UOBKayHian

Country Daily | Malaysia

Tuesday, 11 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53,976.0	(0.1)	1.5	2.5	12.3
S&P 500	7,753.1	(0.1)	2.0	2.3	13.3
FTSE 100	10,862.5	(0.4)	0.0	3.5	9.4
AS30	9,424.1	(0.2)	2.7	4.7	4.5
CSI 300	4,702.0	0.2	3.5	(1.6)	1.6
FSSTI	5,698.4	1.1	1.2	4.2	22.6
HSCEI	8,621.8	1.1	(0.4)	7.2	(3.3)
HSI	25,937.5	1.0	(0.3)	7.3	1.2
JCI	6,365.4	(0.7)	2.1	7.4	(26.4)
KLCI	1,735.4	(0.0)	0.6	2.6	3.3
KOSPI	6,299.7	0.7	0.7	(15.7)	49.5
Nikkei 225	66,970.2	2.1	5.0	(2.3)	33.0
SET	1,624.4	0.8	0.2	0.2	29.0
TWSE	44,928.8	1.6	3.6	(0.9)	55.1
BDI	3,083	(0.2)	8.4	4.7	64.3
CPO (RM/mt)	4,490	(0.5)	(0.2)	(0.0)	14.2
Brent Crude (US$/bbl)	88	5.0	4.7	15.4	44.2

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Meeting with UOB-Kay Hian Holdings Ltd (UOBK SP)	Singapore	11 Aug	11 Aug
Hybrid Meeting with UltraGreen.ai Ltd (UGAI SP)	Singapore	13 Aug	13 Aug
Virtual Meeting on Indonesia Economic Outlook by Mr. Enrico Tanuwidjaja	Indonesia	19 Aug	19 Aug
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Industrial Production	Malaysia	11 Aug
Manufacturing Sales	Malaysia	11 Aug

Top Stories

Sector Update | Plantation

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- MPOB's Jul 26 data showed palm oil inventories rising for a fourth consecutive month to a July record of 2.63m tonnes, though the pace of the build eased for a second month as a 14.5% mom export recovery absorbed most of the seasonal supply increase. Production and exports both came in ahead of consensus, while the stock/usage ratio declined. Maintain OVERWEIGHT on the sector, underpinned by structural demand growth from the expansion of regional biofuel mandates.

Sector Update | Renewable Energy

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- A significant wave of solar PV waste is on the horizon for Malaysia. End-of-life solar panel volumes are expected to grow rapidly after 2040, reaching approximately 229,500 tonnes by 2050. Malaysia's regulatory framework has yet to specifically address EOL solar PV waste management. The proposed EPR-based E-Waste Management Mechanism is expected to establish a more robust framework that supports the sustainable disposal and recycling of solar panels. Maintain OVERWEIGHT.

Company Update | Axiata Group (AXIATA MK/**BUY**/RM1.91/Target: RM2.50)

Page 8 →

- The monetisation of edotco may still happen this year, but likely on a phased approach, with an initial or partial trade sale to be completed in 2026. 2Q26 earnings are likely to remain resilient as Axiata aims to deliver an annual dividend growth of 10% supported by growing OpCos dividend contributions. Maintain BUY with a lowered SOTP-based target price of RM2.50.

What's Inside

Strategy | Good Chemistry For Chemical Trading Companies

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- Chemical distributor stocks should provide some upside in the 2Q26 results season, as current valuations underrate the structural impact perpetuated by the US' aggressive international policies. The protracted Iran conflict perpetuates a higher-for-longer scenario which remains supportive of petrochemical distributors (eg Samchem), while the worsening US-China trade war ensures rising demand for ex-China rare earth, which in turn supports inorganic chemical producers/distributors (eg TMK Chemical).

Market Spotlight

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- The FBMKLCI extended its decline and closed lower at 1,735.37 (-0.38pt) yesterday.
- US stocks were lower after the close on Monday, as losses in the utilities, technology and industrials sectors led shares lower.

Technical Analysis

FBMKLCI, FCPO & FKLI Index Outlook Page 14 →

Traders' Corner Page 16→

Globetronics Technology | GTB MK Page 16 →

- Trading Buy Range: RM0.28-0.285

Hibiscus Petroleum | HIBI MK Page 16 →

- Trading Buy Range: RM2.00-2.05

Insight Analytics | IAB MK Page 17 →

- Trading Buy Range: RM1.43-1.44

Plantation

Fourth Straight Build, But The Pace Is Easing

Highlights

- MPOB's Jul 26 data showed a 3.3% rise in Malaysia's palm oil stockpiles to 2.63m tonnes, the highest for any July on record and above the 2.61m Reuters consensus. Production (1.79m tonnes) and exports (1.39m tonnes) both printed above consensus.
- Production should climb further into the September-October seasonal peak and we expect the build to extend through 3Q26, with stocks testing 3m tonnes by end-September.
- Maintain OVERWEIGHT, underpinned by structural demand growth from regional biofuel mandate expansion. Sector picks: SD Guthrie (BUY/Target: RM7.25) and Kuala Lumpur Kepong (BUY/Target: RM24.65).

Analysis

- **MPOB's Jul 26 data.** Palm oil inventory rose to 2.63m tonnes (+3.3% mom), a fourth straight build and the highest July on record, above the 2.61m Reuters consensus and its highest level since Feb 26. The stock build-up has decelerated for two consecutive months (+5.2% in May, +4.8% in June, +3.3% in July). The stock/usage ratio eased to 1.50x from 1.56x, a second consecutive decline, indicating that absorption has continued to keep pace with the seasonal growth in supply.
- **Production rose 9.4% mom to 1.79m tonnes**, above the 1.76m consensus and the highest monthly output in seven months, despite being 1.1% below that of Jul 25. Peninsular Malaysia (+10.6% mom) and Sarawak (+16.9% mom) drove the increase, while Sabah slipped 1.0% mom. The output decline in Sabah is attributed to the lagged effect of its rainfall deficit seen in April.
- **Exports rose 14.5% mom to 1.39m tonnes**, above the 1.38m consensus and a second consecutive monthly increase. Cargo surveyor estimates placed July shipments up 12.1-19.5% mom, and the MPOB print landed close to the midpoint of that range. Indian restocking ahead of the festival season was a major swing factor, with India's total edible oil imports reaching a 10-month high in July.
- **Imports halved to 49,566 tonnes** (-51.9% mom) as the 103,113 tonnes seen in June reflected a rush by Indonesian sellers to move cargo ahead of Jakarta's B50 implementation. Meanwhile, implied domestic disappearance fell 10.8% mom to 365,871 tonnes, the lowest monthly reading since Sep 25.
- **Outlook.** Production should climb further into the September-October seasonal peak and we expect the build to extend through 3Q26, with stocks testing 3m tonnes by end-September. The offset is that absorption has improved for two consecutive months, so the pace of accumulation should stay slower than the headline production increase implies.

