



AmInvestment Bank

Sector report
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AUTOMOBILE

MCO dampens May 2020 TIV, recovery expected in June

OVERWEIGHT

(Maintained)

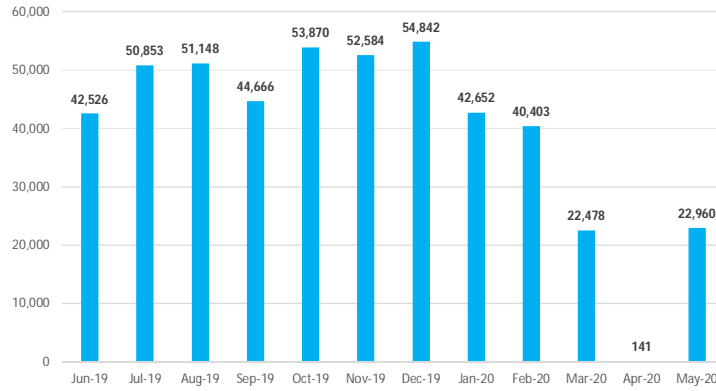
Rationale for report: Sector update

Investment Highlights

- **In May 2020, the auto sector recorded a lower TIV of 23.0K units (-62% YoY). From our ground checks, we gather that the Road Transport Department only resumed its new vehicle registration operations on 13 May 2020, when dealerships and showrooms started to gradually reopen for business nationwide. This has resulted in a weaker showing for May TIV. Our checks with certain industry players revealed that vehicle bookings were encouraging after the sales tax (SST) exemption announcement.**
- We note the following for major car marques in **May's** sales figures:
 - 1) **Perodua** registered a total sales volume of 7.9K units (-66% YoY) in May. The Aruz SUV sold a total of 1.0K units for the month. Perodua said it plans to nearly double its investments for 2020 to RM1.1bil from RM569mil in 2019. The bulk of it will be utilized for plant modernization, expansions as well as preparation for a new model, which we strongly believe to be the Perodua D55L B-segment SUV – we expect the 5-seater to make its debut in the local market in 2H2020.
 - 2) **Proton** delivered 5.7K units (-47% YoY) in May, including 0.8K units for the X70. The X70 continued to be the best-selling SUV in Malaysia for 5M2020 with 4.9K units sold. We expect the X70 and the Proton's mainstay PIES models to continue selling well as these entry-level models are more affordably priced and offers value-for-money now with the price reductions post-SST exemptions.
Proton's market share stood tall at 25% in May, resulting in a runner-up YTD market share of 21.3%, only behind Perodua at 41.1%.
 - 3) **Honda** sold a total of 2.7K units (-75% YoY) in May, and in terms of market share of non-national marques, it now stands behind Toyota at 10.7%. The new 2020 7-seater Honda BR-V was recently launched on 2 June 2020 in two variants with a price of RM89.9K–96.9K. The BR-V now costs about 11% more than before, not surprising given that we saw a 6–9% price hike for the other Honda CKD models such as the City, Jazz and CR-V.
 - 4) **Toyota** sold a decent 3.4K units (-50% YoY) in May after registering sales of only 13 units in April due to the MCO. YTD 5MCY2020, Toyota managed to clinch the top spot for market share under the non-national segment at 10.8%, marginally above Honda's 10.7%. According to UMWH management, Toyota's top three best-selling models for the month were the volume-driven Vios, Yaris and Hilux which comprised 77% of its total sales in May.
 - 5) **Nissan** continued its poorer-than-expected sales volume of 0.3K units (-70% YoY) in May. We strongly believe the ongoing weak performance was due to Nissan's unattractive product line-up, uncompetitive pricing and a lack of new launches. We note that only 0.2K units of Serena S-Hybrid were sold for the month. Tan Chong Motor group has recently guided that the all-new Nissan Almera CKD will be launched in 2H2020 – with no indication on pricing or tentative dates.
 - 6) **Mazda** posted a sales volume of 0.5K units (-53% YoY) in May. **We spoke to Bermaz Auto recently, and the group said that daily bookings shot up substantially post-SST exemption announcement. To further sweeten its deals, BAUTO is giving an extra 1-year extension of warranty and free service period to 6 years (from 5 years earlier).**
- **The approval rate for loans on passenger cars stood at 30.6% in April, a decrease of 26.6% from March 2020 and was lower than the average of 61.4% in 2019.**

