UOBKayHian

Country Daily | Malaysia

Friday, 28 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53,569.4	0.2	1.5	2.6	11.5
S&P 500	7,731.0	0.7	1.2	4.3	12.9
FTSE 100	10,792.5	(0.8)	0.4	0.1	8.7
AS30	9,243.2	(1.0)	(0.6)	1.4	2.5
CSI 300	4,630.3	0.9	0.8	1.3	0.0
FSSTI	5,684.1	(0.7)	0.2	1.2	22.3
HSCEI	8,490.3	(0.5)	(0.7)	0.6	(4.7)
HSI	25,565.7	(0.3)	(0.5)	1.4	(0.3)
JCI	6,521.8	1.8	2.0	6.4	(24.6)
KLCI	1,741.7	(0.4)	0.6	1.7	3.7
KOSPI	6,912.4	1.5	0.9	14.8	64.0
Nikkei 225	66,132.0	(0.2)	(0.1)	6.0	31.4
SET	1,600.7	(0.1)	(0.6)	(1.5)	27.1
TWSE	45,975.2	0.3	2.3	10.5	58.7
BDI	3,107	1.7	11.3	15.2	65.5
CPO (RM/mt)	4,596	(1.1)	0.0	(0.2)	16.9
Brent Crude (US$/bbl)	90	2.1	(4.4)	1.5	47.4

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
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
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep
Post-results NDR with Sunny Optical (2382 HK)	Taipei	22 Sep	23 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Malaysia Manufacturing PMI	Malaysia	01 Sep
BNM Overnight Policy Rate Decision	Malaysia	03 Sep

Top Stories

Company Results | Malayan Banking (MAY MK/**HOLD**/RM10.62/Target: RM11.58) Page 3 →

- Maybank reported an in-line 2Q26 net profit. Positively, non-interest income recovered and provisions declined qoq, although the 4bp qoq decline in NIM remains a near-term earnings drag. Maintain HOLD and target price of RM11.58 (1.27x 2027F P/B, ROE:11.2%) with the stock trading at a historical mean P/B.

Company Results | MISC (MISC MK/**BUY**/RM8.48/Target: RM9.50) Page 6 →

- 1H26 is deemed in line. The petroleum segment's 2Q26 profit is exceptionally strong. This reflects a strategic boost in spot fleet mix to 30%, as MISC capitalised on high freight rates arising from tensions over the Strait of Hormuz. The gas segment's performance aligns with our theory that LNG earnings have bottomed. While tanker rates may revert to pre-war levels in 2H26, an M&A event is now the near-term risk (instead of earnings). We retain BUY and target price of RM9.50.

Company Results | Sime Darby (SIME MK/**HOLD**/RM2.51/Target: RM2.67) Page 9 →

- Sime's FY26 core net profit of RM1,547m came in above expectations, supported by the BMW Malaysia dividend. While management expects a gradual recovery in mining-related maintenance activities in FY27, we remain cautious given the prolonged recovery and await clearer signs of a sustained upcycle. We downgrade the stock to HOLD but raise our SOTP-based target price to RM2.67 (from RM2.55) following our 7% upward revision of FY27/28 earnings forecasts.

Company Results | Sunway Bhd (SWB MK/**HOLD**/RM5.11/Target: RM5.61) Page 12 →

- Results were within our expectations, with yoy core PATAMI yoy growth driven by new contributions from Sunway MCL and the healthcare segment. Property sales of RM2.3b are largely on track to meet full-year target of RM4.2b, while launches could fall short of the original target following the delay in the RTS Tower launch. Maintain HOLD with a lower target price of RM5.61 (from RM5.70) to reflect softer take-up rates at selected projects and delays in the RTS project launch.

Company Results | Tenaga Nasional (TNB MK/**BUY**/RM14.30/Target: RM16.30) Page 15 →

- Tenaga booked a 2Q26 normalised net profit of RM1,053m (+6% yoy; -16% qoq) on the back of a higher regulatory base. This was partly offset by higher repair & maintenance costs, computer expenses and higher depreciation charges. 1H26 normalised net profit of RM2,306m (+5% yoy) is in line with expectations. Electricity demand jumped 8% yoy on higher data centre demand. Maintain BUY with a DCF-based target price of RM16.30.

What's Inside

Market Spotlight

Technical Analysis

Malayan Banking (MAY MK)

2Q26: Recovery In Non-interest Income

Highlights

- Maybank reported an in-line 2Q26 net profit.
- Positively, non-interest income recovered and provisions declined qoq, although the 4bp qoq decline in NIM remains a near-term earnings drag.
- Maintain HOLD and target price of RM11.58 (1.27x 2027F P/B, ROE: 11.2%). The stock is currently trading at historical mean P/B, which we deem as fair given the limited scope to raise dividend payouts further in the near term.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	2Q25	yoy%	1H26	yoy%
Net Interest Income	3,095.3	3,172.5	(2.4)	6,364.4	(0.5)
Islamic Banking	2,292.6	2,210.4	3.7	4,477.8	4.7
Fees & Commissions	1,098.5	958.2	14.6	2,120.2	11.7
Net insurance income	(805.7)	(377.4)	113.5	(272.6)	427.3
Net trading income	1,474.1	462.0	219.1	1,277.0	133.3
Other Operating Income	356.6	1,258.7	(71.7)	644.1	(72.4)
Total Income	7,511.4	7,684.4	(2.3)	14,610.9	(5.1)
Operating Expenses	(3,689.1)	(3,785.0)	(2.5)	(7,234.7)	(3.9)
PPOP	3,822.2	3,899.4	(2.0)	7,376.2	(6.3)
Provisions	(313.5)	(423.4)	(26.0)	(798.2)	(1.2)
Writeback/(Impairment)	82.7	(51.2)	(261.6)	361.8	(487.2)
Associate	51.0	86.8	(41.3)	(6.9)	(105.0)
PBT	3,642.5	3,511.6	3.7	6,932.9	(2.4)
Net Profit	2,690.4	2,628.0	2.4	5,171.0	(0.9)
EPS (sen)	23.9	23.3	2.3	45.9	(0.9)
DPS (sen)	31.0	30.0	3.3	31.0	3.3
Financial Ratios (%)	2Q26	2Q25	yoy +/- ppt	1Q26	qoq +/- ppt
Loan Growth, yoy	2.8	1.3	1.5	0.9	1.9
Loan/Deposit Ratio	97.9	92.7	5.3	98.1	(0.2)
Cost/Income Ratio	49.1	49.3	(0.1)	49.9	(0.8)
ROE	11.7	11.3	0.5	10.8	0.9
Gross Impairment Loan Ratio	1.3	1.3	0.0	1.3	0.0
Credit Costs (bp)	18.0	25.0	(7.0)	28.4	(10.4)

Source: Maybank, UOB Kay Hian

Analysis

- **In line.** Malayan Banking (Maybank) reported a 2Q26 net profit of RM2.69b (+2.4% yoy, +8.5% qoq), bringing 1H26 net profit to RM5.17b (-0.9% yoy). Overall, we view the results as broadly in line, with 1H26 earnings accounting for 48%/49% of our/consensus 2026 estimates. 1H26 net profit declined a modest 0.9% yoy to RM5.17b, weighed down by a 15% yoy contraction in non-interest income from lower forex income and a 22% yoy drop in net insurance income, primarily due to higher claims expenses. This was partly offset by lower net credit costs, driven by recoveries, alongside strong cost discipline, with operating expenses declining 3% yoy.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net interest income	12,807	13,157	12,818	13,506	14,279
Non-Interest Income	8,419	8,569	8,922	9,326	9,611
Net profit (rep./act.)	10,089	10,514	10,669	11,090	11,743
Net profit (adj.)	10,089	10,514	10,669	11,090	11,743
EPS (sen)	89.7	93.5	97.8	99.9	103.9
PE (x)	11.8	11.4	10.9	10.6	10.2
P/B (x)	1.3	1.3	1.2	1.2	1.1
Dividend yield (%)	5.7	5.9	6.3	6.5	6.9
Net int margin (%)	2.17	2.20	2.20	2.21	2.22
Cost/income Ratio (%)	48.9	48.8	50.4	50.4	50.7
Loan loss cover (%)	122.4	98.3	124.0	129.9	131.2
Consensus net profit	-	-	10,513	11,196	11,805
UOBKH/Consensus (x)	-	-	1.01	0.99	0.99

Source: Maybank, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM10.62
Target Price	RM11.58
Upside	9.0%

Stock Data

Sector	Financials
Bloomberg ticker	MAY MK
Shares issued (m)	12,095.6
Market cap (RMm)	128,455.1
Market cap (US$m)	31,440.2
3-mth avg daily t'over (US$m)	35.6

Price Performance (%)

52-week high/low				RM12.42/RM9.68
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(2.6)	(2.9)	(11.2)	8.5	1.3

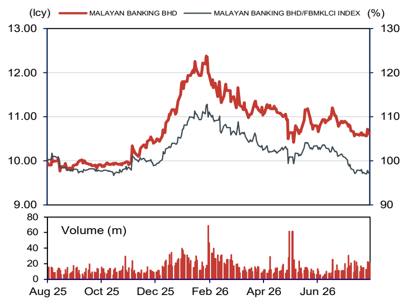
Major Shareholders (%)

Amanah Saham Nasional	33.7
Employees Provident Fund Board	12.7

Balance Sheet Metrics

FY26F NAV/Share (RM)	8.64
FY26F CAR Tier -1 (%)	16.0

Price Chart



Source: Bloomberg

Company Description

The largest banking group in Malaysia in terms of asset size. Maybank also has sizeable exposure to foreign markets, with foreign loans, mainly in Singapore and Indonesia, making up 33% of its loan base.

- **2Q26 qoq trend.** Sequentially, net profit increased 8.5% qoq, driven primarily by a sharp 165% qoq recovery in non-interest income, as trading income swung from a net loss to a net gain, alongside lower net credit costs on improved recoveries. This was, however, partly tempered by a 4bp qoq compression in NIM and a 4% qoq increase in operating expenses, mainly due to higher IT spending.
- **2Q26 yoy trend. 2Q26 net profit grew 2.4% yoy,** supported by lower impairment charges, a 9% yoy increase in non-interest income driven by stronger trading, wealth management and investment banking income, as well as continued cost discipline, with opex declining 3% yoy. This was, however, partly offset by weaker insurance income.
- **NIM moderated but remains above 2026 guidance.** Group NIM declined 4bp qoq to 2.10% in 2Q26, with pressure across Malaysia, Singapore and Indonesia due to higher deposit competition and mortgage yield pressure in Malaysia, declining SORA rates in Singapore with assets re-pricing faster than deposits and rising funding costs in Indonesia as deposits reprice faster than assets in the current rising interest rate environment. Despite this, 1H26 NIM averaged 2.12%, up 10bp yoy and above management's 2026 guidance of 2.05-2.10%. We expect modest sequential NIM moderation in 2H26, particularly as the group looks to raise longer-term capital securities at higher funding costs.
- **Loan growth momentum gained traction.** Overall group loans grew 1.7% qoq and 2.7% yoy (vs -0.3% qoq in 1Q26). Excluding forex impact, loans grew a stronger 4.6% yoy. Growth remained broad-based across the key home markets, with Malaysia loans up 0.9% qoq, Singapore 1.0% qoq and Indonesia 4.3% qoq. On a constant-currency basis, management highlighted healthy loan momentum across its key markets and retained its 2026 group loan growth guidance of 4-5%.
- **Asset quality remained manageable.** Asset quality remained relatively stable with group GIL ratio inching up by only 1bp qoq to 1.35%. A slight deterioration was driven by selected corporate accounts in Singapore and incremental contributions from the auto and SME portfolios in Malaysia.
- **Higher management overlays but overall net credit cost remained within guidance.** Management overlay increased to RM2.6b from RM2.4b in 1Q26, reflecting heightened macro risks from geopolitical tensions and retail model adjustments. Nevertheless, net credit costs declined qoq to 18bp from 28bp in 1Q26, as recoveries from restructured portfolios more than offset the RM200m increase in overlays. 1H26 net credit cost of 18bp remained well within management's full-year guidance of 20bp while LLC remained comfortable at 103.1%.
- **Limited scope to raise dividend payouts meaningfully.** The group declared a 1H26 interim dividend of 31 sen/share, comprising 26 sen in cash and 5 sen via DRP, vs 30 sen/share in pure cash previously, translating into a 73% payout ratio. Given Maybank's already high payout ratio of 73% vs the 58% peer average, we see limited scope for further upside to dividend payouts.
- **2026 targets:** Apart from the cost-to-income ratio, management's key 2026 guidance is largely retained as follows: a) ROE: around 11.8%, b) loans growth: 4-5% (constant currency), c) net credit cost: 20bp, d) NIM: stable to +5bp, and e) cost-to-income ratio of around 49% (from 49% or below) due to emphasis on IT spending.

Valuation/Recommendation

- **Maintain HOLD and target price of RM11.58 (1.27x 2027F P/B, ROE: 11.2%).** Given Maybank's limited near-term scope to raise its dividend payout, we prefer CIMB, given its more attractive valuations and greater headroom to increase dividends. That said, given Maybank's already depressed share price and attractive dividend yield of around 6%, we view the stock's current risk-to-reward profile as balanced.

Earnings Revision/Risk

- No changes.

Share Price Catalyst

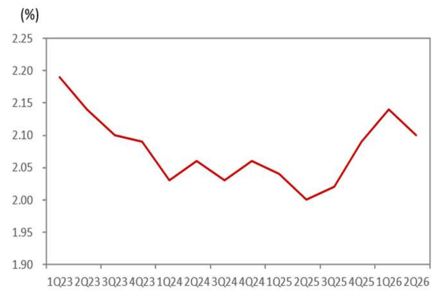
- Stronger-than-expected wealth management income.
- Stronger-than-expected NIM trend.

Key Assumptions

(%)	2026F	2027F	2028F
Loan Growth	5.0	5.0	5.5
Credit Cost (bp)	20.0	20.0	20.0
ROE	11.2	11.4	11.9

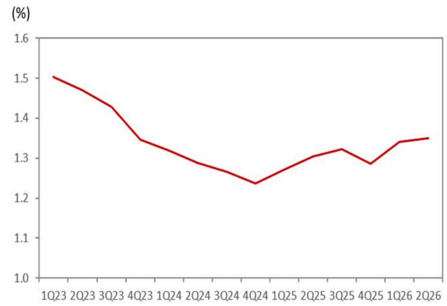
Source: UOB Kay Hian

NIM Trend



Source: Maybank, UOB Kay Hian

GIL Ratio Trend



Source: Maybank, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental
- **Green loan commitment.** To provide RM50b in sustainable financing by 2025. - **Zero new coal financing.** Transition all stakeholders to zero carbon emission by 2050.
Social
- **Board and upper management gender diversity.** Maintained 25% female directors on the Board and 40% females in senior management. - **Enhanced financial inclusion to B40.** Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers.
Governance
- **Composition of independent directors.** Composition of Independent Directors (INED) – 75%.

