

Getting In The Zone

Takeaways from study trip to Johor – moving up the quality curve

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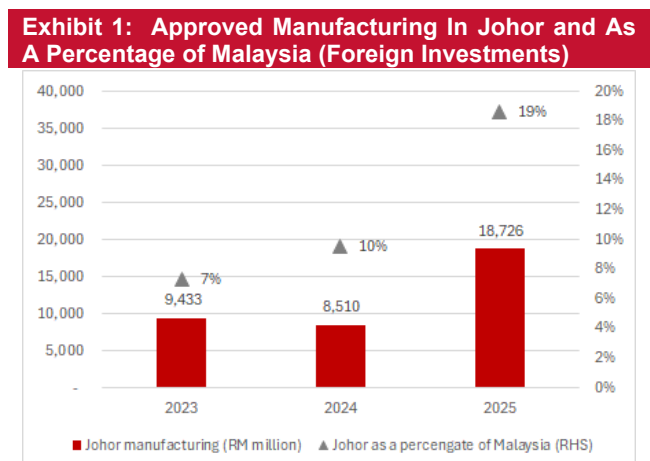
Kenanga was in Johor to get a pulse on manufacturing and industrial demand there, especially after more than a full year since the formalization of the JSSEZ, and we visited several companies in the manufacturing space.

In our view, Johor is moving up the quality curve, not only in the area of incentivizing high-value investments, but also in data centres (DC). We see evidence that momentum of roll-out of projects has quickened, but more importantly into higher value investments, with outcome-based incentive reforms underway likely to improve appeal as an investment destination. There are also more guardrails in place to ensure spillover effects crystalization. Likewise, in data centres, we note that Johor’s focus is now on tier 3 and tier 4 DCs, which shifts the mindset towards more efficient resource allocation as water infrastructure is still being built out. We met with ISF Group (ISF, N-R) to better understand the outlook for piping requirements. More broadly, our bank proxy play to capture benefits of improved conviction in spillover visibility post trip is MAYBANK (OP; TP: RM12.30).

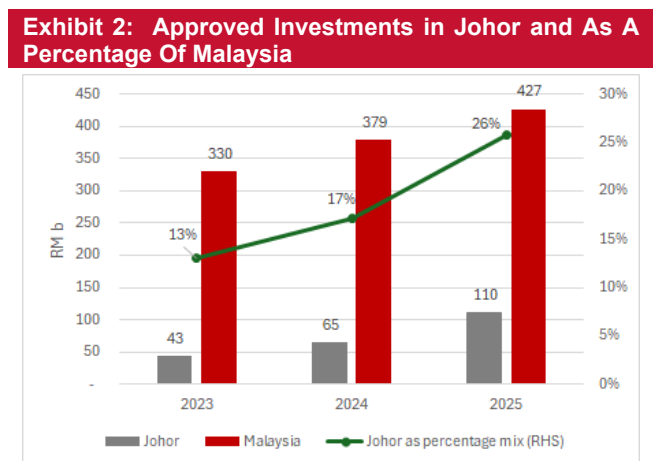
We visited companies that may benefit from more robust business growth up in the Singapore and in Johor. This included recently listed 5E Resources(5ER, N-R), which handles scheduled waste, and Wentel Engineering (WENTEL, N-R), which are both expanding their capacities. For plays on closer Johor-Singapore linkages, we met with HI Mobility (HI, N-R), which is optimistic for the completion of the RTS, and we also performed channel checks for RTS plays including Paradigm’s JB mall under PARADIGM (N-R).

In the near-term, due to the Middle East conflict, a slower concluding of deals and construction project rollout is a risk. Even so, firms are also adapting. UUE (N-R), which is anticipating a recovery in margins, is seeking to diversify its suppliers, while packaging player BPPLAS, which sees better prospects ahead due to higher ASPs, echoed the same. Lastly, we also visited SDS (N-R) for a pulse check on consumer sentiment. See inside for the company visit notes.

Getting in the zone – moving up the quality curve



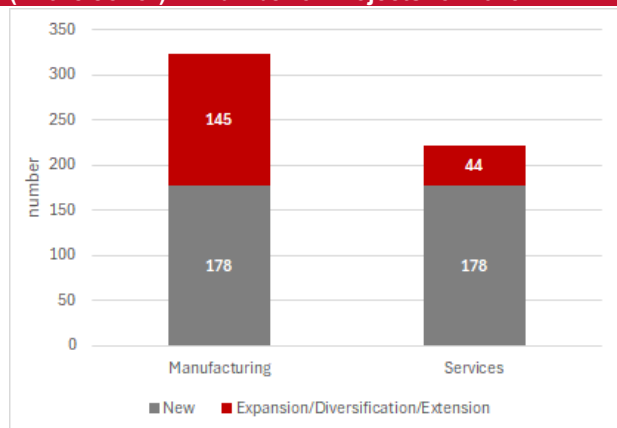
Source: Company, Kenanga, MIDA



Source: Company, Kenanga, MIDA

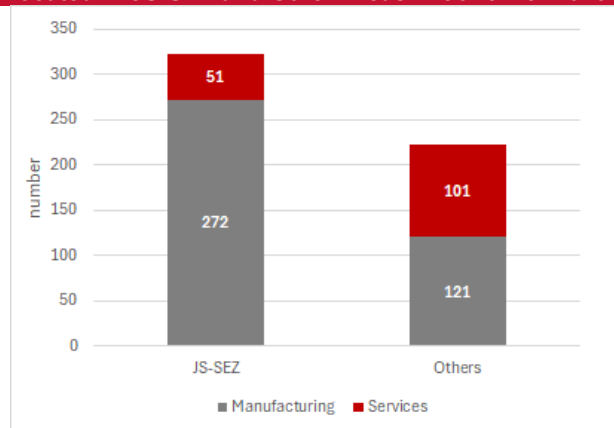
Johor enjoys a rising share of foreign approved investments, and not just data centres. Johor had a record haul of RM110b of investments in 2025. Approved investments as a whole have edged up to about a quarter of Malaysia’s total (figure 2), and the state’s targets are still ambitious, eyeing RM140b this year, according to its Chief Minister. So far we have seen quality investments coming in, with growth being holistic as well. Following the launch of JSSEZ, and the economic zone’s formalization on 8 January 2025, manufacturing activities in Johor have risen in stature, especially with regards to approved investments from overseas. Stripping out services (where data centres are recorded), focusing only on manufacturing activity reveals this rising trend. Measured by the share of approved manufacturing projects from foreign, this constitutes c.20% of Malaysia’s total (exhibit 1). Perhaps unsurprisingly, the JS-SEZ area accounted for more than 80% of total approved projects for manufacturing in 2025 (exhibit 4)

