



AmInvestment Bank

Sector report
17 Nov 2022

AMINVESTMENT BANK

Team Coverage

03 – 2036 2090

AUTOMOBILE

Oct TIV: Backlog clearance; growth to sustain

OVERWEIGHT

(Maintained)

Rationale for report: Sector update

Investment Highlights

- **We retain our OVERWEIGHT call** on expectations of healthy demand for passenger vehicles despite a challenging environment in times of high inflationary pressures. Recall that official data from the Department of Statistics (DOSM) revealed that Malaysia's June 2022 sales of motor vehicles surged substantially by more than 20x YoY on the back of the positive effect of SST exemption which ended on 30 June. The YoY sales growth remained robust in the subsequent months (+6x in July, +2x in August and +44% in September). We believe October sales growth could normalise further but likely to remain resilient. We opine that chip and component shortages will continue to linger on albeit at a much smaller extent, given that the global supply chain has shown signs of easing amid still-declining freight rates.
- **The Malaysian Automotive Association's (MAA) October TIV normalises to 61,002 units (-10% MoM)** on a high base in the previous months with carmakers gradually clearing their backlog bookings that were received prior to the exemption expiry at the end of June. In October, sales volume of passenger vehicles dropped 9% MoM to 54,498 units whereas commercial vehicles decreased further by 14% MoM to 6,504 units. Having said that, overall year-to-date (YTD) sales volumes grew 51% YoY to 577,800 units, gearing towards our 2022 forecast of 655,000 units (MAA: 630,000 units).
- **Local brands beat out foreign marques** with Perodua on the top spot with a sales growth of 5% MoM to 25,849 units, followed by Mazda at 1.3% to 1,018 units while Toyota grew less than 1% to 9,281 units. In contrast, sales volume of Honda sank by 19% to 5,849 units and Proton dipped 14% to 12,597 units, owing to high base effect of the prior months.
- **Perodua continues to be market leader with a share of 39%**, surpassing the 200,000-unit threshold with YTD sales of 222,203 units, which is also just 10% short of its targeted sales volume of 247,000 units for the year. While the 51% volume growth was initiated from a low base due to Covid lockdown during June-August last year, we reckon the continuous roll-out of new car models should support its target delivery. In terms of car models, Bezza sedan led with 6,768 units, Myvi came in second with 6,130 units and Axia 4,989 units.
- **Mazda's sales volume expected to improve further with China easing its pandemic lockdowns** which will see some relief in the ongoing supply disruptions. Furthermore, Bermaz Auto's (BAUTO) strategy of absorbing half of the SST increase from July to the end of this year for new bookings under Mazda alongside Kia and Peugeot, is expected to provide some impetus to purchasers.
- **Proton's sales volume declined, yet still exceeded 2021 achievement with 2 months to spare.** YTD, Proton's October sales have increased by 32% YoY with a market share of 19%. In October 2022, its bestseller – Saga sold 5,262 units with X50 SUV in the second spot, having delivered 3,602 units and the X70 1,391 units. For the 10 months this year, the X50 and X70 SUVs are inching closer to the 50,000-unit mark, delivering nearly 49,000 units.
- **The Civic (11th generation) remains Honda's mainstay**, delivering close to 7,000 units with the model's market share of at least 80% in the C-segment sedans for the 10 months of this year, according to its Malaysian Managing Director and CEO. On a side note, both Hyundai (+2x) and Volvo (+89%) clocked in higher sales volume due to the low base in the previous month.
- **Our top picks** are **BAUTO** (fair value RM2.25) and **MBM Resources** (fair value RM5.00) given their strong earnings trajectory underpinned by firm order book visibility of 7-8 months and superior sales growth fueled by consumer-friendly strategies coupled with easing supply conditions.

EXHIBIT 1: VALUATION MATRIX

Core Coverage	Recommendation	Last Price (RM)	Fair Value (RM)	Upside (%)	EPS growth (%)		Forward P/E (x)		CY22F	CY22F
					CY22F	CY23F	CY22F	CY23F	NDPS (sen)	Dividend Yield (%)
Bermaz Auto	BUY	1.90	2.25	18%	25.1	26.7	11.9	9.4	12.0	6.3%
MBM Resources	BUY	3.27	5.00	53%	30.2	4.7	5.8	5.6	16.0	4.9%
Sime Darby	BUY	2.20	2.88	31%	-1.4	3.1	12.4	12.0	10.0	4.5%
UMW Holdings	BUY	3.26	4.60	41%	55.9	-3.3	9.4	9.8	8.0	2.5%
Tan Chong Motor	UNDERWEIGHT	1.06	0.65	-39%	(>100)	>100	61.7	22.6	1.5	1.4%