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Interest income	29,351	29,496	31,040	32,754
Interest expense	(16,194)	(16,678)	(17,534)	(18,475)
Net interest income	13,157	12,818	13,506	14,279
Fees & commissions	3,995	4,195	4,446	4,580
Other income	4,574	4,727	4,880	5,031
Non-interest income	8,569	8,922	9,326	9,611
Income from islamic banking	8,653	9,432	9,998	10,598
Total income	**30,380**	**31,172**	**32,830**	**34,487**
Staff costs	(8,734)	(9,433)	(9,999)	(10,599)
Other operating expense	(6,105)	(6,291)	(6,536)	(6,873)
Pre-provision profit	15,540	15,448	16,294	17,016
Loan loss provision	(562)	(1,440)	(1,519)	(1,603)
Other provisions	(919)	0	0	0
Associated companies	274	291	308	327
Other non-operating income	0	0	0	0
Pre-tax profit	14,334	14,299	15,084	15,740
Tax	(3,502)	(3,335)	(3,686)	(3,670)
Minorities	(317)	(296)	(308)	(326)
Net profit	**10,514**	**10,669**	**11,090**	**11,743**
Net profit (adj.)	10,514	10,669	11,090	11,743

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Cash with central bank	11,959	7,199	7,595	8,013
Govt treasury bills & securities	52,572	53,623	54,696	55,790
Interbank loans	14,030	14,171	14,312	14,456
Customer loans	676,981	708,576	747,505	788,527
Investment securities	204,151	218,349	233,518	249,725
Derivative receivables	17,640	17,640	17,640	17,640
Associates & JVs	1,832	1,832	1,832	1,832
Fixed assets (incl. prop.)	4,382	4,601	4,832	5,073
Other assets	70,035	74,623	79,686	85,287
Total assets	**1,053,584**	**1,100,615**	**1,161,616**	**1,226,342**
Interbank deposits	42,587	43,865	45,181	46,536
Customer deposits	730,993	767,543	809,758	854,294
Derivative payables	24,536	24,536	24,536	24,536
Debt equivalents	16,030	16,030	16,030	16,030
Other liabilities	142,595	147,746	161,018	175,434
Total liabilities	**956,742**	**999,719**	**1,056,523**	**1,116,830**
Shareholders' funds	93,445	97,202	101,091	105,184
Minority interest - accumulated	3,397	3,694	4,002	4,328
Total equity & liabilities	**1,053,584**	**1,100,615**	**1,161,616**	**1,226,342**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	16.4	16.0	15.7	15.5
Total CAR	20.0	21.3	20.9	20.5
Total assets/equity (x)	11.2	11.3	11.4	11.6
Tangible assets/tangible common equity (x)	12.0	12.0	12.2	12.4
Asset Quality				
NPL Ratio	1.3	1.3	1.2	1.2
Loan Loss Coverage	98.3	124.0	129.9	131.2
Loan Loss Reserve/Gross Loans	1.6	1.6	1.6	1.6
Increase in NPLs	5.8	3.9	1.0	5.2
Credit Cost (bp)	8.2	20.0	20.0	20.0
Liquidity				
Loan/Deposit Ratio	92.6	92.3	92.3	92.3
Liquid Assets/Short-Term Liabilities	10.1	9.2	8.9	8.7
Liquid Assets/Total Assets	7.5	6.8	6.6	6.4

Key Metric

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth (yoy chg)				
Net Interest Income	2.7	(2.6)	5.4	5.7
Fees & Commissions	4.3	5.0	6.0	3.0
Pre-Provision Profit	2.8	(0.6)	5.5	4.4
Net Profit	4.2	1.5	4.0	5.9
Customer Loans	0.0	0.0	0.0	0.0
Customer Deposits	2.1	4.7	5.5	5.5
Profitability	(1.5)	5.0	5.5	5.5
Net Interest Margin				
Cost/Income Ratio	2.20	2.20	2.21	2.22
Adjusted ROA	48.8	50.4	50.4	50.7
Reported ROE	1.0	1.0	1.0	1.0
Adjusted ROE	11.3	11.0	11.2	11.6
Valuation	11.3	11.0	11.2	11.6
P/BV (x)				
P/NTA (x)	1.3	1.2	1.2	1.1
Adjusted PE (x)	1.4	1.3	1.3	1.2
Dividend Yield	11.4	10.9	10.6	10.2
Payout ratio	5.9	6.3	6.5	6.9

MISC (MISC MK)

2Q26: Petroleum's Strongest Profit Ever

Highlights

- **1H26 core profit is deemed in line,** despite accounting for 59%/64% of ours/consensus forecasts respectively. **The p**etroleum segment's 2Q26 profit of US$232m, which already matches 2023's profit base, is still exceptionally strong after stripping one-off items. This reflects a strategic boost in spot fleet mix to 30%, as MISC capitalised on high freight rates arising from tensions over the Strait of Hormuz. The gas segment's operational performance (excluding accelerated depreciation) showed a qoq improvement, aligning with our theory that LNG earnings have bottomed for now.
- **M&A event is now the near-term risk (instead of earnings).** We still like the stock's long-term strategy. However, MISC may be involved again in another M&A event related to Yinson's privatisation. While we see some synergies in such a partnership, and continue to retain BUY and target price of RM9.50, risk-averse investors can consider taking profit.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq % chg	yoy % chg	YTD 2026	yoy % chg	Comments
Revenue	**4,793.4**	**65.8**	**76.1**	**7,684.8**	**38.8**	
- LNG/Gas	417.2	(34.4)	(20.4)	811.6	(30.1)	Owned LNGC: 29 (same as 1Q26)
- Petroleum	2,246.7	79.4	74.2	3,762.0	48.0	Spot fleet ratio surged to 30% from 20-25% qoq
- Offshore, MMHE	2,031.1	110.8	136.0	2,977.5	71.3	Contained RM700m construction revenue, no profit
EBIT	**1,179.1**	**53.8**	**56.1**	**1,945.9**	**(68.7)**	Idle LNGC should be reduced from 5 to 3
- LNG/Gas	138.7	(54.3)	(42.1)	352.9	(35.0)	Better performance from mid-sized tankers (MST)
- Petroleum	857.7	131.7	184.9	1,290.7	92.3	Contained a US$23m net one-off income
- Offshore, MMHE	247.8	(10.5)	3.2	461.2	(10.8)	Hit by FPSO Kikeh's downtime since 4Q25
Impairment losses	(15.7)	-	-	(71.8)	-	More LNGC impairments and accelerated depreciation
Finance cost	(111.7)	(1.3)	(31.3)	(224.9)	(29.8)	for 6 steam turbine LNGC that will expire in 2027-28
Associates	(17.9)	(212.6)	(352.1)	33.8	87.8	Horizon (including Puteri Zamrud expiring in Dec 26)
Pre-tax profit	**1,207.0**	**57.0**	**149.2**	**1,975.7**	**62.0**	The accelerated depreciation impact is RM86.7m
Income tax	(37.6)	110.1	152.3	(55.5)	43.4	2Q26 major exceptional items (EI): RM137m disposal
Net profit	1,154.3	55.7	148.6	1,895.7	60.5	gain of one VLCC Eagle Vancouver, US$23m net one-
Core profit	**935.5**	**45.9**	**66.0**	**1576.9**	**25.5**	off termination gain of 2 Modular Capture Vessels (MCV)

Source: MISC

Analysis

- **1H26 core profit is deemed in line**, despite accounting for 59%/64% of our/consensus forecasts respectively. We have factored the accelerated depreciation for six LNGCs and the impact of FPSO Kikeh into the core profit. Already benefitting from multi-cycle highs, the petroleum segment had an exceptionally strong 2Q26, as its spot fleet mix was boosted to 30 while benefitting from the Strait of Hormuz closure. We expect this trend to normalise in 2H26. The offshore segment's income remained subdued due to the outage of FPSO KIkeh since 4Q25 (US$4m impact/quarter), and the absence of construction profits despite recognising RM0.7b in construction revenue for the conversion of FPSO Kelidang.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,237	11,146	12,889	13,613	13,727
EBITDA	4,223	4,780	4,692	5,285	5,199
Operating profit	1,284	2,226	2,987	3,432	3,181
Net profit (rep./act.)	1,194	1,700	2,676	3,109	2,865
Net profit (adj.)	2,340	2,368	2,676	3,109	2,865
EPS (x)	52.4	53.1	60.0	69.6	64.2
PE (x)	16.8	16.7	14.8	12.6	13.8
P/B (x)	1.1	1.2	1.1	1.1	1.1
EV/EBITDA (x)	10.0	10.0	8.9	8.2	7.5
Dividend yield (%)	4.1	4.1	4.4	4.1	4.4
Net margin (%)	14.9	9.0	18.5	20.8	22.8
Net debt/(cash) to equity (%)	23.4	19.9	23.0	23.4	24.0
Consensus net profit			2,481	2,668	2,781
UOBKH/Consensus (x)			1.08	1.16	1.03

Source: MISC, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM8.48
Target Price	RM9.50
Upside	+12.0%
Previous TP	-

Stock Data

Sector	Energy
Bloomberg ticker	MISC MK
Shares issued (m)	4,463.7
Market cap (RMm)	37,853.0
Market cap (US$m)	9,346.0
3-mth avg daily t'over (US$m)	1.25

Price Performance (%

52-week high/low				RM0.37/RM0.20
1mth	**3mth**	**6mth**	**1yr**	**YTD**
4.4	4.8	5.1	11.7	8.

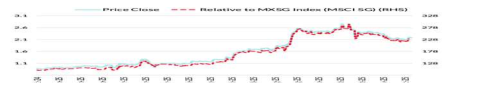
Major Shareholders (%)

Petronas	51.1
EPF	12.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	RM6.15
FY26 Net Debt/Share (RM)	n.m.

Price Chart



Source: Bloomberg

Company Description

Shipping company. It employs finance lease accounting for assets in which it has long-term charter contracts, especially Liquefied Natural Gas Carriers (LNGC) and Very Large Ethane Carriers (VLEC). Within its petroleum fleet, it operates Very Large Crude Carriers (VLCC), mid-sized tankers (MST), and Dynamic Positioning Shuttle Tankers (DPST). The offshore division operates Floating, Production, Storage and Offloading (FPSO) vessels, including FPSO Marechal Duque de Caxias (Mero-3). It is also the parent company of Malaysia Marine Heavy Engineering (MMHE).

PAT Segmental Breakdown

US$m	2Q26	1Q26	2Q25	Comments
Total	**293**	**189**	**110**	
LNG/ Gas	17	33	15	US$22m accelerated depreciation
Petroleum	232	129	55	US$23m net one-off income, US$34m VLCC disposal gain; 1Q26 had US$40m disposal gain
Offshore	17	19	30	No construction profit, Kikeh downtime:US$4m per quarter
MMHE	15	4	2	

Source: MISC

- **Depreciation jumped qoq from RM447m in 1Q26 to RM792m in 2Q26, of which RM230m** (US$57m) **was** a one-off accelerated depreciation in the petroleum segment. They had been accelerated and fully booked in 2Q26 after the MCVs had early termination. There was also an accelerated depreciation of RM86.6m (US$22m) in the gas segment. LNGC impairments of RM789m/RM552m in 2024/2025 respectively were to align the expiring LNGC fleet residual values with the market values of the obsolete steam turbine technology. Recently, MISC had revised the useful lives of the next expiring LNGC fleet (as per RHS) and applied them prospectively from 2 April. In a way, the accelerated depreciation for six LNGCs can be viewed as a spread-out impairment, although we do not consider them as exceptional items. Management confirms that there is no early termination for the affected vessels,
- **Gas segment actually performed better qoq as per our expectation.** On paper, the gas segment's profit was disclosed as US$17m/US$33m for 2Q26/1Q26 respectively. Excluding the US$22m accelerated depreciation effect in 2Q26, we note that 2Q26's gas profit had improved from 1Q26, coinciding with the reduced idle LNGC fleet after the sale of LNGC Seri Balhaf and Seri Balqis. At the same time, two new LNGCs - Seri Dian and Seri Dayang - were delivered and contributed to a marginal improvement in the gas segment's profit. This matches our theory that LNGC earnings have reached a bottom before the next batch of LNGC expiries from 2027 horizon, and the qoq earnings improvement is also a sign of positive progress of disposing and reducing idle LNGC fleet.
- **Petroleum: Likely recorded its strongest quarterly profit on record**. The segment's 2Q26 profit of US$232m alone already matches American Eagle Tankers' (AET) 2023 profit base of US$236m. Stripping out the non-recurring items (as per RHS), petroleum profit was still US$175m. Prior to this, the petroleum segment's quarterly PAT had never hit US$100m. In tandem with other public listed crude tanker peers' 2Q26 review, AET also benefitted by strategically boosting its spot mix to 30%. Tanker tonne-mile demand was exceptionally high in 2Q26, catalysed by a combination of geopolitical tensions, Straits of Hormuz blockage, and sanctions on roughly 20% of global tanker fleet. Since Jul 26, spot rates have corrected materially and settled at pre-war levels (albeit still at multi-cycle highs).

Valuation/Recommendation

- **Maintain BUY, with an SOTP-based target price of RM9.50** implying 14x 2027F PE. We retain our 25% LNG discount in our SOTP that accounted for LNGC impairment risks in the 2026 horizon despite LNGC earnings having reached a bottom at this juncture. We retain the high 1.4x P/B valuation for the petroleum segment to factor in positive trading sentiment even though spot rates have reverted to pre-war levels. For the long term, we see increasing capex commitments and vessel deliveries in 2028, which we believe is inevitable for MISC to meet its MISC2030 cash flow growth targets (50% operating cash flow growth by 2030, from 2022).
- **Conservative investors may consider taking profit.** There were media speculations that the founders of Yinson are teaming up with EPF and Petronas for another attempt to privatise Yinson Holdings at a reported price tag of US$1.7b. Assuming this is true, Petronas will logically utilise MISC which can potentially achieve more synergies with Yinson vs the previous proposal with Bumi Armada. In addition, Yinson's non-O&G ventures may appeal to MISC to meet its 2030 target of 25% cash flow generation from new energy. However, timing uncertainties and MISC's financial appetite (net debt/EBITDA of 3x) may contribute to volatile outcome; hence, risk-averse investors can safely take profit.

