

# Automotive

**NEUTRAL**

## Malaysia Autoshow 2024: EV the Way Forward



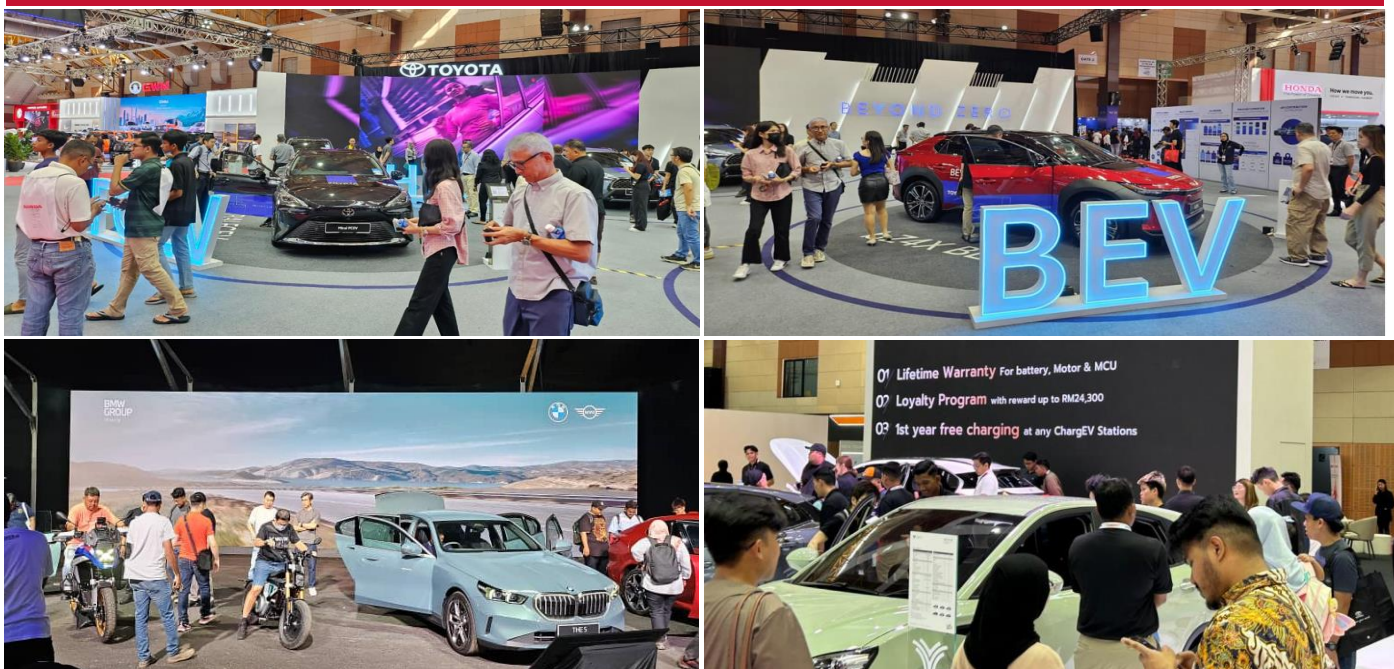
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We attended the Malaysia Autoshow 2024 during which leading global automotive companies unveiled their latest innovation, particularly, next-generation electric vehicles (EV), in sync with the aspiration of the National Automotive Policy (NAP 2020). We believe the demand for EV will be buoyed by droves of new EV models and the recent reduction in the road tax for EV. We raise our CY24 total industry volume (TIV) projection by 4% to 740k units (from 710k). We are also taking a more bullish view on Perodua's D66b and EV model slated for launching next year. We believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation will likely hurt the demand for mid-market models, giving rise to a two-speed automotive market locally in CY24. Our sector top pick is MBMR (OP; TP: RM6.30), which is a good proxy to the affordable and fuel-efficient Perodua brand. It also offers an attractive dividend yield of about 7%.

### Malaysia Autoshow 2024

Held on 21-26 May 2024 at the Malaysia Agro Exposition Park Serdang (MAEPS), the event has generated potential sales of RM1.4b comprising among others, 2,620 vehicle bookings, 13,799 sales leads and 15 memorandum of understanding (MOUs) and memorandum of agreement (MOAs) signed between industry players. This year's event attracted 223,876 visitors (+17% YoY), surpassing previous records. The event featured concept vehicles, electric and efficient internal combustion engine (ICE) vehicles, autonomous driving demonstrations, modified cars, classic automobiles, campervans, and military vehicles.

#### Crowds at Malaysia Autoshow 2024



Source: Kenanga Research

An interesting observation was EV models accounted for 50% of vehicles showcased, aligning with the National Automotive Policy (NAP) 2020 and the New Industrial Master Plan (NIMP) 2030 which give emphasis on greener and more efficient technologies. During the event, several significant forums and summits took place, including the 50th Commemorative Malaysia-China Automotive Summit, the 13th Asian Automotive Environmental Forum (AAEF), and MyMAP Grand Prix Award 2024.

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Among the brands showcased were from new players in the Malaysian market i.e. BYD, Tesla, Chery, Jaecoo, Tiggo, GAC, GWM and ORA, as well as seasoned players Perodua, Proton, Toyota, BMW, Honda, and Nissan.

New launches previewed during event included Toyota BZ4X EV, Perodua emo-1 EV concept, Tesla Cybertruck (SUV), BYD BAO 5 (4x4 SUV), Nissan e-Power hybrid, GWM Tank 300, Haval 6 hybrid, GAC Aion Y Plus, Jaecoo J6 EV, Jaecoo J7, Cherry Omoda 5, Chery Tiggo 8 Pro e+ PHEV, Neta X EV SUV, Jetour Dashing (see Page 5).

### **NAP 2020 Mid-Term Review in the Works**

The Ministry of Investment, Trade and Industry (MITI) and Malaysia Automotive, Robotics and IoT Institute (MARii) are undertaking a mid-term review on NAP 2020 to take into account the breakneck advancement in automotive technology especially energy-efficient vehicles (EEV) and electric vehicles (EV). The progress of the national EV project by Perodua, the EV production by Proton and the development of Automotive High-Tech Valley (AHTV) by **DRB-HICOM (MP; TP: RM1.40)** will be assessed under the review.

Recall that, the main objectives of the NAP 2020 are to: (i) develop Malaysia as a regional hub for the production the Next Generation Vehicles (NxGV), (ii) expand the participation of domestic automotive industry in mobility as a service (MaaS) ecosystem, (iii) ensure the domestic industry is equipped with Industrial Revolution (IR) 4.0, (iv) ensure the overall ecosystem receives maximum benefit from the NxGV ecosystem, and (v) reduce carbon emission from vehicles by 2025 in line with the ASEAN Fuel Economy Roadmap of 5.3 LGE/100km.

### **Road Tax for ZEV Slashed**

Meanwhile, the road tax for zero-emission vehicles (ZEV) will be cut by an average of 85% effective 1 Jan 2026, subject to revision every five years to ensure it continues to entice transition to ZEV without significantly eroding government revenues (see Page 3). For comparison, under the new mechanism, EV road tax charge is RM70 for Hyundai Kona e-lite vs. RM243 under previous mechanism, while on the higher end, EV road tax charge is RM6,715 for Porsche Taycan Turbo GT vs RM17,494 under previous mechanism (see Page 4).

### **We Raise our CY24 TIV Projection to 740k**

We raise our CY24 TIV projection by 4% to 740k units (from 710k units), bringing ourselves in-line with the forecast of Malaysia Automotive Association (MAA). We believe that the boatload of new EV launches and the recent cut on EV road tax will help to spur the demand for electric vehicles. Recall that, current EV line-ups are all imported that have RM100k regulated floor price as well as units limitation distributed per month. On the other hand, we believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation is more likely to hurt the demand for mid-market models (alternatively they can opt for EV to cut their fuel bills), giving rise to a two-speed automotive market locally in CY24.

We believe a new car is still an affordable luxury for most Malaysian households despite the high inflation and a slowing global economy underpinned by: (i) strong consumer confidence supported by a stable economy and a healthy job market, (ii) the affordability of motor vehicle underpinned by stable new car prices thanks to the deferment of new excise duty regulations (that could have resulted in prices of locally assembled vehicles increasing by 8%–20%) and potentially cheaper hire purchase cost with the introduction of the reducing balance method in the calculation of interest charges, and (iii) attractive new models.

We believe it will be business as usual for the affordable segment as its target customers, i.e. the B40 group, will be spared the impact of the impending fuel subsidy rationalisation and also could potentially benefit from the introduction of the progressive wage model. However, the same cannot be said for the mid-market segment as its target customers, i.e. the M40 group may hold back from buying a new car (or even down trade to a smaller car or switching to electric vehicles to cut their fuel bills) upon the introduction of fuel subsidy rationalisation. In general, the industry's earnings visibility is still good, backed by a booking backlog of 200k units as at end-May 2024. More than half of the backlog is made up of new models, alluding to how appealing new models are to car buyers. This trend is likely to persist throughout CY24 given a strong line-up of new launches.

Vehicle sales will be supported by new BEVs that enjoy SST exemption and other EV facilities incentives up to CY25 for CBU and CY27 for CKD. BEV new registrations have leapt from 274 units in CY21 to over 3,400 units in CY22 and 10,159 units in CY23, with 2,703 units for YTD April 2024 and are on track to meet national target for EVs and hybrid vehicles of 15% of total industry volume (TIV) by CY30, and 38% of TIV by CY40. Meanwhile, the government's pledge to enable charge point operators (CPOs) to secure faster approvals for installation provides comfort as currently only 3,951 EV charging stations have been built to-date.

