

25 June 2020

Automotive

Half-Mile Drive in May

UNDERWEIGHT



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

We maintain UNDERWEIGHT on the sector with 2020 TIV target units of 420k (-31% YoY). According to the Malaysian Automotive Association (MAA), TIV for May 2020 registered sales of 22,960 units (>100% MoM, -62% YoY), which reflected half-month vehicles collection sales, which started on 13th May 2020, being the 1st day of JPJ resuming operation with the relaxation of MCO guidelines. 5MCY20 reported TIV of 129,561 units (-49%), forming 30% of our 2020 sales target, as expected. Sales volume for June 2020 is expected to be higher than May 2020 with a full-month operation, coupled with the announcement of sales tax exemption by the government (average vehicles price reduction from 1%-6%) which correspondingly increased showroom traffic. Nonetheless, overall numbers would still be lower than traditional monthly registration prior to MCO, given social distancing resulting in long queues at PUSPAKOM and JPJ, cautious consumer spending on high-value discretionary items, and stringent loan approvals.



May 2020 registered sales of 22,960 units (>100% MoM, -62% YoY). The TIV numbers reflected half-month vehicles collection sales which started on 13th May 2020, being the 1st day of JPJ resuming operation with the relaxation of MCO guidelines. Note that, April 2020 sales units registered were only a statistic from JPJ e-Daftar system, with no actual delivery due to the MCO.

Taking a detailed look at the passenger vehicles segment (>100% MoM, -63% YoY), both MoM and YoY performances tracked the overall unit sales trend on the above-mentioned reasons. Perodua (>100% MoM, -66% YoY) was cushioned by its best-selling face-lifted Bezza, which was launched in early-January 2020, and supported by ARUZ (950 units sold in May at 12% of sales). Proton (>100% MoM, -47% YoY) sales were boosted by the all-new X70 CKD (798 units sold in May at 14% of sales), and supported by the face-lifted Proton Saga, Iriz, and Persona. Honda (>100% MoM, -75% YoY) sales mostly came from its top models of Honda City, Civic and BR-V. Toyota's (>100% MoM, -49% YoY) sales growth was contributed by the all-new Toyota Vios, all-new Toyota Yaris, and Toyota Hilux, which comprised 77% of UMW Toyota sales. Mazda (>100% MoM, -52% YoY), showed increased delivery for face-lifted CX-5 and all-new CX-8. On the other hand, Nissan (>100% MoM, -73% YoY) fared the worst due to dearth of all-new model launches.

Sales volume for June 2020 is expected to be higher than May 2020 with a full month business operation, coupled with the announcement of sales tax exemption by the government which correspondingly increased showroom traffic. Nonetheless, overall numbers would still be lower than the traditional monthly registration prior to MCO, given social distancing resulting in long queues at PUSPAKOM and JPJ, cautious consumer spending on high-value discretionary items, and stringent loan approvals, in our view. The quantum of vehicles price reduction under sales tax exemption are :- (i) Perodua average price lower by 3%-6%, (ii) Proton average price lower by 1%-6%, (iii) Honda average price lower by 3%-5%, (iv) Toyota average price lower by 1%-5%, (v) Mazda average price lower by 2%-4%, and (vi) Nissan average price lower by 1%-6%.

We maintain UNDERWEIGHT on the sector with 2020 TIV target units of 420k (-31% YoY). We believe that national marques would fare worse than non-national marques as their target markets of lower to mid-income range is the most financially distressed segment. With the economy slowing sharply, MAA envisaged lower TIV forecast for 2020 at 400k units (-34% YoY). Furthermore, the planned new launches for 2HCY20 could be delayed given the weak consumer sentiment, but some reliefs could arise from sales tax exemption until end-of the year, better incentives program under NAP 2020, and positive impact from BNM's overnight policy rate (OPR) cut and pre-emptive measures to assist those who might be financially challenged by Covid-19 impact. Our economic research team is of the view that the MCO to contain the outbreak will adversely impact the economy in the short term with 2020 GDP expected to contract by 2.9%. Going forward, the final impact would depend on the outcome of containment measures and economic stimulus by the government.

TIV Market Share Movement						
Position	Marques	5M20	5M19	Market Share	Sales	Comment
1st	Perodua	41%	42%	▼	-50%	Driven by the all-new Perodua Myvi, and the all-new Perodua Bezza
2nd	Proton	21%	14%	▲	-24%	Higher delivery of the all-new Proton X70 CKD, and also supported by the existing face-lifted line-ups
3rd	Honda	11%	15%	▼	-64%	Consumers held back purchases, expecting new models (tentatively all-new Honda City 2020)
4th	Toyota	11%	10%	▲	-47%	The all-new Toyota Vios, all-new Toyota Yaris, and Toyota Hilux, which comprised 77% of UMW Toyota sales
5th	Nissan	3%	4%	▼	-62%	Lack of new volume-driven model launches
6th	Mazda	2%	2%	◀▶	-43%	Renew Interest for face-lifted CX-5 and all-new CX-8 which showed increased delivery starting December 2019
National Marques		62%	56%	▲		Outstanding sales from Perodua, and boosted by a surge in Proton sales.
Non-national Marques		38%	44%	▼		Lack of volume-driven launches, and losing market share to local carmakers

