

**HLIB Research**

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**Tan Kai Shuen, CFA**
[kstan@hlib.hongleong.com.my](mailto:kstan@hlib.hongleong.com.my)

(603) 2083 1714

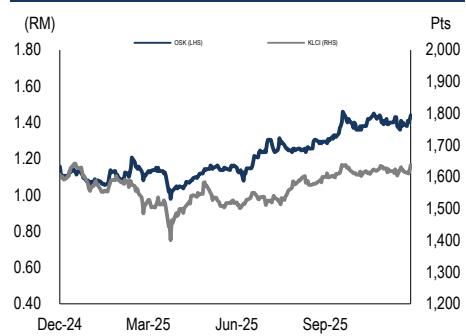
**BUY** (Maintain)

<b>Target Price:</b>	<b>RM2.40</b>
<b>Previously:</b>	<b>RM2.13</b>
<b>Current Price:</b>	<b>RM1.44</b>

Capital upside	66.7%
Dividend yield	4.2%
Expected total return	70.9%

**Sector coverage: Property**

**Company description:** OSK is principally involved in private credit, property development and investment, cables and IBS manufacturing as well as hospitality business.

**Share price**


Historical return (%)	1M	3M	12M
Absolute	3.6	9.1	24.1
Relative	2.8	6.6	21.9

**Stock information**

Bloomberg Ticker	OSK MK
Bursa Code	5053
Issued Shares (m)	3,093
Market cap (RM m)	4,454
3-mth avg. volume ('000)	1,638
SC Shariah-compliant	No
F4GBM Index member	No
ESG rating	N/A

**Major shareholders**

Yellow Rock	50.1%
Tan Sri Ong Leong Huat	2.6%
Toh Ean Hai	2.0%

**Earnings summary**

FYE (Jun)	FY24	FY25f	FY26f
PATMI - core (RM m)	535.6	576.3	604.0
EPS - core (sen)	17.3	18.6	19.5
P/E (x)	8.3	7.7	7.4

# OSK Holdings

## Private credit & cables reach inflection point

OSK's private credit segment is emerging as its largest earnings contributor (ex-RHB). The segment is scaling regionally with the set-up of a new Singapore office and a new Australian fund that enables third-party capital raising. For cables, earnings should accelerate in FY26 as the JB plant ramps up, while it makes headway in penetrating the HV cable segment and export markets. While Malaysia property sales trail targets, OSK is recalibrating its sales strategy, positioning for a recovery in FY26. Maintain forecasts and a conviction BUY rating with a higher RM2.40 TP based on a 15% discount to our SOP valuation.

**Private credit: motor financing.** OSK's motor financing segment is progressing well post-acquisition of Wilayah Credit, with immediate refinancing lowering funding costs. The group has since re-engaged dealers, strengthened market insights and refined underwriting, positioning the business for disciplined growth from FY26. Demand remains resilient, especially among gig-economy riders whose income depends directly on motorcycle ownership.

**Regional expansion.** OSK is accelerating its regional private credit expansion through two key initiatives: (i) setting up a Singapore office to originate and structure APAC deals, leveraging the city's deep capital markets and OSK's prior regional credit experience, and (ii) securing a fund management licence in Australia to raise third-party capital and scale lending without relying solely on its balance sheet. The first Singapore disbursement is expected in 2026, while the inaugural Australian fund (target AUM: AUD50m) is slated for launch in early 2026.

**Private credit takes centre stage.** Sector-wide tailwinds, including civil servant pay hikes that lift borrowing capacity and the Consumer Credit Act, which raises regulatory standards and drives consolidation, are setting the stage for a favourable growth outlook for the segment. With private credit likely to surpass property as OSK's largest earnings contributor in FY25 (ex-RHB), we see parallels with Sunway Healthcare's rise within its parent group, suggesting that greater visibility and scale could prompt the market to reassess OSK's valuation and narrow the current conglomerate discount.

**One of the largest cable producers in Malaysia.** OSK has emerged as one of Malaysia's largest cable producers following a 30% capacity uplift in the Melaka factory and the acquisition of Universal Cable's JB facilities, bringing total capacity to ~64,000 km annually. OSK cable segment earnings should begin to catch up to its peers as it ramps up its upgraded JB plants, enters the HV cable market after securing certifications, and pushes into new export markets.

**Property ramping up.** OSK's property YTD sales is trailing its sales target, mainly due to product saturation at Iringan Bayu and softer demand for the later phase of Shorea Park. The group is strengthening its marketing team and recalibrating its product mix to improve sales momentum heading into FY26. In contrast, Australia continues to perform well, with the group preparing for the next phase launch in 1Q26. Atria Mall is also gaining traction, supported by the upcoming 110k sqft PeopleUp family hub, which should enhance differentiation and footfall as it opens from end-2025.

**Forecast.** Unchanged.

**Maintain our conviction BUY with a higher TP of RM2.40,** based on a narrower 15% discount (from 20%) to our revised SOP-derived valuation of RM2.82, as we raise private credit PER to 18x (from 16x) and industries PER to 16x (from 12x). The current share price offers investors an opportunity to own a well-managed, deeply undervalued conglomerate where multiple businesses are approaching inflection points, none of which are fully priced in today. Notably, OSK's stake in RHB alone accounts for 75.4% of its market cap. The stock also provides a good projected FY25 dividend yield of 4.2%.

# Private Credit

## Consumer financing – motor financing

**Acquisition and immediate optimisation.** OSK recently completed its acquisition of Wilayah Credit on 1 Aug 2025 for RM16.5m. Wilayah Credit is a motorcycle financing company with a customer base concentrated mainly in Johor and KL, and carries a loan portfolio of approximately RM40m. Immediately after the acquisition, OSK refinanced Wilayah Credit's borrowings, reducing its cost of funds from ~8% to ~4.5%. This refinancing alone should provide the segment with meaningful interest cost savings. Following the acquisition, OSK undertook a comprehensive portfolio housekeeping exercise, including a full review of all the credits within the portfolio and non-performing loans (NPLs). As part of a stricter credit classification approach in line with standard practice, all accounts with repayment overdue for more than 90 days were reclassified as NPLs, resulting in an impairment charge of around RM2m in 3Q. This early clean-up positions the business on a more sustainable footing and reduces the risk of legacy surprises.

