Take5 for business

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The valuation discount is a board issue and an opportunity

Insights from Malaysia: The company valuation discount

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Reframing the valuation discount under MY Value Up

Malaysia is entering a decisive phase in its capital market evolution. The newly launched MY Value Up program by Securities Commission Malaysia (SC) and Bursa Malaysia has shifted the long-standing valuation discount from a market observation to a board-level priority. For many public listed companies (PLCs), the question is why the discount exists and what it will take to close on it.

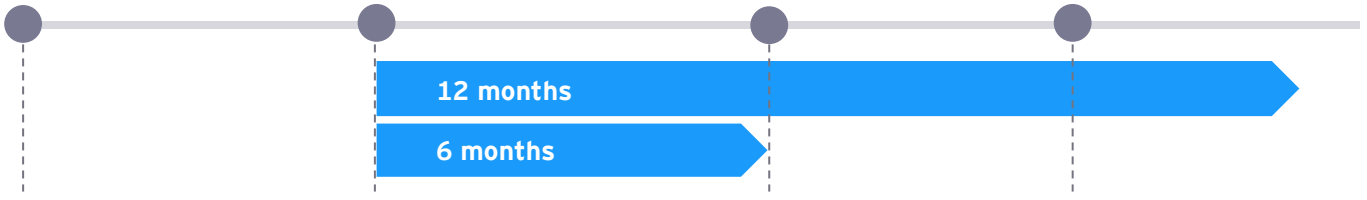
When examined closely, the discount issue is not uniform. It varies by sector, by company and often reflects underlying issues in capital allocation, returns relative to cost of equity and portfolio structure. Evidence from other markets shows that re-rating often follows buybacks, restructuring and disciplined allocation along specific financial metrics.

Companies in Malaysia will now need a more disciplined approach to how capital is deployed, how performance is measured and how strategy is communicated. This Take 5 business alert aims to offer a practical discussion for boards to value up and engage the market on better terms.

> “The framework is a broad market uplift separating companies that execute from those which do not. Early movers can define the benchmark and capture attention, while those that delay action are placed at a disadvantage once plans become public and comparable.

Rafiq Saiful Aznir
EY-Parthenon Senior Executive Director, Strategy and Transactions,
Ernst & Young PLT

MY Value Up roadmap for the next six to 12 months



APRIL 2026
MY Value Up launched
Jointly by the SC and Bursa Malaysia under the Capital Market Masterplan 2026–2030.

JUNE 2026
Guidebook launched
Provides guidance on the formulation of MY Value Up plans and disclosure examples.

END 2026
First disclosure
Participating PLCs submit MY Value Up plans to SC and Bursa Malaysia to familiarize with guidance disclosure.

BEGINNING 2027
Public release
Voluntary public release of plans: List of participating PLCs published to spotlight commitment.

Source: *MY Value Up Programme Guidebook*, Bursa Malaysia, 2026.

Strength alone does not secure fair market recognition

Malaysia's market has long carried a quiet asterisk: companies that are profitable, well capitalized and competently run, yet persistently priced below comparable businesses elsewhere in the region.

MY Value Up marks the first structured, regulator-led effort to identify and close this value creation gap, anchored in the Capital Market Masterplan 2026-2030.

Launched on 20 April 2026, the program has already engaged the senior leadership of the 88 largest PLCs, representing roughly 80% of total market capitalization, each above approximately RM4 billion. Its diagnosis is blunt and published baseline from which to respond.

46.4%

of the top 500 PLCs generated return of equity (ROE) below 8% over the past 10 years.

18x → 16x

market price per share (PER) compression over the past decade (FBM KLCI/Emas/Top 100).

RM6.3t

higher-end, 2030 total capital-market size target under the Capital Market Masterplan 2026-2030

Source: MY Value Up Programme Guidebook, Bursa Malaysia, 2026

What has changed

As a regulator-led push, MY Value Up places board accountability for valuation squarely on the table. From 2027, scrutiny will intensify as investors increasingly compare valuation gaps across companies, including those that participate and those that do not. The discount, long anecdotal, is now measurable and visible to the market, making comparison unavoidable.

Board implication

Doing nothing is now a visible strategy — and an increasingly penalized one. The diagnostic window is the cheapest time to act, before the market sorts movers from laggards.

The conventional read

The discount is a flows and sentiment problem. Foreign investors turned net sellers in May 2026 (~RM3.7b of outflows) and foreign ownership sits near multi-year lows (~18%); the answer is to win flows back and disclose more clearly.

