

Deutsche Bank
Investment Bank



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Confidential

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Malaysia Macroeconomic Outlook and Markets

1

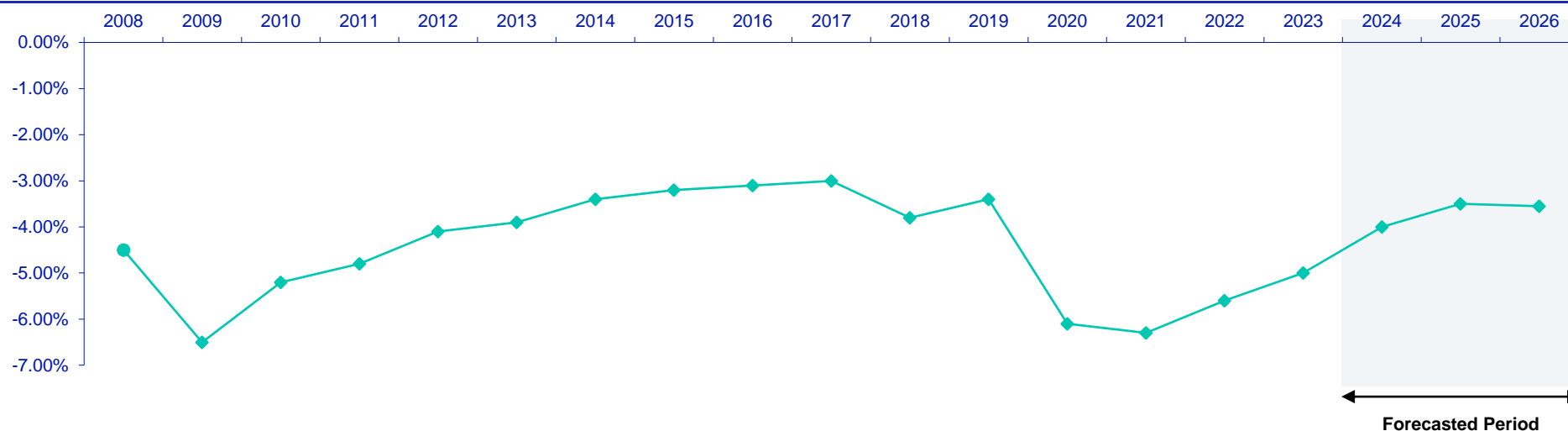
Malaysia's sovereign rating and outlook

S&P and Fitch have maintained the country's stable long-term foreign outlook

Malaysian sovereign rating comparison

Date	Moody's ratings	Outlook	Date	S&P ratings	Outlook	Date	Fitch ratings	Outlook
11-Jan-16	A3	Stable	26-Jun-20	A-	Negative	9-Apr-20	A-	Negative
28-Jan-21	A3	Stable	26-Jun-22	A-	Stable	4-Dec-20	BBB+	Stable
14-Apr-23	A3	Stable	27-Jun-23	A-	Stable	17-Feb-23	BBB+	Stable

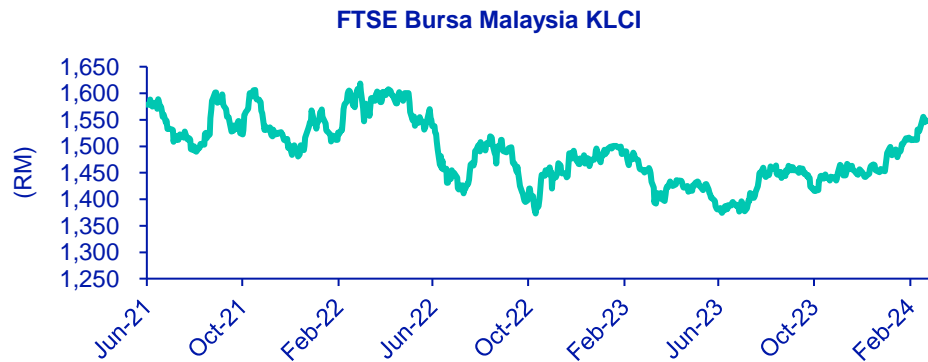
Fiscal deficit target under 12MP^(a) (% of GDP)



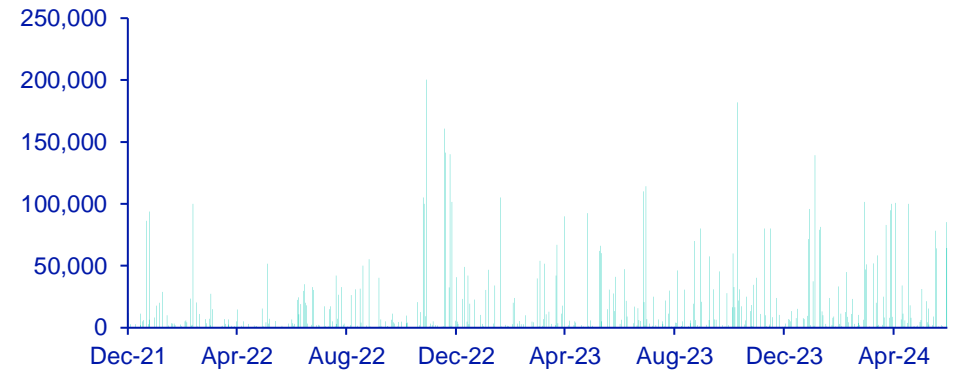
Malaysia's stock market

KLCI well supported by local institutional funds

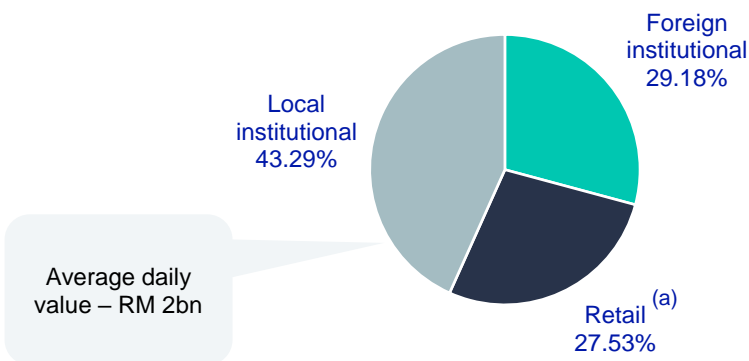
Closing index price (L3Y)



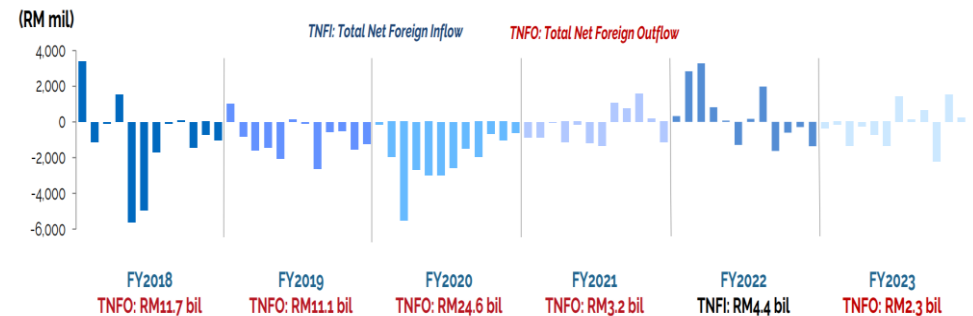
Volume traded



Stock market composition (FY23)



Net Foreign Fund Flows



Fostering a new framework for growth in Malaysia

New growth framework by Anwar led Government

The Ekonomi MADANI mission ...

- Aimed in building a more prosperous and sustainable Malaysia
- Launched by YAB Dato' Seri Anwar Ibrahim on 27 July 2023
- Main Objectives include
 - restructuring the economy
 - Improving the quality of life of all Malaysians
- Nation-wide implementation that will require the resources from various sectors that include the government, the private sectors, GLCs, NGOS and rakyat

... are intended to reach a holistic and nation-wide benefit for Malaysia



... and its main thrusts ...

1 A Regional (ASEAN) Agenda



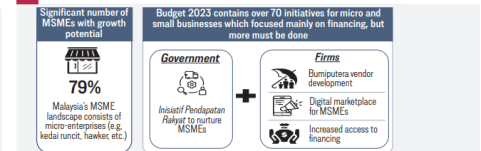
5 Strengthening Firms of All Sizes and Maturity



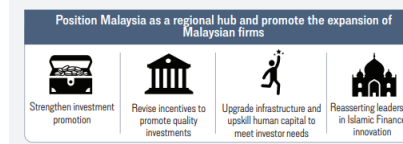
2 Boosting and Harnessing Economic Complexity to Reverse Premature Deindustrialisation



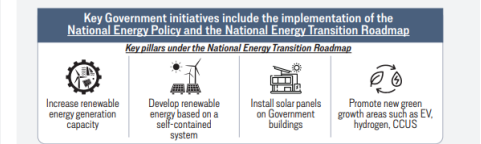
6 Micro / Local Businesses and the Informal Sector



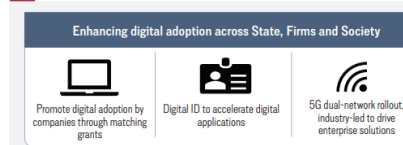
3 Globally Competitive Investment Destination



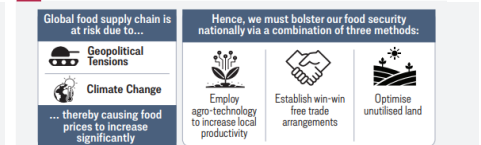
7 Green Growth to Promote Climate Resilience



4 Digitalisation



8 Food Security - Ensuring Continuity of Supply for Critical Items



Political landscape of Malaysia

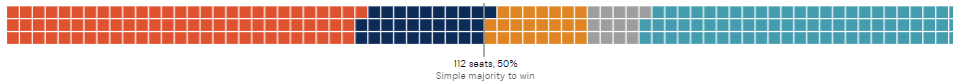
Current coalition so far seems stable

Malaysia's 2022 parliamentary electoral results

- Held on 19 November 2022 with Pakatan Harapan (PH), led by Anwar Ibrahim, winning majority of seats (82 seats out of 222)
- Competitive election with runner-up Perikatan Nasional (PN), led by Muhyiddin Yassin, winning 74 of the 222 seats
- Anwar Ibrahim voted in as Prime Minister, and will lead his coalition consisting of:
 - PH
 - Barisan Nasional
 - MUDA
 - Parti Bangsa Malaysia
 - Parti Kesejahteraan Demokratik Masyarakat
 - Parti Warisan Sabah
 - Gabungan Parti Sarawak
 - Gerakan Rakyat Sabah

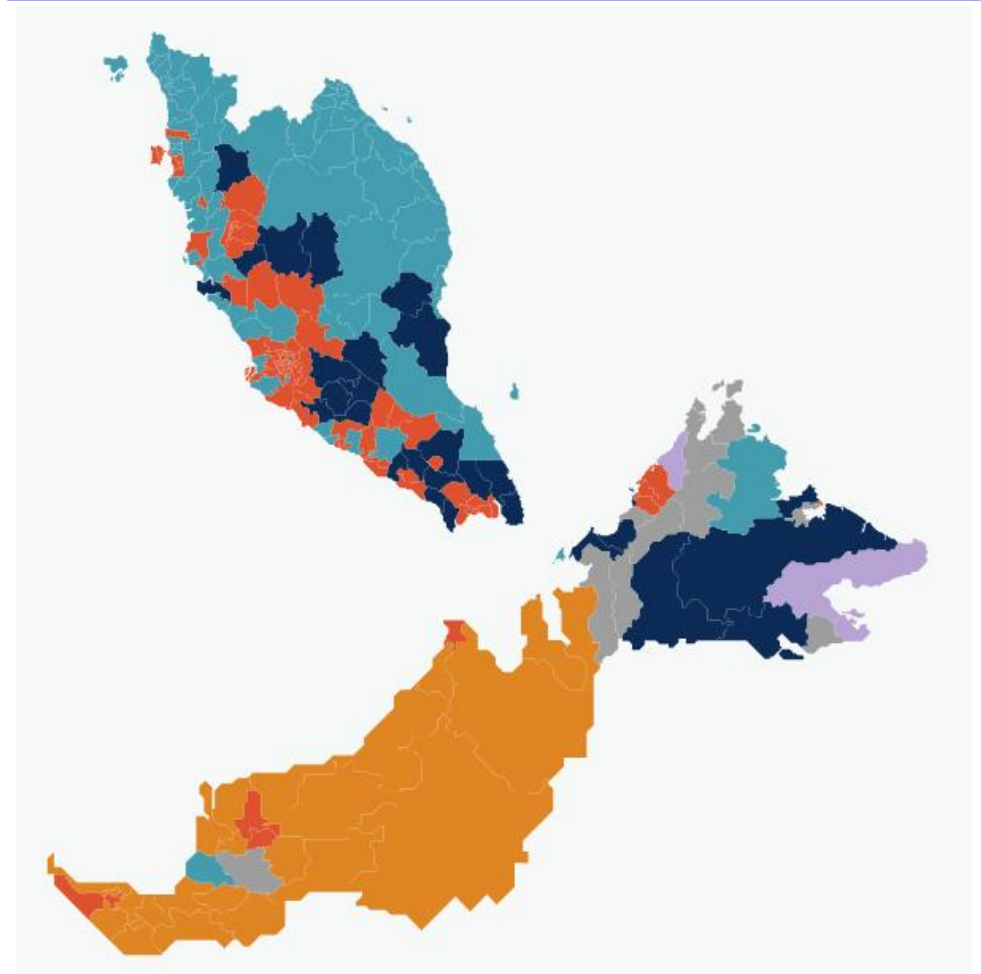
Current composition of seats won in Malaysia

82 **74** **30** **23** **13**
PH PN BN GPS OTHERS



PARTY/ COALITION	LEADER	SEATS CONTESTED	SEATS WON OFFICIAL RESULTS	TOTAL VOTES	% OF VOTES IN CONTESTED SEATS	+/- FROM 2018*
PH	Anwar Ibrahim	220	82	5,929,473	38.33	-9.85
PN	Muhyiddin Yassin	171	74	4,719,066	35.08	N/A
BN	Zahid Hamidi	179	30	3,459,745	25.03	-8.74
GPS	Abang Johari Openg	31	23	662,601	56.21	N/A

Parliamentary map of Malaysia



Selected inbound M&A deals in Malaysia

Malaysian inbound M&A activity

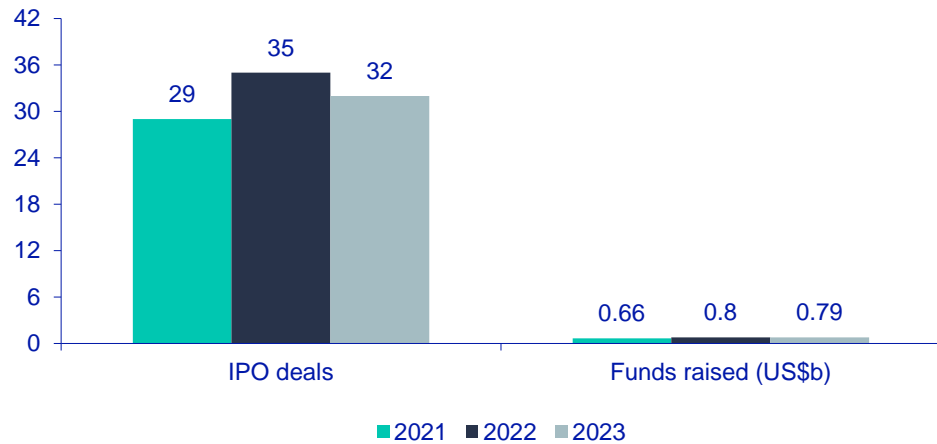
Announcement date	Target company	Bidder company	Deal size (US\$b)	Sector
8 Apr 2021	Celcom Axiata	DiGi.Com	5.9	Telecommunications
23 Nov 2015	Edra Global Energy Bhd	China General Nuclear Power Corp	3.8	Energy & Natural Resources
15 May 2024	Malaysia Airport Holdings	Khazanah, EPF, GIP, ADIA	3.1	Transportation
21 Mar 2019	Murphy Sabah Oil Co Ltd	PTT Exploration & Production plc	2.2	Energy & Natural Resources
29 Nov 2018	IHH Healthcare Bhd	Mitsui & Co	2.2	Healthcare
30 Sept 2014	Murphy Oil Corp (Malaysia)	PT Pertamina (Persero)	2.0	Energy & Natural Resources
17 June 2011	RHB Capital Bhd	Aabar Investments PJS	1.9	Financial Institutions
11 Oct 2012	ING Management Holdings (Malaysia)	AIA Group	1.7	Financial Institutions
16 Jul 2010	Titan Chemicals Corp Bhd	Honam Petrochemical Corp	1.6	Industrials
6 Jul 2018	SBS Mining Corp Malaysia Sdn Bhd	NAMI Corp	1.3	Energy & Natural Resources
10 Nov 2023	Ramsay Sime Darby Health Care Sdn Bhd	Columbia Asia	1.3	Healthcare
5 Jul 2016	Nirvana Asia	CVC Capital Partners	1.1	Business Services
21 Nov 2022	AIMS Asia Group	DigitalBridge Group	0.4	Business Services
1 Feb 2016	Shell Refining Co (FOM) Bhd	Shandong Hengyuan Petrochemical Co	0.4	Energy & Natural Resources
28 Jan 2022	Affin Hwang Asset Management	CVC Capital Partners	0.4	Financial Institutions
11 Dec 2017	Oldtown Bhd	Agnaten SE	0.4	Consumer & Retail
10 Jan 2022	Carsome	QIA, 65 Equity Partner, Temasek, etc	0.3	Technology



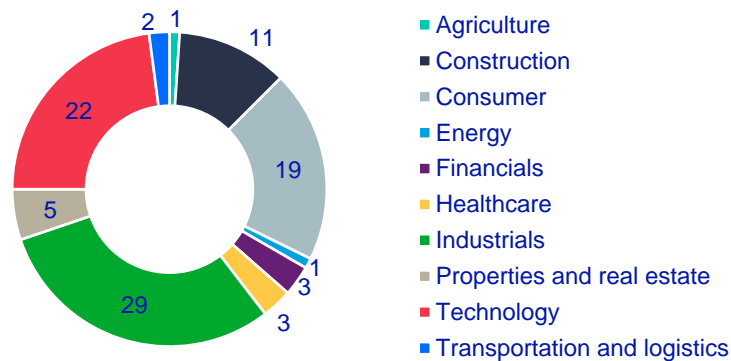
Overview of Malaysia IPO market

Malaysia market facilitates exits by PEs

IPO deal count and funds raised in Malaysia (2021-2023)



Malaysia' IPO deals sectors (2021-2023)



Selected Malaysian IPO fundraises in the last five years

Issuer name	Sector	Listing date	Total funds raised (US\$m)	Cornerstone investors	
				International	Domestic
Mr DIY Group	Cyclical consumer	26 Oct 2020	362.7	Abrdn Malaysia, Blackrock, Pictet, Oaks	AHAM, Hong Leong AM, EPF, PNB
CTOS Digital	Non-Cyclical consumer	19 Jul 2021	291.6	Abrdn Malaysia, AIA	EPF, PNB, AHAM, Hong Leong AM, Maybank AM
Farm Fresh	Non-Cyclical consumer	22 Mar 2022	240.5	Abrdn Malaysia, Abrdn Islamic, Barings, Eastspring	EPF, AHAM, PNB, Tabung Haji
DXN Holdings	Non-Cyclical consumer	19 May 2023	148.7	na	na
Alpha IVF Group	Non-Cyclical consumer	22 Mar 2024	98.2	Abrdn Malaysia, AHAM, Barings, Eastspring, AIA, Lion Global Investors, Value Partners	Hong Leong AM, Kenaga Investors





Impacts of BRICS

2

Impacts of BRICS on Malaysia

Additional platform for Malaysia to gain a larger international voice as a middle power, and to benefit economically

Opportunities

- 1 Trade diversification and improving market access
- 2 Funding for development projects
- 3 Expediting technology transfer
- 4 De-dollarisation and currency stability
- 5 Fostering closer relations and balancing global powers

Challenges

- 1 Economic competition
- 2 Political and social dynamics
- 3 Perception of anti-west

Strategic planning and careful consideration are crucial to fully leverage the benefits of BRICS membership while minimizing the associated risks

Source: CIMB research report










Datacentre infrastructure

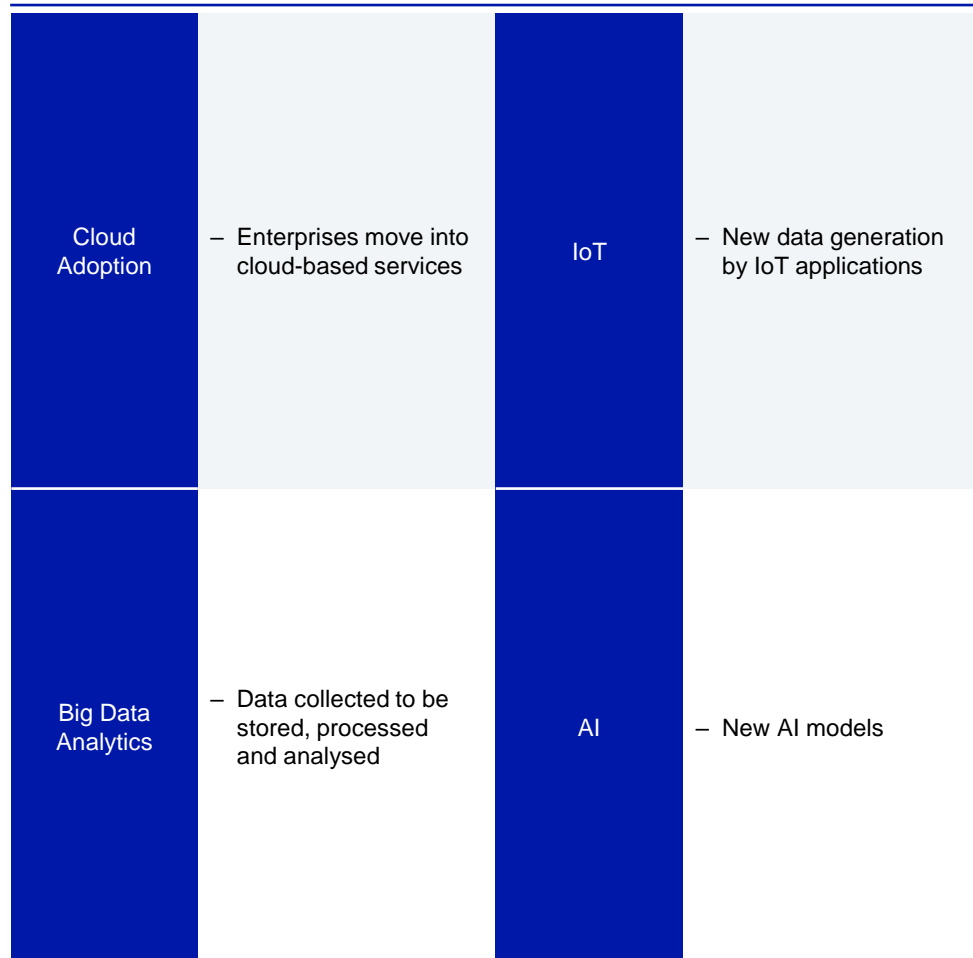
3

Key themes of APAC data centres

1	 Decoupling	<ul style="list-style-type: none">– Many traditional investors are not looking to increase exposure to Hong Kong/China despite attractiveness of market and valuations– Ongoing geopolitical tensions driving the trend
2	 Most ex-China DC platforms remain works in progress	<ul style="list-style-type: none">– Geographically dispersed greenfield builds take time– Need for appropriate local partners in many markets– Power shortage/inflation increasing project costs
3	 Need for capital	<ul style="list-style-type: none">– Several large platforms are seeking minority capital globally– Larger investors remain focused on the US and Europe
4	 Strong demand in APAC	<ul style="list-style-type: none">– Hyperscaler demand remains strong– Most US hyperscalers still prefer to self-build– Chinese hyperscalers are driving strong ex-China APAC DC growth with a focus on Southeast Asia, given difficulties in sourcing high-end chip sets
5	 Power supply	<ul style="list-style-type: none">– Lack of renewable energy to reduce carbon footprint– Innovations to decouple energy usage from service demand

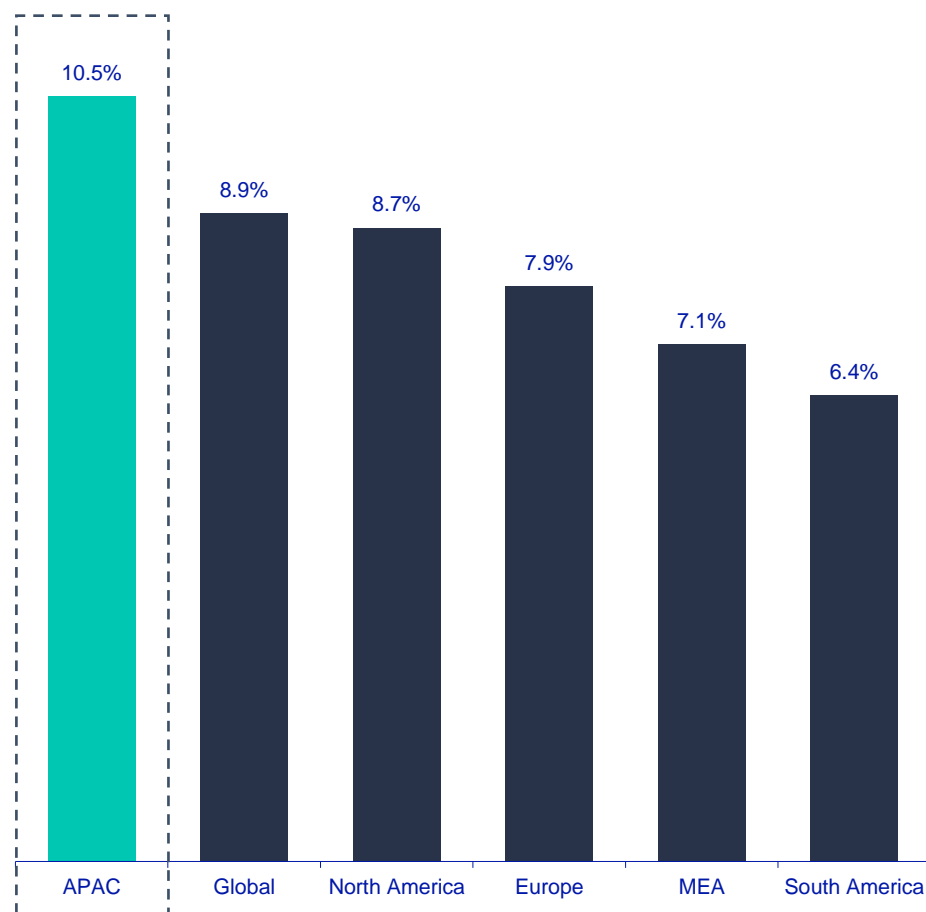
Asia Pacific DC growth is likely to significantly exceed global growth trends

Shifting to the 'data era' leads to exponential surge in global data volume creation/consumption



Source: Market Research Future

DC Colocation Market: 7-year CAGR (%) – 2023–2030



Malaysia is an attractive data centre location in Asia...

Key industry drivers...

✓ Constraints in Singapore: Moratorium on new DCs in 2019; 80 MW cap on new DC developments in 2022

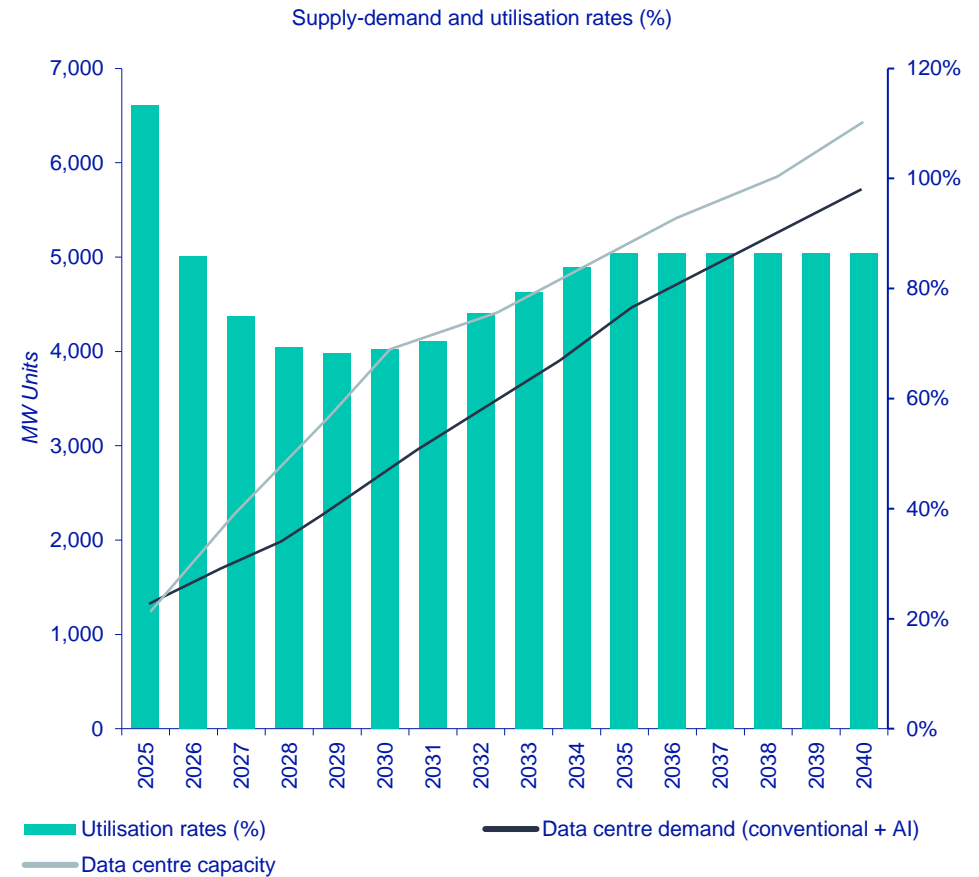
✓ Proximity: Acceptable level of latency for hyperscalers

✓ Connectivity: Ability to tether back into the connectivity ecosystem in Singapore

✓ Lower land and power cost vs Singapore

✓ Renewable energy potential

... data centre capacity expected to grow by 4x

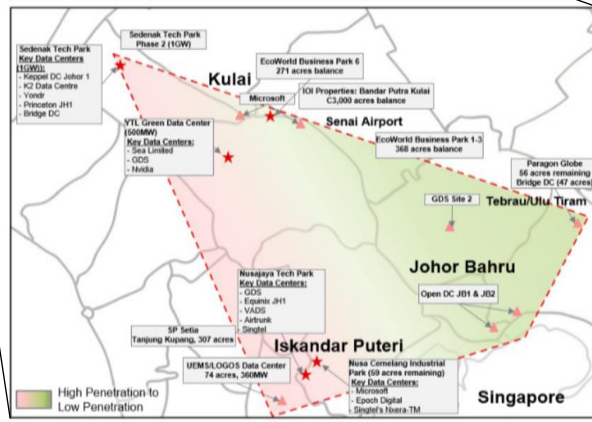
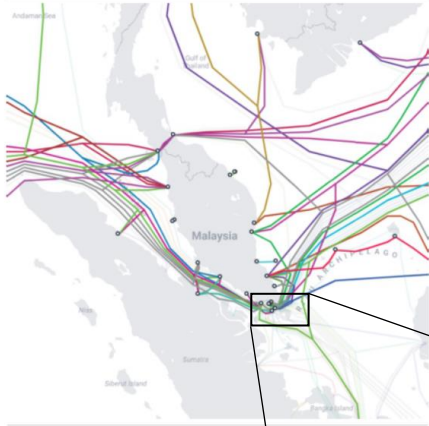


Source: Equity research



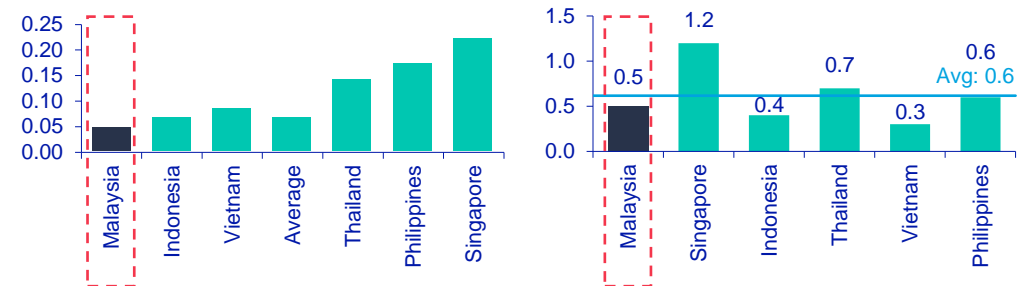
Johor has emerged as a regional DC Hub capturing Singapore's demand

DCs in Johor



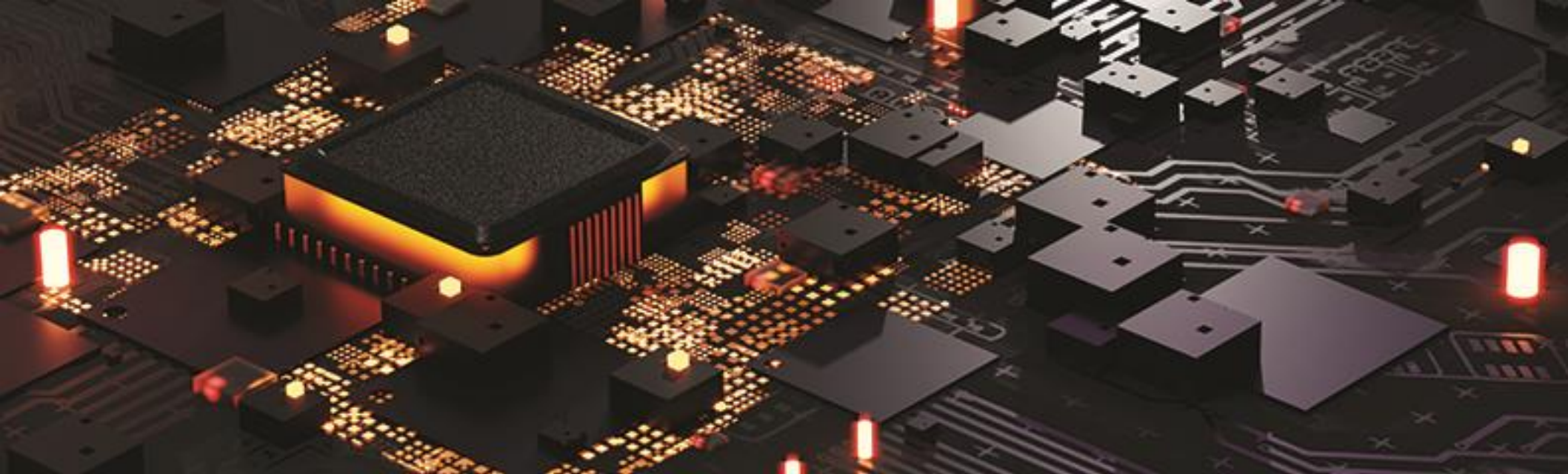
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Electricity tariff (US\$/kWh)



Country	Number of People in Top 10%
Malaysia	50
Singapore	400
Indonesia	150
Thailand	120
Vietnam	100
Philippines	80
Avg	150

Country	Percentage (%)
Malaysia	62
Vietnam	59.5
2023 Global average	57
Thailand	56.5
Indonesia	56.5
Singapore	54
Cambodia	52.5
Lao PDR	52.5
Philippines	50.5
Brunei	47.5



Semiconductor

4

Malaysia stands to benefit significantly from reconfiguration of semiconductor supply chain

Key aspects of semiconductor supply chain reconfiguration



- Semiconductor supply chain is globalised, specialised, and interdependent
- Coupled with disruptive events like COVID-19 and global conflicts, governments and corporates are looking to “de-risk”



- Chipmaking economies have ramped up industrial policy support for their domestic semiconductor industries in recent years to enhance supply chain resilience



- Advances in artificial intelligence are fueling equity markets and generating significant demand from data servers for high bandwidth memory chips and high-performance processors



- Shortage of silicon-based power discrete devices due to demand from the automotive and renewable energy sectors is expected to overturn to moderate oversupply due to power discrete companies’ ambitious capacity expansion plans

Malaysia as a semiconductor powerhouse



- Malaysia has attracted substantial investments from major semiconductor companies
- E.g. Intel has invested US\$7bn in a chip packaging and testing plant



- Malaysia is leveraging its position as a neutral, non-aligned territory to anchor a distributed and diversified semiconductor supply chain
- This helps mitigate geopolitical risks and vulnerabilities



- The Malaysian government has unveiled a three-phase National Semiconductor Strategy (“NSS”) backed by US\$5.3 billion in fiscal support and targeted incentives



- Malaysia is a key player in outsourced semiconductor assembly and test (“OSAT”) services, accounting for 13% of global semiconductor testing and packaging
- Malaysia is now aiming to move up the value chain into higher-end manufacturing and chip design

Malaysia has the potential to emerge as a new semiconductor powerhouse and continues to play a key role in the global chip manufacturing supply chain

Source: HSBC research report. news



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