

# Returns Now

## Examining Share Buy Back Amid Fund Outflows

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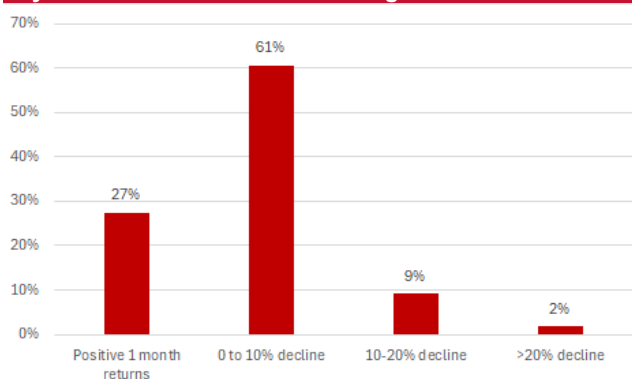
Amid some broad-based regional outflows recently, we visit the topic of retaining investor interest via the use of share buy back (SBB), and its role alongside dividends appeal.

Since volatility hit the markets in 2025, our neighbours such as Thailand and Indonesia have improved the flexibility to tap into share buy backs. Malaysia is more active in terms of number of companies taking advantage of buy backs, where about 17% of companies in BURSA Malaysia over the past two years have done so. Locally, however, much more of the activity are concentrated at the mid cap space, which in our view is still the low-hanging fruit area where we expect to see more companies exploring such a tool given healthy balance sheets and dividend payout ratio headroom.

As for large caps, they already possess strong dividend payout ratios, but we see the ability to balance expectation of a sustained dividend payout ratio, while also mindful of reserving some capacity to provide support during temporary periods of under-valuation to provide a more enduring appeal to investors. AMBANK is one of the active users of share buy backs among FBM KLCI component stocks, while we also spotlight QL, IJM, PPB and SLVEST as names that engage in buy backs which we currently have OUTPERFORM rating.

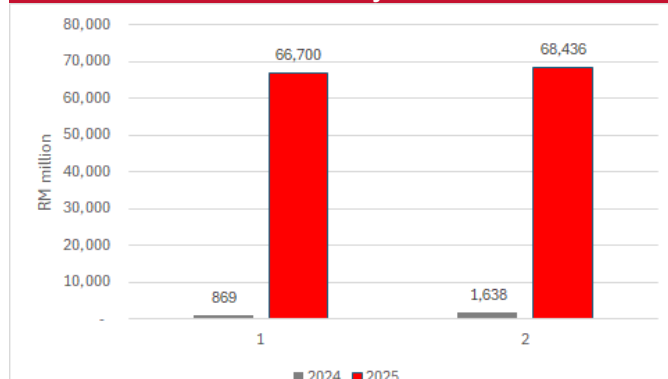
Recent equities fund outflows have not spared countries in the ASEAN region in 2QCY26 quarter-to-date, with the exception of Thailand. From that perspective, we take the opportunity to study share buy backs as a tool of stabilizing the markets. This also dovetails with My Value Up, whereby we believe firms would get better acquainted with their cost of capital in framing strategies, and thus firms with excess cash without projects to deploy (over hurdle rate) may also look to distribute more, or engage in share buy backs. Shares purchased can be held as treasury shares or cancelled, but the impact to earnings per share is the same – due to less shares in circulation, in theory earnings per share should rise, and then in tandem create correspondingly higher valuation.

**Exhibit 1: Percentage of Companies Categorized by One-Month Share Price Changes Before SBB**



Source: Kenanga Research, Bloomberg Sector Classifications

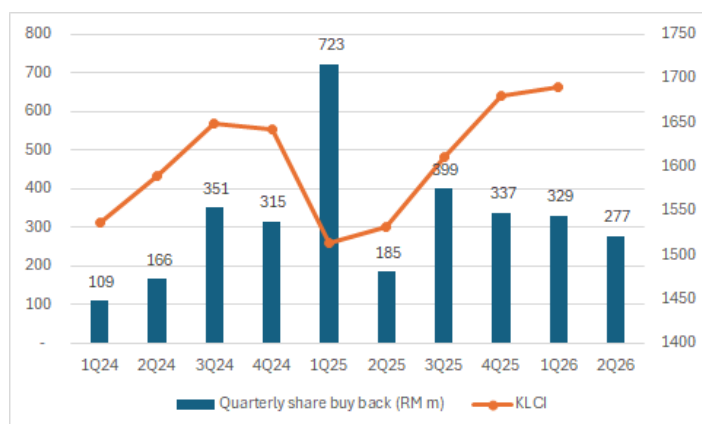
**Exhibit 2: Comparison of Dividends Paid in the Local Stock Market Versus Share Buy Back**



Source: Kenanga Research, Bloomberg.

