

22 May 2023

Automotive

Soft April TIV on Scheduled Plant Maintenance

OVERWEIGHT



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April 2023 TIV of 46,583 units (-41% MoM, -19% YoY) retraced significantly from last month's record number due to fewer working days during the Hari Raya period when automakers took the opportunity to shut down their plants, at least for a week, for the annual routine maintenance. Nonetheless, cumulative 4MCY23 TIV of 239,183 units (+10%) is still on track to meet our full-year forecast of 720k units. We maintain our CY23F TIV, which will match the record level achieved in CY22, backed by: (i) strong consumer confidence supported by a stable economy and healthy job market, (ii) the affordability of motor vehicles underpinned by stable new car prices thanks to the deferment of new excise duty regulations and potentially cheaper hire purchase cost with the introduction of the reducing balance method in the calculation of interest charges, and (iii) attractive new models. The industry's earnings visibility is strong, backed by a booking backlog of 275k units. Our sector top picks are MBMR (OP; TP: RM4.60) and BAUTO (OP; TP: RM2.90), both with an attractive dividend yield of about 7%.

April 2023 TIV of 46,583 units (-41% MoM, -19% YoY) retraced significantly from last month's record number due to fewer working days during the Hari Raya period when automakers took the opportunity to shut down their plants, at least for a week, for the annual routine maintenance. Nonetheless, cumulative 4MCY23 TIV of 239,183 units (+10%) is still on track to meet our full-year forecast of 720k units. Note that, Mar 2023 TIV was inflated by heavy deliveries ahead of the 31 Mar 2023 registration deadline to enjoy the exemption from the Sales and Services Tax (SST). Looking ahead, May 2023 TIV should pick up strongly as production normalises.

A detailed analysis of the passenger vehicle segment in April 2023 (-42% MoM, -19% YoY) are as follows:

Toyota's (-25% MoM, +10% YoY) sales were mostly from its popular top models, namely the all-new Vios, Yaris, Corolla Cross and Hilux. Based on sales projection, Toyota currently has 14k backlogged orders (3-6 months). **Nissan (-26% MoM, -40% 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). **Mazda (-30% MoM, -23% YoY)** sales were boosted by the exceptional response for its Mazda CX-30 CKD stocks which was recently rolled out on 8th March 2023, and continued to be driven by the CX-5 and CX-8. Based on sales projection, Mazda currently has 4k backlogged orders (3-5 months). **Proton's (-36% MoM, +10% YoY)** sales were mainly driven by the all-new X70 and X50 (3,293 SUV units sold, making up 36% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 40k backlogged orders (up to 12 months for the X50 and by 3 months for other models).

Perodua's (-41% MoM, -26% YoY) sales were propelled by the all-new Perodua Alza (massive booking backlogs of 20k units) and all-new Perodua Axia (another newcomer with 20k units in new bookings), with equally strong sales of the Bezza, MyVi, Ativa models. Based on sales projection, Perodua currently has more than 190k backlogged orders (by up to 12 months for the Alza, 4 months for the Ativa/Myvi, and up to 3 months for others). **Honda (-41% MoM, -23% 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 12k backlogged orders (2-4 months).

We maintain our CY23 TIV projection of 720k units that will match the record level achieved in CY22. Our optimism is underpinned by: (i) strong consumer confidence supported by a stable economy and a healthy job market, (ii) the affordability of motor vehicle underpinned by 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 potentially cheaper hire purchase cost with the introduction of reducing balance method in the calculation of interest charges, and (iii) attractive new models. Our projection is about 11% higher than the 650k units projected by Malaysian Automotive Association (MAA).

The industry's total booking backlogs have held up at a fairly strong level of 275k units compared to bookings of 300k units three months ago despite heavy deliveries. This indicates sustained strong buying interest, lured by attractive new model launches by players. We foresee a similar pattern throughout the rest of the year.

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Our sector top picks are:

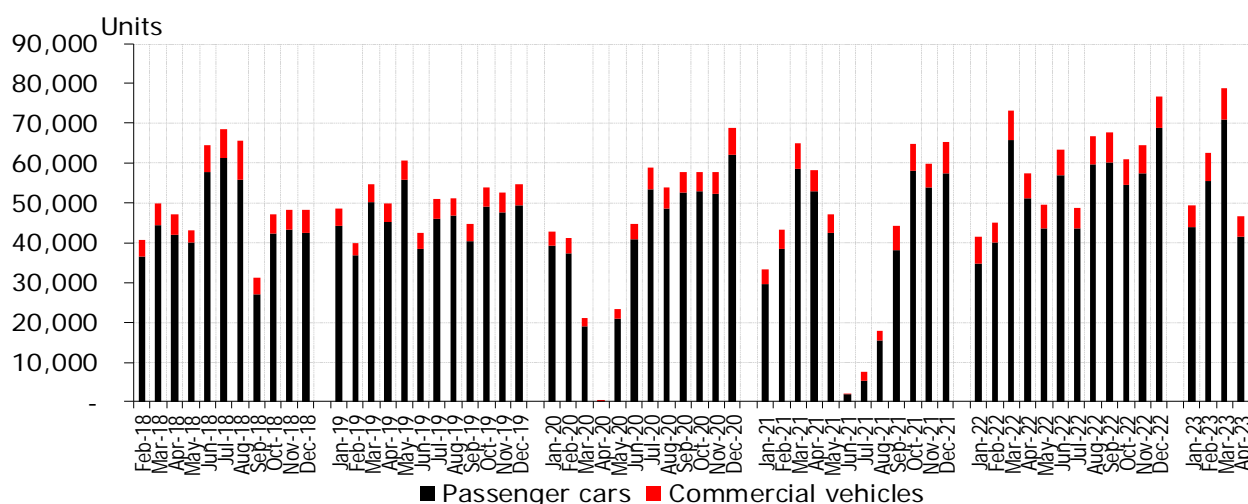
- **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 190k units (almost half of its CY23 target sales of 314k units), (ii) it being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia, as well as its 22.58% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its attractive dividend yield of about 7%.
- **BAUTO** for: (i) its strong earnings visibility backed by an order backlog of 8k units for Mazda, Kia and Peugeot vehicles (half of its CY23 target sales of 19k units), (ii) its premium mid-market Mazda brand that offers the best of both worlds, i.e. products that appeal to the middle-income group and yet command superior margins than its peers in the mid-market segment, and (iii) its attractive dividend yield of about 7%.

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Apr-23	Apr-22	Mar-23	% m-o-m	% y-o-y	YTD 2023	YTD 2022	% y-o-y
Passenger								
Perodua	18,874	25,654	32,179	-41%	-26%	97,438	87,278	12%
Proton	9,228	8,383	14,458	-36%	10%	49,099	33,972	45%
Honda	4,661	6,034	7,878	-41%	-23%	22,168	26,477	-16%
Toyota	4,814	4,358	6,387	-25%	10%	22,054	18,812	17%
Nissan	566	940	762	-26%	-40%	2,361	3,063	-23%
Mazda	1,402	1,812	1,994	-30%	-23%	6,015	5,317	13%
Others	1,844	3,965	7,300	-75%	-53%	14,209	16,819	-16%
Total	41,389	51,146	70,958	-42%	-19%	213,344	191,738	11%
Commercial								
Toyota	1,867	2,509	2,639	-29%	-26%	9,657	10,325	-6%
Isuzu	1,354	1,115	1,744	-22%	21%	5,368	4,533	18%
Nissan	243	616	303	-20%	-61%	948	2,259	-58%
Mitsubishi	572	764	1,439	-60%	-25%	3,717	3,086	20%
Hino	448	509	560	-20%	-12%	1,851	1,842	0%
Mazda	11	18	24	-54%	-39%	58	55	5%
Others	699	929	1,182	-41%	-25%	4,240	3,614	17%
Total	5,194	6,460	7,891	-34%	-20%	25,839	25,714	0%
TIV	46,583	57,606	78,849	-41%	-19%	239,183	217,452	10%

Source: MAA, Kenanga Research

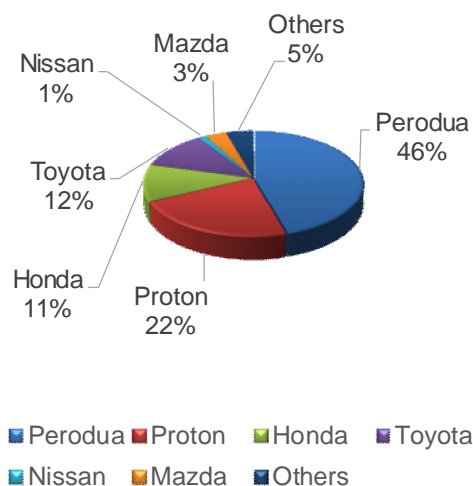
Monthly TIV



Source: MAA, Kenanga Research

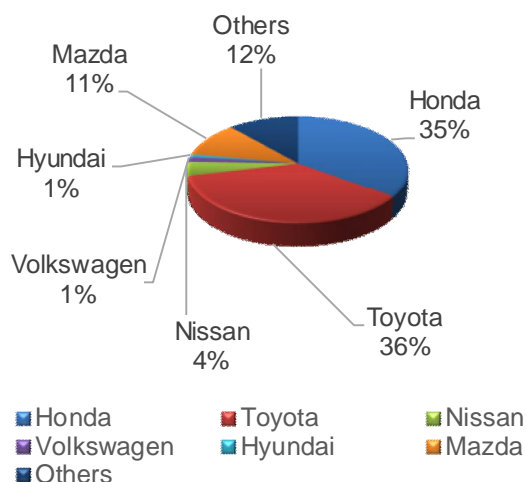
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Market Share (Overall Passenger) April 2023



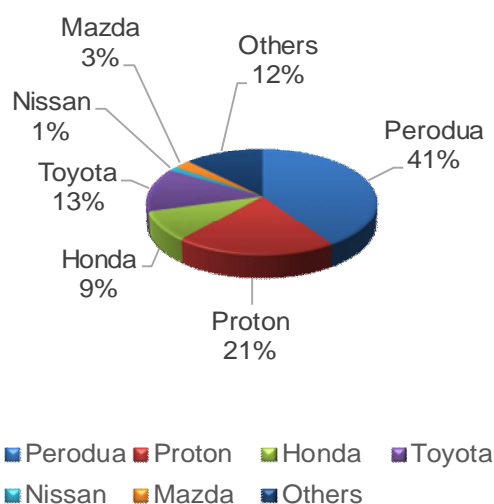
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) April 23



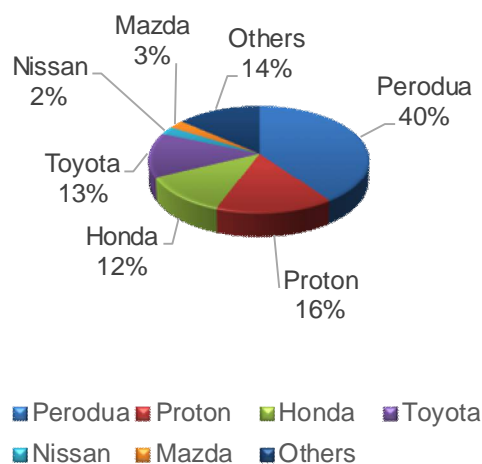
Source: MAA, Kenanga Research

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 x90 7-seater



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. Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	2.19	2.90	32.42%	2,542.6	Y	04/2023	21.6	22.8	61.1%	5.6%	10.1	9.6	3.6	37.2%	15.1	6.9%
DRB-HICOM BHD	MP	1.35	1.40	3.70%	2,609.6	Y	12/2023	15.4	16.2	-1.9%	5.3%	8.8	8.3	0.3	3.4%	2.0	1.5%
MBM RESOURCES BHD	OP	3.53	4.60	30.31%	1,379.9	Y	12/2023	65.6	67.7	14.5%	3.2%	5.4	5.2	0.6	12.0%	26.0	7.4%
SIME DARBY BHD	OP	2.12	2.60	22.64%	14,418.1	Y	06/2023	17.3	19.0	-1.8%	10.1%	12.3	11.2	0.9	7.3%	12.0	5.7%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.13	0.800	-29.20%	759.4	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	3.78	4.80	26.98%	4,416.2	Y	12/2023	35.5	37.9	5.3%	6.7%	10.6	10.0	1.0	9.3%	15.0	4.0%
SECTOR AGGREGATE					26,125.7					4.9%	8.6%	11.1	10.3	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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