

Alpha Picks: Weathering Volatility With Quality Leaders And Selective Laggards

Highlights

- Our Sep 26 Alpha Picks outperformed the FBMKLCI (+4.0% vs FBMKLCI: -4.3%). Solarvest (+40.6%), Gamuda (+14.9%) and Northeast (+4.7%) led the charge while losers included Tenaga Nasional (-8.3%), Petronas Dagangan (-5.0%) and SD Guthrie (-2.5%)
- For Oct 26, with sentiment likely to remain cautious against the backdrop of Middle East geopolitical tensions, higher oil prices and elevated US Treasury yields, 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.
- Oct 26 picks include CIMB, Coraza, Dialog, Gamuda, KPJ Healthcare, Northeast, Petronas Dagangan, SD Guthrie, Sunway REIT and Solarvest.

What's New

- Market review for Sep 26.** The FBMKLCI fell 4.3% in September. Within the BM Index sectors, construction (+8.3% mom) was the only gainer. Conversely, property (-12.8%), utilities (-10.0%) and consumer (-7.4%) saw the largest declines. Beyond the FBMKLCI universe, renewables (+52.6%) was the standout winner, followed by gloves (+7.7%) and the electronics manufacturing services (+2.0%) subsector. Losers included software technology (-33.4%), gaming (-10.5%) and select oil and gas subsectors (see overleaf table for details).
- Our Sep 26 portfolio outperformed**, posting an average return of 4.0% vs the headline index. Solarvest Holdings (Solarvest) (+40.6%) saw the largest returns with Gamuda (+14.9%) and Northeast Group (+4.7%) also posting respectable gains. Conversely, Tenaga Nasional (-8.3%), Petronas Dagangan (-5.0%) and SD Guthrie (-2.5%) were among the losers in Sep 26.
- September sell-off deepens as external headwinds intensify.** The FBMKLCI extended its correction in September, falling 4.3% mom to 1,651.17, with selling pressure intensifying towards the end of the month. The index tested the key psychological 1,700 level early in the month and staged intermittent rebounds, but failed to regain it sustainably. Notably, the benchmark plunged 1.6% on 29 September to 1,643.96, its lowest level since Dec 25, before bargain hunting lifted it above 1,650 on the final trading day. Sentiment remained fragile amid surging US Treasury yields, higher-for-longer Fed expectations, elevated oil prices and persistent geopolitical tensions, collectively driving a broader regional risk-off environment. Domestically, the lack of fresh catalysts and continued broader-market weakness reinforced defensive positioning. While selected banking, utilities, construction and energy heavyweights attracted bargain hunting towards month-end, weak market breadth continued to reflect subdued risk appetite, particularly across the small mid-cap space.
- For Oct 26, we expect market volatility to remain elevated**, amid persistent Middle East geopolitical tensions, higher oil prices and elevated US Treasury yields, which could continue to weigh on valuations, foreign fund flows and overall risk appetite. Against this backdrop, we maintain a defensive, large-cap bias, favouring high-quality domestic leaders with resilient earnings, robust cash flows and strong balance sheets. Domestically, Budget 2027 will take centre stage (to be tabled on 9 Oct 26) potentially providing greater clarity on fiscal priorities, infrastructure spending and measures to sustain domestic consumption and enhancing economic diversity (potentially benefitting the renewable energy and tech/semicon

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Key Recommendations

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
CIMB Group	CIMB MK	BUY	7.65	9.30
Coraza Integrated Technology	CORAZA MK	BUY	1.18	1.33
Dialog	DLG MK	BUY	1.85	2.95
Gamuda	GAM MK	BUY	5.10	6.26
KPJ Healthcare	KPJ MK	BUY	2.59	3.85
Northeast Group	NE MK	BUY	1.16	1.42
Petronas Dagangan	PETD MK	BUY	19.20	24.20
SD Guthrie	SDG MK	BUY	6.10	8.30
Solarvest Holdings	SOLAR MK	BUY	4.17	4.20
Sunway REIT	SREIT MK	BUY	2.04	2.80

