

# AUTOMOTIVE

**Maintain NEGATIVE**

## Substantial Plunge in April TIV

### KEY INVESTMENT HIGHLIGHTS

- April TIV plunged -99.7%yoy given full month impact of the Movement Control Order (MCO).
- Our 2020F TIV remains at 505K reflecting a -16.5%yoy contraction but there is further downside in the case of weaker-than-expected recovery post-MCO.
- Remain **NEGATIVE** on autos given challenging near-term outlook; earnings compounded by weak Ringgit and potential discounting post-MCO
- Our top **SELL** are **UMW (TP: RM1.60)** and **Tan Chong (RM0.90)**.

**Big plunge in April volumes.** April sales volume staged a substantial plunge due to the Movement Control Order (MCO) throughout the month. April TIV registered at only 141 units, a -99.7%yoy drop. To recap, the MCO was initiated on 18<sup>th</sup> March running till 4<sup>th</sup> May, when it was replaced by the Conditional MCO. We expect May TIV to improve versus April (partly supported by deliveries of pre-MCO orders as well as resumption of operations) but on a year-on-year basis, it is still expected to remain weak. Year-to-date, TIV stands at 106,569 units, a 45%yoy fall.

**Forecasts maintained at this juncture.** In a recent report ([titled S.O.S.](#)), we had cut our FY20F TIV to 504,580 units in view of the MCO and the implications on the macro outlook; we expect CY20F TIV to contract -16.5%yoy assuming a base case of up to Phase 4 MCO, while sector CY20F earnings is expected to contract by -51%. A recovery post-MCO is likely to be pushed out given the implication on job security, wage outlook and consumer sentiment; consumers would have likely shifted into 'survival mode' now with little priority for discretionary spend. Players such as Tan Chong had reportedly implemented salary cuts for employees and fee reduction for independent directors in response to the slowdown in sales. Absence of support schemes e.g. scrapping program during 2008/09 financial crisis, underpins our more bearish expectations relative to the 2009 downcycle.

**Recommendation.** We remain **NEGATIVE** on autos. The sector is likely to be dominated by negative newsflows and datasets in the near-term. Earnings pressure is compounded by a weak Ringgit and potential discounting post-MCO. Nonetheless, balance sheets are currently solid with players under coverage attaining either net cash positions (MBM and BAuto) or manageable net gearing of below 40%. Our top **SELLs** are UMW (TP: RM1.60) and Tan Chong (TP: RM0.90).



### COMPANY IN FOCUS

#### UMW Holdings Bhd

Maintain **SELL** | Unchanged Target price: RM1.60  
Price @ 22<sup>nd</sup> May 2020: RM2.12

- FY20F Toyota TIV forecasted to contract to 57K (-17%yoy)
- CY20F earnings forecasted to contract 44%yoy
- Toyota faces tough year given key competitors' new launch cycle, compounding the impact of a deteriorating macro condition.

#### Share price chart



#### Tan Chong Motor Bhd

Maintain **SELL** | Unchanged Target price: RM0.90  
Price @ 22<sup>nd</sup> May 2020: RM1.05

- FY20F TIV to contract to 19K (-10%yoy)
- Upcoming 2H20 new Almera launch is a positive catalyst, but timed in a tough operating environment
- Run-out of old Almera to drag post-MCO recovery
- Most sensitive to forex volatility; every 1% change in USD impacts FY20F by 12%

#### Share price chart



## SECTOR VALUATION MATRIX

Companies	Rating	Shr. Price (RM)	PE (x)		P/BV (x)	ROE (%)	Div Yield (%)	Target Price (RM)	Total Upside (%)
			CY20F	CY21F					
Bermaz Auto	NEUTRAL	1.34	14.0	12.2	2.3	25.7	4.6	1.10	-4.4
Tan Chong	SELL	1.05	NA	NA	0.3	2.3	3.6	0.90	-10.5
UMW Holdings	SELL	2.12	12.7	17.5	0.7	6.3	1.2	1.60	-23.3
MBM Resources	NEUTRAL	2.82	8.0	6.8	0.6	10.2	5.1	2.80	4.3

Source: Company MIDFR

## Exhibit 1: April 2020 TIV Summary

Marques	Apr-19	Mar-20	Apr-20	YoY	MoM	YTD19	YTD20	YTD %	Market share	
									Apr-19	Apr-20
Proton	7,011	3,277	22	-99.7%	-99.3%	25,292	21,779	-13.9%	13.1%	20.4%
Perodua	22,141	8,601	57	-99.7%	-99.3%	82,800	45,034	-45.6%	42.9%	42.3%
Toyota	5,465	2,779	13	-99.8%	-99.5%	19,187	10,428	-45.7%	9.9%	9.8%
Honda	6,175	3,281	27	-99.6%	-99.2%	28,365	11,127	-60.8%	14.7%	10.4%
Nissan	1,608	331	8	-99.5%	-97.6%	6,774	2,755	-59.3%	3.5%	2.6%
Mazda	1,302	521	0	-100.0%	-100.0%	4,613	2,723	-41.0%	2.4%	2.6%
Others	6,262	3,688	14	-99.8%	-99.6%	25,987	12,723	-51.0%	13.5%	11.9%
<b>Total</b>	<b>49,964</b>	<b>22,478</b>	<b>141</b>	<b>-99.7%</b>	<b>-99.4%</b>	<b>193,018</b>	<b>106,569</b>	<b>-44.8%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: MAA, MIDFR

## Exhibit 2: April 2020 TIV Summary (Breakdown by Type)

Segment	Apr-19	Mar-20	Apr-20	YoY	MoM	YTD19	YTD20	YTD %
Passenger cars	45,334	20,260	131	-99.7%	-99.4%	176,438	97,141	-44.9%
Commercial vehicles	4,630	2,218	10	-99.8%	-99.5%	16,580	9,428	-43.1%
<b>Total</b>	<b>49,964</b>	<b>22,478</b>	<b>141</b>	<b>-99.7%</b>	<b>-99.4%</b>	<b>193,018</b>	<b>106,569</b>	<b>-44.8%</b>

Source: MAA, MIDFR

## Exhibit 3: April 2020 TIV Summary (Breakdown by Type)

Segment	Apr-19	Mar-20	Apr-20	YoY	MoM	YTD19	YTD20	YTD %	Market share	
									Apr-19	Apr-20
National cars	29,152	11,878	79	-99.7%	-99.3%	108,092	66,813	-38.2%	56.0%	62.7%
Non-nationals	20,812	10,600	62	-99.7%	-99.4%	84,926	39,756	-53.2%	44.0%	37.3%
<b>Total</b>	<b>49,964</b>	<b>22,478</b>	<b>141</b>	<b>-99.7%</b>	<b>-99.4%</b>	<b>193,018</b>	<b>106,569</b>	<b>-44.8%</b>		

Source: MAA, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.