Automotive

Promising Outset

NEUTRAL
↔

By Wan Mustaqim Bin Wan Ab Aziz I wanmustaqim@kenanga.com.my

January new vehicle sales in Malaysia, also known as total industry volume (TIV), saw a plunge of 29% MoM, within the norms for the January MoM trend over the past few years, after purchases were pushed forward into December 2025. On a YoY basis, January TIV jumped 29%, attributed to the spillover effect from new model launches that took place towards the end of 2025. The promising TIV start made up 9% of our full-year projection, and is above expectation. However, we also observe that the good numbers were propped up by the emergence of a new trend of discounts/rebates provided even for new model launches as a strategy to gain a headstart in capturing market share, coming likely at the expense of margin. Thus, as this new discounting dynamic is likely to keep a lid on the rate of price hike, our earlier forecast of 725k units for CY26 TIV (-9.9% YoY from CY25) now appears conservative. We revise it up to 790k units, albeit still lower YoY by 4%, and matches the forecast by Malaysian Automotive Association (MAA).

Amid this discounting, we remain sector NEUTRAL, and have not made changes to our earnings forecasts for firms under our coverage, pending results announcement later this month. Our OUTPERFORM picks, in mitigation, have specific or compensating drivers such as heavyweight SIME (OP; TP:2.70) counting on its focus into the broader-margin industrial space. On the other hand, BAUTO (OP; TP: RM0.80, to be reviewed in upcoming note), is less susceptible to price movements, being a CBU focused player, Meanwhile HLIND (OP; TP: RM18.90), which has a higher localisation rate, is focused on its solid higher-margin premium motorcycle segment.

January TIV plunged 29% MoM due to advance purchases in December 2025 on year-end sales promotion, which saw the highest single-month tally in history (the previous record was 81,735 units in Dec 2024). This is a typical MoM trend for the past few years as automakers rush to clear their 2025 models. Nevertheless, January TIV recorded a promising start with 29% YoY increase, attributed to the spillover effect from new model launches that took place towards the end of 2025. For the month of February 2026, we expect sales to remain subdued due to the shorter working month (17 days) brought on by the Chinese New Year holidays and shorter working hours during Ramadhan. Key highlight for the month is **Proton's (+46% MoM, +113% YoY)** sales as both of its all-new models, Proton e.Mas 5 EV and Proton Saga are taking the spotlight as the best-selling models in their respective segments.

With 1MCY26 TIV making up 9% of our full-year projection of 725k units (-9.9% YoY), we consider the number as above our expectation on emergence of a new trend where automakers are sacrificing their profit margin with discounts and rebates for new models launching to gain a headstart in capturing market share, coming likely at the expense of margin i.e. as part of launching price gimmicks to gain huge initial booking volume. In the contrary, we believe that automakers have started to work around the discounting competition by focusing on other more profitable space i.e. SIME riding on better-margin industrials (better margin at 7% vs 1% for is auto segment), BAUTO focusing on CBU market which are unaffected by the OMV policy, HLIND focusing toward higher-margin premium motorcycles segment which have more solid demand. In comparison, 1MCY25 made up 6% of full-year 2025 TIV. Thus, as this new discounting dynamic is likely to keep a lid on the rate of price hike, our earlier 725k units CY26 TIV (-9.9% YoY from CY25) now appears conservative. We revise it up to 790k units, albeit still lower YoY by 4%, and matches the forecast by Malaysian Automotive Association (MAA). Amid this discounting, we remain sector NEUTRAL, and have not made changes to our earnings forecasts for firms under our coverage, pending results announcement later this month

National marques (76% TIV share vs. 70% in 1MCY25) stood their ground, wrestling share from the non-national marques. This was seen in Perodua (43% TIV share vs. 50% TIV share in 1MCY25) and Proton (33% TIV share vs. 20% TIV share in 1MCY25), backed by strong sustained demand in the affordable segment and attractive new launches. In the non-national marques segment, for the month of January 2026, Toyota & Honda were in a tight battle (22% and 21% of TIV share, respectively), while BYD took 3rd place (10% of TIV share), while Chery fell to 4th place (9% of non-national TIV share) which we believe was due to dilution of the EV market share especially with the strong sales of Proton e.Mas 5 in the national marques segment.

A detailed analysis of the passenger vehicle segment in January at 60,369 units (-27% MoM, +30% YoY) is as follows:

Proton's **(+46% MoM, +113% YoY)** sales were boosted by the sales of all-new Proton e.Mas 5 and Proton Saga. Its all-new Proton e.Mas 5 has emerged as the best-selling EV for 2026, with the highest ever single-month sales for an EV model at 3,026 units, with over 10k bookings. Its all-new Proton Saga was also the best-selling model for the month with 10,285 units sold, with nearly 100k bookings. Overall, its sales were mainly driven by the all-new Proton e.Mas 7, Proton e.Mas 5, *X70*, *X50* and *X90* (6,599 SUV units were sold, making up 33% of sales), and supported by the all-new *S70*, and *Saga* (recently launch all-new model). Based on sales projection, Proton currently has 35k backlogged orders (3 – 6 months).

Mazda (-15% MoM, +29% 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). **Perodua's (-29% MoM, +12% 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 75k backlogged orders (3 – 6 months). Perodua recently launched *Perodua QV-e* (200 bookings) and *Traz* SUV (5,400 bookings with targeted monthly sales of 2k units) in December 2025 which is considered as the most premium among its models, and will be launching the all-new *Myvi* this year.

Meanwhile, **Nissan (-32% MoM, -47% 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). **Toyota's (-67% MoM, -19% 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). **Honda**'s **(-72% 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 has been losing its competitiveness in the non-national space despite offering huge promotional discounts/rebates (up to RM34k for its EV model) which we believe was due to its perceived older generation specification compared to its competitors.

Our thesis for CY26 TIV encompasses: (i) new trend whereby automakers sacrificing their profit margin with discounts and rebates for new models launching to gain a headstart in capturing market share, coming likely at the expense of margin i.e. as a part of launching price gimmicks to gain huge initial booking volume. In the contrary, we believe that automakers have started to work around the discounting competition by focusing on other more profitable space i.e. SIME riding on better-margin industrials (better margin at 7% vs 1% for is auto segment), BAUTO focusing on CBU market which are unaffected by the OMV policy, and HLIND focusing toward higher-margin premium motorcycles segment which have more solid demand, (ii) 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), (iii) 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 EPMB Melaka assembly plant, and BYD brand from the Tanjung Malim, Perak, at KLK TechPark, (iv) 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, (v) the new hire purchase loan policies (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, (vi) a stable labour market (our economic research team forecast unemployment rate of 3%, the same in CY25), and (vii) attractive new launches 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 140k units as at end-January 2026. More than half of the backlog is made up of new models, alluding to the appeal of new models to car buyers.

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, 21,789 units in CY24 and 44,800 units in CY25, or 5.5% of TIV. 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 (we will review our TPs in the upcoming company update notes):-

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.

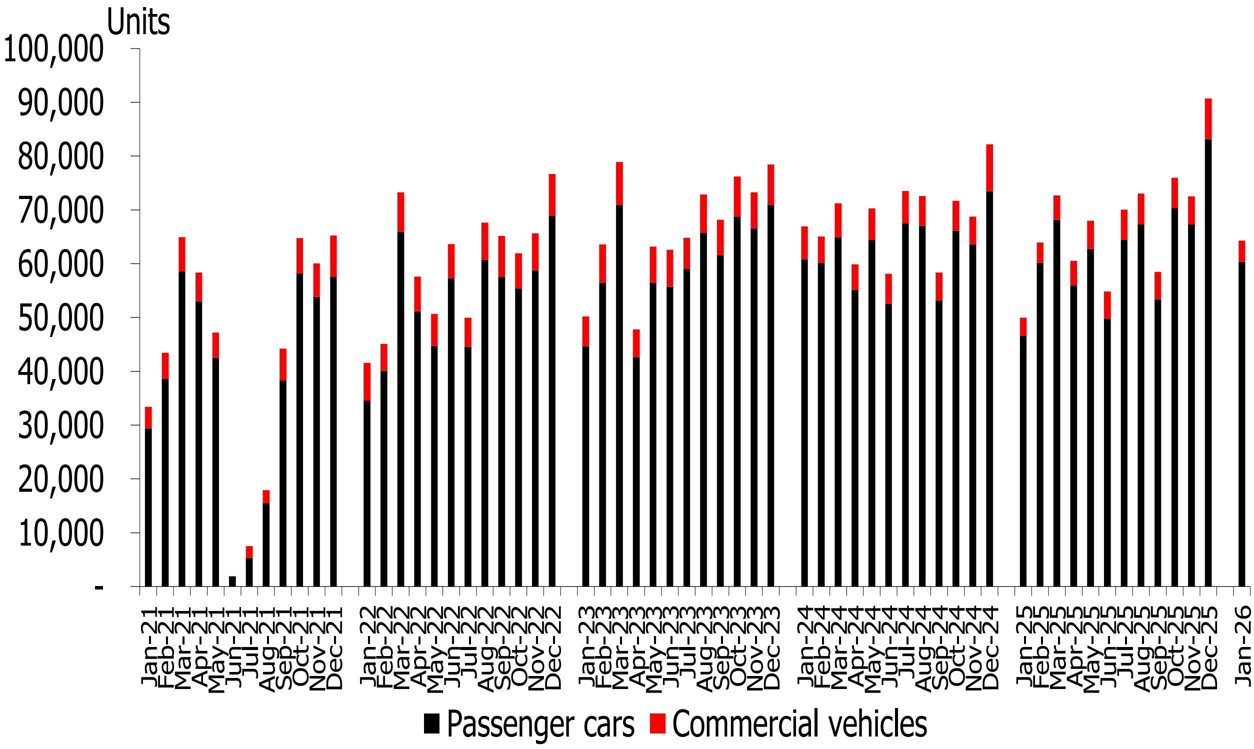
HLIND: (i) as it is a strong proxy to the booming gig economy given the critical role of motorised two-wheelers in executing online delivery transactions, (ii) for its association with the strong Yamaha motorcycle brand in Malaysia and the brand's market leader position in the local motorcycle segment, 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)	Jan-26	Jan-25	Dec-25	% m-o-m	% y-o-y	YTD 2026	YTD 2025	% y-o-y
Passenger								
Perodua	26,128	23,245	37,037	-29%	12%	26,128	23,245	12%
Proton	19,750	9,267	13,491	46%	113%	19,750	9,267	113%
Honda	2,975	3,413	10,665	-72%	-13%	2,975	3,413	-13%
Toyota	3,187	3,937	9,666	-67%	-19%	3,187	3,937	-19%
Nissan	282	532	417	-32%	-47%	282	532	-47%
Mazda	894	691	1,050	-15%	29%	894	691	29%
Others	7,153	5,442	10,822	-34%	31%	7,153	5,442	31%
Total	**60,369**	**46,527**	**83,148**	**-27%**	**30%**	**60,369**	**46,527**	**30%**
Commercial								
Toyota	1,464	1,398	4,437	-67%	5%	1,464	1,398	5%
Isuzu	851	938	1,482	-43%	-9%	851	938	-9%
Nissan	57	57	109	-48%	0%	57	57	0%
Mitsubishi	369	361	438	-16%	2%	369	361	2%
Hino	155	76	105	48%	104%	155	76	104%
Mazda	-	-	-	-	-	-	-	-
Others	1,033	608	997	4%	70%	1,033	608	70%
Total	**3,929**	**3,438**	**7,568**	**-48%**	**14%**	**3,929**	**3,438**	**14%**
TIV	**64,298**	**49,965**	**90,716**	**-29.1%**	**28.7%**	**64,298**	**49,965**	**28.7%**

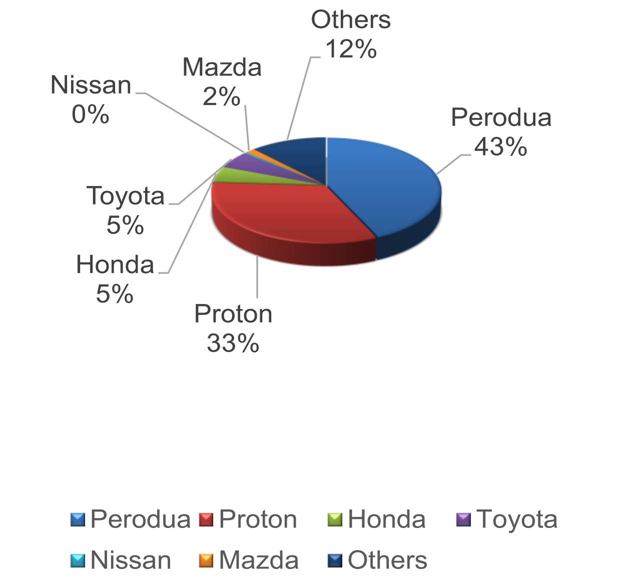
Source: MAA, Kenanga Research

Monthly TIV



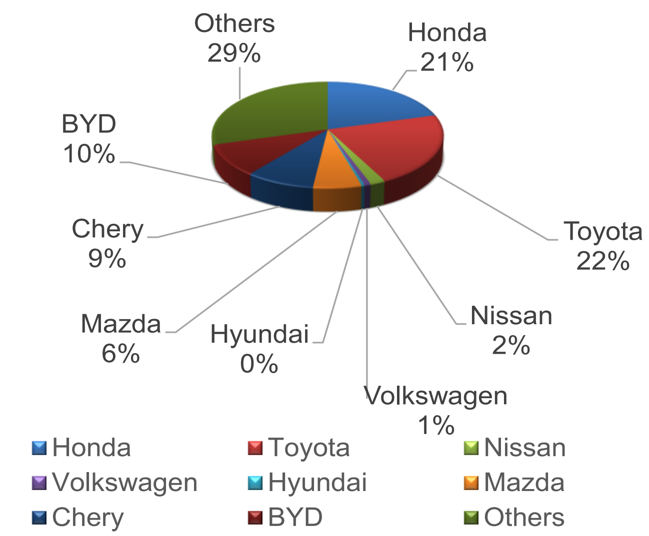
Source: MAA, Kenanga Research

Market Share (Overall Passenger) January 2026



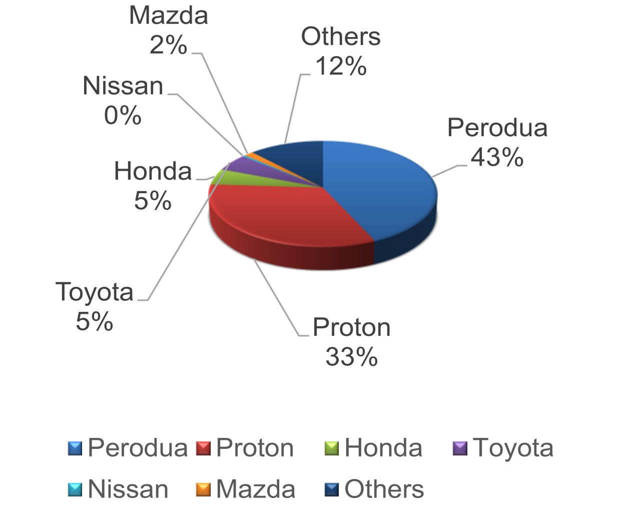
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) Jan 2026



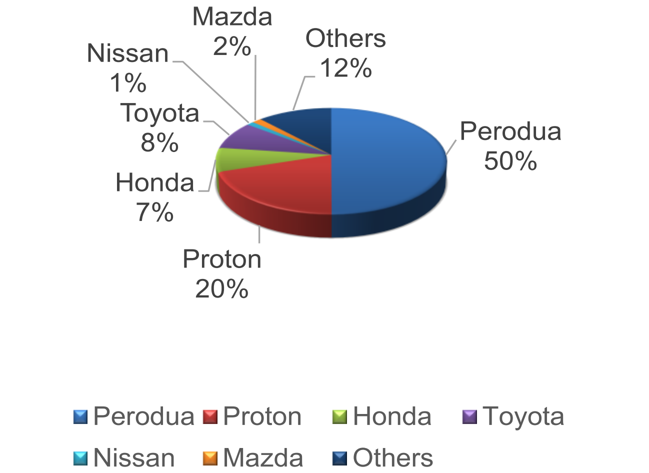
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 1MCY26



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 1MCY25



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	0.850	0.800	-5.9%	782.7	Y	04/26	5.7	9.8	-57.2%	70.2%	14.8	8.7	1.5	10.0%	4.6	5.4%
DRB-HICOM BHD	UP	1.18	0.700	-40.7%	1,913.9	Y	12/25	6.2	8.1	101.5%	31.1%	19.0	14.5	0.2	1.2%	3.0	2.5%
HIL INDUSTRIES BHD	MP	0.720	0.740	2.8%	249.0	Y	12/25	9.4	9.5	-26.1%	0.5%	7.6	7.6	0.5	6.4%	2.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	19.00	18.90	-0.5%	4,472.6	Y	06/26	157.4	160.6	2.7%	2.0%	12.1	11.8	2.5	21.4%	110.0	5.8%
MBM RESOURCES BHD	MP	5.26	5.25	-0.2%	2,040.4	Y	12/25	86.8	88.2	1.9%	1.6%	6.1	6.0	0.9	14.6%	39.0	7.4%
SIME DARBY BHD	OP	2.34	2.70	15.4%	14,789.8	Y	06/26	18.6	20.0	8.3%	7.8%	12.6	11.7	0.8	6.5%	14.0	6.0%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.610	0.300	-50.8%	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%**		**4.5%**

Source: Kenanga Research

The rest of the page is intentionally left blank.

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.***

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my