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ZAHID IZZANI/THE EDGE



Bursa Malaysia PUSHES FOR VALUE CREATION

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For years, many companies on Bursa Malaysia have faced the same frustration: While they are profitable and fundamentally strong, their valuations trail those of their regional peers.

The Securities Commission Malaysia (SC) is seeking to close the gap with a programme that encourages public listed companies (PLCs) to sharpen their focus on value creation, boost capital efficiency and communicate more clearly with investors.

The idea is straightforward. Under the “MY Value Up” programme, introduced as part of the Capital Market Masterplan 2026-2030 (CMP4) unveiled last week, companies will be encouraged to disclose clearer value-creation strategies and key performance metrics such as return on equity (ROE), return on invested capital (ROIC) and total shareholders’ return, while strengthening engagement with shareholders.

The programme also takes a more targeted approach, recognising that some companies are fundamentally strong but overlooked, some struggle with weak capital allocation, while others have poor trading liquidity.

It is not a novel idea. Markets such as Japan and South Korea have introduced similar initiatives in recent years to address valuation discounts and improve capital efficiency, while Singapore has paired disclosure reforms with capital injection programmes designed to channel institutional funds into local equities.

Still, closing the valuation gap on Bursa may prove harder than just encouraging companies to publish more numbers or set new targets. If deeper structural issues such as liquidity constraints, governance concerns and limited investor participation remain unresolved, can a “value-up” programme alone really lift the market’s fortunes?

Minority Shareholders Watch Group (MSWG) CEO Ismet Yusoff believes the MY Value Up programme is a constructive and timely initiative. According to him, one of the long-standing concerns in the Malaysian equity market is that many fundamentally sound companies continue to trade at valuations that do not fully re-

Optimising equity market valuation

Undervalued but fundamentally sound PLCs

Targeted disclosures and announcements will be used to improve visibility and address mispricing

Weaker PLCs

More rigorous measures will be required, such as structured turnaround plans with clear milestones to restore investor confidence

Low velocity PLCs

Initiatives will be introduced to improve liquidity into these securities to drive investor participation

flect their underlying business strength.

“Bridging that valuation gap requires more than just strong earnings. It requires clearer communication of strategy, disciplined capital allocation and stronger engagement with investors,” he tells *The Edge*.

“In that sense, the programme is not merely about pushing up share prices. It is about encouraging companies to articulate how they intend to create sustainable value over the long term.”

Ismet says when investors have greater clarity on a company’s strategy and capital discipline, their confidence tends to improve, and valuation reratings often follow.

“In terms of metrics, I would avoid focusing solely on short-term share price movements. A more meaningful assessment would consider a combination of indicators, such as improvements in ROE, ROIC, earnings growth and total shareholder return over a sustained period.

“Equally important is whether companies demonstrate better capital allocation discipline and stronger engagement with investors. If the programme leads companies to become more transparent about how they create value and investors respond with greater confidence and participation, then we can say it is achieving its intended objective,” he remarks.

Fortress Capital founder and CEO Datuk Thomas Yong says the SC is well placed to focus on the persistent valuation discount on Malaysian PLCs relative to their fundamentals and the country’s economic progress.

“We should also be honest about the degree of difficulty involved. The gap is not

merely a disclosure problem. It reflects deeper capital-allocation, liquidity and governance shortfalls, compounded by a decade-long decline in foreign institutional ownership,” he adds.

Yong says when the marginal price setters, namely foreign institutional investors, are structural net sellers, improved reporting alone may not be enough. To win capital back, companies must consistently generate returns above their cost of capital.

He cautions against using share price performance or headline index levels as the main measure, pointing out that they are often distorted by numerous external factors.

Rather than short-term price moves, Yong emphasises structural, company-level metrics such as the ROIC-weighted average cost of capital (WACC) spread, free cash flow yield, payout progression and book value per share growth, tracked over three- to five-year rolling windows.

“At the aggregate level, track the proportion of Bursa’s top 200 companies trading below one time book value — the same metric that proved far more telling in Japan’s Tokyo Stock Exchange (TSE) reforms. A meaningful reduction in that proportion within three years would be the clearest evidence of genuine rerating success,” he says.

