Automotive

Waiting for Goodies

NEUTRAL

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

September 2026 new vehicle sales in Malaysia, also known as total industry volume (TIV), fell 3% MoM which can be attributed to consumers adopting a wait-and-see approach ahead of the Budget 2027 announcement. Meanwhile, TIV rose 19% YoY from a lower base last year. YTD TIV of 603k units (+4%) is well within our expectation. The highlight for the month is Mazda, the only brand registering positive growth MoM, which we believe was due to backlog deliveries of Mazda 1.5L CBU following large shipment arrival. Our CY26 TIV forecast of 800k units (-3% YoY) matches the forecast by Malaysian Automotive Association (MAA), driven by the discounts and rebates trend, coming likely at the expense of margins, 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 on double-digit growth of sales/margin (also a 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.

September 2026 TIV fell 3% MoM which can be attributed to consumers adopting a wait-and-see approach ahead of the Budget 2027 announced on October 9. Meanwhile, TIV rose 19% YoY due to a lower base effect on shorter working days (four public holidays for the month), and scheduled plant maintenance shutdown by Perodua. For the month of October 2026, we expect sales to be higher than September due to year-end promotions being offered by automakers on the final quarter stretch of the year. With the lack of goodies in the Budget 2027 to spur the demand for specific brand, we believe that car sales will heavily depend on the carmakers which offer the most attractive promotions. YTD TIV of 603k units (+4%) is well within our expectation.

Notably, YTD-September 2026 EV sales are already at 53,537 units (+99%) which indicate that EVs are still leading the growth for TIV. The highlight for the month is **Mazda (+23% MoM, +41% YoY)**, being the only brand registering positive growth, as we believe is due to backlog deliveries of Mazda 1.5L CBU for which a large shipment has arrived (about 1,400 units arrived in September 2026, to be delivered within the September-November timeframe).

National marques (67% TIV share vs. 63% in 9MCY25) stood their ground. This was seen in Perodua (41% TIV share vs. 44% TIV share in 9MCY25) and Proton (26% TIV share vs. 19% TIV share in 9MCY25), backed by strong sustained demand in the affordable segment and attractive new launches. In the non-national marques segment, for the month of September 2026, Toyota took 1st place at 28% of TIV market share, leaving Honda behind at 2nd place at 20% 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 localization at its third-party manufacturing plant, 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 September 2026 at 64,835 units (-3% MoM, +22% YoY) is as follows:

Mazda (+23% MoM, +41% 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 has been partially replaced with the newer generation of *CX-5* in October 2026 (CBU first, CKD in July/August 2027). *Mazda 3* (RM118,900 for the 1.5L High Plus model), launched in early-November 2025 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 (-1% MoM, -12% 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).

Perodua's (-5% MoM, +19% 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 460 units sold since its launch in December 2025. Meanwhile, *Traz* SUV had 15,800 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 had a revised lower

Its 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 extended its offering of RM10k rebates until end-Oct 2026, further lowering the prices of the Perodua QV-e.

Toyota's (-6% MoM, -1% YoY) sales were supported by the new launch of Toyota Yaris Cross in HEV & Petrol variants, 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).

Proton's **(-10% MoM, +44% 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).

Nissan (-15% MoM, -46% 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 localization 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 an 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 upgraded 800V battery & accessories, Perodua Myvi (new DNGA), Xpeng MO 3 sedan and BYD yearly model refresh (2-3 models refreshed annually).

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) and 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 to be robust 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-September 2026 EV sales are already at 53,537 units (+99%). 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 and 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 September 2026, the current build-to-date are at 7,240 public charging bays with 4,852 AC chargers and 2,288 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 launched all-new CX-5 (its number 1 best-selling model) which will be offered first as CBU starting October 2026 with CKD starting from 2HCY27. Note that CBU models are unaffected by the new OMV excise duty regulation.

