DRB-HICOM

Proton Driving Force

UNDERPERFORM ↔

Price:	**RM1.14**
Target Price:	**RM0.77 ↑**

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DRBHCOM's 1QFY26 results beat our expectation as its core net profit soared +178% YoY and 1,060% QoQ largely driven by strong Proton sales, driven by Proton eMas 5 (the highest EV sales for a single model in 2026), and Proton Saga with backlog bookings of more than 100k units, which more than offset weaker performance of its other segments. We raised both FY26F and FY27F core net earnings by 41% each and TP by 24% to RM0.77 from RM0.62. However, we maintain our UNDERPERFORM call due to its significant volatile results performance. Re-rating catalysts would be sustained sales/margin of mobility segment and turnaround of its postal business.

DRBHCOM's 1QFY26 core net profit (excluding one-offs at RM11m) came in above our expectation at 34% our full-year forecast, but within consensus at 22% of its full-year estimate. The key variant from our estimate is stronger-than-expected mobility segment sales/margin performance.

Results performance. Its 1QFY26 revenue rose 16% YoY and 4% QoQ driven by; (i) stronger mobility sales (+20% YoY and +6% QoQ) largely driven by Proton at 48,439 units (+42% YoY and +17% QoQ) with exceptional sales of Proton eMas 5 (the highest EV sales for a single model in 2026), and Proton Saga with backlog bookings of more than 100k units. These more than offset the weaker sales of Mitsubishi at 3,043 units (-18% YoY and -15% QoQ), and Isuzu at 2,424 units (-20% YoY and -39% QoQ) due to intense competition in the mid-market segments, (ii) higher financing income from Bank Muamalat (+9% YoY and +6% QoQ), and (iii) postal service (+8% YoY, QoQ) on one-off postal mailing project and higher parcel volume on double festive celebrations, which more than offset weaker properties and others (-70% YoY and -86% QoQ), and services (-1% YoY and -9% QoQ) due to lacks of new properties launches and intensifying competition in the services segment.

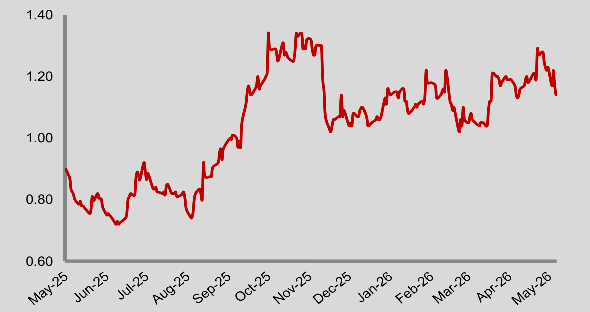
Its share of associates' profit was weaker (-46% YoY and +50% QoQ) on heavy discounting to sustain the sales volume by 34%-owned Honda Malaysia to 12,830 units (-35% YoY and -46% QoQ).

All in, its core net profit soared 178% YoY and 1,060% QoQ.

Forecasts. We raised both FY26F and FY27F core net profits by 41% each to account for the stronger proton sales. We raised Proton sales estimate to 200k units (from 162k units, previously) which matches its guided sales target.

Valuations. We also raised our Sum-of-Parts (SoP)-derived TP by 24% to RM0.77 from RM0.62 (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).

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	9.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	DRB MK EQUITY
Market Cap (RM m)	2,203.9
Shares Outstanding	1,933.2
52-week range (H)	1.35
52-week range (L)	0.71
3-mth avg. daily vol.	2,248,333
Free Float	37%
Beta	1.0

Major Shareholders

Etika Strategi Sdn Bhd	55.9%
Employees Provident Fund	8.0%
Lembaga Tabung Haji	3.7%

Summary Earnings Table

FYE Dec (RM m)	**2025A**	**2026F**	**2027F**
Revenue	17,310	19,360	20,351
EBIT	911	568	642
PBT	654	177	191
Net Profit	**398**	**140**	**148**
Core Profit	**64**	**140**	**148**
Consensus (NP)	-	154.5	199.0
Earnings Revision	-	+41%	+41%
Core EPS (sen)	3.3	7.2	7.7
CEPS Growth (%)	6.6	119.9	6.0
NDPS (sen)	2.0	2.0	2.0
BV/Share (RM)	4.04	4.15	4.27
Core PER (x)	34.7	15.8	14.9
P/BV (x)	0.3	0.3	0.3
Gearing (x)	0.7	0.9	0.9
Net Div. Yield (%)	1.8	1.8	1.8

Investment case. We are cautious on DRBHCOM for: (i) its inability to capitalise it position as the second largest player in the local automotive sector, second only to Perodua, with a market share of about 30%, (ii) reduced profit for its banking franchise under Bank Muamalat, and (iii) uncertain outlook for its Postal & Properties segments with continuous losses. We are monitoring the recent proposal to set a floor price for courier services to ensure healthy competition in the sector which is expected to improve its postal segment business condition. With rising competition in the automotive segment especially within the current mid-market segment of Proton and uncertain outlook for its other segments, we maintain our **UNDERPERFORM** call. Re-rating catalysts would be sustained sales/margin of mobility segment and turnaround of its postal business.

Risks to our call include: (i) consumers splurging on discretionary spending (particularly big-ticket items like new cars), (ii) significant improvement (including chip shortages) in the global automotive supply chain, (iii) improving capital market activities (Bank Muamalat), and (iv) a global recovery with improving demand for transport and aviation services.

Results Highlights

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Revenue	**4,761**	**4,570**	**4%**	**4,114**	**16%**	**4,761**	**4,114**	**16%**
EBIT/ (LBIT)	254	113	125%	131	94%	254	131	94%
Interest Expenses	(131)	(130)	1%	(130)	1%	(131)	(130)	1%
Associates	27	18	50%	50	-46%	27	50	-46%
Joint Venture	32	38	-17%	37	-15%	32	37	-15%
EI	11	334		5		11	5	
PBT/ (LBT)	192	373	-48%	93	108%	192	93	108%
Taxation	(39)	5	-943%	(29)	34%	(39)	(29)	34%
Sukuk Holders & MI	(109)	(36)	202%	(46)	136%	(109)	(46)	136%
Net Profit / (NL)	**45**	**337**	**-87%**	**18**	**154%**	**45**	**18**	**154%**
Core net profit / (CNL)	**34**	**3**	**1060%**	**12**	**178%**	**34**	**12**	**178%**
EPS/ (LPS) (sen)	2	17	-87%	1	154%	2	1	154%
EBIT margin	**5.3%**	**2.5%**		**3.2%**		**5.3%**	**3.2%**	
PBT margin	4.0%	8.2%		2.3%		4.0%	2.3%	
CNP margin	0.7%	0.1%		0.3%		0.7%	0.3%	
Effective tax rate	20.1%	-1.2%		31.2%		20.1%	31.2%	

^ Exceptionals includes gain on disposal of PPE and others.

Source: Bursa Malaysia, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	1Q FY26	4Q FY25	QoQ Chg	1Q FY25	YoY Chg	3M FY26	3M FY25	YoY Chg
Mobility	3,620	3,403	6%	3,026	20%	3,620	3,026	20%
Postal	493	458	8%	457	8%	493	457	8%
Banking	583	553	6%	533	9%	583	533	9%
Services	51	56	-9%	51	-1%	51	51	-1%
Properties and others	14	102	-86%	47	-70%	14	47	-70%
Group Revenue	**4,761**	**4,570**	**4%**	**4,114**	**16%**	**4,761**	**4,114**	**16%**
Mobility	208	41	402%	160	30%	208	160	30%
Postal	(14)	(68)	-80%	(37)	-63%	(14)	(37)	-63%
Banking	58	50	16%	32	79%	58	32	79%
Services	(3)	(8)	-56%	(2)	70%	(3)	(2)	70%
Properties and others	(56)	24	-332%	(60)	-7%	(56)	(60)	-7%
Group Profit	**192**	**39**	**395%**	**93**	**108%**	**192**	**93**	**108%**

Source: Bursa Malaysia, Kenanga Research

Sum-of-Parts Valuation

Segment	Valuation (RM m)	Basis
Mobility	1600	PER of 7x
Puspakom	395	DCF
Bank Muamalat (70%-owned)	495	1.0x PBV
Property and construction	481	0.2x BV
Other services	360	
Subtotal	**3,330**	
Net cash / (debt)	-1,844	
Total	**1,486**	
No. of shares	1,933	
SOP/share (TP)	**0.77**	

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.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.930	1.15	23.7%	1,079.7	Y	04/2026	7.3	10.9	-45.7%	49.5%	12.8	8.5	1.6	12.1%	6.3	6.8%
DRB-HICOM BHD	UP	1.14	0.770	-32.5%	2,203.6	Y	12/2026	7.2	7.7	119.9%	6.0%	15.8	14.9	0.2	1.3%	3.0	2.6%
HIL INDUSTRIES BHD	OP	0.700	0.850	21.4%	232.3	Y	12/2026	11.2	11.4	2.8%	2.3%	6.3	6.1	0.4	7.2%	2.0	2.9%
HONG LEONG INDUSTRIES BHD	OP	17.90	21.00	17.3%	5,869.4	Y	06/2026	171.0	174.4	11.6%	2.0%	10.5	10.3	2.3	23.3%	100.0	5.6%
MBM RESOURCES BHD	MP	5.11	4.90	-4.1%	1,997.5	Y	12/2026	81.6	82.2	-5.9%	0.7%	6.3	6.2	0.7	11.5%	45.0	8.8%
SIME DARBY BHD	OP	2.08	2.75	32.2%	14,146.1	Y	06/2026	19.8	21.5	15.6%	8.1%	10.5	9.7	0.7	7.0%	14.0	6.7%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.490	0.290	-40.8%	329.3	Y	12/2026	(27.2)	(25.6)	-189%	-194%	N.A.	N.A.	0.1	-7.2%	1.0	2.0%
SECTOR AGGREGATE					**25,857.9**					**12.1%**	**8.0%**	**11.2**	**10.4**	**0.7**	**5.8%**		**5.1%**

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	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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