

**23 JANUARY 2014**  
**MALAYSIA EQUITY**



# **THE AUTO REPORT**

**Monthly review & outlook of the automotive sector**  
**December 2013 Sales Data**

## Review & Outlook of the Automotive Sector

Malaysia's TIV rose sequentially on promotions and backlogs

Maintain NEUTRAL

### HIGHLIGHTS

- Malaysia:** In December 2013, total industry volume (TIV) growth was flat year-on-year at 60.5k units in December 2013. Nonetheless, the TIV jumped sequentially by 15.8%mom due in part to aggressive year-end promotional campaigns as well as fulfilment of backorders carried over from the earlier month as a result of technical glitches in JPJ's new mySIKAP system.

We continue to reiterate our NEUTRAL recommendation on the domestic Automotive Sector with an unchanged 2014 TIV forecast of 668,000 units. We keep NEUTRAL on all stocks under our coverage.

- Japan:** TIV growth stayed high at +25.0%yoy in December 2013 as buyers continued to step up purchases ahead of the sales tax increment due in April 2014.
- South Korea:** TIV extended its year-on-year decline into December 2013 at -8.8%yoy due to the high base in the last quarter 2012 during which various tax reductions were given to promote the sales of electric vehicle.
- Thailand:** In December 2013, year-on-year domestic sales remained in the negative growth territory due to the effects of the high base in 2012 during which Thailand had its First-Car Buyers Scheme.

### 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
<b>2013 Monthly</b>												
Dec	60,493	423,210	124,386	108,688	n.a.	n.a.	287,615	n.a.	n.a.	n.a.	419,360	158,893
Nov	52,252	457,369	120,037	93,483	n.a.	415,997	286,073	72,674	54,003	846,151	426,740	182,818
Oct	55,078	421,669	122,484	88,989	n.a.	407,709	279,678	78,366	54,549	871,570	425,369	185,117
<b>2013 Cumulative</b>												
Jan-Dec	655,793	5,375,513	1,381,091	1,325,539	n.a.	4,295,391*	3,086,394	n.a.	548,420*	8,843,342*	4,521,638	2,457,086
%YoY	+4.5	+0.1	-2.1	-7.7	n.a.	-2.5	-2.7	n.a.	+4.6	-4.3	-0.9	+0.1

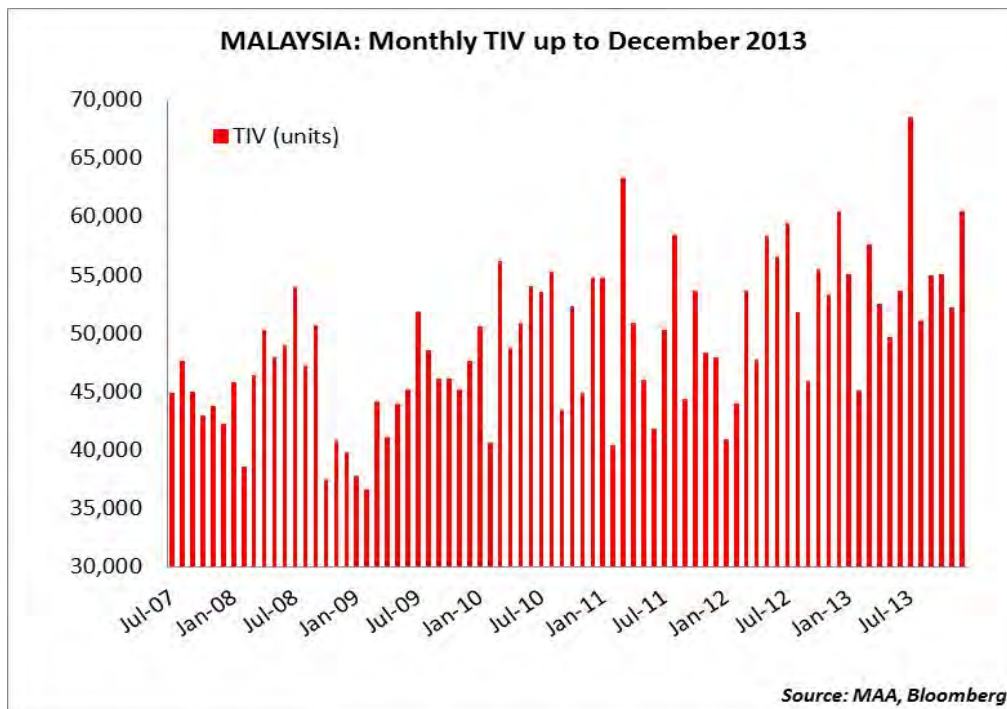
Source: Bloomberg, Malaysian Automotive Association, Japan Automobile Manufacturers Association, Korea Automobile Manufacturers Association, Federation of Thai Industries' Automotive Industry Club

\* For Jan-Nov 2013 as the statistics for Dec 2013 has yet to be released

n.a. – not available

## MALAYSIA

**Total industry volume was flat year-on-year in December 2013.** According to the Malaysian Automotive Association (MAA), Total Industry Volume (TIV) was flat year-on-year at 60.5k units in December 2013. Nonetheless, the TIV jumped sequentially by 15.8%mom due in part to the aggressive year-end sales campaigns and together with Christmas and New Year festive promotions by some distributors. Other contributing factor was the fulfilment of backorders carried over from the earlier month as a result of technical glitches in JPJ's new mySIKAP system in November.



**Proton lost the second spot in December 2013...** Perodua remained the market leader in December 2013 as it commanded 30.1% of the market. The number of units sold by Perodua in December 2013 was 18.2k units, representing a decline of -3.7%yoy. Meanwhile, Proton dropped to the third spot as it failed to maintain its market share in December 2013. The national carmaker garnered only 14.1% of the market in December 2013, a lost -3.6ppts relative to its share a month ago. It sold fewer vehicles at 8.5k units or -19.3%yoy lower than the same period in earlier year.

**...which is now occupied by Toyota.** The three largest non-national carmakers in December 2013 continued to be Japanese carmakers Toyota, Honda and Nissan. Toyota bumped up to the second spot overall and remained the largest non-national marquee with 16.8% market share. The sales of the Japan's largest automaker increased +0.3%yoy at 10.2k units. Honda climbed up to the fourth spot in December 2013, controlling 10.8% of the market. The carmaker sold 6.8k units in December 2013 which was +37.4% more than the units it sold in December 2012. Nissan dropped to fifth spot in December 2013 with a market share of 7.6%. Compared to December 2012, the Japanese automaker continued to register growth, selling +15.6%yoy more in December 2013 at 4.6k units.

Among the three main non-national carmakers, Toyota and Honda gained market shares of +0.1ppts and +2.1ppts respectively, while Nissan lost -1.6ppts.

## Forecasts and Recommendations for Bursa-listed companies

**TIV for 2013 came in slightly above forecasts.** In 2013, Malaysia's TIV came in slightly above targets at 655.8k. This accounts for 100.5% and 102.5% of ours and MAA's full year forecasts of 652,500 and 640,000 units respectively.

**TIV is expected to grow +1.9%yoy in 2014.** Compared to last year, 2014 may be rather quiet given our expectation that the year will see launches being mostly refreshed models rather than growth-propelling brand new ones. Furthermore, the recent round of subsidy rationalization measures, i.e. increase in fuel price, removal of sugar subsidy and increase in electricity tariff, may result in consumers being more cautious with their spending. In light of these factors, our forecasted 2014 TIV growth is a smaller +1.9%yoy. This would amount to a TIV forecast of 668.0k units in respect of 2014.

**Reiterate NEUTRAL.** We maintain NEUTRAL on the Automotive Sector with all stocks under our coverage, namely UMW Holdings Berhad (UMWH), MBM Resources Berhad (MBM) and Tan Chong Motor Holdings Berhad (TCM) kept on NEUTRAL at RM13.15, RM3.94 and RM6.38 respectively.

## Summary Recommendations of Stocks Under Coverage

Stocks	Rec.	Price at 22/1 (RM)	TP (RM)	Net Profit (RM'm)		EPS (sen)		EPS Growth (%)		PER (x)		DPS (sen)		Div. Yield (%)	
				FY13F	FY14F	FY13F	FY14F	FY13F	FY14F	FY13F	FY14F	FY13F	FY14F	FY13F	FY14F
UMWH	Neutral	11.50	13.15	1,123.9	1,157.7	98.6	102.4	15.9	3.9	11.7	11.2	42.9	46.0	3.7	4.0
TCM	Neutral	5.65	6.38	243.8	347.2	37.3	53.2	54.3	42.4	15.1	10.6	11.0	16.0	1.9	2.8
MBM	Neutral	3.39	3.94	133.1	160.1	37.4	45.0	(2.4)	20.3	9.1	7.5	6.0	6.5	1.8	1.9

Source: Bloomberg, MIDF Research

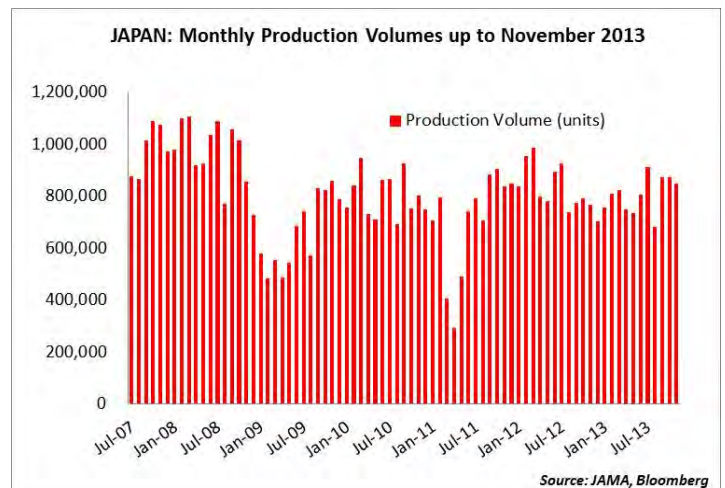
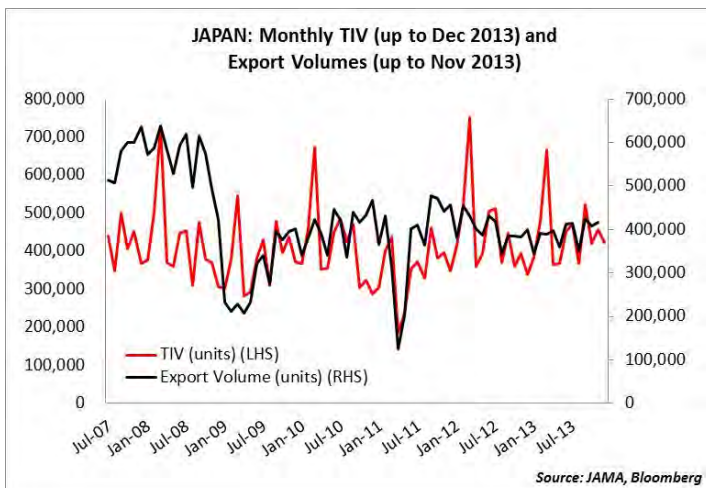
## JAPAN

**TIV leaped by a double digit +25.0%yoy in December 2013.** Domestic sales of vehicles in December 2013 echoed the double digit rebound seen in the last 3 months. An excellent +25.0%yoy growth was recorded in the nation's TIV to 423.2k units in December 2013. As in the period from September to November 2013, the December leap came as the high base period ended upon the expiry of the subsidies for eco-friendly vehicles in 3Q last year. The growth was also possibly fuelled by consumers buying ahead of the sales tax increment which is scheduled to take effect in April 2014. The 4-month consecutive on-year growth in sales allowed for the recovery from an earlier decline in Japan's cumulative TIV with a full year 2013 growth of +0.1%yoy at 5.38m units.

The growth in TIV was also reflected in the domestic sales of Japan's top three (3) automakers. Japan's reigning number one, Toyota, sold 105.7k units in December 2013 which is +12.3% more than its sales a year ago. Meanwhile, Honda continued to reign in second place selling 76.2k units domestically, representing an outstanding growth of +70.2%yoy. Meanwhile, Daihatsu snatched the third spot from Suzuki. The Japanese small-car maker reported a TIV growth of +28.0%yoy to 53.4k units.

**While December 2013 export numbers are not yet available, November 2013 exports grew +8.7%yoy.** The export numbers for December 2013 have yet to be released. However, export growth in November 2013 expanded +8.7%yoy to 416.0k units. Japan's top three (3) exporters remained unchanged as Toyota, Mazda and Nissan. Top exporter Toyota shipped out 151.4k units, a decline of -1.1%yoy. Mazda in second place leaped by a double digit +15.1%yoy to 78.1k units. Meanwhile, in third spot, Subaru gained +74.7%yoy to 53.3k units.

The top three (3) export destinations continue to be North America (+15.8%yoy to 179.3k units), Europe (-15.7%yoy to 59.1k units) and Asia (+40.2%yoy to 52.6k units), with Asia fast becoming an increasingly important export destination.



**As we await December 2013 production numbers, a +10.2%yoy gain was reported in November 2013.** Pending the release of December 2013 production numbers, the country's domestic production in November 2013 advanced +10.2%yoy to 846.2k units. Japan's three (3) largest car producers registered gains in production volumes with Toyota gaining +3.5%yoy to 266.8k units, Honda growing +34.5%yoy to 96.8k units and Suzuki advancing +1.9%yoy to 85.4k units.

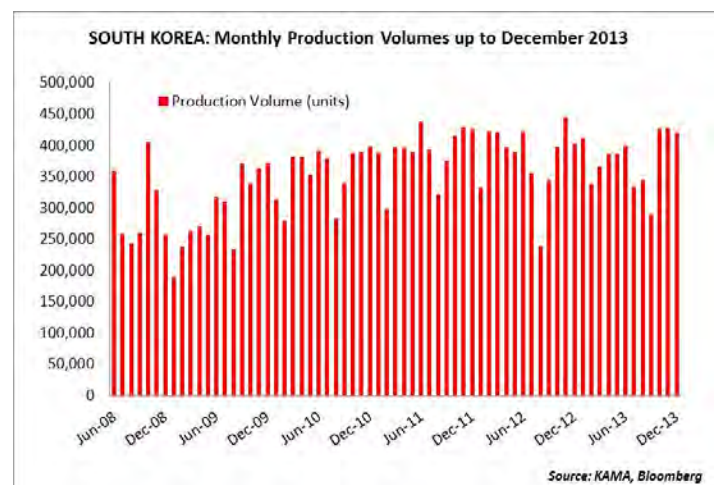
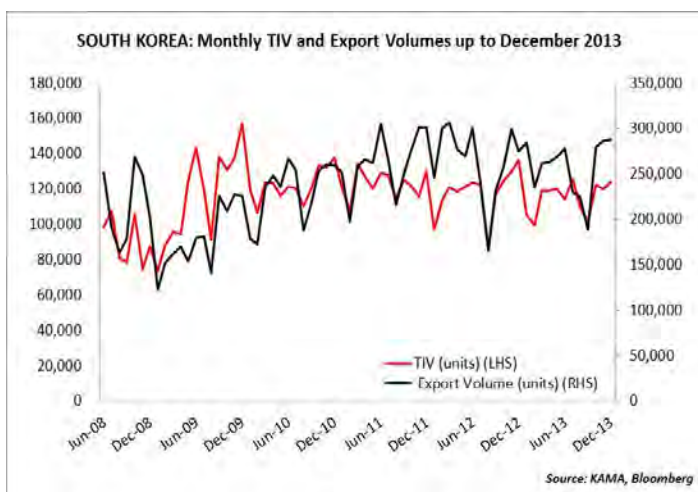
With the +25.0%yoy growth achieved in December 2013 TIV and the continued growth in exports, expect growth in December 2013 production numbers to also continue to register a double digit increase.



## SOUTH KOREA

**December 2013 TIV declined -8.8%yoy.** Declines in South Korea's TIV continued into December 2013. According to the Korea Automobile Manufacturers Association (KAMA), December 2013 TIV slipped -8.8%yoy to 124.4k units. The decline in TIV continues to be the result of a high base in the last quarter of 2012 during which various tax reductions were given to boost the sales of electric vehicles in South Korea. On a cumulative basis, TIV for full year 2013 was -2.1%yoy lower at 1.38m units.

**Vehicle exports however increased in December 2013 by +4.5%yoy.** Exports rebounded in December 2013, gaining +4.5%yoy to 287.6k units. The export volume recorded in December 2013 was the highest in 2013. KAMA attributed the rise to the full scale shipment of export-oriented models such New Soul, Carens and Trex.



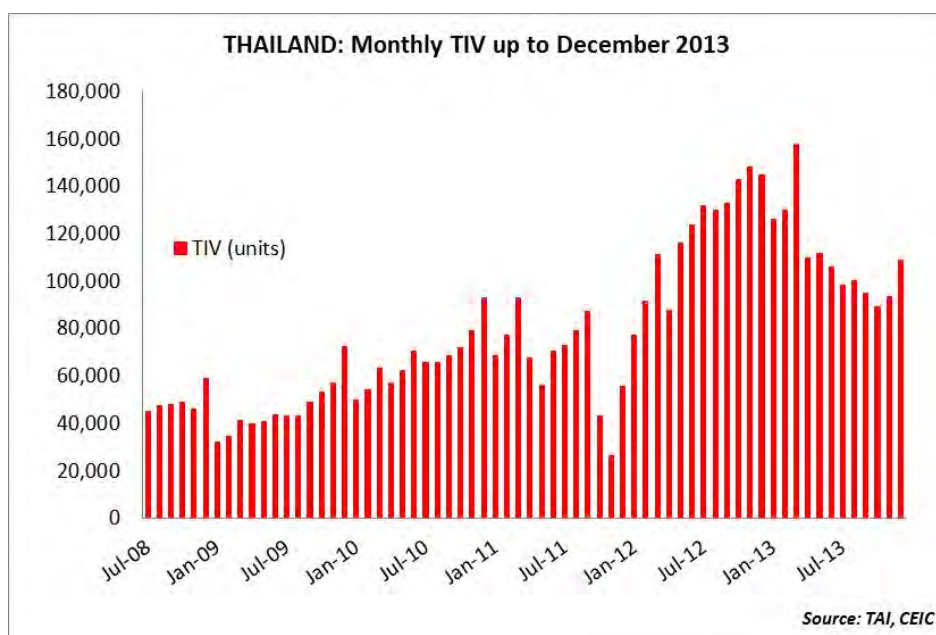
**December 2013 vehicle production rose +4.4%yoy.** Following the rise in South Korea's export volume, December 2013 vehicles production gained +4.4%yoy to 419.4k units. Similar to its exports figure, the December production volume was also among the strongest in 2013.

## THAILAND


**TIV plunged -24.9%yoy in December 2013.** According to the Federation of Thai Industries' Automotive Industry Club (FTI), TIV plunged -24.9%yoy to 108.7k units in December 2013. The TIV reported was nonetheless higher than the previous five months, making it the highest monthly TIV registered in second half of 2013. As was the case for the months following September 2013, the on-year decline continued to be as the result of being compared to a higher base a year ago which was lifted by Thailand's First Car Buyers Scheme (Scheme).

Given that the Scheme ran from 16 September 2011 to 31 December 2012, the high base in 2012 will continue to weigh on the TIV growth numbers only until December 2013.

On a cumulative basis, Thailand's 2013 TIV retreated -7.7%yoy to 1.32m units.



**Meanwhile exports dipped -0.9%yoy in November 2013.** As Thailand's December 2013 export figures have not yet been released, we provide our commentary on its November 2013 export numbers. Thailand's export volume dipped in November 2013. 72.7k units of vehicles were shipped out in November 2013 representing a -0.9%yoy retracement. The decline was possibly on the recovery of the Thai Baht beginning October 2013 following its low in September 2013.

**December 2013 vehicle production extended declines, diving -28.2%yoy.** Meanwhile, vehicle production in Thailand extended its declines into December 2013. A production volume of 158.9k units was recorded in December 2013, -28.2%yoy lower than in December 2012. The number of vehicles produced in December 2013 represents the fifth consecutive month of output falling at 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.