Exhibit 3: Approved Manufacturing and Services (Entire Johor) in Number of Projects for 2025



Source: Kenanga, MIDA

Exhibit 4: Approved Projects by Location in Johor - located In JS-SEZ and Other Areas in Johor for 2025



Source: Kenanga, Mida. Note: breakdown is based on tagging by MIDA

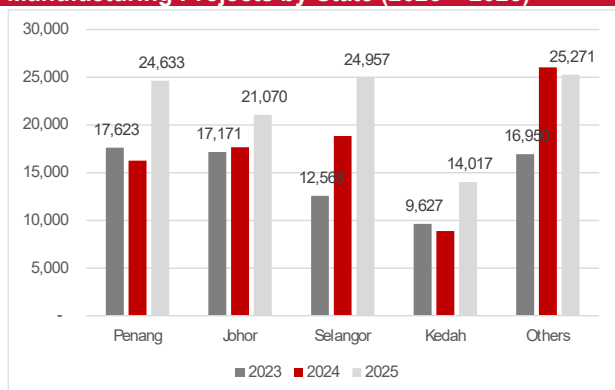
Quality investments in the JSSEZ from value per investment angle. Drilling down to figures from MIDA, more than c.70% of projects approved for Johor are in the area of the JSSEZ; the economic zone in 2025 welcomed a total pipeline worth RM77.0b per MIDA’s Investment Performance report, against RM110b for Malaysia. We see evidence that the JSSEZ is attracting higher-value investments. Firstly, from a per-investment standpoint, the JSSEZ in 2025 recorded RM200m, while the average for Johor is at RM80m (possibly could be skewed by data centres). Secondly and anecdotally, some of the more notable investments we have tracked for the investment into Johor include the following in exhibit 5 (non-exhaustive), spanning from data centres to anti-aging additives to battery technologies as listed below. Of note, they are also accompanied by job creation, some of which disclosed proportion of high-skilled, and high-value job opportunities.

Exhibit 5: Kenanga Compilation of Notable Investments into Johor in 2025 and 2026 (Not Exhaustive)				
Name	Sector	Value (RM m)	Remarks	Job opportunities
Brooks Automation	Semiconductor and robotics	250	New 180,000 sf ft facility, creating 300 jobs including 160 high paying positions	>300
Racks Central	Data Centre Operator	26,600	Target of a comined capacity of up to 510 MW to support AI drive n and high-density workloads. Broken ground on 1 of 3 DCs	Not disclosed
Digital Halo	Data Centre Developer	116*	150 MW power supply agreement with TENAGA; under construction	Not disclosed
Gold Peak	Battery technologies	670	Advanced manufacturing and R&D facility	Up to 180
Rianlan Corp	Anti-aging additives and polymer materials	1,270	Over 2 phases, with phase one construction underway	300
Pengerang Biorefinery (JV)	Domestic production of sustainable aviation fuel	>6,000	Processing capacity of up to 650,000 tonnes of renewable feedstock annually	182 (high value), 98% Malaysian
Swiftbridge	EV chargers	11	First local manufacturer of EV chargers	>200 skilled
Scanfil	Electronics manufacturing company	16	Expansion and modernization of its strategic electronic hub in Asia	To grow beyond 170

Source: Kenanga, Various news

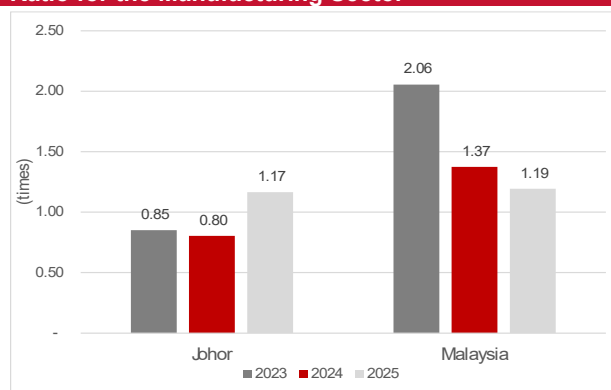
Also evidence of a potentially higher-value manufacturing as investment-to-employment opportunities ratio is on the uptrend. Other than “big-name” investments, we measure also the success of moving up the curve by looking at the amount of investments to the employment opportunity it creates. In this exercise, we take the view that higher investment-to-employment opportunities ratio is a good signal of generating more economic value per headcount. On that front, the ratio for Johor has picked up more noticeably in 2025 (exhibit 7), and from previously lower than the Malaysian average, now close to being at par. Of course, the absolute job creation also shouldn’t be neglected. In exhibit 6, we see the trend for employment opportunities, which jumped in 2025 although that improvement was also seen in other major states for economic activity

Exhibit 6: Employment Opportunities from Manufacturing Projects by State (2023 – 2025)



Source: Kenanga, MIDA

Exhibit 7: Investments to Employment Opportunities Ratio for the Manufacturing Sector



Source: Kenanga, MIDA

Outcome based incentives in our view casts a “wider net”. While JS-SEZ has a set of special set of incentives that are competitive (exhibit 4), a New Incentive Framework (NIF) to further attract investments is available which in our view casts a “wider net”. The NIF moves away from the mindset of incentives based on “promoted list” for certain sectors, and shifts towards outcome based. In other words, the higher the quality of the projects, including focus on less developed areas, and with more spillover potential, they would likely be eligible to a better incentive package. The NIF will be important to watch for details and implementation as they will be applicable to even companies that are already in Johor, when they embark on new projects. For example, on new expansion projects, we understand firms may apply for JS-SEZ (subject to criteria) or the NIF. To this end, it is also important to note that for JS-SEZ tax incentives, there are qualification criteria such as RM500m investment (for certain flagship zones) and also located at the flagship sites for the investments.

