SECTOR THEMATIC

Wednesday 14th October

POSITIVE (Maintain)

Healthcare

PharmaView Expert Series 2026 (Part 1)

Analysts

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HIGHLIGHTS

- Malaysia's pharma sector is shifting to long-term national medicine security.
- High import reliance leaves national health systems vulnerable to external logistics and geopolitical shocks.
- The transition toward an aging nation by 2036 and rising NCD prevalence create long-term demand for maintenance medications, biologics, and biosimilars.
- MOH has established strategic frameworks including MyMedSecure, mandatory 6-month early warning systems, strategic medicine buffers, and MYNAPHS 2025–2030.
- Local players like Pharmaniaga (BUY, TP: RM1.44) and Duopharma (NR) stand out as top picks due to their roles in capturing public procurement concessions, managing strategic buffers and leading generic substitution.

INTRODUCTION

We attended Pharmaniaga's PharmaView Expert Series 2026, the first in line of Pharmaniaga Bhd's (Pharmaniaga) yearly initiative in conferring leaders within the healthcare ecosystem and pharmaceutical subsector to gain insights from within, to share knowledge and best practices, and to address additional catalysts for investments in the sector. The event consisted of two main presentations, addressing medicine security over medicine access and high cost in medicines, as well as two forum discussions on policies in advancing critical medicines, and how innovation contributes to advanced therapies.

In Part 1 of 2 of this report, we break down the key takeaways from the first presentation titled *"From Medicine Access to Medicine Security: Malaysia's Next Healthcare Priority",* presented by MOH, and share our views on the shift from medicine accessibility to medicine security.

KEY TAKEAWAYS

The shift in demographics calls for higher pharmaceuticals demand. Malaysia is projected to become an ageing nation by 2036, driven by higher life expectancy and a declining birth rate. As the population ages, the prevalence of non-communicable diseases (NCDs)—such as diabetes, hypertension, cardiovascular conditions, and neurodegenerative disorders—is rising sharply. This shift creates a permanent, structural demand for pharmaceutical therapies rather than temporary demand spikes. Consequently, pharmaceutical companies are encouraged to pivot from short-term acute care (like antibiotics and analgesics) toward long-term maintenance medications for cardiovascular, metabolic, oncological, and geriatric health. Furthermore, managing multi-morbidities in elderly patients will drive sustained volume growth across public and private healthcare, boosting demand for biologics, biosimilars, and targeted therapies.

COMPANY *IN FOCUS*

Pharmaniaga Bhd

BUY | Target Price: RM1.44
Price @ 13 Oct 2026: RM0.87

- Dominant concession footprint
- Leverage on strategic buffers
- National biomanufacturing integration
- Expansion of public medicine budget
- Restrucured balance sheet and capital

SHARE PRICE CHART



Duopharma Biotech Bhd

Non-rated | Fair Value Price: RM1.36
Price @ 13 Oct 2026: RM1.08

- Dominant generic manufacturer
- One of priority tender off takers
- NIMP 2030 tax relief advantage
- Expert in halal regional export
- Robust dividend yield

SHARE PRICE CHART



TABLE 1: MALAYSIA TOTAL POPULATION VS AGED POPULATION (PROJECTED)