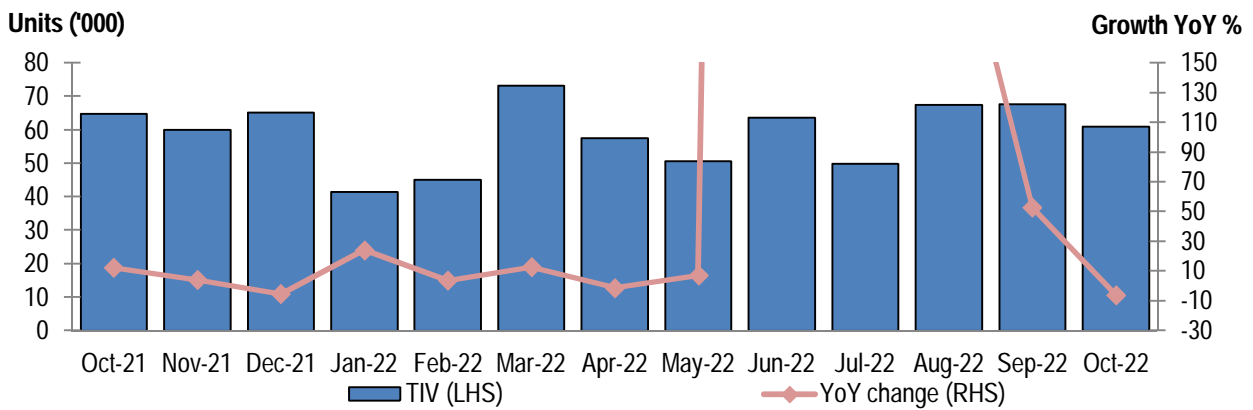
Source: MAA, AmInvestment Bank Bhd

EXHIBIT 2: CAR SALES MONTHLY COMPARISON

(units)	Oct-21	Sep-22	Oct-22	MoM (%)	YoY (%)	YTD 2021	YTD 2022
Proton	12,840	14,587	12,597	-13.6	-1.9	84,084	110,625
Perodua	27,858	24,626	25,849	5.0	-7.2	146,951	222,203
Toyota/Lexus	8,500	9,233	9,281	0.5	9.2	54,618	80,152
Nissan/Renault	1,540	1,005	1,007	0.2	-34.6	9,601	12,023
Honda	6,431	7,193	5,849	-18.7	-9.0	37,457	66,031
Mazda	1,102	1,005	1,018	1.3	-7.6	8,216	11,703
Others	6,550	10,010	5,401	-46.0	-17.5	42,733	75,063
TIV	64,821	67,659	61,002	-9.8	-5.9	383,660	577,800
Passenger	58,213	60,060	54,498	-9.3	-6.4	341,170	513,588
Commercial	6,608	7,599	6,504	-14.4	-1.6	42,490	64,212

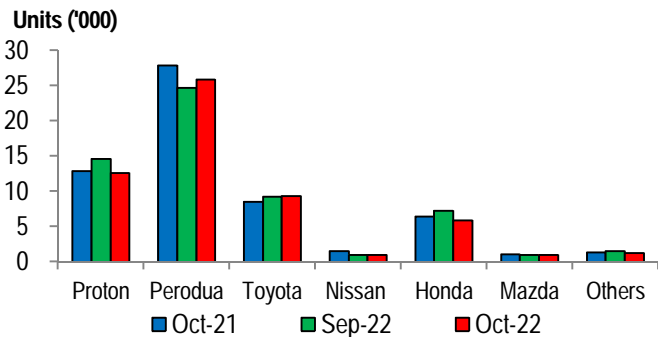
Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 3: TIV TREND FOR PAST 12 MONTHS



Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 4: SALES VOLUME TREND OF KEY MARQUES



Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 5: NATIONAL VS. NON-NATIONAL MARKET SHARE

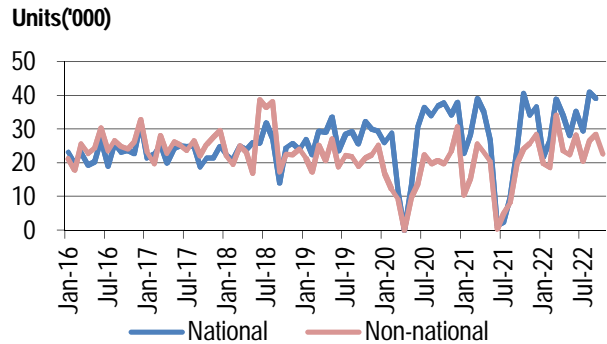


EXHIBIT 6: YTD 2022 MARKET SHARE

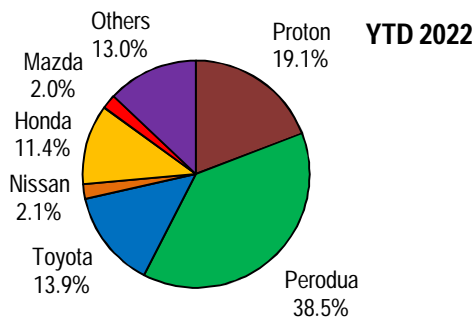
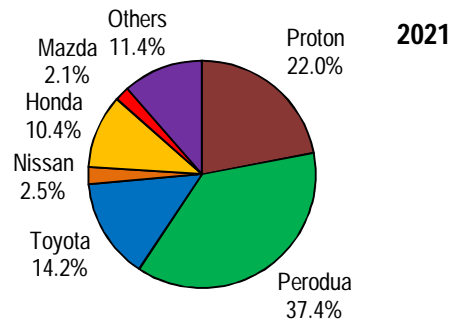


EXHIBIT 7: 2021 MARKET SHARE



Source: MAA, AmlInvestment Bank Bhd

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