

24 April 2024

Automotive

Aidilfitri Bonanza in March 2024

NEUTRAL



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New vehicle sales in Malaysia, also known as total industry volume (TIV) which came in at 71,052 units in March 2024 (+13% MoM, -10% YoY) soared MoM driven by Hari Raya Aidilfitri promotions. With 3MCY24 TIV making up 28% 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 believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation will likely hurt the demand for mid-market models, giving rise to a two-speed automotive market locally in CY24. In general, the industry's earnings visibility is still good, backed by a booking backlog of 200k units. Our sector top pick is MBMR (OP; TP: RM5.80), which is a good proxy to the affordable and fuel-efficient Perodua brand. It also offers an attractive dividend yield of about 9%.

TIV came in at 71,052 units in March 2024 (+13% MoM, -10% YoY), soaring MoM driven by Hari Raya Aidilfitri promotions. With 3MCY24 TIV making up 28% of our full-year projection of 710k units (-11% YoY), we consider the as number meeting our expectation. Looking ahead, we believe April 2024 TIV will be lower sequentially due to the extended Hari Raya Aidilfitri holidays.

A detailed analysis of the passenger vehicle segment in March 2024 at 64,760 units (+12% MoM, -9% YoY) are as follows:

Overall, passenger vehicles segment soared MoM driven by Hari Raya Aidilfitri promotional campaigns, remaining on a growth trajectory YoY.

Honda (+33% MoM, +5% 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). **Toyota's (+27% MoM, +8% 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). **Nissan (+20% MoM, -24% YoY)** is still losing out in the all-new vehicles race and mainly depends on its massive rebates to stay in competition. Currently, Nissan depends on the face-lifted Nissan Serena S-Hybrid, Navara, and Almera Turbo with 1k backlogged orders (1–2 months). **Perodua's (+6% 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 Axia, Alza and Bezza, and up to 4 months for the Ativa/Myvi)

Proton's (-6% MoM, -14% YoY) sales were mainly driven by the all-new X70, X50 and X90 (2,464 SUV units sold, making up 20% 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 5 months for other models). **Mazda (-9% MoM, -21% 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). Competition-wise, Mazda is seen to be losing its market share to the newcomer, **Chery (YTD 2024 sales at 4,511 units closing in to Mazda's at 4,565 units).**

Business as usual for the affordable segment. For CY24, we project a TIV of 710k units (-11%) which is a tad more conservative than 740k units projected by Malaysia Automotive Association (MAA). We believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation is more likely to hurt the demand for mid-market models, giving rise to a two-speed automotive market locally in CY24.

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.

We believe it will be business as usual for the affordable segment as its target customers, i.e. the B40 group, will be spared the impact of the impending fuel subsidy rationalisation and also could potentially benefit from the introduction of the progressive wage model. However, the same cannot be said for the mid-market segment as its target customers, i.e. the M40 group may hold back from buying a new car (or even down trade to a smaller car to cut their fuel bills) upon the introduction of fuel subsidy rationalisation.

In general, the industry's earnings visibility is still good, backed by a booking backlog of 200k units as at end-Feb 2024. More than half of the backlog is made up of new models, alluding to how appealing new models are to car buyers. This trend is likely to persist throughout CY24 given a strong line-up of new launches.

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 have leapt from 274 units in CY21 to over 3,400 units in CY22 and 10,159 units in CY23, with 2,703 units for YTD 2024 and are on track to meet national target for EVs and hybrid vehicles of 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.

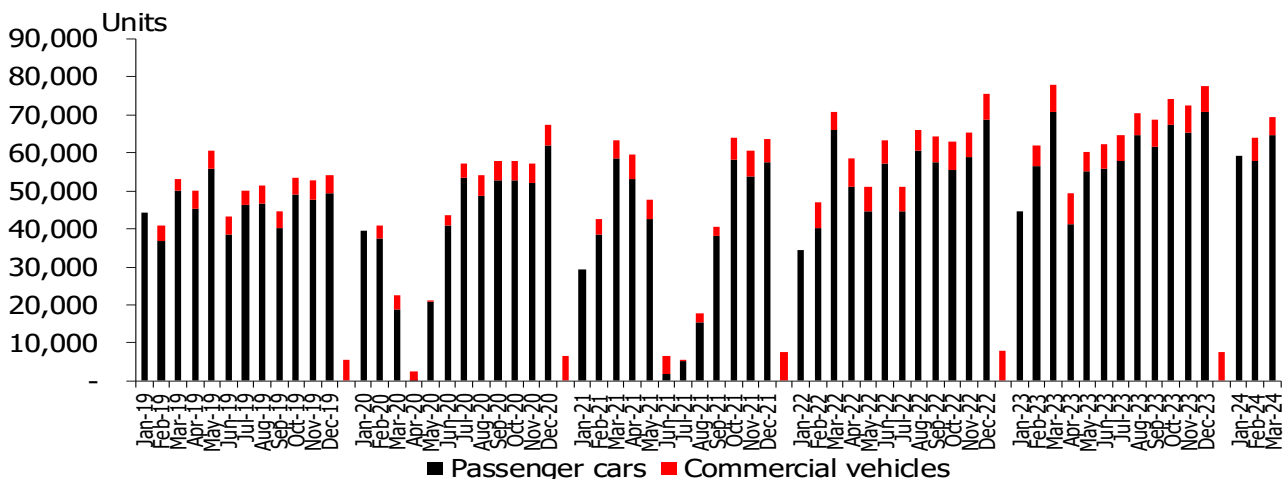
Our sector top pick is **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 120k units (almost half of its CY24 target sales of 340k units), (ii) being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in 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)	Mar-24	Mar-23	Feb-24	% m-o-m	% y-o-y	YTD 2024	YTD 2023	% y-o-y
Passenger								
Perodua	28,899	32,179	27,315	6%	-10%	85,896	78,564	9%
Proton	12,441	14,458	13,256	-6%	-14%	38,472	39,871	-4%
Honda	8,282	7,878	6,220	33%	5%	21,568	17,507	23%
Toyota	6,920	6,387	5,433	27%	8%	16,156	17,240	-6%
Nissan	576	762	481	20%	-24%	1,652	1,795	-8%
Mazda	1,571	1,994	1,718	-9%	-21%	4,565	4,613	-1%
Others	6,071	7,282	3,556	71%	-17%	16,685	12,374	35%
Total	64,760	70,940	57,979	12%	-9%	184,994	171,964	8%
Commercial								
Toyota	2,551	2,639	1,914	33%	-3%	6,799	7,790	-13%
Isuzu	1,182	1,744	988	20%	-32%	3,341	4,014	-17%
Nissan	281	303	153	84%	-7%	649	705	-8%
Mitsubishi	689	1,439	618	11%	-52%	1,969	3,145	-37%
Hino	452	560	320	41%	-19%	1,221	1,403	-13%
Mazda	16	24	4	300%	-33%	52	47	11%
Others	1,121	1,232	857	31%	-9%	3,220	3,547	-9%
Total	6,292	7,941	4,854	30%	-21%	17,251	20,651	-16%
TIV	71,052	78,881	62,833	13%	-10%	202,245	192,615	5%

