

26 July 2021

Automotive

No Sight of Lockdown Ending

NEUTRAL



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According to the Malaysian Automotive Association (MAA), TIV for June 2021 registered 1,921 units (-96% MoM, -96% YoY), practically down the ditch, due to nationwide lockdown starting 1st June 2021 under the National Recovery Plan Phase 1. June's sales were those spilled over from May 2021, that were registered later through JPJ e-Daftar system for which loans have already been approved with an issued Letter of Undertaking (LoU) to ensure no lapse in the agreement. While some parts of the nation transitioned to National Recovery Plan Phase 2, Selangor and Kuala Lumpur which make up more than 50% of TIV are still closed for business with no end in sight for now given the rising Covid-19 cases. Thus, we expect July sales to still register minimal sales depending on ready-stocks in hand of respective showrooms operating under National Recovery Plan Phase 2. Maintain NEUTRAL with a lower 2021 TIV target to 460k units (-13%) from 545k units (+3%), but we expect a stronger recovery next year with 2022 TIV target of 600k units (+30%). Our 2022 TIV growth will be driven by the expected recovery in economy post lockdown and the assumption that herd immunity would be achieved by then, inevitably resulting in relaxation of SOPs toward revitalising local travel which should push demand for passenger vehicles especially for the affordable national marques. Additionally, a few automakers have assured commitment to absorb SST beyond Dec 2021.



TIV for June 2021 registered 1,921 units (-96% MoM, -96% YoY). Both YoY and MoM performances plunged, practically down the ditch, due to a nationwide lockdown starting 1st June 2021 under the National Recovery Plan Phase 1. June's sales were those spilled over from May 2021, that were registered later through JPJ e-Daftar system for which loans have already been approved with an issued Letter of Undertaking (LoU), to ensure no lapse in the agreement, without which would entail going through the whole process again. While some parts of the nation transitioned to National Recovery Plan Phase 2, Selangor and Kuala Lumpur which make up more than 50% of TIV are still closed for business with no end in sight for now given the rising Covid-19 cases. Thus, we expect July sales to still register minimal sales depending on ready-stocks in hand of respective showrooms operating under National Recovery Plan Phase 2.

A detailed look at the passenger vehicles segment (-96% MoM, -96% YoY). Perodua (-94% MoM, -95% YoY) sales was driven by the all-new Axia, Myvi, Bezza, and ARUZ and Ativa (311 units sold at 31% of sales). Proton saes (-94% MoM, 95% YoY) were due to the all-new X70 and X50 (113 units sold at 23% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collective known as PIES). Honda's (-100% MoM, -99% YoY) sales mostly came from City, Civic and BR-V with exceptional response for the all-new City. Toyota's (-99% MoM, -97% YoY) sales mostly came from its top models namely all-new Toyota Vios, Yaris, and Toyota Hilux. Nissan's (-99% MoM, -98% YoY) all-new Almera has started to propel positive growth for the brand, but overall growth still lagged behind other marques from the dearth of all-new model launches. Mazda's (-96% MoM, 94% YoY) sales were mostly contributed by face-lifted CX-5 and all-new CX-8.

Maintain NEUTRAL with a lower 2021 TIV target to 460k units (-13%) from 545k units (+3%), but we expect a stronger recovery next year with 2022 TIV target of 600k units (+30%). With no end in sight for the nationwide lockdown especially enhanced lockdown in Selangor and Kuala Lumpur, we cut our 2021 TIV target to 460k units (-13%) from 545k units (+3%), coinciding with the forecast TIV cut by MAA to 500k units (from 570k units, previously). Nevertheless, we expect a stronger recovery next year with 2022 TIV target of 600k units (+30%), closely in line with MAA's TIV target of 605k units (+21%). Our 2022 TIV growth will be driven by the expected recovery in economy post lockdown and the assumption that herd immunity would be achieved by then, inevitably resulting in relaxation of SOPs toward revitalising local travel which should push demand for passenger vehicles especially the affordable national marques. Additionally, a few automakers have assured commitment to absorb SST beyond Dec 2021. Following our earnings revision, we maintain most of our calls and TPs which are based on FY22E EPS, but make a minor change for TCHONG (UP; TP to RM1.00 from RM1.10), and UMW (MP; TP to 3.00 from RM3.10). There are relatively no changes for SIME (OP; TP: RM2.35) with continuous improvement in its main China operation, and BAUTO (MP; TP: RM1.45) given its FYE April providing ample time to recover post lockdown.

Changes in Net Profit to reflect the continued lockdown/cushioned SST exempted-sales/absorbed

Company	Previous FY21/FY22E (RMm)	Previous FY22/FY23E (RMm)	New FY21/FY22E (RMm)	New FY22/FY23E (RMm)	FY21E/FY22E Revision (%)	FY22E/FY23E Revision (%)
BAUTO	118.5	133.1	118.5	133.1	0%	0%
DRBHCOM	266.1	337.4	198	337	-26%	0%
MBMR	179.4	196.5	162.7	195.7	-9.3%	-0.4%
SIME	1,040	1,180	1,040	1,180	0%	0%
TCHONG	-42.7	16.1	-45.9	12.5	+7.6%	-22.5%
UMW	255.2	277.7	190.3	265.1	-25.4%	-4.5%

Source: Kenanga Research

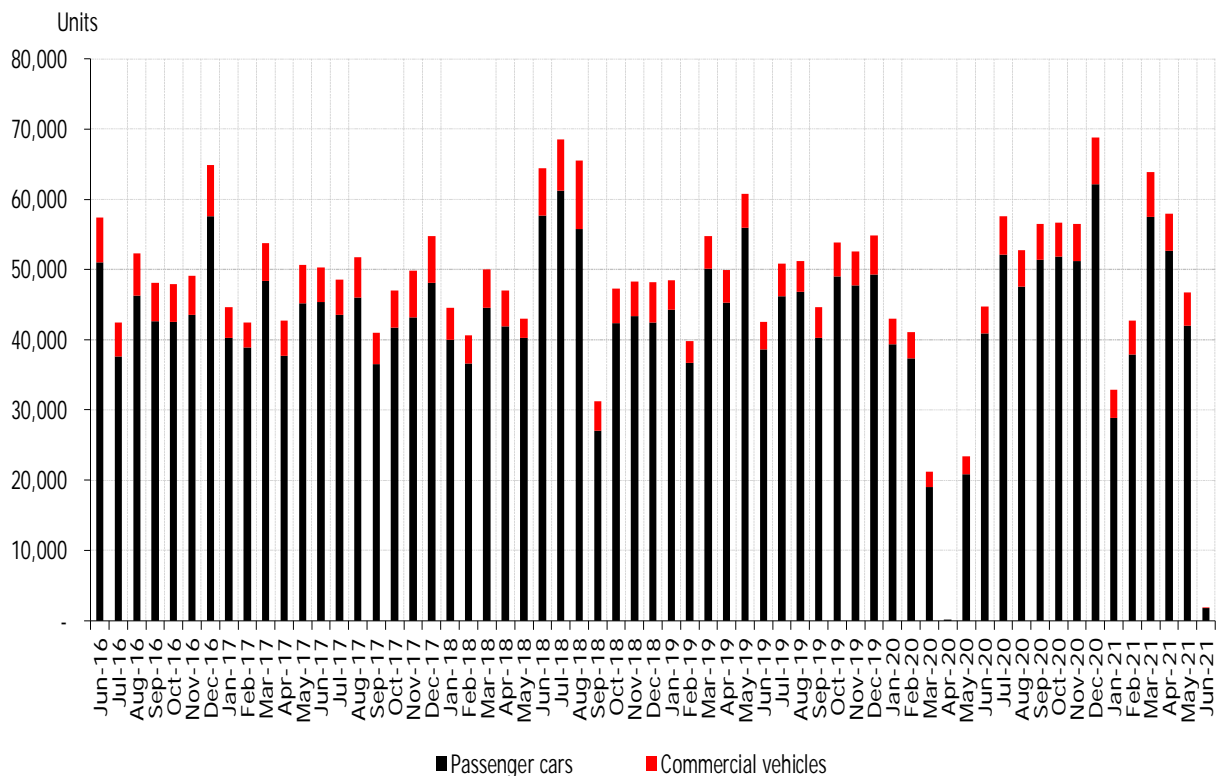
26 July 2021

June 2021 sales for passenger and commercial vehicles according to top marques

Marques (units)	Jun-21	Jun-20	May-21	% m-o-m	% y-o-y	YTD 2021	YTD 2020	% y-o-y
Passenger								
Perodua	1,009	21,250	17,973	-94%	-95%	96,273	52,920	82%
Proton	488	9,623	8,771	-94%	-95%	55,864	27,455	103%
Honda	22	3,319	5,113	-100%	-99%	25,273	13,805	83%
Toyota	82	3,220	5,838	-99%	-97%	23,150	10,291	125%
