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MALAYSIA EQUITY



THE AUTO REPORT

Monthly review & outlook of the automotive sector
March 2014 Sales Data

Review & Outlook of the Automotive Sector

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Rush in deliveries fuel MoM growth in Malaysia domestic sale

Maintain NEUTRAL

HIGHLIGHTS

- Malaysia:** While Total Industry Volume (TIV) showed a modest growth in March 2014, sequential growth was high at +16.2%mom on increased deliveries and a longer working month.
We maintain NEUTRAL on the domestic Automotive Sector with an unchanged 2014 TIV forecast of 668,000 units and all stocks under our coverage kept on NEUTRAL.
- Japan:** TIV growth stayed high at +17.4%yoy in March 2014 as consumers rushed to make their last chance purchases before the sales tax is increased next month.
- South Korea:** TIV was up for the third consecutive month, registering a modest +2.9%yoy growth in March 2014 owing to a higher demand for Recreational Vehicles (RV) and better economic environment.
- Thailand:** February 2014 saw Thailand's TIV plunge -44.8%yoy as consumers held back on purchases in light of the prolonged 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												
Mar	58,919	783,389	122,497	n.a.	n.a.	n.a.	286,754	n.a.	50,174	n.a.	425,510	n.a.
Feb	50,718	565,168	107,940	71,669	n.a.	366,779	245,231	97,171	47,680	863,397	361,115	173,506
Jan	50,273	496,105	107,150	68,508	n.a.	326,696	256,972	81,025	55,503	860,803	368,228	162,652
2014 Cumulative												
Jan-Mar	159,910	1,844,662	337,587	140,177*	n.a.	693,475*	788,957	178,196*	153,357	1,724,200*	1,154,853	336,158*
%YoY	1.4	20.7	4.3	-45.2	n.a.	-5.8	1.1	-3.0	5.0	10.4	3.7	-27.7

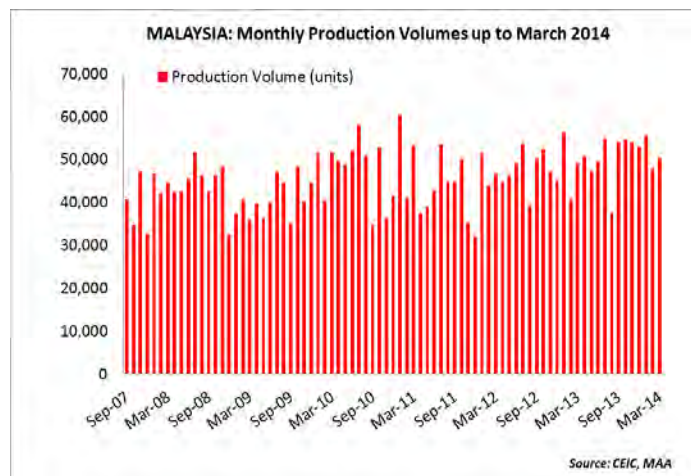
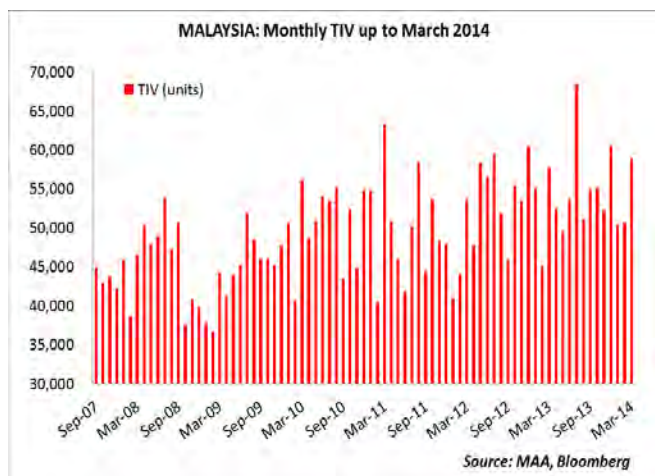
Source: Bloomberg, Malaysian Automotive Association, Japan Automobile Manufacturers Association, Korea Automobile Manufacturers Association, Federation of Thai Industries' Automotive Industry Club

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

n.a. – not available

MALAYSIA

Total industry volume was higher year-on-year in March 2014. According to the Malaysian Automotive Association (MAA), although TIV showed a modest growth of +2.3%yoy to 58.9k units in March 2014, sequential growth was a double digit +16.2%mom due in part to the much better sales performance of automakers in light of the (i) delivery of new models, (ii) rush for deliveries by companies having financial years ending 31 March 2014, and (iii) longer working month.