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	Sep 26 (%)	To-date* (%)
Bermaz Auto	BAUTO MK	BUY	(1.1)	(1.6)
CIMB Group	CIMB MK	BUY	(2.1)	1.3
Dialog	DLG MK	BUY	(0.5)	(2.0)
Gamuda	GAM MK	BUY	14.9	25.1
Northeast Group	NE MK	BUY	4.7	11.0
Petronas Dagangan	PETD MK	BUY	(5.0)	3.7
SD Guthrie	SDG MK	BUY	(2.5)	6.2
Solarvest Holdings	SOLAR MK	BUY	40.6	54.6
Sunway REIT	SREIT MK	BUY	(0.5)	(2.4)
Tenaga Nasional	TNB MK	BUY	(8.3)	(2.4)
Average Return			4.0	9.4
FBMKLCI			(4.3)	

* Share price change since stock was selected as alpha pick

Source: Bloomberg

Portfolio Return

(%)	2025	1Q26	2Q26	3Q26
FBMKLCI return	2.3	0.6	-1.6	-0.8
Alpha Picks Return				
- Price-weighted	12.2	2.6	1.5	4.1
- Market cap-weighted	10.2	2.6	0.9	2.2
- Equal-weighted	11.1	-1.4	5.9	7.6

Source: UOB Kay Hian

Key Events in Sep 26

Corporate

- Gamuda secured a contract worth RM2.54b as part of a consortium to design and build the future Parramatta metro station under the Sydney Metro West
- Maybank said on 11 September that it had bought the remaining 30.95% interest in Maybank Ageas Holdings, making it a wholly-owned subsidiary of the bank.
- Public Bank has proposed to privatise its 73.23%-owned HK listed subsidiary Public Financial Holdings Ltd for HK\$2.50 (RM1.29)

sectors). Following September's sharp market correction, we also see opportunities to selectively accumulate fundamentally sound laggards at compelling valuations, particularly those offering identifiable earnings catalysts and re-rating potential. Beyond defensives, we advocate selective exposure to domestic investment and structural growth themes.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
Keith Wee	CIMB Group	BUY	1.3	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.
Desmond Chong, Coraza Lee Cai Yu		BUY	n.a.	Growth is driven by AI-led semicon demand, contributions from its new P6 facility, diversified exposure to structural growth sectors, and a record orderbook of RM160m that underpins strong earnings visibility.
Kong Ho Meng	Dialog	BUY	(2.0)	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	25.1	Impressive job wins and robust orderbook guidance are also forming the foundations for a record FY27-28, while discounted valuations are likely to provide ample capital upside.
Philip Wong, Amerul Iqmal	KPJ Healthcare	BUY	n.a.	Attractive entry point following share price weakness. Operational growth momentum is expected to sustain despite the leadership vacuum as earnings hit an inflection point from gestating hospitals
Desmond Chong, Northeast Lee Cai Yu		BUY	11.0	We favour Northeast for its growing exposure to AI infrastructure precision components, underpinning sustained earnings upcycle into FY27.
Kong Ho Meng	Petronas Dagangan	BUY	3.7	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	6.2	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	54.6	We expect a 300-500MW CRESS contract win in the next three months, driving orderbook to RM5b and underpins strong earnings visibility for the group. The group aims to maintain its 20-25% share in the utility-scale EPCC market for the upcoming LSS6 projects. WE project a three-year earnings CAGR of 26% (FY26-29), with further upside from third-party CRESS EPCC jobs.
Ng Jo Yee	Sunway REIT	BUY	(2.4)	Earnings accretion following injection of Sunway Velocity Mall and third-party asset acquisitions

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

Action

- Oct 26 picks include CIMB, Coraza, Dialog, Gamuda, KPJ Healthcare, Northeast, Petronas Dagangan, SD Guthrie, Sunway REIT and Solarvest.
- New inclusions include Coraza and KPJ Healthcare. We replace Bermaz with Coraza to capitalise on the latter's recent share price weakness, ahead of an anticipated improvement in quarterly earnings. Coraza's growth is driven by AI-led semiconductor demand, contributions from its new P3 facility, diversified exposure to structural growth sectors, and a record orderbook of RM110m that underpins strong earnings visibility.
- We also replace Tenaga with KPJ given the rising regulatory risk premium following its decision to absorb costs arising from AFA surcharge exemption for domestic users. We also view KPJ's current price as an attractive entry point as operational growth appears robust despite the vacuum in leadership.

per share in cash, in a move that will cost it about HK\$734.75m.

- IHH Healthcare said its SG unit has lost a lawsuit seeking more than JPY200b (RM5.3b) in damages from Japanese drugmaker Daiichi Sankyo Co Ltd.
- Eco World Development Group has emerged as the top bidder for a residential site at Lorong Puntong/Sin Ming Avenue in SG with an offer of S\$208.1m.
- Capital A has proposed a debt restructuring scheme involving wholly owned subsidiary Move Digital S/B, in which the latter would potentially sell all or a majority of its equity interest in BigPay, carry out an orderly divestment of its 13.6% stake in Tune Protect and recover receivables estimated at RM32.2m.

Economics

- BNM OPR was kept unchanged at 2.75% since cutting the benchmark rate by 25bp in Jul 25.
- S&P Global Malaysia Manufacturing PMI in Aug stood at 50.2, down from 50.7 last month, marking the slowdown in production across the manufacturing sector.
- Headline inflation in August at 1.9% driven by firmer price growth in transport, utilities and food, vs 1.8% in July.

Others

- Najib gets conditional pardon, allowing him to serve the remainder of his prison sentence for his SRC International conviction under house arrest until Aug28.

Source: Respective companies

Sector Performance

Sector	--- Performance (%) ---	
	Sep	Ytd
Automobile	12.7	(4.6)
Banking	(2.1)	(5.1)
Building Materials	2.4	(6.8)
Construction	13.4	8.3
Consumer	(19.2)	(7.4)
Exchange	(4.2)	(6.5)
Gaming	(29.5)	(10.5)
Glove Manufacturing	8.6	7.7
Healthcare	(9.1)	(4.5)
Insurance	(5.2)	(7.3)
Manufacturing	4.3	(1.1)
O&G - Asset Owners	14.5	(0.6)
O&G - Heavy Eng	(4.2)	(4.2)
O&G - Offshore Contractors	(16.6)	(6.8)
O&G - Shipping	(2.1)	(3.5)
Plantation	12.9	(0.7)
Port	18.0	(3.7)
Property	(6.1)	(12.8)
REITs	(4.7)	(1.0)
Renewable Energy	52.9	52.6
Tech - EMS	18.2	2.0
Tech - Semiconductor	84.6	0.9
Tech - software	(69.1)	(33.4)
Telecommunications	(13.2)	(6.3)
Utilities	(5.7)	(10.0)

Source: Bloomberg, UOB Kay Hian

Valuation Of Analysts' Alpha Picks

Company	Ticker	Rec*	Share Price	Target	Upside	Last	PE			Yield	ROE	Market	Price/
			2 Oct 26	Price	To TP	Year	2025	2026F	2027F	2026F	2026F	Cap.	NAV ps
			(RM)	(RM)	(%)	End	(x)	(x)	(x)	(%)	(%)	(RMm)	(x)
CIMB Group	CIMB MK	BUY	7.65	9.30	21.6%	Dec-25	10.5	9.9	9.2	6.6	12.0	82644.5	1.1
Coraza Integrated Technology	Coraza MK	BUY	1.18	1.33	12.7%	Dec-25	40.7	33.7	21.9	0.0	10.7	585.9	3.6
Dialog	DLG MK	BUY	1.85	2.95	59.5%	Jun-26	18.5	17.8	17.3	19.5	15.0	10438.8	1.8
Gamuda	GAM MK	BUY	5.10	6.26	22.7%	Jul-26	27.0	21.5	17.2	2.9	10.8	30239.9	2.3
KPJ Healthcare	KPJ MK	BUY	2.59	3.85	48.6%	Dec-25	32.0	28.2	24.9	1.6	16.4	11464.1	5.4
Northeast Group	NE MK	BUY	1.16	1.42	22.4%	Sep-25	37.4	23.7	20.4	0.0	12.2	858.4	2.9
Petronas Dagangan	PETD MK	BUY	19.20	24.20	26.0%	Dec-25	20.6	15.9	15.6	5.5	16.7	338380.8	3.2
SD Guthrie	SDG MK	BUY	6.10	8.30	36.1%	Dec-25	21.6	15.3	15.9	3.4	15.2	42185.8	1.7
Solarvest Holdings	SOLAR MK	BUY	4.17	4.20	0.7%	Mar-26	44.4	35.3	29.8	0.0	12.0	4012.8	4.3
Sunway REIT	SREIT MK	BUY	2.04	2.80	37.3%	Dec-25	15.5	14.9	14.4	6.6	8.3	6986.6	1.3

Source: Bloomberg, UOB Kay Hian

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 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 2027F 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 2027F P/B vs 11.7%

Share Price Catalyst

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

ROE) and PE metrics (9.8x 2026F and 9.1x 2027F). Given its attractive valuations, we believe that macro headwind concerns in Indonesia have been largely priced in.

Coraza Integrated Technology – BUY (Desmond Chong & Lee Cai Yu)

- **Multi-pronged growth drivers to underpin 2027 outlook.** Coraza Integrated Technology (Coraza) remains well positioned to capitalise on the semiconductor upcycle, supported by robust demand across front-end, metrology and ATE applications. Its pre-emptive capacity expansion is progressing as planned, with utilisation expected to ramp up in 2H26 alongside the transition of several NPIs into mass production, driving stronger contributions through 2027. Meanwhile, the group continues to pursue new programmes and localisation opportunities arising from global supply-chain diversification, while evaluating further capacity investments to support its expanding pipeline. Semiconductor programmes will remain the near-term priority, while the test instrumentation business continues to progress steadily. Its outstanding orderbook currently stands at RM160m, 23% higher than last quarter, with the majority comprising robust semiconductor order loadings.
- **Upping the ante via strategic investments.** Coraza's latest facility, P6, which the group expects to take possession of this month, will add approximately 90,000 sf of manufacturing space where the additional capacity could support a 30-40% growth trajectory. Beyond merely expanding floor space, P6 is designed to accommodate increasingly larger and heavier components, which require different manufacturing layouts and processes. The new facility will also facilitate an expansion of Coraza's surface-finishing capabilities, addressing the limitations of its existing set-up in handling bulkier products and supporting the group's evolving product mix.
- **Maintain BUY with target price of RM1.33**, based on 25x 2027F PE (at a 25% discount to semiconductor production equipment's seven-year mean PE of 34x).

Share Price Catalyst

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

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

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.

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. This will coincide with new earnings accretion from PSCs like Cendamas 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 a 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 Dialog 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.** Following an impressive RM35b orderbook replenishment in FY26 (FY25: RM25b), Gamuda's outstanding construction orderbook is at a record-high of RM61b (FY25: RM38b). About 74% of these orderbooks are in early-stage execution (>90% yet to reach peak execution), and will begin to chart accelerated progress billings in FY27-29.
- **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).

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.

- **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 17x FY28F PE (-0.5SD below 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 RM6.26**, which implies 22x FY28F PE (+1.5SD above mean).

KPJ Healthcare – BUY (Phillip Wong/Amerul Iqmal)

- **Strategic plan remains intact despite leadership vacuum.** Following the resignation of its former Managing Director, KPJ's share price fell by nearly 20% as investors grew concerned over leadership continuity and the group's ability to sustain its growth momentum. However, KPJ has reiterated its commitment to executing the existing Strategic Plan (2026-30), with the current management team continuing to drive key initiatives, particularly brownfield expansion and Centres of Excellence (CoE). We believe KPJ is well positioned to execute its long-term strategy, as the group has successfully addressed historical operational bottlenecks and institutionalised its growth roadmap. Importantly, the leadership transition has not resulted in any changes to the group's operational and strategic priorities, in our view.
- **Operational growth momentum to sustain.** We expect KPJ to sustain its strong operational momentum following its solid 2Q26 performance, where both revenue intensity and inpatient volumes grew at high-single-digit rates yoy. Growth should remain supported by the expansion of sub-specialties and CoEs across KPJ's hub-and-spoke hospital network, which should drive higher patient acuity, case mix and lift EBITDA margin. The group could also benefit from the pilot implementation of MediAsas, with four KPJ hospitals selected for the initial trial. Given KPJ's extensive nationwide hospital footprint, we believe the group is well positioned to capture potential incremental volumes and revenue from this policy.
- **Earnings inflection from gestation hospitals** The group continues ramping up its greenfield hospitals, with KPJ Kuala Selangor and DSH having recorded EBITDA-positive results, underpinning near-to-medium term earnings growth. KPJ is also positive on the turnaround of KPJ Batu Pahat in the near term, while both Miri and Perlis could take longer to reach break-even.
- **Maintain BUY with a target price of RM3.85**, pegged to 36.8x PE (+1.5SD to its pre-pandemic five-year mean). We continue to like KPJ for its strong execution capabilities, aggressive multi-year brownfield expansion and highly domesticated and defensive business operation. We believe the

Share Price Catalyst

- **Event:** a) Appointment of new MD, b) continued earnings growth, and c) positive operational drivers in 2H26.
- **Timeline:** 2026-27

recent share price weakness presents a compelling opportunity at a reasonable valuation, with the stock currently trades close to its historical average PE of 28x and EV/EBITDA of 13x, supported by the group's long-term growth.

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 expanding from RM65m to RM85m as of end-May, and the group has committed to more new machines upon commissioning of new plants, translating into a 10-15% uplift in manufacturing capacity.
- **Unperturbed by the recent material litigation.** Recall that Northeast has been named as the third 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.
- **Maintain BUY with an unchanged target price of RM1.42** based on 25.0x FY27F PE (which is at 25% discount to SPE's seven-year mean PE). We expect FY26 net profit to rise 57% on the back of cyclical recovery and Northeast's growing relevance in its customers' technological advancement. This is notwithstanding the expansion pipelines in the next three years which could double its capacity and floorspace.

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.

Share Price Catalyst

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

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 RM24.20.** 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.

Sunway REIT – BUY (Ng Jo Yee)

- **Growth across all segments.** Sunway REIT's (SREIT) 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 AEs 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 believe that the negatives from the removal of withholding tax concession are largely priced in, and the 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 262bp (+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 ASPs that closely track spot CPO prices, providing greater earnings leverage to a stronger

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

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 RM8.30**, pegged to 19x 2027F PE (average five-year mean). The stock's rerating is supported by ongoing land monetisation and SDG's industry-leading estate age profile, which underpins sustainable production growth.

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

- **Solarvest represents the best of both worlds.** Solarvest is well positioned to capitalise on near-term earnings growth from EPCC opportunities with long-term recurring income from Corporate Renewable Energy Supply Scheme (CRESS) asset ownership. We expect the group to emerge as a key beneficiary in the upcoming CRESS EPCC awards, supported by: a) its proven execution track record in utility-scale EPCC projects (20-30% market share); and b) healthy financial position (net gearing: 0.01x). This is also supported by its aspiration to develop and operate at least 1.5GW of CRESS projects in Malaysia within the next 3-5 years, underpinned by: a) its strategic 51%/49% equity partnership with Brookfield, b) growing RE demand from upcoming DCs, with a mandate to incorporate at least 30% of electricity consumption from RE, and c) robust balance sheet.
- **Brookfield partnership to boost Solarvest's 1.5GW CRESS assets within the next three years.** 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 to the tune of 1.5GW CRESS project over a three-year period.

Share Price Catalyst

- **Event:** a) 300-500MW CRESS contract wins to be announced in the next 3 months, b) with potentially up to 1GW by 1Q27 of CRESS announcement; and c) the eventual monetisation of solar assets either via a listing or trade sale.

Timeline: 2027-30.

- **Orderbook expected to double to RM5b with CRESS wins by Dec 26.**
The group is expected to announce a 300-500MW CRESS project by 4Q26, with an additional 300-500MW project to be secured by 1H27. At 500MW of CRESS, orderbook can double from current RM2.4b to RM5b. Our sensitivity analysis suggests every 50MW CRESS project win will lift Solarvest's equity value by RM100m-150m.
- **Maintain BUY with a target price of RM4.20 under review for a potential upgrade.** Assuming a 500MW contract win to be recognised as EPCC earnings in FY28 and a further 500MW of EPCC win in FY29, our blue-sky fair value is RM5.00 (RM200m x 25x PE). This is before the inclusion of equity from owning solar farm from the CRESS win, and eventual trade sale/listing together with Brookfield.

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