STRATEGY

Guiding the MY Value Up Programme

FBM KLCI Target: 1,800
FBM Emas Shariah: 13,100
FBM 70 Target: 18,900

DEVELOPMENT

- Yesterday, the Securities Commission and Bursa Malaysia launched the MY Value Up Programme Guidebook.
- The guidebook sets out a voluntary framework to help Malaysian public listed companies (PLCs) better define, execute, and communicate their long-term value creation plans. Issued by the Securities Commission Malaysia and Bursa Malaysia, the guidebook is positioned as part of the Capital Market Masterplan 2026–2030, with the broader aim of strengthening Malaysia's capital market competitiveness and improving how investors understand the strategic direction of PLCs.
- The guidebook is built around four core principles:
    1. voluntary participation,
    2. forward-looking disclosure,
    3. board accountability, and
    4. proportionality.

  It stresses that companies are not being asked to comply with a rigid reporting template, but rather to develop disclosures that suit their own circumstances, size, and maturity.
- At the same time, the guidebook makes clear that boards should play a central role in setting the tone for long-term value creation, overseeing capital allocation and governance standards, while management is responsible for translating those priorities into execution plans and investor communications. Forward-looking statements are encouraged, provided they are made on a reasonable basis, in good faith, and accompanied by appropriate safeguards and explanations.
- To help PLCs structure their approach, the guidebook introduces five core components of a Value Up Plan:
    1. company overview,
    2. current state analysis,
    3. value up objectives,
    4. value up strategies, and
    5. monitoring and review.

  Companies are encouraged to first provide enough background for investors to understand the business and its context, then assess their current performance using relevant financial, efficiency, and sector-specific metrics. From there, they should define clear mid- to long-term objectives, explain the strategies that will be used to achieve them, and set out how progress will be monitored over time. The guidebook places particular emphasis on linking objectives with actual execution levers such as growth investments, portfolio rationalisation, debt management, shareholder return frameworks, governance enhancements, succession planning, and stakeholder engagement.
- Finally, the guidebook underscores the importance of clear communication with stakeholders and investors, supported by regular updates and structured dialogue. Companies are encouraged to align Value Up disclosures with annual reporting cycles, use multiple communication channels where appropriate, and create a coherent narrative that investors can understand and trust.

OUR VIEW

- **Looking to increase recognition of PLCs value.** We gather that the core message of the guidebook is that many Malaysian companies are fundamentally sound, but market recognition often lags because investors increasingly expect not just financial performance, but also clearer strategy, stronger governance, disciplined capital allocation, and credible execution.
- **To address valuation gap.** We understand that a key rationale for the programme is the persistent valuation gap faced by many Malaysian PLCs. A significant number of listed companies continue to trade at discounts relative to regional and global peers despite reasonable profitability and healthy balance sheets in many cases. Against this backdrop, MY Value Up is intended to encourage companies to articulate their long-term value creation story more clearly so that investors can better assess their prospects, performance drivers, and growth plans.
- **Lessons from peers.** Based on the guidebook and our research, we note the comparison with similar initiatives in South Korea, Japan, and Taiwan, showing that voluntary value-up programmes can gain traction when supported by stronger disclosure practices, market visibility, and governance expectations.
- **Not a compliance document.** Overall, we opine that the guidebook is less a compliance document and more a strategic playbook. It aims to help Malaysian PLCs sharpen their value creation narrative, strengthen investor confidence, and ultimately improve long-term market recognition.
- **Immediate term impact?** While we applaud the release of the guidebook, as it provides a playbook for the PLCs in terms of articulating their strategies, we opine that the immediate term impact may be minimal at current juncture. Firstly, the public plans are expected in 2027. In the meantime, we believe that external events such as the Middle East conflict and worries of inflation and interest rates will have a stronger influence in the short term. Furthermore, we will have to wait for the disclosures by the PLCs to assess how the long-term strategies will be priced in.
- **Signalling effect could come in later.** We expect a signalling effect before a fundamentals effect. However, we expect this to be more at a later period when PLCs starts disclosing their value up programmes. MY Value Up is designed to improve how companies explain their growth plans, targets, and capital allocation priorities, and has been framed as a way to improve price discovery and reward long-term value creation. In market terms, that usually means investors start to differentiate more sharply between PLCs that communicate a credible value-creation plan and those that do not.
- **Selective rerating.** Subsequently, we expect a selective rerating in large-cap PLCs that move early and disclose credibly, especially if they link strategy to ROE/ROIC, cash deployment, and shareholder returns. In addition, we believe that it is plausible to see improved ADV, especially if investor community engagement deepens. However, we are not inputing this at the moment given it is still early stage. Sectorally, we expect financials, telecoms, and mature large caps may lead the first wave, mirroring patterns seen in other markets such as Korea and Taiwan. Of course, the real test will be whether there will be building of comparability and follow-up pressure, rather than stopping at framework issuance.
- **Meanwhile, corporate earnings seem fundamentally sound.** Meanwhile, corporate earnings continue to be robust, suggesting sloid fundamentals. Recall, in the recently concluded 1QCY26 earnings season, the aggregate normalized earnings in 1QCY26 registered quarter-on-quarter growth of +2.1%qoq and year-on-year at +10.5%yoy. The positive year-on-year normalized growth performance in 1QCY26 was mainly due to higher earnings among its Consumer P&S (Sime Darby), Industrial P&S (Petronas Chemicals, Press Metal), Telco & Media (Axiata) and Healthcare (IHH) constituents while moderated by the fall in Financial Services (Hong Leong Bank, Maybank) earnings.
- **Keep the barbell.** Given that we believe that the guidebook will have more of a medium-to-long term impact, we think the right posture remains a barbell one in the short term provided that influence from external events still dominates. On one side, investors may still want exposure to defensive, domestic-demand, essential-service, utilities, telecoms and selected staples names that can better absorb external volatility given that we expect oil price to stay firm and the conflict drags on. On the other hand, any genuine breakthrough such as a clearer Hormuz reopening path could still create relief rallies in lagging cyclicals, exporters and transport-linked names that have already been de-rated by headline risk rather than company-specific deterioration. Our top picks as highlighted in our 2QCY26 update are: **YTL Power (BUY, TP: RM5.65), Ranhill (BUY, TP: RM2.56), Tenaga Nasional (BUY, TP: RM16.40), QL Resources (BUY, TP: RM4.11), AMMB (BUY, TP: RM7.63), Leong Hup (BUY, TP: RM1.07), Mr DIY (BUY, TP: RM2.13), 99 Speedmart (BUY, TP: RM4.37), Pavilion REIT (BUY, TP: RM2.00).**

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STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology