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CORPORATE EARNINGS SHOW STRENGTH despite macro headwinds

Despite various external challenges, corporate earnings are expected to remain stable in 2H2025. However, some industries are vulnerable to US tariffs.

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STORIES BY LEE WENG KHUEN

After a weak set of financial results in the first quarter ended March 31 this year (1Q2025), 2Q2025 performance has offered some excitement to the market, allaying fears of a challenging business environment this year.

Analysts generally believe that local corporate earnings will remain stable in 2H2025, as most of the risks have been priced in. That said, the tech, transport and logistics, and furniture industries will have to cope with the headwinds from US tariffs. (See "Tech, logistics and furniture players navigating US tariff impact" on Page 62)

The aggregate earnings of the 30-stock FBM KLCI stood at RM17.3 billion, a quarter-on-quarter (q-o-q) rise of 2.1%, but 7.7% lower year on year (y-o-y), according to MBSB Research.

The bigger q-o-q expansion was mainly driven by Sime Darby Bhd (KL:SIME), Kuala Lumpur Kepong Bhd (KL:KLK), IOI Corp Bhd (KL:IOICORP), YTL Corp Bhd (KL:YTL) and YTL Power International Bhd (KL:YTLPOWER).

The lower y-o-y performance was due to Petronas Chemicals Group Bhd (KL:P-CHEM), Tenaga Nasional Bhd (KL:TENAGA) and YTL Power.

The earnings of most of the top 50 companies by market capitalisation came in within market expectations, with quite a few — SD Guthrie Bhd (KL:SDG), Sunway Bhd (KL:SUNWAY), Maxis Bhd (KL:MAXIS), Nestle (M) Bhd (KL:NESTLE), Kuala Lumpur Kepong, Hong Leong Financial Group Bhd (KL:HLFG), United Plantations Bhd (KL:UTDPLT), Genting Malaysia Bhd (KL:GENM), Dialog Group Bhd (KL:DIALOG), Sunway Construction Group Bhd (KL:SUNCON) and Malayan Cement Bhd (KL:MCEMENT) — even managing to beat consensus expectations.

MBSB Research is maintaining its FBM KLCI year-end estimate at 1,650 points, based on a price-earnings ratio (PER) of 15.2 times.

"Going forward, we remain sanguine on the local equity market, underpinned by positive macro performance as well as inexpensive PER valuations. Moreover, we expect foreign funds to return to the regional emerging markets after the US Fed resumes cutting rates (after a nine-month hiatus), likely in September 2025," it says in a Sept 3 note.

Similarly, Hong Leong Investment Bank (HLIB) Research is keeping its year-end target for the benchmark index at 1,640, premised on a PER of 14.4 times.

Despite there being no clear sector out-performance, the research house highlights that 2Q was a fairly resilient quarter, and that FBM KLCI earnings are expected to expand by 3.9% and 6.3% in 2025 and 2026, respectively.

For RHB Research, the outperforming sectors included plantations and gaming, while property, healthcare and rubber gloves disappointed.

Overall, it believes that the domestic market's relative underperformance in 2025 has priced in much of the risks.

"Recent fiscal support measures, including the pre-emptive OPR [overnight policy rate] cut, various growth initiatives, FDI [foreign direct investment] inflow and stronger ringgit will be supportive. Significant

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levels of sidelined cash will limit market downside, although a fundamental upside should be capped by the strength of corporate earnings," RHB Research says, noting that robust domestic liquidity conditions and improved clarity on US tariffs justify a higher target PER of 15 times, to derive a higher end-2025 projection of 1,620 points from 1,600 points previously.

The research house also notes that forward management guidance received from the large caps was noticeably more upbeat, and a common theme was the expectations of a more stable operating environment — helped by better clarity on tariffs, government stimulus measures, the OPR cut and a stronger ringgit, which have helped underpin expectations of an improvement in business and consumer sentiment going forward.

A head of research who declined to be named observes that domestic-centric companies, particularly construction firms, fared better in the latest quarter, but consumer demand for discretionary items is weakening.