Datin Wong Muh Rong, managing director of Astramina Advisory Sdn Bhd and chairman of the Association of Corporate Finance Advisors (ACFA), highlights that details on how the MY Value Up programme will be implemented are still limited at this stage. She expects the programme to involve voluntary disclosures by participating PLCs

on why their stocks are undervalued, based on performance metrics such as price-earnings ratio (PER), price-to-book value (P/B), order book visibility, earnings growth prospects and ROE.

“Most of this information is already available through existing disclosures by PLCs. The difference may lie in how the information is presented, for example, in a clearer and more investor-friendly format similar to presentations typically prepared by investor relations firms when engaging institutional investors or conducting placements,” Wong elaborates.

She points out, however, that the key issue is not merely about communicating that PLCs are undervalued. “The focus must be on substance rather than form. If the programme only highlights valuation metrics without attracting real buyers into the market, it risks becoming another investor relations exercise rather than creating genuine demand for these stocks.”

Firepower needed for market revival

Wong is of the view that the MY Value Up programme would be more impactful if it were accompanied by a form of pump-priming by major domestic institutional investors such as the Employees Provident Fund (EPF), Retirement Fund Inc (KWAP) and Khazanah Nasional Bhd.

For instance, a RM10 billion allocation from domestic institutional funds, structured on a matching principle with international investors, could mobilise up to RM20 billion in investment into undervalued Malaysian stocks.

Notably, the Monetary Authority of Singapore (MAS) announced last month an additional injection of S\$1.5 billion (RM4.6 billion) into the Equity Market Development Programme (EQDP), raising the total fund size to S\$6.5 billion. The EQDP was introduced in February last year to develop Singapore’s domestic fund management industry and increase investor participation in local equities. To date, MAS has allocated S\$3.95 billion to nine appointed asset managers.

Workers’ Party member of parliament Louis Chua Kheng Wee said in parliament on Feb 3 that 61% of Singapore-listed companies are still generating an ROE of less than 8%, higher than 44% in Japan and 24% in South Korea.

Chua, a former equity research analyst with global investment banks, noted that 69% of Singapore-listed companies had lost market capitalisation over the last decade compared with only 14% in Japan. Additionally, only 11% of Singapore-listed firms had doubled in value over 10 years, compared with half of Japanese companies.

A compilation by *The Edge* shows that among the top 500 Bursa-listed companies by market cap, 232 of them, or 46.4%, generated an ROE of less than 8%. Over the past 10 years, 156 companies, or 31.2%, saw their market value decline, while 118 firms, representing 23.6%, managed to at least double their market cap.

Interestingly, the PERs of some of Bursa’s key indices, namely FBM KLCI, FBM Emas Index and FBM Top100 Index, have declined from about 18 times a decade ago to about 16 times today, reflecting a compression in market valuations.

Will disclosure alone move the needle?

A key part of the MY Value Up programme is encouraging PLCs to provide clearer guidance on how they plan to improve financial performance and shareholder returns.

However, market practitioners say transparency alone may not be enough to draw fresh capital into the market. Liquidity constraints, corporate governance standards and the depth of the investor base will ul-

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timately determine whether Bursa sees a meaningful improvement in valuations and trading activity.

CGS International Securities Malaysia CEO Khairi Shahrin Arief Baki points out that while disclosure is good, companies should address deviations from their targets at the end of the year.

“It’s no use disclosing targets without being held accountable for those disclosures. And this is true for both overly bullish and overly bearish guidance,” he says.

By getting listed, major shareholders are gaining access to a cheaper form of capital, Khairi points out.

“It would seem only fitting that the providers of this capital are provided with some safeguards. Key performance indicators (KPIs) can be short, medium and long term. It needs active management and fine-tuning of the measures on an annual basis to make these relevant to market participants.”

He adds that active feedback from investors and stakeholders should be sought to ensure these measures remain relevant.

Tradeview Capital Sdn Bhd CEO Ng Zhu Hann observes that value-up programmes in countries such as Singapore, South Korea and Japan have brought positive outcomes, with the stock markets performing well and seeing healthy foreign fund inflows in the past few years.

He says better disclosure by PLCs will allow investors to scrutinise and assess their performance in greater depth, beyond the usual ordinary accounting reports. Targets also allow investors to measure a company’s performance to its promise, enabling an assessment of management’s execution ability.

Ng believes the best metric would be ROE as it would ensure that companies make use of their cash flow for the purpose of shareholder interest, including reinvesting for growth, dividend payouts or share buybacks.

“Share price performance can be impacted by market sentiment but does not reflect the fundamentals of the listed companies. High ROE would drive a meaningful rerating in my view,” he says.

Chua Zhu Lian, group managing director of Vision Group, which operates offshore variable capital company funds in Singapore, stresses that while “transparency is a non-negotiable foundation”, there is a real risk that excessive disclosure requirements could become an administrative burden.

“If management is forced to focus too heavily on the paperwork of reporting, they risk being distracted from their primary objective — running the business well and generating returns. The goal must be high-quality, comparable data that does not hamper the very value creation it is meant to highlight,” he says.

Zhu Lian elaborates that while transparency boosts confidence, the market demands stronger evidence of positive stewardship and measurable outcomes. “The success of these disclosures relies on the programme’s tailored approach to different PLC archetypes.”

For undervalued but sound PLCs, targeted disclosures can directly address mispricing. For weaker PLCs, however, disclosure must be paired with structured turnaround plans and clear milestones.

“Only by addressing the specific needs of these different groups can we genuinely restore investor interest,” he says.

Certain quarters argue that pushing companies to raise their profile and meet certain KPIs risks regulators being seen as too prescriptive, or even interfering in corporate strategy. Where should the balance lie?

MSWG’s Ismet believes the regulator’s role is not to dictate corporate strategy. Ultimately, boards and management must retain full responsibility for running their businesses and determining their strategic direction.

Expansion of investment options among key highlights of CMP4

For individual investors, one of the standout initiatives under the Capital Market Masterplan 2026–2030 (CMP4) is the review of the Private Retirement Schemes (PRS) to expand their investment options into other asset classes.

These asset classes could include exchange-traded funds (ETFs), the Securities Commission Malaysia (SC) executive chairman Datuk Mohammad Faiz Azmi revealed during the launch of CMP4 last Monday.

“ETFs allow us to create products that are intrinsically cheaper than funds and meet the thematic needs of investors,” he said, noting that many young Malaysians are increasingly investing in ETFs listed overseas.

The regulator added that legislative amendments may be required to ensure the administrative and operational requirements do not incur excessive costs.

Introduced in 2012, Malaysia’s PRS industry has been well accepted by investors, with its net asset value growing to RM8.8 billion in 2025 from RM4.8 billion in 2020. Under the SC’s current PRS guidelines, funds may invest in transferable securities, money market instruments, deposits with financial institutions, derivatives and real estate.

Acknowledging shifts in investor preferences — particularly among younger investors who are increasingly turning to digital platforms and alternative investments — the regulator is looking to broaden access to capital market products through the introduction of

new regulated asset classes.

The SC plans to work with industry players to reduce investment barriers, including lowering the minimum investment amount for certain instruments such as retail bonds.

In the report, the regulator highlighted concerns about low retail participation, with only 25% of Malaysians participating in the capital market. As a result, many Malaysian households continue to park their wealth in low-yielding assets, limiting long-term wealth creation and retirement preparedness.

To address this, emerging technologies such as artificial intelligence-driven tools will be adopted to promote investor education and facilitate investment discovery.

The SC also plans to work with other regulators and industry participants to develop systems that allow investors to view their entire financial position in one place by consolidating data from bank deposits, loans, retirement savings and investment portfolios.

On the digital assets front, however, it offered limited details, stating only that it will develop “appropriate” regulatory frameworks for alternative assets to provide greater clarity to market participants.

Supporting different stages of growth

Meanwhile, for companies, the SC has outlined plans to support businesses at different stages of growth. Coordinated efforts are required to lift the overall capital market to between RM5.8

trillion and RM6.3 trillion by 2030, from RM4.5 trillion in 2025.

Among the initiatives is the institutionalisation of angel investor syndicates to strengthen the country’s venture capital ecosystem and improve funding access for young companies. These early-stage investors pool funds to jointly invest in start-ups.

At the same time, the SC is considering a regulatory framework for private debt instruments and direct lending to support the development of the private credit market. Private credit refers to non-bank financing in which investors — through capital market intermediary funds or sponsored vehicles — provide loans directly to companies.

In developed markets, capital market intermediaries have increasingly ventured into private credit as a way to diversify their offerings.

