EARNINGS WRAP

Review of Corporate Earnings

Quarter Ended June 2025

- In 2QCY25, the aggregate normalized earnings of FBM KLCI 30 current constituents registered positive on-quarter growth of +1.0%qoq but negative on-year at -3.0%yoy.
- Within MBSBR Universe, 11% of stocks under coverage reported higher than expected earnings. Moreover, 29% posted earnings that were lower than expected versus 60% which came within expectations. Target price changes involved 27 upward adjustments and 30 downward adjustments. Furthermore, we made 12 changes to our stock recommendations with 7 upgrades and 5 downgrades.
- Since the previous results season (i.e. June onwards), the aggregate FY2025 and FY2026 earnings of the FBM KLCI constituents under our coverage were pared to RM67.0b (-1.6%) and RM70.0b (-0.5%), respectively. Likewise, the aggregate FY2025 and FY2026 earnings of stocks under MBSBR Universe were trimmed to RM87.1b (-0.7%) and RM90.9b (-0.8%), respectively
- The just concluded 2QCY25 earnings season was largely on target, albeit on the softer side. Going forward, we nonetheless remain sanguine on the local equity market underpinned by positive macro performance as well as inexpensive PER valuation. Moreover, we expect foreign funds to return to the regional emerging markets after the US Fed resumes (after a 9-month hiatus) cutting rates likely in September 2025.
- We maintain our 2025 price target for FBM KLCI at 1,650 points (or PER25 of 15.2x). Likewise, we also maintain our 2025 price targets for FBM Emas Shariah at 12,500 points (or PER25 of 19.7x) and FBM70 at 18,100 points (or PER25 of 18.1x).

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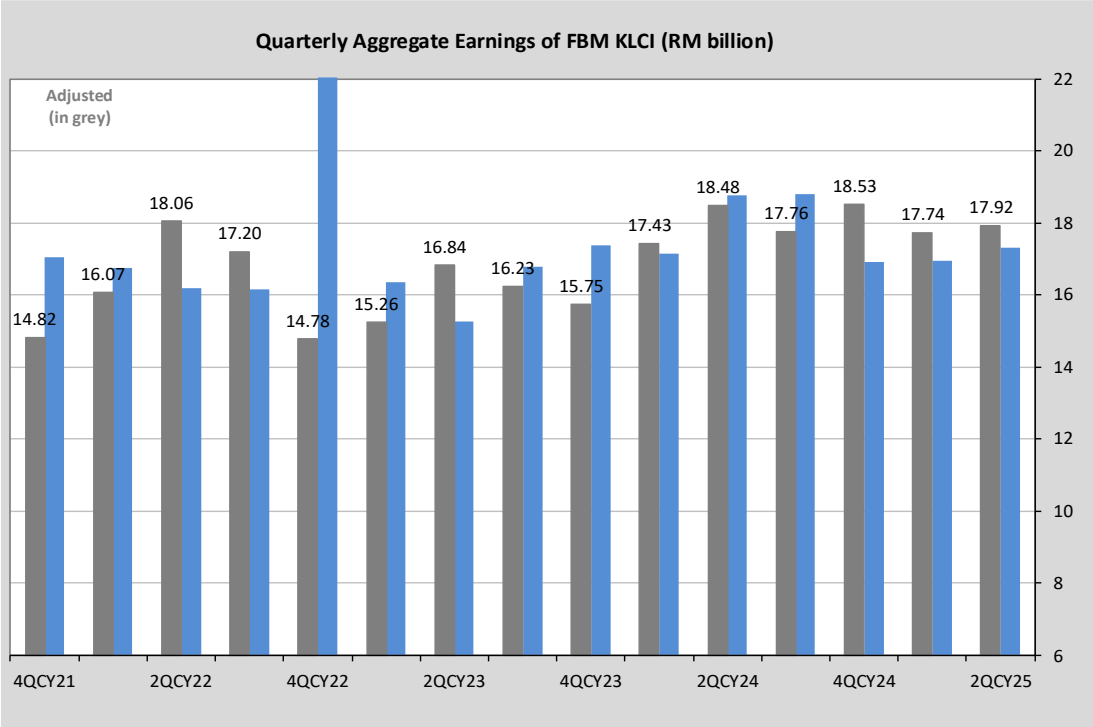
Earnings Wrap

FBM KLCI

In 2QCY25, the aggregate reported earnings of FBM KLCI 30 current constituents came in at RM17.3b. It registered positive on-quarter growth of +2.1%qoq but negative on-year at -7.7%yoy.



Source: Bloomberg, MBSBR

After adjusting for extraordinary items incurred during the review quarter (particularly extraordinary losses incurred by Petronas Chemicals and extraordinary gains by Tenaga Nasional), the aggregate normalized quarterly earnings of FBM KLCI 30 current constituents came in at RM17.9b.

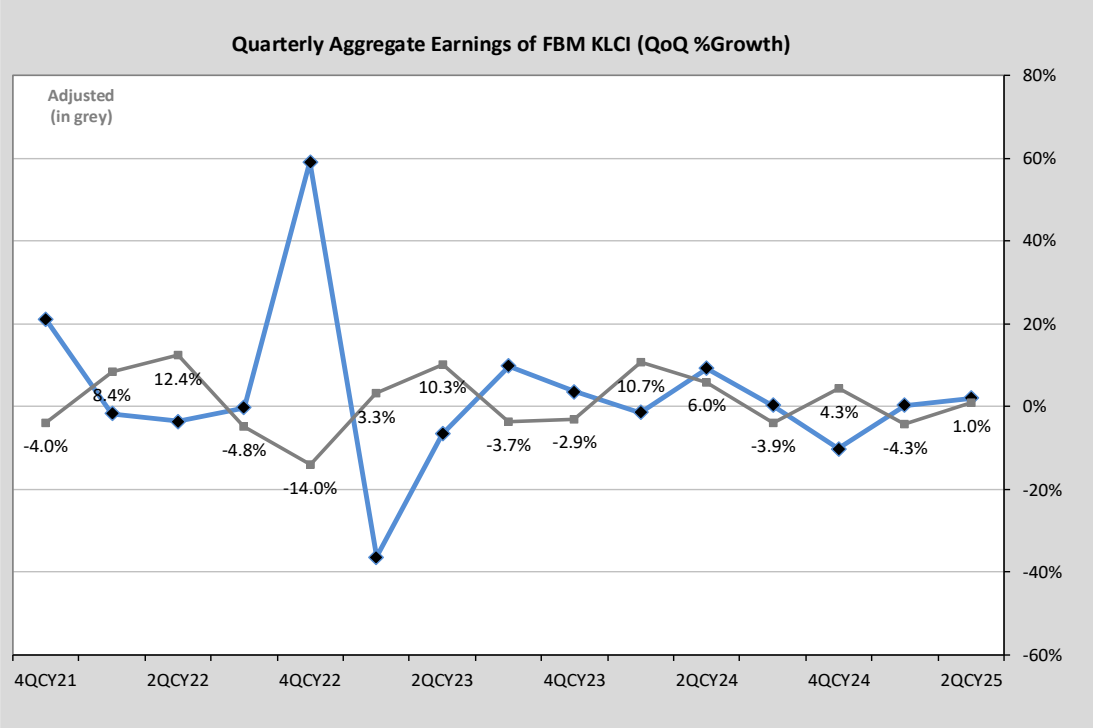
FBM KLCI: Normalized Earnings (RM Million)

SECTOR	2QCY25	1QCY25	QoQ	2QCY24	YoY
CONSTRUCTION	246.80	217.60	13.4%	234.29	5.3%
CONSUMER P&S	1,836.96	1,426.51	28.8%	1,281.67	43.3%
FINANCIAL SERVICES	9,023.00	9,534.00	-5.4%	8,772.00	2.9%
HEALTHCARE	438.00	425.00	3.1%	437.00	0.2%
INDUSTRIAL P&S	581.01	647.49	-10.3%	1,508.83	-61.5%
PLANTATION	1,153.90	984.40	17.2%	981.30	17.6%
TELCO & MEDIA	1,433.80	1,364.60	5.1%	1,333.40	7.5%
TRANSPORT & LOGISTICS	600.90	683.60	-12.1%	540.90	11.1%
UTILITIES	2,608.80	2,458.40	6.1%	3,389.80	-23.0%
TOTAL	**17,923.17**	**17,741.60**	**1.0%**	**18,479.19**	**-3.0%**

Source: Bloomberg, MBSBR

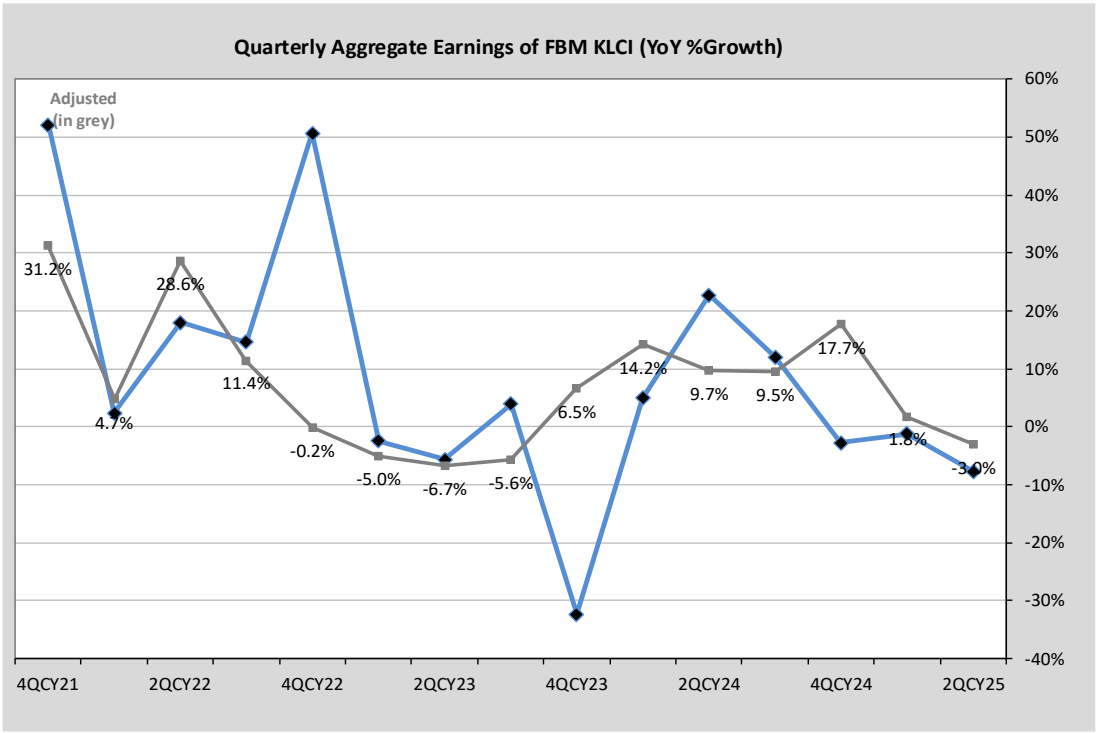
Moreover, after neutralizing the extraordinary items during relevant quarters (2QCY25: -RM614m, 1QCY25: -RM780m, 2QCY24: +RM280m), the aggregate normalized growth in 2QCY25 registered positive on-quarter growth of +1.0%qoq but negative on-year at -3.0%yoy.

The positive on-quarter normalized growth performance in 2QCY25 was mainly contributed by earnings expansion among its Consumer P&S (Sime Darby), Plantation (KL Kepong and IOI Corp) and Utilities (YTL Corp and YTL Power) constituents while moderated by the decline in Financial Services (Hong Leong Bank, HLFG and CIMB Group) earnings.