**60% of the time, buy-backs are conducted at below Price to Book multiple of 1.0x.** Buying back shares has primarily the strong signalling effect of the stock being underappreciated. Studying the data in Malaysia, over the past two years since 2024 and with over 175 companies performing share buy backs, we observed that close to 60% of the time, buy backs are conducted when the price to book multiple are at 1x or less. We also examined the magnitude of decline during which a share buy back transaction is conducted; a coincidental c.60% of the time, management acts when a stock is down between 0-10%, measured using a one-month return basis. A smaller 10% of the time, management only acts after more than a 10% decline in a month. However, the fact that about a quarter of the time the buy back is triggered when the one-month is in positive territory. This suggests that share buy back wasn't triggered as a reaction to near-term moves, but possibly a more consistent purchase plan to take advantage of perceived undervaluation. Post buy backs, the 1-week return turns positive for better than half the time, per our study, indicating the efficacy of the support.

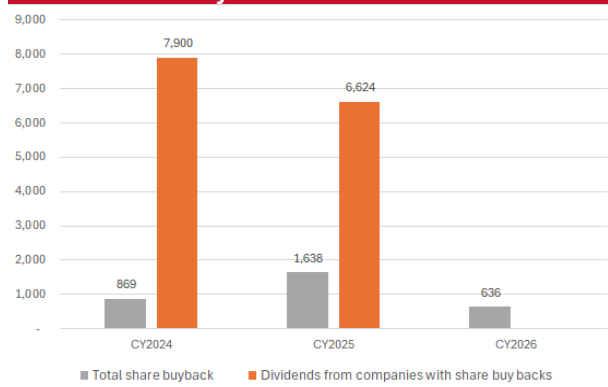
### Exhibit 3: Quarterly Magnitude of Share Buy Backs Plotted Against the FBM KLCI



Source: Kenanga Research

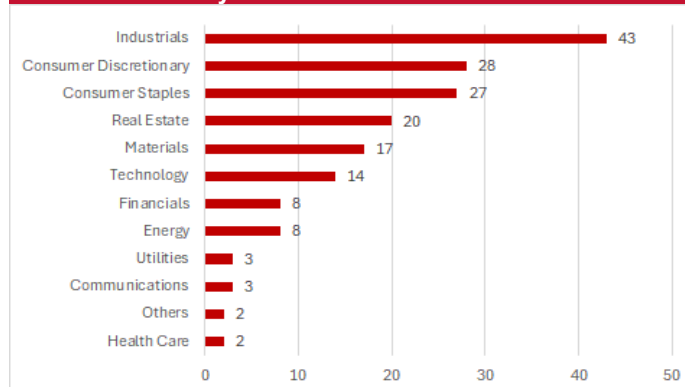
**For stocks active in share buy backs, SBBs are roughly a quarter the size of their dividend payments.** Despite 175 firms or 17% of total firms in the local market (based on Bloomberg filings) have participated in buy backs, for now the overwhelming mode of returns to shareholders is still by way of dividends, with the total share buy back an estimated meagre 2% versus the size of dividends. For those firms that use share buy backs, however, the proportion becomes more meaningful in that the share buy backs would form a larger 10% compared to the dividends paid (exhibit 4). We noted active use of share buy backs being across various sectors, led by industrials and consumer sectors, within the 175 stocks sample. In value terms, we note that the peak of the recent share buy back unsurprisingly coincided with the weak market in 1QCY25 (exhibit 3), culminating in 2025 being as a whole generally a busier year for share buy back than the year before.

### Exhibit 4: Share Buy Backs Versus the Aggregate Dividends Paid by the Same Firms



Source: Kenanga Research, Bloomberg. Note: dividend data for 2026 not yet available

### Exhibit 5: Share Buy Backs Versus the Aggregate Dividends Paid by the Same Firms



Source: Kenanga Research, Bloomberg.

### Malaysia remains relatively active versus peers in number of firms using SBB, but neighbours are not resting on laurels and are providing a push

In 2026, Malaysia stacks as relatively active versus ASEAN peers, with about 110 companies embarking on share buy-back or about 10% of listed firms. This is more pronounced than the 43 companies we saw in Thailand for example, per Bloomberg filings, and ahead of Indonesia that has reportedly 65 firms that are involved in share buy backs, according to news ([link](#), in Bahasa Indonesia).

