

# AUTOMOTIVE

**Maintain POSITIVE**

## Back on the freeway

### KEY INVESTMENT HIGHLIGHTS

- **Strong rebound in May 2023 TIV**
- **5MCY23 TIV within our expectations, on track to breach 700K mark**
- **Order backlog remains elevated given new booking replenishment**
- **Maintain POSITIVE; our tactical favorite is now BAuto (BUY, TP: RM3.30) for exposure to weak JPY and solid yields**

**Strong rebound.** May 2023 TIV registered a strong rebound, up +22%yoy (+33%mom) at 61,795 units. This follows weak April 2023 TIV given Raya festivities and scheduled plant closures during the month, while May 2022 was a slightly weak month given Raya festivities that fell in early-May 2022. Still, May 2023 TIV remained above the 60K mark driven by deliveries of strong backlog orders. Production also rebounded strongly in May, up +32%yoy and +58%mom reflecting the same reasons above.

**On track to breach 700K mark.** Cumulatively, 5MCY23 TIV stood at 300,978 units (+12%yoy) – if annualised at 722,347 units, would be largely within our estimates making up 101% of our CY23F TIV of 713K. The annualised 5MCY23 TIV however, is well ahead of MAA’s 650K CY23 projection and stands at the upper-range of consensus estimates.

**Booking trends picking up.** We believe May 2023 TIV levels are sustainable, given still strong backlog orders even almost a year after the Penjana tax holiday expiry back in June 2022. We also gather that booking momentum picked up considerably in May 2023 – based on input from recent management briefings: (1) Perodua saw new bookings hit ~40K units, which is ~53% higher than its monthly average 1Q23 TIV of 26.2K, (2) Mazda registered 1.8K new bookings in May, higher than pre-pandemic monthly new bookings of 1.5K-1.6K.

**Potential spillover into CY24.** As it stands, Perodua entails close to 200K outstanding bookings (estimated 6-7 months waiting list), Toyota entails 49K backlog bookings (estimated 6 months waiting list), while Mazda entails 6K outstanding bookings (estimated 4-5 months waiting list). Given sustained backlog booking replenishments (based on early indications by players, this sustained in June) we see possibilities of the large backlog orders eventually spilling over into CY24. While we acknowledge a higher OPR (which had risen 125bps since May 2022), we believe demand remains supported by sustained improvement in unemployment rate and income conditions, which had been our thesis for the past 12 months. A moderating inflation trend also lends support.

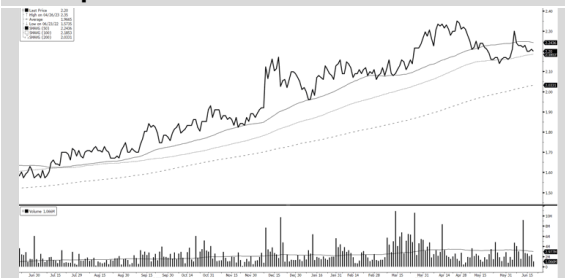
### COMPANY IN FOCUS

#### Bermaz Auto Bhd

Maintain **BUY** | Unchanged Target price: RM3.30  
Price @ 20<sup>th</sup> June 2023: RM2.20

- Brand expansion to drive above industry volume and earnings growth
- Riding on CKD model line-up expansion at Mazda/Kia/Peugeot
- One of the most aggressive players with EV launches to capitalize on EV incentives
- Attractive 9%-10% dividend yield

#### Share price chart

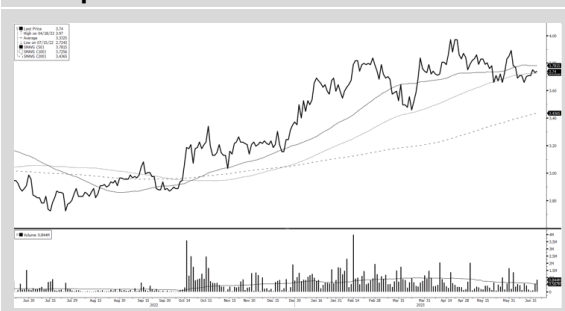


#### UMW Holdings Bhd

Maintain **BUY** | Revised Target price: RM4.60  
Price @ 20<sup>th</sup> June 2023: RM3.71

- Launch of new generation Toyota Vios/Perodua Axia to underpin TIV momentum.
- Potential debut of maiden BEV to ride on BEV incentives.
- Strategic exposure in growing aerospace sector

#### Share price chart



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## SECTOR VALUATION MATRIX

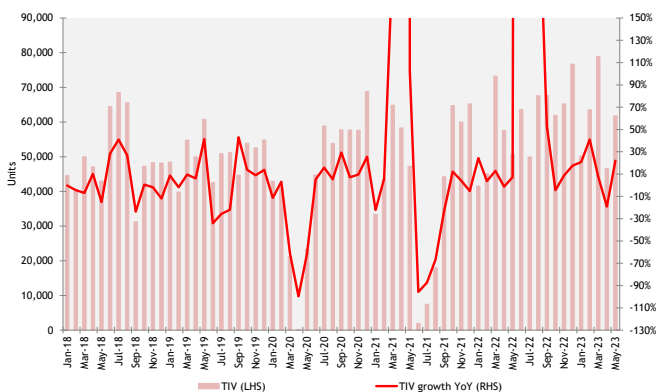
		Shr. Price	PER (x)		P/BV	ROE	Div Yield	Target	Total
Companies	Rating	(RM)	FY23F	FY24F	(x)	(%)	(%)	Price (RM)	Upside (%)
Bermaz Auto*	BUY	2.20	8.2	7.9	2.8	30.7	9.7	3.30	59.7
Tan Chong	NEUTRAL	1.06	18.6	44.1	0.3	1.4	2.8	0.94	-8.5
UMW Holdings	BUY	3.71	10.1	9.9	0.9	9.9	4.0	4.60	28.0
MBM Resources	BUY	3.51	5.6	5.6	0.6	11.1	7.1	4.70	41.0

Source: Company, MIDFR \*FY24F/25F (FYE April)

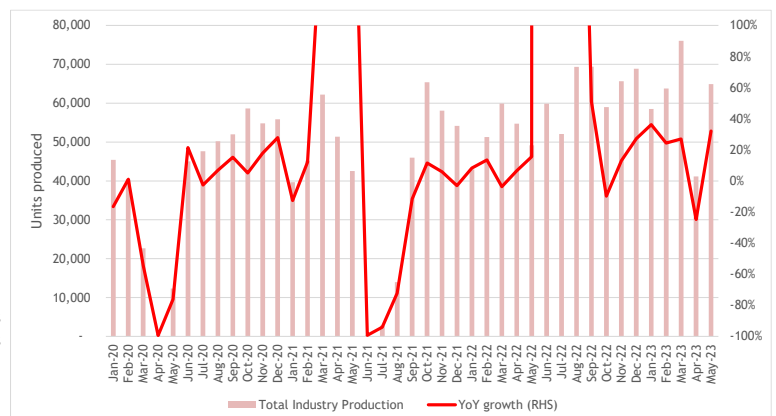
**Model updates.** Despite the bullish demand trend, the Ringgit (vs. USD) has remained persistently weak in the past 6 months (negative for UMW and TCM given USD-denominated cost exposure) and this has prompted us to factor in more conservative USD:RM assumptions of USD:RM4.4 into our projections from USD:RM4.3 previously. This is however, partly offset by an average 2% price increase implemented by players (mostly implemented at the start of CY23). On a net basis, we trim our FY23F/24F for **UMW** by -4.1%/-1.4%. This reduces our SOP-derived **TP** to **RM4.60** (from RM5.28) as we also peg its auto division to a lower PER of 10x (from 11x) in view of potentially negative sentiment on USD exposed auto players (the new TP implies 12.6x FY23F PER). For **TCM**, we now expect deeper net loss of -RM20m/-RM38m from -RM7m/-RM12m previously. Our PBV-based **TP** is revised down marginally to **RM0.94** (from RM0.96).

