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Strategy – Alpha Picks | Malaysia

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Alpha Picks: Staying Defensive, Seizing Selective Opportunities

Highlights

- Our Oct 26 Alpha Picks outperformed the FBMKLCI (-1.0% vs FBMKLCI: -2.2%). Coraza (+20.8%) and Dialog (+9.8%) were standout winners while losers included CIMB (-11.3%) and SD Guthrie (-6.0%).
- For Nov 26, we expect Malaysian equities to remain range-bound, as persistent external uncertainties, subdued foreign fund flows and cautious investor positioning continue to constrain market upside.
- Nevertheless, October's broad-based correction has created opportunities to selectively accumulate fundamentally sound value laggards at increasingly compelling valuation. Beyond defensives, we advocate selective exposure to domestic investment and structural growth themes, including infrastructure,
- Nov 26 picks include CIMB, CDB, Dialog, Gamuda, Gas Malaysia, KPJ Healthcare, Northeast, Petronas Dagangan, SD Guthrie and Solarvest.

What's New

- **Market review for Oct 26.** The FBMKLCI fell 2.2% in October. Within the BM Index sectors, utilities (+4.6%) was the only gainer. Conversely, building materials (-6.4%), plantation (-5.8%) and construction (-5.4%) saw the largest declines. Beyond the FBMKLCI universe, gloves (+25.6%) saw the highest gains alongside select subsectors of technology and oil and gas. Losers included software (-45.5%), gaming (-13.4%) and offshore contractors (-11.1%) (see overleaf table for details).
- **Our Oct 26 portfolio outperformed,** posting a smaller decline of 1.0% vs the headline index. Coraza (+20.8%) was the standout winner while Dialog (+9.8%) and Petronas Dagangan (+1.1%) also posted gains. Conversely, CIMB (-11.3%), SD Guthrie (-6.0%) and Northeast Group (-5.4%) were among the losers in Oct 26
- **October sell-off deepened as external headwinds intensified.** The FBMKLCI extended its correction in October, declining 2.2% mom to 1,615, as mounting external uncertainties triggered renewed selling pressure. The benchmark exhibited a W-shaped trading pattern, twice testing the key psychological 1,600 support level during the first and third weeks of October, following by intermittent technical rebounds. Market sentiment remained fragile amid elevated US Treasury yields, global technology sell-off driven by growing concerns over the sustainability of AI-related capital expenditure, persistently high crude oil prices and lingering geopolitical tensions, collectively reinforcing a broader regional risk-off environment. Domestically, the absence of fresh market catalysts, coupled with selling pressure on heavyweight banking stocks, further dampened sentiment. While selective bargain hunting in construction and energy heavyweights provided some respite towards the end of the month, persistently weak market breadth underscored subdued risk appetite and limited conviction in a sustained market recovery.
- **For Nov 26,** we expect Malaysian equities to remain range-bound, as persistent external uncertainties, subdued foreign fund flows and cautious investor positioning continue to constrain market upside. With near-term risk-reward dynamics remaining unfavourable, we maintain our preference for defensive, high-quality large caps offering earnings resilience, strong balance sheets and sustainable dividend yields. Nevertheless, October's broad-based correction has created opportunities to selectively accumulate fundamentally sound value laggards at increasingly compelling valuation. Beyond defensives, we advocate selective exposure to domestic investment and structural growth themes, including infrastructure, renewable energy, data centres (DC) and AI-related technology beneficiaries. Our strategy

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Key Recommendations

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
CelcomDigi	CDB MK	BUY	2.67	4.05
CIMB Group	CIMB MK	BUY	6.98	8.80
Dialog	DLG MK	BUY	2.07	2.95
Gamuda	GAM MK	BUY	4.94	6.26
Gas Malaysia	GMB MK	BUY	5.30	7.00
KPJ Healthcare	KPJ MK	BUY	2.70	3.85
Northeast Group	NE MK	BUY	1.01	1.42
Petronas Dagangan	PETD MK	BUY	19.28	24.20
SD Guthrie	SDG MK	BUY	5.93	8.30
Solarvest Holdings	SOLAR MK	BUY	4.10	5.30

Source: Bloomberg

Change In Share Price

Company	Ticker	Rec	Oct 26 (%)	To-date* (%)
CIMB Group	CIMB MK	BUY	(11.3)	(10.1)
Coraza Integrated Technology	CORAZA MK	BUY	20.8	8.5
Dialog	DLG MK	BUY	9.8	7.6
Gamuda	GAM MK	BUY	(5.0)	18.8
KPJ Healthcare	KPJ MK	BUY	(1.9)	1.9
Northeast Group	NE MK	BUY	(5.4)	5.0
Petronas Dagangan	PETD MK	BUY	1.1	4.8
SD Guthrie	SDG MK	BUY	(6.0)	(0.2)
Solarvest Holdings	SOLAR MK	BUY	(1.1)	52.8
Sunway REIT	SREIT MK	BUY	0.0	(2.4)
Average Return			**(1.0)**	**(8.7)**
FBMKLCI			**(2.2)**	

** 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 Oct 26

Corporate

- IOIProp is in talks for a secondary listing on the Singapore Exchange, its CEO Datuk Lee Yeow Seng told The Edge Singapore.
- Gamuda says its JV had secured a RM3.7b contract to construct the Keelung MRT system and associated trackwork in Taiwan, adding to the construction group's overseas orderbook.
- IHH Healthcare is considering joining the bidding for Malaysia hospital assets owned by TPG-based Asia OneHealthcare S/B.

remains centred on earnings visibility, valuation discipline and selective accumulation rather than broad-based market exposure.

Analysts' Alpha Picks

Analyst	Company	Rec	Performance#	Catalyst
Chong Lee Len	CelcomDigi	BUY	n.a.	We see positive risk-reward CelcomDigi amid the recent share price correction. Downside will be supported by a dividend yield of 5.5%. Synergistic savings to help offset the DNB losses over 2027-28.
Keith Wee	CIMB Group	BUY	(10.1)	Highest dividend yield among banks at 6.6%. Indonesia macro headwinds have been largely priced in. The group has a healthy loans-loss coverage ratio of 103% (above the industry's 85%) provides added comfort.
Kong Ho Meng	Dialog	BUY	7.6	We are bullish on Dialog's potential re-rating 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	18.8	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.
Chong Lee Len	Gas Malaysia	BUY	n.q.	The stock is set to benefit from two key themes: a) energy transition requiring 8GW of gas-fired power plants to be built by 2031; and b) potential liberalisation of power sector NG supply chain – allowing power plants to secure NG independently from shippers such as Gas Malaysia. In addition, Gas Malaysia may also benefit from off-grid cogen opportunities as DCs "search" for more power supply in Malaysia.
Amerul Iqmal	KPJ Healthcare	BUY	1.9	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, Lee Cai Yu	Northeast	BUY	5.0	We favour Northeast for its growing exposure to AI infrastructure precision components, underpinning sustained earnings upcycle into FY27.
Kong Ho Meng	Petronas Dagangan	BUY	4.8	Continued share price weakness is not commeasurate with earnings risks, hence it still offers a rare accumulation opportunity. Fuel volume downside is mitigated as long as Petronas ensures fuel security for domestic consumption. Any negative earnings effects due to the Middle East conflict can be easily reversed once price normalises.
Amerul Iqmal	SD Guthrie	BUY	(0.2)	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	52.8	Solarvest looks to double its orderbook from RM2.5b to RM5b in the near term, driven by a potential 300-500MW CRESS contract win in 4Q26/1Q27 as well as LSS6 EPCC contract wins. We project a three-year earnings CAGR of 36% (FY26-29), with further upside to win an additional 300-500MW of CRESS contracts from other DC players.

