EARNINGS WRAP

Review of Corporate Earnings

Quarter Ended March 2026

- In 1QCY26, the aggregate normalized earnings of FBM KLCI 30 current constituents came in at RM18.9b. It registered positive quarter-on-quarter growth of +2.1%qoq and positive year-on-year at +10.5%yoy.
- Within MBSBR Universe, 11% of stocks under coverage reported higher than expected earnings versus 18% which came in lower than expected. Moreover, 71% of stocks under coverage reported earnings within expectations. Target price changes involved 28 upward adjustments and 17 downward adjustments. Furthermore, we made 16 changes to our stock recommendation with 12 upgrades and 4 downgrades.
- The aggregate FY2026 forecast earnings of FBM KLCI constituents under our coverage was adjusted higher by +1.8% to RM71.4b mainly due to upward revisions to earnings of Healthcare, Transport & Logistics, Telco & Media and Plantation constituents. Likewise, the aggregate FY2026 forecast earnings of stocks under MBSBR coverage was tweaked higher by +0.2% to RM93.5b.
- Overall, the recently concluded 1QCY26 earnings season was largely on target. Hence the minor +0.2% tweak to aggregate FY2026 forecast earnings.
- Going forward, we reckon the market would remain largely sanguine against the backdrop of continued resilient GDP as well as positive earnings growth in 2026. Moreover, further equity market upside this year shall also be supported by relatively inexpensive valuations. We maintain our 2026 price target for FBM KLCI at 1,800 points (or PER26 of 15.6x). Likewise, we also maintain our 2026 price targets for FBM Emas Shariah at 13,100 points (or PER26 of 18.9x) and FBM70 at 18,900 points (or PER26 of 18.0x).

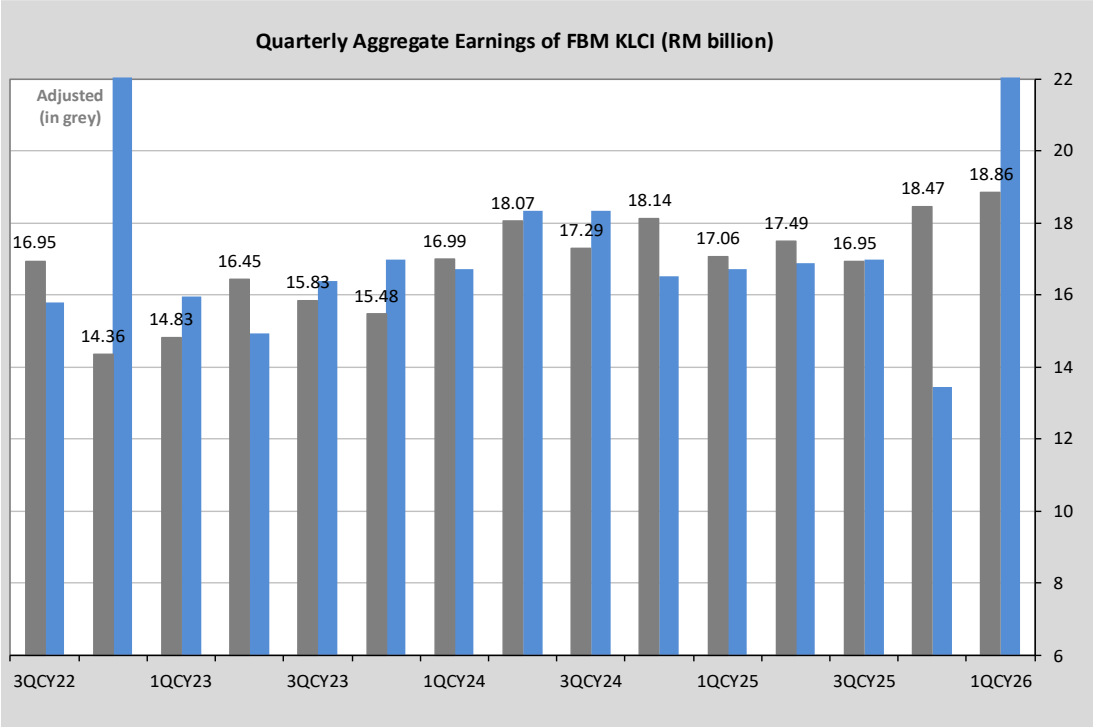
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Kindly refer to the last page of this publication for important disclosures

4 June 2026 | Strategy Strategy Team | research@mbsb.com

Earnings Wrap

FBM KLCI

In 1QCY26, the aggregate reported earnings of FBM KLCI 30 current constituents came in at RM27.0b. It registered huge quarter-on-quarter growth of +101.2%qoq and year-on-year at +61.9%yoy.



Source: Bloomberg, MBSBR

After adjusting for extraordinary items during the review quarter (particularly a massive RM9.2b one-off gain by Sunway), the aggregate normalized quarterly earnings of FBM KLCI 30 current constituents came in at RM18.9b.

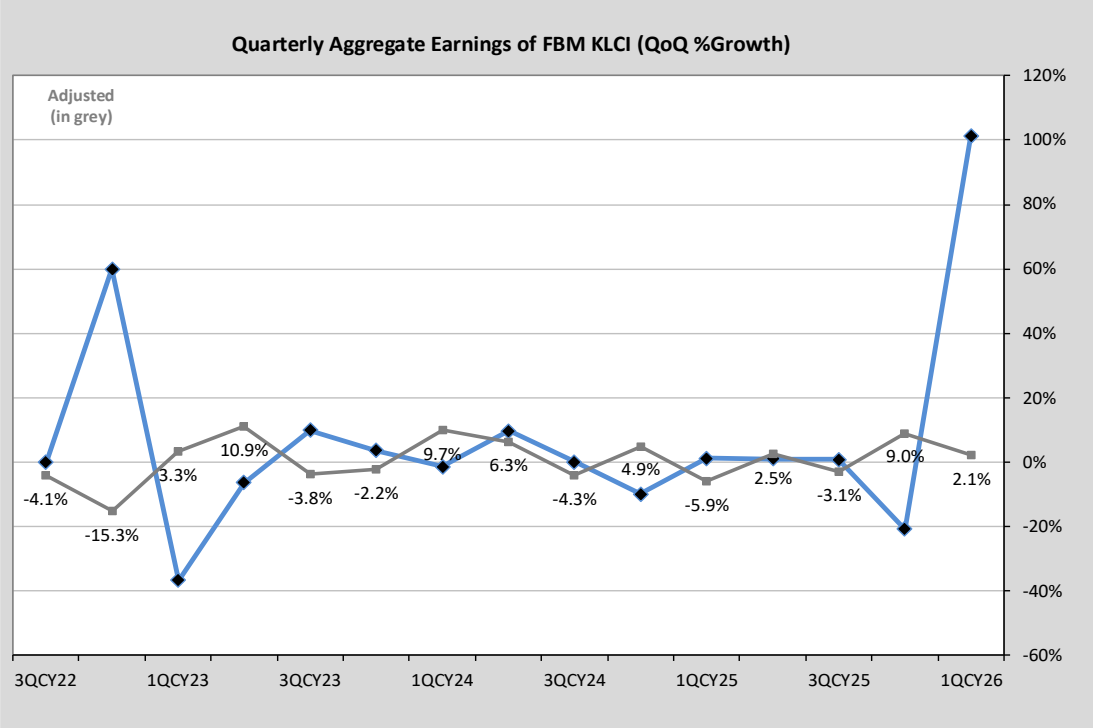
FBM KLCI: Normalized Earnings (RM Million)

SECTOR	1QCY26	4QCY25	QoQ	1QCY25	YoY
CONSTRUCTION	235.40	215.10	9.4%	217.60	8.2%
CONSUMER P&S	2,074.12	2,014.98	2.9%	1,332.61	55.6%
FINANCIAL SERVICES	8,555.00	9,076.00	-5.7%	8,911.57	-4.0%
HEALTHCARE	791.31	629.02	25.8%	464.68	70.3%
INDUSTRIAL P&S	1,198.66	500.72	139.4%	647.49	85.1%
PLANTATION	1,064.80	1,172.70	-9.2%	984.40	8.2%
TELCO & MEDIA	1,713.70	1,301.80	31.6%	1,364.60	25.6%
TRANSPORT & LOGISTICS	802.80	682.10	17.7%	683.60	17.4%
UTILITIES	2,426.90	2,878.30	-15.7%	2,458.40	-1.3%
TOTAL	**18,862.69**	**18,470.72**	**2.1%**	**17,064.96**	**10.5%**

Source: Bloomberg, MBSBR

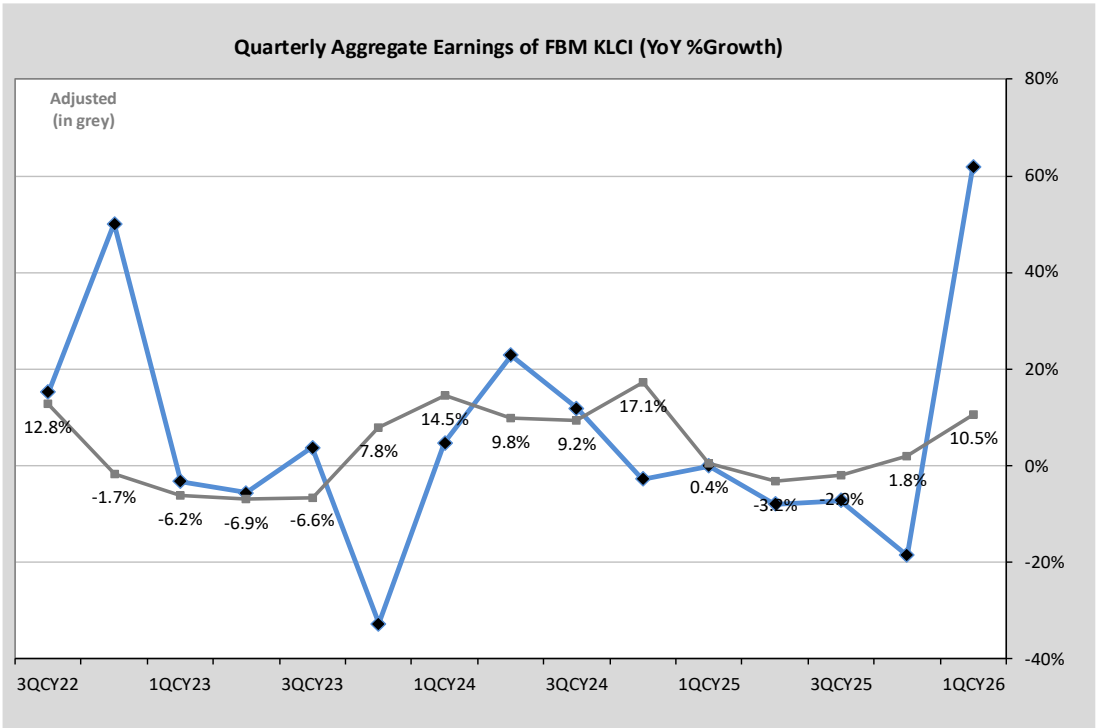
Moreover, after neutralizing the extraordinary items during relevant quarters (1QCY26: +RM8.2b, 4QCY25: -RM5.0b, 1QCY25: -RM359m), the aggregate normalized earnings in 1QCY26 registered quarter-on-quarter growth of +2.1%qoq and year-on-year at +10.5%yoy.

The positive quarter-on-quarter normalized growth performance in 1QCY26 was mainly contributed by higher earnings among its Industrial P&S (Petronas Chemicals), Telco & Media (Axiata) and Consumer P&S (Sime Darby) constituents while moderated by the decline in Financial Services (Maybank, Hong Leong Bank, Public Bank) and Utilities (Tenaga Nasional, YTL Power) earnings.



Source: Bloomberg, MBSBR

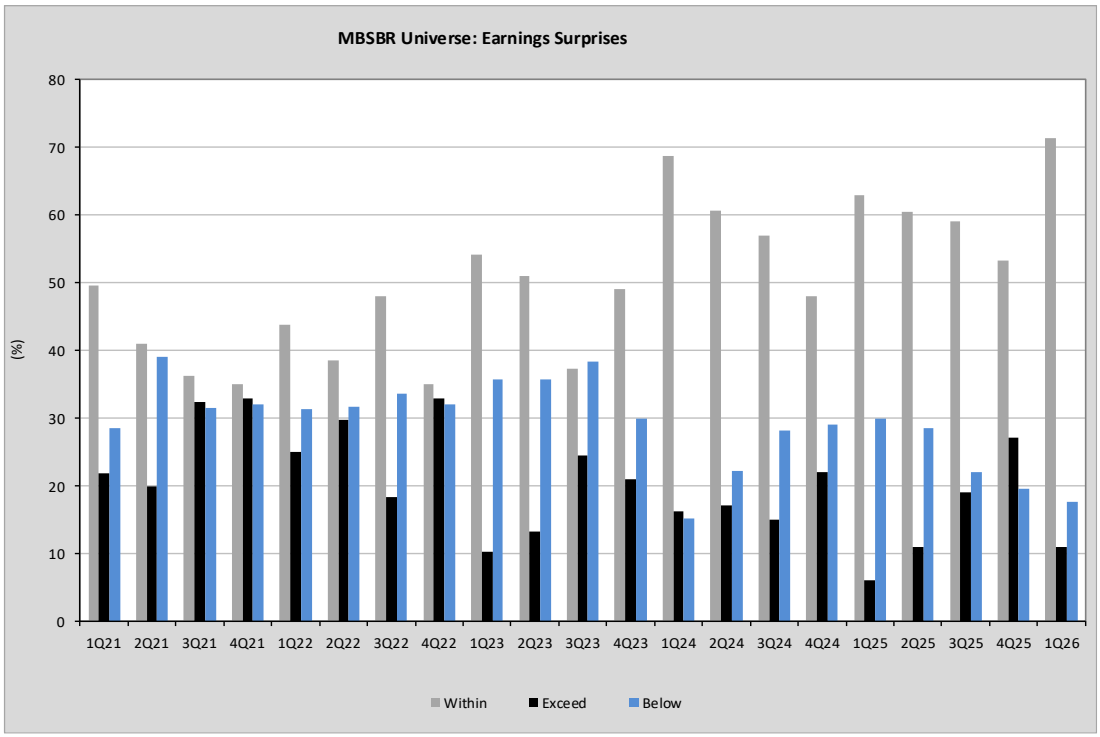
Moreover, the positive year-on-year normalized growth performance in 1QCY26 was mainly due to higher earnings among its Consumer P&S (Sime Darby), Industrial P&S (Petronas Chemicals, Press Metal), Telco & Media (Axiata) and Healthcare (IHH) constituents while moderated by the fall in Financial Services (Hong Leong Bank, Maybank) earnings.



Source: Bloomberg, MBSBR

MBSBR Universe

The percentage of companies in MBSBR Universe that registered earnings above our expectations declined to 11% in 1QCY26 compared to 27% in the prior quarter. Likewise, the percentage of negative surprises declined to 18% from 20% in 4QCY25.



Source: MBSBR

Accordingly, the percentage of companies with results which met expectation rose to 71% in 1QCY26 from 53% in the prior quarter.

Moreover, Healthcare sector recorded the highest percentage of outperformers at 33% of stocks under our coverage. Meanwhile, Construction and Energy sectors registered the biggest percentage of underperformers at 50% of companies under our coverage.

MBSBR Universe: Earnings Surprises

	Within	Exceed	Below
CONSTRUCTION	25%	25%	50%
CONSUMER PRODUCTS & SERVICES	67%	6%	28%
ENERGY	50%	0%	50%
FINANCIAL SERVICES	93%	0%	7%
HEALTH CARE	67%	33%	0%
INDUSTRIAL PRODUCTS & SERVICES	43%	29%	29%
PLANTATION	86%	0%	14%
PROPERTY	57%	14%	29%
REITS	100%	0%	0%
TECHNOLOGY	100%	0%	0%
TELECOMMUNICATIONS & MEDIA	75%	25%	0%
TRANSPORTATION & LOGISTICS	50%	25%	25%
UTILITIES	83%	17%	0%
TOTAL	**71%**	**11%**	**18%**

Source: MBSBR

In total, we made 16 changes to our stock recommendation with 12 upgrades and 4 downgrades. Furthermore, target price changes involved 28 upward against 17 downward adjustments.

In 1QCY26, the aggregate reported earnings of companies under MBSBR Universe came in at RM30.7b. It recorded both positive year-on-year growth of +42.7%yoy and quarter-on-quarter at +5.6%qoq. The impressive year-on-year figure was mainly

contributed by RM9.2b one-off gain by Sunway in 1QCY26. Meanwhile, the quarter-on-quarter figure was moderated mainly by RM9.8b gain on disposal by Capital A in the prior quarter.

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

	YoY (%)	QoQ (%)	1Q26	4Q25	3Q25	2Q25	1Q25	4Q24	3Q24	2Q24	1Q24	4Q23	3Q23	2Q23
CONSTRUCTION	(59.0)	(50.3)	179	359	492	443	435	445	566	393	563	98	367	370
CONSUMER P&S	(30.5)	(78.4)	1,715	7,949	1,685	2,780	2,468	80	2,936	999	1,570	1,434	1,218	2,409
ENERGY	(38.2)	(26.3)	212	287	286	257	342	-174	403	501	416	4	217	-133
FINANCIAL SERV	1.1	(5.3)	10,261	10,840	10,922	10,321	10,153	10,391	10,712	10,132	10,033	9,405	9,671	9,143
HEALTH CARE	8.6	(5.8)	740	785	812	607	681	908	756	816	860	734	180	164
INDUSTRIAL P&S	2,433	44,560	10,107	23	298	-634	399	1,119	-272	1,203	992	544	718	892
PLANTATION	12.3	(14.7)	1,300	1,523	1,649	1,611	1,157	1,316	1,736	1,182	576	869	1,834	642
PROPERTY	44.2	(58.3)	598	1,434	1,088	1,289	415	514	434	2,144	541	594	459	531
REITS	19.8	(59.5)	545	1,348	483	452	455	1,052	396	429	404	704	659	335
TECHNOLOGY	(6.6)	(28.2)	227	317	122	258	243	282	264	245	249	290	241	203
TELCO & MEDIA	8.7	56.6	1,430	913	1,412	1,511	1,316	984	2,245	1,293	1,214	230	484	666
TRANSP & LOGIS	16.3	290.3	1,084	278	830	712	932	-170	586	760	1,003	863	670	672
UTILITIES	(8.0)	(23.0)	2,339	3,039	2,293	2,942	2,543	2,850	3,015	3,637	2,480	2,589	2,791	2,534
TOTAL	**42.7**	**5.6**	30,737	29,095	22,373	22,550	21,540	19,596	23,777	23,733	20,903	18,355	19,508	18,429

Source: MBSBR

Industrial P&S, Telco & Media and Transport & Logistics sectors recorded improved total earnings (as reported) in 1QCY26 when compared to both the preceding quarter and corresponding period last year.

On the other hand, Construction, Consumer P&S, Energy, Technology and Utilities sectors registered both negative sequential and year-on-year earnings (as reported) growth in 1QCY26.

Sectoral commentary

Construction: In 1QCY26, construction and building material sectors delivered a mixed set of results, with SunCon (TRADING BUY, TP: RM7.90) and Malayan Cement (BUY, TP: RM10.00) reporting above-expectation earnings. SunCon benefited from stronger margins, provision reversals and continued momentum in data centre projects, while Malayan Cement was supported by resilient cement ASPs, higher ready-mixed concrete demand and effective cost management. On the other hand, IJM (BUY, TP: RM2.82), WCT (NEUTRAL, TP: RM0.47), and CMSB (NEUTRAL, TP: RM1.16) missed expectations. IJM's earnings were dragged by property impairments and forex losses despite strong construction activities, WCT continued to face margin pressure as projects near completion, while CMSB remained weighed down by losses from its phosphates division. MRCB (BUY, TP: RM0.40) delivered largely in-line revenue performance but earnings came in below expectations due to higher finance costs and taxation.

Overall, sector fundamentals remain favourable, supported by healthy orderbooks, robust tender pipelines and continued investments in infrastructure and data centres. We remain cautiously optimistic, as cost inflation is expected to gradually surface in 2Q-3Q26. However, this is likely to be partly offset by improved orderbook visibility in 2HCY26, supported by the anticipated finalisation of government infrastructure and data centre-related tenders.

Consumer (Staples): The staples segment delivered a mixed but broadly resilient set of results, with six companies reporting within expectations and three below. Nestlé (NEUTRAL, TP: RM95.70) came in within expectations, supported by festive-driven domestic demand, export momentum and improved cost discipline, though input cost risks from geopolitical disruptions remain a key watchpoint. F&N (NEUTRAL, TP: RM28.43) fell below expectations, weighed by deeper Indochina weakness, AgriValley dairy farm start-up losses, forex headwinds and a higher effective tax rate, despite resilient Malaysia operations. 99 Speed Mart (BUY, TP: RM4.37) delivered results within expectations, underpinned by outlet expansion, +11.1% SSSG, higher transactions and favourable product mix, while 99 Bulksales continued to gain traction. Leong Hup (BUY, TP: RM1.07) also met expectations, with stronger Livestock & Poultry margins offsetting softer Feedmill profitability. Hup Seng (BUY, TP: RM1.09) reported in-line results, with export recovery and resilient biscuit margins cushioning domestic softness and cost pressures. Life Water Sabah (BUY, TP: RM1.63) came in within expectations, supported by drinking water demand, Sandakan Sibuga capacity expansion and Twinine contribution, with 4Q set up for a stronger dry-season quarter amid ASP hikes on low-cost PET inventory. QL Resources (BUY, TP: RM4.11) missed our expectations as full-year earnings were dragged by weaker ILF and CVS contributions, though 4Q improved year-on-

year on stronger MPM and POCE profitability. Spritzer (NEUTRAL, TP: RM2.45) was within expectations, supported by higher bottled water sales volume and lower raw material costs, though valuations remain fair. PPB (BUY, TP: RM11.20) came in below expectations, weighed by weaker Wilmar contribution and softer profitability across Grains & Agribusiness, Consumer Products and Film Exhibition & Distribution.

Consumer (Discretionary): The discretionary segment was broadly in line, with three companies within expectations and one below. AEON (BUY, TP: RM1.47) delivered results within expectations, supported by festive-led retail recovery and resilient PMS contribution, with higher occupancy, sales commissions and tenant management driving earnings. MR D.I.Y. (BUY, TP: RM2.13) also met expectations, underpinned by festive demand, store expansion, +1.6% SSSG, higher transactions and resilient GP margin, while its high-dividend payout and net cash position remain key attractions. Padini (BUY, TP: RM2.13) came in within expectations despite 9MFY26 earnings reaching 96% of our full-year forecast, as 3Q is seasonally stronger from Chinese New Year and Hari Raya, while 4Q is typically softer post-festive; earnings remained pressured year-on-year by cautious discretionary spending and higher operating costs. Oriental Kopi (NEUTRAL, TP: RM1.06) was the key disappointment, with strong revenue growth from café expansion and packaged foods diluted by margin compression, higher staff costs, marketing expenses and new outlet opening costs, prompting a downgrade to NEUTRAL and earnings forecast cuts. Overall, discretionary results showed that festive demand remains supportive, but purchasing power pressure, inflation risks and higher operating costs continue to weigh on margins.

Healthcare (Gloves): Despite the headwinds of logistic costs and disruptions in butadiene supply, the glove subsector has finally hit its turning point, logging sudden double-digit stock surges and structural profit growth across most major players. The key driver remains to be the US import tariffs on Chinese medical gloves which had pushed global buyers back to Malaysian glovemakers. Top Glove (BUY, TP: RM0.78) saw its first-half core profit to jump by over 100%yoy to RM46m, driven by a surge in sales volume as plant utilization hit a healthy 89%. Likewise, Hartalega (BUY, TP: RM1.24) and Kossan Rubber Industries (BUY, TP: RM1.37) continue to experience rapid expansion, as average selling prices (ASPs) stabilize at a comfortable USD26-28 per 1000 pcs range, which we believe could curtail the near-term external challenges on the subsector.

Healthcare (Hospitals): Hospitals have emerged as the absolute star performers of the sector. As a pure-play service model, they are reaping the benefits of defensive domestic demand and an ongoing boom in regional healthcare travel, despite the ongoing geopolitical tensions that had been causing supply chain bottlenecks on certain medical devices and raw materials such as helium and APIs. On medical tourism, hospitals are now increasing their revenue intensity, by focusing on complex acute cases and high-margin surgeries rather than basic clinical visits. As such, medical tourism contributed significantly to 1QCY26, despite an expected slower inpatient visit due to the festive seasons. IHH Healthcare (BUY, TP:RM10.18) spearheaded the subsector with a strong quarterly revenue, heavily anchored by their efficient Malaysian operations. However, its Singapore operations remain on a recovery pathway, as they navigate the patient shift to the public sector and reduction of foreign patient intakes. Meanwhile, KPJ Healthcare (NEUTRAL, TP:RM3.35) similarly achieved strong results, as they continue to observe strict cost containments without jeopardizing patient volumes. Nevertheless, upsides for KPJ's domestic dominance remain limited at this juncture, prior to the rollout of the DRG system proposed for CY27.

Healthcare (Pharmaceuticals): This subsector continues to experience a shift away from standard generics toward high-margin biologics and long-term procurement pipelines. The ongoing conflict in West Asia acts as a litmus test for pharmaceutical companies to sustain their API supplies, as well as packaging and logistics costs and availability for the remainder of the year. For 1QCY26, these setbacks are largely contained, as the Ministry of Health (MOH) hastens the Approved Products Purchase List (APPL) tenders to maintain a strong buffer stock nationwide. For Pharmaniaga (BUY, TP:RM0.44) their 1QFY26 performance has an added driver of their massive structural margin adjustments, notably on their transitioning towards localized biosimilar insulin and vaccine manufacturing. Their recent contract wins to provide the MOH with more medical supplies secured their position as a stable domestic pharmaceutical company. Nonetheless, Pharmaniaga continues to be vigilant on the geopolitical impacts on the subsector, while observing strategies to minimize the effects of the unfavorable IDR exchange rate in its near-tern performance.

Oil & Gas: The Oil & Gas sector is navigating a much more volatile landscape, as the US-Iran conflict began in mid-1QCY26. Oil prices had averaged to ~USD81.13pb during the quarter (+27%qoq), which we noted had caused divergences in 1QFY26 results. While total revenue for major players remained somewhat resilient, earnings' performance varied significantly across the supply chain due to changing sales mixes and margin compressions. Upstream players – which comprised of pure play E&P, drilling and OGSE services – saw steady operational activity but experienced some pressure on bottom-line margins due to evolving project mix dynamics. Despite strong fundamentals in 1QCY26 from production-sharing contracts (PSCs) rollouts, high maintenance activities and high day-rates for rigs and charters, most were impacted by higher operational costs, deferments from clients and unfavorable foreign exchange. Deleum (BUY, TP:RM1.65) recorded topline growth to RM185m (+3%yoy), but core earnings pulled back to RM9m (-31%yoy), due to these setbacks. However, their oilfield integrated services (OIS) segment showed a surge in earnings due to higher activities for their OGSE upstream solutions within Malaysia. Likewise, MMHE (BUY, TP:RM0.57) saw core profits falling -2%yoy to RM16m despite higher revenue by +15%yoy to RM522m. This is due to a drag in its marine segment, specializing in conversion projects. However, the group saw minimal impact on demand for its services despite supply disruptions due to the ongoing war in West Asia. Meanwhile, Bumi Armada's (BUY, TP: RM0.48) showed weaker 1QFY26 topline (-35%yoy to RM307m) and bottom-line (-78%yoy to RM39m) performance due to lower contributions from two of its FPSOs, which had undergone maintenance during the quarter, as well as foreign exchange fluctuations.

The midstream division experienced a mixed result in 1QFY26. Winners in this group were largely driven by continuous demand for long-term storage and infrastructure integration for liquified natural gas (LNG). MISC (BUY, TP:RM9.22) reported 1QFY26 revenue at RM2.9b (+3%yoy) and core profit at RM803m (+16%yoy), heavily anchored by higher freight rates in its shipping segment and higher construction phases in its heavy engineering segment. Similarly, Dialog Group's (BUY, TP:RM2.55) 3QFY26 (FY ending June) saw its revenue standing at RM697m (20%yoy) and core profit at RM147m (+9%yoy), driven by positive contributions, for Malaysia EPCC projects in downstream and healthy tank storage occupancy. While tankers capitalized on tighter vessel availability and storage terminals leveraged on LNG and green fuel demand, gas distribution infrastructure felt the squeeze of lower average selling prices. Gas Malaysia (NEUTRAL, TP: RM5.54) faced these headwinds, prompting its core profit to slip to RM93m (-7%yoy). This decline occurred despite a healthy increase in gas volumes sold, particularly to the rubber, oleochemical, and industrial chemical sectors. Nevertheless, the upside for the group remains on its upcoming massive regasification terminal (RGT) projects in Yan, Kedah. Likewise, Petronas Gas (BUY, TP: RM19.25) reported a decline in core earnings to RM437m (-6%yoy), due to lower product prices and higher repair and maintenance cost. However, bottom-line was supported by upper tariff adjustments, increased LNG storage services and favorable fuel gas cost.

The downstream division saw two different scenarios of 1QFY26 earnings - the retail markets thrived on higher volume and rising prices, but the commercial fuel procurement suffered from severe price spikes. Petronas Dagangan (BUY, TP:RM22.46) showcased a robust topline, driven by a +15% increase in average selling prices (ASPs), as well as +7% growth in sales volume. However, 1QFY26 core earnings were flattish, pulled back by higher commercial product cost and hence, an unfavourable price trend for its Jet A1 fuel. Nevertheless, the group remains stable due to robust local consumer fuel consumption. Conversely, Petronas Chemicals Group (BUY, TP: RM6.60) saw its topline drop due to unfavourable foreign exchange translations and lower contributions from a joint company. However, 1QFY26 core earnings surged +107%yoy to RM360m, due to higher product spreads and lower plant operating costs. Similar to Petronas Dagangan, local consumer demand is expected to support its sales volume in the near-term, notably from the agriculture sector.

Plantation: In 1QCY26, planter performance under our coverage was mixed, with 6 companies meeting broad expectations and 1 underperforming. Earnings were generally relatively satisfactory, with margins pressures seen, dragged by softer average CPO price realised. Overall, performance was supported by higher FFB output and steady CPO production, aided by favourable weather conditions in the absence of prolonged rainy days. This lifted OER to around 20% enabling higher CPO sales volumes to the mills. The nation average CPO realised price eased to RM4,139/tonne (-1.0%qoq, -12.4%yoy), despite heightened geopolitical tensions surrounding the US-Iran conflict. While crude oil prices remained elevated, the positive spillover to PO demand seems limited, as the market continued to assign greater weight of supply-tightening impact from Indonesia's B50 mandate rollout last year, resulting in only a modest risk premium being reflected in CPO prices in this quarter.

Notably, Malaysian CPO output increased to 4.2m tonne (-27.0%qoq, +11.1%yoy) in 1Q26, despite the seasonal low crop period and tree resting conditions. The higher output base supported stronger mill utilisation and CPO sales volumes, allowing unit costs to remain relatively controlled. That said, the positive operational leverage was partly offset by lower average CPO realised prices, which weighed on overall margin expansion during this period. All in, with production expected to strengthen further in the coming months, the resulting supply surplus may lift stockpile levels and cap further upside to CPO prices.

At the same time, cost pressures are expected to intensify in 2H26, particularly for upstream players, due to higher fertiliser costs following the recent spike in urea prices, alongside elevated diesel-linked logistics expenses. Downstream margins could also come under pressure from rising freight and insurance costs. Hence, we maintain our Tactical Positive call on the sector, with an unchanged CY26 CPO price target of RM4,300/tonne.

Property: For the recently concluded earnings reporting season, earnings of property companies were largely in line. Out of six property companies under our coverage, four reported earnings were within expectations. Meanwhile, IOI Properties Group reported earnings that beat our expectation due to recognition of Malacca land sales in 3QFY26 which lifted 3QFY26 earnings substantially. On the other hand, Matrix Concepts reported earnings that missed expectations mainly due to lower-than-expected margin which dragged by recognition of Australia project with thin margin. Overall, earnings of property companies were mixed in 1QCY26 with three companies reporting earnings growth while three companies reported earnings decline. We see that earnings outlook to be slightly subdued going forward as cost pressures are expected to become more apparent in the coming quarters. Property sales were largely subdued in 1QCY26 due to festive period but expected to pick up in the coming quarters. Nevertheless, we see that buyers may turn more cautious amid rising inflationary pressure. In a nutshell, we maintain NEUTRAL in the property sector.

REITs: All six REITS under our coverage reported earnings that met expectations. Earnings growth of REITS was stable in 1QCY26 with retail REIT leading growth as consumer spending was boosted by Chinese New Year and Ramadan. Meanwhile, hotel segment saw some weaknesses in 1QCY26 due to impact of geopolitical tension in Middle East which dragged tourist arrivals. Notably, Sunway REIT and KLCCP Stapled Group reported weaker earnings contribution of their hotel division in 1QCY26. Going forward, we see that retail REIT should continue to report stable earnings as rental reversion outlook remains positive on the back of strong shopper footfall. Meanwhile, we upgraded Al-`Aqar Healthcare REIT to BUY from NEUTRAL with an unchanged target price of RM1.30 as share price weakness offers a more attractive upside. In a nutshell, we maintain our POSITIVE stance on the sector considering REITS a haven amid volatile market.

Technology: In 1QCY26, semiconductor companies under our coverage showed weaker earnings performance. Inari Amertron Bhd (Buy, TP:RM2.95) recorded lower earnings of -44.7%yoy while Unisem (M) Bhd (Neutral, TP:RM3.91) and D&O Green Technologies Bhd (Sell, TP:RM0.39) showed quarterly loss. That being said, the results were within our expectations. For Inari, the weaker earnings were mainly due to lower volume loading in the RF business segment. Meanwhile, Unisem' profitability was impacted by its Malaysian operation as the Gopeng plant is still loss-making as at 1QCY26. D&O's loss also widened as demand for automotive Led remains weak. This is further affected by the change in inventory policy which took effect towards the end of last year. On a separate note, Zetrix AI Bhd (Buy, TP: RM1.24) quarterly earnings came in within our expectations, supported by better contribution from blockchain and AI segment. All in, our top pick for the sector resides with Inari as we view that the group's positive outlook has yet been priced in.

Telecommunications: For 1QCY26, we observed that all telcos under our coverage reported year-over-year earnings growth of between +7.2%yoy to +174.2%yoy. Axiata Group Bhld (Neutral, TP: RM2.07) was the only outlier as it much stronger earnings of more than +100%yoy growth in view of the cost management initiatives across all the opcos. Revenue contracted slightly due to unfavourable forex movement. However, our SOP-derived target price was lowered to RM2.07 from RM2.21 as we increased the discount rate to account for exclusion of Axiata from MSCI and slower-than-expected MA&A activities. On another note, the quarterly financial performance of the remaining telcos came in within our expectations. Celcomdigi Bhd (Buy, TP: RM3.54), Maxis Bhd (Buy, TP:RM4.05) and Telekom Malaysia Bhd (Buy, TP: RM8.31) quarterly earnings came in at 23.9%, 26.2% and 22.9% respectively. On the mobile side, resilient service revenue was observed, with a lot of effort done to make the cost structure leaner. The fixed line provider also displayed steady revenue growth while keeping cost-to-revenue ratio at bay. Coupled with more generous dividend policy, we have upgraded our recommendation for TM to Buy from Neutral previously. Nonetheless, our top pick resides with Celcomdigi as the group embarks on driving structural efficiency across organisation for better cost base.

Utilities: The utilities sector and renewable energy subsector largely came in within expectations during in 1QFY26. Tenaga Nasional (BUY, TP: RM16.40) saw with a +7.0%yoy growth in electricity demand to 33.71 TWh, mainly attributable to the commercial sector, with the main contributors being data centres, business services and retailers. While the earnings of YTL Power (BUY, TP: RM5.65) came in lower due to the weaker contribution from Power Seraya, the quarter was supported by the stronger water and sewerage segment and the group's growing data centre business. YTL Corp (BUY, TP: RM3.44) was also within estimates, in a quarter that saw cement and building materials overtaking earnings from utilities, led by stronger ASPs. Ranhill Utilities (BUY, TP: RM2.56) came in above expectations on the back of stronger margins from the water segment, backed by a recent tariff adjustment last year. For the renewable energy subsector, Pekat Group (BUY, TP: RM2.00) delivered core earnings of RM12.5m (+4.6%yoy) during the quarter, led by its stronger solar and power distribution equipment segments. Meanwhile, Samaiden (BUY, TP: RM1.88) came in above expectations on the back of new projects with higher margins. Sunview (SELL, TP: RM0.32) came in below, as most of its projects have reached final stages of completion, on top of a depleting order book. 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, LSS5+ and the upcoming LSS6.

Outperformer versus underperformer

There was a sequential decline in the number of outperformers among FBM KLCI constituents under our coverage from 5 to 3 in 1QCY26. Likewise, the number of underperformers was sequentially lower from 6 to 1 in the review quarter.

In 1QCY26, the 3 outperformers were Axiata, IHH Healthcare and MISC. Meanwhile, the sole underperformer was PPB Group.

FBM KLCI: Outperformer versus Underperformer

Financial Quarter	No. of Outperformer	No. of Underperformer
1QCY26	3	1
4QCY25	5	6
3QCY25	2	2
2QCY25	3	5
1QCY25	2	5

Source: MBSBR

Earnings revisions

The aggregate FY2026 forecast earnings of FBM KLCI constituents under our coverage was adjusted higher by +1.8% to RM71.4b. In this regard, the upward adjustment to aggregate FY2026 forecast was mainly due to upward revisions to earnings of Healthcare (IHH), Transport & Logistics (MISC), Telco & Media (Axiata) and Plantation (SD Guthrie) constituents. However, the aggregate upward adjustment was moderated by downward revisions to earnings of Financial Services (Maybank, Public Bank) and Consumer P&S (PPB Group) constituents.

FBM KLCI: Earnings Revisions (RM million)

SECTOR	Constituents	FY2026
CONSTRUCTION	(1) - Gamuda	32
CONSUMER P&S	(5) - Nestle, Pet Dagang, PPB, Mr DIY, 99SMart	(203)
FINANCIAL SERVICES	(6) - Maybank, Public, CIMB, RHB, HLB, AMMB	(344)
HEALTHCARE	(1) - IHH Health	693
INDUSTRIAL P&S	(2) - Pet Chem, Sunway	152
PLANTATION	(3) - SD Guthrie, IOI Corp, KLK	235
TELCO & MEDIA	(4) - Axiata, Maxis, Digi, TM	277
TRANSPORT & LOGISTICS	(1) - MISC	450
UTILITIES	(4) - TNB, Pet Gas, YTL Corp, YTL Power	(41)
TOTAL	**(27)**	**1,250**

Source: MBSBR

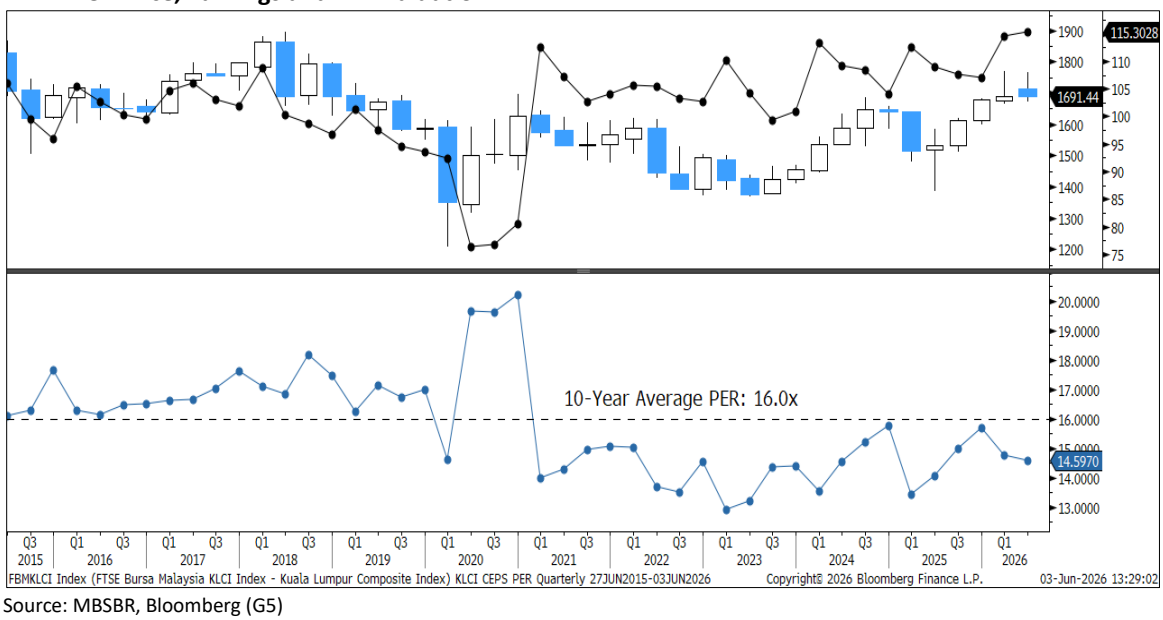
Likewise, the aggregate FY2026 forecast earnings of stocks under MBSBR coverage was tweaked higher by +0.2% to RM93.5b.

Refer to APPENDIX for further details.

Earnings and valuation

FBM KLCI: As of early June 2026, the consensus EPS26 forecast for FBM KLCI stands at 115.3 points (early March 2026: 113.8 points). The prevailing PER valuation of FBM KLCI (which represents large-cap stocks) at 14.6x is relatively cheap vis-à-vis its 10-Year historical average of 16.0x.

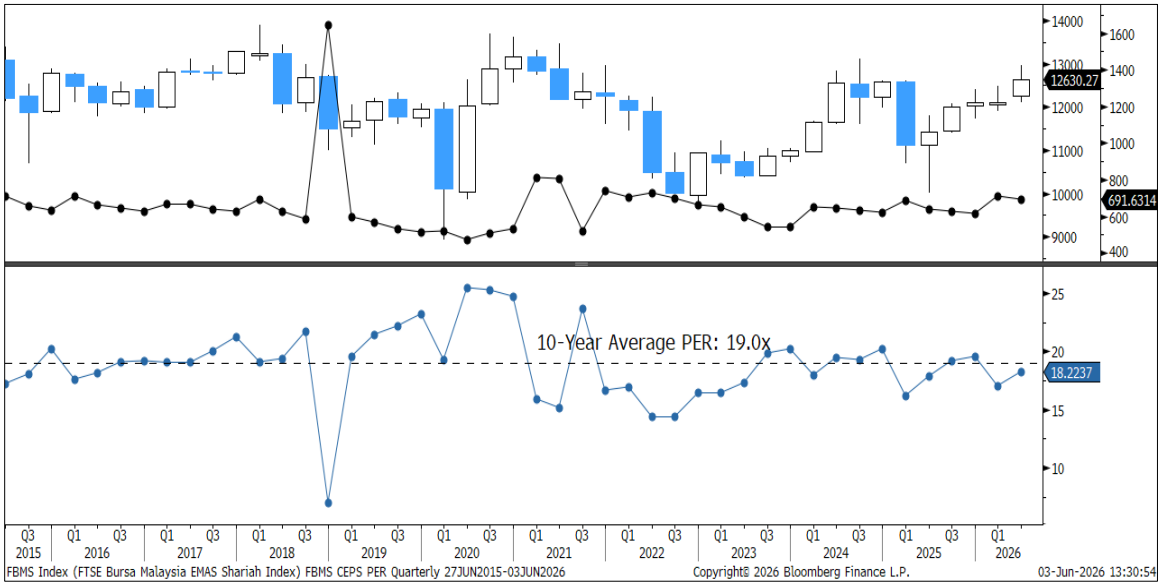
FBM KLCI: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G5)

FBM Emas Shariah: As of early June 2026, the consensus EPS26 forecast for FBM Emas Shariah stands at 691.6 points (early March 2026: 691.8 points). The prevailing PER valuation of FBM Emas Shariah (which represents all shariah stocks) at 18.2x is relatively cheap vis-à-vis its 10-Year historical average of 19.0x.

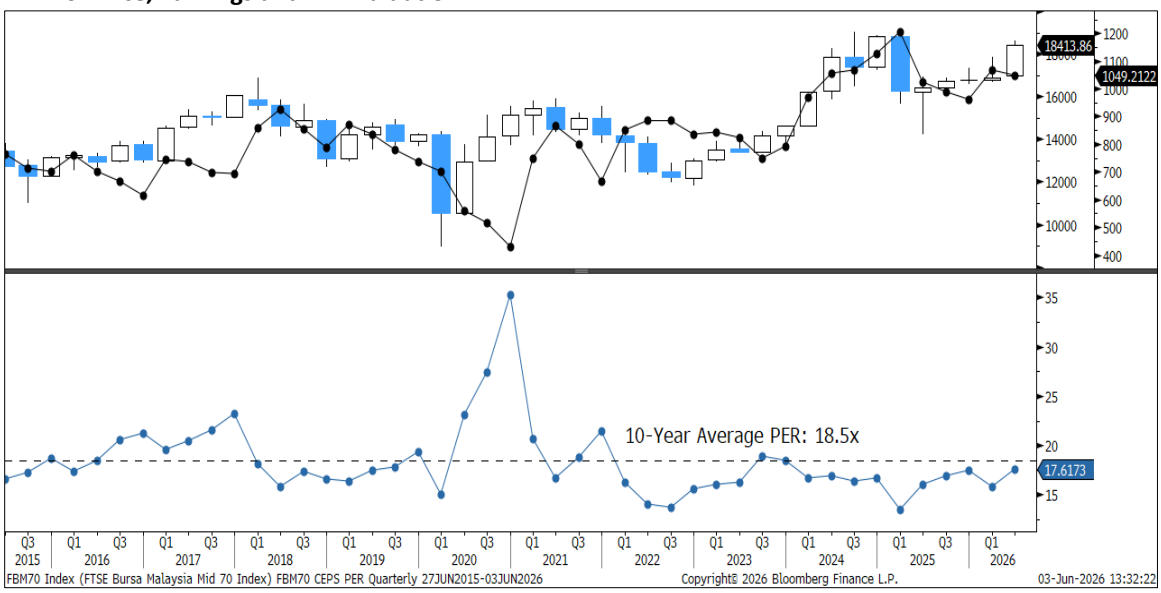
FBM Emas Shariah: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G6)

FBM70: As of early June 2026, the consensus EPS26 forecast for FBM70 stands at 1,049.2 points (early March 2026: 971.4 points). The prevailing PER valuation of FBM70 (which represents mid-cap stocks) at 17.6x is relatively cheap vis-à-vis its 10-Year historical average of 18.5x.

FBM70: Price, Earnings and PER valuation



Source: MBSBR, Bloomberg (G7)

Index targets

Overall, the recently concluded 1QCY26 earnings season was largely on target. Hence the minor positive tweak (+0.2%) to aggregate FY2026 forecast earnings.

On the geopolitical front, our prevailing baseline scenario foresees a situation where (1) the Middle East ceasefire holds albeit fragile, (2) no full return to kinetic strikes but supply disruption remains, and (3) diplomacy continues under heavy mistrust and leverage tactics.

Against the above backdrop, we reckon the market would remain largely sanguine against the backdrop of continued resilient GDP as well as positive earnings growth in 2026. Moreover, further equity market upside this year shall also be supported by relatively inexpensive valuations.

We maintain our 2026 price target for FBM KLCI at **1,800** points (or PER26 of 15.6x). Likewise, we also maintain our 2026 price targets for FBM Emas Shariah at **13,100** points (or PER26 of 18.9x) and FBM70 at **18,900** points (or PER26 of 18.0x).

However, under a worse scenario of more severe and prolonged supply disruption (which would engender heightened price pressure and potential financial liquidity tightening), we shall downgrade our fundamental and price targets in due course.

Notable call revision

We believe the following stocks are worth considering following from our upward revision of our recommendation:

Companies	Result vs. expectation	Old Recomm.	New Recomm.	TP (RM)	Notes
Al Aqar REIT	Within	NEUTRAL	BUY	1.30	• Tactical upgrade • Earnings outlook is expected to remain stable while gross distribution yield is attractive at 5.9%.
IHH	Above	NEUTRAL	BUY	9.91	• Resilient business fundamentals, led by growth from Malaysia, India, and Türkiye operations Solid margins
Inari	Within	NEUTRAL	BUY	2.95	• Anticipating a strong turnaround from FY27 onwards • Should see more favourable revenue mix
Maxis	Within	NEUTRAL	BUY	4.05	• Commitment to cost discipline has also led to gradual improvement on profit margin • Delay in the inclusion of contribution from DNB would limit the impact to financial performance • Management is looking at a combination of organic and inorganic growth
Maybank	Within	NEUTRAL	BUY	12.01	• Tactical upgrade • Solid dividend yields, good fee income growth, and a relatively strong NIM situation
MISC	Within	NEUTRAL	BUY	9.22	• Higher valuation accounting for robust macro cushion, while capturing cash flows generated by the full operational ramp-up of the group's global offshore and gas solution fleets
PetDag	Within	NEUTRAL	BUY	22.46	• Higher valuation as the group is heading forward in transitioning into a hybrid retail utility player • Resilient >5% dividend yield continues to offer a good defensive floor amidst shifting domestic subsidy landscapes
Petronas Gas	Within	NEUTRAL	BUY	19.25	• Higher valuation in line with utility industry's median PER of 19x, • Optimistic prospects of the fully secured RP3 regulatory tariffs until 2028, expanding margins due to falling internal gas costs, and structural top-line growth driven by Malaysia's data center expansion
TM	Within	NEUTRAL	BUY	8.31	• Steady revenue performance across all three business segments, particularly from the convergence proposition and data centre-related segment • Eventually switch in the 5G provider is anticipated to translate into more manageable 5G cost • Recently revised dividend policy to 75% of PAT translates to a more favourable dividend yield of >5%
Ta Ann	Within	NEUTRAL	BUY	6.08	• Valuation re-rating due to its more resilient FFB production profile, relatively steadier realised CPO prices, improving operational visibility and firmer earnings defensiveness
Unisem	Within	SELL	NEUTRAL	3.91	• Tactical upgrade due to valuation rollover Better earnings from 2QFY26 onwards premised on better contribution from Chengdu as well as better

					control over opex and capex But valuation is also stretched at current juncture
Sarawak Plantation	Within	TRADING SELL	NEUTRAL	3.55	• Tactical upgrade due to valuation re-rating on the back of higher CPO price • Earnings outlooks remain stable due to expanding harvestable area which is nearly 1,500 ha • However, cost of production remains sticky, on the back of flattish OER and dropped in FFB external purchased

APPENDIX

MBSBR: Changes in Aggregate Earnings Forecasts

	EARNINGS (RM mn)		EARNINGS *(% Chg)*
	FY2026		FY2026
	Old	New	
TOTAL (MBSBR Universe)	93,293.4	93,455.2	*0.2*
Annual % Change	*7.9*	*8.2*	
TOTAL (FBM KLCI)*	70,134.1	71,383.9	*1.8*
Annual % Change	*8.0*	*11.1*	

Source: MBSBR; * Aggregate earnings of 27 FBM KLCI constituents under MBSBR coverage

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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