

26 May 2026

Sime Darby

Automotive Boost

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SIME's 9MFY26 results met expectations. Its core net profit soared 24% from strong automotive profits boosted by China's market turnaround, and its EV market leader position in Singapore (now its biggest revenue contributor for auto segment), and supported by UMW contribution. It expects to receive extra income boost from automotive principals in the 4QFY26, with industrials segment to ride on higher delivery of generators to data centres in Malaysia, and pick-up in Australia's mining sector on soaring commodities price. We maintain our forecasts, TP of RM2.75 and reiterate our OUTPERFORM call. It also offers an attractive dividend yield of 6%. We believe the primary share price overhang is related to the potential removal of SIME from FBM KLCI list.

Its 9MFY26 core net profit (excluding one-offs of RM410m) met expectations at 76% of our, and 74% of consensus, full-year estimate. The one-offs include gain on disposal of MVV land (a bulk of it at RM434m was recognised in 3QFY26), and others. No dividend was declared for the quarter, as it typically announced half-yearly.

Note that, SIME expects to receive dividend income from BMW Malaysia (estimated at RM50m-RM100m based on historical pay-out) and dealers' incentives from BMW China principal in the 4QFY26 which will boost its automotive profits (vs. zero dividend income in FY25).

YoY, its 9MFY26 revenue rose 1% due to the stronger automotive (+4%) sales partially offset by flattish UMW contribution (-1%) largely due to seasonally weaker 3QFY26 and weaker industrials (-4%).

Its automotive division's sales were stronger at 106,166 units (+10%) across all markets. In terms of geographical regions, China, HK, Macau & Taiwan (-9%) continued to see intensified discounting competition but with strong turnaround to profit of RM44m vs. loss of RM38m in 9MFY25 largely from BMW principal dealers rebates. Malaysia (+8%) was driven by strong EV sales but at reduced profit margins from intense competition (-2%), while Singapore, Thailand, and the Philippines (+25%) rode on robust EV sales in Singapore (BYD is the market leader, with higher allocation of COEs) at higher profit margins (+44%) and Australasia (-9%) losing market share at reduced profit margins from intense competition (-49%). Additionally, under UMW Holdings, automotive segment remained the market leader with TIV market share of c.54% but its M&E segment suffered from inventory provision and intensified competition for forklifts.

Meanwhile, its industrial business saw weaker contribution on: (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 on weaker AUD/MYR exchange rate (5% devaluation), and (iii) parts margins stabilising to mid-term average (from high single-digit growth).

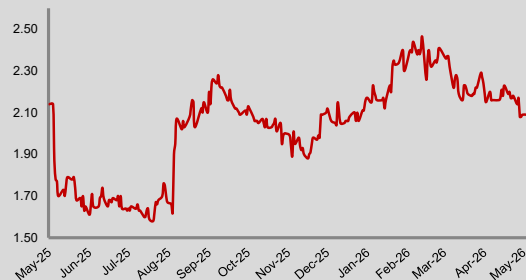
Its 9MFY26 core net profit soared 24% largely from strong automotive profits (+28%) driven by China market turnaround, and its Singapore EV market leader position, and supported by UMW contribution (+7%).

QoQ. SIME's 3QFY26 revenue fell 17% on seasonally weaker quarter with successive festive holidays of Chinese New Year and Hari Raya Aidilfitri compared to last year. All segments recorded weaker results - automotive (-18%), industrials (-8%) and UMW contribution (-24%). Consequentially, its core net profit fell 40% despite lower effective tax rate of 19.8% vs. 21.3% in 2QFY26.

OUTPERFORM ↔

Price: **RM2.09**
Target Price: **RM2.75 ↔**

Share Price Performance



KLCI	1,708.50
YTD KLCI chg	1.7%
YTD stock price chg	-2.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SIME MK EQUITY
Market Cap (RM m)	14,244.6
Shares Outstanding	6,815.6
52-week range (H)	2.47
52-week range (L)	1.56
3-mth avg. daily vol.	12,819,460
Free Float	58%
Beta	0.9

Major Shareholders

Amanah Saham Nasional Bhd	36.4%
Employees Provident Fund	17.0%
KWAP	7.0%

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)	-	1384	1457
Earnings Revision	-	-	-
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)	12.2	10.5	9.7
Price/BV (x)	0.6	0.6	0.6
Net Gearing (x)	0.2	0.2	0.2
Net Dvd. Yield (%)	6.7	5.5	5.5

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Forecasts. Maintained.

Valuations. We also maintain our SoP-derived TP of RM2.75 (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 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 6%. 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. We believe the primary share price overhang is related to the potential removal of SIME from FBM KLCI list.

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)	3Q26	2Q26	QoQ	3Q25	YoY	9MFY26	9MFY25	YoY
Revenue	15,752	18,974	-17%	16,313	-3%	52,757	52,303	1%
Op Profit	485	603	-20%	365	33%	1,610	1,569	3%
Net Inc/Net (Expenses)	-101	-105	-4%	-128	-21%	-313	-432	-28%
Share of Assc. and JVs' results	124	165	-25%	126	-2%	433	404	7%
EI [^]	391	-1		30		410	464	
PBT	899	662	36%	393	129%	2,140	2,005	7%
Tax	-178	-141	26%	-117	52%	-449	-447	0%
MI	-50	-65	-23%	-66	-24%	-199	-215	-7%
Reported Net Profit	654	438	49%	193	239%	1,439	1,291	11%
Core Net Profit	263	439	-40%	163	61%	1,029	827	24%
Reported EPS (sen)	9.6	6.3	52%	2.8	243%	21.1	18.9	12%
Net DPS (sen)	0.0	3.0		0.0		3.0	4.0	
EBIT %	3.1%	3.2%		2.2%		3.1%	3.0%	
PBT%	5.7%	3.5%		2.4%		4.1%	3.8%	
Tax %	19.8%	21.3%		29.8%		21.0%	22.3%	

Source: Company, Kenanga Research

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

Segmental Breakdown

FY June (RM m)	3Q26	2Q26	QoQ	3Q25	YoY %	9MFY26	9MFY25	YoY
Segmental Revenue								
- Industrial	4,321	4,719	-8%	4,246	2%	13,505	14,095	-4%
- Motor Vehicles	8,058	9,808	-18%	8,424	-4%	27,033	25,877	4%
- UMW Holdings	3,362	4,435	-24%	3,620	-7%	12,182	12,271	-1%
- Others	11	12	-8%	23	-52%	37	60	-38%
Total Revenue	15,752	18,974	-17%	16,313	-3%	52,757	52,303	1%
Segmental Core PBT								
- Industrial	245	300	-18%	221	11%	838	883	-5%
- Motor Vehicles	143	209	-32%	88	63%	478	373	28%
- UMW Holdings	196	269	-27%	194	1%	726	680	7%
- Others	-18	-11	64%	-13	38%	-44	-24	83%
Total Core PBT	566	767	-26%	490	16%	1,998	1,912	4%
Core Net Profit	263	439	-40%	163	61%	1,029	827	24%

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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.920	1.15	25.0%	1,068.1	Y	04/26	7.3	10.9	-45.7%	49.5%	12.6	8.4	1.6	12.1%	6.3	6.9%
DRB-HICOM BHD	UP	1.14	0.770	-32.5%	2,203.6	Y	12/26	7.2	7.7	119.9%	6.0%	15.8	14.9	0.2	1.3%	3.0	2.6%
HIL INDUSTRIES BHD	OP	0.695	0.850	22.3%	230.7	Y	12/26	11.2	11.4	2.8%	2.3%	6.2	6.1	0.4	7.2%	2.0	2.9%
HONG LEONG INDUSTRIES BHD	OP	18.78	21.00	11.8%	6,158.0	Y	06/26	171.0	174.4	11.6%	2.0%	11.0	10.8	2.5	23.3%	100.0	5.3%
MBM RESOURCES BHD	MP	5.09	4.90	-3.7%	1,989.7	Y	12/26	81.6	82.2	-5.9%	0.7%	6.2	6.2	0.7	11.5%	45.0	8.8%
SIME DARBY BHD	OP	2.09	2.75	31.6%	14,214.1	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	0.490	0.290	-40.8%	329.3	Y	12/26	(27.2)	(25.6)	-189%	-194%	N.A.	N.A.	0.1	-7.2%	1.0	2.0%
SECTOR AGGREGATE					26,193.4					12.1%	8.0%	11.3	10.5	0.7	5.8%		5.0%

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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