Hong Leong Industries

A Star Performance

OUTPERFORM ↔

Price: **RM12.58**

Target Price: **RM17.70** ↑

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HLIND's FY25 results rose above our expectation on a record year performance. Its FY25 core net profit rose 46% YoY driven by higher production volume for all new motorcycle models, price hikes, and a shift toward more premium products with strong margins. For the next 3 years, it plans to launch 7 new models which are expected to boost volume and margins which we have not factored into our forecasts yet pending the official launch to get the better sense of demand for each model. We raise our FY26F net profit by 2%, introduce FY27F net profit and lift our TP on higher quantum of 6% to RM17.70 (from RM16.70) as we roll-over valuation year to FY26F (from FY25F). Reiterate our OUTPERFORM call.

HLIND's FY25 core net profit (excluding one-offs at RM16.4m) beat our expectation, coming in 10% above of our full-year forecast. The variance against our forecast arose largely from higher-than-expected margins given product mix skewed toward the new models. We have sole coverage on the stock. No dividend was declared for the quarter as it typically declares a final dividend in 3Q.

YoY, its FY25 revenue rose 15% driven by higher production volume of the new model Yamaha Y16ZR ABS (launched in Jan 2024), all-new Yamaha PG-1 (launched in August 2024), Yamaha MT-09 4th Gen (launched in October 2024) and consistent strong demand for other models. There was also an increase in sales for the automatic models such as NVX, TMAX and XMAX (250cc). Its plant utilisation levels at both Yamaha Motor and Guocera production plants rose to 80%-85% (from 70%-80%). Meanwhile, its associate Yamaha Motor Vietnam (YMVN) recorded lower profit contribution to RM21.5m (-43%) from losses in 3QFY25 due to challenging operating environment (but has since returned to a profit in 4QFY25 after getting delivery back on track).

Its core net profit soared 46% on: (i) an average price hike of 5% since early-CY24, (ii) a shift in product mix away from mass-market models, i.e. 125cc and below, of which demand is slowing, towards more premium models such as 135LC, Y16ZR and Y15ZR, and (iii) higher margins realised from the PG-1, MT-09 and Y16ZR ABS models.

QoQ, its 4QFY25 revenue fell 6% due to shift in production volume to XMAX 2025 and TMAX Tech Max 2025 (launched in May 2025) with consistent strong demand for the other models. Its core net profit fell 4% on slightly lower tax rate of 24.4% vs 24.8% in 3QFY25.

Outlook. It introduced the all-new Yamaha PG-1 (RRP at RM6,998) in August 2024, which is expected to be a new volume-driven model (expected production of at least 500 units per month, with production scaled up thereafter based on demand). It also introduced Yamaha MT-09 4th Gen (launched in October 2024, RRP at RM57,998) and XMAX 2025, RRP at RM 24,888 & TMAX Tech Max 2025, RM75,888 (launched in May at Malaysia Autoshow 2025) which are margin-driven models. For FY26-FY28, it plans to introduce 7 new models which is expected to boost volume and margins, with 3 new models in FY26 alone. It also plans to build a new Guocera tiles plant with production expected to begin in 2026. Fully automated, the plant can produce bigger format size tiles which command a higher margin compared to the existing production line.

Forecasts. We raise our FY26F net profit by 2% mainly on house-keeping purposes to reflect the higher market share of 54% in FY25 (from 52%) of motorcycles industry volume of 700k units. We also introduced FY27F net profit higher at RM492.4m (+2%). We have yet to factor in the 7 new models and the expanded Guocera tile plant.

Share Price Performance



KLCI	1,602.5
YTD KLCI chg	-2.4%
YTD stock price chg	-1.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HLI MK EQUITY
Market Cap (RM m)	4,019.0
Shares Outstanding	319.5
52-week range (H)	15.74
52-week range (L)	11.24
3-mth avg. daily vol.	885,116
Free Float	17%
Beta	0.9

Major Shareholders

Hong Leong Co Malaysia	75.2%
Prudential PLC	1.5%
Public Mutual-PB Smallcap Growth Fund	1.5%

Summary Earnings Table

FY June (RM m)	2025A	2026F	2027F
Revenue	3,570.4	3,526.7	3,543.5
EBIT	771.9	961.1	992.2
PBT	865.9	835.2	852.7
Net Profit	**486.0**	**482.4**	**492.4**
Core Net Profit	**502.4**	**482.4**	**492.4**
Consensus (NP)	-	-	-
Earnings Revision	-	+2%	new
Core EPS (sen)	153.2	147.1	150.2
Core EPS (%)	46.1	-4.0	2.1
NDPS (sen)	80.0	80.0	80.0
BVPS (RM)	7.03	7.70	8.41
PER (x)	8.2	8.6	8.4
PBV (x)	1.8	1.6	1.5
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	6.4	6.4	6.4

Valuations. Correspondingly, we upgrade our TP by 6% to **RM17.70 (from RM16.70),** as we roll-over valuation year to FY26F (from FY25F) based on unchanged PER of 12x, at 1x multiple premium to passenger vehicle sector's average forward PER of 11x given its strong market position in the local motorcycle segment which prospects are buoyed by the booming gig economy. There is no adjustment to our target price based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We continue to like HLIND: (i) as it is a strong proxy to the booming gig economy given the critical role of motorised two-wheelers in executing online delivery transactions, (ii) for its association with the strong Yamaha motorcycle brand in Malaysia and the brand's market leader position in the local motorcycle segment, and (iii) for its solid war chest with a net cash of RM1.9b that could be deployed for earnings-accretive acquisitions. Its dividend yield is also attractive at 6%. Maintain **OUTPERFORM.**

Risks to our call include: (i) consumers cutting back on discretionary spending (particularly big-ticket items like new motorcycles) amidst high inflation, (ii) supply chain disruptions, (iii) escalating input costs, and (iv) a global recession hurting demand for the export of its motorcycles and tiles.

Results Highlights

FYE June (RM m)	4QFY25	3QFY25	QoQ	4QFY24	YoY	FY25	FY24	YoY
Revenue	841.9	893.2	-6%	773.7	9%	3,570.4	3,111.1	15%
EBIT	184.4	199.2	-7%	138.9	33%	788.3	516.7	53%
Interest Income	21.4	16.9	27%	17.2	25%	72.6	64.5	13%
Interest Expenses	(0.2)	(0.2)	-2%	(0.2)	34%	(0.9)	(1.2)	-22%
Associates	9.2	(4.5)	-308%	14.4	-36%	21.5	37.7	-43%
EI^	(3.0)	(26.7)		0.0		(16.4)	44.0	
PBT	211.8	184.7	15%	170.3	24%	865.9	661.7	31%
Tax Expense	(51.7)	(45.8)		(38.1)		(204.1)	(146.8)	
Minority Interest	(43.0)	(40.1)		(33.9)		(175.7)	(126.9)	
Net Profit	**117.2**	**98.9**	**18%**	**98.3**	**19%**	**486.0**	**387.9**	**25%**
Core Net Profit	**120.2**	**125.6**	**-4%**	**98.3**	**22%**	**502.4**	**343.9**	**46%**
NDPS (sen)	**0.0**	**55.0**		**0.0**		**80.0**	**107.0**	
EBIT Margin	21.9%	22.3%		17.9%		22.1%	16.6%	
PBT Margin	25.2%	20.7%		22.0%		24.3%	21.3%	
CNP Margin	14.3%	14.1%		12.7%		14.1%	11.1%	
Effective Tax Rate	24.4%	24.8%		22.4%		23.6%	22.2%	

Source: Company, Bursa Malaysia, Kenanga Research,
One-offs at RM12.6m for disposal of an old factory land, and RM28m sales tax as Custom won their appeal against HLIND in Federal Court (This was related to a court case since 2-3 years ago).

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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	MP	0.655	0.850	29.8%	760.5	Y	04/2026	9.4	13.2	-29.9%	40.6%	7.0	4.9	1.1	15.5%	7.5	11.5%
DRB-HICOM BHD	UP	0.835	0.680	-18.6%	1,614.1	Y	12/2025	3.9	5.4	27.4%	37.6%	21.2	15.4	0.2	0.7%	2.0	2.4%
HIL INDUSTRIES BHD	MP	0.750	0.800	6.7%	248.9	Y	12/2025	9.6	9.6	-24.4%	0.0%	7.8	7.8	0.5	6.5%	3.0	4.0%
HONG LEONG INDUSTRIES BHD	OP	12.58	17.70	40.7%	4,125.0	Y	06/2026	147.1	150.2	-4.0%	2.1%	8.6	8.4	1.5	18.4%	80.0	6.4%
MBM RESOURCES BHD	OP	4.98	6.90	38.6%	1,946.7	Y	12/2025	86.8	88.0	1.9%	1.4%	5.7	5.7	0.7	12.9%	45.0	9.0%
SIME DARBY BHD	UP	1.66	1.65	-0.6%	11,289.7	Y	06/2026	13.9	15.1	-26.0%	8.9%	12.0	11.0	0.6	4.8%	10.0	6.0%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.590	0.300	-49.2%	396.5	Y	12/2025	(27.6)	(24.4)	-179%	-188%	N.A.	N.A.	0.2	-7.7%	1.0	1.7%
SECTOR AGGREGATE					**20,381.2**					**-15.9%**	**10.8%**	**11.3**	**10.2**	**0.5**	**4.6%**		**5.9%**

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	Electric & Hybrid Engine Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★		
	Training & Education	★	★	★		
	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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