**Strengthening operations.** Concurrently, OSK has begun to rebuild operational relationships and strengthen market intelligence. Management has re-engaged with the motorcycle dealer network to restore sales channels, while the team actively studies customer behaviour, market dynamics and product preferences. This includes on-the-ground visits and discussions with motorcycle distributors. These efforts should help OSK refine its product offering, sharpen its underwriting standards and reposition motor financing for scalable, disciplined growth.

**Resilient credit dynamics in the gig economy.** With these initiatives in place, the segment is well positioned to scale meaningfully from FY26 onwards, particularly in the Klang Valley where demand for motorcycle financing remains structurally strong. The gig economy, especially in the food delivery and parcel logistics continues to expand rapidly, and motorcycles serve as an essential income-generating asset for ride-hailing workers. For this customer segment, loan repayment is closely aligned with daily cash flow because the motorcycle directly enables their income. As a result, borrowers are generally more motivated to maintain repayment discipline, as any disruption to vehicle ownership would immediately impair their ability to generate income. This creates a more resilient credit profile relative to discretionary consumer loans and provides OSK with a more predictable risk-return framework as it scales the motor financing business.

**New debt recovery team.** OSK has recently established a dedicated debt recovery team led by an industry veteran with deep expertise in consumer credit collection and portfolio rehabilitation. With OSK's private credit loan portfolio having expanded significantly in recent years, the loan book has reached a scale where building an in-house recovery capability is both commercially viable and strategically important. This enables OSK to manage credit quality more proactively, standardise recovery processes and capture efficiencies that would not have been meaningful when the portfolio was smaller.

**Dual mandate to drive efficiencies and new revenue stream.** The team operates with a dual-function mandate that enhances its strategic value. First, internal recovery efforts strengthen delinquency management, accelerate cash collections and improve overall asset quality across OSK's lending portfolios. Second, the team can engage in external recovery, representing a potential new revenue stream by acquiring third-party NPL portfolios and applying specialised strategies to extract value. Early results on internal recovery have been encouraging, with meaningful NPL recoveries in the motor financing segment, improving cash flows and raising the potential for impairment write-backs in 4Q25.

## Consumer Credit Act – a structural tailwind to motor financing

**Consumer Credit Act implementation timeline.** The Consumer Credit Act (CCA) is Malaysia's new regulatory framework aimed at bringing all consumer-credit providers, including motor financing, Buy Now Pay Later (BNPL), leasing, credit sales and debt collection, under a unified, modernised regulatory regime. The Act was passed in 2023, followed by the establishment of the Consumer Credit Oversight Board (CCOB), which will regulate non-bank lenders alongside Bank Negara Malaysia (BNM). Implementation will take place in phases:

- **2024–2025 (Phase 1):** Drafting of subsidiary legislation, operational guidelines and licensing requirements. Voluntary registration opens, enabling existing lenders to transition into the new framework.

- **2025–2026 (Phase 2):** Formal licensing window opens. All existing consumer-credit providers must apply for a licence to continue operating. CCOB begins supervisory oversight.
- **By 2027:** Full enforcement. Only licensed entities can legally offer consumer financing or credit services. Unlicensed or non-compliant operators will be required to exit the market.

Once fully rolled out, every lender, regardless of size must be licensed, ensuring sector-wide standardisation, transparency, and consumer protection.

**CCA as a structural tailwind.** The mandatory licensing requirement marks a major structural shift for the motor financing landscape. Historically, the sector has been populated by many small or informal operators with limited regulatory oversight. With the CCA in force, the compliance bar rises meaningfully, ushering in a more controlled and transparent market environment.

**Market consolidation benefits licensed players.** The higher regulatory threshold is expected to catalyse industry consolidation. Smaller, informal or undercapitalised lenders may struggle to meet licensing, governance and reporting standards, leading to natural attrition. As these players exit, market share flows toward licensed, well-capitalised institutions such as OSK, effectively expanding the formal addressable market.

### Consumer financing – civil servant financing

**Civil servant pay hike.** In 2024, the government has introduced a major salary adjustment for civil servants, to be implemented in two phases as below:

**Phase 1 (effective 1 Dec 2024):**

- +8% for most civil servants, or minimum +RM240 for lower grades.
- +4% for senior/top management.

**Phase 2 (effective 1 Jan 2026):**

- additional +7% for most grades.
- additional +3% for senior/top management.

Overall, lower and mid-level civil servants will see total increases of around 13–15%, while senior management receives about 7% cumulatively.

**Ops Sky event.** While the civil servant pay hike was expected to be a strong tailwind for OSK's civil servant loan portfolio, the timing unfortunately coincided with the Ops Sky investigation, which disrupted the broader personal-financing industry. In early 2025, the Malaysian Anti-Corruption Commission (MACC) launched Ops Sky, a corruption and money-laundering probe targeting a loan syndicate involving a financial-consultancy firm that colluded with bank officers across several banks.

**How the scheme works.** The syndicate exploited a timing gap in the credit reporting system by submitting multiple personal-loan applications for their clients (often civil servants), across several banks and non-bank lenders within the same narrow window. As new applications do not immediately appear in CCRIS, each lender believed it was the only institution assessing the borrower and approved the loan, when in reality the borrower already had multiple concurrent applications. Many of these loans would have been rejected had lenders known the borrower was simultaneously applying elsewhere.

**NPL spike across lenders.** Most clients were unaware they were part of a fraudulent scheme; they believed the consultancy to be a legitimate loan agent and did not know it was falsifying documents or submitting multiple applications behind the scenes. In many cases, the proceeds from several approved loans were credited to the borrower at once, often resulting in debt levels far beyond their repayment capacity. Unable to service these unexpected commitments, borrowers fell into arrears, while lenders, particularly those with exposure to civil servant financing, experienced a spike in NPLs. This in turn forced lenders industry-wide to tighten underwriting standards and slow down approval volumes to manage the elevated risk environment.