Source: MAA, Kenanga Research

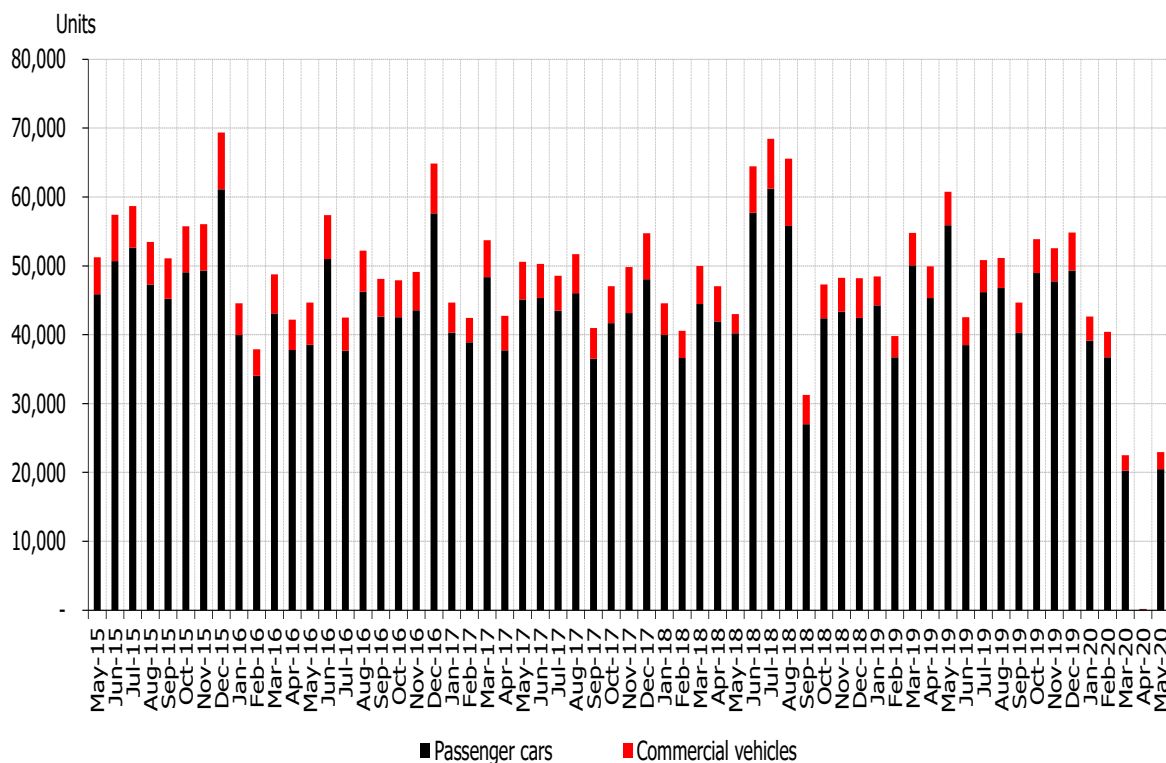
25 June 2020

May 2020 sales for passenger and commercial vehicles according to top marques

Marques(units)	May-20	May-19	Apr-20	% m-o-m	% y-o-y	YTD 2020	YTD 2019	% y-o-y
Passenger								
Perodua	7,886	22,945	57	>100%	-66%	52,920	105,745	-50%
Proton	5,676	10,611	22	>100%	-47%	27,455	35,903	-24%
Honda	2,678	10,509	27	>100%	-75%	13,805	38,874	-64%
Toyota	2,707	5,262	11	>100%	-49%	10,291	19,869	-48%
Nissan	450	1,656	6	>100%	-73%	2,592	6,933	-63%
Mazda	503	1,052	-	>100%	-52%	3,206	5,591	-43%
Others	556	3,859	8	>100%	-86%	7,328	19,371	-62%
Total	20,456	55,894	131	>100%	-63%	117,597	232,286	-49%
Commercial								
Toyota	718	1,580	2	>100%	-55%	3,562	6,160	-42%
Isuzu	400	811	-	>100%	-51%	1,970	3,457	-43%
Nissan	175	447	2	>100%	-61%	788	1,944	-59%
Mitsubishi	483	478	6	>100%	1%	1,976	2,509	-21%
Hino	225	448	-	>100%	-50%	1,070	2,258	-53%
Mazda	-	8	-	>100%	-100%	20	82	-76%
Others	503	1,094	-	>100%	-54%	2,578	5,035	-49%
Total	2,504	4,866	10	>100%	-49%	11,964	21,445	-44%
TIV	22,960	60,760	141	>100%	-62%	129,561	253,731	-49%

