midf RESEARCH

4 June 2025

MALAYSIA EQUITY

EARNINGS WRAP

Review of corporate earnings

Quarter Ended March 2025

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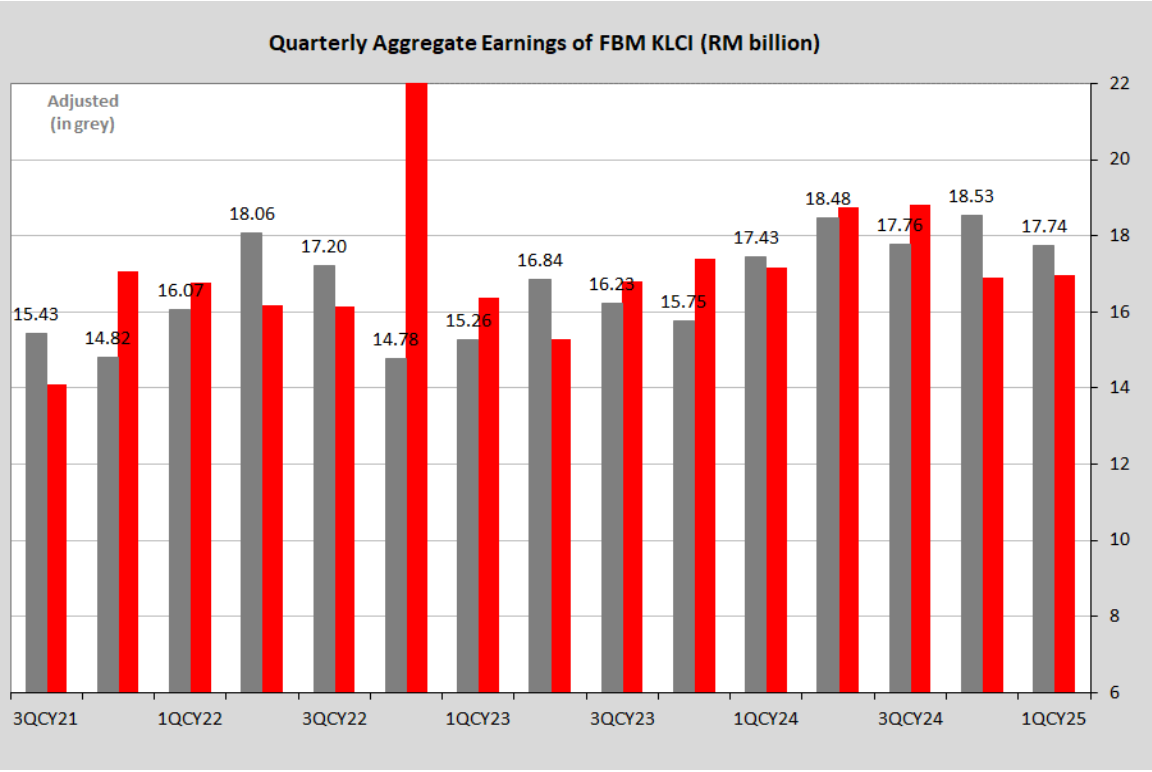
4 March 2025 | Earnings Wrap

Subdued

- *In 1QCY25, the aggregate normalized earnings of FBM KLCI 30 current constituents registered negative on-quarter growth of -4.3%qoq but positive on-year at +1.8%yoy.*
- *Within MIDFR Universe, only 6% (lowest since 2QCY19) of stocks under coverage reported higher than expected earnings. Moreover, 30% posted earnings that were lower than expected versus 63% which came within expectations. Target price changes involved 13 upward adjustments and 36 downward adjustments. Furthermore, we made 12 changes to our stock recommendations with 4 upgrades and 8 downgrades.*
- *Since after the previous results season (i.e. March onwards), the aggregate FY2025f earnings of the FBM KLCI constituents under our coverage was cut by -3.8% to RM68.1b. Likewise, the aggregate FY2025f earnings of stocks under MIDFR Universe was also cut by -3.8% to RM87.9b.*
- *The 1QCY25 earnings season was rather subdued. Accordingly, we tapered our bottom-up earnings expectations. In this regard, it is notable that our tapered bottom-up earnings expectations are also influenced by the rising economic risk particularly surrounding the US tariff uncertainties.*
- *Recall that we cut our index price targets twice during the past three months. We therefore make no further changes to our top-down index price targets despite the bottom-up earnings cut pursuant to the 1QCY25 results performance. We maintain 2025 price target for FBM KLCI at 1,590 points. We also make firm our (earlier provisional) price targets for FBM Hijrah of 12,900 points and FBM70 of 17,200 points.*

FBM KLCI

In 1QCY25, the aggregate reported earnings of FBM KLCI 30 current constituents came in at RM17.0b. It registered positive on-quarter growth of 0.3%qoq but negative on-year at -1.2%yoy.



Source: Bloomberg, MIDFR

After adjusting for extraordinary items incurred during the review quarter (particularly a one-off dilution loss incurred by both Hong Leong Bank and HLFG after Bank of Chengdu minority shareholders exercised their convertible bonds), the aggregate normalized quarterly earnings of FBM KLCI 30 current constituents came in at RM17.7b. Moreover, after neutralizing the

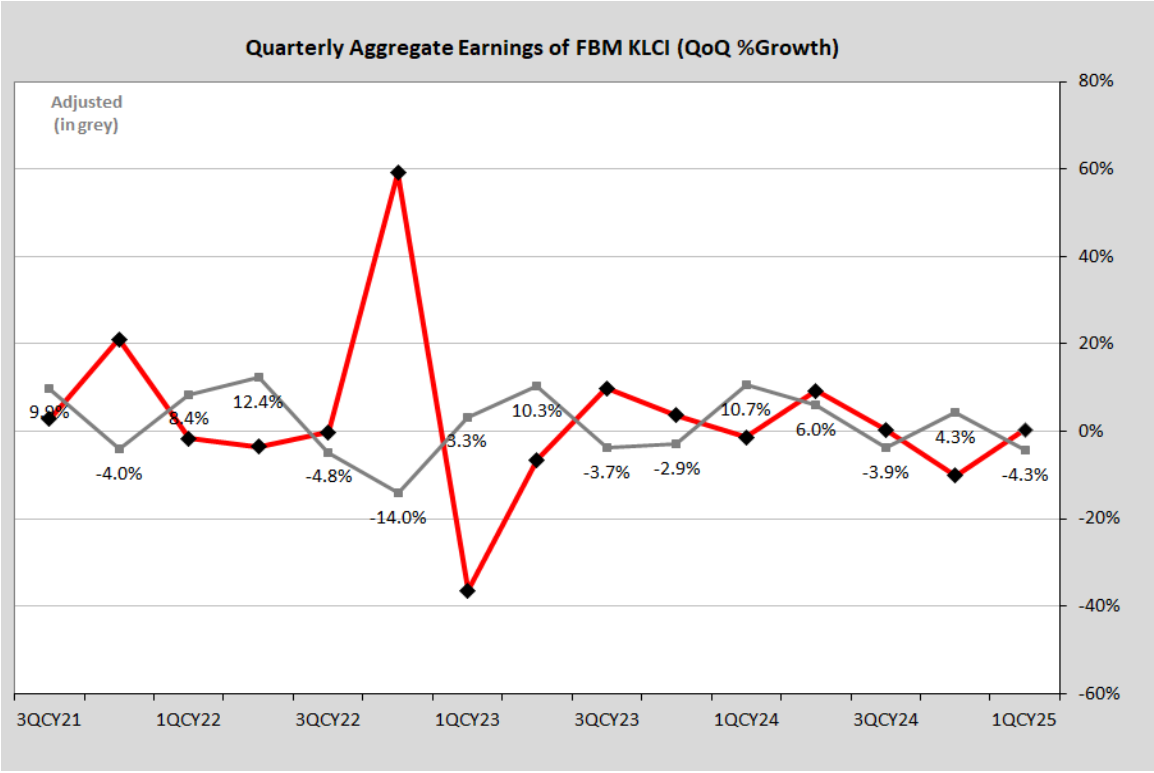
extraordinary items during relevant quarters (1QCY25: -RM780m, 4QCY24: -RM1.6b, 1QCY24: -RM265m), the aggregate normalized growth in 1QCY25 registered negative on-quarter growth of -4.3%qoq but positive on-year at +1.8%yoy.

FBM KLCI: Normalized Earnings (RM Million)

SECTOR	1QCY25	4QCY24	QoQ	1QCY24	YoY
CONSTRUCTION	217.60	199.80	8.9%	205.18	6.1%
CONSUMER P&S	1,426.51	1,343.20	6.2%	1,459.89	-2.3%
FINANCIAL SERVICES	9,534.00	8,953.00	6.5%	8,670.00	10.0%
HEALTHCARE	425.00	317.00	34.1%	402.80	5.5%
INDUSTRIAL P&S	647.49	1,313.45	-50.7%	1,290.01	-49.8%
PLANTATION	984.40	1,096.30	-10.2%	583.40	68.7%
TELCO & MEDIA	1,364.60	1,630.80	-16.3%	1,413.80	-3.5%
TRANSPORT & LOGISTICS	683.60	515.80	32.5%	840.30	-18.6%
UTILITIES	2,458.40	3,164.70	-22.3%	2,563.90	-4.1%
TOTAL	**17,741.60**	**18,534.05**	**-4.3%**	**17,429.28**	**1.8%**

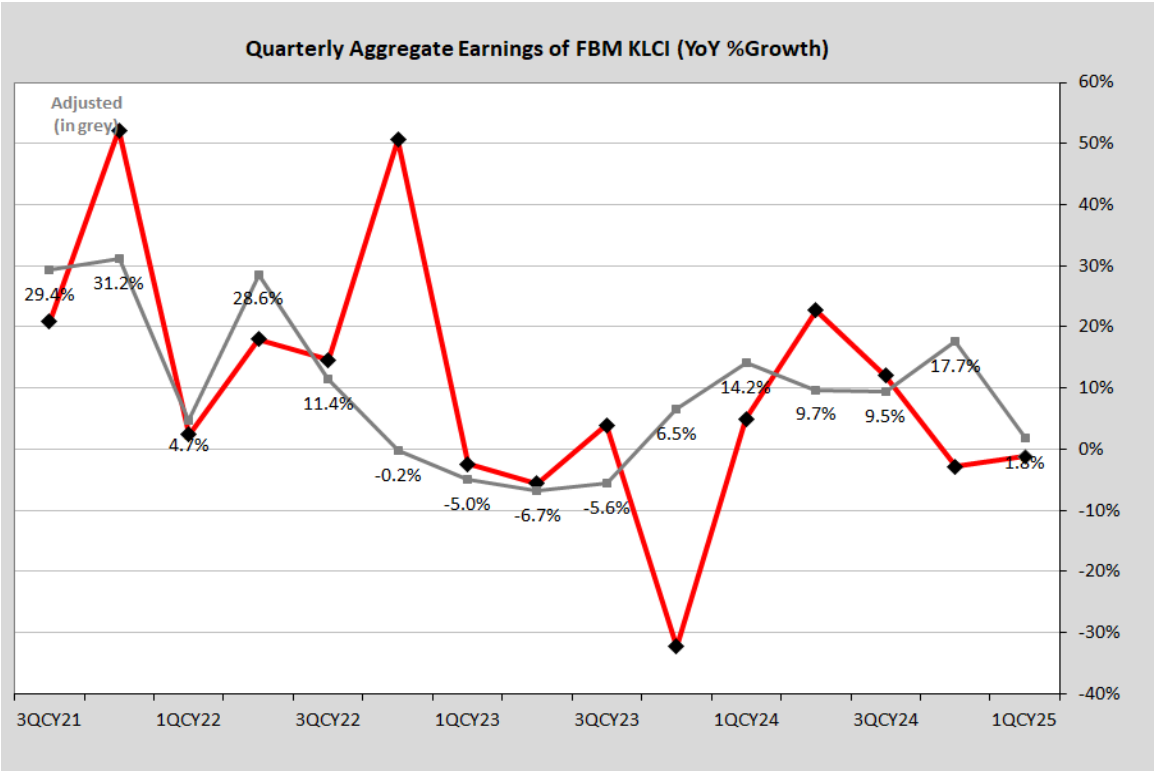
Source: Bloomberg, MIDFR

The negative on-quarter normalized growth performance in 1QCY25 was mainly due to earnings diminution among its Utilities (Tenaga Nasional, YTL Corp and YTL Power), Industrial P&S (Petronas Chemicals and Sunway) and Telco & Media (Telekom Malaysia) constituents while moderated by the rise in Financial Services (Hong Leong Bank, HLFG and CIMB Group) earnings.



Source: Bloomberg, MIDFR

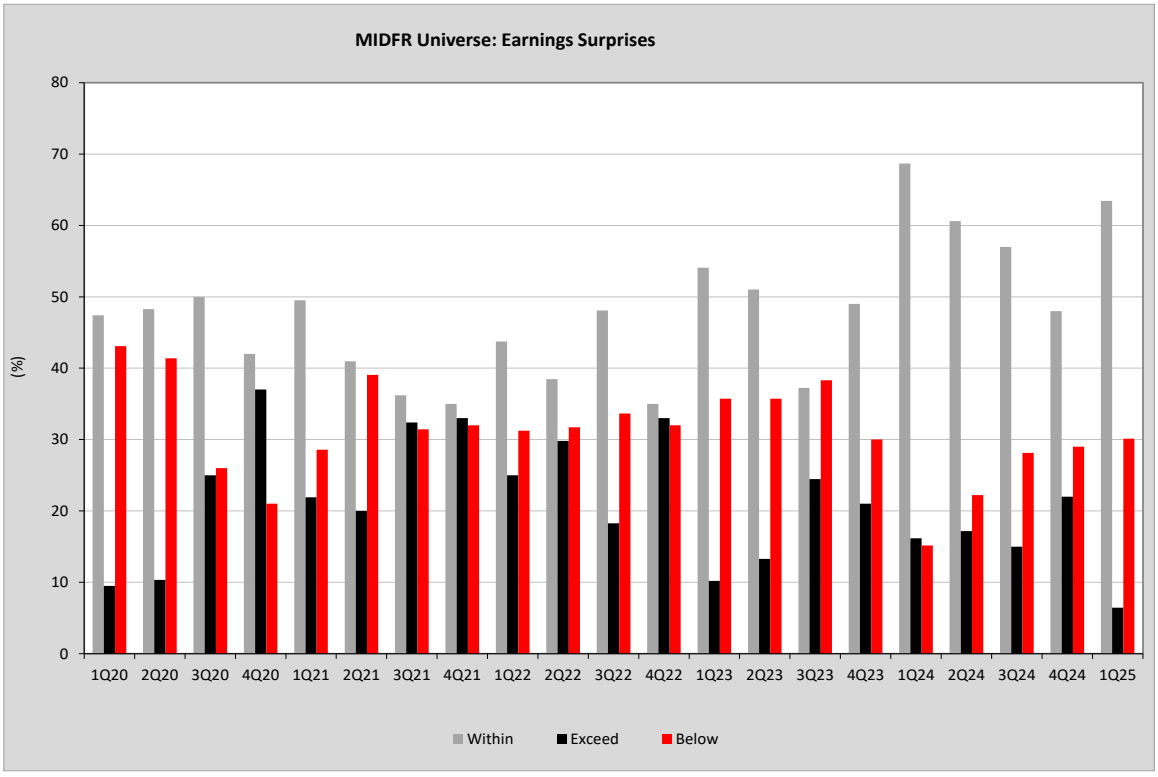
Meanwhile, the positive on-year normalized growth performance in 1QCY25 was mainly contributed by earnings expansion among its Financial Services (Hong Leong Bank, HLFG and Maybank) and Plantation (SD Guthrie) constituents while moderated by the decline in Industrial P&S (Petronas Chemicals) earnings.



Source: Bloomberg, MIDFR

MIDFR Universe

The percentage of companies in MIDFR Universe that registered earnings above our expectations slumped to 6% (lowest since 2QCY19) in 1QCY25 as compared to 22% in the prior quarter. Conversely, the percentage of negative surprises risen to 30% from 29% in 4QCY24.



Source: MIDFR

Accordingly, the percentage of companies with results which met expectation jumped to 63% in 1QCY25 from 48% in the prior quarter.

Moreover, Industrial P&S sector recorded the highest percentage of positive surprises at 29% of stocks under our coverage. Meanwhile, Construction sector registered the biggest percentage of underperformers at 75% of companies under our coverage.

MIDFR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	25%	0%	75%
CONSUMER PRODUCTS & SERVICES	65%	6%	29%
ENERGY	50%	0%	50%
FINANCIAL SERVICES	86%	14%	0%
HEALTH CARE	67%	0%	33%
INDUSTRIAL PRODUCTS & SERVICES	43%	29%	29%
PLANTATION	75%	0%	25%
PROPERTY	50%	13%	38%
REITS	100%	0%	0%
TECHNOLOGY	40%	0%	60%
TELECOMMUNICATIONS & MEDIA	75%	0%	25%
TRANSPORTATION & LOGISTICS	75%	0%	25%
UTILITIES	33%	0%	67%
TOTAL	**63%**	**6%**	**30%**

Source: MIDFR

In total, we made 12 changes to our stock recommendations with 4 upgrades and 8 downgrades. Furthermore, target price changes involved 13 upward against 36 downward adjustments.

In 1QCY25, the aggregate reported earnings of companies under MIDFR Universe came in at RM21.3b. It recorded positive on-year growth of +3.1%yoy and on-quarter at +9.4%qoq.

MIDFR Universe: Sectoral Quarterly Net Profit (as reported, RM Million)

	YoY (%)	*QoQ (%)*	1Q25	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22
CONSTRUCTION	*(22.6)*	*(2.2)*	435	445	566	393	563	98	367	370	238	1,315	317	346
CONSUMER P&S	*64.8*	*1,106*	2,130	-212	2,700	718	1,292	1,275	1,094	2,259	1,355	1,492	663	650
ENERGY	*(17.8)*	*296.2*	342	-174	403	501	416	4	217	-133	344	379	303	335
FINANCIAL SERV	*1.2*	*(2.3)*	10,153	10,391	10,712	10,132	10,033	9,405	9,671	9,143	9,250	8,919	9,478	7,964
HEALTH CARE	*(20.8)*	*(25.0)*	681	908	756	816	860	734	180	164	953	-584	296	766
INDUSTRIAL P&S	*(59.8)*	*(64.3)*	399	1,119	-272	1,203	992	544	718	892	790	739	2,223	2,118
PLANTATION	*112.1*	*(16.6)*	1,194	1,432	1,823	1,269	563	941	1,866	629	589	2,178	1,721	2,689
PROPERTY	*(22.7)*	*(21.3)*	374	475	374	2,098	484	537	399	480	333	619	863	536
REITS	*7.2*	*(54.6)*	498	1,096	463	490	464	761	723	400	434	642	525	378
TECHNOLOGY	*(0.3)*	*(7.0)*	287	309	282	272	288	306	259	222	197	266	359	408
TELCO & MEDIA	*8.4*	*33.7*	1,316	984	2,245	1,293	1,214	230	484	666	1,042	10,410	792	821
TRANSP & LOGIS	*(7.1)*	*647.5*	932	-170	586	760	1,003	863	670	672	828	912	1,007	181
UTILITIES	*2.5*	*(10.8)*	2,543	2,850	3,015	3,637	2,480	2,589	2,791	2,534	2,466	1,686	1,630	1,585
TOTAL	***3.1***	***9.4***	21,284	19,451	23,653	23,581	20,654	18,285	19,438	18,299	18,819	28,971	20,178	18,776

Source: MIDFR

Consumer P&S and Telco & Media were the sectors which recorded improved total earnings (as reported) in 1QCY25 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Construction, Healthcare, Industrial P&S, Property and Technology sectors registered both negative sequential and on-year earnings (as reported) growth percentages in 1QCY25.

Sectoral commentary

Construction: The first quarter saw a mixed set of results for the construction sector. Three companies – WCT Holdings Berhad, IJM Corporation Berhad and MRCB fell short of our expectations. WCT recorded a -24.6%yoy decline in core profit attributable to slower construction pace in the quarter while MRCB and IJM suffered from weaker contributions across most divisions. Cahya Mata Sarawak Berhad and Sunway Construction Group Berhad came in within projections with a core net profit of RM32.1m and RM79.1m respectively. In contrast, Malayan Cement Berhad reported a strong earnings incline, coming in above expectations, with a core net profit of RM183.0m (+26.5%yoy). Gamuda, which has a July financial year end, will be reporting its 3QFY25 result later this month. Nevertheless, its 2QFY25 result was significantly below expectations at 32.1% and 35.6%% of ours and consensus estimates with a core net profit of RM217.6m. There were no upgrades or downgrades seen in 1QCY25, with BUY recommendations across all the counters we cover in the sector. We can expect progress billings to improve in upcoming quarters as the construction progress picks up pace, alongside the improving pipeline of jobs, driven by industrial building projects and strong data centre momentum, on the back of expectations of a stronger rollout of civil and infrastructure jobs along with a strengthened pipeline of data centre projects. Data from the Department of Statistics Malaysia (DOSM) showed that the value of construction work done continued to increase for the 14th consecutive quarter at +16.6%yoy in 1QCY25, recording RM42.9b in terms of value of work done. This was driven mainly by the exceptional performance of the special trade activities (which consists of data centres and renewable energy projects amongst others) and residential buildings sub-sectors, which recorded a surge of +35.5%yoy and +27.0%yoy respectively. Of the RM42.0b worth of work done in 4QCY24, the civil engineering sub-sector contributed the highest amount, totalling 36.6% of total output, followed by non-residential buildings (28.8%), residential buildings (23.0%) and special trade activities (11.6%). Nearly 63.4% of completed works value was concentrated in Selangor, Johor, the Federal Territories and Sarawak, with Selangor recording the highest construction work done value at RM11.1b. We reiterate our POSITIVE stance on the construction sector, with our top picks being Gamuda (BUY, TP: RM5.42), IJM Corp (BUY, TP: RM3.74), Sunway Construction (BUY, TP: RM6.44) and Malayan Cement (BUY, TP: RM7.49).

Consumer (Staples): The sector delivered a resilient showing, with five companies reporting within expectations and two underperforming. F&N (BUY, TP: RM32.68) met expectations, with 1HFY25 earnings easing -10.6%yoy, weighed by start-up costs at AgriValley and flood-related festive disruptions. Nonetheless, revenue remained supported by resilient domestic demand and firm export sales. Nestlé (NEUTRAL, TP: RM77.90) posted results in line with forecasts. While 1QFY25 earnings declined -19.3%yoy, a festive-driven rebound in sales helped offset ongoing margin pressure from high input costs and cautious pricing strategies. Leong Hup (BUY, TP: RM0.90) came in within expectations. 1QFY25 core PATANCI jumped +77.1%yoy, driven by stronger livestock margins as ASPs improved and feed costs eased, though revenue declined -8.3%yoy due to softer feed mill performance. QL Resources (NEUTRAL, TP: RM4.33) also met expectations. FY25 earnings rose +4.1%yoy, underpinned by growth in clean energy and convenience retail, which helped offset margin erosion in the marine products segment. Spritzer (NEUTRAL, TP: RM1.75) met expectations. 1QFY25 earnings rose +31.1%yoy to RM20.1m, backed by steady bottled water sales, better product mix, and cost efficiency. Hup Seng (NEUTRAL, TP: RM1.04) underperformed, with 1QFY25 earnings declining -24.3%yoy due to export sales affected by permit issues and shipping delays, while higher input costs compressed margins. Life Water (BUY, TP: RM1.00) also came in below expectations. 3QFY25 earnings fell -18.4%qoq, impacted by the February minimum wage hike and temporary downtime from machine upgrades. Margin recovery is expected from 4Q onwards as price adjustments take effect.

Consumer (Discretionary): The discretionary segment delivered a commendable quarter, with two companies reporting results within expectations and one outperforming. AEON (BUY, TP: RM1.77) met expectations. 1QFY25 core PATANCI rose +19.7% yoy to RM69.3m, supported by double festive season uplift and strong performance from its property management segment. Higher occupancy and effective cost control contributed to improved profitability. Oriental Kopi (BUY, TP: RM0.83) also posted results in line. 2QFY25 core PATAMI improved +8.6%qoq to RM14.7m, driven by festive-led café footfall and continued growth in the FMCG segment. Padini (BUY, TP: RM2.49) exceeded expectations. 3QFY25 core PATANCI surged +61.5%yoy to RM74.0m, lifted by strong festive sales and margin expansion from supplier cost efficiencies. Overall, the consumer sectors saw growth driven by strong festive demand, cost efficiencies, and market recovery.

Financial Services: NIM compression remains the main downside to earnings this year, with rate cuts, returning deposit competition and thinning yields to blame. Only three companies (AFFIN, RHB, AMMB) are guiding for stable to positive performance. Loan growth outlook is also less positive, with some banks revising their loan growth figures downward — or at least looking for actual figures to come in at the lower bound of guidance. There is a mixed asset quality outlook across the board,

though guidance seems fairly positive, with the vast majority of banks not overly concerned about the impact of tariffs. Large provisions were already taken care of, either this quarter or before that. There is a distinct lack of tailwinds, so we continue to advocate a bottom-up approach to stock selection, preferring defensive picks. Our top picks remain Public Bank (BUY, TP: RM4.31) and HL Bank (BUY, TP: RM23.09), given their best-in-industry asset quality and rising dividend yields.