We maintain our OVERWEIGHT stance on the auto sector with a slightly lower TIV projection of 565K units (previously 580K units) for 2020 after our recent tweak for Nissan and Toyota sales volume assumptions after UMW Holdings and Tan Chong Motor's 1QFY20 results review (UMW Holdings guided that consensus estimates were too bullish). We have BUYs on DRB-Hicom (FV: RM2.49), MBM Resources (FV: RM4.62) and Bermaz Auto (FV: RM1.79). We see an improvement in the outlook for the auto sector in 2HCY2020 as most businesses have resumed operations after the lifting of restrictions for most economic activities. We strongly believe that the expansionary sales tax (SST) exemption stimulus implemented by the government would substantially spur increased passenger vehicle buying interest, similar to the "tax holidays" in 2018.

EXHIBIT 1: SALES SUMMARY FOR PAST 12 MONTHS



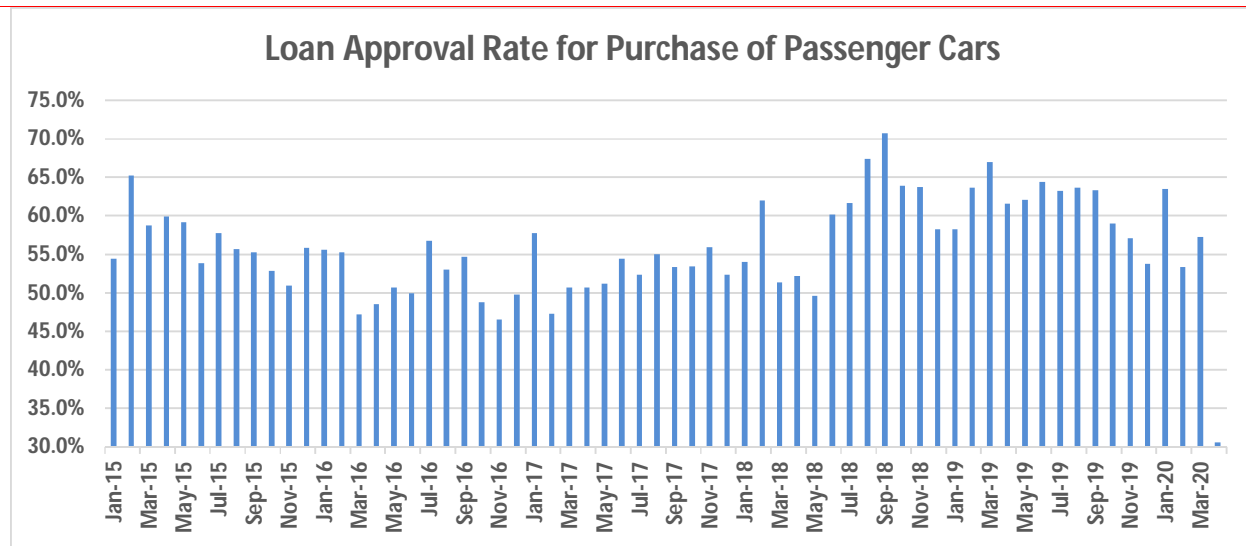
		SALES															Cumulative				
(units in thousands)		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	5M19	5M20	YoY
National	Perodua	20.1	17.2	23.3	22.1	22.9	16.0	19.9	20.1	17.0	22.8	20.4	18.4	17.5	18.9	8.6	0.1	7.9	105.7	52.9	-50%
	Proton	6.9	5.3	6.1	7.0	10.6	7.6	8.6	9.1	8.7	9.5	9.6	11.1	8.5	10.0	3.3	0.0	5.7	35.9	27.5	-24%
Non National	Honda	7.5	6.0	8.7	6.2	10.5	5.4	7.5	7.6	5.8	6.4	6.7	7.2	6.1	1.8	3.3	0.0	2.7	38.9	13.8	-64%
	Toyota	3.1	4.7	5.9	5.5	6.8	5.2	5.7	5.4	5.3	6.5	7.0	8.0	3.6	4.0	2.8	0.0	3.4	26.0	13.9	-47%
	Nissan	2.0	1.1	2.1	1.6	2.1	1.5	2.0	1.7	1.6	1.7	1.7	2.1	1.4	1.0	0.3	0.0	0.6	8.9	3.4	-62%
	Mazda	1.6	0.7	1.0	1.3	1.1	0.8	1.0	1.0	0.5	1.0	0.8	0.9	1.1	1.1	0.5	0.0	0.5	5.7	3.2	-43%
	Others	7.2	4.8	7.7	6.3	6.7	5.9	6.1	6.2	5.9	6.0	6.3	7.1	4.5	3.6	3.7	0.0	2.2	32.7	14.0	-57%
TIV		48.5	39.8	54.8	50.0	60.8	42.5	50.9	51.1	44.7	53.9	52.6	54.8	42.7	40.4	22.5	0.1	23.0	253.8	128.6	-49%

		MoM Movement																
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
National	Perodua	9%	-14%	35%	-5%	4%	-30%	24%	1%	-15%	34%	-10%	-10%	-5%	8%	-54%	-99%	13735%
	Proton	23%	-23%	16%	14%	51%	-28%	13%	6%	-5%	9%	1%	15%	-23%	17%	-67%	-99%	25700%
Non National	Honda	-6%	-20%	45%	-29%	70%	-49%	40%	1%	-24%	11%	5%	8%	-16%	-71%	87%	-99%	9819%
	Toyota	-27%	50%	26%	-7%	25%	-24%	8%	-4%	-2%	23%	7%	16%	-55%	9%	-30%	-100%	26246%
	Nissan	-30%	-45%	85%	-22%	31%	-28%	33%	-15%	-7%	8%	1%	23%	-35%	-24%	-68%	-98%	7713%
	Mazda	11%	-57%	45%	29%	-19%	-23%	22%	0%	-55%	122%	-20%	12%	22%	0%	-53%	-100%	N.A.
TIV		1%	-18%	37%	-9%	22%	-30%	20%	1%	-13%	21%	-2%	4%	-22%	-5%	-44%	-99%	16184%

		YoY Movement																
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
National	Perodua	14%	1%	12%	11%	4%	-18%	-16%	13%	79%	17%	-3%	0%	-13%	10%	-63%	-100%	-66%
	Proton	43%	37%	46%	75%	159%	23%	6%	-4%	92%	87%	100%	99%	24%	89%	-47%	-100%	-47%
Non National	Honda	-8%	-14%	-4%	-20%	31%	-53%	-41%	-30%	16%	-12%	-6%	-10%	-19%	-71%	-62%	-100%	-75%
	Toyota	-12%	18%	14%	-1%	238%	-55%	-38%	-38%	75%	36%	81%	87%	16%	-15%	-53%	-100%	-50%
	Nissan	0%	-15%	2%	2%	3%	-50%	-39%	-51%	-21%	-32%	-31%	-26%	-32%	-6%	-84%	-100%	-70%
	Mazda	23%	-31%	-10%	16%	72%	-46%	-17%	-49%	-63%	-39%	-57%	-38%	-31%	58%	-48%	-100%	-53%
TIV		9%	-2%	10%	6%	41%	-34%	-26%	-22%	43%	14%	9%	14%	-12%	1%	-59%	-100%	-62%

Source: Company, AmlInvestment Bank Bhd

EXHIBIT 2: LOAN APPROVAL RATE FOR PASSENGER CARS



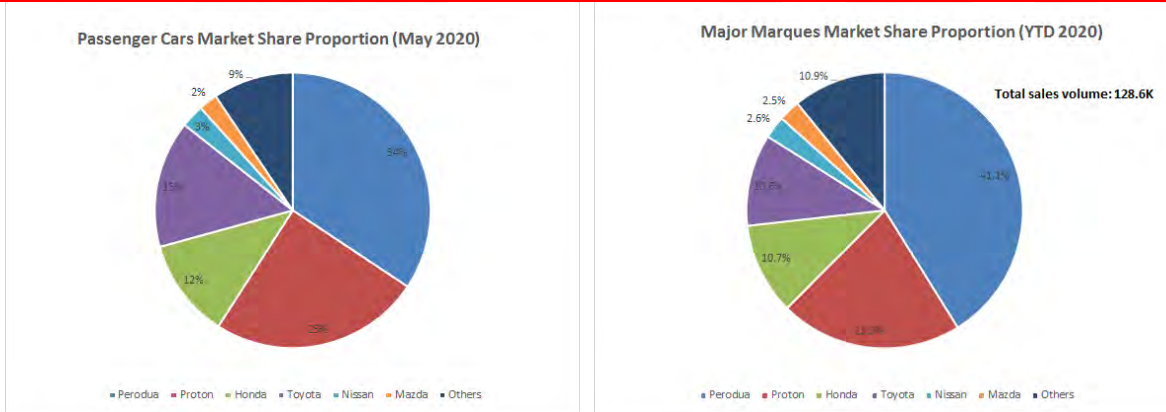
Source: AmlInvestment Bank Bhd

EXHIBIT 3: MARKET SHARE OF MAJOR MARQUES

		Market Share																		
		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	YTD	Jan-20	Feb-20	Mar-20	Apr-20	May-20	YTD
National	Perodua	42%	43%	43%	44%	38%	38%	39%	39%	38%	42%	39%	33%	40%	41%	47%	38%	40%	34%	41%
	Proton	14%	13%	11%	14%	17%	18%	17%	18%	19%	18%	18%	20%	17%	20%	25%	15%	16%	25%	21%
Non National		44%	43%	46%	42%	45%	44%	44%	43%	43%	40%	43%	46%	44%	39%	29%	47%	44%	41%	38%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Non National Only	Honda	35%	35%	34%	30%	39%	29%	34%	35%	30%	30%	30%	29%	32%	36%	15%	31%	44%	28%	29%
	Toyota	15%	27%	23%	26%	25%	28%	25%	25%	28%	31%	32%	26%	26%	22%	35%	26%	21%	36%	29%
	Nissan	9%	6%	8%	8%	8%	8%	9%	8%	8%	8%	8%	8%	8%	8%	9%	3%	13%	7%	7%
	Mazda	7%	4%	4%	6%	4%	4%	4%	5%	2%	5%	4%	4%	4%	7%	10%	5%	0%	5%	7%
	Others	34%	28%	30%	30%	25%	31%	27%	28%	31%	28%	28%	29%	29%	27%	32%	35%	23%	23%	29%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

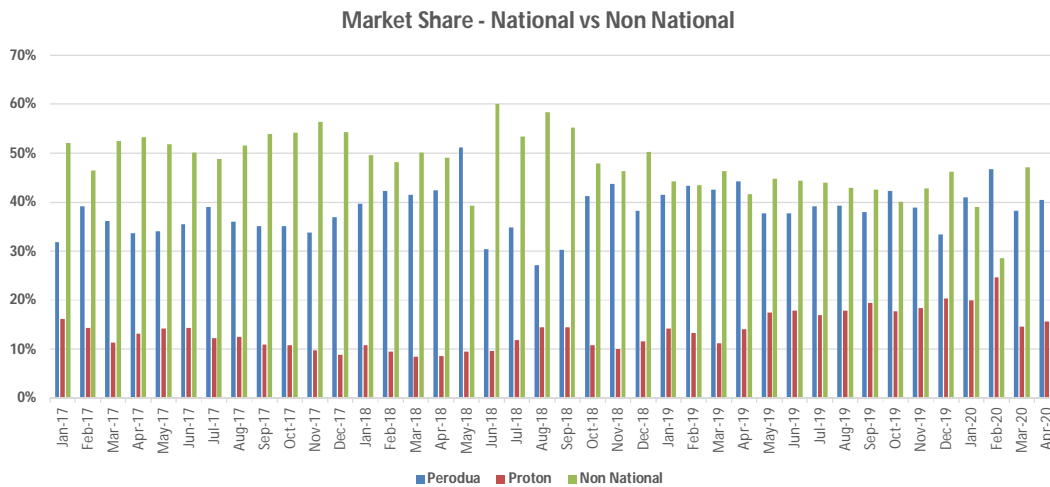
Source: Company, AmInvestment Bank Bhd

EXHIBIT 4: PASSENGER CARS MARKET SHARE – MAY AND YTD 2020



Source: AmInvestment Bank Bhd

EXHIBIT 5: MARKET SHARE – NATIONAL VS. NON-NATIONAL MARQUES



Source: AmInvestment Bank Bhd

EXHIBIT 6: TOTAL TIV PERFORMANCE

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	MoM	YoY
Audi	0	0	0	0	0	NA	NA
Auman	3	2	0	0	2	NA	-86%
Bei Ben	3	3	3	0	3	-100%	NA
Bison	17	9	0	0	3	NA	-91%
BMW	0	0	230	0	0	-100%	-100%
BAW	0	0	0	0	0	NA	NA
CAM	49	55	26	0	16	-100%	-52%
CAMC	2	20	0	0	2	NA	-67%
Chana	7	10	6	0	4	-100%	-33%
Chery	0	0	0	0	0	NA	NA
Chevrolet	0	0	0	0	0	NA	NA
Daihatsu	66	76	56	0	88	-100%	-34%
Ford	425	450	241	0	288	-100%	-42%
Foton	6	5	4	0	1	-100%	-67%
Grand Tiger	0	0	0	0	0	NA	NA
Hino	294	301	250	0	225	-100%	-50%
Hoka	0	0	0	0	0	NA	NA
Honda	6,060	1,759	3,281	27	2,678	-99%	-75%
Hyundai-Inokom	329	152	122	1	38	-99%	-83%
Isuzu	515	628	433	0	402	-100%	-51%
JAC	8	7	1	0	5	-100%	25%
JBC	0	0	0	0	0	NA	NA
JMC	5	6	4	0	2	-100%	-50%
Jaguar	2	4	0	0	3	NA	NA
KIA	163	117	53	0	24	-100%	-92%
King Long	4	3	7	0	1	-100%	-80%
Lamborghini	0	0	0	0	0	NA	NA
Land Rover	12	16	9	0	6	-100%	-63%
Lexus	45	95	28	0	31	-100%	-21%
MAN	5	9	10	0	0	-100%	NA
Mazda	1,100	1,102	521	0	503	-100%	-53%
MINI	0	0	21	0	0	-100%	-100%
Mercedes Benz	645	0	1,324	0	0	-100%	-100%
Mitsubishi	684	702	379	6	550	-98%	-27%
Mitsubishi Fuso	143	113	100	0	68	-100%	-59%
Nissan	1,371	1,045	331	8	625	-98%	-70%
Shandong Kama	0	0	0	0	0	NA	NA
Perodua	17,481	18,895	8,601	57	7,886	-99%	-66%
Peugeot	163	102	49	1	63	-98%	-77%
Porsche	14	36	18	0	24	-100%	50%
Proton	8,506	9,974	3,277	22	5,676	-99%	-47%
Renault	78	35	29	0	65	-100%	132%
Ssanyong	0	0	0	0	0	NA	NA
Scania	0	0	0	0	0	NA	-100%
Sinotruk	17	9	26	0	6	-100%	-87%
Subaru	200	150	33	0	0	-100%	-100%
Suzuki	0	0	0	0	0	NA	NA
Tata	6	6	3	0	2	-100%	-50%
Toyota	3,647	3,989	2,779	13	3,425	-100%	-50%
UD Trucks	36	37	11	0	30	-100%	-30%
Volkswagen	369	311	123	5	145	-96%	-65%
Volvo	141	157	69	1	70	-99%	-55%
Volvo Truck	31	13	20	0	0	-100%	-100%
Yutong	0	0	0	0	0	NA	NA
TIV	42,652	40,403	22,478	141	22,960	16184%	-62%

Source: AmInvestment Bank Bhd

EXHIBIT 7: PEER VALUATION TABLE

Core Coverage	Call Recommendation	Last Price (RM)	Fair Value (RM)	Upside (%)	EPS (sen)		Forward P/E (x)		NDPS (sen)	Dividend Yield (%)
					FY19/20	FY20/21	FY19/20	FY20/21		
APM Automotive	SELL	1.70	1.37	-19%	17.1	17.8	9.9	9.6	10.2	6.0%
Bermaz Auto	BUY	1.57	1.79	14%	13.7	16.0	11.5	9.8	6.2	3.9%
DRB-Hicom	BUY	1.75	2.49	42%	10.4	13.0	16.8	13.5	3.0	1.7%
MBM Resources	BUY	3.33	4.62	39%	39.5	51.3	8.4	6.5	15.8	4.7%
Pecca Group	HOLD	0.88	0.76	-14%	4.3	7.6	20.5	11.6	2.6	3.0%
Sime Darby	BUY	2.08	2.40	15%	13.3	16.9	15.6	12.3	8.7	4.2%
Tan Chong Motor	UNDERWEIGHT	1.08	0.77	-29%	(4.7)	8.5	(23.0)	12.7	0.0	0.0%
UMW Holdings	HOLD	2.65	2.70	2%	15.3	22.9	17.3	11.6	4.6	1.7%

Source: AmInvestment Bank Bhd

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