Exhibit 8: Comparison of JSSEZ Incentives vs. NIF

JS-SEZ				
Zone	Area	Flagship	CIT	ITA
A&B	JB waterfront/Iskandar Puteri	Global services hub	Y	
C	Tanjung pelepas	Smart logistics complex		Y
D	Tanjung Langsat	Manufacturing - downstream specialty chemical	Y	Y
E	Senai-Skudai*	MRO/Aerospace	Y*	Y*
F	Kulai-Sedenak*	AI/Quantum Technology/Medical/Pharmaceutical	Y*	Y*
G	Desaru	Integrated tourism project		Y
H	PIPC#			
I	Forest City^			
E&F - new companies are entitled to special tax rate, while existing companies are entitled to ITA				
^Separate comprehensive package of incentives				
# Per 2024 National Budget for industrial park developer and chemical and petrochemical product manufacturer				
* CIT incentives are available for new investments, while ITA is for existing investments				

NIF			
No	Category of incentives	Tax rate	ITA
1	New investments	0-10%	100% for 10 years
2	Less developed areas	0-15%	
3	Small companies	3-12%	
Granted based on commitment and assessment using the NIA scorecard			

Source: Kenanga Research., MIDA

More flexible in the area of incentives. Under the NIF, companies will be able to opt for special corporate tax rate (CIT), or investment tax allowance (ITA). The ability to pick from corporate income tax and investment tax allowance under the NIF is also seen as a form as flexibility in our view; as seen in exhibit 7, under the JS-SEZ incentives, some are tied in to CIT and some to ITA. Firms can attain tier 2 or a better tier 1 level incentive depending on meeting minimum conditions or both minimum and additional conditions. Such conditions are customized, however, as they will be benchmarked against local and foreign benchmarks. There will be six principals, which anchor Malaysia’s National Investment Aspirations, and these include: (i) increase economic complexity; (ii) create high-value jobs; (iii) extend domestic linkages, (iv) develop new and existing clusters; (v) improve inclusivity; and (vi) enhance sustainability practices. The NIF, which will be implemented by phase, will commence with the manufacturing sector effective March 2026 and will be followed by the services sector.

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Designed to effect better spillover, though execution is key. Under the NIF, the requirements include vendor development programme, and have also built in a requirement for 80% local workforce (for specific sectors). This would ensure spillover benefits. Meanwhile, to design for workforce requirements of the more skilled variety, certain sectors also see a requirement for capital investments per employee (CIPE) to promote advanced processes and technology, and value-add contribution of at least 40%. The NIF is outcome based and thus the key will be in the execution; companies will be monitored for its performance against the agreed-upon commitment throughout the incentive period.

More speedy in terms of getting projects off the ground post approval, but in the very immediate term we watch for effects of Middle East conflict. Over 90% of manufacturing projects approved in 2021 until 2024 have been implemented. More recent approvals from January to September 2025 have taken even faster to get off the ground – Per MIDA data, 87.2% of 2024's and 58.7% of January – September 2025's projects are progressing; this considers that the average lead time of 18 to 24 months typical for manufacturing project developments. To this end, we are of the view that given the roll-out of some projects in the current short-term environment could be more measured, despite relatively optimistic about the level of enquiries, due to cost factors such as construction. For example, the high cost environment could nudge the developer of projects to be more careful in timing of awards, if speed is not of the essence.

Benefits to an ecosystem more intertwined with Singapore

Evidence for opportunities in twinning operations. There is also in our understanding focus on the supply chain, which is under a concept of “twinning” opportunities ([link](#)), or put simply a company is headquartered in Singapore (for R&D), but relies on a supply chain that is located in Johor, where Malaysia companies can be tapped for their industrial prowess. Singapore was a leading source of FDI, for 2025. By immediate source country, Singapore contributed RM58.3b from a total of RM207b foreign investments or roughly about a third of the total into Malaysia, a growth versus 15% in 2024. According to Singapore, SGD5.5b (or cRM17b) of investments have been committed by Singaporean companies. Committed investments are when investors ink binding agreements or MOUs, and are more concrete than approved investments.

Exhibit 9: Names that Have Twinning Operations		
Name	Sector	Twinning operation examples
Resmed	US based medical technology firm	Singapore ops provide management oversight and technical support to manufacturing in Johor
Armstrong Industrial	Precision Engineering Firm	Singapore manufacturing plant transferred to Johor (2014)
Archisen	200 acre modern agricultural hub in Sedenak (indoor vertical farms)	Invested into the largest integrated agricultural hub in Southern Region together with Ministry of Finance company
Agrocorp	Singapore headquartered agri-commodities and food ingredient firm	Expanded downstream capabilities in plant protein extraction with new Johor plant (with Japanese partner), using technology developed by Agrocorp and Singapore institute of technology
Day One	Data centre operator	Operating via a hub and spoke model with data centre in Singapore and JS-SEZ
Kuehne+Nagel	Integrated transport and logistics network	Operating a 50,000 sqm fulfilment in Port of Tanjung Pelepas (cost sensitive cargo) and Singapore (time sensitive cargo)

Source: Kenanga, News from Singapore

Companies could benefit from a more robust eco-system. MNC companies will inevitably sharpen the ESG focus, which is also part and parcel of the National Investment Aspirations, under sustainability practices. We visited **5ER** which handles scheduled waste, which could have leverage on the growing business and sustainability practice adherences vis-à-vis waste. Meanwhile, for **Wentel**, it is currently also looking at the robustness of an ecosystem out of Singapore for precision parts manufacturer. At the moment, the company is leveraging on the surge of semiconductor investments in Singapore. Both companies are currently in the progress of expanding their facilities – 5ER is constructing plant that will rise to 509k tonnes of annual capacity, nearly 2x higher than its existing 283k tonnes capacity. Meanwhile Wentel, a key player in metal fabrication and assembly, is anticipating commissioning of its new facility by June.

Closer linkage with Singapore spillover plays.

Footfall beneficiaries. We paid a visit to Paradigm JB mall, a lifestyle mall that features various experiential offerings. The Hyatt Place JB hotel is perched atop which commands an occupancy rate of more than 80% on average, with Singaporean constituting the majority of its guests. Per management, Singaporean shoppers account approximately 25% of the footfall on a blended basis. The group has also been able to achieve up to 20% rental reversions for Paradigm JB mall since its IPO listing in Jun 2025. Meanwhile, **AI-Salam REIT's** JBCC Komtar Mall is close to the Johor RTS link, given its direct adjacency to the RTS Customs, Integration and Quarantine station and a dedicated link bridge to be constructed to funnel passenger traffic into the mall. A further spillover will be property opportunities on the ART alignment, although we await more details after the a recent award to a consortium with issuance of letter of intent. Nevertheless, we noted that part of being closely linked to Singapore also

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means that to a small extent there is some dependency on the consumption demand from Singapore. For instance, **SDS**, which operates retail baker and cafes, shared that previously when there was a period that when Singapore carried out its own stimulus scheme (CDC voucher scheme), this redirected some traffic back to Singapore.

Banks benefit through broader effects of spillover amid current momentum. At the moment, banks are getting into the fray. CIMB has committed RM10b in funding facilities for Johor to support JSSEZ. Separately, there is also Maybank that has facilitated more than RM15b into JSSEZ comprising RM10b in committed financing and RM5.35b in investment interests.

On the services side, data centre and data-centre related pipeline appears good as well.

