

1QCY26 Report Card

Room for Risk

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FBM KLCI (pts)

Current	Target
1,683	1,770 ↑

- i) **A solid 1QCY26 earnings provide strong buffer for the rest of the year.** For both the 30-stock FBMKLCI and the broader coverage universe, the percentage of firms that met or exceeded expectation was high this quarter. This acts as a strong buffer to earnings as we observe many have also sought to lock in inventory or pass on costs (exhibit 2).
- ii) **Taming some exuberance...** While AI and front-end exposed tech stocks have a strong runway, the sector with most recommendations lowered post 1Q26 results season has been tech, followed by oil and gas. In the latter, we see peak oil price-induced exuberance is now behind us, and have lowered **PCHEM**. A Middle East conflict resolution pencilled in by 3QCY26 is still remaining our base case, despite uncertainty at time of writing on status of blockade.
- iii) **... to switch into buying opportunities where concerns have been excessive.** Broadly, within our coverage universe, the ratio of downgrades to upgrades were stable QoQ, with upgrades in consumer-related stocks. This is mainly instances where valuations have priced in risk of inflation of subsidy removal pressures, or have approached multi-year lows. Positive risk-reward has thus emerged for **PETDAG**, **QL**, and **PADINI**.
- iv) **Rotation of picks within sectors.** While we like the plantation sector, we are mindful of policy risks from Indonesia with regard centralized procurement and have considered that in reordering sector preference where we now like most **IOICORP** (as more insulated). Within banks, we have also pushed **PBBANK** into top sector pick, unseating **CIMB**. We were tactically more careful in banks for 2QCY26 which has played out well, and we now see risk being generally well contained especially for larger banks.
- v) **Market earnings decent as value unlocking activities sustained.** Malaysia corporates are well prepared and thus we turn a bit more aggressive as encapsulated in our title "Room for Risk" as we lift year-end FBMKLCI target slightly to 1,770 from 1,760. Earnings growth of +c8% is flattered by **PCHEM**, without which, KLCI would still print a respectable +4.8% for 2026. Following 4QCY25 filled with dividend surprises, we continued to see value unlocking initiatives by **PBBANK**, and **IJM** this quarter. **TM** proceeded with its higher payout ratio as guided. Please see exhibits 9-11 for market picks, where we have added **SPSETIA** and **FRONTKN** to our picks.

Good start provides some earnings buffer for the rest of the year

A high number of corporates meeting or beating estimates. The number of companies within our broad coverage universe of around 130 stocks that have beat or met expectation was at 74%, slightly above average (past 4 quarter average of 70%). The same can be said for the FBMKLCI constituent firms at a higher 93% (past 4 quarter average of 80%). The above percentages being higher than usual to us act as a good buffer. We believe most firms have yet to take an assumption that the Iran conflict will be much prolonged at this point. Selected names only at the moment have felt the pinch; for example **WASCO** (OP; TP: RM1.32) with operations in the Middle East, experiencing deferment of some projects and slower job replenishment. In general, we expect most of the adjustments occurring only in 2Q26 results.

Exhibit 1: Percentage Of Beat, In-line and Miss Results For Both The FBMKLCI And The Broader Coverage Universe Over The Past 5 Quarters

Period	KLCI			Broader coverage universe		
	Beats (%)	In line (%)	Misses (%)	Beats (%)	In line (%)	Misses (%)
1Q25	0	74	26	10	54	36
2Q25	15	74	11	11	64	25
3Q25	4	82	14	11	61	28
4Q25	11	61	29	22	48	30
1Q26	14	79	7	13	61	26

Source: Kenanga Research

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Where possible, many have tried to lock in costs or pass it through... Naturally, some firms have been able to lock in raw material costs. Within plantation companies, **HSPLANT** (MP; TP: RM11.95), **KLK** (OP; TP: RM24.50), **SDG** (MP; TP: RM5.80), and **TSH** (MOP; TP: RM1.60) are among names that have locked in fertilizer costs for the rest of the year, versus others that would have procured between 3-6 months. Elsewhere, we also observe that in the consumer space the ability to passthrough varies, possibly reflecting varying degrees of elasticity of demand - some firms such as **MRDIY** (OP; TP: RM1.95) and **PADINI** (OP; TP: RM1.75) have chosen to hold back from raising prices, while **NESTLE** (MP; TP: RM106) have said may wait till a later time.