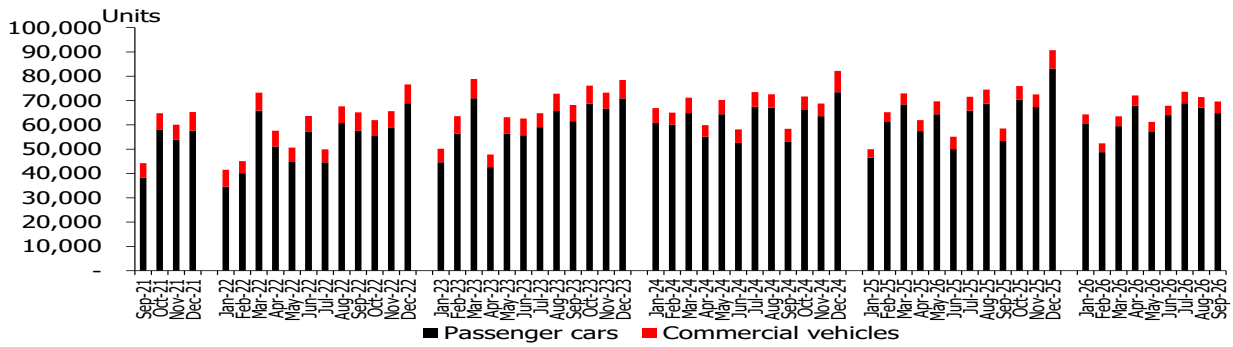
SIME (OP; TP: RM3.00) for: (i) its unique position as the automotive leader in Malaysia (60% market share) and EV leader in Singapore, Thailand and the Philippines while balancing out cyclical demand in other regions, and (ii) the strong sales and margin at its industrials segment acting as a proxy to 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

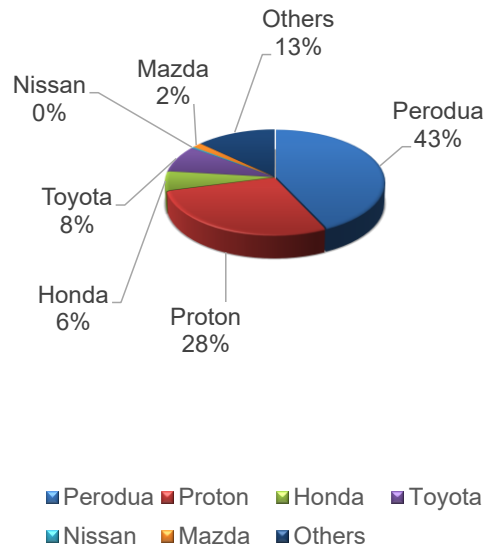
Marque (units)	Sep-26	Sep-25	Aug-26	% m-o-m	% y-o-y	YTD 2026	YTD 2025	% y-o-y
Passenger								
Perodua	27,838	23,394	29,422	-5%	19%	247,397	255,094	-3%
Proton	18,149	12,573	20,141	-10%	44%	153,315	109,732	40%
Honda	3,825	4,329	3,852	-1%	-12%	38,620	48,697	-21%
Toyota	5,349	5,387	5,665	-6%	-1%	42,524	48,747	-13%
Nissan	244	450	286	-15%	-46%	2,836	4,169	-32%
Mazda	993	702	807	23%	41%	8,490	6,051	40%
Others	8,437	6,516	6,885	23%	29%	71,737	64,251	12%
Total	**64,835**	**53,351**	**67,058**	**-3%**	**22%**	**564,919**	**536,741**	**5%**
Commercial								
Toyota	2,258	2,653	2,183	3%	-15%	17,777	20,477	-13%
Isuzu	1,018	1,093	888	15%	-7%	7,887	9,625	-18%
Nissan	79	74	56	41%	7%	654	879	-26%
Mitsubishi	191	472	193	-1%	-60%	1,925	3,537	-46%
Hino	217	80	219	-1%	171%	2,065	1,870	10%
Mazda	15	-	-	-	-	36	6	500%
Others	996	799	831	20%	25%	7,370	7,006	5%
Total	**4,774**	**5,171**	**4,370**	**9%**	**-8%**	**37,714**	**43,400**	**-13%**
TIV	**69,609**	**58,522**	**71,428**	**-3%**	**19%**	**602,633**	**580,141**	**4%**

Source: MAA, Kenanga Research

Monthly TIV

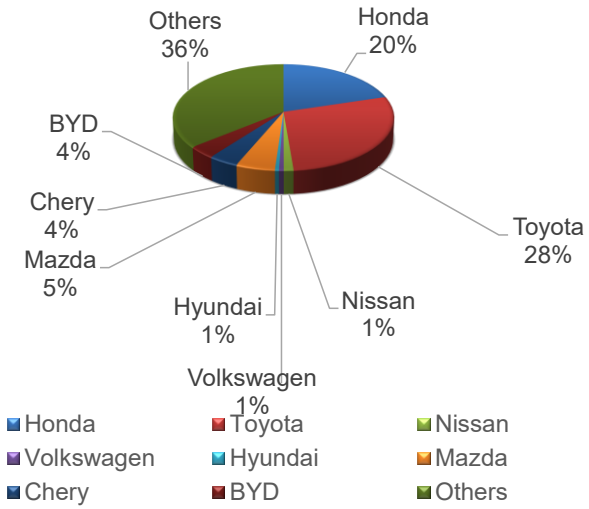


Market Share (Overall Passenger) September 2026



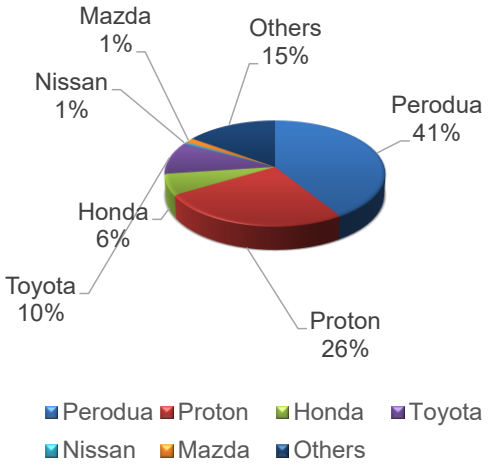
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) Sept' 2026



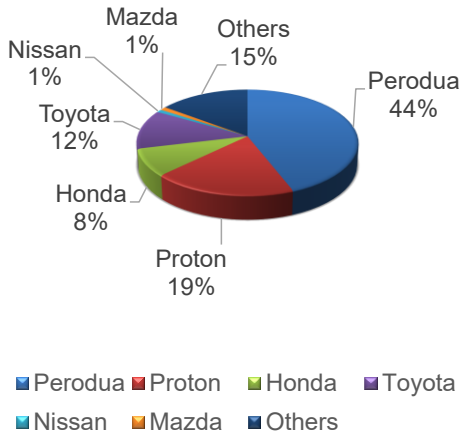
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 9MCY26



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) 9MCY25



Source: MAA, Kenanga Research

Exhibit 4: Various New Models



Perodua QV-E


Proton eMas 7 (upcoming 800V)


Proton eMas 5


Proton eMas 7 PHEV



Xpeng G6



Xpeng X9


TQ-Wuling Bingo



BYD Seal 06


BYD Sealion 7



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	0.900	1.30	44.4%	1,044.9	Y	04/26	12.2	15.4	35.3%	25.9%	7.4	5.9	1.5	19.4%	9.8	10.8%
DRB-HICOM BHD	UP	0.805	0.770	-4.3%	1,556.1	Y	12/26	7.2	7.7	119.9%	6.0%	11.1	10.5	0.1	1.3%	3.0	3.7%
HIL INDUSTRIES BHD	OP	0.620	0.850	37.1%	205.8	Y	12/26	11.2	11.4	2.8%	2.3%	5.5	5.4	0.4	7.2%	2.0	3.2%
HONG LEONG IND. BHD	OP	16.40	21.00	28.0%	5,377.6	Y	06/26	176.2	183.4	0.6%	4.1%	9.3	8.9	1.7	19.5%	100.0	6.1%
MBM RESOURCES BHD	MP	4.71	5.00	6.2%	1,841.1	Y	12/26	81.6	82.2	-5.9%	0.7%	5.8	5.7	0.6	11.5%	48.0	10.2%
SIME DARBY BHD	OP	2.44	3.00	23.0%	16,594.4	Y	06/26	23.7	24.6	4.3%	3.7%	10.3	9.9	0.8	8.2%	14.0	5.7%
TAN CHONG MOTOR	UP	0.430	0.390	-9.3%	289.0	Y	12/26	(15.9)	(13.3)	-152%	-183%	N.A.	N.A.	0.1	-4.2%	1.0	2.3%
SECTOR AGGREGATE					**26,908.8**					**10.6%**	**5.5%**	**9.9**	**9.4**	**0.7**	**6.7%**		**6.0%**

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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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