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### Changes to Forecasts, TPs and Calls

We expect improved product mix for **MBMR** and **SIME**, buoyed by the high-margin all-new Perodua D66b to be launched in early-2025 (which was delayed due to more stringent safety checks) and Perodua EV model by end-2025. We expect **MBMR'S** manufacturing business to benefit from the production of Perodua D66b and the maiden contribution of the Jaecoo brand in the 2HFY24, while **SIME** will also be buoyed by stronger performance from BMW Malaysia on higher sales and margins in FY24.

**MBMR:** We raise our FY24-25F net profit forecasts by 5% and 7%, respectively, lift our TP by 9% to RM6.30 (from RM5.80) and maintain our **OUTPERFORM** call.

**SIME:** We raise our FY24-25F net profit forecast by 4% each, similarly lift our TP by 4% to RM2.90 (from RM2.80) and upgrade our call to **OUTPERFORM** from **MARKET PERFORM**.

New Road Tax Mechanism for Zero-Emission Vehicles (ZEV) by Motor Block (Watt) effective 1 Jan 2026					
Min Watt	Max Watt	Fi LKM/Tahun (RM) (Min)	Fi LKM/Tahun (RM) (Max)	Kenaikan RM / Blok 9,999W	Penerangan Formula LKM EV
1	100,000	20	70	10	<ul style="list-style-type: none"> <li>• Fi LKM ditetapkan mengikut setiap kumpulan EV, dengan blok kuasa motor (Watt) min - max.</li> <li>• Fi LKM ditetapkan mengikut setiap kumpulan EV mengikut blok kuasa motor min-max.</li> <li>• Dalam setiap kumpulan, kenaikan setiap blok 9,999W kuasa motor akan dikenakan bayaran kenaikan mengikut blok (RM10, RM20 dan seterusnya). Kadar fi LKM meningkat pada kenaikan ditetapkan pada setiap blok.</li> <li>• Bagi Kumpulan EV lebih tinggi, kadar fi LKM lebih tinggi boleh dikenakan, dengan menaikkan kadar kenaikan tahunan/blok.</li> <li>• Cth: Kumpulan EV (C), EV-A mempunyai kuasa motor 228kW. EV-A berada dalam blok 220,001 - 230,000. Kadar fi LKM adalah RM305 + RM30 = RM335.</li> </ul>
100,001	210,000	80	280	20	
210,001	310,000	305	575	30	
310,001	410,000	615	1,065	50	
410,001	510,000	1,140	2,040	100	
510,001	610,000	2,165	3,515	150	
610,001	710,000	3,690	5,490	200	
710,001	810,000	5,715	7,965	250	
810,001	910,000	8,240	10,940	300	
910,001	1,010,000	11,265	14,415	350	
> 1,010,001			20,000		

Source: Paultan.org, Kenanga Research,

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## Existing EV line-ups Road Tax Charge Comparison

MODEL KENDERAAN	KUASA MOTOR ELEKTRIK (kW)	FI LKM SEDIA ADA (RM)	FI LKM PINDAAN (KADAR BLOK) (RM)
Hyundai KONA e-lite	100	243	70
ORA Good Cat 400 Pro	105	324	80
ORA Good Cat 500 Ultra	105	324	80
Nissan Leaf	110	374	80
Hyundai Ioniq 6 Lite RWD	111	384	100
Hyundai Ioniq 5 Lite	125	463	120
MG4 Standard	125	524	120
BYD Dolphin Premium Standard Range	130	624	120
MG ZS	130	624	120
Hyundai Kona e-Lite	136	657	140
Mini Electric	135	724	140
Mercedes EQA 250 AMG	140	727	140
Chery Omado E5	150	903	160
BYD Atto	150	903	160
KIA Niro	150	903	160
Hyundai KONA e-max	150	903	160
BYD Dolphin Premium Extended Range	150	1,024	160
MG4 Luxury	150	1,024	160
MG4 EXTD Range	180	1,834	220
Hyundai Kona e-max	204	2,199	280
Mercedes EQB 350 4MATIC	215	2,463	305
Tesla Model 3 RWD	208	2,590	280
Tesla Model Y	220	2,583	305
Hyundai Ioniq 5 Max	225	2,703	335
Mercedes EQE 350+ AMG	215	2,779	305
BMW iX1 xDrive30	230	2,823	335
BMW iX xDrive40	240	3,063	365
BMW iX xDrive40 Sport	240	3,063	365
BYD Seal RWD Premium	230	3,184	335
Hyundai Ioniq 6 Max AWD	239	3,427	365
BMW i4 eDrive40	250	3,724	395
BMW i5 eDrive40	250	3,724	395
Volvo C40	300	4,503	545

MODEL KENDERAAN	KUASA MOTOR ELEKTRIK (kW)	FI LKM SEDIA ADA (RM)	FI LKM PINDAAN (KADAR BLOK) (RM)
Audi Q8 e-tron	300	4,503	545
Mercedes EQE 500 4MATIC	300	4,503	545
VOLVO C40	300	4,503	545
VOLVO XC40	300	4,503	545
Porsche Taycan	300	5,074	545
Porsche Taycan CT	320	5,614	615
MG4 Xpower	320	5,614	615
Mercedes EQS 500 4MATIC	330	5,884	665
Tesla Model 3 Long Range AWD	366	6,856	865
BYD Seal Performance AWD	390	7,504	965
Mercedes EQS 580 4MATIC	400	6,903	1,015
KIA EV6 GT	430	7,623	1,240
BMW i4 M50	400	7,774	1,015
LOTUS Eletre	450	8,103	1,440
BMW iX M60	455	8,223	1,540
Mercedes AMG EQE 53 4MATIC	460	9,394	1,540
Mercedes AMG EQS 53 4MATIC+	484	10,042	1,840
LOTUS Eletre R	675	13,503	4,890
Porsche Taycan Turbo CT	650	14,524	4,290
Porsche Taycan Turbo GT	760	17,494	6,715

Source: Paultan.org, Kenanga Research,

Exciting EV Launches



Perodua emo-1 EV concept



BYD BAO 5



Jetour Dashing



Tesla Cybertruck (SUV)



All-new SMART #3 (2024)



Nissan's e-Power hybrid system



MINI Countryman U25 SE EV



Jaecoo J6 EV



Neta X EV SUV



GAC Aion Y Plus



GAC Aion Hyper HT



Chery Tiggo 8 Pro e+ PHEV

Source: Paultan.org, Kenanga Research

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## MBM Resources

### Riding on Perodua Powerhouse

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MBMR is optimistic on more record years for Perodua vehicle sales in 2024 and 2025, with higher margins backed by the high-margin all-new Perodua D66b and a new Perodua EV model. Rising acceptance by local buyers of China-brand vehicles augurs well for its dealership of Jaecoo brand vehicles. We raise our FY24-25F net profit forecasts by 5% to 7%, respectively, lift our TP by 9% to RM6.30 (from RM5.80) and reiterate our OUTPERFORM call.

Key takeaways from our recent engagement with the company are as follows:

1. MBMR echoed Perodua's guidance for 2024 vehicle sales of 330k units (matching that of 2023) and vehicle production of 334k units. It believes the 2024 sales target could even be exceeded based on strong demand for affordably-priced vehicles. MBMR also hinted a more exciting year in 2025 buoyed by the all-new Perodua D66b in early-2025, and Perodua EV model by end-2025. Locally-produced Perodua EV model is expected to be priced within the range of RM50k-RM100k and it hopes to sell 10k unit during the initial period of National EV project by Perodua.

Plants of Perodua Manufacturing (PMSB) and Perodua Global Manufacturing (PGMSB) have a combined capacity of 320,000 units. Currently operating in two shifts, there are plans to boost production by lifting productivity and increasing overtime. We are keeping our Perodua vehicle yearly sales assumption of 340k units in both FY24 and FY25.

2. MBMR has recently entered into a dealership agreement with Jaecoo, a fast-growing China car brand focusing on premium SUVs. It expects to open its first 1S outlet in Jun 2024 at Menara MBMR, Kuala Lumpur (capex below RM1m), followed by a 4S outlet in Segambut, KL in 2025 (capex around RM10m). MBMR will distribute Jaecoo J7 (opened for booking), J6 EV (from 2024 or 2025), Jaecoo J5 hybrid and EV models (2025), Jaecoo J9 in EV and PHEV forms (from 2025 or 2026). It hopes to sell 10k unit during the first year (comparable to sister brand Chery's record). We understand that Jaecoo brand vehicles fetch higher distribution margins vs. Volvo and Volkswagen brands.

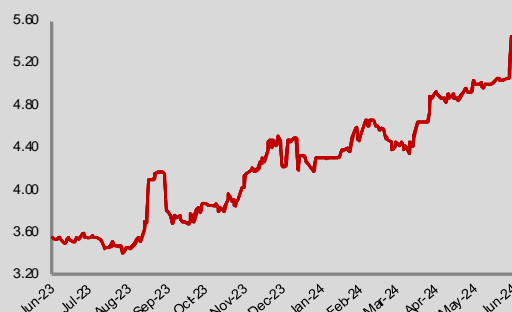
**Forecasts.** We raise our FY24-25F net profit forecasts by 5-7%, respectively, to account for a higher blended margin driven by the launch of the high-margin all-new Perodua D66b in early-2025 and a Perodua EV model launch by end-2025, as well as stronger production at its manufacturing unit underpinned by Perodua D66b and maiden contribution from the Jaecoo brand in 2HFY24.