**Minimal impact to OSK.** Our recent engagement with OSK management team indicates that OSK's loan exposure to Ops Sky is minimal. We believe this low exposure was not accidental but reflects OSK's robust and disciplined credit approval process.

**Strong risk discipline driving improving asset quality.** Following the exposure of Ops Sky in early 2025, OSK further strengthened underwriting standards and intentionally slowed growth in the civil servant segment to closely observe repayment trends. This demonstrates the group's commitment to financial discipline in avoiding growth at the expense of asset quality. The aim is to keep the NPL rate within the acceptable range of 1-1.5%. With the Ops Sky incident largely behind the industry, 2026 should offer a clearer runway for OSK to capitalise on the second phase of the civil servant pay hike, scheduled for implementation in Jan 2026.

### Consumer financing – freelance financing

**Scaling down Lyte.** In 2021, OSK established a fintech platform named Lyte in partnership with Lyte Ventures (a Singapore-based company). OSK holds a 51% stake, while Lyte Ventures owns the remaining 49%. Lyte provides financing solutions to freelancers and SMEs, targeting a niche segment of the gig economy. The group has now decided to scale down this business, allowing existing loans to run off and eventually winding down the platform. There are two key reasons driving this decision. First, the addressable market for freelancer and micro-SME financing is relatively limited, making it difficult to scale the portfolio to a meaningful size. Second, the NPL experience in this segment has been comparatively high. Given the weaker risk-return trade-off, OSK believes capital and management resources are better allocated to segments where it has stronger credit visibility, scalability and sustainable economics.

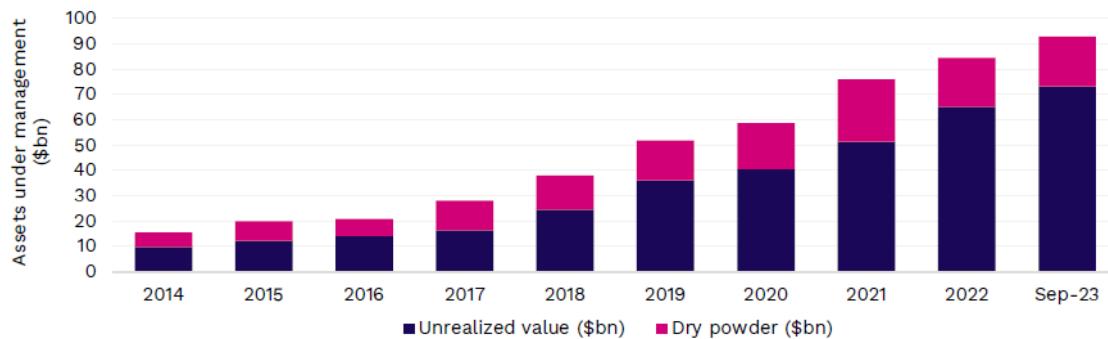
### Regional expansion to Singapore

**Establishing a regional base in Singapore.** OSK has recently set up a new private credit office in Singapore, with its first loan disbursement expected as early as 2026. While the immediate focus is on the Singapore market, the strategic intent is broader. As a regional financial hub with deep capital markets and strong deal flow, Singapore provides OSK with an ideal launch pad to originate, structure and syndicate private credit opportunities across the wider APAC region. This presence also enhances OSK's visibility with regional sponsors, intermediaries and institutional investors, supporting future scaling of its private credit franchise.

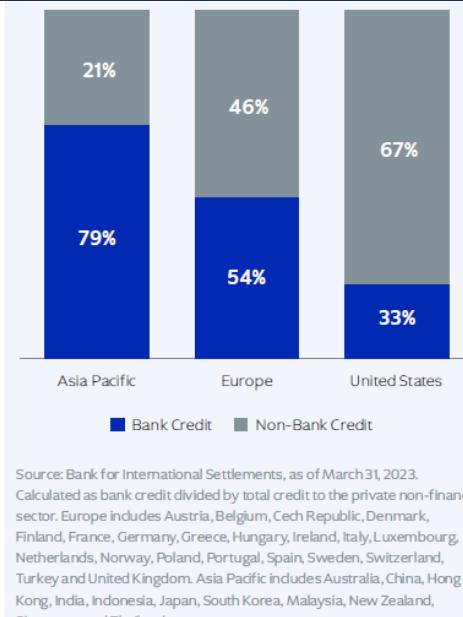
**Building on a legacy in credit.** Importantly, OSK is not starting from a blank slate in regional private credit. Prior to the RHB-OSK Investment Bank (OSKIB) merger in 2012, OSKIB managed a sizeable private credit portfolio in Indonesia, alongside other regional banking operations that were subsequently acquired by RHB. The group therefore retains institutional memory, networks and underwriting experience in cross-border credit. Building on this legacy, we believe OSK is well placed to re-establish itself in the regional private credit space and gradually grow a differentiated APAC-focused platform out of Singapore.

**An underpenetrated segment.** The APAC private credit market remains structurally underpenetrated despite its rapid growth. According to Preqin, private credit AUM in the region expanded from USD15.4bn in 2014 to USD92.9bn by September 2023—a sixfold increase, representing a CAGR of just over 22% (see Figure #1). Yet, even with this impressive trajectory, penetration remains low relative to developed markets. KKR estimates that as at March 2023, non-bank credit represented only 21% of total credit in APAC, compared with 46% in Europe and 67% in the US (see Figure #2). This wide gap underscores the substantial headroom for private lenders as regional banks tighten credit standards, corporates seek alternative funding sources and institutional investors increasingly allocate to private credit for yield and diversification.

**Figure #1 APAC-based private debt funds AUM (2014 – Sep 2023)**



Preqin Pro, data as at June 2024

**Figure #2 Region bank share of total credit**

[www.kkr.com](http://www.kkr.com)

## Setting up a new private credit fund in Australia

**Licensing milestone unlocks third-party capital.** In Australia, OSK has secured the necessary licence that enables it to raise third-party capital through the establishment of a new private credit fund. This marks an important strategic milestone. Historically, OSK's lending activities have been financed primarily through its own balance sheet, meaning growth was naturally constrained by the group's gearing limits and debt headroom. With the ability to raise external capital, OSK can now significantly scale its credit platform without drawing heavily on its own balance sheet, preserving financial flexibility while expanding its lending capacity.

**Transition toward a capital-light, fee-based model.** Under this new structure, OSK transitions from being purely a balance-sheet lender into a dual-platform credit manager, deploying both proprietary capital and investor capital. The economics also shift: instead of relying solely on interest income, OSK will generate recurring management fees (and potentially performance fees) based on the fund's asset under management (AUM). This creates a more capital-light, annuity-like income stream that is less sensitive to funding costs and gearing levels.

**Pathway to scalable growth.** OSK targets to launch the fund by early 2026 with an initial AUM target of AUD50m. Successfully raising and deploying this fund would not only diversify earnings but also build a track record that supports larger fund launches in the future. In essence, the licensing approval positions OSK to develop a scalable, fee-driven private credit franchise that can grow independently of the group's own balance sheet constraints.

## Private credit takes centre stage

**Building a long-term growth engine in private credit.** OSK demonstrated strong foresight in identifying private credit as a core pillar of future growth. Since 2017, the group has been steadily and deliberately expanding this segment. The segment began with the conventional corporate lending business, but has today evolved into a highly diversified private credit platform, spanning multiple consumer segments, product types, and geographies.

**Growth without compromising asset quality.** OSK's private credit division delivered a robust 6-year PBT CAGR of 25.1% from FY18–24. Importantly, this growth has not come at the expense of asset quality. Each new lending segment that OSK enters undergoes years of research, pilot testing and behavioural analysis, followed by an extended incubation period before any meaningful scaling occurs. This methodical approach ensures that underwriting models are validated, risk controls are refined and the group fully understands the credit dynamics of each segment before deploying significant capital.

**Structural tailwinds supporting the sector.** Several macro and regulatory developments provide a supportive backdrop for the segment. The civil servant pay hikes, implemented in phases beginning Dec 2024 and Jan 2026, raises loan eligibility and strengthens repayment capacity,

directly benefiting OSK's civil servant financing portfolio. Meanwhile, the Consumer Credit Act mandates licensing for all consumer-credit providers, a move that is expected to raise industry standards and drive consolidation. As smaller, unregulated operators exit the market, well-capitalised and compliant lenders like OSK stand to gain share in a more orderly and regulated environment. Collectively, these tailwinds reinforce OSK's growth story in its private credit franchise.

**A new core earnings driver emerging.** FY25 is likely to be the first year in which private credit surpasses property as the largest profit contributor (excluding contribution from RHB), marking a structural shift in OSK's earnings profile. In our view, this mirrors the trajectory of Sunway Healthcare, which for years was deeply embedded within a diversified conglomerate structure, making it easy for investors to overlook its underlying growth and rising profitability. Only when the business reached a meaningful scale did investors begin recognising its standalone value, ultimately driving a significant re-rating of Sunway's share price. Similarly, OSK's private credit segment has long been overshadowed by the group's larger and more established property businesses. As the division now gains size and visibility, we believe the market will begin to reassess OSK's valuation framework. A clearer appreciation of the private credit franchise could pave the way for a re-rating.

## Cables

**One of the largest cable production capacities in Malaysia.** In Sep 2024, OSK successfully increased the production capacity of its Melaka factory by approximately 30% following the full commissioning of new machinery and the optimisation of key processes through de-bottlenecking initiatives. In the same month, the group announced the acquisition of cable factories and machinery in JB from Universal Cable. With the Melaka expansion and this acquisition, OSK's cable production capacity has effectively more than doubled, bringing annual output to approximately 64,000 km, positioning OSK as one of the largest cable producers in Malaysia by capacity.

**Asset-only acquisition ensures a clean integration.** Importantly, OSK opted to acquire only the assets of Universal Cable rather than the corporate entity. This was a deliberate decision on OSK's part as it ensures a clean and efficient transaction, allowing OSK to integrate the operational assets while avoiding any potential legacy liabilities tied to the Universal Cable entity. As a result of this asset-only structure, OSK was required to reapply for all relevant operating licences before production could resume. This process was completed efficiently, enabling operations to commence by Mar 2025. Although Universal Cable's factories were technically capable of producing high-voltage (HV) cables, the certifications were held by the Universal Cable entity, not the assets themselves. Therefore, OSK has to apply for the HV cable certifications under its own name before it can commercially produce and sell HV cables.