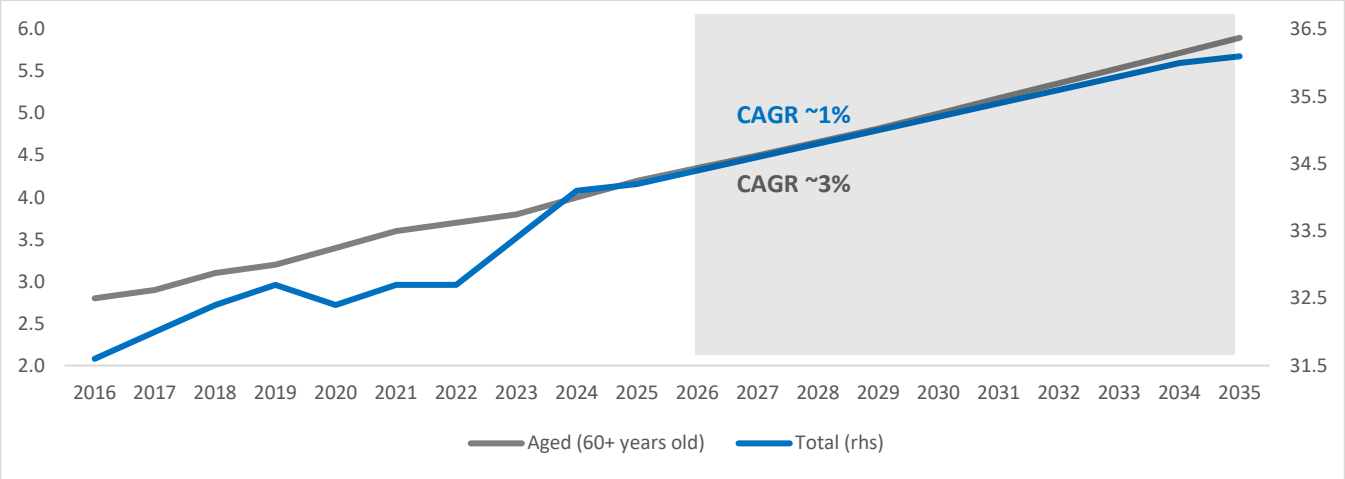


TABLE 2: NCD PREVALENCE RATE IN ADULT POPULATION (PROJECTED)

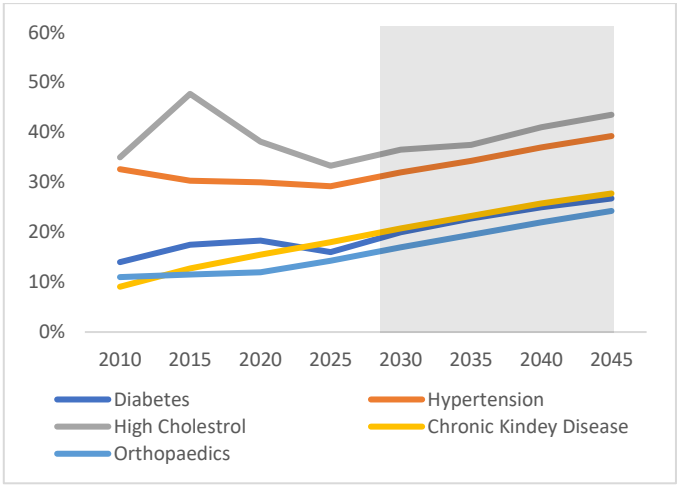
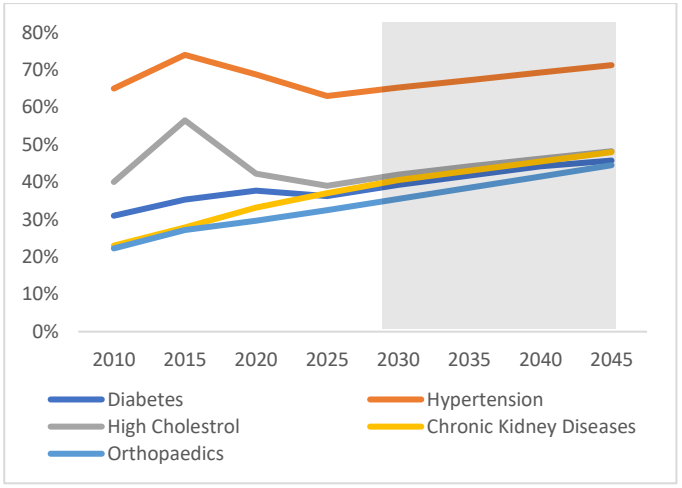


TABLE 3: NCD PREVALENCE RATE IN AGED POPULATION (PROJECTED)



Source: MyCensus, DOSM, MOH, NHMS, MNCR, MJM, MBSBR

Accessibility without security frames a fragile system.

In 2025, 61.24% of Malaysia's pharmaceutical market by value is imported. On a finished product and API levels, total reliance on foreign sources is estimated to be around 80%. This import dependency leaves the national health systems vulnerable to external shocks, namely global logistics bottlenecks, geopolitical escalation, and raw-material shortages. Global healthcare and to an extension, Malaysia's healthcare sector had faced two shocks in recent years:

(i) **The 2020 Covid-19 pandemic**, which had collapsed the global supply chain and directly caused domestic shortages of critical finished medicines and basic drugs, and

(ii) **The 2026 geopolitical tensions in the Middle East**, which caused global shipping route bottlenecks and spiking feedstock prices, subsequently constraining supplies and hiking prices of imported drugs and API up to 50%.

