UOBKayHian

Country Daily | Malaysia

Thursday, 3 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53,062.0	0.6	(0.8)	1.1	10.4
S&P 500	7,666.6	0.5	(0.1)	2.4	12.0
FTSE 100	10,756.5	(0.3)	(1.2)	(1.0)	8.3
AS30	9,160.3	(1.1)	(1.9)	(0.2)	1.6
CSI 300	4,548.0	(1.4)	(0.9)	0.1	(1.8)
FSSTI	5,744.1	0.6	0.4	2.3	23.6
HSCEI	8,450.1	(0.1)	(1.0)	(2.3)	(5.2)
HSI	25,311.2	(0.1)	(1.3)	(2.2)	(1.2)
JCI	6,595.8	(0.1)	3.0	5.8	(23.7)
KLCI	1,708.7	0.5	(1.6)	(1.0)	1.7
KOSPI	6,562.7	(4.0)	(3.6)	4.9	55.7
Nikkei 225	64,325.6	(2.9)	(2.9)	0.9	27.8
SET	1,575.1	(0.9)	(1.7)	(2.9)	25.0
TWSE	46,164.7	(1.7)	0.7	6.4	59.4
BDI	3,331	5.5	13.8	21.9	77.5
CPO (RM/mt)	4,662	1.2	0.3	3.6	18.5
Brent Crude (US$/bbl)	96	1.0	8.9	6.1	57.2

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
BNM Overnight Policy Rate Decision	Malaysia	03 Sep
Foreign Reserves	Malaysia	07 Sep
Industrial Production	Malaysia	09 Sep
Manufacturing Sales	Malaysia	09 Sep

Top Stories

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- Our Aug 26 Alpha Picks outperformed the FBMKLCI at +2.0%. For Sep 26, cautious sentiment – particularly among small mid-caps after recent outperformance and sharp sell-offs in several high-profile names – supports a defensive, quality-focused strategy. We favour large-cap domestic leaders with resilient earnings and robust cash flows, while selectively accumulating fundamentally sound laggards, prospective earnings outperformers and secular growth beneficiaries. Our picks are Bermaz Auto, CIMB Group, Dialog Group, Gamuda, Northeast Group, Petronas Dagangan, SD Guthrie, Solarvest Holdings, Sunway REIT, and Tenaga Nasional.

Sector Update | Oil & Gas Page 14 →

- Petronas' 1H26 is a story of portfolio restructuring and clearing legacy roadblocks. The outperformance in upstream and gas segments offsets a recognition of substantial RM22m accumulated JV losses in PRefChem. The upstream assets restructuring and finalisation of PRefChem ownership are ultimately important for energy security. While it remains to be seen if these trends can overcome the sentiment of the Petronas-Petros constitutional issue, near-term risks on workflow disruptions will be apparent for 2H26. Maintain MARKET WEIGHT.

Market Spotlight

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- The FBMKLCI rose 8.20pt (+0.48%) to close at 1,708.74 yesterday, in a technical rebound after a few consecutive days of losses.
- US stocks were higher after the close on Wednesday, as gains in the basic materials, healthcare and financials sectors led shares higher.

Technical Analysis

FBMKLCI, FCPO & FKLI Index Outlook Page 18 →

Traders' Corner Page 20 →

Prolintas Infra Business Trust | PLINTAS MK Page 20 →

- Trading Buy Range: RM0.93-0.935

Sealink International | SELI MK Page 20 →

- Trading Buy Range: RM0.30-0.32

Vantris Energy | VANTNRG MK Page 21 →

- Trading Buy Range: RM0.355-0.36

Alpha Picks: Navigating Pullback With Quality Leaders And Selective Laggards

Highlights

- Our Aug 26 Alpha Picks outperformed the FBMKLCI (+2.0% vs FBMKLCI: +0.1%). Oxford Innotech (+14.8%) and Northeast Group (+11.0%) once again led the charge while losers included Mr DIY Group (M) (-12.7%), Tenaga Nasional (-3.2%) and SD Guthrie (-3.2%).
- For Sep 26, with sentiment likely to remain cautious – particularly within the small mid-cap space following the recent outperformances and sharp sell-offs in several high-profile names – we favour high-quality, large-cap domestic leaders offering resilient earnings, robust cash flows and defensive characteristics.
- We also advocate selectively accumulating fundamentally sound laggards, prospective earnings outperformers and beneficiaries of secular growth trends.
- Sep 26 picks include Bermaz Auto, CIMB Group, Dialog Group, Gamuda, Northeast Group, Petronas Dagangan, SD Guthrie, Sunway REIT, Solarvest Holdings, and Tenaga Nasional.

What's New

- **Market review for Aug 26.** The FBMKLCI was broadly flat in August, rising 0.1% mom. Within the BM Index sectors, the construction (+3.4%) and plantation (+1.3%) sectors saw the largest mom increases with property (+0.3%) and building materials (+0.2%) also posting minor gains. Conversely, consumer (-5.1%), healthcare (-2.9%) and utilities (-2.1%) were the worst-performing sectors during the month. Beyond the FBMKLCI universe, winners included electronics manufacturing services (EMS) technology (+35.5%), automobiles (+17.4%) and semiconductors (+8.0%) while software (-49.0%) and REITs (-3.3%) were the biggest losers (see overleaf table for details).
- **Our Aug 26 portfolio outperformed,** posting an average return of 2.0% vs the headline index. Oxford Innotech (+14.8%) and Northeast Group (+11.0%) posted the best returns with Gamuda (+5.6%) and Solarvest Holdings (+3.0%) also posting respectable gains. Losers included Mr DIY Group (M) (-12.7%), Tenaga Nasional (-3.2%) and SD Guthrie (-3.2%).
- **M-shaped consolidation followed by a sharp month-end correction.** The FBMKLCI traded within a 1,656-1,771 range (~7%) in August, repeatedly rebounding from its intra-month lows and testing the upper end of the range before eventually succumbing to profit-taking. Notably, the index ended the month with a three black crows candlestick pattern, signalling sustained selling pressure and a renewed test of the key 1,700 psychological support on the back of foreign net outflow of RM1.74b during the month. Market sentiment was shaped by domestic political developments, elevated US Treasury yields, expectations of a higher-for-longer Fed policy stance, persistent geopolitical tensions and rising risk aversion within the small mid-cap space. Market leadership remained concentrated in large-cap stocks, led by plantation counters on stronger CPO prices and lingering El Niño-related supply concerns, as well as data centre beneficiaries such as Gamuda, YTL Corporation and YTL Power International.
- **For Sep 26**, while speculation of an early general election has eased following indications that the Prime Minister may defer the national polls until 2H27, we expect market volatility to persist amid evolving geopolitical developments in the Middle East and the growing impact of a higher-for-longer cost environment, as reflected in the recent reporting season. With sentiment likely to remain cautious – particularly within the small mid-cap space following sharp sell-offs in several high-profile names – we favour high-quality, large-cap domestic leaders offering resilient earnings, robust cash flows and defensive characteristics. We also advocate selectively accumulating fundamentally sound laggards with compelling valuations, earnings upgrade catalysts and re-rating potential, complemented by tactical exposure to prospective earnings outperformers and long-term structural growth beneficiaries.

