



AmInvestment Bank

Sector report
23 March 2022

AUTOMOBILE

TIV gaining momentum

OVERWEIGHT

(Maintained)

Muhammad Afif Zulkaply
muhammad-afif.z@ambankgroup.com
03-2036 2293

Rationale for report: Sector update

Investment Highlights

- We maintain our **OVERWEIGHT** recommendation and 2022 TIV forecast of 555,000 units, implying a 9% YoY growth. February's industry volume of 43,722 units rebounded 8% sequentially as Honda and Proton's sales recover from January's low. This brings 2MFY22 TIV to 84,303 units (+10% YoY). We remain positive on the sector's prospect, given that since most companies within the sector rely on domestic demand, earnings would be relatively shielded from the impact of geopolitical conflicts. Our assumption of a stronger 2022 TIV is based on the normalization of the supply chain and a gradual recovery of consumers' confidence.
- The Malaysian Automotive Association's (MAA) total industry volume (TIV) grew 8% MoM to 43,722 units in February. The improvement was mainly driven by the recovery of Proton sales after its production was affected by the flood that hit Shah Alam in December 2021/January 2022. However, most key brands reported lower sales due to a shorter working month in February. Cumulatively, 2MFY22 TIV expanded 10% to 84,303 units compared to the same period last year which was affected by the movement control order 2.0 implementation and spike in Covid-19 cases, resulting in a decrease in showroom footfall. Sales of commercial vehicles declined 29% MoM to 4,899 units for the same reason. YTD, 2MFY22 sales remained at a healthy level of 11,812 units (+33% YoY).
- **Sales breakdown by brand.** Proton and Honda's February sales volume rebounded 109% and 56% MoM to 9,039 units and 6,026 units, respectively from the January low. Note that Proton sales have yet to fully recover to its normalized level of 10,000–12,000 units per month. Meanwhile, Toyota (-15% MoM, +27% YoY), Nissan (-20% MoM, +26% YoY), and Mazda (-44% MoM, -33% YoY) reported lower sales due to the Chinese New Year holiday during the month. YoY, most brands reported stronger sales now that the sector's production is no longer affected by movement restrictions.
- **Perodua to launch another SUV?** Several news media recently reported the possibility of Perodua introducing a third sport utility vehicle, after the Aruz and Ativa, next year. The rumoured model is described as a B-segment model which will be using the Daihatsu New Global Architecture-B (DNGA-B) platform, compared to the Ativa which sits on the DNGA-A. Dimension-wise, the model is said to be positioned between the Aruz and Ativa, which could make it a direct competitor to the Proton X50. While a further expansion of product offerings would bode well for Perodua, we believe the plan is still in a nascent stage and the validity of the news is unconfirmed. Separately, Perodua is set to introduce its first DNGA-B platform-based model, the all-new Alza in April/May this year.
- **No change in our OVERWEIGHT recommendation on the sector and** 2022 TIV forecast of 555,000 units, which implies a 9% YoY growth. Our top picks are Bermaz Auto (fair value RM2.00) and UMW Holdings (FV RM4.00). We also have a BUY call on MBM Resources (FV RM4.55).
- **Key risks:** With rising materials price and other costs of running a business increasing, carmakers are facing margin pressure. Should the trend persist, carmakers will be forced to pass the additional cost along the supply chain, affecting distributors, parts suppliers, dealers, and end consumers.

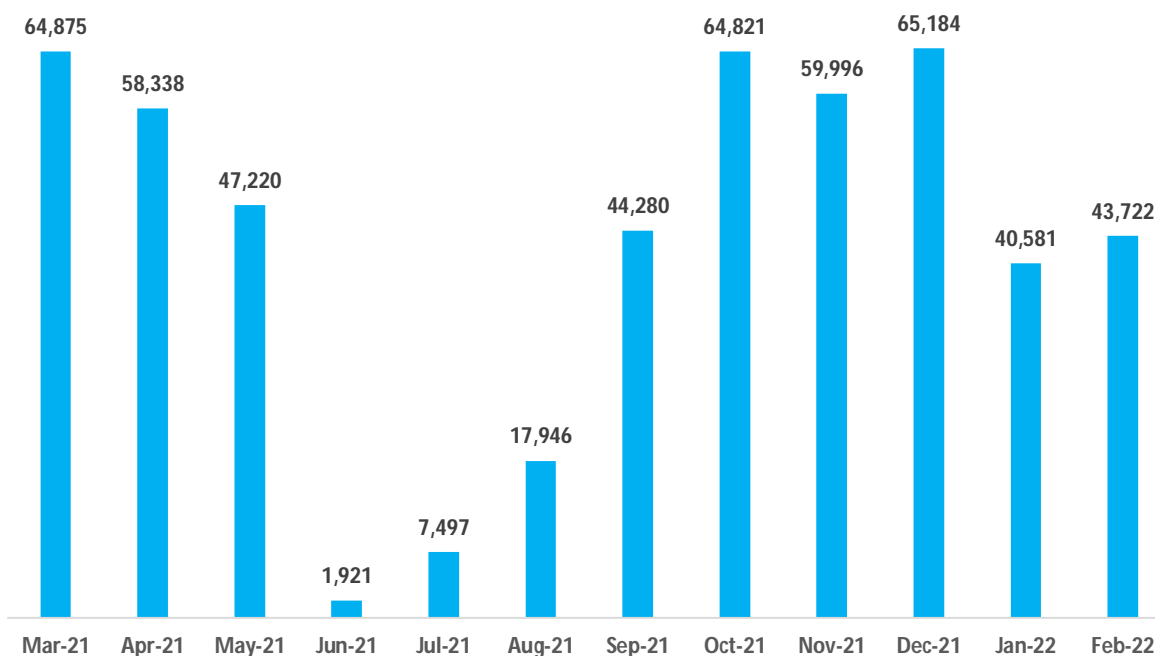
EXHIBIT 1: VALUATION MATRIX

Stock	FYE	Recommendation	Share price	Fair Value	Upside	EPS (sen)		Forward PER (x)		NDPS (sen)	Div. Yld. (%)
			(RM)	(RM)	(%)	FY22	FY23	FY22	FY23		
Bermaz Auto	Apr	BUY	1.81	2.00	10%	11.7	17.3	15.5	10.5	9.5	5.3%
MBM Resources	Dec	BUY	3.35	4.55	36%	50.6	54.5	6.6	6.1	15.0	4.5%
Sime Darby	Jun	BUY	2.28	2.90	27%	17.8	18.3	12.8	12.5	9.0	3.9%
UMW Holdings	Dec	BUY	3.30	4.00	21%	27.3	30.3	12.1	10.9	7.0	2.1%
DRB-Hicom	Dec	HOLD	1.39	1.65	19%	8.3	10.3	16.7	13.5	0.0	0.0%
Pecca Group	Jun	UNDERWEIGHT	3.08	1.65	-46%	11.0	12.1	28.0	25.5	4.4	1.4%
Tan Chong Motor	Dec	UNDERWEIGHT	1.11	0.65	-41%	3.4	4.6	32.6	24.1	0.0	0.0%

As of 22 March 2022

Source: AmInvestment Bank, Bloomberg

EXHIBIT 2: SALES SUMMARY FOR PAST 12 MONTHS



SALES														Cumulative			
(units in thousands)	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	2021	2022	YoY
National 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	33.5	34.9	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	9.0	17.7	13.4	-24%
Non-Natio 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	5.8	9.9	69%
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	8.9	13.9	57%
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	1.5	2.0	35%
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	1.2	1.3	15%
Others	4.0	4.4	6.1	5.9	5.1	0.2	2.5	3.2	5.8	6.6	7.1	8.4	5.5	3.5	8.4	9.0	7%
TIV	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	43.7	76.8	84.3	10%

MoM Movement														
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
National Perodua	-33%	-2%	47%	-17%	-12%	-94%	-35%	967%	103%	97%	-27%	14%	-24%	0%
Proton	-53%	96%	26%	-1%	-40%	-94%	290%	44%	274%	25%	8%	-2%	-68%	109%
Non Natio Honda	-87%	201%	103%	-43%	0%	-100%	2559%	141%	187%	59%	18%	5%	-52%	56%
Toyota	-58%	31%	62%	12%	-18%	-99%	1617%	72%	219%	6%	0%	9%	-18%	-15%
Nissan	-56%	-9%	80%	25%	-9%	-98%	761%	119%	197%	19%	-9%	21%	-35%	-20%
Mazda	-73%	58%	73%	32%	-15%	-96%	233%	252%	16%	35%	17%	-10%	-27%	-44%
TIV	-52%	30%	49%	-10%	-19%	-96%	290%	139%	147%	46%	-7%	9%	-38%	8%

YoY Movement														
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
National Perodua	-3%	-12%	184%	N.A.	128%	-95%	-97%	-69%	-43%	4%	-12%	-9%	3%	5%
Proton	-30%	17%	351%	N.A.	55%	-95%	-86%	-76%	-14%	17%	24%	7%	-28%	-23%
Non Natio Honda	-76%	150%	172%	N.A.	91%	-99%	-90%	-75%	-31%	18%	-14%	-31%	165%	37%
Toyota	5%	26%	193%	N.A.	119%	-98%	-81%	-56%	44%	32%	35%	1%	96%	27%
Nissan	-44%	-33%	280%	N.A.	130%	-98%	-87%	-72%	-24%	-3%	-15%	-5%	43%	26%
Mazda	-59%	-36%	134%	N.A.	171%	-94%	-83%	-42%	-33%	-15%	-2%	-31%	89%	-33%
TIV	-22%	6%	187%	N.A.	102%	-96%	-87%	-67%	-23%	12%	4%	-5%	22%	1%

Source: MAA, AmInvestment Bank

EXHIBIT 3: LOAN APPROVAL RATE FOR PASSENGER CARS



Source: Bank Negara Malaysia

EXHIBIT 4: MARKET SHARE OF MAJOR MARQUES

	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-21	Feb-21	YTD
National	51%	38%	38%	35%	38%	53%	9%	39%	32%	43%	34%	35%	43%	40%	43%
Perodua	18%	27%	23%	25%	19%	25%	25%	15%	23%	20%	23%	21%	11%	21%	11%
Proton	32%	35%	40%	40%	43%	22%	66%	46%	45%	37%	43%	44%	46%	39%	46%
Non National	14%	29%	35%	22%	25%	5%	12%	17%	20%	27%	29%	28%	21%	35%	21%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Non Natio	36%	33%	32%	39%	37%	20%	29%	30%	40%	35%	33%	32%	40%	37%	40%
Honda	7%	5%	5%	7%	7%	5%	4%	5%	6%	6%	5%	6%	6%	5%	6%
Only	4%	5%	5%	7%	7%	14%	4%	9%	4%	5%	5%	4%	5%	3%	5%
Toyota	38%	29%	24%	25%	25%	55%	51%	39%	29%	28%	28%	30%	29%	20%	29%
Nissan															
Mazda															
Others															
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: MAA

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