

28 November 2025

## Sime Darby

### Margins on the Mend

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SIME's 1QFY26 results met expectation. Its 1QFY26 core net profit fell 7% dragged by weaker profits in both the industrial (-10%) and automotive (-25%) segments which eclipsed UMW's strong earnings (+22%). Industrial segment was affected by the weaker AUD/MYR exchange rate (8% devaluation), and stabilisation of parts margins to mid-band average, while automotive was affected by intense discounting promotion in both China and Malaysia markets. SIME expects the situation to improve in the upcoming quarters with the shift in industrials equipment delivery to 2QFY26 and introduction of new models under the automotive segment. We maintain our forecasts, SoP-derived TP of RM1.90 and MARKET PEFORM call. It also offers an attractive dividend yield of 6%.

Its 1QFY26 core net profit (excluding one-offs at RM20m) met both our and consensus estimates at 27% each of full-year estimate. The one-offs include gain on disposal of MVV land, other disposals, and forex (RM20m). No dividend was declared as it typically announced half-yearly.

YoY, its 1QFY26 revenue fell 1% largely due to weaker industrials (-14%) which more than offset the stronger automotive (+6%) sales and flattish top-line contribution from UMW (0%).

Its industrial business weaker sales contribution stemmed from: (i) higher base due to large deliveries in 1QFY25, (ii) shift in delivery timings for mining and construction equipment from 1QFY26 to 2QFY26, worsened by reduced margin impacted by: (i) weaker AUD/MYR exchange rate (8% devaluation), and (ii) parts margins stabilising to mid-term average (from high single-digit growth).

Meanwhile, its automotive division's sales were stronger at 36,387 units (+16%) across all markets, except for China, HK, Macau & Taiwan on continued intensified discounting competition at China market. However, in Malaysia market, it saw reduced margins arising from intense competition, and lower profit from assembly operations. In terms of geographical regions, Malaysia (+4%) was buoyed by order backlogs of new models, while in other markets such as Singapore, Thailand, and the Philippines (+32%), China (-2%) and Australasia (-16%), sales were driven by electric vehicles (EV). For Singapore, BYD is the market leader in the EV market, resulting in stronger growth over the other markets. Additionally, under UMW Holdings, for 9MCY25, UMW Toyota and Lexus sold 70,418 units (-2%), while Perodua sold 255k units (-2%).

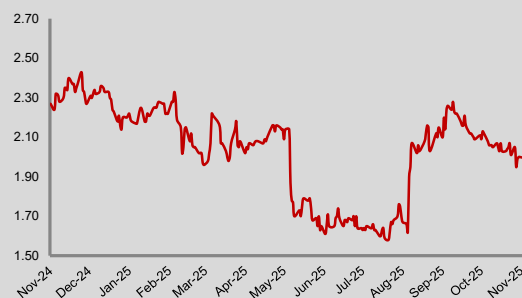
Its 1QFY26 core net profit fell 7% dragged by weaker profits for both the industrial (-10%) as mentioned above and automotive (-25%) segments, largely from reduced margins in the Malaysian market which overshadowed the robust consolidation of UMW's earnings (+22%).

QoQ. SIME's 1QFY26 revenue rose 2% driven by stronger automotive division (+7%) and UMW contribution (+4%), which more than offset the weaker industrials (-9%). Its core net profit, however, was flattish due to significant reduction in margins under Industrials (-31%) as mentioned above and higher effective tax rate of 22.5% vs. 20.7% in 4QFY25 which offset the turn-around in its China automotive division, and improved profit contribution from UMW.

## MARKET PERFORM ↔

Price: **RM2.01**  
Target Price: **RM1.90** ↔

### Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	-14.4%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SIME MK EQUITY
Market Cap (RM m)	13,699.4
Shares Outstanding	6,815.6
52-week range (H)	2.42
52-week range (L)	1.56
3-mth avg. daily vol.	22,665,660
Free Float	55%
Beta	0.9

### Major Shareholders

Amanah Saham Nasional Bhd	39.2%
Employees Provident Fund	17.6%
KWAP	6.7%

### Summary Earnings Table

FY June (RM m)	2025A	2026F	2027F
Revenue	70,061	74,787	78,709
EBIT	3,079	2,347	2,446
PBT	3,051	1,871	2,004
<b>Net Profit</b>	<b>1,167</b>	<b>1,264</b>	<b>1,362</b>
<b>Core Net Profit</b>	<b>1,167</b>	<b>1,264</b>	<b>1,362</b>
Consensus (NP)	-	1,272	1,344
Earnings Revision	-	-	-
Core EPS (sen)	17.2	18.6	20.0
Core EPS Grwth (%)	2.9	8.3	7.7
NDPS (sen)	14.0	14.0	14.0
BV/Share (RM)	3.43	3.47	3.51
Core PER (x)	11.7	10.8	10.0
Price/BV (x)	0.6	0.6	0.6
Net Gearing (x)	0.2	0.1	0.1
Net Dvd. Yield (%)	7.0	5.7	5.6

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The key takeaways from its results briefing are as follows:

1. SIME maintained its guidance at mid-single-digit margins for the industrial division as margins improved during June 2025 after old cheaper stocks were depleted and will remain so for FY26 (despite the recent unfavourable forex AUD/MYR situation). Caterpillar has increased parts price in July 2025 for which we have factored into our forecast accordingly. SIME expects continued demand for new equipment across mining and construction sectors across all markets. Australian mining export volumes for key commodities are expected to remain strong, supported by global demand for critical minerals for energy transition. Malaysian market saw robust order book growth to RM1.3b (from RM950m in 4QFY25) on strong delivery of power systems, underpinned by robust pipeline of data centre projects currently under construction. It still has a healthy order book of RM4.8b in 1QFY26 (+6% YoY).
2. SIME is long-term bullish on the China market with the China-for-China strategy led by the new BMW Neue Klasse EV set for production in 2026 (special designs and functions for China) as well as the cost optimisation strategy which include closure of non-performing dealerships, special rebate & lower volume target by the BMW principal. China's anti-involution campaign signals a clear shift in industrials policy towards profitability, scale and innovation over unchecked competition which is expected to gradually improve its China market, but the absence of EV rebates also hurt its EV sales & margin.
3. SIME considers UMW as its third core business as it offers diversification with its presence in the mid-market segment (i.e. Toyota) and the affordable segment (i.e. Perodua), from its predominantly premium offerings (i.e. BMW). This puts it in a better position to navigate the impending RON95 subsidy rationalisation in the 2HCY25. UMW Toyota's CY25 unit sales target is 90k units (-12%) with backlogged orders of 15k units, while Perodua's CY25 unit sales target is 345k units (-4%) with backlogged orders of 89k units.

**Forecasts.** Maintained.

**Valuations.** We also maintain our SoP-derived TP of RM1.90 (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 SIME for: (i) its unique position as being the automotive leader in Malaysia (60% market share) and EV leader in Singapore, Thailand and the Philippines while balancing out the cyclical demand in other region, and (ii) strong sales and margin at industrials segment being a proxy to the Australian mining sector (for its rare high-quality met coal and other high-demand sustainable-related metals). It also offers an attractive dividend yield of 6%. Maintain **MARKET PERFORM** call.

**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 automotive supply chain.

### Results Highlights

FY June (RM m)	1Q26	4Q25	QoQ	1Q25	YoY	1Q26	1Q25	YoY
Revenue	18,031	17,758	2%	18,264	-1%	18,031	18,264	-1%
Op Profit	522	617	-15%	657	-21%	522	657	-21%
Net Inc/Net (Expenses)	-107	-109	-2%	-157	-32%	-107	-157	-32%
Share of Assc. and JVs' results	144	109	32%	121	19%	144	121	19%
EI <sup>^</sup>	20	429		436		20	436	
PBT	579	1,046	-45%	1,057	-45%	579	1,057	-45%
Tax	-130	-216	-40%	-180	-28%	-130	-180	-28%
MI	-77	-49	57%	-65	18%	-77	-65	18%
<b>Reported Net Profit</b>	<b>355</b>	<b>763</b>	<b>-53%</b>	<b>795</b>	<b>-55%</b>	<b>355</b>	<b>795</b>	<b>-55%</b>
<b>Core Net Profit</b>	<b>335</b>	<b>334</b>	<b>0%</b>	<b>359</b>	<b>-7%</b>	<b>335</b>	<b>359</b>	<b>-7%</b>
Reported EPS (sen)	5.2	11.2	-54%	11.6	-55%	5.2	11.6	-55%
Net DPS (sen)	0.0	10.0		0.0		0.0	0.0	
EBIT %	2.9%	3.5%		3.6%		2.9%	3.6%	
PBT%	3.2%	5.9%		5.8%		3.2%	5.8%	
Tax %	22.5%	20.7%		17.0%		22.5%	17.0%	

Source: Company, Kenanga Research

<sup>^</sup> Gain on disposal of MVV land, other disposals, forex (RM21m).