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Key Recommendations

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Bermaz Auto	BAUTO MK	BUY	0.92	1.14
CIMB Group	CIMB MK	BUY	7.84	9.30
Dialog Group	DLG MK	BUY	2.02	2.95
Gamuda	GAM MK	BUY	4.42	5.25
Northeast Group	NE MK	BUY	1.02	1.20
Petronas Dagangan	PETD MK	BUY	20.30	24.20
SD Guthrie	SDG MK	BUY	6.48	7.65
Solarvest Holdings	SOLAR MK	BUY	3.05	3.50
Sunway REIT	SREIT MK	BUY	2.10	2.80
Tenaga Nasional	TNB MK	BUY	13.64	16.30

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	Aug 26 (%)	To-date* (%)
CIMB Group	CIMB MK	BUY	0.9	3.5
Dialog Group	DLG MK	BUY	(0.5)	(0.5)
Gamuda	GAM MK	BUY	5.6	8.9
Mr DIY Group	MRDIY MK	BUY	(12.7)	(12.7)
Northeast Group	NE MK	BUY	11.0	6.0
Oxford Innotech	OXB MK	BUY	14.8	78.8
Petronas Dagangan	PETD MK	BUY	4.0	9.1
SD Guthrie	SDG MK	BUY	(3.2)	8.9
Solarvest Holdings	SOLAR MK	BUY	3.0	9.9
Tenaga Nasional	TNB MK	BUY	(3.2)	6.5
Average Return			**2.0**	**11.8**
FBMKLCI			**0.1**	

** Share price change since stock was selected as alpha pick*
Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26
FBMKLCI return	2.3	0.6	(1.6)
Alpha Picks Return			
- Price-weighted	12.2	2.6	1.5
- Market cap-weighted	10.2	2.6	0.9
- Equal-weighted	11.1	-1.4	5.9

Source: UOB Kay Hian

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
Amerul Iqmal	Bermaz Auto	BUY	n.a.	Resilient Mazda sales and favourable JPYMYR forex movements
Keith Wee	CIMB Group	BUY	2.6	Highest dividend yield among banks at 6.6%. Indonesia macro headwinds largely priced in. The group has a healthy loans-loss coverage ratio of 103% (above industry's 85%) provides added comfort.
Kong Ho Meng	Dialog Group	BUY	n.a.	We are bullish on Dialog's potential rerating of its Upstream business alongside earnings accretion from several new Production Sharing Contracts (PSC) in the medium-term horizon. A standout among them is an early first gas production from Baram Junior Cluster (BJC) by end-26.
Jack Goh	Gamuda	BUY	3.1	Impressive job wins and robust orderbook guidance are also forming the foundations for a record FY26-27, while discounted valuations are likely to provide ample capital upside.
Desmond Chong, Lee Cai Yu	Northeast Group	BUY	n.a.	We favour Northeast for its growing exposure to AI infrastructure precision components, underpinning sustained earnings upcycle into FY27.
Kong Ho Meng	Petronas Dagangan	BUY	4.9	Share price had a negative knee-jerk reaction prior to 1Q26 results release. This offers a rare accumulation opportunity as the risks were unjustified. The profit recorded was commendable, while we believe future earnings risks will be offset once post-war normalcy returns.
Amerul Iqmal	SD Guthrie	BUY	12.5	Prime beneficiary of rising CPO prices, with Indonesia's B50 biodiesel demand and land monetisation providing further upside.
Chong Lee Len, Hifzhan Raziq	Solarvest Holdings	BUY	6.7	Aims to maintain its 30% share in the utility-scale EPCC market and expects to continue securing EPCC awards for the upcoming CRESS and LSS6 projects. The group's robust orderbook stands at RM2.4b paving the way for the stock to deliver a three-year earnings CAGR of 26% over FY26-29.
Ng Jo Yee	Sunway REIT	BUY	n.a.	Earnings accretion following injection of Sunway Velocity Mall and third-party asset acquisitions
Chong Lee Len	Tenaga Nasional	BUY	9.9	Automatic fuel adjustment (AFA) is positive for Tenaga's cash flow, likely prompting higher dividend payouts in the near term. Resolution of the income tax dispute is expected to positively impact earnings over the medium term.

 # Share price change since stock was selected as alpha pick
Source: UOB Kay Hian

Action

- Sep 26 picks include Bermaz Auto, CIMB Group, Dialog Group, Gamuda, Northeast Group, Petronas Dagangan, SD Guthrie, Solarvest Holdings, Sunway REIT and Tenaga Nasional.
- New inclusions include Bermaz Auto and Sunway REIT. We replaced Oxford with Bermaz Auto following Oxford's impressive 78.8% return since its inclusion in Feb 26 and Mr DIY Group (M) with Sunway REIT following the soft results. Bermaz Auto is set to deliver robust results following resilient sales from Mazda while Sunway REIT's pipeline of asset acquisitions should support its solid 6.5% yield.

Key Events in Aug 26

Corporate

- 2Q26 results season: Improved earnings breadth
- Gamuda secured 3 DC contracts worth RM5.3b in Port Dickson, Negeri Sembilan
- Sunway Construction bags DC engineering contract worth over RM1b.
- TMax System has secured approval from the MCMC for a RM134.3m project to develop communications infrastructure and digital connectivity for the Kota Kinabalu Smart City project
- AirAsia posted its second straight quarterly loss in the 2Q ended 30 June, 26 weighed down by a surge in jet fuel prices amid geopolitical tensions in the ME, along with forex losses.
- Oxford secures RM8.8m semicon orders to supply precision engineering components for MFC used in the semicon industry.
- IJM Corporation said it has begun work on a separate listing of its construction division on Bursa Malaysia targeted for 3Q27.
- IJM raises RM385m from treasury share resale, Azam Hashim takes 100m shares.
- Yinson Holdings' major shareholder Yinson Legacy Sdn Bhd confirmed late on Aug 28 that it is in preliminary talks over a potential privatisation of the O&G firm, at an indicative offer price of RM2.35/share.

Economics

- MY: Economy expanded in 2Q26, up from 5.4% growth in 2Q25 to 6% yoy.
- MY: The unemployment rate of 3% remained unchanged in June.

Others

- The FBMKLCI is set to be expanded to 50 constituents in its upcoming December review. The 20 new constituents will be included at 50% of their final index weight in the review. The remaining 50% of the weight will be implemented at the Jun 27 index review.

Source: Respective companies

Sector Performance

	--- Performance (%) ---	
Sector	Aug	Ytd
Automobile	17.4	18.2
Banking	(0.4)	3.2
Building Materials	0.2	9.9
Construction	7.9	4.7
Consumer	(5.1)	(12.7)
Exchange	0.3	2.5
Gaming	(2.2)	(21.2)
Glove Manufacturing	(0.6)	0.8
Healthcare	(2.9)	(4.8)
Insurance	(0.9)	2.3
Manufacturing	(0.3)	5.4
Oil & Gas - Asset Owners	(1.0)	15.2
Oil &Gas - Heavy Engineering	4.7	(0.0)
Oil &Gas - Offshore Contractors	(2.0)	(10.5)
Oil &Gas - Shipping	(0.9)	1.5
Plantation	1.3	13.7
Port	(2.5)	22.6
Property	0.3	7.7
REITs	(3.3)	(3.7)
Renewable Energy	3.4	0.2
Technology - EMS	35.5	16.0
Technology - Semiconductor	8.0	81.1
Technology - Software	(49.0)	(53.6)
Telecommunications	(0.1)	(7.4)
Utilities	(2.1)	4.7