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

Action

- Nov 26 picks include CIMB, CelcomDigi, Dialog, Gamuda, KPJ Healthcare, Northeast, Petronas Dagangan, SD Guthrie, Sunway REIT and Solarvest.
- New inclusions include CelcomDigi and Gas Malaysia. We introduce CelcomDigi in place of Coraza following the latter's stellar 20.8% outperformance, as we look to lock in gains and pivot towards more defensive earnings exposure amid growing concerns over the sustainability of AI-related capex and heightened volatility across technology stocks. We also remove Sunway REIT on the absence of imminent earnings catalysts.
- We see positive risk-reward for CelcomDigi amid the recent share price correction whereas Gas Malaysia is set to benefit from the energy transition and potential liberalisation of the power sector's natural gas (NG) supply chain.

- CTOS Digital expects the recent cybersecurity breach to reduce its 2026 net profit by RM12m and revenue by RM16m.
- Malaysian billionaire families behind Maxis and U-Mobile are reviving plans to combine the companies in a deal that could create the country's biggest wireless operator by market value.
- Zetrix AI's MyEG S/B has received a RM353.13m tax bill from IRB over transfer pricing matters for the years of assessment 2021 to 2023.
- Big Caring Group is looking to raise RM2.03b in MY's second largest listing this year; with IPO priced at RM1.08/share at market cap of RM8b (42x trailing earnings) .

Economics

- Budget 2027 tabled on 9 October with a total expenditure and investment of RM510b vs RM470b previously.
- MY economy is projected to expand 4.2-5.2% next year, from 4.8-5.3% this year.

Others

- Sarawak assembly dissolved in Oct 26, paving way for state polls.

Source: Respective companies

Sector Performance

	---- Performance (%) ----	
Sector	Oct	Ytd
Automobile	(1.0)	11.6
Banking	(3.3)	(5.3)
Building Materials	(6.4)	(4.1)
Construction	(5.4)	7.3
Consumer	(2.7)	(21.4)
Exchange	(1.0)	(5.1)
Gaming	(13.4)	(39.0)
Glove Manufacturing	25.6	36.4
Healthcare	(0.1)	(9.2)
Insurance	0.3	(4.8)
Manufacturing	(3.3)	0.9
O&G - Asset Owners	9.0	24.8
O&G - Heavy Eng	2.4	(1.9)
O&G - Offshore Contractors	(11.1)	(25.9)
O&G - Shipping	8.0	5.8
Plantation	(5.8)	6.4
Port	2.4	20.8
Property	(3.5)	(9.4)
REITs	(2.3)	(6.8)
Renewable Energy	(5.1)	45.1
Tech - EMS	18.2	39.8
Tech - Semiconductor	5.5	94.8
Tech - software	(45.5)	(83.2)
Telecommunications	(1.0)	(14.1)
Utilities	4.6	(1.4)

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)
CelcomDigi	CDB MK	BUY	2.67	4.05	51.7%	Dec-25	18.9	18.2	15.6	5.5	10.8	31,323.11	2.0
CIMB Group	CIMB MK	BUY	6.98	8.80	26.1%	Dec-25	9.6	9.4	8.8	6.7	11.1	75,406.34	1.0
Dialog	DLG MK	BUY	2.07	2.95	42.5%	Jun-26	20.7	19.9	19.3	17.4	15.0	11,680.18	2.0
Gamuda	GAM MK	BUY	4.94	6.26	26.7%	Jul-26	26.1	20.8	16.6	3.0	10.8	29,291.24	2.2
Gas Malaysia	GMB MK	BUY	5.30	7.00	32.1%	Dec-25	18.1	18.0	15.4	4.8	23.9	6,805.20	4.2
KPJ Healthcare	KPJ MK	BUY	2.70	3.85	42.6%	Dec-25	33.3	29.3	26.0	1.5	16.4	11,951.01	5.6
Northeast Group	NE MK	BUY	1.01	1.42	40.6%	Sep-25	32.6	20.6	17.7	0.0	12.2	747.40	2.5
Petronas Dagangan	PETD MK	BUY	19.28	24.20	25.5%	Dec-25	20.7	16.0	15.6	5.5	16.7	19,154.68	3.2
SD Guthrie	SDG MK	BUY	5.93	8.30	40.0%	Dec-25	21.0	14.9	15.5	3.5	15.2	41,010.10	1.6
Solarvest Holdings	SOLAR MK	BUY	4.10	5.30	29.3%	Mar-26	43.6	34.7	25.2	0.0	12.0	3,945.43	5.1