Earnings Revision/Risk

- Maintain forecasts, as each segment's outlook is as per our expectation.

8 More Potential LNGC Expiries

LNGC	Year built	Expiry
Puteri Zamrud	1996	Dec 26
Aman Sendai*	1997	Jan 28
Seri Alam	2005	Sep 25 (old), Mar 28
Seri Ayu	2007	Oct 37 (old), 2027
Seri Amanah	2006	Apr 26 (old), Mar 28
Seri Angkasa	2006	Jan 37 (old), 2027
Seri Begawan	2007	Apr 38 (old), 2028
Seri Bijaksana	2008	Oct 27

Source: MISC

2Q26 Petroleum Non-Recurring Items

Net US$23m Termination of Modular Capture Vessels (MCV)

- Relates to a change in the long-term contract of the two MCVs, ie Aframaxes Eagle Texas and Eagle Louisiana.
- MISC (via AET) was the world's first MCV operator. The history stretches back as an industry response to the fatal Macondo (Deepwater Horizon) oil spill in 2010.
- The MCVs were delivered at around 2014 and for a 20-year contract, indicating the original expiry was 2034
- The client, Marine Well Containment Company (a consortium of oil majors) decided to terminate one of the MCVs. Perhaps the contract terms required updates, as we understand the MCVs continued to be used
- This required MISC to recognise amortised RM325m (US$80m) deferred income, or a net one-off income of RM93m (US$23m) after accelerated depreciation

US$34m disposal gain of VLCC Eagle Vancouver

Source: MISC, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- **Carbon (CO2) reduction.** Adding new vessels with LNG-dual/ ammonia fuel to meet IMO aspirations (50% greenhouse gas & 70% CO2 reduction by 2050
- **Safety (HSE).** Lost Time Injury Frequency (LTIF) quadrupled to 0.20 and missed the target of 0.17 in 2025, due to one fatality. Corrective measures had been undertaken

Social

- Diversity. >40% female proportion among onshore staff

Governance

- Achieved 5/5 rating (FTSE4Good) for governance & supply chain management.

Source: UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**11,146**	**12,889**	**13,613**	**13,727**
EBITDA	4,780	4,692	5,285	5,199
Deprec. & amort.	18,865	18,159	17,704	17,602
EBIT	5,859	6,188	6,239	3,181
Associate contributions	29	312	330	312
Pre-tax profit	**2,226**	**2,987**	**3,432**	**3,181**
Tax	(124)	(63)	(72)	(71)
Minorities	(38)	(249)	(251)	(245)
Net profit	**1,700**	**2,676**	**3,109**	**2,865**
Net profit (adj.)	2,368	2,676	3,109	2,865

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	20,863	22,963	25,063	27,163
Other LT assets				
Cash/ST investment	6,096	6,252	6,320	6,320
Other current assets				
Total assets	**53,014**	**55,228**	**57,607**	**59,979**
ST debt	1,921	2,800	2,800	2,800
Other current liabilities	5,742	5,715	4,154	4,536
LT debt	11,747	12,307	12,867	13,427
Other LT liabilities	885	885	885	885
Shareholders' equity	53,014	55,228	57,607	59,979
Minority interest	697	946	1,197	1,443
Total liabilities & equity	**53,014**	**55,228**	**57,607**	**59,979**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**4,277**	**4,753**	**5,296**	**5,904**
Pre-tax profit	1,284	2,746	3,041	3,482
Tax	74	(58)	(64)	(73)
Other operating cashflows	2,919	2,064	2,319	2,495
Investing	**(1,192)**	**(2,627)**	**(3,827)**	**(3,827)**
Capex (growth)	(1,985)	(4,620)	(4,620)	(4,620)
Others	793	1,993	793	793
Financing	**(4,166)**	**(2,011)**	**(2,011)**	**(2,011)**
Others/interest paid	(4,166)	(2,011)	(2,011)	(2,011)
Net cash inflow (outflow)	**(1,080)**	**115**	**(542)**	**67**
Beginning cash & cash equivalent	**7,732**	**6,677**	**6,793**	**6,252**
Changes due to forex impact	25	1	1	1
Ending cash & cash equivalent	**6,677**	**6,793**	**6,252**	**6,320**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	31.8	29.6	39.2	39.7
Pre-tax margin	9.7	16.9	22.2	23.1
Net margin	9.0	14.9	19.7	20.8
ROA	2.0	4.1	4.6	5.2
ROE	3.2	6.3	7.0	7.9
Growth				
Turnover		69.2	42.4	56.8
EBITDA	0.5	15.0	28.1	42.9
Pre-tax profit	(54.4)	(2.4)	8.1	23.8
Net profit	(53.8)	(6.4)	4.5	21.4
Net profit (adj.)	(6.3)	3.2	11.7	16.1
EPS	20.2	24.0	38.5	60.8
Leverage				
Debt to total capital	40.4	40.2	40.4	40.2
Debt to equity	41.2	41.3	41.7	41.6
Net debt/(cash) to equity	23.4	23.6	25.9	26.2
Interest cover	5.8	7.0	7.6	8.2

Sime Darby (SIME MK)

FY26: Above Expectations

Highlights

- Sime's FY26 core net profit rose 33% yoy to RM1,547m, beating our expectations, driven by BMW's dividend and stronger Malaysia Industrial earnings.
- Management expects a gradual recovery in mining-related maintenance activities to drive FY27 Industrial earnings. However, we await clearer signs of a sustained recovery.
- Downgrade to HOLD but raise our SOTP-based target price to RM2.67 (from RM2.55) on higher earnings forecasts, with limited upside following the recent share price appreciation.

FY26 Results

Year to 30 Jun (RMm)	4QFY26	4QFY25	qoq%	Yoy%	FY26	yoy%
Revenue	16,710	17,758	6.1	(5.9)	69,467	(0.8)
Industrials	5,775	4,909	50.9	17.6	18,787	(1.1)
Motors	8,036	8,603	2.4	(6.6)	34,859	1.1
UMW	3,803	4,231	20.7	(10.1)	15,775	(4.4)
Core PBIT	860	694	12.1	23.9	2,858	9.7
Industrials	414	425	69.0	(2.6)	1,252	(4.3)
Motors	249	9.0	74.1	>100	727	76.5
UMW	219	279	11.7	(21.5)	945	(1.5)
Net Profit	322	763	(50.8)	(57.8)	1,762	(14.2)
Core Net Profit	518	334	96.7	55.1	1,547	32.6
Margins						
PBIT	5.1	3.9	5.7	31.7	4.1	39.5
Industrials	7.2	8.7	12.0	(17.2)	6.7	(21.9)
Motors	3.1	0.1	70.1	>100	2.1	89.1
UMW	5.8	6.6	(7.4)	(12.7)	6.0	17.9
Core Net Profit	3.1	1.9	85.4	64.8	2.2	56.1

Source: Sime Darby, UOB Kay Hian

Analysis

- **Above expectations.** Sime Darby's (Sime) FY26 core net profit of RM1,547m (+33% yoy) excluding impairments of RM194m for its China motor segment's operations and RM66m for the industrial division, came in above our expectation, accounting for 111%/118% of our and consensus forecasts respectively. The positive deviation was mainly attributable to: a) stronger earnings from the motors division underpinned by a RM116m dividend from BMW Malaysia; and b) improved performance of the industrial division, supported by higher deliveries of power systems for DC projects in Malaysia.

Key Financials

Year to 30 Jun (RMm)	FY25	FY26	FY27F	FY28F	FY29F
Net turnover	70,061	69,467	69,526	70,508	71,420
EBITDA	4,348	3,966	4,256	4,128	4,043
Operating profit	3,079	1,910	2,200	2,238	2,290
Net profit (rep./act.)	2,054	1,762	1,499	1,547	1,589
Net profit (adj.)	1,160	1,547	1,499	1,547	1,589
EPS	17.0	22.7	22.0	22.7	23.3
PE (x)	14.7	11.1	11.4	11.1	10.8
P/B (x)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x)	5.7	6.2	5.0	5.0	5.0
Dividend yield (%)	5.6	5.6	5.6	6.0	6.0
Net margin (%)	1.7	1.7	2.2	2.2	2.2
Net debt/(cash) to equity (%)	27.2	25.3	22.6	24.0	22.1
Interest cover (x)	8.0	9.7	10.5	10.7	10.4
ROE (%)	11.0	6.3	7.9	8.1	8.2
Consensus net profit	n.a	n.a	1,455	1,507	n.a
UOBKH/Consensus (x)	n.a	n.a	1.03	1.03	-

Source: Sime Darby, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Downgraded)

Share Price	RM2.51
Target Price	RM2.67
Upside	6.4%
Previous TP	RM2.55

Stock Data

Sector	Industrials
Bloomberg ticker	SIME MK
Shares issued (m)	6,815.6
Market cap (RMm)	17,107.2
Market cap (US$m)	4242.5
3-mth avg daily t'over (US$m)	2.0

Price Performance (%)

52-week high/low RM2.58/RM1.62

1mth	3mth	6mth	1yr	YTD
19.5	20.1	2.9	32.1	22.4

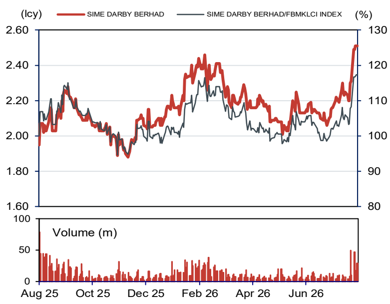
Major Shareholders (%)

Permodalan Nasional Berhad	55.1
Employees Provident Fund Board	8.1

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.80
FY26 Net Debt/Share (RM)	0.50

Price Chart



Source: Bloomberg

Company Description

A conglomerate company, involved in businesses including motor vehicle and heavy equipment distribution across Asia and Australasia regions.

- **4QFY26 earnings rose qoq and yoy.** 4QFY26 core net profit surged 55% yoy to RM518m, driven by higher contributions from the motors division, underpinned by: a) dividends received from BMW, and b) higher earnings from its Singapore operations on stronger EV sales. This more than offset weaker contributions from the industrial and UMW divisions.
- On a qoq basis, core net profit doubled, supported by broad-based improvements across all segments. The industrial division was the key driver, benefitting from a slight margin recovery in Australia and higher power systems deliveries in Malaysia. Meanwhile, UMW's earnings also recovered from the seasonal dip in vehicles sales during 3QFY26.
- **Industrial: Australia recovery in sight.** After nearly two years of subdued maintenance activity among mining customers, Sime has started to see a slight recovery in demand, particularly in South Australia. Management expects the industrial division to improve in FY27, driven by a recovery in after-sales and rental services. However, the orderbook for new equipment remained soft at RM1.5b, below the previous year's level. Meanwhile, Malaysia's orderbook, largely comprising DC-related equipment, continued to grow mom, pointing to sustained demand for Caterpillar gensets.
- **Motors: BYD retains strong foothold in Singapore; China remains challenging.** Motor vehicle sales grew 2% yoy to 134,523 units, driven mainly by stronger BYD sales in Singapore and Malaysia. Nonetheless, operations in China continued to face challenges and still incurred losses during this quarter, with industry sales declining 20% yoy in 1H26, alongside a recent resurgence in price discounting among automakers. Against this backdrop, Sime is looking to BMW's Neue Klasse line-up to strengthen its EV offering and regain market share. According to management, the new models have received encouraging customer response since launch.

Valuation/Recommendation

- **Downgrade to HOLD; raise target price to RM2.67 (previously RM2.55).** We lift our SOTP-based target price to RM2.67, which implies 12x FY27PE (close to +0.5SD of five-year mean) after the upwards revision in our earnings forecast.
- While management expects a recovery in the industrial division, we prefer to see clearer evidence of a sustained pick-up in mining-related maintenance activities, given the prolonged recovery. Following the recent share price appreciation, with the stock currently trading close to its historical average of 11.5x FY27F PE, we believe the risk-reward has become more balanced, warranting a downgrade to HOLD.

Earnings Revision/Risk

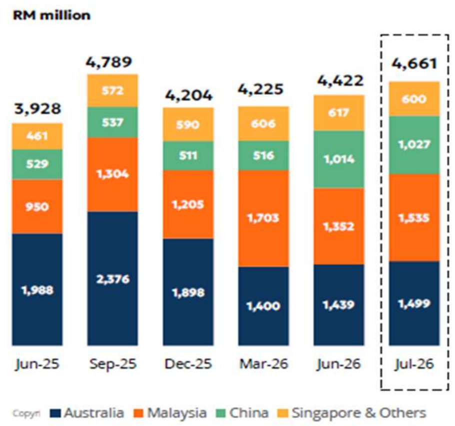
- **Raise FY27/28 earnings forecasts by 7%.** We raise our FY27/28 earnings forecasts by 7%, mainly to reflect a conservative assumption of RM50m annual dividends from BMW and higher earnings contribution from its industrial operations in Malaysia.

Key Assumption

Segmental PBIT (RMm)	FY26	FY27F	FY28F
Industrial	1,252	1,290	1,316
Motors	727	637	657
UMW	945	829	829
Core PBIT	2,924	2,756	2,802
Core Net Profit	1,547	1,499	1,547

Source: Sime Darby, UOB Kay Hian

Industrial Orderbook



Source: Sime Darby

SOTP Valuation

	Value (RMm)	Description
Industrial	12,742	FY27 PE of 17x
Motors	3,793	FY27 PE of 11x
UMW	5,262	FY27 PE of 13x
MVV Land	1,830	4,200 acres of land valued at RM10 psf
Net cash/(debt)	(3,400)	
Total Valuation	20,266	
	2.97	10% conglomerate discount
Target Price (RM/share)	**2.67**	

Source: UOB Kay Hian

Profit & Loss

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Net turnover	**69,467**	**69,526**	**70,508**	**71,420**
EBITDA	3,966	4,256	4,128	4,043
Deprec. & amort.	2,056	2,056	1,890	1,753
EBIT	1,910	2,200	2,238	2,290
Associate contributions	584	556	564	571
Net interest income/(expense)	(409)	(405)	(386)	(387)
Pre-tax profit	**2,085**	**2,350**	**2,416**	**2,474**
Tax	(586)	(517)	(532)	(544)
Minorities	(251)	(264)	(268)	(271)
Net profit	**1,178**	**1,499**	**1,547**	**1,589**
Net profit (adj.)	1,547	1,499	1,547	1,589

Balance Sheet

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Fixed assets	23,056	23,056	21,787	21,549
Other LT assets	1,737	880	880	880
Cash/ST investment	3,039	6,109	6,615	7,056
Other current assets	1,441	862	862	862
Total assets	**47,180**	**47,472**	**47,960**	**48,420**
ST debt	2,231	2,031	1,831	1,631
Other current liabilities	3,117	682	682	682
LT debt	4,891	4,591	4,291	3,991
Other LT liabilities	2,787	2,787	2,787	2,787
Shareholders' equity	20,385	20,930	21,454	22,021
Minority interest	2,960	3,224	3,492	3,764
Total liabilities & equity	**47,180**	**47,472**	**47,960**	**48,420**

Cash Flow

Year to 30 Jun (RMm)	FY26	FY27F	FY28F	FY29F
Operating	**4,707**	**6,068**	**3,502**	**3,438**
Pre-tax profit	2,085	2,350	2,416	2,474
Tax	(789)	(517)	(532)	(544)
Deprec. & amort.	1,269	2,056	1,890	1,753
Working capital changes	(584)	(556)	(564)	(571)
Other operating cashflows	1,574	1,044	1,046	1,069
Investing	**(215)**	**(997)**	**(984)**	**(969)**
Capex (maintenance)	(1,088)	(1,088)	(1,088)	(1,088)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(111)	91	104	119
Financing	**(4,970)**	**(1,951)**	**(2,012)**	**(2,028)**
Dividend payments	(954)	(954)	(1,022)	(1,022)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	500	300	300	300
Loan repayment	(2,722)	(500)	(500)	(500)
Others/interest paid	(1,294)	(497)	(490)	(506)
Net cash inflow (outflow)	**(478)**	**3,120**	**506**	**441**
Beginning cash & cash equivalent	**2,882**	**2,989**	**6,109**	**6,615**
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	**2,405**	**6,109**	**6,615**	**7,056**

Key Metric

Year to 30 Jun (%)	FY26	FY27F	FY28F	FY29F
Profitability				
EBITDA margin	5.7	6.1	5.9	5.7
Pre-tax margin	3.0	3.4	3.4	3.5
Net margin	1.7	2.2	2.2	2.2
ROA	2.8	3.5	3.6	3.7
ROE	6.3	7.9	8.1	8.2
Growth				
Turnover	(0.8)	0.1	1.4	1.3
EBITDA	4.6	5.7	(2.5)	(1.7)
Pre-tax profit	(12.5)	(11.9)	2.8	2.4
Net profit	(14.2)	(10.9)	3.0	2.6
Net profit (adj.)	32.5	(3.1)	3.2	2.7
EPS	32.5	(3.1)	3.2	2.7
Leverage				
Debt to total capital	30.5	27.4	24.5	21.8
Debt to equity	34.9	31.6	28.5	25.5
Net debt/(cash) to equity	25.3	22.6	24.0	22.1
Interest cover	9.7	10.5	10.7	10.4

Sunway Bhd (SWB MK)

2Q26: In Line; RTS Tower Launch Awaiting Better Timing

Highlights

- Results were within our expectations, with yoy core PATAMI yoy growth driven by new contributions from Sunway MCL and healthcare segments.
- Property sales of RM2.3b are largely on track to meet full-year target of RM4.2b, while launches could fall short of the original target following the delay in the RTS Tower launch from 4Q26 to 2027.
- Maintain HOLD as we deem valuation to be rich at this juncture. We lower target price to RM5.61 (from RM5.70) to reflect softer take-up rate at selected projects and delays in RTS project launch.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenue	2,905.7	13.6	13.4	5,463.2	10.8
Gross Profit	382.4	147.0	65.6	537.2	33.4
EBIT	414.8	50.5	40.1	690.5	33.5
PBT	496.2	(94.8)	25.3	10,054.4	1,336.2
PATAMI	318.6	(96.6)	16.7	9,732.2	1,999.7
Core PATAMI	331.4	53.5	43.0	547.2	25.2
Margins (%)	%	ppt	ppt	%	ppt
GP	13.2	7.1	4.1	19.2	2.9
EBIT	14.3	3.5	2.7	25.1	4.1
PBT	17.1	(356.6)	1.6	390.8	362.5
Core PATAMI	11.4	3.0	2.4	19.8	2.1

Source: Sunway, UOB Kay Hian

Analysis

- **In line.** Sunway Bhd (Sunway) reported 2Q26 core PATAMI of RM331m (+54% qoq, +43% yoy) on revenue of RM2.9b (+14% qoq, +13% yoy). This brings 1H26 core PATAMI to RM547m (+25% yoy), representing 45% and 42% of our and consensus full-year forecasts, which we deem in line as 2H26 is typically a stronger season. By segment, profit before tax (PBT) growth was largely driven by newly acquired MCL and healthcare segments.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	7,882.5	9,813.0	11,787.8	13,425.6	14,579.8
EBITDA	1,031.4	1,469.5	1,706.0	1,903.7	2,049.5
Operating profit	887.3	1,317.3	1,515.4	1,670.7	1,772.0
Net profit (rep./act.)	1,205.6	1,304.0	1,275.6	1,464.6	1,554.8
Net profit (adj.)	1,057.2	1,147.7	1,275.6	1,464.6	1,554.8
EPS (sen)	16.0	17.1	18.9	21.7	23.0
PE (x)	35.0	32.8	29.7	25.9	24.4
P/B (x)	2.5	2.3	2.2	2.1	2.0
EV/EBITDA (x)	38.4	28.2	23.3	20.9	19.4
Dividend yield (%)	1.1	1.1	1.0	1.2	1.3
Net margin (%)	13.4	11.7	10.8	10.9	10.7
Net debt/(cash) to equity (%)	43.5	51.1	36.7	34.0	30.4
Interest cover (x)	164.3	866.0	(19.9)	(12.2)	(6.5)
ROE (%)	9.4	9.8	10.5	11.5	11.7
Consensus net profit	-	-	1,294.0	1,409.0	1,504.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.0

Source: Sunway, Bloomberg, UOB Kay Hian

Analyst(s)

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HOLD (Maintained)

Share Price	RM5.11
Target Price	RM5.61
Upside	9.8%
Previous TP	RM5.70

Stock Data

Sector	Industrials
Bloomberg ticker	SWB MK
Shares issued (m)	6,760.4
Market cap (RMm)	36,709.1
Market cap (US$m)	9,339.5
3-mth avg daily t'over (US$m)	9.9

Price Performance (%)

52-week high/low RM5.98/RM4.42

1mth	3mth	6mth	1yr	YTD
4.4	(3.4)	2.8	17.2	(1.6)

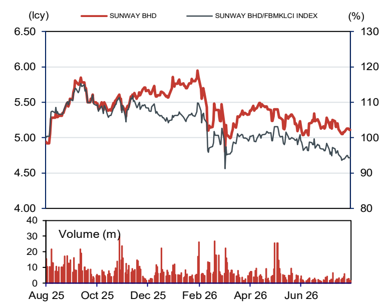
Major Shareholders (%)

Sungei Way Corp Sdn Bhd	47.2
EPF	11.0
Jef-San Enterprise Sdn Bhd	9.5

Balance Sheet Metrics

FY26 NAV/Share (RM)	2.51
FY26 Net Debt/Share (RM)	0.92

Price Chart



Source: Bloomberg

Company Description

A conglomerate in Malaysia with various diversified businesses in areas such as property development, property investment, leisure, hospitality, construction trading and manufacturing, quarry, building materials and healthcare.

- **Property development: PBT grew to RM82m (+57% yoy)**, driven by: a) higher progress billings from local development projects, and b) about RM40m contribution from Sunway MCL. Excluding Sunway MCL, the segment's PBT declined around 19% yoy due to project completion timing differences. Unbilled sales were at RM8.3b as of end-2Q26 (vs RM9b as of end-1Q26).
- **Postponement of RTS apartment launch to 2027.** 1H26 property sales came in at RM2.3b, 55% and on track to meet the full-year target of RM4.2b. 1H26 property launch of RM2.7b was mainly from Singapore (53%), followed by Klang Valley (42%) and Johor (5%). Launches for remainder of the year are Sunway Velocity 3 Tower C and projects at Sunway City Iskandar Puteri, while the RTS apartment will be postponed to 2027 for clearer market appreciation after the RTS commencement.
- **Property demand remains selective amid broader market softness.** Management indicated that property demand remains location specific, amid slight softness in the broader market, including Iskandar Malaysia. While take-up rates for Sunway Majestic (41%), Sunway LakeHills (20%) and Sunway Sakura 2 (20%) saw limited improvement from end-Apr 26 to end-Jul 26, selected projects including Sunway Cochrane Tower A (33%), Pinery Residences (93%) and SuperLink homes at Sunway Serene 2 (100%) recorded relatively stronger traction.
- **Healthcare: PBT grew to RM100m in 2Q26 (+181% yoy)** due to higher patient volumes, particularly from Indonesia, China and Cambodia, which made up 15%, 12% and 9% of patients ytd. Additionally, operations ramp-up at SMC Damansara and SMC Ipoh also contributed to earnings growth. Licensed beds reached 1,855 (+13% yoy), with 3,427 targeted by 2032, via brownfield and greenfield expansion.
- **Construction: PBT came in at RM133m (-1% yoy),** with higher PBT margin of 17.1% (+6.5ppt yoy). Having secured RM6.9b contract wins ytd, the group raised its replenishment target to RM7b-9b (from initial RM6b) for 2026.
- **Property Investment: PBT came in at RM76m (+3% yoy),** mainly due to better performance from the leisure division, newly acquired Sunway Wangsa Mall and better share of result from Sunway Velocity Mall. Qoq, the segment's PBT dropped 15% due to seasonality from the leisure division with its Sunway Mega Roadshow in 1Q26.

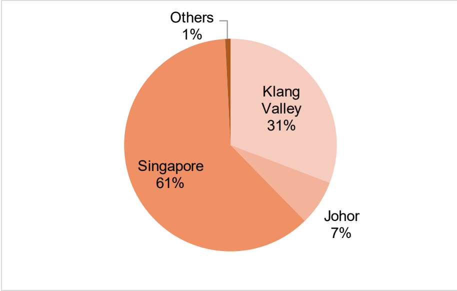
Valuation/Recommendation

- **Maintain HOLD with lower target price of RM5.61 (from RM5.70)** as we incorporate updated valuations for Sunway Construction and increase our discount to property RNAV from 20% to 25% to partially reflect a delay in launch for the RTS project. Our target price is based on SOTP valuation with a 5% conglomerate discount, which implies 26x 2027F PE (+2SD above its five-year mean of 15.6x) and 2.1x 2027F P/B (+2SD above its 10-year mean of 1.2x).

Earnings Revision/Risk

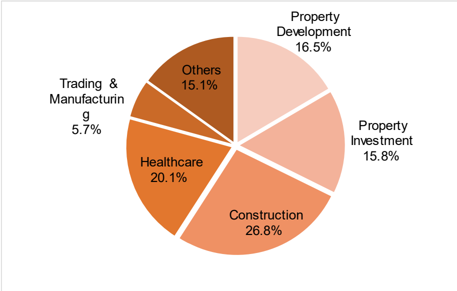
- We finetune our earnings forecast for 2026-28 by -0.4%/-1.9%/+1.7% respectively.

Property Sales By Geogrpahy (1H26)



Source: Sunway, UOB Kay Hian

Core PBT Breakdown (2Q26)



Source: Sunway, UOB Kay Hian

SOTP-Based Valuation

Segment	(RMm)	Remarks
Property development	12,321	25% discount to property RNAV
REIT (40.9% stake)	3,921	Valuation based on TP of RM2.8, based on DDM
Construction (52.8% stake)	5,923	Valuation based on TP of RM8.44, 22x 2027F PE
Quarry & building materials	708	15x PE 2027F quarry profits
Trading	1,745	15x PE 2027F trading profits
Investment Properties	3,688	Market Value
Healthcare (69.4% stake)	11,201	20x EV/EBITDA 2027F
Less: Holding co (debt)/ cash	436	
Total SOTP Value	**39,943**	
Enlarged Sharebase (m)	6,760	
RNAV/share (RM)	5.90	
Discount (%)	5.0%	
Target Price (RM/share)	**5.61**	

Source: Sunway, UOB Kay Hian

Environment, Social, Governance (ESG) Updates

Environmental
- Installed photovoltaic solar panels at most of its properties.
Social
- Launched Sunway Cancer Support Fund.
Governance
- Good company transparency along with an anti-bribery and anti-corruption policy.