Source: Bloomberg, UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec	Share Price 2 Sep 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap (RMm)	Price/ NAV ps (x)
Bermaz Auto	BAUTO MK	BUY	0.92	1.14	23.9	Apr-26	10.1	8.5	7.9	8.6	16.8	1,058.4	1.4
CIMB Group	CIMB MK	BUY	7.84	9.30	18.6	Dec-25	10.7	10.1	9.4	6.5	12.0	84,697.1	1.1
Dialog Group	DLG MK	BUY	2.02	2.95	46.0	Jun-26	20.2	19.4	18.9	17.9	15.0	11,398.1	1.9
Gamuda	GAM MK	BUY	4.42	5.25	18.8	Jul-25	25.0	23.4	19.2	2.7	10.2	26,207.9	2.0
Northeast Group	NE MK	BUY	1.02	1.20	17.6	Sep-25	32.9	20.8	17.9	0.0	12.2	754.8	2.6
Petronas Dagangan	PETD MK	BUY	20.30	24.20	19.2	Dec-25	21.8	16.9	16.5	5.2	16.7	357,767.2	3.3
SD Guthrie	SDG MK	BUY	6.48	7.65	18.1	Dec-25	23.0	16.2	16.9	3.2	15.2	44,813.7	1.8
Solarvest Holdings	SOLAR MK	BUY	3.05	3.50	14.8	Mar-26	32.4	25.8	21.8	0.0	12.0	2,935.0	3.2
Sunway REIT	SREIT MK	BUY	2.10	2.80	33.3	Dec-25	15.9	15.3	14.8	6.4	8.3	7,192.1	1.4
Tenaga Nasional	TNB MK	BUY	13.64	16.30	19.5	Dec-25	16.7	16.1	15.7	4.2	9.5	79,508.9	1.5

Source: Bloomberg, UOB Kay Hian

Bermaz Auto – BUY (Amerul Iqmal)

- **Mazda sales remain resilient.** Mazda sales grew 10% qoq to 3,100 units in May-Jul 26, based on TIV data, driven by sustained demand for the Mazda 3. While the order backlog has moderated to around 2,000 units from 3,000 units in Apr 26 following the large delivery of Mazda 3, we see this as a temporary lull ahead of the new CX-5 launch. Meanwhile, Xpeng sales jumped 40% qoq, according to JPJ data, providing an additional earnings boost in 1QFY27. Margins should also remain supported by lower discounting on ageing Mazda models.
- **CX-5 launch to reignite Mazda growth.** The new Mazda CX-5, slated for launch in 2QFY27, is expected to be the key near-term catalyst for Mazda sales. Initial bookings have been encouraging since its preview in Jun 26, while Bermaz Auto has secured an allocation of 2,000 units from Mazda Japan. We estimate the new CX-5 to contribute to around 20% of Mazda's sales volume in FY27, more than offsetting the recent easing in its order backlog and supporting a recovery in Mazda sales momentum.
- **Favourable JPY/MYR to underpin earnings.** With CBU models now accounting for 60% of Bermaz Auto's sales, earnings remain sensitive to JPY/MYR movements. The JPY/MYR rate has strengthened back towards 1:40, which should provide further margin support. We estimate that every 5% weakening of the JPY against the MYR would lift group net profit by 3%.
- **Maintain BUY with a target price of RM1.14,** based on 10.5x FY27F earnings. The stock currently offers an attractive 8.6% yield, backed by strong operating cash flow and a healthy net cash position of RM220m, equivalent to around 20% of its market capitalisation.

Share Price Catalyst

- **Event:** Stronger-than-expected sales volume, and b) improving associates' performances
- **Timeline:** 2-3 months.

CIMB Group Holdings – BUY (Keith Wee)

- **Non-interest income outlook remains promising.** Financial market volatility in 1Q26 supported strong growth in trading and forex income, driven by increased hedging demand. At the same time, a higher allocation of liquidity into investment securities boosted non-interest income opportunities, albeit with some modest pressure on yields.
- **NIM remains stable.** Group NIM is expected to be stable in 2026, as improvements in Malaysia and Singapore are offset by some margin pressure in Indonesia due to yield compression. This follows a 2bp qoq recovery to 2.10% in 4Q25, driven by funding cost optimisation and deposit repricing in Malaysia. We maintain our FY26 NIM forecast of +2bp, in line with management's guidance of -5 to +5bp.
- **Relatively lower SME exposure helps to contain asset quality risks.** Management alluded that the overall consumer and corporate loan portfolios are expected to remain stable, with any potential pressure likely confined to SMEs, particularly smaller SMEs. Notably, SME exposure at CIMB Group remains relatively modest at 13% of total loans, compared with the peer average of 18%.
- **Flexibility to reallocate management overlays helps to contain potential spikes in provisions.** Management introduced overlays in 1Q25-2Q25 for US trade tariffs, which remain intact as asset quality has remained stable over the past 12 months. This provides flexibility to reallocate excess overlays toward potential inflationary pressures from higher oil prices, limiting the need for excessive additional provisions amid the Middle East crisis. Loan-loss coverage remains healthy at 103%, above pre-COVID-19 levels (87%) and the industry average (85%). We maintain our FY26 net credit cost assumption at 25bp (low end of management's 25-35bp guidance); every 5bp change implies an around 3% impact on earnings.
- **Indonesia concerns largely priced in?** CIMB Niaga has materially de-risked its portfolio over the past seven years while strengthening coverage, with SME exposure declining from 20% in 2018 to 11% currently and loan-loss coverage rising from 105% to 197%. Sensitivity to further rupiah depreciation remains manageable, with an estimated 2% impact on group earnings for every 10% depreciation against the ringgit. Notably, the rupiah has already weakened by about 30% vs the ringgit over the past three years, while Bank Indonesia has cut policy rates by 150bp over the past two years to 4.75%, nearing its pre-COVID-19 low of 4.30%. This suggests that much of the downside risk may already be largely priced in.
- **Maintain BUY and target price of RM9.30 (1.28x 2026F P/B, 11.7% ROE).** The stock offers the highest dividend yield among domestic large-cap banks at 6.6% for 2026 and 7.1% for 2027 (inclusive of special dividends). Valuations also remain inexpensive on both P/B (1.11x 2026F P/B vs 11.7% ROE) and PE metrics (9.8x FY26 and 9.1x FY27). Given its attractive valuations, we believe that macro headwind concerns in Indonesia have been largely priced in.

Share Price Catalyst

- **Event:** a) Stronger-than-expected non-interest income growth, and b) stronger-than-expected NIM.
- **Timeline:** 2-3 months.

Dialog Group – BUY (Kong Ho Meng)

