

28 February 2025

HIL Industries

Perodua Drove Sales

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HIL's FY24 results disappointed. It ended the year on record FY24 net profit, rising 11% YoY, largely on strong auto parts sales to Perodua despite weaker property's contribution. For FY25, it will leverage on the all-new Perodua D66b by end-2025 and higher production capacity from its new plant. We cut FY25F net profit by 11% on fluctuating property segment contribution, and our SoP-derived TP by 9% to RM1.00 (from RM1.10). HIL currently trades at 6x PER on FY25F EPS, which is cheap versus its 5-year historical average of 11x. Maintain our OUTPERFORM call.

HIL's FY24 net profit came in below our expectation at 93% of forecast. The key variance against our forecast was due to the slower-than-expected property development from revised building plan. We have sole coverage on the stock.

YoY, HIL's FY24 revenue grew 4% underpinned by a 15% top-line growth at its manufacturing segment on strong sales of auto parts to its major customer, Perodua (+8% to 358,102 units) which more than offset the weaker property segment (-16%) due to slower Amverton townhouses development from revised building plan (84% as at January 2025) and Amverton Links Phase 3 (30% sold as at January 2025)

Its core net profit rose 11%, thanks to better margins from auto parts supplied to new car models, i.e. Perodua Axia, and Alza, and higher profit from the sales of Amverton Links Phase 3.

QoQ, HIL's 4QFY24 revenue rose 8% on stronger manufacturing top-line (+24%) on full capacity production and absence of major plant scheduled maintenance, which more than offset weaker property revenue (-29%) due to slower Amverton townhouses development from revised building plan. Its core net profit, however, plunged 14% due to higher effective tax rate at 25.2% vs 22.0% in 3QFY24 and lower property's profit contribution.

Outlook. HIL's new factory in Bukit Sentosa has started operations in January 2025, and is expected to expand the capacity (capacity doubled by adding one more production line from existing one production line) as well as enable it to move downstream and produce its own PU sheets which are currently imported as well as to be closer to its major customer, Perodua plants. This will allow HIL to enhance its competitiveness and reduce any risk of delay as a result of any transshipment issues.

Forecasts. We reduced FY25F net profit by 11% as we expect property development contribution to only recover in the 2HFY25. We introduced FY26F net profit of RM47.1m (+2%).

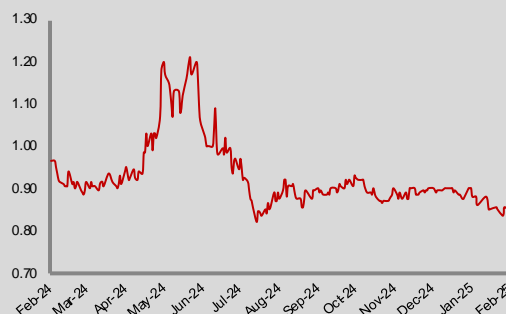
Valuations. Correspondingly, we cut our SoP-derived TP by 9% to RM1.00 from RM1.10 (see page 3). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see page 5).

Investment case. We like HIL for: (i) robust demand in its manufacturing division underpinned by strong orders for auto parts especially for new car models, i.e. Perodua Axia and Alza, upcoming models i.e. Perodua D66b with auto part order backlogs currently ranging from two to six months, depending on which customers, and (ii) its healthy pipeline of property projects. The share price has declined 7% YTD, which we believe has been factored in with HIL now trading at 6x based on our FY25F EPS, which is cheap versus historical average of 11x and auto sector's average forward PER of 11x. Maintain OUTPERFORM.

OUTPERFORM ↔

Price: RM0.83
Target Price: RM1.00 ↓

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-7.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HIL MK EQUITY
Market Cap (RM m)	275.5
Shares Outstanding	331.9
52-week range (H)	1.26
52-week range (L)	0.82
3-mth avg. daily vol.	67,748
Free Float	11%
Beta	0.8

Major Shareholders

Delta Industries Sdn	50.3%
Fame Alliance Sdn Bhd	7.8%
Ng Boon Thong	4.5%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Turnover	219.7	244.8	260.4
EBIT	53.5	58.6	62.4
PBT	56.9	62.3	63.4
Net Profit	42.3	46.3	47.1
Core Net Profit	42.3	46.3	47.1
Consensus (NP)	-	-	-
Earnings Revision	-	-11%	NEW
Core EPS (sen)	12.7	13.9	14.2
Core EPS (%)	4.8	9.5	1.8
NDPS (sen)	3.0	3.0	3.0
BVPS (RM)	1.4	1.5	1.7
PER (x)	6.5	6.0	5.8
PBV (x)	0.6	0.5	0.5
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	3.6	3.6	3.6

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Risks to our call include: (i) weaker-than-expected demand and prices for auto parts, (ii) higher input costs, and (iii) sustainability of recovery in the property sector.

Results Highlights

FYE Dec (RM m)	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Turnover	48.9	45.5	7.5%	61.5	-20.5%	219.7	212.2	3.5%
EBIT	12.2	12.0	1.5%	13.0	-5.8%	58.7	50.9	15.4%
Interest Income	0.6	0.9		0.8		3.4	3.3	
Interest Expenses	-0.1	0.0		0.0		0.7	0.0	
PBT/(LBT)	11.7	13.0	-10.0%	13.4	-12.5%	56.9	49.7	14.5%
Taxation	-3.0	-2.9	-3.2%	-3.1	4.5%	-14.6	-11.7	-24.9%
Net Profit	8.7	10.1	-13.7%	10.3	-14.9%	42.3	38.0	11.3%
EPS (sen)	2.6	3.1	-13.7%	3.1	-14.9%	12.7	11.4	11.3%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	25.0%	26.5%		21.1%		26.7%	24.0%	
PBT margin	23.9%	28.6%		21.7%		25.9%	23.4%	
NP margin	17.9%	22.3%		16.7%		19.2%	17.9%	
Effective tax rate	25.2%	22.0%		-23.1%		25.7%	23.6%	

Source: Company, Kenanga Research

Segmental Revenue

Revenue (RM m)	4Q	3Q	Q-o-Q	4Q	Y-o-Y	12M	12M	Y-o-Y
	FY24	FY24	Chg	FY23	Chg	FY24	FY23	Chg
Manufacturing	39.6	31.9	24.2%	38.2	3.7%	153.4	133.1	15.2%
Property development	9.5	13.5	-29.3%	23.3	-59.0%	66.3	79.0	-16.1%
Others	-1.0	0.1		0.0		0.0	0.7	
Total	48.2	45.5	5.9%	61.5	-21.6%	219.7	212.8	3.2%
Operating Profit (RM m)								
Manufacturing	10.6	8.9	18.0%	5.3	99.5%	37.4	26.5	41.3%
Property development	0.6	3.0	-81.5%	8.9	-93.7%	16.1	22.6	-28.7%
Others	3.4	0.1		-0.3		3.4	-0.3	
Total	14.5	12.0	20.3%	13.9	4.2%	56.9	48.8	16.6%
Operating Margin								
Manufacturing	26.7%	28.1%		13.9%		24.4%	19.9%	
Property Development	5.9%	22.4%		38.1%		24.3%	28.6%	
Total	30.1%	26.5%		22.6%		25.9%	22.9%	

Source: Company, Kenanga Research

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HIL's Sum-of-Parts Valuation

Segment	Value (RM m)	Basis
Manufacturing	202.9	10x FY25F PER, in-line with the average historical forward PER of the manufacturing sector.
Property Development	131.1	70% discount to RNAV
Sum of parts	334.0	
Total number of shares (m)	331.9	
TP (RM)	1.00	

RNAV of Property Division

Property Projects	Ownership	Land Area (acres)	GDV (RM m)	NPV of Profit (RM m)
Unik Sejati Sdn Bhd	77%	14.2	92.4	14.8
Pembinaan Kesentosaan Sdn Bhd	73%	6.2	45.2	5.4
Amverton Carey Golf & Island Resort Sdn Bhd (1)	79%	45.6	183.3	19.4
Amverton Carey Golf & Island Resort Sdn Bhd (2)	78%	35.1	150.2	20.0
Residensi Rimbun Amverton 2	100%	7.4	416.4	105.4
		108.5	887.5	164.9
Property Shareholders Fund				272.1
Total RNAV				437.1
Discount to RNAV (%)				70.0
Discounted RNAV				131.1

Source: Company, Kenanga Research

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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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	1.19	2.20	84.9%	1,381.6	Y	04/2025	19.4	22.8	-35.9%	17.5%	6.1	5.2	1.5	24.2%	17.5	14.7%
DRB-HICOM BHD	MP	0.800	0.850	6.3%	1,546.4	Y	12/2024	6.4	8.1	109.1%	26.2%	12.4	9.8	0.1	1.2%	2.0	2.5%
HIL INDUSTRIES BHD	OP	0.830	1.00	20.5%	275.5	Y	12/2024	13.9	14.2	9.5%	1.7%	5.9	5.8	0.5	9.3%	3.0	3.6%
HONG LEONG INDUSTRIES BHD	OP	13.48	15.90	18.0%	4,420.1	Y	06/2025	132.7	136.5	26.6%	2.8%	10.2	9.9	1.8	18.1%	70.0	5.2%
MBM RESOURCES BHD	OP	5.47	6.90	26.1%	2,138.2	Y	12/2024	86.8	88.0	1.9%	1.4%	6.3	6.2	0.8	12.9%	45.0	8.2%
SIME DARBY BHD	OP	2.29	2.90	26.6%	15,574.3	Y	06/2025	20.1	20.8	7.5%	3.4%	11.4	11.0	0.8	7.0%	13.5	5.9%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.360	0.440	22.2%	241.9	Y	12/2024	(28.6)	(21.4)	-248.6%	-174.8%	N.A.	N.A.	0.1	-7.3%	1.0	2.8%
SECTOR AGGREGATE					25,578.0					3.2%	7.9%	10.9	10.1	0.6	5.9%		6.1%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Community Investment	★	★	☆
	Workers Safety & Wellbeing	★	★	☆
	Corporate Governance	★	★	★
	Anti-Corruption Policy	★	★	☆
	Emissions Management	★	★	★
SPECIFIC	Product Quality & Safety	★	★	★
	Effluent/Waste Management	★	★	★
	Digitalisation & Innovation	★	★	☆
	Material/Resource Management	★	★	★
	Supply Chain Management	★	★	★
	Energy Efficiency	★	★	★
OVERALL		★	★	★

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

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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