The SC also aims to broaden participation in the corporate bond and sukuk markets, noting that not all potential issuers are equally equipped to access bond and sukuk financing.

According to the regulator, the bond and sukuk markets have reached a stage of maturity where the focus should be on facilitation rather than pure regulation. Key efforts include helping high-potential issuers in navigating the complexities of bond and sukuk issuance, such as clarifying structural considerations, documentation requirements, execution pathways and engagement with investors and market intermediaries. **E**

“Capital markets function best when investors have sufficient information to assess whether companies are deploying capital efficiently. Encouraging companies to articulate their strategic priorities and performance metrics simply helps bridge that information gap,” he explains.

At the same time, there must always be room for flexibility.

“Different companies operate in different sectors and may adopt different time horizons for value creation. The objective should not be uniformity but rather clarity and accountability,” says Ismet.

“When framed in that way, the programme should be viewed less as a regulatory intervention and more as a market-building initiative aimed at strengthening investor confidence.”

Fortress Capital’s Yong acknowledges that the perceived risk of overprescription is real if the programme begins dictating specific financial targets or capital-allocation decisions.

He says the regulator’s role should be limited to the “what” — requiring companies to disclose their plan, explaining their cost of capital and demonstrating value creation. The “how” must remain management’s prerogative.

“Japan’s ‘comply or explain’ model, reinforced by public naming and market pressure rather than mandates, offers the right balance. The TSE did not order buybacks or force cross-shareholding unwinds. It asked companies to address capital efficiency and let the market apply the discipline. Malaysia may follow that disciplined path,” he adds.

Replicating regional success in Malaysia

Similar initiatives have been introduced in markets such as Japan and South Korea

to tackle valuation discounts and improve capital efficiency, while Singapore has gone a step further with programmes aimed at channelling institutional capital into its equity market.

Can Malaysia achieve similar results? And what lessons can our country draw from these markets?

Astramina’s Wong reiterates that the most practical way to assess whether the programme is successful in driving meaningful reratings is through tangible market outcomes.

These include improvements in market cap, stronger trading liquidity and consistent daily trading activity in the affected stocks. If the programme manages to draw new investors and capital into the market, these indicators will naturally reflect its success.

“Malaysia’s capital market still lacks depth and liquidity compared with larger markets in the region, which makes it harder to attract sustained investor participation. Without real investor demand, additional disclosures alone may not necessarily translate into improved liquidity or meaningful reratings of stocks,” she says.

Wong emphasises that a capital market is only as strong as the quality of the companies listed on it. “If Bursa has the right mix of companies with strong growth potential and credible business models, supported by liquidity and pump-priming initiatives, the multiplier effects will naturally follow and contribute to the overall growth of the capital market,” she adds.

Tradeview’s Ng believes that overall policy is important as it sets the tone for companies to follow. However, the plans or frameworks need to be achievable and execution is key.

“One of Malaysia’s biggest problems has always been the large quantities of blueprints and plans, but the execution falls short eventually,” he says.

Ng urges the Ministry of Finance to provide capital to inject into the public markets, especially the small- to mid-cap segment, and also to expand the family office framework to locations beyond Johor.

“It should, in fact, allow incentives enjoyed under the Single Family Office framework to also be applicable to dedicated locations in Kuala Lumpur and Penang. Kuala Lumpur, being the capital and financial hub of the country, and Penang, being the technology semiconductor hub, should enjoy such benefits. This would make it complete,” he proposes.

Vision Group’s Zhu Lian is of the view that Malaysia has a “genuine opportunity to succeed” if the MY Value Up programme is treated as a total ecosystem shift rather than just a regulatory checklist. “The success seen in Japan and South Korea required consistent follow-through and active participation from all market players,” he points out.

To achieve its targets, Malaysia must first tackle market drags by addressing persistently non-compliant or dormant PLCs that weigh on liquidity and tarnish the local market’s reputation, stresses Zhu Lian.

Second, the country needs proactive, data-driven interventions to detect early signs of financial deterioration, creating a window for companies to execute turnaround plans before reaching distress.

Third, institutional engagement is crucial. Heightened disclosure only works if representative bodies such as MSWG and the Institutional Investors Council actively use the data to push boards into rigorous, performance-driven dialogues.

“Success is about building an environment where performance and intrinsic value are finally in sync,” he says. **E**