Both Perodua and Proton lost some market share in March 2014... Perodua remained the market leader selling +0.3%yoy more in March 2014 at 16.3k units. Despite this, the Malaysian automaker garnered a lesser market share of 27.7% this March 2014, vis-à-vis 30.8% a month ago. Proton, in second spot, also saw its market share diminish slightly to 20.9% (-0.2ppts month-on-month) in March 2014 notwithstanding its increased sale of +3.7%yoy to 12.3k units.

TIV: National

	Mar-14	YoY (%)	Mkt Share	
			(%)	MoM (ppts)
Perodua	16,324	0.3%	27.7	-3.1
Proton	12,315	3.7%	20.9	-0.2

Source: MAA

TIV: Non-National

	Mar-14	YoY (%)	Mkt Share	
			(%)	MoM (ppts)
Toyota	9,886	17.0	16.8	1.6
Honda	4,915	-0.3	8.3	-0.2
Nissan	3,994	-24.9	6.8	0.0

Source: MAA

...while Toyota continue to dominate the non-national sphere. The next three (3) largest carmakers in March 2014 continued to be Japanese marques Toyota, Honda, and Nissan. Toyota strengthened its position as the largest non-national marque with a higher market share of 16.8%. The Japanese automaker sold +17%yoy more in March 2014 at 9.9k units. Meanwhile, Honda retained fourth spot in March 2014, controlling 8.3% of the market with -0.3%yoy less units sold of 4.9k units sold in March 2014. Nissan sat firmly in fifth spot with a market share of 6.8%. The Japanese automaker, however, sold -24.9%yoy fewer vehicles in March 2014 at 4k units.

Of the three (3) non-national automakers, only Toyota managed to grow its market share this time around (+1.6ppts month-on-month). Honda, on the other hand, lost -0.2ppts month-on-month, while Nissan maintain its market share.

Forecasts and Recommendations for Bursa-listed companies

Maintain 2014 TIV forecast of 668k. On an annualised basis, Malaysia's cumulative TIV now stands at 159.9k. This accounts for 95.8% of our full year forecast of 167k. Hence, our forecast remains intact.

With some interesting launches line-up for release this 2014, domestic sales should see a pick-up in in the coming months.

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 18/4 (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	12.32	13.15	1,123.9	1,157.7	98.6	102.4	15.9	3.9	12.5	12.0	42.9	46.0	3.5	3.7
TCM	Neutral	5.99	6.38	243.8	347.2	37.3	53.2	54.3	42.4	16.1	11.3	11.0	16.0	1.8	2.7
MBM	Neutral	3.50	3.94	133.1	160.1	37.4	45.0	(2.4)	20.3	9.4	7.8	6.0	6.5	1.7	1.9

Source: Bloomberg, MIDF Research

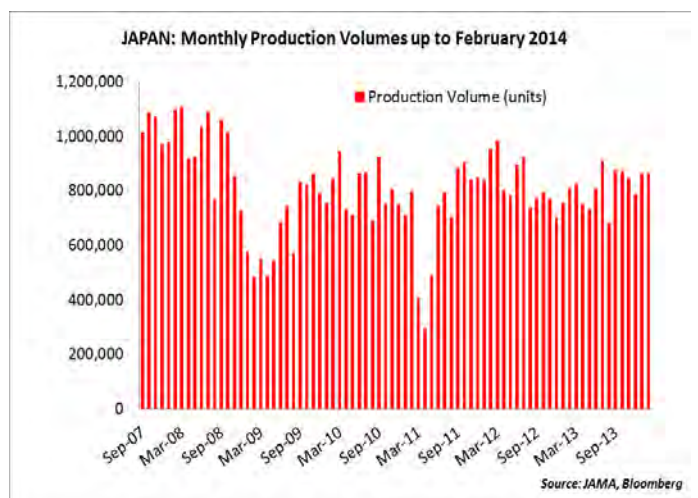
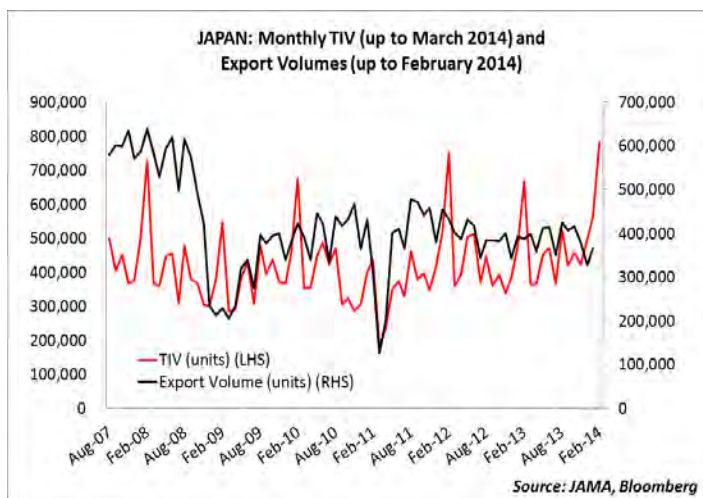
JAPAN