**Indonesia created some flexibility.** Within the region, Indonesia has historically more stringent view on capital management on buybacks, treating such exercise as a temporary event rather than a tool to sustainably create wealth; this is possibly due to buy-backs having the effect of reducing free float; Indonesia's low free-float has recently surfaced post MSCI flagging such risk for the Republic, which led to reforms including doubling of minimum free float to 15% for existing listed companies. While the general 10% cap on maximum shares to be bought back has still held, under separate regulations to stabilize markets, Indonesia regulations had allowed for an increase to 20% (based on authority conferred to the Financial Services Authority under POJK 13/2023 to take policy decision to manage volatility). We note that Indonesia typically allows such rule relaxation in stressed periods, previously seen in 2020 during the pandemic phase. From March 2025, rules were also eased to allow for a share buy back without having to convene a shareholder meeting for 6 months. For 2026, companies in Indonesia now have utilized 30% of a combined Rp65 trillion commitment (equivalent to some RM15b of share buy-back allocation mapping to just below 1% of the Indonesian stock market capitalization of an estimated equivalent RM2.5 trillion), per news ([link](#), in Bahasa Indonesia).

18 June 2026

**Likewise, Thailand encouraged more frequent use.** Thailand has also upped its incentive for companies to perform share buy backs. Firstly, in end-December 2025, there were amendments put in place in terms of “cooling off period” of six months between a previous and a new share buy-back programmes. Secondly, an extension was given on the duration of holding repurchased shares from three years to five years, subject to shareholder approval, which would allow for some leeway for the company to find the opportune window to dispose of the shares. Post the rules change, Bloomberg filings reveal that the amount spent in share buy back so far is equivalent to RM2b for 1HCY26, larger than the RM0.6b we witnessed for Malaysia, despite a smaller number of companies conducting share buy backs.

**More opportunities in the big caps, although the mid-caps are likely the low hanging fruits.**

Exhibit 6: Comparison of Share Buy Back Programmes			
Area	Malaysia	Indonesia	Thailand
Cap	Cap of 10%	Generally 10%, but in periods of stabilizing market it can go up to 20%	20% (since Dec 2025 from previously no cap)
Constraints	-	Made it easier to repurchase shares which was introduced in March 2025, with share repurchases not needing approval for 6 months	Previously had a "cool off" period of 6 months, which has since been removed end-2025
Holding period	Generally no statutory period but safeguards include annual approval by shareholders for the program.	3 years upon repurchase	Must be held for 3 months and sold before 3 years, but up to 5 years (subject to approval of shareholders), and average share price in the preceding three months to approval is lower than average repurchase price

Source: Kenanga, Various News

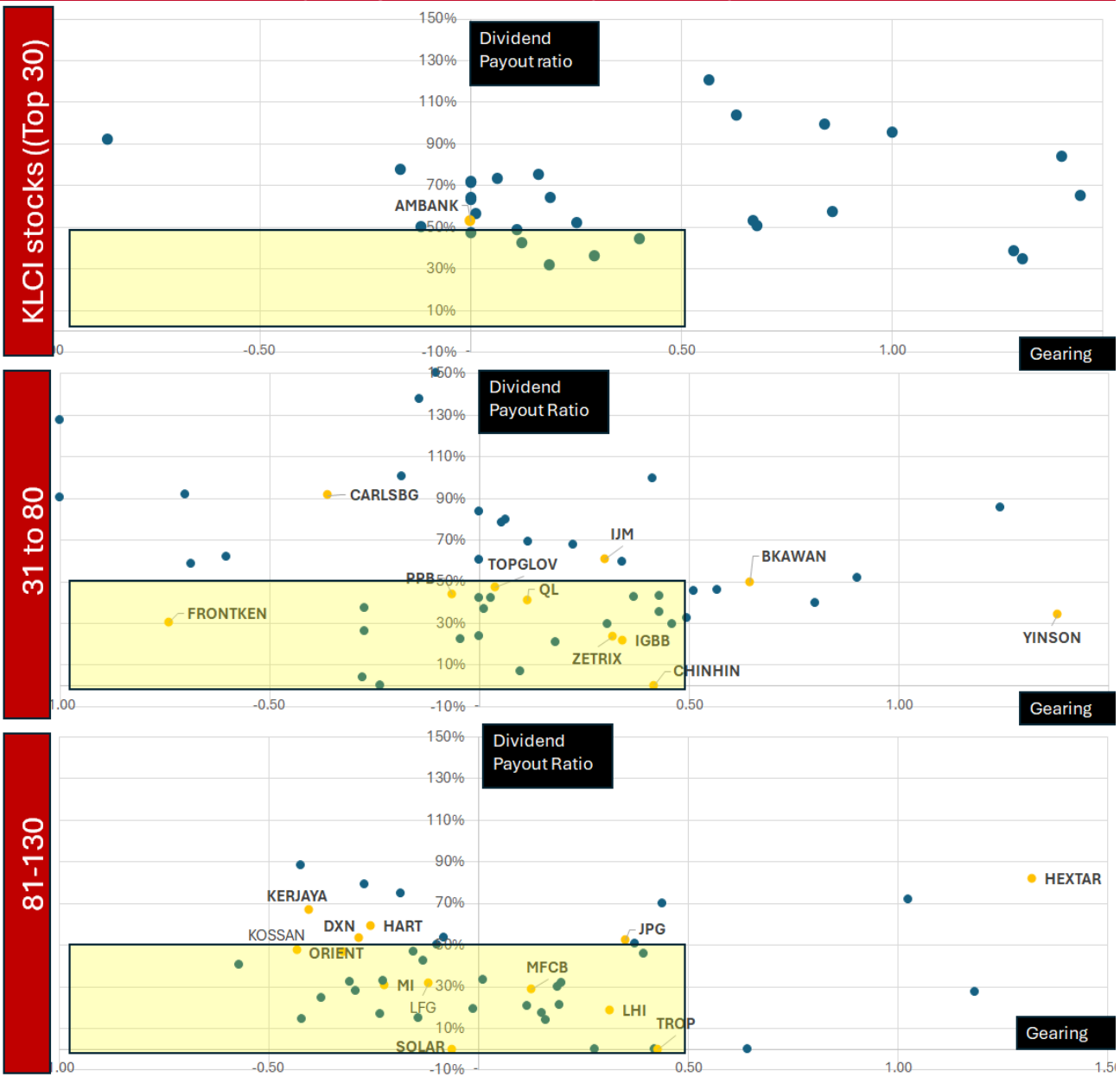
**Malaysia appears less constrained, in our view.** Locally, Malaysia has less red-tape in that there is no statutory restriction on holding period. However, to maintain checks and balance, annual renewal of programmes such as at the AGM are required. Commonly, stocks that have been repurchased and held as treasury shares could be cancelled to permanently reduce outstanding shares, utilized for future fund raising, dividends, or it can be also used for share options issuance as part of employee incentive plan to align with longer-term goals. Malaysia in comparison, also by our estimate has less of a free-float hurdle. Using FBM KLCI stocks as a gauge, and Bloomberg filings on free float, we estimate more than 40% free float for FBM KLCI stocks.

