

21 May 2026

HIL Industries

Seasonally Weakest Quarter

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HIL's 1QFY26 results met our expectation. Its core net profit plunged 70% QoQ and 50% YoY, largely due to seasonally weaker quarter with scheduled plant shutdown for its major customers, i.e. Perodua, on quicker successive festive holidays than the previous year. We expect earnings to recover strongly in the 2QFY26 on longer working quarter and maiden manufacturing contribution from Toyota Yaris Cross. We maintain earnings forecasts, TP of RM0.85 and OUTPERFORM call.

HIL's 1QFY26 net profit came in at 11% of our full-year estimate which we deem within our expectation as we expect earnings to recover strongly in the 2QFY26 on longer working quarter and maiden manufacturing contribution from Toyota Yaris Cross, and higher property segment contribution. We have sole coverage on the stock.

Results performance. HIL's 1QFY26 revenue fell 40% QoQ and 18% YoY on seasonally weaker quarter with scheduled plant shutdown for its major customers, i.e. Perodua, on quicker successive festive holidays of Chinese New Year and Hari Raya Aidilfitri compared to last year. Its property segment was also weaker (-78% QoQ, -69% YoY) due to lack of new property launches.

Perodua sales volume fell to 74k units (-29% QoQ, -13% YoY) due to scheduled plant maintenance shutdowns during festivities in the 1QFY26, while some of its models were being phased out i.e. Perodua Myvi, pending new models introduction in end-2026/early-2027. In particular, Perodua launched the all-new Perodua Traz in December 2025 of which HIL is one of the key parts manufacturers for the model. Toyota Yaris Cross which is the sister model of Perodua Traz was just recently launched in early-May 2026 and is expected to boost HIL's manufacturing margin.

For its property segment, the Amverton townhouses development has been fully sold. Slower take-up rate was seen for Amverton Links Phase 3 due to the higher selling price at almost RM1m per unit.

Its core net profit plunged 70% QoQ and 50% YoY with a higher effective tax rate of 42.1% vs. 35.4% in 4QFY25 and 33.9% in 1QFY25.

Outlook. Its manufacturing division will be driven by two launches i.e. Perodua Traz (December 2025) and Toyota Yaris Cross (early-May 2026), which offset the phasing out of the out-going Perodua Myvi, slated for a new launch in 2026/27. Meanwhile, it plans to ramp up new property launches starting with Amverton Vista, to be followed by Carey Island Garden townhouse which is planned to be launched in 2QFY26 (waiting for CCC).

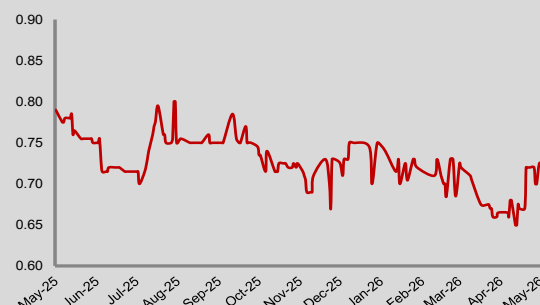
Forecasts. Maintained as we expect earnings to recover strongly in the 2QFY26.

Valuations. We also maintained our SoP-derived TP of RM0.85 (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).

OUTPERFORM ↔

Price: RM0.68
Target Price: RM0.85 ↔

Share Price Performance



KLCI	1,717.69
YTD KLCI chg	2.2%
YTD stock price chg	-9.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	HIL MK EQUITY
Market Cap (RM m)	225.7
Shares Outstanding	331.9
52-week range (H)	0.80
52-week range (L)	0.65
3-mth avg. daily vol.	15,414
Free Float	14%
Beta	0.9

Major Shareholders

Delta Industries Sdn	50.3%
Fame Alliance Sdn Bhd	7.8%
Ng Boon Thong	5.0%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Turnover	219.0	259.5	262.3
EBIT	48.6	54.2	55.4
PBT	50.4	55.2	56.4
Net Profit	36.1	37.1	38.0
Core Net Profit	36.1	37.1	38.0
Consensus (NP)	-	-	-
Earnings Revision	-	-	-
Core EPS (sen)	10.9	11.2	11.4
Core EPS (%)	-14.5	2.8	2.3
NDPS (sen)	3.0	3.0	3.0
BVPS (RM)	1.5	1.6	1.7
PER (x)	6.2	6.1	5.9
PBV (x)	0.5	0.4	0.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.4	4.4	4.4

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Investment case. We like HIL for: (i) robust demand enjoyed by its manufacturing division underpinned by strong orders for auto parts especially for new car models, i.e. Perodua Axia and Alza, Perodua Traz, Toyota Yaris Cross and Perodua Myvi by 2026/27 with auto part order backlogs currently ranging from two to six months, depending on customers, and (ii) its healthy pipeline of property projects. All-new Perodua Traz received overwhelming responses with early booking of 5,400 units in December 2025 with expected production of 2k units/month. We expect HIL to boost its manufacturing margins, driven by Perodua Traz and Toyota Yaris Cross. It also plans to ramp up new property launches in FY26 onwards starting with Amverton Vista. Maintain **OUTPERFORM** call.

