

## Automotive

### Order Backlogs Hold Up for the Second Month

## OVERWEIGHT



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11MCY22 TIV of 642,306 units (+45%) came within our expectation. Vehicle deliveries picked up momentum in November on the easing of parts shortages for certain models (i.e. Perodua and Toyota), and also boosted by year-end promotional activities. Nonetheless, the production capacity of several other models remained sub-optimum as the shortages of chips and components persisted on continued disruptions to the supply chain due to intermittent lockdowns in China. An encouraging sign to note is that the industry order backlogs remained unchanged at 350k for the second month in a row, indicating that deliveries had been fully replenished with new bookings despite the absence of any tax waiver. Our sector top picks are MBMR (OP; TP: RM4.45) given its market leader position in national marques and BAUTO (OP; TP: RM2.65) for its positioning in the premium mid-market segment. Maintain OVERWEIGHT.



**11MCY22 total industry volume (TIV) came in at 642,306 units (+45%) while November 2022 TIV was at 64,404 units (+6% MoM, +7% YoY).** 11MCY22 TIV came within our expectation. Vehicle deliveries picked up momentum in November on the easing of parts shortages for certain models (i.e. Perodua and Toyota), and also boosted by year-end promotional activities. Nonetheless, the production capacity of several other models remained sub-optimum as the shortages of chips and components persisted on continued disruptions to the supply chain due to intermittent lockdowns in China. Meanwhile, December TIV could be slightly affected by the seasonal flood season, especially in the east coast of Malaysia. An encouraging sign to note is that the industry order backlogs remained unchanged at 350k for the second month in a row, indicating that deliveries had been fully

replenished with new bookings, despite the absence of any tax waiver

#### A detailed analysis of the passenger vehicle segment (+6% MoM, +7% YoY):

**Mazda (+24% MoM, -9% YoY)** recovered on the final delivery of its Mazda CX-30 CBU volume before switching toward local production (CKD) which is expected to be rolled out in 1QCY23. Overall volume continued to be driven by the CX-5 and CX-8. Based on sales projection, Mazda currently has 10k backlogged orders (3–5 months).

**Toyota's (+15% MoM, +17% YoY)** sales were mostly from its exceptional top models, namely the all-new Vios, Yaris, Corolla Cross and Hilux. Based on sales projection, Toyota currently has 30k backlogged orders (3–6 months). Toyota may go beyond its target of 80,000 units for 2022, and most of its CKD auto components are sourced locally (c.90% localisation for certain models).

**Honda (+12% MoM, -14% YoY)** was driven by the City, Civic and BR-V with exceptional response seen for the all-new HR-V which was launched on 14 July 2022. Overall, it is still affected by inventory shortages, especially for the newer models. Based on sales projection, Honda currently has 25k backlogged orders (2–4 months).

**Perodua's (+11% MoM, +41% YoY)** sales were propelled by the all-new Perodua Alza which gathered massive booking backlogs of 40k units with waiting time of more than 12 months, with equally strong sales of the MyVi and Atila, and supported by the Axia, Myvi, and Bezza. Based on sales projection, Perodua currently has more than 200k backlogged orders (by up to 12 months for the Alza, 6 months for the Atila/Myvi, and up to 3 months for others). Perodua guided that it will go beyond its target of 247,800 units for 2022. Meanwhile, most of its auto components are sourced locally (95% localisation).

**Nissan (-3% MoM, -42% YoY)** is losing out on the all-new vehicles launching race. Currently, Nissan depends on the face-lifted Nissan Serena S-Hybrid, Navara, and Almera Turbo with 2k backlogged orders (1–2 months).

**Proton's (-12% MoM, -21% YoY)** sales were mainly driven by the all-new X70 and X50 (4,751 SUV units sold, making up 43% of sales), and supported by the face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 65k backlogged orders (up to 12 months for the X50 and by 4 months for other models).

**Maintain OVERWEIGHT with 2022 TIV target of 680k units (+34%) and 2023 TIV target of 690k units (+2%).** We project a TIV of 690k units in 2023 (+2% vs. an estimated 680k for 2022), which is more upbeat than the forecast of 630k for 2022 and 636k for 2023 by the MAA. We believe the odds are in favour of the MAA raising its number along the way.

Vehicle sales in 2023 will be underpinned by the continued delivery of order backlogs to the tune of 350k units (as at end-Oct 2022), which was unchanged compared to three months ago, indicating that deliveries had been replenished with strong new bookings, especially for attractive new models (see next page) even in the absence the SST exemption. Additionally, vehicle sales will be supported by launches of new battery electric vehicles (BEVs) which will enjoy the SST exemption and other incentives for EVs up to 2023 for CBU and 2025 for CKD.

We believe vehicle sales will remain robust in 2023 supported by: (i) the reopening of the economy; (ii) financial assistance to the low-income group and subsidies on fuels, electricity and selected food items to keep the cost of living in check; (iii) a relatively stable job market; and (iv) healthy household balance sheets of the M40 group.

20 December 2022

Our sector top picks are **MBMR** and **BAUTO**.

We like **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 200k units; (ii) it being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia as well as its 22.58% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles; and (iii) its enviable Tier-1 OEM auto parts manufacturing certification.

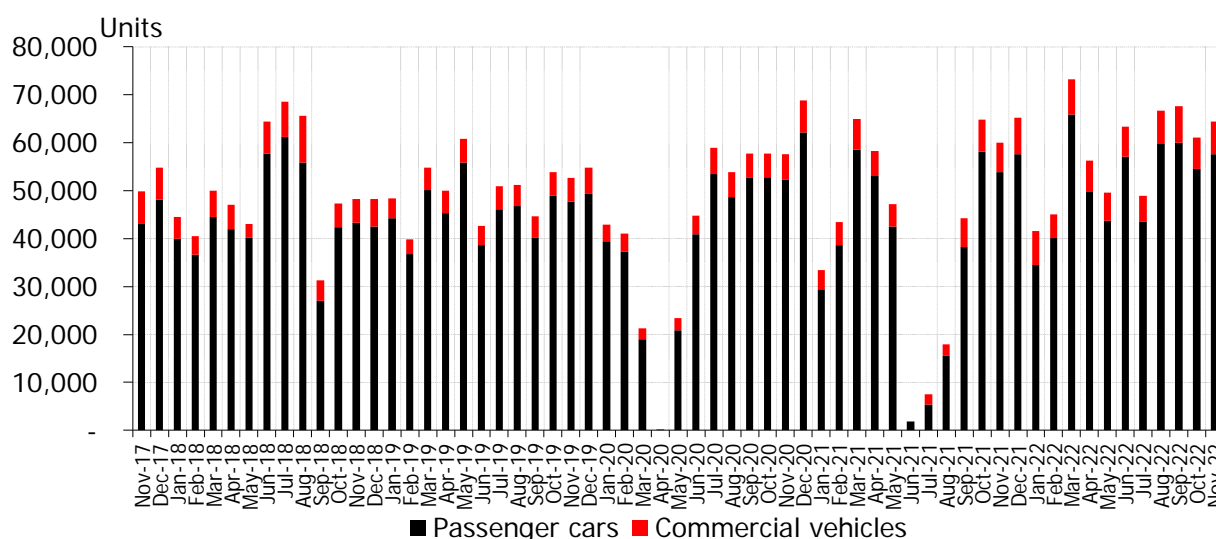
We like **BAUTO** for: (i) its premium mid-market Mazda brand that offers the best of both worlds, i.e. products that appeal to the middle-income group and yet command more superior margins than its peers in the mid-market segment; (ii) it being a beneficiary of strengthening of the MYR against the JPY; and (iii) its attractive dividend yield of about 6%.

### Monthly Sales for Passenger and Commercial Vehicles by Marque

Marque (units)	Nov-22	Nov-21	Oct-22	% m-o-m	% y-o-y	YTD 2022	YTD 2021	% y-o-y
<b>Passenger</b>								
Perodua	28,592	20,299	25,849	11%	41%	250,795	167,250	50%
Proton	11,029	13,910	12,597	-12%	-21%	121,654	97,994	24%
Honda	6,558	7,592	5,849	12%	-14%	72,589	45,348	60%
Toyota	7,638	6,548	6,635	15%	17%	62,524	45,150	38%
Nissan	573	996	588	-3%	-42%	7,730	7,643	1%
Mazda	1,175	1,286	951	24%	-9%	12,662	9,502	33%
Others	1,980	3,224	2,029	-2%	-39%	43,179	21,996	96%
<b>Total</b>	<b>57,545</b>	<b>53,855</b>	<b>54,498</b>	<b>6%</b>	<b>7%</b>	<b>571,133</b>	<b>394,883</b>	<b>45%</b>
<b>Commercial</b>								
Toyota	2,734	1,866	2,540	8%	47%	27,155	17,242	57%
Isuzu	1,333	975	1,117	19%	37%	14,340	8,051	78%
Nissan	235	451	415	-43%	-48%	5,064	3,011	68%
Mitsubishi	736	1,263	807	-9%	-42%	8,893	8,192	9%
Hino	488	473	473	3%	3%	5,309	3,138	69%
Mazda	33	1	67	-51%	>100%	249	1	>100%
Others	1,300	1,163	1,085	20%	12%	10,163	9,118	11%
<b>Total</b>	<b>6,859</b>	<b>6,192</b>	<b>6,504</b>	<b>5%</b>	<b>11%</b>	<b>71,173</b>	<b>48,753</b>	<b>46%</b>
<b>TIV</b>	<b>64,404</b>	<b>60,047</b>	<b>61,002</b>	<b>6%</b>	<b>7%</b>	<b>642,306</b>	<b>443,636</b>	<b>45%</b>

Source: MAA, Kenanga Research

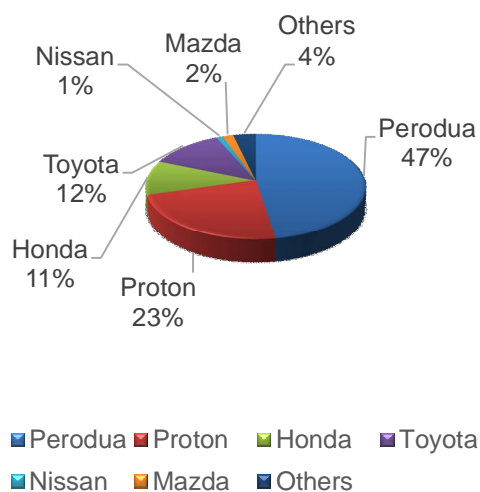
### Monthly TIV



Source: MAA, Kenanga Research

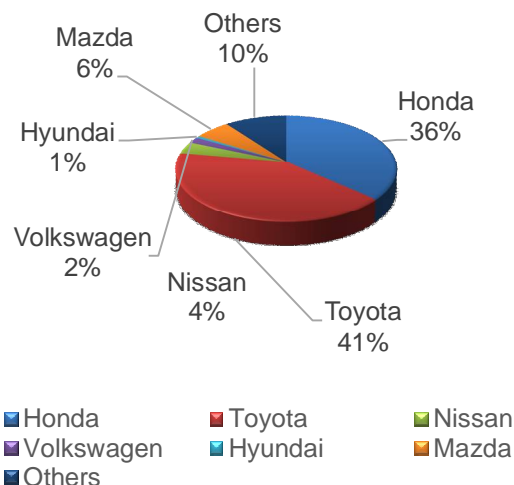
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## Market Share (Overall Passenger) in Nov 2022



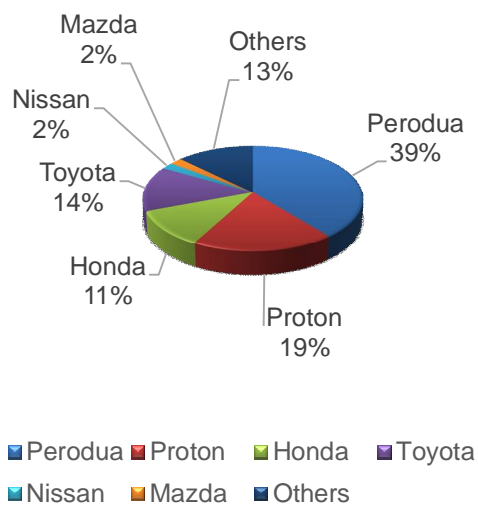
Source: MAA, Kenanga Research

## Market Share (Non-National Passenger) in Nov 2022



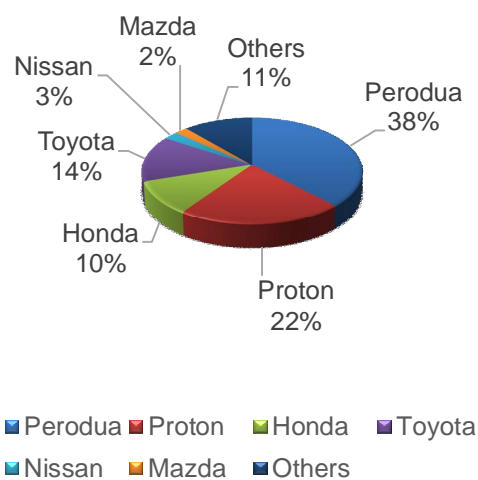
Source: MAA, Kenanga Research

## Market Share (Passenger and Commercial) in 11M2022



Source: MAA, Kenanga Research

## Market Share (Passenger and Commercial) in 11M2021



Source: MAA, Kenanga Research



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## Exciting New Launches



Perodua Ativa (plans for hybrid model)



All-new Perodua Alza



All-new Toyota Veloz



All-new Toyota Vios in 2023



Toyota Corolla Cross Hybrid



All-New Kia Carnival 8-seater



Proton SUV 7-seater in early 2023



Proton SMART#1 EV in 4Q23



Mazda CX-30 CKD by 1Q23



2022 Honda City Hatchback



All-new 2022 Honda HR-V



All-new Honda BR-V -2023

Source: Paultan.org

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## Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	2.25	2.65	17.78%	2,612.3	Y	04/2023	16.7	18.3	24.7%	9.4%	13.5	12.3	3.3	26.2%	11.7	5.2%
DRB-HICOM BHD	OP	1.58	1.70	7.59%	3,054.1	Y	12/2022	15.7	20.6	44.4%	30.9%	10.0	7.7	0.3	3.3%	2.0	1.3%
MBM RESOURCES BHD	OP	3.33	4.45	33.63%	1,301.7	Y	12/2022	58.7	63.8	36.7%	8.6%	5.7	5.2	0.6	10.2%	22.0	6.6%
SIME DARBY BHD	OP	2.20	2.60	18.18%	14,962.2	Y	06/2023	17.3	19.0	-1.8%	10.1%	12.7	11.6	0.9	7.3%	12.0	5.5%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.15	0.850	-26.09%	772.8	N	12/2022	(3.6)	(1.0)	-233.0%	-128.1%	N.A.	N.A.	0.3	-0.9%	3.0	2.6%
UMW HOLDINGS BHD	OP	3.40	4.80	41.18%	3,972.2	Y	12/2022	36.4	37.1	90.6%	1.9%	9.3	9.2	0.5	5.8%	6.0	1.8%
Simple Average								23.5	26.3	-6.4%	-11.2%	10.3	9.2	1.0	8.6%		3.8%

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

***\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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