Source: Bloomberg, UOB Kay Hian

CelcomDigi – BUY (Chong Lee Len)

- **CelcomDigi to see higher synergy savings in 2H26.** CelcomDigi has raised its 2026 opex and COGS savings target to RM470m (from RM460m), driven by network infrastructure-related operational efficiencies. The savings will help to buffer higher 5G wholesale costs (rising 25% yoy) amid rising 5G traffic consumption. 2Q26 saw an additional RM100m flow-through of synergistic cost savings, bringing cumulative savings to RM141m ytd and putting it on track to achieve RM700m-800m in annual cost savings by 2028.
- **DNB equity accounting will begin in 4Q26**. We expect Digital Nasional Berhad (DNB) to operate at a loss up to 2028, but losses should gradually narrow from an estimated RM1.1b in 2025 to RM172m in 2028. With the completion of a RM5.2b syndicated Islamic term financing exercise to refinance its estimated RM3b debt, a lower opex is expected in 2026-27. As such, we project a 2-4% earnings drag on CelcomDigi over 2026-28.
- **DNB: Loss of RM400m in 2027; to focus on network densification.** DNB is projected to direct its near-term capex towards scaling network capacity and enhancing traffic management capabilities to accommodate increasing data consumption. Based on this trajectory, DNB's revenue base is expected to double in 2027, capturing rising 5G data consumption and helping to narrow 2026's estimated net loss of RM800m to RM400m in 2027. Notably, the company's new shareholders do not anticipate additional equity cash calls or capital injections over the next few years, with funding requirements likely to be met through the recent RM5.2b syndicated loan financing.
- **Maintain BUY with a DCF-based target price of RM4.05.** At our fair value, the stock trades at +0.5SD 2027F EV/EBITDA of 9.9x. CelcomDigi remains on track to achieving its synergistic target of RM700m-800m in annual cost savings beyond 2027.

Share Price Catalyst

- **Event:** a) Sequentially stronger 3Q; b) Higher-than-expected synergy savings in 2027-28, b) narrowing DNB losses in 2027-28, and b) annual cost saving of RM700-800m by 2028
- **Timeline:** 2027-28.

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

Share Price Catalyst

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

repricing in Malaysia. We maintain our 2026 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 2026 net credit cost assumption at 25bp (the 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 (BI) 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% ROE) and PE metrics (9.8x 2026 and 9.1x 2027F). 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 shifting 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 effective 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 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 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 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 re-rate 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.** 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).

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

Gas Malaysia – BUY (Chong Lee Len)

- **NG reforms in Peninsular Malaysia…** Against the backdrop of energy transition (towards net-zero greenhouse gas emission by 2050) and Malaysia's aggressive 13GW data centre (DC) plant up, we identify Gas Malaysia as a thematic winner in Malaysia's natural gas (NG) supply chain reform. As a key transition fuel, NG is projected to account for 56% of Malaysia's total primary energy supply by 2050, up from 47% in 1H26.
- **….to benefit Gas Malaysia.** Key re-rating catalysts for the stock include: a) earnings recovery in 2027; b) benefits from the government's NG roadmap, which is expected to be announced in 1H27; and c) ability to capture unregulated business opportunity as the Data Centre Task Force is now pushing DC operators to secure off-grid power supply. We note that Gas Malaysia has experience operating cogen plants in Penang.
- **Yan RGT slated for commercial operations in 1H31…** The Energy Commission, in a consultation paper issued in May, cited indicative new gas-fired power generation capacity of more than 8GW requiring nearly 1,600 million standard cubic feet per day (mmscfd) of NG by 2031. This is almost double the current power sector NG consumption of 800-1,000 mmscfd. Against this backdrop, Gas Malaysia is building the country's 4th LNG regasification terminals in Yan, Kedah.
- **…which may lift Gas Malaysia's market capitalisation by RM0.58/share**. Together with Tokyo Gas Co and VTTI BV each holding 15%, the Yan RGT project – with a plant capacity of 500 mmscfd - is estimated to cost US$250m-300m. The project is estimated to yield an equity value of RM0.58/share, based on project IRR of 10%. EBITDA uplift is forecast at 15% of the group's current EBITDA, assuming 50% JV stake.
- **Maintain BUY with a DDM-based target price of RM7.00**. We have included an equity value of RM0.58/share for the Yan RGT project, which is expected to kick off in 1Q31.

Share Price Catalyst

- **Event:** Stronger 2027 earnings on the back of higher NG prices; potential off-grid power plant award from data centre; and Yan RGT taking shape.
- **Timeline:** 2027-2028.

KPJ Healthcare – BUY (Phillip Wong/Amerul Iqmal)

- **Strategic plan remains intact despite leadership vacuum.** Following the resignation of its former Managing Director, KPJ Healthcare's (KPJ) 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 to ramp 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 2027F 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 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.

Share Price Catalyst

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

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

Share Price Catalyst

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

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 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.

Petronas Dagangan – BUY (Kong Ho Meng)

- **Still a rare accumulation opportunity since the share price knee-jerk reaction prior to 1Q26 results.** As long as Petronas ensures fuel security for the nation's domestic consumption, we deem that fuel volume downside risk is effectively eliminated. Also, the outstanding 1H26 profit showing, despite being hit by the negative effects of the Iranian conflict especially on jet fuel, is a reminder to investors much like in 2H22, that such earnings risk can easily be reversed once price normalises
- **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. While the war duration remains unpredictable, this historical precedence shows there is a chance of earnings risk being compensated.
- **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 costs implied under the government's weekly Automatic Pricing Mechanism (APM), especially in Mar 26.
- **In fact, we expect PETD to record above-industry growth...** We deduce this assumption by observing that another listed peer, Petron Malaysia Refining & Marketing (PETRONM MK, NR), saw 1Q26/2Q26 fuel volumes fall 25%/20% to 6.9m bbl/7.2m bbl respectively, or 2.24b litres for 1H26 (relative to 5.6b litres for 2025) due to operational constraints in its Port Dickson refinery since the product jetty was damaged during Tropical Storm Senyar in end-25. As mentioned earlier, Petronas and other oil operators have a joint cooperation to ensure the nation's fuel security. We therefore assumed that PetDag gained market share, particularly in the jet fuel segment, to assist PETRONM in meeting its customers' domestic fuel requirements.
- **…and this assumption continues into 2H26.** Firstly, PETRONM's refinery is only expected to commission the replacement product jetty in 1Q27, hence implying PETRONM's fuel volume (especially for commercial segment) will remain impaired. More importantly, its mother company Petron Corporation

Share Price Catalyst

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

released its 9M26 results yesterday, confirming that its consolidated fuel volume across the Philippines and Malaysia dropped 3% yoy to 82m barrels (13b litres). We guesstimate PETRONM's 3Q26 fuel volume at below 9m bbl.

- **Maintain BUY with an 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.

