

24 December 2020

Auto & Autoparts

Ending The Year With a Bang; Keep OVERWEIGHT

- **Keep OVERWEIGHT; Top Pick: DRB-HICOM.** The Malaysian Automotive Association (MAA) reported a November TIV of 56,489 units, with almost all key brands reporting YoY stronger sales volumes despite the COVID-19 cases spike. We raise our 2020F TIV to 510,000 units, as we expect industry sales to sustain at the c.56,000 units/month level in December. No change to our 2021F TIV of 580,000 units (+16% YoY). The launch of several volume models mark a major car replacement cycle in the industry, which should boost TIV.
- **MAA reported a November TIV of 56,489 units** (+7.4% YoY, -0.3% MoM) – boosted by the sales tax exemption. This brought 11M20 TIV to 454,207 units (-17% YoY). With the assumption of TIV remaining at c.56,000 units/month, we raise our 2020F TIV to 510,000 units from 500,000 units (MAA: 470,000 units). Notably, almost all key brands – ie Honda, Proton, Perodua, and Mazda – reported YoY stronger sales volumes. November TIV should include deliveries of recently launched volume models such as the Nissan Almera, Honda City, and Proton X50.
- **TIV remains robust despite a recent spike up in COVID-19 cases**, as consumers remain motivated to take advantage of the lower cost of purchasing cars. We understand most distributors have enough bookings to last them till December, hence we expect minimal year-end promotions. Assuming there are no disruptions to operations – eg a full Movement Control Order being implemented that would lead to showroom and assembly plant closures – we do not foresee TIV collapsing, as it should be supported by new model launches and the gradual economic recovery. Given the positive response by the market on the recently launched models – eg the City and X50 – we expect this to drive 2021 TIV. We could expect several more model launches in 2021, eg Perodua's D55L and several Toyota SUVs, to further boost TIV.
- **No change in our 2021 TIV forecast of 580,000 units**, which implies a 14% YoY growth – assuming no extension of the tax exemptions. We expect 2021 sales volumes to be supported by the delivery of recently launched models – ie the City, Almera, and X50 – as well as upcoming new launches. Our Top Pick is DRB-HICOM, as we expect to Proton to emerge as the biggest beneficiary of this replacement cycle. We have also BUY calls on Sime Darby, Bermaz Auto, and MBM Resources.
- **The major sector risks:** A further spread of COVID-19 could dampen consumer sentiment – booking cancellations remain a key sector risk. A sharp weakening of the MYR could also present a downside risk to sector earnings.
- **ESG concern:** We are lagging behind in terms of hybrid and electric vehicles adoption vis-à-vis the developed nations, and there is lack of incentives by the Government to aid the mass market adoption of such vehicles.

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Overweight (Maintained)

Stocks Covered 6
Rating (Buy/Neutral/Sell): 4 / 2 / 0
Last 12m Earnings Revision Trend: Negative

Top Pick

DRB-HICOM (DRB MK) – BUY

Target Price

MYR2.50

Analyst

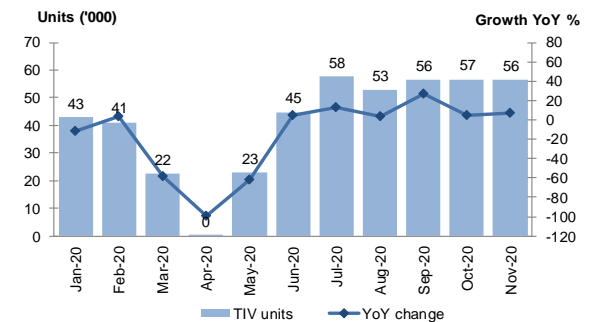
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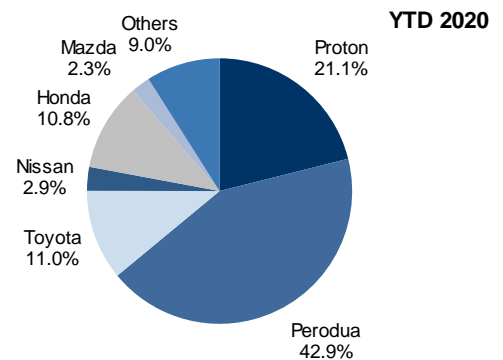


TIV trend YTD



Source: Malaysian Automotive Association (MAA), RHB

2020 market share by marque



Source: MAA, RHB

Company Name	Rating	Target Price(MYR)	% Upside (Downside)	P/E (x) Dec-21F	P/B (x) Dec-21F	Yield (%) Dec-21F
Bermaz Auto	BUY	MYR1.70	19.8	12.2	3.2	5.3
DRB-HICOM	BUY	MYR2.50	23.8	17.1	0.5	0.5
MBM Resources	BUY	MYR4.30	29.1	7.4	0.7	6.1
Sime Darby	BUY	MYR2.80	25.6	13.3	1.0	3.8
Tan Chong Motor	NEUTRAL	MYR0.95	(19.1)	12.8	0.3	1.7
UMW	NEUTRAL	MYR2.65	(19.9)	12.5	1.0	1.8

Source: Company data, RHB

See important disclosures at the end of this report

Market Dateline / PP 19489/05/2019 (035080)

24 December 2020

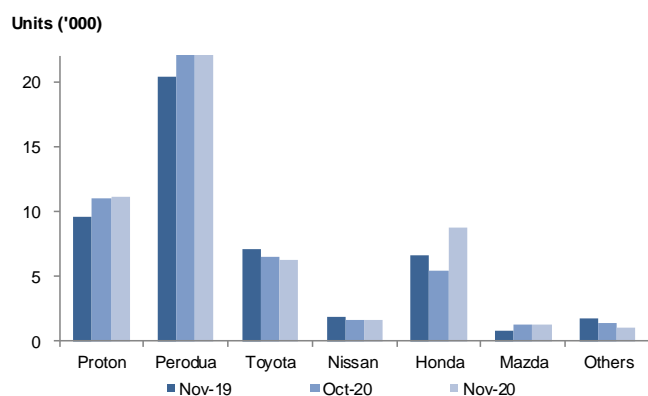
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Figure 1: Monthly and YTD comparison of auto sales

(Units)	Nov-19	Oct-20	Nov-20	MoM (%)	YoY (%)	YTD 2019	YTD 2020	YoY (%)
Proton	9,643	11,019	11,188	1.5	16.0	89,066	95,754	7.5
Perodua	20,422	26,849	23,119	-13.9	13.2	221,984	194,980	-12.2
Toyota/Lexus	7,087	6,468	6,267	-3.1	-11.6	61,842	50,074	-19.0
Nissan/Renault	1,824	1,686	1,703	1.0	-6.6	20,255	13,162	-35.0
Honda	6,694	5,451	8,787	61.2	31.3	78,183	48,893	-37.5
Mazda	803	1,303	1,311	0.6	63.3	10,750	10,456	-2.7
Others	6,111	3,894	4,114	5.6	-32.7	67,301	40,888	-39.2
TIV	52,584	56,670	56,489	-0.3	7.4	549,381	454,207	-17.3
Passenger	47,754	51,795	51,174	-1.2	7.2	500,798	412,642	-17.6
Commercial	4,830	4,875	5,315	9.0	10.0	48,583	41,565	-14.4

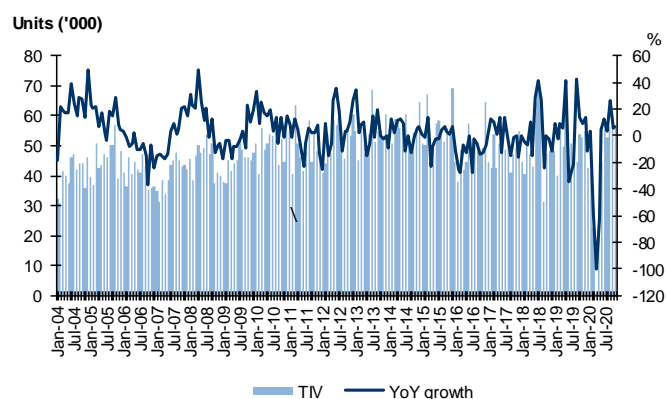
Source: MAA, RHB

Figure 2: Sales performance of the major marques



Source: MAA

Figure 3: TIV growth



Source: MAA

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