**Valuations.** Correspondingly, we raise our TP by 9% to RM6.30 from RM5.80, as we also roll forward our valuation base year to FY25F (from FY24F), based on unchanged PER of 8x which is at a discount to the auto sector's average forward PER of 11x given its smaller scale, and business model which is skewed toward auto dealerships compared to other players which are more into auto manufacturing. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 10).

## OUTPERFORM ↔

Price: **RM5.39**  
Target Price: **RM6.30** ↑

### Share Price Performance



KLCI	1,610.17
YTD KLCI chg	10.7%
YTD stock price chg	27.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBM MK Equity
Market Cap (RM m)	2,106.9
Shares Outstanding	390.9
52-week range (H)	5.50
52-week range (L)	3.17
3-mth avg. daily vol.	584,764
Free Float	38%
Beta	0.7

### Major Shareholders

Med-Bumikar Mara Sdn Bhd	49.5%
Employees Provident Fund	4.6%
Norges Bank	2.9%

### Summary Earnings Table

FY Dec (RM m)	2023A	2024F	2025F
Revenue	2,416.9	2,630.1	2,735.1
EBIT	97.6	70.8	74.1
PBT	394.7	354.5	367.7
<b>Net Profit</b>	<b>334.5</b>	<b>296.8</b>	<b>307.8</b>
<b>Core Net Profit</b>	<b>305.2</b>	<b>296.8</b>	<b>307.8</b>
Consensus (NP)	-	271.2	269.5
Earnings Revision	-	+5%	+7%
Core EPS (sen)	77.9	75.7	78.6
Core EPS growth (%)	36.3	-2.8	3.7
NDPS (sen)	39.0	40.0	40.0
BVPS (RM)	5.44	5.79	6.18
PER (x)	6.9	7.1	6.9
PBV (x)	1.0	0.9	0.9
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	7.2	7.4	7.4

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**Investment case.** We continue to like MBMR for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of over 100k units (almost half of its CY24 target sales of 340k units), (ii) being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia, as well as its 23% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its attractive dividend yield of about 7%. Maintain **OUTPERFORM**.

**Risks to our call include:** (i) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation and subsidy rationalisation, (ii) persistent disruptions (including chip shortages) in the global automotive supply chain, and (iii) persistent high cost for materials in auto parts manufacturing.

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F	FY Dec	2021A	2022A	2023A	2024F	2025F
Revenue	1,531.9	2,308.1	2,416.9	2,630.1	2,735.1	<b>Growth (%)</b>					
Op. Profit	<b>42.9</b>	<b>104.9</b>	<b>97.6</b>	<b>70.8</b>	<b>74.1</b>	Turnover	-14.6	50.7	4.7	8.8	4.0
Depreciation	-17.7	-18.4	-18.9	-19.3	-20.6	EBITDA	-14.6	50.7	4.7	8.8	4.0
Int. Inc/(Exp)	3.0	4.1	4.7	5.4	7.7	Op Profit	-2.4	144.5	-6.9	-27.5	4.7
Joint Venture	11.1	16.0	24.2	0.0	0.0	PBT	0.5	56.8	21.3	-10.2	3.7
Associate	150.5	200.4	268.1	278.3	285.9	CNP	7.8	30.6	36.3	-2.8	3.7
Pre-tax Profit	<b>207.5</b>	<b>325.3</b>	<b>394.7</b>	<b>354.5</b>	<b>367.7</b>	<b>Profitability (%)</b>					
Taxation	-17.1	-17.1	-17.1	-17.1	-17.1	Op. Margin	2.8	4.5	4.0	2.7	2.7
MI	24.3	29.7	37.2	29.3	30.4	PBT Margin	13.5	14.1	16.3	13.5	13.4
Core net profit	<b>171.4</b>	<b>223.8</b>	<b>305.2</b>	<b>296.8</b>	<b>307.8</b>	CNP Margin	11.2	9.7	12.6	11.3	11.3
						ROA	7.4	11.0	13.0	11.1	10.9
						ROE	9.2	13.5	16.0	13.5	13.1
						<b>DuPont Analysis</b>					
						NP Margin(%)	11.2	9.7	12.6	11.3	11.3
						Assets T/O(x)	0.6	0.9	0.9	1.0	0.9
						Lev. Factor(x)	1.2	1.2	1.2	1.2	1.2
						ROE (%)	9.2	13.5	16.0	13.5	13.1
						<b>Leverage</b>					
						Debt/Asset (x)	0.0	-	-	-	-
						Debt/Equity (x)	0.0	-	-	-	-
						(Cash)/Debt	(237.4)	(282.7)	(197.2)	(319.4)	(454.9)
						Debt/Equity(x)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
						<b>Valuations</b>					
						CEPS (sen)	43.8	57.1	77.9	75.7	78.6
						NDPS (sen)	26.0	43.0	39.0	40.0	40.0
						BV/sh (RM)	4.9	5.2	5.4	5.8	6.2
						PER (x)	12.3	9.4	6.9	7.1	6.9
						Div. Yield (%)	4.8	8.0	7.2	7.4	7.4
						PBV (x)	1.1	1.0	1.0	0.9	0.9
						EV/EBTDA(x)	22.2	14.6	14.8	24.6	25.1

Balance Sheet					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
F. Assets	181.4	174.5	186.7	197.1	206.1
Int. Assets	1.1	1.1	1.1	1.1	1.1
Other F. Assets	1,625.8	1,731.4	1,865.6	1,865.6	1,865.6
Inventories	92.3	115.6	115.6	122.5	127.4
Receivables	164.6	199.2	185.8	201.8	209.8
Other C. Assets	35.8	21.4	48.2	48.2	48.2
Cash	260.7	282.7	197.2	319.4	454.9
<b>Total Assets</b>	<b>2,361.6</b>	<b>2,526.0</b>	<b>2,600.2</b>	<b>2,755.6</b>	<b>2,913.1</b>
Payables	141.5	169.5	143.1	158.5	164.9
ST Borrowings	23.3	0.0	0.0	0.0	0.0
Other ST Liability	3.1	6.6	21.8	21.8	21.8
LT Borrowings	0.0	0.0	0.0	0.0	0.0
Other LT Liability	8.4	7.1	6.4	6.4	6.4
<b>Net Assets</b>	<b>2,185.3</b>	<b>2,342.8</b>	<b>2,428.9</b>	<b>2,568.9</b>	<b>2,720.0</b>
S.Equity	1,915.5	2,055.7	2,130.8	2,270.8	2,421.9
MI	269.8	287.1	298.1	298.1	298.1
<b>Total Equity</b>	<b>2,185.3</b>	<b>2,342.8</b>	<b>2,428.9</b>	<b>2,568.9</b>	<b>2,720.0</b>

Cashflow Statement					
FY Dec (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	9.3	40.4	-1.3	24.9	28.2
Investing CF	75.9	165.9	186.2	248.6	256.3
Financing CF	4.4	-180.3	-272.4	-151.3	-149.0
Change In Cash	-8.6	26.1	-87.5	122.2	135.4
Free CF	-21.3	10.8	-30.9	-4.7	-1.4

Source: Kenanga Research

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## Sime Darby

### A Twin-Engine of Perodua and BMW

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**SIME will be buoyed by strong sales and margins from Perodua vehicles, driven the high-margin all-new Perodua D66b and a new Perodua EV model. Similarly, BMW Malaysia will do well on higher sales and margins. We raise our FY24-25 net profit forecasts by 4% each, similarly lift our TP by 4% to RM2.90 (from RM2.80) and upgrade our call to OUTPERFORM from MARKET PERFORM.**

Key takeaways from our recent engagement with the company are as follows:

1. SIME echoed Perodua's guidance for 2024 vehicle sales of 330k units (matching that of 2023) and vehicle production of 334k units. It believes the 2024 sales target could even be exceeded based on strong demand for affordably-priced vehicles. SIME also hinted a more exciting year in 2025 buoyed by the all-new Perodua D66b in early-2025, and Perodua EV model by end-2025. Locally-produced Perodua EV model is expected to be priced within the range of RM50k-RM100k and it hopes to sell 10k unit during the initial period of National EV project by Perodua.
2. Both SIME and Perusahaan Otomobil Kedua Sdn Bhd are committed to a gradual transition towards electric vehicles for the Malaysian market. SIME shared that their BMW IX EV & hybrid models, Toyota Corolla Cross hybrid, BYD Atto 3 EV and BYD Seal EV has received overwhelming response from the market. SIME plans to introduce BMW i5 limited edition & 520i (this week), BYD BAO 5 (CY2025), Toyota BZ4X EV (CY2025), and Perodua EV (end-2025).
3. SIME expects higher profit contribution from BMW Malaysia in line with its strong Malaysian market 9MFY24 sales (higher by 71% to 28,306 units) with expected improvement in margin from price hike in January 2024 i.e. up to RM29k more with 5-year warranty; 3 Series up RM10k, iX up RM15k (up to 3% for certain models).

**Forecasts.** We raise our FY24-25F net profit forecasts by 4% each to account for strong sales and margins from Perodua vehicles driven the high-margin all-new Perodua D66b and a new Perodua EV model and stronger performance from BMW Malaysia on higher sales and margins.

**Valuations.** We also raise our SoP-derived TP by 4% to RM2.90 (from RM2.80, see Page 8). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 10).