SD Guthrie – BUY (Amerul Iqmal)

- **Key beneficiary of firm crude palm oil (CPO) prices into 2027.** SD Guthrie (SDG) is one of the large-cap planters that gains most from higher CPO prices. Over 70% of its production comes from Malaysia and Papua New Guinea/Solomon Islands (PNG/SI), where palm oil taxes are lower than in Indonesia. PNG/SI estates produce about 20% of output, and their selling prices closely track spot CPO prices, so that output feels CPO price moves most directly. SDG's traceability is also an advantage ahead of the European Union Deforestation Regulation (EUDR), which applies to large and medium operators from 30 Dec 26.
- **Sequentially stronger earnings from higher production and lower costs.** We expect earnings to keep improving in 2H26. CPO production rose 20% qoq in 2Q26 and should continue to rise through the peak season, which supports the 3Q26 results due in late November. Operating margins should also improve, as most upkeep and maintenance work was finished in 1Q26. Downstream earnings should hold steady: stronger bulk and trading contributions, which tend to do well when markets are volatile, should partly offset weaker specialty oils.
- **Land sales add earnings and dividend upside beyond our forecasts.** SDG is steadily selling land in key economic corridors, typically at well above book value. SDG has booked RM689m of land sale gains in 1H26, mainly via the 935-acre Kulai sale. Completing the sale of 1,021.9 acres of Bukit Kerayong Estate, Selangor, to a JV with Sime Darby Property (RM798.3m) would add about RM408m, taking 2026 gains to about RM1.1b. This is above both the group's RM500m-700m annual target and our RM700m assumption. On 29 Oct 26, SDG agreed to sell a further 1,623 acres at Bukit Kerayong for RM933.6m (RM13.2 psf, 5% above independent valuation) to a JV with YTL Power and Bumi Assets, keeping a 30% stake. The gain is about RM586m, on completion expected in 1Q27. Together with the 557-acre Kulai sale (RM418m) and the 170-acre Kluang sale (RM82.8m), 2027 gains could reach about RM1.0b, against RM500m in our forecasts.
- **Maintain BUY with a target price of RM8.30, based on 19x 2027F PE (five-year mean).** We expect the shares to re-rate as land sales continue, supported by SDG's industry-leading estate age profile, which should help production recover after El Niño.

Share Price Catalyst

- **Events:** a) Malaysian palm oil stocks falling from their September peak, and CPO prices rising as El Niño cuts the 2027 crop, b) higher-than-expected production in the 3Q26 results, c) completion of the Kulai, Kluang and Bukit Kerayong land sales.
- **Timeline:** 4Q26-1Q27.

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

- **500MW CRESS; orderbook expected to double to RM5b.** Solarvest Holdings (Solarvest) is looking to double its orderbook from RM2.5b to RM5b in the near term. This comes on the back of the CRESS Acceleration Package announced in September, with a potential 300-500MW CRESS contract win in 4Q26/1Q27 as well as Large Scale Solar 6 (LSS6) wins. Importantly, we believe the group is also well positioned to win an additional 300-500MW of CRESS contracts from other DC players, lifting a base-case RM5b orderbook to RM7b (blue sky).

Share Price Catalyst

- **Event:** a) 1.5GW CRESS win; b) 25% LSS6 market share for EPCC; c) eventual monetisation of solar assets either via a listing or trade sale.
- **Timeline:** 2027-30.

- **Earnings to peak in FY29.** Based on its RM5b orderbook and an 8% net margin assumption, we forecast FY29 net profit to grow 29% yoy, as we spread the RM5b base-case orderbook over FY28-29. We now project a three-year earnings CAGR of 36% (FY26-29). Sizeable landbank access is a key advantage to all solar players and we believe Solarvest is well ahead of the curve in terms of strategic landbanking activity.
- **Building strong recurring income asset portfolio.** Solarvest is well positioned to capitalise on near-term earnings growth from EPCC opportunities with long-term recurring income from 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.
- **Maintain BUY with an SOTP-derived target price of RM5.30.** At our target price, the stock would trade at 25x FY29 EPS. This is +0.5SD above the stock's five-year mean PE of 22x. We believe Solarvest's partnership with Brookfield is a strong lever that will pivot Solarvest into the next phase of growth.

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