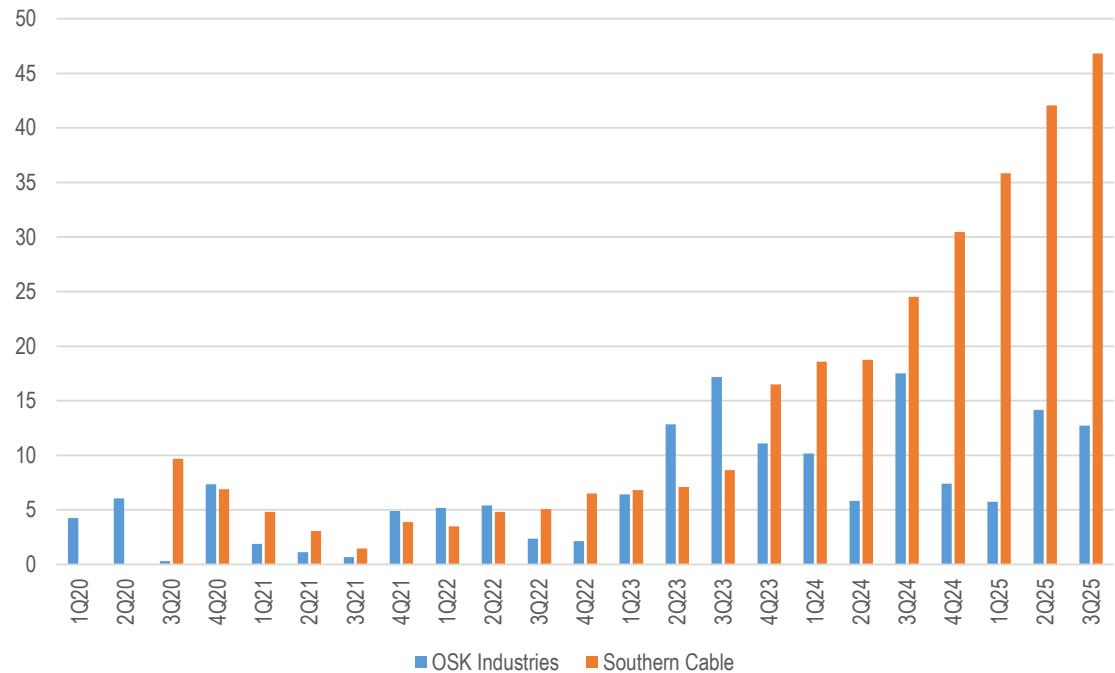
**Understanding the divergence: Why SCG's PBT outpaced OSK in 2024–25.** Looking at Figure #3, we compare the PBT contribution from OSK Industries segment with its closest listed peer, Southern Cable Group (SCG). OSK Industries' PBT is driven predominantly by its Cables division (>80%), with the remainder coming from its IBS operations. Historically, both companies delivered comparable PBT levels. However, beginning in 2024, SCG's PBT accelerated sharply and moved meaningfully ahead of OSK.

This divergence can be explained by several structural and timing factors. First, OSK's production capacity remained constrained for most of 2024. The 30% capacity uplift in Melaka only came online in Sep 2024, while the capacity from the newly acquired JB factories began contributing only in Mar 2025. Second, OSK's PBT in 2025 was temporarily weighed down by pre-operating expenses, repair works and higher operating costs from the JB facilities. Since Mar 2025, the group has been progressively overhauling machinery, production lines and plant infrastructure, an effort expected to take slightly over a year to complete before unlocking full operational efficiency.

In addition to this, SCG also benefited from two additional revenue streams that OSK did not yet have at the time:

- a fully operational HV cable business, and
- a growing US export market,

Both of these segments were major contributors to SCG's growth. This structural advantage widened the PBT gap during the period under review.

**Figure #3 Quarterly PBT comparison between OSK industries segment vs. Southern Cable**

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**Re-convergence ahead: why the PBT gap should narrow from FY26 onwards.** Looking ahead, we expect the PBT differential between OSK and SCG to narrow from FY26, with OSK having the potential to eventually catch up.

Several catalysts underpin this view:

### 1) Stabilisation and scaling of JB operations.

As the JB factories complete their full upgrading cycle and machinery reliability improves, OSK should be able to ramp up utilisation progressively. The combined capacity of Melaka + JB positions OSK as one of the largest cable producers in Malaysia, giving it a structural volume advantage.

### 2) Entry into the HV cable market.

OSK has already secured the necessary HV certifications and is currently undergoing the registration process with a major domestic utility company. Upon registration, OSK will be eligible to bid for HV cable tenders, positioning it as one of the only four HV-certified cable manufacturers in Malaysia. This opens up a new revenue stream previously unavailable to OSK.

### 3) Strategic push into export markets.

OSK currently exports to a handful of countries, but export contribution remains an insignificant portion of revenue. The group is now actively working to secure additional international certifications, which will enable entry into new markets. Management is increasingly confident of making tangible progress in this area, which would further diversify revenue and support margin expansion.

Collectively, these developments position OSK on a strong footing for earnings re-acceleration.

**Cable industry entering a multi-year super cycle.** We believe the cable industry is at the beginning of a structural multi-year upcycle, supported by several powerful demand drivers. The most significant catalyst is the sharp rise in electricity consumption driven by the rapid expansion of DCs. Hyperscale DCs require substantial cabling for grid connection, internal power distribution and redundancy systems. With Malaysia experiencing one of the fastest DC build-outs in the region, cable demand from this segment alone is expected to remain elevated over the medium term.

Electrification trends further reinforce this outlook. The growth of EV adoption necessitates widespread installation of charging infrastructure and upgrades to distribution networks, all of which rely heavily on MV/LV cables. At the same time, renewable energy investments are accelerating. Upcoming solar programmes, including LSS5, LSS5+ and expansion of corporate solar schemes, require extensive cabling from panel arrays to inverters, transformers and grid interconnections.

Infrastructure projects add another layer of support. Major developments such as the Penang LRT, MRT3, industrial park expansions and grid-strengthening initiatives by TNB continue to drive steady demand across LV, MV and HV segments. Collectively, these overlapping themes from DC growth, EV electrification, renewable energy deployment and infrastructure expansion are creating a broad-based uplift that underpins our view that the cable industry is entering a sustained super cycle.

**Global cable industry is also in an upcycle.** The global cable industry is likewise entering a structural upcycle, driven by the same megatrends seen in Malaysia—renewable energy deployment, grid modernisation, EV electrification and accelerating DC construction worldwide. Utilities across the US, Europe and Asia are investing heavily to upgrade aging transmission networks and expand grid capacity to accommodate rising electricity demand. This global push for electrification and renewable integration is creating sustained, multi-year demand growth for LV, MV and HV cables across all major markets.

**US supply-chain diversification away from China a powerful catalyst.** A significant global tailwind comes from the US' strategic move to diversify its cable supply chain away from China. Heightened geopolitical risks, import restrictions and reshoring initiatives have prompted US utilities and distributors to actively source cables from alternative markets. This shift has opened new export opportunities for cable manufacturers outside China, particularly those able to meet US standards and certification requirements. SCG has been a direct beneficiary of this trend, seeing strong export traction into the US market, one of the key reasons its earnings accelerated sharply in recent years. As the US continues to diversify suppliers, this represents a structurally positive demand driver for compliant cable manufacturers in the region.

### Should OSK list its cable business?

This is a reasonable consideration, especially given the cable industry's favourable dynamics and the strong valuations enjoyed by domestic and global peers. Cable manufacturers typically trade at high-teens to mid-20s forward PER, reflecting the sector's robust earnings visibility during the current super cycle. In contrast, OSK trades at only 7–8x forward PER, with the cable division effectively “buried” inside a diversified conglomerate discount. Hence, from a valuation standpoint, listing the cable business could therefore be immediately value-accretive, as the market would likely re-rate the standalone cable entity closer to peer multiples, unlocking value that is currently not reflected in OSK's share price.

**Structural advantages of staying within the group.** However, in our view, keeping the cable segment within the group yields greater long-term value. The recent Universal Cable asset acquisition illustrates this point well. OSK completed the deal at a price of RM85m. As the cable division sits within a financially strong parent, OSK was able to secure financing at lower borrowing costs, a benefit that may not be available if the cable division were a standalone listed company. A separately listed entity would likely need to raise capital through equity or incur higher debt costs as it would not be as well capitalised as its parent-co. This would in turn dilute returns and weaken flexibility. By keeping the business within the group structure, OSK can efficiently channel capital to high-growth business segments, optimise financing costs and accelerate capacity expansion at a pace that maximises shareholder value.

**Cyclical risks make listing less attractive.** While the idea of listing the cable business may appear attractive today, particularly as the industry is enjoying a strong multi-year upcycle, we must also recognise that the cable sector is inherently cyclical. The current demand surge, driven by data centres, electrification and infrastructure building, will eventually normalise. When the cycle turns, a separately listed cable company would be exposed to earnings volatility, margin compression, and potentially weaker access to funding. Public markets tend to penalise cyclical earnings swings, leading to share price instability and a higher cost of capital during down cycles.

**Stronger resilience under OSK group structure.** Under OSK's group structure, however, the cable business benefits from financial stability, diversified earnings support and lower funding costs. The parent's strong balance sheet and centralised treasury allow the cable division to weather downturns more effectively. This is strategically advantageous because it enables OSK to take a long-term view on capacity expansion rather than being constrained by the quarterly earnings pressure that a standalone listed entity would face. In essence, although listing the cable segment might unlock short-term valuation gains during the current super cycle, remaining within OSK provides superior long-term resilience, ensures smoother capital allocation across cycles, and allows the business to compound value more sustainably over time.

## Property

**Slower sales momentum in several projects.** The group experienced slower property sales in 9M25, recording RM666m and achieving only 66.6% of its full-year sales target of RM1bn. The primary drag came from a few projects, particularly Iringan Bayu Seremban township and Nara @ Puchong. At Iringan Bayu, several of the more recent launches were double-storey terrace units, leading to a concentration of similar products in the market. The increased supply in the same segment naturally moderated demand and led to a slower take-up rate. Meanwhile, Nara @ Puchong is the third phase of the broader Shorea Park development. As earlier phases have already absorbed a large portion of interested buyers, the pool of pent-up demand has tapered, causing the subsequent phase to see a more moderated sales pace. This is typical of multi-phase developments where initial launches benefit from stronger excitement and accumulated demand, while later phases experience a more gradual absorption. Against this backdrop, we expect the group is likely to fall short of its RM1bn full-year sales target.

**Strengthening marketing execution and strategy.** OSK also acknowledged that internal marketing execution played a role in the softer sales performance. To address this, the group is taking concrete steps to strengthen its sales and marketing capabilities, including appointing a new head of sales and marketing and expanding its internal marketing team. A stronger in-house team not only enhances execution quality but also ensures that the right messaging and value propositions are consistently communicated to the market, which is an important factor in driving conversion. In parallel, OSK is refining its product strategy. Learnings from the recent slowdown in double-storey terrace launches at Iringan Bayu have reinforced the importance of maintaining a balanced and diversified product mix that matches evolving buyer preferences and avoids over-concentration in any one segment. Moving forward, the group intends to incorporate these insights into upcoming launches to better align supply with demand. With more targeted marketing, clearer project positioning and a more calibrated product pipeline, we believe OSK is positioning itself for a healthier and more sustained sales recovery heading into FY26.

**Australia continues to deliver strong momentum.** Australia, on the other hand, continues to perform well. The second phase of the Melbourne Square development — BLVD — has achieved a healthy take-up rate of 76% as at 30 Sep 2025. Construction progress is now slightly ahead of schedule, with earnings expected to be recognised in several phases. We anticipate initial but marginal contributions in end-FY26 (<10%), followed by the bulk of earnings in FY27 (60–70%), with the remaining 20–30% flowing through in FY28. Encouraged by the strong response to BLVD, the group is now preparing to launch the third phase, targeted for post-Chinese New Year 2026. The upcoming phase has an estimated GDV of around AUD800m (effective GDV: AUD320m). The sequential phasing, coupled with healthy demand, positions the Australia segment to remain a meaningful earnings contributor over the medium term.

**Atria Mall rejuvenation through strategic tenant mix.** The group's Atria Mall (NLA: 461k sqft) continues to show encouraging signs of improvement in both occupancy and rental rates. In Sep 2024, the group announced a strategic partnership with PeopleUp, a leading multi-enrichment and play operator from Singapore. Through this collaboration, Atria Mall will introduce a dedicated family-oriented entertainment hub designed to cater to children and parents, creating a one-stop destination for learning, play and holistic family experiences. PeopleUp will occupy approximately 110k sqft, representing ~24% of the mall's NLA. Renovation works are currently underway, with operations expected to commence progressively from end-2025. Given the intense competition among neighbourhood malls in the surrounding area, establishing a differentiated, family-centric offering could enhance Atria Mall's positioning, draw consistent footfall and support a broader rejuvenation of the asset over time.

## RHB

**Strong earnings momentum supports re-rating.** RHB recently delivered a record quarterly net profit of RM904m in 3Q25 (+8.5% YoY), driven primarily by lower credit costs and stable operating trends. Following the strong results, the share price has re-rated meaningfully, rising by +7.3% since the results announcement. If RHB can demonstrate sustained earnings strength in the coming quarters, particularly continued credit-cost discipline, there remains room for the share price to re-rate further.

**Meaningful value accretion to OSK.** OSK's 10.27% equity stake in RHB provides substantial embedded value. Every 7 sen increase in RHB's share price translates to roughly 1 sen per share uplift in OSK's underlying value. Additionally, stronger profitability at RHB should lead to higher dividend income for OSK, enhancing cash flow to OSK and supporting expansion across its growing business segments. Notably, OSK's stake in RHB alone accounts for 75.4% of OSK's current market cap, indicating that the market continues to undervalue OSK's other growing business segments.

**Potential monetisation as valuation improves?** Since the RHB–OSK merger, OSK has never sold any portion of its RHB stake. However, should RHB re-rate to a more demanding valuation, for instance, trading at a meaningful premium to book value, we do not rule out the possibility of OSK monetising a small portion of its stake. This option becomes more relevant considering OSK's net gearing of 52.5% and the significant expansion opportunities within its own portfolio that may require additional capital deployment. As an illustration, if RHB re-rates to 1.1x of its current book value to a price of RM8.48, OSK trimming its stake by 100bps (from 10.27% to 9.27%) could unlock a substantial RM369.9m of capital. Beyond strengthening internal liquidity, such a move would also serve as a market validation mechanism, signalling the realisable value of its RHB stake and potentially narrowing the gap between OSK's sum-of-parts value and its current market valuation.

## A mispriced conglomerate

We believe the market is not assigning OSK a fair valuation. At current levels, the stock trades at a steep 50% discount to our estimated SOP valuation. Such a wide conglomerate discount would normally imply weak capital allocation or a lack of strategic direction. However, this assumption could not be further from the truth. Since 2017, under the new leadership of Mr Ong Ju Yan (Group MD) and Mr Ong Ju Xing (Deputy Group MD), OSK has demonstrated a consistent and disciplined track record of sound capital allocation, operational foresight and strong business execution.

### Proven capital allocation: divesting weak assets, scaling high-conviction businesses

In the early years of their stewardship, management made decisive moves to streamline the group's portfolio by divesting underperforming hotel assets, reducing the portfolio from 13 hotels to just five. This sharpened the group's focus and freed up capital for higher-return opportunities.

At the same time, OSK exhibited strong foresight in identifying private credit as a long-term growth engine. What began as a modest corporate-lending operation has since scaled into a diversified private credit platform that is now on track to become the largest earnings contributor among its own business segments. These decisions reflect not only prudent capital allocation but also an ability to anticipate structural industry shifts ahead of the market.

More recently, the group has made two strategic acquisitions that we believe again demonstrate foresight and are long-term value accretive:

1. **The acquisition of Universal Cable's assets**, which immediately doubled OSK's production capacity and positioned the group as the one of the largest cable producers in Malaysia to ride on the industry super cycle.
2. **The acquisition of Wilayah Credit**, which opens a scalable entry into the motor financing segment, a structurally growing niche supported by the gig economy and upcoming regulatory tailwinds from the Consumer Credit Act.

Both acquisitions demonstrate the group's ability to deploy capital into businesses with strong growth runways, favourable industry dynamics and synergistic fit within the OSK ecosystem.

### Execution strength not reflected in share price yet

In our view, the market's wide discount fails to recognise OSK's high-quality leadership, disciplined capital allocation and growing portfolio of scalable, high-return businesses. The group has repeatedly demonstrated the ability to exit low-return segments, invest in structurally attractive ones and execute with prudence and foresight. As OSK's private credit, cables and property segments continue to scale and as the market develops better appreciation towards OSK's execution capabilities, we believe the valuation gap should narrow meaningfully.

The current share price hence offers investors an opportunity to own a well-managed, deeply undervalued conglomerate where multiple businesses are approaching inflection points, none of which are fully priced in today.

## Valuation

We are recalibrating our valuation to reflect the following changes:

**Private credit:** For the private credit segment, we raise our PE multiple from 16x to 18x, pegged to FY26 EPS. This reflects (i) strong structural tailwinds from civil servant financing and motor financing, as well as (ii) improving earnings visibility as more products/markets move beyond the incubation phase. Even after the upgrade, our multiple remains conservative relative to global private credit managers such as Qualitas, which trade at 25.3x PER on FY26 EPS.

**Industries:** For the Industries division, we lift our PE multiple from 12x to 16x, also pegged to FY26 EPS. This better captures the step-change in earnings potential following the Universal Cable asset acquisition, which doubled cable capacity and positioned OSK as one of the largest cable producers in Malaysia at the onset of an industry super cycle. Our revised multiple is still below its closest peer SCG, which trades at 17.2x FY26 PER. While SCG is already operating near full utilisation, with further upside relying mainly on incremental capacity and mix upgrade via higher-margin US exports, OSK's cable segment is at a much earlier stage of its growth curve. OSK is still ramping up JB utilisation, progressing HV certification and pushing deeper into exports, implying a stronger medium-term earnings CAGR than SCG. On that basis, OSK's cable business arguably deserves to trade at a premium multiple to SCG, not a discount. Our valuation thus remains conservative.

**Narrowing the conglomerate discount:** Finally, we narrow our SOP discount from 20% to 15%. We believe the market should not be ascribing such a wide conglomerate discount to OSK, given its proven capital-allocation discipline and improving line-of-sight on growth across multiple segments.

Following these adjustments, we revise our TP upwards to RM2.40 from RM2.13. Even at this higher TP, our valuation remains conservative, as it implies undemanding FY25/26/27 PERs of 12.9x/12.3x/10.8x.

**Forecast.** Unchanged.

**Maintain our conviction BUY with a higher TP of RM2.40**, based on a 15% discount to our revised SOP-derived valuation of RM2.82. The current share price offers investors an opportunity to own a well-managed, deeply undervalued conglomerate where multiple businesses are approaching inflection points, none of which are fully priced in today. Notably, OSK's stake in RHB alone accounts for 75.4% of its market cap, suggesting the market is undervaluing its other growing businesses. The stock also provides a good projected FY25 dividend yield of 4.2%.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Cash	743.6	876.1	623.9	445.7	202.4
Receivables	213.6	345.1	302.6	339.5	402.2
Inventories	1,839.5	1,900.3	2,063.8	2,224.1	2,426.5
PPE	619.8	736.6	739.1	741.0	742.1
Others	7,638.4	8,292.4	8,838.7	9,248.0	9,718.0
<b>Assets</b>	<b>10,435.2</b>	<b>11,413.9</b>	<b>11,829.0</b>	<b>12,257.3</b>	<b>12,749.1</b>
Payables	137.8	155.6	161.4	181.1	214.5
Debt	3,260.0	3,864.1	4,214.1	4,564.1	4,914.1
Others	842.0	892.7	892.7	892.7	892.7
<b>Liabilities</b>	<b>4,239.8</b>	<b>4,912.4</b>	<b>5,268.1</b>	<b>5,637.8</b>	<b>6,021.3</b>
Shareholder's equity	6,120.8	6,428.7	6,485.9	6,542.4	6,648.6
Minority interest	74.6	72.8	74.9	77.1	79.2
Perpetual bond	-	-	-	-	-
<b>Equity</b>	<b>6,195.4</b>	<b>6,501.5</b>	<b>6,560.8</b>	<b>6,619.5</b>	<b>6,727.8</b>

### Cash Flow Statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Profit before taxation	555.1	611.4	683.4	717.4	829.6
D&A	25.3	28.0	28.7	29.4	-
Working capital	90.6	2.7	(560.2)	(486.3)	(601.8)
Taxation	(84.9)	(72.8)	(105.0)	(111.3)	-
Others	(598.2)	(832.4)	(333.5)	(346.4)	(474.6)
<b>CFO</b>	<b>(12.0)</b>	<b>(263.0)</b>	<b>(286.6)</b>	<b>(197.1)</b>	<b>(246.8)</b>
Capex	(140.9)	(156.7)	(130.0)	(130.0)	(130.0)
Others	174.1	161.3	-	-	-
<b>CFI</b>	<b>33.2</b>	<b>4.6</b>	<b>(130.0)</b>	<b>(130.0)</b>	<b>(130.0)</b>
Dividends	(144.3)	(144.3)	(185.6)	(201.1)	(216.5)
Others	150.5	559.4	350.0	350.0	350.0
<b>CFF</b>	<b>6.2</b>	<b>415.1</b>	<b>164.4</b>	<b>148.9</b>	<b>133.5</b>
<b>Net cash flow</b>	<b>27.3</b>	<b>156.7</b>	<b>(252.2)</b>	<b>(178.2)</b>	<b>(243.4)</b>
Forex	1.8	(28.2)	-	-	-
Beginning cash	712.7	743.6	876.1	623.9	445.7
Ending cash	743.6	876.1	623.9	445.7	202.4

### Income statement

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Revenue	1587.8	1657.8	1840.6	2065.1	2446.7
Operating cost	(1289.0)	(1324.8)	(1427.5)	(1625.6)	(1908.9)
D&A	(25.3)	(28.0)	(28.7)	(29.4)	(30.1)
<b>EBIT</b>	<b>298.8</b>	<b>333.0</b>	<b>413.1</b>	<b>439.5</b>	<b>537.8</b>
Finance cost	(46.0)	(51.1)	(63.2)	(68.5)	(73.7)
JV & Associates	302.3	329.5	333.5	346.4	365.5
<b>Pretax profit</b>	<b>555.1</b>	<b>611.4</b>	<b>683.4</b>	<b>717.4</b>	<b>829.6</b>
Taxation	(84.9)	(72.8)	(105.0)	(111.3)	(139.2)
Minority Interest	3.3	2.2	2.2	2.2	2.2
Reported PATAMI	467.0	536.5	576.3	604.0	688.2
Exceptionals	0.9	0.9	0.0	0.0	0.0
<b>Core Earning</b>	<b>466.1</b>	<b>535.6</b>	<b>576.3</b>	<b>604.0</b>	<b>688.2</b>
Basic shares (m)	3093.2	3093.2	3093.2	3093.2	3093.2

### Valuation ratios

FYE Dec	FY23	FY24	FY25f	FY26f	FY27f
Net DPS (sen)	4.7	5.3	6.0	6.5	7.0
Yield (%)	3.3	3.8	4.3	4.6	5.0
Core EPS (sen)	15.1	17.3	18.6	19.5	22.2
P/E (x)	9.4	8.1	7.6	7.2	6.3
Market capitalization (m)	4361.3	4361.3	4361.3	4361.3	4361.3
Net debt (m)	(2516.4)	(2987.9)	(3590.1)	(4118.4)	(4711.7)
Net gearing (%)	40.6%	46.0%	54.7%	62.2%	70.0%
BV / share	2.0	2.1	2.1	2.1	2.2
P/BV (x)	0.7	0.7	0.7	0.7	0.6
ROA (%)	4.5	4.7	4.9	4.9	5.4
ROE (%)	7.5	8.2	8.8	9.1	10.2
Enterprise value	6877.7	7349.3	7951.5	8479.7	9073.1
EV/ EBITDA (x)	21.2	20.4	18.0	18.1	16.0

Company, HLIB Research

**Figure #4 Sum-of-parts valuation**

<b>Division</b>	<b>Value (RM m)</b>	<b>RM/ share</b>	<b>Methodology</b>
Property	2,182	0.71	based on 40% discount to RNAV
RHB	3,447	1.11	based on TP of RM7.70 (OSK's 10.27% stake)
Private credit	2,240	0.72	based on 18x PE of FY26 EPS
Industries	810	0.26	based on 16x PE of FY26 EPS
Hospitality	55	0.02	based on 7% cap rate
<b>SOP Value</b>	<b>8,735</b>	<b>2.82</b>	
Applied discount	15%	-0.42	
<b>SOP TP</b>	<b>7,425</b>	<b>2.40</b>	

HLIB Research

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**Hong Leong Investment Bank Berhad (10209-W)**

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

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<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
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