

Automotive Sector

Neutral (↔)

From Record Run-Rate to Reality Check

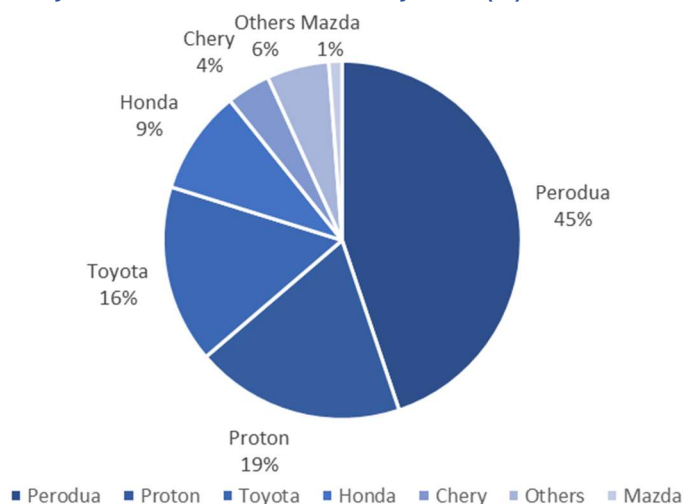
- Malaysia Automotive TIV hit a record 820,752 units in FY25 on year-end strength and EV tax front-loading. We forecast FY26 TIV at 780,000 units (-5.0% YoY) on post-normalisation.
- EV penetration rose sharply in FY25, but 2026 growth is set to moderate due to CBU tax expiry, infrastructure constraints and a shift toward CKD-led pricing normalisation.
- Maintain **NEUTRAL**, as national OEMs remain resilient, but intense non-national competition, pricing pressure and limited near-term policy catalysts cap sector re-rating upside. Top picks: MBMR (TP: RM6.30).

Record TIV in 2025; expecting slight moderation in 2026. Malaysia's Total Industry Volume (TIV) reached a new high of 820,752 units in 2025 (+0.5% YoY), exceeding our 770k forecast by 6.6%. The outperformance was driven by a record December 2025, with MAA-reported registrations of 90,716 units (+11.0% YoY) as 4QFY25 registrations of 241,416 units provided strong momentum to close the year. We view FY25 as a cyclical peak, supported by policy-driven purchase acceleration ahead of EV tax changes and resilient national OEM demand, rather than a sustainable step-up in underlying industry demand. We introduce a lower 2026F TIV assumption of 780,000 units (-5.0% YoY), reflecting a persistent competitive environment within the non-national segment and the lack of near-term catalysts to meaningfully lift industry demand back toward prior peak levels.

National OEMs remained the key growth anchor. Perodua delivered its fourth consecutive record year with volumes of 360k units (+0.5% YoY) supported by sustained demand for core models (Bezza, Axia, Myvi). Notably, Bezza exceeded 100k units for the second straight year, underscoring strong brand loyalty in the affordable segment. Proton also outperformed (+3.3% YoY), supported by new and facelifted models, with X50 volumes up c.18.6% YoY, reflecting improving appeal of the SUV offering within the mass-market segment.

Market share rotation intensified among foreign marques. Honda volumes declined 11.3% YoY to 75,599 units due to heightened competition, while Toyota remained resilient (+1.5% YoY to 129,085 units) supported by its hybrid offerings. Chinese marques continued to gain share, with BYD (+68% YoY to 14,407 units) and Chery (+61.0% YoY to 31,666 units) driven by competitive pricing and strong SUV demand. Meanwhile, production lagged registrations, with 747,780 vehicles manufactured in 2025 (-5% YoY), underscoring the elevated reliance on CBU imports ahead of the EV incentive expiry.

Figure1: Malaysia Automotive Market Share by Brand (%)

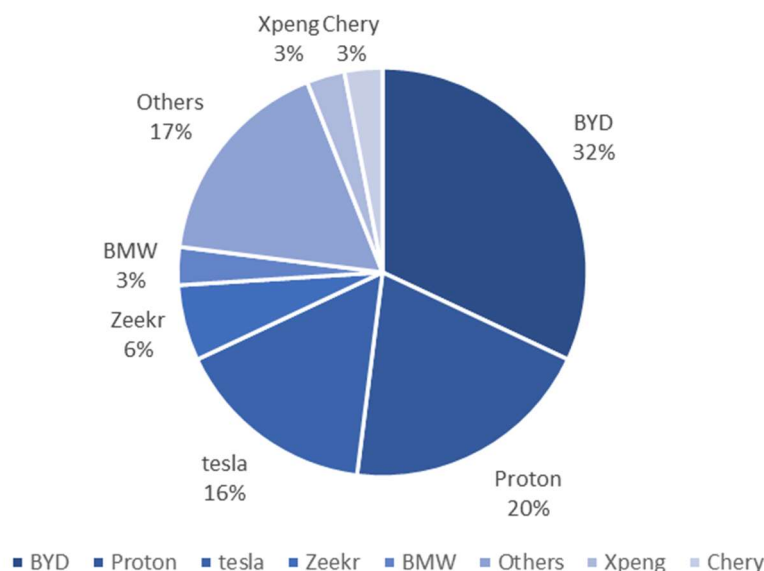


Source: MAA, Apex Securities

EV adoption accelerated in FY25. Road Transport Department (JPJ) data showed EV registrations doubling YoY to 44.8k units in 2025, representing 5.1% of total vehicle registrations (from 2.5% in 2024). BYD led the market with 14,407 units registered, cementing its position as the dominant EV player on competitive pricing and product breadth. This was followed by Proton (8,890 units), supported by strong acceptance of its e.MAS lineup, and Tesla (7,282 units) which continues to attract demand at the premium segment. In addition, emerging Chinese brands such as XPeng (1,536 units) recorded smaller but rapidly growing registration volumes, highlighting rising fragmentation and competition within the EV space.

What is slowing the EV adoption? Charging infrastructure remains a gating factor. According to the Energy Commission Malaysia (ST), Malaysia currently has fewer than 6,000 public EV charging points nationwide with DC fast chargers heavily concentrated in the Klang Valley and major highways. This remains well below the government's 10,000-charger target by end of 2025 under the Low Carbon Mobility Blueprint (LCMB) 2021–2030, largely due to slower-than-expected AC charger deployment. As a result, EV adoption remains urban-centric, skewed toward second car households, fleet operators and early adopters rather than broad-based mass-market penetration.

Figure 2: Malaysia EV Market Share by Brand (%)



Source: JPJ, Apex Securities

CBU EV tax holiday expiry. Following the expiry of the CBU EV tax exemption in Dec 2025, imported EVs are now subject to a 10% excise duty, alongside import duties that vary by country of origin and applicable free trade agreements (FTAs), and a 10% sales tax. In aggregate, the CBU EV tax structure is broadly expected to amount to c.30% import duty + 10% excise duty + 10% sales tax, although effective rates may be lower for certain origins. We understand that several major EV brands front-loaded inventory equivalent to up to four months of sales ahead of the policy change, which should delay any meaningful price revisions until 2H26. In the interim, some OEMs may also absorb part of the cost increase given the intensely competitive EV pricing landscape.

EV outlook. Looking ahead to 2026, EV demand is expected to pivot toward CKD models following the removal of tax exemptions for CBU EVs from 1 Jan 2026. In response, OEMs have accelerated localisation efforts to defend pricing, with XPeng targeting CKD rollout by end-1Q26, BYD completing its CKD plant in 2H26, and Proton introducing CKD production for its e.MAS 7. During this transition period, EV demand is likely to remain uneven, with brands such as BYD potentially facing softer 1H26 sales momentum while awaiting CKD ramp-up. While Perodua's launch of its first homegrown EV (QV-E) in late 2025 marks the initial phase of mass-market EV participation,

broader adoption is expected to remain measured, constrained by charging infrastructure limitations. As a result, EV growth in 2026 is likely to be driven primarily by localisation-led pricing normalisation rather than a step-change in underlying demand, effectively capping EV penetration upside for the year.

Emerging Beneficiaries Beyond Tier-1 OEMs. CKD localisation remains a core pillar of Malaysia's automotive industrial policy. The government's stance articulated through the Ministry of Investment Trade and Industry Malaysia (MITI) and the National Automotive Policy (NAP), is to anchor long-term OEM commitment, preserve domestic value-add and prevent Malaysia from becoming a pure CBU import market. Incentives are tied to CKD participation and progressive localisation, targeting c.40% local content which is more readily absorbed by players with established manufacturing and supplier capabilities. Against this backdrop, we favour upstream automotive suppliers such as **MBMR (BUY; TP: RM6.30)**, **Betamek (NR)**, **PECCA (NR)**, **Feytech (NR)** and **MCEHLDG (NR)**, as rising CKD localisation lifts local content per vehicle, supporting higher order flows and better volume visibility for domestic suppliers.

Beyond component supply. Assembly-led automotive players may capture incremental value by acting as appointed local assemblers for OEMs transitioning to CKD. In this regard, **Sime Darby (NR)** and **Bermaz Auto (HOLD; TP: RM0.80)** supported by their existing manufacturing footprints and available capacity. **EPMB (NR)** is a more direct beneficiary, underpinned by its partnership with XPeng and ongoing capacity expansion at its Melaka facility. EPMB has announced Phase 2 lifting annual capacity to 30,000 units from 6,000 units with Phase 3 targeted for completion by end-3Q26, positioning the group to support higher CKD throughput as OEM localisation ramps up. That said, the earnings impact is likely to be incremental with opportunities largely centred on low to mid volume CKD programmes.

OMV Excise Duty: Limited Pricing Impact. The Ministry of Finance Malaysia has deferred the implementation of the revised Open Market Value (OMV) excise duty to end-Jun 2026, removing near-term concerns of a sharp vehicle price adjustment. Importantly, the MAA has since clarified that the extension is primarily to finalise OMV calculation methodologies with the eventual impact on vehicle pricing expected to be minimal despite the inclusion of additional non-manufacturing cost components under the revised framework. We view this positively as it lifts a key overhang on TIV visibility, reduces CKD price uncertainty and supports demand stability, particularly for automakers with higher exposure to locally assembled models.

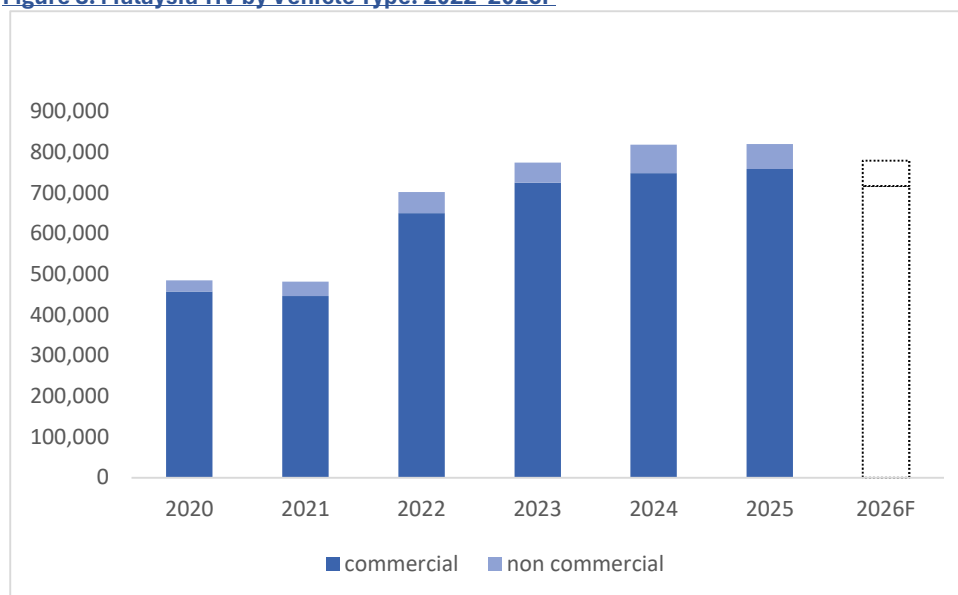
Lower Effective Financing Cost for New Cars. Malaysia's hire-purchase framework is being modernised via amendments to the Hire-Purchase Act 1967, shifting auto financing from flat-rate/Rule of 78 calculations to a reducing-balance method with mandatory Effective Interest Rate (EIR) disclosure. The reform overseen by Bank Negara Malaysia and legislated through Ministry of Finance Malaysia improves transparency and borrower outcomes while industry-led goodwill discounts are expected to cushion early settlements during the transition. Importantly, by lowering total interest costs over the loan tenure, the reform is supportive of new-vehicle affordability and should help underpin demand resilience, particularly in the mass-market segment.

Policy Support: Vehicle Trade-In Incentive. The government has introduced a RM10m vehicle trade-in programme under Budget 2026, offering up to RM4,000 rebates (RM2,000 government grant matched by national OEMs) for owners scrapping vehicles over 20 years old and purchasing new Proton or Perodua models. While modest in scale (5,000 units), the initiative provides incremental demand support for national OEMs, complements Proton's earlier trade-in scheme, and reinforces policy bias toward locally assembled vehicles amid a competitive market.

Maintain NEUTRAL. Our 2026F TIV assumption of 780,000 units (-5% YoY) anchors our stance on the automotive sector. While national OEMs are expected to remain relatively resilient, sustained competition within the non-national segment, pricing pressure, and limited near-term policy catalysts are likely to cap sector re-rating potential. Downside risks remain skewed toward softer order flows and margin compression, particularly for foreign OEMs with higher CBU exposure.

Within our coverage, **MBMR (BUY; TP: RM6.30)** remains our top pick underpinned by (i) strong market positioning via Perodua, (ii) a diversified earnings base across vehicle trading and parts, and (iii) resilient associate contributions that provide earnings stability.

Figure 3: Malaysia TIV by Vehicle Type: 2022–2026F



Source: MAA, Apex Securities

Company	FYE	Market Cap (RM m)	Rating	Price (RM) ^	TP (RM)	Potential Upside	P/E (x)		Div Yield (%)		ESG Rating
							CY26	CY27	CY26	CY27	
Bermaz Auto Bhd	Apr	933	HOLD	0.82	0.80	-2.4%	10.5	9.5	11.8	12.9	★★★
MBM Resources Berhad	Dec	2,048	BUY	5.24	6.30	20.2%	6.9	6.8	7.6	8.4	★★★
Sime Darby Berhad*	Jun	15,199	N/A	2.23	2.16	-3.0%	9.2	10.5	5.7	7.8	N/A
Average							8.9	8.9			

* Based on Bloomberg consensus

^ As 27Jan26

Source: Apex Securities Berhad

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 emissions at 1,717 tCO ₂ e and Scope 2 emissions at 9,612 tCO ₂ e in FY23
Waste & Effluent	★★★	Total CO ₂ emissions reported at 11,329 tCO ₂ e (Scope 1: 1,717 tCO ₂ e, Scope 2: 9,612 tCO ₂ e) in FY23
Energy	★★★	Energy consumption increased by 1% YoY to 15,041,845 kWh
Water	★★★	Water consumption increased 6% YoY to 142,824 m ³ in FY23 due to increased production and sales
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Pesta Makanan Amal 2023 and donated to Sekolah Semangat Maju
Management	★★	Board composition: 9 members, with 2 female directors and 4 independent directors. The average board member age is 53
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

BUY: Total returns* are expected to exceed 10% within the next 12 months.**HOLD:** Total returns* are expected to be within +10% to – 10% within the next 12 months.**SELL:** Total returns* are expected to be below -10% within the next 12 months.**TRADING BUY:** Total returns* are expected to exceed 10% within the next 3 months.**TRADING SELL:** Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

Sector Recommendations:

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.