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Malaysia	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Kuala Lumpur Kepong	KLK MK	BUY	22.00	24.65
SD Guthrie	SDG MK	BUY	6.88	7.25

Source: Bloomberg, UOB Kay Hian

CPO Price Assumptions (RM/tonne)

	CPO Price (RM/tonne)
2021	4,408
2022	5,088
2023	3,810
2024	4,180
2025	4,306
Our Forecast:	
2026F	4,500
CPO Price:	
MPOB @ 7 Aug 26	4511
BMD 3rd Month Contract	4677

Source: MPOB, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Share Price 7 Aug 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)	Price/ NAV ps (x)
Hap Seng Plantations	HAPL MK	HOLD	2.43	2.47	1.65	Dec-26	12.5	8.2	8.1	4.9	5.9	1,759.3	0.8
Genting Plantations	GENP MK	HOLD	5.64	5.44	(3.55)	Dec-26	13.3	12.3	11.6	4.3	6.9	4,755.0	1.0
IOI Corporation	IOI MK	BUY	4.57	4.90	7.22	Jun-26	18.9	18.7	16.7	2.5	12.7	26,586.4	2.1
Kuala Lumpur Kepong	KLK MK	BUY	22.00	24.65	12.05	Sep-26	29.1	15.2	13.5	2.9	5.8	23,119.6	1.6
SD Guthrie	SDG MK	BUY	6.88	7.25	5.38	Dec-26	24.4	21.9	23.8	2.6	12.2	41,494.3	2.3

Source: Bloomberg, UOB Kay Hian

MPOB'S Jul 26 Statistics

(m tonne)	Jul 25	Jun 26	Jul 26	mom % chg	yoy % chg	7M25	7M26
CPO Production	1.81	1.64	1.79	9.4	(1.1)	10.78	10.82
Palm Oil Domestic Use	0.46	0.41	0.37	(10.8)	(20.7)	2.63	2.55
Palm Oil Exports	1.33	1.22	1.39	14.5	4.8	8.28	9.14
Oleochemical	0.25	0.22	0.27	18.4	6.5	1.55	1.72
Biodiesel	0.05	0.00	0.03	496.7	(41.6)	0.20	0.16
Palm Oil Imports	0.06	0.10	0.05	(51.9)	(18.8)	0.54	0.45
Palm Oil Stocks	2.11	2.54	2.63	3.3	24.3	2.11	2.63

Source: MPOB, UOB Kay Hian

Jul 26 CPO Production By Region And State

(m tonne)	Jul 25	Jun 26	Jul 26	mom % chg	yoy % chg	7M25	7M26
Johor	0.30	0.28	0.29	5.2	(0.6)	1.68	1.71
Pahang	0.34	0.23	0.27	13.3	(22.3)	1.79	1.61
Perak	0.21	0.18	0.22	17.9	4.4	1.16	1.13
Negeri Sembilan	0.07	0.05	0.06	8.6	(21.1)	0.40	0.36
Selangor	0.06	0.05	0.06	19.4	2.2	0.33	0.32
Terengganu	0.05	0.04	0.05	11.6	(7.5)	0.23	0.26
Kelantan	0.05	0.03	0.03	0.3	(35.9)	0.21	0.19
Kedah	0.03	0.03	0.02	(4.8)	(21.8)	0.17	0.14
Other States	0.02	0.02	0.02	2.8	(13.4)	0.13	0.12
Peninsular Malaysia	**1.13**	**0.92**	**1.01**	**10.6**	**(10.0)**	**6.10**	**5.84**
Sabah	0.35	0.36	0.36	(1.0)	3.5	2.36	2.48
Sarawak	0.34	0.36	0.42	16.9	24.2	2.31	2.49
East Malaysia	**0.69**	**0.72**	**0.78**	**7.9**	**13.7**	**4.68**	**4.97**

Source: MPOB, UOB Kay Hian

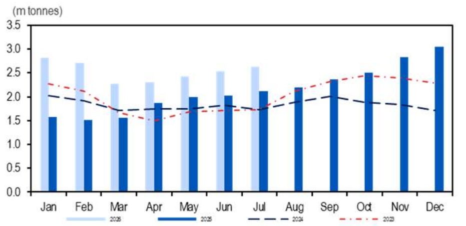
Valuation/Recommendation

- **Maintain OVERWEIGHT.** We remain constructive on the sector, underpinned by structural demand growth from regional biofuel mandates, including Indonesia's B50 policy. We keep our CPO price forecasts at RM4,500/4,400 per tonne for 2026/27 respectively.
- **Top picks.** We like SD Guthrie as it is a liquid big-cap play on the CPO backdrop, supported by its renewable energy and industrial park pivot. Kuala Lumpur Kepong is our laggard pick on a progressive downstream earnings recovery.

Sector Catalyst/Risk

- **Indonesian exports normalise steeply.** Danantara Sumberdaya Indonesia (DSI) is expected to become the country's sole export channel on 1 Jan 27, delayed from September, giving shippers reason to clear volume into 4Q26. DSI's price verification may also lift levy capture per tonne even where volumes do not recover.
- **A steep decline in crude oil price**. POGO exceeding US$70-85/tonne levels would leave levy collections short of the subsidy funding requirement.
- **B50 offtake undershoots.** Indonesian CPO absorption fell to 1.035m tonnes in May from 1.137m in April, against a required step-up of about 51% across 2H26.

Malaysia Palm Oil Production



Source: MPOB, UOB Kay Hian

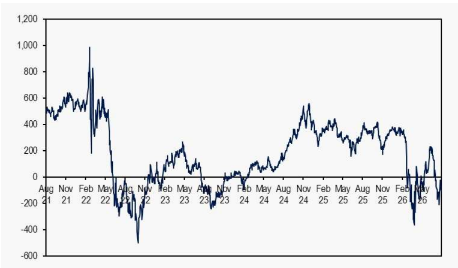
Rainfall By Region, Jan-Jul 26 (MM/MTH)

	Jan	Feb	Mar	Apr	May	Jun	Jul
North Pen.	12	77	45	138	306	168	144
East Pen.	49	111	75	84	269	179	178
West Pen.	62	200	208	233	205	223	308
Sabah	388	315	143	54	152	199	235
Sarawak	585	329	88	212	306	267	202
MALAYSIA	380	279	151	178	274	244	232

Colour: mm/mth vs optimum <100 100-150 150-200 200-300 >300

Note: Colour shows monthly rainfall against the 150-200mm/month optimum for oil palm. Source: CHIRPS, UOB Kay Hian

Palm Oil – Gasoil Spread (US$/Tonne)



Source: Bloomberg, UOB Kay Hian

CPO Price Sensitivity (Per RM100/Tonne)

Company	Net Profit Impact (%)
Hap Seng Plantations	8-9
Genting Plantations	7-8
IOI Corporation	4-5
Kuala Lumpur Kepong	4-5
SD Guthrie	7-8

Source: UOB Kay Hian

Renewable Energy

An ESG Take On Managing End-of-life Solar PV Assets

Highlights

- A significant wave of solar PV waste is on the horizon for Malaysia, with 229,500 tonnes of end-of-life solar panel volumes by 2050.
- Malaysia is currently working on a regulatory framework to address solar PV waste management. The proposed E-Waste Management Mechanism is expected to provide greater clarity by establishing a comprehensive framework for end-of-life solar panel management.
- Maintain OVERWEIGHT. Our sector top picks are Solarvest, Pekat Group and Northern Solar.

Analysis

- **First wave of solar PV decommissioning by 2034, we opine.** Based on projections by the International Renewable Energy Agency (IRENA) and other industry studies, crystalline silicon (c-Si) solar photovoltaic (PV) modules generally have an operational lifespan of 25-30 years. Nevertheless, some asset owners may elect to retire solar installations upon the expiry of their Power Purchase Agreements (PPA), depending on the economics of continued operation. In Malaysia, the first significant wave of solar PV decommissioning could emerge as early as 2034, driven primarily by the expiry of the 21-year PPAs awarded under the maiden FiT programme. This could result in the retirement and disposal of at least 345 MW of solar PV capacity by 2040.
- **Navigating the lifespan vs PPA mismatch.** Developers may choose to extend the operational life of their assets by repowering existing facilities, securing PPA extensions, or entering into new offtake arrangements with corporate buyers. The decision will largely depend on module performance, maintenance costs, and prevailing electricity market conditions. Extending module lifespans through second-life applications is generally considered more environmentally friendly than immediate recycling.
- **Solar panel waste concerns.** The environmental risks associated with solar PV waste are largely concentrated in the improper disposal of panels containing trace amounts of hazardous materials, including lead (Pb) and cadmium (Cd). Without effective collection and recycling systems, these substances could contaminate soil and water resources, potentially affecting ecosystems and public health. For perspective, Tenaga Nasional's TNB Sepang Solar (50MWac/79.2MWp) commissioned under LSS1, consists of 243,712 double-glass polycrystalline modules, each weighing around 25kg with a footprint of 1.94m², translating into a future waste stream of approximately 6,100 tonnes of solar panel material when the project reaches the end of its operating life.

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Renewable Energy	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Solarvest	SOLAR MK	BUY	3.14	3.50
Pekat Group	PEKAT MK	BUY	1.85	2.00
Northern Solar	NORTHERN MK	BUY	0.685	1.00

Source: Bloomberg, UOB Kay Hian

Malaysia's Solar PV Installations

Programme	2025 Capacity (MW)
LSS (including CGPP)	2,684.40
FiT	345.41
NEM	2,747.92
Total	**5,777.73**

Source: IEA PVPS, SEDA

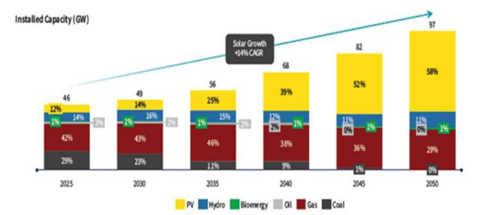
Peer Comparison

Company	Ticker	Rec	Share Price 10 Aug 26 (RM)	Target Price (RM)	Last Year End	PE 2026F/27F (RM)	PE 2027F/28F (RM)	EV/EBITDA 2026F/27F (RM)	EV/EBITDA 2027F/28F (RM)	Yield 2026F/27F (%)	ROE 2026F/27F (%)	Market Cap (RMm)	Price/NAV (x)
Solarvest Holdings	SOLAR MK	BUY	3.14	3.50	3/26	26.7*	22.5**	15.4*	12.7**	–	12.0*	3,035.1	3.2
Pekat Group	PEKAT MK	BUY	1.85	2.00	12/25	24.1	20.4	9.1	7.5	0.5	10.8	1,311.7	2.6
Northern Solar Holdings	NORTHERN MK	BUY	0.685	1.00	3/26	12.1*	7.2**	6.7*	3.6**	–	21.3*	271.0	2.6

