

24 June 2024

## Automotive

### Back in Full Force in May 2024

**NEUTRAL**



By Wan Mustaqim Bin Wan Ab Aziz I [wanmustaqim@kenanga.com.my](mailto:wanmustaqim@kenanga.com.my)

New vehicle sales in Malaysia, also known as total industry volume (TIV), soared 18% MoM to 68,665 units in May 2024 as deliveries rose in lockstep with higher production in the absence of major festive holidays. With 5MCY24 TIV making up 44% of our full-year projection of 740k units (-8% YoY), we consider the number meeting our expectation. We believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation will likely hurt the demand for mid-market models, giving rise to a two-speed automotive market locally in CY24. In general, the industry's earnings visibility is still good, backed by a booking backlog of 200k units. Our sector top pick is MBMR (OP; TP: RM6.30) which is a good proxy to the affordable and fuel-efficient Perodua brand. It also offers an attractive dividend yield of about 7%.

TIV soared 18% MoM to 68,665 units in May 2024 as deliveries rose in lockstep with higher production in the absence of major festive holidays. With 5MCY24 TIV making up 44% of our full-year projection of 740k units (-8% YoY), we consider the number meeting our expectation. Looking ahead, we believe Jun 2024 TIV will be comparable to that of May 2024 on sustained strong deliveries backed by high production and steady sales backed by promotional campaigns.

A detailed analysis of the passenger vehicle segment in May 2024 at 62,862 units (+18% MoM, +11% YoY) are as follows:-

Overall, passenger vehicles segment soared MoM and YoY on full capacity production month with the absence of festivities holidays largely driven by strong sales from the national automakers i.e. Perodua and Proton.

**Honda's (+34% MoM, -2% YoY)** sales were driven by the City, Civic and all-new HR-V. Based on sales projection, Honda currently has 15k backlogged orders (2–4 months). Competition-wise, Honda top-variants i.e. HR-V and CR-V are also seen to be losing market share to the newcomer, Chery. **Perodua's (+23% MoM, +35% YoY)** sales continued to be propelled by the all-new Perodua Alza and all-new Perodua Axia, with equally strong sales of the Bezza, MyVi, and Ativa models. Based on sales projection, Perodua currently has more than 100k backlogged orders (up to 12 months for the Axia, Alza and Bezza, and up to four months for the Ativa/Myvi models). **Proton's (+11% MoM, -8% YoY)** sales were mainly driven by the all-new X70, X50 and X90 (2,207 SUV units sold, making up 18% of sales), and supported by the all-new S70, as well as face-lifted Persona, Iriz, Exora and Saga (collectively known as PIES). Based on sales projection, Proton currently has 31k backlogged orders (up to 12 months for the X50 and by five months for other models).

**Toyota's (+7% MoM, +9% YoY)** sales were driven by its popular top models, namely the all-new Vios, Yaris, Corolla Cross and Hilux. Based on sales projection, Toyota currently has 20k backlogged orders (3–6 months). **Mazda (+7% MoM, -22% YoY)** was driven by exceptional response for its Mazda CX-30 CKD, the CX-5 and CX-8. Based on sales projection, Mazda currently has 3k backlogged orders (3–5 months). Competition-wise, Mazda is seen to be losing market share to the newcomer, **Chery (YTD 2024 sales at 6,420 units closing in to Mazda's at 7,213 units)**. **Nissan (+2% MoM, -25% YoY)** is still losing out in the all-new vehicles race and mainly depends on its massive rebates to stay in competition. Currently, Nissan depends on the face-lifted Nissan Serena S-Hybrid, Navara, and Almera Turbo with 1k backlogged orders (1–2 months).

**Business as usual for the affordable segment.** For CY24, we project a TIV of 740k units (-8%) in-line with the forecast of Malaysia Automotive Association (MAA). We believe while it will be business as usual for the affordable segment, fuel subsidy rationalisation is more likely to hurt the demand for mid-market models (alternatively they can opt for EV or even down trade to a smaller car to cut their fuel bills), giving rise to a two-speed automotive market locally in CY24.

