Automotive

Chinese New Year Lull in Feb 2024

NEUTRAL
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New vehicle sales in Malaysia, also known as total industry volume (TIV), came in at 62,833 units in Feb 2024 (-4% MoM, -1% YoY), easing MoM on a shorter working month due to the Chinese New Year break. With 2MCY24 TIV making up 18% of our full-year projection of 710k units (-11% YoY), we consider the number meeting our expectation. Our full-year projection is a tad lower than the 740k units projected by Malaysia Automotive Association (MAA). We hold the view that the impending fuel subsidy rationalisation will likely hurt demand for mid-market models, while remaining optimistic on the sales of affordable vehicles. The industry's earnings visibility will be backed by a booking backlog of 200k units, unchanged compared to a month ago. Our sector top pick is MBMR (OP; TP: RM5.80), which focuses on the affordable segment. It also offers an attractive dividend yield of about 9%.

TIV came in at 62,833 units in Feb 2024 (-4% MoM, -1% YoY), easing MoM on a shorter working month due to the Chinese New Year break. With 2MCY24 TIV making up 18% of our full-year projection of 710k units (-11% YoY), we consider the number meeting our expectation. Looking ahead, we believe Mar 2024 TIV will be higher than Feb 2024 driven by Hari Raya Aidilfitri promotional campaigns.

A detailed analysis of the passenger vehicle segment in February 2024 at 57,979 units (-2% MoM, +3% YoY) are as follows:

Overall, passenger vehicles segment eased MoM on shorter working month from Chinese New Year break, but remained on a growth trajectory YoY. Toyota, Mazda and Proton managed to sustain sales on continuous promotion on their vehicle's offerings and overflow of vehicles delivery from lower base in the previous month.

Toyota's **(+43% MoM, -15% YoY)** sales were driven by its popular 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). **Mazda (+35% MoM, +22% 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 3k backlogged orders (3−5 months). **Proton**'s **(+4% MoM, -5% YoY)** sales were mainly driven by the all-new X70, X50 and X90 (2,683 SUV units sold, making up 21% of sales), and supported by the all-new S70, as well as face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 31k backlogged orders (up to 12 months for the X50 and by 3 months for other models).

Perodua's **(-8% MoM, +10% YoY)** 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 120k backlogged orders (up to 12 months for the Alza and Bezza, 4 months for the Ativa/Myvi, and up to 3 months for others). **Honda (-12% MoM, +1% YoY)** sales were driven by the City, Civic and all-new HR-V. Based on sales projection, Honda currently has 15k backlogged orders (2−4 months). **Nissan (-19% MoM, -12% YoY)** is still losing out in the all-new vehicles race. Currently, Nissan depends on the face-lifted Nissan Serena S-Hybrid, Navara, and Almera Turbo with 1k backlogged orders (1−2 months).

Resilient demand for the affordable segment. For CY24, we project a TIV of 710k units (-11%) which is closely in line with the 740k units projected by Malaysia Automotive Association (MAA). The industry's earnings visibility is still strong, backed by a booking backlog of 200k units as at end-Feb 2024, unchanged compared to a month ago. More than half of the backlog is made up of new models, alluding to how appealing new models are to car buyers. We expect a similar trend in CY24, given an equally strong line-up of new launches during the year. Meanwhile, excitement is building in the electric vehicle (EV) segment with the new launches of BYD Seal and Tesla Model 3 with expected introduction of locally-made first national EV (i.e. Perodua and Proton) in CY25.

We believe a new car is still an affordable luxury for most Malaysian households despite the high inflation and a slowing global economy 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.

However, we acknowledge that the impending fuel subsidy rationalisation is likely to hurt the demand for mid-market models, while remaining optimistic on vehicle sales in the affordable segment as the buyers, i.e. the B40 group which is its main target market, will be spared the impact of subsidy rationalisation, and also could potentially benefit from the introduction of the progressive wage model.

More battery electric vehicles (BEVs) in the market. Additionally, vehicle sales will be supported by new BEVs that enjoy SST exemption and other EV facilities incentives up to CY25 for CBU and CY27 for CKD. BEV new registrations had leapt significantly for the past two years (from 274 units in CY21 to over 3,400 units in CY22 and 10,159 units in CY23) and is on track to meet national target for EVs and hybrid vehicles which are 15% of total industry volume (TIV) by CY30, and 38% of TIV by CY40. Meanwhile, the government's pledge to enable charge point operators (CPOs) to secure faster approvals for installation provides comfort as currently only 2,020 EV charging stations have been built to-date.

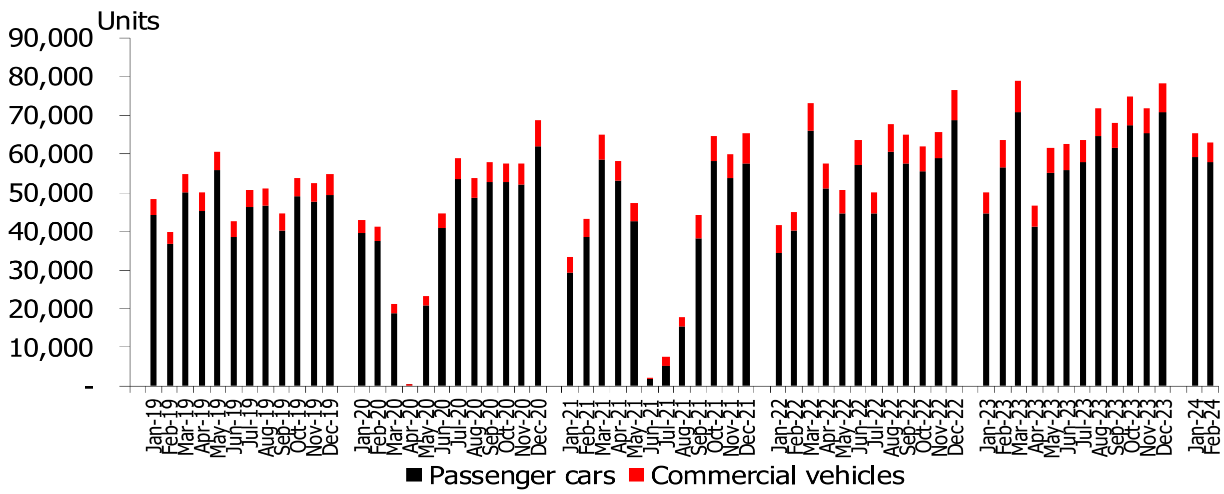
Our sector top pick is **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 120k units (almost half of its CY24 target sales of 340k units), (ii) being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia, as well as its 23% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its attractive dividend yield of about 9%.

Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Feb-24	Feb-23	Jan-24	% m-o-m	% y-o-y	YTD 2024	YTD 2023	% y-o-y
Passenger								
Perodua	27,315	24,936	29,682	-8%	10%	56,997	46,385	23%
Proton	13,256	13,907	12,775	4%	-5%	26,031	25,413	2%
Honda	6,220	6,154	7,066	-12%	1%	13,286	9,629	38%
Toyota	5,433	6,357	3,803	43%	-15%	9,236	10,853	-15%
Nissan	481	546	595	-19%	-12%	1,076	1,033	4%
Mazda	1,718	1,411	1,276	35%	22%	2,994	2,619	14%
Others	3,556	3,122	4,197	-15%	14%	7,753	5,087	52%
Total	**57,979**	**56,433**	**59,394**	**-2%**	**3%**	**117,373**	**101,019**	**16%**
Commercial								
Toyota	1,914	2,876	2,334	-18%	-33%	4,248	5,151	-18%
Isuzu	988	1,256	1,171	-16%	-21%	2,159	2,270	-5%
Nissan	153	232	215	-29%	-34%	368	402	-8%
Mitsubishi	618	1,019	662	-7%	-39%	1,280	1,706	-25%
Hino	320	414	449	-29%	-23%	769	843	-9%
Mazda	4	15	32	-88%	-73%	36	23	57%
Others	857	1,316	1,242	-31%	-35%	2,099	2,315	-9%
Total	**4,854**	**7,128**	**6,105**	**-20%**	**-32%**	**10,959**	**12,710**	**-14%**
TIV	**62,833**	**63,561**	**65,499**	**-4%**	**-1%**	**128,332**	**113,729**	**13%**

