Automotive

Another Holiday Shortened Month

NEUTRAL
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May 2026 new vehicle sales in Malaysia, also known as total industry volume (TIV), fell 15% MoM on shorter working month from consecutive public holidays. YoY, May TIV fell 12% on consecutive public holidays in closer succession than previous year. Key highlights for the month are Toyota (+17% MoM, -12% YoY) driven by the all-new Toyota Yaris Cross, Proton (-10% MoM, +27% YoY) which continued to dominate the EV market, and Perodua (-24% MoM, -22% YoY) suffering the most on the extended public holidays. YTD TIV of 316k units (-2%) is well within our expectation. 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: RM1.22) driven by strong demand for Japan domestic market models, and HLIND (OP; TP: RM21.00) riding on higher-margin premium motorcycle segment. It offers attractive dividend yield of 9% and 5%, respectively.

May 2026 TIV fell 15% MoM on shorter working month from consecutive public holidays (Workers' Day, Hari Raya Aidiladha, Wesak Day, and Yang Dipertuan Agong's Birthday). YoY, May TIV fell 12% on consecutive public holidays in closer succession than previous year. For the month of June 2026, we expect sales to recover strongly, especially with attractive sales promotion in conjunction with the KL International Mobility Show 2026. Key highlights for the month of May are **Toyota (+17% MoM, -12% YoY)** driven by the new launch of value-for-money Toyota Yaris Cross in HEV & Petrol variant, **Proton's (-10% MoM, +27% YoY)** EVs which continued to dominate the EV market, and **Perodua (-24% MoM, -22% YoY)** suffering the most on extended public holidays.

National marques (67% TIV share vs. 64% in 5MCY25) stood their ground. This was seen in Perodua (41% TIV share vs. 45% TIV share in 5MCY25) and Proton (26% TIV share vs. 19% TIV share in 5MCY25), backed by strong sustained demand in the affordable segment, and attractive new launches. In the non-national marques segment, for the month of May 2026, Toyota took 1st place at 31% of TIV market share, leaving Honda behind at 2nd place at 20%. BYD was at the same pace as Mazda at 6% due to strong demand of Mazda 3 and BYD having lower ready CBU inventory, and Chery at 5th place at 4% which we believe was due to dilution of the market share in the non-nationals segment due to new launches and attractive discounting/rebates promotion.

A detailed analysis of the passenger vehicle segment in May at 57,360 units (-16% MoM, -11% YoY) is as follows:

Toyota's (+17% MoM, -12% YoY) sales were boosted by the new launch of Toyota Yaris Cross in HEV & Petrol variant which was highly sought-after as the cheapest Toyota HEV model. Overall, 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 14k backlogged orders (3−6 months).

Honda (-8% MoM, -41% YoY) has been losing its competitiveness in the non-national space despite offering huge promotional discounts/rebates which we believe was due to its perceived older generation specification compared to its competitors. Overall, sales were supported by the *City*, *Civic* and all-new *HR-V*. Based on sales projection, Honda currently has 5k backlogged orders (1−3 months waiting period).

Proton's **(-10% MoM, +27% YoY)** sales were boosted by the sales of the all-new Proton e.Mas 5 and Proton Saga. The former has emerged as the best-selling EV for 2026 with total sales for e.Mas brand at 14,687 units YTD, largely for e.Mas 5. The latter was also the best-selling model with 70k bookings. Overall, **Proton**'s sales were mainly driven by the all-new Proton e.Mas 7, Proton e.Mas 5, *X70*, *X50* and *X90*, and supported by the all-new *S70*, and *Saga* (recently launch all-new model). Based on sales projection, Proton currently has 90k backlogged orders (3 – 6 months).

Nissan (-14% MoM, -39% YoY) is losing out in the all-new vehicles race, mainly dependent on its massive rebates to stay in the game. Currently, Nissan depends on the face-lifted *Nissan Serena S-Hybrid*, *Navara*, and *Almera Turbo* with 1k backlogged orders (1−2 months).

