

23 March 2023

Automotive

No Speed Bumps for Deliveries and New Bookings

OVERWEIGHT



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February 2023 TIV came in at 62,649 units (+27% MoM, +39% YoY), bringing cumulative 2MCY23 TIV to 112,128 units (+29%). This was within our expectation at 16% of our full-year projection of 720k units, underpinned by strong delivery of backlog orders in February on increased working days vs. the month before (due to Chinese New Year holidays). Meanwhile, new bookings remained strong backed by new launches (especially the all-new Axia that racked in 27k units in new bookings). Our projection implies that 2023 TIV will sustain at the record 2022 level of 720k units versus a more conservative forecast of 650k (-9.8%) by the Malaysian Automotive Association (MAA) underpinned by: (i) a pause in OPR hikes, (ii) stable new car prices, thanks to the deferment of new excise duty regulations (that could have resulted in prices of locally assembled vehicles increasing by 8%-20%), and (iii) a healthy industry booking backlog of 350k units as at end-Feb 2023 (which is nearly half of our 2023 TIV projection of 720k units). Our sector top picks are MBMR (OP; TP: RM4.60) and UMW (OP; TP: RM4.70).

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A detailed analysis of the passenger vehicle segment in January 2023 (+26% MoM, +38% YoY) are as follows:

Honda (+77% MoM, +2% YoY) was driven by the City, Civic and BR-V with exceptional response seen for the all-new HR-V which was launched on 14 July 2022. Overall, it is still affected by inventory shortages, especially for the newer models. Based on sales projection, Honda currently has 18k backlogged orders (2-4 months). **Toyota's (+41% MoM, +50% YoY)** sales were mostly from its exceptional top models, namely the all-new Vios, Yaris, Corolla Cross and Hilux. Based on sales projection, Toyota currently has 20k backlogged orders (3-6 months). **Proton's (+21% MoM, +54% YoY)** sales were mainly driven by the all-new X70 and X50 (4,176 SUV units sold, making up 30% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 50k backlogged orders (up to 12 months for the X50 and by 3 months for other models). **Mazda (+17% MoM, +209% YoY)** delivered all of its Mazda CX-30 CBU volume before switching toward local production (CKD) which was recently rolled out on 8th March 2023. Overall volume continued to be driven by the CX-5 and CX-8. Based on sales projection, Mazda currently has 8k backlogged orders (3-5 months). **Perodua's (+16% MoM, +43% YoY)** sales were propelled by the all-new Perodua Alza (massive booking backlogs of 30k units) and all-new Perodua Axia (another newcomer with 27k units in new booking), with equally strong sales of the Bezza, MyVi, Ativa models. Based on sales projection, Perodua currently has more than 220k backlogged orders (by up to 12 months for the Alza, 4 months for the Ativa/Myvi, and up to 3 months for others). **Nissan (+12% MoM, +26% YoY)** managed to entice buyers as evidenced by its fast moving inventory, but overall is still losing out in the all-new vehicles launching race. Currently, Nissan depends on the face-lifted Nissan Serena S-Hybrid, Navara, and Almera Turbo with 1k backlogged orders (1-2 months).

Looking forward, we project a more upbeat 2023 total industry volume (TIV) target at 720k units (+0%), compared to MAA's 650k (-9.8%), premised on strong reception to new models (at higher prices, resulting in better margins for auto players), a pause in the OPR hike and the deferment of new excise duty regulations resulting in stable car prices. In comparison, MAA is more cautious on the industry outlook as a whole, especially for the low-end segment, (we believe) due to the impact of high inflation on the low-income group especially with the rising cost of basic necessities.

An encouraging sign to note is that the backlogs booking still holding strong at 350k units (as at end-Feb 2023), indicating strong order replenishment especially for attractive new models (see page 4) even in the absence of SST exemption. Additionally, vehicle sales will be supported by new battery electric vehicles (BEVs) which will enjoy SST exemption and other EV facilities incentives up to 2025 for CBU and 2027 for CKD.

Our sector top picks are:

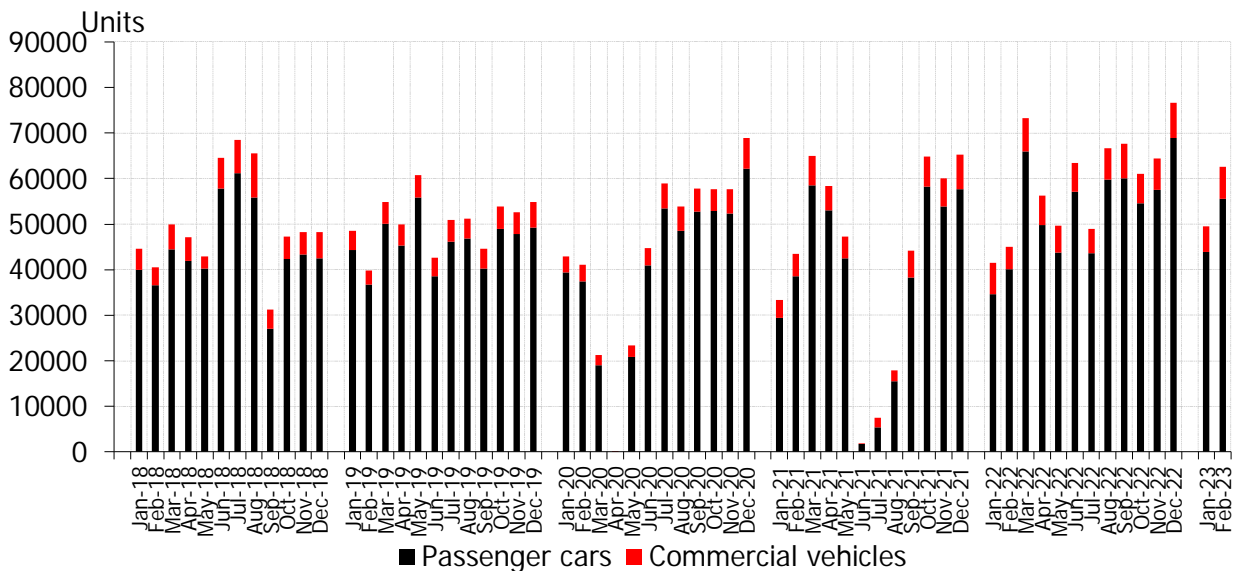
- **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 220k units, (ii) it being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia, as well as its 22.58% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its Tier-1 OEM auto parts manufacturing certification.
- **UMW** for: (i) the mass-market marques under its vehicle dealership business, i.e. Toyota and Perodua, but not without high-margin models such as Perodua Alza and Toyota Veloz, (ii) strong earnings visibility at its vehicle dealership business backed by order backlogs of >250k units of vehicles, and (iii) it being a reopening play, given the pick-up seen in its heavy/industrial equipment business and manufacturing of aero-engine fan cases.

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Feb-23	Feb-22	Jan-23	% m-o-m	% y-o-y	YTD 2023	YTD 2022	% y-o-y
Passenger								
Perodua	24,936	17,421	21,449	16%	43%	46,385	34,865	33%
Proton	13,907	9,039	11,506	21%	54%	25,413	13,355	90%
Honda	6,154	6,026	3,475	77%	2%	9,629	9,888	-3%
Toyota	6,357	4,232	4,496	41%	50%	10,853	8,691	25%
Nissan	546	435	487	12%	26%	1,033	996	4%
Mazda	1,411	456	1,208	17%	209%	2,619	1,293	103%
Others	2,244	2,510	1,306	72%	-11%	3,568	5,601	-36%
Total	55,555	40,119	43,927	26%	38%	99,500	74,689	33%
Commercial								
Toyota	2,876	2,134	2,275	26%	35%	5,151	5,193	-1%
Isuzu	1,256	803	1,014	24%	56%	2,270	1,631	39%
Nissan	232	449	170	36%	-48%	402	988	-59%
Mitsubishi	1,019	559	687	48%	82%	1,706	1,483	15%
Hino	414	315	429	-3%	31%	843	821	3%
Mazda	15	19	8	88%	-21%	23	29	-21%
Others	1,282	664	951	35%	93%	2,233	1,761	27%
Total	7,094	4,943	5,534	28%	44%	12,628	11,906	6%
TIV	62,649	45,062	49,461	27%	39%	112,128	86,595	29%

