

AUTOMOTIVE

Maintain NEUTRAL

Rebounded off Weak Base; Contracted Sequentially

KEY INVESTMENT HIGHLIGHTS


- **September TIV rebounds off a weak base last year as expected, but contracts month-on-month**
- **Expect some recovery in October given longer working month and new launches**
- **Facelift Perodua Axia volumes to trickle in from October, Mazda to regain traction from launch of the all new CX8 and facelift CX5**
- **Maintain NEUTRAL on autos; MBM (BUY, TP: RM4.55) and BAuto (BUY, TP: RM2.85) remain our top sector picks**

Rebound off a weak base. TIV registered a 43%yoy increase to 44,666 units, off an exceptionally weak base last year, immediately post the Jun18-Aug18 tax holiday period. On a month-on-month basis however, TIV registered a decline of 13%, partly due to a short working month, in our opinion. Year-to-date TIV of 442,991 units (-2.6%yoy) is well in-line accounting for 74% of our full year TIV forecast of 599,771 units. We expect some pick up in October as well as the typical year-end campaigns towards the final month of the year.

Expect a comeback from October. Perodua TIV saw a decline month-on-month (slightly larger than industry) ahead of the launch of the facelift Axia towards late Sep19. The new Axia should reflect in Perodua sales from Oct19 onwards. The facelift Axia was reported to have garnered 5,000 units of pre-launch bookings vs. a sales target of 6,000 units/month. Perodua's year-to-date TIV of 178,754 units is in-line at 74% of our FY19F.

Lull ahead of new launches. Mazda too saw a deep decline in Sep19 (-55%mom). This is largely due to the run-out of the old CX5 ahead of launch of the facelift model and is expected to be temporary. Additionally, BAuto is targeting 2,000-3,000 units incremental annual volume from its all new model, the CX8 (essentially a longer wheel base 7-seater version of the CX5), which was officially opened for booking early Oct19.

MBM remains our top pick. We reaffirm our BUY call on MBM (TP: RM4.55) as a cheap play into Perodua's record TIV. Key catalysts: (1) Strong 6%yoy Perodua TIV expansion (FY19F) on the back of the Aruz to fill up a vacuum in Perodua's model mix (2) A recovery in industry production driven by the new national car launches (3) Attractive dividend yield of 6% (4) Disposal of alloy wheel plant assets (5) Improvement in 2H19 earnings from elimination of OMIA (OMI Alloy) losses. Risk to our call is weaker than expected demand for the Aruz and a weak Ringgit.

BAuto (TP: RM2.85) remains a BUY. From a valuation standpoint, BAuto is cheap at just 10.8x CY19F earnings while dividend yield of 7.4% is very attractive. Key catalysts: (1) Launch of the CX8, facelift CX5 and CX30 in 2QFY20, (2) Dividend outperformance, (3) Over 50% increase in FY20F export volumes driven by the CX8, (4) Potential NAP incentives to drive CBU exports, (5) Potential introduction of a new export model beyond the CX8. 

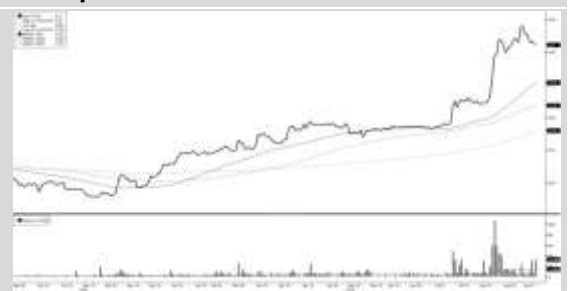
COMPANY IN FOCUS

MBM Resources Bhd

Maintain **BUY** | Unchanged Target price: RM4.55
Price @ 22nd October 2019: RM4.08

- Beneficiary of the fuel subsidy program as demand could gravitate towards small capacity models.
- Facelift Axia has garnered 5,000 units pre-launch bookings, on track to hit record TIV in FY19F
- Cheapest proxy to Perodua at just 8x CY19F earnings, attractive 6% yield

Share price chart



Bermaz Auto Bhd

Maintain **BUY** | Unchanged Target price: RM2.85
Price @ 22nd October 2019: RM2.19

- Volumes to be catalyzed by launch of the CX8, facelift CX5 and CX30 in 2QFY20
- Expect to sustain record FY18 TIV in FY19F
- Solid dividend yields of 8.1%, net cash accounts for 7% of market cap, trades at just 10x CY19F earnings

Share price chart



ANALYST (S)

HAFRIZ Hezry

hafriz.hezry@midf.com.my

03 -2173 8392

Table 1: September 2019 TIV Summary

Marques	Sep-18	Aug-19	Sep-19	YoY	MoM	YTD18	YTD19	YTD %	Market share	
									Sep-18	Sep-19
Proton	4,524	9,127	8,685	92.0%	-4.8%	49,233	69,920	42.0%	14.5%	19.4%
Perodua	9,471	20,070	16,978	79.3%	-15.4%	168,203	178,754	6.3%	30.3%	38.0%
Toyota	3,015	5,415	5,282	75.2%	-2.5%	52,649	47,608	-9.6%	9.7%	11.8%
Honda	4,964	7,577	5,752	15.9%	-24.1%	79,915	65,123	-18.5%	15.9%	12.9%
Nissan	2,003	1,707	1,583	-21.0%	-7.3%	20,733	15,676	-24.4%	6.4%	3.5%
Mazda	1,202	1,003	450	-62.6%	-55.1%	11,046	8,946	-19.0%	3.8%	1.0%
Others	6,061	6,249	5,936	-2.1%	-5.0%	73,076	56,964	-22.0%	19.4%	13.3%
Total	31,240	51,148	44,666	43.0%	-12.7%	454,855	442,991	-2.6%	100.0%	100.0%

Source: MAA, MIDFR

Table 2: September 2019 TIV Summary by Vehicle Type

Segment	Sep-18	Aug-19	Sep-19	YoY	MoM	YTD18	YTD19	YTD %
Passenger cars	27,018	46,802	40,267	49.0%	-14.0%	405,044	404,123	-0.2%
Commercial vehicles	4,222	4,346	4,399	4.2%	1.2%	49,811	38,868	-22.0%
Total	31,240	51,148	44,666	43.0%	-12.7%	454,855	442,991	-2.6%

Source: MAA, MIDFR

Table 3: September 2019 TIV Summary by Vehicle Type

Segment	Sep-18	Aug-19	Sep-19	YoY	MoM	YTD18	YTD19	YTD %	Market share	
									Sep-18	Sep-19
National cars	13,995	29,197	25,663	83.4%	-12.1%	217,436	248,674	14.4%	44.8%	57.5%
Non-nationals	17,245	21,951	19,003	10.2%	-13.4%	237,419	194,317	-18.2%	55.2%	42.5%
Total	31,240	51,148	44,666	43.0%	-12.7%	454,855	442,991	-2.6%		

Source: MAA, MIDFR

PEER COMPARISON TABLE

Companies	Rating	Shr Price	PE (x)		P/BV	ROE	Div Yield	Target	Total
		(RM)	CY18	CY19F	(x)	(%)	(%)	Price (RM)	Upside (%)
Bermaz Auto	BUY	2.19	11.7	9.9	4.82	40.8	8.1	2.85	38.3
Tan Chong	NEUTRAL	1.48	8.0	11.8	0.34	2.9	2.7	1.50	4.1
UMW	NEUTRAL	5.04	17.2	16.2	1.64	10.5	1.5	5.35	7.7
MBM	BUY	4.08	9.5	7.9	0.87	10.6	5.7	4.55	17.2

Source: Company 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.