

20 November 2023

Automotive

TIV Returns to High Gear in Oct 2023

OVERWEIGHT



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New vehicle sales in Malaysia, also known as total industry volume (TIV), returned to a high gear in Oct 2023 with 74,896 units (+10% MoM, +21% YoY), driven by aggressive promotional campaigns and improved supply of automotive parts especially for Perodua. Cumulative 10MCY23 TIV of 646,840 units (+12%) beat our expectation; hence, we raise our CY23F TIV by 7% to 770k units from 720k units. Correspondingly, we raise MBMR's FY23F and FY24F net profit forecasts by 3.4% and 3.0%, respectively, to reflect a higher Perodua sales volume and lift our TP for MBMR by 3% to RM4.85 from RM4.70. We believe a new car is still an affordable luxury for most Malaysian households despite the high inflation and a slowing global economy. The industry's earnings visibility is strong, backed by a booking backlog of 235k units. Our sector top pick is MBMR (OP; TP: RM4.85), which focuses on the affordable segment. It also offers an attractive dividend yield of about 11%.

TIV returned to a high gear in Oct 2023 with 74,896 units (+10% MoM, +21% YoY), which is the second highest monthly TIV for the year, driven by aggressive promotional campaign and improved supply of automotive parts especially for Perodua. Cumulative 10MCY23 TIV of 646,840 units (+12%) beat our expectation due stronger-than-expected sales volumes across the board, especially for Perodua. The industry's earnings visibility is still strong, backed by a booking backlog of 235k units that will keep the industry very busy for another 3-4 months. Looking ahead, we believe the strong Oct 2023 TIV momentum will extend into Nov 2023.

A detailed analysis of the passenger vehicle segment in Oct 2023 at 67,478 units (+10% MoM, +22% YoY), are as follows:

Mazda (+26% MoM, +83% YoY) was driven by exceptional response for its Mazda CX-30 CKD, the CX-5 and CX-8. Based on sales projection, Mazda currently has 4k backlogged orders (3-5 months). **Toyota's (+21% MoM, +18% YoY)** sales were boosted by its recent range of promotions under the 'Celebrate the Symphony of Lights' banner, with increased sales for its popular top models, namely the all-new Vios, Yaris, Corolla Cross and Hilux. Based on sales projection, Toyota currently has 30k backlogged orders (3-6 months). **Perodua's (+17% MoM, +31% YoY)** sales for the month were boosted by the improved automotive parts supply. Its sales continued to be propelled by the all-new Perodua Alza and all-new Perodua Axia, with equally strong sales of the Bezza, MyVi, Ativa models. Based on sales projection, Perodua currently has more than 155k backlogged orders (up to 12 months for the Alza and Bezza, 4 months for the Ativa/Myvi, and up to 3 months for others). **Nissan (+16% MoM, +3% YoY)** managed to entice buyers as evidenced by its fast-moving inventory, but overall it 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). **Honda (+12% MoM, +25% YoY)** returned to glory with the all-new Honda WR-V and boosted its sales for the month with promotional campaign dubbed "Last Call Bonanza". Overall, sales were driven by the City, Civic and all-new HR-V, although it was still affected by inventory shortages, especially for the newer models. Based on sales projection, Honda currently has 13k backlogged orders (2-4 months). **Proton's (+2% MoM, -3% YoY)** sales were mainly driven by the all-new X70, X50 and X90 (3,169 SUV units sold, making up 26% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 30k backlogged orders (up to 12 months for the X50 and by 3 months for other models).

Resilient demand for the affordable segment. With stronger-than-expected sales volumes across the board especially for Perodua, we raise our CY23F TIV by 7% to 770k units from 720k units, which is above 725k units projected by Malaysia Automotive Association (MAA). Correspondingly, to reflect Perodua's strong performance, we raise MBMR's FY23-24F net profit forecast by 3.4-3.0%, as we raise the respective full-year forecast to 325k units (from 314k units) and 330k units (from 320k units). As such, we also raise our TP for MBMR by 3.2% to RM4.85 from RM4.70 and maintain **OUTPERFORM** call.

On the other hand, we maintain our CY24F TIV of 710K units, which eases YoY due to the fuel subsidy rationalisation (diesel powered vehicles will be affected, with no explicit mention on the RON95 petrol which is positive to the sale of passenger cars, given that most passenger cars are powered by petrol), and a potential hike in new car prices from the increase in sales and services tax to 8% (from 6%). We believe a new car is still an affordable luxury for most Malaysian households despite the high inflation and a slowing global economy. We now see greater opportunities in the affordable segment as it will be less affected by the introduction of targeted fuel subsidy that may dent the demand for mid-market vehicles as it will erode spending power of the M40 group.

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 the reducing balance method in the calculation of interest charges, and (iii) attractive new models.

The industry’s earnings visibility is still strong, backed by a booking backlog of 235k units, which delivery will spill over to CY24. More than half of the backlogs are from new model launches and we expect to see similar trends throughout the year. Meanwhile, excitement is building in the electric vehicle (EV) segment with the recent new launch of BYD Seal and Tesla Model 3 and supported by the growing numbers of EV charging infrastructure (see page 3).

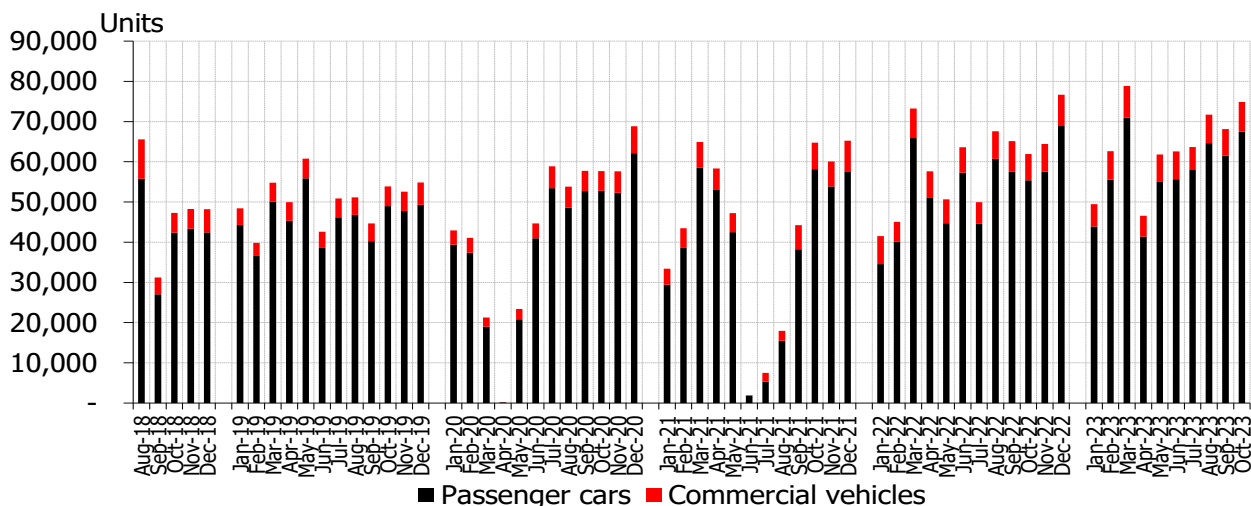
Our sector top pick is **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 155k units (almost half of its CY23 target sales of 325k units), (ii) being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in 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 11%.

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Oct-23	Oct-22	Sep-23	% m-o-m	% y-o-y	YTD 2023	YTD 2022	% y-o-y
Passenger								
Perodua	33,836	25,849	28,995	17%	31%	267,063	222,203	20%
Proton	12,188	12,597	12,006	2%	-3%	126,994	110,625	15%
Honda	7,314	5,849	6,514	12%	25%	61,331	66,031	-7%
Toyota	7,842	6,635	6,459	21%	18%	61,325	54,886	12%
Nissan	606	588	521	16%	3%	5,799	7,157	-19%
Mazda	1,742	951	1,378	26%	83%	15,955	11,487	39%
Others	3,950	2,926	5,687	-31%	35%	41,954	42,126	0%
Total	67,478	55,395	61,560	10%	22%	580,421	514,515	13%
Commercial								
Toyota	2,867	2,540	2,561	12%	13%	24,776	24,421	1%
Isuzu	1,537	1,117	1,213	27%	38%	12,835	13,007	-1%
Nissan	251	415	295	-15%	-40%	2,510	4,829	-48%
Mitsubishi	828	807	769	8%	3%	8,397	8,157	3%
Hino	496	473	468	6%	5%	4,819	4,821	0%
Mazda	11	67	15	-27%	-84%	175	216	-19%
Others	1,428	1,106	1,275	12%	29%	12,907	8,951	44%
Total	7,418	6,525	6,596	12%	14%	66,419	64,402	3%
TIV	74,896	61,920	68,156	10%	21%	646,840	578,917	12%

Source: MAA, Kenanga Research

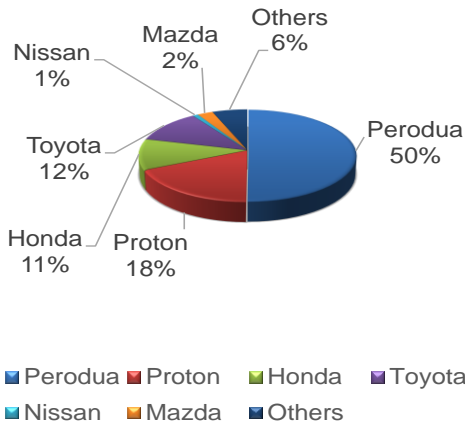
Monthly TIV



Source: MAA, Kenanga Research

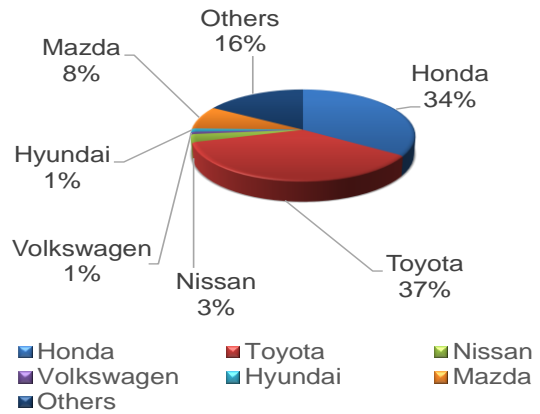
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Market Share (Overall Passenger) October 2023



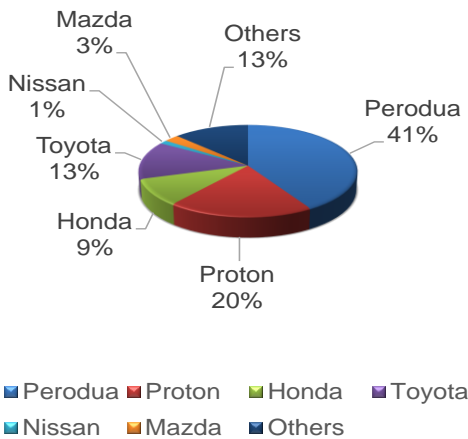
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) October 23



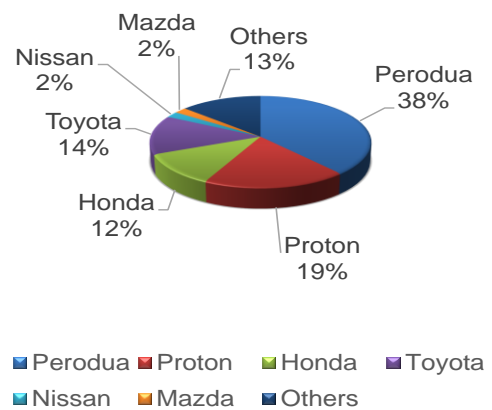
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2023



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2022



Source: MAA, Kenanga Research

EV Charging Infrastructure (live monthly update)

Where are we

4.34%

1,434

no of existing EV Charging Bay (EVCB)

EV Location

Type AC

1,117

Type DC

317

570

located indoor

864

located outdoor

10,836

no of proposed EV Charging Bay (EVCB)

EV Location

List of EV Charging Location:

- AEON Taiping, PERAK
- Lotus's Taiping, PERAK
- Taiping Municipal Council, PERAK
- KFC Taiping Lake Garden DT, PERAK
- Perak Museum, PERAK
- Taiping Zoo, PERAK
- Hotel Grand

Powered by Esri

Source: <https://www.planmalaysia.gov.my/mevnet>

Exciting New Launches



All-New Perodua D66B (1QCY24)



All-new Perodua Alza



All-New Proton Sedan 2023



All-new Toyota Vios in 2023



All-new Perodua Axia 2023



All-new Honda City facelift



Proton x90 7-seater



Proton SMART#1 EV



Mazda CX-30



2022 Honda City Hatchback



All-new Toyota Innova Zenix



All-new Honda WR-V 2023

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.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	2.48	3.22	29.8%	2,879.3	Y	04/2024	24.5	25.2	-6.2%	2.9%	10.1	9.8	3.6	36.2%	20.9	8.4%
DRB-HICOM BHD	MP	1.45	1.45	0.0%	2,802.9	Y	12/2023	16.5	17.7	4.9%	7.5%	8.8	8.2	0.3	3.6%	2.0	1.4%
HIL INDUSTRIES BHD	UP	0.930	0.870	-6.5%	308.7	Y	12/2023	9.2	12.9	28.0%	39.5%	10.1	7.2	0.7	7.0%	2.0	2.2%
HONG LEONG INDUSTRIES BHD	OP	9.25	11.40	23.2%	3,033.1	Y	06/2024	95.1	103.0	7.3%	8.4%	9.7	9.0	1.3	16.5%	62.0	6.7%
MBM RESOURCES BHD	OP	4.17	4.85	16.3%	1,630.1	Y	12/2023	67.7	69.2	18.2%	2.3%	6.2	6.0	0.8	12.6%	48.0	11.5%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.03	0.800	-22.3%	692.2	N	12/2023	(7.4)	(4.8)	-232.2%	-164.6%	N.A.	N.A.	0.3	-1.8%	2.0	1.9%
SECTOR AGGREGATE					1,891.0					-30.0%	-17.3%	9.0	8.0	1.1	12.4%		5.4%

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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