

27 February 2026

Sime Darby

Automotive in the Spotlight

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SIME's 1HFY26 results beat expectations. Its core net profit soared 15% largely from strong automotive profits, particularly from China market turnaround, and Singapore EV market leader position, and supported by UMW contribution. SIME is optimistic that Industrials near-term headwinds will ease in the upcoming quarters as miners are at the tail-end of parts replacement cycle after delaying for few quarters, and with AUD/MYR exchange rate expected to stabilise at this level. We raise FY26F and FY27F core net profit by 7% each, SoP-derived TP by 2% to RM2.75 (from RM2.70) and reiterate our OUTPERFORM call. It also offers an attractive dividend yield of 5%.

Its 1HFY26 core net profit (excluding one-offs of RM12m) beat expectations at 58% of both our and consensus estimates due to higher-than-expected automotive operating results. The one-offs include gain on disposal of MVV land, other disposals, and forex (RM12m). It declared a first interim NDPS of 3.0 sen vs 4.0 sen for 1HFY25, as expected, with SIME indicating a potential special dividend announcement on non-core assets disposals in the 2HFY26.

YoY, its 1HFY26 revenue rose 3% largely due to the stronger automotive (+9%) sales and UMW contribution (+2%), partially offset by weaker industrials (-7%).

Its industrial business weaker sales contribution stemmed from: (i) higher base due to large deliveries in 1HFY25, (ii) shift in delivery timings for mining and construction equipment due to cautious miners spending amidst global trade uncertainties, worsened by reduced margin impacted by: (i) weaker AUD/MYR exchange rate (6% devaluation), and (ii) parts margins stabilising to mid-term average (from high single-digit growth).

Meanwhile, its automotive division's sales were stronger at 74,841 units (+13%) across all market. In terms of geographical regions, China, HK, Macau & Taiwan (-6%) continued to see intensified discounting competition (only slight easing) but with strong turnaround to profit of RM58m vs. loss of RM10m in 1HFY25 largely from BMW principal dealers rebates, Malaysia (+18%) was driven by strong EV sales but at reduced profit margins from intense competition (-8%), Singapore, Thailand, and the Philippines (+34%) riding on robust EV sales in Singapore (BYD is the market leader, with higher allocation of COEs) at higher margins (+22%) and Australasia (-14%) losing market share at reduced profit margins from intense competition (-56%). Additionally, under UMW Holdings, for 12MCY25, UMW Toyota and Lexus sold 102,417 units (+1%), while Perodua sold 359,904k units (+1%).

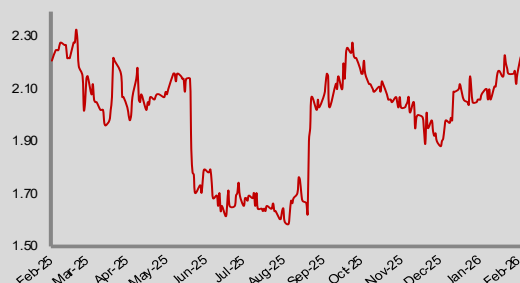
Its 1HFY26 core net profit soared 15% largely from strong automotive profits (+18%) particularly from China market turnaround, and its Singapore EV market leader position, and supported by UMW contribution (+9%).

QoQ. SIME's 2QFY26 revenue rose 5% with all segments recorded strong results - automotive (+7%), industrials (+6%) and UMW contribution (+1%). Its core net profit soared 34% largely from strong automotive profits (+18%) from as mentioned above, and industrials (+2%) on gradual recovery in industrials parts sales, as well as on lower effective tax rate of 21.3% vs. 22.5% in 1QFY26.

OUTPERFORM ↔

Price: **RM2.39**
Target Price: **RM2.75** ↑

Share Price Performance



KLCI	1,740.94
YTD KLCI chg	3.6%
YTD stock price chg	11.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SIME MK EQUITY
Market Cap (RM m)	16,289.3
Shares Outstanding	6,815.6
52-week range (H)	2.45
52-week range (L)	1.56
3-mth avg. daily vol.	12,038,110
Free Float	56%
Beta	0.9

Major Shareholders

Amanah Saham Nasional Bhd	38.7%
Employees Provident Fund	17.2%
KWAP	6.9%

Summary Earnings Table

FY June (RM m)	2025A	2026F	2027F
Revenue	70,061	81,752	87,624
EBIT	3,079	2,526	2,675
PBT	3,051	2,027	2,182
Net Profit	1,167	1,349	1,459
Core Net Profit	1,167	1,349	1,459
Consensus (NP)	-	1,312	1,379
Earnings Revision	-	+7%	+7%
Core EPS (sen)	17.2	19.8	21.5
Core EPS Grwth (%)	2.9	15.6	8.1
NDPS (sen)	14.0	14.0	14.0
BV/Share (RM)	3.43	3.48	3.53
Core PER (x)	13.9	12.0	11.1
Price/BV (x)	0.7	0.7	0.7
Net Gearing (x)	0.2	0.2	0.2
Net Dvd. Yield (%)	5.9	4.8	4.8

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Forecasts. We raised FY26F and FY27F core net profit by 7% each to reflect the strong automotive sales and margin.

Valuations. We also raised our SoP-derived TP by 2% to RM2.75 from RM2.70 (see Page 3). The lower quantum increase was due to the industrials segment still forming a larger part of SIME Sum-of-Parts (SoP) valuation. 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 cyclical demand in other regions, and (ii) the strong sales and margin at its industrials segment acting as 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 5%. We expect significant investment by its industrial's clients for the next five years translating into a potential industrials segment double-digit growth for both sales and margin. Maintain **OUTPERFORM** 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)	2Q26	1Q26	QoQ	2Q25	YoY	6MFY26	6MFY25	YoY
Revenue	18,974	18,031	5%	17,726	7%	37,005	35,990	3%
Op Profit	610	522	17%	547	12%	1,132	1,204	-6%
Net Inc/Net (Expenses)	-105	-107	-2%	-147	-29%	-212	-304	-30%
Share of Assc. and JVs' results	165	144	15%	157	5%	309	278	11%
EI [^]	-8	20		-2		12	434	
PBT	662	579	14%	555	19%	1,241	1,612	-23%
Tax	-141	-130	8%	-150	-6%	-271	-330	-18%
MI	-72	-84	-14%	-84	-14%	-156	-149	5%
Reported Net Profit	431	347	24%	303	42%	778	1,098	-29%
Core Net Profit	439	327	34%	305	44%	766	664	15%
Reported EPS (sen)	6.3	5.2	21%	4.5	40%	11.5	16.1	-29%
Net DPS (sen)	3.0	0.0		4.0		3.0	4.0	
EBIT %	3.2%	2.9%		3.1%		3.1%	3.3%	
PBT%	3.5%	3.2%		3.1%		3.4%	4.5%	
Tax %	21.3%	22.5%		27.0%		21.8%	20.5%	

Source: Company, Kenanga Research

[^] Gain on disposal of MVV land, other disposals, forex.

Segmental Breakdown

FY June (RM m)	2Q26	1Q26	QoQ	2Q25	YoY %	6MFY26	6MFY25	YoY
Segmental Revenue								
- Industrial	4,719	4,465	6%	4,661	1%	9,184	9,849	-7%
- Motor Vehicles	9,808	9,167	7%	8,779	12%	18,975	17,453	9%
- UMW Holdings	4,435	4,385	1%	4,266	4%	8,820	8,651	2%
- Others	12	14	-14%	20	-40%	26	37	-30%
Total Revenue	18,974	18,031	5%	17,726	7%	37,005	35,990	3%
Segmental Core PBT								
- Industrial	300	293	2%	337	-11%	593	662	-10%
- Motor Vehicles	209	126	66%	118	77%	335	285	18%
- UMW Holdings	269	261	3%	272	-1%	530	486	9%
- Others	-11	-15	-27%	-25	-56%	-26	-11	136%
Total Core PBT	767	665	15%	702	9%	1,432	1,422	1%
Core Net Profit	439	327	34%	305	44%	766	664	15%

Source: Company, Kenanga Research

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Sum-of-Parts Valuation		
Segment	Valuation (RM m)	Basis
Motors (excluding UMW)	5,393	7x PER
Industries	14,169	13x 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
Subtotal	23,673	
Net cash / (debt)	-4,890	
Total	18,783	
No. of shares (m)	6,800	
TP (RM)	2.75	

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.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.845	0.800	-5.3%	782.7	Y	04/26	5.7	9.8	-57.2%	70.2%	14.7	8.6	1.5	10.0%	4.6	5.4%
DRB-HICOM BHD	UP	1.15	0.620	-46.1%	1,913.9	Y	12/25	5.1	5.4	55.4%	6.3%	22.5	21.2	0.2	0.9%	3.0	2.6%
HIL INDUSTRIES BHD	OP	0.710	0.850	19.7%	249.0	Y	12/25	11.2	11.4	2.8%	2.3%	6.3	6.2	0.4	7.2%	2.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	18.88	18.90	0.1%	4,472.6	Y	06/26	157.4	160.6	2.7%	2.0%	12.0	11.8	2.4	21.4%	110.0	5.8%
MBM RESOURCES BHD	MP	5.12	5.25	2.5%	2,040.4	Y	12/25	86.8	88.2	1.9%	1.6%	5.9	5.8	0.8	14.6%	39.0	7.6%
SIME DARBY BHD	OP	2.39	2.75	15.1%	14,789.8	Y	06/26	19.8	21.5	15.6%	8.1%	12.0	11.1	0.8	7.0%	14.0	5.9%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.550	0.300	-45.5%	381.2	Y	12/25	(27.6)	(24.4)	-179%	-188%	N.A.	N.A.	0.2	-7.7%	1.0	1.8%
SECTOR AGGREGATE					24,629.6					9.7%	9.0%	11.1	10.2	0.6	5.7%		4.6%

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 Vehicles 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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