"I believe 2H2025 will mirror the 2Q performance as there are still a lot of uncertainties moving ahead. Global demand is expected to weaken. It is not just from the US side, so it's going to affect our corporate earnings," he tells *The Edge*.

Having said that, he stressed that the country's robust gross domestic product (GDP) growth will continue to support the banking sector, while advocating a defensive strategy, particularly high-yielding stocks.

Meanwhile, Rakuten Trade Sdn Bhd head of research Kenny Yee says the 2Q results for the FBM KLCI constituents came in within his expectations, and an upward revision to his earnings estimates is justified. He expects 2H2025 earnings to improve slightly due to lower borrowing costs after the earlier interest rate cut.

For Fortress Capital founder and CEO Datuk Thomas Yong, corporate earnings for 2Q were a mixed bag, but mostly in line with expectations, except for several notable misses.

He says domestically oriented sectors outperformed, while export-reliant ones lagged, reflecting Malaysia's exposure to global trade shifts.

"Moderate growth was anticipated, aligned with the steady 4.4% GDP expansion reported for the quarter, driven by robust household spending and domestic demand, alongside demand pulled in before the August US tariff enforcement."

Yong notes that softer-than-expected results in export-oriented sectors dragged the aggregate picture down, with many Bursa-listed firms reporting margin pressures from forex headwinds and muted global demand.

"For instance, technology and manufacturing names underperformed due to early ripples from trade uncertainties, while consumer and services players held up better."

He says banking and construction were the outperformers in 2Q, with the former supported by solid loan growth and asset quality, assuaging fears of a domestic slowdown.

Yong adds that construction was largely driven by the booming data centre market and a resilient property sector that has bolstered order book replenishment for construction companies. "Companies within the sector also showed improvements in margins and balance sheet strength."

Technology and electronics were the key underperformers in 2Q, as the much-hoped-for V-shaped recovery in the global semiconductor space has not materialised, according to Yong.

"While the worst appears to be over, the 2Q results confirmed a more gradual U-shaped recovery, disappointing market expectations on the back of softer demand, cost pressures and forex issues," he says, noting that the underperformance was amplified by early tariff effects and global trade tensions.

He adds that manufacturing industries such as rubber gloves and furniture underperformed as well.

Yong's outlook for 2H2025 is slightly optimistic, with corporate earnings likely to expand at a modest single-digit pace for the FBM KLCI.

"Among the key catalysts are continued domestic economic activity, further rollout of infrastructure and infrastructure-related projects, and a potential, albeit gradual, improvement in global trade which would benefit our exporters," he explains.

The next key event to watch is Budget 2026 — for potential new incentives and policy direction, as this is likely the current government's last

budget with full-year implementation before the next election is held by February 2028.

Budget 2026, set to be tabled in parliament on Oct 10, will focus on targeted subsidies, structural reforms and attracting high-value investments.

Yong suggests a selective investment strategy for 2H2025, favouring sectors with strong domestic catalysts such as construction, utilities, tech (selectively) and financials.

"We also see value in companies with robust balance sheets and the pricing power to navigate the current inflationary environment."

Following the 2Q corporate earnings season, TA maintains its three key themes for 2H2025, the first being fundamentally solid blue chips such as CelcomDigi Bhd (KL:CDDB), CIMB Group Holdings Bhd (KL:CIMB), Hong Leong Bank Bhd (KL:HLBANK), Public Bank Bhd (KL:PBANK), Tenaga and Telekom Malaysia Bhd (KL:TM).

Another theme is domestic plays — Binastra Corp Bhd (KL:BNASTRA), Gamuda

Bhd (KL:GAMUDA), Perak Transit Bhd (KL:PTRANS), Samaden Group Bhd (KL:SA-MAIDEN) and Sime Darby Property Bhd (KL:SIMEPROP). The third is defensive plays — CapitaLand Malaysia Trust (KL:CLMT), Duopharma Biotech Bhd (KL:DPHARMA), Fraser & Neave Holdings Bhd (KL:F&N), Padini Holdings Bhd (KL:PADINI) and Sports Toto Bhd (KL:SPOTTO).

We take a look at how the various key sectors performed in 2Q2025.



Banking

Banks continued to register robust performance in 2Q2025, the exceptions being CIMB and Public Bank, which were hit by higher loan loss allowance.

CIMB's net earnings slipped 3.8% to RM1.89 billion, while Public Bank saw a marginal decline to RM1.76 billion.

Net profit for Malayan Banking Bhd (KL:MAYBANK), the country's largest bank

by assets, rose nearly 4% to RM2.63 billion, as higher income offset rising provisions for bad debts.

Hong Leong Financial Group closed its FY2025 with record-high earnings, after posting a 5.9% rise in 4QFY2025 net profit to RM83.45 million on higher net interest income contribution.

RHB Research says while the FY2025 net interest margin guidance was lowered as banks factored in July's OPR cut, the majority of the banks expect the OPR to stay stable.

"There were also downward tweaks to loan growth guidance but, notably, ROE [return on equity] targets were left unchanged. Despite the OPR cut, there was some optimism that 2H2025 operating income would stay healthy. Banks pointed to healthy loan pipelines and expect stronger pipeline drawdowns as businesses gain confidence now that there is better clarity on the US tariff policy," it notes.



Consumer

For the consumer sector, Farm Fresh Bhd (KL:FFB) recorded its highest-ever quarterly net profit — RM32.8 million for 1QFY2026 — since its listing in March 2022, driven by higher sales and increased sales of higher-margin products.

However, AEON Co (M) Bhd (KL:AEON) and Padini Holdings Bhd (KL:PADINI) saw a drop in their net earnings. Due to the absence of major festive celebrations, AEON's net profit more than halved to RM12.27 million, while Padini attributed its earnings slump of 73.5% to RM6.98 million to lower revenue and same-store sales growth contraction.

99 Speed Mart Retail Holdings Bhd (KL:99SMART) continued to demonstrate resilience as its net profit rose 22.05% to RM153.21 million on higher revenue from more outlets and increased transactions, having benefited from stronger consumer purchasing power

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Earnings summary of top 50 companies by market cap

NAME	LATEST QUARTERLY NET PROFIT/LOSS (RM MIL)	QUARTERLY NET PROFIT/LOSS A YEAR AGO (RM MIL)	Y-O-Y CHANGE (%)	NET PROFIT/(NET LOSS) IN THE PRECEDING QUARTER (RM MIL)	Q-O-Q CHANGE (%)	LATEST RESULTS AGAINST CONSENSUS ESTIMATES	SHARE PRICE ON SEPT 3 (RM)	YTD TOTAL RETURN (%)	12-MONTH DIVIDEND YIELD (%)
Malayan Banking Bhd	2,628.03	2,529.64	3.9	2,588.86	1.5	In line	9.98	-0.3	6.1
Public Bank Bhd	1,760.18	1,781.66	-1.2	1,745.32	0.9	Below	4.26	-4.0	4.9
CIMB Group Holdings Bhd	1,888.74	1,960.96	-3.7	1,973.38	-4.3	In line	7.23	-6.8	6.5
Tenaga Nasional Bhd	1,158.10	1,444.10	-19.8	1,058	9.5	In line	13.10	-10.0	3.9
IHH Healthcare Bhd	443	623	-28.9	514	-13.8	Below	6.91	-6.2	1.5
Press Metal Aluminium Holdings Bhd	483.58	505.83	-4.4	461.77	4.7	In line	5.57	14.3	1.3
Hong Leong Bank Bhd	1,088.61	1,034	5.3	946.70	15.0	In line	20.06	-1.0	3.5
CelcomDigi Bhd	438.94	406.02	8.1	383.78	14.4	In line	3.67	3.7	4.0
Petronas Gas Bhd	450.19	469	-4.0	468.80	-4.0	In line	18.70	7.8	3.9
SD Guthrie Bhd	505	415	21.7	567	-10.9	Above	5.03	4.6	3.3
Petronas Chemicals Group Bhd	-1,081	777	Swung to red	-18	Net loss widened	Below	4.30	-15.0	14.4
YTL Power International Bhd	670	1,014.60	-40.0	489.41	36.9	In line	4.07	-7.8	2.0
MSC Bhd	464.40	540.90	-14.1	705.70	-34.2	In line	7.46	0.4	4.9
Gamuda Bhd	246.84	235.80	4.7	218.85	12.8	In line	5.61	19.6	1.8
Sunway Bhd	272.95	270.47	0.9	190.55	43.2	Above	5.27	3.6	1.2
YTL Corp Bhd	547.17	534.96	2.3	419.38	30.5	In line	2.52	-4.1	1.8
RHB Bank Bhd	803.50	722.31	11.2	750.03	7.1	In line	6.60	5.1	6.5
Maxis Bhd	398	356	11.8	371	7.3	Above	3.61	-1.6	4.9
Telekom Malaysia Bhd	402.97	396.42	1.7	401.26	0.4	In line	6.99	8.6	6.3
IOI Corp Bhd	436.50	346.90	25.8	262.30	66.4	In line	3.88	0.8	2.6
Nestle (M) Bhd	112.11	93.60	19.8	161.34	-30.5	Above	93.60	-4.0	1.9
Axiata Group Bhd	270.82	134.90	100.8	159.84	69.4	In line	2.47	-0.1	4.1
Kuala Lumpur Kepong Bhd	346.59	240.18	44.3	154.27	124.7	Above	20.00	-7.0	3.0
99 Speed Mart Retail Holdings Bhd	153.21	125.53	22.1	143.18	7.0	In line	2.54	3.1	0.9
Petronas Dagangan Bhd	265.53	276.39	-3.9	293.50	-9.5	In line	22.00	13.5	5.1
Hong Leong Financial Group Bhd	853.45	806.09	5.9	714.12	19.5	Above	17.30	-6.3	3.3
Westports Holdings Bhd	231.63	203.75	13.7	222.46	4.1	In line	5.55	25.0	3.7
AMMB Holdings Bhd	516.18	500.20	3.2	513.93	0.4	In line	5.47	2.2	5.5
KLCI Stapled Group	200.45	191.06	4.9	201.48	-0.5	In line	8.65	8.6	5.2
QL Resources Bhd	100.60	107.43	-6.4	93.92	7.1	Below	4.15	-13.4	1.2
United Plantations Bhd	249.38	185.94	34.1	163.26	52.8	Above	22.58	13.5	5.0
Sime Darby Bhd	763	89	757.3	193	295.3	In line	2.06	-10.6	7.1
Mr DIY Group (M) Bhd	158.58	155.21	2.2	174.15	-8.9	In line	1.54	-17.4	3.9
PPF Group Bhd	279.84	308.92	-9.4	375.83	-25.5	In line	9.40	-22.7	4.6
IOI Properties Group Bhd	823.93	1,545.65	-46.7	76.13	982.3	Below	2.25	-0.4	2.2
Genting Malaysia Bhd	416.75	82.24	406.7	72.58	474.2	Above	2.04	-7.7	5.0
KPI Healthcare Bhd	82.06	75.88	8.1	57.06	43.8	In line	2.43	7.8	1.6
Genting Bhd	243.55	239.66	1.6	4.57	5,229.3	In line	2.82	-24.8	4.0
Dialog Group Bhd	147.38	138.42	6.5	134.97	9.2	Above	1.92	2.0	2.2
Sime Darby Property Bhd	143.54	161.96	-11.4	118.41	21.2	In line	1.46	-11.5	2.0
UM Corp Bhd	95.60	86.88	10.0	128.95	-25.9	In line	2.78	-3.4	2.9
Fraser & Neave Holdings Bhd	84.82	121.63	-30.3	140.34	-39.6	Below	27.60	-2.0	2.3
IGB REIT	92.51	81.55	13.4	106.58	-13.2	In line	2.70	30.7	4.2
Time dot Com Bhd	104.63	99.05	5.6	112.99	-7.4	In line	5.20	19.2	11.0
Sunway Construction Group Bhd	83.89	38.87	115.8	75.72	10.8	Above	6.43	38.7	2.1
Malayan Cement Bhd	165.42	110.18	50.1	182.84	-9.5	Above	5.70	20.6	1.7
Alliance Bank Malaysia Bhd	198.70	176.65	12.5	197.49	0.6	In line	4.38	-2.2	4.2
Chin Hin Group Bhd	21.26	42.02	-49.4	18.36	15.8	Below	2.17	-8.0	NA
Inari Amertron Bhd	49.17	54.68	-10.1	55.48	-11.4	In line	2.04	-32.5	2.9
Eco-Shop Marketing Bhd	49.41	63.27	-21.9	61.72	-19.9	In line	1.37	21.2	0.7

Despite near-term strength, CPO prices may moderate in 4Q, says TA Securities

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following the recent minimum wage hike and government social assistance initiatives like Sumbangan Asas Rahmah.



Plantation

Most plantation players benefited from the higher crude palm oil (CPO) price. Chin Teck Plantations Bhd (KL:CHINTKE) even posted its highest-ever quarterly net profit of RM34.66 million.

IOI Corp Bhd's net profit rose 26%, aided by a foreign gain of RM117 million from foreign currency-denominated borrowings and deposits. Its resource-based manufacturing division, however, reported an underlying loss of RM4.3 million during the quarter in review compared with the underlying profit of RM80.3 million a year ago, due to lower contribution from its refinery sub-segment, with lower marginals and lower sales volume from the oleochemical sub-segment, as well as a lower share of associate tonnes.

CPO price averaged RM4,056 a tonne in 2Q2025, just slightly higher than RM4,038 in 2Q2024. However, it was lower than RM4,723 in 1Q2025, according to Malaysian Palm Oil Board data.

TA Securities revised its 2025 average CPO price forecast upwards to RM4,200 per tonne from RM3,800 per tonne, reflecting stronger-than-expected year-to-date price performance.

While the revision acknowledges near-

term strength, it cautions that prices may moderate in 4Q as global oilseed harvests face pressure from record soybean harvest expectations and shifting trade dynamics.



Oil and gas

The oil and gas sector's (O&G) performance was less encouraging. Oil major Petrolim Nasional Bhd (Petronas) saw its 1H2025 net profit contract to RM26.2 billion from RM32.4 billion in the same period last year, on lower average selling prices of crude oil and petroleum products.

Hibiscus Petroleum Bhd (KL:HIBISCS), which is highly sensitive to oil price movements, reported a 32% drop in net profit to RM74.61 million, owing to lower production volumes and crude oil prices.

Similarly, O&G services provider Deleum Bhd (KL:DELEUM) posted a 12.4% decline in net profit, dragged down by forex losses and higher operating expenses.

Nonetheless, Uzma's (KL:UZMA) pivot from O&G to solar engineering, procurement, construction and commissioning (EPCC) bore fruit, with its net earnings rising 27% to a record high of RM19.88 million, bringing its FY2025 earnings to an all-time high of RM53.54 million.

Kenanga Research says as the Petronas-Petroleum Sarawak Bhd (Petros) gas aggregator deal details have yet to be disclosed, it remains a drag on upstream services activity for this year and next.



Construction

Most construction players' earnings came in within consensus expectations. Industry bellwether Gamuda was supported by its record order book of RM39.8 billion, leading to a 4.7% rise in net profit to RM246.84 million.

TA Securities says Sunway Construction and Kerjaya Prospek Group Bhd (KL:KERJAYA) were underpinned by faster-than-anticipated progress billings, accelerating revenue recognition. Their net earnings grew 115.8% and 46.8% to RM83.89 million and RM54.44 million respectively.

Moving ahead, Kenanga Research expects local construction players to bag more data centre jobs, hence sustaining their earnings momentum.



Property

For RHB Research, property developers' 2Q2025 earnings were generally below expectations, but this is in line with the historical trend, where 1H is a typically weaker period for the sector.

Sime Darby Property Bhd (KL:SIMEPROP) reported an 11.4% drop in net profit to RM143.54 million, owing to lower revenue growth and higher costs.

TA Securities believes the central bank's recent 25-basis-point OPR cut to 2.75% is a notable tailwind, as lower borrowing costs should improve homebuyer affordability, reduce financing expenses for developers, and

provide a more supportive demand environment for new launches. This monetary easing is timely, given the relatively soft consumer sentiment in 1H2025.



Real estate investment trusts

Malaysian REIT players delivered a