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MALAYSIA EQUITY



THE AUTO REPORT

Monthly review & outlook of the automotive sector

April 2014 Sales Data

Review & Outlook of the Automotive Sector

Izzat Esa
03-2772 1679
muhammad.izzat@midf.com.my

Non-nationals dominate April TIV growth

Maintain NEUTRAL

HIGHLIGHTS

- **Malaysia:** Total Industry Volume (TIV) grew a strong +11.9%yoy but declined slightly by -0.3%mom in April 2014 on the back of new model launches. However, the +11.9%yoy growth was mainly due to the low base effect, due to lower sales ahead of the 13th General Election.

We maintain NEUTRAL on the domestic Automotive Sector with an unchanged 2014 TIV forecast of 668,000 units and all stocks under our coverage are kept on NEUTRAL.

- **Japan:** TIV growth declined at -5.5%yoy in April 2014 following the first consumption tax hike in 17 years.
- **South Korea:** TIV was up for the fourth consecutive month, growing +10.2%yoy in April 2014 despite the weakened consumer sentiment in the aftermath of the ferry incident, owing to a strong demand for new models and popularity of SUVs.
- **Thailand:** TIV continued to plunge -46.7%yoy in March as consumers held back on purchases in light of the renewed political upheaval and uncertain economic conditions.

Summary Sales and Production Data

	Total Industry Volume				Export Volume				Production Volume			
	M'sia	Japan	Korea	Thai	M'sia	Japan	Korea	Thai	M'sia	Japan	Korea	Thai
2013/2014 Monthly												
Apr	58,732	345,226	131,053	n.a.	n.a.	n.a.	299,268	n.a.	57,086	n.a.	433,799	n.a.
Mar	58,919	783,384	122,514	83,983	n.a.	385,948	285,301	113,313	50,174	939,761	425,510	181,334
Feb	50,718	565,168	107,940	71,680	n.a.	366,779	245,231	97,171	47,680	863,452	361,115	173,506
Jan	50,273	496,105	107,150	68,508	n.a.	326,696	256,972	81,025	55,503	860,854	368,228	162,652
2014 Cumulative												
Jan-Apr	218,642	2,189,883	468,657	224,171*	n.a.	1,079,423*	1,086,772	291,509*	210,443	2,664,067*	1,588,652	517,492*
%YoY	4.0	15.7	5.9	-57.1	n.a.	-4.0	4.2	1.2	6.9	11.8	5.9	-28.3

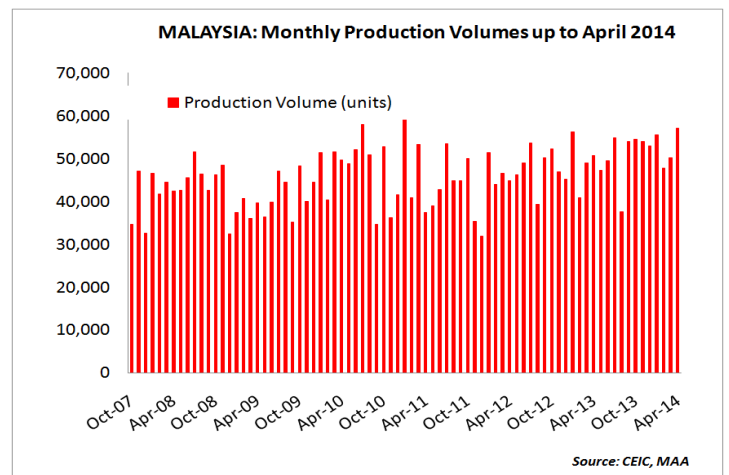
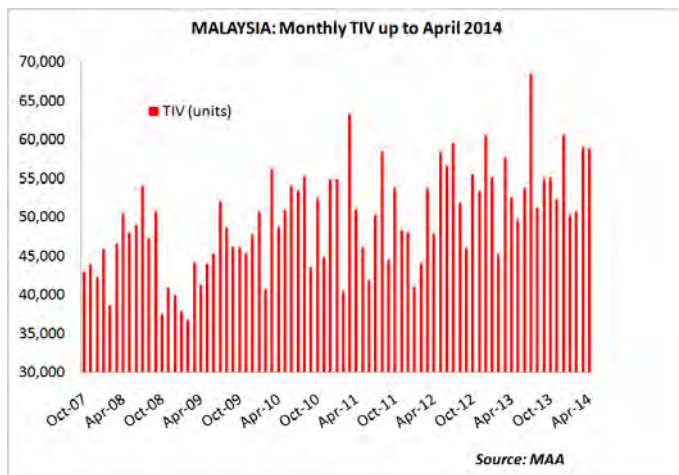
Source: Bloomberg, Malaysian Automotive Association, Japan Automobile Manufacturers Association, Korea Automobile Manufacturers Association, Federation of Thai Industries' Automotive Industry Club