Profit & loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**9,813.0**	**11,787.8**	**13,425.6**	**14,579.8**
EBITDA	1,469.5	1,706.0	1,903.7	2,049.5
Deprec. & amort.	152.3	190.6	233.1	277.5
EBIT	1,317.3	1,515.4	1,670.7	1,772.0
Associate contributions	558.8	206.9	249.9	116.4
Net interest income/(expense)	(1.7)	85.7	155.4	315.4
Pre-tax profit	**1,874.4**	**1,808.0**	**2,076.0**	**2,203.9**
Tax	(353.8)	(307.4)	(352.9)	(374.7)
Minorities	(216.7)	(225.1)	(258.5)	(274.4)
Net profit	**1,304.0**	**1,275.6**	**1,464.6**	**1,554.8**
Net profit (adj.)	1,147.7	1,275.6	1,464.6	1,554.8

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	8,483.2	8,163.6	8,768.0	9,399.9
Other LT assets	8,988.2	8,459.3	8,709.2	8,825.7
Cash/ST investment	6,788.3	9,077.0	9,496.7	10,108.1
Other current assets	14,543.5	14,604.4	15,860.8	16,746.2
Total assets	**38,803.2**	**40,304.3**	**42,834.6**	**45,079.7**
ST debt	8,829.3	8,829.3	8,829.3	8,829.3
Other current liabilities	6,058.5	6,152.6	7,111.8	7,707.5
LT debt	6,172.1	6,472.1	6,772.1	7,072.1
Other LT liabilities	605.4	605.4	605.4	605.4
Shareholders' equity	16,057.3	16,939.2	17,951.8	19,026.8
Minority interest	1,080.7	1,305.8	1,564.2	1,838.6
Total liabilities & equity	**38,803.2**	**40,304.3**	**42,834.6**	**45,079.7**

Cash flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**2,715.1**	**1,015.2**	**1,253.7**	**1,385.1**
Pre-tax profit	1,874.4	1,808.0	2,076.0	2,203.9
Tax	(353.8)	(307.4)	(352.9)	(374.7)
Deprec. & amort.	152.3	190.6	233.1	277.5
Associates	(558.8)	(206.9)	(249.9)	(116.4)
Working capital changes	380.6	(383.5)	(297.2)	(289.7)
Non-cash items	1,220.4	(85.7)	(155.4)	(315.4)
Investing	**(3,717.1)**	**1,281.5**	**(837.4)**	**(909.4)**
Capex (growth)	(532.0)	(735.2)	(837.4)	(909.4)
Investments	(2,313.9)	1,281.0	0.0	0.0
Proceeds from sale of assets	1.5	735.7	0.0	0.0
Others	(872.7)	0.0	0.0	0.0
Financing	**3,450.7**	**(7.9)**	**3.4**	**135.6**
Dividend payments	(347.5)	(393.6)	(452.0)	(479.8)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	4,140.0	300.0	300.0	300.0
Others/interest paid	(341.8)	85.7	155.4	315.4
Net cash inflow (outflow)	**2,448.7**	**2,288.7**	**419.7**	**611.4**
Beginning cash & cash equivalent	**4,339.6**	**6,788.3**	**9,077.0**	**9,496.7**
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**6,788.3**	**9,077.0**	**9,496.7**	**10,108.1**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	15.0	14.5	14.2	14.1
Pre-tax margin	19.1	15.3	15.5	15.1
Net margin	11.7	10.8	10.9	10.7
ROA	4.0	4.3	4.8	4.9
ROE	9.8	10.5	11.5	11.7
Growth				
Turnover	24.5	20.1	13.9	8.6
EBITDA	42.5	16.1	11.6	7.7
Pre-tax profit	23.0	(3.5)	14.8	6.2
Net profit	8.2	(2.2)	14.8	6.2
Net profit (adj.)	8.6	11.1	14.8	6.2
EPS	6.6	10.3	14.8	6.2
Leverage				
Debt to total capital	87.5	83.9	79.9	76.2
Debt to equity	93.4	90.3	86.9	83.6
Net debt/(cash) to equity	51.1	36.7	34.0	30.4
Interest cover (x)	866.0	(19.9)	(12.2)	(6.5)

Tenaga Nasional (TNB MK)

2Q26: In Line; EBITDA Margin 29% On Higher Non-Fuel Opex

Highlights

- 2Q26 normalised net profit rose 6% yoy to RM1,053m (-16% qoq) on the back of a higher regulatory revenue base. This brings 1H26 normalised net profit to RM2,306m (+5% yoy), in line with expectations.
- 2Q26 electricity demand surged +8% yoy on the back of a 14% yoy increase in commercial demand from data centres and retail. Peninsular Malaysia's peak demand hit a new high recently at 22,014MW on 6 Aug 26.
- Maintain BUY with a DCF-based target price of RM16.30.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenue	**18,236**	**6.6**	**8.3**	**35,340**	**7.5**
EBITDA	4,179	(7.0)	2.2	8,674	4.3
EBITDA margin (%)	22.9	(3.4)ppt	(1.4)ppt	24.5	(0.8)ppt
Pretax profit	1,254	(19.9)	(21.7)	2,819	(10.7)
Net profit	889	(19.0)	(23.3)	1,986	(10.4)
Core net profit	**1,053**	(16.0)	5.5	**2,306**	**4.8**
Coal prices (US$)	115.7	15.4	15.6	216.0	111.1
Coal consumption	8.9	6.0	(7.3)	17.3	(3.9)
Gas Reference Market prices (RM)	45.9	22.4	16.1	83.4	105.8
Daily gas allocation	1,130	12.0	35.2	2,139.0	155.9
PM Elec. Sales gwth (yoy)	8.4	1.5ppt	6.5ppt	1.4	0.6ppt
Average tariff (sen/kwh)	45.6	1.6	12.7	45.3	19.7

Source: TNB, UOB Kay Hian

Analysis

- **2Q26: Results within expectations.** Tenaga Nasional (TNB) reported a 2Q26 normalised net profit of RM1,053m (+6% yoy; -16% qoq). The yoy earnings growth was driven by a higher regulatory revenue base but this was partly offset by higher repair & maintenance costs, computer expenses and higher depreciation charges given higher asset base.
- **First interim dividend.** TNB declared its 1H26 interim DPS of 25 sen/share – similar to 1H25. We project a full-year net DPS of 57 sen/share, based on a 70% dividend payout ratio. This translates to a net dividend yield of 4%.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	56,737	67,723	69,555	71,480	73,306
EBITDA	19,953	20,518	22,854	23,652	24,323
Operating profit	8,720	8,532	10,202	11,027	11,666
Net profit (rep./act.)	3,978	4,768	4,927	5,078	5,164
Net profit (adj.)	4,126	4,767	4,927	5,078	5,164
EPS	72.6	81.8	84.5	87.1	88.6
PE (x)	19.7	17.5	16.9	16.4	16.1
P/B (x)	1.6	1.6	1.6	1.5	1.5
EV/EBITDA (x)	5.9	6.3	5.9	5.8	5.8
Dividend yield (%)	3.6	3.7	4.0	4.3	4.6
Net margin (%)	6.2	5.8	7.1	7.1	0.0
Net debt/(cash) to equity (%)	75.0	90.7	97.0	99.6	102.6
Interest cover (x)	4.2	4.4	4.6	4.4	4.3
ROE (%)	7.6	9.5	9.5	9.6	9.5
Consensus net profit	n.a	n.a	4,860	5,149	5,457
UOBKH/Consensus (x)	n.a	n.a	1.01	0.99	0.95

Source: TNB, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM14.30
Target Price	RM16.30
Upside	+14.0%

Stock Data

Sector	Utilities
Bloomberg ticker	TNB MK
Shares issued (m)	5,829.1
Market cap (RMm)	83,356.7
Market cap (US$m)	20,669.7
3-mth avg daily t'over (US$m)	18.8

Price Performance (%)

52-week high/low RM14.90/RM12.50

1mth	3mth	6mth	1yr	YTD
(1.1)	1.0	1.4	6.4	4.2

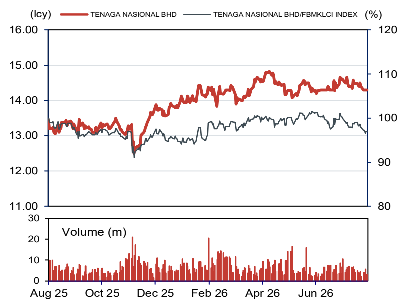
Major Shareholders (%)

Employee Provident Fund	24.9
Khazanah Nasional	16.3
Amanah Saham Nasional	11.2

Balance Sheet Metrics

FY26F NAV/Share (RM)	9.0
FY26F Net Debt/Share (RM)	8.7

Price Chart



Source: Bloomberg

Company Description

Generates and distributes electricity in Peninsular Malaysia and Sabah.

- **Strong 2Q26 electricity demand growth of 8% yoy and 9% qoq** on the back of a 14% yoy and 9% qoq increase in commercial demand, from data centre, retail and business service. Peninsular Malaysia's peak demand hit a new high of 22,014MW on 6 Aug 26.
- **Higher gas cost in the quarter.** 2Q26 generation costs jumped to 22.45 sen/kwh in 2Q25 (+16% yoy; +15% qoq) as a result of higher Tier 2 gas prices and higher coal prices. Global coal prices jumped to US$115.7/MT, an increase of 16% yoy and 15% qoq while blended gas prices jumped to RM45.9/mmbtu, an increase of 16% yoy and 22% qoq.
- **TNB genco saw higher revenue and profits in 1H26** of RM12b and RM411m respectively. This is due to: a) positive fuel margin of RM12m; b) higher units generation; and c) improved plant performance.

Valuation/Recommendation

- **Maintain BUY with a DCF-based target price of RM16.30** (discount rate: 8%, growth rate: 1%). Our equity risk premium on the stock at 7.8% reflects TNB's tariff autonomy and the gradual decoupling of tariffs from the government's purview. At our target price, the stock trades at 18.7x 2026F EPS, +2SD above five-year mean PE.

Earnings Revision/Risk

- No changes to earnings.
- **Key risks** include: a) lumpy and unprofitable overseas renewable energy (RE) projects, and b) forex risk to operating cashflow.

Share Price Catalyst/Risk

- **Key re-rating catalysts** include: a) recognition of contingent capex in the 2026-27 earnings window, b) listing of a profitable genco and/or RE division, and c) benefitting from the ASEAN Power Grid rollout.

Environment, Social, Governance (ESG) Updates

Environmental

- Besides targeting 8,300MW in RE generation capacity by 2025 (1.5x from 3,398MW in Dec 20), TNB has also made new pledges to reduce emission intensity by 2035 and being coal-free by 2050.

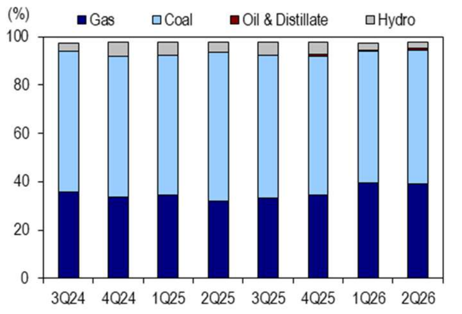
Social

- TNB contributed RM101.3m towards education, economic social, environment and sports, benefitting 713,748 individuals nationwide.

Governance

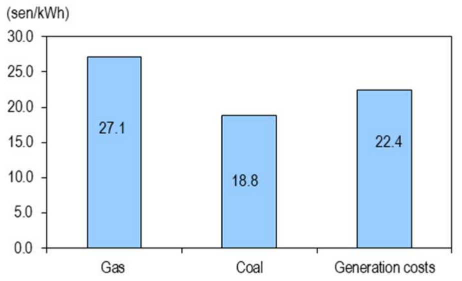
- The board comprises 11 members consisting of six Independent Directors and four Non-Independent Non-Executive Directors. Meanwhile, women comprise 36% (four directors) of the board.

Generation Mix



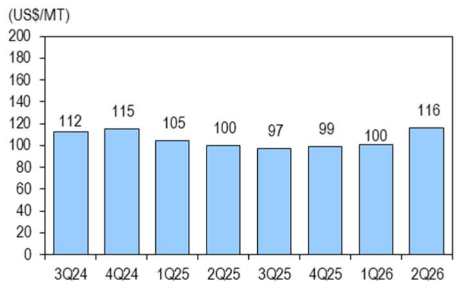
Source: TNB, UOB Kay Hian

Generation Unit Cost (2Q26)



Source: TNB, UOB Kay Hian

Quarterly Coal Prices



Source: TNB, UOB Kay Hian

TNB's RE Portfolio (capacity, MW)

Source: TNB

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	**67,723**	**69,555**	**71,480**	**73,306**
EBITDA	20,518	22,854	23,652	24,323
Deprec. & amort.	11,986	12,653	12,625	12,657
EBIT	24,277	23,810	24,908	25,825
Associate contributions	88	92	97	102
Net interest income/(expense)	(3,363)	(3,976)	(4,612)	(5,145)
Pre-tax profit	**6,177**	**6,318**	**6,512**	**6,623**
Tax	(1,407)	(1,390)	(1,433)	(1,457)
Minorities	(2)	(2)	(2)	(2)
Net profit	**4,768**	**4,927**	**5,078**	**5,164**
Net profit (adj.)	4,767	4,927	5,078	5,164

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	132,885	137,099	141,340	145,550
Other LT assets	36,953	37,045	37,142	37,244
Cash/ST investment	12,867	7,908	4,893	1,734
Other current assets	15,650	18,255	18,518	18,767
Total assets	**198,355**	**200,307**	**201,893**	**203,295**
ST debt	11,952	11,852	11,752	11,652
Other current liabilities	24,636	25,186	25,474	25,770
LT debt	47,134	47,034	46,934	46,834
Other LT liabilities	61,659	61,659	61,659	61,659
Shareholders' equity	50,790	52,391	53,887	55,192
Minority interest	2,185	2,186	2,188	2,190
Total liabilities & equity	**198,355**	**200,307**	**201,893**	**203,295**

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	**15,570**	**21,764**	**22,245**	**22,912**
Pre-tax profit	6,177	6,318	6,512	6,623
Tax	(1,407)	(1,390)	(1,433)	(1,457)
Deprec. & amort.	11,986	12,653	12,625	12,657
Associates	(88)	(92)	(97)	(102)
Working capital changes	945	300	25	46
Non-cash items	0	0	0	0
Investing	**(13,192)**	**(16,366)**	**(16,463)**	**(16,618)**
Capex (growth)	(16,246)	(16,867)	(16,867)	(16,867)
Investments	7	0	0	0
Others	3,047	500	404	249
Financing	**(6,994)**	**(8,002)**	**(8,798)**	**(9,453)**
Dividend payments	(3,089)	(3,326)	(3,582)	(3,859)
Issue of shares	110	0	0	0
Proceeds from borrowings	1,679	(200)	(200)	(200)
Others/interest paid	(5,693)	(4,476)	(5,016)	(5,394)
Net cash inflow (outflow)	**(4,616)**	**(2,604)**	**(3,015)**	**(3,159)**
Beginning cash & cash equivalent	**15,213**	**10,512**	**7,908**	**4,893**
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	**10,512**	**7,908**	**4,893**	**1,734**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	30.3	32.9	33.1	33.2
Pre-tax margin	9.1	9.1	9.1	9.0
Net margin	6.2	5.8	7.1	7.1
ROA	2.4	2.5	2.5	2.5
ROE	9.5	9.5	9.6	9.5
Growth				
Turnover	19.4	2.7	5.5	8.2
EBITDA	2.8	11.4	3.5	2.8
Pre-tax profit	6.2	2.3	3.1	1.7
Net profit	19.9	3.3	3.1	1.7
Net profit (adj.)	15.5	3.3	3.1	1.7
EPS	15.5	3.3	3.1	1.7
Leverage				
Debt to total capital	0.4	0.4	0.4	0.4
Debt to equity	1.2	1.1	1.1	1.1
Net debt/(cash) to equity	0.9	1.0	1.0	1.0
Interest cover	4.4	4.6	4.4	4.3

Bumi Armada

(BAB MK/HOLD/RM0.35/Target:RM0.35)

1H26: Below Expectations On Persistently Low Uptime On FPSO Kraken

Highlights

- **1H26 results were below expectations, comprising 38%/32% of our/consensus forecasts respectively.** Although we have been aware of FPSO Armada Kraken's operational issues since 4Q25, the negative surprise came as the owned FPSO fleet's (four FPSOs) uptime remained persistently low at under 98%. To recap, uptime in 4Q25/1Q26 were 96.9% and 94.4% respectively, and 2Q26's uptime had a slight qoq recovery to 95.8%. Assuming the other three FPSOs' uptimes were at 98%, this implies FPSO Kraken's uptime was 85% in 2Q26. Hence, the qoq revenue improvement in 2Q26 can be explained by the absence of a compensation payable for Kraken's extension (estimated to be a provision of RM5m), and higher revenue in tandem with higher uptime qoq.
- **Uncertain if operational issues will prolong.** The only hint we understand from management was Bumi Armada may shorten or bring forward a planned maintenance works for Kraken. We are concerned about the consistently low uptime for three quarters in a row which, in our view, is more serious vs the 2023 operational setback of FPSO Kraken due to the failure of hydraulic submersible pump (HSP) transformers. While that incident was a critical earnings and market impact, we note the uptime was low at 93% in 2Q23 but recovered quickly to 98% in 3Q23.

Earnings Revision/Risk

- **Cut 2026F-28F earnings by 28%/17%/3%,** as we adjusted mainly FPSO Kraken's income further.
- **Retain HOLD, and target price of RM0.35** at implied 8x 2027F PE and 7x EV/EBITDA including associates. Bumi Armada is now focused on conserving enough cash for future project bids, but its inability to replenish orderbook as it embarks on a different and riskier strategy with no proven results yet, coinciding with a poor operational track record, further clouds any possible catalysts for the stock. Despite its leaner balance sheet, we advise a wait-and-see approach for now.

2Q26 Results

Year to 31 Dec	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg
Revenue	**335.2**	**9.3**	**(17.7)**	**641.7**	**(27.2)**
- Floating (FPSO, subsea)	332.5	10.3	(17.8)	633.9	(27.8)
- Engineering, Technology	2.7	(84.3)	(2.2)	7.8	113.2
EBIT	**72.9**	**40.8**	**(24.4)**	**124.7**	**(61.5)**
- Floating (FPSO, subsea)	90.3	24.2	(37.4)	163.1	(58.5)
- Engineering, Technology	(17.4)	(16.7)	(63.6)	(38.3)	(44.3)
Operating margin (%)	21.8%	4.9%	-1.9%	19.4%	-17.4%
Finance Cost	(38.3)	(6.6)	(267.3)	(79.3)	(40.6)
Associates	7.9	(58.0)	9.6	26.7	(25.8)
PBT	68.0	51.1	516.9	113.1	(57.8)
PATMI	**71.0**	**76.9**	**521.7**	**111.1**	**(57.7)**
Core PATMI	**66.3**	**53.1**	**(23.3)**	**109.6**	**(62.3)**
EPS (sen)	1.2			1.9	
DPS (sen)	-			-	

Source: Bumi Armada, UOB Kay Hian

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net Turnover	2,311	1,589	1,037	935	839
EBIT	1,492	847	611	557	509
Net Profit (Reported)	634	439	211	247	297
Net Profit (Adjusted)	634	439	211	247	297
EPS (sen)	15.7	8.0	3.6	4.2	5.0
PE (x)	2.2	4.2	9.6	8.2	6.8
P/B (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	5.2	7.8	11.1	10.1	9.2
Dividend Yield (%)	5.2	7.8	9.5	9.0	8.9
Net Margin (%)	27.6	20.3	26.4	35.5	27.6
Net Gearing (%)	27.4	27.6	28.1	31.8	35.5
ROE (%)	37.5	18.2	4.3	-	-
Consensus Net Profit	-	-	341	353	361
UOBKH/Consensus (x)	-	-	0.62	0.70	0.82

Source: Bumi Armada, Bloomberg, UOB Kay Hian

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Hong Leong Bank
(HLBK MK/BUY/RM23.88/Target: RM24.50)

4QFY26: Strong Core Performance

Highlights

- **Within expectations.** Hong Leong Bank reported 4QFY26 net profit of RM1.24bn (+14.2% yoy), bringing FY26 earnings to RM4.53b (+6.0% yoy). Results came in broadly within our and consensus expectations, with FY26 earnings accounting for 102% of both our/full-year consensus forecasts respectively. FY26 earnings rose 6%, underpinned by PPOP growth, stronger non-interest income and above-industry loan expansion.
- **FY26 operating performance strengthened,** with pre-provision operating profit (PPOP) rising 6.6% yoy. Growth was driven by: a) non-interest income (+9.3% yoy), primarily supported by wealth management and bancassurance (+19.9%) and global markets franchise sales (+18.5%); b) loans growth of 7.7%, with domestic growth exceeding industry; and c) positive operating JAWS, lowering cost-to-income ratio to 37.6% (FY25: 38.7%). These gains were partly offset by lower Bank of Chengdu's contribution (-5.8%) from stake dilution and a stronger ringgit, and higher normalised impairments. FY25's RM399m overlay release and RM408m associate dilution loss both fell away, while lower taxation supported net earnings growth.
- **4QFY26 earnings trend.** Earnings rose 14.2% yoy, supported by PPOP growth of 8.6%, RM32.6m net impairment write-backs and a lower tax charge. Non-interest income grew 31.6% yoy, cushioning 5bp NIM compression and marginally negative operating JAWS. Qoq, pretax profit rose 16.5%, driven by PPOP growth of 13.6%, a RM70m improvement in net impairments and higher associate contribution. NIM edged up 1bp to 1.85%, while the GIL ratio improved 3bp qoq to 0.57%.
- **Above-industry loans growth sustained.** Loans expanded 7.7% yoy, with domestic growth of 7.1% exceeding the industry's 5.5%. Growth remained broad-based across mortgages (+6.6% yoy), transport vehicles (+5.5%), unsecured (+9.5%) and SMEs (+9.9%). Singapore loans rose 21.5% yoy in ringgit terms. Management guides for FY27 loans growth at 6.0-7.0%.
- **NIM inching back up.** 4QFY26 NIM edged up another 1bp qoq to 1.85%, extending its gradual recovery alongside continued funding cost management. FY26 NIM of 1.84% was within management's 1.80-1.90% guidance. CASA grew 11.3% yoy, lifting the CASA ratio to 34.7% (FY25: 32.9%), while LDR increased to 88.7% (3QFY26: 88.0%). Stronger CASA mobilisation should support funding costs, although FY26 NIM remained 6bp below FY25. Management's FY27 NIM guidance of 1.80-1.90% points to a broadly stable margin outlook.
- **Asset quality improves modestly.** The group's GIL ratio declined 3bp qoq to 0.57% (3QFY26: 0.60%), with impaired loans easing to RM1.30b. Loan-loss coverage softened to 79.5% (3QFY26: approximately 81%), rising to 244.1% including regulatory reserves. FY26 net credit cost of 4bp remained comfortably within guidance of below 10bp. SME GIL improved to 0.99% (3QFY26: 1.09%), while overseas GIL fell to 1.47% (1.72%). Mortgage GIL remained at 0.43%, although transport vehicles edged up to 0.51% (0.49%).
- **No immediate need to top up overlays; net credit cost remains benign.** Despite the more uncertain macro backdrop, management sees no immediate need to build additional management overlays, with the existing RM175m balance deemed sufficient and left fully intact. The RM32.3m loan impairment write-back in 4QFY26 was driven by recoveries from several customers and did not involve any overlay release. FY26 net credit cost consequently remained low at 4bp, while management retained its FY27 guidance of below 10bp.
- **Basel III uplift provides further headroom for progressively higher dividends.** Common Equity Tier 1 (CET1) stood at 12.9% as at end-FY26, after proposed dividends, and management expects the Basel III reforms, effective 1 Jul 26, to lift capital ratios by about 70bp. Importantly, management indicated that the existing around 50% payout and guided 6-7% FY27 loan growth can be sustained **without drawing on the 70bp Basel III uplift**, leaving the incremental capital available for higher dividends or additional balance-sheet deployment, particularly into overseas growth. In addition, management stopped short of committing to a specific payout target or timeline but reiterated its intention to deliver **progressive improvements in dividend payout.** Based on FY26 risk-weighted assets (RWA), we estimate the 70bp uplift equates to about RM1.3b of additional capital headroom, or around 60 sen/share. We believe our current 55% payout assumption for FY27-29F, already above FY26's 50% payout, fairly reflects a gradual return of this excess capital to shareholders while retaining sufficient flexibility for further balance-sheet deployment. In our blue sky scenario, the capital release could sustain a payout of 60% throughout FY27-30F and thus potentially offering a yield of 5.8-6.5%.

Valuation/Recommendation

- **Maintain BUY with a revised target price of RM24.50** (10.9% ROE and 1.11x FY27F P/B) (from RM24.40) after our model update. Our target P/B multiple of 1.11x is broadly in line with the stock's historical mean. We continue to favour Hong Leong Bank given its unique position of delivering above-industry growth while maintaining impeccable asset quality. It also offers a compelling dividend yield of 5.3-6.0%, with scope to potentially raise payouts further.

Earnings Revision/Risk

- Following the update of our model of FY26 inputs, we adjust our FY27-28 earnings by 1% respectively while introducing FY29F estimates.

4QFY26 Results

Year to 30 Jun (RMm)	4QFY26	4QFY25	yoy%	FY26	yoy%
Net interest income	1,036.4	1,021.8	1.4	4,062.4	1.9
Islamic banking	315.8	302.6	4.4	1,242.3	7.1
Fees & Commissions	236.9	184.0	28.8	815.8	13.4
Other operating income	93.2	90.6	2.9	376.7	63.7
Modification loss	78.8	21.1	273.1	196.1	(34.8)
Total income	1,761.2	1,620.1	8.7	6,693.3	4.6
Operating expenses	(681.2)	(625.7)	8.9	(2,513.9)	1.4
PPOP	1,080.0	994.5	8.6	4,179.4	6.6
Allowance for impairment on loans	32.6	(2.9)	n.a.	(79.1)	(120.6)
Impairment on securities	352.7	366.6	(3.8)	1,380.1	30.5
Core PBT	1,465.3	1,358.2	7.9	5,480.5	(5.0)
Core net profit	1,242.7	1,088.6	14.2	4,531.5	(3.2)
EPS (sen)	57.3	50.2	14.2	209.0	(3.2)
DPS (sen)	80.0	68.0	17.6	110.0	14.6
Financial Ratios (%)	4QFY26	4QFY25	yoy ppt	FY26	qoq ppt
NIM	1.85	1.90	(0.05)	1.84	(0.06)
Loan growth, yoy	7.7	7.8	(0.1)	8.4	(0.7)
Deposit growth, yoy	5.6	8.4	(2.7)	8.4	(2.7)
Cost/Income ratio	38.7	38.6	0.1	39.9	(1.2)
Reported ROE	12.1	11.2	0.9	10.3	1.8
NPL ratio	0.6	0.5	0.0	0.6	(0.0)
Credit costs (bp)	(5.7)	0.6	(6.3)	6.8	(12.6)
CET-1 CAR	12.9	13.2	(0.3)	12.4	0.5

Source: Hong Leong Bank, UOB Kay Hian

Key Financials

Year to 30 Jun (RMm)	2026	2027F	2028F	2029F
Net interest income	4,062	4,116	4,245	4,536
Non-interest income	1,389	1,499	1,590	1,656
Net profit (rep./act.)	4,531	4,768	5,082	5,419
Net profit (adj.)	4,531	4,768	5,082	5,419
EPS (sen)	218.0	229.4	244.5	260.7
PE (x)	11.0	10.4	9.8	9.2
P/B (x)	1.2	1.1	1.1	1.0
Dividend yield (%)	4.6	5.3	5.6	6.0
Net int margin (%)	1.75	1.73	1.72	1.73
Cost/income (%)	37.6	37.4	37.0	37.0
Loan loss cover (%)	79.5	76.7	121.8	123.7
Consensus net profit	-	4,762	5,085	
UOBKH/Consensus (x)	-	1.00	1.00	

Source: Hong Leong Bank, UOB Kay Hian

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Hong Leong Financial Group
(HLFG MK/BUY/RM19.14/Target: RM22.00)

4QFY26: Banking Resilience; Insurance Strength

Highlights

- **Broadly within expectations.** Hong Leong Financial Group (HLFG) reported 4QFY26 net profit of **RM945m (+10.8% yoy, +26.4% qoq)**, bringing FY26 earnings to a record **RM3.43b (+5.5% yoy).** We deem the results to be broadly in line with expectations, with FY26 earnings representing 104% of both our and consensus full-year forecast. FY26 PBT rose a more modest 3.4% yoy to RM6.31b, or **6.2% on a normalised basis**, after adjusting for FY25's RM399m management overlay release and RM408m Bank of Chengdu dilution loss.
- **Robust banking operations offset weaker associate.** Commercial banking PBT rose a modest 2.2% yoy to RM5.48b, although underlying operating performance was considerably stronger, with pre-provision operating profit rising 6.6% yoy. Revenue grew 4.6% yoy, supported by above-industry loan growth of 7.7% and robust non-interest income growth of 9.3%, particularly from wealth management, global markets franchise sales and credit card-related fees. Positive operating JAWS also drove the cost-to-income ratio 1.1ppt lower to 37.6%, cushioning the impact of a 6bp compression in NIM to 1.84% following the OPR cut. However, headline PBT growth was tempered by the normalisation of impairments following FY25's RM399m management overlay release and a 5.8% decline in associate contributions, primarily reflecting Hong Leong Bank's lower stake in Bank of Chengdu following the convertible bond dilution and translation effects from the stronger ringgit. Excluding FY25's one-offs, the underlying earnings trajectory was therefore stronger than the headline PBT growth suggests
- **Insurance shines on stronger underwriting margins.** Insurance and Takaful PBT increased **11.3% yoy to RM743m,** driven primarily by the life insurance business (+24.7%) on improved underwriting margins and stronger net investment income. This more than offset weaker general insurance (-15.4%), reflecting lower MSIG Malaysia contributions and weaker investment gains in Hong Kong, while Singapore benefited from higher underwriting profit.

Valuation/Recommendation

- Maintain BUY and SOTP-based target price of RM22.00. Our target price implies a 25% holding company discount, in line with the 10-year historical mean discount.

Earnings Revision/Risk

- No changes.

Share Price Catalyst

- Stronger-than-expected wealth management and insurance income from improving market sentiment.

4QFY26 Results

Year to 30 Jun (RMm)	4QFY26	4QFY25	yoy%	FY26	yoy%
Net Interest Income	1,054.7	1,012.9	4.1	4,133.1	1.9
Islamic Banking	315.8	302.6	4.4	1,242.3	7.1
Insurance Income	215.2	126.2	70.5	654.5	52.0
Brokerage Income	14.0	11.0	27.5	47.0	(8.3)
Unit Trust & AM Income	19.3	10.0	92.4	54.6	26.6
Fee Income	244.3	224.0	9.1	837.5	(7.9)
Net Income froms Securities	115.6	56.1	106.0	425.6	63.9
Other Income	71.9	20.3	254.6	208.6	(31.5)
Total Income	2,050.8	1,763.1	16.3	7,603.2	5.4
Operating Expenses	(722.2)	(587.2)	23.0	(2,671.5)	1.5
PPOP	1328.6	1175.9	13.0	4,931.7	7.7
Credit Costs	32.4	(3.0)	n.m.	(79.3)	(120.7)
Associate	366.3	390.5	(6.2)	1,455.7	28.2
PBT	1,727.4	1,563.4	10.5	6,308.1	3.4
Net Profit	945.5	853.5	10.8	3,434.7	5.5

Source: HLFG, UOB Kay Hian

Key Financials

Year to 30 Jun (RMm)	2026	2027F	2028F	2029F
Net interest income	5,375	5,625	5,912	6,203
Non-interest income	2,228	2,334	2,412	2,495
Net profit (rep./act.)	3,435	3,570	3,795	3,997
Net profit (adj.)	3,435	3,570	3,795	3,997
EPS (sen)	289.0	310.5	329.7	347.2
PE (x)	6.6	6.2	5.8	5.5
P/B (x)	0.6	0.6	0.5	0.5
Dividend yield (%)	4.1	4.3	4.6	4.8
Net int margin (%)	1.58	1.59	1.59	1.60
Cost/income (%)	35.7	36.6	36.4	35.9
Loan loss cover (%)	79.5	93.6	90.6	88.0
Consensus net profit	-	3516	3731	-
UOBKH/Consensus (x)	-	1.02	1.02	-

Source: HLFG, UOB Kay Hian

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Company Results | Malaysia

Friday, 28 August 2026

IHH Healthcare

(IHH MK/BUY/RM8.15/Target: RM9.25)

2Q26: Within Expectations As Value Emerges

Highlights

- **Within expectations.** IHH Healthcare posted a 2Q26 core profit of RM569m (+24.0% qoq, +37.8% yoy). This is broadly within our and consensus expectations, accounting for 49% and 46% of our/consensus full-year forecasts respectively. Core profit excludes exceptional items, including net monetary gains of RM136m and deferred tax debits of RM127m. Malaysia and Türkiye remained key growth drivers, while Singapore showed signs of sequential recovery.
- **Singapore recovers sequentially; Malaysia accelerates.** Singapore's revenue declined 10% yoy as inpatient admissions fell 6%, partially offset by a 1% increase in revenue intensity. Performance remained affected by the structural shift towards public healthcare and weaker demand from certain medical travellers amid Middle East tensions. Nevertheless, EBITDA declined a milder 7% yoy and recovered 12% qoq, with occupancy improving to 51% (1Q26: 49%) and EBITDA margins reaching 29% (1Q26: 26%). Meanwhile, Malaysia's revenue grew 15% yoy, supported by higher revenue intensity (+16%) and inpatient admissions (+3%). EBITDA expanded 29% yoy as margins improved 3ppt to 28%. Medical tourism and daycase revenue increased 15% and 13% yoy respectively, reinforcing growth.
- **Acibadem continues to deliver.** Acibadem's revenue, before hyperinflation adjustments, grew 20% yoy to RM2.38b (+44% in constant currency), supported by higher inpatient admissions (+15%) and revenue intensity (+22%). Growth was underpinned by stronger domestic demand, Bayindir Healthcare's consolidation and additional capacity at Acibadem Kartal and Kent. EBITDA increased 32% yoy to RM475m (+61% in constant currency), with margins expanding 2ppt to 20%. Türkiye's foreign patients and European operations contributed 12% and 21% of the segment's revenue respectively in 2Q26, providing diversification beyond domestic patients.
- **Currency masks India growth; Greater China rebounds.** India's revenue declined 1% yoy in ringgit terms but increased 19% in constant currency, supported by higher inpatient admissions (+14%) and revenue intensity (+5%). EBITDA fell 4% yoy, although it grew 15% in constant currency. EBITDA margins were broadly flat yoy at 18%, or 19% excluding RM11m of employee share option expenses, while the Fortis-Gleneagles integration continued to support operations. Greater China's revenue increased 11% yoy to RM441m, while EBITDA rose 71% to RM58m. Gleneagles Hospital Hong Kong recorded six consecutive months of positive PATMI, with EBITDA growing 40% yoy and margins expanding 5ppt to a record 19%, supported by higher occupancy and revenue intensity.

Earnings Revision/Risk

- Our earnings forecasts remain unchanged. Key downside risks are: a) execution risk, and b) heightened regulatory hurdles.

Valuation/Recommendation

- **Upgrade to BUY with an unchanged SOTP-based target price of RM9.25.** Our valuation implies 34.2x 2027F PE, or about -0.5SD below its five-year mean. We believe the current valuation understates its improving earnings visibility, supported by brownfield- and extension-led expansions across key markets. Cost synergies and operational de-risking in Türkiye and India are also yielding tangible benefits, while Singapore's sequential recovery provides an additional earnings catalyst. Although IHH Healthcare's defensive profile may underperform higher-beta peers during a broad risk-on rotation, we believe this is outweighed by its resilient earnings, improving execution and attractive risk-reward at current levels.

2Q26 Results

Year to 31 Dec	2Q26 (RMm)	qoq % chg	yoy % chg	1H26 (RMm)	yoy % chg
Revenue	**7,046.0**	**7.5**	**11.9**	**13,599.0**	**8.0**
Singapore	1,367.0	2.2	(9.7)	2,705.0	(10.8)
Malaysia	1,341.0	12.1	15.0	2,537.0	11.1
Acibadem	2,382.0	1.8	19.7	4,721.0	18.2
Others	1,956.0	16.4	20.1	3,636.0	10.8
EBITDA	**1,612.0**	**11.8**	**19.1**	**3,054.0**	**13.1**
Singapore	397.0	3.7	(7.2)	780.0	(9.2)
Malaysia	373.0	18.0	29.1	689.0	22.6
Acibadem	475.0	(4.8)	32.3	974.0	35.1
Others	362.0	48.4	30.2	606.0	9.2
Net profit	573.0	8.5	39.4	1,101.0	19.0
Core profit	**569.0**	**24.0**	**37.8**	**1,028.0**	**22.7**
Margins	%	+/- ppt	+/- ppt	%	+/- ppt
EBITDA	22.9	0.9	1.4	22.5	1.0
Core profit	8.1	1.1	1.5	7.6	0.9

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	24,383	25,745	28,971	31,724	34,993
EBITDA	4,570	5,045	4,924	5,129	5,028
Operating profit	3,549	3,999	3,852	4,028	3,897
Net profit (rep./act.)	1,685	1,818	2,066	2,381	2,515
Net profit (adj.)	1,685	1,818	2,066	2,381	2,515
EPS (sen)	19.2	20.7	23.6	27.2	28.7
PE (x)	46.3	42.9	37.7	32.7	31.0
P/B (x)	2.6	2.6	2.5	2.4	2.3
EV/EBITDA (x)	18.2	17.6	15.0	13.9	12.8
Dividend yield (%)	1.1	1.2	1.3	1.5	1.6
Net margin (%)	10.9	8.2	7.1	7.5	7.2
Net debt/(cash) to equity (%)	37.9	38.7	29.5	20.6	10.0
Interest cover (x)	7.0	6.0	5.8	6.5	10.7
ROE (%)	10.1	8.0	7.7	8.7	9.0
Consensus net profit	-	-	2250	2629	3051
UOBKH/Consensus (x)	-	-	0.92	0.91	0.82

Source: IHH Healthcare, Bloomberg, UOB Kay Hian

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Inari Amertron

(INRI MK/HOLD/RM2.50/Target: RM2.47)

FY26: Above Expectations; A Better FY27 In The Offing

Highlights

- **Above expectations.** Inari Amertron (Inari) reported a sequentially stronger 4QFY26 core net profit of RM49.3m (+60% qoq, -9% yoy), bringing FY26 core net profit to RM187.6m (-26% yoy), accounting for 109%/96% of our/consensus full-year forecasts respectively. FY26 core net profit was adjusted for unrealised forex losses of RM18.1m and RM41.9m of fire loss provisions related to its Plant CK1 in Philippines. The positive deviation from our estimates is mainly driven by stronger-than-expected revenue and margin. The group has also proposed a fourth interim DPS of 1.37 sen in 4QFY26, bringing FY26 DPS to 4.70 sen (vs FY25: 5.50 sen).
- **FY26 revenue of RM1.2b declined 12% yoy,** led by a 24% decline in RF loading volume, offsetting the 41% growth in the industrial segments. Meanwhile, core net profit dropped by a larger quantum of 26% on lower operational efficiency. On a qoq basis, 4QFY26 revenue increased 9% while core net profit surged 60% on higher loading volume in the RF segment and improved operating leverage, lifting net margin by 5.5ppts qoq to 17%.
- **Outlook turning constructive into FY27.** FY26 was weighed by the legacy RF shortfall and forex headwinds, but RF content recovery is now underway, with the existing flagship model expected to step up from one to four circuits in FY27, while the next 2gen flagship platforms could support up to nine circuits by the Sep 27 cycle.
- **Meanwhile, ChipFab is poised to become a key growth engine,** with volumes expected to double in FY27, supported by continuous-wave (CW) and electro-absorption modulated laser (EML) technology as applications scale towards 1.6T, riding the hyperscalers' AI/DC capex cycle. Margin profile expected to improve progressively, with inflection by mid-FY27 and clearer uplift into FY28. This is driving a structural shift in segment mix, with optoelectronics' contribution expected to increase to about 38% (from 30%), while RF moderates to around 55% (from 60%) in FY27-28.
- **Power management is emerging as a new vertical,** with voltage regulators and amplifiers gaining importance given their broad application across chips, while Inari is exploring external R&D and licensing partnerships to secure IP ownership and supply-chain control. Meanwhile, Inari has invested RM70m since FY25 in system-in-package (SiP) and flip-chip ball grid array (FCBGA), targeting AI applications. This should enable Inari to move beyond its traditional RF-focused offerings (FBAR) into higher-value integrated modules and advanced packaging technologies, strengthening the group's medium- to long-term growth.
- **We see FY27-28 as a key inflection window,** as the scaling of Photonics/ChipFab alongside renewed RF design wins, and longer-term optionality in advanced packaging and optical integration potentially drive a step-change in growth and margins, while repositioning Inari from a traditional handset RF proxy into a broader AI infrastructure enabler and supporting a longer-term re-rating.

Earnings Revision/Risk

- After our model updates, we tweak our FY27-28 earnings by +2/+1% for housekeeping purposes.

Valuation/Recommendation

- **Maintain HOLD with a higher target price of RM2.47 (from RM2.16)** based on a rolled-over 32.0x CY27F PE (at seven-year mean forward PE).

4Q26 Results

Year to 30 Jun	4QFY26 (RMm)	qoq % chg	yoy % chg	FY26 (RMm)	yoy % chg
Revenue	**288.9**	**8.7**	**(5.8)**	**1,187.3**	**(12.2)**
Gross Profit	49.8	19.3	(23.1)	228.6	(22.0)
EBITDA	42.6	(30.3)	(46.3)	268.3	(25.5)
Operating profit	10.6	(63.8)	(77.1)	139.4	(37.3)
Pre-tax profit	**10.4**	**(63.8)**	**(77.2)**	**137.6**	**(37.6)**
Net profit	6.1	(78.0)	(87.5)	122.1	(44.2)
Core net profit	**49.3**	**59.9**	**(8.5)**	**187.6**	**(26.0)**
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**
Gross profit	17.3	1.5	(3.9)	19.3	(2.4)
EBITDA	14.7	(8.2)	(11.1)	22.6	(4.0)
PBT	3.6	(7.2)	(11.3)	11.6	(4.7)
Core net profit	17.0	5.5	(0.5)	15.8	(2.9)

Key Financials

Year to 30 Jun (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	1,352	1,187	1,311	1,541	1,841
EBITDA	360	268	391	462	551
Operating profit	222	139	268	334	420
Net profit (rep./act.)	219	127	260	324	406
Net profit (adj.)	254	188	260	324	406
EPS (sen)	6.7	4.9	6.9	8.6	10.7
PE (x)	37.4	50.5	36.5	29.2	23.3
P/B (x)	3.4	3.4	3.4	3.4	3.4
EV/EBITDA (x)	16.1	21.4	14.9	12.7	10.7
Dividend yield (%)	2.2	1.8	2.5	3.1	3.9
Net margin (%)	18.8	15.8	19.8	21.0	22.1
Net debt/(cash) to equity (%)	(77.5)	(79.7)	(77.3)	(75.4)	(73.4)
Interest cover (x)	115.7	76.5	133.8	167.2	210.1
ROE (%)	9.2	6.8	9.4	11.6	14.4
Consensus net profit			265.7	314.8	404.0
UOBKH/Consensus (x)			0.98	1.03	1.00

Source: Inari, UOB Kay Hian

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RGB International

(RGB MK/BUY/RM0.21/Target: RM0.26)

