UOBKayHian

Sector – Update | Malaysia

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Property

2Q26 Results Wrap-up

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OVERWEIGHT (Maintained)

Highlights

- Developers generally maintained their full-year sales targets despite several launches being pushed back. Meanwhile, commercial and industrial products were a bright spot during the quarter.
- We remain positive on industrial and DC demand, particularly for established developers with strong execution capabilities and strategically located landbanks.
- Maintain OVERWEIGHT on the sector's palatable valuations at 0.85x 12-month forward P/B (+0.5SD above mean). Our top picks are: a) EcoWorld, supported by strong industrial exposure; and b) Mah Sing, with its recent progress into DC and attractive valuation.

Analysis

- **2Q26 results wrap.** The sector's 2Q26 results were broadly within expectations, with Mah Sing, Sunway and Matrix Concepts coming in in line, while SP Setia fell below expectations on weaker residential revenue recognition. Overall, the sector's 2Q26 core net profit grew by around 40% yoy to RM860.4m, due to: a) IOIPG's recognition of Jalan Ampang land sales and higher occupancy at IOI Central Boulevard Tower, and b) new contribution from Sunway MCL.
- **Sales targets broadly intact despite few delayed launches.** Developers generally maintained their full-year sales targets despite several launches being pushed back. 1H26 property sales progress was generally healthy, with Lagenda, Mah Sing, Sunway achieving 46%, 48% and 55% of their respective full-year targets in 1H26, while Matrix Concepts' 1QFY27 sales tracked at 23% of our full-year assumption. SP Setia's 1H26 sales were relatively softer at 31% of its 2026 target, reflecting softer residential demand outside its stronger locations. IOIPG's core Malaysia property sales came in at RM2.1b for FY26, broadly in line with its guidance of around RM2b per annum.
- **Commercial products emerged as a strong support pillar.** Management's commentaries on construction costs were broadly unchanged from our earlier checks, with the impact from higher input costs remaining manageable. Residential demand, however, was more selective with location a key consideration for buyers. Commercial products emerged as another resilient pocket of demand, particularly in established townships. IOIPG's Cube Plus commercial units, with gross development value of around RM738m and pricing from around RM8m per block, were fully taken up, while SP Setia highlighted strong demand for Setia Alam shoplots and plans to accelerate commercial launches to compensate weakness in residential sales.

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Eco World	ECW MK	BUY	1.95	2.70
Mah Sing	MSGB MK	BUY	1.12	1.42

Source: Bloomberg, UOB Kay Hian

2Q26 Results Summary

	2Q26(RMm)	Qoq %	Yoy %	Results
IOIPG*	277.9	6.6	163.2	-
Lagenda	56.6	28.1	24.7	-
Mah Sing Group	67.4	(0.9)	0.2	In Line
Matrix Concepts*	60.2	72.7	(4.6)	In Line
SP Setia	67.0	44.3	(40.4)	Below
Sunway	331.4	53.5	43.0	In Line
Total	860.4	28.4	37.6	-

**Reflects calendar year quarterly net profit*
Source: Respective companies, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 7 Sep 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (RM)	PB 2026F (x)
Eco World Development	ECW MK	BUY	1.95	2.70	38.5	Oct-25	15.0	11.7	10.3	4.2	8.3	6,302	1.0
Mah Sing Group	MSGB MK	BUY	1.12	1.42	26.8	Dec-25	11.7	10.0	9.2	4.9	6.6	2,867	0.7
Matrix Concepts*	MCH MK	BUY	1.20	1.72	43.3	Mar-26	10.5	8.7	7.4	5.1	11.0	2,252	0.9
SP Setia	SPSB MK	BUY	0.83	1.06	27.4	Dec-25	6.0	10.7	8.3	1.7	3.2	4,193	0.3
Sunway Bhd	SWB MK	HOLD	4.96	5.61	13.2	Dec-25	29.0	26.3	22.9	1.2	7.5	33,532	2.0

** 2025/2026F/2027F refers to FY26/FY27F/FY28F*
Source: Bloomberg, UOB Kay Hian

- **Industrial sales are becoming an increasingly meaningful contributor.** Industrial sales are already becoming meaningful for selected developers, with offerings spanning land plots, cluster factories and ready-built factories. Notably, industrial sales accounted for 35% of EcoWorld's 7MFY26 sales, around 30% of Matrix's FY26 sales, and less than 30% of IOIPG's FY26 sales, while Mah Sing aims to increase its industrial sales mix from around 10% in 2026 to 20-30% in the coming years.
- **Companies are still actively positioning for DC opportunities.** Recent management discussions suggest developers are still actively positioning suitable industrial land for data centre (DC) demand. Recently, Mah Sing has identified around 200 acres at MS Industrial Park @ Kulai for potential DC land sales, while SP Setia has earmarked 85 acres at Setia Fontaines for DC plots and is planning its own water treatment plant to support DC users. IOIPG also continued to see enquiries from DC players for its remaining Banting land following its earlier DC transaction.
- **Sizeable unbilled sales support earnings visibility.** Aggregate unbilled sales across the six developers remained broadly stable qoq at RM21.6b as of end-2Q26 (1Q26: RM21.9b). Higher unbilled sales at IOIPG, Mah Sing, and Lagenda broadly offset declines at Sunway, SP Setia and Matrix. We expect the sizeable unbilled sales base to continue supporting progressive revenue recognition in 2H26 and 2027.

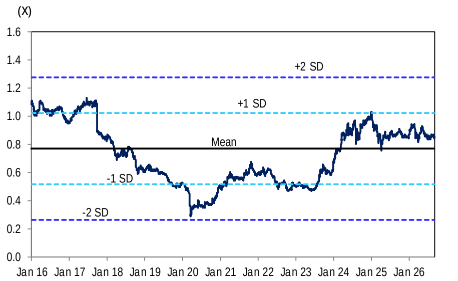
Valuation/Recommendation

- **Maintain OVERWEIGHT** due to: a) sustained industrial momentum, b) resilient residential sales as developers backloaded launches towards 2H26, and c) cost impact remaining manageable so far. Our top picks are: a) EcoWorld, supported by strong industrial exposure; and b) Mah Sing, with its recent progress into DC and attractive valuation.

Sector Catalyst/Risk

- **Key sector risks:** a) Unsuccessful execution of infrastructure- or property-related developments and negative newsflow, b) slower-than-expected take-up rates caused by macroeconomic uncertainty, c) spikes in building material costs, and d) impairments on receivables and completed inventories.

Sector One-Year Forward P/B At 0.85x



Source: UOB Kay Hian

Unbilled Sales As Of End-2Q26

	1Q26 (RMm)	2Q26 (RMm)	Qoq %	Yoy %
IOIPG*	2.1	2.5	20	195
Lagenda	1.7	1.8	5	67
Mah Sing Group	3.3	3.6	7	23
Matrix Concepts*	1.5	1.5	(2)	(1)
SP Setia	4.3	4.0	(6)	2
Sunway	9.0	8.3	(8)	124
Total	21.9	21.6	(1)	55

**Reflects calendar year quarterly net profit*
Source: Respective companies, UOB Kay Hian