Strong pipeline... Up to November 2025, 51 data centres have been announced ([link](#)), of which 17 are operational and 23 are under construction. These have created more than 7,500 jobs. Latest data centre players coming to Johor included Singapore's Racks Central, a data centre operator, which has signed an Electricity Supply Agreement with **TENAGA** to supply its first 100MW AI data centre campus in Johor ([link](#)). More recently, Australia's AirTrunk has announced in April that it will invest RM12b on another 2 data centres in Johor.

...although mindful of resources. Johor would welcome tier 3 and tier 4 data centres, but has a pause on tier-1 and tier 2, given that the latter group has been found to be more resource hungry in water; Johor's focus is now in implementing 38 projects worth RM15.3b to boost water security, with eight projects to be implemented up to 2027, including the construction of two water treatment plants. And thus, water cooling cannot be provided before 2027. Advanced data centres often tap into other technologies such as liquid cooled and air cooled.

Construction opportunities. We expect roll-out of hyperscaler construction would therefore remain strong given their data centres would be of higher tiers in general. Given the infrastructure roll-out requirements, this also plays into the strength of water infrastructure plays. Within this trip, a player that we have visited is ISF Group, which has still been reporting strong tender of data centres awards for the near-to-medium term horizon. As an aside, the focus on larger more sophisticated data centres could also mean more requirements for power and back-up systems given high redundancy and uptime requirements.

Some near-term pressures and mindset to seek diversification of supply

There were some questions on the cost pressures faced by UUE, the specialist in underground utilities engineering and pipe manufacturer, where the company has mitigated this by having six month of inventory. Not resting on in its laurels, there is also a deliberate move to diversify its supply. On the beneficiary front, the management of BPPLAS indicated that resin supply concerns have driven customers to increase inventory buffers and diversify supplier arrangements. This in turn has helped keep its own utilization high. **BPPLAS** has also looked beyond its traditional Middle East and US sourcing channels. Moving across to **ISF**, which supplies and installs piping for data centres, we note that the increase in input costs will have some bearing albeit slight to the bottom line. Currently, its more integrated business model allows it to better absorb such costs. Cost increases have also required some response by consumer firms, such as in **SDS** through raising price. For **SDS**, moving into packaged foods would be its own form of diversification.

Company Visit Notes

1. 5E Resources Berhad (N-R)

We met 5E Resources' CEO, Lim Te Hua, and COO, Shankar Narasingam, on 5 May. 5E Resources is a scheduled waste management specialist in Peninsular Malaysia, licensed to manage 34 out of 77 scheduled waste codes, one of the highest among local operators. This is a high-barrier industry due to DOE licensing, strategic land requirements, customized machinery, certified labs and technical know-how. Positives for the stock are scarcity value, strong regulatory barriers of entry and high-margin profile, with gross margin above 40% and net margin close to 30%. Growth will be driven by Johor Plant 3, which will double existing capacity, and the new Perak plant, which will target northern semiconductor and industrial customers.

Growth drivers and guidance

Johor Plant 3 to drive near-term growth. 5E's existing Johor plants are already near quota limits, forcing the Group to turn away demand. Johor Plant 3, PLO321, is expected to commence operations in 2H2026 and is currently awaiting CCC approval. The plant will bring it to 509k tonnes of annual capacity, nearly 2x higher than its existing 283k tonnes capacity. Management targets 30%-40% utilisation in Year 1, 60%-70% in Year 2 and full utilisation by Year 3. In our view, having existing customers that are already on the quota waiting list lends visibility to 5E's target utilization goals.

Margin uplift from circular economy and technology-led recovery. Beyond additional capacity, Johor Plant 3 should lift 5E's margin profile by allowing the Group to process more complex and higher-value waste, especially from electronics and industrial customers. Its anaerobic thermal separation system enables 5E to handle waste that was previously harder to treat or less economical to process, while improving the recovery of valuable by-products such as metals, solvents and oils. The plant's cogeneration system is also expected to save 50%-60% of power needs, supporting margin improvement as utilisation ramps up.

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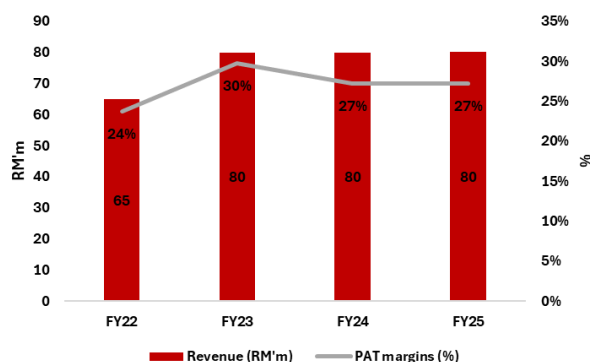
Perak plant to capture northern semiconductor demand. The Perak plant, mainly funded by IPO proceeds, is targeted to commence operations by 2029-1H2030. Strategically located in Batang Padang, Perak, it will add 996k tonnes of annual capacity, almost double Johor Plant 3's 508.6k tonnes. It will allow 5E to better serve semiconductor customers in Penang and Kulim, while reducing logistics costs for central and northern clients currently serviced from Johor. The plant will also expand 5E's licensed scheduled waste codes from 34 currently to 44 by 2030, including solar PV panel recovery and e-waste smelting capabilities. This should broaden its addressable market and strengthen its exposure to electronics, semiconductor and petrochemical customers.

Our observations and thoughts

The key discussion point was where demand is coming from to support 5E's expansion. We believe this risk is partly mitigated by its existing quota constraints, strong MNC customer base and rising regulatory pressure on illegal dumping. We understand 5E currently processes only c.1% of Malaysia's scheduled waste volume, suggesting a long growth runway if enforcement improves and more waste moves into licensed treatment channels. Another key takeaway is that 5E is not merely a waste collector, but a circular economy player. Its ability to recover value from waste, reduce reliance on landfill and convert waste into reusable inputs makes it increasingly relevant to MNCs with sustainability commitments. This is reflected in its customer base, with c.80% of revenue derived from MNC customers.

