



AmInvestment Bank

Sector report  
24 May 2022

# AUTOMOBILE

*Cruising through April as normality returns*

**OVERWEIGHT**

(Maintained)

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*Rationale for report: Sector update*

## Investment Highlights

- **We maintain our OVERWEIGHT recommendation** and 2022 total industry volume (TIV) forecast of 555K units, implying a 9% YoY growth. April industry volume was at a healthy level of 56,213 units as demand for new passenger vehicles continued to be driven by the sales tax exemption and broader-based economic recovery. We remain positive on the sector's prospects given that most companies rely on domestic demand. While supply disruption and inventory shortage issues are still the sector's key concern, we believe carmakers/ distributors with a more resilient supply chain e.g. Perodua and UMW Toyota have a competitive edge to gain market share. Our assumption of a stronger 2022 TIV is based on the normalisation of supply chains and a gradual recovery of consumer confidence.
- **The Malaysian Automotive Association's (MAA) April TIV was decent at 56,213 units (-23% MoM, -4% YoY).** The YoY decline was mainly due to lower Proton sales (-43% YoY) as inventory shortages continued to plague the automaker. Toyota/Lexus sales were also affected by the supply chain issues affecting UMW Toyota's production. However, the 6,945 Toyota/Lexus units sold in April are above our monthly average forecast of 6,000 units in 2022 (full-year 2022 forecast 72,000 units). The 23% MoM decline in total TIV was mainly due to the normalisation of vehicle deliveries from a high base in March. All key marques reported sequentially lower sales in April. Cumulatively, 4M2022 TIV expanded 8% YoY to 215,965 units, on track to meet our forecast of 555,000 units. Sales of commercial vehicles grew 21% YoY to 6,398 units in April, bringing YTD 4M2022 sales to 25,560 units (+25% YoY) on improving business sentiment.
- **Mazda sales could beat our forecast in 4QFY22 (FYE April).** Besides Toyota/Lexus and Proton, most other key brands posted stronger YoY sales volume during the month. Mazda sales volume stayed robust at 1,830 units (-18% MoM, +14% YoY), above its normalised level of 1,100–1,200-unit range. This brought Mazda sales volume to 4,525 units (+38% QoQ, +28% YoY) in the February–April quarter. Using this data as a benchmark, Bermaz Auto's (BUY, fair value RM2.25) 4QFY22 (FYE April) sales volume of Mazda cars could beat our forecast of 4,400 units.
- **Perodua's sales momentum continued throughout April** with 25,654 units (-4% MoM, +26% YoY) delivered. This brought the national automaker's YTD 4M2022 sales volume to 87,278 units (+12% YoY). Notably, sales of the Alza declined significantly with only 52 units sold during the month vs. a monthly average of 1,200 units range in 2021 and 2020. This could be a cue that Perodua might have stopped the production of the current D46T generation Alza and would be introducing the all-new D27A Alza soon. While there is still no official announcement by Perodua yet, we gather that some of the dealerships are already accepting bookings for the highly anticipated multi-purpose vehicle (MPV). Separately, Honda sales improved 19% YoY to 6,034 units but remained lower than the pre-pandemic average of 7,100 units. Nissan/Renault sales volume was decent at 1,560 units (-13% MoM, -5% YoY).
- **Top BUYs.** Following the recent FV revision, Bermaz Auto is back as one of our top picks. Demand for the group's products remains robust while constant product updates would translate to a more consistent and predictable sales flow. We also like UMW Holdings (FV RM4.00) (set to benefit from the broad-based economic recovery) and MBM Resources (FV RM4.55) (trading at an attractive valuation of 2022 PE of 6x vs. its historical pre-pandemic 2015–2019 average of 9x despite an improved outlook).

## EXHIBIT 1: VALUATION MATRIX

Stock	FYE	Recommendation	Share price	Fair Value	Upside	EPS (sen)		Forward PER (x)		NDPS	Div. Yld.
			(RM)	(RM)	(%)	FY22/23	FY23/24	FY22/23	FY23/24	(sen)	(%)
Bermaz Auto	Apr	BUY	1.76	<b>2.25</b>	28	17.2	21.4	10.2	8.2	10.0	5.7
MBM Resources	Dec	BUY	3.17	<b>4.55</b>	44	50.6	54.5	6.3	5.8	15.0	4.7
Sime Darby	Jun	BUY	2.28	<b>2.90</b>	27	18.3	18.9	12.5	12.1	9.0	3.9
UMW Holdings	Dec	BUY	3.29	<b>4.00</b>	22	27.3	30.3	12.1	10.9	7.0	2.1
DRB-Hicom	Dec	HOLD	1.34	<b>1.65</b>	23	8.3	10.3	16.1	13.0	0.0	0.0
Pecca Group	Jun	UNDERWEIGHT	2.93	<b>1.65</b>	-44	12.6	14.8	23.3	19.8	4.4	1.5
Tan Chong Motor	Dec	UNDERWEIGHT	1.14	<b>0.65</b>	-43	3.4	4.6	33.5	24.8	0.0	0.0

As of 23 May 2022

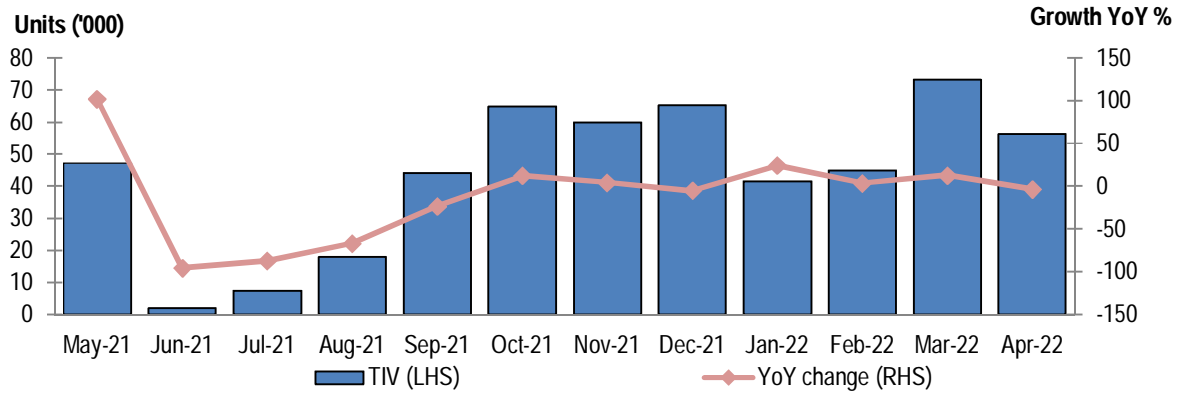
Source: AmInvestment Bank, Bloomberg

EXHIBIT 2: CAR SALES MONTHLY COMPARISON

(units)	Apr-21	Mar-22	Apr-22	MoM (%)	YoY (%)	YTD 2021	YTD 2022	YoY (%)
Proton	14,673	12,234	8,383	-31.5	-42.9	47,093	33,972	-27.9
Perodua	20,399	26,759	25,654	-4.1	25.8	78,308	87,278	11.5
Toyota/Lexus	9,280	8,487	6,945	-18.2	-25.2	26,431	29,392	11.2
Nissan/Renault	1,645	1,789	1,560	-12.8	-5.2	4,616	5,341	15.7
Honda	5,090	10,555	6,034	-42.8	18.5	19,861	26,477	33.3
Mazda	1,603	2,220	1,830	-17.6	14.2	3,975	5,372	35.1
Others	5,606	11,178	5,807	-48.0	3.6	19,720	28,133	42.7
<b>TIV</b>	<b>58,296</b>	<b>73,222</b>	<b>56,213</b>	<b>-23.2</b>	<b>-3.6</b>	<b>200,004</b>	<b>215,965</b>	<b>8.0</b>
Passenger	53,000	65,902	49,815	-24.4	-6.0	179,468	190,405	6.1
Commercial	5,296	7,320	6,398	-12.6	20.8	20,536	25,560	24.5

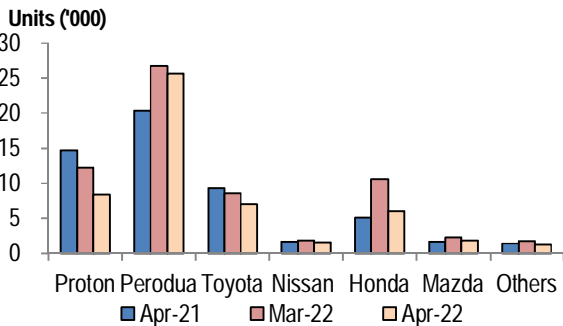
Source: MAA, AmlInvestment Bank

EXHIBIT 3: TIV TREND FOR PAST 12 MONTHS



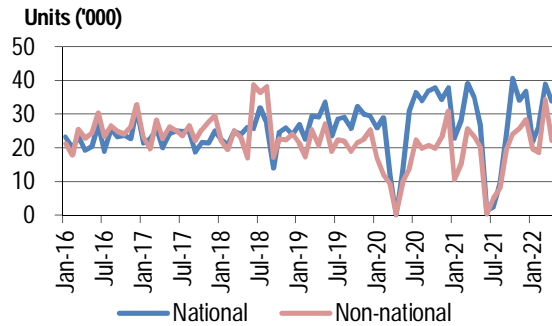
Source: MAA, AmlInvestment Bank

EXHIBIT 4: SALES VOLUME TREND OF KEY MARQUES



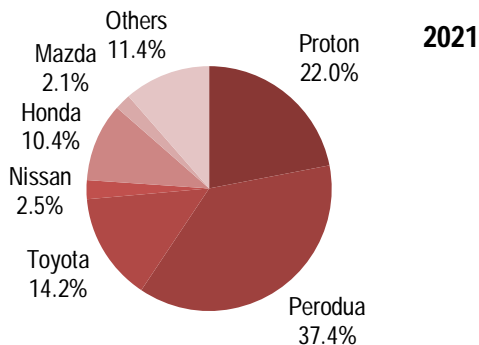
Source: MAA, AmlInvestment Bank

EXHIBIT 5: NATIONAL VS. NON-NATIONAL MARKET SHARE



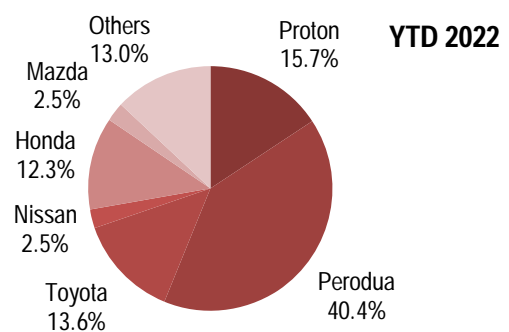
Source: MAA, AmlInvestment Bank

EXHIBIT 6: 2021 MARKET SHARE



Source: MAA, AmlInvestment Bank

EXHIBIT 7: YTD 2022 MARKET SHARE



Source: MAA, AmlInvestment Bank

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