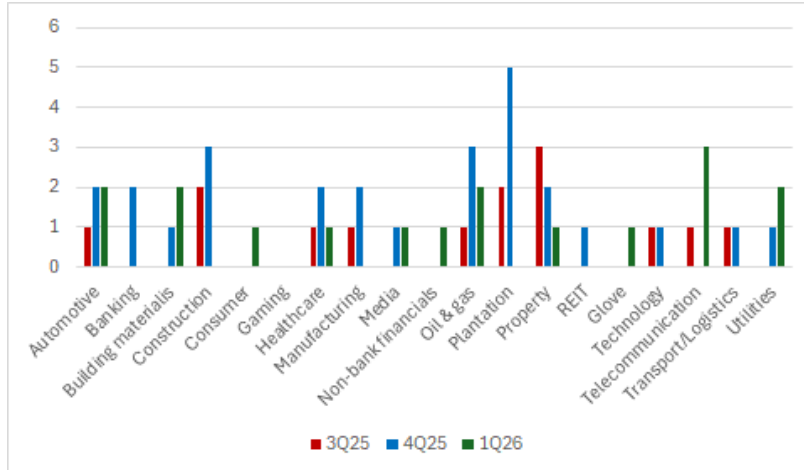
...though some have not adjusted inventory strategy. However, some sectors generally won't see early procurement of inventory, including tech companies sampled below, plastics packaging manufacturers, and pharmaceuticals companies (exhibit 2). Auto manufacturers choose not take a view on the timing of the war and have maintained 3-4 month inventory, while others such as glovemakers don't have an option to store up as raw materials don't have a long shelf life. Given a general 3-4 month inventory, a prolonged supply disruption could exert more pressure ahead. At time of writing, the status of reopening of the Straits of Hormuz is still an overhang given Iran has reportedly suspended talks with the U.S. Our base case still sees normalizing conditions in 3Q26.

Exhibit 2: Inventory and Revenue Strategies Adopted by Various Sectors (non exhaustive)			
Strategy	Sectors	Firms	Inventory or revenue strategy
Adopts unchanged inventory strategy	GLOVES	In general	less than 1 month of Nitrile Butadiene as these are perishable
	TRANSPORT & LOGISTICS	SWIFT, WPRTS	1-2 months for fuel storage. Unchanged as firms do not speculate on timing of war ending
	PLASTICS	BPPLAS, SCIENTEX, TGUAN, SLP	Holds generally 1.5-3 months inventory and inventory procurment strategy is unchanged; TGUAN noted may lower slightly inventory due to volatility of price
	TECH	INARI, UNISEM	Unchanged as INARI continues to hold certain customer-specific materials ahead of customer ramp-up; for UNISEM also unchanged, given a demand-led inventory approach to support production flow and loading
		PIE, NATGATE, SKPRES	Inventory strategy follows customer forecasts to restock accordingly without proactive buffer build
		KGB	Unchanged, as its project-based engineering model requires limited physical inventory
	AUTOS	Across auto manufacturers we cover	Pharma firms (generic durgmakers) under our coverage have 3-6 months of raw material inventory (Active Pharmaceutical Ingredient). Typically, raw material accounts for 50%-60% of total cost. Higher raw material cost will only be felt between six to nine months
Generally may pass through some costs	CONSUMER	F&N	Raised prices on plastic-related products in Thailand starting May, and reduced discounts on low-margin SKUs in Malaysia
		FFB	Sourced HDPE resin from China to restore plastic bottle supplies from May 2026 despite higher costs
	OIL&GAS	DIALOG	Current EPCC jobs for DIALOG are inhouse and thus less affected, but could adjust price for new 3rd party jobs
Indicated could hold back from ASP increases	CONSUMER	NESTLE	Increased inventory levels to ensure supply continuity; not looking to pass through cost until at least 4Q
		PADINI	No plans to raise selling prices; maintain affordable pricing
		MRDIY	Maintaining stable prices while leveraging procurement scale advantages
Has locked in some costs	PLANTATION	HSPLANT, KLK, SDG, TSH	For planters that we cover, all have secured up to at least 1H26, with those specially named here being those that have secured until year end
	UTILITIES/RE	PEKAT	Held 6 months of inventory (solar panels) since last quarter)
		SCGBHD	Has secured 3 months of polymer

Source: Kenanga Research, Companies

Some adopt a wait and see approach with regards guidances as well. For banks, generally save for **BIMB** (MP; TP: RM2.05), most banks have yet to have to change their ROE guidances as previous provision overlays – set aside earlier for the Trump Tariffs could be reallocated; nevertheless, the lack of visibility at the moment also forced some of the banks to hold on longer to provide concrete guidance; this includes the like of **MAYBANK** which have hinted that its guidances could be revised down in 2QCY26; our base case is that guidance will fall towards the lower-end of original management targets.