TABLE 1: IMPACT OF GLOBAL SHOCKS ON LOCAL AND GLOBAL PHARMACEUTICAL PLAYERS

Dimensions	Local Manufacturers	Multinational Corporations
Key Impact Risk	• **API prices and availability:** o Although local firms produce finished generic tablets, syrups, and injectables in Malaysia, they do not manufacture APIs o Most APIs (>80%) are imported from China and India o When suppliers face factory shutdowns or export restrictions, local production grinds to a halt regardless of local plant capacity • **Fixed pricing:** o A large portion of domestic production is sold through long-term government concessions with fixed pricing o When global shipping or raw material costs jump by up to 50%, local manufacturers often must absorb the loss until price review mechanisms are triggered	• **Logistics disruptions:** o MNCs supply Malaysia with finished imported goods produced in European, US or regional hubs o Any sea route blockade or air freight rate spike (due to higher oil prices) directly threatens on-time delivery • **Strict reporting compliance:** o Under local regulations, global manufacturers must notify Malaysian health authorities' months in advance if global manufacturing sites face supply shortfalls • **Substitution risk in public healthcare:** o When MNC import costs surge significantly or suffer chronic supply delays, government health authorities actively seek local generic equivalents or biosimilars to control spending and secure supply
Opportunities and Strategic Pivot	• **Strong policy tailwinds:** o Supply shocks push the Malaysian government toward import substitution o Programs like MyMedSecure and the New Industrial Master Plan (NIMP 2030) grant domestic manufacturers priority procurement status, guaranteed Off-Take Agreements (OTAs) and tax incentives for expanding high-value local capabilities • **Mandated local strategic buffers:** o Local formulators gain multi-year contract predictability by managing national strategic medicine buffers for critical essential drugs	• **Inelastic demand for high-value therapies:** o MNCs that hold patents on novel oncology drugs, advanced biologics and rare disease treatments could face limited competition o Private healthcare institutions and affluent patients continue to absorb higher landed costs • **Partnership and technology transfer:** o To hedge against supply chain fragility, MNCs are increasingly partnering with top-tier Malaysian manufacturers for contract packaging, secondary manufacturing, and regional distribution hubs o This allows MNCs to secure local content status while expanding their footprint in ASEAN
Recommended Focus Post-Shock	• Backward integration • Local API synthesis partnerships • Regional buffer stockpiles • Halal pharma exports	• Diversifying global hub logistics • Tech transfer partnerships with local players • Secondary packaging localization

Defining Medicine Security.

Medicine Security is defined as "a resilient system that ensures the right medicines, for the right patients, at the right time — today and tomorrow." The model to medicine security relies on the following interconnected pillars:

(i) **Availability:** Medicines must be physically present and reachable exactly when needed, preventing stockouts.
(ii) **Affordability:** Therapies must remain economically accessible to individual patients while staying financially sustainable for public healthcare funding.
(iii) **Quality & Safety:** Supply chain resilience cannot come at the expense of regulatory rigour or patient safety standards.

(iv) **Sustainable:** Supply channels must be structured to continuously withstand external shocks (pandemics, geopolitical conflicts, currency fluctuations).

(v) **Resilience:** The health system must possess built-in operational redundancy and flexibility to pivot rapidly when primary supply arrangements fail.

Framework aligns with global standards but may differ with regional peers.

This 5-pillar Medicine Security framework reflects global benchmarks set by the World Health Organization (WHO) and global emergency preparedness agencies (like the US BARDA or European HERA). It marked the shift from WHO's 3 Pillars framework (Access, Affordability, and Quality). This change acknowledges that low prices and high regulatory standards are meaningless if global shocks cut off supply lines completely. However, ASEAN peers have taken distinct paths to address pharmaceutical security based on their fiscal strength and industrial capacity:

(i) Singapore (Logistics and Stockpiling Model) – Singapore recognizes its complete lack of natural land and scale for basic API synthesis, hence chooses to focus heavily on 3- to 6-month strategic reserves held in centralized national stockpiles and maintaining deep, non-restricted trade routes. Singapore relies heavily on financial liquidity to maintain buffer inventories, whereas Malaysia combines strategic buffers with incentives to build domestic formulation capabilities.

(ii) Indonesia (Local Content Protectionist Model) – Indonesia uses mandatory local content requirement ratios (*Tingkat Komponen Dalam Negeri)* in government procurement to force foreign and domestic pharmaceutical companies to use locally produced APIs and raw materials. This strategy is aggressively interventionist. In comparison, Malaysia uses preferential government procurement tenders and long-term off-take agreements rather than blanket legal mandates, balancing market access for MNCs with local incentives.

