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**NEUTRAL** (Maintain)

**Stock Rating**

Stock	Rating	Price	Target
DRB	BUY	1.42	2.30
MBMR	BUY	3.25	4.80
SIME	BUY	2.33	2.60
BAUTO	BUY	1.77	1.95
UMW	BUY	3.28	3.55
TCM	SELL	1.11	1.00
PECCA	SELL	3.07	1.90

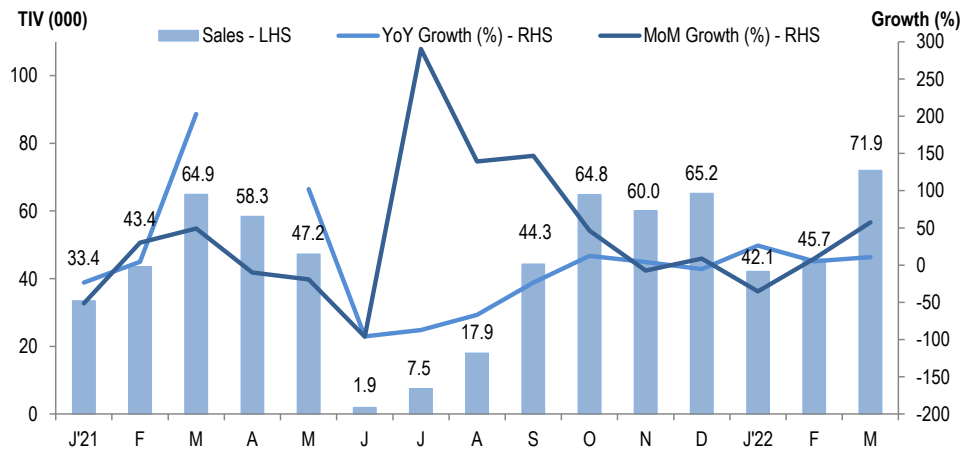
# Automotive

## Mar 2022: A new record month

Mar 2022 TIV jumped strongly to a new record month high of 71.9k units (adjusted), indicating a growth of +10.9% YoY and +59.3% MoM due to production ramp up and pent-up delivery during the month. YTD TIV also increased by +12.7% YoY to 159.8k units, mainly due to low base effect. We maintain our 2022 TIV expectation at 600k units (+17.9% YoY), as we expect continued momentum of high sales volume till Jun 2022, driven by the extended SST exemption measures and the various newly launched exciting models (launched in 2021 and early 2022). 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 new record month high of 71.9k units (adjusted) in Mar 2022 (+10.9% YoY; +59.3% MoM), attributed to accelerated production, stock-up (previous month) and pent-up delivery during the month, as OEMs rush to clear the high order backlogs. Overall TIV increased by +12.7% YTD to 159.8k units, mainly due to low base effect. At current juncture, we are maintaining our TIV expectation of 600k units for 2022, a growth of +17.9% YoY, as we expect continued high order deliveries in coming months prior to the ending of SST exemptions (car prices have reduced 2-7%; [paultan.org](http://paultan.org)) until 30 Jun 2022 and the large order backlogs for the key OEMs i.e. Proton, Perodua, Honda, Toyota etc.

**Figure #1 Malaysia Monthly TIV**



MAA

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 issues. Nevertheless, industry players are requesting for the government to consider further extend SST exemption until end 2022, in order to allow industry players and consumers to fully benefit from it. 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.

**Perodua** (UMW and MBMR) recorded a sales of 26.8k units (+9.5% YoY; +53.6% MoM) in Mar 2022, just few units shy of its record month high back in Oct 2020. The national OEM's market share was 37.2% during the month. YTD sales stood at 61.6k units (+6.4% YoY), and management is confident of achieving its targeted 247.8k units for 2022 as they maneuverer through the on-going global shortage of semiconductor. Management has guided for one new model (likely new Alza replacement) and two 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) maintained its second spot in Mar with 12.2k units, a recovery of +35.3% MoM, driven mainly by Saga model. However, it was still a drop of -17.2% YoY as the national OEM has yet to fully recover from on-going supply disruption. YTD, sales was at 25.6k units (-21.1% YoY). Proton boasted its export volume of 794 units of various models during the month (mainly to Pakistan), the highest in 108 months. CEO of Proton has revealed sales target of 136-150k units, indicating a growth of +18.6%-30.8% YoY (including export volume), banking on continued strong domestic demand, new launches and new export markets. Proton will also develop (along with parent-co DRB) Tanjung Malim to become the Automotive Hi-Tech Valley (AHTV), a regional EV motoring hub, in line with Putrajaya's commitment to ensure Malaysia becomes a carbon-neutral country by 2050.