** Data for 2027F; ** Data for 2028F*
Source: Bloomberg, UOB Kay Hian

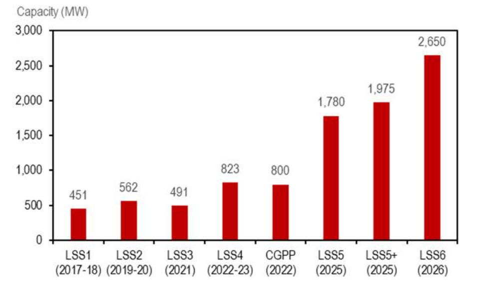
- **Around 229,500 tonnes of solar panel waste to be generated by 2050.** According to the Korea Institute of Energy Research, solar PV modules manufactured after 2011 have an average weight of approximately 73.3kg/kW. Based on this estimate, Malaysia could generate approximately 25,500 tonnes of end-of-life (EOL) solar panel waste by 2040. The volume of solar PV waste is expected to increase significantly thereafter and could rise by more than nine-fold by 2050 as successive generations of solar assets approach the end of their operational lives.
- **Recycling comes at a cost premium relative to landfilling.** IEA-PVPS notes that the cost of recycling solar PV modules often exceeds that of landfill disposal. This is due to the relatively small proportion of high-value materials such as silver (~0.04% by weight) and silicon (~2.7%) within a solar panel, and the substantial capital, logistics and processing costs associated with recycling operations. Transportation costs further compound the challenge. For example, the disposal of approximately 5,000 solar panels (equivalent to around 2.5-3.6MWp) would require roughly five 40-foot lorries, excluding the additional costs associated with long-distance transportation to licensed recycling facilities, given that utility-scale solar farms are often located in remote areas away from major economic and industrial centres.
- **Regulation of solar PV waste is still a novelty in Malaysia.** Currently, solar PV waste is not explicitly recognised as a distinct category of e-waste under the Environmental Quality (Scheduled Wastes) Regulations 2005. This regulatory ambiguity has contributed to licensed e-waste recyclers being reluctant to accept solar panels, citing a lack of regulatory clarity and specialised processing capabilities.
- **A comprehensive e-waste management framework in the pipeline.** To address existing gaps in e-waste regulation, Malaysia is in the process of developing an enhanced legal framework under the proposed E-Waste Management Mechanism. As noted by the acting Minister of Natural Resources and Environmental Sustainability, Datuk Seri Johari Abdul Ghani, the framework will adopt a lifecycle-based approach, regulating electrical and electronic products from the point of entry into the market through to their eventual disposal as e-waste. The government is currently undertaking further studies and stakeholder consultations to support the introduction of an extended producer responsibility (EPR) system. Once implemented, the EPR framework is expected to establish a shared responsibility model involving manufacturers, importers, consumers, collection centres, and recovery facilities, moving Malaysia closer to international best practices in e-waste management.
- **Tenaga Nasional's effort in adopting a circular economy.** As Malaysia's largest solar asset owner (>1.3GW), Tenaga Nasional has already adopted a circular economy approach to the EOL management of solar panels. Damaged solar panels are entrusted to Department of Environment-licensed vendors for storage, dismantling and treatment. During the recycling process, glass and metal components are separated, with glass disposed of at designated industrial landfills and metal frames recycled through third-party recyclers. For residential, commercial and utility-scale installations, Tenaga Nasional also evaluates whether decommissioned modules remain suitable for second-life applications, prioritising their reuse at other internal facilities where technically feasible and still under warranty. In parallel, TNB Research is developing an in-house pilot photovoltaic recycling system employing thermal treatment with an optimised heat recovery process to recover high-quality glass, silicon wafers, metals and other recyclable materials, with the aim of improving recycling efficiency and strengthening Malaysia's domestic solar PV circular economy ecosystem.

NETR: Projected Power Capacity Mix By 2050



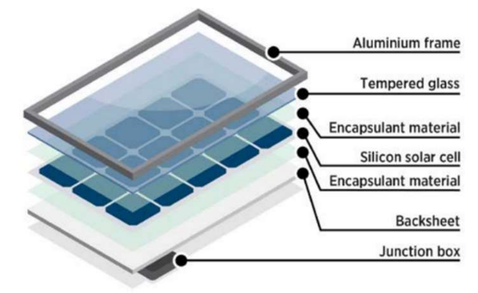
Source: NETR

LSS Projects In Malaysia



Source: PETRA, EC, UOB Kay Hian

Solar Panel Structure



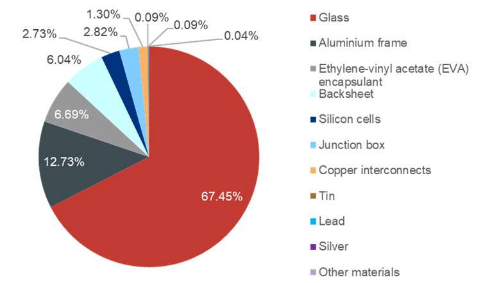
Source: IRENA

Solar Panel Components

Aluminium frame	Supports the structure and protects PV cells
Glass cover	Protects PV cells and allows maximum sunlight to pass through
Encapsulant	Provides insulation and protection
Solar cell	Converts sunlight to electricity
Backsheet	Provides insulation and protection
Junction box	Connects with cable

Source: IRENA

Solar PV Module Materials And Components By Weight (%)



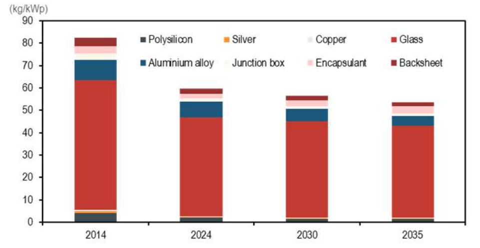
Source: IRENA

- **Solar PV recycling in other countries.**
  a) Within the **European Union (EU)**, the disposal of solar PV modules is regulated under the Waste Electrical and Electronic Equipment Directive 2012/19/EU, which classifies PV modules as electronic waste and subjects them to mandatory collection and treatment requirements. Under the Directive, manufacturers and importers are responsible for financing the collection, recovery, reuse and recycling of end-of-life modules under an EPR framework.
  b) **China** has adopted a differentiated EPR approach embedded within its broader PV supply chain framework, primarily governed under the Solid Waste Pollution Prevention and Control Law of the People's Republic of China. Utility-scale solar PV project owners are responsible for ensuring the proper collection and treatment of decommissioned modules, typically through certified waste treatment and recycling companies.
  c) **Singapore** adopts a producer-led approach to managing end-of-life solar PV panels through the Resource Sustainability Act 2019. Solar PV panels are classified as regulated non-consumer e-waste and fall within the scope of the country's EPR framework. Under this framework, manufacturers are legally and financially responsible for the collection, transportation, treatment, recycling, and reporting of end-of-life panels. Manufacturers are furthermore required to provide free take-back services to customers and channel collected panels to licensed waste management and recycling facilities. This approach effectively transfers end-of-life management responsibilities from solar system owners to producers, ensuring environmentally sound disposal and recycling practices.

Valuation/Recommendation

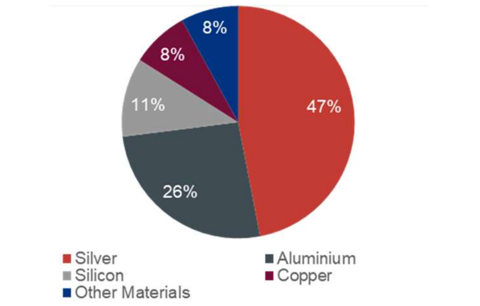
- **Maintain OVERWEIGHT; elevated orderbook driven by over 6.5GW of solar plant-ups.** We expect total solar PV capacity to exceed 6.5GW over 2026-29 as the government calls for tenders for the LSS6 and the take-off of CRESS projects. Assuming a construction cost of RM2.0m-3.5m per MW, total EPCC replenishment opportunities are estimated at a staggering RM13b-23b in the next four years. **Our sector top picks are Solarvest, Pekat Group and Northern Solar.**

Future Progression Of Solar PV Module Materials And Components By Weight



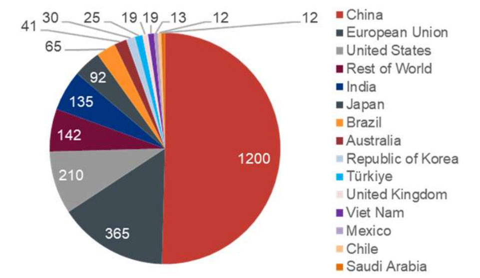
Source: IRENA

Solar PV Module Materials And Components By Value (%)



Source: IRENA

2025 Global Cumulative Solar PV Installations (GW)



Source: IRENA

Axiata Group (AXIATA MK)

Monetisation Still On The Table; OpCos Resilient In 2Q26

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Highlights

- Management continues to articulate that the edotco's monetisation process will happen in 2026. The process may include an initial or partial trade sale of assets and even an IPO beyond this year. Our assessment suggests that edotco's monetisation must happen at 10x EV/EBITDA to be earnings accretive.
- OpCos are expected to deliver resilient 2Q26 results, despite inflationary pressure shrinking consumer wallets in frontier markets. In the longer run, Axiata aims to deliver an annual dividend growth of 10%.
- Maintain BUY with a lower SOTP-based target price of RM2.50. We have raised the holding company discount, factoring in timeline uncertainty with regards to asset monetisation. Downside is supported by a 6% dividend yield.

Analysis

- **Tower asset monetisation to materialise in 2026.** In an analyst briefing, management indicated that the long-awaited monetisation of edotco may proceed through a phased approach, with an initial or partial monetisation potentially being completed in 2026. The group is actively evaluating various monetisation structures, including an IPO or a hybrid strategy comprising an IPO alongside the divestment of selected regional assets, subject to valuation considerations and prevailing market conditions. Our analysis suggests that valuation for edotco is earnings accretive at 10x EV/EBITDA.
- **We expect resilient 2Q26 OpCos performance.** We expect Axiata's key operating companies to report resilient earnings in 2Q26. This is despite concerns over inflationary pressure and consumer affordability across frontier markets. That said, a key risk to 2H26 earnings is likely shrinking consumer wallets due to the prolonged Middle East conflict.
- **Grow underlying dividends by 10%.** Management remains confident that its key OpCos will grow and achieve targeted dividend contribution. This will pave the way for Axiata to achieve at least 10% annual dividend growth rate in the medium term. To recap, OpCos contributed RM1.7b in dividends in 2025, with edotco making a maiden dividend payout of RM53.9m to its shareholders.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	22,334.6	11,758.0	11,858.6	12,183.3	12,519.4
EBITDA	11,129.0	5,460.0	5,771.2	6,054.9	6,322.0
Operating profit	3,787.8	1,566.6	1,764.2	2,269.0	2,686.9
Net profit (rep./act.)	946.8	364.6	622.3	1,050.4	1,263.1
Net profit (adj.)	852.2	364.6	622.3	1,050.4	1,263.1
EPS	9.3	4.0	6.8	11.4	13.8
PE (x)	20.6	48.1	28.2	16.7	13.9
P/B (x)	0.8	0.9	0.9	0.9	0.9
EV/EBITDA (x)	3.8	6.0	5.6	5.4	5.2
Dividend yield (%)	5.2	5.2	5.8	6.3	7.0
Net margin (%)	3.8	3.1	5.2	8.6	10.1
Net debt/(cash) to equity (%)	86.5	55.5	55.2	54.8	54.6
Interest cover (x)	1.5	1.8	2.6	3.6	4.8
ROE (%)	4.0	1.8	3.1	5.3	6.3
Consensus net profit	-	-	676.7	964.5	1,144.0
UOBKH/Consensus (x)	-	-	0.9	1.1	1.1

Source: Axiata, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM1.91
Target Price	RM2.50
Upside	30.9%
Previous TP	RM3.00

Stock Data

Sector	Communication Services
Bloomberg ticker	AXIATA MK
Shares issued (m)	9,188.2
Market cap (RMm)	17,549.5
Market cap (US$m)	4,288.0
3-mth avg daily t'over (US$m)	7.9

Price Performance (%)

52-week high/low RM2.79/RM1.84

1mth	3mth	6mth	1yr	YTD
(9.0)	(18.0)	(20.1)	(27.4)	(24.2)

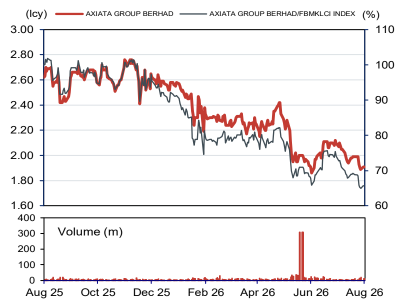
Major Shareholders (%)

Khazanah Nasional Bhd	36.4
Employee Provident Fund	20.1
Skim Amanah Saham	13.9

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.2
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Mobile operator.

- **Link Net monetisation in the longer run.** Market volatility and weak foreign investor sentiment towards Indonesia have delayed Axiata's plans to monetise Link Net despite earlier progress in its InfraCo monetisation strategy. Management remains in active discussions with a strategic domestic party, although the timing of any transaction remains uncertain at this stage. Despite generating positive EBITDA, Link Net remained loss-making, reporting a net loss of RM377m in FY25. Management expects the business to return to profitability by end-28. A near-term divestment of Link Net would lift Axiata's earnings, as it continues to drag group earnings. Excluding Link Net's contributions, Axiata's 2025 net profit would have more than doubled to RM716m from RM339m.

Valuation/Recommendation

- **Maintain BUY with a lower SOTP-based target price of RM2.50.** Against a backdrop of timeline uncertainties with regards to infraco's monetisation, we have raised the holding company discount from 15% to 30% and lowered our fair value to RM2.50. We reiterate our BUY rating amid deep asset value. Downside will be supported by an attractive near-term dividend yield of close to 6%.