- **Midstream/crude storage segment's defensive attributes augmented by energy security demand.** Dialog's dominant midstream segment (which drives most of its JV/associate income) will continue to benefit from a sustained multi-cycle high, whereby the region's storage industry is consistently reporting occupancy of S$6-7/cbm and over 90% respectively. This was echoed by Royal Vopak which, despite recording critically low 2Q26 activities in its Fujairah storage terminals (as the sole casualty of the Straits of Hormuz conflict), still upgraded its group EBITDA outlook. Even without new storage projects, Dialog's existing expansion capacities of nearly 1m cbm represents an impressive over 20% storage capacity growth.
- **Aggressive expansion strategy shifted to upstream projects since 2020...** Before 2020, Dialog's upstream exposure had been limited to Bayan Oilfield Services Contract (OSC) and D35/D21/J5 Production Sharing Contract (PSC), while its downstream services and midstream storage concessions thrived. Dialog still aspires to become an integrated player with a balanced earnings portfolio between upstream, midstream and downstream, but was understandably prudent due to the volatile nature of upstream earnings. Since 2020, Dialog leveraged on the Malaysia Bid Rounds – a series of investment events launched by Petronas after the national oil company relaxed PSC fiscal terms to rejuvenate upstream investments – a critical factor to enable a sustainable, long-term domestic O&G production of 2m bpd.
- **…leads to a monumental phase of monetisation and long-term earnings accretion from upstream.** Assuming key geopolitical conflicts like Russia-Ukraine and US-Iran persist, we expect Dialog to gain substantially from high O&G prices coinciding with new earnings accretion from PSCs like Cendramas and Balai Junior Cluster (BJC) by 1HFY27, and the Raja and Mutiara PSCs in the future. Each of these PSCs are significant relative to Dialog's existing D35 PSC (at net production of 3,000 bpd).
- **BJC is the key upstream highlight, and its early startup is a material catalyst** because: a) BJC's gas volume is significant (5,000-23,000 boepd) relative to D35 (3,000 boepd), b) Petronas will recognise BJC as the first successful Discovered Resourced Opportunity to achieve production, and c) BJC's early startup by Oct/Nov 26 (vs the group's initial guidance of 2027) will also help capture high O&G prices if the war is prolonged. In addition to that, its gas selling price should be based on the Malaysian Reference Pricing which typically lags a few months vs Brent movements.
- **Transparency for upstream assets to improve once earnings mix rises to over 25% of group profit.** As per Securities Commission and Bursa's guideline since 2013 for Mineral, Oil & Gas (MOG) activities, which dictates that for listed companies, the threshold for additional disclosure is if the MOG activity is over 25% of group profit, expenses, or asset. The additional public disclosures include updated data on reserves and contingent resources, and appointing a competent valuer, which can bridge its disclosure gap to another pure listed upstream player, ie Hibiscus Petroleum.
- **This will help to rerate Dialog's upstream valuation in our SOTP.** We assume Dialog was exempted from the regulators' threshold in the past, despite having 25% upstream earnings mix in certain quarters. This is because we assume the data included Bayan, which may not qualify under the MOG activity as it is a service contract. We expect additional disclosures once BJC kicks in, and hence we expect a more reflective SOTP valuation once upstream EBITDA is re-rated.
- **Maintain BUY; target price of RM2.95.** This implies 27x/ 22x FY27F PE and EV/EBITDA respectively. We believe DLG warrants the high EV/EBITDA, relative to its historical three-year average of 12-19x, given the near-term potential for its upstream earnings to surprise on the upside. In the larger context, the rebalancing of DLG's earnings mix away from storage (when DLG used to trade at >30x EV/EBITDA historically) may imply its long-term EV/EBITDA (including JV projects) should more closely reflect integrated peers like ExxonMobil (11x) vs pure upstream producers like Hibiscus Petroleum (<2x). Also, improving transparency on upstream earnings will allow a higher revaluation of DLG's upstream portfolio in future.

Share Price Catalyst

- **Event:** a) Inclusion of Cendramas PSC eff Sep 26, b) early first gas of BJC PSC by 1HFY27, c) new storage projects secured (possibly with ChemOne's Pengerang Energy Complex, and others)
- **Timeline:** 2H26.

Gamuda – BUY (Jack Goh)

- **Phenomenal orderbook replenishments still levelling expectations.** Gamuda has secured RM16b-17b worth of contracts in FY26 thus far, lifting outstanding orderbook to a record-high of RM49.3b. Assuming a RM3b-4b quarterly orderbook burn rate, Gamuda has to secure at least RM16b-20b to meet management's orderbook guidance of RM50b-55b by end-26, which will likely be fulfilled by several tender outcomes that are pending finalisation.
- **Our 2026 orderbook replenishment assumptions of RM20b-25b are likely achievable.** Key projects that we anticipate include: a) Penang-Perak Water Infrastructure (~RM4b), b) Negeri Sembilan DCs (~RM2b each; potentially 1-2), c) Northland Corridor highway in New Zealand (~A$4b tender), d) Sunshine Coast Railway in Brisbane (A$1.0b-1.5b), e) Marinus Link project (>A$1b; JV between DTI and Samsung C&T), and f) drawdown from Taiwan's Xizhi-Donghu MRT (~NT$60b/RM8b).
- **Australia exposure...** Among overseas projects which made up 59% of the construction segment's FY25 revenue, Australia remains as Gamuda's largest overseas revenue contributing market. We understand that Gamuda currently has over A$10b active tenders and over A$50b addressable orderbook opportunities in diversified Australian projects (renewable energy, rail infrastructures, roads and bridges) throughout FY27-29.
- **…and DC narratives are foundations for mid- to long-term orderbook sustainability.** Note that Gamuda's contract opportunities for the DC campus in Springhill Industrial Park, Negeri Sembilan are estimated to be as high as RM15b-18b in phases over 3-4 years (assuming 8-9 DCs with up to 1GW capacity). We also estimate potential DC tenderbooks in Malaysia for the coming 2-3 years at around RM30b, which will also support private job flows and ample contract opportunities for DC contractors such as Gamuda in FY27-28.
- **Greener pastures ahead as recent share price retracement priced in plenty downside risks.** Gamuda is now trading at 19x FY27F PE (+0.5SD above mean). Trailing valuations also trace ex-financials KLCI components' average of 22-23x (assumptions: Consensus' forward earnings; removing financial stocks). We remain optimistic that Gamuda offers decent-sized capital upside at this juncture, particularly for medium- to long-term positioning.
- **Maintain BUY and SOTP-based target price of RM5.25,** which implies 22x FY27F PE (+1.5SD above mean).

Share Price Catalyst

- **Event:** Finalisation of more large-scale infrastructure projects in Malaysia and securing more renewable projects in Australia.
- **Timeline:** Finalisation of projects in 2026.

Northeast Group – BUY (Desmond Chong & Lee Cai Yu)

- **Riding the AI upcycle; translating into earnings visibility.** Northeast Group (Northeast) is increasingly monetising its indirect AI exposure, having progressed from first-article qualification to mass production of precision-engineered components embedded in AI infrastructure. This is spearheaded by its positioning within the supply chain of a contract manufacturer, serving as a key US optical solutions provider to the world's leading GPU player. As optical demand accelerates alongside a deepening client relationship, order momentum is building, underpinning a multi-year growth runway potentially extending through 2027. While related revenue contribution remains sub-20% at this juncture, this segment is poised to emerge as the primary driver of its photonics division.
- **Broad-based order strength sustaining utilisation.** Despite geopolitical overhangs from the Middle East conflict, core segment contributors in 9MFY26 – photonics (37%), E&E (22%), and Semicon (22%) – continue to exhibit resilient demand, collectively lifting utilisation to about 80% (higher qoq). This led to orderbook expansion of RM85m from RM65m as of end-May, and the group has committed to more new machines upon commissioning of new plants, translating into an around 10-15% uplift in manufacturing capacity.
- **Unperturbed by the recent material litigation.** Recall that Northeast has been named as the 3rd Defendant in two minority oppression suits filed by minority shareholders (EH Chong and MH Ng) of Mountain Range Sdn Bhd – the company's controlling shareholder with a 53.69% stake. The suits primarily concern an internal shareholder dispute, with allegations that the defendant conducted the affairs of Mountain Range and NE oppressively. As the legal proceedings relate to personal matters involving certain shareholders and are not expected to have any material operational or financial impact on the company, we believe the recent indiscriminate sell-off, triggered by shareholder disputes at the individual level rather than any deterioration in business fundamentals, has created an attractive asymmetric risk-reward opportunity with meaningful re-rating potential.

Share Price Catalyst

- **Event:** a) Stronger-than-expected earnings delivery from its main customers, b) new customer acquisition, and c) milder-than-expected impact from reciprocal tariffs.
- **Timeline:** 2H26.

Petronas Dagangan – BUY (Kong Ho Meng)

- **A rare accumulation opportunity as share price saw a knee-jerk reaction.** Profits were supported by above-industry volume growth of 7%, vs another listed peer Petron Malaysia Refining & Marketing (PETRONM) which recorded a 4% domestic-only sales volume growth. Also, 1Q26 retail earnings were outstanding, benefitting from favourable gains inventory vs the costs implied under the government's weekly Automatic Pricing Mechanism (APM), especially in Mar 26.
- **Petronas Dagangan assures no fuel disruption risks.** Petronas Dagangan has effectively eliminated inventory holding risk since transitioning to an integrated supply chain structure under a new operating model since 2021. It clarifies that its procurement of inventory is carried out on a monthly basis, vs the weekly APM.
- **Revisiting 2022 (Russia-Ukraine).** Commercial reported RM41m/RM6m losses in 1Q22/2Q22 respectively. However, 3Q22 saw an unusually high commercial profit of RM274m. Contract prices of jet fuel – a key product – follow market prices, but with a lagged effect. Following the escalation of the Iran conflict, jet fuel doubled from US$90/bbl before the war, peaking as high as US$200/bbl. Today, it stands at US$140/bbl while Dated Brent price is at US$98/bbl. While the war duration remains unpredictable, this historical precedence shows there is a chance of earnings risk being compensated.
- **Maintain BUY with unchanged target price of RM23.20.** This implies 2026F PE and dividend yields of 21x and 4.2% respectively. While earnings risks are unavoidable, we believe Petronas Dagangan is well positioned to weather any uncertainties. It has ample working capital to withstand stress receivable and cash flow risks without constraining dividends. Given the current bargain valuations, we see view the current price as an attractive entry point.

Share Price Catalyst

- **Event:** Favourable fuel pricing under weekly APM.
- **Timeline:** 3-6 months

Sunway REIT – BUY (Ng Jo Yee)

- **Growth across all segments.** SREIT's retail segment remains solid, with rental reversion guidance for 2H26 remaining unchanged at mid-single-digit. The hotel segment is expected to record positive growth, underpinned by: a) existing forward bookings for leisure and MICE activities, and b) demand surge ahead of the Formula 1 event at Sepang during 2-4 Oct 26. Meanwhile, we expect office occupancy rate to improve gradually as Wisma Sunway remains on track to achieve full occupancy by 4Q26 (vs 86% as of end-2Q26).
- **Acquisition pipeline remains active.** SREIT continues to evaluate both retail and industrial acquisitions from its sponsor and third parties, targeting yields of mid-6% to low-7% in general. Management noted that Sunway Velocity mall has matured and stabilised, following several AEIs by the sponsor to enhance its offerings and expand NLA, and hopes to see further progress in discussions in the coming quarters. There could also be third-party industrial assets acquisitions, while negotiations on pricing could take time given the overall higher vendor sentiment on industrial assets.
- **Currently offers 12-month forward dividend yield of 6.5%.** We view negatives from the removal of withholding tax concession largely priced in, and recent share price weakness represent a good accumulation opportunity. SREIT currently trades at 12-month forward dividend yield of 6.5% (from 5.1% peak ytd) and dividend spread of 262bps (+110bps from 152 bps at low).
- **Maintain BUY with a target price of RM2.80.** Our target price implies a dividend yield of 4.8%/5.0% for 2026/27 (vs 10-year mean 5.6%). SREIT remains committed to achieving its Transcend 2027 target of RM14b-15b AUM target (vs RM10b as of 2025). Key pipeline assets include Sunway Velocity and Sunway Square Mall, supplemented by potential third-party acquisitions.

Share Price Catalyst

- **Event:** Asset acquisition of Sunway Velocity Mall and third-party asset acquisition.
- **Timeline:** 4Q26-1Q27

SD Guthrie – BUY (Amerul Iqmal)

- **Key beneficiary of elevated crude palm oil (CPO) prices.** SD Guthrie (SDG) is one of the key beneficiaries of higher CPO prices among large-cap peers, given that over 70% of the group's production comes from its estates in Malaysia and Papua New Guinea/Solomon Islands (PNG/SI), which enjoy lower palm oil taxes than Indonesian producers. In particular, production from its PNG/SI estates (~20% of output) typically commands average selling prices (ASPs) that closely track spot CPO prices, providing greater earnings leverage to a stronger CPO price environment. We expect CPO prices to remain firmly supported over the medium term, driven by Indonesia's B50 biodiesel mandate, which came into effect on 1 Jul 26, and the lagged yield impact of the now confirmed El Niño event, which we expect to manifest in the 2027 crop rather than in 2H26. Record-high June-month closing stocks of 2.54m tonnes reflect front-loaded peak production against a B50 offtake that is still ramping up. SDG's traceability position is also a relative advantage ahead of the European Union Deforestation Regulation (EUDR) compliance deadline of 30 Dec 26 for large and medium operators.
- **Sequentially stronger earnings supported by production recovery and firmer CPO prices.** We expect SDG's earnings momentum to accelerate over the coming quarters, underpinned by a recovery in production and resilient CPO prices. The group recorded a strong 20% qoq increase in CPO production in 2Q26, which should support sequential earnings growth while output continues to ramp up heading into the peak production season. We also expect a meaningful recovery in operating margins, as the bulk of upkeep and maintenance activities were completed in 1Q26 ahead of the seasonal production peak. Meanwhile, downstream earnings should remain stable, supported by stronger contributions from the bulk and trading segments, which typically benefit from heightened market volatility, partially offsetting a softer specialty oils performance.
- **Land monetisation to unlock further earnings and dividend upside.** SDG continues to unlock value from its sizeable landbank strategically located within key economic development corridors. The group recently entered into a share purchase agreement (SPA) to dispose of 1,021.9 acres of the Bukit Kerayong Estate in Kuala Selangor for RM798.3m. In addition, SDG expects to complete two further land disposals in Kulai and Port Dickson in 2026. Collectively, these transactions could lift land disposal gains to approximately RM1.0b if completed in 2026, exceeding the group's targeted annual contribution of RM500m-700m. This could provide further upside to earnings and dividends, with our 2026 DPS forecast potentially increasing to 22 sen per share, based on a 50% payout ratio (2025 DPS: 18 sen).
- **Maintain BUY with a target price of RM7.25,** pegged to 20.5x 2027F PE (close to +0.5SD of its average five-year mean of 19x). The stock's rerating is supported by ongoing land monetisation and SDG's industry-leading estate age profile, which underpins sustainable production growth.

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Share Price Catalyst

- **Event:** a) Stronger-than-expected CPO prices, b) higher-than-expected production growth, and c) completion of the Kulai and Port Dickson land disposals.
- **Timeline:** 2026.

Solarvest Holdings – BUY (Chong Lee Len/Hifzhan Raziq)

- **Robust orderbook of RM2.4b underpins earnings visibility into FY29.** Solarvest Holdings (Solarvest) aims to maintain its 30% share in the utility-scale EPCC market and expects to continue securing EPCC awards for the upcoming CRESS and LSS6 projects. Solarvest's robust orderbook stands at RM2.37b (8% residential and C&I + 92% utility-scale). This will pave the way for the stock to deliver three-year earnings CAGR of 26% over FY26-29F.
- **Stable net profit margin in FY27.** In 4QFY26, Solarvest's net profit margin fell to 9% as a result of higher input cost due to increased solar module prices and elevated diesel prices. Positively, net profit margin recovered to 12% (+0.7ppt yoy; +3.2ppt qoq) in 1QFY27, given lower solar module prices (~USD0.10-0.11/W) and healthy contributions from asset ownership. We expect Solarvest to maintain a stable profit margin from FY27, having secured up to 2GW of solar modules at a competitive price (our estimate: US$0.10-0.11/W).
- **A 26% market share in the LSS5+ EPCC space.** Solarvest has secured an estimated 26% market share in the LSS5+ EPCC segment, broadly in line with its around 30% share in the utility-scale EPCC market. We expect Solarvest to maintain its 30% market share by continuing to secure additional EPCC awards under the upcoming LSS6 and Corporate Renewable Energy Supply Scheme (CRESS) programmes, slated for 1H27.
- **Maintain BUY with a target price of RM3.50, pegged to 25x FY28 EPS (+1SD from mean PE).** We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth. The partnership will pave the way for the group to lift orderbook meaningfully via the sizeable Corporate Renewable Energy Supply Scheme (CRESS) to the tune of 1.5GW over a 3-5-year period.

Share Price Catalyst

- **Event:** a) A stronger ringgit to offset rising solar PV costs, b) cost discipline to drive sustainable profit margins, c) pioneer CRESS contract wins, and d) eventual monetisation of solar assets either via listing or trade sale.
- **Timeline:** 2026-27.

Tenaga Nasional – BUY (Chong Lee Len)

- **Strong cash flow under AFA.** While the automatic fuel adjustment (AFA) is neutral to Tenaga Nasional's (Tenaga) earnings, it is positive on a cash flow basis, as the collection period from the government and/or consumers will shorten and cash conversion rates will decline for the group. In the long run, we believe this will pave the way for a higher dividend payout (Tenaga's current dividend payout is 40-60% of normalised net profit). Tenaga also offers good core earnings visibility from Regulatory Period 4 (three-year earnings CAGR of 7%).
- **Tenaga to benefit from higher capex spent.** The advancement of the ASEAN Power Grid (APG), the second Malaysia-Singapore power interconnection, and the Sarawak-Peninsular Malaysia interconnection projects are expected to benefit Tenaga on two fronts: a) higher capex for the regulated business, which accounts for 80-90% of Tenaga's group net profit; and b) opportunities to offer cross-border electricity trade sale within the region. This will fall under Tenaga's unregulated business and provides growth opportunities beyond the muted growth under the regulated Inland Revenue Board of Malaysia segment.
- **Tenaga to utilise its tax allowance progressively over the years.** Following the Federal Court ruling on 23 Jul 25, Tenaga has submitted an application under Schedule 7B for Years Assessment 2003-24 to the Ministry of Finance (MOF). On 26 Nov 25, Tenaga received a letter from the MOF granting approval for Investment Allowance (IA) in respect of capex which will be deducted from future income. As such, we expect Tenaga to utilise the tax allowance and record a progressively lower tax rate over the next few quarters.
- **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 Tenaga's tariff autonomy and the gradual decoupling of tariffs from the government's purview. At our target price, the stock trades at 18.7x 2026 EPS, +2SD above five-year mean PE.

Share Price Catalyst

- **Event:** a) Tenaga's autonomy to change electricity prices by 7% without seeking Cabinet approval every six months, b) recognition of contingent capex in the 2026-27 earnings window, c) listing of a profitable genco and/or renewable energy division, and d) benefitting from the APG rollout.
- **Timeline:** 2026-27.

Oil & Gas

Petronas' 1H26: Clear Legacy "Clots"; Recharge For Energy Security

Highlights

- **Petronas' 1H26 is a story of portfolio restructuring and clearing legacy roadblocks.** Like most other global oil majors, Petronas' upstream and gas & maritime segments benefitted from higher oil and gas (O&G) prices by 28%/14% vs 1H25, and about RM7m of disposal gains related to upstream assets restructuring (to Searah JV) in addition to that. These offset a recognition of substantial RM22m accumulated JV losses in PRefChem (which we highlighted in our Jul 26 sector update). We expect Petronas Chemicals will finalise PRefChem ownership soon, which is also crucial for energy security, especially for downstream fuel and the Southern Hub (Johor) with the incoming data centre demand.
- **Portfolio restructuring ties to energy security (upstream domestic production of 2m boepd).** Petronas reiterated this commitment until 2028 at least, and is made possible via a series of portfolio restructuring including the Searah JV, farm-outs to Enquest and Vestigo, and quicker sanctioning of deepwater projects like Limbayong. Internationally, Brazil and Suriname are expected to see more sanctions. While it remains to be seen if these trends can overcome the hurdles in relation to the Petronas-Petros constitutional issue, near-term risks on workflow disruptions will be apparent for 2H26. Maintain MARKET WEIGHT.

Analysis

- **Upstream gains from higher O&G prices and portfolio restructuring.** The higher profitability for the upstream and gas & maritime segments reflected 28%/14% higher Brent/LNG prices (based on Japan Crude Cocktail) vs 1H25. Petronas recognised RM5m-7m in disposal gains, representing disposals of five Malaysian upstream assets previously managed by Petronas Carigali, in exchange for 50% of Searah (a 50:50 JV with Eni that consists of 19 assets across Malaysia and Indonesia).
- **These more than offset lower upstream volumes,** where Petronas' crude oil production from both Malaysia and international portfolios declined by 3% yoy. Malaysia's crude exports had halved since 2018 to about 0.2m boepd, in tandem with a structural decline in domestic crude production that fell from the peak of 0.7m boepd more than one decade ago to about 0.4-0.5m boepd. Recent data shows an alarming drop in crude exports for May 26 and Jul 26 at only 0.033m boepd. Malaysia's refined product exports have weakened slightly since Jan 26 to under 0.7m boepd.

Analyst(s)

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MARKET WEIGHT (Maintained)

Segmental Rating

Stock	Rating
Dialog Group	BUY (Target: RM2.95)
MISC	BUY (Target: RM9.50)
Yinson Holdings	BUY (Target: RM2.4O)

Source: Bloomberg, UOB Kay Hian

Petronas Segmental Performance

RMm	1H26	2025	1H25
Group profit	27.2	45.4	26.2
Group EBITDA	56.8*	103.0	54.4
Upstream profit	**28.1***	**26.1**	**16.5**
Production ('000 boepd)	2,334	2,423	2,403
Entitled production boepd)	1,605	1,659	1,654
Gas & Maritime profit	**16.6**	**20.9**	**10.4**
Gross LNG volume (mt)	20.29	36.62	17.4
Downstream profit	**(15.2)***	**(1.9)**	**(0.8)**
Chemical volume (mt)	5.0	10.5	5.1

** a) 1H26 Upstream profit contained RM6.8m disposal gain related to Searah JV,*

b) 1H26 Downstream profit would have been RM7m. Petronas absorbed RM21.6m accumulated losses of PRefChem. PRefChem comprises Pengerang Refining Company (PRC) and Pengerang Petrochemical Company (PPC"),

c) Petronas reported 1H26 EBITDA was RM69m, but disclosed a recalculated EBITDA of RM56.8m after adjusting for RM14.8m non-cash items mentioned previously

Source: Petronas

Crude Oil Exports, Volume vs Value

Source: Pantau Krisis or Global Supply Crisis Dashboard Malaysia

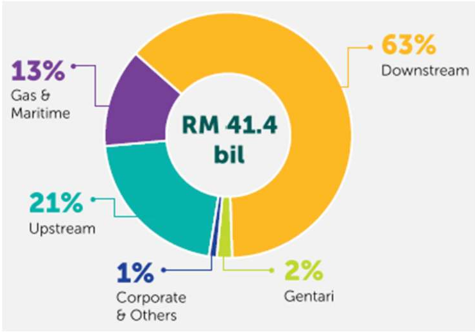
Peer Comparison

Company	Ticker	Rec	Share Price 2 Sep 26 (RM)	Target Price (RM)	Market Cap (RMm)	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)
Bumi Armada	BAB MK	HOLD	0.35	0.35	2,104	9.6	8.2	6.8	9.5	4.3
Dialog Group	DLG MK	BUY	2.02	2.95	11,405	20.1	19.4	18.8	0.4	15.0
Deleum	DLUM MK	BUY	1.08	1.45	446	7.0	5.8	5.4	7.0	14.2
MISC	MISC MK	BUY	8.00	9.50	35,710	16.0	14.0	12.0	4.4	8.4
Malaysia Marine & Heavy Engineering Holdings	MMHE MK	BUY	0.37	0.53	592	5.9	5.3	6.0	5.3	5.6
Petronas Dagangan	PETD MK	BUY	20.30	24.20	20,167	21.8	16.9	16.5	5.2	21.0
Uzma	UZMA MK	BUY	0.40	0.76	2,453	4.5	4.6	4.2	7.3	36.1
Velesto Energy	VEB MK	HOLD	0.25	0.29	2,025	12.3	15.9	14.4	18.4	5.7
Yinson Holdings	YNS MK	BUY	2.04	2.40	6,565	12.9	10.2	18.1	1.3	4.5

Source: Bloomberg, UOB Kay Hian

- **Upstream and LNG gains anchored Petronas dividend obligations for 1H26.** The gas & maritime segment did better in terms of benefitting from higher LNG prices, but also higher LNG volumes generated. While this included higher volumes from LNG Canada, data on Malaysia's Liquefied Natural Gas (LNG) exports still showing a consistent monthly delivery. Overall, Petronas has paid RM8b dividends in 1H26, and we believe Petronas will not face difficulty to meet its RM20b obligation.
- **Clearing the legacy drag on earnings, PRefChem.** We highlighted this as a concern that should not go unnoticed in our Jul 26 sector report. Regarding Petronas' disclosure in 2024/2025, the share of losses from PRefChem were RM5.1b/RM9.5b, and cumulative losses were RM9.6b/RM19.1b. Alarmingly, this implies RM14.6b losses were generated within the last two years alone. With RM21.6m already spent YTD 2026, this signals Petronas' seriousness to complete the share purchase agreement signed with Aramco in May 26. Petronas Chemicals' wish to also transfer PRefChem to its parent company and out of its books may have a high chance of materializing.
- **PRefChem is still important for energy security reasons.** Taking back full operatorship enhances operational alignment and flexibility on the PRefChem ecosystem. PRefChem's refining capacity of 0.3m boepd is significant for Petronas in terms of downstream fuel security relative to local refining capacity of 0.7m boepd. Also, this is particularly important for the Southern Hub (Johor, Pengerang). The integrated complex must be made ready and reliable to support the super investment cycle of data centres in the state.
- **1H26 capex of RM41.1b appears to coincide with the timing of RM20b dividend obligations.** Excluding the one-off additional injection to PRefChem, capex is likely similar to 1H25's RM17.7b. Upstream capex was RM9b in 1H26 (1H25: RM8.5b). Finalising the full ownership structure of PRefCHem is the goal for 2026. Although we were unable to verify, with Petronas CEO Tan Sri Tengku Taufik having his CEO tenure renewed for the second time, the timing of both events shows Petronas' capital management ability despite having a slightly negative FCF (post-dividend) of a RM1b-2b loss, while its cash pile remains strong despite declining from RM203m to RM191m.
- **Petronas reiterate its commitment to maintain 2m boepd domestic production until 2028.** Alongside the finalisation of PRefChem ownership, 1H26 is a story of in-house and portfolio restructuring base for Petronas Carigali. Through this, the Eni-Petronas JV Searah was borne by assuming 19 assets across Malaysia and Indonesia, with a goal to boost production from 0.3m boepd to 0.5m boepd. Alongside several farm-outs of assets to independents like Enquest (which finds Malaysia attractive relative to the Energy Levy in the UK) and matured asset specialists like Vestigo, this restructuring allows for faster and more efficient capital deployment on those assets.
- **2H26 may be the last leg of work order disruptions for service players.** Hence, these structures are good in the long run, as long as they contribute to ultimate goal of maintaining domestic production. If we assume this optimistic outcome, however, several service players (including Deleum and Uzma) are forewarning work order disruptions as contracts are being novated from Petronas to the new client entities. While the exact timeline is unclear, in a sector where contractors depend on opaque guidance from their clients, to have several listed players publishing similar guidance is significant in our view.

Petronas 1H26 Capex



Source: Petronas, UOB Kay Hian

LNG, Volume vs Value

Source: Pantau Krisis or Global Supply Crisis Dashboard Malaysia

Refined Products Export, Volume vs Value

Source: Pantau Krisis or Global Supply Crisis Dashboard Malaysia

Petronas' Portfolio Realignments

Quick Sanctioning Of Deepwater Projects

- Petronas officially sanctions Limibayong, which is the first 100% operated deepwater project in Sabah, but over the last decade several attempts for project sanction failed. Limbayong is also the 3rd Sabah deepwater Final Investment Decision (FID) this year.
- MISC was appointed to execute the new Floating, Production, Offloading and Storage (FPSO) vessel. As per our MMHE update note in Jul 26, MISC will most likely assume ownership of a cylindrical FPSO, the FPSO Excalibur, from Dagang NeXchange (DNeX) for US$35m.
- This shows deepwater project acceleration is now a reality if Brent price can remain steady at US$80-90/bbl.

Source: UOB Kay Hian

Valuation/Recommendation

- **Maintain MARKET WEIGHT.** Although we have more BUY calls in terms of valuation grounds, we remain neutral on the sector until we see a firm clarity on the resolution of the Petronas-Petros political impasse, which we identified to be the key sector derating since 2H24, and is an assumption we have been holding since then. Also, the effects of Petronas Carigali portfolio restructuring will have short-term disruptions on work orders across all service players including maintenance-centric players, though long-term effects should be positive. Also, we switch our sector top pick to Dialog Group from MISC.
- **Top Pick: Dialog Group (DLG MK/BUY/Target: RM2.95), the new "upstream champion".** This implies 27x/ 22x FY27F PE and EV/EBITDA respectively. We believe DLG warrants the high EV/EBITDA, relative to its historical three-year average of 12-19x. Its midstream/storage business will sustain at multi-cycle highs, although we do not see further earnings catalysts from this segment despite a renewed interest in storage assets due to energy security demand. However, we see near-term upside surprise potential for its upstream earnings. This is due to the anticipated new production volumes from Cendramas Production Sharing Contract (PSC) by 3QCY26, and Baram Junior Cluster (BJC) PSC by Oct/Nov 26.
- **MISC (MISC MK/BUY/Target: RM9.50).** As a stable dividend play, MISC's valuation underperformed global crude tanker peers despite the sector's continued bullishness. The valuation discount is mainly due to expiring obsolete steam-turbine LNG carriers (LNGC), which were substantial in its fleet. With no risk of LNGC expiries in 2026 (barring any unexpected early terminations), the progress of LNGC disposals will surprise the market positively, bringing downed idled fleet to only three. Although we still like MISC's long-term growth, we acknowledge the share price outperformance in 1H26 may not be replicated in 2H26 due to specific events such as the development of Yinson Holdings's privatisation deal involving Petronas/ MISC and EPF.
- **Risk-averse investors may relook at Yinson Holdings (YNS MK/BUY/Target: RM2.40).** Pending details of a full deal structure of a potential US$1.7b (RM2.35/share) privatisation of Yinson Holdings, the only details publicly revealed are: a) it involves a consortium of Yinson Legacy (ie the Lim family or the founders), EPF and MISC. It is unclear if Petronas is further involved, although we think the possibility is there, ie Gentari may find a right fit with Yinson Holdings' non-FPSO businesses; and b) interestingly, a scheme of arrangement will be employed vs the normal course of going through market actions like general meetings and mandatory general offers.
- Given Yinson Holdings' careful track record of capital management being one of its strongest skillsets behind its superior project execution (in a capital-intensive sector) over the years, we are impressed that Yinson Holdings is considering a scheme of arrangement (SOA) which is essentially a court-approved process usually employed for debt restructuring, takeovers and mergers. SOA gives better certainty on timeframe and order to execute phases of a large exercise without unwanted market interventions or economic outcome, as it seeks court protection in our view. SOA helped with the success of ESR Group, the largest privatisation on the Hong Kong Stock Exchange, and locally the restructuring of Sapura Energy into Vantris Energy today.
- **…or wait-and-see for the full deal structure, taking note that court protection does not grant immunity to all scenarios.** However, we like to remind investors of a precedence in SOA, related to a SOA KNM employed for their regularisation plans recently. The outcome of this case is that, while court protection is meant to provide certainty, it does not guarantee that the deal will be fully immune to commercial or market developments. The High Court reserves independent judgement and rights for court intervention if a commercial or market development happens and is severe enough to be a fatal roadblock for the SOA. Hence, we also prefer a wait-and-see approach for full announcement details. Please refer to RHS table on KNM's SOA.

Scheme Of Arrangement - Precedence

High Court decision in *KNM Group Bhd & Anor v Hitachi Zosen Corporation & Ors* [2026] MLJU 1581

- A proposed sale of Deutsche KNM GmbH, an EU asset, to NGK Insulators Ltd (**NGK**) for €270 million termed as the **Borsig Disposal,** was the primary method to settle the scheme debt of about RM1.2b.
- **Principal financial creditors supported the deal.** Scheme meetings were held virtually on 11 Aug 25, and the schemes obtained the statutory majority approval.
- However, difficulties subsequently arose in relation to **regulatory approvals. Bursa Malaysia rejected KNM's PN17 regularisation plan on 3 Oct 25.**
- According to Bursa, KNM failed to prove how it can grow and sustain the business post-Borsig disposal. This scenario will leave KNM with mainly Malaysia operations that have been loss making since 2024.
- **Bursa's approval was a condition precedent** under the Borsg disposal sale agreement, and subsequently also a condition precedent to the schemes taking effect.
- The position deteriorated further when **NGK formally withdrew from the transaction on 29 Jan 26.**
- The applicants sought to preserve their legal position by exploring alternative purchasers but no binding agreements were secured.
- **The High Court affirmed the well-established four-stage Buckley test,** as set out by Buckley J in the English Court of Appeal decision of *Re Tea Corporation Ltd* [1904] 1 Ch 350, for sanction of a scheme which requires consideration:
  - the statutory requirements had been complied with;
  - creditors were fairly represented and the majority was not coercing the minority;
  - the scheme was one that a reasonable creditor could approve; and
  - there existed any "blot" or defect rendering the scheme unlawful or ineffective.
  - The conclusion is even though the SOA has full creditor support, this does not supercede the court's supervisory role and the court retains independent obligation.
  - The court deemed that the Bursa (regulator) rejection and the pullout of NGK are fatal roadblocks that fulfil point (4), and without concrete replacement alternative transactions, rendered the SOA to be fundamentally impaired and contingent on uncertain future events.

Source: UOB Kay Hian

Market Spotlight

Market News

The FBMKLCI rose 8.20pt (+0.48%) to close at 1,708.74 yesterday, in a technical rebound after a few consecutive days of losses. Meanwhile, Asian stocks fell sharply on Wednesday, with Japan and South Korea leading broad-based losses as a surge in oil prices pushed global bond yields higher and revived fears that central banks may have to keep monetary policy tight. The FBMKLCI's top gainers were Petronas Chemicals Group (+7.1%), Kuala Lumpur Kepong (+3.9%) and Press Metal Aluminium Holdings (+2.9%), while the top losers were Nestle (M) (-2.2%), Sunway Healthcare Holdings (-1.4%) and Gamuda (-0.90%). In the broader market, losers outpaced gainers 746 to 424 with 554 counters unchanged. Turnover was 4.21b shares valued at RM3.47b.

US stocks were higher after the close on Wednesday, as gains in the basic materials, healthcare and financials sectors led shares higher. At the close in NYSE, the Dow Jones Industrial Average added 0.56%, while the S&P 500 Index added 0.46%, and the NASDAQ Composite Index climbed 0.45%. Rising stocks outnumbered declining ones on the New York Stock Exchange by 1,680 to 1,040 and 95 ended unchanged; on the Nasdaq Stock Exchange, 2,156 rose and 1,256 declined, while 199 ended unchanged. *(Sources: Investing.com)*

FBMKLCI, FCPO & FKLI Index Outlook

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FBMKLCI

Source: UOBKH ChartGenie

FTSE Bursa Malaysia KLCI

Last close:	1,708.74
Expected moving range:	1,677-1,720

Technical View:

The FBMKLCI is trading within a tight range but recorded a technical rebound yesterday after a few consecutive days of losses. We expect the index to trade sideways in the near term due to the absence of domestic catalysts and uncertainty in the global market. 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 +2.3% potential return

Trading BUY range:	RM4,900-5,020
Last price:	RM4,984
Target price:	RM5,029, RM5,099
Support:	RM4,795
Stop-loss:	RM4,794

BUY with a target price of RM5,099 and stop-loss at RM4,794. Based on the chart, FCPO continued the bullish movement and closed higher at RM4,984 yesterday. This bullish movement is supported by an uptick in RSI and bullish crossover in both MACD and DMI indicators. We maintained our targets at RM5,029 and RM5,099 in the near term.

Expected timeframe: One day to three days

FKLI

Source: TradingView

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

Technical BUY with 1.8% potential return

Trading BUY range:	1,650-1,670
Last price:	1,681.5
Target price:	1,699, 1,713
Support:	1,650
Stop-loss:	1,649

BUY with a target price of 1,713 and stop-loss at 1,649. Based on the chart, FKLI continued the bullish movement and closed higher at 1,681.5 yesterday. This bullish movement is supported by an uptick in the RSI and bullish crossovers in the MACD. We maintained our targets at 1,699 and 1,713 in the near term.

Expected timeframe: One day to three days

Traders' Corner

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Source: UOBKH ChartGenie

Prolintas Infra Business Trust PLINTAS MK

Technical BUY on breakout with +11.8% potential return

Trading BUY range:	RM0.93-0.935
Last price:	RM0.915
Target price:	RM0.995, RM1.04
Support:	RM0.90
Stop-loss:	RM0.895

BUY on breakout with a target price of RM1.04 and stop-loss at RM0.895. Based on the daily chart, we can see PLINTAS trying to penetrate the breakout level at RM0.93, and managed to close above the BBI line yesterday. Aggressive traders can buy at breakout level at RM0.93 and set a short-term target at RM0.995. Currently, the DMI shows buying momentum has overcome selling momentum. This is supported by an uptick in the RSI, which indicates that the positive momentum would strengthen in the near term.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Sealink International SELI MK

Technical BUY with +23.4% potential return

Trading BUY range:	RM0.30-0.32
Last price:	RM0.32
Target price:	RM0.38, RM0.395
Support:	RM0.29
Stop-loss:	RM0.285

BUY with a target price of RM0.395 and stop-loss at RM0.285. Based on the daily chart, the share price managed to penetrate above the BBI line with higher trading volume on yesterday's movement. This is supported by an uptick in the RSI and DMI, which show that buying pressure has overcome selling pressure. We peg our targets at RM0.38 and RM0.395 respectively.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading

Source: UOBKH ChartGenie

Vantris Energy
VANTNRG MK

Technical BUY on breakout with +35.2% potential return

Trading BUY range:	RM0.355-0.36
Last price:	RM0.345
Target price:	RM0.415, RM0.48
Support:	RM0.31
Stop-loss:	RM0.305

BUY on breakout with a target price of RM0.48 and stop-loss at RM0.305. Yesterday, the 7- and 21-day EMAs formed a golden cross, signalling the establishment of a new up-leg. The DMI shows that the growing momentum is set to boost share price in the near term. This is also supported by an uptick in the RSI and bullish crossover in MACD. As such, we expect the stock to retest our targets at RM0.415 and RM0.48 once it penetrates above the breakout level of RM0.355.

Expected timeframe: Two weeks to two months

Note: Not available for CFD Trading