(iii) Thailand (Centralized Price Controls and National List of Essential Medicines) – Thailand leverages single-buyer purchasing power via the National Health Security Office (NHSO) to enforce volume discounts and maintain centralized national stocks for essential life-saving therapies. Thailand's strength lies in aggressive purchasing leverage and public sector control, similar to Malaysia's MOH buffer mechanisms.

Supporting medicine security through established strategies.

To support this framework, MOH has established four strategies to shift national healthcare from reactive crisis management to a proactive, resilient medicine-security ecosystem: (i) MyMedSecure, (ii) 6-Month Early Warning System, (iii) Strategic Medicine Buffer, and (iv) Malaysia National Action Plan for Health Security (MyNAPHS 2025-2030). These strategies are interoperable. The mandatory supply monitoring obligates Product Registration Holders (PRHs) to conduct real-time supply chain tracking and give 6 months' advance notice of supply disruptions to avoid penalties. This policy shift, anchored by MyMedSecure, creates significant expansion opportunities for local manufacturers through long-term government off-take contracts and preferential scoring in MOH tenders for the Strategic Medicine Buffer.

Risk remains on local capital and cost.

However, managing national strategic reserves elevates working capital demands and inventory carrying costs for distributors, necessitating GDP-compliant cold chain storage and strict First-Expired, First-Out (FEFO) dynamic stock rotation. Meanwhile, MNCs finished formulations must align their global supply planning with Malaysia's lead-time mandates, driving foreign pharma companies toward strategic partnerships with local manufacturers for secondary packaging, release testing, and regional stock holding to preserve market access.

TABLE 2: STRATEGIES IN MEDICINE SECURITY

Strategies	Description	Core Objective	Impact	Comparison
MyMedSecure	• A primary national framework designed to transition the country's pharmaceutical ecosystem from reactive crisis response to a proactive, self-sustaining medicine-security model. • Driven by MOH, this addresses structural vulnerabilities exposed by global supply chain disruptions, geopolitical shocks and high import dependence.	• Fortifies local manufacturing and import substitution amid severe global trade freezes. • Prioritizes building domestic formulation capabilities, supporting local contract manufacturing, and incentivizing localized secondary packaging and API synthesis. • Coordinates closely with the NIMP 2030 and the Health White Paper (HWP) to grant domestic generic manufacturers policy preference and guaranteed procurement contracts. • Establish national strategic buffers through physical medicine of critical essential medicines (basic chronic condition treatments, cardiovascular drugs, antibiotics, analgesics). • Provides a policy umbrella for mandatory regulatory enforcement	• **Local Manufacturers (High Growth)** ○ Primary beneficiaries of government procurement preference, long-term off-take contracts and incentives for building local production lines • **MNC Importers and PRHs (Higher Compliance):** ○ Required to maintain tighter supply chain tracking and adhere to mandatory shortage reporting timelines. ○ Encouraged to partner locally for packaging or warehousing to secure market access • **MOH (Enhanced Supply):** ○ Lower risk of critical drug stockouts during global transport delays, freight price surges, or regional conflicts • **Patients & Consumers (Guaranteed Medicine Access):** ○ Ensures that life-saving chronic and acute therapies remain consistently available and price-stabilized	• **ASEAN:** ○ Malaysia's approach is less protectionist than Indonesia's but more interventionist than Singapore's ○ Malaysia avoids hard legal exclusions; instead, MyMedSecure uses long-term off-take agreements, public procurement scoring preferences and tax incentives to encourage local formulation without cutting off MNC access • **Global:** ○ Aligns with the EU Critical Medicines Act, which focuses on re-shoring essential drug manufacturing and mitigating single-source reliance on primary API hubs

6-Month Early Warning System	• Instituted by the National Pharmaceutical Regulatory Agency (NPRA) • A pivotal regulatory mechanism designed to eliminate surprise drug stockouts and move Malaysia from reactive crisis management to proactive supply protection. • This policy was formally introduced through NPRA Directive No. 10/2025 (Guideline on Reporting of Medicine Shortage and Discontinuation in Malaysia) and became mandatory starting 1 July 2026.	• Mandatory for all PRHs including local manufacturers, distributors, and multinational pharmaceutical companies importing registered drugs into Malaysia. • PRHs must formally notify the NPRA at least 6 months in advance if they anticipate a supply shortage (defined as supply insufficient to meet demand for 3 months or more) or a permanent product discontinuation. • If an unforeseen force majeure event makes a 6-month notice impossible, notification must be submitted immediately upon detection.	• Provides health authorities sufficient lead time to approve alternative generic/biosimilar imports, issue special access authorizations, or release national strategic buffer stock before clinics run out of essential therapies. • Importers relying on European or US manufacturing hubs must tie their local Malaysian regulatory teams directly into global supply chain visibility networks to detect production bottlenecks far in advance. • The early warning system serves as the trigger mechanism for MyMedSecure	• **ASEAN:** ○ Malaysia leads in establishing a **formal, mandatory 6-month regulatory advance notice window** tied directly to PRH compliance. ○ While countries like Thailand monitor stocks through hospital inventory audits, Malaysia places the legal onus on the supplier/importer to report supply chain friction early. • **Global:** ○ Modeled after the US FDA Shortage Reporting Framework (enhanced under the CARES Act), which requires manufacturers to notify authorities of potential supply disruptions
Strategic Medicine Buffer	• A national physical inventory program established by MOH to ensure supply chain continuity during global shocks, transport blockades or sudden spikes in demand. • Serves as the physical cushion within the MyMedSecure national framework, translating policy objectives into tangible, stockpiled medicines across the country.	• Prioritizes critical essential medicines, including life-saving cardiovascular drugs, diabetes treatments, key antibiotics, emergency analgesics and essential paediatric formulations • Protects public health facilities from international logistics disruptions or price surges. • Maintains a rolling reserve equivalent to 3-6 months of national baseline consumption for identified critical drugs. • Tiered Buffer Architecture: Distributes strategic stockpiles across national central warehouses, regional distribution hubs	• Government logistics concessionaires and local pharmaceutical manufacturers gain long-term, predictable procurement volumes to hold and manage these reserves. • Building and maintaining national buffers drives investment in GDP-compliant (Good Distribution Practice) warehouse facilities, automated inventory tracking, and temperature-controlled cold-chain logistics. • The buffer acts as the immediate execution arm	• **ASEAN:** ○ Malaysia and Thailand share a similar strategy of holding 3-to-6-month rolling buffer stocks for critical chronic and emergency therapies. ○ However, Malaysia's model relies heavily on a FEFO dynamic rotation mechanism • **Global:** ○ Unlike static emergency stockpiles dynamic rotation ensures that medicines in the national buffer are active, unexpired, and continuously flowing into public hospital dispensing channels.

		and public hospital pharmacies to enable fast deployment during regional disruptions. • Uses a First-Expired, First-Out (FEFO) rotation model. • Rotates through daily dispensing channels and replenished with fresh stock, keeping inventory active and minimizing financial write-offs.	when an early warning is reported	○ However, holding multi-month reserves ties up significant working capital for concessionaires and requires dedicated cold-chain infrastructure.
Malaysia National Action Plan for Health Security (2025–2030)	• Represents Malaysia's multi-sectoral national roadmap designed to strengthen the nation's capacity to prevent, detect, respond to, and recover from public health emergencies and external supply shocks. • Provides the overarching, macro-level health security infrastructure under which medicine security operates.	• Coordinates whole-of-government approach: • **MOH & Regulatory (NPRA):** ○ Medical management, drug approvals, and clinical readiness. ○ MITI: Trade policies, NIMP 2030 and procurement financing. • **NADMA (National Disaster Management Agency):** ○ Supply chain routes, emergency border clearance, and distribution logistics during crises. ○ Monitors for zoonotic disease spillover (preventing future pandemic outbreaks). ○ Manages bio-risk security, antimicrobial resistance (AMR), and environmental threats that impact human drug efficacy.	• Elevates medicine availability from a standard commercial activity into a critical pillar of sovereign national security: • Under MyNAPHS, the Strategic Medicine Buffer and MyMedSecure serve as the immediate supply-side defense. • Pharmaceutical importers, distributors, and local manufacturers will be integrated into broader national health-security monitoring systems. • MyNAPHS aligns closely with the National Vaccine Development Roadmap (2021–2030) to build domestic R&D, fill-and-finish capabilities and biological manufacturing capacity within Malaysia. • Domestic producers gain priority status under national emergency preparedness budgets to supply vaccines, antivirals, and critical biologics during national health crises.	• **ASEAN:** ○ MyNAPHS operates as Malaysia's domestic execution arm while linking into the regional ACPHEED (ASEAN Centre for Public Health Emergencies and Emerging Diseases) network. • **Global:** ○ Fully complies with WHO International Health Regulations (IHR) ○ Adopts a One Health approach (linking human health, animal health, and environmental surveillance) to manage systemic health threats before they trigger pharmaceutical supply collapses.