Exhibit 3: Number of Beats in Coverage Universe Over the Past 3 Quarters (by Sector)

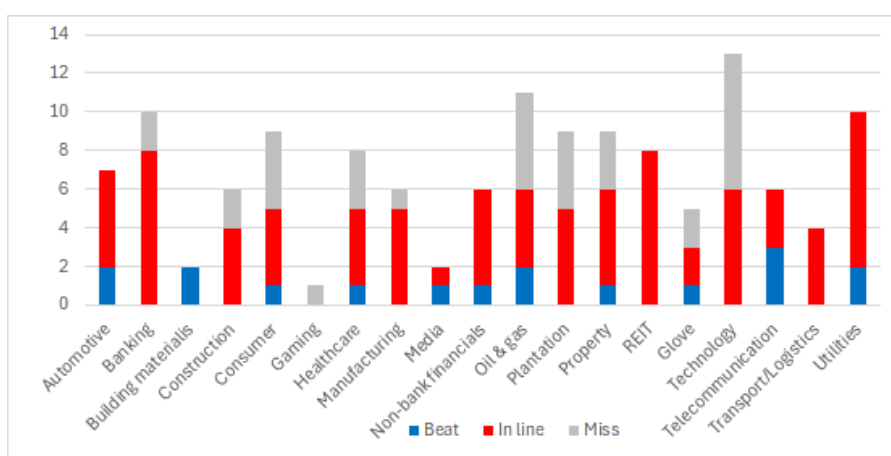


Source: Kenanga Research.

Per number of beats, TELCO delivered a standout quarter, while plantations and construction took a breather. Namely thanks to **AXIATA** (MP; TP: RM2.05) and **OCK** (OP; TP: RM0.50) and **TIMECOM** (OP; TP: RM6.60), telcos gave a good account of themselves this quarter with 3 beats. For OCK this had dovetailed with enhanced visibility of JENDELA phase 2 project rollout, alongside stronger earnings delivery by **EIPOWER** (unrated) on data centre pipeline. We had also lowered TP for **CDB** (OP; TP: RM3.35), but that was to reflect our assessment of equity accounted losses in DNB, which we have also replicated the same across to **MAXIS** (MP; TP: RM3.63). On the other hand, after 2 consecutive quarters of good showing in terms of number of beats seen in construction and plantation (exhibit 3), this quarter both had taken a breathe, by our count.

Taming Some Exuberance to go into some areas where concerns have been excessive

Exhibit 4: Hits and Misses for 1QCY26 (Coverage Universe)



Source: Kenanga Research.

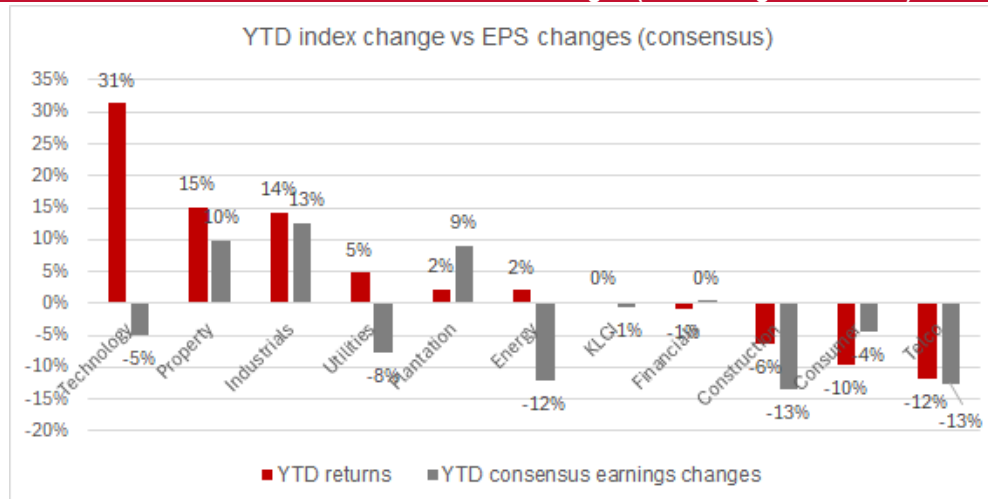
Tech and oil and gas still dragged The ratio of upgrades to downgrades this quarter for the broad universe we cover rebounded from the 0.7x 4Q25 to 0.8x (9 upgrades and 11 downgrades), although this ratio is still lower than the 0.9x seen 2 quarters before. If judging purely by the proportion of misses by sector, this remained pronounced in the tech sector still, which reported an equal split between companies that delivered in-line results versus those that missed (exhibit 4). The Oil and Gas sector, coming in a close second, was only slightly better.

Keep your winners. Curiously, however, half of the technology sector names that missed earnings still saw share prices climb higher on the subsequent day, implying valuation multiple rerating impulse at play. YTD, the KLTEC sector has returned 31% with 18% growth in the month of May, and we see a need to be more discerning. OSAT players' outlook remains broadly steady, while ATE providers stay well positioned to ride the current up-cycle and are guiding for firmer automation demand. Overall, we see no slowdown in the AI cycle, with street forecasts implying a 25% CAGR in revenue growth for major foundries through 2027. In that sense, we are glad to "keep our winners" such as in our TP upgrades in **KGB** (OP; TP: RM9.05), **FRONTKN** (OP; TP: RM5.10). Even so, some names have run ahead of fundamentals, resulting in us downgrading **OPSTAR** (UP; TP: RM0.42), **SKPRES** (UP; TP: RM0.030), and **PENTA** (MP; TP: RM3.95). Relatively speaking, the EMS segment continues to face near-term challenges, with end customers in the process of reconfiguring their manufacturing footprints. For instance, for **PIE** (MP; TP: RM1.45), despite encouraging initiatives of China+1 with multiple ongoing discussions for potential new business it is currently enduring low utilization given new customer hasn't commenced.

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Lowered PCHEM as we see risk from longer-term supply-demand dynamics. In our view, **PCHEM** is priced to perfection for its current dynamics, whereby we have downgraded to a MARKET PERFORM at RM5.40. **PCHEM**'s earnings for FY2026 represents a lofty jump from FY2025 and in the near-term price outlook will remain firm in general. Our base case, however, is that the blockade will be reopened sometime in 2H26 and that a gradual return of normalcy from Middle-East petrochemical production dovetailing with China capacity additions will usher in a potential surplus market for polyolefins market in FY27. This would render risk-reward no longer commensurate with a OUTPERFORM at current prices.

Exhibit 5: YTD BURSA Index Returns vs EPS Changes (Bloomberg Consensus)



Source: Kenanga Research.

Upgraded consumer names after risk-reward turns positive. Generally, consumer is one of the sectors whereby its de-rating of valuation has played out (exhibit 5), accompanied with some earnings cuts. Both **PADINI** (OP; TP: RM1.75) and **QL** (OP; TP: RM4.05) have seen share prices being sold down to near 10-year low or near 10-year low valuations, which suggests much of the concerns have been priced in. For the former, underlying apparel demand remains soft amid subdued discretionary spending and more intense competition within the apparel retail segment, and we believe the re-rating will occur once there is more clarity of resolution of MACC-related investigation, where company has clarified that there is currently no disruption to working capital or supplier payments. For **QL**, on the other hand, management foresees improving trends, supported by good fish landings, gradual recovery in overseas poultry operations and early signs of improving store sales from new product launches under CVS. On a related note, we have also upgraded **SUNREIT** to MP (TP: RM2.45), giving valuation benefit in anticipation of planned asset injection of Sunway Velocity Mall.

PETDAG risk appears to have priced in the risk of T20 subsidy changes with regard BUDI95. Likewise, in the area of consumption in retail, the risk of a T20 subsidy removal for BUDI95 have caused share price of PETDAG to have slumped 16% since early May. Our back-of-the-envelope calculation is that this magnitude of a slump has already fully discounted this risk pertaining to **PETDAG**'s exposure to the T20 folk which represents 16% of its revenue (assuming 30% of its retail business is in T20). As such we have upgraded **PETDAG** (OP; TP unchanged at RM21.20).

Risk-reward not looking appealing at some smaller banks. The smaller of the banking names, may in our view experience higher provision pressure in the near term. We remain watchful for **AFFIN** (MP; TP: RM2.50) with regards its 13bps credit cost guidance as we are concerned of its near-term credit cost trajectory given the group's low LLC (c.70%) and thin overlay balance; on the other hand, **MBSB** impairments pressure (from BAU staging requirements of its accounts as opposed to general overlays) in addition to NIM pressure were factors that sufficiently led us to downgrade the bank to a MARKET PERFORM (TP: RM0.60). At the same time, we were also slightly more cautious on **BIMB**, which we have also lowered to MARKET PERFORM (TP: RMRM2.05) although this takes a different angle of potential slower financing growth.

Sector and Picks Rotation

PBBANK over CIMB. We have generally picked the banks that have more flexibility to pay out dividends, in our view, and **PBBANK** (OP; TP: RM5.95) has unseated **CIMB** (OP; TP: RM8.45) at the pole position for banks. Dividend appeal is also consistent with our backing for **LPI** (OP; TP: RM16.00), where we anticipate special dividends potential to have crystalized after its 1.1% stake in **PBBANK** disposal in May this year. We continue to like **TAKAFUL** for the dividends angle as well. In general, we have been more optimistic in the NBF1 space, having recently upgraded **CTOS** (OP; TP: RM0.83).

Rotation in the plantation space. Given the recent emergence of Indonesia's setting up of a centralized procurement entity for CPO, coal and ferro-alloys, this may have the potential of distorting market dynamics and exert valuation pressure for planters operating in Indonesia. We have taken this into account in rejigging our plantation pecking order, now preferring **IOICORP** (OP; TP: RM4.55) which is more insulated geographically over **KLK** (OP; TP: RM24.50). Accordingly, we have also upgraded **HSPLANT** which is insulated from Indonesia risk to a MP at TP of RM1.95, from SELL. **TAANN** (UP; TP: RM4.40) equally possess this relative safety, but at the moment share price in our view has reflected in fundamentals (which we have downgraded over the results season). Very strong El-Nino at 1 in 3 chance, as predicted by NOAA, keeps a lot of interest in

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this space despite fertiliser costs expected to rise 20-30% in 2H2026. We have not factored in a very strong El-Nino in our forecasts at this juncture.

Market pick changes. Post lowering **PCHEM** to a MARKET PERFORM, we have added **SPSETIA** (OP; TP: RM1.43) into our market picks. Joining **KGB**, we include **FRONTKN** into our market picks, in place of **UWC** which has seen strong run-up in share price at the moment.

Value Unlocking

Multi-year unlocking plans in IJM (OP; TP: RM3.35). IJM unveiled a RM3b value realization roadmap to be crystalized over the course of next three years (translating to a 28.0 sen per share or 13% yield), including in the nearer-term the listing of its construction arm, followed later by its toll-road spinoffs. This was despite what we regard to be a “kitchen-sinking” quarter, with construction margin still weak. The construction sector has been one of our conviction sectors for 2Q26 (alongside utilities, renewable energy and oil and gas). Outlook is supported by guidance for order book replenishment that has generally been unchanged (although for **KERJAYA**, we have removed prospects for data centre at this juncture given slow materializing of deal).

Tactical 2Q26 stance on banks has more or less played out. Our 2Q26 strategy included being more selective in timing of buying banks as we see the case for building up some provision buffers. On a quarter-to-date basis, this has generally played out with the banking sector (-2%) underperforming the FBMKLCI (-0.3%) at large. Moving forward, we still prefer banks with capital flexibility. **PBBANK** unveiled a reward plan to pay out excess capital of 100 bps following its determination of excess capital. **CIMB**, which is currently navigating some NIM challenges in Indonesia, had reiterated that it will return excess capital to shareholders, beyond its current set aside capital reward programme amounting to RM2b (of which RM1.24b remains outstanding). In this vein, **HLBANK** has also outlined 60 bps of excess capital but will be assessing conditions but have not committed to paying more dividends (we have kept payout ratio at 48%). **AFFIN** also foresees excess capital (10-30 bps to its CET1) although we think that at the moment the additional capital is likely reserved for loan growth.

Dividends selection doing well. Apart from **PBBANK** and **CIMB** above, **SUNCON**, and **DAYANG** (OP; TP: RM2.45) are names that we have featured as our 2Q26 dividend plays and have so far surprised on dividend payout; **DAYANG** in particular paid out dividends in its first quarter of financial year which it has never previously done. Other names that we considered beat dividend expectations this quarter include **VELESTO** (MP; TP: RM0.32), **PADINI** and **BAUTO**, **AEONCR**. Over in telco, initiatives to unlock value, **TM** declared dividends that represented a 78% payout, in line with our expectation and its recent unveiled of dividend payout policy of minimum 75% of reported PATMI. There were nevertheless some that disappointed per our estimates, including **KEYFIELD** (OP; TP: RM2.00) and **UNISEM** (UP; TP: RM2.47) which had guided that it will preserve funds for capex.

Market Estimates

Headline KLCI growth flattered by PCHEM, without which would reflect +4.3% growth. Interestingly, earnings growth for FY26 for KLCI has in fact risen from previously +5% to +8.5% YoY post the 1Q26 results reason. While there was some light reduction in banks earnings in 2026 which we had applied to **MAY**, **CIMB** and **HLBANK**, these were more than eclipsed by outsized gains from **PCHEM**, and **PMETAL**. **PCHEM** alone contributed 5.8 ppt to the 8.5 ppt growth in FY2026 from previous low base of being loss making. As such, KLCI growth ex-**PCHEM** would be, in our view, more reflective of underlying growth, and would still pencil in at a respectable 4.3%.

Minor changes to our KLCI year-end target. With regard to a base case of assuming the Middle East tensions and oil price risk from the supply side starting to fade by 3Q26, this anchors our view there is not much changed with regard the multiple of 16x which we have ascribed to our blended 2026/2027 EPS, to arrive at a y/e target of 1,770 (from 1,760). We will be watching out for any changes from our base case assumption of the reopening of the straits of Hormuz, the knock on impact to Ringgit, any further details relating to MY Value Up, and any valuation changes induced from potential early elections locally, if any.