Mazda (-20% MoM, +74% YoY) was largely driven by backlogs delivery of Mazda 1.5L CBU for which the shipment varies based on AP allocation approval for the month. Overall, it was driven by the *Mazda 3*, *CX-60*, and *CX-5 models*. The *CX-5* and *CX-8* are considered as older generation and will be replaced with the newer generation of *CX-5* soon (which currently are being previewed at KLIMS 2026). *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 (-24% MoM, -22% YoY) sales continued to be propelled by the all-new *Perodua Traz* and all-new *Perodua Axia*, with equally strong sales of the *Bezza*, *MyVi*, and *Ativa* models. Based on sales projection, Perodua currently has 43k backlogged orders (2 – 5 months). Perodua latest addition, i.e. *Perodua QV-e* (182 units sold since launch in December 2025) and *Traz* SUV (9,242 sold since launch in December 2025 with targeted monthly sales of 2k units) which is considered the most premium among its models, and it will be launching the all-new *Myvi* early-2027. Perodua QV-E was recently revised to a new lower pricing at RM63,499 (from RM80k) with BaaS battery leasing (RM215/month vs RM275/month previously), RM87,499 for outright purchase which we believe that it will garner a better demand than previous pricing, but still in close intense competition with Proton eMas 5.

Our thesis for CY26 TIV encompasses:

(i) new trend of discounts/rebates as strategy to gain head-start 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 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 are unaffected by the OMV policy, and HLIND focusing toward higher-margin premium motorcycles segment which commands solid demand,

(ii) new open-market-value (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,

(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 205k units as at end-February 2026 (higher than average booking of 140k units in 2025 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 270 units in CY21 to 2,600 units in CY22, 10,000 units in CY23, 21,789 units in CY24 and 44,813 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 57% of the target which stood at 5,719 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: RM1.22) 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.

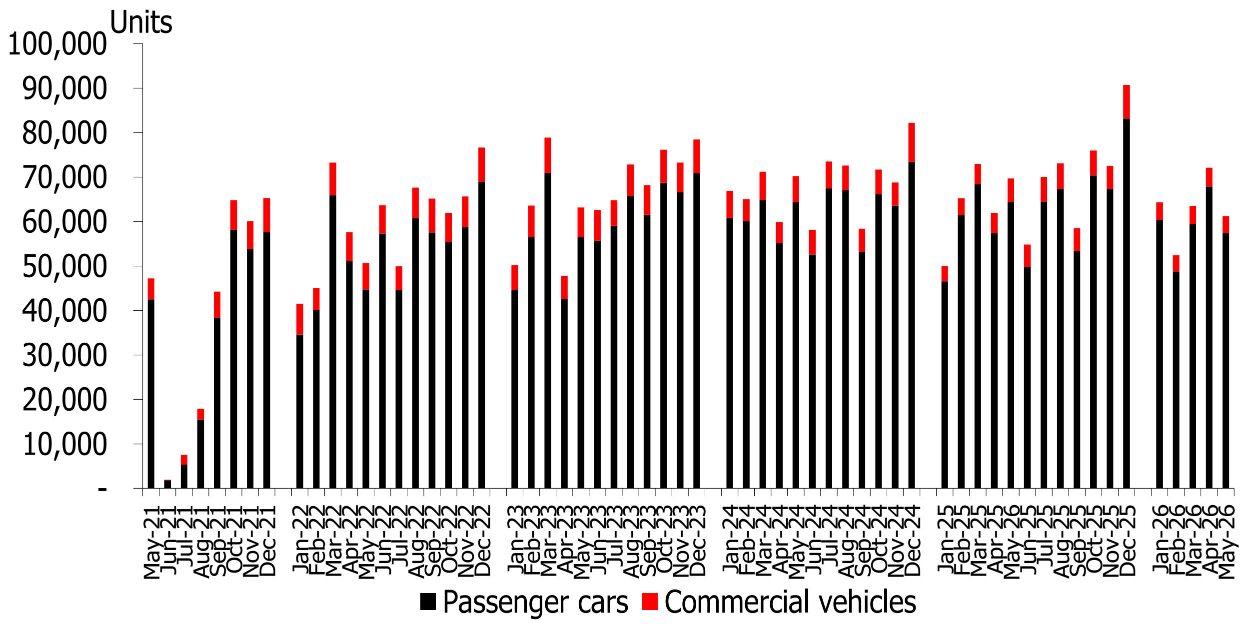
HLIND (OP; TP: RM21.00): as it is a (i) strong proxy to the booming gig economy given the critical role of motorized two-wheelers in executing online delivery transactions, (ii) for its association with the strong Yamaha motorcycle brand in Malaysia and the brand's market leader position in the local 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%.

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	May-26	May-26	Apr-26	% m-o-m	% y-o-y	YTD 2026	YTD 2025	% y-o-y
Passenger								
Perodua	24,480	31,398	32,065	-24%	-22%	130,778	143,860	-9%
Proton	16,140	12,751	17,980	-10%	27%	82,559	58,714	41%
Honda	3,403	5,754	3,684	-8%	-41%	19,917	29,557	-33%
Toyota	5,179	5,859	4,408	17%	-12%	19,709	26,051	-24%
Nissan	293	479	342	-14%	-39%	1,619	2,540	-36%
Mazda	1,044	601	1,297	-20%	74%	4,629	3,422	35%
Others	6,821	7,532	8,117	-16%	-9%	36,567	34,684	5%
Total	**57,360**	**64,374**	**67,893**	**-16%**	**-11%**	**295,778**	**298,828**	**-1%**
Commercial								
Toyota	1,831	2,603	2,002	-9%	-30%	9,042	9,909	-9%
Isuzu	833	1,047	975	-15%	-20%	4,232	5,146	-18%
Nissan	93	122	92	1%	-24%	381	521	-27%
Mitsubishi	169	371	181	-7%	-54%	1,171	1,687	-31%
Hino	277	296	283	-2%	-6%	1,124	878	28%
Mazda	-	-	-	-	-	16	4	300%
Others	687	844	687	0%	-19%	3,824	3,453	11%
Total	**3,890**	**5,283**	**4,220**	**-8%**	**-26%**	**19,790**	**21,598**	**-8%**
TIV	**61,250**	**69,657**	**72,113**	**-15%**	**-12%**	**315,568**	**320,426**	**-2%**

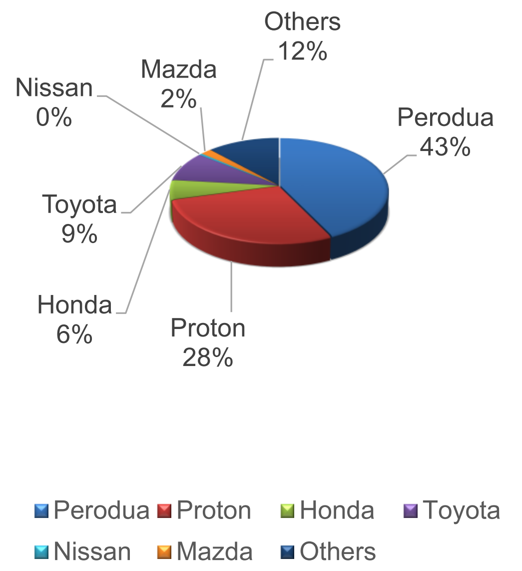
Source: MAA, Kenanga Research

Monthly TIV



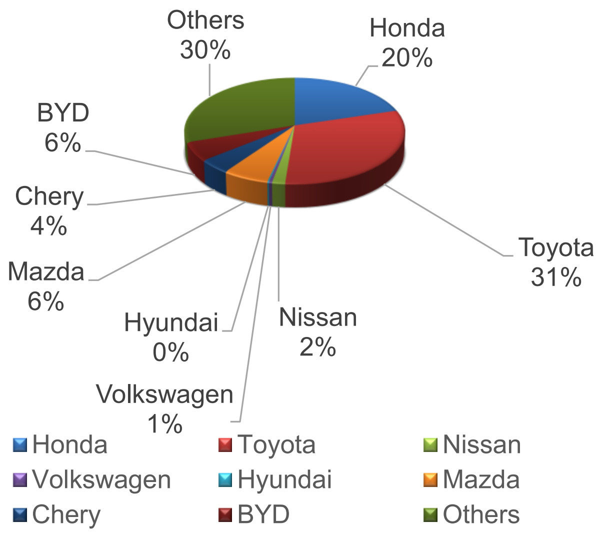
Source: MAA, Kenanga Research

Market Share (Overall Passenger) May 2026



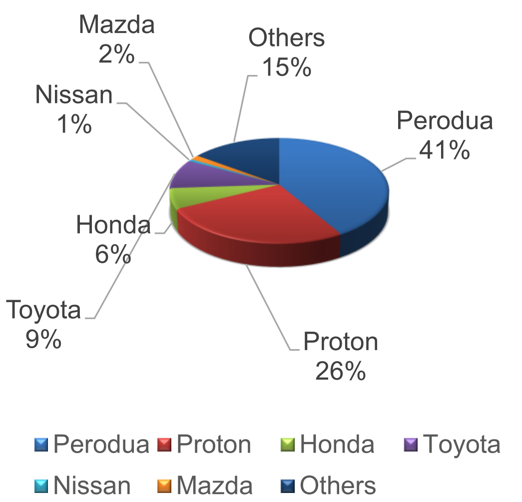
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) May 2026



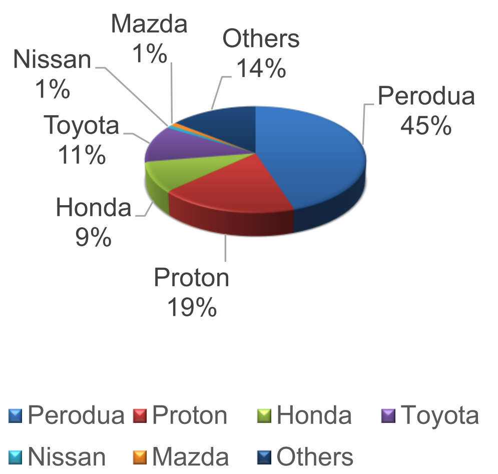
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 5MCY26



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 5MCY25



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	1.05	1.22	16.2%	1,219.1	Y	04/26	11.5	14.5	27.7%	25.9%	9.1	7.2	1.7	18.4%	9.2	8.8%
DRB-HICOM BHD	UP	1.06	0.770	-27.4%	2,049.0	Y	12/26	7.2	7.7	119.9%	6.0%	14.7	13.8	0.2	1.3%	3.0	2.8%
HIL INDUSTRIES BHD	OP	0.690	0.850	23.2%	229.0	Y	12/26	11.2	11.4	2.8%	2.3%	6.2	6.0	0.4	7.2%	2.0	2.9%
HONG LEONG INDUSTRIES BHD	OP	19.18	21.00	9.5%	6,289.1	Y	06/26	171.0	174.4	11.6%	2.0%	11.2	11.0	2.5	23.3%	100.0	5.2%
MBM RESOURCES BHD	MP	4.91	4.90	-0.2%	1,919.3	Y	12/26	81.6	82.2	-5.9%	0.7%	6.0	6.0	0.7	11.5%	45.0	9.2%
SIME DARBY BHD	OP	2.25	2.75	22.2%	15,302.3	Y	06/26	19.8	21.5	15.6%	8.1%	11.3	10.5	0.8	7.0%	14.0	6.2%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.500	0.360	-28.0%	336.0	Y	12/26	(19.7)	(17.2)	-164%	-187%	N.A.	N.A.	0.1	-5.2%	1.0	2.0%
SECTOR AGGREGATE					**27,343.7**					**19.9%**	**7.6%**	**11.4**	**10.6**	**0.7**	**6.1%**		**5.3%**

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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