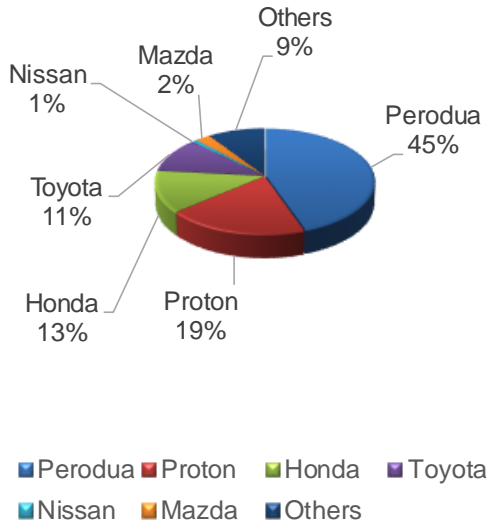
Source: MAA, Kenanga Research

Monthly TIV



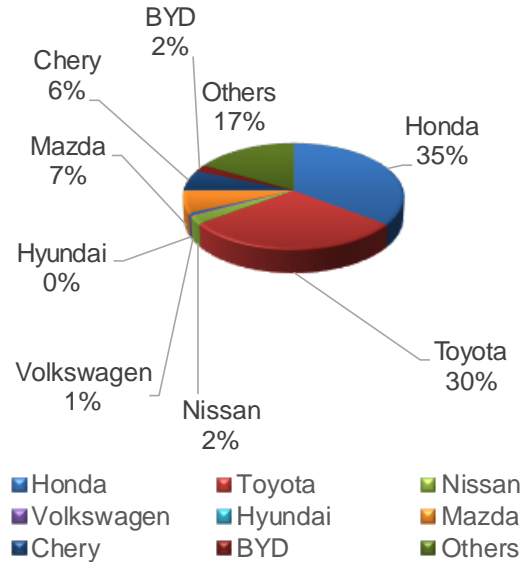
Source: MAA, Kenanga Research

Market Share (Overall Passenger) March 2024



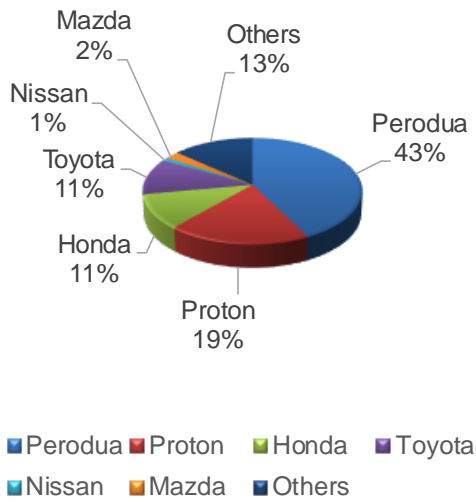
Source: MAA, Kenanga Research

Market Share (Non-National Passenger) March 2024



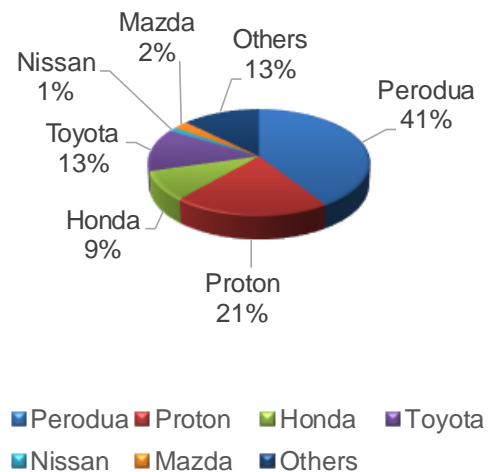
Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2024



Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2023



Source: MAA, Kenanga Research

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Exciting New Launches



All-New Perodua D66B (4QCY24)



All-new Toyota Yaris Cross (4QCY24)



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

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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	MP	2.35	2.30	-2.1%	2,728.4	Y	04/2024	26.1	22.7	-0.3%	-13.0%	9.0	10.4	3.3	37.9%	20.1	8.6%
DRB-HICOM BHD	MP	1.37	1.40	2.2%	2,648.2	Y	12/2024	15.9	18.6	14.2%	17.0%	8.6	7.4	0.2	3.1%	2.0	1.5%
HIL INDUSTRIES BHD	MP	0.940	0.940	0.0%	312.0	Y	12/2024	13.6	14.3	11.9%	4.6%	6.9	6.6	0.6	9.7%	2.0	2.1%
HONG LEONG INDUSTRIES BHD	OP	10.72	11.70	9.1%	3,515.1	Y	06/2024	92.7	97.4	4.6%	5.0%	11.6	11.0	1.8	15.2%	110.0	10.3%
MBM RESOURCES BHD	OP	4.91	5.80	18.1%	1,919.3	Y	12/2024	72.5	73.3	-7.2%	1.1%	6.8	6.7	0.9	12.9%	40.0	8.1%
SIME DARBY BHD	OP	2.81	2.80	-0.4%	19,110.8	Y	06/2024	17.7	19.3	4.4%	9.1%	15.9	14.5	1.2	7.4%	12.0	4.3%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.850	0.720	-15.3%	571.2	Y	12/2024	(16.8)	(16.2)	-187.2%	-196.8%	N.A.	N.A.	0.2	-4.2%	1.0	1.2%
SECTOR AGGREGATE					30,805.0					4.5%	6.3%	13.2	12.4	0.9	6.6%		5.1%

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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