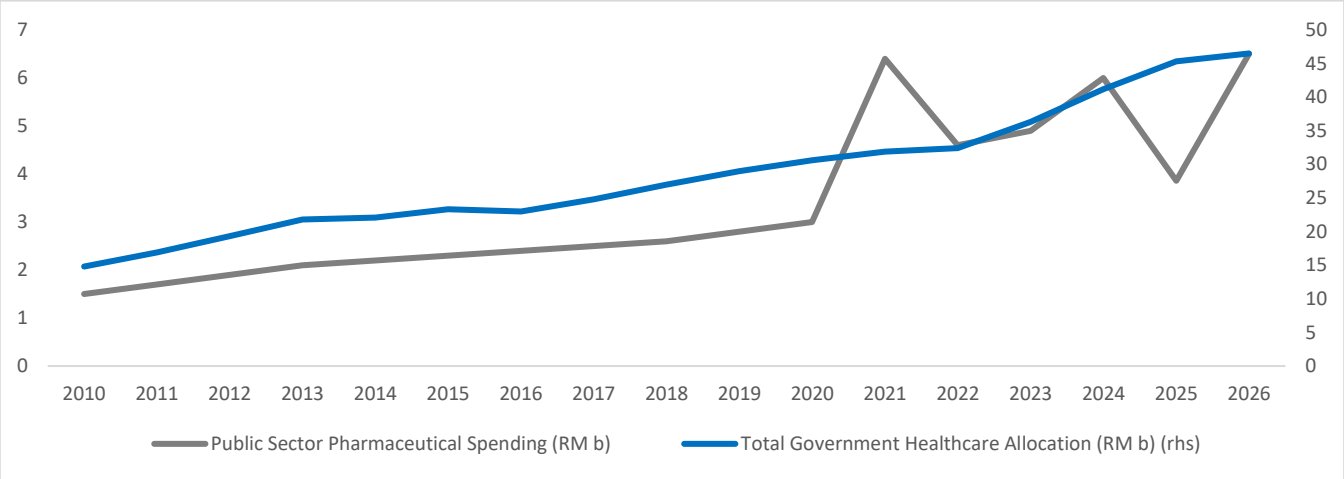
Source: MOH, NPRA, NAPHS, WHO, MBSBR

Financial commitments must go together.

To ensure that the Medicine Security framework remains in compliance and the strategies are implemented to their fullest, we noted that support is mainly driven by financial commitments and macro policy frameworks. Government funding dedicated to medicines increased from RM6.0b in 2025 to RM6.5b in 2026, representing an 8.3%yoy growth. This increment is supported by three core policy foundations:

(i) **Health White Paper (HWP)** (focuses on long-term, sustainable, and equitable healthcare financing mechanisms across public and private sectors)
(ii) **New Industrial Master Plan (NIMP 2030)** (a national industrial strategy positioning pharmaceuticals as a high-impact sector to develop higher-value local manufacturing capabilities and reduce import dependency)
(iii) **National Vaccine Development Roadmap (NVDR 2021–2030)** (a targeted strategy led by MOSTI and MOH to build domestic R&D, fill-and-finish, and end-to-end vaccine manufacturing capacity)

CHART4: BUDGET ALLOCATION FOR HEALTHCARE VS PHARMA SPENDING



Source: MOH, MNHA, MBSBR

Getting into the final phase of the 15-Year Horizon.

All things considered, MOH came up with a 15-Year Horizon which maps the 15-year evolution of Malaysia's national pharmaceutical ecosystem across four distinct phases:

(i) **Strengthening Access (2015–2019)** under the Malaysian National Medicines Policy (DUNaS)
(ii) **Testing Resilience (2020–2021)** amidst COVID-19 supply chain and API bottlenecks
(iii) **Strengthening Foundations (2022–2025)** through master plans like NIMP 2030, the HWP, and the NVDR, and
(iv) **Securing Sustainable Access (2026–2030)** focused on futureproofing via MyMedSecure, Strategic Medicine Buffers and mandatory early warning systems.