What the evidence says

Flows and disclosure follow re-ratings; they don't cause them. In South Korea and Japan, balance-sheet action — buybacks and cancellation, payout resets, portfolio surgery – moved valuations. Disclosure-led plans moved little. The discount is a board decision, not a market the board is waiting on.

The company discount is real but not what most assume

Malaysia does not trade at a broad market discount. On median valuation multiples, large-cap Malaysian companies are broadly in line with, and in some cases above, regional peers on earnings. This, however, obscures a more important reality: the valuation gap is concentrated and largely company specific.

Global value-up programs show that this gap can be closed. South Korea's Value Up Index has risen significantly since launch, while Japan has halved its below-book cohort. In each case, re-rating followed capital action rather than disclosure.

MY Value Up brings that same accountability to Malaysia. The program positions 2026 as a diagnostic window, after which investor scrutiny will naturally intensify, with valuation gaps increasingly compared and assessed in the market from 2027.

~81% of valuation dispersion sits within sectors, not between them.

~32% of large Malaysian companies trade below book value.

2 asset-heavy sectors – real estate and energy – carry the deepest discounts.

> Market re-rating dynamics remain uncertain, and closing the gap may represent a significant opportunity, with potential value estimated at approximately RM0.4 trillion.
>
> Boards that act early may help shape emerging market benchmarks.

Three lenses, one truth

Each lens capture a different failure mode of value. The platform across all three may be more diagnostic than any single multiple.

Price-to-book (P/B)	Price-to-earnings (P/E)	EV/EBITDA*
Measures asset productivity, with a ratio below 1.0 indicating market expectations of capital to provide returns less than its costs.	Reflects earnings confidence, representing the discount on a ringgit of Malaysian earnings relative to a regional peer.	Measures the capital-structure-neutral operating value, providing the cleanest cross-border and mergers and acquisition-relevant lens for comparison.

*Enterprise value (EV)/Earnings before interest, taxes, depreciation and amortization (EBITDA)

Note: This covers Top 500 Bursa companies by market cap (~97% of total market cap), liquidity-screened to 175 names after excluding (a) illiquid names, (b) recently listed companies and (c) loss-making companies. Financials and REITs excluded from EV/EBITDA. Peers built by sector vs. selected ASEAN countries, South Korea and Japan, and a developed-market composite.

Beyond the headline, three things the diagnosis probes:

Dispersion

The gap between best- and worst-rated companies within a sector is typically far wider than the Malaysia-vs.-region gap. The discount is largely company-specific — and therefore addressable.

ROE – cost of equity

Where a company earns below its cost of equity, the discount is not a mispricing to communicate away. It is an accurate verdict that only operational and portfolio action can change.

The conglomerate effect

Diversified holding structures carry a measurable additional discount. Separation can unlock it — but only when each business then takes its own capital action, not at the moment of the split.

There is no market-wide discount as the typical large cap is valued above its peers

On median valuation multiples, the typical Malaysian large cap trades at a premium to its selected ASEAN, South Korea and Japan peers on earnings, with only developed markets commanding higher valuations.

Metrics	Malaysia (Top 500, screened)	Selected ASEAN	South Korea and Japan	Developed countries
P/E	17.7x	13.3x	16.7x	21.5x
P/B	1.65x	1.56x	1.43x	2.75x
EV/EBITDA	11.5x	10.1x	9.6x	12.4x
Return on equity	10.2%	10.9%	8.5%	8.3%
Sample (n)	175	354	1,023	2,960

Note: The frame is the 500 largest companies by market capitalization; the 175 that clear a liquidity screen (illiquid and sub-12-month names removed) carry the medians. The market looks cheaper cap-weighted — P/E ~14×, P/B ~1.5× — because a few large banks anchor the index. The aggregate "premium" in the table above is a sector-mix effect — Malaysia is overweight higher-multiple industrials and staples. Selected ASEAN refers to Singapore, Thailand, Vietnam, the Philippines and Indonesia.