Earnings Revision/Risk

- No changes to earnings forecasts.

Share Price Catalyst

- **Edotco monetisation at a potential valuation of RM8b-17b.** Based on our estimated blended trade-sale valuation of 7-10x EV/EBITDA, we believe Edotco's Malaysian tower assets would command a premium relative to its frontier market operations, which management has guided could be valued at 4.0-4.5x EV/EBITDA. At 10x EV/EBITDA, the transaction is expected to be earnings accretive.

Edotco Enterprise Value

	-------------------------------- EV/EBITDA Multiple (x) --------------------------------					
	7	8	9	10	11	12
Edotco EBITDA (RMm)	1,766	1,766	1,766	1,766	1,766	1,766
Edotco Enterprise Value (RMm)	**12,362**	**14,128**	**15,894**	**17,660**	**19,426**	**21,192**
Edotco Net Debt (RMm)	4,380	4,380	4,380	4,380	4,380	4,380
Edotco Equity Value (RMm)	**7,982**	**9,748**	**11,514**	**13,280**	**15,046**	**16,812**
Interest savings (5% - net of tax)	299	366	432	498	564	630
Loss of Income (net of tax)	463	463	463	463	463	463
Net impact (RMm)	**-164**	**-97**	**-31**	**35**	**101**	**167**

Source: Axiata, UOB Kay Hian

- **Key re-rating catalysts** include: a) stronger OpCo performance in the upcoming quarters; b) a deleveraging exercise across the group; and c) the monetisation of edotco, allowing for share price discovery.

Environment, Social, Governance (ESG) Updates

Environmental

- Committed to achieving net-zero emission by no later than 2050 and absolute reductions of 42% in Scope 1 and 2 GHG emissions, and 25% in Scope 3 GHG emissions by 2030 from a 2022 base year.

Social

- Achieved 34% women's representation in senior management across the group in 2025.

Governance

- Over 95% training completion for anti-bribery & anti-corruption, whistleblowing, data privacy and cyber security yearly.
- 30% women composition on the board of directors in 2025.

Fair Value At RM2.50/share

	Equity Value (RMm)	% of SOTP
Operating Companies		
Celcom	16,646	50
XL Axiata	3,959	12
SMART	3,748	11
Robi	3,997	12
Dialog	212	1
Total OPCOs	**28,562**	**87**
Edotco	8,316	25
ADA	635	2
Boost	534	2
Link Net	1,500	5
Holding company debt	(6,533)	(20)
Total (RMm)	**16,646**	
Axiata's SOTP (RM/share)	3.60	
Axiata's Fair Value (RM/share)	**2.50**	**30% discount**

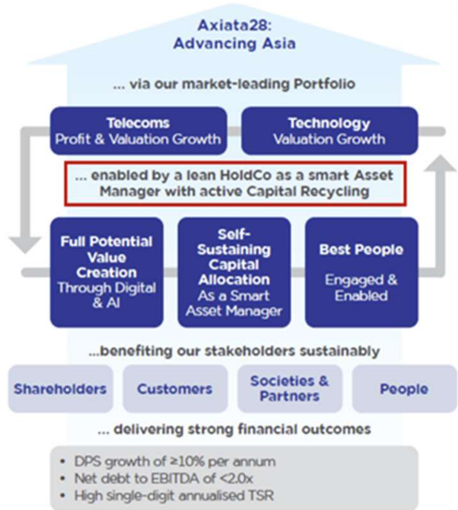
Source: UOB Kay Hian

Edotco's EBITDA Breakdown By Region

	EBITDA (RMm)	% by Region
- Malaysia	670	38
- Bangladesh	564	32
- Cambodia	117	7
- Pakistan	117	7
- Philippines	300	17
- Others	(2)	0
2025 EBITDA	**1,766**	**100**

Source: Axiata, UOB Kay Hian

Axiata28



Source: Axiata

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**11,758**	**11,859**	**12,183**	**12,519**
EBITDA	5,460	5,771	6,055	6,322
Deprec. & amort.	(3,893)	(4,007)	(3,786)	(3,635)
EBIT	1,567	1,764	2,269	2,687
Total other non-operating income	-	-	-	-
Associate contributions	19	417	753	759
Net interest income/(expense)	(548)	(403)	(387)	(386)
Pre-tax profit	**996**	**1,779**	**2,635**	**3,060**
Tax	(656)	(889)	(1,317)	(1,530)
Minorities	(267)	(267)	(267)	(267)
Net profit	**365**	**622**	**1,050**	**1,263**
Net profit (adj.)	365	622	1,050	1,263

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	14,457	13,415	12,675	12,169
Other LT assets	27,848	28,266	29,018	29,778
Cash/ST investment	3,747	3,522	2,652	1,666
Other current assets	3,716	3,748	3,849	3,953
Total assets	**49,768**	**48,950**	**48,194**	**47,566**
ST debt	6,651	6,401	5,901	5,401
Other current liabilities	7,196	6,999	7,037	7,102
LT debt	8,402	8,152	7,652	7,152
Other LT liabilities	3,451	3,451	3,451	3,451
Shareholders' equity	20,357	19,969	19,908	19,949
Minority interest	3,711	3,978	4,245	4,512
Total liabilities & equity	**49,768**	**48,950**	**48,194**	**47,566**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**3,706**	**4,653**	**4,675**	**4,752**
Pre-tax profit	996	1,779	2,635	3,060
Tax	(656)	(889)	(1,317)	(1,530)
Deprec. & amort.	3,893	4,007	3,786	3,635
Associates	(19)	(417)	(753)	(759)
Working capital changes	(1,264)	(229)	(63)	(40)
Non-cash items	209	-	-	-
Other operating cashflows	548	403	387	386
Investing	**(20)**	**(2,821)**	**(2,924)**	**(3,045)**
Capex (maintenance)	(2,041)	(2,965)	(3,046)	(3,130)
Others	2,021	143	122	85
Financing	**4,187**	**(2,057)**	**(2,620)**	**(2,694)**
Dividend payments	(919)	(1,010)	(1,111)	(1,223)
Issue of shares	10	-	-	-
Proceeds from borrowings	(8,139)	(500)	(1,000)	(1,000)
Others/interest paid	13,235	(546)	(509)	(471)
Net cash inflow (outflow)	**7,873**	**(225)**	**(869)**	**(987)**
Beginning cash & cash equivalent	**3,542**	**2,573**	**2,348**	**1,479**
Changes due to forex impact	(470)	-	-	-
Ending cash & cash equivalent	**10,944**	**2,348**	**1,479**	**492**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	46.4	48.7	49.7	50.5
Pre-tax margin	8.5	15.0	21.6	24.4
Net margin	3.1	5.2	8.6	10.1
ROA	0.7	1.3	2.2	2.7
ROE	1.8	3.1	5.3	6.3
Growth				
Turnover	(47.4)	0.9	2.7	2.8
EBITDA	(50.9)	5.7	4.9	4.4
Pre-tax profit	(61.2)	78.7	48.1	16.2
Net profit	(61.5)	70.7	68.8	20.3
Net profit (adj.)	(57.2)	70.7	68.8	20.3
EPS	(57.2)	70.7	68.8	20.3
Leverage				
Debt to total capital	41.9	40.9	38.4	35.8
Debt to equity	73.9	72.9	68.1	62.9
Net debt/(cash) to equity	55.5	55.2	54.8	54.6
Interest cover	1.8	2.6	3.6	4.8

