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Strategy – Alpha Picks | Malaysia

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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 (-12.7%), Tenaga (-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, Dialog, Gamuda, Northeast, Petronas Dagangan, SD Guthrie, Sunway REIT, Solarvest, and Tenaga.

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 (+3.0%) also posting respectable gains. Losers included Mr. DIY (-12.7%), Tenaga (-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 Corp and YTL Power.
- **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

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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	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	DLG MK	BUY	(0.5)	(0.5)
Gamuda	GAM MK	BUY	5.6	8.9
Mr DIY	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

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

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	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	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, Dialog, Gamuda, Northeast, Petronas Dagangan, SD Guthrie, Solarvest, Sunway REIT and Tenaga.
- 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 with Sunway REIT following the soft results. Bermaz 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 Corp Bhd 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 Bhd's 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

Sector	----- Performance (%) ----- 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
O&G - Asset Owners	(1.0)	15.2
O&G - Heavy Eng	4.7	(0.0)
O&G - Offshore Contractors	(2.0)	(10.5)
O&G - 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
Tech - EMS	35.5	16.0
Tech - Semiconductor	8.0	81.1
Tech - 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 (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	1058.4	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	84697.1	1.1
Dialog	DLG MK	BUY	2.02	2.95	46.0%	Jun-26	20.2	19.4	18.9	17.9	15.0	11398.1	1.9
Gamuda	GAM MK	BUY	4.42	5.25	18.8%	Jul-25	25.0	23.4	19.2	2.7	10.2	26207.9	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	357767.2	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	44813.7	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	2935.0	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	7192.1	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	79508.9	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 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'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 – 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

Share Price Catalyst

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

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.

Dialog – 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

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.

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.

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

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.

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).

Northeast – 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.
- **PETD assures no fuel disruption risks.** Petronas Dagangan (PETD) 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 PETD 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

Share Price Catalyst

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

Velocity and Sunway Square Mall, supplemented by potential third-party acquisitions.

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.

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

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 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.

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 (TNB) 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.
- **TNB to utilise its tax allowance progressively over the years.** Following the Federal Court ruling on 23 Jul 25, TNB has submitted an application under Schedule 7B for Years Assessment 2003-24 to the Ministry of Finance (MOF). On 26 Nov 25, TNB 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 TNB 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 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 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.