

HLIB Research
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NEUTRAL (Maintain)

Stock Rating

Stock	Rating	Price	Target
DRB	BUY	1.47	2.30
MBMR	BUY	3.16	4.80
SIME	BUY	2.32	2.60
BAUTO	BUY	1.77	1.80
UMW	HOLD	3.08	2.95
TCM	SELL	1.13	1.00
PECCA	SELL	3.25	1.90

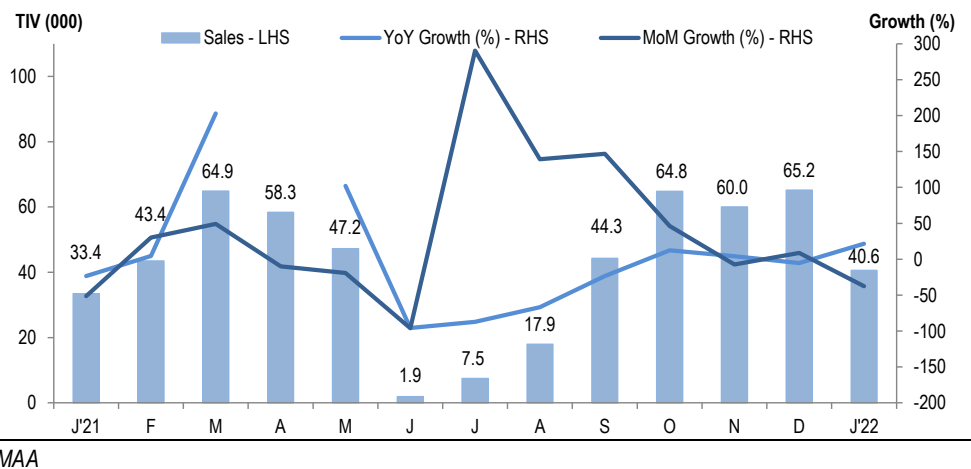
Automotive

A slow start for 2022

2022 TIV started at a slow pace of only 40.6k units for Jan (+21.5% YoY; -37.7% MoM), due to lower inventory available during the period (post accelerated deliveries in Dec 2020) and supply chain disruption during the month. Note that Jan 2022 statistics lacks data from BMW, Mini, Scania and Volvo. We maintain our 2022 TIV expectation at 600.0k units (+17.9% YoY), as we expect pent up deliveries toward 2Q2022, driven by the extended SST exemption measures to 30 Jun 2022 and the high order backlogs, but slowdown in 2H22. We reaffirm our **NEUTRAL** call on the automotive sector with top picks: **DRB (BUY; RM2.30)**, **MBMR (BUY; TP: RM4.80)** and **Sime Darby (BUY; TP: RM2.60)**.

Malaysian Automotive Association (MAA) reported a slow start to the year 2022 at only 40.6k units (+21.5% YoY; -37.7% MoM), attributed to the accelerated deliveries in Dec 2021 (resulting lower inventory for Jan 2021) and impact of the flash floods, affecting production and supply chain during the month. At current juncture, we are maintaining our TIV expectation of 600k units for 2022, a growth of +17.9% YoY, as we expect a pent-up deliveries in coming months driven by the extension of SST exemptions (car prices have reduced 2-7%; paultan.org) to 30 Jun 2022 and the large order backlogs for the many OEMs i.e. Proton, Perodua, Honda, Toyota etc.

Figure #1 Malaysia Monthly TIV



Despite the expected strong TIV recovery until mid-2022, we still maintain our **NEUTRAL** rating on the sector, as we expect TIV to drop post SST exemption expiry alongside the current ongoing global supply chain issue. Nevertheless, we advise investors to accumulate **MBMR (BUY; TP: RM4.80)** and **DRB (BUY; TP: RM2.30)**, as we expect national OEMs to triumph over the longer term with potential growth from new export markets. We also like **Sime Darby (BUY; TP: RM2.60)** for its strong balance sheet and earnings sustainability on Australia industrial segment and robust demand for automotive across the group's geographical operations.

Note that no data was provided for the following:

- 1) Monthly sales for BMW, Mini and Volvo for Jan 2022.
- 2) Monthly sales for Scania for Oct 2020 to Jan 2022.

Perodua (UMW and MBRM) recorded sales of 17.4k units (+3.2% YoY; -24.3% MoM), with a market share of 43.0% in Jan 2022. Management has recently revised up its 2022 sales target to 247.8k units (from 240k units), indicating a targeted growth of +30.2% YoY. The high target is backed by healthy order backlog and increase in planned production for the year to 265.9k units (provided no further supply disruption). Management has guided 1 new model (likely new Alza replacement) and 2 updated models in later part of the year. Management has also revealed a study is underway on Perodua's EV roadmap, which will be announced within this year.