Strategy

Good Chemistry For Chemical Trading Companies

Highlights

- Selected chemical distributor stocks should provide some upside in the current results season as current valuations underrate the structural impact perpetuated by the US' aggressive international policies.
- The protracted Iran conflict perpetuates higher-for-longer petrochemical prices, while the worsening US-China trade war has structurally elevated demand particularly for hydrochloric acid (an inorganic chemical).
- Channel checks reveal that selling prices remain elevated vs the pre-Iran conflict period, especially for inorganic chemical prices, although petrochemical product pricing have substantially retraced from initially doubling.
- Key beneficiaries are inorganic chemical manufacturer/distributor TMK Chemical and petrochemical distributors Samchem Holdings.

What's New

- **Selected near-term opportunities in chemical trading stocks.** 2Q26 results season could present near-term trading opportunities especially for the petrochemical segment (particularly the distributors) of the Malaysian chemical industry. While petrochemical stocks have retreated from their post-Iran conflict highs, in tandem with the fall in crude oil prices, their current valuations underrate the "higher-for-longer" scenario and likely structurally higher product pricing/margins.
- **Product selling prices remain elevated, although petrochemical product prices have substantially retraced.** The latest channel checks indicate that local chemical product prices remain moderately-to-significantly elevated vs the pre-Iran conflict. In ranking order, the most significant sustained price hikes relate to inorganic chemical products (specifically hydrochloric acid (HCL) which remains >50% pre-conflict prices), followed by specialty petrochemical products and commodity petrochemical products (>20%).

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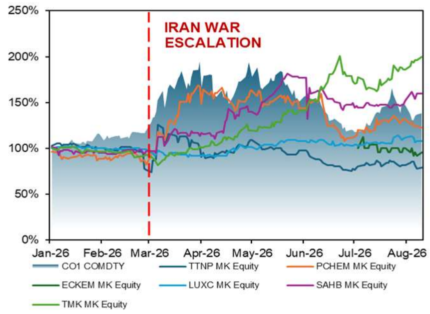
Ytd Price RSI Of Crude Oil & Petrochemical Companies



Source: UOB Kay Hian

Local Product Ytd Change

Name	Price Change (%)
Petrochemicals	
Specialty products	+>20%
Commodity petrochemical products	+>10%
Inorganic Chemicals	
Hydrochloric acids	+>50%
Other inorganic chemicals	+5-9%

Source: UOB Kay Hian

Recent Quarters' Gross Margins

	------------- Gross Margin (%) -------------			
Name	2Q25	3Q25	4Q25	1Q26
TMK Chemical	19.4	20.5	25.4	25.8
Luxchem	15.8	18.9	19.0	19.2
Samchem	10.4	11.7	11.7	16.6

Source: Bursa Malaysia, Respective Companies

Peer Comparison

Company	Ticker	Share Price 10 Aug 26 (RM)	Market Cap (RMm)	PE 2026F* (x)	PB 2025 (x)	Yield 2025 (%)	% Change Since Iran Conflict	% Change From YTD Peak
Petrochemical Producers								
Lotte Chemical Titan	TTNP MK	0.315	694.7	n.a.	0.1	n.a.	3.4	(37.1)
Petronas Chemicals	PCHEM MK	4.47	35,600.0	22.3	1.0	1.6	48.3	(27.4)
Petrochemical Distributors								
Eckem Holdings	ECKEM MK	0.110	71.9	16.9	1.4	n.a.	n.a.	(14.8)
Luxchem Corporation	LUXC MK	0.415	443.0	7.0	0.7	4.8	9.2	(5.7)
Samchem Holdings	SAHB MK	0.52	282.9	5.6	1.0	3.1	65.1	(11.9)
Inorganic Chemical Manufacturer/Distributor								
TMK Chemical	TMK MK	2.75	2740.0	22.8	3.6	1.8	114.1	(0.4)

** Based on annualized 1Q26/1H26 results*
Source: Bloomberg, UOB Kay Hian

- **Structural margin recovery for chemical distributors.** Higher sustainable margin expectations reflect structurally strong demand growth for both inorganic chemical and petrochemical products by ASEAN nations (particularly Malaysia and Vietnam) that are gaining traction as key global manufacturing hubs, coupled with choked global supply in the petrochemical industry (reversing the past couple of years' of global oversupply) with supply from the Middle East still being relatively disrupted and inconsistent (Strait of Hormuz logistic constraints and missile damaged petrochemical plants). Note that margin recovery among distributors can differ significantly, depending on pre-conflict inventory levels, product sourcing capabilities and pricing strategy.
- **…but more compelling for the inorganic chemical segment.** In Malaysia, the margin outlook for the inorganic chemical segment appears sustainable, driven especially by the US demand growth for ex-China rare earth which in turn raises demand for HCL (required in the processing stage). For the petrochemical segment, while naturally margins are expected to significantly fall after 2Q26's dramatic spike (closely mirroring crude oil price movement), margins would still be significantly above the pre-Iran conflict period.
- **Case study in Luxchem.** Luxchem Corporation (Luchem) was one of the earliest petrochemical distributors to announce 2Q26 results. The petrochemical distributor and manufacturer delivered 40% qoq and 69% yoy growth in its 2Q26 net profit, and the share price in subsequent days jumped by as high as 15% from the pre-results announcement day. This case study shows that chemical distributors can still positively surprise and deliver near-term alpha returns.
- **Key beneficiaries explored.** The key beneficiaries in the inorganic chemical segment is TMK Chemical, while key beneficiaries in the petrochemical trading segment include Samchem Holdings and Luxchem. Exceptionally strong 2Q26 results and a steadier long-term outlook imply better capital management going forward for these companies.

