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AUTHOR: Lee Weng Khuen SECTION: CORPORATE PAGE: 1,64TO67 PRINTED SIZE: 4136.00cm²
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06 JUL, 2026

Half-time reset: Repositioning for sustainable returns

The Edge, Malaysia

Half-time reset: Repositioning for sustainable returns

BLOOMBERG

BY **LEE WENG KHUEN** AND **ESTHER LEE**

The unprecedented blockage of the Strait of Hormuz, which cut off roughly 20% of the world's oil supply, influenced much of the first half of 2026, stoking fears of a prolonged global energy crisis that would weigh on corporate earnings and global economic growth.

Investors, however, were quick to look past geopolitical risks. Following a sharp sell-off in March, global equities staged a strong rebound in April as markets shifted their focus back to corporate fundamentals and long-term structural growth themes such as artificial intelligence (AI) and the mega initial public offering (IPO) of SpaceX in June that briefly made Elon Musk — still the richest person on the planet — a trillionaire. There were three new additions to the exclusive trillion-dollar club in May: South Korea's Samsung Electronics Co and SK Hynix, and US-based Micron Technology.

Buoyed by continued optimism surrounding AI and data centre investments, the Bursa Malaysia Technology Index climbed 34.2% in the first half of this year (1H2026), significantly outperforming the country's benchmark FBM KLCI, which slipped during that period, while the broader FBM Emas Index edged up 0.7%.

Among *The Edge*'s stock picks, Kelington Group Bhd (KL:KGB) emerged as the best performer, delivering a total return of 54.8% in the first half, aided by the global technology rally.

The industrial gas solutions provider to the electronics and semiconductor industries registered a record net profit of RM150.9 million for the financial year ended Dec 31, 2025 (FY2025), underscoring its strong operational performance.

Our banking pick, Malayan Banking Bhd (KL:MAYBANK), generated a total return of 2.9% in the first half, despite macro environment headwinds stemming from the Middle East conflict. The stock touched a high of RM12.42 on Feb 25, just days before the US and Israel launched attacks on Iran. It has a decent trailing 12-month dividend yield of 5.8%.

How stock picks for 2026 fared in the first half

***The Edge*'s picks**

COMPANY	TOTAL RETURNS (%)
Kelington Group Bhd	54.8
Mr DIY Group (M) Bhd	7.2
Tenaga Nasional Bhd	4.1
Malayan Banking Bhd	2.9
IJM Corp Bhd	0
Mega First Corp Bhd	-14.6
PPB Group Bhd	-16.0
Malayan Cement Bhd	-16.7

Picks by fund managers and heads of research

COMPANY	TOTAL RETURNS (%)
Insights Analytics Bhd	38.2
Oasis Home Holding Bhd	10.6
Pekat Group Bhd	8.9
Capital A Bhd	-2.4
Hong Leong Financial Group Bhd	-3.5
Duopharma Biotech Bhd	-4.8
99 Speed Mart Retail Holdings Bhd	-7.4
UUE Holdings Bhd	-10.4
AirAsia X Bhd	-31.0

Note: This is an academic exercise, no shares were purchased or sold

Mr DIY Group (M) Bhd (KL:MRDIY) was another standout performer, generating a total return of 7.2%. Our "buy-on-weakness" call proved timely as the home improvement retailer reported a record quarterly net profit of RM192.02 million in the first three months of 2026, driven by stronger margins, festive spending and a larger store network.

For FY2025, the company paid out dividends equivalent to 120% of its earnings, translating into a trailing 12-month dividend yield of 5%.

Supported by a trailing 12-month dividend yield of 3.7%, Tenaga Nasional Bhd (KL:TENAGA) remained a defensive play, delivering a total return of 4.1% during the first half.

Analysts continue to favour the national utility company, viewing it as a prime beneficiary of the National Energy Transition Roadmap (NETR), rising electricity demand from data centres and the acceleration in capital expenditure deployment.

Although IJM Corp Bhd's (KL:IJM) share price performance was flat during the review period, its shares climbed to RM2.82 in January following Sunway Bhd's (KL:SUNWAY) takeover offer at RM3.15 per share. The proposed acquisition lapsed in April after Sunway failed to meet the conditional requirement of securing a stake of more than 50% in IJM.

Risk-off sentiment arising from geopolitical uncertainty weighed on Malayan Cement Bhd (KL:MCEMENT), despite continued improvement in its financial performance. The company posted a 34.93% year-on-year increase in net profit to RM246.7 million in the first three months of 2026, driven by stronger demand for its ready-mixed concrete and dry mix products.

PPB Group Bhd (KL:PPB) was an underperformer among our picks, registering a negative return of 16% in 1H2026. Nevertheless, its share price touched RM12.28 in early April, well above the RM11 level at the start of the year.

Although the conglomerate reported a net loss of RM2.73 billion for the financial year ended Dec 31, 2025 (FY2025), due to a huge RM4.17 billion impairment at its Singapore-listed associate Wilmar International Ltd, which contributes 90% of its earnings, PPB's operating profit before tax showed a significant improvement. It surged to RM1.03 billion in the last quarter of 2025 compared with RM422 million in the previous corresponding period.

Analysts remain positive on PPB's earnings recovery and expect a stronger dividend payout. The stock currently offers a trailing 12-month dividend yield of 4.5%.

Similarly, Mega First Corp Bhd (KL:MFCB), which is involved in the renewable energy, resources and packaging sector, also ended the first half in negative territory due to its lacklustre financial performance, which was partly attributed to a weak US dollar.

Following the positive returns achieved in the first half, we have decided to lock in profits on Kelington, Mr DIY and Maybank, while removing underperformers IJM Corp, PPB, Malayan Cement and Mega First from our top-picks list.

For the second half of 2026, Tenaga is our only retained pick.

We introduce seven new picks — AMMB Holdings Bhd (KL:AMBANK), MN Holdings Bhd (KL:MNHLDG), Able Global Bhd (KL:ABLEGLOB), Sunway Real Estate Investment Trust (KL:SUNREIT), Sarawak Oil Palms Bhd, (KL:SOP), KESM Industries Bhd (KL:KESM) and Kerjaya Prospek Group Bhd (KL:KERJAYA) — most of which offer defensive characteristics amid persistent global uncertainty.

Among the stock recommendations of fund managers and heads of research earlier this year, Malacca Securities head of research Loui Low's pick, Insights Analytics Bhd (KL:IAB), emerged as the best performer, with a total return of 38.2% in the first half of 2026.

The Sarawak-based water technology and intelligent asset management solutions provider has attracted considerable market attention since its listing in October 2025, as analysts expect the firm to benefit from the government's initiatives to reduce non-revenue water losses and accelerate the digitalisation of water utilities.

The company reported a net profit of RM41.47 million on revenue of RM172.57 million for the financial year ended April 30, 2026 (FY2026). Compared with its listing price of 36 sen, Insights Analytics' stock has risen more than four times.

For the second half of the year, Low has three new trading ideas — Samaiden Group Bhd (KL:SAMAIDEN), CBH Engineering Holding Bhd (KL:CBHB) and Southern Cable Group Bhd (KL:SCGBHD) — to capitalise on

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the continuing growth of the data centre and solar power sectors.

Meanwhile, Oasis Home Holding Bhd (KL:OHM), Rakuten Trade head of equity sales Vincent Lau's pick, generated a total return of 10.6%, supported by its exclusive online distributorship for Fifa World Cup 2026 merchandise.

Oasis Home, Malaysia's first listed live commerce company, reported a net profit of RM8.81 million for the first nine months ended March 31, 2026, up 10.1% from RM8 million in the same period a year ago. Since listing in May 2025, its share price has risen 30.4% from its listing price of 28 sen.

While retaining underground utilities engineering services provider UUE Holdings Bhd (KL:UUE), Lau chose to take profit on Oasis Home and added Foodie Media Bhd (KL:FOODIE) to his watch list.

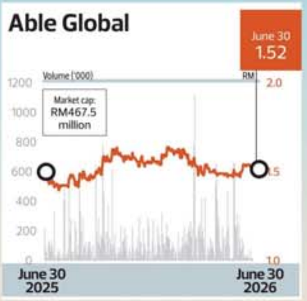
Solar player Pekat Group Bhd (KL:PEKAT), the pick of MBSB Research head Imran Yassin Yusof, delivered a total return of 8.9% in the first half, driven by its record earnings of RM45.04 million in the financial year ended Dec 31, 2025 (FY2025). The company has recently proposed to transfer its listing to the Main Market from the ACE Market.

Nonetheless, he favours Tenaga and CelcomDigi Bhd (KL:CDB) for the remainder of this year.

One notable trend emerging from the second-half recommendations is the continued strength of Malaysia's data centre investment cycle. Four of the recommended stocks — CBH Engineering, UUE Holdings, Southern Cable and MN Holdings — are direct beneficiaries of this structural growth trend.

For more details, refer to the full list of stock picks by *The Edge*, as well as those recommended by fund managers and heads of research.

THE EDGE'S PICKS



ABLE GLOBAL BHD

Able Global Bhd (KL:ABLEGLOB), which is involved in milk and dairy product manufacturing as well as tin can manufacturing, appears to be attractively valued at a price-earnings ratio (PER) of 6.38 times compared with the average PER of 28 times for companies in the beverage-related industry.

The group's milk and dairy business manufactures sweetened condensed milk, evaporated milk, UHT full cream milk and flavoured milk. It is not as well known in Malaysia as its peers, given that about 80% of its dairy products are exported, mainly to West Africa, Southeast Asia and the Americas.

The group's net profit has steadily increased over the past five financial years, rising from RM36.9 million in the financial year ended Dec 31, 2021 (FY2021) to RM71.3 million in FY2025. Its net profit margin also improved, from 7.4% in FY2021 to 10.4% in FY2025. For 1QFY2026, the group recorded a net profit of RM19.3 million on revenue of RM180.7 million.

Able Global has also increased its dividend payouts over the past three financial years, from 6.5 sen per share in FY2023 to 7.75 sen per share in FY2025, translating into a respectable trailing 12-month dividend yield of 5.2%.

PublicInvest Research is positive on Able Global's outlook, supported by resilient demand for dairy products and improving contributions from its Mexico operations, which are expected to further boost the group's earnings.

SUNWAY REAL ESTATE INVESTMENT TRUST

One of the most diversified real estate investment trusts (REITs) in Malaysia, Sunway REIT (KL:SUNREIT) has a portfolio comprising retail, hotel, industrial and office properties. However, the trust's unit price has been on a downward trend, partly due to the expiry of the long-standing 10% preferential withholding tax rate on REIT distributions. Sunway REIT units have declined 5.4% year to date (YTD) to close at RM2.13 per unit on July 2. They are currently trading at a forward PER of 16.24 times.

The REIT's first-quarter performance was driven by its retail segment, supported by resilient tenant sales and strong footfall. Occupancy improved to 98% in the three months ended March 31, 2026 (1QFY2026), from 97% in the preceding quarter, according to CGS International in a May 13 note to investors. For 1QFY2026, the REIT reported a net profit of RM114.7 million on revenue of RM223 million.

Its trailing 12-month dividend yield of 6.6% is well above the industry average of 5.6%.

Hong Leong Investment Bank Research expects Sunway REIT's growth in FY2026 to be driven mainly by organic initiatives, with capital expenditure (capex) focused on asset enhancement initiatives (AEIs) and ongoing development projects. More meaningful earnings contributions are expected from FY2028 onwards, particularly from the new Seberang Jaya hotel in Penang and Sunway Pier Mall in Port Klang, Selangor.

AMMB HOLDINGS BHD

AMMB Holdings Bhd (KL:AMBANK) is one of the banking groups in the country with a relatively attractive price-to-book (P/B) ratio — it trades at one time, compared with most of its peers, which are trading above that.

Over the past year, AMMB's share price has risen a substantial 33% to close at RM6.40 last Thursday. Over a five-year period, the stock has gained slightly more than three times.

Investors have been encouraged by the banking group's commitment to dividend payouts. For the financial year ended March 31, 2026 (FY2026), AMMB declared a total dividend of 35 sen per share, representing a payout ratio of 55%, up from 50% in the previous financial year.

This came after it achieved a record net profit of RM2.1 billion in FY2026, driven by a 4.5% increase in net interest income and a 5.1% rise in non-interest income.