Source: Bloomberg, MBSBR

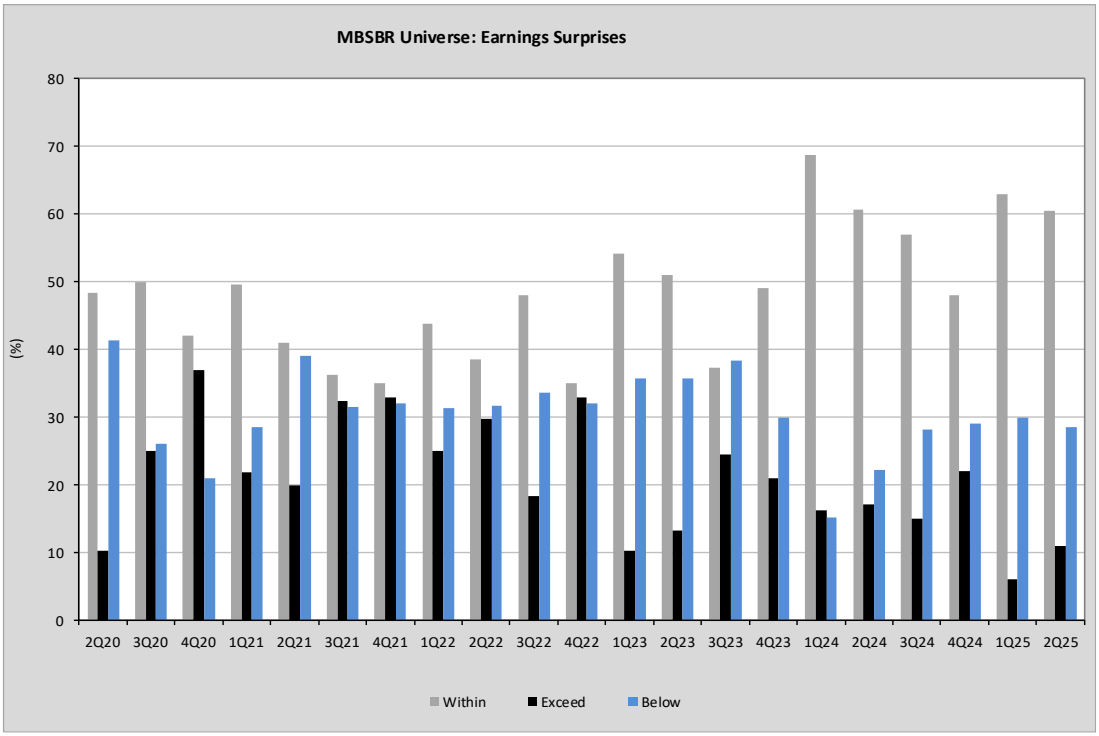
Meanwhile, the negative on-year normalized growth performance in 2QCY25 was mainly due to earnings diminution among its Industrial P&S (Petronas Chemicals) and Utilities (Tenaga Nasional and YTL Power) constituents while moderated by the rise in Consumer P&S (Sime Darby) and Financial Services (Maybank and RHB Bank) earnings.



Source: Bloomberg, MBSBR

MBSBR Universe

The percentage of companies in MBSBR Universe that registered earnings above our expectations increased to 11% in 2QCY25 as compared to 6% in the prior quarter. Conversely, the percentage of negative surprises declined to 29% from 30% in 1QCY25.



Source: MBSBR

Accordingly, the percentage of companies with results which met expectation fell to 60% in 2QCY25 from 63% in the prior quarter.

Moreover, Plantation 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.

MBSBR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	0%	25%	75%
CONSUMER PRODUCTS & SERVICES	65%	6%	29%
ENERGY	25%	25%	50%
FINANCIAL SERVICES	64%	14%	21%
HEALTH CARE	50%	17%	33%
INDUSTRIAL PRODUCTS & SERVICES	43%	14%	43%
PLANTATION	71%	29%	0%
PROPERTY	71%	0%	29%
REITS	83%	17%	0%
TECHNOLOGY	60%	0%	40%
TELECOMMUNICATIONS & MEDIA	75%	0%	25%
TRANSPORTATION & LOGISTICS	75%	0%	25%
UTILITIES	67%	0%	33%
TOTAL	**60%**	**11%**	**29%**

Source: MBSBR

In total, we made 12 changes to our stock recommendations with 7 upgrades and 5 downgrades. Furthermore, target price changes involved 27 upward against 30 downward adjustments.

In 2QCY25, the aggregate reported earnings of companies under MBSBR Universe came in at RM22.4b. It recorded negative on-year growth of -4.8%yoy and positive on-quarter at +5.3%qoq.

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

	YoY (%)	QoQ (%)	2Q25	1Q25	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23	1Q23	4Q22	3Q22
CONSTRUCTION	12.8	1.8	443	435	445	566	393	563	98	367	370	238	1,315	317
CONSUMER P&S	243.5	14.8	2,468	2,150	-192	2,707	718	1,292	1,275	1,094	2,259	1,355	1,492	663
ENERGY	(48.7)	(24.9)	257	342	-174	403	501	416	4	217	-133	344	379	303
FINANCIAL SERV	1.9	1.7	10,321	10,153	10,391	10,712	10,132	10,033	9,405	9,671	9,143	9,250	8,919	9,478
HEALTH CARE	(25.5)	(10.8)	607	681	908	756	816	860	734	180	164	953	-584	296
INDUSTRIAL P&S	(152.7)	(259.0)	-634	399	1,119	-272	1,203	992	544	718	892	790	739	2,223
PLANTATION	37.8	46.4	1,748	1,194	1,432	1,823	1,269	563	941	1,866	629	589	2,178	1,721
PROPERTY	(41.1)	229.6	1,226	372	471	367	2,083	480	537	395	466	332	607	858
REITS	5.2	3.5	515	498	1,096	463	490	464	761	723	400	434	642	525
TECHNOLOGY	18.9	12.4	323	287	309	282	272	288	306	259	222	197	266	359
TELCO & MEDIA	16.8	14.8	1,511	1,316	984	2,245	1,293	1,214	230	484	666	1,042	10,410	792
TRANSP & LOGIS	(6.3)	(23.6)	712	932	-170	586	760	1,003	863	670	672	828	912	1,007
UTILITIES	(19.1)	15.7	2,942	2,543	2,850	3,015	3,637	2,480	2,589	2,791	2,534	2,466	1,686	1,630
TOTAL	**(4.8)**	**5.3**	22,440	21,303	19,467	23,653	23,566	20,650	18,285	19,434	18,285	18,819	28,959	20,172

Source: MBSBR

Construction, Consumer P&S, Financial Services, Plantation, REITs, Technology and Telco & Media were the sectors which recorded improved total earnings (as reported) in 2QCY25 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Energy, Healthcare, Industrial P&S and Transport & Logistics sectors registered both negative sequential and on-year earnings (as reported) growth percentages of 2QCY25.