Proton (DRB) recorded a weak start for the year with 4.3k units (-27.6% YoY; -68.5% MoM), affected by accelerated deliveries for Dec 2021, lower inventory as well as supply disruptions (due to floods) in Jan 2022. CEO of Proton has revealed sales target of 150k units in 2022, indicating a growth of +30.8% YoY (including export volume), banking on continued strong domestic demand, new launches and new export markets. It was speculated that Proton may launch a new large X90 SUV in 2022. Proton has successfully commenced its CKD programs in Pakistan in 2021 and we expect Proton to restart its export program into regional Thailand and Indonesia market in 2022.

Toyota (UMW) registered an admirable sales of 7.5k units in Jan 2022, a growth of +96.4% YoY (mainly due to low base effect), but dropped -18.2% MoM, which outperformed the market trend. The sales were mainly attributed to high demand for Hilux, Vios and Corolla Cross. Management has guided sales target of 73k units for 2022. Toyota has recently launched CKD Corolla Cross (including Hybrid model) and Camry facelift.

Honda (DRB) registered sales of 3.9k units, a growth of +165.1% YoY (due to low base effect), but dropped -51.6% MoM (due to lower inventory at the start of the year, post accelerating deliveries for Dec 2021). Honda is targeting sales of 80k units for 2022, which will enable the marque to reclaim back its top position within the foreign segment. Honda has recently launched new Civic and expected to launch new HR-V and BR-V in coming months.

Nissan (TCM) sales remained disappointing in Jan 2022, at only 1.1k units (+42.9% YoY; -34.7% MoM), mainly due to lack of attractive models and stiff market competition. Nissan is expected to maintain its strategy to avoid stiff pricing competition, while leveraging onto its core models: Almera, Serena and Navara. On a hopeful side, it was speculated that Nissan may launch new SUV Kicks model in 2022, rivalling Proton X50, Honda HR-V and Toyota Corolla Cross.

Mazda (BAuto) recorded a similar market trend with sales of only 0.8k units (+89.1% YoY; -26.8% MoM), due to lower inventory at the starting of the year. Mazda has recently launched long waited pickup trucks BT-50. We expect Mazda to launch new MX-30 (EV), CX-30 CKD and CX-8 facelift in 2022.

Figure #2 Malaysia TIV Breakdown

Units (000)	2021												2022
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
Perodua	16.9	16.6	24.4	20.4	18.0	1.0	0.7	7.0	14.2	27.9	20.3	23.0	17.4
Proton	6.0	11.7	14.8	14.7	8.8	0.5	1.9	2.7	10.2	12.8	13.9	13.7	4.3
Honda	1.5	4.4	8.9	5.1	5.1	0.0	0.6	1.4	4.0	6.4	7.6	8.0	3.9
Toyota	3.8	5.0	8.1	9.1	7.5	0.1	1.4	2.5	7.9	8.4	8.4	9.2	7.5
Nissan	0.8	0.7	1.3	1.6	1.4	0.0	0.2	0.4	1.3	1.5	1.4	1.7	1.1
Mazda	0.4	0.7	1.2	1.6	1.4	0.1	0.2	0.7	0.8	1.1	1.3	1.2	0.8
BMW	0.5	0.6	0.9	0.6	0.5	0.1	0.4	0.4	0.7	1.2	1.1	1.7	0.0
Others	3.5	3.8	5.3	5.3	4.6	0.2	2.2	2.8	5.1	5.5	6.0	6.7	5.5
Total	33.4	43.4	64.9	58.3	47.2	1.9	7.5	17.9	44.3	64.8	60.0	65.2	40.6

MAA

Figure #3 Malaysia TIV Market Share Breakdown

2021	2021												2022
	(%)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Perodua	50.6	38.2	37.7	35.0	38.1	52.5	8.7	38.9	32.0	43.0	33.8	35.3	43.0
Proton	17.9	26.9	22.8	25.2	18.6	25.4	25.4	15.3	23.1	19.8	23.2	21.0	10.6
Honda	4.4	10.1	13.8	8.7	10.8	1.1	7.8	7.8	9.1	9.9	12.7	12.2	9.5
Toyota	11.5	11.6	12.5	15.7	15.9	4.4	19.2	13.8	17.9	13.0	14.0	14.1	18.5
Nissan	2.3	1.6	1.9	2.7	3.0	1.2	2.6	2.4	2.9	2.4	2.3	2.6	2.7
Mazda	1.3	1.6	1.9	2.7	2.9	3.1	2.7	3.9	1.8	1.7	2.1	1.8	2.1
BMW	1.4	1.4	1.3	1.0	1.0	2.8	4.7	2.0	1.6	1.8	1.9	2.6	0.0
Others	10.6	8.7	8.1	9.1	9.7	9.5	28.8	15.8	11.5	8.4	10.0	10.3	13.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