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Exhibit 6: Quarterly Results of FBM KLCI Component Stocks

	1QCY26						4QCY25					
	KENANGA			CONSENSUS			KENANGA			CONSENSUS		
	Above	Within	Below	Above	Within	Below	Above	Within	Below	Above	Within	Below
99SMART		0			1			0			1	
AMBANK		1			1			1			1	
AXIATA	1			1				1			1	
CIMB		1			1			1			1	
CDB		1				1			1			1
GAMUDA		1			1			1			1	
HLBANK		1			1			1			1	
SUNWAY		1			1				1	1		
IHH		1			1				1			1
IOICORP		1			1			1		1		
KLK			1			1			1			1
MAXIS		1			1			1			1	
MAYBAN		1			1			1			1	
MISC	1				1			1			1	
MRDIY		1			1			1			1	
NESTLE		1		1				1			1	
PBBANK		1			1			1			1	
PCHEM	1			1					1			1
PPB			1			1			1			1
PETDAG		1			1			1			1	
PMETAL	1			1				1			1	
PETGAS		1			1				1			1
SUNMED/ QL*		1			1			1			1	
RHBBANK		1			1		1				1	
SDGUTR		1				1		1				1
SIME		1			1		1			1		
TM		1			1				1		1	
TENAGA		1			1		1			1		
YTL		0				1		0			1	
YTLP		1				1			1			1
Total	4	22	2	4	20	6	3	17	8	4	18	7
Total (%)	14	79	7	13	67	20	11	61	29	14	62	24

"0" denotes stock not covered, under research blackout or not in FBM KLCI during the quarter.

Source: Kenanga Research, Bloomberg. *For 1QCY26, QL's place in FBMKLCI has been replaced by SUNMED

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Exhibit 7: Broad Sector Guidances by Corporates Post 1QCY26 Results Season

Sector	Remarks	picks
Automotive	Expecting stronger upcoming 2QFY26 results on longer working quarter. No supply disruption for now in vehicles manufacturing, but rising raw materials prices are expected due to rising logistics costs (on prolonged middle-east war).	HLIND, BAUTO
Banking	Most banks guided for repayment concerns to only materialise in 2QCY26 results, which could be followed by revisions to loans growth and credit cost. NIM pressures are expected to continue into the rest of the year. Only BIMB had cut guidances across the board following their soft quarter.	PBBANK, CIMB, AMBANK
Building materials/Mfg	Techbond had overguided that operations were progressing well as its market expansion in Thailand gained traction. However, margin recovery fell short of expectations due to increasing competition.	ENGTEX
Consumer	Consumer spending remains selective post-festive season, as households prioritise essentials amid cost-of-living pressures and geopolitical uncertainties, while discretionary demand stays cautious. Retailers continue to rely on value offerings, promotions and private-label products to support foot traffic. While packaging inflation has emerged as the key cost pressure following Middle East tensions, the overall impact remains manageable for most companies, allowing them to keep prices largely stable, with only selective price hikes and discount rationalisation by some players.	MRDIY, F&N
Construction	No changes in orderbook guidances.	GAMUDA
Healthcare	IHH expects gradual improvement in Singapore operations. In an effort to alleviate payor pressures, the group has introduced package-based pricing to improve transparency and predictability for both patients and payors. It has responded to persistent payor pressure and a structural shift towards outpatient care by implementing a "tactical change" centered on an "out of hospital" strategy including growing its network of ambulatory care centers, and shifting lower acuity (less severe) cases to new ambulatory care centers. It expects 2H to be better than 1H for Malaysia and Singapore due to festivities in 1QCY26. In India, operations remain stable with high teens EBITDA margins. KPJ in 1QFY26 managed to turn one hospital under gestation into bottom-line profitable and is hopeful another one will be out of the woods by end-FY26.	DUOPHARMA
Media	No change to expectations of subdued adex due to economic and geopolitical uncertainties.	None
Non-bank financials	AEONCR continues to expect stronger traction in approaching M40 customers, albeit the group had not offered an updated view since its last briefing in early-Apr 2026. BURSA anticipates ADVs to be supportive, with volatility driving up trading activities. CTOS projects for sequentially stronger quarters ahead from its strategies to target thin/no-file customers. LPI and TAKAFUL continue to lean on banca-partnerships to drive growth and ROEs	TAKAFUL
Oil and gas	Upstream services player in general guided for weaker FY26F earnings as Petronas spending remains slow but FY27F outlook improved. No major impact from US-Iran war except for WASCO which will persist in 2Q26.	DIALOG, UZMA, DAYANG
Property	For SPSETIA and IOIPG, construction cost increased by about 5% post-war. Most developers expect to meet their sales targets with 1QCY26 being seasonally slower from festivities. From higher fuel prices, overall construction cost is expected to increase by 5%-15% between developers, but this number may worsen depending on how long the geopolitical conflict stretches.	SPSETIA SIMEPROP, ECOWLD
Plantation	Harvest is often seasonally weaker in 1Q leading to firmer CPO prices. However, a good CY25 harvest nudged up inventory which dampened 1QCY26 CPO prices (-3% QoQ, -11% YoY) amidst lower QoQ production (-17% QoQ, +2% YoY). Overall, planters are more upbeat from higher CPO prices post the Middle East conflict. 1QCY26 downstream dipped QoQ but improved YoY. Nevertheless, the overall guidance for downstream is still one of caution.	IOICORP, KLK, PPB
Plastics packaging	Most have diversified their raw material sourcing from middle-east to the rest of the world, allowing healthy and sufficient procurement to cater for increased orders. Generally, they have seen increased orders with higher selling prices in 2Q with potential margin expansions even excluding inventory gains. Most are confident to achieve stronger FY26 than FY25.	TGUAN, BPPLAS
Reits	Generally do not see substantial selldown from foreign investors as initially expected after the removal of the Withholding tax since March 2026. Separately, discretionary spendings were slightly softer in 1Q	SUNREIT
Renewable energy	This quarter SLVEST was the outlier, delivering stronger-than-expected margins and faster earnings progress from CGPP and LSS5, exceeding management's earlier guidance to the market. No change in guidance for SAMAIIDEN, PEKA & KJTS.	SAMAIIDEN
Telco	No changes in FY26 guidance in terms of YoY growth for: (i) revenue: low-single digit for TM, MAXIS and CDB; (ii) EBITDA: low-single digit for MAXIS, and (iii) EBIT: flattish for TM, low-single digit for CDB.	TIMECOM
Tech	FX headwinds and the post-US tariff-induced movements were the key swing factors shaping the tech companies' performance. Front-end players continue to see a sustained pickup in project enquiries, underpinned by expanding global semiconductor fab investments. OSAT players' outlook remains broadly steady as they recalibrate strategies in line with key customers' roadmaps, while ATE providers	KGB, FRONTKN, INFOMINA

