UOBKayHian

Country Daily | Malaysia

Wednesday, 19 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53,343.4	(0.2)	(0.8)	2.3	11.0
S&P 500	7,691.8	(0.7)	(0.5)	3.1	12.4
FTSE 100	10,728.0	0.1	(1.1)	1.2	8.0
AS30	9,274.2	(0.1)	(1.8)	3.3	2.8
CSI 300	4,725.8	(0.3)	1.3	4.3	2.1
FSSTI	5,701.4	(1.2)	(0.9)	3.5	22.7
HSCEI	8,453.2	0.2	(0.9)	3.9	(5.2)
HSI	25,471.2	0.1	(0.7)	3.7	(0.6)
JCI	6,449.8	0.7	1.3	4.4	(25.4)
KLCI	1,733.4	0.4	0.1	0.1	3.2
KOSPI	6,869.8	(1.5)	9.1	0.7	63.0
Nikkei 225	67,460.7	(2.5)	0.7	5.2	34.0
SET	1,621.6	(0.3)	(0.2)	(1.1)	28.7
TWSE	45,308.7	(1.2)	0.4	6.2	56.4
BDI	2,815	(2.2)	(7.6)	2.3	50.0
CPO (RM/mt)	4,527	0.0	(0.1)	0.7	15.1
Brent Crude (US$/bbl)	91	0.2	2.4	3.3	49.6

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
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
Trade Balance	Malaysia	20 Aug
Foreign Reserves	Malaysia	21 Aug

Top Stories

Company Results | KPJ Healthcare (KPJ MK/**BUY**/RM3.02/Target: RM3.85) Page 3 →

- 2Q26 profit fell within expectations. A drive in inpatient intensity lifted both sales and margins. Higher opex for the quarter was balanced by lower finance cost and a favourable tax rate for core margins to expand marginally. Maintain BUY and target price of RM3.85. We like KPJ for its inflection point of gestating hospitals and aggressive multi-year brownfield expansion.

What's Inside

Company Results | AMMB Holdings (AMM MK/**HOLD**/RM7.24/Target: RM7.30) Page 6 →

- AMMB's 1QFY27 earnings of RM520m are within expectations, supported by positive operating JAWS despite a compression in NIM amid competitive asset pricing. Asset quality remained manageable despite higher qoq credit costs from a geopolitical-risk overlay. More importantly, the capital return outlook has strengthened, with >40 sen FY27 DPS targeted and potential RM2b Basel III-driven excess capital release. We raise FY27-29F DPS and ROE assumptions, lifting our target price to RM7.30 while maintaining HOLD on balanced risk-reward.

Company Results | Duopharma Biotech (DBB MK/**BUY**/RM1.23/Target: RM1.62) Page 8 →

- Duopharma Biotech's 2Q26 earnings are broadly within expectations. Earnings accounted for 59% of both our and consensus full-year forecasts. We expect inventory impairment charges and forex to temper earnings in 2H26. Furthermore, 4Q is seasonally the weakest quarter for earnings. Maintain BUY with an unchanged target price of RM1.62.

Company Results | Hume Cement Industries (HUME MK/**BUY**/RM2.99/Target: RM4.16) Page 10 →

- Hume reported a FY26 net profit of RM430.6m (+93% yoy). Stripping out an RM191.2m one-off disposal gain of its non-core concrete business, FY26 core net profit came in at RM239.2m (+22% yoy). FY26 saw core net profit margin expanding by 5.5ppt to 23%, driven by its ongoing operational efficiency initiatives and cost optimization efforts. The group ended the year with a robust net cash position of RM529.7m. Maintain BUY with a higher rollover target price of RM4.16 (Previous TP: RM3.98).

Company Update | ITMAX System (ITMAX MK/**BUY**/RM4.45/Target: RM6.10) Page 11 →

- ITMAX's RM186.8m PERKESO win marks a strategic step beyond its core smart-city business, expanding its AI capabilities into the government employment sector. We expect the five-year contract to yield meaningful earnings contribution from 2027, with RM77m cumulative net profit estimated over 2027-31. Including its recent RM134m KK smart-city win, ITMAX's unbilled orderbook has reached a record RM2.7b. We raise 2027-28 earnings by 10-12% and lift our DCF-based target price to RM6.10 (from RM6.00). Maintain BUY.

Market Spotlight

Page 13 →

- The FBMKLCI rebounded by 7.47pt (+0.43%) to close at 1,733.36 yesterday.
- US stocks were lower after the close on Tuesday, as losses in the industrials, technology and basic materials sectors led shares lower.

Technical Analysis

FBMKLCI, FCPO & FKLI Index Outlook Page 14 →

Traders' Corner Page 16 →

TSH Resources | TSH MK Page 16 →

- Trading Buy Range: RM1.23-1.24

BWYS Group | BWYS MK Page 16 →

- Trading Buy Range: RM0.165-0.17

Engtex Group | ENGT MK Page 17 →

- Trading Buy Range: RM0.465-0.47

KPJ Healthcare (KPJ MK)

2Q26: Decent Showing As Revenue Intensity Shine Continues

Highlights

- Earnings were within expectations. A drive in inpatient intensity lifted both sales and margins.
- Higher opex for the quarter was balanced by lower finance cost and favourable tax rate for core margins to expand marginally.
- Maintain BUY and target price of RM3.85. We like KPJ for its inflection point of gestating hospitals and aggressive multi-year brownfield expansion.

