

## Automotive

### Slippery Road after Record High Month

# NEUTRAL



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According to the Malaysian Automotive Association (MAA), TIV for January 2022 registered at 40,581 units (-38% MoM, +22% YoY). Sales performance was seasonally weaker MoM as December 2021 saw the highest monthly sales recorded in 2021 boosted by year-end promotional campaign, as well as January 2022 being affected by the supply chain disruption from the recent floods. Nevertheless, YoY trend shown growth compared to last year as the economy recovered post lockdown albeit still enduring computer chip shortages. Automakers are currently diverting their chip supply towards popular models to meet back-logged demand (stretching up to 6 months for certain models). Sales for February 2022 are expected to drive at the same speed as January 2022 on short working month and supply chain disruption due to recent floods and on-going chip shortages. Maintain NEUTRAL with 2022 TIV target of 600k units (+18%) which is in line with MAA's 2022 TIV target. SST-exemption is still on-going until June 2022, with slew of new launches ahead (including models launches that was postponed from 2021).



TIV for January 2022 registered at 40,581 units (-38% MoM, +22% YoY). Sales performance was seasonally weaker MoM as December saw the highest monthly sales recorded in 2021 boosted by year-end promotional campaign as well as January 2022 being affected by the supply chain disruption from the recent floods. Nevertheless, YoY trend shown growth compared to last year as the economy recovered post lockdown albeit still enduring computer chip shortages. Automakers are currently diverting their chip supply towards popular models to meet back-logged demand (stretching up to 6 months for certain models). Sales for February 2022 are expected to drive at the same speed as January 2022 on short working month and supply chain disruption due to recent floods and on-going chip shortages.

A detailed look at the passenger vehicles segment (-42% MoM, +14% YoY). The worst performer both MoM and YoY is Proton (-68% MoM, -28% YoY), attributed to their vendors being affected by the floods around the Shah Alam area, which hampered production and left dealers short on stock. This was compounded by a lack of carryover stock from December as the company worked to close the gap between supply and demand. Overall, its sales were from the all-new X70 and X50 (3,329 units sold making up 77% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). On the other hand, most of the industry YoY recovery came from Honda (-52% MoM, +165% YoY)'s sales, mostly from City, Civic and BR-V with exceptional response for the all-new City and all-new City Hatchback. Toyota (-31% MoM, +82% YoY)'s sales mostly came from its exceptional top models namely all-new Toyota Vios, Yaris, and Toyota Hilux. Mazda (-27% MoM, +81% YoY)'s sales were mostly contributed by the face-lifted CX-5 and all-new CX-8. Perodua (-24% MoM, +3% YoY) drove stronger on delivery of the face-lifted MyVi which was launched on 18<sup>th</sup> November 2021 with its overall sales driven by the all-new Axia, Myvi, Bezza, and ARUZ and Ativa (5,924 units sold at 26% of sales). Nissan (-51% MoM, -3% YoY)'s all-new Almera has started to propel growth for the brand, but overall growth still lagged behind other marques from the dearth of all-new model launches.

Maintain NEUTRAL with 2022 TIV target of 600k units (+18%). With the re-opening of economic activities, further driven by the 100% sales tax exemption on CKD passenger vehicles and 50% on CBU including SUV and MPV for six months until end-Jun22, we expect buoyant recovery in car sales especially with the growing number of back-logged bookings for popular models (up to 6 months) and stream of new models launches in 2022 (including models launches that was postponed from 2021). Additionally, Battery Electric Vehicles (BEVs) new launches are expected to be boosted by the full exemption on import & excise duties, sales tax, road tax, and individual tax relief of up to RM2,500 for the costs of purchase and installation; as well as rental and subscription fees of EV charging facilities up to 31<sup>st</sup> December 2025 (for CKD, CBU up to 2023) to support development of the local EV industry. Nevertheless, for certain models, the recovery of car production could be limited by the on-going global constraint in semiconductor chip supply. Automakers have prioritized usage of such resources, diverting what precious semiconductors they have to their most profitable vehicles such as full-size trucks and SUVs, as well as luxury vehicles. Our 2022 TIV target at 600k units (+18%) is in line with MAA's 2022 TIV target.

| TIV Market Share Movement |         |      |      |              |       |  |
|---------------------------|---------|------|------|--------------|-------|--|
| Position                  | Marques | 1M22 | 1M21 | Market Share | Sales | Comment  |
| 1st                       | Perodua | 43%  | 51%  | ▼            | -3%   | Driven by the all-new Axia, Myvi, and Ativa, shifting toward SUV.                                |
| 2nd                       | Proton  | 11%  | 18%  | ▼            | 38%   | Driven by Proton X70 and further all-new X50, and PIES line-ups.                                 |
| 3rd                       | Toyota  | 18%  | 12%  | ▲            | 96%   | The all-new Toyota Vios, all-new Toyota Yaris, and Toyota Hilux received overwhelming responses. |
| 4th                       | Honda   | 9%   | 4%   | ▲            | -62%  | Driven by all-new Honda City and HR-V 2021.  |
| 5th                       | Nissan  | 3%   | 2%   | ▲            | 43%   | Lack of new volume-driven model launches.  |
| 6th                       | Mazda   | 2%   | 1%   | ◀▶           | 89%   | Driven by CX-5 and all-new CX-8.   |
| National Marques          |         | 54%  | 69%  | ▼            |       | Shift toward lower volume SUV for Perodua and boosted by Proton.                                 |
| Non-national Marques      |         | 46%  | 31%  | ▲            |       | Increasing new launches of updated volume driven models.   |

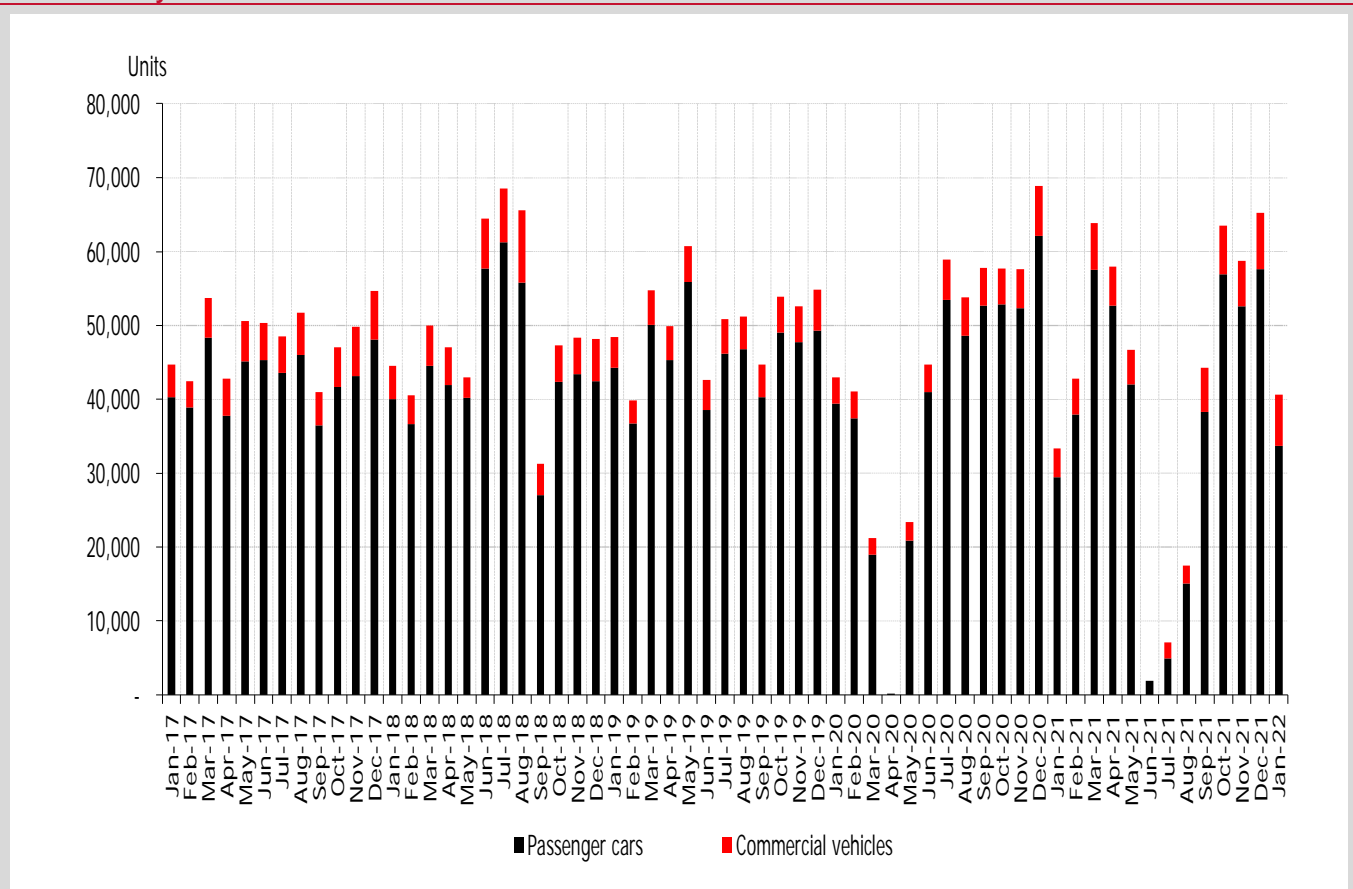
Source: MAA, Kenanga Research

January 2022 sales for passenger and commercial vehicles according to top marques

| Marques (units)   | Jan-22        | Jan-21        | Dec-21        | % m-o-m     | % y-o-y    | YTD 2022      | YTD 2021      | % y-o-y    |
|-------------------|---------------|---------------|---------------|-------------|------------|---------------|---------------|------------|
| <b>Passenger</b>  |               |               |               |             |            |               |               |            |
| Perodua           | 17,444        | 16,895        | 23,041        | -24%        | 3%         | 17,444        | 16,895        | 3%         |
| Proton            | 4,316         | 5,964         | 13,701        | -68%        | -28%       | 4,316         | 5,964         | -28%       |
| Honda             | 3,862         | 1,457         | 7,982         | -52%        | 165%       | 3,862         | 1,457         | 165%       |
| Toyota            | 4,459         | 2,450         | 6,429         | -31%        | 82%        | 4,459         | 2,450         | 82%        |
| Nissan            | 561           | 578           | 1,141         | -51%        | -3%        | 561           | 578           | -3%        |
| Mazda             | 837           | 448           | 1,144         | -27%        | 87%        | 837           | 448           | 87%        |
| Others            | 2,189         | 1,625         | 4,165         | -47%        | 35%        | 2,189         | 1,625         | 35%        |
| <b>Total</b>      | <b>33,668</b> | <b>29,417</b> | <b>57,603</b> | <b>-42%</b> | <b>14%</b> | <b>33,668</b> | <b>29,417</b> | <b>14%</b> |
| <b>Commercial</b> |               |               |               |             |            |               |               |            |
| Toyota            | 3,059         | 1,378         | 2,764         | 11%         | 122%       | 3,059         | 1,378         | 122%       |
| Isuzu             | 828           | 759           | 1,380         | -40%        | 9%         | 828           | 759           | 9%         |
| Nissan            | 539           | 192           | 544           | -1%         | 181%       | 539           | 192           | 181%       |
| Mitsubishi        | 924           | 639           | 1,076         | -14%        | 45%        | 924           | 639           | 45%        |
| Hino              | 506           | 241           | 627           | -19%        | 110%       | 506           | 241           | 110%       |
| Mazda             | 10            | -             | 13            | -23%        | -          | 10            | -             | -          |
| Others            | 1,047         | 766           | 1,177         | -11%        | 37%        | 1,047         | 766           | 37%        |
| <b>Total</b>      | <b>6,913</b>  | <b>3,975</b>  | <b>7,581</b>  | <b>-9%</b>  | <b>74%</b> | <b>6,913</b>  | <b>3,975</b>  | <b>74%</b> |
| <b>TIV</b>        | <b>40,581</b> | <b>33,392</b> | <b>65,184</b> | <b>-38%</b> | <b>22%</b> | <b>40,581</b> | <b>33,392</b> | <b>22%</b> |

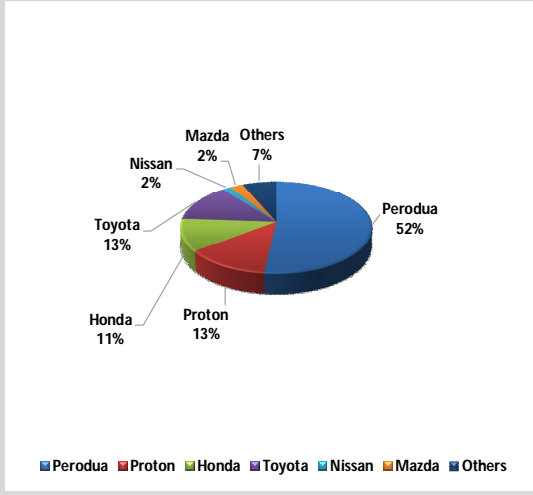
Source: MAA, Kenanga Research

Total Industry Volume from Jan 2017 to Jan 2022

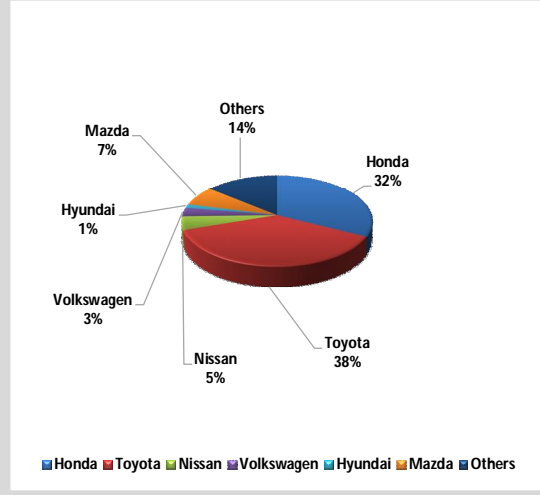


Source: MAA, Kenanga Research

Market share of top marques (Passenger) in Jan 2022

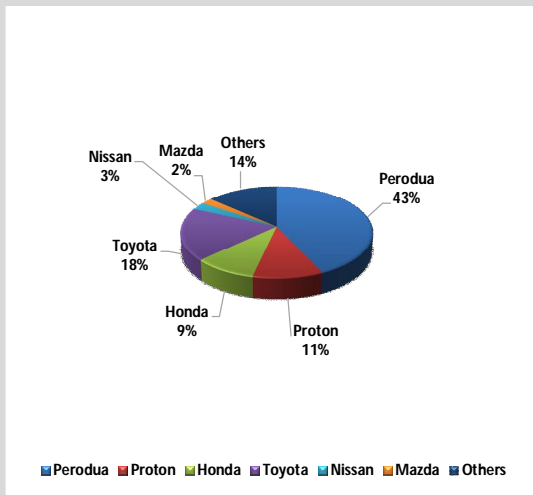


Market share of top non-national marques (Passenger)

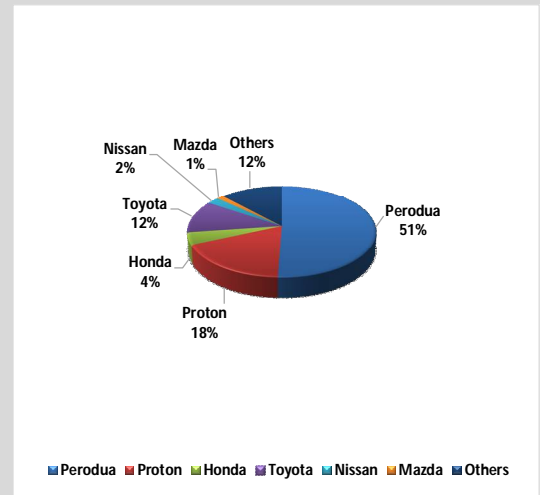


Source: MAA, Kenanga Research

Market share of 1M2022 (Passenger and Commercial)

