Automotive

Another Record Year

NEUTRAL

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December new vehicle sales in Malaysia, also known as total industry volume (TIV), soared 25% MoM (record high monthly sales) driven by the ending of EV CBU incentives and continuation of attractive year-end promotional campaign. TIV at the end the year stood at a record high of 820,752 units (+0.2%) which is in-line with our contrarian estimate of above 800k units for 2025, also in-line with the recent revised estimate by MAA of CY25 TIV to exceed 800k units. Following a record performance, we expect TIV for 1QCY26 (January-March 2026) to weaken as automakers and consumers take a breather preparing for the coming triple festive period (Thaipusam, Chinese New Year and Aidilfitri). For CY26, MAA forecasted TIV to decline to 790k units (-4%) due to several factors, including rising cost of living that is outpacing the Ringgit's strength, and reducing disposable income - leading to weaker purchasing power. On the other hand, we project a TIV of 725K units in CY26 (-12% YoY) as a reflection of the trend in CY15 when TIV reach a peak, then fell 13% post-GST tax holiday. Maintain NEUTRAL. BAUTO (OP; TP: RM0.80) and HLIND (OP; TP: RM18.90) are our sector picks, which are less susceptible to price hike due to BAUTO being an CBU focused player, while HLIND has higher localisation rate, besides offering attractive dividend yield of about 7% and 6%, respectively.

December TIV soared 25% MoM and 10% YoY (record high monthly sales) driven by the ending of EV CBU incentives and continuation of attractive year-end promotional campaign. TIV at the end the year stood at a record high of 820,752 units (+0.2%) which is in-line with our contrarian estimate of above 800k units for 2025 (we are the only one that held throughout the year at 805k units), also in-line with the recent revised estimate by MAA of CY25 TIV to exceed 800k units. MAA attributes the performance to robust economic growth (GDP of +4.7% in first three quarters of 2025), strong domestic demand, recovering exports, favourable financing (2.75% OPR since July), socio-political stability, 2.9% unemployment rate (an 11-year low), strong order backlogs especially in the A-segment, rise of EV (+109%), and aggressive promos. Key highlights for the month are **Honda's (+67% MoM, +13% YoY)** and **Toyota's (+66% MoM, +25% YoY)** riding on their biggest discounting promotion of the year.

Following a record performance, we expect TIV for 1QCY26 (January-March 2026) to weaken as automakers and consumers take a breather preparing for the coming triple festive period (Thaipusam, Chinese New Year and Hari Raya Aidilfitri). For CY26 as a whole, MAA forecasted TIV to decline to 790k units (-4%) due to several factors, including rising cost of living that is outpacing the Ringgit's strength, and reducing disposable income - leading to weaker purchasing power. On the other hand, we project a TIV of 725K units in CY26 (-12% YoY) as a reflection of the trend in CY15 when TIV reach a peak, then fell 13% post-GST tax holiday. Our thesis for CY26 TIV encompasses: (i) new OMV excise duty regulation with gradual implementation starting July 2026 (price hike is expected to be minimal pending a final update on pricing mechanism by each automakers), (ii) rising market share of Chinese automakers' localised vehicles as CBU tax holidays ends, (iii) sustained demand in the affordable segment, (iv) new hire purchase loan policies starting 2026 (abolition of the Rule of 78 and flat rate loans), (v) a stable labour market, and (vi) attractive new launches i.e. Proton e.Mas 7 Phev, Perodua Myvi, Mazda CX-5, Xpeng MO 3 sedan, and BYD Shark PHEV 4x4.

National marques (67% TIV share vs. 68% in 12MCY24) stood their ground, wrestling share from the non-national marques. This was seen in Perodua (47% TIV share vs. 48% TIV share in CY24), backed by strong sustained demand in the affordable segment and attractive new launches. In the non-national marques, Mazda suffered the most (1% TIV share vs. 2% TIV share in CY24) due to slower new launches, being affected by intense competition from Chinese marques. For the month of December 2025, BYD took 3rd place (7% of non-national TIV share), while Chery fell to 4th place (4% of non-national TIV share) which we believe was due to dilution of the EV market share (BYD overtook on strong EV sales on the coming ending of EV CBU incentives) as more EV brands entered the market i.e. the *iCaur.*

A detailed analysis of the passenger vehicle segment in December 2025 at 83,148 units (+24% MoM, +13% YoY) is as follows:

Honda's **(+67% MoM, +13% YoY)** sales were supported by the *City*, *Civic* and all-new *HR-V*. Based on sales projection, Honda currently has 7k backlogged orders (2−4 months waiting period). Honda Malaysia is celebrating its 25th anniversary this year, offering the biggest promotion ever in its history with RM1m worth of prizes up for grabs, including no less than six cars to be given away. **Toyota's (+66% MoM, +25% YoY)** sales were driven by its popular top models, namely the all-new *Vios*, *Yaris*, best-selling *Corolla Cross* hybrid and *Hilux*. Based on sales projection, Toyota currently has 10k backlogged orders (3−6 months).

Meanwhile, **Nissan (+23% MoM, +1% YoY)** is losing out in the all-new vehicles race, mainly dependent on its massive rebates to stay in competition. Currently, Nissan depends on the face-lifted *Nissan Serena S-Hybrid*, *Navara*, and *Almera Turbo* with 1k backlogged orders (1−2 months).

Perodua's (+10% MoM, +15% YoY) sales continued to be propelled by the all-new *Perodua Alza* and all-new *Perodua Axia*, with equally strong sales of the *Bezza*, *MyVi*, and *Ativa* models. Based on sales projection, Perodua currently has over 85k backlogged orders (up to six months for the *Axia*, *Alza* and *Bezza*, and up to two months for the *Ativa/Myvi /Traz* models). Perodua recently launched *Perodua QV-e* and *Traz* SUV in December 2025 which is considered as the most premium among its models, and will be launching the all-new *Myvi* this year.

Proton's **(+4% MoM, 0% YoY)** sales were mainly driven by the all-new Proton e.Mas 7, *X70*, *X50* and *X90* (3,626 SUV units were sold, making up 28% of sales), and supported by the all-new *S70*, as well as the face-lifted *Persona (discontinued in 2026)*, *Iriz (discontinued in September 2025)*, *Exora* and *Saga* (recently launch all-new model). Based on sales projection, Proton currently has 15k backlogged orders (up to six months for the *X50* and by three months for other models). Proton e.MAS 7 has been the best-selling EV in 2025 with sales of 7,740 units for 11MCY25, with an EV market share of c 25%. Its all-new Proton e.Mas 5 has amassed over 10k bookings in a short period of time which should add to its leading EV market share for 2025/2026. **Mazda (-11% MoM, +2% YoY)** was driven by the *Mazda 3*, *CX-60*, and *CX-5 models*. The *CX-5* and *CX-8* are considered as older generation and have been replaced with the newer generation *CX-60* and *CX-80* which was launched in early-September, garnering strong demand. *Mazda 3* (RM118,900 for the 1.5L High Plus model), launched in early-November have garnered strong demand from the market which offers an attractive price point compared to previous launches. Based on sales projection, Mazda currently has 3.5k backlogged orders (1−3 months).

Our thesis for CY26 TIV encompasses: (i) new open-market-value (OMV) excise duty regulation which will be implemented gradually starting July 2026 (the policy to limit the vehicles price hike is still being developed), (ii) a rising market share of Chinese automakers vehicles through vehicles production localisation programme (as CKD tax incentives for EVs continues until 2027, and CBU tax incentives ended) i.e. Jaecoo & Chery brands from the Chery Shah Alam assembly plant, Xpeng, GWM, BAIC & SAIC brands' from the EP Manufacturing Bhd (EPMB) Melaka assembly plant, and BYD brand from the Tanjung Malim, Perak, at KLK TechPark, (iii) sustained demand in the affordable segment with national marques remaining as the market leader at estimated market share of 65% for CY26 TIV compared to non-nationals marques' target focus of mostly in the RM100k-and-above vehicles segment (see Exhibit 2 and 3), (iv) the new hire purchase loan policies starting 2026 (abolition of the Rule of 78 and flat rate loans) are designed to create a fairer lending environment for consumers, which may boost confidence in hire purchase loans over the long term, (v) a stable labour market (our economic research team forecast unemployment rate of 3% in CY26 vs. 3% in CY25) and (vi) attractive new launches (see Exhibit 4) i.e. Proton e.Mas 7 Phev, Perodua Myvi (new DNGA), Mazda CX-5 (new generation), Xpeng MO 3 sedan and BYD Shark PHEV 4x4. In general, the industry's earnings visibility is still good, backed by a booking backlog of 130k units as at end-November 2025. More than half of the backlog is made up of new models, alluding to the appeal of new models to car buyers. This trend is likely to persist in CY26, given the strong line-up of new launches.

Gradual transition to battery electric vehicles (BEVs). We expect gradual transition to BEVs which currently enjoys tax exemption up until 2027 for locally-assembled CKDs. Looking further, we also have a nuanced view of EV adoption eventually picking up and gasoline vehicles demand will eventually peak, but we do not think that will happen in the next five years due to infrastructure challenges. This new petrol subsidy mechanism, in our view, could make the transition even slower than earlier expected as the middle- and lower- income group now have less incentive to switch from ICE to EV for the time being. Recall that, the new registration for BEVs leapt from 274 units in CY21 to over 3,400 units in CY22, 13,301 units in CY23, and 21,789 units in CY24 (based on the Ministry of Transport's press release), or 3% of TIV. In the latest announcement, the BEV registration for Jan-Nov 2025 is at 36,690 units, far surpassing CY24 numbers, which were mostly driven by CBU models. Malaysia aims for electric vehicles (EVs) to represent 20% of new vehicle sales by 2030, with longer-term vision extends to 80% by 2050 (including hybrids vehicles). Government is currently focused on building out the EV ecosystem, including establishing 10,000 public charging points (no updated timeline target yet from the earlier by 2025, despite the current build-to-date lagging behind with just tad above 50% of the target) with current number of proposed charging stations currently at 4,477 (5,149 built-to-date) and providing tax incentives to stimulate adoption and local production.

Our sector top picks are :-

BAUTO: for (i) its strong near-term earnings visibility backed by a total order backlog of 3,500 units - Mazda (300 units for CX-60, 2,000 units for M3 1.5L, 700 units for others), Xpeng (300 units) and BAP (200 units), (ii) its premium mid-market Mazda brand offers superior margins, and (iii) its attractive dividend yield of about 7%. We expects BAUTO to benefit from the recent weakening of JPY against MYR, more so, as it expands its new Mazda launches towards CBU (CBU/CKD mix of 50%/50% expected in FY26 vs 40%/60% in FY25) such as its CX-60, CX-80 and Mazda 3 have garnered strong demand from the market especially for its all-new Mazda 3 (RM118,900 for the 1.5L High Plus model) which offers an attractive price point compared to previous launches. Note that, CBU models are unaffected by the new OMV excised duty regulation.

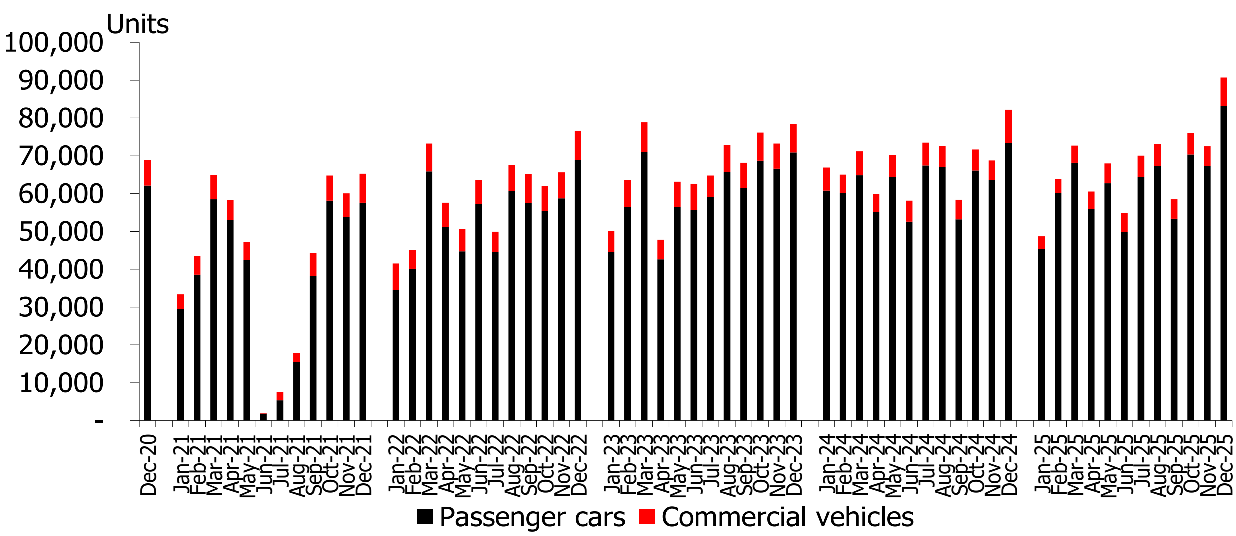
HLIND: (i) as it is a strong proxy to the booming gig economy given the critical role of motorised two-wheelers in executing online delivery transactions, (ii) for its association with the strong Yamaha motorcycle brand in Malaysia and the brand's market leader position in the local motorcycle segment, and (iii) for its solid war chest with a net cash of RM2b that could be deployed for earnings-accretive acquisitions. Its dividend yield is also attractive at 6%. We anticipate robust demand for the motorcycles market (to achieve a record year of 700k units (+11%) in 2025, with Yamaha holding the lion's share of more than 50%).

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Dec-25	Dec-24	Nov-25	% m-o-m	% y-o-y	YTD 2025	YTD 2024	% y-o-y
Passenger								
Perodua	37,037	32,202	33,657	10%	15%	359,904	358,102	1%
Proton	13,491	13,488	12,950	4%	0%	151,564	147,587	3%
Honda	10,665	9,454	6,381	67%	13%	72,301	81,699	-12%
Toyota	9,666	7,736	5,820	66%	25%	70,352	71,445	-2%
Nissan	417	412	340	23%	1%	5,238	5,457	-4%
Mazda	1,050	1,027	1,174	-11%	2%	9,277	14,464	-36%
Others	10,822	9,119	6,986	55%	19%	90,462	70,175	29%
Total	**83,148**	**73,438**	**67,308**	**24%**	**13%**	**759,098**	**748,929**	**1%**
Commercial								
Toyota	4,437	4,951	2,626	69%	-10%	30,408	29,259	4%
Isuzu	1,482	1,356	1,189	25%	9%	13,627	13,268	3%
Nissan	109	106	117	-7%	3%	1,197	2,328	-49%
Mitsubishi	438	821	352	24%	-47%	4,726	7,596	-38%
Hino	105	821	48	119%	-87%	2,108	5,849	-64%
Mazda	-	-	-	#DIV/0!	#DIV/0!	6	69	-91%
Others	997	722	869	15%	38%	9,582	11,475	-16%
Total	**7,568**	**8,777**	**5,201**	**46%**	**-14%**	**61,654**	**69,844**	**-12%**
TIV	**90,716**	**82,215**	**72,509**	**25%**	**10%**	**820,752**	**818,773**	**0.2%**

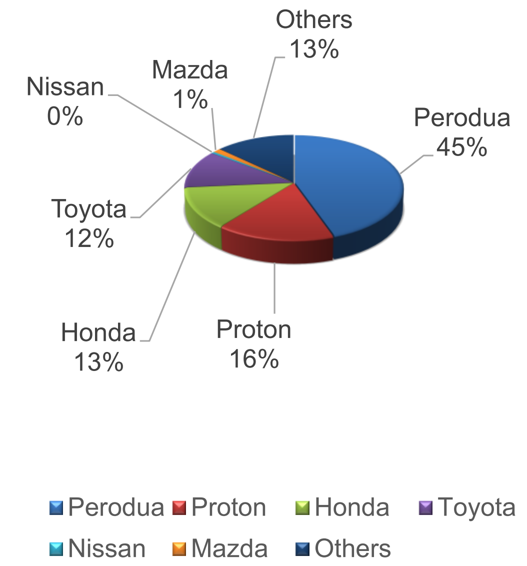
Source: MAA, Kenanga Research

Monthly TIV



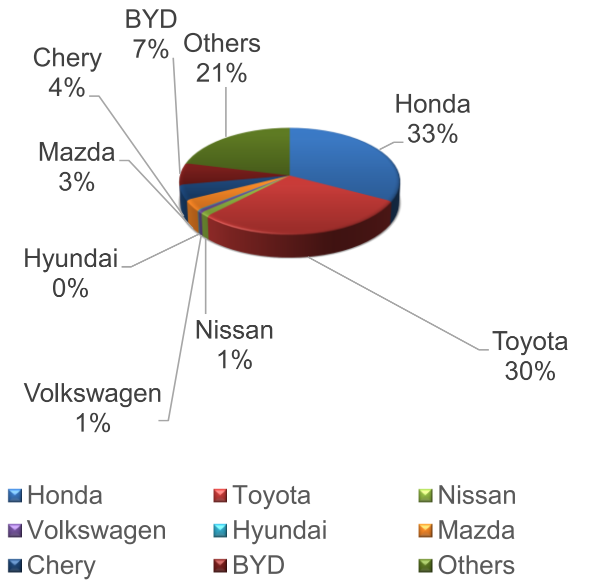
Source: MAA, Kenanga Research

Market Share (Overall Passenger) December 2025



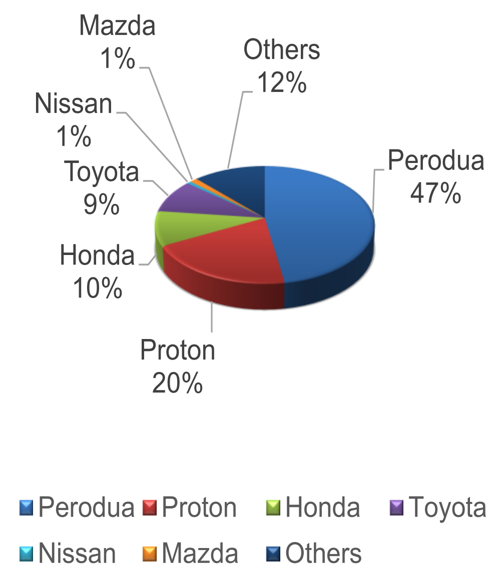
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) Dec 2025



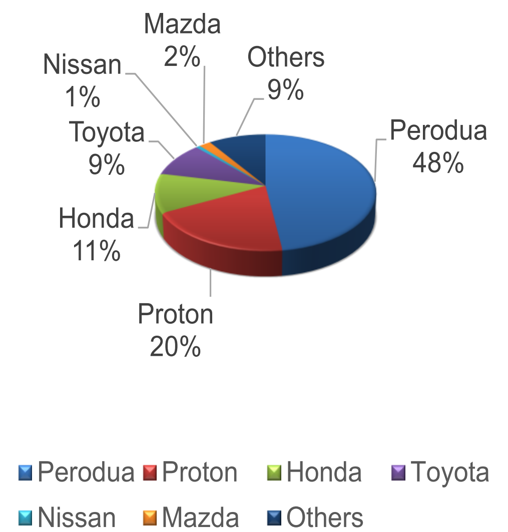
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 12MCY25



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 12MCY24



Source: MAA, Kenanga Research

Various New Models

Perodua QV-E

Proton eMas 7


Proton eMas 5


Proton eMas 7 PHEV


Xpeng G6


Xpeng X9


TQ-Wuling Bingo

BYD Seal 06


BYD Shark 6 PHEV

Tentative-Xpeng M03 (budget model)


Perodua Traz


Toyota Yaris Cross hybrid

Source: Paultan.org, Kenanga Research

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	0.790	0.800	1.3%	782.7	Y	04/26	5.7	9.8	-57.2%	70.2%	13.8	8.1	1.4	10.0%	4.6	5.8%
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	0.740	0.740	0.0%	249.0	Y	12/25	9.4	9.5	-26.1%	0.5%	7.9	7.8	0.5	6.4%	2.0	2.7%
HONG LEONG INDUSTRIES BHD	OP	16.78	18.90	12.6%	4,472.6	Y	06/26	157.4	160.6	2.7%	2.0%	10.7	10.4	2.2	21.4%	90.0	5.4%
MBM RESOURCES BHD	MP	5.15	5.25	1.9%	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	MP	2.11	1.90	-10.0%	14,789.8	Y	06/26	18.6	20.0	8.3%	7.8%	11.4	10.5	0.7	6.5%	14.0	6.6%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.645	0.300	-53.5%	381.2	Y	12/25	(27.6)	(24.4)	-179%	-188%	N.A.	N.A.	0.2	-7.7%	1.0	1.6%
SECTOR AGGREGATE					**24,629.6**					**6.1%**	**10.2%**	**11.4**	**10.4**	**0.6**	**5.6%**		**4.6%**

Source: Kenanga Research

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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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