Sectoral commentary

Construction: The second quarter delivered a mixed set of results for the construction sector, with most companies under our coverage coming in below expectations. WCT Holdings Berhad posted a -40.1%yoy decline in cumulative 1HFY25 core profits, achieving just 36.9% and 40.5% of our consensus full-year estimates respectively, weighed down by higher administrative and interest expenses following the listing of its Paradigm REIT on 10 Jul-25 and weaker associate contributions. IJM Corporation Berhad reported a lower core net profit of RM75.0m (-24.3%yoy) in 1QFY26, at 13.3% and 13.6% of ours and consensus estimates, as softer property and port contributions offset construction strength. Malaysian Resources Corporation Berhad (MRCB) and Cahya Mata Sarawak Berhad (CMSB) suffered from weaker contributions across most divisions, with cumulative 1HFY25 core net profits declining -56.3%yoy and -9.4%yoy to RM23.7m and RM51.7m respectively. By contrast, Malayan Cement Berhad came in within expectations, posting a cumulative FY25 core net profit of RM649.7m (+29.9%yoy) on stronger aggregates & concrete contributions and higher cement exports, while declaring total dividends of 12 sen for FY25. Sunway Construction Group Berhad (SunCon) was the only company under our coverage that came in above expectations, with cumulative 1HFY25 core net profit climbing to RM171.4m (>+100%yoy) on the back of accelerated progress billings. Gamuda, which has a July financial year-end, is due to release its 4QFY25 results later this month, though its 3QFY25 performance was already below expectations at 56.2% and 63.9% of our consensus estimates. Overall, there were no rating changes in 2QCY25, with BUY recommendations maintained across our sector coverage. Looking ahead, we expect earnings momentum to strengthen in the coming quarters as progress billings accelerate and replenishment opportunities gain traction, underpinned by sustained hyperscale data centre momentum and major upcoming civil infrastructure catalysts including the Penang LRT, MRT3, and the Penang International Airport expansion hence affirming our view that industrial and digital infrastructure will remain the sector's twin growth engines over the medium term.

Consumer (Staples): The staples segment posted a mixed quarter, with three companies reporting within expectations, two below, and one above. Spritzer (BUY, TP: RM2.13) outperformed expectations, with strong bottled water demand, firmer ASPs, and lower raw material costs driving a +17.1% yoy earnings uplift. Life Water (BUY, TP: RM1.03) also posted a solid set of results in line with expectations, with FY25 earnings up +11.5% yoy and its maiden dividend declared since IPO. Poultry players QL Resources (NEUTRAL, TP: RM4.33) and Leong Hup (BUY, TP: RM0.90) both came in within expectations — QL posted +6.0%yoy topline growth though margins were softer, while Leong Hup saw revenue dip but 1HFY25 earnings rose +27.2%yoy on firmer poultry margins in Malaysia and the Philippines. Nestlé (NEUTRAL, TP: RM77.90) was also in line, with revenue up +9.5%yoy and earnings +33.0%yoy,

reflecting steady domestic sales, product innovation, and resilient exports, though margins remained pressured by elevated cocoa and coffee costs. In contrast, F&N (BUY, TP: RM32.08) fell short of expectations as start-up losses from its Gemas dairy hub and weaker Indochina sales dragged earnings, while Hup Seng (NEUTRAL, TP: RM0.92) also missed, with softer exports and elevated input costs weighing on profitability.

Consumer (Discretionary): The discretionary segment was steady, with all three companies reporting in line. Oriental Kopi (NEUTRAL, TP: RM1.03) delivered a strong quarter, with 3QFY25 earnings up +23.2%qoq to RM18.1m on resilient café sales and growing FMCG contributions. AEON (BUY, TP: RM1.77) posted broadly stable 1HFY25 earnings (-2.6%yoy) at RM82.6m, as resilient PMS cushioned the festive timing drag on retail sales. Padini (BUY, TP: RM2.49) closed FY25 with earnings up +10.3% yoy to RM169.1m, supported by margin expansion, though 4QFY25 results moderated from the festive-driven high base.

Financial Services: Post 2QCY25's results season, banks are guiding for similar things: topline to be buoyed by NOII, while ample liquidity provides options to offset NIM compression. Loan growth is likely to be backloaded in 2HCY25, after 1HCY25's disappointing performance (but weaker asset growth has improved banks' dividend outlook significantly). Be wary that asset quality may continue to plague select names but expect chunky recoveries to provide upside risk. Top Picks: RHB Bank (BUY, TP: RM7.21) and HL Bank (BUY, TP: RM21.71). We upgraded our call for Affin to BUY from NEUTRAL as recent negative share repricing has made the bank a much more attractive pick.

Healthcare (Gloves): In 2QCY25, the earnings of Hartalega and Top Glove fell short of our expectations. Hartalega posted lower quarterly revenue while the pace of revenue growth for Top Glove remains weak. This led to unfavourable utilisation rate. In addition, there is not much pricing power, leading to lower ASP. Internally, keeping production cost low, especially in the case of wages, remains a challenge. While we keep our NEUTRAL commendation for both Hartalega and Top Glove, we have reduced the target price to RM1.24 and RM0.70 respectively. Meanwhile, Kossan's 2QCY25 earnings kept pace with our expectations. This was mainly due to a combination of higher ASP as well as an improvement in production efficiency which helped to lower the production cost. However, we cut our target price for Kossan to RM1.29 to account for the challenging operating environment.

Healthcare (Service Providers): Global healthcare in 1HCY25 saw a sustained growth driven by strong demand – notably on the medical tourism sector. Key trends include a surge in IPO and fundraising among healthcare players with the focus on biotech, medical devices and AI-based health tech. However, the healthcare sector is also burdened by workforce shortages, rising costs, and regulatory pressures. In response, healthcare organizations are increasingly focusing on strategies to enhance operational efficiency, improve patient experience, and leverage technologies to mitigate these issues. IHH Healthcare (BUY, TP:RM8.18) has been expanding its operations via acquisitions of other private hospitals in Malaysia and Turkey, leveraging on the medical tourism services that the acquired hospitals have established. This is expected to boost IHH's performance in CY25. Likewise, KPJ Healthcare (NEUTRAL, TP:RM2.65) had shown a relatively stable performance due to strong domestic support. Both IHH and KPJ are expected to see slight relief from the government's recent decision to defer the DRG system to CY27. However, gestation periods for their new hospitals and higher operational costs may hamper near-term growth. For IHH, the risk of unfavourable forex from its Turkish operations continues to be a challenge.

Oil & Gas:

UPSTREAM

Upstream faced a challenging environment defined by oversupply and volatile prices. Global oil supply grew significantly, outpacing demand due to a combination of increased OPEC+ production and robust output from non-OPEC+ nations. In response, some oil companies scaled back their capex, leading to a projected fall in overall upstream investment in 2HCY25. However, certain regions saw a surge in investment, highlighting a regional divergence in spending. This is evident in Bumi Armada (BUY, TP:RM0.54), as it maintained its FPSO performance, whilst moving into E&P activities in Indonesia under the Akia and Kojo PSCs, and bidding for new projects.

Despite major global OGSE companies reporting lower earnings in 2QFY25, small to medium local OGSEs had retained its performance trajectory. Deleum (BUY, TP:RM1.92) maintained its overall performance, supported by MCM activities for offshore services; offset by a drag in profit due to lower sales in its Power and Machinery segment. However, prospects for Deleum remain bright, as it continues to expand its footprint within the region for similar, niched products and services. Meanwhile, larger OGSE companies such as MMHE (BUY, TP:RM0.46) saw setbacks in their projects nearing completion, while new ones are too early to contribute to their financials. However, MMHE's prospects remain sanguine, due to the multiple new order intake for both of its segments (Heavy Engineering and Marine). Nevertheless, downside risks for the group remains on supply chain disruption and intense competition with other yards in the region.

MIDSTREAM

Midstream was relatively stable in 1HCY25, with increasing demand for transportation and storage infrastructure. This was driven by the need for efficiency and a positive outlook on natural gas demand, particularly with the easing of regulations on LNG exports. For the pipelines, the Putra Heights incident had impact on Petronas Gas's (NEUTRAL, TP:RM19.25) performance but still supported by its Utilities and Gas Processing segments. On the contrary, Gas Malaysia (NEUTRAL, TP: RM4.48) has

largely mitigated the impact, but earnings were still lower from the lower average natural gas selling price. Nonetheless, both companies are expected to be buoyed by their long-term contracts in their business operations with their customers.

For storage and tankers, despite the positive demand for tankers, MISC (BUY, TP: RM8.13) Gas Asset Solutions and Petroleum & Product businesses were dragged by lower earning days from: (i) contract expires, (ii) vessel disposal, (iii) lower charter rates and (iv) unfavourable forex. Onshore terminals, however, saw more uptakes. Dialog (BUY, TP: RM2.17)'s FY25 (FYE June) earnings were dragged from project impairments incurred. However, Dialog's core focus on its storage farms coincides with the increasing demand for such services, to shelter from the unfavourable oil price movement. Moving forward, we may see more support for the midstream in the near to mid-term, especially from PETRONAS.

DOWNSTREAM

Downstream experienced mixed fortunes – the lower crude oil prices and increased supply are mitigating the robust margins for refineries. Refiners in regions like Asia continued to expand their capacity, while older, higher-cost plants in Europe and the U.S. faced pressure to shut down. For Petronas Dagangan (BUY, TP:RM25.19), the retail and commercial fuel sales remain sanguine, as domestic demand for Jet A1, and Diesel continue to be supported by higher travelling activities, offset by lower favourable MOPS price trends. Nevertheless, the group is expected to be buoyed by continuous government support, increased consumer spending and higher travelling activities in 2HCY25.

Meanwhile, the petrochemical industry has yet to see a solid opportunity to improve demand recovery amid the increased global supply. Petronas Chemicals (SELL, TP: RM3.01) saw a muted demand for its Olefins & Derivatives and Specialties, in addition to lower plant utilisation rate and unfavourable forex. However, plantation sector is expected to continue supporting its Fertilisers & Methanol. Moving forward, we noted that the overall petrochemicals industry will remain bearish, but with a slight respite from favourable tariff rates, improved demand for urea and higher global consumption.

Plantation: In 2QCY25, planter performance under our coverage was slightly better, with 6 companies reporting within and 2 above expectations. Earnings were generally decent, partly lifted by the elevated average CPO price realized, coupled with higher FFB and CPO production. This was aided by stronger CPO sales volume and a firmer OER of around 19% during the quarter. The ASP of CPO inched to RM4,056/Mt (-14.1%qoq, +0.4%yoy) as firmer production growth eased supply concerns and improved market availability. Malaysian CPO output expanded +6.8%yoy, underpinned by easing wet weather conditions from April through June. This led to marginally lower production costs, with higher CPO sales and stronger mills utilizing them translating into lower unit costs and firmer margins. Looking ahead, we maintain our NEUTRAL stance on the sector, with average CPO price assumption of RM4,100/Mt for the year. However, we are turning more selective - small-cap Malaysian planters stand out as they are insulated from Indonesian regulatory risks. Our Top is Sarawak Plantation (BUY, TP: RM2.88). Its share price highly correlated with CPO prices c.0.89, offering trading opportunities on any upward price trajectory. Valuations remain attractive at high single-digit PER, versus peers trading in the low teens, presenting a clear entry opportunity. Earnings outlook is steady, while cost of production trends lower as the company adopts a stricter FFB purchasing strategy.

Property: Earnings of property companies were largely in line in 2QCY25. Out of seven property companies under our coverage, six reported earnings that met expectations except for IOI Properties which reported earnings that missed expectation. The negative earnings surprise of IOI Properties was due to the higher-than-expected tax expenses in 4QFY25. In terms of earnings growth, most of the property companies reported year-on-year growth in 2QCY25 and 1HCY25 as earnings of property companies continue driven by the stable progress billing of ongoing projects. Nevertheless, S P Setia reported earnings contraction due to high base effect while IOI Properties recorded earnings decline due to high tax expenses and hike in borrowings cost as interest cost of IOI Central Boulevard Towers in Singapore is expensed out. Meanwhile, property sales in 1HCY25 were largely on track with the expectations of higher sales in 2HCY25 as developers are ramping up launches in 2HCY25. Property companies maintained their sales targets for CY25 which indicated marginally better new sales outlook. Overall, we see earnings performance in 1HCY25 was on track and anticipating better earnings in 2HCY25. Hence, we maintain our POSITIVE stance on property sector.