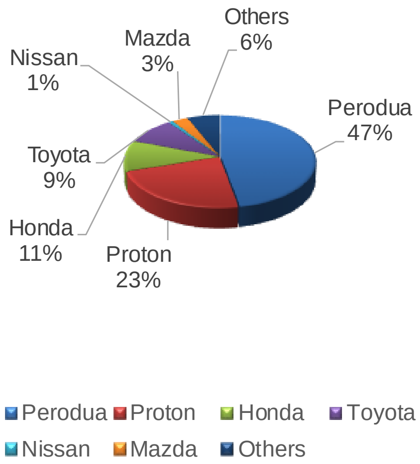
Source: MAA, Kenanga Research

Monthly TIV



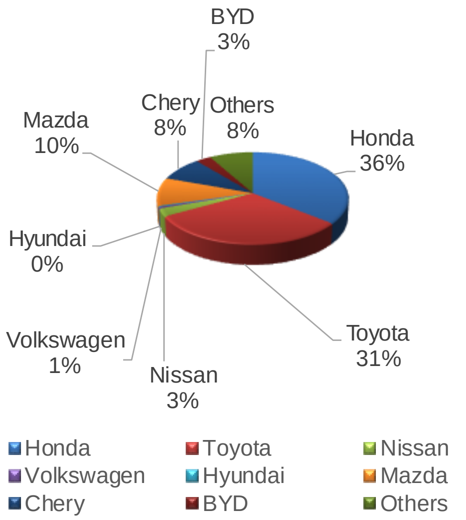
Source: MAA, Kenanga Research

Market Share (Overall Passenger) February 2024



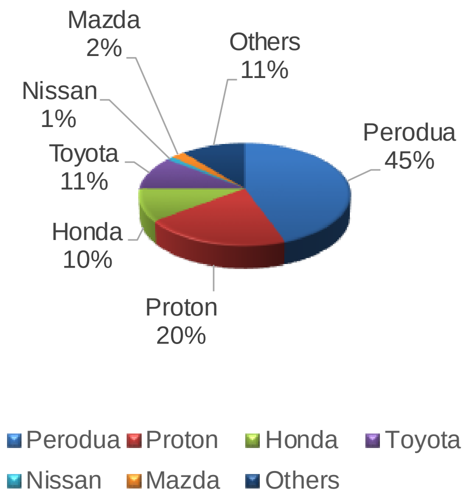
Source: MAA, Kenanga Research

Market Share (Non-National Passenger)February 2024



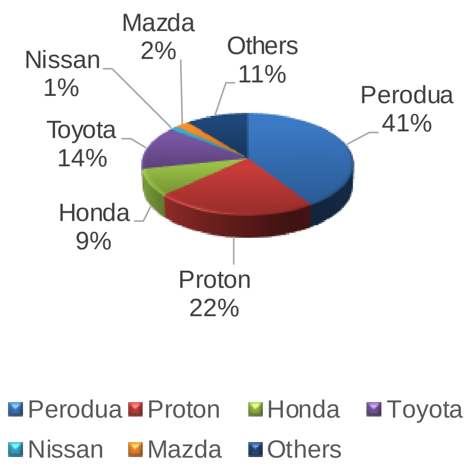
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2024



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2023



Source: MAA, Kenanga Research

Exciting New Launches

All-New Perodua D66B (April 2024)

All-new Toyota Yaris Cross (April 2024)

All-new BYD Seal EV

Proton X70 facelift MC2 (2024)

All-new SMART #3 (2024)

Proton X50 facelift MC1 (2024)

Proton Saga, Persona, Iriz 2024 MC

Honda Civic (2024)

Honda City Hatchback (2024)

Honda HR-V facelift Modulo (2024)

All-new Mazda CX-60 (4QCY24)

All-new Volvo EX30 (2024)

Source: Paultan.org, @Theottle, Kenanga Research

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	MP	2.36	2.30	-2.5%	2,740.0	Y	04/2024	26.1	22.7	-0.3%	-13.0%	9.0	10.4	3.3	37.9%	20.1	8.5%
DRB-HICOM BHD	MP	1.36	1.40	2.9%	2,628.9	Y	12/2024	15.9	18.6	14.2%	17.0%	8.6	7.3	0.2	3.1%	2.0	1.5%
HIL INDUSTRIES BHD	MP	0.890	0.940	5.6%	295.4	Y	12/2024	13.6	14.3	11.9%	4.6%	6.5	6.2	0.6	9.7%	2.0	2.2%
HONG LEONG INDUSTRIES BHD	OP	10.50	11.70	11.4%	3,443.0	Y	06/2024	92.7	97.4	4.6%	5.0%	11.3	10.8	1.7	15.2%	110.0	10.5%
MBM RESOURCES BHD	OP	4.45	5.80	30.3%	1,739.5	Y	12/2024	72.5	73.3	-7.2%	1.1%	6.1	6.1	0.8	12.9%	40.0	9.0%
SIME DARBY BHD	OP	2.64	2.80	6.1%	17,954.6	Y	06/2024	17.7	19.3	4.4%	9.1%	14.9	13.7	1.1	7.4%	12.0	4.5%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.880	0.720	-18.2%	591.4	Y	12/2024	(16.8)	(16.2)	-187.2%	-196.8%	N.A.	N.A.	0.2	-4.2%	1.0	1.1%
SECTOR AGGREGATE					**29,392.7**					**4.5%**	**6.3%**	**12.6**	**11.8**	**0.8**	**6.6%**		**5.3%**

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.***

Published by:

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