MAA

Figure #4 Malaysia TIV YoY Growth

2021	2021												2022
	(%)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Perodua	-3.4	-12.2	184.0	N.M.	127.9	-95.3	-97.2	-69.1	-43.4	3.8	-12.2	-8.5	3.2
Proton	-29.9	17.2	350.7	N.M.	54.5	-94.9	-85.6	-75.9	-13.7	16.5	24.3	7.3	-27.6
Honda	-76.0	149.5	172.0	N.M.	90.9	-99.3	-90.2	-75.1	-31.3	18.0	-13.6	-31.0	165.1
Toyota	5.0	26.0	192.8	N.M.	118.8	-98.1	-80.6	-56.3	43.7	31.7	35.4	1.4	96.4
Nissan	-43.8	-33.0	279.8	N.M.	129.6	-97.8	-87.6	-72.9	-25.3	-5.7	-18.0	-7.5	42.9
Mazda	-59.3	-35.9	133.8	N.M.	170.8	-94.0	-83.4	-41.7	-32.6	-15.4	-1.8	-31.3	89.1
BMW	-38.5	-0.2	212.5	N.M.	35.3	-92.3	-69.8	-60.4	-38.1	35.0	11.1	62.4	N.M.
Others	-23.3	-11.6	124.5	N.M.	106.9	-94.8	-57.4	-41.0	-5.3	30.6	39.2	17.8	55.0
Total	-23.4	4.4	202.9		102.1	-95.7	-87.3	-66.7	-23.3	12.4	4.1	-5.3	21.5

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Figure #5 Malaysia TIV MoM

2021	2021												2022
	(%)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Perodua	-32.9	-1.8	47.3	-16.5	-11.9	-94.4	-35.1	966.9	102.6	96.7	-27.1	13.5	-24.3
Proton	-53.3	95.9	26.4	-0.7	-40.2	-94.4	290.2	44.0	273.8	25.3	8.3	-1.5	-68.5
Honda	-87.4	201.2	103.3	-43.0	0.5	-99.6	N.M.	140.5	187.0	59.3	18.1	5.1	-51.6
Toyota	-57.8	31.3	61.9	12.3	-18.0	-98.9	N.M.	72.2	219.4	6.1	0.0	9.3	-18.2
Nissan	-57.7	-9.1	79.6	24.9	-8.6	-98.4	760.9	118.7	197.0	19.4	-9.1	20.8	-34.7
Mazda	-73.4	57.6	72.5	31.6	-15.0	-95.6	233.3	251.5	15.8	35.4	16.8	-10.1	-26.8
BMW	-53.4	23.7	43.1	-31.9	-17.6	-88.9	566.0	2.3	97.2	64.7	-4.9	50.8	N.M.
Others	-38.1	6.0	40.6	0.0	-13.1	-96.0	N.M.	31.0	79.9	7.3	9.5	12.7	-18.5
Total	-51.5	30.1	49.3	-10.1	-19.1	-95.9	290.3	139.4	146.7	46.4	-7.4	8.6	-37.7

MAA

Figure #6 Peers Comparison

Stock	Mkt Cap (RM m)	Price (RM)	Target (RM)	Rating	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY21	FY22	FY21	FY22	FY21	FY22
DRB	2,841.9	1.47	2.30	BUY	DEC	N.M.	5.8	0.4	0.4	1.4	2.0
MBMR	1,235.0	3.16	4.80	BUY	DEC	8.0	5.6	0.6	0.6	5.7	7.0
SIME*	15,782.7	2.32	2.60	BUY	JUN	14.1	14.0	1.0	1.0	5.2	5.2
BAUTO*	2,055.7	1.77	1.80	BUY	APR	13.7	13.9	3.0	2.8	3.8	5.5
UMW	3,598.3	3.08	2.95	HOLD	DEC	23.3	12.5	0.9	0.9	0.6	1.9
TCM	739.8	1.13	1.00	SELL	DEC	N.M.	33.6	0.3	0.3	0.9	1.8
PECCA*	596.3	3.25	1.90	SELL	JUN	28.5	31.5	3.4	3.4	3.1	3.1

* Based on FY22 & FY23

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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