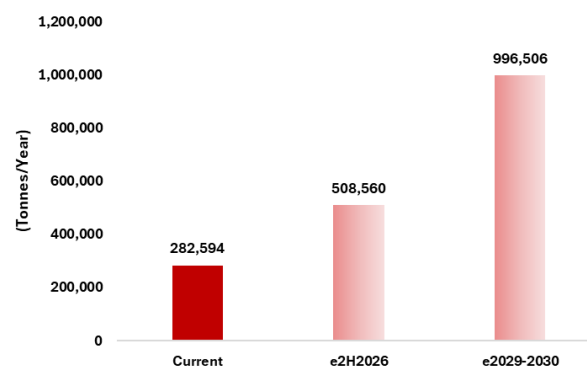
Trades at 30x trailing PER, but valuation could become more compelling as Johor Plant 3 ramps up. 5E has a market cap of RM400m, with net margins close to 30%. Its two existing facilities already delivered c.RM22m PAT in FY25, providing a strong earnings base before new capacity contribution. Johor Plant 3 is expected to more than double existing capacity, while the Perak plant will add capacity almost double that of Plant 3. As these facilities ramp up, they could provide strong growth potential relative to 5E's existing earnings base. Chemical price volatility was also discussed. Management acknowledged the recent spike in chemical prices, but believes the impact remains manageable as ESG-driven customers have limited alternatives and cost increases can be partly passed through. While illegal waste operators remain a key competitive risk, 5E's MNC-heavy customer base provides some earnings resilience. Management also expects efficiency gains from cogeneration, higher recovery rates and greater use of recycled chemicals from 2H2026 onwards to help mitigate cost pressure.

Exhibit 10: Revenue and PAT Margins, FY22-FY25



Source: Company, Kenanga

Exhibit 11: Production Capacities



Source: Company, Kenanga

2. UUE Holdings Berhad (N-R)

We met UUE Holdings Berhad's CEO, Datuk Dr. Ting Kok Hwa and CFO, Vincent Wong Soon Choy on 6 May 2026. UUE is a Peninsular Malaysia-based underground utilities engineering specialist, with core strengths in trenchless Horizontal Directional Drilling (HDD) and in-house HDPE pipe manufacturing. Its core business mainly serves utilities projects across Malaysia and Singapore. We met with UUE, given its position as a RP4 beneficiary proxy, as its FY26 revenue is largely Malaysia-driven, with 93% derived from Malaysia operations and mainly backed by TNB-related projects.

Growth drivers and guidance

Polymer resin cost pressure mitigated by sufficient inventory. The Group has secured around six months of resin inventory, sufficient until 2QFY26, which helps cushion near-term polymer resin volatility. It is also exploring alternative resin supply sources including China, where pricing appears more competitive. However, this remains at the testing stage. If successful, this could improve cost control for HDD projects, especially as c.50% of HDPE pipe production is used internally. In Malaysia, industry players are engaging utility companies to address higher transportation and commodity costs. While the timing of any adjustment remains uncertain, we believe the earnings impact should be manageable. This is because material cost is not the largest cost component for UUE, while its integrated HDPE pipe model provides better cost control. Improving Singapore margins should also help cushion any near-term cost pressure.

Singapore operation's turnaround to support margin expansion. Its Singapore operation has turned around after a difficult

transition period, moving from losses in 1QFY25 to profitability by 4QFY25. We see this as a key margin recovery driver, supported by higher machine utilisation and stronger work deployment. Utilisation has improved to 6-7 machines currently, from 4-5 in the previous month, with further ramp-up expected over the coming quarters. These production lines mainly support pipe sales and internal HDD works in Singapore. As utilisation improves, Singapore should contribute more meaningfully to Group margins.

Strong order book visibility with RP4-backed replenishment. UUE's current order book stands at RM536m, equivalent to c.2x FY25 revenue, comprising RM367m from Malaysia and RM161m from Singapore. Near-term replenishment is expected to be driven by TNB-related works, with multiple smaller contracts of RM20m-RM30m each potentially amounting to c.RM100m within a year. Given that UUE's main contractors are key TNB contractors with proven track records and long-standing relationships, this anchors its replenishment prospects.

Solar farm exposure provides new growth avenue. UUE is widening its addressable market into solar farm connectivity works. Its Malaysia tender book stands at RM342m, including two solar farm interconnection facility tenders estimated at c.RM15m each, alongside data centre-related tenders. We expect solar-related tender momentum to remain supported by LSS5, LSS5+ and the potential rollout of LSS6, as new solar farms require grid connectivity and HDD works. Margins should remain attractive, as UUE acts mainly as a pure engineering service provider. Any contract wins would provide an additional earnings growth driver.

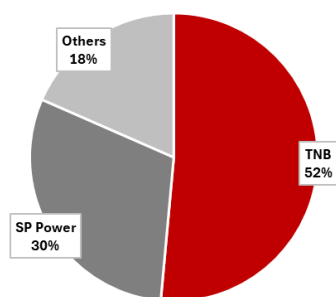
Our observations and thoughts

Key investor discussions centred on: (i) whether Singapore's turnaround is sustainable, (ii) whether HDD demand remains strong under RP4, and (iii) whether polymer resin cost pressure could affect margins. We believe these concerns are manageable. Singapore has shown signs of recovery after turning profitable in 4QFY25, while polymer resin cost pressure should be partly cushioned by inventory buffer, alternative sourcing and UUE's integrated HDPE pipe model.

On demand, Malaysia remains the core earnings base, supported by RP4-driven utilities capex and rising demand for underground HDD works. UUE's RM536m order book, equivalent to c.2x FY25 revenue, provides good earnings visibility, while potential c.RM100m TNB-related replenishment could further support FY27 growth.

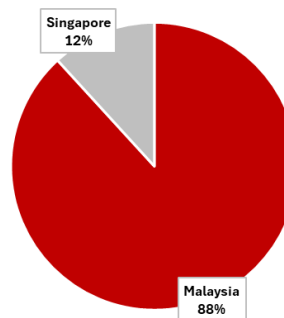
Trading at undemanding forward PER. We see UUE's risk-reward remaining attractive, as the stock trades at c.11x FY27F PER and c.9x FY28F PER based on Bloomberg consensus. FY25 PAT of RM22m was mainly supported by stable Malaysia operations, with its earnings outlook is further backed by RP4-driven order flow, potential TNB-related replenishment and other Malaysia-side opportunities such as solar farm connectivity and data centre-related tenders. In addition, Singapore could provide another earnings recovery lever, as it contributed around 24% of Group's bottom line in FY24 under a normalised year, suggesting room for margin recovery as utilisation ramps up.

Exhibit 12: Breakdown of RM536m Order Book



Source: Company, Kenanga

Exhibit 13: FY26 Segmental Revenue of RM209m



Source: Company, Kenanga

3. ISF Group Berhad (N-R)

We met ISF Group Berhad's Managing Director, Jeff Ai Boon Chen. ISF is an end-to-end piping infrastructure specialist, providing supply, installation and maintenance works for potable water, cooling water and sewerage systems in Peninsular Malaysia. We feature ISF as one of the few listed players in Malaysia with sizeable exposure to data centre piping works, a niche segment where track record, technical capability and execution capacity matter more than pricing alone. Data centres contributed c.50% of FY25 revenue, while tender book remains largely DC-led.

