

AUTOMOTIVE

Maintain NEUTRAL


Boosted by National Day sales campaigns

KEY INVESTMENT HIGHLIGHTS

- **Strong August 2023 TIV driven by National Day sales campaigns**
- **Strong revenue visibility in the near-term**
- **However, TIV momentum could be close to peaking**
- **Maintain NEUTRAL on autos; our tactical picks are BAUTO (BUY, TP: RM3.36) and MBMR (BUY, TP:RM4.70) as sector laggards, exposure to weak JPY and solid dividend yields**

Driven by National Day sales campaigns. August 2023 TIV was the second strongest this year at 71,745 units (+6.1%yoy) driven by: (1) National Day promotion campaigns, (2) Deliveries of backlog orders, (3) Improved supply chains. Among the key players, Perodua's August 2023 TIV was up +19.5%yoy, Toyota TIV was up +12%yoy while Mazda TIV saw a +37%yoy increase. Cumulatively, TIV as at August 2023 stood at 501,552 units (+11.6%yoy), making up 70%/69% of our/MAA's full year forecast of 713K/725K units. The MAA expects September TIV to sustain at August levels.

Strong revenue visibility in the near-term. We believe there is some room for 2023 TIV to outperform our projections, while near-term revenue visibility is solid given the existing order backlog. However, the recent round of analyst briefings suggest that backlog order growth has started to flatten out with initial signs of receding compared to March-June levels. This follows a pickup in production to address the long waiting list previously. While we believe TIV momentum is close to peaking (after record breaking TIV in 2022 and potentially another new record this year), we do not expect a drastic fall at this juncture as demand could remain supported by improvement in unemployment rate and income conditions, while a moderating inflation trend also lends support. Additionally, while a strong USD is still a margin risk, we note that the non-national players have been raising selling prices (between +1.8% to +12% depending on marque and models) since early this year – given large order backlogs, we reckon the 2QCY23 earnings season only partially reflected the impact of these price increases.

Recommendation. Despite the strong backlog orders, we believe this has largely played out among selective stocks under our coverage and as such, we keep our **NEUTRAL** call on the auto sector. Our top sector pick is **BAuto (TP: RM3.36)** and **MBMR (TP: RM4.70)** as these stocks remain sector laggards trading at ~30% discount to mean PER. BAUTO is our tactical favorite riding on the weak JPY and its CKD model expansion, while dividend yield of 9.2% is attractive. We also like MBMR (5.9x FY24F PER) as a cheap proxy to Perodua which has: (1) High model localization rate with minimal forex risk (2) Strongest backlog bookings among the major players stretching up to 6-7 months. Dividend yield is attractive at 8.5%. 

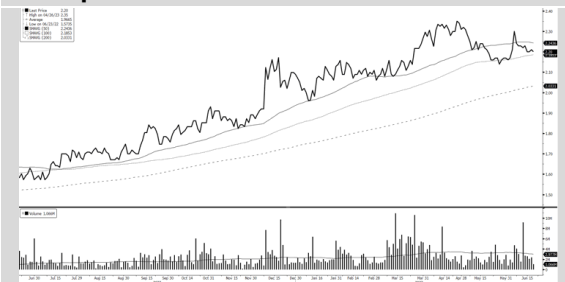
COMPANY IN FOCUS

Bermaz Auto Bhd

Maintain **BUY** | Unchanged Target price: RM3.36
Price @ 20th September 2023: RM2.42

- 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% dividend yield

Share price chart

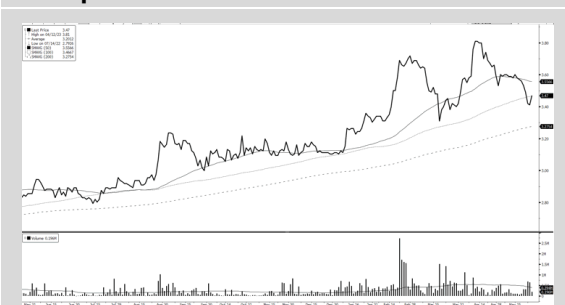


MBM Resources Bhd

Maintain **BUY** | Unchanged Target price: RM4.70
Price @ 20th September 2023: RM3.69

- Cheap proxy to Perodua at just 5.9x FY24F PER
- Strong new booking momentum and strongest 6-7 months order backlog among key sector players
- Attractive dividend yield of 8.5%

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	2.42	8.7	8.4	3.0	30.7	9.2	3.36	48.0
Tan Chong	NEUTRAL	1.07	NA	NA	0.3	1.4	2.8	0.94	-9.3
UMW Holdings	NEUTRAL	4.76	12.3	12.5	1.2	9.9	3.3	4.84	4.9
MBM Resources	BUY	3.69	5.9	5.9	0.7	11.1	8.5	4.70	35.9

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

Chart 1: Monthly TIV Trend

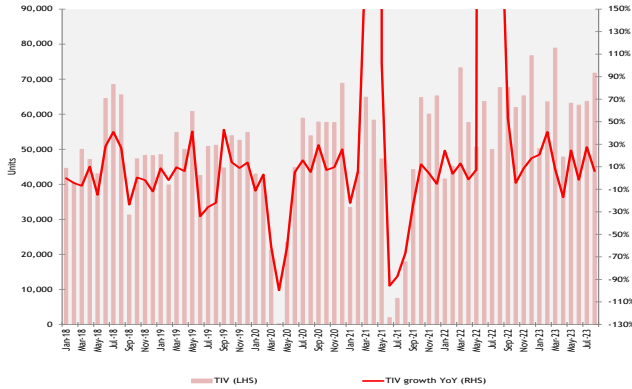
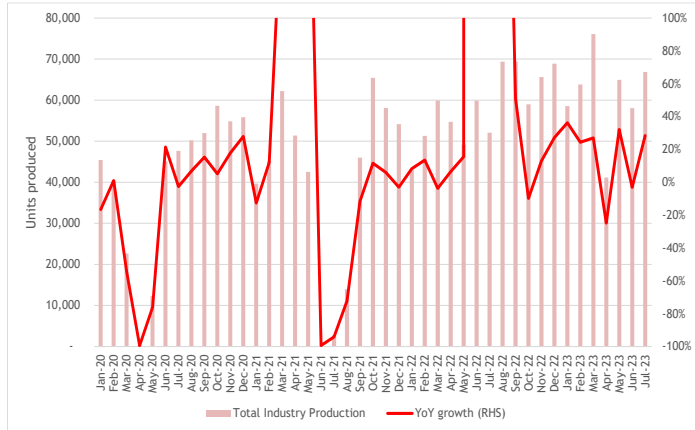


Chart 2: Monthly Production Trend



Source: MAA, MIDFR

Table 1: August 2023 TIV Summary

									Market share	
Marques	Aug-22	Jul-23	Aug-23	YoY	MoM	YTD22	YTD23	YTD %	Aug-22	Aug-23
Proton	14,942	13,095	13,693	-8.4%	4.6%	83,441	102,800	23.2%	18.6%	20.5%
Perodua	26,041	28,433	31,113	19.5%	9.4%	171,735	204,241	18.9%	38.2%	40.7%
Toyota	8,961	8,200	10,033	12.0%	22.4%	61,034	66,378	8.8%	13.6%	13.2%
Honda	8,019	5,989	7,787	-2.9%	30.0%	52,990	47,503	-10.4%	11.8%	9.5%
Nissan	1,072	802	800	-25.4%	-0.2%	9,982	6,636	-33.5%	2.2%	1.3%
Mazda	1,371	1,576	1,880	37.1%	19.3%	9,680	12,984	34.1%	2.2%	2.6%
Others	7,193	5,581	6,439	-10.5%	15.4%	60,416	61,010	1.0%	13.4%	12.2%
Total	67,599	63,676	71,745	6.1%	12.7%	449,278	501,552	11.6%	100.0%	100.0%

									Market share	
Segment	Aug-22	Jul-23	Aug-23	YoY	MoM	YTD22	YTD23	YTD %	Aug-22	Aug-23
Passenger cars	60,715	57,939	64,633	6.5%	11.6%	399,041	449,233	12.6%	88.8%	89.6%
Commercial vehicles	6,884	5,737	7,112	3.3%	24.0%	50,237	52,319	4.1%	11.2%	10.4%
Total	67,599	63,676	71,745	6.1%	12.7%	449,278	501,552	11.6%		

									Market share	
Segment	Aug-22	Jul-23	Aug-23	YoY	MoM	YTD22	YTD23	YTD %	Aug-22	Aug-23
National cars	40,983	41,528	44,806	9.3%	7.9%	255,176	307,041	20.3%	56.8%	61.2%
Non-nationals	26,616	22,148	26,939	1.2%	21.6%	194,102	194,511	0.2%	43.2%	38.8%
Total	67,599	63,676	71,745	6.1%	12.7%	449,278	501,552	11.6%		

Source: MAA, 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