



When the Strait Closes and What the Iran War Means for Valuation

A Scenario Analysts Can No Longer Afford to Ignore

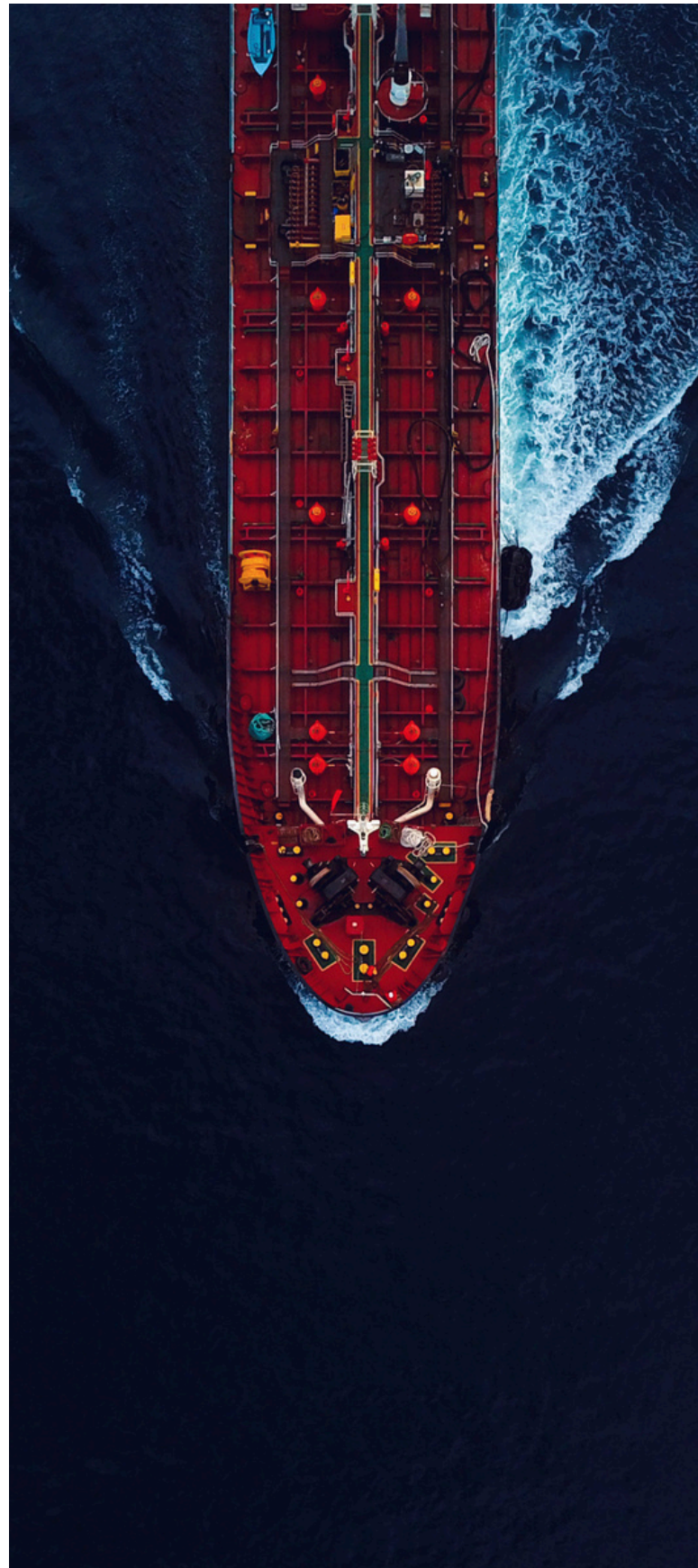
forv/s
mazars

Introduction

Most commentary on the Iran war has framed it as an oil price story. Brent crude has swung between \$99 and \$115 per barrel in recent weeks, and the headlines have followed the daily tick. But for anyone involved in business valuation, investment analysis, or financial planning, the more important question is not where oil trades today. It would be whether the assumptions underneath the financial models still hold.

The answer is that they do not.

What follows is not a forecast of inevitable outcomes but a stress test scenario built around statements from key market participants and the most concerning threads now visible. The aim is to prompt a hard reexamination of the assumptions that typically remain unexamined in valuation models. The reader should weigh all alternative scenarios, including a swift resolution or demand-led recession, before concluding.



The Signal from Aramco

When the world's largest oil producer says something, it is worth listening carefully.

Saudi Aramco CEO Amin Nasser, speaking at the company's first quarter earnings call, delivered a warning that went well beyond price forecasting. "If the Strait of Hormuz opens today, it will still take months for the market to rebalance, and if its opening is delayed by a few more weeks, then normalisation will last into 2027," he told investors. He added that the world was losing approximately 100 million barrels of oil supply every week the strait remained closed, and that the market had already lost more than one billion barrels since the conflict began.

On the other hand, the International Energy Agency has called the current disruption "the greatest global energy security challenge in history." Flows through the Strait of Hormuz, which carried roughly 20 million barrels per day before the conflict, fell to just over 2 million barrels per day in March. To partially offset this, the IEA coordinated the release of 400 million barrels from emergency reserves across its member nations. Even that could not fully compensate for the loss of throughput.



A Discount Rate Problem, On Top of the Earnings Problem

Most executives and investors are focused on the near-term hit to earnings. That is understandable, but it may be the wrong frame.

The deeper issue is what prolonged energy disruption does to discount rates and to the assumptions that underpin a business's terminal value. These figures often account for the majority of a company's value in a discounted cash flow analysis, and they are rarely scrutinised as rigorously as quarterly earnings.

Here is the transmission mechanism. Higher oil prices feed directly into inflation. Inflation delays central bank rate cuts or reverses them. Higher for longer interest rates raise the risk-free rate assumption in every cost of capital calculation. And when the discount rate rises, valuations fall, as future cash flows are worth less today. This effect is most severe for businesses with long investment horizons: infrastructure, property, healthcare, and technology companies with distant profitability.

The numbers are already moving. The 10-year US Treasury yield jumped to around 4.45% in late March, its highest since mid-2025. That shift alone would compress equity values across most sectors if modellers were applying it consistently.

The Aramco CEO's statement suggests analysts cannot rely on a quick reversion to pre-conflict conditions. A business valued today using 2024-era discount rate assumptions may be materially overvalued, not because anything has changed inside the company, but because the macro regime around it has shifted.

To be clear, this is not the only possible path. A prolonged supply shock also risks dampening economic activity so severely that bond yields fall rather than rise, producing a different valuation effect altogether. The point is not to pick one outcome, but to recognise that today's discount rate assumptions may already be out of date in either direction.



From Just-in-Time to Just-in-Case

There is a second and more subtle valuation implication that receives less attention.

Before this conflict, global supply chains were largely built on the assumption that critical shipping lanes would remain open and insurance would be available at predictable rates.

The Strait of Hormuz, under US naval protection, was treated as structurally reliable. Businesses are optimised for lean operation by running lean inventory and minimal logistics buffers.

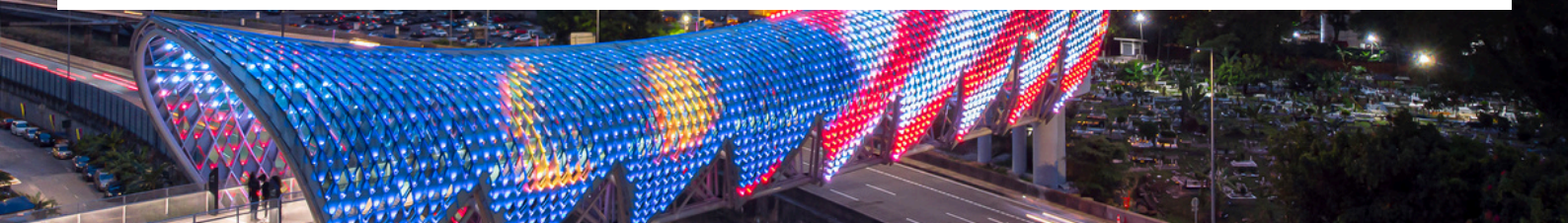
That assumption has been tested severely. Today, only two to five vessels pass through the strait daily, compared with 70 before the war began. Major shipping firms have already rerouted or suspended transit. The Vitol CEO estimated that one billion barrels of oil production have been lost since the conflict began.

Even after a settlement, the Aramco CEO noted that "even in the most optimistic scenario, energy and commodity supply chains will need several months to return to pre-conflict traffic as vessels reroute or avoid being idle." Markets may no longer trust the Strait as a reliable corridor as they once did.

This changes how businesses must operate, and by extension, how they must be valued. Companies that relied on just-in-time logistics will need to hold larger inventories. Working capital requirements rise. Logistics redundancy becomes a cost of doing business rather than an optional premium. Insurance costs on vulnerable routes remain elevated even when physical risk falls.

None of this appears in near-term earnings guidance. But all of it affects the sustainable margin structure of businesses in aviation, manufacturing, chemicals, and consumer goods. Analysts who model a quick reversion to 2023-style operating costs are likely building in an optimism that the evidence does not support.

What Malaysia's Position Actually Looks Like



Malaysia sits in an unusual place in this crisis. The idea that Malaysia benefits as an oil producer is only part of the story.

PETRONAS is expected to maintain production of approximately two million barrels of oil equivalent per day in 2026, and higher prices strengthen government revenue relative to the fiscal year's original oil price assumption of US\$60-US\$65 per barrel. That provides some fiscal room.

But Malaysia also imports petroleum products for domestic consumption. Brent has risen more than 30% since the conflict began. The unsubsidised RON97 petrol price has risen 22% to RM3.85 per litre. Unsubsidised diesel is up 29% to RM3.92. The government has capped RON95 at RM1.99, but that cap is estimated to cost RM2 billion per month, meaning total RON95 subsidies could reach RM24 billion by year's end if the conflict continues.

The downstream and consumer economy faces genuine strain. Higher transport costs feed into food prices, manufacturing input costs, and logistics. Malaysia's total trade exceeded RM3 trillion in 2025, and external shocks are transmitted quickly through trade and supply chain networks. The Bank Muamalat chief economist assessed Malaysia's 2026 GDP growth forecast of 4% to 4.5% as still achievable under current conditions, but noted that the severity and duration of the conflict remain the key uncertainty.

For valuation practitioners working on Malaysian engagements, this dual exposure matters. Businesses in the oil and gas upstream chain may see margin expansion; businesses in aviation, logistics, chemicals, and consumer staples face sustained pressure on margins and working capital. Using a single macroeconomic view across all sectors, or applying pre-conflict discount rate assumptions uniformly, will produce valuation outputs that do not reflect current conditions.

[continue on the next page]

There is also a sovereign risk dimension. If the Hormuz disruption persists and inflation proves stubborn, Bank Negara Malaysia faces competing pressures to support growth and anchor price stability. Countries that import energy at elevated prices and defend subsidy regimes simultaneously face fiscal deterioration. The ringgit's trajectory is not unconnected to what happens in the Persian Gulf.





The Real Risk: Normalising Too Fast

The 1970s oil shocks offer an instructive comparison, not because the circumstances are identical, but because of the pattern they produced. After each shock, economists and analysts tended to assume that conditions would return to normal relatively quickly. In practice, the inflationary effects of those disruptions took years to work through the global economy, and asset prices that were valued on pre-shock assumptions suffered prolonged underperformance.

The Aramco CEO's statement carries the same warning in a different form. Reopening the strait, assuming that happens, will not immediately restore the billion barrels of lost supply, rebuild damaged infrastructure, unstrap the 600 ships currently stuck in the Gulf, or replenish inventories drawn down by emergency releases. The IEA estimates that global observed inventories fell by 85 million barrels in March alone. Goldman Sachs has noted that total global stocks, currently at around 101 days of demand, could fall further by the end of May, with sharper regional shortages in specific products and markets.

The temptation for any analyst is to wait for clarity before revising assumptions. The problem is that the clarity may arrive after the repricing has already happened.

Businesses and their advisers are better served by asking harder questions now. Are the discount rates in current valuations still appropriate given where inflation expectations and bond yields are moving? Are terminal margin assumptions realistic for sectors with persistent energy cost exposure? Does the working capital modelling reflect a world where supply chain buffers are no longer optional? And for Malaysian engagements specifically, which sectors benefit from elevated energy prices and which absorb the cost, and has that distinction been made explicitly?

The Aramco CEO described the current situation as "by far the biggest crisis" the region's oil and gas industry has ever faced, and warned of "catastrophic consequences" if the disruption continues. That language is unusual for a company's earnings call. It is worth taking seriously.

[continue on the next page]

Markets can absorb bad news faster than they can absorb prolonged uncertainty. The Hormuz crisis, in its current form, is the latter. That is why the valuation implications are deeper than the oil price movement alone suggests, and why the models used today deserve more scrutiny than they typically receive.





Forvis Mazars in Malaysia

Penang

Suite 16-2, 16th Floor
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang
Tel. +60 4 286 4111

Kuala Lumpur

Wisma Golden Eagle Realty
11th Floor, South Block 142-
A, Jalan Ampang 50450
Kuala Lumpur
Tel. +60 3 2702 5222

Johor Bahru

C-15-01, Austin V Square
Jalan Austin Perdana 2
Taman Austin Perdana
81100 Johor Bahru
Johor
Tel. +60 7 272 5222

Kota Kinabalu

Unit No. P1/L/68/3A, Level 3A
Building L, KK Times Square
Off Coastal Highway
88100 Kota Kinabalu, Sabah
Tel: +608 8 272 119

Labuan

Wisma Wong Wo Lo
Suite 1, 4th Floor
Business Centre
Jalan Tun Mustapha
87000 Labuan
Tel. +60 3 2702 5222

Sarawak

1st Floor, Sublot 83 & 84
Gala City, Jalan Tun Jugah
93350 Kuching, Sarawak
Tel: +608 2 573 004

The information in this publication is for general guidance and is not a substitute for professional advice. This publication shall under no circumstances be associated, in whole or in part, with an opinion or professional advice of Forvis Mazars Advisory Sdn Bhd. If professional advice is required, the services of a competent professional should be sought. Despite the meticulous care taken in preparing this publication, Forvis Mazars Advisory Sdn Bhd and its employees accept no responsibility for any errors or omissions this publication might contain, whether caused by negligence or otherwise, or for any actions taken or not taken on the basis of the information in this publication.

Contact

Roger Loh Kit Seng

Director

roger.loh@forvismazars.com

Tel: +603 2702 5170

Kwo Kah Men

Associate Director

kah-men.kwo@forvismazars.com

Tel: +603 2702 5222

Follow Us

LinkedIn:

www.linkedin.com/company/forvismazars-in-malaysia

Instagram

www.instagram.com/forvismazarsinmalaysia/

Facebook

www.facebook.com/forvismazarsinmalaysia/

Forvis Mazars Group SC is an independent member of Forvis Mazars Global, a leading professional services network. Operating as an internationally integrated partnership in over 100 countries and territories, Forvis Mazars Group specialises in audit, tax and advisory services. The partnership draws on the expertise and cultural understanding of over 40,000 professionals across the globe to assist clients of all sizes at every stage in their development.

Forvis Mazars is the brand name for the Forvis Mazars Global network (Forvis Mazars Global Limited), a leading global professional services network. The network operates under a single brand worldwide, with just two members: Forvis Mazars, LLP in the United States and Forvis Mazars Group SC.

Forvis Mazars Advisory Sdn Bhd is an independent member firm of Forvis Mazars Group SC.

Visit forvismazars.com to learn more.