**Recommendation.** We keep our **POSITIVE** stance on autos given huge backlog orders, sustained new booking momentum and a supportive macro backdrop, while valuations are circa 20%-40% below mean. **BAuto (BUY, TP: RM3.30)** is now our tactical favorite given its exposure to the weak JPY while having minimal exposure to the strong USD. BAuto is also riding on CKD model expansion via Mazda/Kia/Peugeot, while dividend yield of 9.7% is attractive. We also like **MBMR (BUY, TP: RM4.70)** for its cheap exposure to Perodua which has: (1) High model localization rate with minimal forex risk, (2) Strongest backlog bookings among the major players stretching up to 6-9 months. Dividend yield is attractive at 7.1% backed by a strong balance sheet (net cash accounts for 14% of market cap). Despite the TP revision, **UMW** is still a **BUY (TP: RM4.60)** as it is a prime beneficiary of the recovery in auto demand given its dominant ~52% market share via 51%-owned UMW Toyota and 38%-owned Perodua. UMW's equipment division is a proxy to recovering business momentum, rising infrastructure projects and commodity demand, whereas aerospace is an indirect reopening play on the back of a recovery in global air travel. 🚗

### Chart 1: Monthly TIV Trend

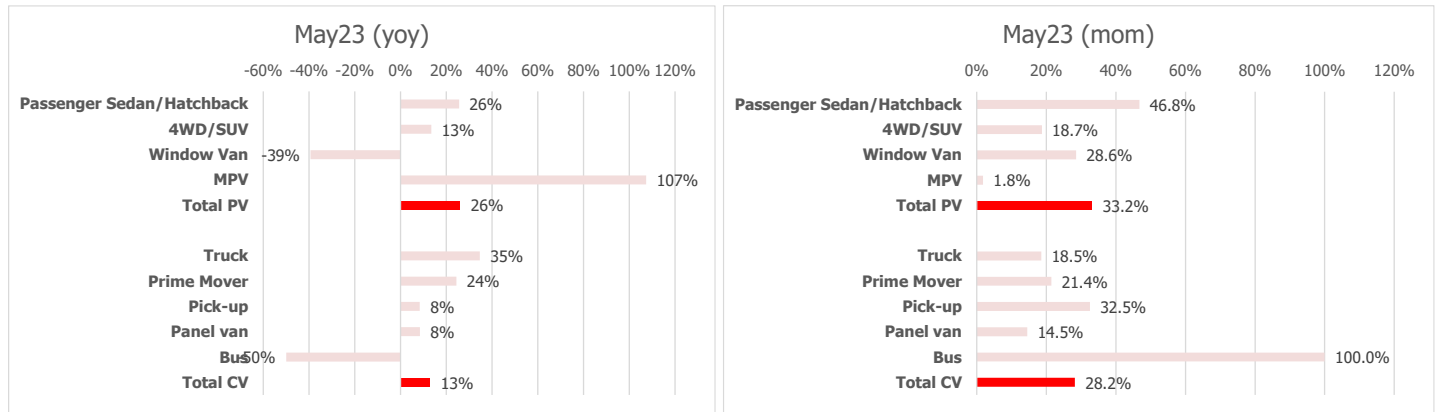


### Chart 2: Monthly Production Trend



Source: MAA, MIDFR

Chart 3: May 2023 TIV growth by segment



Source: MAA, MIDFR

Table 1: May 2023 TIV Summary

Marques	May-22	Apr-23	May-23	YoY	MoM	YTD22	YTD23	YTD %	Market share	
									May-22	May-23
Proton	9,279	9,228	13,051	40.7%	41.4%	43,251	62,150	43.7%	16.1%	20.6%
Perodua	18,901	18,875	24,699	30.7%	30.9%	106,180	122,139	15.0%	39.6%	40.6%
Toyota	7,442	6,681	7,875	5.8%	17.9%	36,579	39,586	8.2%	13.6%	13.2%
Honda	5,503	4,661	6,536	18.8%	40.2%	31,981	28,704	-10.2%	11.9%	9.5%
Nissan	1,402	809	905	-35.4%	11.9%	6,724	4,214	-37.3%	2.5%	1.4%
Mazda	1,306	1,413	1,775	35.9%	25.6%	6,678	7,848	17.5%	2.5%	2.6%
Others	6,830	4,916	6,954	1.8%	41.5%	36,721	36,337	-1.0%	13.7%	12.1%
<b>Total</b>	<b>50,663</b>	<b>46,583</b>	<b>61,795</b>	<b>22.0%</b>	<b>32.7%</b>	<b>268,114</b>	<b>300,978</b>	<b>12.3%</b>	<b>100.0%</b>	<b>100.0%</b>

Segment	May-22	Apr-23	May-23	YoY	MoM	YTD22	YTD23	YTD %	Market share	
									May-22	May-23
Passenger cars	44,742	41,389	55,135	23.2%	33.2%	236,480	268,479	13.5%	88.2%	89.2%
Commercial vehicles	5,921	5,194	6,660	12.5%	28.2%	31,634	32,499	2.7%	11.8%	10.8%
<b>Total</b>	<b>50,663</b>	<b>46,583</b>	<b>61,795</b>	<b>22.0%</b>	<b>32.7%</b>	<b>268,114</b>	<b>300,978</b>	<b>12.3%</b>		

Segment	May-22	Apr-23	May-23	YoY	MoM	YTD22	YTD23	YTD %	Market share	
									May-22	May-23
National cars	28,180	28,103	37,750	34.0%	34.3%	149,431	184,289	23.3%	55.7%	61.2%
Non-nationals	22,483	18,480	24,045	6.9%	30.1%	118,683	116,689	-1.7%	44.3%	38.8%
<b>Total</b>	<b>50,663</b>	<b>46,583</b>	<b>61,795</b>	<b>22.0%</b>	<b>32.7%</b>	<b>268,114</b>	<b>300,978</b>	<b>12.3%</b>		

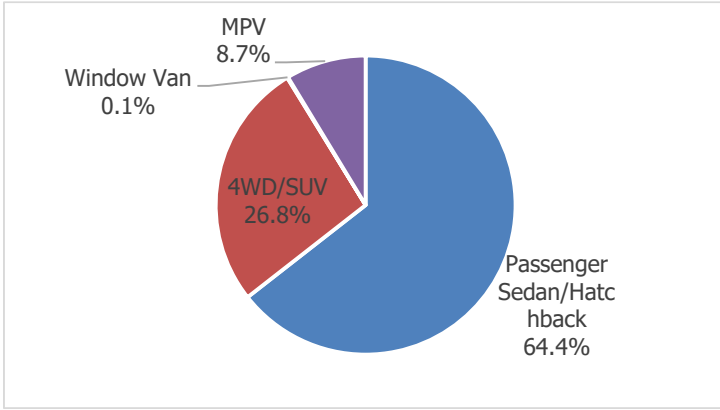
Source: MAA, MIDFR

Table 2: May 2023 Production Summary

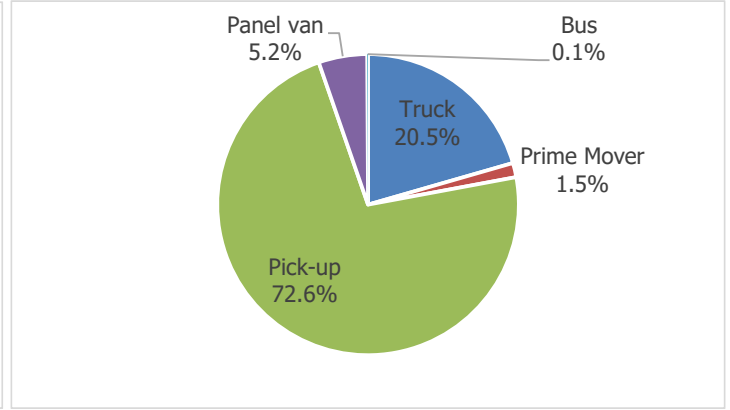
Marques	May-22	Apr-23	May-23	YoY	MoM	YTD22	YTD23	YTD
Proton	10,050	7,872	12,826	27.6%	62.9%	44,196	65,751	48.8%
Perodua	19,790	17,641	26,899	35.9%	52.5%	108,625	126,630	16.6%
Toyota	6,999	4,833	9,094	29.9%	88.2%	33,560	36,326	8.2%
Honda	5,780	5,283	7,192	24.4%	36.1%	33,010	32,012	-3.0%
Nissan	449	524	770	71.5%	46.9%	2,929	3,470	18.5%
Mazda	248	1,033	1,664	571.0%	61.1%	4,776	7,783	63.0%
Others	5,838	3,974	6,485	11.1%	63.2%	30,952	32,512	5.0%
<b>Total</b>	<b>49,154</b>	<b>41,160</b>	<b>64,930</b>	<b>32.1%</b>	<b>57.8%</b>	<b>258,048</b>	<b>304,484</b>	<b>18.0%</b>

Source: MAA, MIDFR

**Chart 4: May23' PV share by segment**

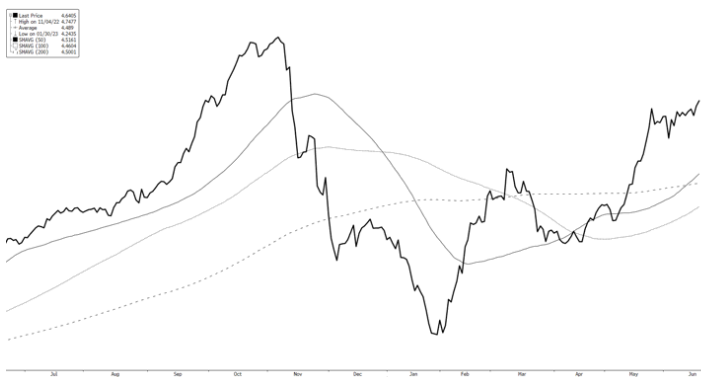


**Chart 5: May23' CV share by segment**

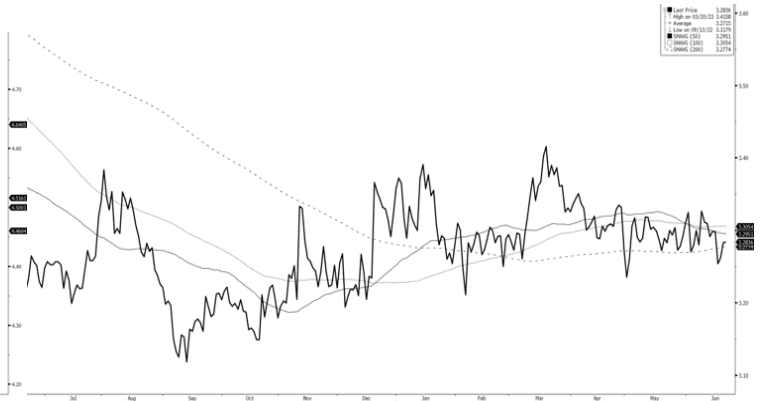


Source: MAA, MIDFR

**Chart 6: USD:MYR trends**



**Chart 7: JPY:MYR trends**



Source: Bloomberg, MIDFR

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## MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology