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BY SYAFIQAH SALIM
 theedgemalaysia.com

KUALA LUMPUR (May 8): Mechanical and electrical (M&E) players are expected to post softer earnings for the first quarter of 2025 (1Q2025) on a quarter-on-quarter basis, weighed down by lower billings due to project execution timing and seasonally lower productivity, according to Hong Leong Investment Bank (HLIB).

The research firm noted that M&E players experienced a reduction of five to 15 working days during the quarter under review, owing to the Chinese New Year and pre-Raya festivities.

In contrast, cable manufacturers are anticipated to report relatively stable results, supported by consistent demand and the smooth conversion of strong order backlogs.

“We believe the anticipated quarter-on-quarter softness in M&E earnings will have minimal impact on share prices, given its seasonal nature,” it said in a note on Thursday.

Looking ahead, HLIB sees limited downside risk from global trade tensions for domestically focused companies.

It expects 2025 to be a strong year for the power infrastructure sector, supported by a healthy pipeline of projects from Tenaga Nasional Bhd (KL:TENAGA), underpinned by its RM42.8 billion capital expenditure commitment, along with growing investments in data centres and solar energy initiatives.

“Additionally, rising infrastructure activity in East Malaysia offers a new growth lever, as evidenced by increasing sales contributions from the region for Southern Cable Group Bhd (KL:SCGBHD) and a growing tender pipeline for MN Holdings Bhd (KL:MNHLDG),” it said.

“For exposure, we favour MN Holdings (‘buy’; TP [target price]: RM1.74) and Southern Cable (non-rated; TP: RM1.55) for their respective market leadership positions in M&E and cable manufacturing,” it added.