

# Automotive

## NAP 2020 - Next Generation Legacy

**NEUTRAL**



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The much awaited revised National Automotive Policy (NAP) 2020 has finally been unveiled with the main objectives being to: (i) Develop Malaysia as a Regional Hub for the production the Next Generation Vehicles (NxGV), (ii) Expand the participation of domestic automotive industry in Mobility as a Service (MaaS) ecosystem, (iii) Ensure the domestic industry is equipped with Industrial Revolution (IR) 4.0, (iv) Ensure the overall ecosystem receives maximum benefit from the NxGV ecosystem, and (v) Reduce carbon emission from vehicles by 2025 in line with the ASEAN Fuel Economy Roadmap of 5.3 LGE/100km. While we laud the comprehensive policy which aims to further liberalise the sector, the policy unfortunately, lacked details on key issues including: (i) Customised incentives for CKD vehicles (to be unveiled later in stages in line with 7-National Roadmap for Automotive & Mobile Value Chain - NRAMVC), (ii) Tax incentives for hybrids, PHEVs, EVs (Electric Vehicles), (iii) New National Car Project (NNCP), and (iv) Non-national/foreign brand investment incentives. There was also no End-of-life vehicle (ELV) policy mentioned in the NAP. Maintain NEUTRAL with unchanged 2020 target of 612,000 (+1.3%) units as we view that the initiatives will take several years to come to fruition. Our sector top-pick is BAUTO (OP; TP: RM2.75) which offers a steady dividend yield of 8%. Our other preferred pick is MBMR (OP; TP: RM4.75) for its largest exposure to EEV vehicles with 800k units sold to-date.



**Next Generation Legacy.** In a nutshell, NAP 2020 consists of three directional thrusts and three strategies as well as seven roadmaps/blueprints to be implemented up to the year 2030 (in stages). The directions include a focus on Next Generation Vehicles (NxGVs), Mobility as a Service (MaaS) and Industry 4.0, and the plan will incorporate the development of Automated, Autonomous, Connected Vehicles (AACV), light weight material tech as well as hybrid, electric and fuel cell vehicles. The directional thrusts include Technology & Engineering, Investment, and market expansion, while the strategies include value chain development, human capital development, and safety, environment and consumerism. The Prime Minister noted that vehicle technology trends such as Electrification, Autonomous Driving, Internet of Things (IoT), Cooperative- Intelligent Transportation System (C-ITS) and Artificial Intelligence (AI) in vehicles are critical development focus for today's global carmakers that enhance

vehicle safety as well as making the vehicle more intelligent and environmentally friendly. The new Malaysian Vehicle Project will be implemented in line with the future direction and strategies of the Malaysian automotive industry including fulfilling the National Automotive Vision.

**Customised Incentives mechanism to be unveiled later.** The customised incentives mechanism is set to continue (to be unveiled later in stages in line with 7- National Roadmap for Automotive & Mobile Value Chain - NRAMVC), and will be based on cost-benefit analysis of specific business proposals by investors. These customised incentives will be more comprehensive, and will encompass a broader scope to involve not just EEVs but NxGVs, critical components as well as testing centres. To recap, the Ministry of Finance (MoF) has earlier confirmed via a statement by MAA that there will be no increase in CKD vehicle prices for a period of one year until 31 December 2020. This was due to the transparent reporting of the open market value (OMV) as outlined in the Excise (Determination of Value of Locally Manufactured Goods for the Purpose of Levying Excise Duty) Regulations 2019 dated 31 December 2019. Nevertheless, we believe that any increase in CKD car prices will be gradual and depend on models and currency movements. Honda Malaysia for example, recently implemented 5-9% price increase for 2020 (City up RM4.6k, Jazz up RM5k, CR-V up RM12.7k) due to a review of customised incentives for its CKD vehicles (which we believe was due to a review in cost-benefit analysis), which is different from the earlier-announced revision of excise valuation regulations that were not expected to alter vehicle prices.

**Malaysia aims to go further down the biodiesel path, with B30 biodiesel to come by the year 2025.** This was revealed by the Prime Minister during the launch of the NAP 2020 where B20 is to replace the current B10 biodiesel at over 3,400 stations nationwide, except in the Cameron and Genting Highlands in Pahang and Kundasang in Sabah where B7 biodiesel will continue to be used. The blend consists of 20% palm methyl ester and 80% regular diesel for which the Implementation already started in Langkawi and Labuan last month. The B20 availability will be expanded in stages starting in Sarawak in April and Sabah in August, before eventually being rolled out across Peninsular Malaysia by June 2021. The government aims to encourage the use of domestic palm oil and stabilise its prices with the move, which is expected to increase the consumption of palm oil by 534,000 tonnes a year to around 1.3m tonnes/year which is expected to reduce the amount of greenhouse gases emitted by as much as 3.8m tonnes/year.

**Overall, automakers are positive on the NAP with Perodua to benefit the most.** Perodua, Malaysia's first and largest EEV manufacturer with over 800,000 EEVs sold to date, has purchased a total of RM43.5bn worth of components from local suppliers, including RM5.4bn in 2019 and targeted to spend RM6bn for 2020. Whilst on autonomous technology, Perodua, guided by Daihatsu Motor Company of Japan, has laid the foundation with its Advanced Safety Assist (ASA) suite of driver assistance systems and have made it accessible to the masses. On the other hand, UMW believe that its Bukit Raja Plant is equipped with automation, skilled manpower and the capacity to align with the government's vision of developing the domestic industry into Industry Revolution 4.0 (IR 4.0) with further investment to introduce more CKD hybrid cars in the future. And Proton, while lauding the government's push for NxGV, has its ownership structure (50.1% DRB-Hicom, 49.9% Geely), to provide the leverage of its shareholders' strengths and local ecosystem to access new tech via Geely.

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**Malaysian vehicle project.** The national car was defined in the NAP 2020, with the following criteria: (i) Majority shareholders are Malaysian; (ii) Private sector driven; (iii) Focus on domestic supply chain development (75% local vendors and 25% foreign vendors); (iv) Focus on local talent employment at 98%; (v) Significant level of R&D must be done locally (top hat, upper body, etc) except for platform; (vi) Develop the ecosystem of NxGV and mobility in line with IR4.0 to meet NAP expectations. The criteria are applicable to Proton, Perodua, and DreamEDGE, the anchor company of the new national car project. The prototype for the New National Car Project (NNCP) will be plus-sized B-segment sedan but still awaiting private investment for commercial production.

**Maintain NEUTRAL on the sector with unchanged 2020 target of 612,000 (+1.3%) units.** We believe the weak macroeconomic condition, and possible delays in new car launches given the backlog of pricing approvals (3-5 months) will be offset by exciting new launches, especially by the non-nationals, better incentives program under NAP 2020, anticipation of gradual increase in CKD car prices beyond 2020 as well as minimal positive impact from recent BNM cut in the overnight policy rate (OPR) by 25bps to 2.75%. MITI has decided to increase the frequency of the monthly meetings held by the Automotive Business Development Committee (ABDC) from once to twice a month to speed up the vehicle pricing approval process. On the other hand, MITI has established a trade and advisory council (TIAC), which will discuss issues on subjects ranging from foreign direct investment (FDI) and domestic direct investment (DDI) to the National Automotive Policy (NAP) in its meetings (with a minimum of four meetings/year).

**BAUTO (OP; TP: RM2.65) is our sector top pick:** We like the stock for its: (i) expected earnings recovery from the stream of all-new models, especially its popular, face-lifted/turbo Mazda CX-5, (ii) superior margins which is above industry peers (average profit margin of c.9% vs. peers of c.2%), and (iii) steady dividend yield of 8%. BAUTO has launched its popular face-lifted and turbo variants of CX-5 (CKD, 22<sup>nd</sup> October), all-new CX-8 (CKD, 13<sup>th</sup> November), and all-new CX-30 (CBU, 15<sup>th</sup> January 2020). BAUTO will introduce the face-lifted CX-3 (1QCY20), face-lifted Mazda 2 (1HCY20) and all-new Mazda MX-30 (based on demand, introduced at the Tokyo Motor Show, with estimated launch in CY2020/CY2021). Our TP is based on 13x CY20E EPS (at -0.5SD of its 3-year Fwd. historical PER).

#### NAP 2020 Target

No.	AREA	TARGET (by 2030)
1.	GDP Contribution	RM104.2bn
2.	Total Production Volume (Passenger & Commercial Vehicle)	1.47m units
3.	Total Industry Volume (Passenger & Commercial Vehicle)	1.22m units
4.	Exports of Motor Vehicles(CBU)	RM12.3bn
5.	Exports of New Automotive Parts & components	RM28.3 bn
6.	Exports of Remanufactured Parts & components	RM10 bn
7.	Employment Opportunities(TOTAL)	323,000 jobs
8.	Employment Opportunities(Manufacturing)	128,000 jobs
9.	Employment Opportunities(After market)	46,000 jobs
10.	Employment Opportunities(Robotics)	30,000 jobs
11.	Employment Opportunities(loT)	44,000 jobs
12.	Employment Opportunities(Maas)	75,000 jobs
13.	Total Automotive Suppliers	Total-1,285 Tier1-400 Tier2& Below-885
14.	Supplier Competitiveness level	Level5-360 companies Level4-660 companies Level3-880 companies
15.	Industry 4WRD Readiness	Leaders-280 companies Experienced-500 companies Learner-660 companies
16.	New System Integrator	Robotics-350 companies IoT-380 companies
17.	Technology Development	i. Establishment of full-fledge Vehicle Type Approval(VAT) ii. Establishment of Electric Vehicle Interoperability Centre(EVIC) iii. Establishment of Autonomous/Automatic Vehicle Test Bed; iv. Establishment of Virtual Design Centre; v. Establishment of additive Manufacturing Design Centre; vi. Establishment of Robotics& AI Centre; vii. Establishment of BDA Centre; viii. Establishment of Digital Twin Centre; and ix. Establishment of Technology Academy (Automotive & Overall Mobility)

Source: NAP 2020-MITI, MARii, Kenanga Research

**The National Automotive Policy (NAP) 2020**

**NAP 2020 enhancing previous policy.** The NAP 2020 is an enhancement of NAP 2014, aiming to make Malaysia a regional leader in manufacturing, engineering and technology as well as to ensure a sustainable development of the local automotive industry. This will facilitate the required revolution and optimal integration of the local automotive industry into regional and global industry networks and continue to be aligned with the latest global technological trends through the application of IR4.0. Strategy-wise, emphasis will be placed on enhancing the competitiveness of the domestic value chain by pursuing high-quality technology products that will meet future standards of vehicle manufacturers and consumer needs. Secondly, local talent will be further developed, in tandem with current and future demands for new directions in automotive and mobility technology. The third strategy will involve safety, environment and consumer-related matters. More environmentally-friendly elements of technologies are set to be adopted, while, new elements to protect consumer rights related to spare parts and services, such as maintenance and recall processes, will be incorporated.

**NAP 2020 main objectives** are: **(i)** Develop the Next Generation Vehicles (NxGV) technology ecosystem to make Malaysia a Regional Hub for the production of NxGV, **(ii)** Expand the participation of domestic automotive industry in the sector of Mobility as a Service (MaaS) which not only focuses on the development of technology, but also the overall transportation ecosystem, **(iii)** Ensure the domestic automotive industry is better equipped with new paradigm in the automotive sector closely related to the development of IR4.0, **(iv)** Ensure the overall ecosystem including consumers, domestic industry and the Government to receive maximum benefit from the spin off from the overall implementation of NxGV, and **(v)** Reduce carbon emission from vehicles by improving fuel economy level in Malaysia by 2025 in line with the ASEAN Fuel Economy Roadmap of 5.3 LGE / 100km. (LGE-low Green House Gas (GHG) emission)

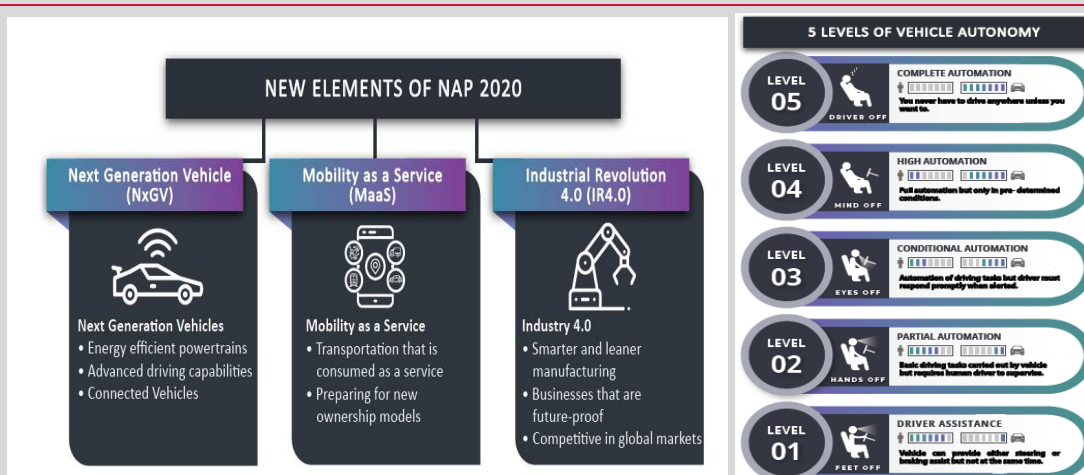
**Next Generation Vehicles (NxGV) classification.** NxGV is classified as a vehicle that meets the definition of Energy Efficient Vehicles (EEV) classifications and is enhanced with Intelligent Mobility applications with minimum of Level 3 Vehicle Automation i.e. Conditional Automation. NxGV vehicle technology is classified according to five levels of Autonomous/ Automated and Connected Vehicle (AACV). This is applied to Development of standards by 2021 and to ensure market penetration by 2025. Reduction of latency is a key requirement in vehicle connectivity as real-time decisions when a car is in motion must be performed in fractions of a second which paves the way for the development of Next Generation Vehicle, which will eventually lead to complete vehicle autonomy. We believe this is a good initiative to be on par with world automotive standard.

**Customised Incentives mechanism will be unveiled later.** The customised incentives mechanism is set to be continued (to be unveiled later in stages in line with 7-National Roadmap for NRAMVC), and will be based on cost-benefit analysis of specific business proposals by investors. These customised incentives will be more comprehensive, and will encompass a broader scope to involve not just EEVs but NxGVs, critical components as well as testing centres. Government will introduce initiatives that can attract strategic investments and high technology adaptation in line with NAP 2020's technology thrust to ensure the sustainability of the automotive industry's competitiveness in tandem with the development of global technology.

**Government will continue pursuing NAP 2014 objectives**, namely: **(i)** Develop a competitive and capable domestic automotive industry, **(ii)** Develop Malaysia as the regional automotive hub in EEV. **(iii)** Increase value-added activities in a sustainable way while continuously developing domestic capabilities, **(iv)** Increase exports of vehicles, automotive components, spare parts and related products in the manufacturing and aftermarket sector, **(v)** Increase the participation of competitive Bumiputera companies in the domestic automotive industry, including in the aftermarket sector, **(vi)** Enhance the ecosystem of the manufacturing and aftermarket sector of the domestic automotive industry, and **(vii)** Safeguard consumer interests by offering safer and better-quality products at competitive price.

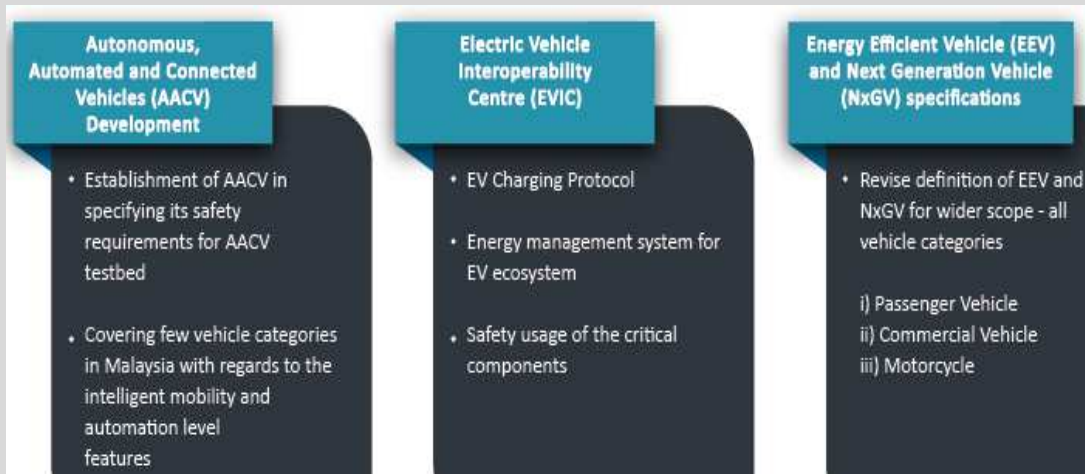
**Integration of the services and E&E sectors into the automotive industry** in order to continue the development of the automotive industry that is leading towards the mobility industry. The sectors integration can be realised by focusing on:- **(i)** Improvement of NAP 2014 by strengthening vendor development in the manufacture of components and parts ,and improving export performance, **(ii)** Full implementation of Industry 4.0 technology for the purpose of transformation in the automotive sector, **(iii)** Promoting local content utilisation and market penetration of Next Generation Vehicle (NxGV) in Malaysia, and **(iv)** Creation of a new ecosystem known as Mobility as a Service (MaaS) to further strengthen and improve the automotive industry.

**New Elements for NAP 2020**



Source: NAP 2020-MITI, MARii, Kenanga Research

Standards to be Developed for NxGV



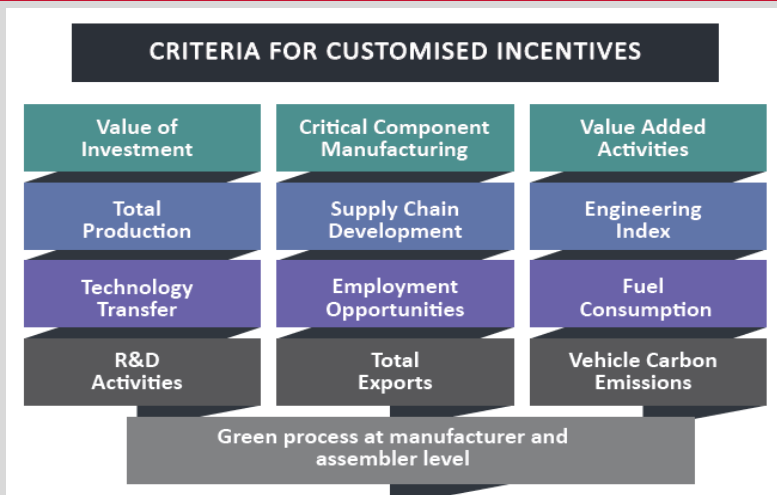
Source: NAP 2020-MITI, MARii, Kenanga Research

Strategies and Direction for NAP 2020

DIRECTION			STRATEGIES		
Technology & Engineering	Investment	Market Expansion	Value Chain Development	Human Capital Development	Safety, Environment and Consumerism
To expand the EEV technology and engineering of the automotive sector to NxGV, MaaS and IR4.0 in unison.	To introduce initiatives that can attract strategic investments and high technology adaptations in line with NAP 2020's technology thrust to ensure the sustainability of the automotive industry's competitiveness in tandem with the development of global technology.	To focus the market expansion of local automotive industry including companies in the after-sales and service sector.	To enhance supply chain competitiveness and become more competitive in the pursuit of high quality products that meet the standards of vehicle manufacturer and consumer needs.	To develop human capital in tandem with the development of current and future automotive technology.	To promote the adoption of a new, more environmental friendly elements of technologies that will address the issue of pollution.  To emphasise on the safety of vehicles and consumers.  To include consumerism element to protect consumer rights.
<b>Next Generation Vehicle</b>					
<b>Mobility as a Services</b>					
<b>Industrial Revolution (IR) 4.0</b>					

Source: NAP 2020-MITI, MARii, Kenanga Research

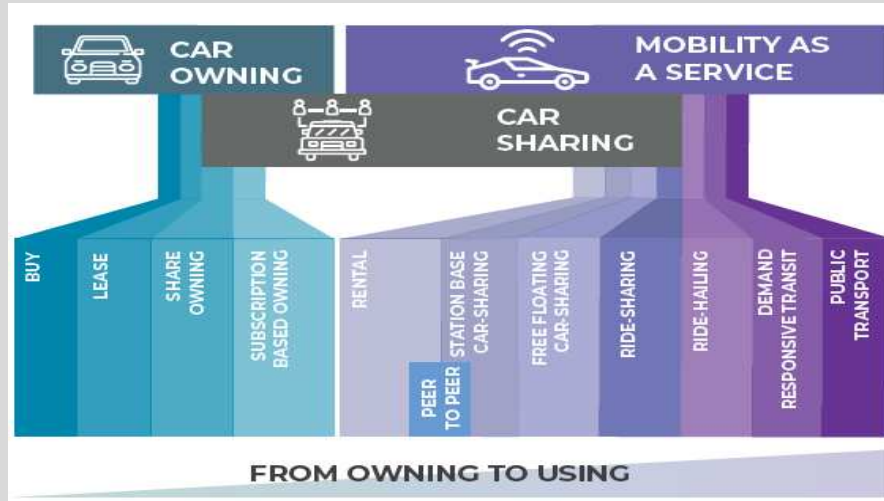
Criteria for Customised Incentives



Source: NAP 2020-MITI, MARii, Kenanga Research

**Mobility as a Service (MaaS)** is an evolving concept in which consumers and businesses move away from vehicle ownership towards service-based transportation. In this sense, MaaS includes multi-modal aggregation of transport modes as well as on demand mobility, i.e. a concept of integrating various types of transport services towards centralised mobility services. The rise of mobility as a service will revolutionise how people move from point A to point B, as it leverages on the digital platforms that integrate end-to-end trip planning, booking, payment services and solutions across all modes of transportation such as ride-sharing and e-hailing services, bike-sharing programmes, scooter sharing systems and car-sharing services as well as on-demand “pop-up” bus services. This trend is motivated by the anticipation of self-driving cars, which puts into question the economic benefit of personal vehicle ownership. Through MaaS, the future development of Autonomous vehicles would allow the public to use roads on a lower cost-per-kilometre, as self-navigating vehicles operate at a significantly lower cost than current taxi fares and rides sharing platforms. Such vehicles could have a large impact on the quality of life in urban areas and form a critical part of the future of transportation, while benefiting the traveller, the environment, and even other stakeholders.

**Mobility as a Service (MaaS)**



Source: NAP 2020-MITI, MARii, Kenanga Research

**Industry Revolution 4.0 (IR 4.0).** The adoption of digital technology has reached a point where the automotive industry is preparing for another radical change, the digital transformation of the industry or what we call Industry 4.0. The change is based on the adoption of new technologies for the progressive automation of the production process. It is about innovative growth of technologies whose application to the industry will be developed now on a daily basis. The key enabling technologies such as additive manufacturing, collaborative robotics, production planning tools, Artificial Intelligence, virtual reality, gamification, process simulation, operational intelligence, IoT, and Big Data Analytics requires a system that operates and manages information and infrastructures towards creating a connected mobility ecosystem. The enabling technologies will soon drive the industry towards envisioning a connected and integrated environment, a system of vehicle-to-vehicle communications, cameras, variety of sensors (Radar, LIDAR, RFID, etc.) and other devices integrated with advanced algorithms that can monitor the road in a variety of road, weather and traffic conditions to enable driverless systems.

**Critical Component Development**



Source: NAP 2020-MITI, MARii, Kenanga Research

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**Enhancing Bumiputera Participation.** NAP 2020 will also support and encourage participation of Bumiputera in the automotive sector through the participation in the supply chain and other new business activities including testing, remanufacturing, Authorised Automotive Treatment Facility (AATF), tool, dies and mould (TDM) and others. The current facilities will continue for the purpose of domestic automotive development mainly for Bumiputera.

#### Import License (AP)

**(i) New Open AP Policy** was announced on 23 December 2015 and has been implemented since January 2019. The New Policy provides opportunities to qualified Bumiputera automotive entrepreneurs to be involved in importation of used cars and motorcycles. The fee for one unit of AP is maintained at RM10,000 for one unit of car approved under the Open AP system. This rate is applicable for the first 35,000 units of approved AP for all open AP companies under the validity period of AP provision of the current year. Fee for the subsequent approved AP unit is RM20,000 for each vehicle unit imported by Open AP companies. The New Open AP Policy also requires that company granted with the AP must provide buyers with at least one-year warranty and maintenance service or in cooperation with the Original Equipment Manufacturer (OEM) for the maintenance service.

**(ii) Franchise AP Policy** will be continued for the purpose of monitoring and data collection. This policy will be implemented in line with the improvements proposed for the automotive industry as a whole, by promoting and opening larger opportunities for participation of Bumiputera in the automotive supply chain and not only focusing on being an importer.

*Source: NAP 2020-MITI, MARii, Kenanga Research*

#### NAP 2020 Seven new roadmaps and blueprints

**(i) National Roadmap for Automotive & Mobility Value Chain (NRAMVC)** aims at developing and enhancing the competitiveness of components suppliers of automotive and mobility value chain to be able to supply either to regional or global markets. Additional measures introduced to enhance value added activities in quality management, operation and business management, product manufacturing and testing capabilities with the application and implementation of IR4.0 elements.

**(ii) National Roadmap for Automotive & Mobility Technology (NRAMT)** charts the way forward on related technology development in the aspect of EEV, NxGV, smart mobility, Internet of Things (IoT) infrastructure and IR4.0 that support the development and manufacturing of automotive product and mobility ecosystem.

**(iii) National Roadmap for Automotive & Mobility Talent (NRAMTa)** outlines improved plans for the development of a competitive workforce that is fit for industry demand at all levels of manufacturing, marketing, automotive services up to the integration of mobility ecosystem. This roadmap focuses on improving quality of existing programmes for technicians and operators at local training institutions. NRAMTa also includes plans to develop specific local talent in identified fields, and upgrading skills from basic to advance in the field of engineering and Big Data Analytics, simulation, visualisation, system integrator, AI and machine learning. Improvements in syllabus for product automation and manufacturing of hybrid components manufacturing, electric, engine and transmission will ensure the availability of skilled workforce in areas related to IR4.0.

**(iv) National Roadmap for Automotive Aftermarket (NRAA)** outlines detailed criteria through improvements of remanufacturing, standards and best practices that can be adopted by domestic automotive stakeholders to make Malaysia an automotive re-manufacturing hub in ASEAN. This roadmap also provides guidelines for optimizing the quality of recycling and reuse of components by emphasizing on the digital usage such as Big Data Analytics that could potentially increase revenue or enhance the effectiveness and efficiency of aftersales operations through customer and vehicle data analysis, maintenance and optimisation of logistics planning. NRAA also outlines the guidelines of AATF and remanufacturing.

**(v) National Blueprint for Automotive Mobility as a Service (NBAMaaS)** outlines core planning of transport services and mobility solutions that are specifically tailored to accommodate development needs of Malaysia automotive industry.

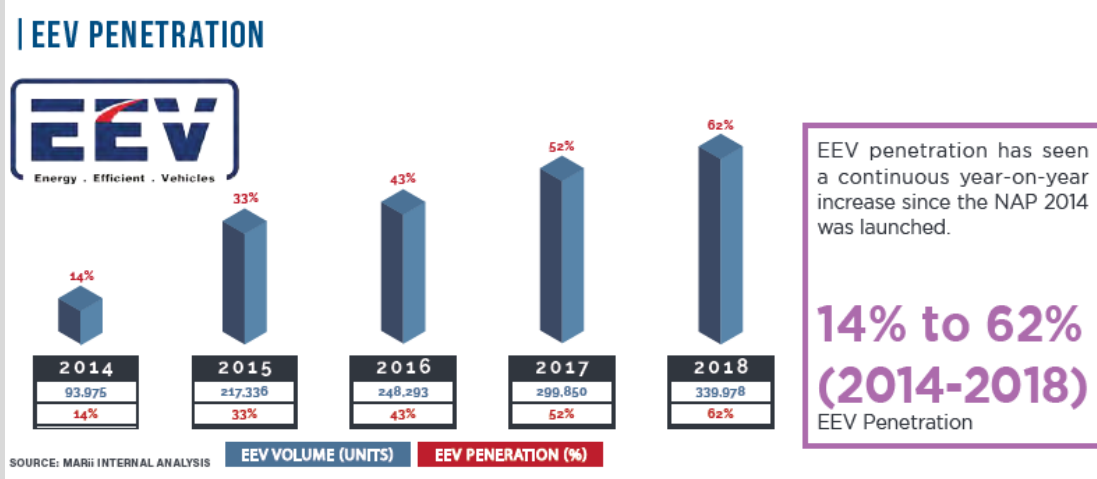
**(vi) National Blueprint for Automotive Robotics (NBAR)** outlines strategies in robotic technology towards providing solutions to the issues and challenges especially in the manufacturing sector. Through the introduction of Industry 4.0, Malaysia will drive enhanced capabilities in product design, equipment handling, operations, process, supply chain management and factory's green energy management by using Robotics Automation technology.

**(vii) National Blueprint for Automotive Internet of Things (NBAloT)** outlines the direction of connectivity revolution in automotive industry and marketing strategies of connected vehicles including Vehicle-to- Everything (V2X), Autonomous vehicles, safety aspect and regulations. The blueprint also outlines ways to address manufacturing challenges, vehicle life cycle and process development of a conducive IoT ecosystem

*Source: NAP 2020-MITI, MARii, Kenanga Research*

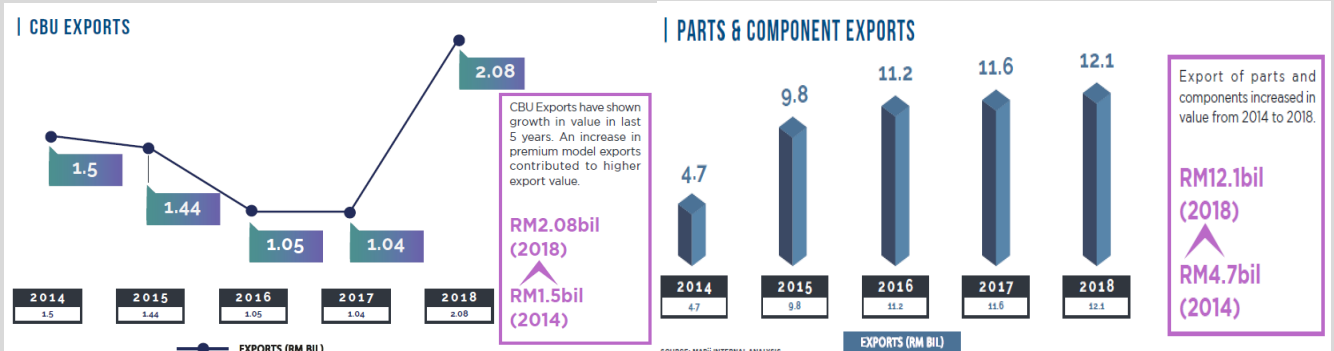
**Hybrid Milestones.** In 2019, Honda Malaysia achieved a milestone of 10,000 units of locally produced hybrid models (Jazz Hybrid at 60%, City Hybrid at 34% and HR-V Hybrid at 6%). While, premium carmaker, BMW Malaysia Sdn Bhd, sold 3,148 electrified BMW and MINI vehicles in 2019, comprising more than 900 units of BMW X5 xDrive40e, 300 units of BMW 740Le xDrive, 600 units of BMW 530e, 1,000 units of BMW 330e and 70 units of MINI plug-in hybrid. The German auto group reiterated its commitment to expanding the infrastructure for electro-mobility in the country, with 18 new BMW i-charging facilities introduced last year, bringing the total to over 30 in three years. Moving forward, the government shall support the expansion of charging facilities in the country and consider more specialised incentives for hybrid vehicles.

Energy Efficient Vehicle Penetration 2014-2018



Source: NAP 2020-MITI, MARii, Kenanga Research

CBU and Parts & Component Exports 2014-2018



Source: NAP 2020-MITI, MARii, Kenanga Research

NAP 2020 Launching Ceremony



Source: NAP 2020-MITI, MARii, Kenanga Research

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## Peer Comparison

Name	Last Price	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
<b>STOCKS UNDER COVERAGE</b>																	
BERMAZ AUTO BHD	1.83	2,126.8	Y	04/2020	0.6%	5.3%	-24.3%	25.0%	8.0	10.6	8.5	3.5	3.1	30.8%	8.0%	2.65	OP
DRB-HICOM BHD	2.30	4,446.4	Y	12/2019	-33.3%	63.8%	-4.8%	77.1%	24.3	25.5	14.4	0.7	0.7	2.6%	1.3%	2.60	OP
MBM RESOURCES BERHAD	4.01	1,567.5	Y	12/2019	-3.7%	0.3%	19.6%	4.2%	9.5	7.9	7.6	1.0	0.9	12.0%	3.0%	4.75	OP
SIME DARBY BERHAD	2.10	14,283.0	Y	06/2020	4.1%	4.4%	-9.4%	15.4%	15.0	16.6	14.4	1.0	1.0	5.8%	4.8%	2.20	MP
TAN CHONG MOTOR HOLDINGS BHD	1.32	861.2	N	12/2019	-10.2%	1.0%	-44.7%	15.5%	8.2	14.8	12.8	0.3	0.3	2.1%	3.0%	1.05	UP
UMW HOLDINGS BHD	3.83	4,474.6	Y	12/2019	6.0%	7.0%	-1.3%	21.5%	11.8	11.9	9.8	1.3	1.2	10.8%	2.0%	5.45	OP
<b>Simple Average</b>					<b>-8.5%</b>	<b>15.0%</b>	<b>-12.7%</b>	<b>27.4%</b>	<b>13.0</b>	<b>15.1</b>	<b>11.5</b>	<b>1.3</b>	<b>1.2</b>	<b>10.7%</b>	<b>4.0%</b>		

Source: Bloomberg, 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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