Growth drivers and guidance

Material cost trend remains manageable. Recent increases in HDPE and PVC prices could create some near-term cost pressure, with prices up c.30% and 10%-15%, respectively. These pipes account for around 30%-40% of material costs and

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c.30% of total COGS. While most ongoing contracts are on fixed-price terms, ISF has locked in 2-3 months of inventory for existing projects, which should help smooth near-term cost fluctuations. Based on our estimates, FY26 margins may see mild compression of around 1%-3%, but this could be partly cushioned by new industrial contract wins and future contracts priced under the latest cost environment.

Order book and tender book support earnings visibility. ISF's current order book stands at RM148m. Residential remains the largest contributor at 66%, mainly due to longer project timelines, while data centres are the second-largest segment, accounting for c.17% of the order book. Data centre contribution could scale quickly, supported by ISF's RM434m tender book, of which close to 60% is DC-related. As a qualified contractor, ISF is well-positioned to capture DC opportunities, which typically have shorter execution periods compared to residential projects and could accelerate earnings growth. Based on its historical win rate of c.30%, this could translate into potential new wins of c.RM120m, which would be meaningful relative to the existing order book, if materialized.

In-house execution supports stronger margins. ISF's margin profile is supported by its in-house execution capability, particularly for data centre, industrial and commercial projects where technical requirements are higher. In data centres, ISF undertakes critical piping scopes such as cooling water, sewerage systems and oil separators, which require tighter execution control and coordination. Unlike residential projects, which are often subcontracted due to their more repetitive nature, ISF executes DC-related works directly using its own labour force. This reduces reliance on subcontractors and allows ISF to retain more margin internally. As a result, DC, industrial and commercial projects typically generate better margins than conventional residential piping works.

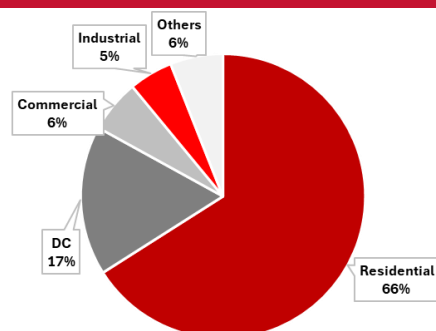
Our observations and thoughts

The key focus for ISF is the rate of **tender conversion**, given its sizeable RM434m tender book, of which close to 60% is DC-related. Applying its historical win rate of c.30% implies potential new wins of c.RM120m, which is sizeable against its current RM148m order book. This would support the company's annual new win target of RM100m-RM150m.

Investors also discussed the competitive landscape. We view ISF as a niche DC infrastructure proxy rather than a generic piping contractor. DC owners and main contractors tend to prioritise track record, technical capability and execution capacity, which should favour ISF given its experience in DC-related piping works. Competitive intensity also appears manageable, as there are limited local players with the capacity and track record to undertake DC piping works at scale.

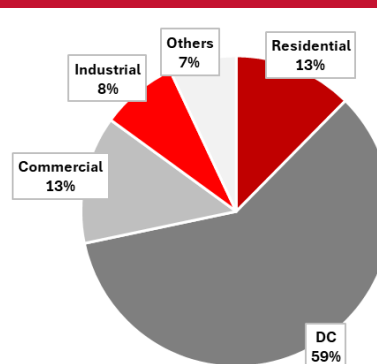
Based on ISF's RM148m order book, with 60% scheduled for FY26 recognition and assuming net margin normalises to c.22% from 25% in FY25, this could translate into c.RM20m PAT. This provides a visible earnings base, while further upside would depend on new wins, particularly from pending DC-related tenders.

Exhibit 14: Breakdown of RM148m Order Book



Source: Company, Kenanga

Exhibit 15: Breakdown of RM440m Tender Book



Source: Company, Kenanga

4. SDS Group Bhd (SDS – NR)

We met with Mr Tan Kee Meng, CFO of SDS Group Bhd, a Johor-based bakery manufacturer and retailer known for its affordable, quality bakery offerings. SDS operates retail bakery/cafeteria outlets under the "SDS" brand, mainly in Johor and selected locations in Central Malaysia, while its wholesale products are distributed across Peninsular Malaysia and Singapore under the "Top Baker" and "Daily's" brands. The meeting with SDS provided useful read-through into Johor consumer spending trends and cross-border retail dynamics, while management also shared updates on its expansion into packaged confectionery products following the recent assets acquisition from Mamee Bakery.

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Growth drivers and guidance

Management expects the operating environment to remain challenging in the near term amid soft consumer spending. In response, the group is slowing outlet expansion plans, with only two locations currently secured for CY26 (Johor Bahru and Central Malaysia), while prioritising refurbishment works and operational optimisation, including streamlining menu offerings. Despite softer traffic trends, average basket size improved to slightly above RM29 from ~RM28 previously, partially cushioning weaker same-store sales growth. SDS has also implemented selective price hikes to mitigate cost pressures, including 3%-4% increases on selected items in July 2025 and a broader-based 6% increase for bun products in April 2026. No price adjustments were made to the wholesale segment.

Separately, management is targeting commercial launch of its packaged snack products by June/July 2026 following the acquisition of selected bakery-related assets and brands from Mamee Bakery in Nov 2025. Planned products under the *London* and *Tora* brands include swiss rolls, layer cakes, and pie cakes. The acquisition marks SDS's expansion beyond its traditional fresh bakery offerings into packaged confectionery products with longer shelf life and wider distribution potential, leveraging its existing wholesale and retail channels. Initial FY27 contribution is expected to remain modest, though packaged foods are viewed as a longer-term diversification avenue.

Our observations and thoughts

Discussions during the meeting focused mainly on recent sales trends and cost pressures amid ongoing Middle East conflict. Management acknowledged that consumer spending was relatively soft in February/March, due to Ramadan seasonality and Chinese New Year festive period as customers returned to their hometowns. Nevertheless, April sales trends remained stable YoY despite recent price hikes. We view this as consistent with broader consumer sector observations, where discretionary spending remains subdued and companies face increasing difficulty passing through costs. Another interesting discussion point was cross-border consumer spending trends. Management noted that Singaporeans' spending moderated towards end-2025 partly due to Singapore's local stimulus program, namely the CDC voucher scheme, which redirected spending domestically. However, management expects Johor retail traffic to benefit longer term once RTS Link becomes operational.

