

12 March 2026

## Automotive

### 4QCY25 Report Card: Year-End Winners

**NEUTRAL**



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The sector's earnings delivery (versus our expectations) reported stronger recovery boost on robust year-end sales promotion in the recently concluded 4QCY25 results season. The key highlights were SIME soaring on recovery of automotive profits, HLIND soared on production recovery, MBMR and HIL riding on strong Perodua production level with HIL beating expectation (we upgrade it to OUTPERFORM) on all-new Perodua Trax tooling activities. BAUTO's profits doubled YoY on favourable sales mix, while DRBHICOM and TCHONG were affected by heavy discounting activities. Our CY26 TIV forecast of 790k units (-4% YoY) matches the forecast by Malaysian Automotive Association (MAA), driven by discounts/rebates trend, coming likely at the expense of margin, new OMV regulation, a flood of localized Chinese vehicles, and attractive new launches. Maintain NEUTRAL. Our sector top picks are BAUTO (OP; TP: RM1.10) driven on CBU niche JDM market, and HLIND (OP; TP: RM18.90) riding on higher-margin premium motorcycle segment. Both are less susceptible to price hike under OMV and offer attractive dividend yield of 7% and 6%, respectively.

The sector's earnings delivery saw a stronger recovery boost on robust year-end sales promotion in the recently concluded 4QCY25 results season with composition of 29%, 42% and 29% coming in above, within, and below, respectively, compared to 14%, 57% and 29% coming in above, within, and below, respectively, a quarter ago (refer to exhibit 1). The details on the aforementioned results as below: -

**SIME's (OP; TP: RM2.75)**'s results beat expectations. Its core net profit soared 15% largely from strong automotive profits, particularly from China market turnaround, and its Singapore EV's market leader position, and supported by UMW contribution. SIME is optimistic that Industrials segment's near-term headwinds will ease in the upcoming quarters as miners are at the tail-end of parts replacement cycle after delaying for few quarters, and with AUD/MYR exchange rate expected to stabilise at this level.

**HLIND (OP; TP: RM18.90)**, where we have sole coverage, 1HFY26 results met our expectation. Its net profit soared 14% YoY mainly on strong back-loaded production recovery in 1QFY26, with stabilising volume in 2QFY26, consistent demand for all-new motorcycle models, lower operating costs, and a shift toward more premium products with strong margins. For FY26, it plans to introduce seven new models which are expected to boost volume and margins. It declared a higher dividend for 1HFY26, which could potentially bring full-year NDPS to 110 sen with an attractive dividend yield of 6.3%

**BAUTO (OP; TP: RM1.10)** results met our expectation. After few quarters of disappointment, its 2QFY26 core net profit more than doubled QoQ on favourable sales mix and recovering associates with encouraging sales from its CBU models namely, the XPeng X9 model, the Mazda CX-60 and Mazda 3 which we expect to continue into the 2HFY26. In our recent update note, we shared that Mazda Malaysia posted strong sales rebound in quarter ended January 2026 to 3,118 units (+24% QoQ, +25% YoY), based on MAA data, which we believe will drive a strong 3QFY26 results performance, due to be released by second week of March 2026. Stretching into the finish line, we see a stronger 4Q performance, backed by a strong delivery of Mazda 3 1.5L, that could reach as high as 800 units a month, supported by stable backlog bookings of 2k units/month

Meanwhile, both **MBMR (MP; TP: RM4.90)** and **HIL (OP; TP: RM0.85)** continued to ride on Perusahaan Otomobil Kedua Sdn Bhd's resilience sales volume at 359,904 units (+1% YoY).

- **MBMR's** results were within our expectation as its FY25 core net profit rose 2% largely due to the record quarterly sales and profits for 4QFY25 on intensified year-end discounting activities to clear back log inventories. We, however, cut our FY26F core net profit by 7%, and our TP by 7% to RM4.90 (from RM5.25) on expectation of lower associates profit contribution from its 23%-owned Perusahaan Otomobil Kedua Sdn Bhd on start-up losses from the all-new Perodua QV-e due to lukewarm response and delayed in commercial production due to suppliers' quality issues.
- **HIL's** results beat our expectation. Its 4QFY25 core net profit more than doubled driven by all-new Perodua Trax tooling activities and record quarter sales by Perodua, narrowing its FY25 core net profit decline to 15%. All-new Perodua Trax received overwhelming responses with early booking of 5,400 units in December 2025 with expected production of 2k units/month. It plans to ramp up new property launches in FY26 onwards starting with Amverton Vista. In the previous results note, we raised FY26F net profit by 18%, and our SoP-derived TP by 15% to RM0.85 from RM0.74, and have also upgraded it to **OUTPERFORM** from **MARKET PERFORM**.

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**DRBHCOR (UP; TP: RM0.62)** results disappointed. Despite improvement in performance in all segments especially Banking which doubled its profit, its core net profit growth of 6% (at 0.4% profit margin) is considered a disappointment due to heavy discounting activities in mobility segment to boost market share as well as persistent losses in its postal segment due to loss-making universal service obligation. We expect it to continue its discounting activities to boost market share as it targeted to achieve 200k units (+32%) for Proton for FY26. In the previous results note, we cut FY26F core net profit by 37%, our Sum-of-Parts (SoP)-derived TP by 13% to RM0.62 from RM0.70 and maintain UNDERPERFORM call.

**TCHONG (UP; TP: RM0.29)** disappointed, reporting FY25 losses of RM205m (from core loss of RM232.5m in FY24) due to wider forex losses at RM42.9m (compared to a forex loss of RM24.1m in FY24) and on continued sales volume decline of its bread-and-butter Nissan vehicles, with deeper discount promotion to retain market share in both local and overseas markets. In the previous results note, we widened FY26F net loss to RM182.6m (from a loss of RM164.3m) and cut our TP by 3% to RM0.29 (from RM0.30), while maintaining UNDERPERFORM call.

Our thesis for CY26 TIV encompasses: (i) 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 i.e. as a part of launching price gimmicks to gain huge initial booking volume. On 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 balanced 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 groups 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:-

**BAUTO (OP; TP: RM1.10)** 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 (OP; TP: RM18.90):** (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 (it achieved a record year of 700k units (+11%) in 2025, with Yamaha holding the lion's share of more than 50%).

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Exhibit 1: Quarterly Results Performance												
	4QCY25						3QCY25					
	KENANGA			CONSENSUS			KENANGA			CONSENSUS		
	Above	Within	Below									
BAUTO		1				1			1			1
DRBHCOM			1			1		1				1
HIL	1			1					1			1
HLIND		1			1		1			1		
MBMR		1		1				1			1	
SIME	1			1				1			1	
TCHONG			1			1		1				1
<b>Total</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>4</b>
<b>Total (%)</b>	<b>29</b>	<b>42</b>	<b>29</b>	<b>43</b>	<b>14</b>	<b>43</b>	<b>14</b>	<b>57</b>	<b>29</b>	<b>14</b>	<b>29</b>	<b>57</b>

Source: Kenanga Research, companies quarterly results

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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

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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.
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	OP	0.835	1.10	31.7%	969.4	Y	04/2026	6.6	10.5	-50.6%	58.1%	12.6	8.0	1.3	10.4%	5.3	6.4%
DRB-HICOM BHD	UP	1.04	0.620	-40.4%	2,010.3	Y	12/2025	5.1	5.4	55.4%	6.3%	20.4	19.1	0.2	0.9%	3.0	2.9%
HIL INDUSTRIES BHD	OP	0.730	0.850	16.4%	242.3	Y	12/2025	11.2	11.4	2.8%	2.3%	6.5	6.4	0.5	7.2%	2.0	2.7%
HONG LEONG INDUSTRIES BHD	OP	16.94	18.90	11.6%	5,554.6	Y	06/2026	157.4	160.6	2.7%	2.0%	10.8	10.5	2.2	21.4%	110.0	6.5%
MBM RESOURCES BHD	MP	5.00	4.90	-2.0%	1,954.5	Y	12/2025	81.6	82.2	-5.9%	0.7%	6.1	6.1	0.7	11.5%	45.0	9.0%
SIME DARBY BHD	OP	2.40	2.75	14.6%	16,322.4	Y	06/2026	19.8	21.5	15.6%	8.1%	12.1	11.2	0.8	7.0%	14.0	5.8%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.485	0.290	-40.2%	325.9	Y	12/2025	(27.2)	(25.6)	-189.1%	-194.2%	N.A.	N.A.	0.1	-7.2%	1.0	2.1%
<b>SECTOR AGGREGATE</b>					<b>27,379.5</b>					<b>7.6%</b>	<b>8.3%</b>	<b>12.4</b>	<b>11.4</b>	<b>0.7</b>	<b>5.6%</b>		<b>5.1%</b>

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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