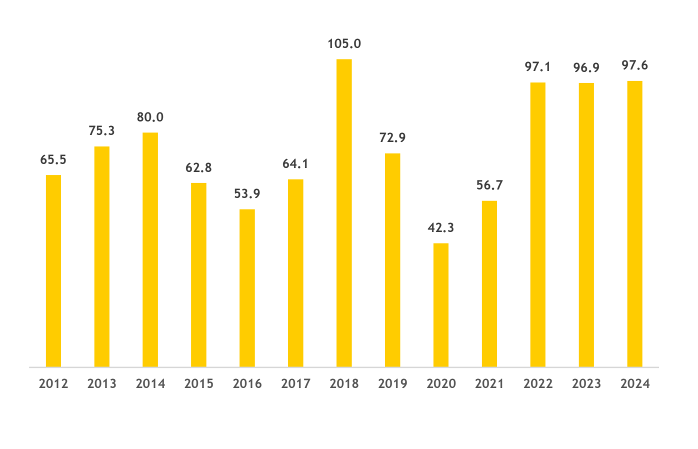
Key risks. i) Geopolitical tensions; ii) OPEC+ compliance/discipline to manage output will create volatility and pressure on the oil market; iii) More severe-than-expected PETRONAS capex deferral environment.

Figure 112: Brent Crude Oil price, USD/bbl (2000 till current)



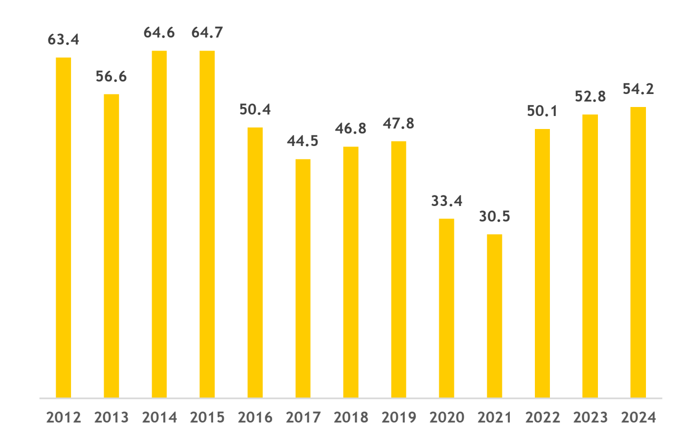
Source: Bloomberg, Maybank IBG Research

Figure 113: PETRONAS' net cash level, MYR'b (2012 till 2024)



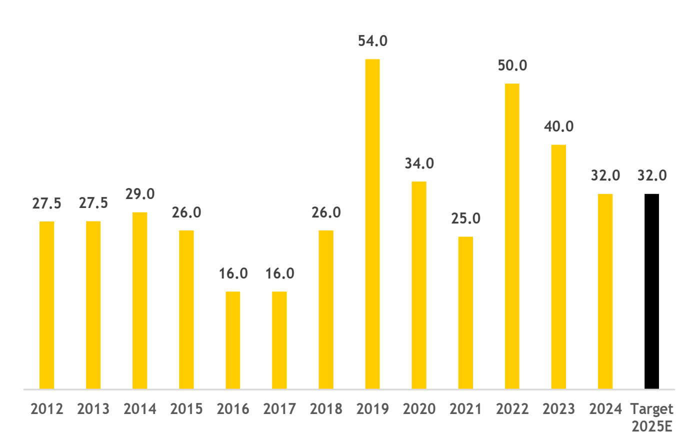
Source: PETRONAS, Maybank IBG Research

Figure 114: PETRONAS' capex, MYR'b (2012 till 2024)



Source: PETRONAS, Maybank IBG Research

Figure 115: PETRONAS dividends to government, MYR'b (2012 till 2025E)



Source: PETRONAS, Maybank IBG Research

Figure 116: Production and Consumption of crude oil for 2024-2026E

Production (mbpd)	2024				2025E				2026E				Year		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2024	2025E	2026E
Total OPEC	32.40	32.48	32.33	32.35	32.67	32.59	32.45	32.53	32.65	32.74	32.84	32.87	32.39	32.56	32.78
Total Non-OPEC	69.81	70.35	70.37	70.93	70.52	71.22	71.97	72.53	72.13	72.53	72.81	73.11	70.36	71.57	72.65
Total World Production	**102.21**	**102.83**	**102.70**	**103.28**	**103.19**	**103.81**	**104.42**	**105.06**	**104.78**	**105.27**	**105.65**	**105.98**	**102.75**	**104.13**	**105.43**
OPEC / World (%)	32%	32%	31%	31%	32%	31%	31%	31%	31%	31%	31%	31%	32%	31%	31%

Consumption (mbpd)	2024E				2025E				2026E				Year		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	2024	2025E	2026E
OECD	44.80	45.59	46.23	46.05	45.60	45.26	46.07	46.10	45.50	45.22	45.95	45.94	45.67	45.76	45.65
Non-OECD	56.87	57.16	57.05	57.19	57.57	58.06	57.93	58.22	58.63	59.10	59.03	59.07	57.07	57.95	58.96
Total World Consumption	**101.67**	**102.75**	**103.28**	**103.24**	**103.17**	**103.32**	**104.00**	**104.32**	**104.13**	**104.32**	**104.98**	**105.01**	**102.74**	**103.71**	**104.61**
Net surplus/(deficit)	0.54	0.08	-0.58	0.04	0.02	0.49	0.42	0.74	0.65	0.95	0.67	0.97	0.01	0.42	0.82

Source: EIA STEO (May 2025)

PETROCHEMICALS: Still unexciting

NEGATIVE

- **We anticipate downstream polymer ASPs to remain unexciting in 2H25 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.**

1H25 in retrospect. 1H25 saw some weakening in polymer prices, where ASPs for HDPE, LLDPE and methanol were lower at -5%/-1%/-5% YoY while urea ASP bucked the trend, up +26% YoY due to demand from planting season. Given sustained weak ASPs, LCTITAN's management has guided for a suboptimal FY24E plant utilisation rate of ~45% and another loss-making year.

2H25 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 bottom line 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: The sector remains in a downcycle with price pressure still imminent. Focus would be on companies and how they navigate these challenging times until spreads improve. PCHEM commenced the Commercial Operation Date (COD) of Pengerang in end-Nov 2024. The Pengerang Petrochemical Complex (PPC) increases PCHEM's total production capacity by 3.3 mTpa (+26% 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, combined with weaker YoY product spreads will likely lead to a -22% EPS contraction YoY for PCHEM in FY25E. As such, we believe PCHEM's outlook remains challenging too in 2025E.

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

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Petrochemical sector – Peer valuation summary

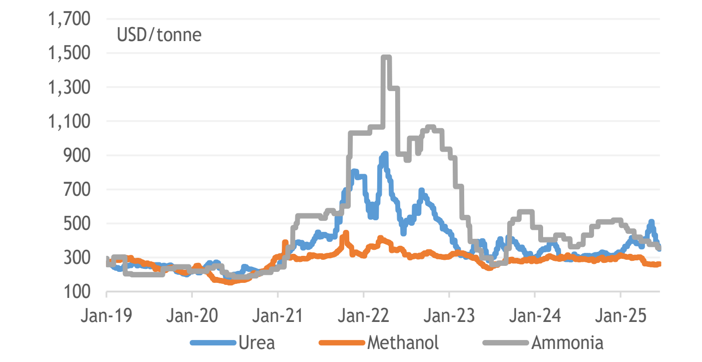
Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Petronas Chemicals	Sell	25,360	3.17	2.59	35.7	28.2	1.1	0.7	2.3	1.8	(41)
Lotte Chemical Titan	Sell	1,041	0.45	0.39	na	na	0.2	0.1	(6.6)	0.0	(32)
Simple average		**26,401**			**35.7**	**28.2**	**0.6**	**0.4**	**-2.1**	**0.9**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top picks. We have no BUYs in the sector due to on-going downcycle in the petrochems sector. Due to 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 >30x FY25E EPS; and ii) PE-naphtha spreads are not wide enough for LCTITAN to turn profitable.

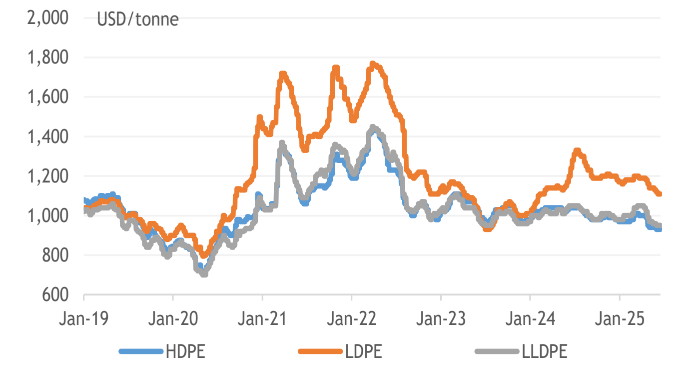
Risks. (i) Faster-than-expected recovery in polymer/monomer prices; and (ii) Sudden decline in crude oil/naphtha prices.

Figure 117: Urea, Methanol and Ammonia Prices



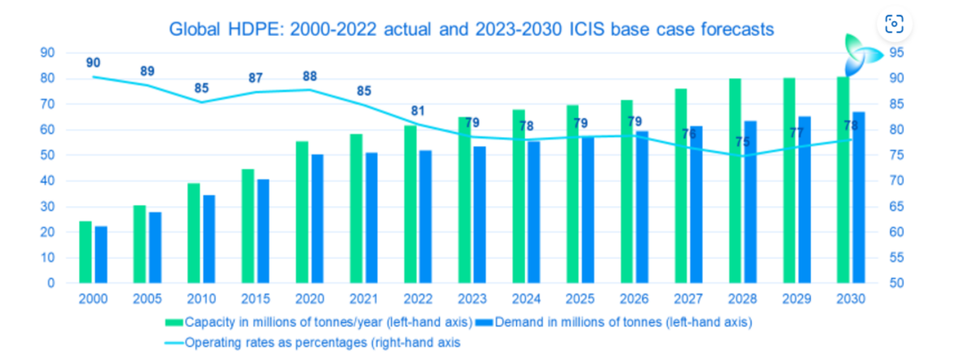
Source: Bloomberg, Maybank IBG Research

Figure 118: HDPE, LDPE & LLDPE Prices



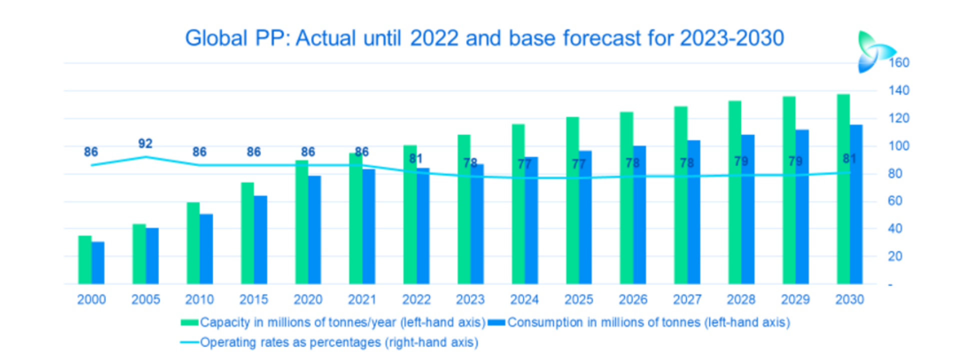
Source: Bloomberg, Maybank IBG Research

Figure 119: Global HDPE capacity, demand and operating rates (2000-2030E)



Source: ICIS

Figure 120: Global PP capacity, demand and operating rates (2000-2030E)



Source: ICIS

PLANTATIONS: Anticipate better price in 4Q25

NEUTRAL

- **3Q25 CPO price will likely remain subdued during the peak output cycle before trending higher towards 4Q25.**
- **Muted crude oil prices will likely cap CPO price on the upside.**
- **Buying opportunity towards end-3Q25, but 12M NEUTRAL. SDG and SOP are our top BUY picks in the sector.**

In retrospect. CPO price started well in 2025 and averaged MYR4,716/t (+18% YoY) in 1Q25 due to tight supply situation made worse by excessive rainfall that disrupted supplies in key producing areas. This coincided with early CNY and Ramadhan demand. As output recovered sharply in April and as market anticipates rising monthly output until Sept/ Oct 2025, CPO price corrected sharply in April. From trading at price premiums to major vegetable oils in 1Q25, CPO price has now reverted to trading at discounts. Notable 1H25 events: (1) Trump 2.0 tariffs, (2) the GOI raised its B40 mandate (from B35) w.e.f 1 Jan but no longer subsidises the non-PSO segment, (3) the GOI introduced higher export levies w.e.f 17 May, and (4) India halved the import duties for CPO to 10% w.e.f 31 May.

2H25 Outlook. USDA is projecting a tightening of SUR ratio to 13.0% (-1.1-ppts) for 9 major vegetable oils for 2024/25F Oct/Sept marketing year (see overleaf). USDA's preliminary forecast for 2025/26F marketing year shows a further tightening in SUR to 12.7%, although by a small percentage (-0.3-ppts). While the edible oils market is projected to be tight, the oilseeds market is projected to be ample over the same marketing years (see overleaf) as USDA projects higher oilseeds production growth emanating mainly from Brazil (ie soybean). Against the backdrop of macro-economic uncertainties, we remained cautious of near term outlook as palm oil holds a dominant position in global trade among vegetable oils, with >50% market share, making its susceptible to global events. While we think there is limited downside to current CPO price due to tight oil supplies, the upside is also somewhat capped by subdued crude oil prices as global biodiesel usage accounts for about 20%-25% of global 17 oils & fats output. The present POGO spread of USD605/t (based on Rotterdam's price on 9 June) effectively discourages discretionary blending as palm oil is way more expensive than gas oil price. It is thus costly for governments that subsidise mandatory biofuel blends, which inadvertently put pressure on governments to review or adjust their biodiesel mandates when the POGO spreads are too wide. Barring any weather or crude oil price surprises, we believe CPO price will remain subdued in 3Q25 as palm oil output enters its peak output cycle. We expect CPO ASP to trade in the range of MYR3,500/t to MYR4,000/t in 3Q25, and likely trade at a higher range of MYR3,500/t to MYR4,250/t in 4Q25 as market starts to factor in low output cycle going into 2026.

Abbreviations

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

Plantation sector – Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
SD Guthrie	Buy	31,467	4.55	5.52	21.8	19.0	1.9	1.6	8.7	2.6	(9)
IOI Corporation	Hold	22,878	3.64	3.88	20.5	17.8	2.0	1.8	10.6	3.0	(5)
KL Kepong	Hold	22,011	19.72	19.70	30.9	19.0	1.6	1.5	8.2	2.6	(8)
Genting Plantations	Buy	4,361	4.86	6.89	17.0	13.4	1.0	0.8	9.9	5.2	(16)
Sarawak Oil Palms	Buy	2,798	3.13	5.09	6.4	6.8	0.7	0.7	10.4	4.8	(2)
Ta Ann	Buy	1,655	3.72	4.10	11.3	9.5	1.0	0.9	9.2	7.9	(13)
TSH Resources	Hold	1,465	1.06	1.17	11.8	10.8	0.9	0.7	6.6	2.8	(15)
TH Plantations	Hold	446	0.51	0.54	13.4	10.3	0.8	0.6	5.6	4.9	(26)
Simple average		**87,081**			**16.6**	**13.3**	**1.2**	**1.1**	**8.7**	**4.2**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Thematics. (i) We continue to expect ID's output recovery to feature strongly in 2025, and benefit 2024's laggards, specifically 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. LSS6 is said to open for tender in 2H while the results of LSS5+ tender should be out soon. LSS initiative basically allows planters to sweat a small part of their estate land, augment returns by multi-fold compared to oil palm – see our report *"The magnifying power of solar is a game changer for earnings".* (iii) JSSEZ development / project announcements may continue 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 their land values over time – see our report "*JS-SEZ beneficiaries in Kulai District".*

Top picks. SDG is our top BUY for the large cap. SDG's new business verticals will be engines of growth in the coming years - emanating from JV development into (green) industrial parks, and RE development on its well-located estates near the national grid. SDG targets to achieve 1,000MW capacity over time. For the SMID caps, we like **SOP** as a laggard play backed by its huge net cash of ~MYR1.1b while trading at just mid-single digit PERs (adj. for net cash). We expect SOP to raise its dividend payouts over time (FY24: 30%) to lift dividend yields further.

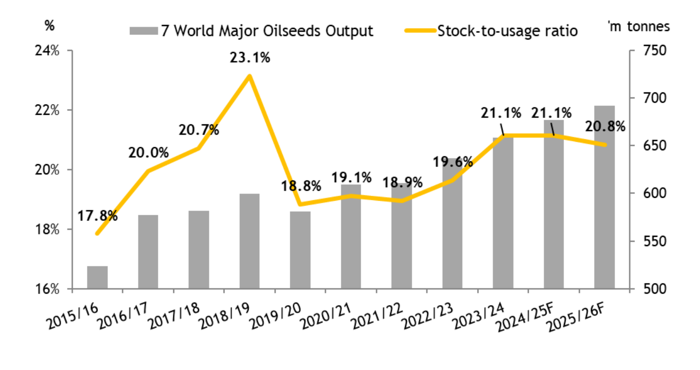
We remain NEUTRAL on the sector but advocate staying on the side in 3Q25 before taking a short term trading strategy in 4Q25 as we CPO price to remain soft in 3Q25 during the peak output cycle before trending higher towards year end. We maintain our CPO ASP forecast of MYR4,000/t for 2025E (2024: MYR4,180/t).

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.

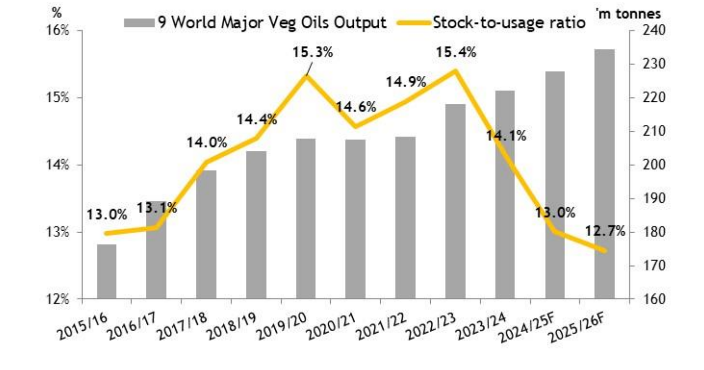
Downside risks: (i) Reversal of Brent crude oil price to sharply below USD70/ barrel; (ii) negative policies imposed by importing countries and/or exporting countries; (iii) global demand turning out to be weaker than expected on demand destruction and/or global recession; (iv) weaker competing oil prices (like soybean and rapeseed); and (v) banking crisis in the West extending into a global crisis.

Figure 121: 7 major oilseeds output and stock-to-usage ratio



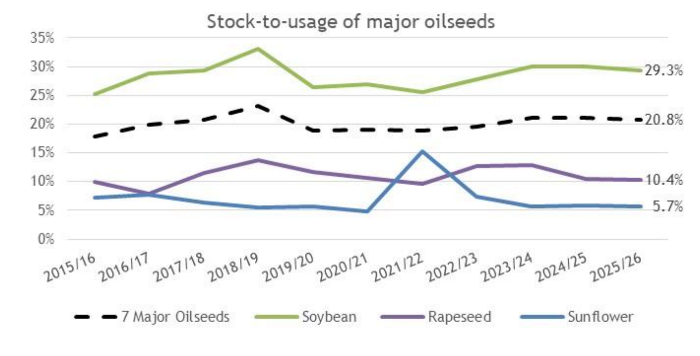
Sources: USDA, Maybank IBG Research

Figure 122: 9 major vegetable oils output and stock-to-usage ratio



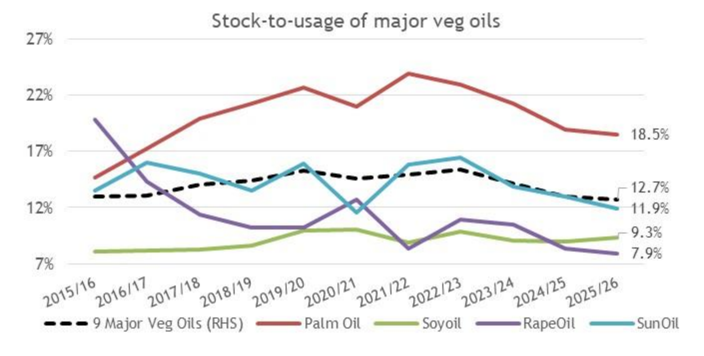
Sources: USDA, Maybank IBG Research

Figure 123: Stock-to-usage ratios of selected and 7 major oilseeds



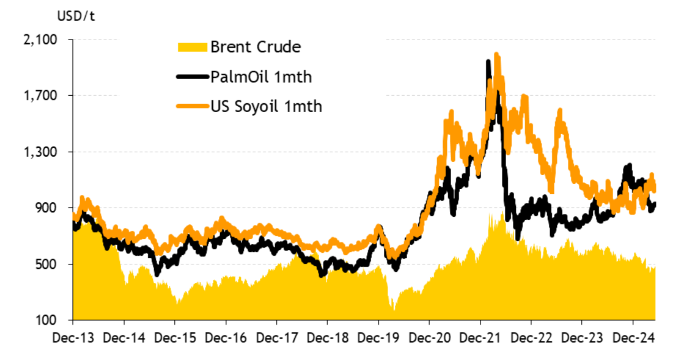
Sources: USDA, Maybank IBG Research

Figure 124: Stock-to-usage ratios of selected and 9 major veg oils



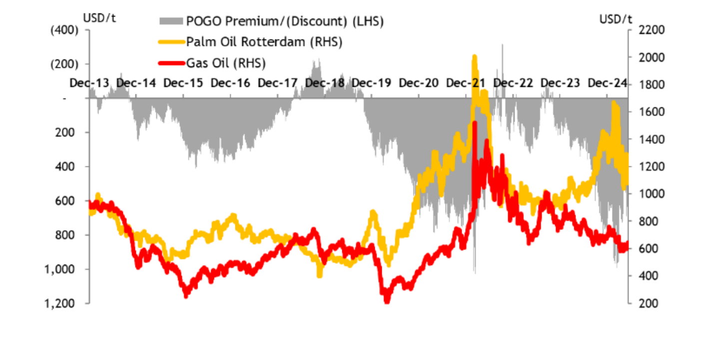
Sources: USDA, Maybank IBG Research

Figure 125: US soyoil and palm oil vs crude oil price



Source: Bloomberg, Maybank IBG Research

Figure 126: Palm Oil-Gas Oil (POGO) spread: Palm oil trades at a premium of USD605/t (9 June) to gas oil in Europe



Source: Bloomberg, Maybank IBG Research

PORTS & LOGISTICS: Charting a long-term growth path

POSITIVE

- **Our POSITIVE view on the sector is supported by regulatory tailwinds such as phased tariff hikes for port operators and stricter haulage limits, which are expected to lift margins and drive revenue growth.**
- **The 2H25 outlook is underpinned by stronger seasonal volume, with Westports set to benefit from the first phase of its tariff hike boosting earnings and margins.**
- **We have a BUY on Westports as a defensive long-term play, backed by resilient intra-Asia trade exposure and the phased tariff hikes, which support near-term earnings growth.**

1H25 in review. 1Q25 results were in line for both WPRTS and SWIFT, though throughput remained subdued due to seasonal softness. This trend is expected to persist into 2Q amid ongoing global trade tensions, with a slight pickup partly supported by frontloading activities. WPRTS continues to guide for flattish volume growth in FY25E. Based on our channel checks, container volume has started to accumulate at the port into June, with yard utilisation rising to >95% (vs. 80% in 1Q25), likely a ripple effect from frontloading and the US tariff measures introduced in April.

2H25 outlook. For Westports, 2H25 earnings are expected to improve, supported by the first phase of its newly gazetted tariff hike (+15% effective July 2025), which should boost revenue and margins despite moderate container volume expectations (we forecast +2% volume growth in FY25E-27E). Seasonal factors in 2H may further lift throughput, although geopolitical uncertainties remain a key risk. The higher tariff (part of the aggregated 30% increase by 2027) will help offset cost pressures from yard congestion and any volume slowdown, supporting earnings growth ahead. Westports is also executing a dividend reinvestment plan (DRP) beginning in 2H25 to fund its W2 expansion. Higher earnings from the tariff hike are expected to support larger dividend payouts, which in turn will help strengthen the equity base needed for the expansion.

Meanwhile, Swift Haulage stands to benefit from the Ministry of Transport's enforcement of stricter weight limits at federal ports, effective 1 July 2025. As Malaysia's largest container haulier, Swift is well-positioned to capture increased trip volumes and gain market share as overall industry capacity tightens. Although revenue per trip may decline due to lower permitted loads, total revenue per container moved is expected to rise, supported by higher rates and potential contract revisions. With 2H typically stronger seasonally, Swift could see improved topline momentum, provided cost pressures, particularly from handling and fuel, are well managed. We understand that 20-25% of container haulage trips at Port Klang are currently overweight.

Link to key report:
Malaysia Ports & Logistics - Turning the corner with trade and regulatory tailwinds; U/G POSITIVE (22 June 2025)

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Port & Logistic sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Westports Holdings	Buy	18,516	5.43	5.84	17.8	18.9	4.2	4.6	24.9	4.0	16
Swift Haulage	Hold	339	0.38	0.41	14.9	10.0	0.5	0.4	4.5	3.5	(14)
Simple average		**18,856**			**16.4**	**14.4**	**2.4**	**2.5**	**14.7**	**3.7**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

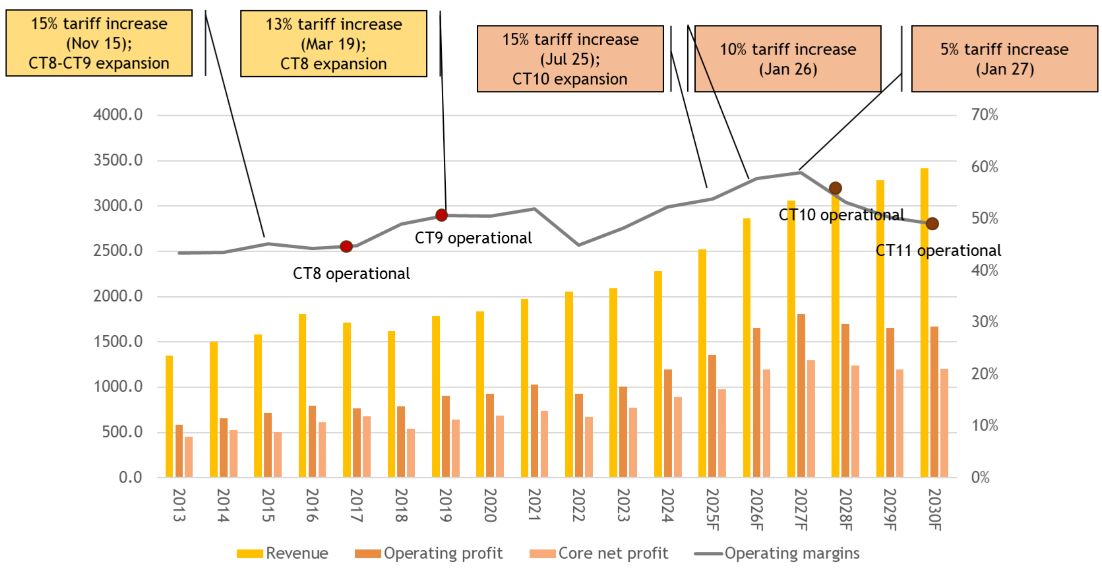
Together, these regulatory shifts present margin enhancing opportunities for both players - Westports via tariff-led yield improvements and DRP-supported capex funding, and Swift via volume and rate-driven revenue gains, reinforcing a constructive near-term outlook despite macro headwinds.

Thematic: The sector caught in cross currents amid the trade war and supply chain disruption, which offers upside in the ports. Storage fees are increasing while tariff hikes in 2H25 would support earnings for the port companies.

Top pick. We have a **BUY** on **Westports** as a defensive long-term play, with a DCF-derived TP of MYR5.84 (WACC: 8.0%). We forecast earnings growth of +10%/+22%/+9% in FY25E-27E, supported by a conservative 2% volume growth assumption and an aggregated 30% tariff hike to be implemented in three phases: +15% (Jul 2025), +10% (Jan 2026), and +5% (Jan 2027). Its strong intra-Asia trade exposure, supported by resilient containerised trade demand (accounting for two-thirds of total volume), along with the W2 expansion, positions it well for sustained long-term growth.

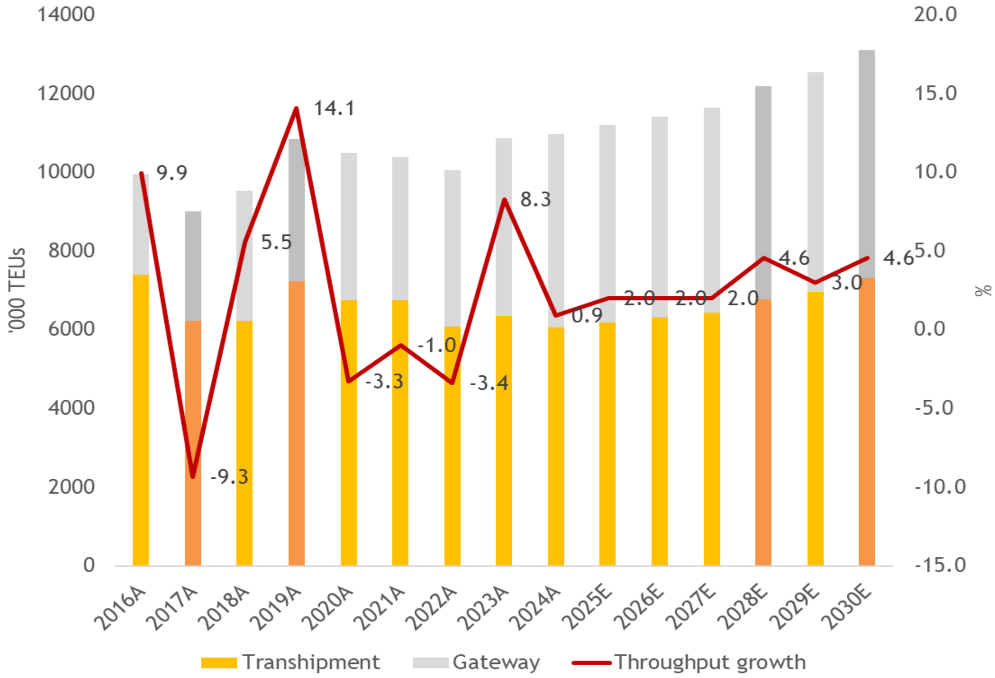
Risks. Key risks to the outlook include potential delays in the implementation of Westports' tariff pass-through, particularly for transshipment customers under fixed contracts, which could cap near-term earnings upside. Execution risks related to the W2 expansion (such as cost overruns or construction delays) may also affect long-term growth and funding efficiency. For Swift Haulage, any deferral in the enforcement of stricter weight limits beyond July 2025 would delay the anticipated uplift in trip volumes and rate adjustments, limiting revenue upside. Broader macro and geopolitical headwinds, including softer global trade and weaker FDI flows, may weigh on container throughput and haulage demand, while handling costs could further pressure margins, particularly if not effectively passed through to customers.

Figure 127: Westports financial performances and key milestones



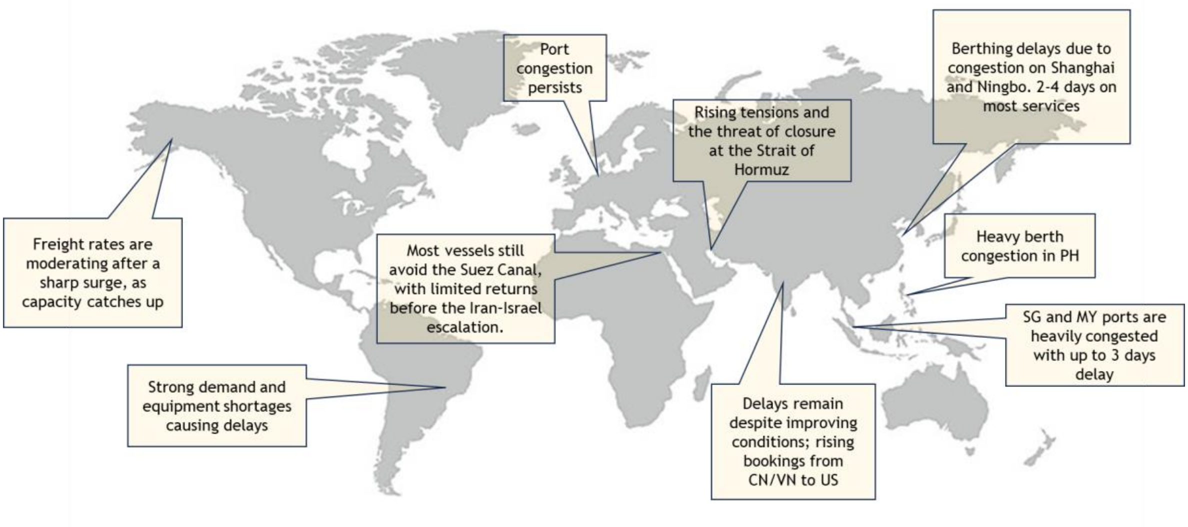
Source: Company, Maybank IBG Research

Figure 128: Westports annual container growth (darker shaded bars indicate expansion years)



Source: Company, Maybank IBG Research

Figure 129: Key global chokepoints impacting supply chains



Source: Flexport Analysis, Alphaliner, JOC, various news sources, Maybank IBG Research

PROPERTY: In search of the next spark

NEUTRAL

- **External factors and slower economic growth may dampen demand for big-ticket item and continue to weigh on property stocks.**
- **Short-to-medium term earnings would be hit by the 6% SST, with cost pass-through in future projects depending on market conditions.**
- **Key drivers remain JSSEZ, asset monetisation, and industrial properties, while MVV 2.0 may attract more interests. The data centre (DC) theme may have peaked as hyperscalers grow more cautious amid regulatory risks.**
- **Maintain NEUTRAL stance. Our stock picks are ECWI, SPSB and ECW.**

1H25 in review. The KL Property Index (KLPI) underperformed the broader market by 2.6% YTD 2025 (KLPI -11% vs. KLCI -8.5% as of 3 June), as sentiment was dampened by macro uncertainties. AI chip export restrictions by the US government raised concerns over slower expansion plans by hyperscalers. Adding to the cautious tone, Trump's renewed tariff policy has clouded the economic outlook, affecting buying sentiment for big-ticket items. Meanwhile, the unexpected implementation of the 6% SST on construction services, effective 1 July 2025, is expected to weigh on margins from sold commercial and industrial properties. Elsewhere, most developers under our coverage are maintaining their 2025 sales targets despite the softer outlook.

2H25 outlook. Key sector drivers remain the Johor-Singapore SEZ (JSSEZ), industrial properties, and asset monetisation strategies such as REITs (e.g., SPSB by 1H26) and the listing of other businesses. A notable trend is the growing focus on recurring income, with developers like ECW and SDPR actively building investment properties (data centre leases) to support long-term earnings stability. SDPR aims to list its investment properties within the next 2–3 years. Elsewhere, interest in Malaysia Vision Valley 2.0 (MVV 2.0) is gaining traction, with more developers including ECW and GAM joining existing players like SDPR and MCH to capitalise on spillover demand from Greater KL. On the other hand, the data centre theme may have peaked, as hyperscalers grow more cautious and selective in their expansion plans amid regulatory uncertainty, leading to weaker momentum in DC-related land deals and impacting developers previously seen as key beneficiaries.

The newly-introduced 6% SST on construction services is a negative surprise to property developers with possible margin pressure for ongoing (sold) projects, as they have to absorb the additional cost for commercial and industrial builds. While future or unsold projects may allow cost pass-through, a slower economic growth and weak market demand could limit pricing power.

Thematic. The property sector still thrives on state-driven activities and indirectly data centre plays. Further updates on investments and wealth effect arising from activities in the JS-SEZ and MVV should keep the property sector active.

Link to key reports:

Malaysia Property - New chapter for familiar visions dtd March 11, 2025

Malaysia Property - Promising prospects, patience required dtd March 23, 2025

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Property sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Sunway	Hold	29,220	4.66	5.14	29.3	29.1	2.1	2.0	6.9	1.3	(3)
Sime Darby Property	Hold	9,725	1.43	1.50	22.4	17.6	1.1	0.9	5.3	2.3	(18)
Eco World Dev't	Buy	5,606	1.89	2.21	15.2	13.0	1.1	1.1	8.6	3.2	(11)
SP Setia	Buy	5,503	1.10	1.46	11.5	10.4	0.5	0.3	3.4	1.9	(25)
UEM Sunrise	Buy	3,516	0.70	0.84	45.5	26.0	0.8	0.5	2.0	2.3	(36)
Eco World Int'l	Buy	840	0.35	0.41	na	na	0.6	0.8	(3.1)	18.0	26
Tambun Indah Land	Sell	343	0.78	0.70	8.2	6.8	0.5	0.4	6.4	5.9	(14)
Simple average		**54,753**			**22.0**	**17.1**	**0.9**	**0.9**	**4.2**	**5.0**	

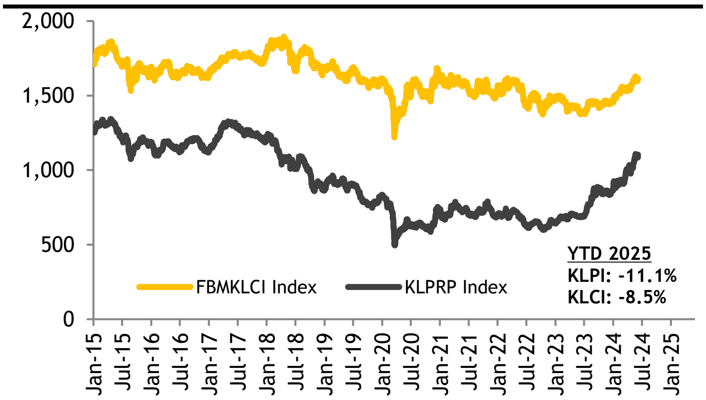
Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top picks. We favour i) **ECWI**, for its decision to enter the relatively more stable Malaysia property market following the termination of the 2016 Collaboration Agreement. This move is expected to provide a fresh income base and reduce earnings volatility from its overseas projects. Its potential tie-up with JLG (a wholly owned subsidiary of JCorp) would mark ECWI's entry into Malaysia's hottest industrial segment, located within the highly sought-after JSSEZ. ii) **ECW**, which is supported by hands-on management, a market-leading position, and a healthy balance sheet (0.38x net gearing as of end-1QFY25). We expect a strong EPS CAGR of 35% between 2024 and 2026 due to industrial land sales secured between 2024 and 2025. iii) **SPSB**, for its attractive valuation (0.4x PRNAV / 0.4x P/B vs. the industry average of 0.6x / 0.9x) and the potential listing of its investment properties by 1H26.

We are NEUTRAL on the property sector as we believe the positives from JSSEZ and corporate exercises are largely priced in. We remain selective, focusing on companies with strong fundamentals, proven track records, growth potential as well as undemanding valuations.

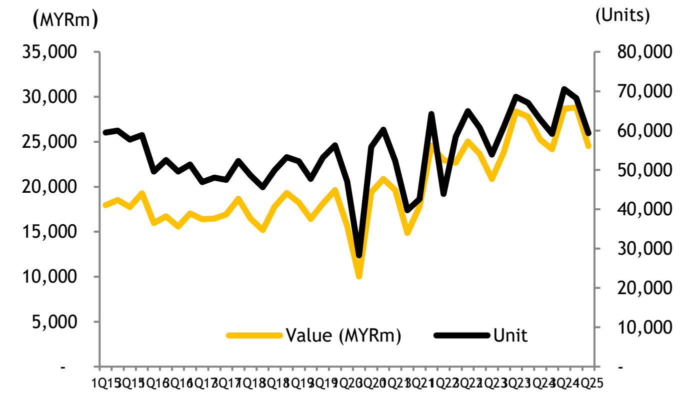
Risks. (i) Potential introduction of the build-then-sell scheme by the Government may set back developers with financial constraints; (ii) stronger-than-expected property sales driven by better economic growth; (iii) policy risks; (iv) easing of lending measures by the banks; (v) higher-than-expected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

Figure 130: KL Property Index underperformed KLCI in 1H25



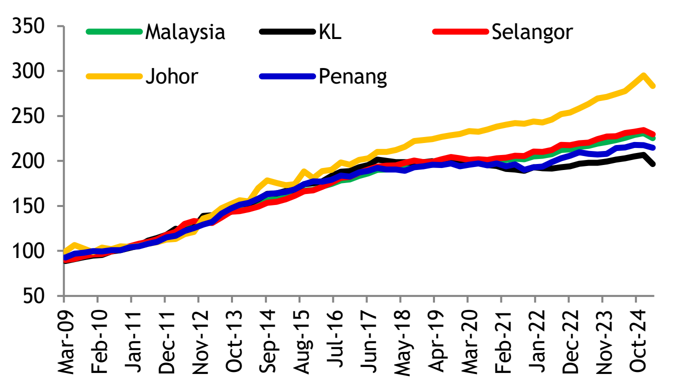
Source: Bloomberg, Maybank IBG Research

Figure 131: Property sales declined -13% QoQ,-6% YoY (volume), -15% QoQ and -3% YoY (value) in 1Q25



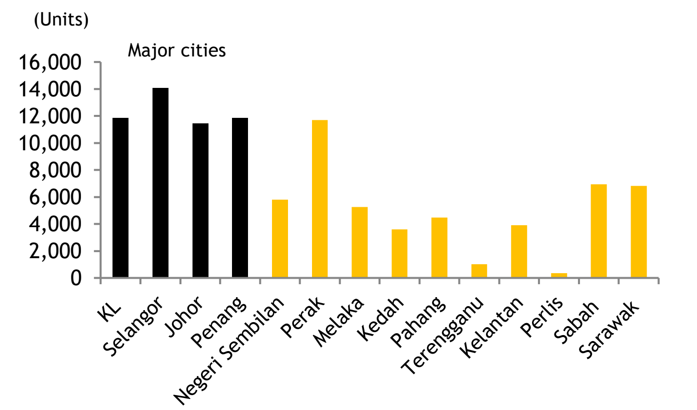
Source: CEIC, NAPIC, Maybank IBG Research

Figure 132: House Price Index up 0.9% YoY but down 2.5% QoQ in 1Q25



Source: CEIC, NAPIC, Maybank IBG Research

Figure 133: Unsold residential stocks in M'sia +10.5% YoY, +7.8% QoQ in 1Q25. Selangor & Penang the highest unsold stocks in 1Q25



Source: CEIC, NAPIC, Maybank IBG Research

REITs: Defending yield, unlocking value

POSITIVE

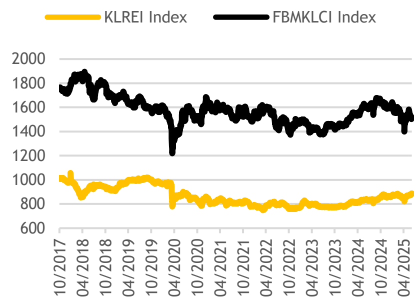
- **We retain a POSITIVE view on the M-REITs sector, underpinned by resilient fundamentals, attractive yields, and visible catalysts for income growth in 2H25.**
- **M-REITs offer attractive CY25/26E average dividend yields of 5.6%/6.1%, with upside from a potential OPR cut in 2H25.**
- **Our top pick changed to PavREIT (from SREIT) and our other BUYs are Axis REIT and Sunway REIT.**

1H25 in review. M-REITs delivered broadly in-line 1Q25 results, with notable YoY earnings growth from Axis REIT, Sunway REIT, CLMT and Pavilion REIT, driven by positive rental reversions, improved occupancy rates, and contributions from newly acquired assets. Hospitality REITs saw some seasonal softness due to Ramadan, though repatriation headwinds led to near-term DPU adjustments in YTL REIT. Operationally, the retail and industrial segments remained resilient, while office stayed challenging, though largely defended by long leases and stable occupancy.

2H25 outlook. Looking ahead, we expect catalysts in 2H25 to include asset recycling (e.g. Sunway REIT's planned MYR613m disposal of tertiary education asset, Axis REIT's MYR24m sale of The Annex), and new acquisitions (e.g. PavREIT's MYR480m hospitality assets, Axis REIT's six newly acquired properties). Active AEIs by Sunway REIT and IGBREIT should further support income growth. The hospitality segment for KLCCP and Sunway REIT, may see a seasonal rebound post-Ramadan. We also see strategic catalysts among them REITs, including CLMT's industrial diversification (logistics to make up 7.9% of AUM by FY26) and Sentral REIT's ongoing pivot away from pure-play office exposure. Al-Salam is progressing on its "DISRUPT27" repositioning strategy, with asset recycling and KOMTAR JBCC's on-going reconfiguration expected to support medium-term yield and valuation recovery. PavREIT and CLMT's planned placements and new assets also offer medium-term upside to earnings and DPU growth.

Thematic. M-REITs offer attractive CY25/26E average dividend yields of 5.6%/6.1%, translating into healthy spreads of 208-258bps against the current 10Y MGS (~3.5%). We see room for spread compression should BNM initiate an OPR cut in 2H25, that would benefit REITs with higher floating-rate debt exposure (sector average: ~47%). This supports valuation upside and lowers financing costs for growth-oriented REITs. Nonetheless, most REITs continue to guide for stable dividends, and with gearing levels largely within comfortable thresholds. There remains room for selective growth via yield-accretive acquisitions.

ONE KEY CHART



Abbreviations

DPU - dividend per unit

AEIs - asset enhancement initiatives

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REITs sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
KLCCP Stapled Group	Hold	16,158	8.95	8.76	18.8	19.9	1.1	1.1	5.8	4.7	9
IGB REIT	Hold	8,191	2.31	2.22	20.9	21.2	1.8	2.0	9.3	4.4	12
Sunway REIT	Buy	7,363	2.15	2.13	18.4	20.0	1.2	1.4	7.3	4.5	16
Pavilion REIT	Buy	5,637	1.54	1.83	18.3	16.9	1.1	1.1	7.0	5.7	0
Axis REIT	Buy	3,880	1.93	2.01	20.0	19.3	1.0	1.2	6.1	4.7	13
CapitaLand Malaysia Trust	Buy	1,884	0.65	0.76	14.5	12.9	0.7	0.7	5.1	6.6	(5)
YTL Hospitality REIT	Buy	1,841	1.08	1.18	13.7	11.1	0.7	0.6	3.4	5.7	(8)
Sentral REIT	Buy	927	0.78	0.88	11.9	11.5	0.7	0.7	5.8	7.5	(3)
Al-Salam REIT	Hold	241	0.42	0.40	49.6	19.9	0.3	0.4	1.9	4.5	(1)
Simple average		**46,122**			**20.7**	**17.0**	**1.0**	**1.0**	**5.7**	**5.4**	

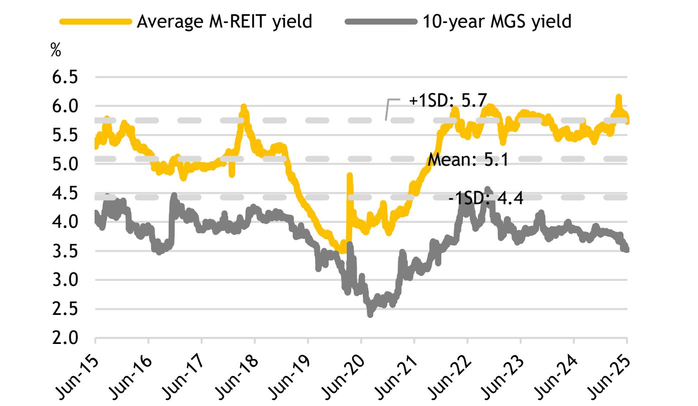
Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top pick. Our top pick is Pavilion REIT for its prime retail exposure in KL, offering resilient earnings and attractive yields. Upside catalysts include hotel contributions in 2H25 and the turnaround of Da Men Mall, now under a 3-year master lease to Easyhome International. The mall is expected to breakeven, with earnings kicking in by 4Q25.

Other BUYs are Axis REIT and Sunway REIT for income resilience and asset defensiveness. High-yield names include YTLREIT, Sentral and CLMT.

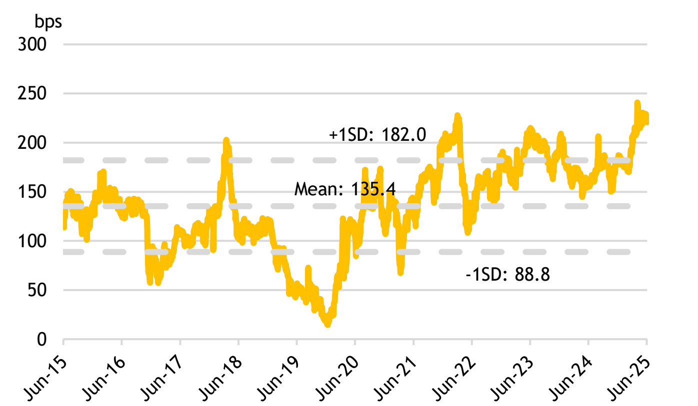
Key risks. That said, management across the sector maintained a cautiously optimistic outlook, flagging several macro uncertainties e.g. potential implementation of an 8% service tax on rental (based on our estimates), which would add costs for tenants while limiting REITs' ability to raise rents, as well as potential increase to electricity tariffs and broader economic uncertainties i.e. fuel subsidies and tariff wars.

Figure 134: Average M-REIT net yield vs. 10-year MGS yield



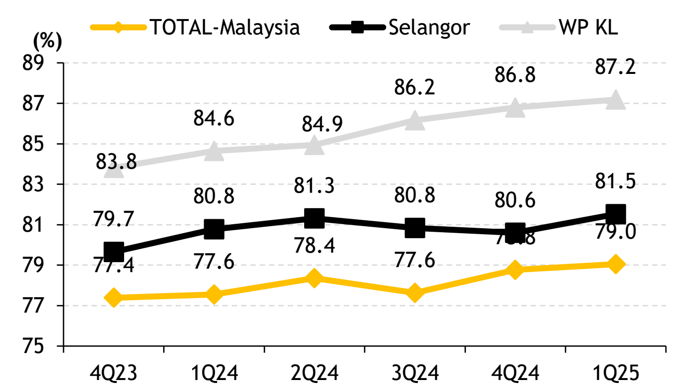
Source: Bloomberg, Maybank IBG Research

Figure 135: Net yield spread (M-REIT net yield vs 10-year MGS yield)



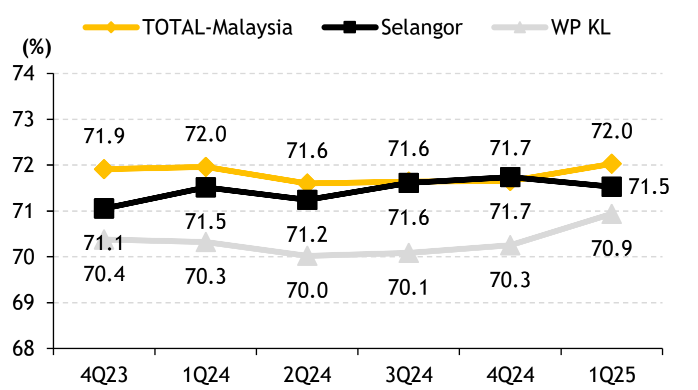
Source: Bloomberg, Maybank IBG Research

Figure 136: Retail space occupancy in shopping complexes



Source: National Property Information Centre (NAPIC), Maybank IBG Research

Figure 137: Office space occupancy in purpose-built offices



Source: National Property Information Centre (NAPIC) , Maybank IBG Research

RENEWABLE ENERGY: Strong momentum ahead

POSITIVE

- **We retain a POSITIVE view on the RE sector, underpinned by strong CGPP execution, stabilising trend on solar panel prices and upcoming catalysts from LSS5+ and LSS6 rollouts.**
- **We expect 2H25 to be driven by solar project commissioning, stable EPCC margins and initial progress on BESS investment.**
- **Our top pick is Solarvest.**

1H25 in review. The Malaysian renewable energy (RE) sector reported robust performance in 1Q25, driven by an acceleration in project execution under the CGPP and steady contributions from the C&I solar segment. Solarvest, one of the sector leaders, reported record-high quarterly revenue, highlighting strong momentum in CGPP execution and improved recognition of electricity sales from its owned solar assets. Meanwhile, Cypark reported lower construction and RE revenue, and widened WTE-related losses. Earnings visibility should improve from FY26 due to debt refinancing and potential phase 2 WTE expansion, which may extend the concession and enhancing the project viability.

2H25 outlook. Looking ahead, orderbook visibility improved sector-wide. Solarvest's book hit an all-time high of MYR1.2bn, with ~75% comprising CGPP and LSS-related projects. Several other listed peers similarly reported strong order replenishment, underpinned by the spillover from LSS5 contracts and corporate PPAs with C&I clients.

The sector outlook remains upbeat into FY26, anchored by strong policy pipeline. The government is progressing toward LSS5+ and LSS6 rollouts, with RFPs expected to be released in 2H25. LSS6 is anticipated to open up ~2GW of new solar capacity and may incorporate BESS elements as part of grid firming requirements. Meanwhile, CGPP and LSS5 remains a critical growth engine, with most awarded projects targeting to complete by FY26–FY27.

Solar panel prices have remained stable at multi-year lows, with latest quotes below USD0.10/W. This is supportive of project IRRs and is expected to sustain through 2H25 due to global oversupply, despite higher demand from Southeast Asia.

Thematic. The Energy Commission is accelerating efforts to enable commercial-scale BESS deployment. A request for quotation (RFQ) for 400MW/1600MWh of BESS capacity was close for submission in Feb 2025, with results on qualified bidders expected in 2H25 – marking a key milestone in Malaysia's energy transition roadmap. On the cost side, BESS economics have improved, with battery prices falling from USD350/MWh to USD110–120/MWh, hence improving its project feasibility. While still in early stages, the sector views BESS as a complementary solution to support solar intermittency and grid reliability, particularly for larger C&I users and utilities.

Abbreviations

CGPP - Corporate Green Power Programme
C&I - Commercial & Industrial
LSS - Large scale solar
RFP - Request for Proposal
BESS - Battery Energy Storage Systems
GW - gigawatt
W - watt
MWh - megawatt hour

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Renewable Energy sector - Peer valuation summary

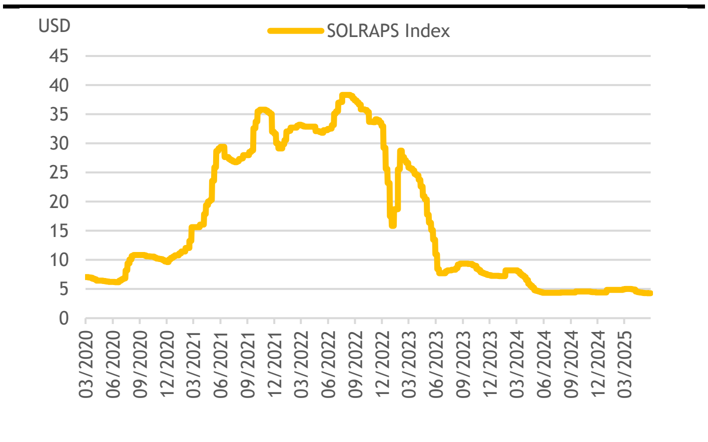
Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Solarvest Holdings	Buy	1,374	1.82	2.28	35.2	23.7	4.9	3.4	17.7	0.0	9
Cypark Resources	Buy	712	0.87	0.85	na	na	1.1	1.1	(15.8)	0.0	(2)
Simple average		**2,085**			**35.2**	**23.7**	**3.0**	**2.3**	**0.9**	**0.0**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top pick. Our top pick is Solarvest. It offers strong earnings visibility backed by its MYR1.24bn orderbook including CGPP, LSS and rooftop solar projects. Further upside may come from upcoming LSS5+/LSS6, BESS and CRESS tenders. Recurring income also picking up, supported by its 50MW LSS4, ~56.3MWp CGPP assets, and 129MWp of corporate PPAs under Powervest. Strateguc stakes in SIW Manufacturing and Kee Ming Electrical further diversify income streams.

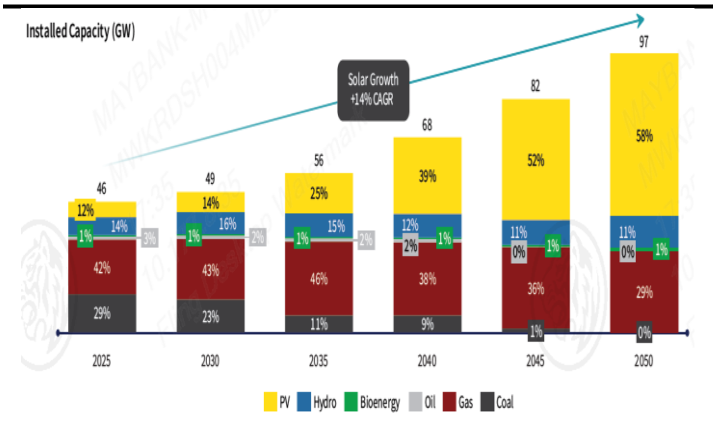
Key risks. (i) Policy execution delays or changes (e.g., LSS5+ and LSS6 rollouts), (ii) rising competition in the C&I and utility-scale segments, leading to margin compression, and (iii) rising capex or BESS cost reversals if raw material prices rebound.

Figure 138: Polysilicon price (USD/kg)



Source: Bloomberg, Maybank IBG Research

Figure 139: Projected power system installed capacity mix 2050



Source: NETR Blueprint

Figure 140: Latest RE programmes

RE programmes	Capacity Awarded MW	Notes
Govt programme:		
- Net Energy Metering (NEM) 3.0	2,500.0	Quota for 2021 – 2025. Balance of 579.4 MW (as at 9 Jun 2025).
- Corporate Green Power Programme (CGPP)	800.0	Scheduled to commence operations by end-2025.
- Self-Consumption (SELCO)	N/A	No quota
- Corporate Renewable Energy Supply Scheme (CRESS)	N/A	No quota. For corporate companies
- Community Renewable Energy Aggregation Mechanism (CREAM)	N/A	No quota. For Residential
Competitive bidding:		
LSS 5	2,000.0	Shortlisted bidders were announced from 23 Dec 2024. Scheduled to commence operations by 2026-2027. EPCC tender on-going.
LSS 5+	2,000.0	Request for proposal (RFP) was closed on 28 Feb 2025. Shortlisted bidder expect to be announce in the next one or two months, followed by EPCC tender
BESS	400 MW /1,600 MWh	Request for qualification (RFQ) was closed on 12 Feb 2025, then will followed by RFP and shortlisted bidder announcement, expect to be in 2H25. All projects are scheduled to commence operations by 2026.

Source: SEDA, Energy Commission, Maybank IBG Research

TECHNOLOGY: Tariff turbulence

Semiconductors: NEUTRAL

Software & EMS: POSITIVE

- **The worst is not over for back-end semicon (ATE/OSAT), with structural and systemic challenges set to persist into 2H25. Prospects for 2026E remain uncertain amidst muted growth drivers. Conversely, we expect front-end semicon to thrive on AI/DC growth prospects in 2H25.**
- **We retain our cautious optimism on EMS amidst global trade relocation trends and AI-led demand. We also maintain our positive stance on MY software due to snowballing digital adoption trends domestically.**
- **Selective on hardware (BUY Frontken, CPE). Broad-based BUYs on our software and EMS coverage (top picks: ITMAX, RAMSSOL, ATECH).**

1H25 in review. The fortunes of Malaysia's technology sector in 1H25 is perhaps best encapsulated by the performance of Bursa's KLTEC index (Fig. 1). From its peak on 7 Jan 2025, the index underwent a steep 41% correction to reach its trough on 9 Apr (the day US President Trump announced a 90-day pause on reciprocal tariffs, announced just a week prior). Although the index partially recovered losses to close 26% higher on 18 June from its April 9 lows, it still trades 24% lower YtD – reflecting poor sentiment (led by external event drivers) plaguing the sector since the turn of the year. These events include: (i) the imposition of then-outgoing US President Biden's AI Diffusion Rule in mid-Jan (since rescinded by the Trump administration) that would've effectively stunted Malaysia's promising growth trajectory in the booming DC market, and (ii) the introduction of Trump's aforementioned reciprocal tariffs in early April. Meanwhile, poorer-than-expected 4Q24 earnings delivery and a weakened semicon outlook dashed hopes of a sustained near-term price recovery.

Tariff-induced macro and supply chain uncertainties aside, Malaysian ATEs/OSATs had an operationally poor 1H25 from a heady concoction of structural issues: (i) overhead margin pressures (OSATs – labour; ATEs – SG&A), (ii) capex deferrals by key ATE/FAS customers, and (iii) lethargic OSAT NPI accretion from a prior underinvestment in advanced packaging capex. We had previously highlighted a number of these issues in our 2025 sector outlook piece, *MY Technology: A Mixed Bag* earlier in Jan. Rejigging our coverage, we ceased coverage on Globetronics in late-May and initiated CPE Technologies in mid-June with a BUY rating.

MY EMS was not spared the fallout of the US tariff announcement with aggregate sector 1QCY25 earnings declined QoQ, weighed down by seasonality and softer demand, in spite of the sequential order book improvements sighted amongst some of the players. The domestic consumption-driven **MY Software** space generally saw continued growth momentum in 1H25. E-gov stalwart MYEG delivered strong back-to-back beats in 4Q24/1Q25 on sustained DeFi growth, while smart city juggernaut ITMAX's results were largely in-line. Meanwhile, SMID outlier Ramssol rebounded from a disappointing off-season 4Q24 with record earnings delivery in 1Q25.

Acronyms
AI - artificial intelligence
ASP - average selling price
ATE - automated test equipment
DC - data center
DeFi - decentralised finance
E-gov - e-government
EMS - electronic manufacturing services
FAS - factory automation solutions
FE - front-end
FDI - foreign direct investment
GDP - gross domestic product
HCM - human capital management
IC - integrated circuit
IGS -integrated gas system
IoT - Internet of Things
KLSCMP - Kuala Lumpur Smart City Masterplan
KLTEC - Kuala Lumpur Technology Index
MNC - multi-national corporation
MSCF - Malaysia Smart City Framework
MUO - Malaysia Urban Observatory
MY - Malaysia
nm - nanometer
NPI - new product initiative
OSAT - outsourced assembly & testing
PLC - public-listed company
RoW - rest of world
SCI - Smart City Iskandar
SG&A - selling, general & administrative
SMID - small & mid-caps
WSTS - World Semiconductor Trade Statistics

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Semicon sector – Peer valuation summary

Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
Inari Amertron	Hold	7,279	1.95	2.00	45.1	29.3	5.3	2.8	9.5	2.9	(39)
Frontken Corp.	Buy	6,280	3.94	5.10	53.4	38.2	11.2	9.7	25.6	0.8	(13)
ViTrox Corp	Hold	6,262	3.31	2.80	82.9	58.8	7.1	5.4	9.6	0.4	(17)
Greatech Technology	Buy	4,043	1.61	1.95	39.6	23.8	6.5	3.8	17.3	0.0	(30)
SAM Eng & Equipment	Buy	2,627	3.88	4.63	31.1	26.5	2.4	1.8	6.4	0.8	(11)
CPE Technology	Buy	527	0.79	1.00	69.3	23.5	2.7	1.6	7.0	1.1	(16)
Simple average		**27,018**			**53.6**	**33.4**	**5.9**	**4.2**	**12.6**	**1.0**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Software sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
My EG Services	Buy	6,768	0.91	2.00	10.3	9.5	2.6	2.1	23.7	2.0	(6)
ITMAX System \	Buy	3,814	3.71	4.50	47.7	40.5	9.5	8.0	21.5	0.5	5
CTOS Digital	Buy	2,148	0.93	1.30	26.2	17.6	4.4	3.3	19.0	4.3	(23)
Ramssol Group	Buy	322	0.90	1.27	17.8	13.7	3.1	3.0	24.8	0.6	27
Simple average		**13,052**			**25.5**	**20.3**	**4.9**	**4.1**	**22.2**	**1.8**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

EMS sector - Peer valuation summary

Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
V.S. Industry	Buy	3,020	0.77	0.93	18.6	27.2	2.0	1.3	4.6	1.5	(33)
PIE Industrial	Buy	1,567	4.08	4.70	39.8	22.2	3.7	2.3	10.8	1.8	(33)
Aurelius Tech	Buy	1,444	1.11	1.19	8.2	19.6	1.0	2.9	14.9	3.1	(7)
Simple average		**6,031**			**22.2**	**23.0**	**2.2**	**2.2**	**10.1**	**2.1**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

2H25 Outlook & thematics. Against the backdrop of emergent systemic risks (Sino-Western decoupling, US reciprocal tariff policy and fiscal deterioration, escalating Middle East conflict etc.) that has threatened the integrity of global semicon supply chains, the WSTS surprisingly maintained its 2025 global semicon growth forecast of 11.2% in early June. While growth is expected to be driven by sustained demand robustness for logic & memory chips in AI and DC/cloud infrastructure applications, lagging edge ICs such as (i) microcontrollers, (ii) discrete chips, and (iii) optoelectronics are expected to see YoY declines in the low single-digits. Meanwhile, other legacy ICs namely (iv) analog and (v) sensors, are only expected to grow moderately (<c.5%) this year. With all 5 sub-categories accounting for a bulk of Malaysia's assembly, test and packaging capacity, we maintain the view that domestic semicon PLCs (OSAT/ATE) **are unlikely to experience a meaningful trickle-down** from continued global growth in leading edge ICs (<7nm) in 2H25.

The challenges being faced by Malaysia's semicon PLCs in 2H25 are 2-fold. On **costs**, local OSATs are already feeling the effects of unitary margin compression from increases in labour-related levies passed in last year's Budget. ATE margins are also under threat from SG&A increases from intensifying competition within the captive Chinese market. On **demand**, reciprocal tariffs (assuming a 10% universal baseline tariff on all future US imports) will likely afflict inflationary pressures and further stunt China's industrial recovery momentum. Both markets remain key destinations for Malaysian OSAT, ATE and FAS exports. Continued global tariff uncertainty could also prolong MNCs' capex decisions, posing risks to domestic ATE and FAS orderbook replenishment rates. Underpinned by generous government support, Chinese competition in the OSAT/ATE space remains stiff, while domestic semicon PLCs' general over-reliance on legacy growth sectors (automotive, industrial, and consumer electronics) still grappling with a multi-quarter inventory overhang poses additional headwinds to a meaningful demand recovery.

While we anticipate growth expectations for domestic **semicon (ATE/OSAT/FAS)** to remain throttled in 2H25, we do not foresee any near-term risk of surprise loss-making quarters as blended plant utilisation rates are likely to continue hovering above breakeven (c.55-65%) - premised on a continuation of the status quo. We continue to remain optimistic on companies with front-end foundry exposure that allow it to act as de facto proxies to the AI/DC growth narrative.

We retain our cautiously optimistic outlook stance on the **EMS** sector for the remainder of 2025E. Structural drivers, namely global supply chain diversification, remain intact, underpinned by intensifying geopolitical tensions (particularly US-China decoupling), elevated tariffs on Chinese goods and selected RoW markets, which increases the urgency to derisk manufacturing footprints. As global brands adopt "China+1" strategies, Malaysia stands out as a key beneficiary, supported by its mature E&E ecosystem and competitive cost structure. In parallel, the sector remains supported by technological shifts, with the proliferation of AI and accelerated digitalisation driving outsourcing demand across the supply chain.

Although EMS players highlighted that near-term earnings visibility remains murky due to lingering supply chain frictions, USD weakness, and potential pullbacks in US consumer electronics spending, we maintain our positive longer-term stance on the sector. For now, we favour EMS names with greater exposure to industrial electronics, where demand is more resilient and less susceptible to cyclical swings. Ongoing FDI flows and increased urgency to diversify supply chains should underpin future growth. We continue to monitor for clearer re-rating catalysts.

Our outlook for the Malaysian **software** space remains positive amidst favourable structural tailwinds in relation to digital adoption. With the digital economy set to contribute 22.6% of Malaysia's GDP in 2025 and deliver c.500k new jobs, the gov't has accelerated efforts to achieve regional leadership in cybersecurity, digital content and AI innovation. The operational launch of Malaysia Blockchain Infrastructure and the MyDigital ID super app in 1Q25 as part of these initiatives will further accelerate MyEG's revenue accretion potential from its proprietary Layer-1 blockchain. Meanwhile, ITMAX stands to benefit from the execution of infra master plans at both the federal (MSCF, MUO) and various state levels (KLSCMP, SCI Blueprint) with its market leadership in smart city deployment.

Top picks. 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) **CPE Technology**. We remain upbeat on Frontken's growth prospects, underpinned by its (a) resilient demand outlook in Taiwan, and (b) the ongoing recovery in Singapore wafer fab loading. Meanwhile, we like CPE for its earnings resilience as a secular growth stock poised to capitalise on the FE semicon capex upcycle through its niche focus in IGS, a critical tool in WFE manufacturing.

For **EMS**, we favour ATECH for its strategic positioning to benefit from trade relocation tailwinds, driven by both existing customer expansion and new project wins. Its niche focus on IoT modules further differentiates it from peers. With newly commissioned capacity at Plant 5, ATECH is well-equipped to capture upcoming growth opportunities. We forecast a FY25–27E core net profit CAGR of 9%.

In the **software** space, our top BUYs are (i) **ITMAX** (sound competitive advantages vis-à-vis peers, impending 2H25 expansion to other states ie. Sabah/Selangor); and (ii) **Ramssol** (stellar earnings accretion potential from its HCM distributor projects/partnerships and AI-centric business pillar).

Notwithstanding BUYs on front-end proxies Frontken, SAM Engineering and CPE Technology, we maintain our **NEUTRAL** stance on **MY Semicon**, underpinned by our HOLD ratings on OSAT/ATE bellwethers Inari & ViTrox respectively. Although we like these companies (relatively sound fundamentals backed by strong management teams), current valuations are fair amidst uncertain wider industry prospects. The Malaysian OSAT/ATE sectors are currently trading at a more palatable c.24-27x 12M Fwd PER - at about -1SD below the 5Y Mean (35x) for OSATs and roughly -2SD below the 5Y Mean (44x) for ATEs. Meanwhile, our **POSITIVE** stance on **software** and **EMS** is maintained on more favourable risk-reward propositions and stock picks.

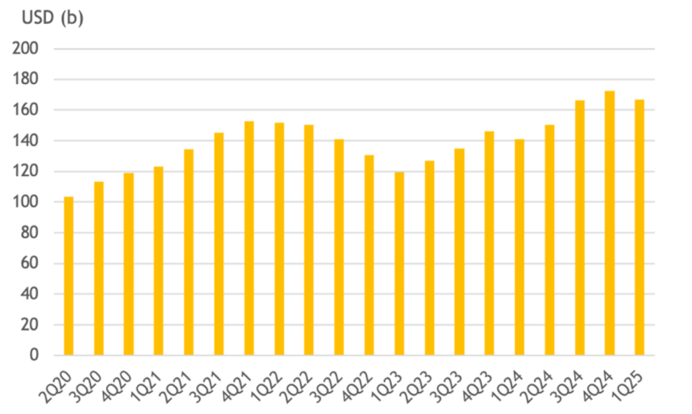
Key risks. For **semicon and EMS**, risk factors affecting our earnings estimates, target price and ratings for companies under our coverage include (i) a prolonged downturn in the demand for automotive, industrial and consumer electronics products; (ii) a stronger MYR vis-à-vis USD; and (iii) abrupt changes in US tariff policy.

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.

Figure 141: KLTEC Technology Index (5Y performance)

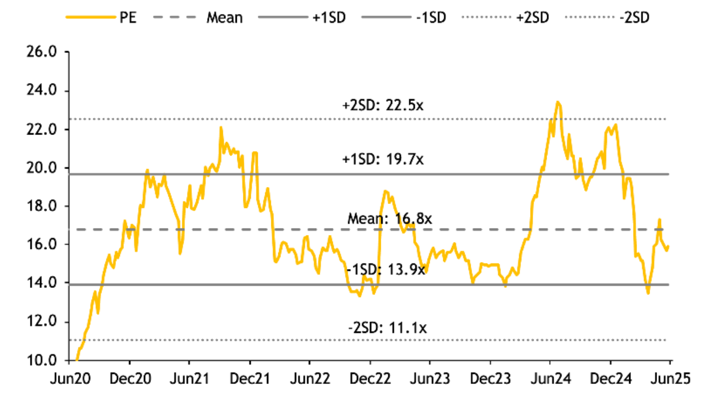
Source: Bloomberg, Maybank IBG (compilation)

Figure 142: Global semiconductor billings (blended total)



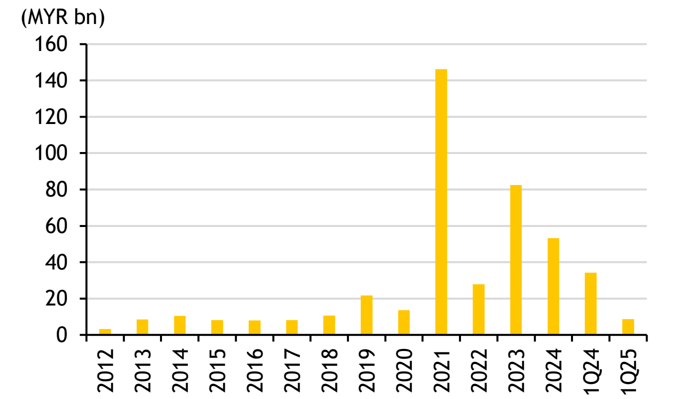
Source: WSTS, Maybank IBG (compilation)

Figure 143: EMS sector 5-year forward PE



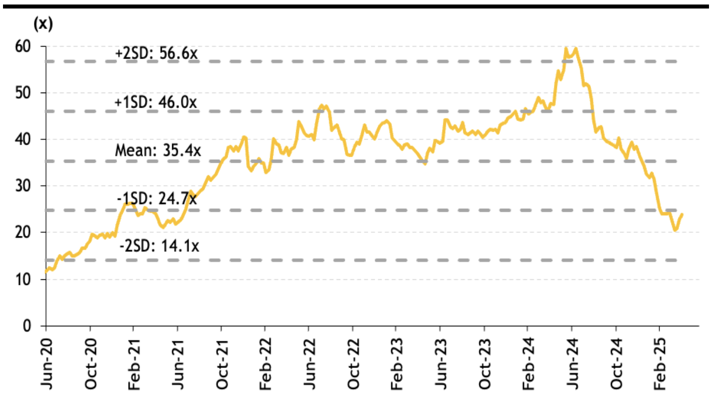
Source: Bloomberg, Maybank IBG Research

Figure 144: E&E Approved FDIs 2012-24



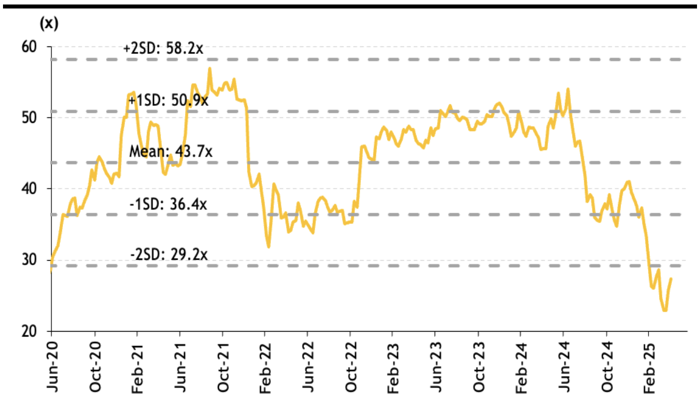
Source: MIDA, Maybank IBG Research

Figure 145: OSAT sector 5-year forward PE



Source: Bloomberg, Maybank IBG Research

Figure 146: ATE sector 5-year forward PE



Source: MIDA, Maybank IBG Research

TELECOM: Muted but again partly priced-in

NEUTRAL

- **We remain NEUTRAL, with ongoing operational challenges of telcos priced-in given share price underperformances in recent years.**
- **Operational challenges continue to persist for both mobile (5G uncertainty) and fixed (elevated broadband competition) telco segments in 2H25.**
- **We have BUYs on Axiata and TM.**

1H25 in review. In the mobile space, cumulative Big 2 service revenue was down 1.4% in 1Q25. Following the award of the second 5G network to UMobile in Nov 2024, the remaining DNB shareholders have agreed to acquire UMobile's shares in DNB. Including shareholder advance, YTLP, CelcomDigi and Maxis will each own a 19.4% stake in DNB post transaction, with MOF Inc owning the remaining 41.7%. UMobile will be the sole shareholder of the second 5G network, which in turn, removes potential 5G capex concerns for CelcomDigi and Maxis for now.

In the fixed space, competition in the home fibre broadband segment remained elevated in 1Q25 with operators continuing to offer significant discounts. Overall subscribers continue to climb, albeit with signs of plateauing. On the M&A front, Axiata's Indonesia entity XL completed a merger with Smartfren in Apr 2025. While value-accretive, we expect the merger to be earnings-dilutive in the next 1-2 years due to Smartfren's current losses. The merged entity is now a 37% associate of Axiata, and will thus be doconsolidated and equity-accounted.

2H25 outlook. We believe mobile operators could continue be plagued by 5G-related risks in 2H25. 5G access fees are stepping up in 2025 but have not yet reached the theoretical base rate. In our view, a revision to DNB's access agreement is likely 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.

Axiata meanwhile is in the midst of a portfolio rationalisation as it pivots into a yield stock. Its non-mobile op-cos have been made available for monetisation, and any successful realisation would likely enhance investors' sentiment. 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. We expected relatively muted earnings growth in 2025 for the fixed-line players.

Thematic. The long term "race to the bottom" thematic for the telecom industry remains intact 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 (realisation of merger synergies).

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Telecom sector – Peer valuation summary

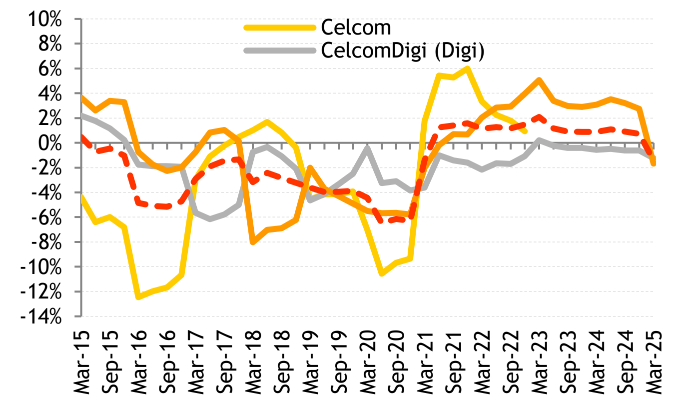
Stock	Rec	Mkt Cap (MYR'm)	Shr px (MYR)	TP (MYR)	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	RoE (%) FY25e	Div Yld (%) FY25e	Px Chg (%) YTD
CelcomDigi	Hold	44,814	3.82	3.80	30.9	25.4	2.6	2.8	11.0	3.7	5
Maxis Bhd	Hold	28,278	3.61	3.70	20.5	18.9	4.8	4.6	24.8	4.4	1
Telekom Malaysia	Buy	25,214	6.57	7.50	12.7	15.0	2.5	2.3	16.1	4.0	(1)
Axiata Group	Buy	19,098	2.08	2.90	32.9	32.6	1.1	0.9	2.8	4.8	(16)
TIME dotCom	Hold	9,540	5.16	5.10	20.8	20.4	2.2	2.4	12.0	4.9	17
Simple average		**126,944**			**23.6**	**22.4**	**2.7**	**2.6**	**13.3**	**4.4**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top pick. Our preferred sector pick is TM, which 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. We also have a 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.

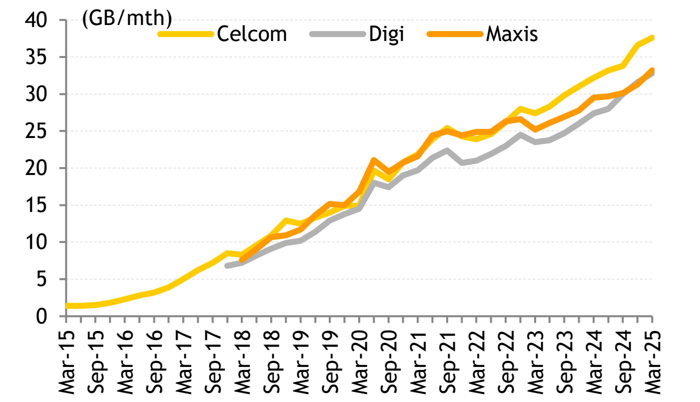
Key risks. All telcos could be affected if consumer spending comes under pressure from economic weakness. Developments pertaining to industry consolidation could also have an impact on share prices. In the mobile space, the emergence of a serious price war remains a material risk, particularly if initiated 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.

Figure 147: Service revenue YoY growth (annual cumulative)



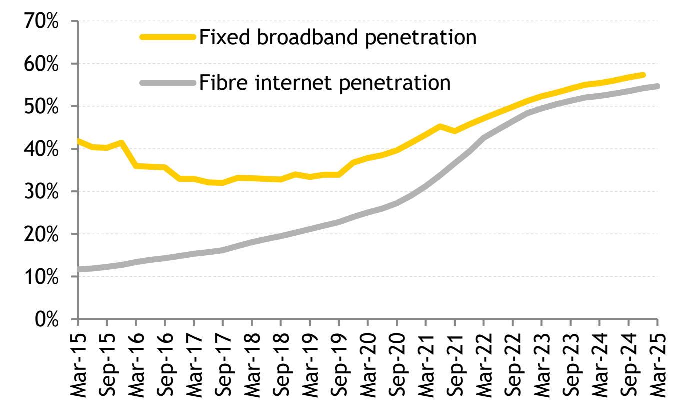
Source: Companies, Maybank IBG Research

Figure 148: Average monthly data usage



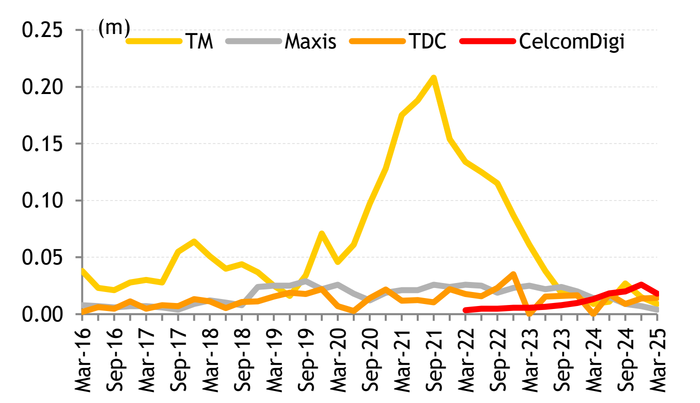
Source: Companies, Maybank IBG Research

Figure 149: Fibre broadband penetration



Source: MCMC, Companies, Maybank IBG Research

Figure 150: Quarterly fibre broadband subscriber additions



Source: Companies, Maybank IBG Research

UTILITIES: Awaiting clarity and implementation

NEUTRAL

- **We remain NEUTRAL, with growth drivers being balanced by regulatory/ execution uncertainty; generation returns are increasingly less lucrative.**
- **Material power sector lookouts for 2H25 include the finalisation of consumer tariffs and contingent capex recovery mechanism.**
- **We have BUYs on Tenaga, YTL Power and Mega First.**

1H25 in review. Tenaga announced a new base tariff of 45.62sen/kWh for RP4 (Regulatory Period 4, 2025-27), 14% higher from RP3 (39.95sen/kWh). Consumer tariffs are still being finalised and is proposed to only take effect in 2H25. The regulatory WACC was unchanged at 7.3%, while a cumulative base capex of MYR26.554b was announced (up from MYR20.555b in RP3), along with a contingent capex of MYR16.267b which is not included in the base tariff (recovery mechanism yet to be finalised).

Separately, YTL Power saw a pronounced tapering of PowerSeraya's earnings in 1Q25. Malakoff also missed expectations in 1Q25 due to a sizable provision made for its coal inventory (in lieu of declining coal prices). Meanwhile, a fire occurred along Petronas Gas' transmission pipeline at Putra Heights, resulting in gas supply disruptions to the Klang Valley. Indicative financial impact for both Petronas Gas and Gas Malaysia appears to be manageable.

2H25 outlook. The revised consumer tariffs have yet to be announced at the time of writing despite the higher RP4 tariff taking effect in Jan 2025. Further delays would see Tenaga continue recovering the regulated revenue shortfall from the KWIE (Industry) fund. Separately, the recovery mechanism for Tenaga's contingent capex remains a work-in-progress. The eventual finalisation would affirm Tenaga's likely earnings enhancement in our view.

The Energy Commission has opened a tender for c.9GW of new or extended generation capacity for commissioning in 2025-2029. Based on channel checks, we note returns for new domestic generation projects are increasingly less lucrative, with material value enhancement no longer a certainty. For the gas sector, investors would likely continue to scrutinise the impact of the Putra Height fire in the upcoming quarters. We expect the Malaysia Reference Price (MRP) to continue trending down into 2H25 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) and Mega First (Don Sahong's strong cashflows) are better-positioned to pursue such opportunities.

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Utility sector – Peer valuation summary

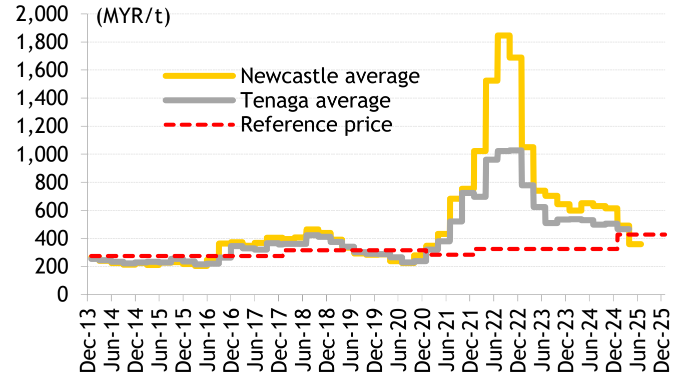
Stock	Rec	Mkt Cap	Shr px	TP	PE (x)		PB (x)		RoE (%)	Div Yld (%)	Px Chg (%)
		(MYR'm)	(MYR)	(MYR)	FY25e	FY26e	FY25e	FY26e	FY25e	FY25e	YTD
Tenaga Nasional	Buy	82,890	14.22	15.50	17.9	17.5	1.4	1.3	7.7	2.9	(5)
Petronas Gas	Hold	35,657	18.02	17.60	19.0	19.8	2.5	2.5	12.7	4.0	(1)
YTL Power	Buy	30,839	3.72	4.20	12.3	12.2	2.0	1.4	11.8	1.9	(18)
Gas Malaysia	Hold	5,406	4.21	4.00	12.5	13.1	3.7	3.4	26.8	6.2	(0)
Malakoff Corp	Hold	3,925	0.79	0.75	15.4	13.7	0.8	0.7	5.2	5.1	(7)
Mega First Corp	Buy	3,706	3.75	5.40	9.2	7.8	1.3	1.0	12.9	2.7	(18)
Ranhill Utilities	Sell	1,538	1.18	0.90	20.5	22.4	1.9	1.8	8.3	2.1	(23)
Simple average		**163,961**			**15.2**	**15.2**	**1.9**	**1.7**	**12.2**	**3.5**	

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

Top picks. Our preferred pick for the sector is YTL Power. We expect tapering PowerSeraya's earnings to be offset by recovering Wessex's earnings and likely earnings uplift from its AI compute segment (to be commissioned in 3Q25). We have a BUY on Tenaga, with the potential earnings enhancement from the contingent capex deployment yet to be priced in. The eventual finalisation of the recovery mechanism is a potential re-rating catalyst in our view. We also have a BUY rating on Mega First, with Don Sahong's strong FCF generation in the long-term providing ample balance sheet headway for new projects.

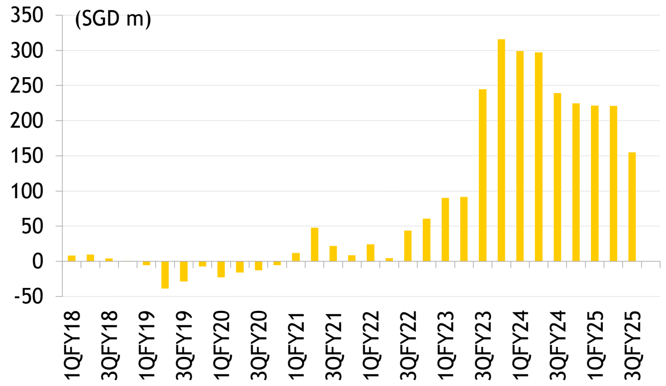
Key risks. For Tenaga, Petronas Gas and Gas Malaysia, any changes to regulatory terms would have direct earnings implications. YTL Power's earnings are largely overseas-derived (with Wessex in UK being the main earnings contributor), and are thus vulnerable to currency fluctuations. For Malakoff, any 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.

Figure 151: Coal prices



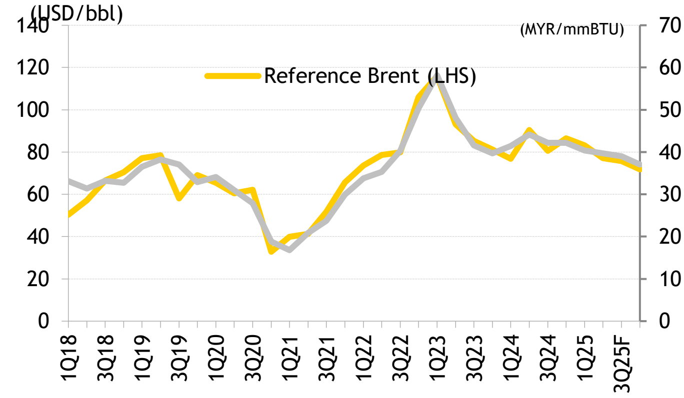
Source: Bloomberg, Company, Maybank IBG Research

Figure 152: PowerSeraya quarterly pre-tax profit



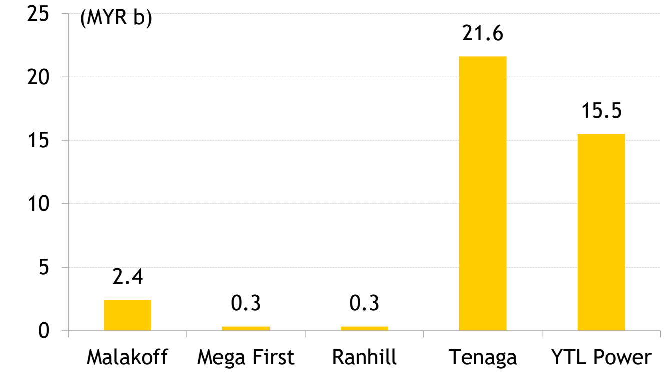
Source: Company, Maybank IBG Research

Figure 153: Domestic gas price



Source: Bloomberg, Energy Commission, DOSM, Maybank IBG Research

Figure 154: Cash pile at 1QCY25



Source: Company, Maybank IBG Research

APPENDIX

Macro Views

ASEAN-6 Key Macroeconomic Indicators

	Real GDP growth (%)					Headline Inflation (%, average)					Policy Rate (%, year-end)				
	2022	2023	2024	2025F	2026F	2022	2023	2024	2025F	2026F	2022	2023	2024	2025F	2026F
Global	3.6	3.3	3.2	2.5	2.5	8.7	6.7	5.7	4.3	3.5	-				
US	2.5	2.9	2.8	1.5	1.5	6.5	3.4	2.9	4.0	3.5	4.38	5.34	4.38	3.63	3.13
China	3.1	5.4	5.0	4.2	4.0	2.0	0.2	0.2	0.4	1.1	3.65	3.45	3.10	3.00	3.00
Indonesia	5.3	5.0	5.0	4.7	4.7	4.2	3.7	2.3	1.3	1.3	5.50	6.00	6.00	5.00	4.5
Malaysia	8.9	3.6	5.1	4.1	4.2	3.3	2.5	1.8	2.0	2.3	2.75	3.00	3.00	2.75 - 3.00	2.75- 3.00
Philippines	7.6	5.5	5.7	5.8	6.0	5.8	6.0	3.2	2.0	2.4	5.50	6.50	5.75	5.00	4.50
Singapore	4.1	1.8	4.4	2.4	1.8	6.1	4.8	2.4	0.8	0.9	3.10	3.71	3.07	1.70	1.40
Thailand	2.6	2.0	2.5	2.3	2.6	6.1	1.3	0.4	0.5	0.8	1.25	2.50	2.25	1.50	1.50
Vietnam	8.5	5.1	7.1	6.2	6.2	3.2	3.3	3.6	2.9	3.0	6.00	4.75	4.75	4.50	4.50
Cambodia^	5.1	5.0	6.0	5.0	5.0	5.4	2.1	0.8	1.6	2.3	7.00	7.00	7.00	7.00	7.00

	Exports of Goods & Services (%)					Gross Fixed Capital Formation (%)					Private Consumption (%)				
	2022	2023	2024	2025F	2026F	2022	2023	2024	2025F	2026F	2022	2023	2024	2025F	2026F
Indonesia	16.2	1.3	6.5	4.3	4.2	3.9	3.8	4.6	4.0	4.2	4.9	4.8	4.9	4.7	4.7
Malaysia	14.5	(8.1)	8.5	4.0	4.3	6.8	5.5	12.0	8.0	7.1	11.3	4.7	5.1	5.3	5.1
Philippines	10.9	1.4	3.3	2.7	3.8	9.7	8.2	6.3	6.2	6.7	8.3	5.6	4.9	5.4	5.5
Singapore	4.9	5.7	5.4	3.0	2.4	4.7	(0.9)	2.9	3.5	3.0	9.7	4.9	4.8	3.7	3.2
Thailand	6.2	2.4	7.8	1.2	0.2	2.2	1.2	0.0	1.0	2.3	6.2	6.9	4.4	2.5	2.5
Vietnam	4.9	(2.5)	15.4	6.0	2.6	5.9	4.6	7.1	7.6	7.9	7.9	3.4	6.7	6.5	6.4
Cambodia	21.3	(0.4)	12.8	4.7	4.6	5.4	(0.5)	6.4	5.2	4.9	5.2	4.6	5.6	4.8	4.8
China*	0.4	(0.6)	1.5	0.0	-2.0	5.4	4.3	4.0	4.0	4.0	2.3	6.4	3.6	4.2	4.3

Note: Vietnam policy rate refers to <6M deposit rate cap,
** Net Exports of Goods and Services for China is expressed in percentage point contribution*
^ Cambodia using the reserve requirement ratio as the policy rate.
Source: CEIC, Maybank IBG Research

USD vs. Major & Regional Currencies Forecast

	Spot (as of 12 June 2025)	2Q25	3Q25	4Q25	1Q26	2Q26
DXY (Dollar Index)	97.92	99.65	98.36	97.27	96.54	95.49
Japanese Yen	143.48	140.00	135.00	132.00	132.00	128.00
Euro	1.16	1.1300	1.1400	1.1500	1.1600	1.1700
Pounds Sterling	1.36	1.3450	1.3500	1.3550	1.3600	1.3650
Australian Dollar	0.65	0.6350	0.6400	0.6400	0.6500	0.6500
Renminbi	7.17	7.25	7.20	7.18	7.15	7.15
Indian Rupee	85.60	84.50	84.25	84.00	83.75	83.50
HK Dollar	7.85	7.75	7.75	7.75	7.75	7.8
Taiwan Dollar	29.91	31.80	31.60	31.50	31.30	31.00
Korean Won	1356.55	1400	1390	1370	1360	1350
Singapore Dollar	1.2789	1.2950	1.2800	1.2650	1.2600	1.2550
Malaysian Ringgit	4.22	4.25	4.20	4.10	4.05	4.00
Indonesian Rupiah	16243	16500	16250	16150	16000	16000
Thai Baht	32.38	33.00	32.00	31.50	31.00	31.00
Philippines Peso	55.80	55.50	55.00	54.50	54.00	54.00
Vietnamese Dong	26031	25800	25800	25600	25500	25500

Source: Bloomberg, Maybank FX Research & Strategy

Fixed Income: Government Bond Yield Forecast

10-year Yield (%)	Outlook	Current (as of 12 June 2025)	2Q2025	3Q2025	4Q2025	1Q2026
China	Mildly Bullish	1.71	1.80	1.70	1.70	1.70
Indonesia	Mildly Bullish	6.67	6.75	6.60	6.50	6.50
Malaysia	Neutral	3.55	3.65	3.65	3.55	3.55
Philippines	Neutral	6.34	6.00	5.75	5.50	5.50
Singapore	Neutral	2.27	2.50	2.40	2.30	2.30
Thailand	Neutral	1.68	1.90	1.90	1.80	1.75
US	Neutral	4.36	4.20	4.30	4.00	4.00

Source: Bloomberg, Maybank IBG Research

Foreign shareholding in stocks

Figure 155: Foreign shareholding of selected stocks under coverage (%)

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Latest	As at 2025
Autos												
Bermaz Auto	16.1	20.9	17.7	18.3	21.2	13.3	11.5	NA	31.7	19.2	17.7	31 Mar
Sime Darby	13.7	12.6	18.8	18.6	19.2	17.8	17.9	NA	17.8	18.6	17.7	30 Apr
Banking												
Maybank	17.4	15.7	20.7	19.6	18.9	16.9	16.4	18.0	19.0	19.6	19.2	30 Apr
AMMB Holdings	26.0	25.0	24.0	24.0	25.7	19.8	16.2	20.0	20.2	31.2	33.5	31 Mar
Alliance Bank Malaysia	29.3	29.6	31.8	31.6	22.9	19.1	20.1	23.0	21.4	23.4	22.5	30 Apr
CIMB	27.0	25.8	27.5	25.8	30.2	20.9	24.7	30.8	30.7	35.3	33.7	30 Apr
Hong Leong Bank	8.1	9.1	12.1	12.1	11.0	10.0	9.8	11.5	10.3	12.1	11.8	31 Mar
Public Bank	31.3	35.9	38.1	37.1	32.8	27.6	25.2	27.7	25.8	26.9	25.8	30 Apr
RHB Bank	9.8	9.9	9.8	10.3	21.1	19.2	18.1	17.5	15.6	17.6	20.1	30 Apr
Construction / Infra												
Gamuda	22.0	22.0	30.0	28.0	26.0	21.0	11.5	16.0	25.0	30.9	29.2	30 Apr
IJM Corp	29.7	28.2	27.0	23.8	21.6	12.2	12.1	12.2	14.8	17.2	16.4	30 Apr
Consumer												
Nestle	NA	NA	NA	NA	8.7	8.6	8.6	9.9	9.4	7.8	7.7	31 Mar
QL Resources	NA	NA	NA	NA	12.0	11.0	11.0	12.0	11.6	11.5	11.4	31 Mar
Non-Banking Finance												
Bursa Malaysia	21.6	22.6	25.1	25.6	17.3	19.3	14.5	13.7	13.2	19.7	13.6	31 May
Gaming												
Genting Berhad	45.0	44.0	45.0	43.0	33.7	21.8	19.5	37.1	21.3	NA	28.7	31 Mar
Genting Malaysia	39.0	40.0	40.0	31.0	26.8	17.3	15.5	17.3	15.4	13.6	11.3	31 Mar
Gloves												
Hartalega Hldgs	16.0	13.0	15.0	15.0	14.9	20.5	18.1	16.2	10.6	9.3	8.2	30 Apr
Top Glove	43.0	32.0	32.0	34.0	34.0	35.0	35.0	31.0	28.0	31.0	31.0	31 Dec*
Hospitals												
IHH	NA	NA	20.5	20.5	20.0	17.1	18.5	17.2	16.9	17.7	17.2	30 Apr
KPJ Healthcare	8.9	8.8	7.5	6.7	6.3	5.6	NA	5.5	9.1	13.3	15.8	30 Apr
Materials												
Press Metal	NA	NA	NA	NA	NA	NA	NA	NA	18.0	19.0	14.0	31 May
Media												
Media Prima	29.3	27.1	29.1	33.0	29.4	24.1	23.0	22.6	20.3	20.0	19.0	30 Apr
Oil & Gas												
Dialog	15.0	16.0	20.0	22.0	NA	25.0	20.0	NA	20.0	NA	15.0	31 Jan
Wasco	NA	NA	NA	NA	9.9	NA	7.2	7.3	8.5	NA	5.0	31 Mar
Bumi Armada	12.7	11.0	12.4	10.5	14.9	10.0	17.1	NA	16.0	15.5	15.8	31 Mar
Yinson	NA	NA	NA	NA	6.0	7.6	8.8	NA	10.0	10.0	10.9	30 Apr
Velesto Energy	NA	NA	NA	NA	7.2	4.5	3.6	NA	11.5	10.3	8.8	31 Mar

*Highlighted/shaded are stocks which have foreign shareholding close to, or above 20% (based on latest data available);*2024;*
Source: Companies, compiled by Maybank IBG Research

…continued

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Latest	As at 2025
Petrochemicals												
Petronas Chemical	9.0	8.0	11.0	12.0	9.5	7.3	9.4	10.6	8.2	7.6	7.7	31 Mar
Lotte Chemical Titan	NA	NA	NA	NA	NA	NA	5.0	3.9	3.5	3.0	3.0	31 Mar
Plantation												
Genting Plantations	7.0	8.0	8.7	8.8	8.6	8.3	5.3	5.9	4.7	4.8	5.1	31 Mar
IOI Corp	16.0	15.0	11.0	10.5	10.5	10.5	10.5	11.2	10.4	NA	9.7	30 Apr
KL Kepong	11.5	13.5	16.3	18.2	14.6	12.5	12.2	14.6	14.0	NA	11.3	28 Feb
SD Guthrie			13.9	12.2	10.4	9.3	9.0	10.8	10.0	10.1	10.1	30 Apr
Property												
SP Setia	7.6	4.9	9.7	9.6	6.2	5.7	5.5	NA	7.5	11.6	11.7	28 Feb
UEM Sunrise	9.1	8.4	7.9	7.9	7.9	6.6	5.2	NA	5.6	7.8	8.6	30 Apr
Sunway Berhad	7.6	7.8	9.5	8.1	7.7	5.5	5.5	6.5	4.8	9.6	9.4	30 Apr
Eco World	NA	NA	NA	2.9	2.5	1.8	3.3	4.4	5.3	8.7	8.2	31 May
Eco World International	NA	NA	NA	28.1	27.8	28.0	27.0	27.0	28.0	0.0	1.0	31 May
Sime Darby Property	NA	NA	14.7	14.3	10.8	9.8	9.7	8.2	11.8	10.6	9.9	30 Apr
Property-REITs												
Axis REIT	5.2	4.6	3.6	2.8	4.4	8.1	8.0	13.4	12.4	12.5	12.7	31 Mar
Sunway REIT	12.6	13.3	9.2	8.7	11.5	7.3	7.3	9.5	6.9	7.6	7.7	31 Mar
Technology												
MyEG	NA	NA	NA	NA	NA	NA	NA	18.0	15.0	NA	15.0	31 Oct*
CTOS	NA	NA	NA	NA	NA	NA	NA	15.0	17.0	15.9	13.0	31 Mar
Telecommunications												
Celcomdigi	10.1	9.9	9.1	10.8	11.5	10.6	10.2	7.1	7.7	7.1	6.9	30 Apr
Telekom	11.7	12.8	11.3	11.1	12.2	12.3	10.0	12.8	12.5	15.3	15.5	30 Apr
Axiata	15.2	10.3	10.0	10.5	11.1	10.4	10.9	11.2	10.7	11.5	11.1	30 Apr
Maxis	6.2	5.7	6.4	6.9	7.8	7.2	7.5	6.9	7.5	8.1	7.9	31 Mar
TIME dotCom	6.8	6.3	7.3	6.1	7.6	9.9	8.8	13.4	11.7	9.5	9.5	30 Apr
Transport												
AirAsia / Capital A	47.6	43.4	44.4	33.6	25.8	15.7	23.3	19.6	21.4	21.4	15.9	31 Mar
Westports	11.0	13.0	10.3	9.5	11.0	9.7	9.9	3.2	3.2	4.7	4.4	30 Apr
MISC	10.8	8.0	9.0	8.6	12.2	9.8	8.1	9.3	9.4	NA	8.6	30 Apr
Utilities												
Tenaga	23.1	27.7	24.1	20.8	18.4	12.9	12.1	13.1	12.5	17.6	16.6	30 Apr
Petronas Gas	8.5	8.8	8.4	10.0	10.1	9.5	8.9	9.1	9.9	9.9	9.9	31 Dec
YTL Power Int'l	12.0	12.0	12.0	8.0	5.5	4.8	NA	NA	14.0	12.7	11.9	31 Jan
YTL Corp	28.0	28.0	25.0	23.0	22.5	18.0	NA	NA	26.0	23.5	22.7	31 Jan

*Highlighted/shaded are stocks which have foreign shareholding close to, or above 20% (based on latest data available); * 2024*

Source: Companies, compiled by Maybank IBG Research

Maybank IBG Research Universe

Company	BBG Ticker	Mkt Cap (MYR'm)	Price (MYR)	Rec	TP MYR	Px chg % YTD	YE	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	DY (%) FY25e	RoE (%) FY25e
7-Eleven	SEM MK	2542.4	1.96	Sell	1.60	0	Dec	42.8	41.8	6.4	5.9	1.1	14.7
AEON Co. (M)	AEON MK	1923.5	1.37	Buy	2.00	(13)	Dec	13.7	11.5	1.1	0.9	2.9	8.4
AirAsia X Bhd	AAX MK	697.4	1.56	Buy	2.69	(22)	Dec	5.6	3.5	2.6	1.3	0.0	44.8
Alliance Bank	ABMB MK	6736.4	4.24	Hold	4.68	(11)	Mar	8.3	9.5	0.8	0.9	4.2	na
Allianz Malaysia	ALLZ MK	3382.0	19.00	Buy	23.05	(8)	Dec	6.3	5.4	1.2	1.5	4.7	na
Al-Salam REIT	SALAM MK	240.7	0.42	Hold	0.40	(1)	Dec	49.6	19.9	0.3	0.4	4.5	1.9
AMMB Holdings	AMM MK	16537.8	4.99	Buy	6.05	(8)	Mar	8.0	8.2	0.7	0.8	6.1	na
Astro Malaysia	ASTRO MK	913.3	0.18	Sell	0.12	(29)	Jan	10.7	17.4	1.7	0.9	0.0	11.0
Aurelius Tech	ATECH MK	1444.0	1.11	Buy	1.19	(7)	Dec	8.2	19.6	1.0	2.9	3.1	14.9
Axiata Group	AXIATA MK	19098.4	2.08	Buy	2.90	(16)	Dec	32.9	32.6	1.1	0.9	4.8	2.8
Axis REIT	AXRB MK	3880.2	1.93	Buy	2.01	13	Dec	20.0	19.3	1.0	1.2	4.7	6.1
Bank Islam Malaysia	BIMB MK	5258.2	2.32	Hold	2.50	(7)	Dec	9.8	9.3	0.7	0.7	6.5	na
Berjaya Food	BFD MK	550.8	0.28	Sell	0.20	(19)	Jun	na	na	2.5	1.9	0.0	(41.0)
Bermaz Auto Berhad	BAUTO MK	885.0	0.76	Hold	0.96	(53)	Apr	7.8	7.8	3.3	1.9	16.0	21.4
Bumi Armada	BAB MK	2756.5	0.47	Buy	0.73	(28)	Dec	4.0	4.1	0.6	0.4	2.5	10.6
Bursa Malaysia	BURSA MK	6069.7	7.50	Hold	7.30	(10)	Dec	23.4	22.7	8.3	7.5	4.1	31.8
Cahya Mata Sarawak	CMS MK	1203.8	1.12	Buy	1.66	(9)	Dec	8.9	8.1	0.4	0.3	3.1	4.3
Capital A	CAPITALA MK	3509.8	0.81	Buy	1.09	(19)	Dec	na	6.9	na	na	0.0	(4.3)
CapitaLand M. Trust	CLMT MK	1884.3	0.65	Buy	0.76	(5)	Dec	14.5	12.9	0.7	0.7	6.6	5.1
Carlsberg	CAB MK	5729.7	18.74	Buy	24.40	(5)	Dec	18.1	15.4	22.7	19.6	5.7	130.2
CelcomDigi	CDB MK	44814.4	3.82	Hold	3.80	5	Dec	30.9	25.4	2.6	2.8	3.7	11.0
CIMB Group	CIMB MK	70736.3	6.58	Hold	7.60	(19)	Dec	11.4	9.2	1.3	1.0	6.1	na
CPE Technology	CPETECH MK	527.0	0.79	Buy	1.00	(16)	Jun	69.3	23.5	2.7	1.6	1.1	7.0
CTOS Digital Berhad	CTOS MK	2148.3	0.93	Buy	1.30	(23)	Dec	26.2	17.6	4.4	3.3	4.3	19.0
Cypark Resources	CYP MK	711.7	0.87	Buy	0.85	(2)	Apr	na	na	1.1	1.1	0.0	(15.8)
Dialog Group	DLG MK	8920.7	1.58	Buy	2.34	(17)	Jun	22.1	21.5	2.3	1.4	2.4	6.8
DXN Holdings	DXN MK	2412.5	0.50	Buy	0.72	(3)	Feb	9.6	7.7	2.4	2.0	7.3	25.8
Eco World Dev.	ECW MK	5605.9	1.89	Buy	2.21	(11)	Oct	15.2	13.0	1.1	1.1	3.2	8.6
Eco World Int'l	ECWI MK	840.0	0.35	Buy	0.41	26	Oct	na	na	0.6	0.8	18.0	(3.1)
Farm Fresh Berhad	FFB MK	3437.3	1.85	Buy	2.10	(1)	Mar	42.5	30.5	3.9	4.7	0.8	15.6
Frontken Corp. Bhd	FRCB MK	6280.4	3.94	Buy	5.10	(13)	Dec	53.4	38.2	11.2	9.7	0.8	25.6
Gamuda	GAM MK	27520.2	4.77	Buy	5.37	(0)	Jul	23.6	27.9	1.9	2.3	1.7	8.4
Gas Malaysia	GMB MK	5405.6	4.21	Hold	4.00	(0)	Dec	12.5	13.1	3.7	3.4	6.2	26.8
Genting Bhd	GENT MK	11475.6	2.96	Buy	3.86	(21)	Dec	14.8	11.9	0.5	0.3	3.7	3.3
Genting Malaysia	GENM MK	11104.1	1.87	Buy	1.95	(18)	Dec	24.7	20.0	1.1	0.9	4.3	4.4
Genting Plantations	GENP MK	4361.2	4.86	Buy	6.89	(16)	Dec	17.0	13.4	1.0	0.8	5.2	9.9
Globetronics Tech.	GTB MK	287.0	0.43	Sell	0.30	(29)	Mar	21.2	18.7	0.9	0.9	3.8	4.9
Greatech Tech.	GREATEC MK	4042.7	1.61	Buy	1.95	(30)	Dec	39.6	23.8	6.5	3.8	0.0	17.3
Hartalega	HART MK	5449.9	1.59	Sell	1.88	(60)	Mar	na	80.1	2.0	1.5	6.0	1.7
Heineken Malaysia	HEIM MK	7981.4	26.42	Buy	33.00	12	Dec	15.6	16.8	13.5	14.6	5.9	87.5
Hong Leong Bank	HLBK MK	42053.8	19.40	Buy	22.80	(5)	Jun	9.4	9.1	1.1	1.1	3.8	na
Hong Leong Fin. Grp	HLFG MK	18360.3	16.00	Buy	21.50	(10)	Jun	6.1	5.5	0.7	0.6	3.6	na
IGB REIT	IGBREIT MK	8190.9	2.31	Hold	2.22	12	Dec	20.9	21.2	1.8	2.0	4.4	9.3
IHH Healthcare	IHH MK	60450.4	6.85	Buy	7.97	(6)	Dec	29.3	28.3	2.1	1.9	1.5	6.9
IJM Corporation	IJM MK	9374.2	2.57	Buy	3.18	(16)	Mar	16.9	13.9	0.8	0.7	3.8	3.9
Inari Amertron	INRI MK	7279.2	1.95	Hold	2.00	(39)	Jun	45.1	29.3	5.3	2.8	2.9	9.5
IOI Corporation	IOI MK	22878.1	3.64	Hold	3.88	(5)	Jun	20.5	17.8	2.0	1.8	3.0	10.6
ITMAX System Bhd	ITMAX MK	3814.5	3.71	Buy	4.50	5	Dec	47.7	40.5	9.5	8.0	0.5	21.5
KLCCP Stapled	KLCCSS MK	16157.7	8.95	Hold	8.76	9	Dec	18.8	19.9	1.1	1.1	4.7	5.8
Kossan Rubber	KRI MK	3708.9	1.45	Sell	1.60	(50)	Dec	74.2	25.0	2.0	1.0	2.8	4.0
KPJ Healthcare	KPJ MK	12086.0	2.67	Buy	3.24	6	Dec	30.0	26.6	4.3	4.4	1.9	16.6
KL Kepong	KLK MK	22011.5	19.72	Hold	19.70	(8)	Sep	30.9	19.0	1.6	1.5	2.6	8.2
Leong Hup Int'l	LHIB MK	2208.3	0.61	Buy	0.80	0	Dec	5.1	6.0	0.9	0.8	5.0	14.2
Lianson Fleet Group	LFG MK	722.4	0.85	Hold	0.74	(16)	Dec	25.6	8.9	1.4	1.4	2.4	17.2
Lotte Chemical Titan	TTNP MK	1040.6	0.45	Sell	0.39	(32)	Dec	na	na	0.2	0.1	0.0	(6.6)
Malakoff Corporation	MLK MK	3925.0	0.79	Hold	0.75	(7)	Dec	15.4	13.7	0.8	0.7	5.1	5.2
Maxis Bhd	MAXIS MK	28277.6	3.61	Hold	3.70	1	Dec	20.5	18.9	4.8	4.6	4.4	24.8
MBM Resources	MBM MK	1747.3	4.47	Hold	5.63	(26)	Dec	7.2	5.2	1.1	0.7	10.7	14.3
Media Prima	MPR MK	399.3	0.36	Hold	0.40	(22)	Jun	13.9	45.8	0.7	0.5	1.4	1.2
Mega First Corp	MFCB MK	3706.3	3.75	Buy	5.40	(18)	Dec	9.2	7.8	1.3	1.0	2.7	12.9
MISC Bhd	MISC MK	33657.0	7.54	Hold	8.26	(1)	Dec	16.2	14.0	0.9	0.9	4.8	6.3
MN Holdings	MNHLDG MK	719.1	1.28	Buy	1.69	4	Jun	28.6	15.9	4.6	4.6	0.0	32.3
MNRB Holdings	MNRB MK	1480.0	1.89	Buy	2.70	(16)	Mar	3.2	4.0	0.4	0.5	2.5	na
MR D.I.Y. Group (M)	MRDIY MK	15458.6	1.64	Buy	1.85	(12)	Dec	30.8	24.9	9.0	7.4	3.0	30.9
My EG Services	MYEG MK	6767.6	0.91	Buy	2.00	(6)	Dec	10.3	9.5	2.6	2.1	2.0	23.7
Mynews Holdings	MNHB MK	393.9	0.53	Buy	0.80	(22)	Oct	43.5	23.7	1.9	1.5	1.0	6.6
Nestle (Malaysia)	NESZ MK	16780.8	71.56	Buy	96.70	(27)	Dec	53.9	38.4	42.8	30.6	2.6	79.8
Optimax Holdings	OPTIMAX MK	277.1	0.51	Buy	0.83	(15)	Dec	25.0	19.3	4.8	3.7	2.8	18.5
Padini Holdings	PAD MK	1993.5	2.02	Buy	2.85	(8)	Jun	16.4	11.5	2.2	1.7	4.1	15.0
Pavilion REIT	PREIT MK	5637.5	1.54	Buy	1.83	0	Dec	18.3	16.9	1.1	1.1	5.7	7.0
Petronas Chemicals	PCHEM MK	25360.0	3.17	Sell	2.59	(41)	Dec	35.7	28.2	1.1	0.7	1.8	2.3
Petronas Gas	PTG MK	35656.8	18.02	Hold	17.60	(1)	Dec	19.0	19.8	2.5	2.5	4.0	12.7
PIE Industrial	PIE MK	1566.9	4.08	Buy	4.70	(33)	Dec	39.8	22.2	3.7	2.3	1.8	10.8
Press Metal Alum.	PMAH MK	40374.1	4.90	Buy	5.64	(0)	Dec	21.8	21.7	4.7	4.2	1.8	20.5
Prolintas Infra	PLINTAS MK	1061.5	0.97	Buy	1.17	(1)	Dec	40.2	40.5	1.7	1.8	6.6	4.2
Public Bank	PBK MK	81330.8	4.19	Buy	5.05	(8)	Dec	12.4	11.2	1.5	1.4	5.3	na

Figure 156: Maybank IBG Research Universe *(continued)*

Company	BBG Ticker	Mkt Cap (MYR'm)	Price (MYR)	Rec	TP MYR	Px chg % YTD	YE	PE (x) FY25e	PE (x) FY26e	PB (x) FY25e	PB (x) FY26e	DY (%) FY25e	RoE (%) FY25e
QL Resources	QLG MK	16865.2	4.62	Hold	4.25	(3)	Mar	32.8	37.4	4.9	5.4	1.1	14.9
Ramssol Group Bhd	RAMSSOL MK	321.7	0.90	Buy	1.27	27	Dec	17.8	13.7	3.1	3.0	0.6	24.8
Ranhill Utilities	RAHH MK	1537.9	1.18	Sell	0.90	(23)	Jun	20.5	22.4	1.9	1.8	2.1	8.3
RCE Capital Bhd	RCE MK	1796.2	1.21	Hold	1.25	(23)	Mar	14.2	15.7	2.4	2.3	4.9	12.6
RHB Bank	RHBBANK MK	27203.2	6.24	Hold	7.10	(3)	Dec	9.2	9.0	0.9	0.8	6.9	na
SAM Eng & Eqt	SEQB MK	2626.7	3.88	Buy	4.63	(11)	Mar	31.1	26.5	2.4	1.8	0.8	6.4
Sarawak Oil Palms	SOP MK	2797.5	3.13	Buy	5.09	(2)	Dec	6.4	6.8	0.7	0.7	4.8	10.4
SD Guthrie	SDG MK	31466.5	4.55	Buy	5.52	(9)	Dec	21.8	19.0	1.9	1.6	2.6	8.7
Sentral REIT	SENTRAL MK	926.5	0.78	Buy	0.88	(3)	Dec	11.9	11.5	0.7	0.7	7.5	5.8
Sime Darby Bhd	SIME MK	11109.4	1.63	Hold	1.83	(30)	Jun	13.9	8.9	0.9	0.6	5.6	6.5
Sime Darby Property	SDPR MK	9725.2	1.43	Hold	1.50	(18)	Dec	22.4	17.6	1.1	0.9	2.3	5.3
Solarvest Holdings	SOLAR MK	1373.6	1.82	Buy	2.28	9	Dec	35.2	23.7	4.9	3.4	0.0	17.7
SP Setia	SPSB MK	5503.4	1.10	Buy	1.46	(25)	Dec	11.5	10.4	0.5	0.3	1.9	3.4
Sunway	SWB MK	29219.9	4.66	Hold	5.14	(3)	Dec	29.3	29.1	2.1	2.0	1.3	6.9
Sunway Construction	SCGB MK	7768.8	5.96	Buy	6.72	29	Dec	31.9	22.8	6.8	7.8	3.1	36.1
Sunway REIT	SREIT MK	7363.3	2.15	Buy	2.13	16	Dec	18.4	20.0	1.2	1.4	4.5	7.3
Swift Haulage	SWIFT MK	339.5	0.38	Hold	0.41	(14)	Dec	14.9	10.0	0.5	0.4	3.5	4.5
Ta Ann	TAH MK	1654.8	3.72	Buy	4.10	(13)	Dec	11.3	9.5	1.0	0.9	7.9	9.2
Tambun Indah Land	TILB MK	342.7	0.78	Sell	0.70	(14)	Dec	8.2	6.8	0.5	0.4	5.9	6.4
Tan Chong Motor	TCM MK	325.9	0.49	Sell	0.38	12	Dec	na	na	0.1	0.1	0.0	(5.8)
Telekom Malaysia	T MK	25213.7	6.57	Buy	7.50	(1)	Dec	12.7	15.0	2.5	2.3	4.0	16.1
Tenaga Nasional	TNB MK	82890.4	14.22	Buy	15.50	(5)	Dec	17.9	17.5	1.4	1.3	2.9	7.7
TH Plantations	THP MK	446.3	0.51	Hold	0.54	(26)	Dec	13.4	10.3	0.8	0.6	4.9	5.6
TIME dotCom	TDC MK	9539.9	5.16	Hold	5.10	17	Dec	20.8	20.4	2.2	2.4	4.9	12.0
Top Glove	TOPG MK	5875.6	0.72	Sell	0.73	(47)	Dec	na	46.2	1.3	1.2	1.1	2.7
TSH Resources	TSH MK	1464.7	1.06	Hold	1.17	(15)	Dec	11.8	10.8	0.9	0.7	2.8	6.6
UEM Sunrise	UEMS MK	3515.6	0.70	Buy	0.84	(36)	Dec	45.5	26.0	0.8	0.5	2.3	2.0
V.S. Industry	VSI MK	3020.0	0.77	Buy	0.93	(33)	Dec	18.6	27.2	2.0	1.3	1.5	4.6
Velesto Energy	VEB MK	1519.9	0.19	Buy	0.19	16	Dec	6.1	9.2	0.5	0.6	7.6	1.9
ViTrox Corp	VITRO MK	6262.0	3.31	Hold	2.80	(17)	Dec	82.9	58.8	7.1	5.4	0.4	9.6
Wasco	WSC MK	755.5	0.98	Hold	0.99	(7)	Dec	3.9	6.9	0.9	0.8	2.9	12.4
Well Chip Group	WELLCHIP MK	702.0	1.17	Buy	1.48	4	Dec	12.8	11.4	1.6	1.5	3.1	14.0
Westports Holdings	WPRTS MK	18516.3	5.43	Buy	5.84	16	Dec	17.8	18.9	4.2	4.6	4.0	24.9
Yinson Holdings	YNS MK	7145.4	2.32	Buy	4.33	(10)	Jan	7.7	62.9	1.4	1.4	1.7	14.1
YTL Hospitality REIT	YTLREIT MK	1840.7	1.08	Buy	1.18	(8)	Jun	13.7	11.1	0.7	0.6	5.7	3.4
YTL Power	YTLP MK	30839.1	3.72	Buy	4.20	(18)	Jun	12.3	12.2	2.0	1.4	1.9	11.8

Source: Bloomberg pricing (20 Jun 2025), Maybank IBG Research

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