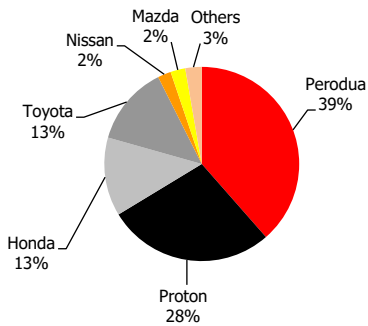
Source: MAA, Kenanga Research

Total Industry Volume from May 2015 to May 2020

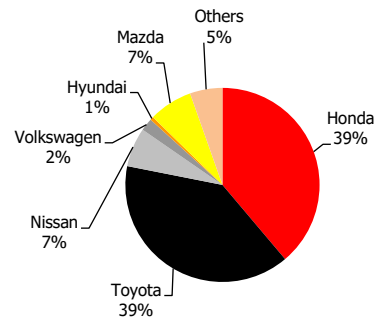


Source: MAA, Kenanga Research

Market share of top marques (Passenger) in May 2020

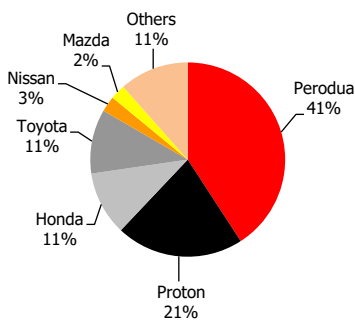


Market share of top non-national marques (Passenger)

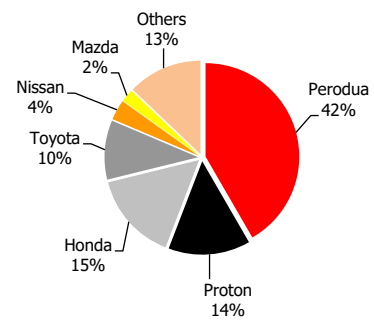


Source: MAA, Kenanga Research

Market share of 5M20 (Passenger and Commercial)

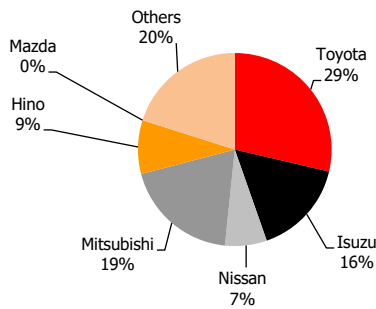


Market share of 5M19 (Passenger and Commercial)



Source: MAA, Kenanga Research

Market share of top marques (Commercial), May 2020



Source: MAA, Kenanga Research

New Launches 2019/2020/2021

Mazda CX-8 (CKD) –13th November 2019



Face-lifted Perodua Bezza (RM34.5k-RM49.8k)-8th Jan 2020



2019 Face-lifted Honda Civic – 26th Feb 2020



Proton X70 CKD (c.RM95k-123k)-12TH Feb 2020



Toyota RAV4 (CBU) – 18th June 2020



All-New Honda City 1.0 Turbo (CKD) – 2HCY20



All-New Nissan Almera 1.0 Turbo (CKD) – 2HCY2020



All-New Perodua D55L/Raize(CKD) – 2HCY20



All-New Proton X50 (CKD) – 2HCY20



All-New Perodua D27A MPV/ Alza (CKD) – 2021



Source: Various Sources

25 June 2020

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliance	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.				
STOCKS UNDER COVERAGE																		
BERMAZ AUTO BHD	1.57	1,824.6	Y	04/2021	36.6%	8.8%	17.0%	42.6%	18.1	15.5	10.9	3.5	2.9	20.4%	5.5%	1.30	UP	
DRB-HICOM BHD	1.75	3,383.2	Y	12/2019	-12.5%	7.7%	-32.2%	32.9%	20.5	30.2	22.7	0.5	0.5	4.3%	1.7%	1.40	MP	
MBM RESOURCES BERHAD	3.33	1,301.7	Y	12/2020	-8.1%	1.2%	-30.5%	16.1%	6.8	9.8	8.4	0.6	0.6	6.5%	1.8%	2.40	UP	
SIME DARBY BERHAD	2.08	14,147.0	Y	06/2020	-0.7%	2.0%	2.0%	2.0%	14.9	14.6	14.3	1.0	0.9	6.5%	4.8%	1.75	UP	
TAN CHONG MOTOR HOLDINGS BHD	1.08	704.6	N	12/2020	-30.5%	17.7%	-132.7%	113.1%	15.5	N.A.	22.3	0.2	0.2	-0.5%	1.9%	0.700	UP	
UMW HOLDINGS BHD	2.65	3,096.0	Y	12/2020	-22.8%	27.2%	-48.8%	13.6%	12.1	23.7	20.9	0.5	0.5	2.1%	2.3%	1.80	UP	
Simple Average					-6.3%	10.8%	-37.5%	36.7%	14.7	18.8	16.6	1.1	0.9	6.5%	3.0%			

Source: Bloomberg, Kenanga Research

The rest of this page is intentionally left blank

25 June 2020

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.***

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

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