This timeline signals a permanent shift in regulatory and commercial rules as Malaysia enters full operational execution, making tender success dependent on supply security, localized buffer stocks and multi-origin sourcing rather than unit price alone. Consequently, domestic manufacturers are leveraging government off-take contracts and NIMP 2030 incentives to mature beyond basic generics into high-value biopharmaceuticals, biosimilars, sterile injectables and vaccine fill-and-finish. Meanwhile, foreign MNCs must weigh compliance costs against market growth by pursuing local secondary packaging, technology transfers and contract manufacturing partnerships to protect market share and build shock-proof supply chains for Malaysia's aging population growth.

OUR VIEW

API import dependency will always remain high.

Between 2015 and 2025, Malaysia's total pharmaceutical import value expanded from RM3.5b–4.5b to RM12b, maintaining an 80%-90% dependence on foreign APIs for domestic generic formulation. China and India remain the primary raw material origins—supplying 80%–85% of bulk synthetic APIs, key starting materials and complex generic powders—while finished formulations and specialty therapies are imported mainly from Western hubs. From 2026 onwards, baseline API demand is projected to grow at a 6%–8% CAGR to serve an accelerating aging demographic. To mitigate single-point foreign supply risks, national frameworks including MyMedSecure, NIMP 2030 and the NPRA's mandatory 6-month early warning system are compelling local formulators to adopt "China + 1" sourcing diversification, establish dynamic strategic buffer stocks, and pursue upstream secondary synthesis joint ventures.

Generics and biosimilars expected to be in high demand.

Following an 8.3% front-loaded surge to RM6.5b in 2026 medicine procurement allocations, overall MOH budget growth is projected to moderate to a steady 2.5%–5.0% annual expansion (reaching ~RM47.7b under Budget 2027), with public medicine spending normalizing to a 4.5%–6.0% CAGR through 2030. Across the total pharmaceutical market—combining public hospitals, private healthcare, retail OTC and generic uptake—market value is forecasted to expand from RM15.7b in 2025 to over RM21.4b by 2030 (6.4%–9.8% total market CAGR), led by generic and biosimilar substitution surging at 12%–14% annually. This trajectory significantly outpaces the 4.5%–5.5% global growth baseline, positioning Malaysia alongside high-growth ASEAN peers while providing a distinct competitive edge built on PIC/S-compliant manufacturing infrastructure, political stability and global Halal-certification standards.

A multi-pronged synergy will ensure sustainability of medicine security moving forward.

Moving forward, MOH and private procurement evaluations will award explicit security premiums to vendors offering physical buffer stocks, localized secondary packaging, or multi-site sourcing. To satisfy mandated operational flexibility, Product Registration Holders (PRHs) must register pre-approved alternative API suppliers, while local formulators invest in multi-product manufacturing lines capable of pivoting to essential medicine production during national emergencies. Meanwhile, the NPRA will enforce strict Good Manufacturing Practice (GMP) prequalification standards without compromising safety for speed. Ultimately, Malaysia's middle-ground strategy—balancing Singapore's stockpile model and Indonesia's aggressive local content rules—hinges on digital inventory visibility, value-based pricing and keeping strategic buffer holding costs within public budget limits.

Maintain POSITIVE.

All in all, we continue to be optimistic about the pharmaceutical subsector, given the clearer pathways towards medicine security in the future. More importantly, local pharmaceutical players, contract manufacturers and healthcare logistics providers are the primary commercial beneficiaries of this macro policy shift. As such, our **TOP PICKS** are **Pharmaniaga (BUY, TP:RM1.44)** and **Duopharma Biotech (NR, FV: RM1.36).**

We favor Pharmaniaga and Duopharma as core beneficiaries of Malaysia's national medicine security mandates. As the main public distribution concessionaire, Pharmaniaga directly captures rising MOH procurement allocations and multi-year strategic buffer warehousing contracts, while its vaccine facilities align with NVDR 2021–2030. Meanwhile, Duopharma dominates generic and biosimilar supply to public hospitals, positioned to capture priority MOH tenders under MyMedSecure and the Health White Paper, while utilizing NIMP 2030's 100% Investment Tax Allowance to upgrade high-potency API and sterile injectable lines. Both firms remain strategically aligned with national security pillars to deliver long-term earnings visibility and sustainable growth.

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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