2Q26 Results

Year to 31 Dec	1Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg	Comments
Revenue	**1,196.8**	**14.0**	**16.9**	**2,246.5**	**12.6**	Decent growth supported by enhanced operating stats across inpatient intensity.
COS	(661.0)	11.2	15.6	(1,255.5)	1.5	
Gross profit	**535.8**	**17.7**	**18.6**	**991.1**	**14.1**	
EBITDA	**265.5**	**20.0**	**13.2**	**486.8**	**10.0**	
Pre-tax profit	**161.2**	**48.7**	**23.4**	**269.6**	**18.1**	
Tax	(44.9)	0.0	0.0	(76.0)	6.5	
Net profit	103.9	49.2	26.7	173.6	24.8	
Core profit	**103.9**	**49.2**	**26.7**	**173.6**	**24.8**	Within expectations.
Margin	%	+/- ppt	+/- ppt	%	+/- ppt	
Gross margin	44.8	1.4	0.6	44.1	0.6	Lifted by enhanced case mix.
EBITDA margin	22.2	1.1	(0.7)	21.7	(0.5)	
Effective tax rate	27.9	(0.7)	(2.0)	28.2	(3.1)	
Net margin	8.7	2.0	0.7	7.7	0.8	

Source: KPJ, UOB Kay Hian

Analysis

- **Within expectations.** KPJ Healthcare (KPJ) reported a 2Q26 net profit of RM103.9m (49% qoq, +27% yoy), bringing 1H26 core profit to RM174m (25% yoy). Core profit is within our and consensus expectations, accounting for 42% of both our and consensus full-year forecasts respectively. We expect better seasonality for the remaining quarters to shore up full-year earnings. 2H typically accounts for about 60% of full-year earnings. An interim DPS of 1.1 sen was declared, bringing 1H26 DPS to 2.1 sen (1H25: 1.85 sen).

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,922.2	4,258.4	4,746.7	5,293.3	5,927.8
EBITDA	935.5	998.0	1,091.0	1,202.3	1,306.6
Operating profit	656.5	687.8	773.5	847.9	910.3
Net profit (rep./act.)	331.1	366.0	414.8	469.7	516.3
Net profit (adj.)	331.1	366.0	414.8	469.7	516.3
EPS	7.4	8.1	9.2	10.4	11.5
PE (x)	47.4	42.8	37.8	33.4	30.4
P/B (x)	6.2	5.7	5.4	5.0	4.7
EV/EBITDA (x)	20.2	18.9	17.1	15.7	14.7
Dividend yield (%)	1.2	1.3	1.6	1.8	2.0
Net margin (%)	8.4	8.6	8.7	8.9	8.7
Net debt/(cash) to equity (%)	41.9	22.6	27.1	30.5	34.3
Interest cover (x)	5.4	5.8	5.7	6.2	6.7
ROE (%)	14.2	15.0	16.4	17.9	19.0
Consensus net profit	n.a	n.a	410.5	450.9	488.6
UOBKH/Consensus (x)	n.a	n.a	1.0	1.0	1.1

Source: KPJ, Bloomberg, UOB Kay Hian

Analyst

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BUY (Maintained)

Share Price	RM3.02
Target Price	RM3.85
Upside	26.2%

Stock Data

Sector	Health Care
Bloomberg ticker	KPJ MK
Shares issued (m)	4,426.3
Market cap (RMm)	14,916.6
Market cap (US$m)	3,764.4
3-mth avg daily t'over (US$m)	7.8

Price Performance (%)

52-week high/low RM3.50/RM2.40

1mth	3mth	6mth	1yr	YTD
0.3	22.1	23.0	16.2	25.3

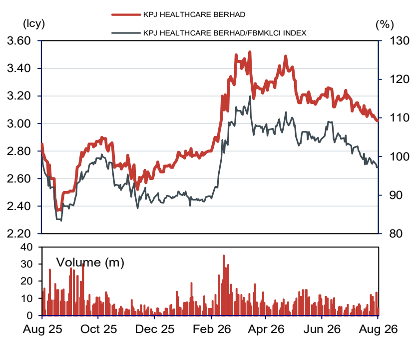
Major Shareholders (%)

Johor Corp	44.6
EPF	15.2

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	0.2

Price Chart



Source: Bloomberg

Company Description

Malaysia's largest private hospital operator.

- **Decent revenue growth driven by inpatient drive.** Revenue grew 16.9% yoy, a pick-up from +8.0% yoy in 1Q26. 2Q26 bed occupancy rate improved 6ppt yoy to 68% (2Q25: 62%) amid an unchanged operating bed count (3,930) and a 9.7% yoy bump in inpatient volume. Meanwhile, inpatient revenue intensity rose 6.9% yoy. The robust inpatient intensity reflects KPJ's intentional drive to widen its sub-specialties and Centres of Excellence across its hub-and-spoke network of hospitals. In terms of the uncertain Middle East geopolitical conflict, we expect it to have a negligible impact on KPJ's healthcare tourism given that foreign medical tourists account for only around 3% of revenue.
- **Case mix lifts gross margins.** 2Q26 gross margin improved marginally by 0.6ppt yoy to 44.8%, owing to KPJ's intentional drive on surgeries, case intensity and case mix improved as a result. A lower effective tax rate by -2.0bp yoy to 27.9% and finance cost offset higher opex, which supported core margin gain at 0.7ppt yoy yo 8.7%.

Valuation/Recommendation

- **Maintain BUY and target price of RM3.85.** We continue to like KPJ for its: a) strong execution capabilities, as exhibited by the record gestation of KPJ Kuala Selangor; b) inflection point of gestating hospitals; c) aggressive multi-year brownfield expansion that is margin accretive; and d) highly domesticated and defensive shield against uncertain externalities. Target price is pegged to a PE multiple of 36.8x, reflecting +1.5SD to its pre-pandemic five-year mean.

Earnings Revision/Risk

- **No changes to earnings.** Key downside risks include: a) tightening of regulatory policy, b) delay in hospital openings, and c) inability to pass on operating cost increases to customers.

Share Price Catalyst

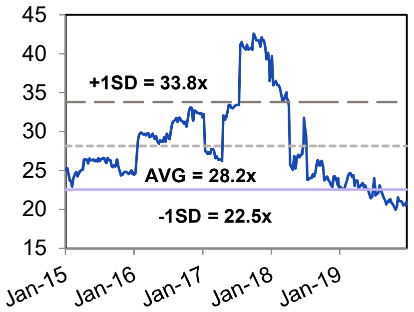
- **Long-term growth pipeline.** By 2030, the group targets the addition of 2,200 new beds to its current base of 3,934 operating beds (2025), representing a 56% capacity increase or a 9.3% five-year CAGR across nine hospitals. Expansion will prioritise high-occupancy facilities and be aligned with KPJ's regional hub-and-spoke model, enabling more efficient scaling of capacity and better utilisation of resources across its network.
- **Middle East conflict poses minimal threat.** Healthcare tourism revenue accounts for close to 6% of KPJ's total revenue, split evenly between expatriates and medical tourists. Given the higher logistics and travel costs arising from the Middle East conflict, medical tourist arrivals could see some near-term softness. However, as medical tourism contributes only around 3% of total revenue, we believe the earnings impact would be largely immaterial. Meanwhile, our channel checks indicate that inflationary pressure on medical supplies has remained manageable and largely unaffected thus far. Overall, we expect the direct impact from the Middle East conflict on KPJ to remain insignificant.

Revenue Assumptions

	2026F	2027F	2028F
Inpatient volume growth (%)	6.7	8.3	8.7
Outpatient volume growth (%)	3.0	3.0	3.0
Occupancy rate (%)	66.0	66.0	66.0
Average length of stay (days)	2.5	2.5	2.5
Average no. of beds	4,234	4,584	4,984

Source: UOB Kay Hian

KPJ's Historical PE band (Pre-pandemic)



Source: Bloomberg

Environmental, Social, Governance (ESG)

Environmental

- **Greenhouse gas emissions**. Reduce greenhouse gas (GHG) emissions by 25% across 42 facilities by 2025, supported by energy optimisation projects, renewable energy adoption and green electricity procurement.
- **Climate change**. Net Zero emissions by 2050, guided by KPJ's ESG roadmap and phased decarbonisation strategy.

Social

- **Community contribution. Expand access to affordable healthcare,** particularly for underserved communities through initiatives such as **Klinik Waqaf An-Nur (KWAN)** and outreach programmes.
- **Maintain high patient satisfaction levels**, supported by continuous monitoring of service quality and patient-centric healthcare delivery.

Governance

- **Transparency and accountability** are enhanced through **ESG reporting aligned with Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and Bursa Malaysia sustainability frameworks.**

Source: KPJ

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**4,258**	**4,747**	**5,293**	**5,928**
EBITDA	998	1,091	1,202	1,307
Deprec. & amort.	310	318	354	396
EBIT	688	773	848	910
Associate contributions	49	49	49	49
Net interest income/(expense)	(173)	(192)	(194)	(195)
Pre-tax profit	**563**	**630**	**703**	**764**
Tax	(162)	(175)	(188)	(196)
Minorities	(36)	(41)	(45)	(51)
Net profit	**366**	**415**	**470**	**516**
Net profit (adj.)	366	415	470	516

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	2,792	3,283	3,811	4,420
Other LT assets	3,256	3,096	3,188	3,306
Cash/ST investment	1,006	837	681	492
Other current assets	990	1,074	1,185	1,316
Total assets	**8,045**	**8,290**	**8,865**	**9,534**
ST debt	269	269	269	269
Other current liabilities	1,048	1,086	1,159	1,301
LT debt	1,360	1,360	1,360	1,360
Other LT liabilities	2,364	2,366	2,636	2,908
Shareholders' equity	2,758	2,922	3,109	3,313
Minority interest	247	288	333	384
Total liabilities & equity	**8,045**	**8,290**	**8,865**	**9,534**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**893**	**868**	**981**	**1,095**
Pre-tax profit	563	630	703	764
Tax	(141)	(175)	(188)	(196)
Deprec. & amort.	233	234	267	304
Associates	(49)	(49)	(49)	(49)
Working capital changes	25	(34)	(14)	10
Other operating cashflows	263	262	262	262
Investing	**13**	**(708)**	**(776)**	**(894)**
Capex (growth)	(270)	(708)	(776)	(894)
Proceeds from sale of assets	241	0	0	0
Others	42	0	0	0
Financing	**(509)**	**(329)**	**(362)**	**(390)**
Dividend payments	(185)	(251)	(283)	(312)
Issue of shares	0	0	0	0
Proceeds from borrowings	83	0	0	0
Loan repayment	(193)	0	0	0
Others/interest paid	(214)	(78)	(78)	(78)
Net cash inflow (outflow)	**397**	**(169)**	**(156)**	**(189)**
Beginning cash & cash equivalent	**614**	**1,006**	**837**	**681**
Changes due to forex impact	(5)	0	0	0
Ending cash & cash equivalent	**1,006**	**837**	**681**	**492**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	23.4	23.0	22.7	22.0
Pre-tax margin	13.2	13.3	13.3	12.9
Net margin	8.6	8.7	8.9	8.7
ROA	5.3	5.7	6.0	6.2
ROE	12.2	13.2	13.7	14.0
Growth				
Turnover	8.6	11.5	11.5	12.0
EBITDA	6.7	9.3	10.2	8.7
Pre-tax profit	6.1	11.9	11.5	8.6
Net profit	10.1	13.5	13.1	10.1
Net profit (adj.)	10.1	13.5	13.1	10.1
EPS	10.1	13.5	13.1	10.1
Leverage				
Debt to total capital	35.1	33.7	32.1	30.6
Debt to equity	54.2	50.7	47.3	44.0
Net debt/(cash) to equity	20.7	24.6	27.5	30.7
Interest cover	3.3	3.3	3.6	3.9

AMMB Holdings

(AMM MK/HOLD/RM7.24/Target: RM7.30)

1QFY27: In Line; Positive JAWS Offset Higher Credit Costs

Highlights

- **Within expectations.** AMMB Holdings (AMMB) reported 1QFY27 earnings of RM520m (+0.8% yoy). Earnings are within our and consensus expectations, with earnings representing 24% of both full-year estimates respectively.
- **The yoy growth in 1QFY27 earnings** was supported by positive operating JAWS, with total income rising 3% yoy against a 2% increase in operating expenses. NII grew 4% yoy on a 6.9% loans growth despite an 8bp NIM compression to 1.93%, while non-interest income declined 1% amid lower trading gains and insurance income, partly offset by stronger wealth management income. Consequently, pre-provision operating profit rose 3% yoy. Net credit cost improved to 19bp from 25bp in 1QFY26 as overlay reversals more than offset higher Stage 3 provisions, resulting in PBT growth of 4% yoy. However, PATMI growth was limited to 1% yoy due to a higher effective tax rate of 23.7% (1QFY26: 21.0%).
- **1QFY27 earnings were flat qoq** despite stronger underlying operating performance. NII increased 3% qoq amid flattish loans growth (<1%) and a NIM compression of 4bp to 1.93%. Non-interest income grew 1% on stronger wealth management fee income, partly offset by weaker investment banking fees and trading gains. Coupled with a 3% reduction in operating expenses, pre-provision operating profit rose a commendable 7% qoq. However, these gains were absorbed by a sharp increase in net impairment charges to RM70m from RM24m, mainly due to a RM52.5m geopolitical-risk overlay provision, leaving PATMI unchanged at RM520m.
- **Loan growth remained robust.** Gross loans rose 7% yoy to RM147.8b, driven by strong growth in wholesale banking (+19%) and business banking (+11%), while retail banking was broadly stable (+1%). On a ytd basis, loans grew 1%, led by business banking (+2%) and retail banking (+1%), with wholesale banking largely unchanged.
- **NIM softened on asset yield pressure.** 1QFY27 NIM fell 8bp yoy and 4bp qoq to 1.93%, mainly due to lower asset yields amid competitive loan pricing, while cost of funds was broadly stable qoq. Near-term NIM pressure may ease through proactive liability management, although competitive asset pricing remains a headwind.
- **Asset quality remained resilient despite higher credit costs.** GIL edged up 3bp qoq to 1.62% from 1.59%, while net credit cost increased to 19bp from c.1bp in 4QFY26. Correspondingly, net impairment charges rose to RM70m from RM24m, mainly due to a RM52.5m geopolitical-risk overlay, partially offset by overlay reversals. Despite this, LLC including regulatory reserves strengthened to 102.5% from 100.9%, while total overlay reserves declined to RM267m from RM307m. Although the additional geopolitical-risk overlay highlights a prudent provisioning stance against external uncertainties, management expects asset quality to remain broadly stable.
- **Higher DPS trajectory supported by capital release.** AMMB has indicated sustained DPS growth, supported by improving capital generation by targeting >40 sen DPS by FY27 vs 35 sen in FY26. In addition, there is potential excess capital release across 3-4 years from Basel III reforms. Basel III reforms effective Jan 28 are expected to release about RM2b of excess CET1 capital, equivalent to roughly 60 sen/share, which management intends to return to shareholders, potentially through special distributions. We therefore raise our DPS assumption to 40 sen/50 sen/52 sen from 36 sen/39 sen/41 sen with an increased payout assumption of 60%/70%/70% (from 55%) for FY27-29 respectively, reflecting stronger management commitment to progressively higher shareholder returns and clearer dividend milestones. Based on the new dividend assumptions, it implies a dividend yield of 5.5%/6.9%/7.3% for FY27-29 respectively.

Valuation/Recommendation

- Maintain HOLD with a revised target price of RM7.30 (from RM6.70) (1.08x FY27F P/B, 10.2% ROE). We raise our sustainable ROE assumption by 0.5ppt, capturing only half of the ~1ppt potential uplift from the RM2b Basel III capital release as our valuation remains pegged to FY27. We view the group’s risk-reward as balanced with valuations currently close to +1SD to historical mean P/B.

1QFY27 Results

Year to 31 Mar (RMm)	1QFY27	1QFY26	yoy %	4QFY26	qoq %
Net Interest Income	644.3	609.5	5.7	614.0	4.9
Ismaic Banking	395.7	357.8	10.6	362.8	9.1
Fees & Commissions	165.6	152.0	9.0	182.6	(9.3)
Net Trading Income	104.7	133.7	(21.7)	111.4	(6.0)
Other Operating Income	6.8	7.1	(3.7)	7.7	(11.4)
Core Total Income	1,317.2	1,260.1	4.5	1,278.5	3.0
Operating Expenses	(575.5)	(563.9)	2.1	(590.8)	(2.6)
Core PPOP	741.7	696.2	6.5	687.7	7.9
Provison	(69.8)	(72.4)	(3.6)	(24.5)	185.4
Core PBT	682.1	654.4	4.2	680.9	0.2
Core Net Profit	520.2	516.2	0.8	520.5	(0.1)
EPS (sen)	15.7	15.6	0.8	15.7	(0.1)
DPS (sen)	0.0	0.0	n.a.	22.5	n.a.
BVPS (RM)	6.48	6.23	4.0	6.54	(0.9)

Financial Ratios	1QFY27 (%)	1QFY26 (%)	yoy (ppt)	4QFY26 (%)	qoq (ppt)
NIM	2.0	1.97	(0.0)	2.0	0.1
Loan Growth	7.0	5.6	2.8	5.6	1.4
Deposit Growth	6.3	5.3	4.5	5.3	1.0
Loan/Deposit Ratio	99.7	97.3	0.9	97.3	2.3
Cost/Income Ratio	43.7	46.2	(1.1)	46.2	(2.5)
ROE	9.7	9.7	(0.5)	9.7	(0.1)
NPL Ratio	1.7	1.7	(0.0)	1.7	0.0
Credit Costs (bp)	18.8	2.1	(6.4)	2.1	16.7
CET-1 CAR	14.4	15.4	0.0	15.4	(1.0)

Source: AMMB, UOB Kay Hian

Analyst(s)

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Key Financials

Year to 31 Mar (RMm)	2026	2027F	2028F	2029F
Net interest income	2,449	2,615	2,804	2,981
Non-interest income	1,157	1,215	1,275	1,339
Net profit (rep./act.)	2,101	2,193	2,330	2,481
Net profit (adj.)	2,101	2,193	2,330	2,481
EPS (sen)	63.5	66.1	70.2	74.7
PE (x)	11.3	10.9	10.2	9.6
P/B (x)	1.1	1.1	1.0	1.0
Dividend yield (%)	4.9	5.5	6.9	7.3
Net int margin (%)	45.6	44.8	44.2	43.8
Cost/income (%)	1.99	2.00	2.01	2.01
Loan loss cover (%)	68.4	66.6	74.7	76.8
Consensus net profit	-	2,157	2,305	2,475
UOBKH/Consensus (x)	-	1.02	1.01	1.00

Source: AMMB, UOB Kay Hian

Duopharma Biotech

(DBB MK/BUY/RM1.23/Target: RM1.62)

2Q26: Strong 1H But Expect Some Normalisation in 2H

Highlights

- **Within expectations.** Duopharma Biotech (Duopharma) reported 2Q26 core net profit of RM29.9m (-2.7% qoq, +47.8% yoy), bringing 1H26 earnings to RM60.6m (+32.1% yoy). Earnings accounted for 59% of both our and consensus full-year forecasts. The strong yoy earnings growth was partly supported by a ytd reversal of inventory impairment of RM0.42m, a marked departure from the average annual inventory impairment of RM10.4m recorded over the past three years. We believe inventory impairment charges could normalise, which could temper earnings growth in 2H26. Furthermore, 4Q is seasonally the weakest quarter for earnings.
- **Export and private market sales underpin growth.** Sales grew by 5.7% yoy, primarily lifted by export sales growth of 18.0% yoy. Meanwhile, local sales grew by 4.8%, which appears to be driven by private market sales. 1H26 local sales contracted 1.9% yoy due to the normalisation of insulin sales to the public sector following the one-off surge recorded in 1H25. Private market sales, which are primarily driven by consumer healthcare contributions, continue to grow.
- **Gross margin gains underpin earnings growth.** Gross margin improved significantly by 5.0ppt yoy to 42.4% due to margin-accretive private sales and more favourable forex amid higher active pharmaceutical ingredient (API) costs. Favourable inventory impairment charges appear to be a contributing factor as well. Higher depreciation, partly offset by lower finance costs, slightly tempered core margin expansion, which rose 3.6ppt yoy to 12.7%. Coupled with modest revenue growth, 2Q26 earnings grew by 47.8% yoy, lifting 1H26 core profit by +32.1% yoy.

Share Price Catalyst

- **Inventory build-up strategy.** In response to geopolitical uncertainty, management has proactively increased inventory buffers, lifting finished goods from 2-3 months to 4-6 months of inventory. It is also targeting up to 7-8 months from 4-6 months of APIs for key SKUs. The focus is on high-volume and essential medicines, securing supply ahead of further disruptions. This extended inventory coverage provides a meaningful buffer, offering resilience against potential supply disruptions going forward.
- **Limited API pressure.** API supply remains largely stable, with only a small subset (<5% of revenue) experiencing price increases – most notably paracetamol APIs, which have risen by 30-50%. The impact is mitigated by existing inventory buffers. Notably, the stockout of Panadol in 2024 drove record sales of Uphamol, suggesting that higher API costs may be partially offset by stronger demand and volume upside for the product.
- **US dollar exposure.** Duopharma has left its net US dollar exposure unhedged for this year. Net of its export sales as a natural hedge, the company’s 2027 earnings sensitivity to US$/RM is +0.3% for every 1.0% depreciation in the US dollar, based on our assumption that Duopharma leaves its exposure unhedged for 2027. We have assumed a forex assumption of RM4.00/US$ for 2027.

Earnings Revision/Risk

- No changes to earnings. Key risks include single customer concentration (50% of Duopharma’s sales are from the government) and the strengthening of the US dollar.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of RM1.62.** We continue to like Duopharma for its defensive, domestically-driven growth and bargain valuations. It currently trades close to its -1.5SD of its five-year average mean PE. Our PE peg of 14.4x on 2027 earnings is based on Duopharma’s five-year average mean PE.

2Q26 Results Key Financials

Year to 31 Dec	1Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg
Revenue	**234.4**	**(5.5)**	**5.7**	**482.2**	**(0.5)**
Gross profit	**99.5**	2.2	19.8	**196.8**	11.6
EBIT	**43.9**	**(1.3)**	**39.3**	**88.3**	**26.0**
Exceptionals	0.0			0.0	
Pretax profit	39.3	(2.7)	47.8	79.7	32.1
Taxation	(9.4)			(19.1)	
Net PATAMI - Core	**29.9**	**(2.7)**	**47.8**	**60.6**	**32.1**
Margin	%	+/- ppt	+/- ppt	%	+/- ppt
Gross margin	42.4	3.2	5.0	40.8	4.4
EBITDA margin	23.4	1.0	4.6	22.8	4.2
Pretax margin	16.8	0.5	4.8	16.5	4.1
Effective tax rate	(24.0)	(0.0)	0.0	(24.0)	0.0
Core margin	12.7	0.4	3.6	12.6	3.1

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	814	932	976	1,030	1,086
EBITDA	146	179	198	205	213
Operating profit	101	134	150	158	165
Net profit (rep./act.)	63	87	102	111	118
Net profit (adj.)	63	87	102	111	118
EPS (sen)	6.5	9.1	10.6	11.6	12.3
PE (x)	20.0	14.3	12.2	11.2	10.6
P/B (x)	1.7	1.6	1.7	1.3	1.6
EV/EBITDA (x)	9.8	7.7	12.0	5.5	7.7
Dividend yield (%)	2.4	3.6	4.3	4.6	4.9
Net margin (%)	7.7	9.4	10.5	10.8	10.9
Net debt/(cash) to equity (%)	35.0	26.7	40.2	35.0	26.7
Interest cover (x)	7.1	9.5	7.9	15.5	9.5
ROE (%)	10.1	13.6	8.7	16.3	13.6
Consensus net profit	-	-	103	108	112
UOBKH/Consensus (x)	-	-	0.99	1.03	1.06

Source: Duopharma, Bloomberg, UOB Kay Hian

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Hume Cement Industries

(HUME MK/BUY/RM2.99/Target: RM4.16)

FY26: Within Expectation; Continued Margin Expansion Drives Commendable Core Earnings Growth

Highlights

- **FY26: Largely within expectations.** Hume Cement Industries (Hume) reported a FY26 net profit of RM430.6m (+93% yoy). Stripping out an RM191.2m one-off gain on disposal of its non-core concrete business in 3QFY26, FY26 core net profit came in at RM239.2m, rising 22% yoy. This is attributed to its ongoing operational efficiency initiatives along with production and input cost optimisation efforts, which saw core net profit margin expanding by 5.5ppt to 23%, despite clocking in lower revenue recognition (-5% yoy) due to a slowdown in concrete sales. Accounting for 103% of our FY26 earnings forecast, we deem the results to be within expectation.
- **4QFY26 sales recorded a 10% qoq improvement** due to a weaker preceding quarter which was impacted by seasonal weakness. However, 4QFY26 saw a 2% yoy revenue decline primarily due to lower concrete sales following the cessation of the concrete segment in Peninsular Malaysia. Conversely, core net profit rose 14% yoy and 17% qoq reflecting its ongoing efficiency improvement initiatives, in line with its full-year performance.
- **Healthy net cash position.** The group ended the year with a robust net cash position of RM529.7m**,** which is attributed to: a) RM215.5m proceeds from the disposal of its non-core concrete business in 3QFY26; b) complete repayment of its borrowings (RM145,2m) in 3QFY26; and c) aggressively decreasing finance expenses. Supported by its consistently strong profits and cash flow generation, we believe Hume will adopt a more active capital management stance moving forward, paving the way to unlock higher dividend payouts and strategic capex spending.
- **Spike in coal prices causing fear in the cement sector.** The surge in Newcastle coal prices (+21% ytd) and Indonesia's coal reference price (+27% yoy) has led to a sell-down in cement stocks. The rebound in coal prices has been driven by LNG supply disruptions and broader energy price strength linked to escalating Middle East tensions. Positively, Indonesia has scrapped its earlier plan to reduce its 2026 coal production quota to around 600m tonnes (from ~790m tonnes in 2025) and is expected to lift its 2026 coal production quota to exceed 600m tonnes. Overall, while coal prices remain elevated in the near term, the easing of production restrictions should help alleviate earlier concerns over a severe supply crunch for cement producers reliant on Indonesian coal imports.

Earnings Revision/Risk

- No changes to earnings.

Valuation/Recommendation

- **Maintain BUY with a higher rolled-over target price of RM4.16 (previous target price: RM3.98).** We peg our fair value to 12x FY27F PE (industry mean PE), which fairly reflects near-term concerns over rising coal costs, the potential slowdown in construction activities due to surging oil prices from the Middle East conflicts, and less aggressive-than-hoped capital management. We continue to like Hume for its above-industry-average margins, supported by a healthy utilisation rate and superior plant efficiency. Beyond earnings, there is also capital management potential, as Hume is currently in a net cash position.

2Q26 Results

Year to 30 Jun	4QFY26 (RMm)	qoq % chg	yoy % chg	FY26 (RMm)	yoy % chg
Revenue	259.1	9.8	(1.6)	1,056.2	(5.2)
EBITDA	98.5	(65.0)	5.2	581.4	55.4
EBIT	79.6	(69.6)	6.0	505.4	67.7
Finance cost	(0.1)	(83.1)	(97.7)	(3.7)	(70.3)
PBT	81.5	(69.2)	8.9	511.4	73.3
Tax	(20.2)	(4.7)	(5.2)	(80.8)	12.4
Net profit	61.3	(74.8)	14.4	430.6	92.9
Core net profit	61.4	16.9	14.3	239.2	22.2
Margins	%	+/- ppt	+/- ppt	%	+/- ppt
EBITDA	38.0	(81.2)	2.47	55.1	21.5
EBIT	30.7	(80.4)	2.20	47.9	20.8
PBT	31.5	(80.8)	3.03	48.4	21.9
Core net profit	23.7	1.4	3.30	22.6	5.1

Source: Hume, UOB Kay Hian

Key Financials

Year to 30 Jun (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	1,114.6	1,056.2	1,181.3	1,225.5	1,254.0
EBITDA	374.3	582.2	410.7	438.4	457.8
Operating profit	301.5	506.2	334.3	361.6	380.6
Net profit (rep./act.)	223.2	430.6	250.1	266.6	280.7
Net profit (adj.)	195.8	239.2	250.1	266.6	280.7
EPS	27.1	33.2	34.7	37.0	38.9
PE (x)	11.1	9.0	8.6	8.1	7.7
P/B (x)	3.0	2.0	2.0	1.7	1.5
EV/EBITDA (x)	5.5	2.8	3.9	3.3	2.8
Dividend yield (%)	3.3	4.3	4.6	4.9	5.2
Net margin (%)	17.6	22.6	21.2	21.8	22.4
Net debt/(cash) to equity (%)	(12.3)	(49.5)	(44.9)	(50.9)	(56.2)
Interest cover (x)	24.5	138.7	66.2	35.8	37.7
ROE (%)	26.9	22.4	20.5	19.3	18.1

Source: Hume, UOB Kay Hian

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ITMAX System
(ITMAX MK/BUY/RM4.45/Target: RM6.10)

PERKESO Win Broadens Growth Runway Beyond Smart Cities

Highlights

- **ITMAX System (ITMAX) has secured a RM186.8m contract (RM171.9m net of SST) from PERKESO** to develop a brand new AI-powered employment portal to replace the existing MyFutureJobs platform for a contract period of five years from 1 Sep 26 to 31 Aug 31.
- **New AI-powered employment platform.** The project involves the development of a brand-new platform to replace PERKESO's existing MYFutureJobs portal, which is currently developed and supported by a third-party overseas developer. The new platform will be developed locally by ITMAX and incorporate enhanced AI capabilities, including an AI engine for smart job matching and a 24/7 AI chatbot assistant. The platform will serve as a central marketplace connecting employers with job seekers, with AI-enabled matching expected to improve the speed and efficiency of connecting suitable candidates with available positions. We believe this provides ITMAX an opportunity to monetise and replicate its AI capabilities in a new use case, rather than being a conventional one-off IT development project.
- **Orderbook reaches a record high.** Following the win, ITMAX's estimated unbilled orderbook has risen to RM2.7b from RM2.5b following the RM134m KK smart city projects secured on 10 Aug 26. The consecutive wins reinforce the strong momentum in ITMAX's orderbook and provide greater earnings visibility over the medium term.
- **Meaningful earnings contribution from 2027**. We gather that 80% of the contract value (RM137.4m) will be recognised over the first three years, with contribution expected to commence in 2027, while the remaining 20% (RM34.4m) will be recognised over the final two years. Assuming a 45% net margin, in line with ITMAX's typical margin on previous contracts, we estimate the project could contribute RM61.9m net profit over 2027-29, with a further RM15.5m contribution across 2030-31. This project does not require upfront capex, which should support healthy cash generation.
- **Potential for recurring revenue beyond the initial contract**. After the initial five-year contract, we believe ITMAX could potentially secure a follow-on maintenance and licensing arrangement, providing a longer-term recurring revenue stream from the platform. As ownership of the platform will reside with PERKESO, we also see scope for variation orders (VO) during the contract period should PERKESO add new AI functionalities or expand the platform's capabilities.
- **Strengthens ITMAX's AI credentials.** Beyond the immediate earnings contribution, we believe the project is strategically important as it demonstrates that ITMAX's AI and digital-platform capabilities are transferable beyond smart-city applications. A successful deployment of the PERKESO platform could serve as a strong reference case for ITMAX to pursue similar AI-enabled digital transformation projects across other government agencies and industries. This supports our view that ITMAX's technology platform is increasingly scalable across multiple verticals, providing an additional avenue for growth beyond its traditional smart-city business.

Earnings Revision/Risk

- We raise our 2027-28 earnings forecasts by 10-12% after factoring in the earnings contribution from this project. 2026 earnings remain unchanged, given that meaningful revenue recognition is only expected to commence from 2027 onwards.

Valuation/Recommendation

- **Maintain BUY with a higher DCF-based target price of RM6.10 (from RM6.00, WACC: 7%; LTG: 3%),** which implies 40x 2027F PE. ITMAX continues to offer enormous potential across both East and West Malaysia, underpinned by a solid orderbook. Beyond that, the company leverages AI technologies and its unique database as key competitive advantages to continue delivering superior solutions.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	220.2	247.0	264.2	339.8	384.8
EBITDA	120.0	149.3	171.7	229.4	259.7
Operating profit	104.1	130.4	152.9	201.2	227.8
Net profit (rep./act.)	80.4	93.5	118.5	155.2	175.9
Net profit (adj.)	80.5	93.1	118.5	155.2	175.9
EPS	7.8	9.1	11.5	15.1	17.1
PE	56.8	49.1	38.6	29.5	26.0
P/B	11.4	9.1	7.7	6.5	5.4
EV/EBITDA	55.6	44.9	39.0	29.3	25.9
Dividend yield	0.4	0.5	0.6	0.8	1.0
Net margin	36.5	37.7	44.8	45.7	45.7
Net debt/(cash) to Equity (%)	(38.6)	(27.8)	(24.1)	(28.8)	(35.3)
Interest cover	33.7	85.8	50.9	67.9	61.8
ROE	20.0	18.5	20.0	21.9	20.9
UOBKH/Consensus (x)	-	-	0.96	1.02	1.02

Source: ITMAX, Bloomberg, UOB Kay Hian

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Market Spotlight

Market News

The FBMKLCI rebounded by 7.47pt (+0.43%) to close at 1,733.36 yesterday. Meanwhile, Asian stock markets are mostly lower on Tuesday, following the broadly negative cues from Wall Street overnight, on the continued spike in crude oil prices that stoked global inflation and interest-rate concerns amid escalating geopolitical tensions in the Middle East after Iran ruled out talks with the US to extend a 60-day ceasefire that expired Monday.The FBMKLCI’s top gainers were Petronas Chemicals Group (+3.1%), SD Guthrie (+2.8%) and IOI Properties Group (+2.3%), while the top losers were YTL Corporation (-2.6%), YTL Power International (-1.6%) and 99 Speed Mart Retail Holdings (-1.4%). In the broader market, losers outpaced gainers 762 to 438 with 576 counters unchanged. Turnover was 3.75b shares valued at RM2.88b.

US stocks were lower after the close on Tuesday, as losses in the industrials, technology and basic materials sectors led shares lower. At the close in NYSE, the Dow Jones Industrial Average fell 0.22%, while the S&P 500 Index lost 0.69%, and the NASDAQ Composite Index lost 1.33%.Falling stocks outnumbered advancing ones on the New York Stock Exchange by 1,748 to 952 and 104 ended unchanged; on the Nasdaq Stock Exchange, 2,046 fell and 1,385 advanced, while 196 ended unchanged. *(Sources: Investing.com)*

FBMKLCI, FCPO & FKLI Index Outlook

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FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI

Last close:	1,733.36
Expected moving range:	1,720-1,750

Technical View:

The FBMKLCI has formed a "spinning top" pattern over the daily candlestick, signalling the indecisive nature of yesterday's movement. However, the key positive takeaway is that selling pressure was well absorbed as the index was reluctant to head lower despite repeated attempts to breach the psychological support level of 1,700. As such, along with the long-term uptrend line, the ample liquidity in the market could boost demand higher with violation of the immediate resistance of 1,753 possibly prolonging the FBMKLCI upward movement. Despite the index trading in consolidation mode, our bias remains bullish. Support and resistance levels are still 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 +3.6% potential downside

Trading SELL range:	RM4,800-4,900
Last price:	RM4,854
Target price:	RM4,713, RM4,672
Resistance:	RM4,900
Stop-loss:	RM4,901

SELL with a target price of RM4,672 and stop-loss at RM4,901. Based on the chart, FCPO continued the bearish movement and closed lower at RM4,854 yesterday. This bearish movement is supported by a downtick in the RSI and a bearish crossover in both the MACD and DMI indicators. We maintained our targets at RM4,713 and RM4,672 in the near term.

Expected timeframe: One day to three days

FKLI

Source: TradingView

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

Technical BUY with 1.2% potential return

Trading BUY range:	1,720-1,740
Last price:	1,726
Target price:	1,734, 1,747
Support:	1,715
Stop-loss:	1,714

BUY with a target price of 1,747 and stop-loss at 1,714. Based on the chart, FKLI continued the bullish movement and closed at 1,726 on yesterday's movement. This bullish movement is supported by an uptick in the RSI and bullish crossovers in the MACD. We peg our targets at 1,734 and 1,747 in the near term.

Expected timeframe: One day to three days

Traders' Corner

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Source: UOBKH ChartGenie

TSH Resources
TSH MK

Technical BUY on breakout with +11.4% potential return

Trading BUY range:	RM1.23-1.24
Last price:	RM1.21
Target price:	RM1.32, RM1.37
Support:	RM1.14
Stop-loss:	RM1.13

BUY on breakout with a target price of RM1.37 and stop-loss at RM1.14. Based on the daily chart, the share price has been trading above the BBI line. Given the profit-taking activity, TSH rebounded on yesterday's gain and established a new up-leg. Persistent buying interest as shown by the RSI and MACD should drive the share price higher. Additionally, DMI is currently on the verge of making a golden cross to the positive signal. We peg our targets at RM1.32 and RM1.37 once it penetrates the breakout level of RM1.23.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

BWYS Group
BWYS MK

Technical BUY on breakout with +39.4% potential return

Trading BUY range:	RM0.165-0.17
Last price:	RM0.16
Target price:	RM0.195, RM0.23
Support:	RM0.145
Stop-loss:	RM0.14

BUY on breakout with a target price of RM0.23 and stop-loss at RM0.14. Following the earlier correction, the share price has rebounded and moved above the BBI line, implying that the recent correction is over. The steady incline in the RSI points to a gradual rise in momentum. This is supported by the positive reading in the DMI. As such, we expect the upward movement to be sustainable, and thus peg our upside targets at RM0.195 and RM0.23 once it manages to penetrate above the breakout level of RM0.165.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Engtex Group
ENGT MK

Technical BUY on breakout with +17.2% potential return

Trading BUY range:	RM0.465-0.47
Last price:	RM0.445
Target price:	RM0.51, RM0.545
Support:	RM0.425
Stop-loss:	RM0.42

BUY on breakout with a target price of RM0.545 and stop-loss at RM0.42. A successful closing above the BBI line on yesterday's movement suggests improving sentiment as ENGT looks set to resume the upward movement. This is supported by an uptick in the RSI. Currently, the DMI is showing positive signals, which will support the upward momentum. We expect ENGT to continue the upward movement to our targets at RM0.51 and RM0.545 in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

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