Nissan	13	778	964	-99%	-98%	4,509	2,592	74%
Mazda	60	1,001	1,362	-96%	-94%	5,337	3,206	66%
Others	167	1,753	1,967	-92%	-90%	10,379	6,446	61%
Total	1,841	40,944	41,988	-96%	-96%	220,785	116,715	89%
Commercial								
Toyota	2	1,126	1,657	-100%	-100%	10,471	3,562	194%
Isuzu	12	686	954	-99%	-98%	4,153	1,970	111%
Nissan	10	224	471	-98%	-96%	1,223	788	55%
Mitsubishi	45	552	448	-90%	-92%	3,298	1,976	67%
Hino	-	365	403	-100%	-100%	1,936	1,070	81%
Mazda	-	1	-	-	-100%	-	20	-100%
Others	11	797	742	-99%	-99%	4,066	2,689	51%
Total	80	3,751	4,675	-98%	-98%	25,147	12,075	108%
TIV	1,921	44,695	46,663	-96%	-96%	245,932	128,790	91%

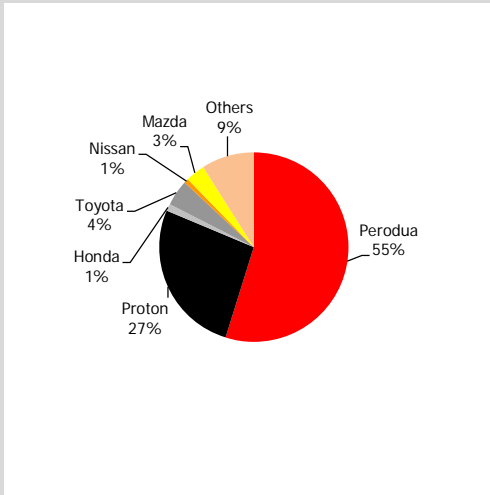
Source: MAA, Kenanga Research

Total Industry Volume from June 2016 to June 2021

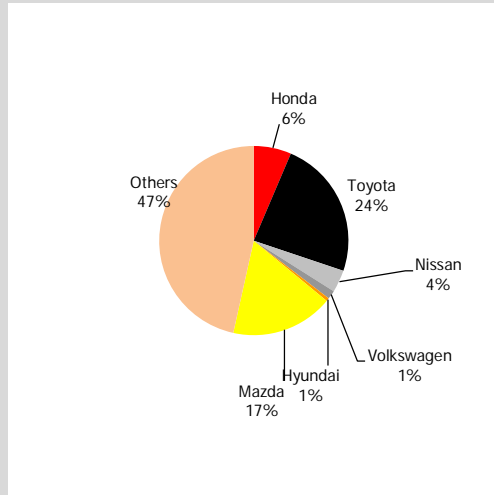


Source: MAA, Kenanga Research

Market share of top marques (Passenger) in June' 2021

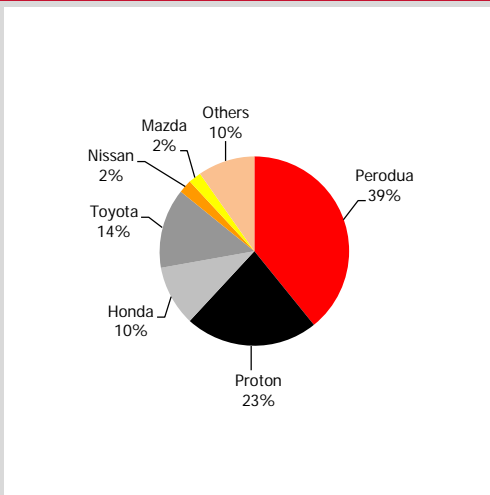


Market share of top non-national marques (Passenger)

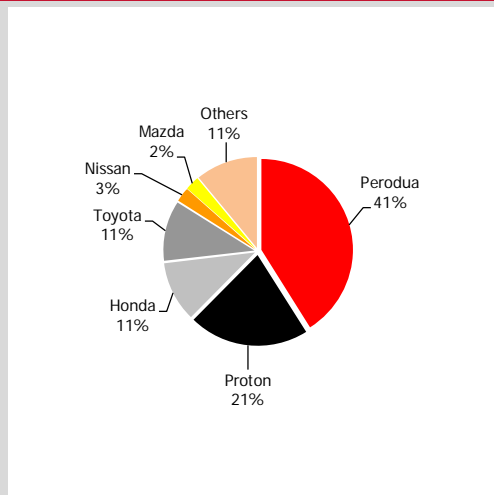


Source: MAA, Kenanga Research

Market share of 6M2021 (Passenger and Commercial)

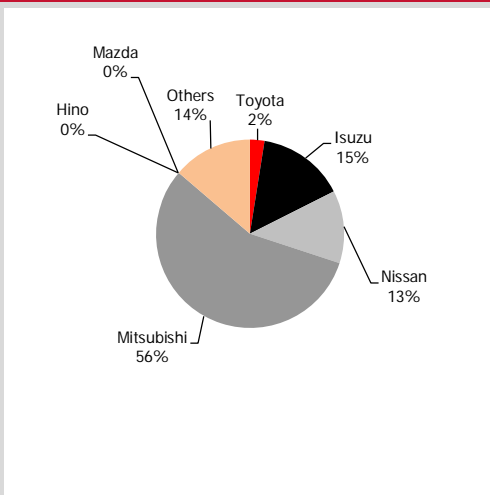


Market share of 6M2020 (Passenger and Commercial)



Source: MAA, Kenanga Research

Market share of top marques (Commercial), June 2021



Source: MAA, Kenanga Research

Exciting New Launches

All-New Proton X50 (CKD) – 27th Oct 2020



All-New Nissan Almera (CKD) – 1st Nov 2020



All-New Honda City 1.5 (CKD) – 13th Oct 2020, RS e:HEV 10th March 2021



Face-lifted Yaris/Vios – 17th December 2020



Proton Limited Edition-18th Feb 2021

All-New Perodua Ativa – Mar'21



All-New Toyota Corolla Cross (CBU), CKD later-25th Mar' 21

All-New Honda HR-V – 2021/2022



Proton All-new sedan 2022/2023-tentative

All-New Perodua D27A MPV/ Alza (CKD) – 2021/2022



Source: Various Sources

26 July 2021

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	1.53	1,777.0	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	13.3	15.0	13.3	2.9	2.1	16.1%	3.9%	1.45	MP	
DRB-HICOM BHD	1.71	3,305.8	Y	12/2021	-6.3%	42.4%	2.4%	70.4%	N.A.	16.7	9.8	0.3	0.3	2.0%	1.2%	2.20	OP	
MBM RESOURCES BERHAD	3.13	1,223.5	Y	12/2021	-7.9%	15.8%	-1.9%	20.3%	7.4	7.5	6.3	0.6	0.6	7.6%	4.8%	3.50	OP	
SIME DARBY BERHAD	2.18	14,829.5	Y	06/2021	8.9%	5.8%	13.5%	2.0%	14.3	12.6	12.3	1.0	1.0	7.8%	6.9%	2.35	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.17	763.0	N	12/2021	-25.4%	31.9%	-133.5%	-72.9%	N.A.	N.A.	63.1	0.3	0.3	-1.6%	1.3%	1.00	UP	
UMW HOLDINGS BHD	2.95	3,446.5	Y	12/2021	-12.8%	37.8%	-17.3%	39.3%	15.0	18.1	13.0	0.5	0.5	2.8%	2.0%	3.00	MP	
Simple Average					-8.6%	24.1%	-24.7%	11.9%	12.5	14.0	19.6	0.9	0.8	5.8%	3.3%			

Source: Bloomberg, Kenanga Research

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26 July 2021

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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