Key Petrochem Index Ytd Change*

Name	Price Change (%)
Petrochemical Manufacturing	+60.6
Petrochemical Manufacturing (Primary Products)**	+55.7
Plastic Resins and Material Chemicals	+19.7
Inorganic Acids	+5.7

** Based on US Producer Price Indices*
*** eg. Ethene, propene, butene, butadiene*
Source: Bloomberg

Regional Products Ytd Change*

Name	Price Change (%)
Benzene	+40.8
Styrene	+31.5
Methanol	+46.4
Ethylene	+37.4
Propylene	+38.9
Butadiene	+33.2

** Based on Regional Bloomberg Indices*
Source: Bloomberg

Market Spotlight

Market News

The FBMKLCI extended its decline and closed lower at 1,735.37 (-0.38pt) yesterday. Meanwhile, Asian stocks rose broadly on Monday after US employers unexpectedly cut jobs in July and hiring figures for the prior two months were also revised downward, helping ease the risk of an immediate US interest-rate hike. The FBMKLCI's top gainers were 99 Speed Mart Retail Holdings (+1.9%), IOI Corporation (+1.6%) and YTL Corporation (+1.4%), while the top losers were Kuala Lumpur Kepong (-4.6%), Petronas Chemicals Group (-2.2%) and Nestle (M) (-1.8%). In the broader market, gainers outpaced losers 707 to 447 with 573 counters unchanged. Turnover was 3.50b shares valued at RM2.56b.

US stocks were lower after the close on Monday, as losses in the utilities, technology and industrials sectors led shares lower. At the close in NYSE, the Dow Jones Industrial Average fell 0.11%, while the S&P 500 Index declined 0.06%, and the NASDAQ Composite Index lost 0.32%. Falling stocks outnumbered advancing ones on the New York Stock Exchange by 1,584 to 1,124 and 100 ended unchanged; on the Nasdaq Stock Exchange, 2,006 fell and 1,413 advanced, while 189 ended unchanged. *(Sources: Investing.com)*

FBMKLCI, FCPO & FKLI Index Outlook

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FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI

Last close:	1,735.37
Expected moving range:	1,730-1,750

Technical View:

Despite opening a tad higher, the FBMKLCI was unable to move up further and traded in a tight range of 1,729-1,739 yesterday, suggesting investors remained cautious on the uncertain market. From a technical perspective, the FBMKLCI's recent upward run was interrupted yesterday as profit-taking pared down early gains. We believe the index would trade sideways in the near term and the 1,700 level is a strong psychological support level. The support and resistance levels are maintained as follows:

Support: 1,677, 1,652

Resistance: 1,753, 1,770

FCPO

Source: TradingView

Futures Crude Palm Oil (FCPO) Active Contract, 1 Hour Chart

Technical SELL with +2.5% potential downside

Trading SELL range:	RM4,700-4,750
Last price:	RM4,738
Target price:	RM4,657, RM4,615
Resistance:	RM4,770
Stop-loss:	RM4,771

SELL with a target price of RM4,615 and stop-loss at RM4,771. Based on the chart, FCPO continued the bearish movement and closed lower at RM4,738 on yesterday's movement. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We peg our targets at RM4,657 and RM4,615 in the near term.

Expected timeframe: One day to three days

FKLI

Source: TradingView

FTSE Bursa Malaysia KLCI Futures (FKLI), 1 Hour Chart

Technical SELL with 1.0% potential downside

Trading SELL range:	1,730-1,750
Last price:	1,737
Target price:	1,724, 1,719
Resistance:	1,746
Stop-loss:	1,747

SELL with a target price of 1,719 and stop-loss at 1,747. Based on the chart, FKLI continued the bearish movement and closed lower at 1,737 on yesterday's movement. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We still maintained our targets at 1,724 and 1,719 in the near term.

Expected timeframe: One day to three days

Traders' Corner

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Globetronics Technology GTB MK

Technical BUY on breakout with +23.2% potential return

Trading BUY range:	RM0.28-0.285
Last price:	RM0.275
Target price:	RM0.33, RM0.345
Support:	RM0.235
Stop-loss:	RM0.23

Source: UOBKH ChartGenie

BUY on breakout with a target price of RM0.345 and stop-loss at RM0.23. The stock has gradually recovered and established a bullish bias again after closing above the BBI line yesterday. The bullish crossover in the MACD points to growing momentum which could fuel further upside in the near term. Additionally, an uptick in the +DI line was supported by the ADX, indicating a stronger uptrend ahead. As such, we expect share price to retest the resistance at RM0.35 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Hibiscus Petroleum HIBI MK

Technical BUY with +16.4% potential return

Trading BUY range:	RM2.00-2.05
Last price:	RM2.01
Target price:	RM2.21, RM2.34
Support:	RM1.90
Stop-loss:	RM1.89

Source: UOBKH ChartGenie

BUY with a target price of RM2.34 and stop-loss at RM1.89. Based on the chart, HIBI has formed a series of higher highs and higher lows that indicates an uptrend pattern. This is supported by an uptick in the RSI, which indicates that the positive momentum could strengthen in the near term. Currently, the DMI shows buying momentum has overcome selling momentum. We peg our targets at RM2.21 and RM2.34 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Insight Analytics
IAB MK

Technical BUY on breakout with +16.1% potential return

Trading BUY range:	RM1.43-1.44
Last price:	RM1.40
Target price:	RM1.59, RM1.66
Support:	RM1.31
Stop-loss:	RM1.29

BUY on breakout with a target price of RM1.66 and stop-loss at RM1.29. The successful close above the BBI line yesterday suggests improving sentiment as IAB looks set to resume the short-term uptrend. This is supported by an uptick in the RSI. Currently, both the MACD and the DMI are showing positive signals, which will support the upward momentum. We peg our targets at RM1.59 and RM1.66 once the stock penetrates the breakout level of RM1.43.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading