

Malaysia Strategy

Looking beyond disruption

STRATEGY

Malaysia

Relative resiliency; stay positive

The ongoing Middle East tensions continue to leave markets unsettled but we believe Malaysia's market still has bright spots. Near-term cost escalation is likely unavoidable with oil prices staying high and supply chain dislocations. Beyond geopolitical tensions, we believe Malaysia should emerge as a relative beneficiary, supported by a resilient domestic energy base, targeted subsidy framework and accelerating infrastructure investments. We stay positive on banks, healthcare and renewable energy, selective on consumer and construction, with an emerging focus on utilities and plantations sectors. Our YE 2026 KLCI target stays at 1,780; bear case at 1,550. We narrow our top picks to resilient plays: PBK, TNB, IHH, SDG, NESZ, WPRTS, ITMAX, SOLAR, MNHLDG.

From a position of strength

The BNM Annual Report briefing on 31 Mar positioned Malaysia in relative strength despite considerable external headwinds. Also noting, Malaysia's economic growth momentum remained solid just prior to the Middle East conflict, with an estimated monthly GDP growth of +7.4% YoY for Jan 2026. Other positive macro strengths include stable market conditions, intact investment upcycle momentum and a healthy financial system. Our full-year real GDP growth forecast is 4.9% (BNM: 4.0-5.0%) for now, subject to review pending data from Mar 2026 onwards.

Post-conflict themes - accelerating structural drivers

The Middle East conflict, even if it de-escalates, could leave lingering cost pressures with damages to the energy infrastructure. Oil and commodity prices could stay high for a while due to supply disruptions. We believe Malaysia should benefit from relative resiliency with its power capacity, energy transition plans, targeted subsidy framework and sustained investment upcycle. Four themes we would focus from here are (1) Energy security as a structural growth driver - utilities (TNB) and renewable energy (SOLAR), (2) Importance of food security amid navigating cost pressures plantations (SDG) and consumer staples (NESZ, QLQ, LHIB), (3) capex and investment upcycle - energy, data centre/M&E (TNB, MNHLDG) and (4) supply chain relocation - ports (WPRTS). As oil prices stay high, we believe trading opportunities avail for PCHEM, PMAH hedged against AAX.

Reinvigorating capital markets - MY Value Up

The Securities Commission (SC) launched the Capital Market Masterplan 4 (CMP4) in March 2026. 'MY Value Up' was one of the initiatives listed, aimed to improve corporate performance. An article in *The Star* cited 88 sample companies or 80% of market valuation, which we believe would be the bulk of FBM100, could be a base. We simulated parallel criteria used in the Value Up programmes in Korea, Japan and China to screen companies within the FBM100 and found 15 stocks could fit such criteria.

KLCI target at 1,780; broad-based re-rating intact

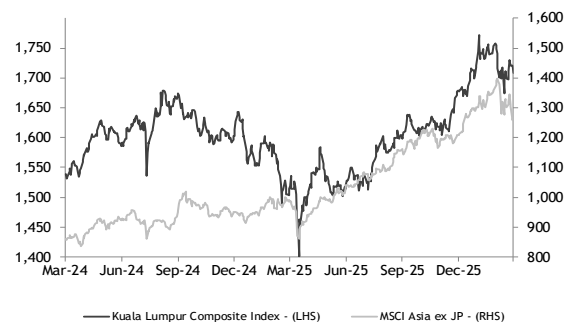
In our view, the Malaysia market is at a favourable earnings risk premium (ERP) position at around 3%. Tracking data over 10 years, it suggests that net foreign inflow zone sits at 2.5-3.0%. We stay focused on domestic-centric sectors and stocks, led by banks, consumer and renewable energy but are more selective on consumer and construction on near-term headwinds. We see emerging focus in utilities and plantations sectors. We keep our 2026 YE KLCI target at 1,780 (15x 2026 P/E) with key risk still resting on geopolitics (tensions and tariffs); bear case at 1,500 (14x P/E). In the event of a full blown war, the ultimate bear case could hit 1,300 (12x P/E). We expect 1Q26 earnings to stay relatively resilient though some sectors may see typical seasonal weakness. 2Q26 could see the brunt of supply chain disruptions. Currently, our 2026/27E KLCI and universe earnings growth stands at 9%/6% respectively. We narrow our top picks to more resilient plays: PBK, TNB, IHH, SDG, NESZ, WPRTS, ITMAX, SOLAR, MNHLDG. We believe large-caps and selective thematic small-mid caps could outperform. We remain favourable of dividend plays, namely REITs; PARADIGM would be our pick.

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KLCI vs MSCI



Malaysia equities growth & valuation

		2025	2026E	2027E
KLCI @ 1,691	PE(x)	16.8	15.4	14.5
Base Case				
KLCI @ 1,780	PE(x)	17.7	16.2	15.3
Earnings Growth	(%)	5.1%	9.2%	5.8%
Bull Case				
KLCI @ 1,890	PE(x)	18.8	17.2	16.2
Earnings Growth	(%)	5.1%	9.2%	5.8%
Bear Case				
KLCI @ 1,500	PE(x)	14.9	14.5	14.0
Earnings Growth	(%)	5.1%	3.0%	3.0%

Source: Maybank IBG Research; as at 10 April 2026

Top Picks

Stock	Mkt cap (MYR'm)	Price (MYR)	TP (MYR)	Upside (%)	P/E (x) 26E	Div yld (%) 26E
Large Caps						
Public Bank	90,260	4.65	5.55	19.35	11.7	5.2
Tenaga	82,074	14.08	14.60	3.71	15.5	3.9
IHH	77,847	8.81	10.49	19.07	30.1	1.4
SD Guthrie	41,425	5.99	6.45	7.68	18.7	2.7
Nestle Msia	23,216	99.00	120.00	21.21	37.6	2.7
Westports	19,279	5.61	6.48	15.51	17.9	4.2
Mid-small Caps						
ITMAX	4,783	4.63	5.83	25.92	38.7	0.7
Solarvest	2,465	2.59	3.72	43.65	23.3	-
Paradigm REIT	1,577	0.99	1.36	38.07	12.9	7.9
MN Holdings	1,267	1.92	2.47	28.65	13.2	0.2

Source: FactSet, Maybank IBG Research; as at 10 April 2026

1. Macro: From a position of strength

Considerable external headwinds, thus downside risk...

This year's growth outlook is subject to considerable external headwinds as the two wildcards to 2026 macro outlook we highlighted back in Dec 2025 played out in early-2026. First is the fresh round of US trade policy and tariffs uncertainties (Fig 3) in the wake of US Supreme Court ruling against US reciprocal tariff. Second is geopolitical risk, particularly the escalation in the Middle East conflict following US/Israel-Iran War.

Malaysia's 2026 growth outlook is still reasonably positive but subject to considerable external headwinds.

The above mentioned BNM's 2026 growth forecast for Malaysia among others assume slower global growth of between +2.7% to +3.2% (Maybank IBG Research: +2.9%; 2025: +3.4%), Middle East conflict duration of not more than 2 months and average crude oil price of USD70-90/bbl.

BNM also shared that its alternative scenario is longer conflict duration of 3-6 months and higher average crude oil price of USD90-110/bbl, while the "tail-risk" - but unlikely - scenario is the conflict lasting more than 6 months with USD110-150/bbl average crude oil price.

... but mitigating factors and domestic strengths to navigate

Despite the challenging external environment and heightened uncertainties in terms of the impact to the domestic economy, there are mitigating factors, which include the AI-driven structural tech upcycle that is lifting the global semiconductor sales growth (2026F: +26.3%; 2025: +22.5%) with positive knock on effect on Malaysia's electronics & electrical (E&E) exports (2M 2026: +34.2%; 2025: +18.3%) as well as Malaysia's diversified export markets and products.

However, Malaysia has mitigating factors that could still support the domestic economy.

Malaysia is also facing the headwinds from a position of strength, which include factors like:

- **Stable labour market conditions**, underpinned by the expectation of continued low unemployment rate (2026F: 2.9%; 2025: 3.0%) plus measures to support income growth and supplements e.g. second phase of civil service salary and pension increase; continued record-high cash handouts, which are key in sustaining private consumption growth momentum.
- **Investment upcycle intact**, given the record-high investment approvals of MYR427b in 2025 which upholds the robust momentum since 2021, signaling continued healthy outlook for actual investments.
- **Expected continued tourism industry growth** with Visit Malaysia Year 2026 (VMY 2026, extended to 2027) with tourism revenue growth of +6.3% to MYR117.6b (2025: +16.1% to MYR110.6b). To note, last year saw the first services accounts surplus (2025: +MYR1.2b; 2024: -MYR10.7b) in 14 years.
- **Healthy financial system** to ensure uninterrupted financial intermediation and availability of credit to support growth, as per banking sector's healthy buffer i.e. high total capital ratio (TCR) of 18.1% as of end-2025 vs the 8% minimum requirement, that according to BNM can withstand stress scenarios that are more severe than the 2008 Global Financial Crisis and the 2020 Pandemic.

From a position of strength:

- *Stable labour market conditions*
- *Investment upcycle intact*
- *Expected continued tourism industry growth*
- *Healthy financial system*

BNM expects 2026 real GDP growth to be in the range of +4.0% to +5.0%, while 2026 inflation rate forecast is nudged higher to a range of +1.5% to +2.5% vs the range of +1.3% to +2.0% previously amid upside risk to global and domestic costs. Meanwhile, BNM expects core inflation rate of between +1.8% and +2.3%. The narrower core inflation forecast range vs headline

BNM expects 2026 GDP growth of 4.0-5.0%, inflation rate at 1.5-2.5% and core inflation at 1.8-2.3% and monetary stance to remain supportive of growth

inflation forecast range - plus the mid-point of +2.1% for core inflation's forecast range vs +2.0% for headline inflation. We interpret these official inflation rate forecasts to imply that BNM's monetary policy stance will remain supportive of growth, hence our baseline view that the Overnight Policy Rate (OPR) will be kept at 2.75% this year.

Our full-year real GDP growth forecast is +4.9% (2025: +5.2%) for now, subject to review pending data from Mar 2026 onwards. To note, Malaysia's manufacturing purchasing managers (PMI) rose to 50.7 in Mar 2026 (Feb 2026: 49.3) and 50.1 in 1Q26 (4Q 2025: 49.9) - signaling potential pick up last month and steady momentum last quarter for manufacturing growth, while CPO output in Mar 2026 fell -0.8% YoY (Feb 2026: +8.1% YoY) giving slower growth of +11.1% YoY in 1Q26 (4Q 2025: +18.4% YoY) - flagging slower agriculture GDP growth last quarter (4Q 2025: +5.1% YoY). Advance estimate for 1Q26 GDP - based on first two months data/indicators - will be released on 17 Apr 2026.

Our 2026 GDP growth forecast is at 4.9% (pending data from Mar 2026); OPR to be kept at 2.75%

Fig 1: Malaysia - Real GDP (% YoY / % chg)

	ACTUAL				2024	2025	MAYBANK		OFFICIAL	
	1Q 2025	2Q 2025	3Q 2025	4Q 2025			2026F	2027F	2026F	2026F Previous
Real GDP	4.4	4.4	5.4	6.3	5.1	5.2	4.9	4.7	4.0-5.0	4.0-4.5
Services	5.0	5.1	5.5	6.3	5.3	5.5	5.5	5.3	5.2	5.2
Manufacturing	4.1	3.7	4.1	6.1	4.2	4.5	4.4	4.2	4.3	3.0
Agriculture	0.7	2.5	0.4	5.1	3.1	2.2	1.0	2.0	(1.0)	2.2
Mining	(2.7)	(5.2)	9.7	2.0	0.9	0.7	1.3	1.0	(1.2)	(1.0)
Construction	14.2	12.1	11.8	11.0	17.5	12.2	10.8	10.0	9.1	6.1
Domestic Demand	6.0	7.0	5.8	6.6	6.5	6.3	6.0	5.9	5.5	5.4
Private Consumption	5.0	5.3	5.0	5.3	5.1	5.2	5.2	5.1	5.0	5.1
Public Consumption	4.3	6.4	7.1	8.0	4.7	6.6	4.6	5.1	4.9	3.2
Gross Fixed Capital Formation	9.7	12.1	7.4	9.3	12.0	9.6	9.3	8.7	7.4	7.7
Private Investment	9.2	11.8	7.3	9.2	12.3	9.4	9.5	9.3	7.5	7.8
Public Investment	11.6	13.6	7.4	9.5	11.1	10.3	8.7	6.5	7.3	7.3
Net External Demand	19.6	(72.6)	18.7	(45.8)	9.2	(19.3)	(19.7)	(11.2)	(26.4)	(32.0)
Exports of Goods & Services	4.1	2.6	1.7	3.9	8.3	3.1	3.8	4.2	2.8	3.8
Imports of Goods & Services	3.1	6.6	0.7	7.9	8.2	4.6	5.0	4.8	4.3	5.8

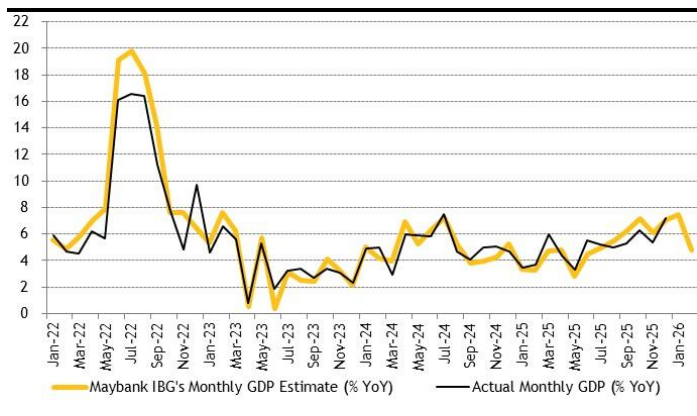
Sources: Department of Statistics; BNM (EMR 2025, Mar 2026); MoF (Economic Outlook 2026, Oct 2025); Maybank IBG Research

Fig 2: Malaysia - Other Key Economic Indicators

	ACTUAL			MAYBANK		OFFICIAL	
	2024	2025	2026YTD	2026F	2027F	2026F	2026F Previous
Gross Exports (% chg)	5.8	6.4	15.2	7.0	6.3	8.6	2.8
Gross Imports (% chg)	13.1	6.0	6.4	6.5	6.3	9.0	3.9
Trade Balance (MYRb)	139	155	39	172	181	161	114
Current Account Balance (MYRb)	28	32	-	32	34	46	23
Current Account Balance (% of GDP)	1.4	1.6	-	1.5	1.5	1.5-2.5	1.1
Fiscal Balance (% of GDP)	(4.1)	(3.7)	-	(3.5)	(3.1)	(3.5)	(3.5)
Inflation Rate (CPI, %)	1.8	1.4	1.5	1.8	2.1	1.5-2.5	1.3-2.0
Overnight Policy Rate (% p.a., end-period)	3.00	2.75	2.75	2.75	2.75	-	-
Exchange Rate (MYR/USD, end-period)	4.47	4.06	4.05 (Mar)	3.95	3.80	-	-
Unemployment Rate (%)	3.2	3.0	2.9	2.9	3.0	2.9	3.0
Crude Oil (USD/bbl, Brent average)	80.1	68.2	77.5 (3M)	75	70	70-90	60-65
Crude Palm Oil (MYR/tonne, average)	4,230	4,280	4,169 (3M)	4,100	4,100	4,000-4,200	3,900-4,100

Sources: Bloomberg; CEIC; Department of Statistics; BNM (EMR 2025, Mar 2026); MoF (Economic Outlook 2026, Oct 2025); Maybank IBG Research

Fig 3: MIBG GDP Estimates vs Actual GDP (Monthly, % YoY)



Source: Bloomberg, Maybank IBG Research (chart)

Fig 4: Manufacturing Production Index (% YoY) vs Manufacturing Purchasing Managers Index

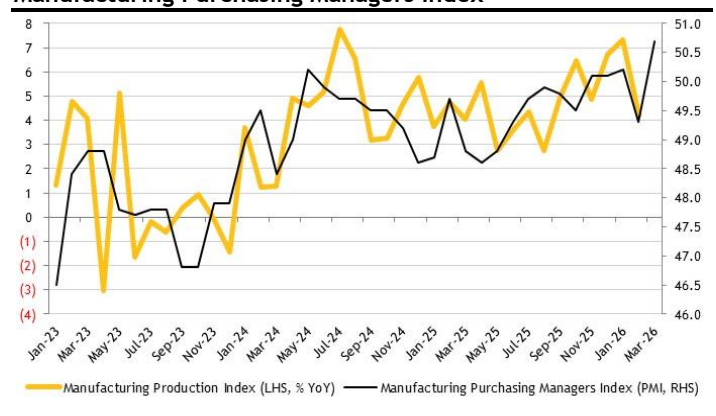
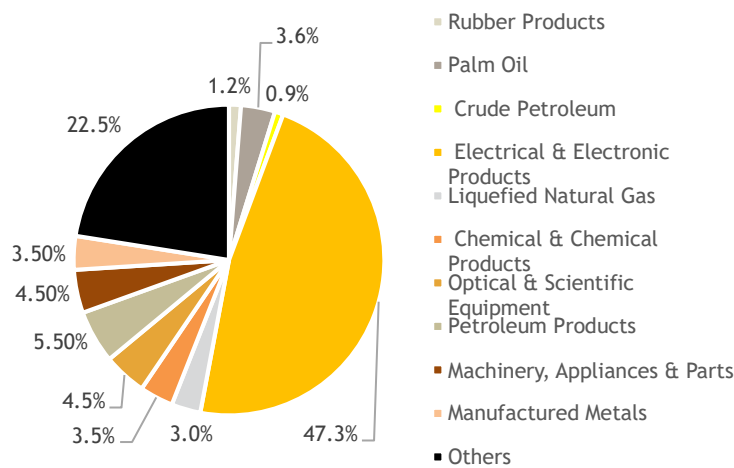


Fig 5: Malaysia exports by sector (2025)



Source: CEIC, Maybank IBG Research (chart)

E&E forms the bulk of our exports, partly due to underperformance of non-E&E manufacturing and commodity exports

The next few months starting Mar 2026 will be key to watch following the outbreak of US/Israel-Iran war at end-Feb 2026 and the resultant Middle East conflicts and the escalation in geopolitical tensions/risks. In particular, the surge in prices and the disruptions in supplies of crude oil, natural gas, refined products as well as key hydrocarbons derivatives like petrochemicals, fertilisers and industrial gases can adversely impact economic activities. Duration of the conflict and disruption is another factor to keep an eye on amid the fluid news headlines and evolving developments.

The coming months will be critical as geopolitical tensions could drive energy price spikes and supply disruptions, with the duration of the conflict remaining a key uncertainty to monitor

2. Post-conflict themes - accelerating structural drivers

2.1 2026 was framed with FIVE themes

We list FIVE themes as we entered 2026. Being a policy execution year, we believe these themes would offer alpha picks both large and small caps. The factors discussed in the previous section sets the stage for these thematic drivers in 2026 - from infrastructure & connectivity, digital/tech & industrial transformation, green & energy transition, domestic demand resilience and state-driven growth corridors. Banks are an overarching thematic, which we view positively and a crucial driver to the KLCI index. Across these themes, we believe the government’s policies and on-shoring tailwinds will dovetail to drive a broader earnings cycle that should finally turn up strongly.

We started 2026 with FIVE themes; banks as an overarching thematic

Across these themes, we believe the government’s policies and on-shoring tailwinds fit well to drive a broader earnings cycle that is finally turning up strongly

Fig 6: 2026 Strategy themes (*Malaysia Strategy: Riding on Home Advantage*)

Themes
<p>Theme 1: Infrastructure upswing 13MP is well positioned as a springboard to drive high value manufacturing and industrial parks with infra spending as enablers. We expect contractors entering 2026 with fuller orderbooks, less margin pressure and improved working capital conditions.</p>
<p>Theme 2: Digital/tech and industrial transformation Taking the cue from the NIMP 2030 and NSS. Government policies plus tariff pressure easing could see global supply chain continue to reconfigure persistently. NIMP 2030 hopes to spur technology innovation and create more local champions. Budget 2026’s drive towards govtech should also proper further initiatives for software companies.</p>
<p>Theme 3: Green transition and energy transition Building momentum from the NETR launch in Jul 2023, 2026 would be a scale-up stage. There have been talks on the National Gas Roadmap which has yet to be finalised. Policy tailwinds are aplenty, in our view. Thanks to NETR, CRESS, LSS5/LSS5+ and BESS tenders, we believe the RE sector should be in for a multi-year re-rating.</p>
<p>Theme 4: Domestic demand resilience This cuts across key sectors we stay positive on: 1) consumer sector, with retail trade, consumer staples and perhaps an increase in consumer discretionary spending, 2) healthcare, with structural uplift from domestic healthcare spending and medical tourism, 3) REITs, linking to consumer spending benefiting retail-asset based REITs and 4) tourism, in the run up to Visit Malaysia Year 2026, amplifying the impact to shopping malls, hotels, medical tourism and aviation.</p>
<p>Theme 5: State-driven growth corridors 2026 would be a manifestation of the groundwork laid in 2025. The 13MP, further emphasises on industrial property development and building economic growth corridors. Besides the JS-SEZ, we also see the ambitions of Selangor (MBI Inc) and Negeri Sembilan (NS Corp) stepping up efforts to draw growth - both angled from an industrial property development perspective and building economic growth corridors. Not forgetting Penang (tech hub) and Sarawak (infra and renewable energy angle)</p>

*Not Rated; Source: Maybank IBG Research

2.2 What has changed: geopolitics came in the way

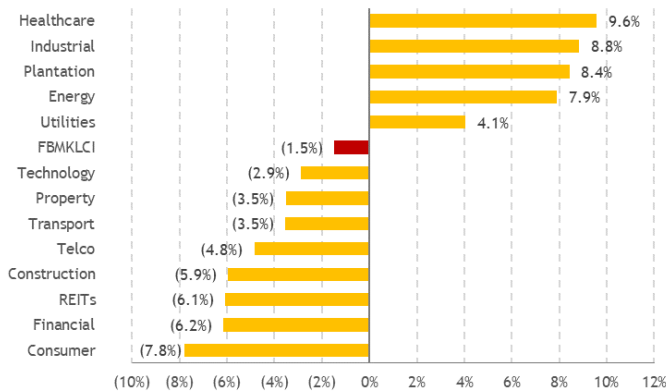
The Middle East conflict escalated from end Feb when US-Israeli attacked Iran. Amid Middle East tensions since then, the KLCI has been relatively defensive vs regional peers. KLCI remains in positive returns territory YTD.

The KLCI has stayed relatively resilient since the Middle East tensions started

We believe trading opportunities remain on the table include PCHEM (higher ASPs) and PMAH (wider spreads), as long as the tensions remain. We also see increasing interest in utilities and plantations sectors. The topics of energy security and food security would be paramount should the conflict prolongs. Even if the ceasefire remains, repercussions of damaged facilities may keep oil and commodity prices high for a while.

Trading opportunities remain in the petrochemical and commodity space; there is increasing focus on utilities and plantations

Fig 7: Malaysian sector performance since the conflict began



Source: Bloomberg, Maybank IBG Research (chart), as at 10 April 2026

Fig 8: KLCI vs ASEAN market performance

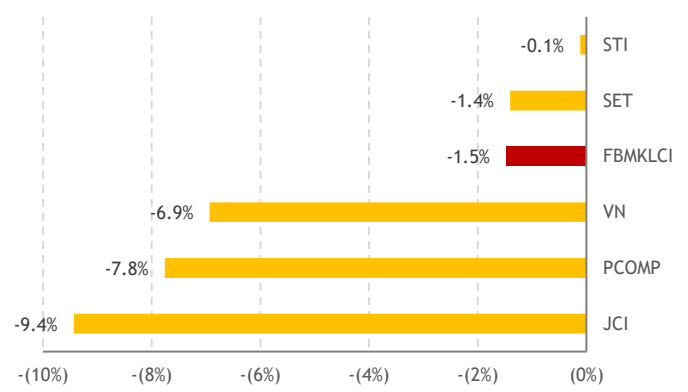
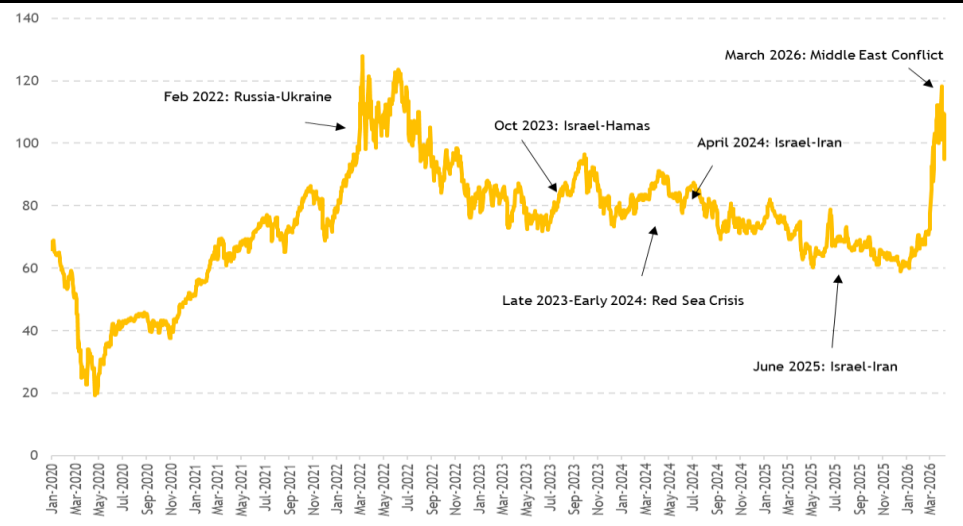


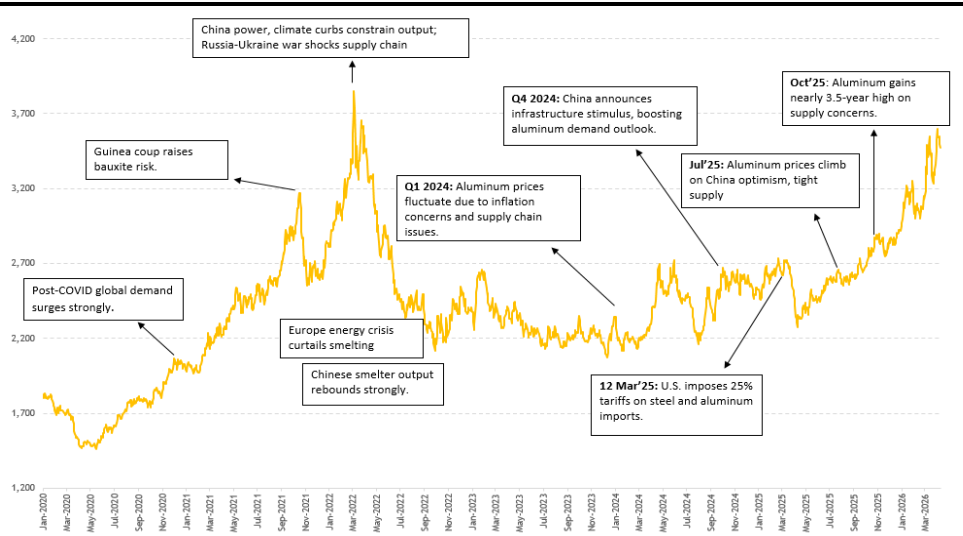
Fig 9: Brent Crude oil price and key events



Source: Maybank IBG Research

War premiums typically do not last long for oil prices. But this time around, things may be different as facilities are damaged. Oil price may stay higher for longer. Our 2026E Brent crude oil price forecast is at USD75/bbl

Fig 10: Aluminium price and key events



Source: Maybank IBG Research

Aluminium prices tend to move in tandem with demand-supply dynamics. Our current 2026E aluminium price assumption is at USD3,100/t. But assuming aluminium price stays at around USD3,500/t, there could be upside surprise to our PMAH forecast for FY26-27E.

Fig 11: Energy assets affected during the Middle East conflict so far

Country	Date	Energy Asset	Capacity	Comment
Iran	18-Mar-26	South Pars Gas Field / Asaluyeh	276 bcm (as at 2024)	South Pars accounts for 70%-75% of Iran's gas production. With that, gas exports to Iraq were halted, then resumed at only 5m cbm/day (vs. 50m cbm/day pre-conflict).
	14-Mar-26	Kharg Island oil export hub	Storage capacity of about 30m barrels	US forces struck military targets on Kharg Island on 14 March 2026. Kharg is the hub for 90% of Iran's oil exports.
Qatar	2-Mar-26	Ras Laffan LNG complex	12.8m tpa	Qatar first halted LNG production at Ras Laffan on 2 March, with force majeure following on 4 March. The disrupted supplies were equivalent to about 20% of global LNG trade. Later, on 19 March, Iranian missile strikes damaged facilities at Ras Laffan; QatarEnergy's CEO said the attacks knocked out 17% of Qatar's LNG export capacity, equal to 12.8 mtpa, and repairs could take 3-5 years.
	19-Mar-26			Pearl GTL plant, Ras Laffan
	2-Mar-26	Mesaieed industrial zone	N/A	Drone strikes also hit Mesaieed on 2 March, affecting petrochemical and manufacturing facilities.
Saudi Arabia	2-Mar-26	Ras Tanura refinery	550k bpd	Saudi Aramco's Ras Tanura refinery was hit by drones on 2 March. Reports stated that some units were shut as a precaution. Local product supply was also reported to be unaffected.
	19-Mar-26	SAMREF refinery, Yanbu	400k bpd	Iranian retaliation reached the SAMREF refinery in Yanbu on 19 March. The refinery was targeted in an aerial attack, with minimal impact, but Yanbu loadings were briefly halted after staff evacuation and later resumed.
	9-Apr-26	Manila oil field	900k bpd	Targeted in Iranian attack, causing production disruptions
	9-Apr-26	Khurais oil field	1.5m bpd	Attacked during coordinated strikes; output affected
	9-Apr-26	East-West crude pipeline (Petroline)	7m bpd	Pumping station hit, cutting pipeline throughput
	9-Apr-26	Ju'aymah gas processing plant	N/A	Gas infrastructure hit in same wave of strikes
United Arab Emirates	15-Mar-26	Fujairah export terminal / port	Export for 1mbpd	Reports mentioned of repeated attacks on Fujairah, including a drone strike on 15 March and a third attack in four days by 17 March. ADNOC suspended crude loadings there, then some operations resumed, though Reuters said loadings remained at least partly halted at points.
	16-Mar-26	Shah gas field	500m cbf/day	Reports mentioned of a drone attack caused a fire at the Shah gas field on 16 March, and operations were suspended. Habshan gas processing complex was shut on 19 March after debris from intercepted missiles caused incidents. Habshan is one of the world's largest gas processing complexes.
	19-Mar-26	Habshan gas processing complex	6.1b cbf/day	Habshan gas processing complex was shut on 19 March after debris from intercepted missiles caused incidents. Habshan is one of the world's largest gas processing complexes.
	19-Mar-26	Bab oil field	450k bpd	Bab oil field was also targeted on 19 March.
	19-Mar-26	Ruwais refinery	922k bpd	ADNOC shut the Ruwais refinery as part of the wider UAE energy disruption. UAE oil output reportedly has fallen more than half.
Kuwait	19-Mar-26	Mina al-Ahmadi refinery	346k bpd	Drone attacks hit operational units at Mina al-Ahmadi on 19 March, causing fires.
	19-Mar-26	Mina Abdullah refinery	454k bpd	Drone attacks hit operational units at Mina Abdullah on 19 March, causing fires.
Bahrain	9-Mar-26	Sitra refinery	380k bpd	Bahrain's Sitra refinery was attacked on 9 March, after which Bapco declared force majeure.
Israel	28-Feb-26	Leviathan gas field	21bcm/year	Israel ordered the shutdown of the Leviathan gas field on 28 February - Israel's largest gas field.
	19-Mar-26	Haifa oil refinery / Oil Refineries Ltd site	197k bpd	An Iranian missile hit Israel's refinery complex in Haifa on 19 March. Reports mentioned no significant damage, though debris caused a fire and temporarily disrupted supply sources.
Iraq	2-Mar-26	Iraqi Kurdistan oil fields	N/A	Companies including DNO, Gulf Keystone, Dana Gas and HKN stopped output at Kurdistan fields on 2 March as a precaution.
	18-Mar-26	Southern Iraqi oilfields	4.3m bpd	Iraq cut output from its main southern oilfields by 70%, to about 1.3m bpd from 4.3m bpd. This appears to be a war/security disruption rather than a confirmed direct strike on those fields.

Source: Reuters, Maybank IBG Research

Fig 12: Sector implication on rising fuel costs

Sector	Implication/ estimated impact
Automotive	Indirect impact on sales.
Aviation	AAX - arguably the most exposed to the current geopolitical tensions in the Middle East. If tensions there subside and jet fuel prices ease, we gather that AAX will be the prime beneficiary. We have assumed average jet fuel price of USD135/bbl for FY26E and USD85/bbl for FY27E. We estimate that every USD1/bbl decrease in average jet fuel price will accrete c.MYR75m to core net profit.
Banks	Whether the Middle East conflict prolongs and oil prices remain elevated for longer remains to be seen. What is clear, however, is that the banks are entering this period of uncertainty with much stronger fundamentals than before and in our Stress Test, most banks would still be able to offer dividend yields of at least 4% under stressed conditions. Our Stress Test assumes: (a) a 1-ppt cut in loan growth, (b) unchanged interest rates as BNM prioritises growth over cost-push inflation, and (c) 2 credit cost stress scenarios. Stress 1 assumes credit costs double from current forecasts, while Stress 2 assumes a return to near-peak levels seen in FY20-FY25. Aggregate earnings would decline by 7% (Stress 1)/15% (Stress 2) while ROAE would fall to 9.5% and 8.5% respectively, from 10.4%. Even so, most banks would be able to sustain >4% dividend yields.
Construction	Higher oil prices could raise construction costs through higher diesel and building material prices. For building materials, cement prices may see moderate pressure via higher thermal coal prices, steel prices are likely to remain stable due to weak global demand, and bitumen prices used in road construction may see some pressure as it is closely tied to oil prices. Overall, we gather that the earnings impact on most listed companies are expected to be manageable for now.
Consumer	We expect manageable cost impact from recent fuel cost increases to the consumer sector as a whole. Total logistics costs in general, typically account for a single digit % to cost of goods sold - with the bulk of cost of goods sold amounting from raw materials for consumer staples and product costs for consumer discretionary companies. Moreover, the consumer sector also benefit from subsidised diesel through the usage of fleet cards due to the essential service nature of the sector.
Gloves	On the energy side, gas prices are trending higher, although the impact on production costs typically comes with a 6-8 month lag, likely from Sep 2026 onwards (we estimate >40% QoQ increase in 4Q26). Given gas is the key energy source for Malaysian glove producers, sustained increases could erode cost competitiveness against China players that use coal and biomass. In addition, the conflict has disrupted global shipping routes. While freight costs are typically borne by customers, some buyers have delayed shipment arrangements amid higher rates and heightened uncertainty, leading to slower delivery timelines and deferred revenue recognition.
Healthcare	Private healthcare demand for domestic patients (c.85-94% of revenue) should remain largely intact given its inelastic nature, as healthcare-seeking behaviour is driven by necessity rather than discretion. Historically, demand erosions only materialises under hard mobility constraints such as movement control orders or border closures. With the prolonged Middle East conflict, higher airfare rates could potentially depress medical tourism volume, in our view, though we suspect Malaysia's much cheaper healthcare costs relative to the region may still support medical tourism demand. Higher freight rates may also present higher costs for pharmaceutical drugs, but this is likely to hit the sector in 2H26, in our view. We believe these costs could be passed to end-consumers/insurers, thus maintaining earnings resilience for hospital operators.
Oil & Gas	No meaningful impact.
Petrochem	No meaningful impact.
Plantation	Diesel cost is a relatively small component of cost to the planters at less than 5% of overall cost of production. Even if diesel cost double on average for the whole year in 2026 (which is unlikely to be the case), the cost to the planters will still be less than 10% of overall cost of production or less than -MYR125/t (of CPO) increase, which is manageable given spot CPO price has risen by more than MYR500/t (since 28 Feb 2026) which should more than compensate for the higher diesel (and fertiliser) cost.
Ports & Logistics	While most land transport players continue to benefit from fuel subsidies, Westports remains exposed to market fuel prices. Fuel accounted for c.17% of opex in 2025. That said, we still expect WPRTS to deliver YoY earnings growth, with the tariff hike providing a meaningful buffer against potential volume softness and cost pressures.
Property	We note rising cost pressures on developers, could be exacerbated by elevated input costs amid ongoing Middle East tensions, particularly through higher fuel and energy prices. Projects with construction contracts already awarded are largely insulated, as the additional costs would typically be borne by contractors. However, projects that have already been sold but where construction contracts have yet to be awarded are more exposed to cost escalation. For future launches, developers are likely to review pricing, procurement and design optimisation to mitigate the impact, while also adjusting unit sizes and specifications to preserve affordability and margins. Overall, we expect to see margin compression across the sector in the coming periods, which could potentially lead to a 3-5% cut in our earnings forecasts.
REITs	Electricity costs are a key operating variable, with utilities accounting for c.27%-35% of opex for retail REITs and c.25%-41% for office REITs. In contrast, industrial REITs have low exposure (<10%) due to lower energy intensity and stronger pass-through, while hospitality REITs are largely insulated under master lease structures. Our sensitivity analysis suggests that a 10% increase in electricity costs would result in only a c.0.7%-1.1% DPU impact for retail and office REITs, with minimal impact on other segments, suggesting that overall earnings and yield impact should be limited.

Source: Maybank IBG Research

Fig 12: Sector implication on rising fuel costs (cont'd)

Sector	Implication/ estimated impact
Renewable energy	We do not expect the ongoing Middle East conflict to materially impact sector earnings. Logistics and transportation costs typically account for 1% - 5% of COGS in the RE sector, implying limited sensitivity to higher oil prices. Additionally, on-site diesel costs are generally borne by subcontractors and largely fixed under existing contracts, further insulating margins.
Technology (semicon & EMS)	Fuel and utilities typically account for 10-15% of production costs, making rising oil prices a meaningful headwind, particularly for EMS players, where already-thin margin profiles leave limited buffer to absorb cost increases. While other supply chain participants may face similar pressures, their relatively stronger margins afford greater flexibility to absorb the impact. We do expect cost pass-throughs to be negotiated, though the process will take time to finalise, with the full effect only reflected in subsequent order cycles.
Technology (software)	No meaningful impact.
Telcos	No meaningful impact.
Utilities	Tenaga's earnings are insulated from fuel price volatility given the pass-through mechanism in place. The latest iteration (of the pass-through mechanism) allows for monthly pass-through, thus reducing working capital risk. We view TNB favourably as it moves on fully from the tax overhang. Meanwhile, Gas Malaysia is a proxy to crude oil prices, albeit with a c.8 months lag (between domestic gas and crude oil prices). GMB's retail profit (contributing about half of group earnings) is based on an undisclosed percentage (we estimate c.6%) of its gas cost and should thus trend in tandem with domestic gas prices, in our view. Every USD10/bbl increase in crude oil price would raise our FY27E net profit by c.10% and our TP by c.MYR0.50/share.

Source: Maybank IBG Research

The *World Bank* lauded Malaysia's targeted fuel subsidy (BUDI95) as a step in the right direction amid the Middle East crisis. The government has kept the RON95 petrol price at MYR1.99/ltr but has reduced allocation to 200ltr per month from 300ltr. E-hailing allocation of 800ltr has been maintained. Separately, Sabah and Sarawak will continue to receive subsidised diesel at MYR2.15/ltr. In general, as an interim measure, the government has capped is diesel purchase at 50ltrs per purchase. We understand that bulk of businesses are still on the fleet card subsidy for diesel but there are still businesses exposed to unsubsidised diesel (if they don't go to the pump for purchase). However, we understand that the Budi Madani diesel monthly cash assistance has been raised from MYR200 to MYR300.

The govt has ensured sufficient and affordable fuel for Malaysians though with some caps and reductions imposed on purchases

Malaysia remains a net exporter of energy

According to *PETRONAS*, Malaysia's crude oil supply remains adequate despite almost 40% of imports passing through the Strait of Hormuz compared to nearly 90% for other ASEAN nations. Malaysia cannot be fully insulated from rising oil prices. Since 2014, as *announced* by the government, Malaysia has become a net importer of oil. While Malaysia exports higher value light sweet crudes, its refining sector imports heavier crude grades for domestic processing. For instance, in 4Q25, the country exported MYR6.1b worth of crude petroleum and condensates, but imported MYR11.5b of crude petroleum and condensates. It exported MYR13.6b of LNG during the same period. Broader trade disruption is not expected, for Malaysia's exports to and imports from the Middle East account for just 1.9% and 4.7% of overall exports and imports, respectively.

Malaysia remains a net exporter of energy but cannot be fully insulated from rising oil prices due to refining demands.

However, based on our energy production (including gas), Malaysia is positioned as a net exporter of energy, which should provide confidence that its supply is relative secure vs other ASEAN countries. PETRONAS is still in exploratory efforts but it is finding more natural gas. As a net exporter of energy and one of the world's largest exporters of Liquefied Natural Gas (LNG), high oil prices could lift PETRONAS' profits, which would be funneled back to the Government via dividends and taxes. Moreover, PETRONAS has activated contingency measures to direct Malaysian-produced crude primarily to local refineries (like the Pengerang Integrated Complex). This reduces the shipping risk associated with bringing in oil from the Middle East. Furthermore, Malaysia generates a vast majority of its power from domestic natural gas, keeping utility bills more stable even when global oil prices spike.

Exploration efforts are ongoing; but more natural gas has been found. Gas exports would be funnelled back to the govt via dividends and taxes.

2.3 FOUR themes from here

We believe Malaysia should benefit from relative resiliency with its power capacity, energy transition plans, targeted subsidy framework and sustained investment upcycle. In our view, the key investment themes as we march through this Middle East conflict would centre around (1) Energy security as a structural growth driver, (2) Importance of food security amid navigating cost pressures, (3) capex and investment upcycle and (4) supply chain relocation. Energy security becomes more urgent with power and water capacity emerging as immediate need rather than long-term considerations. Food security gains further importance as higher energy costs feed through into agricultural supply chains. At the same time, supply chain relocation is likely to accelerate, which would drive incremental FDIs into ASEAN with Malaysia benefitting from its infrastructure readiness. Investments span across grid infrastructure led by Tenaga, data centres, industrial parks and logistics which are powered across plantations, property developers and ports. These dynamics converge into faster and more policy-driven investment upcycle with governments and corporates bringing forward capex in energy infrastructure, logistics and industrial development. Collectively, we believe these sectors would emerge as strong themes to focus post conflict.

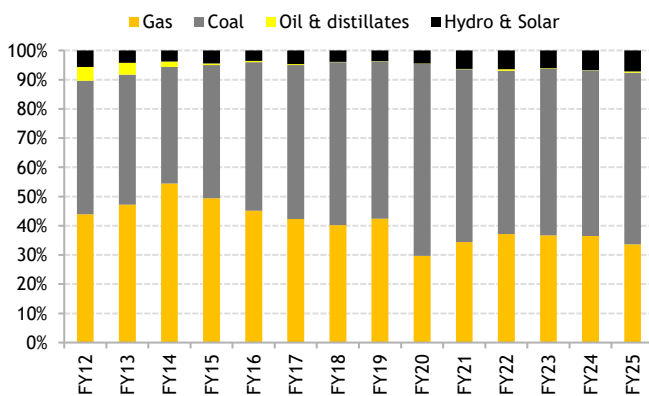
Key investment themes as we march through this Middle East conflict would centre around;
 (1) Energy security as a structural growth driver,
 (2) Importance of food security amid navigating cost pressures,
 (3) capex and investment upcycle and
 (4) supply chain relocation.

(1) Energy security as a structural growth driver

Malaysia has historically enjoyed energy security given its oil and gas reserves but as explained above, gas dominance in exploration activities are emerging more than crude oil. In terms of power generation, gas accounts for 40-50% of power generation while coal (imported) accounts for another 40%. Malaysia launched the National Energy Transition Roadmap (NETR) in 2023 to accelerate renewable energy efforts to build up capacity with a target of 40% by 2035. The importance of ultimately establishing the ASEAN Power Grid is far more important today given the circumstances.

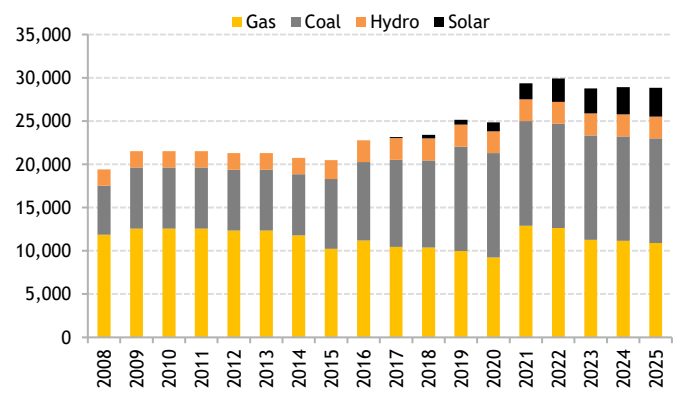
The NETR should accelerate efforts to build up capacity; establishing the ASEAN Power Grid is far more important today given the circumstances

Fig 13: Malaysia’s power generation mix (%)



Source: TNB, Maybank IBG Research (chart)

Fig 14: Malaysia power capacity trends (MW)



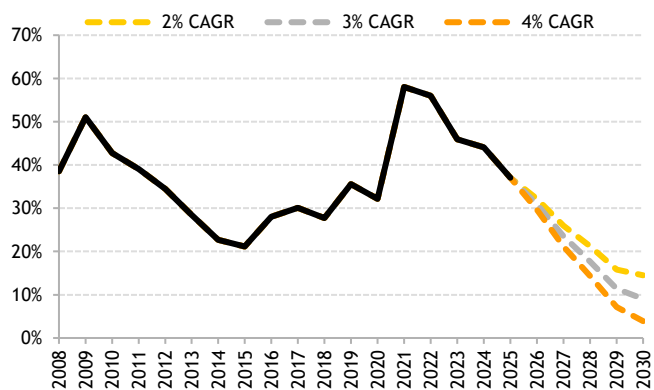
Source: Energy Commission, TNB, Maybank IBG Research (chart)

Strong energy power base

Peninsular Malaysia’s reserve margin is still sufficient presently (c.37% at end-2025 including solar, c.17% without), but would fall in the coming years due to ongoing peak demand growth (from data centres) and PPA expiries. The regulator had initiated bidding exercises for both new gas-fired capacity and PPA extensions since 2025, but this has been complicated by the need for bidders to also secure gas supply.

(Peninsular) Malaysia’s reserve margin is still sufficient presently; bidding exercises for both new gas-fired capacity and PPA extensions since 2025

Fig 13: Peninsular Malaysia’s reserve margin

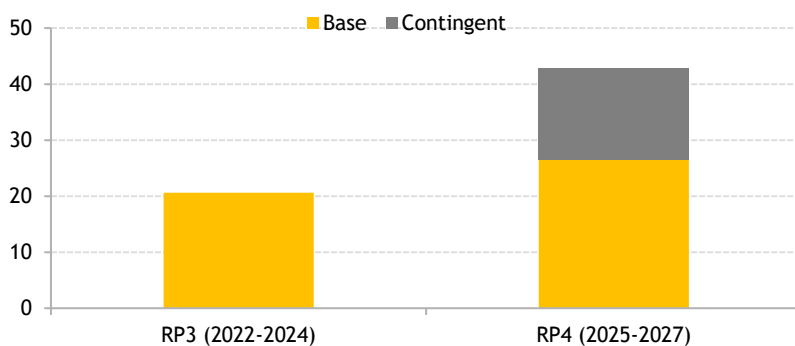


Source: Source: Energy Commission, TNB, Maybank IBG Research

Presently, c.80% of gas used in Peninsular Malaysia’s generation is sourced from domestic fields. As these fields gradually deplete, the need for gas imports into Peninsular Malaysia increases. This has necessitated further investments into regasification terminals (PETRONAS and Gas Malaysia (GMB MK, HOLD, CP: MYR5.52, TP: MYR3.90) are looking to build Peninsular Malaysia’s third and fourth regasification plants).

Amid Peninsular Malaysia’s ongoing energy transition drive (mainly solar-oriented), system balancing becomes more important. This increases the need for transmission upgrades and energy storage. We expect Tenaga’s grid investments (regulated capex) to remain elevated in the coming years (c.MYR43b base and contingent capex in RP4, 2025-2027).

Fig 15: Tenaga’s capex trends (MYRb)



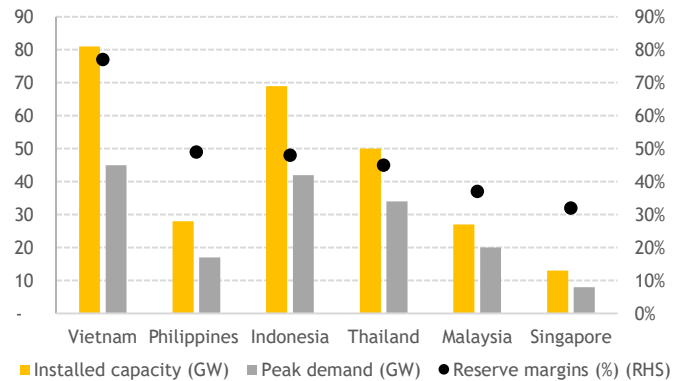
Source: TNB, Maybank IBG Research

Renewable energy push

On-going Middle East tensions have heightened energy security concerns, reinforcing the longer-term structural momentum toward renewable energy adoption. Nevertheless, any material acceleration in installed capacity will remain gradual, given the inherent lead times associated with project development, approvals, and grid capacity allocation. In the near term, the recent reduction in the automatic fuel adjustment (AFA) rebate (from 2.15sen/kWh to 0.47sen/kWh) under Tenaga tariff structures could serve as a catalyst for increased adoption of solar-plus-BESS solutions, particularly within the commercial and industrial segments.

We remain POSITIVE on the renewable energy sector, underpinned by the structural upcycle in project deployment aligned with the NETR targets. Our sector top pick remains Solarvest (SOLAR MK, BUY, CP: MYR2.59, TP: MYR3.72).

Fig 14: ...vs ASEAN peers



Source: Power Regulators, Maybank IBG Research

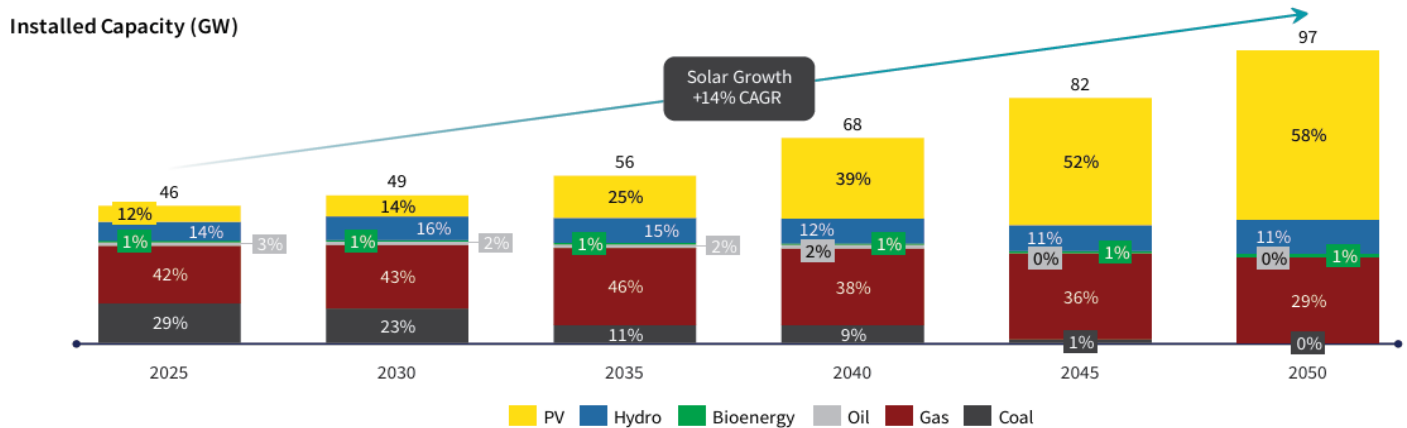
Investments into regasification terminals - PETRONAS and Gas Malaysia are looking to build Peninsular Malaysia’s third and fourth regasification plants.

The energy transition drive increases the need for transmission upgrades and energy storage.

Heightened energy security concerns reinforces the longer-term structural momentum toward renewable energy adoption

Link to report: [Malaysia Renewable Energy - 2026: Sunny Prospects](#)

Fig 16: Projected power system installed capacity mix 2050



Source: NETR

In addition, Sarawak’s hydropower assets complement the entire security-demand gap. Sarawak is not only a renewable energy contributor but also positioned as the green energy hub for the region.

Energy demand surges ahead

There is an emerging demand surge in the coming two years as data centres power up and industrial parks build up. The Johor-Singapore Special Economic Zone (JSSEZ) and Klang Valley data centre clusters would see a step up in baseload demand. Tenaga’s 4Q/FY25 investor presentation indicates that there are 35 data centre projects with ~4/5GW total maximum demand and 7.5GW secured (cumulative maximum demand). Its load utilization has more than doubled since Dec 2024 to Dec 2025 to 850MW. This necessitates **Tenaga (TNB MK, BUY, CP: MYR14.08 TP MYR14.60)** as the centre of the energy security equation, as grid expansion and investment become critical to meet rising demand. Separately, **MN Holdings (MNHLDG MK, BUY, CP MYR1.92, TP MYR2.47)** would be a direct proxy to job wins to be supported by Tenaga, data centre and solar jobs.

Energy demand driven by data centres power up and industrial parks build up

(2) Importance of food security amid navigating cost pressures

Malaysia’s food security framework is anchored by the National Agrofood Policy 2.0 operationalised under the National Food Security Policy Action Plan 2021-2025. These policies were designed to improve domestic production and reduce import dependence but the current environment exacerbated by the Middle East conflict causing input cost across the agrofood chain. The key transmission channel is energy with higher oil & gas prices feeding directly into fertiliser production, logistics and farm operations, effectively raising the cost base for Malaysia’s food system. While the higher fertiliser prices may be positive for **Petronas Chemicals (PCHEM MK, HOLD, CP: MYR5.82, TP MYR5.62)**, downstream food producers are facing cost pressures.

The current food security environment is exacerbated by the Middle East conflict causing input cost across the agrofood chain

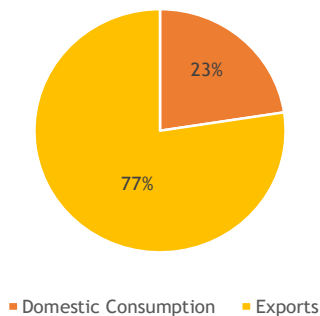
Palm oil playing its part in ensuring food security for Malaysia

The plantations sector, or more importantly CPO, is an indirect but important role in Malaysia’s food security by anchoring the edible oil security. In 2025 Malaysia produced 20.28mt of CPO but domestic consumption was just 4.45mt or 22% of own output. The surplus was exported. Malaysia is the second largest exporter of palm oil after Indonesia. Malaysia exported 15.26mt of palm oil in 2025, comprising 3.08mt of CPO and 12.18mt of Processed Palm Oil (PPO). Hence, there is technically no food security issue related to palm oil as there is excess palm oil domestically. Notably, Malaysia plays a vital role in ensuring food security

CPO is an important part of food security but indirectly; there is technically no food security issue related to palm oil as there is excess palm oil domestically

for the world as palm oil accounts for about a-third of world's oil and fats consumption globally.

Fig 17: Malaysia's estimated 19.7mt breakdown of palm oil usage in 2025



Sources: MPOB, Maybank IBG Research

However, CPO is embedded in the food energy nexus, making it sensitive to geopolitical shocks. Higher crude oil prices driven by the Middle East tensions has created excitement to the plantations sector on expected higher CPO price is largely driven by a potential surge in biodiesel demand. While staying NEUTRAL on the plantations sector, we advocate a short term trading strategy as sustained high crude oil prices may push Indonesia to accelerate its B50 plan. Owing to energy security and narrowing POGO spread following recent surge in crude oil prices, Indonesia is reportedly planning to raise the mandatory blending rate to B50 (from B40) starting 1 July but without details at this point as yet.

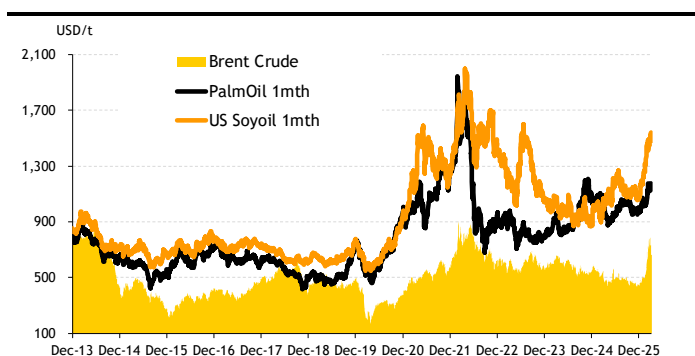
Mindful of CPO as it is sensitive to geopolitical shocks; in this case oil price

While the ambitious plan to bring forward higher blends are positive for CPO price as it creates immediate incremental demand, there are however still much uncertainties: (1) how long will the POGO spread stay favourable especially if the conflict ends by month end; (2) whether there is sufficient methanol to produce palm biodiesel. Some 35% of global methanol exports originate from Middle East, and ID only produces ~0.6mt of methanol domestically or 1/3 of its annual requirements, necessitating huge imports; (3) how ready is ID's infrastructure for B50 implementation on 1 July; and (4) whether ID has sufficient diesel to blend if the Strait of Hormuz stays blocked. A shortage could limit the absolute amount of biodiesel to blend even at B50.

The ambitious plan for B50 could drive demand for CPO and hence prices

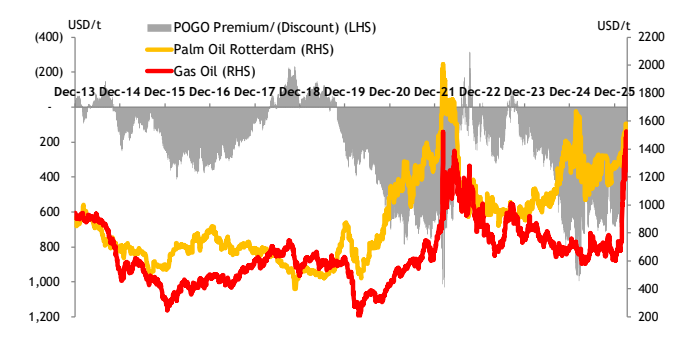
We expect the CPO price to surge on biodiesel demand, higher oil prices and this will exert cost pressures on fertilisers and logistics.

Fig 17: US soyoil and palm oil vs crude oil price



Sources: Bloomberg, Maybank IBG Research

Fig 18: Palm oil-Gas oil (POGO) spread: Palm oil trades at a premium of USD160/t (9 Apr) to gas oil



Sources: Bloomberg, Maybank IBG Research

Fertiliser price impact is mainly limited to nitrogen-based fertilisers

There are three main fertiliser components: N = nitrogen, P = phosphate, and K = potassium/ potash. The fertiliser price increase is thus far limited to nitrogen-based fertiliser and to a lesser extent, phosphate (because rock phosphate is mined but needs sulfur, a by-product of oil and gas refining whose supply is now somewhat affected by Middle East conflict, to break the rock phosphate for easy absorption by the trees). Of the three fertilisers, potash is not directly impacted by oil and gas as it is mined from the ground except it is affected by present higher logistics costs as potash is mostly imported from Canada, Russia and Belarus.

But there is offsetting costs related to fertilisers

The exact breakdown of fertiliser application by one grower/ planter differs to another depending on tree age profile and agronomic needs. As a guide, the fertiliser cost roughly averages MYR400/t of CPO. We understand the blended average cost of fertiliser in the market has gone up by approximately 30%. A 30% fertiliser price hike roughly equates to MYR120/t of CPO cost increment.

We understand the blended average cost of fertiliser in the market has gone up by approximately 30%, equivalent to MYR120/t of CPO cost increment

Earnings sensitivity for planters under coverage

With diesel and fertiliser prices having gone up by a combined MYR245/t (MYR125/t for diesel and MYR120/t for fertiliser) since the escalation of conflict in the Middle East, the cost increase will likely be manageable given spot CPO price has risen by at least MYR500/t (since 28 Feb 2026). And even after factoring in the 15% windfall tax (or MYR75/t) on the incremental MYR500/t increase in spot CPO price, there is still an estimated MYR180/t margin expansion (before corporate taxes) as of now. We have thus provided a table of earnings sensitivity estimates assuming net CPO price margin increase of MYR100/t to MYR300/t for FY26E. Among the planters under coverage, TH Plantations (THP MK, BUY, CP: MYR0.64, TP: MYR0.67) and Genting Plantations (GENP, BUY, CP: MYR5.29, TP: MYR6.59) are most sensitive to net CPO price upside.

Higher CPO price + higher fertiliser and diesel cost = net positive to CPO companies

Among the planters under coverage, THP (BUY) and GENP (BUY) are most sensitive to net CPO price upside.

Fig 19: FY26E earnings impact on net CPO price increase

	FY26E PATMI	Net increment of		
	forecast (MYR'm)	+MYR100/t (%)	+MYR200/t (%)	+MYR300/t (%)
SDG - SD Guthrie	2,213.8	6%	13%	19%
IOI - IOI Corp	1,389.8	3%	7%	10%
KLK - KL Kepong	1,179.8	7%	15%	22%
GENP - Gent Plant	328.2	9%	19%	28%
THP - TH Plant	53.9	15%	30%	45%
SOP - Swk Oil Palms	444.5	4%	9%	13%
TAH - Ta Ann	203.1	4%	8%	12%
TSH - TSH Resources	154.7	6%	12%	19%

Source: Maybank IB Research

Consumer, an important element on food security

Malaysia currently has price controls on selected food staples (i.e. rice, cooking oil, sugar, flour) to ensure that essential food items remain accessible and affordable for all income groups. Live broilers and eggs were also previously put under price controls (from Feb 2022) in order to stabilise prices amid supply disruptions caused by high import costs of feed raw materials (corn & soybean). Live broiler and egg price controls were lifted on Nov 2023 and May 2025 respectively.

Price controls on selected food staples have kept essential food items remain accessible and affordable for all income groups

Fig 20: Selected list of price controls in Malaysia

Item	Controlled Price
Cooking oil	MYR2.50/1kg polybag
Refined white sugar	Price ceiling*
Wheat flour (general purpose)	MYR1.35/kg
LPG cooking gas	MYR1.90/kg
RON95 petrol (subsidised)	MYR1.99/L
Diesel (subsidised)	MYR2.15/L

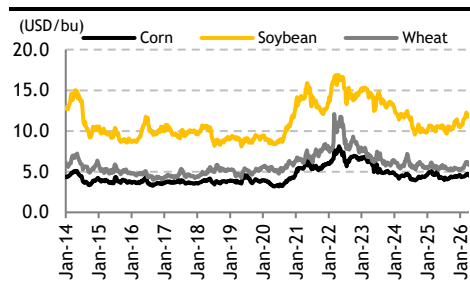
*Refined white sugar: Coarse - MYR2.85/kg; Fine - MYR2.95/kg

Source: Kementerian Perdagangan Dalam Negeri dan Kos Sara Hidup, Maybank IBG Research

Although continued price controls on food staples may partially shield consumers from sudden movements in prices and prevent wider increases in overall living costs, Malaysia remains heavily reliant on imports for its general food supply (i.e. rice, dairy products, vegetables, wheat, maize/animal feed inputs etc.), which exposes it to global shocks from supply chain disruptions, rising fuel and fertiliser costs, and geopolitical instability. Looming risks of higher cost-push inflation could have a broad-based adverse effect on the consumer sector as a whole, though we believe the earnings impact to consumer retail / discretionary companies will be more severe if consumer spending turns cautious.

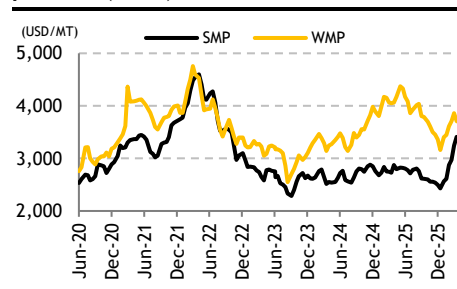
Malaysia remains heavily reliant on imports for its general food supply which exposes it to global shocks from supply chain disruptions, rising fuel and fertiliser costs, and geopolitical instability

Fig 21: Corn, soybean, and wheat price trends



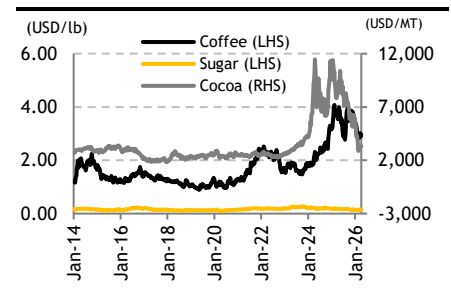
Sources: Bloomberg, Maybank IBG Research

Fig 22: Skimmed (SMP) vs. whole milk powder (WMP)



Sources: Bloomberg, Maybank IBG Research

Fig 23: Coffee, sugar and cocoa price trends

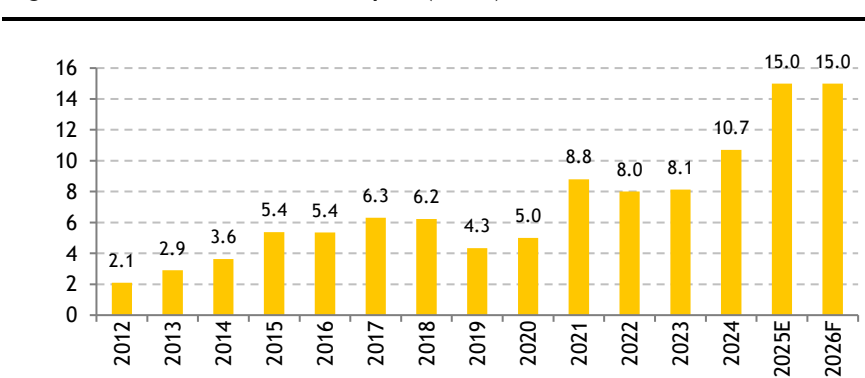


Sources: Bloomberg, Maybank IBG Research

We expect consumer staple companies eg. NESZ, QLG, FFB, LHIB to be relatively resilient in periods of economic uncertainty with defensive product demand, albeit similar cost pressures from higher costs of raw materials, logistics, and utilities. It also helps with the government supporting Malaysians with cash aid. In 2026, the Malaysian government has continued with the Sumbangan Tunai Rahmah (STR) and Sumbangan Asas Rahmah (SARA) programmes to assist with cost-of-living expenses. A one-off MYR100 SARA credit was given to all Malaysians in Feb 2026. This was a follow through from the MYR100 SARA in Aug-Dec 2025. These, we believe, remains supportive of consumer staple companies listed above.

We expect consumer staple companies eg. NESZ, QLG, FFB, LHIB to be relatively resilient

Fig 24: Historical cash handouts p.a. (MYRb)



Sources: Ministry of Finance, Maybank IBG Research

Ports - crucial in movement of essential commodities

While not a direct beneficiary of food security, we believe the ports play an important role in ensuring movement of essential commodities. There has been rising concerns over potential disruptions to global trade and container volumes, but we note that container demand has become increasingly resilient over time, with recovery periods shortening significantly following major shocks. We believe this resilience is partly driven by sustained global economic growth, including the developing markets, which has lifted living standards and supported rising consumer consumption worldwide, thereby increasing net underlying demand. At the same time, supply chain diversification and globalisation have increased the flow of intermediate goods, further underpinning container volumes beyond end-consumer trade.

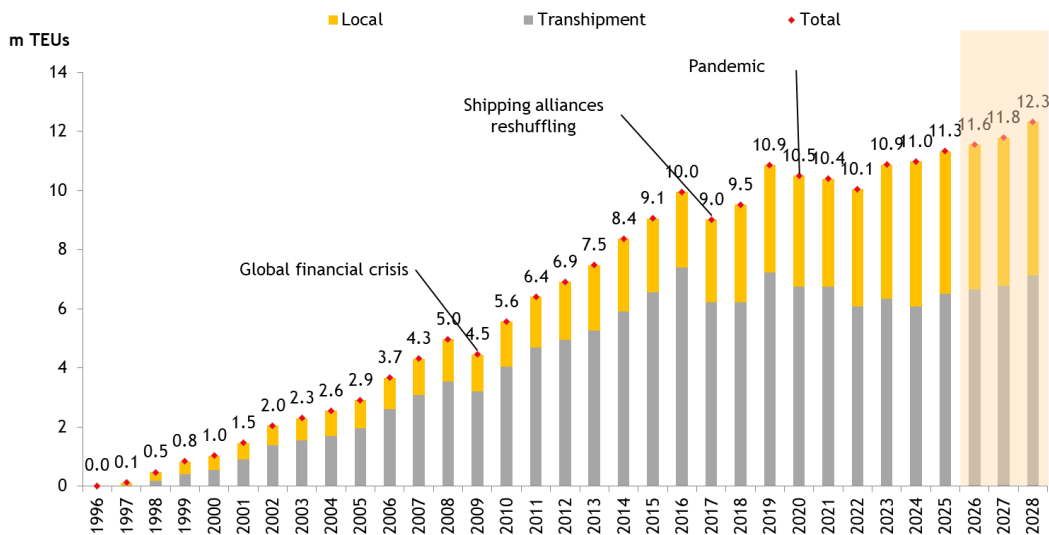
Ports play an important role in ensuring movement of essential commodities; container demand has become increasingly resilient over time, with recovery periods shortening significantly following major shocks

Link to report: [Westports: Geopolitical risks reflected; upside intact](#)

Looking ahead, we expect further resilience as shipping liners to continue to adopt a more transshipment-focused hub-and-spoke model introduced by the Gemini Alliance, which should support transshipment volumes even in a flattish underlying demand environment.

Notably, Westports (WPRTS, BUY, CP: MYR5.61; TP MYR6.48) has also demonstrated improving resilience across recent disruption cycles:

Fig 25: Westports container throughput volume (m TEUs)



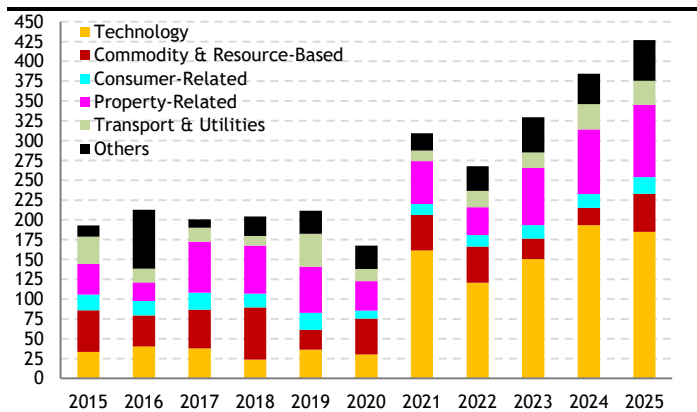
Source: Maybank IBG Research, company

(3) Capex and investment upcycle

Based on approved investments, it is evident that sentiment among businesses and consumers remains robust up. Corporate capex has shown signs of momentum, driven by manufacturing upgrades, data centre build-ups with related M&E/EPCC jobs and multi-year infrastructure pipelines. The approved investments typically take 18-24 months to realise, which means should sustain business activities and project pipelines. The Middle East conflict which has brought about increased construction material costs estimated at 20-30%. However, the government has stepped into active the variation-of-price clause for construction materials but no stop-work order will be allowed.

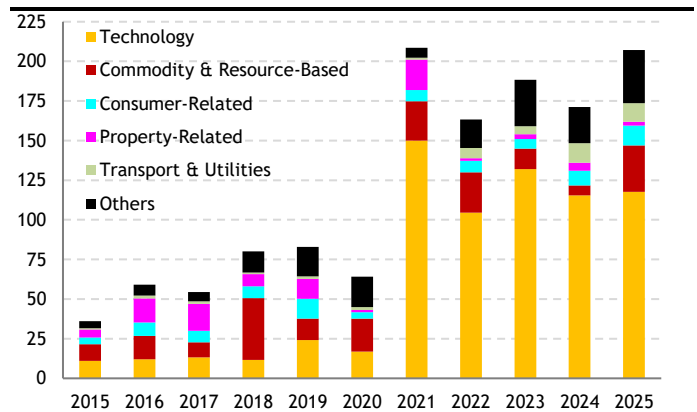
Approved investments have stayed strong and typically take 18-24 months to realise, which means should sustain business activities and project pipelines

Fig 26: Approved Investments by Industries, MYRb (Total)



Sources: MIDA, Maybank IBG Research

Fig 27: Approved FDI by industries, MYRb



Sources: MIDA, Maybank IBG Research

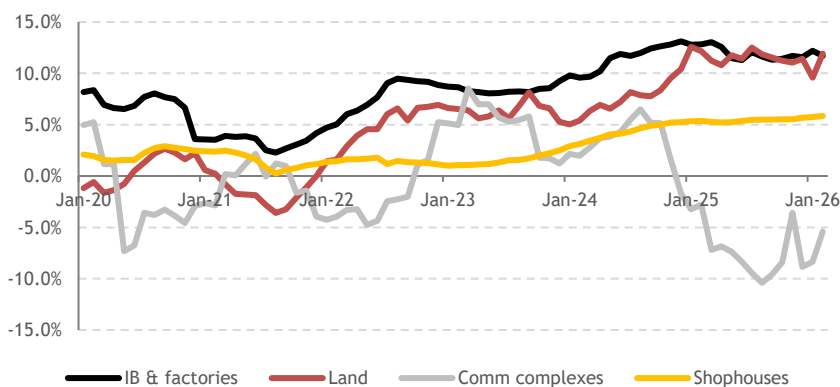
Despite disruptions, what is different this time is the reinforcing nature of demand across the sectors - from data centres to industrial park expansion, creating further demand for land, logistics and financing. These create a multiplier effect across the economy which then results in not just a deeper but also a more resilient earnings visibility across sectors within the domestic scene.

Despite disruptions, what is different this time is the reinforcing nature of demand across the sectors

Loan applications have generally stayed robust, but importantly, loans to non-residential property continued to expand in Feb 2026. Within commercial property financing, lending for industrial buildings and factories expanded 11.7% YoY end-Feb 2026 (11.6% YoY end-Dec 2025), while loan growth for the purchase of land was 11.9% YoY (11.4% YoY end-2025). Shophouse financing growth was a stable 5.8% YoY

Loans to the non-residential property sector remained robust

Fig 28: YoY chg in non-residential property loans (Jan 2020 - Feb 2026)



Source: BNM, Maybank IBG Research

(4) Supply chain relocation

We believe that global supply chains continue to evolve amid geographical fragmentation, trade policy uncertainty and the need for operational resilience. Framed as the “China + 1” policy, this is no longer a tactical adjustment but a multi-year reallocation of manufacturing capacity and capital. Supply chain relocation, though not a new theme, remains in play and is reinforced with Malaysia’s advantage in terms of cost of doing business as well as its rich infrastructure availability. Malaysia still forms an important part of the value chain for electrical and electronics (E&E) as observed in the influx of FDI and export share (Fig 24, 25)

Supply chain relocation, though not a new theme, remains in play and is reinforced with Malaysia’s advantage in terms of cost of doing business as well as its rich infrastructure availability

Supply chain relocation is increasingly visibly beyond industrial sectors. We noted consumer companies such as Yeo Hiap Seng (YHS SP, CP MYR1.90, NR) and Heineken Malaysia (HEIM MK, BUY, CP: MYR23.16, TP MYR 31.50) consolidating production into Malaysia, reinforcing Malaysia as a regional manufacturing hub. Notably, Malaysia has had tax incentives for companies using the country as its regional hub.

We believe the Middle East conflict could reinforce supply chain relocations as companies would need to now account for energy transport routes and trade corridors. Malaysia's strategic location should attract such draw of investments across broader sectors. This would support sustained FDI inflows, reinforcing Malaysia as a regional hub. The JSSEZ would be another magnet to attract such investments, in our view.

Our theme on state driven growth corridors remains intact with focus still on industrial parks and leveraging on the 13th Malaysia Plan (13MP). We believe 2026 would be a manifestation of the groundwork laid in 2025. The 13MP, further emphasises on industrial property development and building economic growth corridors. Besides the JS-SEZ, we also see the ambitions of Selangor (MBI Inc) and Negeri Sembilan (NS Corp) stepping up efforts to draw growth - both angled from an industrial property development perspective and building economic growth corridors. Not forgetting Penang (tech hub) and Sarawak (infra and renewable energy angle).

Middle East conflict could reinforce supply chain relocations as companies would need to now account for energy transport routes and trade corridors

3. Reinvigorating capital markets - MY Value Up

The Capital Market Masterplan 4 (CMP) is timely, in our view, as Malaysia's equity market has seen interest especially by foreign investors. The CMP4 marks a break from previous masterplans with a focus explicitly targeting equity market performance. Importantly, this is operationalised with the MY Value Up initiative which would serve as an execution layer at the listed companies' level. Based in available public information, the MY Value Up focuses on return on equities (ROE), strengthening governance and improving capital allocation discipline.

The CMP4 marks a break from previous masterplans with a focus explicitly targeting equity market performance.

If executed well, we believe the average daily trading values should see a marked improvement as observed in other countries (Korea, Japan, China and Singapore) initiating such programmes. Over time, Bursa Malaysia (BURSA MK, HOLD, CP MYR8.66, TP MYR9.40), should re-rate as a stock and a proxy to capital market reinvigoration, similar to Singapore Exchange (SGX SP, BUY, CP SGD21.09, TP SGD20.37) Visible and transparent deliverables via annual key performance indicators (KPI) scores would address mispricing and add investor confidence with clear plans to improve trading liquidity, in our view.

3.1 Capital Market Masterplan 4

The CMP4 aims to strengthen the competitiveness and resilience of Malaysia's capital market. The framework focuses on enhancing market depth, improving corporate governance, and attracting greater investor participation. By encouraging better capital allocation, stronger shareholder returns, and increased transparency, CMP4 seeks to unlock value within listed companies and position Malaysia as a more attractive investment destination. As a result, the MY Value Up Programme has been introduced as a key initiative to drive value creation and improve measurable performance across listed companies.

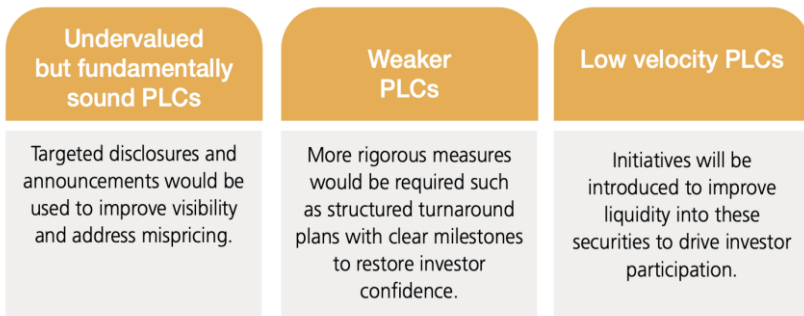
CMP4 seeks to unlock value within listed companies and position Malaysia as a more attractive investment destination

MY Value Up Programme has been introduced as a key initiative to drive value creation and improve measurable performance across listed companies

Under the new MY Value Up Programme, the Securities Commission (SC) plans to adopt a tailored approach based on different public listed company (PLC) archetypes, with a strong emphasis on driving value creation and improving measurable performance. The initiative aims to enhance the visibility of high-quality companies, catalyse potential re-ratings where warranted, and establish structured recovery pathways for underperforming firms. By differentiating strategies across companies, the programme seeks to ensure more effective and targeted outcomes in unlocking corporate value.

To further support these objectives, the SC plans to strengthen the role of boards in promoting innovation and improving capital efficiency. This includes the introduction of tangible performance metrics such as total shareholder returns, ROIC (return on invested capital), and innovation outcomes. These metrics are expected to be communicated through annual KPI reporting and enhanced public disclosures, increasing transparency and accountability among boards and management.

Fig 29: Targeted strategies across different PLC segments



Source: Capital Market Masterplan 2026-2030

In order to promote successful outcomes, incentive and reward will be given companies that demonstrate improvements; these initiatives will be supported by greater transparency and clearer communication of corporate plans and performance, with the aim of stimulating investor interest and market activity. As part of this, incentives such as the introduction of a premium index for top-performing companies, along with subsidised advisory support and listing fee rebates, may be implemented to reinforce positive outcomes.

3.2 MY Value UP Programme: Focus on Key Market Leaders

A preview to the MY Value Up was featured in in *The Star*, in an interview with SC’s Chairman. A key component of the MY Value Up Programme is its focus on the top 88 listed companies on Bursa Malaysia, which collectively account for approximately 80% of total market capitalisation. By targeting these market leaders, the Securities Commission aims to drive meaningful improvements in overall market performance. The initiative seeks to engage these companies directly to enhance capital efficiency, strengthen returns, and improve long-term value creation. Additionally, given their significant market influence, the SC aims to drive meaningful improvements by setting higher expectations for performance, transparency, and accountability, with companies expected to provide clearer disclosures on capital allocation, dividend policies, and long-term sustainability strategies.

By targeting these market leaders, the Securities Commission aims to drive meaningful improvements in overall market performance

In particular, the SC highlighted several key areas of focus, including research and development (R&D), merger and acquisition (M&A) activity, transparency, and free float levels. SC emphasises the importance of increasing investment in research and development (R&D) to drive innovation and long-term value creation.

SC also intends to address the issue of low free float among listed companies, which has limited their representation in global indices (Malaysia is only 1.2% of weightage in MSCI emerging index - source: StarBiz). Increasing free float will naturally improves liquidity and investability, making stocks more attractive to institutional and foreign investors.

SC also intends to address the issue of low free float among listed companies, which has limited their representation in global indices

Fig 30: CMP4 - Target outcomes for 2030 & 2045

Strategic outcome themes	Vibrant capital market driving economic prosperity	Inclusive capital market for all Malaysians	Capital market supporting national sustainability goals	Capital market as gateway to regional opportunities
2045 vision	RM13.8-RM20 trillion market size	Broaden participation and equitable access for Malaysians and enterprises	RM550-RM800bil cumulatively channeled	RM200-RM300bil of assets with foreign underlying
2030 vision	RM5.8-RM6.3 trillion market size	Improve capital market literacy and accessibility, including retirement adequacy	RM90-RM100bil cumulatively channeled	RM100-RM110bil of assets with foreign underlying
As at Dec 2025	RM4.3 trillion market size	RM268bil shortfall funding gap for MSMEs & MTCs	On average ~RM10bil issuances per year	RM78bil of capital market size with foreign underlying

1) Compound annual growth rate (CAGR) between 6%-8%. This includes assets under management by VC and PE.
 2) RM2.2 trillion bonds and sukuk outstanding and RM2.1 trillion equity market capitalisation. Source: SC
 3) MSME funding gap in 2022 was RM290bil. Between 2023-2025, approximately RM22bil has been raised by MSMEs/MTCs through the capital market. Source: SC
 4) As reference, over the past 5 years, ~RM10bil average of annual funds raised for sustainability. Source: Asean Green, Social, and Sustainability Bond Standards (Asean GSSB) issuance data
 5) Foreign underlying is defined as listed companies with foreign parents, and products with foreign assets, issuer or currency
 6) Equities: ~RM75bil. Bonds: ~RM2.9bil. Source: SC
 Source: Securities Commission

Fig 31: CMP - Reshape & Recalibrate

CMP 2026-2030: Reshape & Recalibrate



Source: Securities Commission

3.3 Korea, Japan, China’s experience on Value Up programmes

We draw parallels to Malaysia’s Value Up programme from experiences observed in North Asia. Singapore has a somewhat similar initiative - Equity Market Development Programme (EQDP) which was launched in 2025 and expanded in 2026.

Since 2023-2024, Japan’s TSE, Korea’s FSC and KRX, as well as China’s CSRC and State Council have introduced capital market reform frameworks aimed at unlocking corporate value. These “value-up” initiatives focus on three key objectives:

- (1) enhancing capital efficiency above the cost of capital
- (2) improving shareholder returns and investor confidence
- (3) strengthening transparency and governance.

To achieve these goals, boards and management are increasingly held accountable for setting and communicating clear, time-bound targets. Key

Since 2023-2024, major Asian markets have introduced “value-up” reforms to unlock corporate value, focusing on improving capital efficiency, shareholder returns, and governance.

These initiatives hold management accountable for achieving measurable targets through measures such as higher dividends, share buybacks, improved PB ratios, and stronger investor engagement.

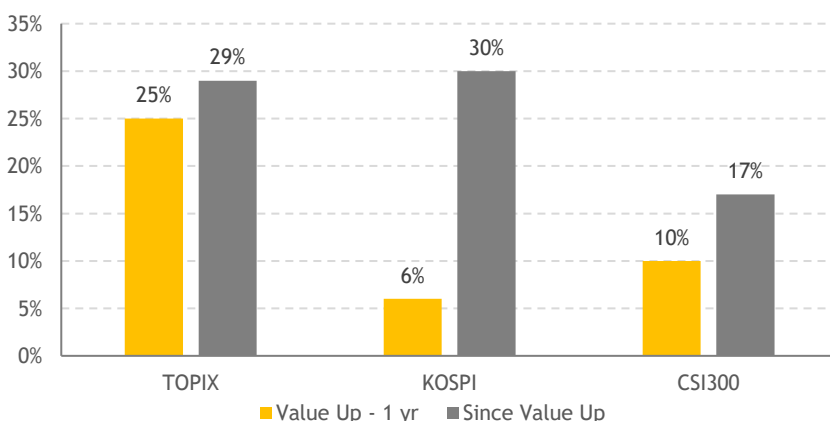
measures include improving price-to-book (PB) ratios, increasing dividend payouts, conducting share buybacks, delivering returns above COE/WACC thresholds, and enhancing investor engagement.

Fig 32: North Asia value-up expectations and referenced KPIs

Market	Official Program	When introduced	Minimum Expectations	KPIs most commonly referenced	What happens if targets are not met
Japan	“Action to Implement Management that is Conscious of Cost of Capital and Stock Price” - Tokyo Stock Exchange (TSE)	Request issued: Mar 31, 2023. Public list of responders launched: Jan 15, 2024 (now updated monthly).	Board discusses and discloses: current-state analysis (profitability & valuation), policies, targets, timeframes, and specific initiatives; then implements and engages investors. There is no fixed numeric threshold—TSE stresses multi-angle analysis, not a single PB or ROE cut-off.	PB to move sustainably $\geq 1x$, ROE > COE, ROIC vs WACC, payout/buybacks, portfolio actions. TSE explicitly say do not reduce it to “PB>1x or ROE>8%”; use multiple metrics.	No hard sanctions. TSE applies name-and-shame / name-and-praise via public list of companies that disclosed (or are “under consideration”)
Korea	“Corporate Value-up Program” - Financial Services Commission (FSC) & Korea Exchange (KRX)	Program announced: Feb 26, 2024. Guidelines effective: May 27, 2024. Value-Up Index announced: Sep 24, 2024.	Voluntary disclosure using KRX template: (a) company overview; (b) current-status analysis including valuation & capital efficiency; (c) goal-setting for chosen indicators; (d) plans (R&D, portfolio, capital returns); (e) annual implementation & evaluation; (f) investor communication.	Includes PB, PE, ROE, ROIC, COE/WACC, TSR, payout/dividend & treasury stock cancellation; growth metrics; plus governance non-financial indicators. Companies pick indicators aligned to mid-/long-term goals.	No automatic penalties for missing self-set goals; KRX notes exemptions from “unfaithful disclosure” if goals later change with corrective filings. Authorities have floated future penalties (even delisting) but nothing codified for now
China	“National Nine Articles” (State Council, Apr 12, 2024) + CSRC Regulatory Guidelines No.10 - “Market Value Management” (Nov 6, 2024); parallel SOE market-value/dividend appraisal via SASAC	State Council guideline: Apr 12, 2024. CSRC No.10: Nov 6, 2024. SOE appraisal emphasis: Jan 2024 onward.	Boards are formally charged with market value management: consider investor interests, act when market value diverges from intrinsic value; use a toolkit of measures (dividends, buybacks, IR, disclosure, equity incentives, M&A). There is no numeric floor for all issuers, however, it is framed as a governance obligation.	Emphasis on dividend policies, buybacks, improved disclosure/IR, capital allocation discipline; for SOEs, dividend ratio and market value incorporated into management performance appraisals.	Penalties are enforcement-based (for illegal/disguised “market value management”, fraud, manipulation) with potential sanctions and delistings

Source: JPX, FSC Press, KRX, CSRC, Reuters, SASAC, Maybank IBG Research

Fig 33: Key index performance before and after value-up reforms introduced



Source: Bloomberg, Maybank IBG Research

Visible improvement in index performance a year after Value Up programmes.

From Fig 33, we observe a significant improvement in index performance across major Asian markets. The respective indices delivered average returns of 25% compared to 13% in the year preceding the implementation. This suggests that the Value-Up programme has positively influenced equity performance. As such, we explore whether implementing similar “value-up”

initiatives in the Malaysian market could help enhance its overall performance.

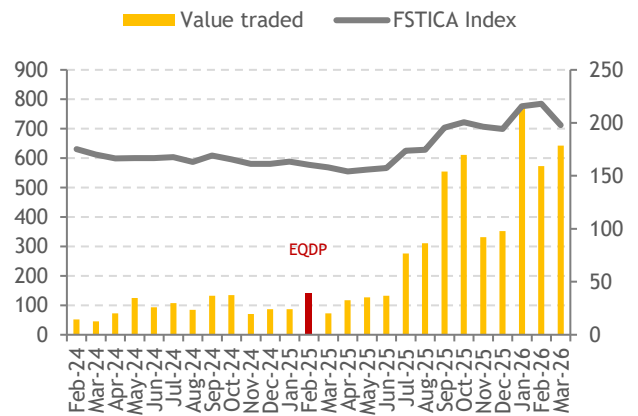
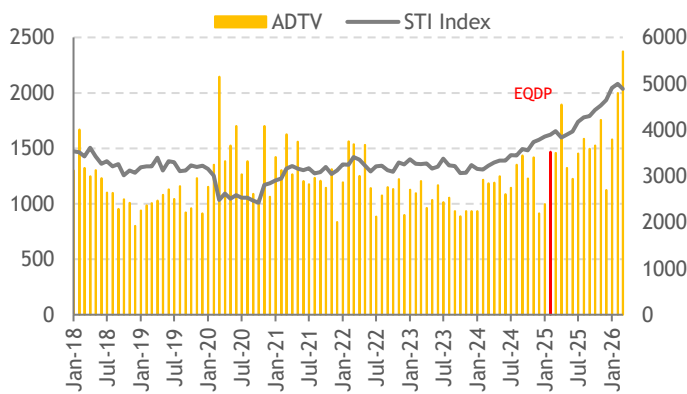
3.4 Singapore's EQDP

The Monetary Authority of Singapore (MAS), together with the Financial Sector Development Fund (FSDF), announced a SGD5 billion Equity Market Development Programme (EQDP) in February 2025. As illustrated in the chart, there is a noticeable increase in value traded following the programme's implementation. This is supported by the chart, which shows a year-on-year increase in value traded of 20% in 2025 compared to 2024. This suggests that the initiative has been effective in enhancing market liquidity and investor participation. The rise in trading activity supports the view that such programmes could result to unlock company value. The Catalyst market showed a more significant increase in trading activity as Singapore's EQDP saw more interest in small cap stock activity.

Singapore launched the EQDP and there was a noticeable increase in value traded as well as STI index performance

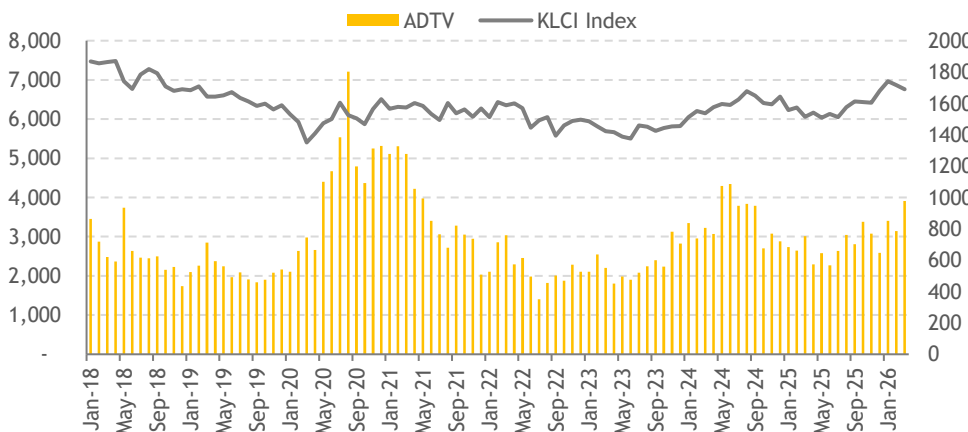
Fig 34: Singapore ADTV (LHS) vs STI Index (RHS)

Fig 35: SGX Catalyst value traded (LHS) vs SGX Catalyst Index (RHS)



Source: Bloomberg, Maybank IBG Research (chart); (L)

Fig 36: Malaysia ADTV (LHS) vs KLCI Index (RHS)



Source: Bloomberg, Maybank IBG Research (chart)

Our analysis: 15 stocks best positioned to benefit from the Value Up programme

We screen the FBM100, which consists of the top 100 listed companies on Bursa Malaysia by market capitalisation, subject to liquidity and free float requirements.

Guided by the metrics outlined by TSE, KRX and CSRC, we establish minimum thresholds to define meaningful shareholder value creation.

These include:

- a) >1x PB
- b) >50% dividend payout
- c) Active share buybacks in the past 12 months
- d) ROE-COE/ROIC-WACC spread of at least 2 points

We believe it is essential for corporates to generate returns above their cost of capital, as only then can true shareholder value be created. At a minimum, companies should be able to sustain returns that justify their valuation, with a reasonable expectation of trading at or above book value. Where reinvestment opportunities are limited or lack clear return visibility, management should return excess capital to shareholders through dividends and share buybacks, ensuring that value is not diluted through suboptimal capital allocation.

Based on our screen, we identify 15 stocks whose metrics fall meaningfully below the stated thresholds. We believe these companies offer the greatest potential and the most direct pathway to Value Up through restructuring, especially if supported by stronger regulatory oversight and institutional investor attention.

Share buybacks are an important component of the value-up framework as they reflect a company's capital allocation discipline. As mentioned above, when reinvestment opportunities are limited or lack clear return visibility, management should return excess capital to shareholders through dividends and share buybacks. By doing so will in turn enhance earnings per share (EPS) and can improve return on equity (ROE), thereby creating value for shareholders. It also signals management's confidence that the company's shares are undervalued, reinforcing market sentiment. However, if shares are not cancelled, the share buyback programme may not be effective.

From our FBM100 screening, we identified 18 companies that have conducted share buybacks over the past 12 months. However, the level of activity varies significantly across these companies. Some firms demonstrate consistent and frequent buyback activity, while others have only carried out one or two buy-back transactions within the period. This suggests that although share buybacks are a positive indicator of shareholder return, they are not uniformly or aggressively applied across the FBM100 universe. As such, in our analysis, active share buybacks are not a dominant filtering parameter compared to other metrics.

Malaysia's Value Up programme has yet to be launched. We have taken criteria from other countries to mimic possible beneficiaries within the FBM100 companies

Based on our screening criteria, we identified 15 companies best positioned to benefit from the Value Up programme

Malaysian listed companies are gradually embarking on share buyback mandates; of the FBM100 companies, only 18 have active share buyback activities over the past 12 months

Fig 37: Stocks with parameters that have the potential for Value Up improvement

	Company Name	Net Cash % of total Assets	Net Cash % of Market Cap	Current PB (10 Apr)	Dividend Payout Ratio (last)	2025 Dividend Yield %	ROE-COE (ppts)	ROIC-WACC (ppts)	GICS Sector	Description
1	Sime Darby	-13.74	-43.44	0.79	50.00	5.2	0.98	-0.06	Industrials	Provides trading, logistics, and distribution services across industrial, motors, healthcare, and retail sectors in Malaysia.
2	PPB Group*	6.06	8.68	0.77	49.00	3.6	-18.92	-9.61	Consumer Staples	Investment holding company engaged in grains trading, milling, and food-related businesses across Asia and Europe.
3	Genting Bhd	-24.11	-268.85	0.31	32.76	1.7	-6.95	-1.16	Consumer Discretionary	Investment holding company involved in leisure, gaming, plantations, property, travel services, manufacturing, oil and gas, and financial services.
4	Genting Malaysia	-38.33	-109.72	0.90	68.94	3.4	-0.84	-1.81	Consumer Discretionary	Operates integrated resort and leisure businesses, including hotels, gaming, entertainment, property, and timeshare services.
5	SP Setia	-21.76	-140.21	0.31	27.54	3.5	-6.94	-1.29	Real Estate	Engaged in property development, construction, and manufacturing of building materials and wood products.
6	Bank Islam Malaysia	NA	NA	0.66	58.77	6.3	-0.04	1.13	Financials	Provides Islamic banking services, including financing, deposits, wealth management, and treasury services.
7	Malakoff	-33.35	-144.40	0.80	152.63	3.7	-7.09	-2.82	Utilities	Operates as an independent power and water producer, offering power generation, engineering, and maintenance services.
8	Genting Plantations	-17.24	-33.18	0.95	68.55	5.5	0.04	-0.63	Consumer Staples	Operates plantations and related activities including palm oil processing, property investment, and agricultural services.
9	Mah Sing*	-13.29	-41.86	0.64	44.30	4.5	-6.52	-3.20	Real Estate	Engaged in property development across residential, commercial, and industrial segments, as well as plastic manufacturing.
10	OSK Holdings*	-28.33	-68.11	0.75	32.22	3.5	-1.10	-4.49	Real Estate	Provides financial services including broking, banking, asset management, corporate finance, and advisory services.
11	AFFIN Bank*	NA	NA	0.50	0.00	2.2	-4.67	-3.89	Financials	Offers a range of financial services including banking, treasury, investment, and corporate solutions.
12	MBSB*	NA	NA	0.55	111.78	5.7	-6.19	-2.80	Financials	Provides financial services including loans, investment banking, and asset management.
13	Hap Seng Consolidated*	-28.48	-74.39	0.90	99.52	7.0	-2.40	-2.09	Industrials	Investment holding company that operates multiple supplies, plantations, services and trades
14	KSL Holdings*	-8.42	-15.97	0.69	0.00	2.7	-0.51	-0.05	Real Estate	Engaged in property development covering the full lifecycle from land acquisition to completion.
15	UEM Sunrise	-26.20	-137.83	0.36	76.50	2.6	-13.08	-6.81	Real Estate	Focuses on real estate development and investment across residential, commercial, and mixed-use projects.

*Stocks not under our Coverage; Highlighted includes dividend payout parameters; Source: Factset, Bloomberg, Maybank IBG Research;

Fig 38: 18 of FBM100 stocks that have share buyback mandates

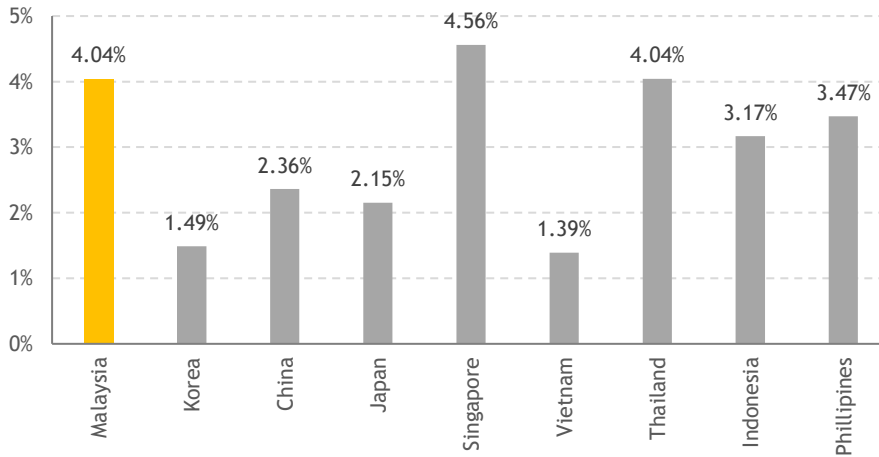
	Company Name	Net Cash % of total Assets	Net Cash % of Market Cap	Current PB (10 Apr)	Dividend Payout Ratio (last)	2025 Dividend Yield %	ROE-COE (ppts)	ROIC-WACC (ppts)	GICS Sector	Description
1	Public Bank	NA	NA	1.49	60.45	5.0	3.82	0.07	Financials	Provides banking, financing, and financial services across retail and international markets.
2	AMMB	NA	NA	0.95	49.87	5.4	0.79	-1.88	Financials	Offers commercial banking, insurance, and investment management services.
3	QL Resources	-9.58	-4.03	4.20	48.13	1.1	6.87	3.75	Consumer Staples	Engages in food manufacturing, agriculture, and palm oil operations.
4	Frontken	25.91	5.10	6.39	42.89	0.5	7.52	6.39	Industrials	Specialises in surface engineering and thermal spray coating technologies.
5	Zetrix Ai	-20.95	-19.49	1.54	27.15	3.9	16.65	11.44	Industrials	Develops blockchain solutions for enterprises and public sector use.
6	Tanco Holdings*	-7.30	-0.37	27.08	0.00	N/A	-3.27	-3.11	Industrials	Operates in property development, hospitality, and leisure businesses.
7	Carlsberg	-1.53	-0.31	16.04	70.00	6.6	118.29	77.36	Consumer Staples	Produces and distributes beer and beverages locally and internationally.
8	Mega First Corp	-11.58	-21.68	0.79	23.74	2.9	3.94	3.44	Utilities	Involved in renewable energy, resources, and industrial manufacturing.
9	Johor Plantations Group*	-17.59	-20.44	1.55	1630.34	3.8	3.76	0.67	Consumer Staples	Focuses on palm oil cultivation and plantation activities.
10	Hartalega	19.32	21.86	0.97	483.72	6.0	-7.71	-8.80	Health Care	Manufactures latex and nitrile gloves for global markets.
11	Oriental Holdings*	9.28	23.55	0.62	0.00	5.9	-3.00	-2.75	Consumer Discretionary	Engages in automotive distribution, manufacturing, and diversified businesses.
12	Kossan Rubber	21.30	29.04	0.81	0.00	1.8	-4.66	-5.22	Health Care	Produces rubber gloves and industrial rubber products.
13	CTOS	-7.76	-4.32	2.45	51.14	3.4	10.35	1.56	Industrials	Provides credit reporting and digital data solutions.
14	Hextar Global*	-43.51	-12.11	11.67	0.00	0.6	18.95	6.26	Materials	Supplies agrochemicals including pesticides and fertilisers.
15	Mi Technovation*	17.14	8.66	2.43	28.48	1.0	-4.48	-2.81	Technology	Designs semiconductor equipment and automation solutions.
16	Kerjaya Prospek*	17.61	12.79	2.36	69.97	5.5	11.36	9.86	Industrials	Operates in construction, manufacturing, and property development.
17	Tropicana Corp*	-19.35	-70.73	0.76	N/A	N/A	-12.09	-5.98	Real Estate	Develops residential, commercial, and resort properties.
18	Nationgate*	-11.45	-20.45	1.65	18.21	2.7	-4.33	-6.29	Technology	Provides electronics manufacturing and engineering services.

*Stocks not under our Coverage; Source: Factset, Bloomberg, Maybank IBG Research;

If we incorporate the dividend payout requirement of >50% as a criteria, the screening reduces our selection to 8 stocks (highlighted in Fig 37). From the regional comparison above, Malaysia appears to be on the higher end in terms of dividend yield, relative to its regional peers. Given that Malaysian companies typically exhibit a strong dividend culture, we adopt a relatively higher payout threshold of 50% as a key screening parameter.

The dividend criteria may be less suitable as we found most FBM100 companies have dividend payout of >50%; Malaysia stands out with higher dividend yielding companies vs regional peers

Fig 39: Dividend yield by region



Source: Bloomberg, Maybank IBG Research

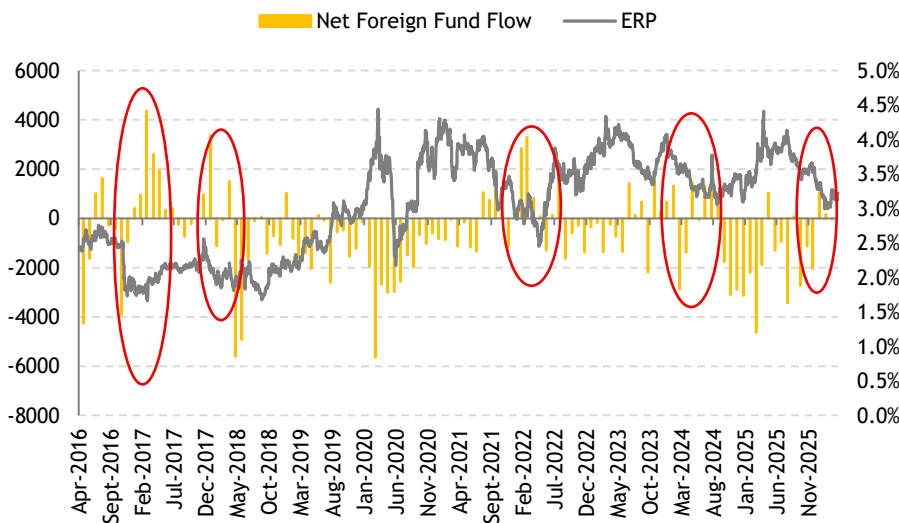
4. KLCI target at 1,780; broad-based re-rating intact

4.1 Favourable earnings risk premium

We estimate Malaysia’s equity risk premium (ERP) at 3.2% currently (KLCI earnings yield minus 10-yr MGS yield). Our KLCI target of 1,780 (15x 2027 P/E) would bring ERP to 2.8-3.0% which would place the market within the range of net foreign inflows. Our bull case KLCI of 1,890 (16x P/E) would imply an ERP of below 2.5% as seen in 2014 and 2018, which coincided with the KLCI peaks (confluence of investment upcycle and general elections).

Malaysia at a favourable equity risk premium position. Further ERP compression should be favourable to attract foreign inflows

Fig 40: FBMKLCI index 10 years ERP (RHS) vs Net Foreign Fund Flow (LHS)



Source: Bloomberg, Maybank IBG Research

We believe Malaysia’s ERP sits in a favourable position vs its ASEAN peers sans Singapore, which is viewed as a more developed market and hence lower risk. Comparing with Indonesia, Malaysia offers lower risk but lower growth profile. Compared with Thailand, which sits just above Malaysia’s ERP, its earnings profile appear to be less visible due to structural growth challenges. Indonesia’s ERP maps its more volatile exposure to commodity cycles, currency and policy sensitivity to capital flows. We observe that both JCI and PCOMP exhibit significantly higher volatility relative to other markets. Notably, their ERP trends occasionally turn negative, as shown in Fig 39, which is not economically intuitive and likely reflects underlying macroeconomic instability.

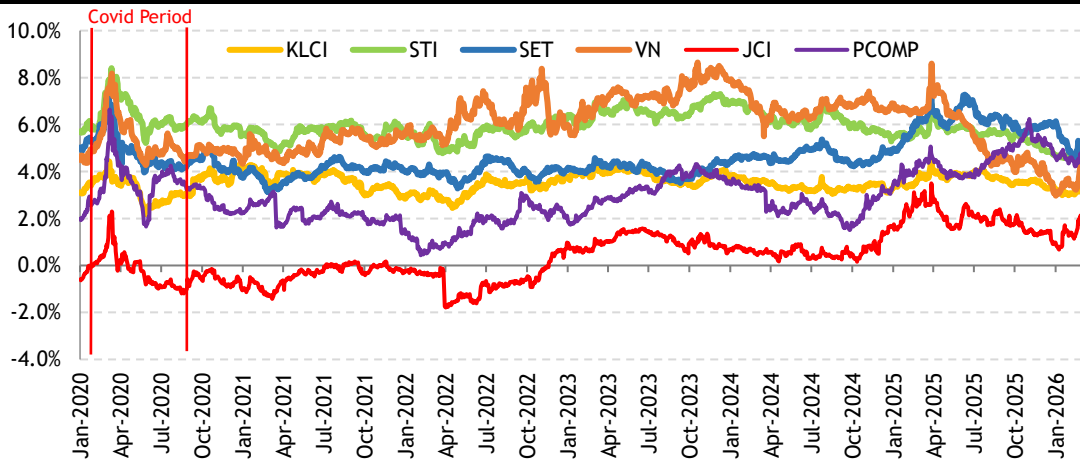
Malaysia’s ERP sits in a favourable position vs its ASEAN peers sans Singapore

For Indonesia, during the period of aggressive fuel subsidy cuts, inflation surged to as high as 17%, pushing bond yields into double-digit levels. ERP turned negative during the period from 2016 to 2022, suggesting that equity earnings yields were insufficient to compensate for the high risk-free rates. In other words, investors were not adequately compensated for taking on equity risk, which is economically counterintuitive. Although Indonesia’s bond yields have since stabilised, they remain relatively high compared to other markets. At the same time, earnings yields have not increased proportionately, resulting in persistently compressed ERP levels.

Foreign flow dynamics represent a swing factor across these markets. We note that Malaysia has experienced prolonged periods of net foreign outflow and lower foreign ownership levels, but with our themes resting on domestic-centric strength, stable macro conditions, improving earnings

visibility and strengthening structural growth narrative coupled with a resilient post-conflict outlook, we believe Malaysia’s ERP should compress and thus able to attract foreign inflows.

Fig 41: Regional ERP comparison



Source: Bloomberg, Maybank IBG Research (chart)

4.2 KLCI YE 2026 target stays at 1,780

We keep our 2026 YE KLCI target at 1,780 pegged to 15x 2027E P/E. While this appears rather challenging at current levels with the Middle East conflict still escalating, we take a view that a semblance of normalisation would set in by 2H26. Our 2026E earnings growth is at 9.2% after adjusting for KLCI component stocks - QLG removal and SUNMED inclusion post its listing, while our 2027E earnings growth is at 5.8%. While we keep our bull case KLCI at 1,890 (16x P/E) with the assumption that the investment upcycle remains intact and as the country and market positions for the next general elections. We observed similar KLCI peaks in 2014 and 2018. Key risk to our market still rest on geopolitics (tensions and tariffs) with our bear case KLCI at 1,500 (14x P/E). In the event of a full blown war or a global recession, the ultimate bear case could hit 1,250 (12x P/E), similar levels to that observed during Covid.

Keeping our KLCI 2026 YE target at 1,780

Bull case at 1,780; bear case at 1,500

In the event of a full blown war or a global recession, the ultimate bear case could hit 1,250 (12x P/E), similar levels to that observed during Covid.

Fig 42: KLCI earnings growth

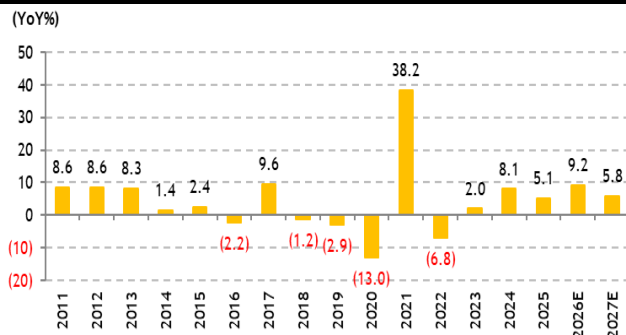
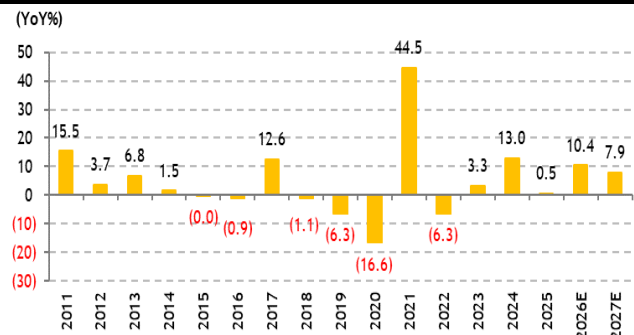
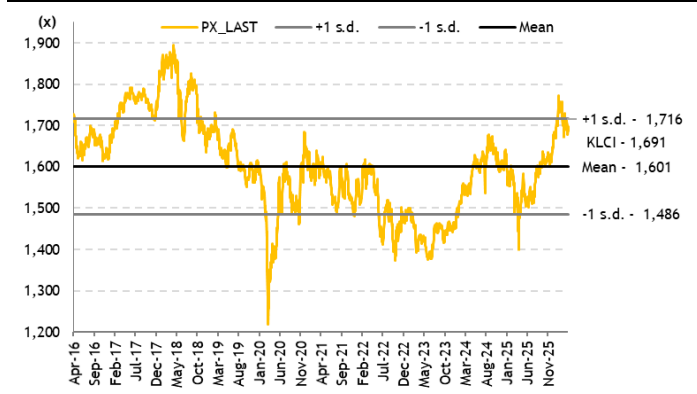


Fig 43: Research universe earnings growth



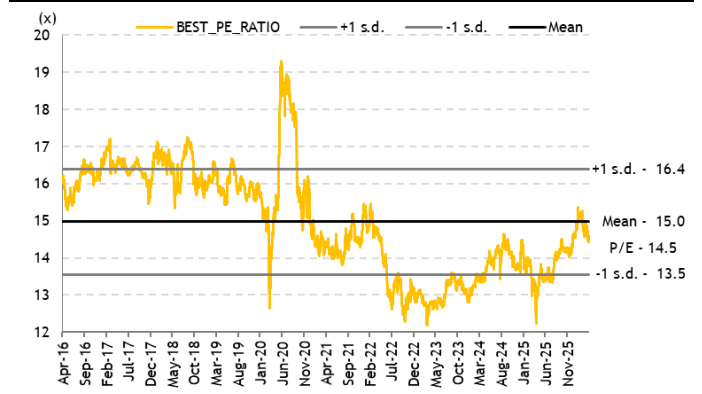
Source: Bloomberg, Maybank IBG Research (chart)

Fig 44: KLCI 10y trend



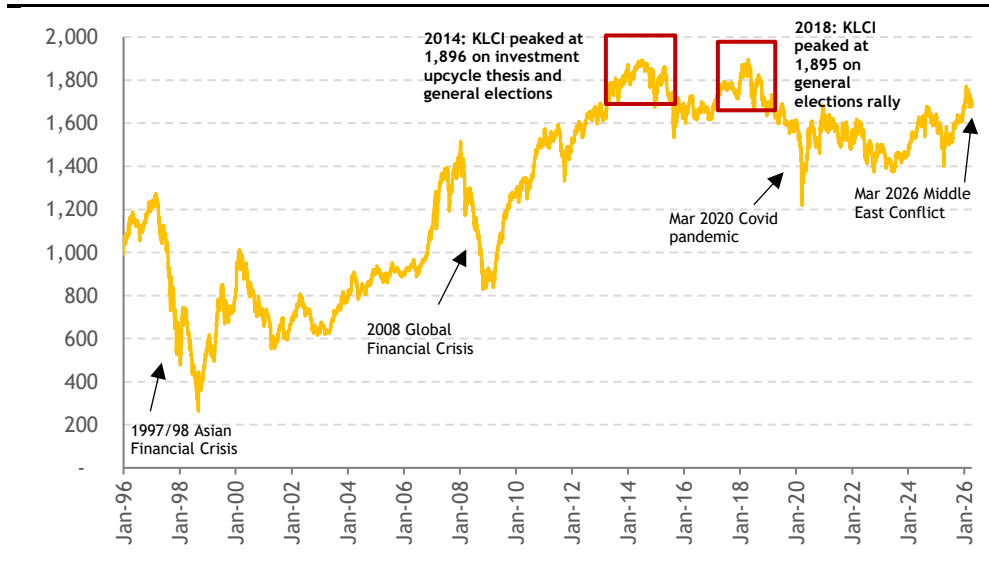
Source: Bloomberg, Maybank IBG Research (chart), as at 10 April

Fig 45: KLCI 10y PE



Source: Bloomberg, Maybank IBG Research (chart), as at 10 April

Fig 46: KLCI peaked during the last investment cycle (2014 and a pre-GE rally 2018)



Source: Bloomberg, Maybank IBG Research (chart)

While challenging based on current circumstances, we believe our bull case scenario is still possible as our themes on investment upcycle remains intact and general elections; Malaysian parliament will automatically dissolve by end Dec 27

4.3 1H26 earnings preview

We expect 1Q26 earnings to stay relatively resilient though some sectors may see typical seasonal weakness. 2Q26 could see the brunt of supply chain disruptions arising from the Middle East conflict. Fig 44 summarises our views on the sectors taking into account the impact from the Middle East conflict for 1Q26 and 2Q26.

We expect seasonally soft quarters for autos, construction and healthcare, while consumer, gaming, REITs and telcos should be seasonally stronger. Banks should stay relatively resilient, in our view.

Taking into account the impact of the Middle East conflict in 2Q26, apart from petrochemicals and oil & gas, we expect most sectors to see weaker earnings premised on higher fuel, logistics and raw material costs. We expect healthcare, telcos and selected utilities plays to stay resilient while plantations could see some uplift from higher CPO prices though partially mitigated by higher input costs.

1Q26 earnings should stay resilient benefitting from festivities for selected sectors and general positive macro environment

2Q26 earnings may be dented with the onslaught of the Middle East conflict affecting higher fuel, logistics and raw material costs

Fig 47: 1Q26 and 2Q26 sector expectations taking into consideration Middle East conflict implications

Sector	1Q26 expectation	2Q26 expectation	Stock to watch
Automotive	1Q26 is typically a seasonally softer period for the sector, mainly due to fewer working days from scheduled plant closures and festive periods.	Looking ahead to 2Q26, while automotive players have yet to see any direct impact from Middle East tensions, key risks include a potential slowdown in sales (particularly for ICE vehicles) as consumers turn more cautious amid rising inflation. Cost pressures could also intensify, especially for CBU vehicles and parts, given possible supply chain disruptions.	Bermaz Auto
Aviation	We understand that 1Q26 was good for the aviation industry due to seasonally higher demand for air travel in Jan and Feb 2026 when jet fuel prices were still under USD100/bbl then. Demand for air travel in Mar 2026 was still robust but costs increased as jet fuel prices surged to c.USD200/bbl.	We expect 2Q26 to be weak for the aviation industry due to seasonally lower demand for air travel post-Chinese New Year and Hari Raya Aidilfitri coupled with jet fuel prices at c.USD200/bbl. Airlines have raised fares but we understand that they are not enough to fully offset higher jet fuel prices.	AAX
Banks	1Q26 is like to have been a decent quarter for the banks. Interest margins are expected to be slightly improved QoQ, recovering from the seasonal rate competition in 4Q25, and as deposits continue to reprice from the OPR cut in July 2025. Industry loan growth held up at 4.9% YoY end-Feb 2026 versus 4.8% YoY end-Dec 2025. Asset quality has been stable, though there are early signs of stress in the lower income consumer segment as well as among retail SMEs. Nevertheless, credit costs are generally expected to be fairly benign, though we may see higher macroeconomic overlays in light of potentially slower economic growth.	The outlook for 2Q26 will depend on the state of the economy and whether inflationary pressures from higher oil prices filter through to consumers and SMEs. Under cost-push inflationary conditions, we do not expect Bank Negara to raise interest rates, but lending may turn more cautious. Asset quality will be given greater scrutiny and we may see higher credit costs for the sector. Of some comfort is that most banks still possess management overlays that could be used to somewhat buffer against these credit costs increases.	Public Bank
Construction	We expect 1Q26 to be seasonally slower due to the fasting month of Ramadhan. Otherwise, we understand that construction margins were still relatively stable in 1Q26 because the surge in diesel prices occurred only towards the end of 1Q26.	We expect 2Q26 to be seasonally stronger due to more progress billings after the fasting month of Ramadhan. Yet, we understand that margins for some contractors could be negatively impacted largely due to the surge in diesel prices.	-
Consumer	Our expectations for a positive 1Q26 earnings trajectory remains intact, with Chinese New Year and Hari Raya Aidilfitri festivities driving seasonally higher consumer spending. The combined impact of the stronger MYR against both USD and CNY, and softening raw material ASPs may also translate to an uptick in operating margins. That said, with the onset of the Middle East conflict towards end-Feb 2026, logistics costs across the consumer sector may have begun to rise - though earnings impact should remain minimal within the quarter.	As the Middle East conflict prolongs, we believe that overall consumer sentiment and spending momentum may weaken as economic uncertainties and inflationary pressures loom. Consumer demand for daily F&B essentials are likely to stay resilient, but consumer retail / discretionary spending could soften as consumer spending habits become more cautious. Production and operating costs may also begin to snowball, with continued increases in the prices of fuel, food and agricultural raw materials.	Nestle Malaysia
Gaming	Adjusted for normal VIP win rate, we expect 1Q26 to be seasonally strong due to Chinese New Year celebrations at Resorts World Genting and Resorts World Sentosa.	Adjusted for normal VIP win rate, we expect 2Q26 to be seasonally weaker due to post-Chinese New Year lull at Resorts World Genting and Resorts World Sentosa. That said, we could see maiden contributions from GENM's Resorts World New York City's new tables when they are deployed in Jun.	-
Gloves	We view the recent rally in glove stocks as largely event-driven, driven by a sharp but short-term ASP spike following raw material disruptions. For 1Q26, margins should see some QoQ improvement, supported by steady utilisation, pre-conflict raw material inventory and initial ASP increases towards end-March amid tightening nitrile latex supply.	Moving into 2Q26, earnings are likely to see a more meaningful uplift driven by sharper ASP increases, supported by earlier lower-cost inventory, pre-war secured nitrile latex supply and pricing buffers embedded in current ASPs. This could extend slightly post-war if crude oil prices remain elevated. That said, we believe the strength is largely cyclical and front-loaded. While near-term earnings could benefit, visibility beyond the next 1-2 quarters remains limited, given most players have only secured nitrile latex supply up to May 2026.	-
Healthcare	We expect softer QoQ earnings in 1Q26 on the back of seasonally-subdued patient volume due to festivities. On the other hand, revenue intensity growth should continue its uptrend momentum, in our view, on high case-mix complexity and stable payor discounts post-completion of the most recent round of revisions in 3Q25. On IHH specifically, we are still positive on its Turkiye operations post the onset of the Middle East conflict as Acibadem's network of hospitals are quite removed (c.800-1,500km) from the Turkiye-Iran border, and we believe Turkiye's medical tourism volume and domestic operations should still be intact. That said, FX exposure remains a risk to IHH, and any MYR appreciation relative to TRL/INR/SGD could potentially dilute its earnings translation to the Group.	We are optimistic on 2Q26 earnings trajectory as with revenue intensity as the primary earnings driver as hospitals focus on higher-acuity cases. Patient volume momentum should also hold firm on the back of an ageing domestic population, rising NCD prevalence, brownfield/greenfield expansions and normalisation of deferred elective procedures from the previous quarter (due to a festive-heavy 1Q). Cost pressures should still remain stable in 2Q26, and any cost hikes could be easily passed down to end-consumers/payors.	IHH

Source: Maybank IBG Research

Fig 47: 1Q26 and 2Q26 sector expectations taking into consideration Middle East conflict implications (cont'd)

Sector	1Q26 expectation	2Q26 expectation	Stock to watch
Oil & Gas	MISC and Dialog could likely to benefit from the Middle East conflict - due to rising petroleum tanker charter rates (MISC has 25% spot exposure for its fleet) and higher crude oil prices in March. These 2 large caps will likely register stronger earnings in 1Q26. Meanwhile, other names under coverage such as Bumi Armada, Wasco and Velesto are unlikely be affected	Similarly, Dialog will benefit from higher crude oil prices while MISC will continue riding on higher petroleum tanker spot charter rates - which will boost 2Q26 earnings as well. Other names under coverage will likely be impacted.	Dialog
Petrochem	Both PCHEM and LCTITAN are expected to benefit from higher petrochemical ASPs. We expect PCHEM to turn slightly profitable while LCTITAN should be recording narrowed losses in 1Q26.	LCTITAN should turn profitable, but this is likely shortlived due to the naphtha procurement timing. LCTITAN may also run out of feedstock in May 2026, or may need to procure naphtha at elevated levels. Both outcomes are negative for LCTITAN. On the other hand, PCHEM should register supernormal profits, driven by higher urea and petrochemical prices.	Petronas Chemicals
REITs	For 1Q26, we expect sector performance to be relatively stronger on a sequential basis, supported by seasonal factors, as the quarter typically benefits from higher consumer spending during the Chinese New Year and Hari Raya festive periods. For retail REITs, this is likely to be driven by stronger tenant sales and higher gross turnover (GTO) rents, alongside stable occupancy and healthy footfall. That said, hospitality REITs may see seasonal softness during the fasting month, with potentially lower room rates and occupancy. Overall, operating conditions remain stable.	Moving into 2Q26, assuming a peak in geopolitical tensions and elevated global energy prices, we expect greater pressure on operating costs, particularly for retail and office REITs, where electricity expenses form a significant portion of property opex. This could result in mild margin compression, especially given the lag in cost pass-through via service charges. However, based on our sensitivity analysis, the earnings impact is expected to remain modest, with a 10% increase in electricity costs translating into only c.0.7%-1.1% downside to DPU, with the impact potentially becoming more visible from 2Q26 onwards and into 2H26.	Paradigm REIT
Renewable energy	We expect RE sector to deliver stronger QoQ and YoY results in 1Q26, driven by completion of CGPP projects coupled with early-stage recognition from LSS5 projects.	However, earnings in 2Q26 are likely to soften sequentially as CGPP contributions taper off, while LSS5 projects remain in the early stages of execution. A more meaningful ramp-up in LSS5 contributions is anticipated in 2H26.	Solarvest
Technology (semicon & EMS)	In the aftermath of the Middle East conflict, we expect broad-based negative impact in 1Q26 across our tech coverage universe, as logistics and raw material supply disruptions should cause a rise in production costs and delays in order delivery, compounded by a seasonally weak demand environment and MYR strength weighing on 1Q26 earnings.	While select names may still deliver profit growth, margin compression is likely to be a common theme. Near-term outlook for 2Q26 remains mixed, as we expect cost pass-throughs to have yet to fully materialise, we take cautious on positioning pre-1QCY26 results. Within the space, we continue to favour names exposed to the AI/data centre capex upcycle, supported by healthy margins and resilient orderbook visibility.	ViTrox Frontken
Technology (software)	We favour the Malaysian Technology - Software sector heading into the 1Q26 results season. The sector's domestic and regional operational footprint provides a defensive buffer against global geopolitics and therefore, we anticipate no direct material impact from the heightened market volatility stemming from the Middle East conflict.	We expect the sector to remain largely resilient through 1Q26 and even in 2Q26, maintaining BAU operations. A notable exception would be CTOS which may see some fluctuations, tracking the underlying banking system activity and loan application volumes. Additionally, ITMAX should see added contributions from the commercialisation of the VO11 contract from 1Q26 onwards.	CTOS ITMAX
Telcos	1Q is usually a sequentially stronger quarter due to seasonally-elevated handset costs by mobile telcos in 4Q. However, 1Q26 earnings could potentially be impacted by 1) the equity-accounting of DNB losses from Mar 2026, and 2) further lumpy VSS provisions at TM. Meanwhile, investors remain on the lookout for an improved dividend policy at TM.	Telcos operations are largely unaffected by the conflict at the time of writing. 2Q26 earnings of the mobile telcos would however be dragged by a full quarter impact of DNB losses (1-month impact in 1Q26).	TM
Utilities	We expect earnings of Tenaga and Petronas Gas to be stable, while earnings of YTL Power (further tapering of PowerSeraya's earnings and equity accounting of DNB's losses), Mega First (dry season and USD depreciation) and Gas Malaysia (lower domestic gas prices) could contract sequentially in 1Q26. Malakoff's earnings should normalise with the resumption of the Tj Bin Energy plant.	We expect earnings of Tenaga and Pet Gas to be stable, while earnings of YTL Power (further tapering of PowerSeraya's earnings, and full-quarter impact of DNB's losses), and Gas Malaysia (lower domestic gas prices) could contract sequentially in 2Q26. Malakoff meanwhile could benefit from positive fuel margins due to rising coal prices.	Tenaga

Source: Maybank IBG Research

4.4 Top picks

We stay focused on domestic-centric sectors and stocks, led by banks, consumer and renewable energy but more selective on consumer and construction on near term headwinds. Within the consumer sector, we favour consumer staples but turn cautious on consumer discretionary and consumer names which are more product price sensitive. For construction, while we keep our BUYs for most of the stocks under coverage, we flag concerns on rising raw material and fuel costs which may impact near term margins.

We see emerging focus in utilities and plantations sectors, though we keep our NEUTRAL stance on these sectors. We see tactical opportunities in the plantations and petrochemical sectors, riding on high oil prices. While staying NEUTRAL on the plantations sector, we advocate a short term trading strategy as sustained high crude oil prices may push Indonesia to accelerate its B50 plan. Meanwhile, as the Middle East tensions stay protracted, and as petrochemical prices stay high, Petronas Chemicals (PCHEM, HOLD, CP: MYR5.82, TP: MYR5.62) would be an opportunistic trade, in our view. Similarly, we expect situational higher aluminium prices to keep Press Metal (PMAH MK, HOLD, CP: MYR7.90, TP: MYR7.50) attractive.

We believe large-caps and selective thematic small-mid caps could outperform. We narrow our top picks (Fig 48) to more resilient plays: Public Bank, Tenaga Nasional, IHH Healthcare, SD Guthrie, Nestle Malaysia, Westports, ITMAX, Solarvest, MN Holdings. We removed RHB Bank, AMMB Holdings, Gamuda, Eco Shop, Vitrox from our top picks list for now. While we still have BUYs on these names, we are a little cautious for a few reasons.

We remain POSITIVE on the banks, the banks are entering this period of uncertainty with much stronger fundamentals than before and in our Stress Test, most banks would still be able to offer dividend yields of at least 4% under stressed conditions. Banks' fundamentals are significantly stronger today than in 2010, with improved asset quality, stronger loan loss coverage, and higher capital buffers. We see much resilience in Malaysian banks. But of our BUYs, we choose Public Bank (PBK MK, BUY, CP: MYR4.65, TP: MYR5.55) as our top buy for the sector.

For the construction sector, we observed that rising crude oil prices, could indirectly increase construction costs in Malaysia. While oil is not a direct input for most building materials, it affects the broader supply chain that supports the construction industry. Diesel prices typically rise alongside oil prices increasing the cost of transporting building materials. Construction machinery also relies heavily on diesel, raising operating expenses for contractors. As Malaysian construction companies generally pay market diesel prices, higher fuel costs may compress construction margins. While we still have a BUY rating on Gamuda (GAM MK, CP: MYR4.02, TP: MYR5.30), we would err on caution in the near term.

Similarly, we remain POSITIVE on the consumer sector but we would focus more on consumer staples, keeping Nestle Malaysia (NESZ, BUY, CP: MYR99.00, TP: MYR120.00) as our top consumer pick. Within the consumer staples, we also see upside on QL Resources (QLG MK, HOLD, CP: MYR3.86, TP: MYR4.25) and Leong Hup International (LHIB MK, BUY, CP: MYR0.72, TP: MYR1.00) as proxies to the food security theme. While we still have a BUY rating on Eco Shop (ECOSHOP MK, CP: MYR1.26, TP: MYR1.70), we are a little concerned in the near term due to the price sensitivity of its customer base. Eco Shop would unlikely be able to pass on cost to consumers due to its flat-pricing format if it faces cost pressures from suppliers.

We remain POSITIVE on domestic-centric sectors and stocks, led by banks, consumer and renewable energy

Tactical bets on plantations, petrochemicals and aluminium (PMAH)

We narrow our top picks to more resilient plays: PBK, TNB, IHH, SDG, NESZ, WPRTS, ITMAX, SOLAR, MNHLDG

[Link to report: Malaysia Banking Higher for longer oil prices?](#)

[Link to report: Malaysia Construction - When oil moves, construction follows](#)

We are still POSITIVE on consumer but selective and would focus on consumer staples in this current environment

We turn more cautious on small-mid caps in this risk-off market. We stay NEUTRAL on Tech but current risk-off mode may not see the stocks outperforming, though we continue to like Vitrox (VITRO MK, BUY, CP: MYR4.53, TP: MYR5.88) and Frontken (FRCB MK, BUY, CP: MYR4.02, TPL MYR5.19).

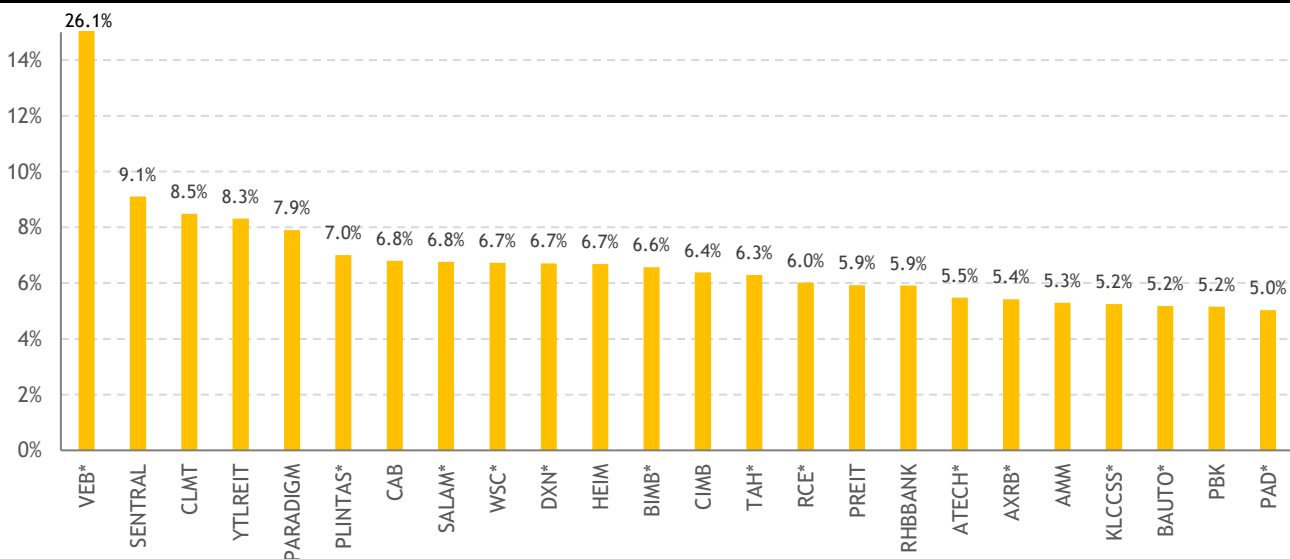
We remain favourable of dividend plays, namely REITs; Paradigm REIT (PARADIGM MK, BUY, CP: MYR0.99, TP: MYR1.36) would be our pick. While we are NEUTRAL on telcos, we are favour fixed-broadband telcos - Telekom Malaysia (TM MK, BUY, CP MYR7.09, TP: MYR8.40) and Time dotCom (TDC MK, HOLD, CP: MYR5.91, TP: MYR6.00) - which could declare higher dividends. We flag Velesto (VEB MK, BUY, CP: MYR0.35, TP: MYR0.35) as our top dividend yield pick as we expect the company to pay its sales proceeds from the sale of its vessel, a more optimal balance sheet and robust FCF.

Fig 48: Top BUY picks - valuation table

Stock	Bloomberg code	Mkt cap (MYRm)	Price (MYR)	TP (MYR)	Upside (%)	P/E (x)		P/B (x)		Div yld (%)	
						26E	27E	26E	27E	26E	27E
Large Caps											
Public Bank	PBK MK	90,260	4.65	5.55	19.4	11.7	11.1	1.4	1.4	5.2	5.4
Tenaga	TNB MK	82,074	14.08	14.60	3.7	15.5	14.2	1.6	1.5	3.9	4.2
IHH	IHH MK	77,847	8.81	10.49	19.1	30.1	24.4	2.4	2.3	1.4	1.6
SD Guthrie	SDG MK	41,425	5.99	6.45	7.7	18.7	18.6	2.1	2.0	2.7	2.7
Nestle Msia	NESZ MK	23,216	99.00	120.00	21.2	37.6	33.9	40.3	40.3	2.7	3.0
Westports	WPRTS MK	19,279	5.61	6.48	15.5	17.9	15.4	4.3	4.0	4.2	4.9
Mid-small Caps											
ITMAX System Bhd	ITMAX MK	4,783	4.63	5.83	25.9	38.7	33.0	8.1	6.9	0.7	0.8
Solarvest Holdings	SOLAR MK	2,465	2.59	3.72	43.6	23.3	17.6	2.6	2.2	-	-
Paradigm REIT	PARADIGM MK	1,577	0.99	1.36	38.1	12.9	11.9	0.9	0.9	7.9	8.6
MN Holdings	MNHLDG MK	1,267	1.92	2.47	28.6	13.2	10.7	3.8	2.8	0.2	0.3

Source: Bloomberg, Maybank IBG Research (as at 10 April 2026)

Fig 49: 2026E dividend yield stocks (>5%)



Source: Maybank IBG Research, (as at 10 April 2026) ; *Shariah Compliant Stock

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