

**HLIB Research**  
PP 9484/12/2012 (031413)

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**NEUTRAL** (Maintain)

Stock	Rating	Price	Target
DRB	BUY	1.34	2.30
MBMR	BUY	3.17	4.80
SIME	BUY	2.28	2.60
BAUTO	BUY	1.76	1.95
UMW	BUY	3.29	3.55
TCM	SELL	1.14	1.00
PECCA	SELL	2.93	1.90

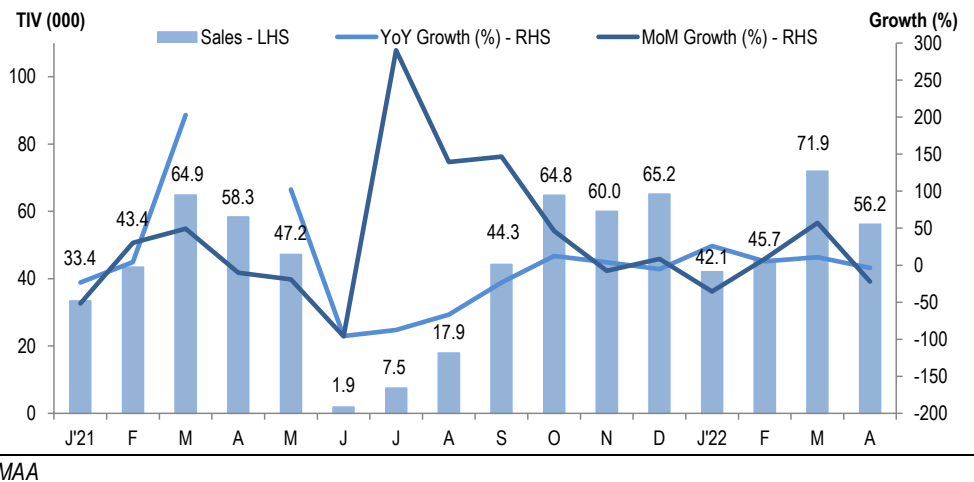
# Automotive

## Apr 2022: Affected by supply chain woes

Apr 2022 TIV slowed down to 56.2k units, indicating a drop of -3.6% YoY and -21.9% MoM due to on-going supply chain issues. Nevertheless, YTD TIV still registered a growth of +8.0% to 216.0k 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 TIV for April 2022 at 56.2k units (-3.6% YoY; -21.9% MoM), affected by on-going supply chain disruption (including chip shortage). Overall TIV increased by +8.0% YTD to 216.0k 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



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.

For the month of April 2022, there was no data available for BMW, Mini, Mercedes, Peugeot and Kia.

**Perodua** (UMW and MBRM) recorded a sales of 25.7k units (+25.8% YoY; -4.1% MoM) in Apr 2022. We believe the OEM has discontinued the production of the current Alza model during the month (resulting to lower sales MoM), in order to prepare for upcoming new replacement model. YTD sales stood at 87.3k units (+11.5% YoY), relatively in line to achieve its targeted 247.8k units for 2022 as they manoeuvre through the on-going global shortage of semiconductors. The new Alza replacement is now open for booking with starting price of RM69k. Management has also guided for two updated models in later part of the year.

**Proton** (DRB) maintained its second spot in Apr with 8.4k units, despite a drop of -42.9% YoY and -31.5% MoM, affected by on-going supply chain disruption, especially on new generation SUV models. YTD, sales was at 34.0k units (-27.9% YoY), with a domestic market share of 15.7%. Including export volume of 1.6k units, total Proton sales was 35.5k units, which is relatively behind its 2022 sales target of 136-150k units (indicating a growth of +18.6%-30.8% YoY). Proton CEO has guided 3 new model launchings in the coming next 2 years 2023-2024. Proton has recently launched Saga MC2 facelift model.

**Toyota** (UMW) reclaimed its top position within foreign segment with 6.9k units (-24.8% YoY; -18.1% MoM) in Apr 2022. Similarly, Toyota was also affected by supply chain issues. YTD sales was 29.1k units (+11.5% YoY), which sustained its top foreign position with 12.3% market share. Toyota is relatively ahead of its sales target of 73k units for 2022. Upcoming exciting new launch would be a new EV model (likely by year end).

**Honda** (DRB) recorded Apr sales of 6.0k units (+18.5% YoY; -42.8% MoM), affected by supply chain woes (resulting inconsistent production output at its Melaka Pant). YTD sales was 26.5k units (+33.3% 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 is expected to launch the new HR-V model soon, and followed by the new BR-V model in coming months.

**Mazda** (BAuto) sales remained strong in Apr with 1.8k units (+14.2% YoY; -17.6% MoM), stayed ahead of Nissan, mainly driven by continued high delivery to clients during the month. YTD sales was up by +35.1% YoY to 5.4k units, overtaking Nissan. 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 was 1.6k units (-0.9% YoY; -12.7% MoM) in Apr, increased YTD to 5.3k units (+23.9% 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	APR	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	25.7	87.3
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	8.4	34.0
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	6.0	26.5
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	6.9	29.1
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	1.6	5.3
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	1.8	5.4
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	N.A.	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	5.9	25.5
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	42.1	45.7	71.9	56.2	216.0

MAA

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

2021	2022																
	(%)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
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	45.6	40.4
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	14.9	15.7
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	10.7	12.3
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	12.2	13.5
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	2.6	1.9	2.5	2.8	2.5
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	3.3	2.5
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	N.A	1.3
Others	10.6	8.7	8.1	9.0	9.7	9.5	28.8	15.8	11.5	8.4	10.0	10.3	15.1	10.4	11.9	10.5	11.8
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	100.0

MAA

**Figure #4 Malaysia TIV YoY Growth**

2021	2022																
	(%)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
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	25.8	11.5
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	-42.9	-27.9
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	18.5	33.3
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	-24.8	11.5
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	-0.9	23.9
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	-32.7	82.3	14.2	35.1
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	32.8	26.8	71.6	N.A	13.9
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	11.6	43.0
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	-3.6	8.0

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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	APR
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	-4.1	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	-31.5	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	-42.8	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	-18.1	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	-12.7	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	-17.6	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	N.A
Others	-38.1	6.0	40.6	-0.2	-13.0	-96.0	N.M.	31.0	79.9	7.3	9.5	12.7	-5.8	-25.0	79.3	-31.0	N.A
Total	-51.5	30.1	49.3	-10.1	-19.0	-95.9	290.3	139.4	146.7	46.4	-7.4	8.6	-35.4	8.7	57.3	-21.9	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	2,590.5	1.34	2.30	BUY	DEC	5.3	4.0	0.3	0.3	2.2	3.0
MBMR	1,238.9	3.17	4.80	BUY	DEC	5.6	5.0	0.6	0.6	6.9	7.9
SIME	15,526.6	2.28	2.60	BUY	JUN	13.9	13.8	1.0	1.0	5.3	5.3
BAUTO	1,992.7	1.76	1.95	BUY	APR	13.7	13.8	3.0	2.8	3.8	5.5
UMW	3,843.7	3.29	3.55	BUY	DEC	10.6	10.1	0.9	0.8	1.8	2.4
TCM	743.4	1.14	1.00	SELL	DEC	33.9	11.2	0.3	0.3	1.8	2.6
PECCA	563.7	2.93	1.90	SELL	JUN	25.7	28.4	3.1	3.1	3.4	3.4

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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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