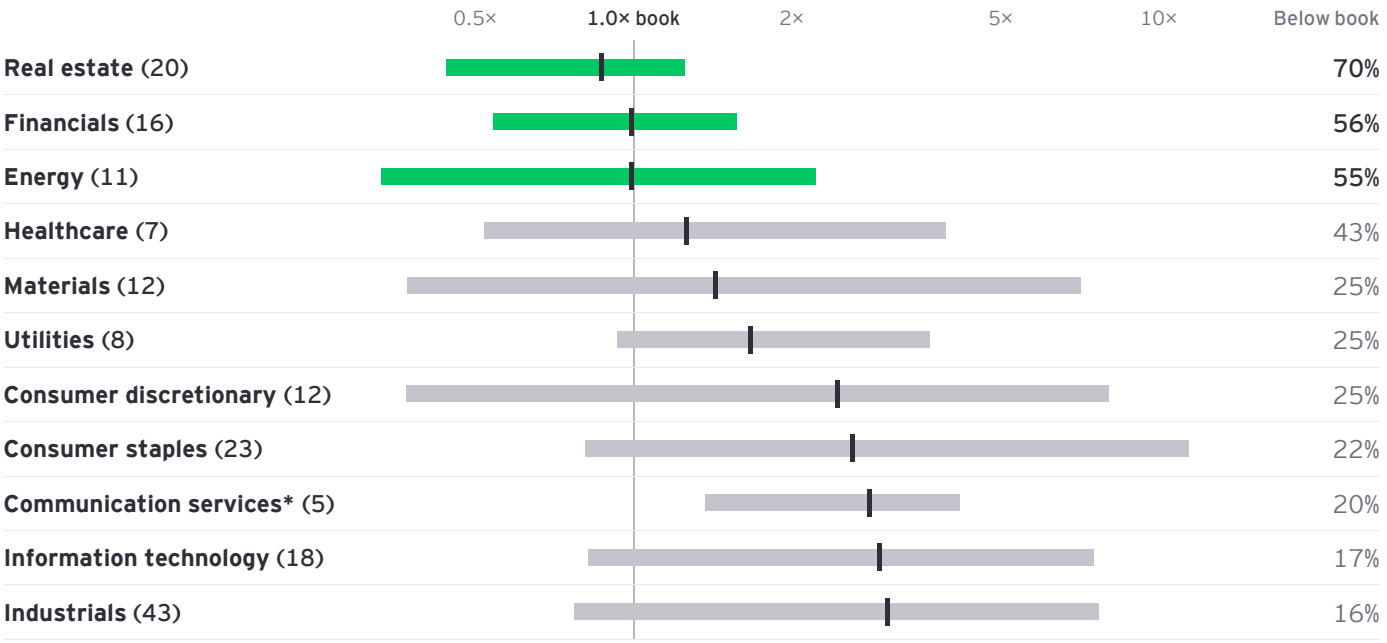
The discount concentrates on real estate and energy at or below the book.

	P/B multiple median			
Sector (n)	**Malaysia**	**Selected ASEAN**	**South Korea and Japan**	**Developed countries**
Energy (14)	0.8x	1.2x	1.0x	2.0x
Real estate (23)	0.9x	1.0x	1.3x	1.6x
Financials (16)	1.0x	1.3x	1.0x	1.0x
Materials (11)	1.5x	2.3x	1.2x	2.8x
Utilities (8)	1.6x	1.4x	0.6x	1.9x
Healthcare (6)	2.0x	3.0x	1.9x	4.0x
Consumer discretionary (12)	2.4x	2.0x	1.3x	3.0x
Consumer staples (23)	2.4x	2.2x	1.4x	2.9x
Communication services* (5)	2.8x	2.2x	1.7x	2.7x
Industrials (42)	3.1x	1.6x	1.7x	4.0x
Information technology (15)	3.7x	4.5x	3.2x	6.0x

Note: Financials, real estate and energy trade at or below book; health care and materials also sit well below regional peers.
*Communication services (n=5) directional.

The real opportunity: Winners and laggards trade worlds apart

Across the screened Top 500 in Malaysia, about 32% of companies trade below book. The price to book range from the 10th to 90th percentile spans roughly 0.51 times to 6.74 times, with about four-fifths of the variation sitting within sectors rather than between them.

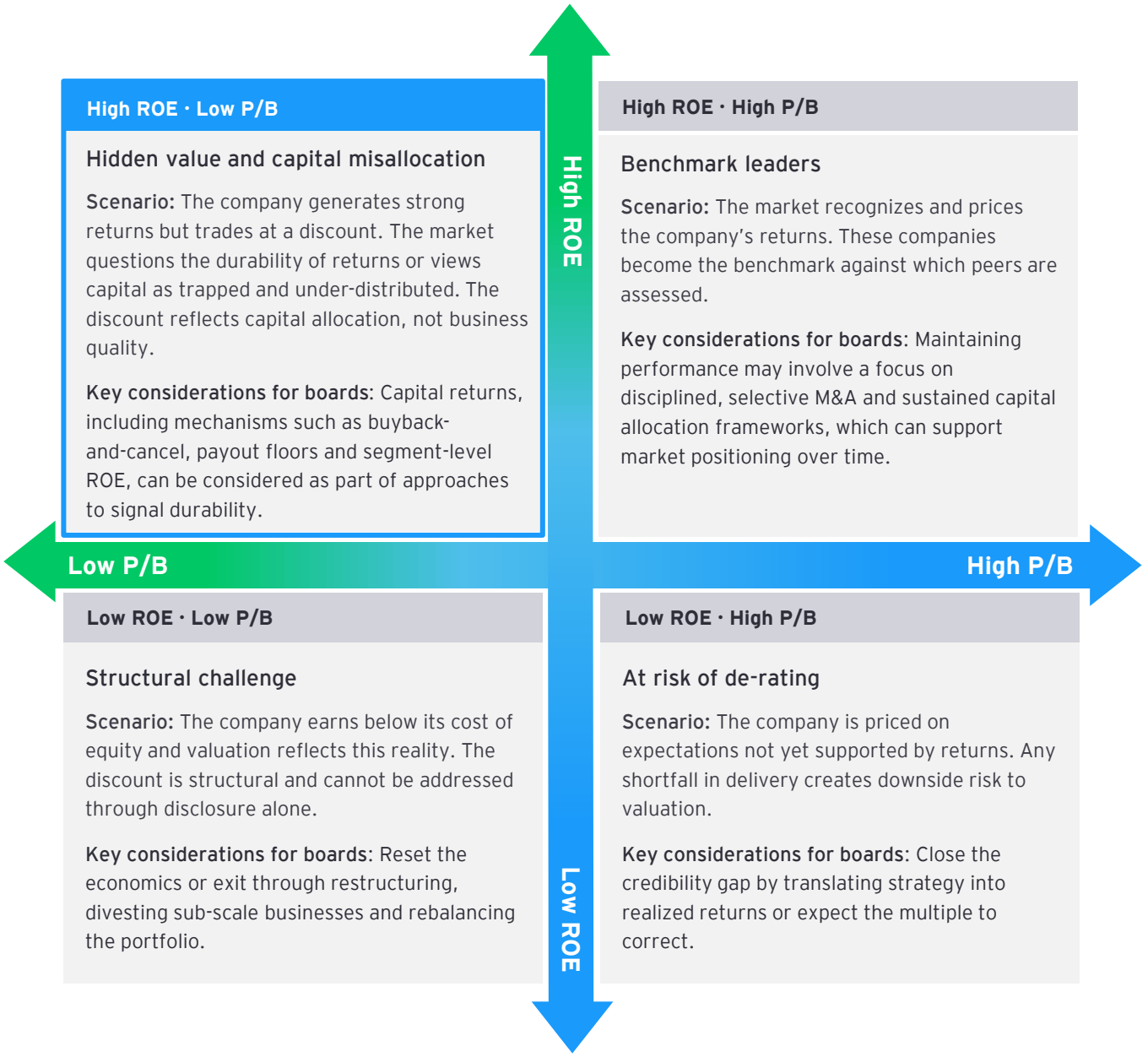


Note: Each bar represents the range between the 10th and 90th percentile of price to book within a sector. The marker indicates the median, while the figure on the right shows the share of companies in that sector trading below book. Values are presented on a log scale.
*Communication services (n=5) directional.

Source: Capital IQ, 31 May 2026.

The MY Value Up segmentation: Where do you sit?

The ROE against P/B reveals where companies truly sit and what action is required. Across the market, most discounted companies cluster on the left side, particularly bottom left, while the most immediate re-rating opportunity sits top left. Plotting the company clarifies the path to capture it.



High ROE · Low P/B

Hidden value and capital misallocation

Scenario: The company generates strong returns but trades at a discount. The market questions the durability of returns or views capital as trapped and under-distributed. The discount reflects capital allocation, not business quality.

Key considerations for boards: Capital returns, including mechanisms such as buyback-and-cancel, payout floors and segment-level ROE, can be considered as part of approaches to signal durability.

High ROE · High P/B

Benchmark leaders

Scenario: The market recognizes and prices the company's returns. These companies become the benchmark against which peers are assessed.

Key considerations for boards: Maintaining performance may involve a focus on disciplined, selective M&A and sustained capital allocation frameworks, which can support market positioning over time.

Low ROE · Low P/B

Structural challenge

Scenario: The company earns below its cost of equity and valuation reflects this reality. The discount is structural and cannot be addressed through disclosure alone.

Key considerations for boards: Reset the economics or exit through restructuring, divesting sub-scale businesses and rebalancing the portfolio.

Low ROE · High P/B

At risk of de-rating

Scenario: The company is priced on expectations not yet supported by returns. Any shortfall in delivery creates downside risk to valuation.

Key considerations for boards: Close the credibility gap by translating strategy into realized returns or expect the multiple to correct.

Key insights for boards

Plotting the company may help clarify the next move. Most of the RM0.4 trillion prize sits in the top left, where sound businesses are no longer fully valued by the market and where the fix lies in balance sheet action rather than communication.

Closing the gap is worth around RM0.4 trillion

If discounted companies in Corporate Malaysia closed the gap to their respective sector peers, the latent value could amount to roughly a third of the screened universe's market capitalization. This opportunity is large, tangible and, because it is company specific, may be within reach.

In South Korea and Japan, where boards took balance sheet action, meaningful re-rating has already been realized.

Conservative floor

~RM140b

The 56 names trading below book simply reaching book value – about 8% of the screened universe.

Illustrative opportunity

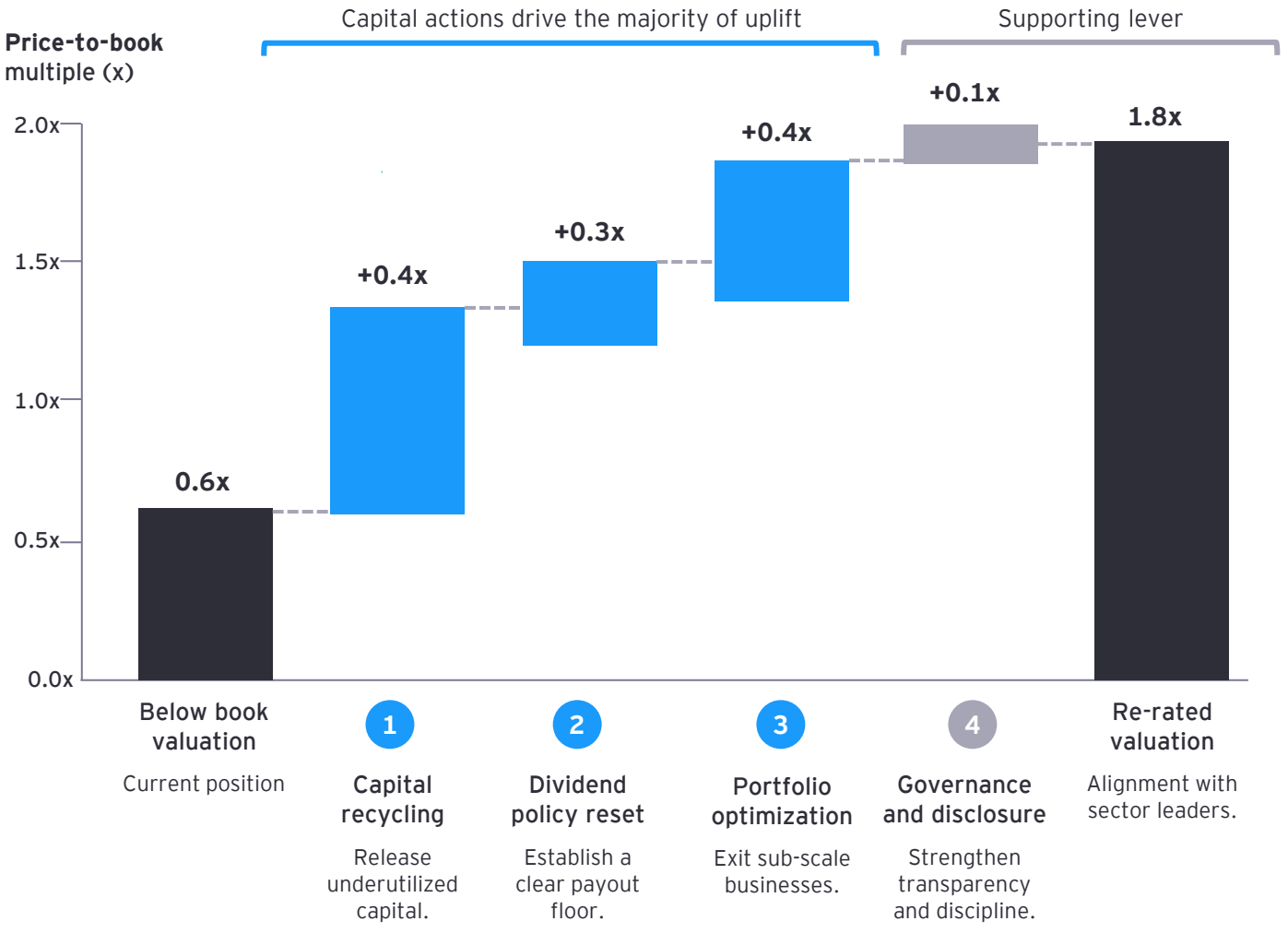
~RM0.4t

85 laggards closing the gap to their own sector median – about a third of the screened universe's market cap.

Note: Book equity × the P/B gap to the benchmark, summed across companies trading below it; no offset for richly-valued names. Computed on the liquid screened universe (175 names, ~RM 1.8t), so the illiquid tail would add more.
Numbers of illustrative of the opportunity, not a forecast – value is realized only through capital deployment. Nearly half the floor sits in financials, real estate and energy.

Re-rating is driven by capital action not disclosure

Re-rating is not created equally across levers. Balance sheet actions may deliver most of the uplift, while disclosure plays a supporting role. Value may be influenced by direct capital decisions, alongside broader strategic communication.



Approximate contribution to total uplift	40%–45%	25%–30%	20%–25%	5%–10%	

Note: Illustrative waterfall bridge. Uplift ranges are indicative and will vary by company and sector. The ranges show the relative contribution of each lever drawn from value-up precedents in South Korea and Japan.

Key insight for boards

Most of the uplift comes from capital action. The disclosure lever is the smallest bar on the chart. Disclosure reinforces the outcome but does not drive it.

A Korean value-up case: The action and the re-rating it bought

One of South Korea's clearest value-up cases, singled out by the Korea Exchange (KRX), may be an actionable template for a Malaysian board. Below is a financial-holding group traded at a deep discount to its earnings power and re-rated on capital returns, not disclosure.

STARTING POINT (2023)

A value-up candidate by definition

A financial-holding group trading on roughly 5× earnings and around book value, despite a return on equity in the low-to-high 20s% – exactly the profile MY Value Up is built to address.

P/B troughed near book (~1.0×)

THE ACTION (2023-2025)

Capital returns plus cost-of-capital discipline

Roughly KRW2t of treasury-share buyback-and-cancellation, a 50% shareholder-return commitment and a required return held at 10% since 2013 and disclosed.

- ~KRW2t buyback and cancel
- 50% payout

THE RESULT (TO 2026)

A near-tripling and official recognition

The share price rose about 2.6× over the period (close to 2.9× from its 2023 low) as the buyback-and-cancellation ran; it's P/B re-rated from roughly 1.0× to about 1.6× and total shareholder return ran well ahead of the KOSPI.

- ~2.6× share price
- P/B ~1.0× → ~1.6×

Note: Anonymized – figures from Capital IQ and the KRX/Korea Capital Market Institute (2023–2026).

Takeaway

The re-rating was bought with capital returns and a disclosed cost-of-capital target, and not with disclosure for its own sake. This is the template a Malaysian board may want to act on.

A Malaysia value-up case: Carving out hidden value and driving re-rating

A real Bursa-listed case, with identity withheld, illustrates the point. A diversified group spanning property, construction, a real estate investment trust (REIT) and healthcare had long traded at a holding company discount. By scaling its healthcare arm and listing it separately, the board unlocked value and the market re-rated both entities.

STARTING POINT (2023)

A conglomerate discount on a hidden asset

A diversified group whose parts were worth more apart than together. Its healthcare arm — the second-largest piece of the sum-of-parts — sat unpriced inside the conglomerate.

- Holding-company discount
- Value not reflected

THE ACTION (2023-2025)

Carve out, and let the business stand alone

It scaled the healthcare arm and listed it separately on Bursa in March 2026 — the largest local initial public offering (IPO) in nearly a decade — to unlock value.

- ~RM2.9b raised · unit valued ~RM16.7b
- ~69% retained

THE RESULT (2026)

A re-rating the board manufactured

The unit debuted up ~28% (~RM21b). The parent, once discounted, now trades at a premium to its construction arm — shares roughly tripled since 2023.

- Debut +~28%
- Parent re-rated to a premium

Takeaway

The South Korean template in local form provides an illustrative example. Value outcomes may be influenced by structural capital actions, alongside communication and other factors. The carve-out may enable businesses to operate more independently, with valuation dynamics potentially reflected in the market.

Note: Real Bursa listed company with identity withheld. Public point in time figures, including IPO size, valuation, first-day performance and parent re-rating, are sourced from *The Edge Malaysia* and listing disclosures. This is factual information and not a recommendation.

A capital-allocation plan and board-ready equity story

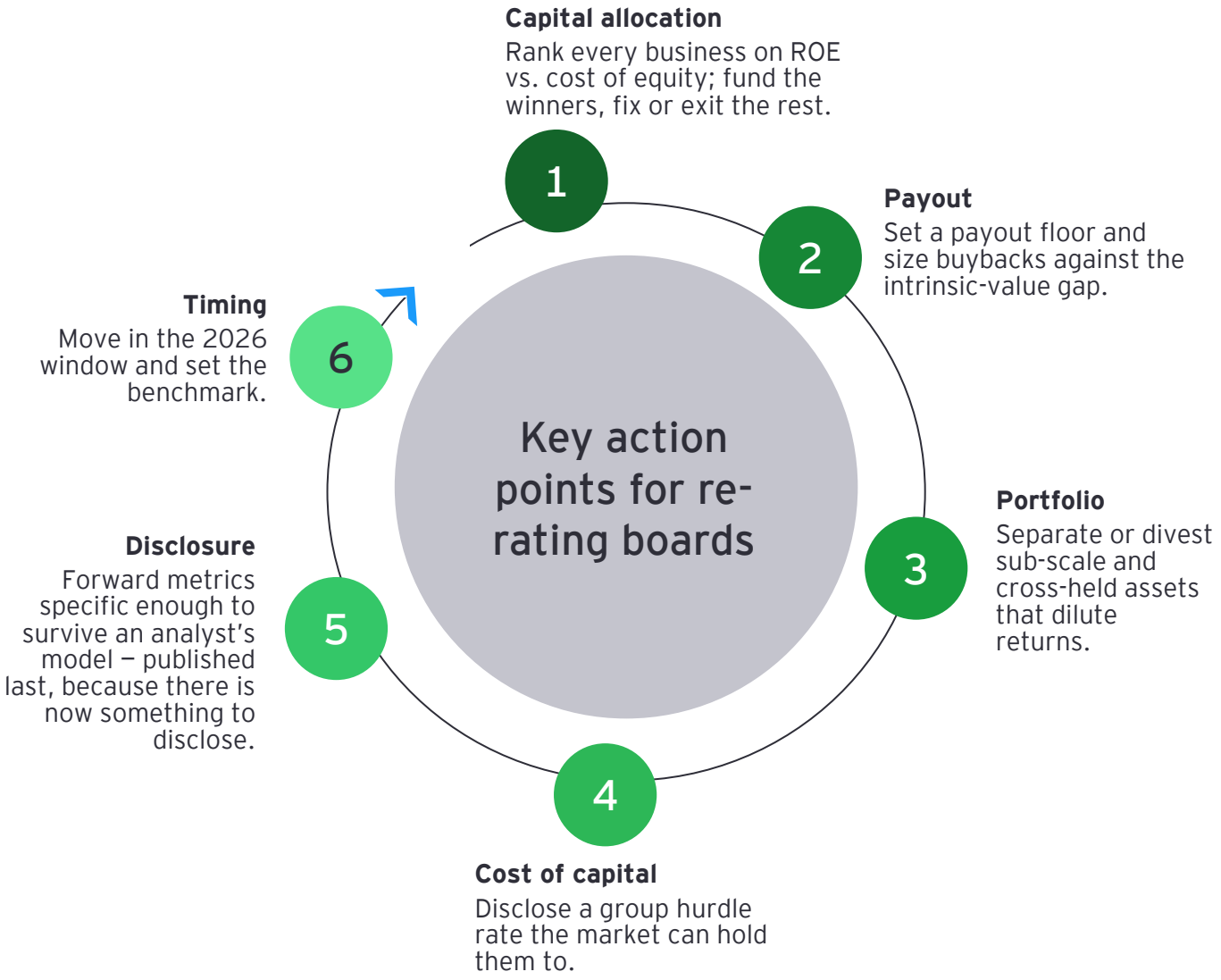
The company valuation discount is not a market inefficiency to be argued away and not an investor-relations problem to be communicated away. It may be a reflection of capital allocation. Most boards are still solving the wrong problem.

> A credible Value-Up plan is a capital allocation strategy and not a communications exercise. Boards that internalize this early will set the benchmark. Others may find themselves needing more time to narrow the gap.

Andrew Hoh
EY-Parthenon Senior Executive Director, Strategy and Transactions,
Ernst & Young PLT

What boards must do now

Most boards default to disclosure. The evidence shows it is the weakest lever. The 2026 window may provide an opportunity for diagnosis and decision-making. In some cases, boards may take different approaches, which may be associated with varying market outcomes.



What should boards answer before they publish a value-up plan?

Several critical questions can help inform the development of a credible value creation plan and the positioning of a company's Value-Up plan in the market. How boards address these questions may influence investor perception and associated valuation dynamics.

Key questions for the board	If the answer points to action	Hold – only if
1. Where do we trade against our true peer set and how much of the gap is company-specific?	Commission an independent gap decomposition (market vs. sector vs. company) on P/B, P/E and EV/EBITDA.	You already hold a defensible, peer-set-based number.
2. Are we over-capitalized relative to the returns we earn?	**Release surplus capital** – buyback and cancel and/or a raised payout floor, sized to the intrinsic-value gap.	Every ringgit retained clears the cost of equity hurdle.
3. Do any segments earn below their cost of equity?	**Define a 12-month fix or exit list** for sub-scale, dilutive segments, with a divestment shortlist.	A credible turnaround clears the hurdle inside a set timeframe.
4. Does our structure itself destroy value (e.g., conglomerate, cross-holdings)?	**Quantify the sum-of-parts gap.** Separate or carve out where each part can stand alone.	The parts are demonstrably worth more together – not by assertion.
5. Can our disclosure survive an analyst's model?	**Publish forward metrics** – segment ROE, hurdle rates, payout policy – specific enough to be modeled and tracked.	An analyst can already rebuild your plan from what you disclose.

Takeaway

The design draws directly from South Korea and Japan, which is encouraging as those programs delivered meaningful re-rating for companies that took action and little for those that relied on disclosure alone.
The question for Malaysian boards is not whether to participate, but what a credible plan should contain and the scale of the opportunity it can unlock. Answering this requires a precise understanding of where the discount sits.

The coming 12 months: A board calendar

What boards decide, commit and disclose across this window may define the outcome. Set out below is an indicative sequencing for a board acting within the 2026 familiarization window:

Q3 2026 - DIAGNOSE

Measure the gap

Commission the independent gap analysis, plot every business on the segmentation map and size the prize against your sector leaders.

Q4 2026 - DECIDE

Approve the capital actions

The board approves the moves with numbers — surplus-capital release, a payout floor and a 12-month fix-or-exit list — each tested against the cost-of-equity hurdle.

Q1 2027 - EXECUTE

Put capital to work

Begin buyback-and-cancellation or the raised payout; launch the divestments or separation; set and disclose the group hurdle rate.

Q2 2027 - DISCLOSE

Publish a plan that re-rates

Release the MY Value Up plan with levers and targets specific enough to be modeled — ahead of the public benchmarking that begins in 2027.

Note: Quarters are illustrative and depend on each company's starting point and approvals.

The board's decision	Outcome
Approve the capital actions.	A quantified, board-owned value-up plan.
Execute capital returns and portfolio moves.	Re-rating followed action, not announcement.
Publish a plan specific enough to model.	A re-rating instrument, not an appendix.

How EY teams can help

From diagnosing the discount to supporting the development of the equity story that re-rates it.

1 Quantify the discount

Independent measurement vs. a defensible peer set, decomposed into market, sector and company drives, with segment-level ROE vs. cost of equity.

2 Equity story and growth strategy

Business review and where-to-play growth strategy that can help identify value drivers and inform the equity story.

3 Separations and M&A

Separations, demergers and carve-outs may be considered as part of portfolio structure considerations, alongside M&A activity to support scale and focus.

4 Capital allocation

Hurdle rates, payout policy and buyback sizing against intrinsic value – a number the market can hold you to.

5 Disclosure and investor engagement

Plan disclosures and an investor narrative that can support communication of the equity story.

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