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	stay well positioned to ride the current up-cycle and are guiding for firmer automation demand into the coming year. The EMS segment continues to face a challenging near-term operating environment, with end customers in the process of reconfiguring their manufacturing footprints across ASEAN and Mexico. These transitions, coupled with the weakening of the USD, are slowing the pace of earnings recovery for EMS players.	
Transport and logistics	For Ports, unsubsidized diesel impact (extra RM50m cost for WPRTS) to be managed through cost-pass through, electrification and transition toward solar-powered cranes/trucks. For logistics players, diesel subsidies are sufficient (30-40% usage) if no policy changes.	None
Utilities	TENAGA guided a higher demand growth of 4.5%-5.5% from 4.0%-5.0%; YTLPOWER's DC to reach 288MW by end-FY27; No change in guidance for SCGBHD.	TENAGA; SCGBHD

Exhibit 9: Top Conventional Picks and Key Investment Statistics

Stock	Stock Call	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	FYE	EPS (sen)		EPS Growth		PER (x)		PBV (x)	DIV	NDPS (sen)	D. Yield (%)
							FY26F	FY27F	FY26F	FY27F	FY26F	FY27F				
CIMB	OP	7.48	8.45	13.0%	80,810.7	12/2026	78.3	84.0	6.5%	7.3%	9.6	8.9	1.0	6.7%	50.0	4.7
PBBANK	OP	4.71	5.95	26.3%	91,424.4	12/2026	38.7	40.1	4.0%	3.6%	12.2	11.7	1.5	6.2%	29.4	2.6
GAMUDA	OP	4.20	5.30	26.2%	25,034.0	07/2026	17.8	23.4	5.3%	31.3%	23.6	17.9	2.0	2.4%	10.0	9.0
TAKAFUL	OP	3.40	4.40	29.4%	2,965.4	12/2026	47.1	48.9	2.6%	3.7%	7.2	7.0	1.2	5.6%	19.0	3.5
SPSETIA	OP	1.00	1.43	43.0%	5,051.5	12/2026	6.6	9.7	-47.5%	46.3%	15.2	10.4	0.3	2.5%	2.5	2.1
KGB	OP	7.63	9.05	18.6%	6,577.9	12/2026	21.4	24.5	29.1%	14.1%	35.6	31.2	8.6	2.0%	15.0	5.4
FRONTKN	OP	4.90	5.10	4.1%	8,883.4	12/2026	12.8	13.9	31.9%	8.7%	38.4	35.3	6.9	0.8%	4.0	3.6
TIMECOM	OP	6.03	6.60	9.5%	11,148.4	12/2026	28.0	30.2	6.3%	7.8%	21.5	20.0	3.8	7.0%	42.0	2.7
TENAGA	OP	14.28	17.00	19.0%	83,240.2	12/2026	85.6	88.1	2.9%	2.8%	16.7	16.2	1.3	3.6%	50.8	3.0
YTLPOWER	OP	4.16	4.55	9.4%	35,966.5	06/2026	24.5	24.1	-27.1%	-1.4%	17.0	17.2	1.6	1.9%	8.0	0.4

Source: Kenanga Research

Exhibit 10: Top Shariah Picks and Key Investment Statistics

Stock	Stock Call	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	FYE	EPS (sen)		EPS Growth		PER (x)		PBV (x)	DIV	NDPS (sen)	D. Yield (%)
							FY26F	FY27F	FY26F	FY27F	FY26F	FY27F				
TENAGA	OP	14.28	17.00	19.0%	83,240.2	12/2026	85.6	88.1	2.9%	2.8%	16.7	16.2	1.3	3.6%	50.8	2.6
TAKAFUL	OP	3.40	4.40	29.4%	2,965.4	12/2026	47.1	48.9	2.6%	3.7%	7.2	7.0	1.2	5.6%	19.0	9.0
IJM	OP	2.26	3.35	48.2%	7,921.7	03/2027	13.5	14.3	53.9%	5.3%	16.7	15.8	0.8	3.5%	8.0	3.1
SPSETIA	OP	1.00	1.43	43.0%	5,051.5	12/2026	6.6	9.7	-47.5%	46.3%	15.2	10.4	0.3	2.5%	2.5	3.6
GAMUDA	OP	4.20	5.30	26.2%	25,034.0	07/2026	17.8	23.4	5.3%	31.3%	23.6	17.9	2.0	2.4%	10.0	2.7
SIMEPROP	OP	1.49	2.00	34.2%	10,133.3	12/2026	8.5	9.5	11.2%	11.8	17.6	15.7	0.9	2.5%	3.3	2.7
KGB	OP	7.63	9.05	18.6%	6,577.9	12/2026	21.4	24.5	29.1%	14.1%	35.6	31.2	8.6	2.0%	15.0	0.4
SIME	OP	2.08	2.75	32.2%	14,176.4	06/2026	19.8	21.5	15.6%	8.1%	10.5	9.7	0.7	6.7%	14.0	3.0
TIMECOM	OP	6.03	6.60	9.5%	11,148.4	12/2026	28.0	30.2	6.3%	7.8%	21.5	20.0	3.8	7.0%	42.0	2.2
FRONTKN	OP	4.90	5.10	4.1%	8,883.4	12/2026	12.8	13.9	31.9%	8.7%	38.4	35.3	6.9	0.8%	4.0	2.4

Source: Kenanga Research

Exhibit 11: Top Small-Cap Picks and Key Investment Statistics

Stock	Stock Call	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RMm)	FYE	EPS (sen)		EPS Growth		PER (x)		PBV (x)	DIV	NDPS (sen)	D. Yield (%)
							FY26F	FY27F	FY26F	FY27F	FY26F	FY27F				
BAUTO	OP	0.920	1.15	25.0%	1,043.9	04/2026	7.3	10.9	-45.7%	49.5%	12.6	8.4	1.6	6.5%	6.0	0.0
UZMA	OP	0.425	0.70	64.7%	256.5	06/2026	14.8	15.9	6.9%	7.5%	2.9	2.7	0.2	0.0%	0.0	2.8
WASCO	OP	0.795	1.32	66.0%	615.6	12/2026	1.4	1.7	-37.5%	23.1%	58.2	47.3	5.0	6.3%	5.0	3.3
SLVEST	OP	2.85	3.36	17.9%	2,721.4	03/2027	13.8	15.4	29.1%	11.6%	20.6	18.5	2.8	0.0%	0.0	3.6
SAMAIDEN	OP	1.25	1.94	55.2%	690.5	06/2026	6.3	7.5	21.3%	18.8%	19.8	16.6	3.1	0.9%	1.1	0.9
PARAMON	OP	1.01	1.47	45.5%	629.0	12/2026	19.1	21.8	66.6%	14.2%	5.3	4.6	0.4	7.4%	7.5	7.4

Source: Kenanga Research

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Exhibit 12: Sector Top picks

Overweight	Neutral		Underweight
<u>Renewable Energy & Energy Efficiency</u> SAMAIDEN	<u>Building materials</u> ENGTEX	<u>Telco</u> TIMECOM	<u>Media</u> -
<u>Technology</u> KGB, FRONTKN	<u>Automotive</u> BAUTO	<u>Port/Logistics</u> -	
<u>Banks</u> PBBANK (from CIMB)	<u>Oil and gas</u> DIALOG	<u>Consumer</u> F&N	
<u>Construction</u> GAMUDA	<u>Plastics</u> TGUAN (from SCIENTX)	<u>REIT</u> SUNREIT	
<u>Utilities</u> TENAGA	<u>Plantation</u> IOICORP (from KLK)		
<u>Gloves</u> KOSSAN	<u>Healthcare</u> DUOPHARMA		
<u>Property</u> SIMEPROP			

Source: Bloomberg, Kenanga Research

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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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