* For Jan-Mar 2014 as the statistics for Apr 2014 has yet to be released

n.a. – not available

MALAYSIA

Total industry volume was higher year-on-year in April 2014. TIV for April 2014 showed a strong growth of +11.9%yoy but declined slightly -0.3%mom to 58.7k units. According to the Malaysian Automotive Association (MAA), this is due in part to (i) new model launches and (ii) lower April 2013 TIV base as the sales over the same period were impacted by the 13th General Election.



Perodua is gaining some market share but Proton lost out more of its market share in April 2014... Perodua sales performance declined -0.8%yoy at 17.5k but still remained the market leader in April 2014. Despite the lower year-on-year sales performance, the Malaysian automaker had garnered more market share of 29.9% this April, vis-à-vis 27.7% a month ago. Proton, in second spot, saw its market share further diminished to 17.2% (-3.7.ppts month-on-month) in April 2014 after its sales contracted -4.6%yoy to 10.1k units.

TIV: National

	Apr-14	YoY (%)	Market Share	
			(%)	MoM (ppts)
Perodua	17,538	-0.8%	29.9	2.2
Proton	10,091	-4.6%	17.2	-3.7

Source: MAA

TIV: Non-National

	Apr-14	YoY (%)	Market Share	
			(%)	MoM (ppts)
Toyota	9,169	38.6	15.6	-1.2
Honda	6,916	114.5	11.8	3.5
Nissan	3,493	37.1	5.9	-0.9

Source: MAA

Outstanding performance from Honda in the non-national sphere. The next three (3) largest carmakers in April 2014 continued to be Japanese marques Toyota, Honda, and Nissan. Toyota lost some of its market share as the largest non-national marque with a lower market share of 15.6% despite a strong year-on-year sales performance in April 2014. The Japanese automaker sold +38.6%yoy more in April 2014 at 9.2k units. Meanwhile, Honda was the

biggest winner in April 2014 after selling a remarkable +114.5%yoy more to 6.9k units and retained its fourth spot, with a bigger market share of 11.8% (+3.5ppts month-on-month) possibly due to the successful launch of its new Honda City. Nissan still in fifth spot but saw its market share diminished to 5.9% in April 2014. The Japanese automaker however, sold +37.1%yoy more vehicles in April 2014 at 3.5k units.

Forecasts and Recommendations for Bursa-listed automotive stocks

Maintain 2014 TIV forecast of 668k units. Sales grew +4% to 218.6k units in the first four months in 2014 compared with the same period last year. This accounts for 32.7% of our full year forecast of 668k units. As the numbers are keeping pace with our expectation, we maintain our forecast for the year.

With some interesting launches lined up for release this 2014, domestic sales should see a pick-up particularly in the promotional campaign in the next two months ahead of Hari Raya.

Reiterate NEUTRAL. We maintain NEUTRAL on the Automotive Sector with all stocks under our coverage, namely UMW Holdings Berhad (UMWH), Tan Chong Motor Holdings Berhad (TCM) and MBM Resources Berhad (MBM), kept on NEUTRAL at RM13.15, RM5.80 and RM3.94 respectively.

Summary Recommendations of Stocks Under Coverage

Stocks	Rec.	Price at 20/5 (RM)	TP (RM)	Net Profit (RM'm)		EPS (sen)		EPS Growth (%)		PER (x)		DPS (sen)		Div. Yield (%)	
				FY13	FY14F	FY13	FY14F	FY13	FY14F	FY13	FY14F	FY13	FY14F	FY13	FY14F
UMWH*	Neutral	10.76	13.15	681.0	1,157.7	58.0	102.4	-31.8	76.6	18.6	10.5	44.0	46.0	4.1	4.3
TCM	Neutral	5.25	5.80	251.0	251.4	38.4	38.5	58.9	0.2	13.7	13.6	15.8	15.0	3.0	2.9
MBM	Neutral	3.17	3.94	138.6	160.1	32.9	45.0	2.2	36.8	9.6	7.0	6.0	6.5	1.9	2.1

*currently under review

Source: Bloomberg, MIDF Research

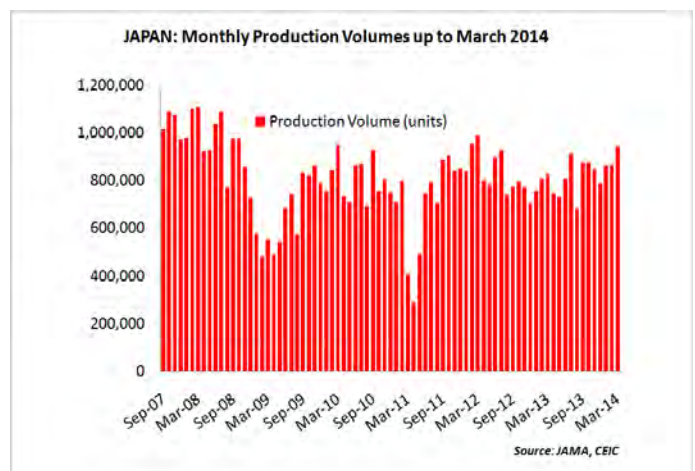
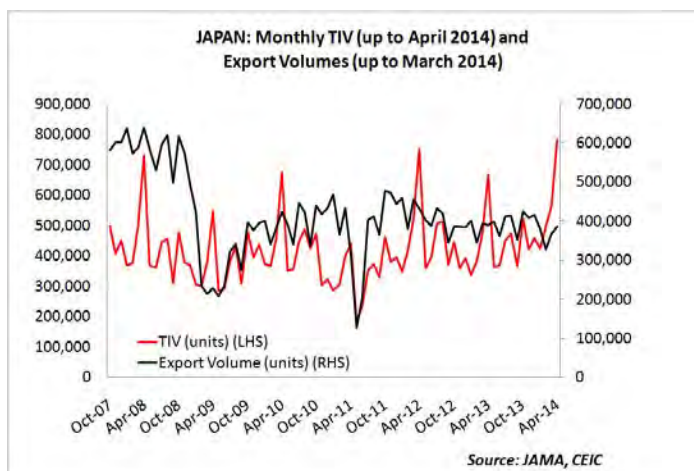
JAPAN

TIV tumbles to the lowest point since 2012. After recording strong double digit sales growth in the past 7 months, Japan's domestic sales of vehicles in April 2014 declined -5.5%yoy to 345.2k units following the implementation of Japan's first consumption tax hike in 17 years.

Sales performances by the three (3) largest automakers were mixed with Japan's reigning number one, Toyota, selling 92k units in April 2014 which is -17.8% lower than its sales a year ago. On the other hand, Suzuki jumped to second place after selling 59.5k units domestically, representing a growth of +10.6%yoy. Honda slipped to third spot with a despite recording a healthy TIV growth of +11.7%yoy to 54.2k units.

While April 2014 export numbers are not yet available, March 2014 exports declined -0.6%yoy. The export numbers for April 2014 have yet to be released. Nevertheless, export growth in March 2014 contracted slightly -0.6%yoy to 385.9k units with Toyota, Mazda and Subaru remained as Japan's top three (3) exporters. Top exporter Toyota shipped out 144.6k units in March 2014, a decline of -8.9%yoy while Mazda in second place exported 71.7k units, a growth of +10.7%yoy. Meanwhile, Subaru hold on to its third spot 43.7k units overseas in March 2014, representing an outstanding +49%yoy growth.

The top three (3) export destinations for March 2014 are North America (+2.9%yoy to 135.8k units), Europe (+14.7%yoy to 69.8k units) and Middle East Asia (-3.4%yoy to 54.4k units),



As we await April 2014 production numbers, a +14%yoy gain was reported in March 2014. Pending the release of April 2014 production numbers, the country's domestic production in March 2014 advanced +14%yoy to 939.8k units.

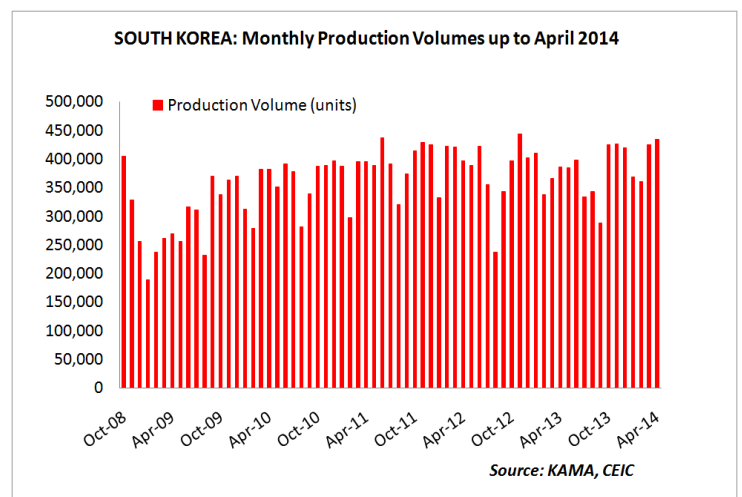
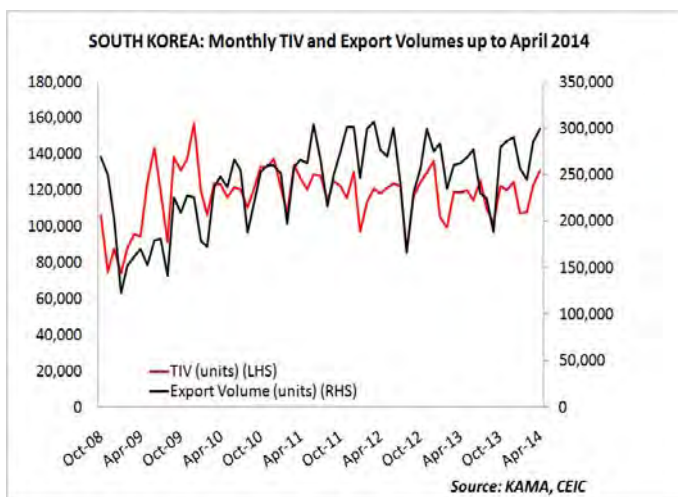
The growth in production for March 2014 was reflected by good performances by the three (3) largest producers with Toyota registering a +2.2%yoy growth in production volume to 310.1k units. Suzuki, on the other hand, overtook Nissan in second place with its production of 103.1k units in March 2014 (+18.1%yoy growth), while Honda remained at third spot despite a whopping +54.1%yoy growth in its production volume to 95k units.

With April 2014 registered a disappointing declined of -5.5%yoy growth in TIV, expect April 2014 production numbers to moderate to a single digit growth but a decline should not be ruled out.

SOUTH KOREA

April 2014 saw a healthy TIV growth of +10.2%yoy. South Korea's TIV continued to grow, marking its fourth consecutive months of growth. According to the Korea Automobile Manufacturers Association (KAMA), in spite of the weakened low consumer sentiment in the aftermath of the sunken ferry Sewol, April 2014 TIV grew +10.2%yoy to 131.1k units on account of strong demand for new models and popularity of SUVs. Sequential TIV also reported growth, inclining +7%mom in April 2014.

Exports grew +14%yoy in April 2014. Vehicle exports grew +14%yoy in April 2014 to 299.3k units. KAMA attributed the increase to "the economic recovery of the major markets such as the United States and China coupled with rise of per unit price".

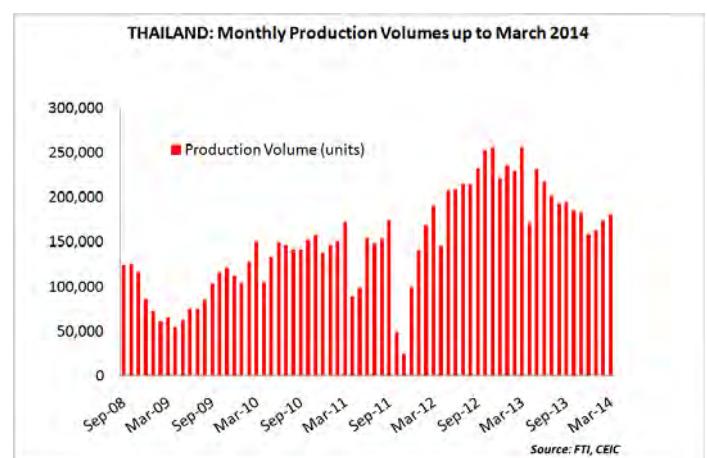
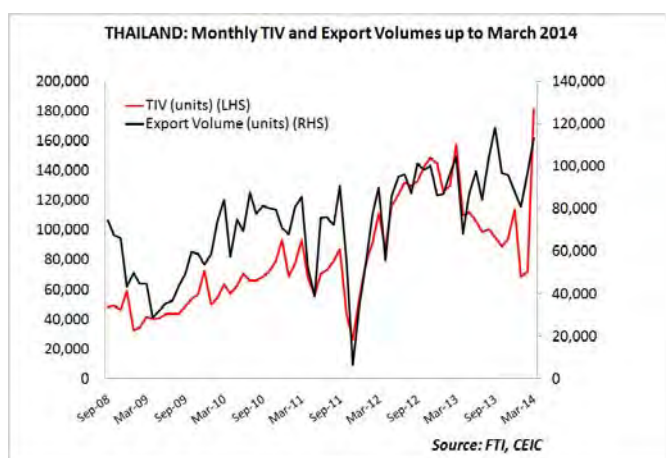


April 2014 vehicle production grew +12.3%yoy. Following the growth in both South Korea's TIV and export volume, April 2014 vehicles production grew +12.3%yoy to 433.8k units. According to KAMA, the strong production numbers was attributed to "the increase of home sales with introduction of new models and growing exports triggered by recovering signs in the major markets coupled with extra works on weekends".

THAILAND

Note: The following discussion is based on March 2014 numbers as the Federation of Thai Industries' Automotive Industry Club (FTI) has yet to release the figures for April 2014.

TIV continue its downwards trend in March 2014. According to the FTI, TIV plunged -46.7%yoy to 84k units in March 2014. As was the case during the earlier months, the year-on-year decline was attributable to the fading-effect of Thailand's First Car Buyers Scheme (Scheme) which ended in December 2012 coupled with the disappearing purchasing power as the turmoil and economic conditions which has not been improving. Nevertheless on a month-on-month basis, TIV grew +17% in March 2014 which attributed to the promotional activities during the Bangkok International Motor Show that started at the end of March 2014.



Meanwhile exports grew +8.8%yoy in March 2014. Thailand's export volume grew +8.8%yoy as 113.3k units of vehicles were shipped out in March 2014. The growth was arguably reflective of the shifted focus of the auto makers from production for domestic sales to production for exports after Thailand ended its Scheme.

March 2014 vehicle production extended declines, plunged -29.2%yoy. Meanwhile, vehicle production in Thailand extended its decline into March 2014. A production volume of 181.3k units was recorded in March 2014, -29.2%yoy lower than in March 2013. The number of vehicles produced in March 2014 represents the eight consecutive month of output falling below 200.0k units.



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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.