Another double digit year-on-year growth in March 2014 TIV. Domestic sales of vehicles in March 2014 echoed the double digit rebound seen in the last 6 months since September 2013. An excellent +17.4%yoy growth was recorded in the nation's TIV to 783.4k units in March 2014 as consumers rushed to make their last chance purchase before sales tax is increased next month (April 2014).

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 215.1k units in March 2014 which is +11.2% more than its sales a year ago. Meanwhile, Honda continued to reign in second place selling 121.7k units domestically, representing another month of outstanding growth at +32.2%yoy. Nissan held onto third spot with a TIV growth of +18.8%yoy to 103.5k units.

While March 2014 export numbers are not yet available, February 2014 exports declined -6.5%yoy. The export numbers for March 2014 have yet to be released. However, export growth in February 2014 contracted -6.5%yoy to 366.8k units with Toyota and Mazda remaining as Japan's top two (2) exporters. Top exporter Toyota shipped out 151.2k units in February 2014, a decline of -10.4%yoy while Mazda in second place exported 59.5k units, a decline of -13.7%yoy. Meanwhile, Subaru regained its third spot from Nissan selling 43.7k units overseas in February 2014, representing a healthy +14.5%yoy growth.

The top three (3) export destinations continue to be North America (-14.3%yoy to 133.7k units), Europe (+1.4%yoy to 66.4k units) and Asia (+32.4%yoy to 49.3k units), with Asia fast becoming an increasingly important export destination.



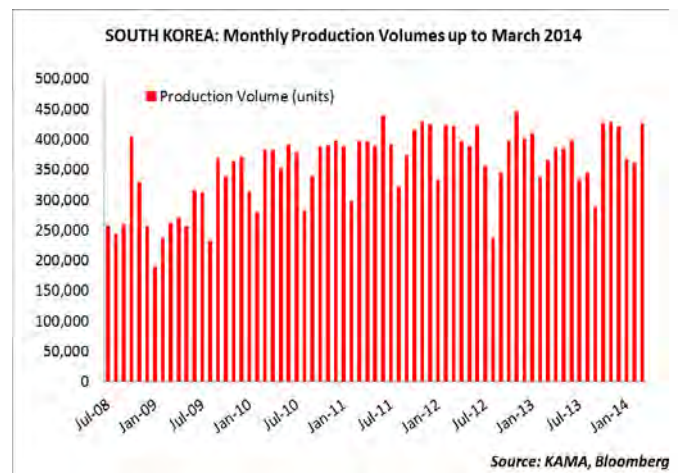
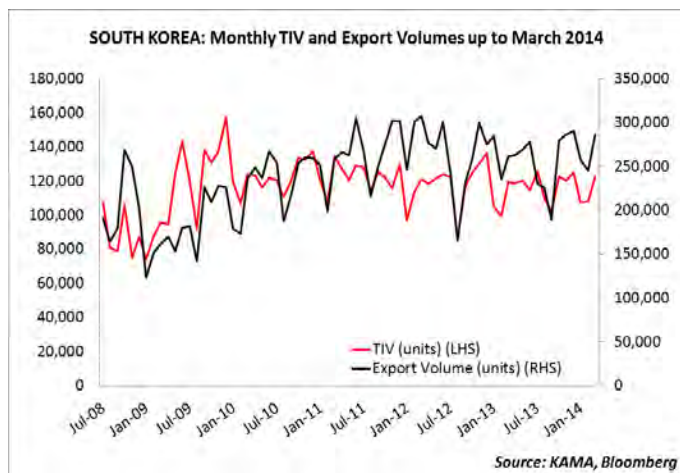
As we await March 2014 production numbers, a +6.8%yoy gain was reported in February 2014. Pending the release of March 2014 production numbers, the country's domestic production in February 2014 advanced +6.8%yoy to 863.4k units. Performances by the three (3) largest producers in February 2014 were mixed with Toyota registering a -0.3%yoy decline in production volume to 299.6k units. Nissan, on the other hand, overtook Honda in second place with its production of 87.13k units in February 2014 (+13.7%yoy growth), while Honda dropped to third place despite a whopping +40.6%yoy growth in its production volume to 84.9k units.

With March 2014 achieving a +17.4%yoy growth in TIV, expect March 2014 production numbers to follow in tandem and register another month of double digit year-on-year growth.

SOUTH KOREA

March 2014 saw TIV continue inching up +2.9%yoy. South Korea's continued to grow, marking its third consecutive months of growth after four (4) consecutive months of decline since September last year. According to the Korea Automobile Manufacturers Association (KAMA), March 2014 TIV grew +2.6%yoy to 122.5k units thanks to South Korea's improving economic environment and the expansion of demand for RV. Sequential TIV also reported growth, inclining +13.5%mom in March 2014.

Exports grew +9.9%yoy in March 2014. Vehicle exports grew +9.9%yoy in March 2014 to 286.8k units. KAMA attributed the increase to "the economic recovery of the major markets such as North America, West Europe and China coupled with the increased supply volume by major automakers and newly launched RV models".



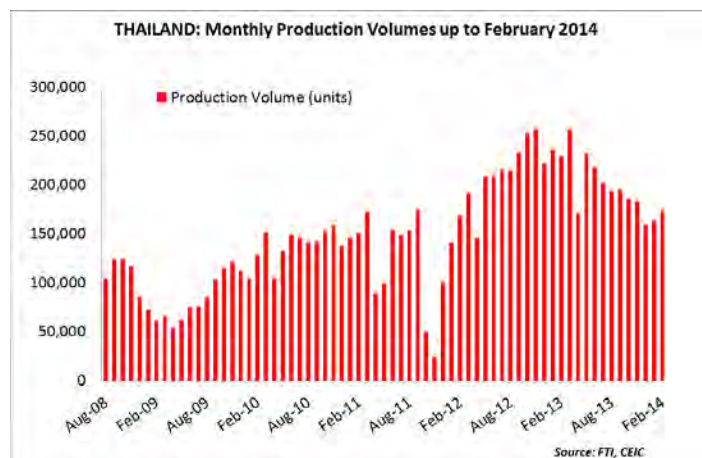
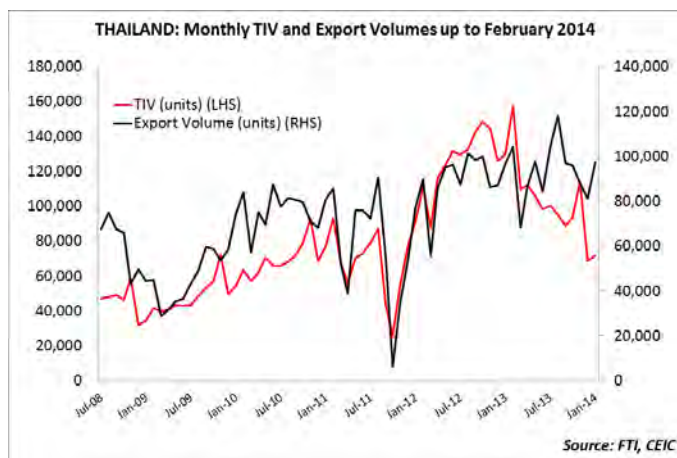
March 2014 vehicle production grew +16.4%yoy. Following the growth in both South Korea's TIV and export volume, March 2014 vehicles production grew +16.4%yoy to 425.5k units.

THAILAND

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

TIV plunged continue in February 2014. According to the FTI, TIV plunged -44.8%yoy to 71.7k units in February 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. Nevertheless on a month-on-month basis, TIV grew +4.61% in February 2014.

Additionally, consumers' purchasing decisions were still deterred by prolonged political upheaval and uncertain economic conditions. Tighter loan approvals by financial institutions was an added obstacle.



Meanwhile exports grew +0.5%yoy in February 2014. Thailand's export volume grew +0.5%yoy as 97.17k units of vehicles were shipped out in February 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.

February 2014 vehicle production extended declines, diving -24.3%yoy. Meanwhile, vehicle production in Thailand extended its declines into February 2014. A production volume of 173.5k units was recorded in February 2014, -24.3.6%yoy lower than in February 2014. The number of vehicles produced in February 2014 represents the seventh 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.