**Larger caps tapping into a share buy-back mechanism to provide stability to market during episodes of share price weakness would be in our view welcome.** Currently 20 of the top 100 stocks have some degree of share buy-back. Where it is more obvious is that within the top 30 stocks, there is much less activity. Within this pool, we have observed that since 2024, only **AMBANK** indulged in share buy backs to a degree. But to give accurate context, most of the 100 largest companies with market capitalization, save for four, already have track record of paying dividends within our analysis horizon, and majority of them have above-average dividends.

Even so, the ability for large caps to balance expectation of a sustained payout ratio on a periodic basis, while also mindful to be able to balance some capacity to support the stock during periods of under-valuation could provide greater enduring appeal to the market. To this end, some banks have also designed a capital return programme (such as CIMB and PBBANK) which creates more nimble business model to pay dividends when suitable. Amid the larger caps and those we are positive on with an OUTPERFORM rating, we highlight **AMBANK, PPB, QL, IJM, and SLVEST**.

**Though as a low hanging fruit, foresee more opportunity for share buy back adopted by mid-sized names.** Based on our count, the top 30 FBM KLCI stocks possess relatively high dividend payout ratios. The proportion of high dividend payout ratio – if taken to be at least 50% - starts to diminish once we go beyond the 30 largest stocks. This is seen in exhibit 7 below where we show the FBM KLCI constituents, juxtaposed against the next 50 stocks (up to 80), and up to 130<sup>th</sup> ranked in terms of market cap (around RM1.8b), providing roughly more than 85% coverage of the entire stock market. Beyond the top 30 stocks, the instances of share buy backs also gets more active, especially for those that have gearing of less than 0.5x and dividend payout ratio of no more than 50%. This is shown in the number of blue circles in the yellow shaded areas in Exhibit 7, where this provides evidence that there could be more potential candidates in the mid-cap space. Companies that already tap share buy backs have been named individually and identified in orange. Up to the 130<sup>th</sup> largest stock, this represented only 15% of our 175 names, with the lion's share of names right now at smaller market capitalization and thus collectively less impactful from a total market standpoint.

Exhibit 7: Comparing Dividend Payout Ratio, Gearing for Top 30 Stocks in the FBMKLCI, and up to the 130<sup>th</sup> Market Capitalization Company. Orange Indicates Share Buy Back Activity has been Conducted Since 2024



Source: Kenanga Research. Note: Dividend Payout Ratio is based on Bloomberg Consensus estimate for FY26 and if not available, FY25.

**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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