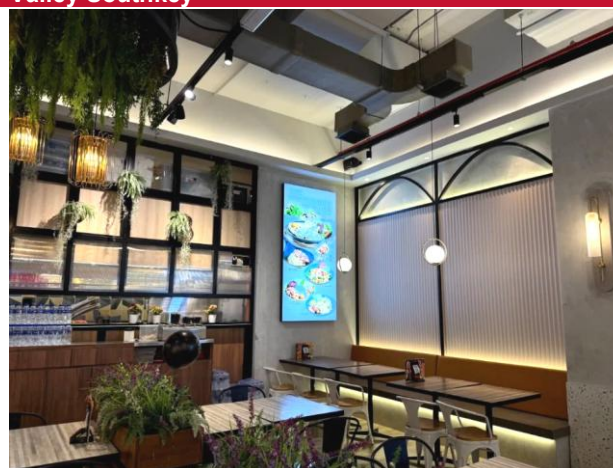
Investors also raised questions on cost inflationary pressures, in which management indicated that packaging remain the key cost pressure which have risen by around 10%–15%, while ingredients cost trends are mixed and logistics impact remains manageable due to continued diesel subsidies.

Exhibit 16: SDS's In-store Bakery Product Offerings



Source: Company

Exhibit 17: Interior View of SDS Bakery & Cafe at Mid Valley Southkey



Source: Company

5. Wentel Engineering Holdings Bhd (WENTEL – NR)

We met with the management team led by Mr Chuah Chong Syn, CEO of Wentel Engineering Holdings Bhd. Listed on ACE Market since Feb 2024, WENTEL is recognised as one of the key players in metal fabrication and assembly. Its clientele includes manufacturers of security screening equipment, CNC machines, semiconductor manufacturing equipment, medical diagnostic equipment, and industrial 3D printers (see Exhibit 18 for revenue mix by industry). While the market still largely views it as a security screening fabrication company, semiconductor-related exposure is scaling up alongside the commissioning of its new manufacturing facility targeted by June 2026.

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Growth drivers and guidance

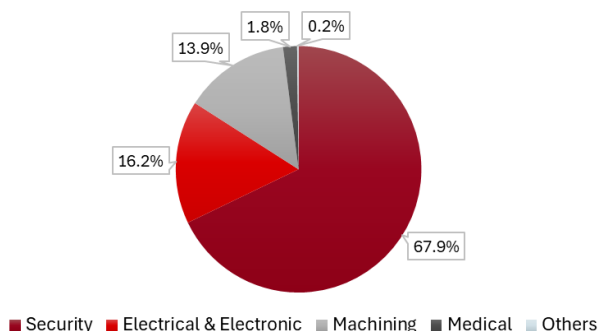
The semiconductor segment is expected to remain the key growth driver for WENTEL, with revenue contribution projected to increase to 25%-30% in FY26 (vs 16% in FY25) as per company guidance. This is supported by growing contribution from Customer A (a global leader in semiconductor equipment), which could potentially enter the group's top three customer rankings in FY26 from top five currently. Meanwhile, the group's new manufacturing plant, which focuses on higher-precision work and higher-end industries, is targeted for completion by June 2026, with commercial production expected to commence in 3QFY26 (see Exhibit). The new facility is expected to take around 3-5 years to reach optimal utilisation levels of ~80%, versus existing plant utilisation of around 75% currently. In relation to the new plant, the group is also applying for Automation Capital Allowance (ACA) incentives under MIDA, with expected non-recurring tax savings of ~RM5m in FY26.

On the other hand, management expects the security screening segment, which accounted for 68% of FY25 revenue, to continue delivering high single-digit growth supported by resilient demand for security screening equipment across air passenger and air cargo applications. Management also highlighted that an adjacent land next to the new plant, acquired in 2022, provides additional expansion capacity for future development over the longer term.

Our observations and thoughts

Main areas of discussion included utilisation ramp-up for the new plant, growth outlook from its key semiconductor customer and potential impact from the ongoing Middle East conflict. Management indicated that current disruptions remain manageable, with the main impact stemming from longer material lead times, particularly for imports from Europe, while the impact from higher logistics costs is estimated at <1% of revenue with no immediate need for pass-through to customers. In addition, management also acknowledged the challenges of attracting and retaining local talent in Johor. To mitigate this, the group continues to invest in internal training, internship programmes, and form collaborations with universities and training institutions to strengthen its talent pipeline, amid competitive labour market in the broader Johor-Singapore region.

Exhibit 18: WENTEL's Revenue Mix by Industry (FY25)



Source: Company, Kenanga

Exhibit 19: WENTEL's New Manufacturing Plant



Source: Company

6. BP Plastics Holding Bhd (BPPLAS – OP; TP: RM0.87)

We met with Mr Lim Chun Yow, Managing Director and Tey Yeng Yeng, Head of Finance of BP Plastics Holding Bhd. BPPLAS is a flexible plastics packaging manufacturer and among the larger PE film manufacturers in Asia, with exports contributing c.70% of revenue across key markets including Japan, Korea and ASEAN (see Exhibit 20 for geographical revenue breakdown). We continue to see BPPLAS as a beneficiary of the current resin inflation and tightening supply conditions following the Middle East conflict. While higher resin prices are typically viewed negatively, the plastic packaging industry largely operates on a cost-plus model, allowing higher resin costs to translate into stronger ASPs and potentially support earnings upside during periods of sharp resin price spikes. Meanwhile, BPPLAS's ongoing penetration into higher-value consumer packaging applications (particularly bread bags) could support longer-term earnings quality.

Growth drivers and guidance

Management indicated that resin supply concerns have driven customers to increase inventory buffers and diversify supplier arrangements. This has supported an improvement in current utilisation rates to around 60%-70% (versus 40%-50% previously). To strengthen supply resilience, BPPLAS has also diversified procurement beyond its traditional Middle East and US sourcing channels through re-exported resins and selective Chinese resin purchases, while current inventory levels remain manageable for near-term operations. Kenanga views that its 1Q earnings could remain mixed depending on inventory positioning and timing of resin cost pass-through, while 2Q performance could strengthen on the back of higher ASPs.