Healthcare (Gloves): In 1QCY25, the earnings expectation of glove companies our coverage was varied. All the companies posted higher earnings performance on a year-over-year basis. However, we observed that the pace of growth differs. The improvement in earnings was mainly led by the growth in revenue. Kossan's 1QCY25 financial performance was in line with our expectations, supported by healthier demand for gloves as well as the clean room division. Meanwhile, Top Glove showed a profitable 1QY25 of RM58.1m, as opposed to a loss of -66.6m a year ago. This was mainly due to +60.6%yoy expansion in revenue. Nonetheless, we view that the pace of recovery came in below our expectations. That being said, we reduce our target price for both companies while keeping our neutral recommendation. This was primarily to account for the temporary reduction of U.S. tariffs on Chinese-made medical gloves as well as heightened competition in the non-U.S. markets. We expect some volatility to the future earnings in light of the current developments.

Healthcare (Service Providers): Global healthcare in 1QCY25 saw a robust performance, ahead of the jitters on the US trade tariffs commenced in April CY25. Healthcare service providers had seen growth in inpatient visits, outpatient treatments, surgeries and deliveries. 1QCY25 saw a significant investment growth in digital health, AI diagnostics and research, signalling a sound trajectory in the healthcare megatrends proposed for CY25 in relation to the higher demand for quality care. To adhere to such advancements, IHH Healthcare (BUY, TP:RM8.18) has been expanding its operations via acquisitions of other private hospitals in Malaysia and newbuilds in Turkey and India. The increase in bed capacity and expansion of services are expected to boost IHH's performance in CY25. Meanwhile, KPJ Healthcare (NEUTRAL, TP:RM3.02) saw strong support in domestic demand and higher investments, which sustained its operations in 1QFY25. However, both IHH and KPJ are expected to face downside risks, which include: (i) increased operational and staff costs, (ii) policy changes in the private healthcare sector, (iii) reimbursement pressures from private and public insurers, and (iv) geopolitical headwinds. For IHH, there's an additional risk on unfavourable forex from Turkish Lira. Nevertheless, moving forward, we expect that the demand for private care will continue to be buoyed by the increase in aging population and NCDs prevalence, as well as advancing medical technologies.

Oil & Gas: The first leg of CY25 saw a slump in the sector, largely due to: (i) reduced upstream spending ahead of the volatile oil prices, (ii) narrowed refining margins from increased crude costs against lower pump prices, (iii) higher operational and maintenance expenses, and (iv) continuous geopolitical tensions in Eastern Europe and the Middle East, despite the higher Brent oil price (average in 1Q25: USD75pb) recorded in 1QCY25. Large global O&G corporations were also adhering to cost optimisation, in preparation for impacts from US trade tariffs, sanctions and increasing OPEC+ and non-OPEC supply output, making profit margins lower in comparison to 1QFY24. However, on our local front, 1QFY25 results were mixed, depending on its division:

UPSTREAM

Despite the reduced global upstream capex anticipated in CY25, upstream players had been supported by long-term contracts and projects that had hedged in core spending. FPSOs have seen continuous progress in production, in addition to newer E&P activities in untapped reserves within the region. Bumi Armada (BUY, TP:RM0.70) had maintain its FPSO performance, whilst moving into E&P activities in Indonesia under the Akia and Kojo PSCs. However, the risks over FPSOs remain on the possibility of unscheduled maintenance and repair, as well as lower production from its JVs and associates. Meanwhile, small to medium-sized local OGSEs performed surprisingly well, considering major global OGSE companies had reported lower earnings in 1FY25. Deleum (BUY, TP:RM1.92) in particular, saw higher demand for its valves and MCM activities for offshore facilities. Given the contractual nature of its business and its strict ESG compliance, we noted that Deleum could maintain its operations throughout the year, amid headwinds. However, larger OGSE companies such as MMHE (BUY, TP:RM0.51) faced downside risks from the geopolitical tensions and trade wars, which subsequently impacted the raw material costs and availability, as well as the intense competition in heavy engineering and marine solutions with China. While they have performed slightly below expectations, MMHE's newest projects in offshore wind facilities are expected to support this subsector in the long run.

MIDSTREAM

Gas distribution and pipelines were impacted largely by the pipeline explosion in Putra Heights in Apr CY25. Following the incident, Petronas Gas (NEUTRAL, TP:RM18.67) had swiftly implemented business continuity plans with repair and restoration cost was estimated at around RM170m. Meanwhile, Gas Malaysia (NEUTRAL, TP: RM4.48) is expected to have minimal losses from the incident. Despite the measures taken by both companies to reduce repair and compensation costs, and to ensure continuous supply to the customers, the full impact remains uncertain pending the official investigation outcomes expected in July CY25. LNGCs are expected to be impacted by oversupply of vessels, driven by a high volume of newbuild deliveries and delays in the start-up of new LNG liquefaction projects. However, long-term chartered VLCC tankers are anticipated to outperform mid-sized tankers, due to limited fleet expansion and steady demand for long-haul shipments. We opine that MISC

(BUY, TP: RM8.13) will continue to leverage on these tankers as well as its FPSOs and lighter operations, amid the headwinds from geopolitical tensions and unfavourable tariffs. Likewise, onshore tankers are expected to gain more uptakes from the fundamentals of lowered crude oil prices, as well as higher demand for renewable storage. Dialog (NEUTRAL, TP: RM1.85)'s 1QFY25 earnings were dragged from divestments of its projects. However, with the fundamentals setting into play, we anticipate more support from its midstream operations, i.e. storage farms. Moving forward, we may see more support for Dialog in its core business.

DOWNSTREAM

Retail and commercial fuels remain sanguine, as domestic demand for Jet A1, and Diesel were steady in 1QCY25, supported by higher travelling activities. Despite the global uncertainties, we believe Petronas Dagangan (BUY, TP:RM22.25) will continue to be buoyed by government support, increased consumer spending and higher travelling activities in CY25. However, the same could not be said about petrochemicals. Petronas Chemicals (SELL, TP: RM3.01) saw a muted demand for petrochemicals, contributing to China's new capacities and supply recovery for certain products. However, the plantation sector is expected to support fertilisers demand ahead of the planting season in CY25. Moving forward, we expect petrochemicals to remain bearish, driven by tight competition, unfavourable forex and scheduled maintenance of its plants.

Moving forward into 2QFY25, we expect Brent crude oil to trade slightly higher but still in a more stable flattish plateau at USD63-68pb. Meanwhile, natural gas is expected to trade lower over slowing demand over the summer season and saturated tankers at sea, but still within USD3-4pMMBtu range. Production within the upstream is expected to remain robust, supported by long-term contractual projects, albeit risks of unscheduled maintenance, lifting of sanctions and lower crude oil demand. Meanwhile, we expect long-term tankers to be in higher demand, following lower crude oil prices expected in the next quarter, limiting movements of crude oil in the near term. We opine downstream fuels to remain stable, amid caution on the targeted fuel subsidy. However, petrochemicals are expected to remain on the low side until 2HCY25.

Plantation: For the 1QCY25, planter performance under our coverage was mixed, with 7 companies performing within and 1 below expectations. The earnings mostly robust partly lifted by the high average CPO price realized, despite softer FFB production and CPO sales volume registered. During the period, the average selling price (ASP) of CPO rose to RM4,724/Mt (-2.4%qoq, +18.6%yoy) supply risks coming into play following a period of low crop seasonality. Notably, local CPO output weakened by -5.9%qoq, no thanks to the wet weather effect from mid-January to end of February. This resulted in CPO cost of production being marginally high, leading to squeezing margins due to low CPO sales volume, low mills utilisation rates, on top of maintained fixed input cost in cost production items. Looking ahead, we maintain NEUTRAL call on the sector with average CPO price of RM4,300/Mt for the year. Our top pick remains IOI Corp (BUY, TP: RM4.42). IOI Corp outlook remains steadfast and is well supported by both upstream and downstream profitability. Its refinery and oleo plant are well insulated from high input costs due to their strategic locations they operated in, unlike their peers that were operating in Europe, that mostly are impacted by high production costs - high natural gas.

Property: Earnings of property companies were mixed in 1Q25. Out of eight property companies under our coverage, five reported earnings that came in within expectations, one reported earnings that were above expectation while two reported earnings below expectations. Notably, UOA Development earnings beat our expectation slightly due to better-than-expected margin and the lower-than-expected tax rate in 1QFY25. On the flip side, S P Setia and Glomac reported earnings that missed expectations. Earnings of S P Setia was weaker than expected due to lower progress billing and the lower contribution from associated companies & joint ventures. Meanwhile, earnings of Glomac missed expectations due to lower-than-expected progress billing from its projects. Overall, we think that earnings of property companies should pick up in 2QCY25 as progress billing accelerates from the low season in 1Q. Meanwhile, new property sales of property companies are largely on track in 1QCY25. We maintain our POSITIVE stance on property sector as earnings outlook for property companies should remain positive on the back of stable new property sales and progress billing from ongoing projects.

REITs: Earnings of REIT came in within expectations in 1QCY25 as all six REIT under our coverage reported earnings that met expectations. Generally retail REIT reported earnings that came in stronger sequentially as retail spending at malls was strong due to Chinese New Year and Ramadan month. Nevertheless, earnings from hospitality segment saw weaker earnings as occupancy rate of hotels was lower during Ramadan month. On yearly basis, most REIT reported stronger earnings due to positive rental reversion from retail assets and industrial property assets. We expect earnings of REIT to remain stable in the remaining of the year despite 2QCY25 earnings should come in weaker on sequential basis as retail spending normalises from high base in 1QCY25. The growth of REIT is underpinned by positive rental reversion and recovery of hospitality segment. Overall, we maintain our Positive stance on REIT. Yield of REIT remains attractive with an average of 4.8% which is higher by 130bps than 10-year MGS yield of 3.5%.

Technology: In 1QCY25, all the semiconductor companies under our coverage came in below our expectations. This was generally due to low utilisation rate which impacted the revenue and the profit margin. On a comparative basis, Inari's financial performance

was as not as bad as its peers as the quarterly earnings was down by approximately -6%yoy. We also revert our recommendation for Inari from TRADING SELL to NEUTRAL with a revised target price of RM2.13. Meanwhile, both Unisem and D&O posted appalling quarters, with earnings plunged by -65.6%yoy and -108.3%yoy respectively. In view of this, we maintain our SELL recommendation on Unisem and downgrade our recommendation for D&O to TRADING SELL from NEUTRAL previously as we expect earnings to remain weak in the near-term. We expect the pace of recovery could potentially pick up pace in 2HCY25 while a more robust recovery could only be seen in 2026. This is not withstanding any adverse development on the U.S. trade war. Meanwhile, we retain our Buy recommendation on both ICT solutions providers namely Myeg and Nexg as their latest quarterly earnings kept pace with our expectations. With this, we retain our buy recommendation for both stocks. Myeg's recorded strong double-digit earnings growth of more than +20%yoy, mainly led by higher revenue contribution. The group's revenue improved at a faster pace of close to +30%yoy, driven by the Zetrix blockchain platform as well as the sale of Zetrix tokens. On the other hand, Nexg's 1QCY25 results contracted approximately -20%yoy as expected in-line with the lower smart cards, passport and personalisation services. Note that in the previous quarter, the earnings has surged by +67%yoy.

Telecommunications: For 1QFY25, the financial performance of the majority of telecommunication companies under our coverage came in line with our expectations, making up between 22.8% and 23.9% of full year FY25 earnings estimates. Only Axiata's 1QFY25 results fall short of our expectations. As such, we only made on changes to our recommendation for Axiata from NEUTRAL to SELL with a lower target price of RM1.75. Nonetheless, among the telcos, we opine that Maxis is the best performer as compared to its peers. They managed to grow its quarterly earnings by about +5%yoy while Celcomdigi and Telekom Malaysia saw an earnings contraction of -8.6%yoy and -5.6%yoy respectively. In general, we saw very minimal growth in terms of revenue. Celcomdigi and Telekom Malaysia saw a marginal growth of 1.2% and 0.5% respectively while Maxis' 1Q25 revenue was stagnant. This supported our view that growing revenue remains a challenging task given the mature telco market in Malaysia. Moreover, there is continuous competition which led to pricing pressure. We view that focus will primarily revolve around postpaid, home fibre and enterprise offerings especially via bundling. Given the difficulty to grow revenue, a lot of emphasis was placed to have a more favourable cost structure. In general, we see the telcos able to maintain their profit margin through various cost management initiatives.

Utilities: The utilities sector largely came in below during the quarter, except for Pekat that recorded results above expectations. The renewable energy company benefitted from stronger solar EPCC project execution, earthing and lightning protection (ELP) jobs and the consolidation of results from the recently acquired EPE Switchgear Sdn Bhd. Samaiden's earnings were within expectations, driven by Corporate Green Power Programme (CGPP) projects. Meanwhile, Sunview's results were below expectations, as its EPCC projects undertaken were still in initial stages. We continue to like the renewable energy sub-sector as the key immediate-term beneficiaries of RE initiatives/policies such as the National Energy Transition Roadmap (NETR), CGPP, LSS5 and the upcoming LSS5+ and LSS6. Our top picks are Samaiden (BUY, TP: RM1.59) and Pekat (BUY, TP: RM1.86). National utility company Tenaga Nasional (BUY, TP: RM15.13) saw its bottom line coming in within expectations, on the back of higher electricity sales due to other regulatory adjustments under the IBR framework. The favourable performance during the quarter is due to an improved operational performance and the stabilising of global fuel prices, especially coal. YTL Power International (BUY, TP: RM4.51) underperformed during the quarter as earnings from Power Seraya continued to normalise on the back of lower pool and retail prices, though this was slightly cushioned by stronger earnings at Wessex Water, led by higher tariffs. Its subsidiary Ranhill Utilities (SELL, TP: RM1.02) underperformed, dragged the consultancy and services division, due to cost overrun related to two projects and also higher amortisation on services concession assets, being the first year of operating period 6 (OP6).

Outperformer versus underperformer

There was a sequential decline in the number of outperformers among the FBM KLCI constituents under our coverage from 6 to 2 in 1QCY25. Likewise, the number of underperformers fell from 6 to 5.

In 1QCY25, the 2 outperformers were Hong Leong Bank and Hong Leong Financial Group. Meanwhile, the 5 underperformers were Axiata, Gamuda, Petronas Chemicals, YTL Corp and YTL Power.

FBM KLCI: Outperformer versus Underperformer

Financial Quarter	No. of Outperformer	No. of Underperformer
1QCY25	2	5
4QCY24	6	6
3QCY24	3	7

Financial Quarter	No. of Outperformer	No. of Underperformer
2QCY24	7	5
1QCY24	5	0

Source: MIDFR

MIDFR Universe Notable Outperformers/Underperformers

Below is the list of notable outperformers and underperformers within MIDF Research coverage universe:

Companies	Result vs. expectation	Recommendation	TP (RM)
Hong Leong Bank	Above	BUY	23.09
Hong Leong Financial Group	Above	BUY	20.63
Malayan Cement	Above	BUY	7.49
Padini	Above	BUY	2.49
Pekat	Above	BUY	1.86
UOA Development	Above	BUY	1.93
BAuto	Below	BUY	1.43
Gamuda	Below	BUY	5.42
IJM Corp	Below	BUY	3.74
Life Water	Below	BUY	1.00
MMHE	Below	BUY	0.51
MRCB	Below	BUY	0.56
Sunview	Below	BUY	0.54
Tasco	Below	BUY	0.68
WCT	Below	BUY	0.95
YTL Corp	Below	BUY	2.84
YTL Power	Below	BUY	4.51
Dialog	Below	NEUTRAL	1.85
Gas Malaysia	Below	NEUTRAL	4.48
Glomac	Below	NEUTRAL	0.32
Hup Seng	Below	NEUTRAL	1.09
Inari	Below	NEUTRAL	2.13
KPJ	Below	NEUTRAL	3.02
MSM Malaysia	Below	NEUTRAL	1.20
SP Setia	Below	NEUTRAL	1.17
Ta Ann	Below	NEUTRAL	3.98
Top Glove	Below	NEUTRAL	0.83
Axiata	Below	SELL	1.75
Petronas Chemical	Below	SELL	3.15
Ranhill	Below	SELL	1.02
Tan Chong	Below	SELL	0.34
Unisem	Below	SELL	1.60
D&O	Below	TRADING SELL	1.04

Source: Companies, MIDFR

Earnings revision/variation (since after the previous results season)

Since after the previous results season (i.e. March onwards), the aggregate FY2025f earnings of the FBM KLCI constituents under our coverage was cut by -3.8% to RM68.1b. In this regard, bulk of the downward revisions to forward earnings emanated from Financial Services, Industrial P&S, Telco & Media and Utilities constituents.

FBM KLCI Constituents: Earnings Revision/Variation (RM million)

SECTOR	Constituents	FY2025 (F)
CONSTRUCTION	Gamuda	-117
CONSUMER P&S	Nestle, Petronas Dagangan, PPB, QL Res	-124
FINANCIAL SERVICES	Maybank, Public, CIMB, RHB, HLB, HLFG	-929
HEALTHCARE	IHH Health	0
INDUSTRIAL P&S	Petronas Chemicals, Sunway	-791
PLANTATION	SD Guthrie, IOI Corp, KLK	0
TELCO & MEDIA	Axiata, Maxis, Digi, Telekom Malaysia	-414
TRANSPORT & LOGISTICS	MISC	0
UTILITIES	TNB, Petronas Gas, YTL Corp, YTL Power	-400
TOTAL		**-2,676**

Source: MIDFR

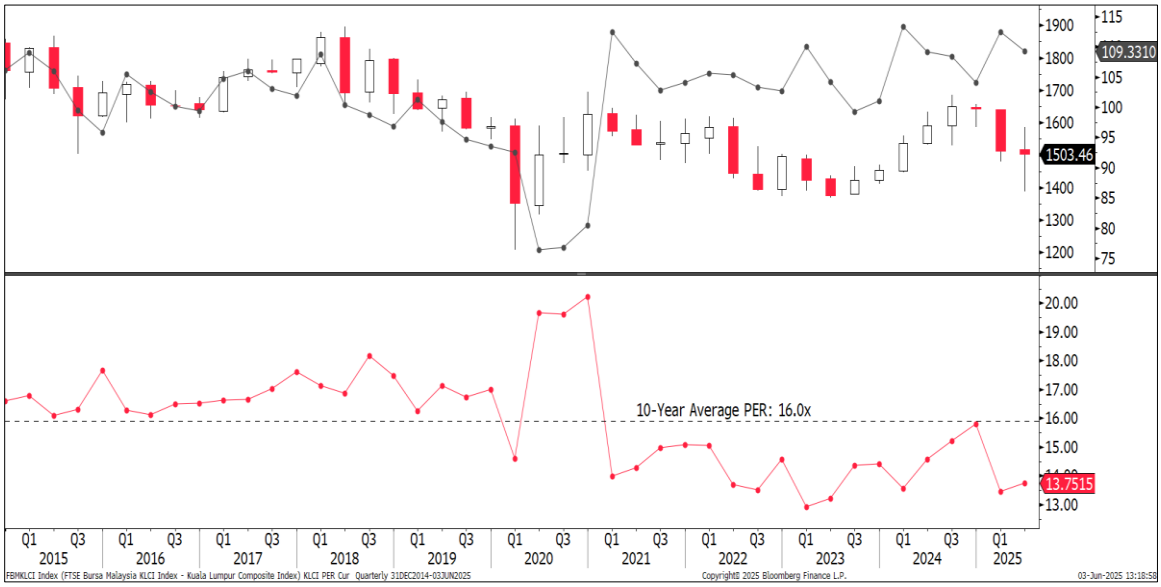
Likewise, during the same period, the aggregate FY2025f earnings of stocks under MIDFR Universe was also cut by -3.8% to RM87.9b.

Refer to APPENDIX for further details.

Earnings and valuation

FBM KLCI: Post-1QCY25 earnings season, the consensus EPS25 forecast for FBM KLCI stands at 109.3 points (post-4QCY24: 113.0 points). The prevailing PER valuation of FBM KLCI (which represents large-cap stocks) at 13.8x is relatively cheap vis-à-vis its 10-Year historical average of 16.0x.

FBM KLCI: Price, Earnings and PER valuation



Source: MIDFR, Bloomberg (G658)

FBM Hijrah: Post-1QCY25 earnings season, the consensus EPS25 forecast for FBM Hijrah stands at 666.1 points (post-4QCY24: 679.0 points). The prevailing PER valuation of FBM Hijrah (which represents large-cap shariah stocks) at 18.2x is relatively cheap vis-à-vis its 10-Year historical average of 20.0x.

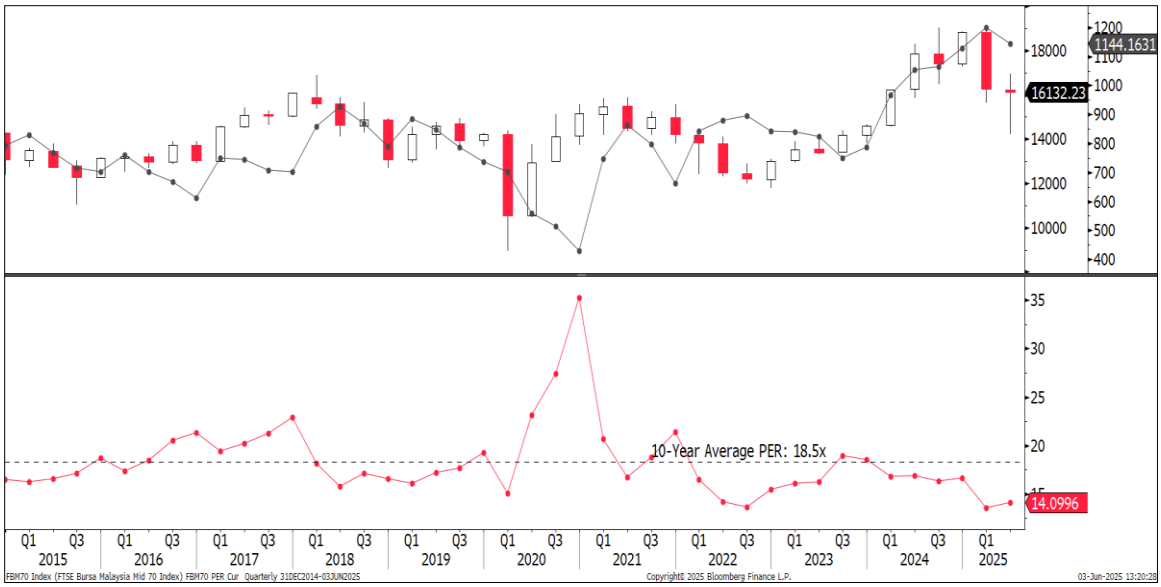
FBM Hijrah: Price, Earnings and PER valuation



Source: MIDFR, Bloomberg (G725)

FBM70: Post-1QCY25 earnings season, the consensus EPS25 forecast for FBM70 stands at 1,144.2 points (post-4QCY24: 1,205.2 points). The prevailing PER valuation of FBM70 (which represents mid-cap stocks) at 14.1x is relatively cheap vis-à-vis its 10-Year historical average of 18.5x.

FBM70: Price, Earnings and PER valuation



Source: MIDFR, Bloomberg (G715)

Price targets

The just concluded 1QCY25 earnings season was rather subdued. The percentage of outperformers was at the lowest in almost 6 years while the percentage of underperformers was somewhat elevated.

Accordingly, we tapered our bottom-up expectations as attested by the cut in aggregate FY2025f earnings of both the FBM KLCI constituents under our coverage and MIDFR Universe. In this regard, it is notable that our tapered bottom-up earnings expectations are also influenced by the rising macro risk particularly surrounding the US tariff uncertainties.

Recall that we cut our index price targets twice during the past three months in anticipation of US tariffs (report: 26 March) as well as in reaction to steeper than expected US tariffs (report: 10 April). We therefore make no further changes to our top-down index price targets despite the bottom-up earnings cut pursuant to the 1QCY25 results performance.

Hence, we maintain our 2025 price target for FBM KLCI at **1,590** points (or PER25 of 14.5x). We also make firm our (earlier provisional) price targets for FBM Hijrah of **12,900** points (or PER25 of 19.4x) and FBM70 of **17,200** points (or PER25 of 15.0x).

Stock Selection

Based on the performance of stocks under our coverage, we believe that it is worthwhile for investors to consider stocks which have performed above expectations and take profit on those that have underperformed. These are:

Companies	Result vs. expectation	Recommendation	TP (RM)
Hong Leong Bank	Above	BUY	23.09
Hong Leong Financial Group	Above	BUY	20.63
Malayan Cement	Above	BUY	7.49
Padini	Above	BUY	2.49
Pekat	Above	BUY	1.86
UOA Development	Above	BUY	1.93
Axiata	Below	SELL	1.75
Petronas Chemical	Below	SELL	3.15
Ranhill	Below	SELL	1.02
Tan Chong	Below	SELL	0.34
Unisem	Below	SELL	1.60
D&O	Below	TRADING SELL	1.04

APPENDIX

MIDFR: Changes in Aggregate Earnings Forecasts

	EARNINGS (RM mn)		EARNINGS *(% Chg)*
	FY2025		FY2025
	Old (F)	New (F)	
TOTAL (MIDFR Universe)	91,316.6	87,871.5	*(3.8)*
Annual % Change	*3.6*	*(0.3)*	
TOTAL (FBM KLCI)*	70,767.0	68,091.5	*(3.8)*
Annual % Change	*3.3*	*(0.6)*	

Source: MIDFR; * Aggregate earnings of 26 FBM KLCI constituents under MIDFR coverage

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3 months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology