Automotive

Shorter Working Month

NEUTRAL

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August 2026 new vehicle sales in Malaysia, also known as total industry volume (TIV), fell 3% MoM and 4% YoY due to a shorter working month with two public holidays namely on August 25 (Prophet Muhammad's Birthday) and August 31 (Merdeka Day). YTD TIV of 530k units (+2%) is well within our expectation. The highlight for the month would be the biggest growth for EV market, solely boosted by Proton eMas 5, overtaking other EV brands suffering from CBU inventory depletion in transitioning towards CKD production. Our CY26 TIV forecast of 800k units (-3% YoY) matches the forecast by Malaysian Automotive Association (MAA), driven by discounts/rebates trend, coming likely at the expense of margin, delayed new OMV regulation, a flood of localized Chinese vehicles, and attractive new launches leaning towards value-for-money offerings. Maintain NEUTRAL. Our sector top picks are BAUTO (OP; TP: RM1.30) for its niche-market premium offerings driving its strong earnings growth and SIME (OP; TP: RM3.00) for its industrials segment double-digit growth of sales/margin (also proxy to genset power-supply to data centers and equipment supporting operations that provide critical minerals foundational to AI hardware). The two picks offer attractive dividend yield of 11% and 6%, respectively.

August 2026 TIV fell 3% MoM and 4% YoY due to shorter working month with two public holidays which includes August 25 (Prophet Muhammad's Birthday) and August 31 (Merdeka Day). Even so, Malaysia's EV market had its biggest month ever in August 2026, with 8,833 battery-electric cars registered, with more than half of them wearing the same badge. The Proton e.MAS 5 alone accounted for 4,770 of those registrations, or 54% of every EV sold in the country, the first time one model has taken more than half of a month's EV registrations since the market grew past 1,000 in a single month. Stripping out e.MAS 5 reveals that the rest of the EV market in fact shrank, from 4,535 registrations in July to 4,063, or a fall of 10%. The record EV month was really a one-car story which we believe was due to other EV brands depleting their CBU inventory, especially BYD (-46% MoM, -35% YoY).

For the month of September 2026, we expect sales to sustain around the current level on continuous sales promotion with specific boost from Perodua on price reduction across its second-generation Axia up to RM4,700 (in early-August 2026) and sustained level of commercial sales with the introduction of BUDI Diesel in July 2026 (replacing the cash rebate with a direct subsidy at the pump via MyKad verification across Malaysia). YTD TIV of 530k units (+2%) is well within our expectation.

National marques (66% TIV share vs. 54% in 8MCY25) stood their ground. This was seen in Perodua (41% TIV share vs. 38% TIV share in 8MCY25) and Proton (25% TIV share vs. 16% TIV share in 8MCY25), backed by strong sustained demand in the affordable segment, and attractive new launches. In the non-national marques segment, for the month of August 2026, Toyota took 1st place at 32% of TIV market share, leaving Honda behind at 2nd place at 22% as Toyota Hilux (under the commercial segment) was boosted by the introduction of BUDI Diesel, and its hybrid sales continued to dominate the market. Mazda placed third at 5% due to higher CBU delivery of Mazda 3, overtaking Chery at fourth place commanding 4%, and BYD at 5th place with 4% which we believe was due to dilution of its market share in the non-nationals segment due to new launches and attractive discounting/rebates promotion. The larger issue with BYD is that its CBU inventory is almost depleted while awaiting CKD localisation at its third-party manufacturing plant, which we believe will be at Inokom Corporation Sdn. Bhd., under **SIME** (56%-owned with direct/indirect stakes) and **BAUTO** (29%-owned associate holdings).

A detailed analysis of the passenger vehicle segment in August 2026 at 67,058 units (-3% MoM, -2% YoY) is as follows:

Proton's **(+18% MoM, +38% 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. Overall, **Proton**'s sales were mainly driven by the all-new Proton e.Mas 7 EV/PHEV, 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 50k backlogged orders (3 – 6 months).

Perodua's (-8% MoM, -8% 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 40k backlogged orders (2 – 5 months). Perodua's latest addition, i.e. *Perodua QV-e* has 412 units sold since launch in December 2025. Meanwhile, *Traz* SUV had 14,912 sold since launch in December 2025 with targeted monthly sales of 2k units and is considered the most premium among its models. Perodua will be launching the all-new *Myvi* in early-2027. Perodua QV-E was revised to a new lower pricing in June 2026 at RM63,499 (from RM80k) with BaaS battery leasing (RM215/month vs RM275/month previously), RM87,499 for outright purchase which we believe will garner a better demand than previous pricing. It recently offered RM10k rebates for Malaysia Day, further lowering the prices of the Perodua QV-e.

Toyota's (-12% MoM, -8% YoY) sales were supported by the new launch of Toyota Yaris Cross in HEV & Petrol variant which was highly sought-after as the cheapest Toyota HEV model. Moreover, Toyota Hilux (under commercial segment) sales were boosted by the introduction of BUDI Diesel in July 2026. 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 10k backlogged orders (3−6 months).

Mazda (-19% MoM, +1% 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* in October 2026 (which was 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).

Honda (-23% MoM, -34% YoY) lagged 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 3k backlogged orders (1−3 months waiting period).

Nissan (-25% MoM, -35% 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).

Our thesis for CY26 TIV encompasses:

(i) a 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 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 its better-margin industrials division (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 (delayed to Jan 2027 and potentially beyond) and a pre-tax CIF floor price of RM200,000 for imported EVs implemented in July 2026. The policy to limit the vehicles price hike is still being developed, which we expect to be further delayed to beyond the coming general election period,

(iii) a rising market share of Chinese 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, BYD brand which could potentially be assembled at SIME/BAUTO's Inokom Corporation Sdn Bhd. at Kulim, Kedah, and Zeeker at Proton's Tanjung Malim plant,

(iv) sustained demand in the affordable segment with national marques remaining as the market leader at estimated market share of 67% for CY26 TIV versus non-nationals marques' 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 lower unemployment rate of 2.9%, vs 3% in CY25); and (vii) attractive new launches (leaning towards value-for-money offerings) i.e. Proton e.Mas 7 PHEV & EV Premium plus, Perodua Myvi (new DNGA), 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 113k units as at end-August 2026 (lower than average booking of 140k units in 2025 largely due to limited production capacity (Perodua limiting its capacity in favour of upcoming new models and dilution in market share). More than half of the backlog is made up of new models, alluding to the appeal of new models to car buyers. Meanwhile, the EV sales will continue delivering robust sales as global automakers clear existing CBU inventories while transitioning towards localised CKD assembly. We believe Proton, which is already rolling-out its e.Mas7 and e.Mas5 EV from its Tanjung Malim plant would sustain its EV sales market share at 40%-50% of total EV sales.

A slow transition to BEVs. We expect gradual transition to battery electric vehicles (BEVs) which currently benefits from tax exemption 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 eventually peaking, but not within the next five years due to infrastructure challenges. The domestic market is still protected by the subsidized fuel pricing mechanism which offers lesser incentives for middle-and lower income-groups to switch from ICEs to EVs. 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-August 2026 EV sales are already at 47,508 units (+103%). 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, currently focused on building out the EV ecosystem has revised its national EV charger target to 30,000 public charging points by 2030 from earlier 10,000 public charging points by 2025 and providing tax incentives to stimulate adoption and local production. As of July 2026, the current build-to-date are at 6,904 public charging bays with 4,665 AC chargers and 2,239 DC chargers.

Our sector top picks are: -

BAUTO (OP; TP: RM1.30) 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 11%. 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 CBU which offers an attractive price point compared to previous launches (RM118,900 for the 1.5L High Plus model). Its recently launch all-new CX-5 (its number 1 best-selling model) which will be CBU first starting October 2026 and CKD will start on 2HCY27. Note that CBU models are unaffected by the new OMV excise duty regulation.

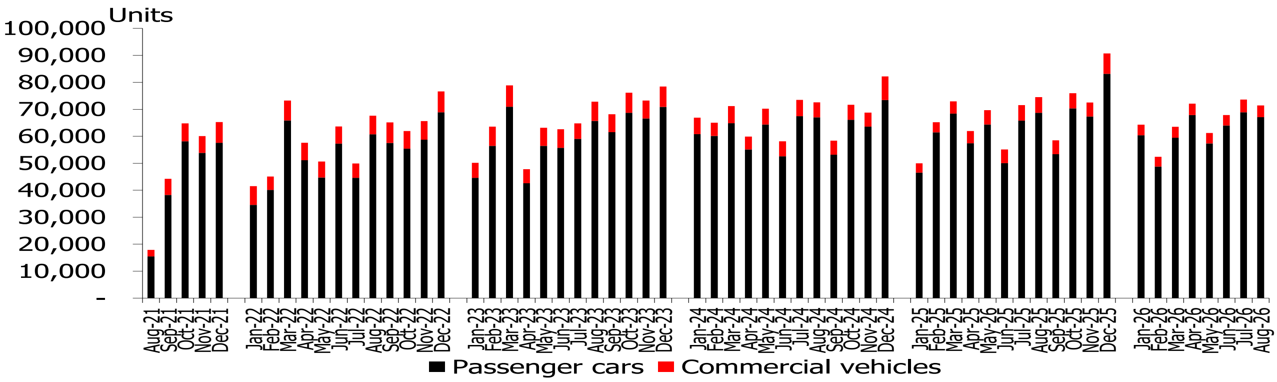
SIME (OP; TP: RM3.00) for: (i) its unique position as being the automotive leader in Malaysia (60% market share) and EV leader in Singapore, Thailand and the Philippines while balancing out cyclical demand in other regions, and (ii) the strong sales and margin at its industrials segment acting as a proxy to the Australian mining sector (for its rare high-quality met coal and other high-demand sustainable-related metals). It also offers an attractive dividend yield of 6%. We expect significant investment by its industrial's clients for the next five years translating into a potential industrials segment double-digit growth for both sales and margin. Moreover, SIME is the proxy on backup power-supply to data centers (genset under Caterpillar/Perkins) and through its massive operations in Australasia, SIME supports mining operator extraction of critical minerals foundational to AI hardware.

Monthly Sales for Passenger and Commercial Vehicles by Marque

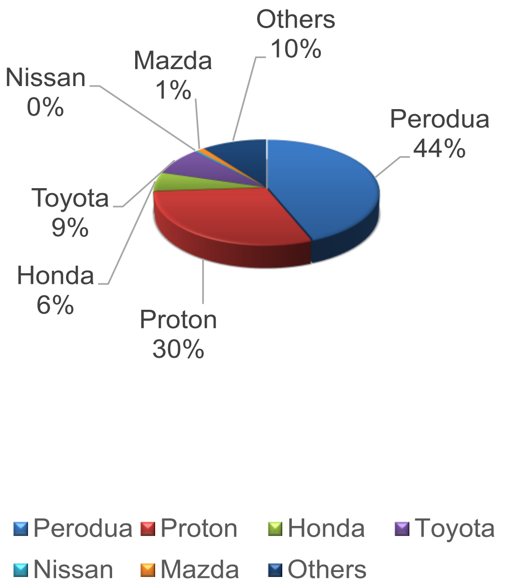
Marque (units)	Aug-26	Aug-25	Jul-26	% m-o-m	% y-o-y	YTD 2026	YTD 2025	% y-o-y
Passenger								
Perodua	29,422	32,026	31,842	-8%	-8%	219,559	199,674	10%
Proton	20,141	14,625	17,016	18%	38%	135,166	82,534	64%
Honda	3,852	5,872	5,014	-23%	-34%	34,795	44,368	-22%
Toyota	5,665	6,131	6,419	-12%	-8%	37,175	43,360	-14%
Nissan	286	441	382	-25%	-35%	2,592	3,719	-30%
Mazda	807	802	998	-19%	1%	7,497	5,349	40%
Others	6,885	8,843	7,229	-5%	-22%	60,811	104,385	-42%
Total	**67,058**	**68,740**	**68,900**	**-3%**	**-2%**	**497,595**	**483,389**	**3%**
Commercial								
Toyota	2,183	2,767	2,439	-10%	-21%	15,519	17,824	-13%
Isuzu	888	1,106	889	0%	-20%	6,869	8,532	-19%
Nissan	56	103	77	-27%	-46%	575	805	-29%
Mitsubishi	193	591	198	-3%	-67%	1,734	3,065	-43%
Hino	219	306	235	-7%	-28%	1,848	1,790	3%
Mazda	-	-	-	-	-	16	4	300%
Others	831	922	877	-5%	-10%	6,322	6,209	2%
Total	**4,370**	**5,795**	**4,715**	**-7%**	**-25%**	**32,883**	**38,229**	**-14%**
TIV	**71,428**	**74,535**	**73,615**	**-3%**	**-4%**	**530,478**	**521,618**	**2%**

Source: MAA, Kenanga Research

Monthly TIV

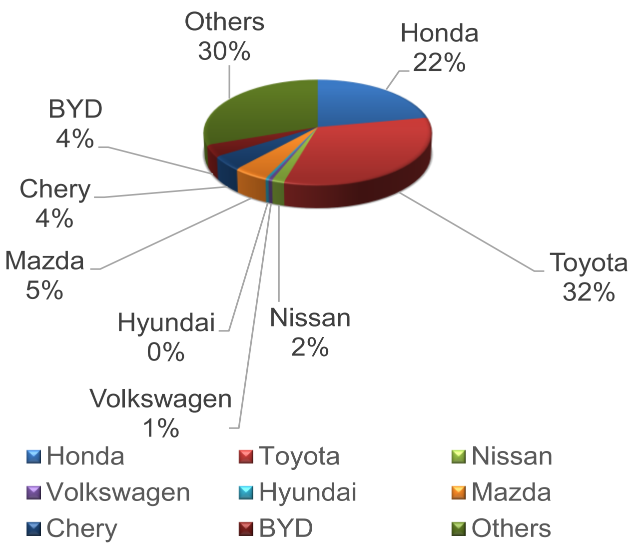


Market Share (Overall Passenger) August 2026



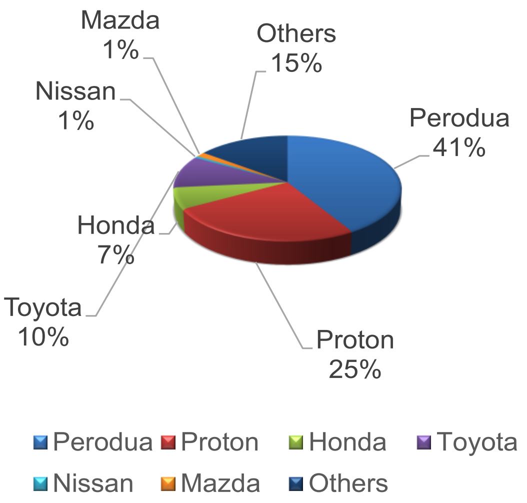
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) August 2026



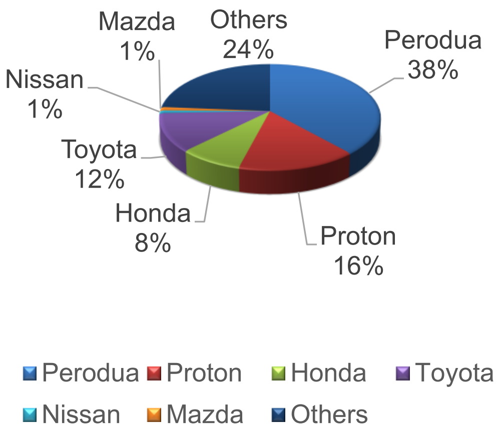
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 8MCY26



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 8MCY25



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) 1-Yr. Fwd.	Core EPS (sen) 2-Yr. Fwd.	Core EPS Growth 1-Yr. Fwd.	Core EPS Growth 2-Yr. Fwd.	PER (x) - Core Earnings 1-Yr. Fwd.	PER (x) - Core Earnings 2-Yr. Fwd.	PBV (x) 1-Yr. Fwd.	ROE 1-Yr. Fwd.	Net. Div. (sen) 1-Yr. Fwd.	Net Div Yld 1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	0.915	1.30	42.1%	1,062.3	Y	04/26	12.2	15.4	35.3%	25.9%	7.5	6.0	1.5	19.4%	9.8	10.7%
DRB-HICOM BHD	UP	0.955	0.770	-19.4%	1,846.0	Y	12/26	7.2	7.7	119.9%	6.0%	13.2	12.5	0.2	1.3%	3.0	3.1%
HIL INDUSTRIES BHD	OP	0.700	0.850	21.4%	232.3	Y	12/26	11.2	11.4	2.8%	2.3%	6.3	6.1	0.4	7.2%	2.0	2.9%
HONG LEONG IND. BHD	OP	17.00	21.00	23.5%	5,574.3	Y	06/26	176.2	183.4	0.6%	4.1%	9.6	9.3	1.8	19.5%	100.0	5.9%
MBM RESOURCES BHD	MP	4.95	5.00	1.0%	1,935.0	Y	12/26	81.6	82.2	-5.9%	0.7%	6.1	6.0	0.7	11.5%	48.0	9.7%
SIME DARBY BHD	OP	2.43	3.00	23.5%	16,526.4	Y	06/26	23.7	24.6	4.3%	3.7%	10.2	9.9	0.8	8.2%	14.0	5.8%
TAN CHONG MOTOR	UP	0.455	0.390	-14.3%	305.8	Y	12/26	(15.9)	(13.3)	-152%	-183%	N.A.	N.A.	0.1	-4.2%	1.0	2.2%
SECTOR AGGREGATE																	

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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