**Honda** (DRB) reclaimed its top spot within foreign OEM segment with 10.6k units (+18.3% YoY; +75.2% MoM) in Mar, as the OEM continued to ramp up production and delivery. Nevertheless, YTD sales was 20.4k units (+38.4% YoY), still below Toyota. 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 turned more aggressive in its sales campaign. New model launches include new HR-V and BR-V in coming months.

**Toyota** (UMW) sales remained commendable at 8.4k units (+3.1% YoY; +31.7% MoM) in Mar 2022. YTD sales was 22.3k units (+31.1% YoY), sustained its top foreign position with 13.9% market share. We note that Toyota has also started its promotional sales campaign, likely in an attempt to secure upfront orders prior to the ending of SST exemptions by Jun 2022. Previously, management guided the already high backlog orders, averaging 4-5 months waiting period. Toyota is still intact in achieving its sales target of 73k units for 2022. Upcoming exciting new launch would be a new EV model (likely by year end).

**Mazda** (BAuto) sales jumped significantly in Mar to 2.2k units (+82.3% YoY; +367.4% MoM), overtook Nissan, mainly driven by pent-up delivery to clients during the month. YTD sales was up by +49.3% YoY to 3.5k units. We expect Mazda to launch new MX-30 EV (recently previewed to the media), CX-30 CKD and CX-8 facelift in 2022.

**Nissan** (TCM) sales recovered to 1.8k units (+41.8% YoY; +101.6% MoM) in Mar, increased YTD to 3.8k units (+38.1% YoY). The sales remained relatively low as Nissan maintained its strategy to avoid stiff market competition, while leveraging onto its core models: Almera, Serena and Navara.

**Figure #2 Malaysia TIV Breakdown**

Units (000)	2021												2022			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	YTD
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	17.4	26.8	61.6
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	9.0	12.2	25.6
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	6.0	10.6	20.4
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	6.4	8.4	22.3
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	0.9	1.8	3.8
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	0.5	2.2	3.5
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	0.6	0.8	1.5	2.9
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	6.4	4.8	8.5	19.7
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	42.1	45.7	71.9	159.8

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**Figure #3 Malaysia TIV Market Share Breakdown**

2021	2022															
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	YTD
(%)																
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	41.5	38.1	37.2	38.6
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	10.3	19.8	17.0	16.0
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	9.2	13.2	14.7	12.8
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	17.9	13.9	11.7	13.9
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	2.6	1.9	2.5	2.4
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	2.0	1.0	3.1	2.2
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	1.5	1.7	2.0	1.8
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	15.1	10.4	11.9	12.3
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	100.0	100.0	100.0

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**Figure #4 Malaysia TIV YoY Growth**

2021	2022															
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	YTD
(%)																
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	5.1	9.5	6.4
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	-22.7	-17.2	-21.1
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	37.3	18.3	38.4
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	26.7	3.1	31.1
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	26.3	41.8	38.1
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	-32.7	82.3	49.3
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	32.8	26.8	71.6	48.1
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	79.2	26.8	61.6	56.2
Total	-23.4	4.4	202.9		102.1	-95.7	-87.3	-66.7	-23.3	12.4	4.1	-5.3	26.0	5.3	10.9	12.7

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**Figure #5 Malaysia TIV MoM**

2021	2022															
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	YTD
(%)																
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	-0.1	53.6	N.A.
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	109.4	35.3	N.A.
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	56.0	75.2	N.A.
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	-15.3	31.7	N.A.
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	-19.6	101.6	N.A.
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	-43.9	367.4	N.A.
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	-61.9	18.1	93.7	N.A.
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	-5.8	-25.0	79.3	N.A.
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	-35.4	8.7	57.3	N.A.

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**Figure #6 Peers Comparison**

Stock	Mkt Cap (RM m)	Price (RM)	Target (RM)	Rating	FYE	P/E (x)		P/B (x)		Yield (%)	
						FY22	FY23	FY22	FY23	FY22	FY23
DRB	2,745.2	1.42	2.30	BUY	DEC	5.6	4.2	0.3	0.3	2.1	2.8
MBMR	1,270.2	3.25	4.80	BUY	DEC	5.8	5.1	0.6	0.6	6.8	7.7
SIME	15,850.7	2.33	2.60	BUY	JUN	14.2	14.1	1.0	1.0	5.2	5.2
BAUTO	2,055.7	1.77	1.95	BUY	APR	13.7	13.9	3.0	2.8	3.8	5.5
UMW	3,832.0	3.28	3.55	BUY	DEC	10.6	10.1	0.9	0.8	1.8	2.4
TCM	723.9	1.11	1.00	SELL	DEC	32.9	10.9	0.3	0.3	1.8	2.7
PECCA	563.3	3.07	1.90	SELL	JUN	26.9	29.8	3.2	3.2	3.3	3.3

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

## Sector rating guide

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

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