2Q26: Within Expectations

2Q26 Results

Year to 31 Dec (RMm)	2Q26 (RMm)	yoy % chg	qoq % chg	1H26 (RMm)	yoy % chg
Turnover	**109.6**	**15.5**	**25.5**	**197.0**	**16.9**
SSM	93.1	20.1	32.5	163.4	27.6
TSM	15.8	(3.1)	(3.7)	32.1	(17.3)
Engineering Services & Others	0.9	(26.9)	23.7	1.7	(2.7)
Operating Profit	**14.9**	**(29.1)**	**7.0**	**28.9**	**(26.2)**
Pre-tax Profit	**11.9**	**(26.0)**	**12.2**	**22.5**	**(21.9)**
SSM	12.0	(21.1)	39.4	20.5	(6.7)
TSM	1.4	41.3	(61.9)	5.0	(38.4)
Engineering Services & Others	(1.4)	4245.5	(10.5)	(3.0)	127.2
Tax	(1.7)	(3.6)	33.4	(3.0)	26.6
Net Profit	**10.3**	**(26.3)**	**14.0**	**19.4**	**(26.5)**
Core Net Profit	**11.8**	**(15.7)**	**30.3**	**20.9**	**(20.9)**
Margins	**%**	**+/- ppt**	**+/- ppt**	**%**	**+/- ppt**
EBIT	13.6	(8.6)	(2.3)	14.7	(8.6)
Net Profit	10.8	(4.0)	0.4	10.6	(5.1)

Key Financials

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net Turnover	348	447	512	609
EBITDA	104	124	124	129
Operating Profit	62	83	87	95
Net Profit (Rep./Act.)	36	58	61	68
Net Profit (Adj.)	40	58	61	68
EPS (sen)	2.6	3.8	4.0	4.4
PE (x)	8.2	5.6	5.3	4.8
P/B (x)	1.0	0.9	0.9	0.8
EV/EBITDA (x)	3.6	1.7	1.5	1.3
Dividend Yield (%)	5.2	8.1	8.5	9.4
Net margin (%)	17.8	18.6	17.0	15.6
Net debt/(cash) to equity (%)	(57.6)	(54.0)	(53.8)	(52.8)
Interest cover (x)	3.2	8.3	8.7	9.5
ROE (%)	13.3	17.6	16.8	16.8
Consensus net profit	n.a.	61.4	68.9	77.5
UOBKH/Consensus (x)	n.a.	0.9	0.9	0.9

Source: RGB, UOB Kay Hian

Highlights

- **Results deemed within expectations.** RGB International (RGB) reported revenue of RM109.6m (+16% yoy, +25% qoq) and core net profit of RM12m (-16% yoy, +30% qoq) in 2Q26. The yoy softening in earnings was mainly due to sales and marketing (SSM) operation's lower margins from different product mixes, which have offset stronger technical support and management (TSM) performance. 1H26 bottom line profit made up about 36% and 34% of our and consensus full-year forecasts, but is deemed within expectations as we anticipate meaningful growth in 2Q-3Q26, lifted by SSM bulk orders.
- SSM sales strengthened on better order volume, but margin declined. In 2Q26, SSM sales improved (+20% yoy) on higher unit sales, mainly from customers' replenishment activities. Nevertheless, SSM charted lower profit before tax (PBT) of RM12m (-21% yoy) due to lower margin from the variation in product mix. We still anticipate SSM earnings to see meaningful improvement for the rest of 2026, following the bulk order delivery of 1,500-1,750 gaming machines for the opening of a new Philippines integrated resort in 3Q26. We are forecasting SSM sales of about 2,700 slot machines (2025: 2,256 slot machines).
- TSM revenue down on softer business volume and lower operating outlets, but margin improved. In 2Q26, the TSM segment's revenue of RM15.8m dropped (-3% yoy). This was mainly due to weaker performances at several key TSM outlets caused by the continued closure of certain TSM outlets in the Poipet region since Jun 25. Nevertheless, TSM's PBT margin expanded (+2.8ppt yoy) due to the lower operating and administrative expenses, resulting in higher core PBT of RM1.4m (2Q25: RM1.0m).
- Declared second interim dividend of 0.3 sen. RGB declared a dividend of 0.3 sen in 2Q26, which brings 1H26 dividends to 0.5sen. This implies a 2.4% dividend yield and payout ratio of 37%.
- Reasonable valuations and 8-9% dividend yield remain attractive. RGB is now trading at 5.6x 2026F PE (3x ex-cash PE). With the group's current net cash of RM140m (around 43% of market cap), we are forecasting a 45% dividend payout which offers attractive yields of 8-9% in 2026-28.

Earnings Revision/Risk

- None.

Valuation/Recommendation

- **Maintain BUY with a lower target price of RM0.26 (from RM0.30),** as we revised down our valuation peg to 7x 2026F PE (-1SD below its pre-pandemic five-year mean).

Analyst

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TIME dotCom

(TDC MK/HOLD/RM6.01/Target: RM6.50)

2Q26: In Line; Potential 2H26 Margin Pressure From Higher Device & Equipment Cost

Highlights

- **2Q26: Within expectations.** TIME dotCom (TIME) posted a 2Q26 core net profit of RM129m (+14% yoy; +3% qoq), supported by strong revenue growth in the retail (+9% yoy) and wholesale (+11% yoy) segments. Associate earnings were also higher at RM12m (+24% yoy; +180% qoq) as AIMS gradually booked in higher capacity and bottom line recovered sequentially. 2Q26 earnings were partially offset by higher finance cost (+28% yoy) and higher effective tax rate. This quarter's core earnings excluded an RM7.4m forex gain adjustment.
- **1H26 core net profit** of RM254m (+10% yoy) accounted for 47% and 49% of our and consensus full-year estimates. Earnings are in line with expectations.
- **Special dividend of 5.41 sen/share (ex-date: 14 Sep 26).** The group declared a special interim dividend of 5.41 sen/share (78% payout). We project a full-year net DPS of 32.1 sen/share, translating to a net dividend yield of 5.4%.
- **Retail (41% of group revenue).** 2Q26 retail revenue rose to RM194m (+9% yoy; +2% qoq), driven by higher household penetration. ARPU was stable at RM117/month (1Q26: RM117/month) as the group saw promising take up from both multi-dwelling and single-dwelling units. Customer base grew by 6,000 subscribers in 2Q26, reaching a new record of 524,000 subscribers.
- **Wholesale revenue (30% of group revenue)** rose 11% yoy to RM139m (+2% qoq) supported by higher demand for connectivity services arising from data centre loading capacity.
- **Enterprise (29% of group revenue).** Revenue rose 2% yoy and 14% qoq on the back of higher service integration revenue and new customers.

Earnings Revision/Risk

- No changes to earnings.
- **2H26 outlook: Margin pressure due to increased device cost.** EBITDA margin was healthy in 1H26 at 47.9% (+3.8ppt yoy). This trend, however, will likely moderate in 2H26 by 1-2ppts as management expects to see some cost pressures arising from an increase in device and equipment cost. The group expects the device and equipment cost to remain elevated well into 2027 with EBITDA margins expected to reflect 2H26 levels.

Valuation/Recommendation

- **Maintain HOLD with a DCF-based target price of RM6.50** (WACC: 7%, terminal growth: 4%). At our target price, the stock will trade at 12.4x 2027 EV/EBITDA, +1SD from mean.
- **Three years to achieve optimal capital structure (1-1.5x net debt-to-EBITDA).** Management aims to achieve its optimal capital structure of 1.0-1.5x net debt-to-EBITDA within the next three years. TIME's recent RM500m sukuk issuance reinforces its commitment to gear up and bolster its cash position to: a) fund its cloud segment capex; b) finance its 2027 working capital; c) repay its outstanding debt; and d) fund the expected capital call from AIMS in 2H26. Currently commanding a net debt/EBITDA of 0.1x, management expects to end the year with a net debt/EBITDA of 0.4x.

2Q26 Results

Year to 31 Dec (RMm)	2Q26	qoq%	yoy%	1H26	yoy%
Revenue	477.8	5.2	7.2	931.9	6.6
EBITDA	235.8	12.9	27.1	444.7	21.0
PBT	187.1	17.0	30.7	347.1	19.8
Reported Net profit	134.6	13.0	28.7	253.8	16.6
EPS (sen)	7.3	13.0	28.7	13.7	16.6
DPS (sen)	5.4	>100.0	>100.0	5.4	>100.0
Core EBITDA	**228.5**	**4.8**	**15.9**	**446.5**	**15.8**
Core EBITDA Margin (%)	47.8	(0.2)	3.6	47.9	3.8
Core Net Profit	**129.0**	**2.9**	**13.7**	**254.4**	**10.0**
Core Net Profit Margin (%)	27.0	(0.6)	1.6	27.3	0.8
Segmental Revenue	**2Q26**	**qoq%**	**yoy%**	**1H26**	**yoy%**
Voice	10.5	(1.9)	(3.7)	21.2	(3.1)
Data	415.6	1.5	7.1	825.2	7.7
Cloud and Other Service	44.7	58.0	(1.8)	73.0	(12.4)

Source: TIME, UOB Kay Hian

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	1,690.2	1,792.8	1,828.1	1,924.5	2,027.0
EBITDA	635.0	705.8	847.3	897.8	941.5
Operating profit	440.9	501.5	651.2	706.9	731.5
Net profit (rep./act.)	385.5	427.1	543.6	593.1	627.8
Net profit (adj.)	441.8	487.1	543.6	593.1	627.8
EPS	23.9	26.3	29.4	32.1	34.0
PE (x)	25.2	22.8	20.2	18.5	17.5
P/B (x)	2.8	3.4	3.4	3.5	3.5
EV/EBITDA (x)	15.6	15.1	12.8	12.4	12.2
Dividend yield (%)	9.5	8.1	5.4	5.7	6.2
Net margin (%)	26.1	27.2	29.7	30.8	31.0
Net debt/(cash) to equity (%)	(0.3)	(0.1)	(0.04)	0.05	0.16
Interest cover (x)	6.5	11.2	13.6	12.9	9.9
ROE (%)	11.2	15.0	17.0	18.7	20.2

Source: TIME, UOB Kay Hian

Share of Profit From Associates	2Q26	qoq%	yoy%	1H26	yoy%
AIMS	2.7	440.0	(44.9)	3.2	(49.2)
CMC Telecom	6.4	64.1	156.0	10.3	43.1
Symphony	2.7	125.0	22.7	3.9	(33.9)
Total	**11.8**	**110.7**	**22.9**	**17.4**	**(10.3)**

Source: TIME, UOB Kay Hian

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Market Spotlight

Market News

The FBMKLCI slid 6.82pt to close at 1,741.72 yesterday amid profit-taking, particularly in index-linked counters. Meanwhile, Asian stocks were mixed on Thursday as Nvidia's upbeat outlook revived confidence in the artificial-intelligence trade, but gains remained uneven as investors weighed higher memory costs, persistent inflation and the prospect of higher interest rates. The FBMKLCI's top gainers were Hong Leong Bank (+3.8%), Gamuda (+2.0%) and Telekom Malaysia (+1.5%), while the top losers were Public Bank (-2.9%), IOI Corporation (-2.1%) and 99 Speed Mart Retail Holdings (-2.0%). In the broader market, gainers outpaced losers 612 to 596 with 568counters unchanged. Turnover was 3.86b shares valued at RM3.47b.

US stocks were higher after the close on Thursday, as gains in the technology, consumer goods and oil & gas sectors led shares higher. At the close in NYSE, the Dow Jones Industrial Average added 0.20%, while the S&P 500 Index added 0.72%, and the NASDAQ Composite Index gained 1.57%. Falling stocks outnumbered advancing ones on the New York Stock Exchange by 1,529 to 1,174 and 101 ended unchanged; on the Nasdaq Stock Exchange, 1,717 fell and 1,687 advanced, while 193 ended unchanged. *(Sources: Investing.com*)

FBMKLCI, FCPO & FKLI Index Outlook

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FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI

Last close:	1,741.72
Expected moving range:	1,720-1,750

Technical View:

Despite yesterday's negative closing, our outlook for the short term remains neutral as we expect further consolidation on the back of cautious regional markets. The index formed a spinning top pattern yesterday as selling pressure has been absorbed. For now, we expect to see sideways movement ahead. The 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 BUY with +3.8% potential return	
Trading BUY range:	RM4,900-5,020
Last price:	RM4,847
Target price:	RM4,948, RM5,029
Support:	RM4,795
Stop-loss:	RM4,794

BUY with a target price of RM5,029 and stop-loss at RM4,794. Based on the chart, FCPO continued the bullish movement and closed higher at RM4,847 on yesterday's movement. This bullish movement is supported by an uptick in RSI and bullish crossover in both MACD and DMI indicators. We maintained our targets at RM4,948 and RM5,029 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 0.98% potential return	
Trading BUY range:	1,730-1,750
Last price:	1,727
Target price:	1,734, 1,744
Support:	1,718
Stop-loss:	1,717

BUY with a target price of 1,744 and stop-loss at 1,717. Based on the chart, FKLI hit continued the bullish movement and closed higher at 1,727 yesterday. This bullish movement is supported by an uptick in the RSI and bullish crossovers in the MACD. We peg ourtargets at 1,734 and 1,744 in the near term.

Expected timeframe: One day to three days

Traders' Corner

Analyst(s)

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Source: UOBKH ChartGenie

Hume Cement Industries
HUME MK

Technical BUY on breakout with +9.9% potential return

Trading BUY range:	RM3.04-3.05
Last price:	RM3.00
Target price:	RM3.21, RM3.34
Support:	RM2.92
Stop-loss:	RM2.91

BUY on breakout with a target price of RM3.34 and stop-loss at RM2.91. 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 readings in both the MACD and the DMI. As such, we expect the uptrend to be sustainable, and thus peg our upside targets at RM3.21 and RM3.34.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Inari Ametron
INRI MK

Technical BUY on breakout with +19.7% potential return

Trading BUY range:	RM2.54-2.55
Last price:	RM2.50
Target price:	RM2.99, RM3.04
Support:	RM2.22
Stop-loss:	RM2.21

BUY on breakout with a target price of RM3.04 and stop-loss at RM2.21. Based on the daily chart, INRI has formed a series of higher highs and higher lows and closed higher at RM2.50. This is supported by an uptick in the RSI and bullish crossover in both the MACD and DMI indicators, indicating that positive momentum would strengthen in the near term. We peg our targets at RM2.99 and RM3.04 once it manages to penetrate above the breakout level of RM2.54.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Karex Berhad
KAREX MK

Technical BUY with +25.7% potential return

Trading BUY range:	RM0.50-0.51
Last price:	RM0.505
Target price:	RM0.605, RM0.635
Support:	RM0.455
Stop-loss:	RM0.445

BUY with a target price of RM0.635 and stop-loss at RM0.445. Based on the daily chart, KAREX has managed to climb up from the lowest point at RM0.43 to cover back the recent drop. Share price closed above the BBI line during yesterday's movement, and is continuing its bullish momentum to our targets at RM0.605 and RM0.635. This bullish signal is supported by an uptick in the RSI and bullish crossovers in both the MACD and DMI indicators.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading