

09 June 2026

Automotive

1QCY26 Report Card: Seasonal Factor

NEUTRAL



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The sector's earnings delivery in the recently concluded 1QCY26 results season was largely as per our expectations on a seasonally weaker quarter with scheduled plant shutdown (especially for Perodua-related companies), and quicker successive festive holidays than the previous year. Key highlights were new launches for DRBHCOR and TCHONG both beating expectations, SIME upped its EV game, HLIND on strong margin new models, BAUTO staging another strong recovery quarter while MBMR and HIL both braced through their weakest quarter on Perodua's plant shutdown. Our CY26 TIV forecast of 790k units (-4% YoY) matches the forecast by Malaysian Automotive Association (MAA), driven by discounts/rebates, 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: RM1.15) driven by demand for Japan domestic market models, and HLIND (OP; TP: RM21.00) riding on higher-margin premium motorcycle segment. Both are less susceptible to price hikes under OMV and offer attractive dividend yield of 6-7%.

The sector's earnings delivery in the recently concluded 1QCY26 results season was largely as per our expectations on seasonally weaker quarter with scheduled plant shutdown (especially for Perodua-related companies), and quicker successive festive holidays than the previous year. Specifically, the compositions were 43%, and 57%, coming in above, and within, respectively, with none below, compared to 29%, 42% and 29% coming in above, within, and below, respectively, a quarter ago (refer to exhibit 1). The details on the aforementioned results are as below: -

DRBHCOR (UP; TP: RM0.77) beat our expectation as its core net profit soared +178% YoY and 1,060% QoQ largely driven by strong Proton sales, driven by Proton eMas 5 (the highest EV sales for a single model in 2026), and Proton Saga with backlog bookings of more than 100k units, which more than offset weaker performance from its other segments. We raised both FY26F and FY27F core net earnings by 41% each and TP by 24% to RM0.77 from RM0.62. However, we maintain our UNDERPERFORM call due to its significant volatile quarterly results performance.

TCHONG (UP; TP: RM0.36) beat expectations as it recorded narrower 1QFY26 core net loss of RM32.2m (-10% YoY, -48% QoQ) largely due to recognition of forex gain (with the stronger MYR against USD) as well as better margin mix with the launch of the all-new Nissan Serena C28 model in March 2026. We now project narrower core net losses for FY26 and FY27 by 28% and 33%, respectively. We raised our TP by 24% to RM0.36 from RM0.29, as we roll-over valuation year to FY27 (from FY26). Maintain UNDERPERFORM. It is still losing out in the model launch race as it solely relies on one new model.

SIME (OP; TP: RM2.75) met expectations. Its core net profit soared 24% from strong automotive profits boosted by its China market turnaround, 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 believe the primary share price overhang is related to the potential removal of SIME from FBM KLCI list. We made no changes to our forecasts.

HLIND (OP; TP: RM21.00) met our expectation. Its net profit soared 13% YoY on consistent demand for its all-new motorcycle models, lower operating costs on stronger MYR against USD, and a shift toward more premium products with strong margins. Over the next 2-3 years pipeline, HLIND plans to introduce a total of 15-17 all-new and face lifted models which are expected to boost volume and margins. Note that, MYR has strengthened against USD, with the currency falling from RM4.20/1USD in June 2025 to RM3.92 in May 2026, further lowering costs for Malaysian importers for 2026. We made no changes to our forecasts.

BAUTO (OP; TP: RM1.15) met expectations, staging another strong recovery quarter with its 3QFY26 core net profit soaring 90% on favourable sales mix with encouraging sales from its CBU models. This was largely driven by Mazda 3 1.5L sales (33% of total 3Q sales), followed by CX-30, CX-5, CX-60, and CX-8. The demand for Mazda 3 continues to outpace delivery with backlog of 2.5k units (70% of total backlog). For the upcoming results tentatively to be announced on 11th June 2026, FY26 net profit is expected to surpass the RM80m mark, driven by huge demand for Mazda 3 1.5L, CX-5 new pricing strategy, and acceleration in EV demand for Xpeng brand. Over in FY27, bottom-line will be boosted by the cessation of losses from Kia Malaysia Sdn Bhd (c.RM23.1m losses for FY26), with a further uplift from the all-new launches i.e. its bread-and-butter all-new CX-5 (new generation), new sub compact SUV and potentially Mazda 6e EV. We made our changes in our forecasts (by +10% and +4% respectively for FY26 and FY27, with TP raised to RM1.15 from RM1.10) in the company update note published on 20th April 2026.

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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 74k units (-29% QoQ, -13% YoY) despite largely affected by the scheduled plant maintenance shutdowns during festivities in the 1QFY26.

- **MBMR** results met our expectation. Its 1QFY26 core net profit fell 11% YoY and 37% QoQ on a seasonally weaker quarter with scheduled plant shutdown for its major principal/customers and 23%-owned associate Perodua, on double festive celebrations. We expect earnings to recover strongly in the 2QFY26 on longer working quarter leading with Perodua's strong April sales boost (+31% MoM, +17% YoY).
- **HIL**, where we have sole coverage, 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.

Our thesis for CY26 TIV encompasses:

(i) new trend of discounts/rebates as a strategy 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. To that end, 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 (at 7% vs 1% for is auto segment), BAUTO focusing on CBU market which is unaffected by the open-market-value (OMV) policy, and HLIND focusing in the higher-margin premium motorcycles segment which commands solid demand,

(ii) new OMV excise duty regulation which will be implemented gradually from July 2026. The policy to limit the vehicles price hike is still being developed, which we expect to be further delayed to beyond election period,

(iii) a rising market share of Chinese automakers' vehicles via vehicles production localisation programme (as CKD tax incentives for EVs continues until 2027), after CBU tax incentives ended. This counts Jaecoo & Chery brands from the Chery Shah Alam assembly plant, Xpeng, GWM, BAIC & SAIC brands' from EPMB (Not Rated) Melaka assembly plant, and BYD brand from the Tanjung Malim, Perak, at KLK TechPark (or contract manufacturing under Inokom Plant, Kulim, Kedah).

(iv) sustained demand in the affordable segment with national marques remaining as the market leader at estimated market share of 65% for CY26 TIV versus 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 (leaning towards value-for-money offerings) 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 162k units as at end-May 2026 (still higher than average booking of 140k units in 2025 units largely due to the addition of all-new Proton Saga reaching 100k units backlogs, limited by production capacity). 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 benefits from tax exemption up until 2027 for locally assembled CKDs. Looking further, we also have a balanced view of EV adoption eventually picking up and demand for gasoline vehicles will eventually peak, but not within the next five years due to infrastructure challenges. The 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 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. YTD-April 2026 EV sales are already at 20,254 units. Malaysia aims for electric vehicles (EVs) to represent 20% of new vehicle sales by 2030, with a longer-term vision for 80% by 2050 (including hybrids). The government is currently focused on building out the EV ecosystem, including establishing 10,000 public charging points (no updated target for now) and providing tax incentives to stimulate adoption and local production. Despite the current build-to-date lagging with just a tad above 50% of the target at over 5,600 units (no real-time update for now as it temporarily disables the website), no updated timeline target has been provided.

Our sector top picks are: -

BAUTO (OP; TP: RM1.15) for: (i) its strong near-term earnings visibility backed by a total order backlog of 3.5k units (which is at a higher level vs. a year ago at 1.5k units), (ii) its premium mid-market Mazda brand that offers superior margins, and (iii) its attractive dividend yield of about 7%. We expect 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). Models such as its CX-60, CX-80 and Mazda 3 have garnered strong demand from the market especially for its all-new Mazda 3 which offers an attractive price point compared to previous launches (RM118,900 for the 1.5L High Plus model). Note that CBU models are unaffected by the new OMV excise duty regulation.

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HLIND (OP; TP: RM21.00): as it is a (i) strong proxy to the booming gig economy given the critical role of motorized 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 which achieved a record year of 700k units (+11%) in 2025, with Yamaha holding the lion's share of more than 50%.

Exhibit 1: Quarterly Results Performance

	1QCY26						4QCY25					
	KENANGA			CONSENSUS			KENANGA			CONSENSUS		
	Above	Within	Below	Above	Within	Below	Above	Within	Below	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
Total	3	4	0	3	3	1	2	3	2	3	1	3
Total (%)	43	57	0	43	43	14	29	42	29	43	14	43

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.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.875	1.15	31.4%	1,015.9	Y	04/2026	7.3	10.9	-45.7%	49.5%	12.0	8.0	1.5	12.1%	6.3	7.2%
DRB-HICOM BHD	UP	1.10	0.770	-30.0%	2,126.3	Y	12/2026	7.2	7.7	119.9%	6.0%	15.2	14.4	0.2	1.3%	3.0	2.7%
HIL INDUSTRIES BHD	OP	0.725	0.850	17.2%	240.6	Y	12/2026	11.2	11.4	2.8%	2.3%	6.5	6.3	0.5	7.2%	2.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	18.10	21.00	16.0%	5,935.0	Y	06/2026	171.0	174.4	11.6%	2.0%	10.6	10.4	2.4	23.3%	100.0	5.5%
MBM RESOURCES BHD	MP	5.08	4.90	-3.5%	1,985.8	Y	12/2026	81.6	82.2	-5.9%	0.7%	6.2	6.2	0.7	11.5%	45.0	8.9%
SIME DARBY BHD	OP	2.03	2.75	35.5%	13,806.0	Y	06/2026	19.8	21.5	15.6%	8.1%	10.2	9.5	0.7	7.0%	14.0	6.9%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.475	0.360	-24.2%	319.2	Y	12/2026	(19.7)	(17.2)	-164.4%	-187.7%	N.A.	N.A.	0.1	-5.2%	1.0	2.1%
SECTOR AGGREGATE					25,428.8					14.5%	8.1%	10.8	10.0	0.6	6.0%		5.2%

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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