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**Segmental Breakdown**

FY June (RM m)	1Q26	4Q25	QoQ	1Q25	YoY %	1Q26	1Q25	YoY
<b>Segmental Revenue</b>								
- Industrial	4,465	4,908	-9%	5,188	-14%	4,465	5,188	-14%
- Motor Vehicles	9,167	8,603	7%	8,674	6%	9,167	8,674	6%
- UMW Holdings	4,385	4,231	4%	4,385	0%	4,385	4,385	0%
- Others	14	16	-13%	17	-18%	14	17	-18%
<b>Total Revenue</b>	<b>18,031</b>	<b>17,758</b>	<b>2%</b>	<b>18,264</b>	<b>-1%</b>	<b>18,031</b>	<b>18,264</b>	<b>-1%</b>
<b>Segmental Core PBT</b>	<b>1Q26</b>	<b>4Q25</b>	<b>QoQ</b>	<b>1Q25</b>	<b>YoY %</b>	<b>1Q26</b>	<b>1Q25</b>	<b>YoY</b>
- Industrial	293	425	-31%	325	-10%	293	325	-10%
- Motor Vehicles	126	-10	-1360%	167	-25%	126	167	-25%
- UMW Holdings	261	279	-6%	214	22%	261	214	22%
- Others	-15	0	#DIV/0!	14	-207%	-15	14	-207%
<b>Total Core PBT</b>	<b>665</b>	<b>694</b>	<b>-4%</b>	<b>720</b>	<b>-8%</b>	<b>665</b>	<b>720</b>	<b>-8%</b>
<b>Core Net Profit</b>	<b>335</b>	<b>334</b>	<b>0%</b>	<b>359</b>	<b>-7%</b>	<b>335</b>	<b>359</b>	<b>-7%</b>

Source: Company, Kenanga Research

**Sum-of-Parts Valuation**

Segment	Valuation (RM m)	Basis
Motors (excluding UMW)	3,468	5x PER
Industries	8,719	8x PER
UMW Holdings Bhd	2,566	7x PER
Land Assets at Malaysia Vision Valley, Labu	1,546	4,200 acres @RM0.368m/acres or RM8.46/sq ft
<b>Subtotal</b>	<b>16,299</b>	
Net cash / (debt)	-3,353	
<b>Total</b>	<b>12,946</b>	
No. of shares (m)	6,800	
<b>TP (RM)</b>	<b>1.90</b>	

Source: 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.
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	MP	0.545	0.600	10.1%	782.7	Y	04/26	6.2	9.4	-53.6%	51.1%	8.7	5.8	0.8	9.8%	5.0	9.2%
DRB-HICOM BHD	UP	1.15	0.700	-39.1%	1,913.9	Y	12/25	6.2	8.1	101.5%	31.1%	18.5	14.1	0.2	1.2%	3.0	2.6%
HIL INDUSTRIES BHD	MP	0.710	0.740	4.2%	249.0	Y	12/25	9.4	9.5	-26.1%	0.5%	7.5	7.5	0.5	6.4%	2.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	15.04	18.90	25.7%	4,472.6	Y	06/26	157.4	160.6	2.7%	2.0%	9.6	9.4	2.0	21.4%	90.0	6.0%
MBM RESOURCES BHD	OP	5.50	7.00	27.3%	2,040.4	Y	12/25	86.8	88.2	1.9%	1.6%	6.3	6.2	0.9	14.6%	39.0	7.1%
SIME DARBY BHD	MP	2.01	1.90	-5.5%	14,789.8	Y	06/26	18.6	20.0	8.3%	7.8%	10.8	10.0	0.7	6.5%	14.0	7.0%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.625	0.300	-52.0%	381.2	Y	12/25	(27.6)	(24.4)	-179%	-188%	N.A.	N.A.	0.2	-7.7%	1.0	1.6%
<b>SECTOR AGGREGATE</b>					<b>24,629.6</b>					<b>6.4%</b>	<b>9.7%</b>	<b>11.4</b>	<b>10.4</b>	<b>0.6</b>	<b>5.6%</b>		<b>5.2%</b>

Source: Kenanga Research

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**Stock 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

**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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