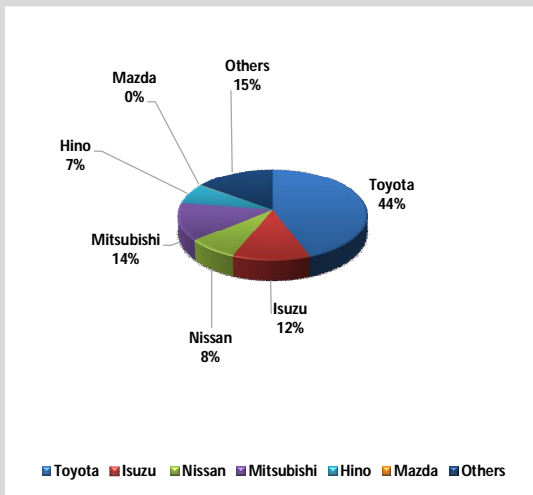


Market share of 1M2021 (Passenger and Commercial)



Source: MAA, Kenanga Research

Market share of top marques (Commercial), Jan 2022



Source: MAA, Kenanga Research

Exciting New Launches

All-New Proton X50 (CKD)



2022 Toyota Vios



All-New Toyota Corolla Cross Hybrid



Face-lifted 2022 Perodua Myvi



Mazda CX-30 CKD launching in Malaysia in 2022



All-new Mazda MX-30 Electric-Q3/Q4 2022



All-New 2022 Honda Civic



2022 Honda City Hatchback - 1.5L i-VTEC, e:HEV RS hybrid early 2022



Proton All-new SUV 7-seater 2022/2023-tentative



All-New Perodua D27A MPV/ Alza (CKD) – 2022/2023



Source: Various Sources

23 February 2022

## 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.  |             |                 |                   |        |
| <b>STOCKS UNDER COVERAGE</b> |                 |                   |                    |             |                |              |                      |              |                         |             |             |            |            |             |             |                 |                   |        |
| BERMAZ AUTO BHD              | 1.77            | 2,057.0           | Y                  | 04/2022     | -8.0%          | 10.6%        | -11.5%               | 12.3%        | 15.3                    | 17.3        | 15.4        | 3.3        | 2.4        | 16.1%       | 3.4%        | 1.65            | MP                |        |
| DRB-HICOM BHD                | 1.47            | 2,841.9           | Y                  | 12/2021     | -14.3%         | 39.1%        | -310.8%              | -52.6%       | N.A.                    | N.A.        | 14.7        | 0.3        | 0.3        | -4.3%       | 1.4%        | 1.80            | OP                |        |
| MBM RESOURCES BERHAD         | 3.16            | 1,235.2           | Y                  | 12/2021     | -7.6%          | 10.1%        | -17.6%               | 42.8%        | 7.5                     | 9.0         | 6.3         | 0.6        | 0.6        | 6.3%        | 4.7%        | 3.50            | OP                |        |
| SIME DARBY BERHAD            | 2.32            | 15,799.0          | Y                  | 06/2022     | 5.0%           | 5.0%         | 3.9%                 | 3.9%         | 13.9                    | 13.3        | 12.8        | 1.0        | 0.9        | 7.2%        | 4.7%        | 2.40            | OP                |        |
| TAN CHONG MOTOR HOLDINGS BHD | 1.13            | 736.9             | Y                  | 12/2021     | -25.4%         | 31.9%        | -133.5%              | -72.8%       | N.A.                    | N.A.        | 60.7        | 0.3        | 0.3        | -1.6%       | 1.3%        | 1.00            | UP                |        |
| UMW HOLDINGS BHD             | 3.08            | 3,598.3           | Y                  | 12/2021     | -4.9%          | 19.5%        | -66.9%               | 278.4%       | 15.6                    | 47.3        | 12.5        | 0.6        | 0.5        | 1.1%        | 1.9%        | 3.20            | MP                |        |
| <b>Simple Average</b>        |                 |                   |                    |             | <b>-9.2%</b>   | <b>19.4%</b> | <b>-89.4%</b>        | <b>35.3%</b> | <b>13.1</b>             | <b>21.7</b> | <b>20.4</b> | <b>1.0</b> | <b>0.8</b> | <b>4.1%</b> | <b>2.9%</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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