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

Results Highlights

FYE Dec (RM m)	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Turnover	37.7	62.5	-39.6%	45.9	-17.8%	37.7	45.9	-17.8%
EBIT	7.2	21.8	-67.1%	14.9	-52.0%	7.2	14.9	-52.0%
Interest Income	0.2	0.4		0.5		0.2	0.5	
Interest Expenses	0.0	0.0		-0.5		0.0	-0.5	
PBT/(LBT)	6.9	20.3	-66.0%	8.8	-22.0%	6.9	8.8	-22.0%
Taxation	-2.9	-7.2	59.6%	-3.0	3.2%	-2.9	-3.0	3.2%
Core Net Profit[^]	4.0	13.1	-69.5%	7.8	-49.0%	4.0	7.8	-49.0%
EPS (sen)	1.2	3.9	-69.5%	2.4	-49.0%	1.2	2.4	-49.0%
DPS (sen)	0.0	0.0		0.0		0.0	0.0	
EBIT margin	19.0%	34.9%		32.5%		19.0%	32.5%	
PBT margin	18.3%	32.5%		19.3%		18.3%	19.3%	
NP margin	10.6%	21.0%		17.1%		10.6%	17.1%	
Effective tax rate	42.1%	35.4%		-33.9%		42.1%	33.9%	

Source: Company, Kenanga Research

[^] one-off tax assessment expenses at RM2m in 1QFY25

Segmental Revenue

Revenue (RM m)	1Q	4Q	Q-o-Q	1Q	Y-o-Y	3M	3M	Y-o-Y
	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Manufacturing	35.6	53.2	-33.1%	39.1	-9.1%	35.6	39.1	-9.1%
Property development	2.1	9.2	-77.3%	6.8	-69.0%	2.1	6.8	-69.0%
Others	-0.1	-0.1		0.0		-0.1	0.0	
Total	37.6	62.3	-39.7%	45.9	-18.1%	37.6	45.9	-18.1%
Operating Profit (RM m)								
Manufacturing	7.2	16.6	-56.6%	7.1	1.3%	7.2	7.1	1.3%
Property development	-0.5	3.1	-117.2%	1.2	-143.0%	-0.5	1.2	-143.0%
Others	0.0	2.1		-0.1		0.0	-0.1	
Total	6.7	21.8	-69.1%	8.3	-18.7%	6.7	8.3	-18.7%
Operating Margin								
Manufacturing	20.3%	31.3%		18.2%		20.3%	18.2%	
Property Development	-25.1%	33.2%		18.0%		-25.1%	18.0%	
Total	17.9%	35.0%		18.1%		17.9%	18.1%	

Source: Company, Kenanga Research

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HIL's Sum-of-Parts Valuation

Segment	Value (RM m)	Basis
Manufacturing	158.4	9x FY26F PER, in-line with the average historical forward PER of the manufacturing sector.
Property Development	128.7	70% discount to RNAV
Sum of parts	287.1	
Total number of shares (m)	331.9	
TP (RM)	0.85	

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	14.7
Pembinaan Kesentosaan Sdn Bhd	73%	6.2	45.2	5.4
Amverton Carey Golf & Island Resort Sdn Bhd (1)	79%	45.6	183.3	15.3
Amverton Carey Golf & Island Resort Sdn Bhd (2)	78%	35.1	150.2	16.0
Residensi Rimbun Amverton 2	100%	7.4	416.4	105.4
		111.5	1287.5	156.9
Property Shareholders Fund				272.1
Total RNAV				429.0
Discount to RNAV (%)				70.0
Discounted RNAV				128.7

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.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.935	1.15	23.0%	1,085.5	Y	04/26	7.3	10.9	-45.7%	49.5%	12.8	8.6	1.6	12.1%	6.3	6.8%
DRB-HICOM BHD	UP	1.17	0.620	-47.0%	2,261.6	Y	12/26	5.1	5.4	55.4%	6.3%	22.9	21.5	0.2	0.9%	3.0	2.6%
HIL INDUSTRIES BHD	OP	0.680	0.850	25.0%	225.7	Y	12/26	11.2	11.4	2.8%	2.3%	6.1	5.9	0.4	7.2%	2.0	2.9%
HONG LEONG INDUSTRIES BHD	OP	17.96	21.00	16.9%	5,889.1	Y	06/26	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	12/26	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	06/26	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	0.500	0.290	-42.0%	336.0	Y	12/26	(27.2)	(25.6)	-189%	-194%	N.A.	N.A.	0.1	-7.2%	1.0	2.0%
SECTOR AGGREGATE					25,941.5					10.1%	8.1%	11.4	10.6	0.7	5.7%		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	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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