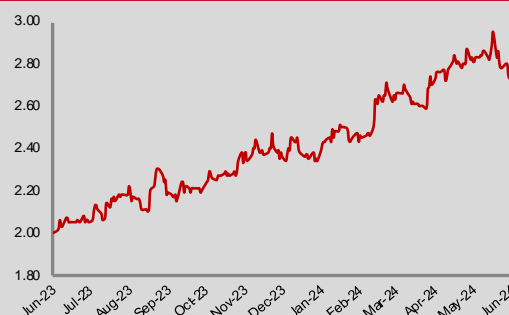
**Investment case.** We like SIME for: (i) the robust growth in its businesses post economies reopening, (ii) the strong brands under its stable such as BMW, Caterpillar, Toyota and Perodua, and (iii) its attractive dividend yield of >4%. Upgrade to **OUTPERFORM** from **MARKET PERFORM** as value has emerged after the recent correction in its share price.

**Risks to our call include:** (i) governments cutting back on infrastructure spending on austerity drive and/or a slowdown in the mining sector, hurting demand for heavy equipment, (ii) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation, and (iii) persistent disruptions (including chip shortages) in the global automotive supply chain.

## OUTPERFORM ↑

**Price:** RM2.57  
**Target Price:** RM2.90 ↑

#### Share Price Performance



KLCI 1,610.17  
YTD KLCI chg 10.7%  
YTD stock price chg 9.4%

#### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SIME MK EQUITY
Market Cap (RM m)	17,516.1
Shares Outstanding	6,815.6
52-week range (H)	2.97
52-week range (L)	2.01
3-mth avg. daily vol.	14,924,400
Free Float	31%
Beta	0.9

#### Major Shareholders

Amanah Saham Nasional Bhd	39.7%
Employees Provident Fund	15.1%
KWAP	7.2%

#### Summary Earnings Table

FY June (RM m)	2023A	2024F	2025F
Revenue	48,288	66,317	71,529
EBIT	2,020	2,048	2,143
PBT	1,878	1,779	1,671
<b>Net Profit</b>	<b>1,340</b>	<b>1,248</b>	<b>1,373</b>
<b>Core Net Profit</b>	<b>1,154</b>	<b>1,248</b>	<b>1,373</b>
Consensus (NP)	-	1,384	1,577
Earnings Revision	-	+4%	+4%
Core EPS (sen)	17.0	18.4	20.2
Core EPS (%)	-3.4	8.1	10.0
NDPS (sen)	13.0	12.0	12.0
BV/Share (RM)	2.41	2.47	2.54
Core PER (x)	15.1	14.0	12.7
Price/BV (x)	1.1	1.0	1.0
Net Gearing (x)	0.1	0.4	0.4
Net Dvd. Yield (%)	5.1	4.8	4.2





14 June 2024

Income Statement						Financial Data & Ratios					
FY June (RM m)	2021A	2022A	2023A	2024F	2025F	FY June	2021A	2022A	2023A	2024F	2025F
Revenue	44,483	42,502	48,288	66,317	71,529	<b>Growth</b>					
EBITDA	1,012	637	751	238	124	Revenue	20%	-4%	14%	37%	8%
Depreciation	(1,155)	(1,113)	(1,269)	(1,810)	(2,019)	EBITDA	120%	-37%	18%	-68%	-48%
Operating Profit	2,167	1,750	2,020	2,048	2,143	Op Profit	43%	-19%	15%	1%	5%
Net Interest	(76)	(109)	(263)	(399)	(672)	PBT	65%	-18%	8%	-5%	-6%
Associate	14	91	121	130	200	CNP	20%	-4%	-3%	8%	10%
PBT	2,105	1,732	1,878	1,779	1,671	<b>Profitability</b>					
Taxation	(575)	(474)	(484)	(445)	(384)	Op. Margin	5%	4%	4%	3%	3%
<b>Net Profit</b>	<b>1,425</b>	<b>1,153</b>	<b>1,340</b>	<b>1,248</b>	<b>1,373</b>	PBT Margin	65%	-18%	8%	-5%	-6%
<b>Core Net Profit</b>	<b>1,248</b>	<b>1,195</b>	<b>1,154</b>	<b>1,248</b>	<b>1,373</b>	CNP Margin	3%	3%	2%	2%	2%
						ROA	27%	27%	26%	25%	23%
						ROE	9%	7%	8%	8%	7%
						<b>Leverage</b>					
						Debt/Asset (x)		0.1	0.1	0.1	0.2
						Debt/Eqty (x)	0.1	0.2	0.2	0.4	0.3
						(Cash)/Debt	(646.0)	1,211.0	1,211.0	7,486.9	6,064.3
						Debt/Eqty(x)	(0.04)	0.07	0.07	0.45	0.35
						<b>Valuations</b>					
						C.EPS (sen)	18.4	17.6	17.0	18.4	20.2
						NDPS (sen)	15.00	11.50	13.00	12.00	12.00
						BVPS (RM)	2.39	2.41	2.41	2.47	2.54
						PER (x)	12.3	15.2	13.0	13.6	14.1
						Core PER (x)	14.0	14.6	15.1	14.0	12.7
						Div. Yield (%)	5.8	4.5	5.1	4.8	4.2
						P/BV (x)	1.1	1.1	1.1	1.0	1.0

Balance Sheet					
FY June (RM m)	2021A	2022A	2023A	2024F	2025F
Fixed Assets	5,070	4,627	4,471	5,661	4,516
Intangibles	1,629	1,552	1,552	1,552	1,552
Other FA	5,854	5,505	5,661	5,661	5,661
Inventories	8,316	9,159	9,159	14,535	15,678
Receivables	4,388	4,685	4,685	9,085	12,738
Other CA	725	2,929	2,929	2,929	2,929
Cash	2,473	1,772	1,772	(1,504)	(331)
<b>Total Assets</b>	<b>28,455</b>	<b>30,229</b>	<b>30,229</b>	<b>37,919</b>	<b>42,742</b>
Payables	5,253	5,494	5,494	9,687	14,209
ST Borrowings	1,454	2,607	2,607	2,607	2,607
Oth. ST Liability	3,030	3,101	3,101	3,101	3,101
LT Borrowings	373	376	376	3,376	3,126
Other LT Liability	2,085	2,280	2,280	2,280	2,280
MI & Sukuk	377	361	361	332	303
<b>Net Assets</b>	<b>15,883</b>	<b>16,010</b>	<b>16,010</b>	<b>16,453</b>	<b>16,955</b>
Share Capital	9,302	9,318	9,318	9,318	9,318
Reserves	6,581	6,692	6,692	7,135	7,637
<b>Equity</b>	<b>15,883</b>	<b>16,010</b>	<b>16,010</b>	<b>16,453</b>	<b>16,955</b>

Cashflow Statement					
FY June (RM m)	2021A	2022A	2023A	2024F	2025F
Operating CF	2,784	810	810	(2,039)	3,704
Investing CF	83	(883)	(883)	(3,000)	(874)
Financing CF	(2,127)	(716)	(716)	1,763	(1,657)
Change In Cash	740	(789)	(789)	(3,276)	1,173
Free CF	2,867	(73)	(73)	(5,039)	2,830

Source: Kenanga Research

Sum-of-Parts Valuation		
Segment	Valuation (RM m)	Basis
Motors (excluding UMW)	6,109	6x PER
Industries	10,125	10x PER
UMW Holdings Bhd	6,366	13x PER
Land Assets at Malaysia Vision Valley, Labu	2,959	8,040 acres @RM0.368m/acres or RM8.46/sq ft
<b>Subtotal</b>	<b>25,559</b>	
Net cash / (debt)	-6,064	
<b>Total</b>	<b>19,495</b>	
No. of shares (m)	6,800	
<b>TP (RM)</b>	<b>2.90</b>	

Source: Kenanga Research

## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	MP	2.51	2.45	-2.4%	2,930.9	Y	04/2025	24.0	24.9	-20.6%	3.7%	10.5	10.1	3.3	32.8%	20.2	8.0%
DRB-HICOM BHD	MP	1.39	1.40	0.7%	2,687.2	Y	12/2024	15.9	18.6	14.2%	17.0%	8.8	7.5	0.2	3.1%	2.0	1.4%
HIL INDUSTRIES BHD	MP	1.21	1.10	-9.1%	401.6	Y	12/2024	13.7	15.6	12.4%	14.1%	8.8	7.8	0.8	9.8%	3.0	2.5%
HONG LEONG INDUSTRIES BHD	OP	11.40	12.60	10.5%	3,642.0	Y	06/2024	98.3	105.3	10.9%	7.2%	11.6	10.8	1.9	16.0%	107.0	9.4%
MBM RESOURCES BHD	OP	5.39	6.30	16.9%	2,106.9	Y	12/2024	75.9	78.7	-2.8%	3.7%	7.1	6.8	0.9	13.5%	40.0	7.4%
SIME DARBY BHD	OP	2.57	2.90	12.8%	17,516.1	Y	06/2024	18.4	20.2	8.1%	10.0%	14.0	12.7	1.1	7.7%	12.0	4.7%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.870	0.740	-14.9%	567.0	Y	12/2024	(11.7)	(9.8)	-160.9%	-183.9%	N.A.	N.A.	0.2	-2.9%	1.0	1.1%
<b>SECTOR AGGREGATE</b>					<b>29,851.7</b>					<b>6.1%</b>	<b>10.0%</b>	<b>12.3</b>	<b>11.2</b>	<b>0.8</b>	<b>6.8%</b>		<b>4.9%</b>

Source: Kenanga Research

### MBMR's ESG Ratings:

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Electric & Hybrid Vehicles Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★		
	Training & Education	★	★	★	★	
<b>OVERALL</b>		★	★	★		

### SIME's ESG Ratings:

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Electric & Hybrid Vehicles Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★	★	
	Training & Education	★	★	★	★	
<b>OVERALL</b>		★	★	★		

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

14 June 2024

**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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