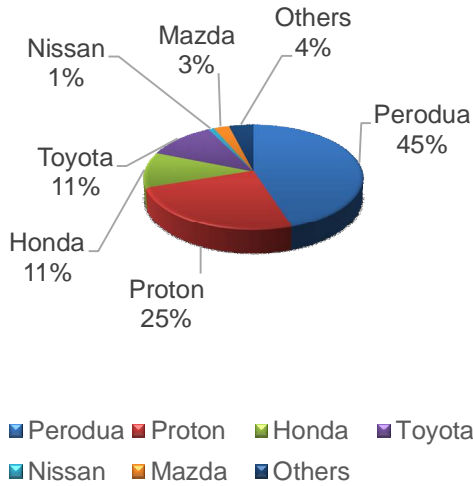
Source: MAA, Kenanga Research

Monthly TIV



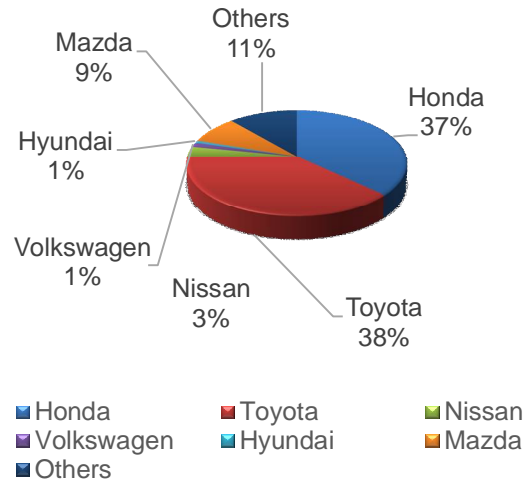
Source: MAA, Kenanga Research

Market Share (Overall Passenger) February 2023



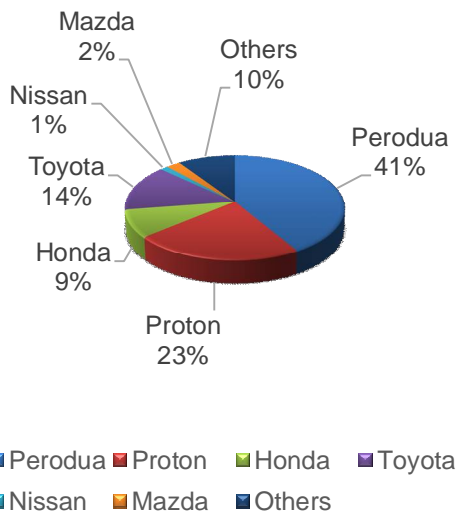
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) February 23



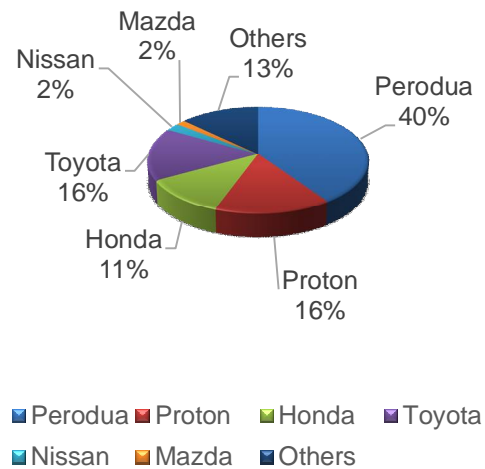
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2023



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2022



Source: MAA, Kenanga Research

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Exciting New Launches



Perodua Ativa (plans for hybrid model)



All-new Perodua Alza



All-new Toyota Veloz



All-new Toyota Vios in 2023



All-new Perodua Axia 2023



All-New Kia Carnival 8-seater



Proton SUV 7-seater in 1HCY23



Proton SMART#1 EV in 4Q23



Mazda CX-30



2022 Honda City Hatchback



All-new Honda CR-V 2023



All-new Honda WR-V in 1H23

Source: Paultan.org

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	2.17	2.90	33.64%	2,506.0	Y	04/2023	21.6	22.8	61.1%	5.6%	10.0	9.5	3.5	37.2%	15.1	7.0%
DRB-HICOM BHD	MP	1.41	1.40	-0.71%	2,667.9	Y	12/2023	15.4	16.2	-1.9%	5.3%	9.1	8.7	0.3	3.4%	2.0	1.4%
MBM RESOURCES BHD	OP	3.40	4.60	35.29%	1,321.2	Y	12/2023	65.6	67.7	14.5%	3.2%	5.2	5.0	0.6	12.0%	26.0	7.6%
SIME DARBY BHD	OP	2.16	2.60	20.37%	14,585.4	Y	06/2023	17.3	19.0	-1.8%	10.1%	12.5	11.4	0.9	7.3%	12.0	5.6%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.10	0.800	-27.27%	749.9	N	12/2023	(7.4)	(4.8)	-232.2%	-164.6%	N.A.	N.A.	0.3	-1.8%	3.0	2.7%
UMW HOLDINGS BHD	OP	3.66	4.70	28.42%	4,182.5	Y	12/2023	35.9	38.3	6.6%	6.7%	10.2	9.5	0.9	9.4%	15.0	4.1%
SECTOR AGGREGATE					26,012.8					5.1%	8.6%	11.1	10.2	0.7	6.4%		4.7%

Source: 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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