Beyond the near-term resin-driven tailwinds, management continues to focus on improving product mix towards higher-margin

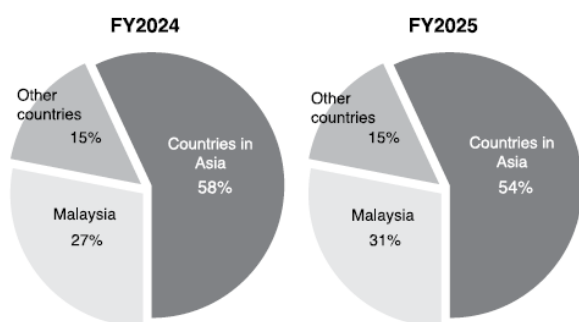
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and more customised consumer packaging applications. The group is making encouraging progress in the bread bag segment, having secured positions as second supplier for several major bread brands. Management views bread bags as a strategic entry point into higher-value consumer packaging, although qualification cycles remain lengthy at up to 12 months due to stringent print quality and food safety requirements. At the same time, the group is also focusing more on its blown film products, including printed blown film, form-fill-seal packaging (e.g. sugar bags, flour bags, oil bags) and shrink film applications (for mineral water packaging). While blown film currently contributes around 25% of production volume, management believes the segment could potentially account for c.40% of PBT given its stronger margins and higher customisation requirements. Contribution from bread bags and higher-value blown film products is expected to scale more meaningfully from 2027 onwards, albeit from a small base in the near term.

Our observations and thoughts

Questions from investors were primarily focused on bread bag expansion, resin pass-through dynamics and supply availability risks following the Middle East conflict. While investors were concerned about customer acceptance of higher ASPs, management's comments suggest that industry discussions have increasingly shifted from pricing negotiations towards ensuring supply continuity. In our view, this reflects a tighter industry supply environment where procurement reliability has become more important than pricing alone, particularly for key input materials like packaging. We also believe the ongoing multi-sourcing trends among packaging buyers could create opportunities for players like BPPLAS to penetrate new accounts as alternative suppliers. Separately, management's push into bread bags and customised consumer packaging is viewed as strategically positive, as it supports a gradual shift away from more commoditised packaging products towards applications with higher customer stickiness, stronger margins and potentially more stable earnings visibility over time.

Exhibit 20: BPPLAS's Revenue by Geographical Segment



Source: Company

HI Mobility Bhd (HI – NR)

We met with the management team led by Mr Lim Chern Chuen, CEO of HI Mobility Bhd, which has been listed on Main Market since Mar 2025 and is principally a bus service provider offering both cross-border and local bus services, known for its flagship *Causeway Link* brand. The company operates >800 buses, including 65 electric buses, across approximately 150 routes in Malaysia (Johor, Melaka and Klang Valley) and Singapore. The group is uniquely positioned as the sole Malaysian operator providing cross-border services into Singapore, making it a key proxy to Johor-Singapore connectivity theme, leveraging on cross-border commuter flows. The upcoming Rapid Transit System Link (RTS Link), slated to commence operations in Jan 2027, will have the capacity to carry up to 10,000 passengers per hour in each direction between Bukit Chagar (Johor) and Woodlands North (Singapore) in about five minutes, helping alleviate congestion along the Johor-Singapore Causeway.

Growth drivers and guidance

While some may see the RTS Link as a potential threat to cross-border bus operators, management believes HI Mobility's bus services can remain competitive due to lower fares, seated comfort and end-to-end multipoint connectivity. Management also sees opportunities arising from first- and last-mile connectivity surrounding RTS stations, with related demand estimated to unlock an addressable market opportunity of c.RM177m. In addition, tighter Singapore VEP regulations (i.e. increased entry permit fees for foreign-registered vehicles), also starting Jan 2027, could further encourage modal shift towards public transportation and cross-border bus usage. Currently, about 400,000 Malaysians commute daily across the Causeway, while HI Mobility's Causeway Link services record around 66,000 daily crossings (see Exhibit 21 for cross-border service revenue trend). Management highlighted that around 90% of its cross-border revenue is currently generated during non-peak hours, with reduced congestion post-RTS potentially improving peak-hour ridership capture.

Meanwhile, earnings visibility remains supported by the group's contracted public bus service operations, which largely operate

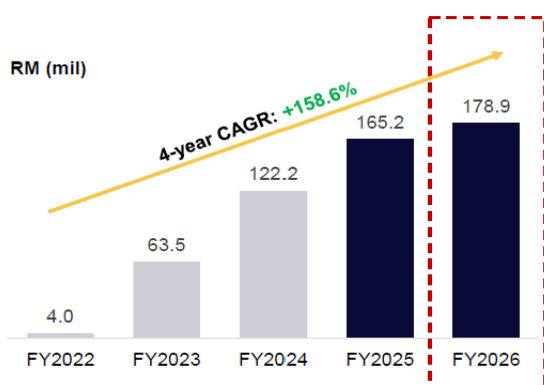
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under the gross cost model, where operators are paid fixed contracted fees based on kilometres travelled regardless of ridership levels. This contrasts with the net cost model, where revenue is more dependent on passenger volume, such as cross-border and intercity services. As of Jan 2026, total government contract value stood at RM424m (see Exhibit 22), while unbilled order book amounted to RM360m. Separately, its recent acquisitions including Acacia (bus distribution and assembly) and Handal BCM (commercial vehicle distribution) are expected to strengthen the group’s integrated commercial vehicle solutions.

Our observations and thoughts

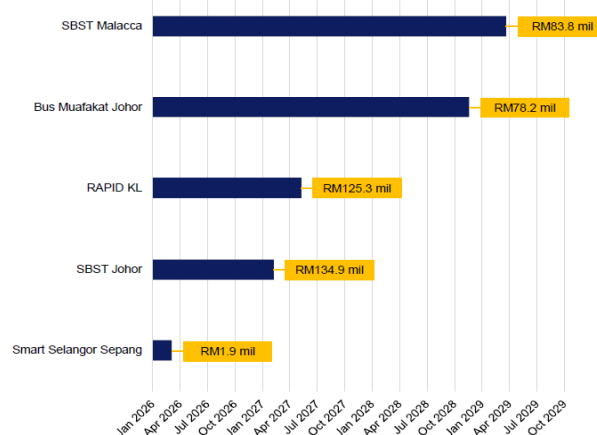
The discussion was largely anchored around the outlook for cross-border ridership following the upcoming RTS Link, where management highlighted that buses are likely to remain relevant for commuters seeking lower fares and broader end-to-end connectivity, even after the RTS Link begins operations. Investors also raised questions on driver recruitment and retention challenges, which management acknowledged remain ongoing issues amid higher salary opportunities in Singapore. To address this, the group operates its own training centre to recruit and train new bus drivers, while also providing subsidised bus driving licences and competitive compensation to attract and retain drivers. For our earlier non-rated note on HI Mobility, please see report dated 8 August 2025 by analyst Tan Woon Pin ([link](#)).

Exhibit 21: Revenue from JB-SG Cross-border Service



Source: Company

Exhibit 22: HI's Government Contracts by Duration and Contract Value



Source: Company

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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