Analysts believe AMMB remains committed to rewarding shareholders through dividends. Under its Winning Together 2029 strategy, the bank aims to double its dividend per share by 2029, supported by earnings growth and capital optimisation.

In a June 15 report, CIMB Securities said that as AMMB's earnings visibility strengthens and payout ratios increase, the group will offer one of the sector's more attractive combinations of dividend growth, capital optionality and valuation upside.

KERJAYA PROSPEK GROUP BHD

Among companies in the construction sector, Kerjaya Prospek Group Bhd (KL:KERJAYA) has one of the lowest PERs at 12.8 times and one of the most attractive trailing 12-month dividend yields at about 5%.

Although its share price has shed 8.3% YTD, closing at RM2.40 last Thursday, FY2026 is shaping up to be a strong year for Kerjaya Prospek. The group has secured RM2.1 billion worth of new projects YTD, exceeding its own FY2026 target of RM2 billion. This has lifted its total order book to RM5 billion as at June 30.

RHB Research said in a June 23 report that Kerjaya Prospek has three potential projects in the pipeline for the remainder of FY2026. The construction group also benefits from the support of its subsidiaries, Eastern & Oriental Bhd (KL:E&O) and Kerjaya Prospek Property Bhd (KL:KPPROP), which provide a steady stream of contracts.

Of the eight contracts secured in FY2026, five were related-party transactions, with four awarded by E&O and one by Kerjaya Prospek Property. As a result, between 70% and 80% of the group's RM5 billion order book comprises projects from related parties.

A key catalyst to watch is whether Kerjaya Prospek will secure a package for the Penang Light Rail Transit project, which would further boost the group's growth prospects.

SARAWAK OIL PALMS BHD

Expectations of a stronger El Niño have reinforced the positive outlook for plantation stocks, as weather-related supply concerns are likely to support the current elevated crude palm oil (CPO) prices.

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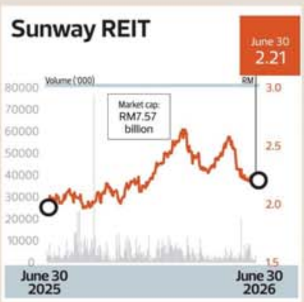

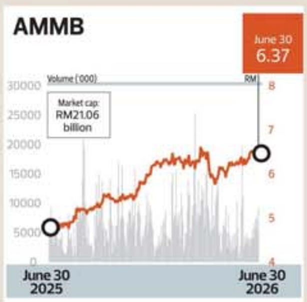

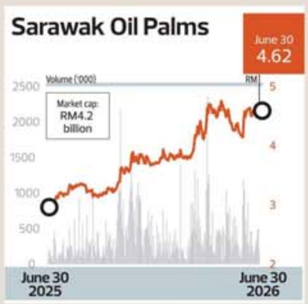

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PICKS BY FUND MANAGERS AND HEADS OF RESEARCH

Imran Yassin Yusof
Head of research, MBSB Research

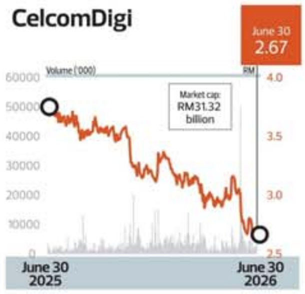
Tenaga Nasional

TENAGA NASIONAL BHD

We like Tenaga Nasional Bhd (KL:TENAGA) as a core defensive anchor for 2H2026, particularly as markets may remain volatile amid the US Federal Reserve rate-hike risk, ringgit weakness and foreign fund flow uncertainty. Its regulated earnings profile, dividend support and lower earnings volatility make it suitable for an environment where investors may prefer stability and earnings visibility.

Beyond its defensive qualities, Tenaga also offers structural upside from electricity demand growth, grid investment and energy transition-related infrastructure, especially as Malaysia continues to attract high-value investments in data centres, cloud services and advanced manufacturing, all of which require reliable power supply. As such, the utility giant provides a combination of downside protection and long-term growth optionality.

CelcomDigi



CELCOMDIGI BHD

We favour CelcomDigi Bhd (KL:CDB) as a telco with defensive characteristics and recovery upside. The company offers recurring revenue visibility from mobile and connectivity services, which should help cushion earnings during periods of market uncertainty.

At the same time, CelcomDigi provides upside potential from merger synergies, cost optimisation and 5G monetisation, which could support earnings improvement over the medium term. In an environment where investors may gradually re-enter risk assets once the US Federal Reserve policy uncertainty clears, the telco offers a balanced profile — defensive enough for a cautious market, but with sufficient catalysts to participate in the recovery.

CelcomDigi is keeping its target for "low single-digit growth" in service revenue and earnings before interest and tax. In the first three months of 2026, its net profit rose nearly 9% to RM418 million from a year ago, thanks to lower operating expenses and device costs.

Ng Zhu Hann
CEO, Tradeview Capital

Hong Leong Financial Group

HONG LEONG FINANCIAL GROUP BHD

Following the share price retracement after hitting RM23.10 in February, Hong Leong Financial Group Bhd's (KL:HLFG) share price has become more compelling, with its price-to-book value (P/B) declining to 0.6 times. It remains our top pick for the rest of the year, supported by the prospect of a higher dividend yield of about 6% arising from a corporate exercise involving its 64.23%-owned Hong Leong Bank Bhd (KL:HLBANK).

A potential sale of a stake in Bank of Chengdu Co Ltd (BoCD) by Hong Leong Bank could enhance shareholder returns. HLBB has indicated that it may eventually divest up to 5% shareholding in its 17.8%-owned BoCD as it looks to strengthen earnings contribution from its core business. Analysts expect a portion of the proceeds to be paid out as a special dividend, which will also benefit HLFG.

DUOPHARMA BIOTECH BHD

Duopharma Biotech Bhd (KL:DPHARMA) has been a key beneficiary of increased public and private healthcare spending. Last month, it secured a RM155.28 million contract to supply insulin products to public hospitals and clinics nationwide. This was followed by multiple new insulin contracts worth over RM225 million secured last Thursday.

The Middle East war led to disruptions in the supply chain and higher cost of active generic drug ingredients. With a resolution in sight for the conflict, prices of raw materials should come down.

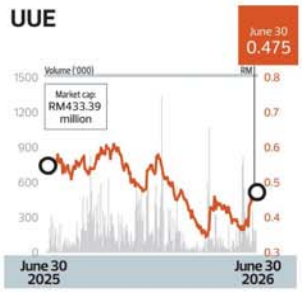
However, its margins are also tied to ringgit movements. A weak ringgit will affect its status as an importer, given that most of its raw materials for generic drugs are imported.

Meanwhile, rising insurance premiums are expected to drive greater use of generic drugs in the private sector, further supporting demand.

Duopharma

Vincent Lau
Head of equity sales, Rakuten Trade

UUE



UUE HOLDINGS BHD

We are keeping UUE Holdings Bhd (KL:UUE) as the Johor-based utility engineering firm is expected to perform better with higher contribution from its Singapore operation. In addition, its share price appears to be more compelling now, after retracing about 10% in the first half of the year.

When announcing its latest financial results in February, the company said it had an order book of RM536.4 million. It secured RM362 million worth of new contracts in 2025 alone.

UUE is expected to continue to benefit from Tenaga's massive power grid capital expenditure, driven by data centre expansion and rising energy demand.

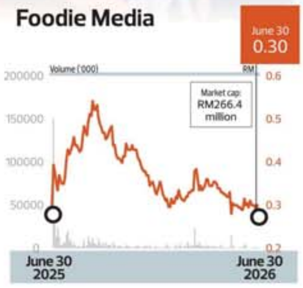
FOODIE MEDIA BHD

Listed in November 2025, Foodie Media Bhd's (KL:FOODIE) share price is hovering near its initial public offering of 30 sen per share. Its price-earnings ratio (PER) of 25.8 times gives the counter an undemanding valuation.

The earnings of the digital content creator and distributor across social media platforms remain strong.

More traditional and big names are moving their adex to Foodie Media, which has 51 million followers across its brands. Through initiatives such as Monie Fest 2026, the company has been widening its vertical reach.

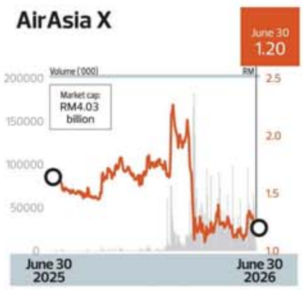
Foodie Media



Sitting on a net cash position of RM51 million, Foodie Media in April declared its maiden dividend of 0.53 sen per share, which included a special dividend of 0.21 sen per share. Note that the Securities Commission Malaysia recently classified the company as non-shariah compliant, along with 17 other companies.

Datuk Thomas Yong
Founder and CEO, Fortress Capital

AirAsia X



AIRASIA X BHD

We prefer to maintain our position in AirAsia X Bhd (KL:AAX) as we believe its valuation has become increasingly attractive following the improvement in the Middle East geopolitical situation.

We expect the company's profitability to recover in the second half of 2026 as energy prices moderate. Following the ceasefire agreement between the US and Iran, jet fuel prices have declined significantly from above US$200 per barrel to around USS$110, and are likely to fall further as concerns about supply disruptions continue to ease. Consequently, the company's earnings outlook is expected to improve.

In the coming months, travel demand is likely to strengthen as the Northern Hemisphere enters the summer holiday season. In addition, we believe the Visit Malaysia 2026 campaign will continue to support stronger tourist arrivals in the second half of the year, providing a further boost to the company's operating performance.

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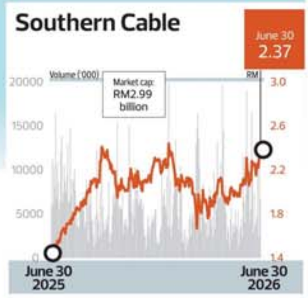
Loui Low
Head of research, Malacca Securities



SAMAIDEN GROUP BHD

Leveraging the solar theme, Samaiden Group Bhd (KL:SAMAIDEN) is one of our preferred picks for the second half. In the first three months of the year, Samaiden posted its highest-ever quarterly net profit of RM9.12 million, driven by stronger margins from newly commenced projects as well as improved supply chain and cost management.

With an order book of close to RM500 million, this will provide sustained earnings visibility for the company. Of the orders in hand, 75% are from Large-Scale Solar projects, 20% from commercial and industrial clients and the remainder from other segments.

While engineering, procurement, construction and commissioning remains Samaiden's primary revenue driver, the company has been expanding its renewable energy asset portfolio to enhance recurring income contribution over time.

CBH ENGINEERING HOLDINGS BHD

Listed in January 2025, CBH Engineering Holdings Bhd (KL:CBHB) is an electrical engineering service provider specialising in substations, power distribution systems and related infrastructure works.

The company is well positioned to benefit from Malaysia's power infrastructure investment cycle, especially the rapid expansion of data centres. It currently has an outstanding order book of about RM580 million, providing it with healthy earnings visibility.

CBH has demonstrated strong profitability, with a net profit margin of 20.3% in the first three months of 2026, compared with 21.6% in the preceding quarter. Importantly, the company remains in a net cash position, with more than RM150 million at end-March this year. This strong balance sheet gives it greater financial flexibility and enhances its competitiveness when bidding for high-voltage substation contracts.

SOUTHERN CABLE GROUP

Southern Cable Group (KL:SCGBHD) is another beneficiary of the ongoing expansion in power infrastructure and data centre development. The power cable and wire manufacturer continues to benefit from the acceleration of renewable energy initiatives under the National Energy Transition Roadmap, alongside growing demand driven by data centre investments and national grid upgrades.

As at end-March, it had an outstanding order book of RM924.9 million. To meet growing demand, the company is ramping up its capacity expansion plans at its manufacturing hub in Kuala Ketil, Kedah. Upon completion, its annual cable and wire capacity is expected to reach 60,000km by end-2026 before reaching 65,000km upon full completion by end-2027, up from the current 54,980km.

Meanwhile, the fluctuations in raw material prices remain manageable, supported by the company's existing cost-pass-through mechanisms and ongoing operational adjustments. ■

Riding the technology and data centre wave

FROM PAGE 65

Within the sector, we favour Sarawak Oil Palms Bhd (KL:SOP), whose valuation remains relatively undemanding. The stock trades at a PER of about 11 times, lower than those of its larger peers. As at end-March 2026, the company had a net cash position of RM1.36 billion, a substantial amount relative to its market cap of RM4.2 billion.

Another potential catalyst for CPO prices is Indonesia's proposed natural resources export governance framework, under which all export transactions would be channelled through Danantara Sumberdaya Indonesia. Although the Indonesian government is reportedly considering scaling back the proposal, tighter export monitoring is still expected.

Sarawak Oil Palms also benefits from a favourable tree age profile. Prime trees aged between 11 and 20 years — the most productive phase for oil palm trees in terms of fresh fruit bunch (FFB) yield — accounted for more than 70% of its mature planted area in the financial year ended Dec 31, 2025 (FY2025).

Its trailing 12-month dividend yield of 3.8% is another positive, supported by the company's track record of progressively increasing its dividend payouts.

KESM INDUSTRIES BHD

KESM Industries Bhd (KL:KESM), the world's largest independent burn-in and test service provider, has seen its share price jump by more than 30% since the start of the year.

While KESM trades at a PER of below 30 times — a discount to many technology peers, which command valuations of more than 50 times — the lower multiple is partly justified by its relatively small market cap and history of core operating losses.

It is worth noting that KESM's headline profits in recent quarters were boosted by one-off gains. The company recorded losses in two of the past five financial years. For the first nine months ended April 30, 2026, it reported a net profit of RM6.64 million compared with a net loss of RM8.41 million a year earlier.

Over the past three years, KESM has invested RM146.27 million to enhance its capabilities in providing burn-in and test services for more advanced applications, while expanding its portfolio and capacity to better serve the electric vehicle, power management and artificial intelligence (AI) markets.

Burn-in and testing are critical stages in semiconductor manufacturing, carried out before devices undergo comprehensive functional and electrical testing to ensure they meet stringent performance standards.

Should these higher-value segments begin contributing meaningfully, they could provide a significant boost to the company's earnings. KESM also maintains a strong balance sheet, with a net cash position of RM184.4 million, slightly exceeding its market cap of about RM173.29 million.

MN HOLDINGS BHD

MN Holdings Bhd (KL:MNHLDG), which specialises in underground utility engineering and substation engineering services and solutions, is well positioned to benefit from Malaysia's data centre boom, having secured sizeable contracts in the sector while continuing to win projects from Tenaga Nasional Bhd (KL:TENAGA).

Although the stock has gained more than 70% since the start of the year, its healthy order book and sustained momentum in securing data centre-related contracts could provide further upside.

Analysts expect MN Holdings' net profit to double to nearly RM100 million in the financial year ended June 30, 2026 (FY2026), from a record RM48.22 million in FY2025.

The company has an outstanding order book of about RM1.6 billion, of which 70% is linked to data centre projects.

Furthermore, the potential listing of YTL Power International Bhd's (KL:YTLPOWR) data centre business could serve as a rerating catalyst for the broader power infrastructure sector.

Beyond data centres, MN Holdings is positioning itself for growth in the renewable energy sector by preparing to undertake engineering, procurement, construction and commissioning (EPCC) works for solar projects, including battery energy storage systems (BESS), which could provide a recurring income stream over the longer term.

TENAGA NASIONAL BHD

Tenaga Nasional Bhd (KL:TENAGA) is our preferred utility stock for the second half of the year, underpinned by the implementation of the National Energy Transition Roadmap (NETR) and its position as a key beneficiary of Malaysia's energy transition through higher grid capex to support greater renewable energy penetration.

The utility giant plans to spend RM43 billion in capex between 2025 and 2027, and RM47 billion over the 2028-2030 period.

Tenaga is also expected to benefit from the country's resilient economic growth despite uncertainty arising from geopolitical risks in the Middle East. Although electricity demand from the industrial segment softened in the first quarter of the year, analysts expect overall electricity demand growth to remain healthy in 2026, supported in part by continued data centre developments.

The consensus target price for Tenaga is RM16.50, implying a potential upside of about 15.7% from last Thursday's closing price of RM14.26. ■