REITs: Earnings of REIT were largely within expectations in 2QCY25. Out of six REIT under our coverage, five reported earnings that came in within expectations except for Axis REIT which reported earnings that beat our expectation. The positive variance of Axis REIT earnings was due to higher-than-expected rental income growth. All of six REIT under our coverage reported earnings growth in 1HCY25 with Axis REIT, Pavilion REIT and Sunway REIT recorded double-digit earnings growth. Earnings growth of Axis REIT was supported by contribution from newly acquired industrial assets and positive rental reversion. Meanwhile, earnings of Pavilion REIT were lifted by higher contribution from Pavilion Bukit Jalil and Elite Pavilion Mall. Similarly, the decent earnings growth of Sunway REIT was spurred by higher rental from Sunway Pyramid Mall and contribution from newly acquired assets. Generally, rental reversion of retail assets remains positive as shopper footfalls at shopping malls remains encouraging. Earnings outlook for REIT should remain stable. Nevertheless, average distribution yield of REIT is unexciting at 4.7%. Hence, we maintain our NEUTRAL stance on REIT.

Technology: In 2QCY25, among the semiconductor companies under our coverage, only Inari's financial performance came in within our expectations as the 2QCY25 profit improved on a year-over-year basis in view of the healthier profit margin. The latter made up for a single digit drop in revenue. While we do not have any BUY recommendation in our universe, Inari is our preferred stock pick given its business resilience as compared to its peers. Meanwhile, both D&O and Unisem posted weaker-than-expected

2QCY25 profits. We also revert our recommendation for D&O to NEUTRAL from TRADING SELL previously while we retain our recommendation for Inari and Unisem at NEUTRAL and SELL previously. Nonetheless, we do not see any revenue recovery in 2QCY25 for all semiconductor companies under our coverage as customer demand remains weak. On a more optimistic note, we should see better revenue performance in 2HCY25. On a separate note, both ICT solutions providers, namely Zetrix and Nexg, and the latest quarterly earnings came in within our expectations. Our BUY recommendation for Zetrix also remains premised on the strong earnings growth. Nonetheless, we are taking this opportunity to cease coverage on Nexg due to internal resource allocation. Prior to this, our latest recommendation in conjunction with the release of the latest results update report is NEUTRAL with a target price of RM0.47.

Telecommunications: In 2QFY25, the financial performance of most telecommunication companies under our coverage came in line with our expectations except for Celcomdigi's which fell slightly below our expectations at 42.6% of forecasts. The latter was in view of the contraction in service revenue primarily from the prepaid segment. In addition, Axiata's 1HFY25 financial performance came in at 41.3% of forecasts. However, we deemed it to be in-line given the run rate seen for 2QFY25. We have also remained steadfast in our recommendation for all the telcos under our coverage. Maxis remains our top pick for the sector, being the only BUY recommendation with a target price of RM4.19. We also maintain by our SELL recommendation on Axiata given the potential earnings contraction from XLSmart as well as possible delay in its asset monetisation plan. All in all, we continue to observe heightened challenges for the local telcos to grow the service revenue. This is especially so for the prepaid segment which has less subscriber loyalty. With this, keeping a favourable cost structure remains an important factor in growing the earnings.

Utilities: The utilities sector and renewable energy subsector largely came in within expectations during in 2QFY25. Tenaga Nasional (BUY, TP: RM16.40) saw its electricity demand rise to an all-time high of 33.8TWh during the quarter, on the back of stronger consumption in the commercial sector, with the main contributors being data centres, business services and retail. Results would have been in line if not for a RM318.4m forex translation gain that was netted off. YTL Power (BUY, TP: RM4.88) came in just slightly below expectations, due to weaker performance from the power generation business in FY25, though this was partially cushioned by a stronger water and sewerage segment. Its subsidiary Ranhill Utilities (NEUTRAL, TP: RM1.50) came in within expectations on the back of stronger water revenue and the recognition of a government grant. YTL Corp (BUY, TP: RM2.99) was also within estimates, driven by a stronger water segment and cement division. For the renewable energy subsector, Pekat Group (BUY, TP: RM1.86) saw a 2.4x growth in its core earnings, driven by stronger performance in its solar PV and earthing and lightning protection business, on top of the consolidation of results from its recently acquired EPE Switchgear. Meanwhile, Samaiden (BUY, TP: RM1.48) and Sunview (BUY, TP: RM0.46) missed our projections, likely due to the timing of revenue recognitions from its ongoing solar EPCC projects, which are expected to pick up in the coming quarters. 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), the ongoing LSS5 and the upcoming LSS5+ and LSS6.

Outperformer versus underperformer

There was a sequential increase in the number of outperformers among the FBM KLCI constituents under our coverage from 2 to 3 in 2QCY25. Meanwhile, the number of underperformers was unchanged at 5 in the review quarter.

In 2QCY25, the 3 outperformers were Hong Leong Financial Group, IHH Healthcare and KL Kepong. Meanwhile, the 5 underperformers were Celcomdigi, Gamuda, Petronas Chemicals, Tenaga Nasional and YTL Power.

FBM KLCI: Outperformer versus Underperformer

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

Source: MBSBR

Notable upgrade, downgrade and results

Company	Recomm.	TP (RM)	Notability	Investment Highlights
Spritzer	BUY	2.13	Above expected results Upgrade	• Higher mineral water's contribution (2QFY25: 80.5% of total revenue. 2QFY24: 79.0%) • Stronger skew towards mineral water effectively lifted ASPs despite absence of price hikes. • Exports remain modest at under 10% of group revenue, with Singapore being the key focus market - still offers ample headroom for expansion. • Tourism is expected to remain a key demand catalyst. • PET Resin expects costs to remain stable around current levels, underpinned by relatively steady crude oil prices and forex.
RHB Bank	BUY	7.21	Upgrade	• Expect: Recoveries in multiple loan categories to drive earnings in 2HFY25, and to reduce asset quality related overhang. • RHB has more upside risk than most (particularly due to the sheer scale of recoveries) – and there's a possibility of higher-than-average dividends, adding to its already superb stable-level dividend yields. • Recoveries should help resolve lingering asset quality concerns, removing a core overhang source of the company.
Ta Ann	BUY	4.38	Upgrade	• Valuation is still attractive at high single-digit, versus to peers which already in their low teens. • Earnings outlooks remain stable, underpinned by expanding FFB production estimated at around 769,000 ha. • Cost of production is on the lower side c. RM2,100/Mt • Stock's high correlation with CPO prices (c. 0.82), any upward movement in CPO would provide further trading opportunities.
Sarawak Plantation	BUY	2.88	Upgrade	• Valuation is still attractive at high single-digit, versus to peers which already in their low teens. • Earnings outlooks remain stable, driven by an expanding harvestable area of nearly about 1,500 ha, while cost of production in a downward trend, as the company adopts a more stringent approach to FFB purchasing strategy.
SP Setia	BUY	1.25	Upgrade	• Valuation of S P Setia is attractive as it is trading at steep discount of 63% to latest NTA per share of RM2.91. • S P Setia recorded new sales of RM1.18b in 2QFY25, higher than new sales of RM718m in 1QFY25.
MSM	SELL	0.71	Downgrade	• Recovery is expected to start by next year instead of FY25, as demand is weakening. • Dragged by the influx of Thailand sugars, compounded by narrowing ASP premium in industry or export subsegment. • Competitive price war between the AP players that probably still has inventory to carry forward over the next 2 years.
Sunway Construction	BUY	6.53	Above expected results	• Data centre portfolio remains a key earnings driver, with multiple phases of development still anticipated. • Diversifying into large-scale infrastructure, renewable energy projects, and private finance initiatives, while continuing to build on its track record in commercial and in-house works from Sunway Bhd.
Allianz	BUY	23.12	Above expected results	• Admittedly, the sector faces serious headwinds. • Cheap price points, attractive dividend yields, aggressive market share take-up.

Company	Recomm.	TP (RM)	Notability	Investment Highlights
				• Encouraging progress in working against one of its major overhangs (healthcare inflation). • Insurance expenses are so far well controlled.
HLFG	BUY	20.55	Above expected results	• Affordable buy – especially with potentially higher stable state dividends. • Strong NOII
Petronas Chemicals	SELL	1.48	Below expected results	• Oversupply and demand uncertainty, painting a continuously challenging environment. • Demand for O&D to remain soft. Prices are anticipated to remain weak due to the imbalance of supply and demand. • Specialties remain a niche market.

Source: MBSBR

Earnings revision/variation (since the previous results season)

Since the previous results season (i.e. June onwards), the aggregate FY2025 earnings of the FBM KLCI constituents under our coverage was pared by -1.6% to RM67.0b. Similarly, the aggregate FY2026 earnings of the FBM KLCI constituents under our coverage was trimmed by -0.5% to RM70.0b. In this regard, bulk of the downward revisions to forward earnings came from Financial Services, Telco & Media and Industrial P&S constituents.

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

SECTOR	Constituents	FY2025	FY2026
CONSTRUCTION	Gamuda	-188	0
CONSUMER P&S	Nestle, Petronas Dagangan, PPB, QL Res	3	-1
FINANCIAL SERVICES	Maybank, Public, CIMB, RHB, HLB, HLFG	-659	-348
HEALTHCARE	IHH Health	0	0
INDUSTRIAL P&S	Petronas Chemicals, Sunway	-300	-99
PLANTATION	SD Guthrie, IOI Corp, KLK	540	83
TELCO & MEDIA	Axiata, Maxis, Digi, Telekom Malaysia	-261	-340
TRANSPORT & LOGISTICS	MISC	0	0
UTILITIES	TNB, Petronas Gas, YTL Corp, YTL Power	-223	363
TOTAL		**-1,087**	**-342**

Source: MBSBR

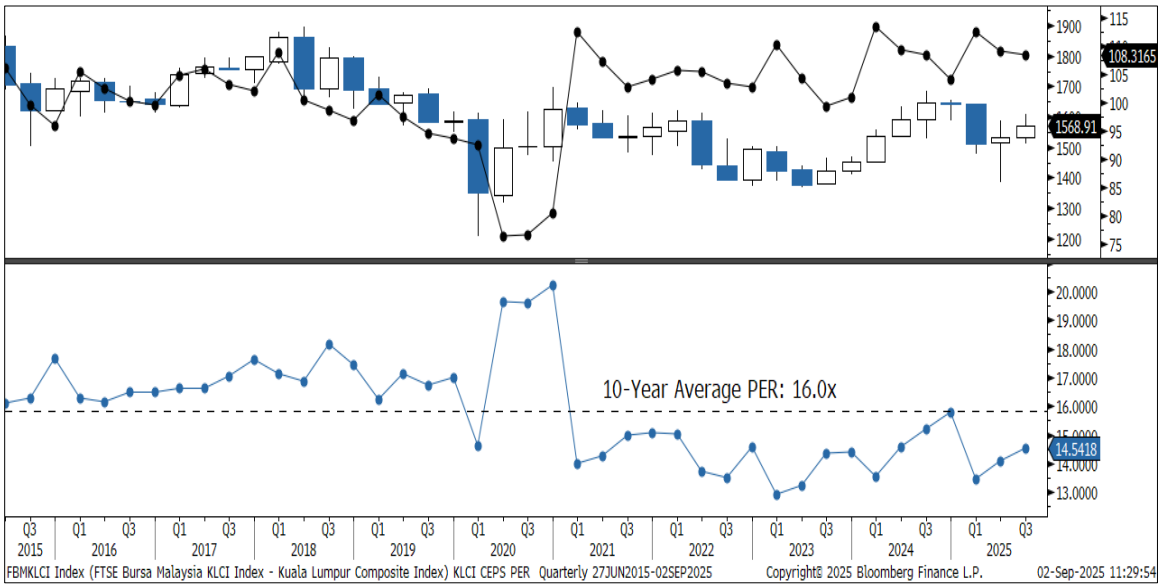
Likewise, since the previous results season (i.e. June onwards), the aggregate FY2025 and FY2026 earnings of stocks under MBSBR Universe were trimmed to RM87.1b (-0.7%) and RM90.9b (-0.8%), respectively.

Refer to APPENDIX for further details.

Earnings and valuation

FBM KLCI: Post-2QCY25 earnings season, the consensus EPS25 estimate for FBM KLCI stands at 108.3 points (end-06/25: 109.0 points). The prevailing PER valuation of FBM KLCI (which represents large-cap stocks) at 14.5x is relatively cheap vis-à-vis its 10-Year historical average of 16.0x.

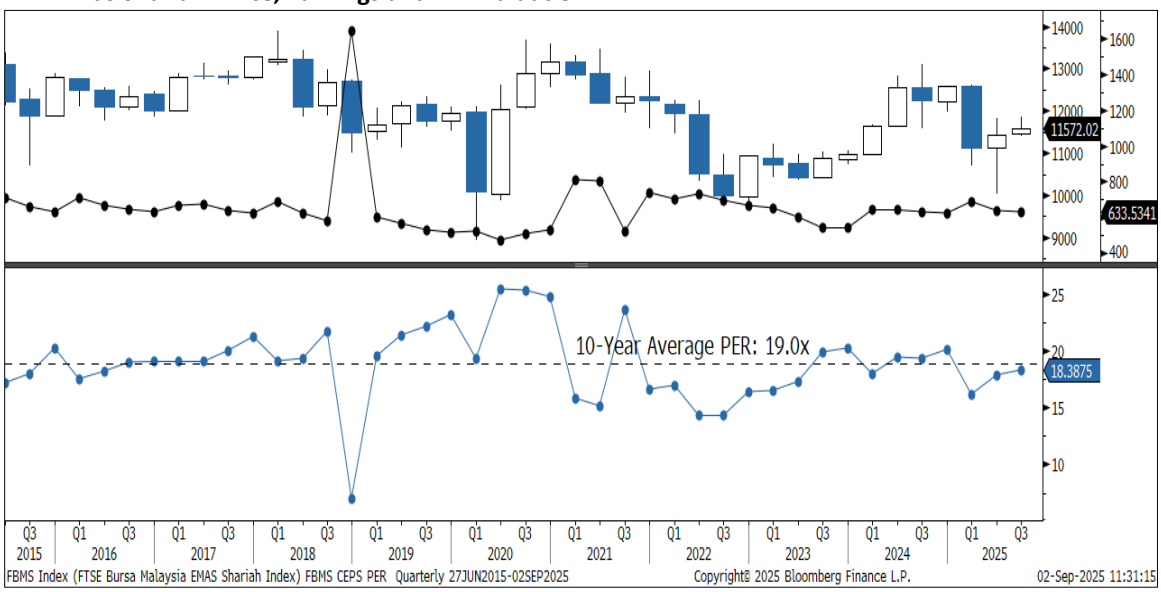
FBM KLCI: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G5)

FBM Emas Shariah: Post-2QCY25 earnings season, the consensus EPS25 estimate for FBM Emas Shariah stands at 633.5 points (end-06/25: 639.3 points). The prevailing PER valuation of FBM Emas Shariah (which represents all shariah stocks) at 18.4x is relatively inexpensive vis-à-vis its 10-Year historical average of 19.0x.

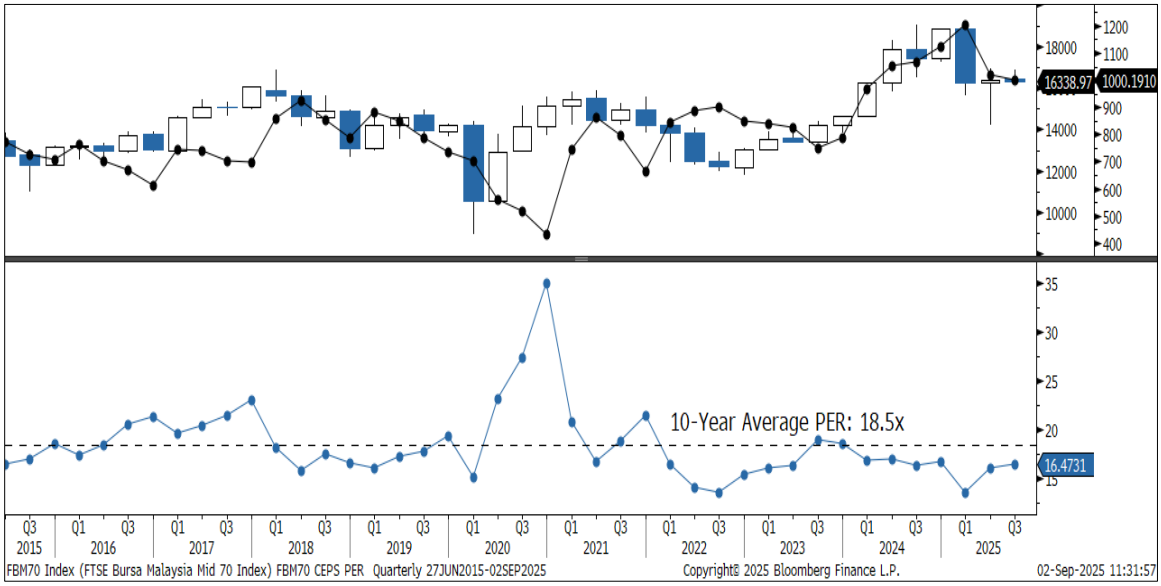
FBM Emas Shariah: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G6)

FBM70: Post-2QCY25 earnings season, the consensus EPS25 estimate for FBM70 stands at 1,000.2 points (end-06/25: 1,021.4 points). The prevailing PER valuation of FBM70 (which represents mid-cap stocks) at 16.5x is relatively cheap vis-à-vis its 10-Year historical average of 18.5x.

FBM70: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G7)

Price targets

The just concluded 2QCY25 earnings season was largely on target, albeit on the softer side. Hence, the slight diminution in forward earnings estimates.

Going forward, we nonetheless remain sanguine on the local equity market underpinned by positive macro performance as well as inexpensive PER valuation. Moreover, we expect foreign funds to return to the regional emerging markets after the US Fed resumes (after a 9-month hiatus) cutting rates likely in September 2025. We maintain our 2025 price target for FBM KLCI at **1,650** points (or PER25 of 15.2x). Likewise, we also maintain our 2025 price targets for FBM Emas Shariah at **12,500** points (or PER25 of 19.7x) and FBM70 at **18,100** points (or PER25 of 18.1x).

APPENDIX

MBSBR: Changes in Aggregate Earnings Forecasts

	EARNINGS (RM mn)				EARNINGS *(% Chg)*	
	FY2025		FY2026		FY2025	FY2026
	Old	New	Old	New		
TOTAL (MBSBR Universe)	87,668.7	87,058.2	91,631.9	90,866.6	*(0.7)*	*(0.8)*
Annual % Change	*(0.0)*	*(0.7)*	*4.5*	*4.4*		
TOTAL (FBM KLCI) *	68,091.5	67,004.0	70,344.4	70,002.2	*(1.6)*	*(0.5)*
Annual % Change	*(0.6)*	*(2.2)*	*3.3*	*4.5*		

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

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MBSB INVESTMENT BANK BERHAD (FORMERLY KNOWN AS MIDF AMANAH INVESTMENT BANK BERHAD): GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock prices are 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 prices are 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