We believe it will be business as usual for the affordable segment as its target customers, i.e. the B40 group, will be spared the impact of the impending fuel subsidy rationalisation and also could potentially benefit from the introduction of the progressive wage model. The 13% pay rise for most civil servants in Dec 2024 will also partially restore their spending power eroded by high inflation. However, the same cannot be said for the mid-market segment as its target customers, i.e. the M40 group may hold back from buying a new car (or even down trade to a smaller car or switching to electric vehicles to cut their fuel bills) upon the introduction of fuel subsidy rationalisation.

In general, the industry's earnings visibility is still good, backed by a booking backlog of 200k units as at end-May 2024. More than half of the backlog is made up of new models, alluding to how appealing new models are to car buyers. This trend is likely to persist throughout CY24 given a strong line-up of new launches.

**More battery electric vehicles (BEVs) in the market.** Vehicle sales will also be supported by new BEVs that enjoy SST exemption and other EV facilities incentives up until CY25 for CBU and CY27 for CKD. BEV new registrations have leapt from 274 units in CY21 to over 3,400 units in CY22 and 10,159 units in CY23, with 6,234 units for YTD April 2024 (quarterly reporting) and are on track to meet national target for EVs and hybrid vehicles of 15% of total industry volume (TIV) by CY30, and 38% of TIV by CY40. Meanwhile, the government’s pledge to enable charge point operators (CPOs) to secure faster approvals for installation provides comfort as currently only 3,951 EV charging stations have been built to-date.

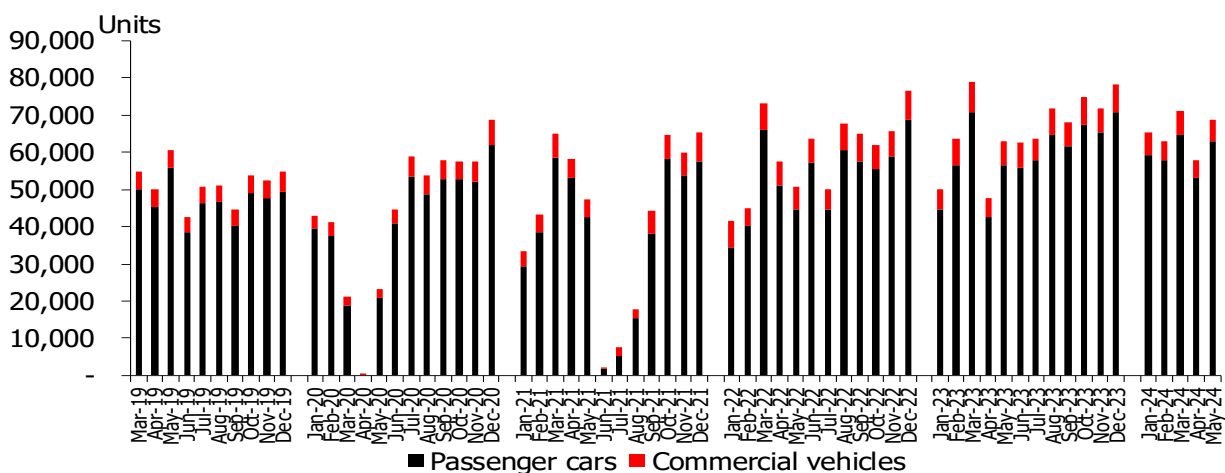
Our sector top pick is **MBMR** for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of more than 100k units (almost half of its CY24 target sales of 340k units), (ii) being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia, as well as its 23% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its attractive dividend yield of about 7%.

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

Marque (units)	May-24	May-23	Apr-24	% m-o-m	% y-o-y	YTD 2024	YTD 2023	% y-o-y
<b>Passenger</b>								
Perodua	33,268	24,699	26,949	23%	35%	146,113	122,137	20%
Proton	12,013	13,051	10,868	11%	-8%	61,353	62,150	-1%
Honda	6,374	6,536	4,746	34%	-2%	32,688	28,704	14%
Toyota	5,997	5,523	5,628	7%	9%	27,781	27,577	1%
Nissan	499	663	488	2%	-25%	2,639	3,024	-13%
Mazda	1,367	1,756	1,281	7%	-22%	7,213	7,771	-7%
Others	3,344	4,220	3,293	2%	-21%	23,322	19,636	19%
<b>Total</b>	<b>62,862</b>	<b>56,448</b>	<b>53,253</b>	<b>18%</b>	<b>11%</b>	<b>301,109</b>	<b>270,999</b>	<b>11%</b>
<b>Commercial</b>								
Toyota	2,284	2,352	1,585	44%	-3%	10,668	12,009	-11%
Isuzu	987	1,565	1,018	-3%	-37%	5,346	6,933	-23%
Nissan	272	242	212	28%	12%	1,133	1,190	-5%
Mitsubishi	713	758	528	35%	-6%	3,210	4,475	-28%
Hino	511	587	419	22%	-13%	2,151	2,438	-12%
Mazda	1	19	5	-80%	-95%	58	77	-25%
Others	1,035	1,187	971	7%	-13%	5,226	5,454	-4%
<b>Total</b>	<b>5,803</b>	<b>6,710</b>	<b>4,738</b>	<b>22%</b>	<b>-14%</b>	<b>27,792</b>	<b>32,576</b>	<b>-15%</b>
<b>TIV</b>	<b>68,665</b>	<b>63,158</b>	<b>57,991</b>	<b>18%</b>	<b>9%</b>	<b>328,901</b>	<b>303,575</b>	<b>8%</b>

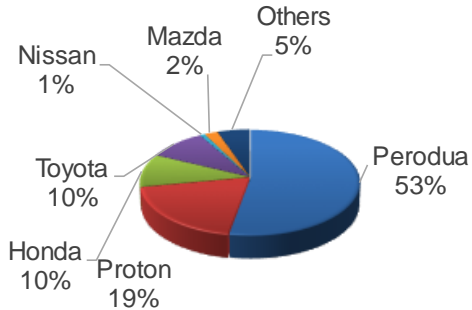
Source: MAA, Kenanga Research

**Monthly TIV**



Source: MAA, Kenanga Research

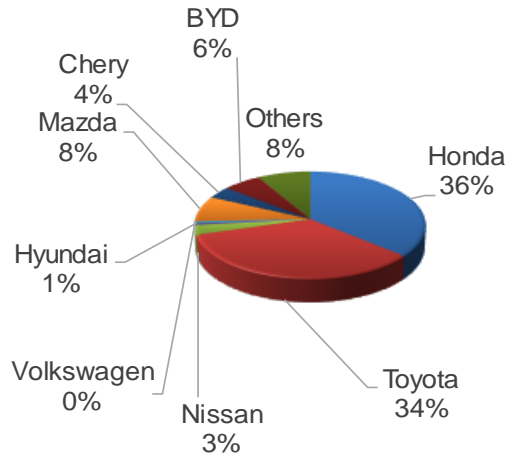
Market Share (Overall Passenger) May 2024



■ Perodua ■ Proton ■ Honda ■ Toyota  
 ■ Nissan ■ Mazda ■ Others

Source: MAA, Kenanga Research

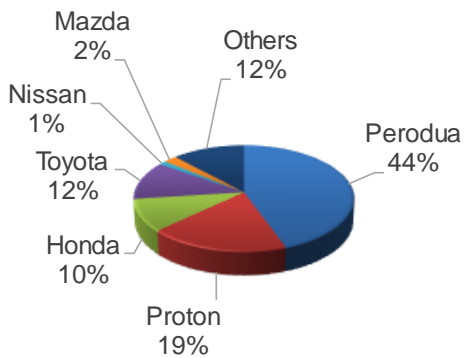
Market Share (Non-National Passenger) May 2024



■ Honda ■ Toyota ■ Nissan  
 ■ Volkswagen ■ Hyundai ■ Mazda  
 ■ Chery ■ BYD ■ Others

Source: MAA, Kenanga Research

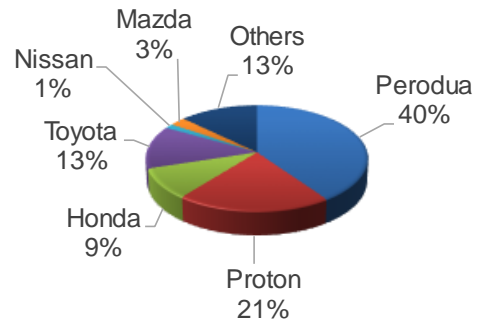
Market Share (Passenger and Commercial) YTD 2024



■ Perodua ■ Proton ■ Honda ■ Toyota  
 ■ Nissan ■ Mazda ■ Others

Source: MAA, Kenanga Research

Market Share (Passenger and Commercial) YTD 2023



■ Perodua ■ Proton ■ Honda ■ Toyota  
 ■ Nissan ■ Mazda ■ Others

Source: MAA, Kenanga Research

24 June 2024

Exciting EV Launches



Perodua emo-1 EV concept



BYD BAO 5



Jetour Dashing



Tesla Cybertruck (SUV)



All-new SMART #3 (2024)



Nissan's e-Power hybrid system



MINI Countryman U25 SE EV



Jaecoo J6 EV



Neta X EV SUV



GAC Aion Y Plus



GAC Aion Hyper HT



Chery Tiggo 8 Pro e+ PHEV

Source: Paultan.org, Kenanga Research



24 June 2024

## 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.				
<b>Stocks Under Coverage</b>																	
BERMAZ AUTO BHD	MP	2.54	2.45	-3.5%	2,948.9	Y	04/2025	24.0	24.9	-20.6%	3.7%	10.6	10.2	3.4	32.8%	20.2	8.0%
DRB-HICOM BHD	MP	1.38	1.40	1.4%	2,667.5	Y	12/2024	15.9	18.6	14.2%	17.0%	8.7	7.4	0.2	3.1%	2.0	1.4%
HIL INDUSTRIES BHD	MP	1.06	1.10	3.8%	351.8	Y	12/2024	13.7	15.6	12.4%	14.1%	7.7	6.8	0.7	9.8%	3.0	2.8%
HONG LEONG INDUSTRIES BHD	OP	11.22	12.60	12.3%	3,679.0	Y	06/2024	98.3	105.3	10.9%	7.2%	11.4	10.7	1.8	16.0%	107.0	9.5%
MBM RESOURCES BHD	OP	5.22	6.30	20.7%	2,040.5	Y	12/2024	75.9	78.7	-2.8%	3.7%	6.9	6.6	0.9	13.5%	40.0	7.7%
SIME DARBY BHD	OP	2.56	2.90	13.3%	17,410.6	Y	06/2024	18.4	20.2	8.1%	10.0%	14.0	12.7	1.1	7.7%	12.0	4.7%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.850	0.740	-12.9%	571.2	Y	12/2024	(11.7)	(9.8)	-160.9%	-183.9%	N.A.	N.A.	0.2	-2.9%	1.0	1.2%
<b>SECTOR AGGREGATE</b>					<b>29,669.6</b>					<b>6.1%</b>	<b>10.0%</b>	<b>12.3</b>	<b>11.2</b>	<b>0.8</b>	<b>6.8%</b>		<b>5.0%</b>

Source: Kenanga Research

The rest of the page is intentionally left blank.

24 June 2024

**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.***

---

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

---

Published by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)