Sector Update | Thursday, 21 July 2022

AUTOMOTIVE

***Maintain* POSITIVE**

Record target well within reach

KEY INVESTMENT HIGHLIGHTS

- **Perodua latest outstanding booking of 243K units equivalent to a year's worth of Perodua sales**
- **Record 2022 sales target of 248K (+30%yoy) looks well within reach**
- **Overwhelming response for the New Alza - 30K bookings secured vs. 3K/month target**
- **Maintain POSITIVE on autos - UMW (BUY, TP: RM4.35) and MBM (BUY, TP: RM4.05) are key listed plays into Perodua; the latter is a cheaper entry at 6x FY23F PER and is a multi-pronged play into Perodua via its 22.6% stake in Perodua, component supply and as the largest Perodua group dealer**

A year's worth of TIV. In a latest update, Perodua indicated that its outstanding bookings stood at 243K units. This is equivalent to a year's worth of Perodua sales, which in the past five years ranged between 190K to 240K units (the previous record high Perodua TIV was in 2019 at 240K). The group is attempting to improve production via product balancing to shorten the waiting period for key models.

Record sales target looks well within reach. Perodua is estimated to have sold 21K (+19%mom) units in June 2022, which brings its 1H22 TIV to 127K units (+31%yoy) accounting for 53% of our full year forecast of 240K and 51% of Perodua's internal target of 247.8K. Judging by the TIV momentum so far and strong outstanding bookings, we see potential upside to both our Perodua volume projection and overall TIV projection.

Sales to be further boosted by new Alza. The new 2nd gen Alza (MPV) was launched yesterday, priced at a RM62.5K-75.5K range. Perodua is targeting production of 3K units/month for the model (vs. average sales of 1000-1300 units/month for the outgoing 1st gen model last year). Bookings for the new Alza have been overwhelming at 30K units (10 times the monthly production target). We expect the new Alza to start contributing to Perodua's TIV numbers from July onwards given maiden deliveries of the model since yesterday. A key competitor is the Exora, which is an ageing model generating <500 units/month in 2021.

Preliminary June numbers looking strong. We anticipate strong TIV to be registered in June. This is based on encouraging preliminary numbers announced by key industry players. Perodua is estimated to have registered 21.2K units in June (+12%mom), Proton 14.2K (+53%mom) and Toyota 8.9K (+19%mom). Overall, we estimate June TIV to register at between 60K-65K units (+21%-31%mom).

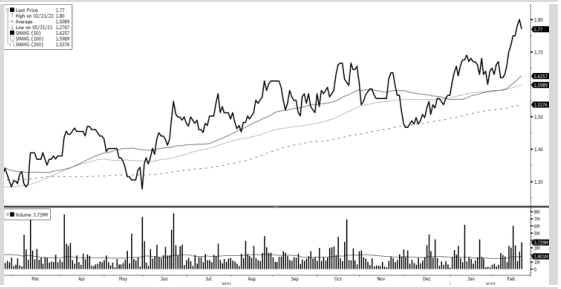
COMPANY IN FOCUS

Bermaz Auto Bhd

Maintain **BUY** | Unchanged Target price: RM2.36
Price @ 20th July 2022: RM1.79

- +21% earnings CAGR over our forecast horizon
- Above-industry volume growth of +38%yoy (FY23F) from integration of Kia & Peugeot, aggressive new model rollouts
- The most aggressive player with EV launches to capitalize on EV incentives
- Attractive 5%-6% dividend yield

Share price chart



UMW Holdings Bhd

Maintain **BUY** | Unchanged Target price: RM4.35
Price @ 20th July 2022: RM2.98

- +36%yoy FY22F EPS growth driven by +26%/+2%yoy Perodua/Toyota TIV growth
- Launch of Corolla Cross CKD (B/C segment SUV) fills an important gap in Toyota's model mix
- RM270m investment in new HEV production underpins new hybrid line-up, rollout from FY22 onwards

Share price chart



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SECTOR VALUATION MATRIX

		Shr. Price	PER (x)		P/BV	ROE	Div Yield	Target	Total
Companies	**Rating**	**(RM)**	**FY22F**	**FY23F**	**(x)**	**(%)**	**(%)**	**Price (RM)**	**Upside (%)**
Bermaz Auto*	BUY	1.79	11.8	10.6	2.8	20.4	4.2	2.36	36.1
Tan Chong	NEUTRAL	1.12	124.4	15.3	0.3	0.8	1.3	1.21	9.4
UMW Holdings	BUY	2.98	12.2	11.4	0.6	7.3	1.5	4.35	47.5
MBM Resources	BUY	3.18	6.3	6.1	0.6	9.4	6.4	4.05	33.7

Source: Company, MIDFR **FY22F & FY23F (FYE Apr)*

Key beneficiaries. MBMR (BUY, TP: RM4.05) and **UMW (BUY, TP: RM4.35)** are key listed plays into Perodua given their respective 22.6% and 38% stake in Perodua. The former provides cheaper entry at 6x FY23F PER (vs. historical mean of 8x) and is more leveraged to Perodua's earnings (estimated at 69% of overall group earnings). MBM is also a multi-pronged play into Perodua via its part manufacturing division which supplies components to Perodua and retailing division which is the largest Perodua dealer group accounting for ~10% of overall Perodua sales historically.

Chart 1: Annual TIV trend

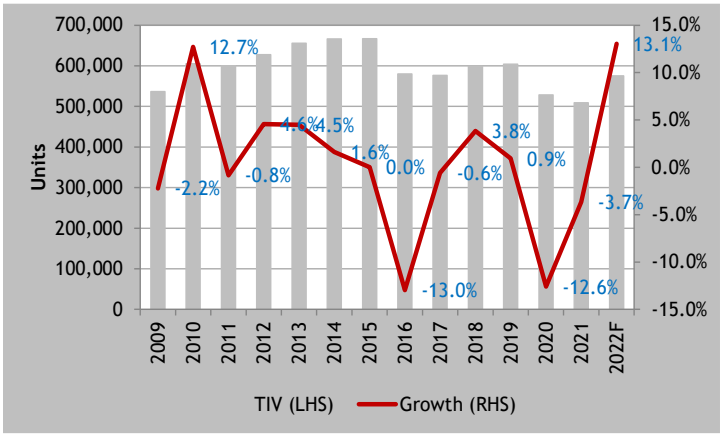
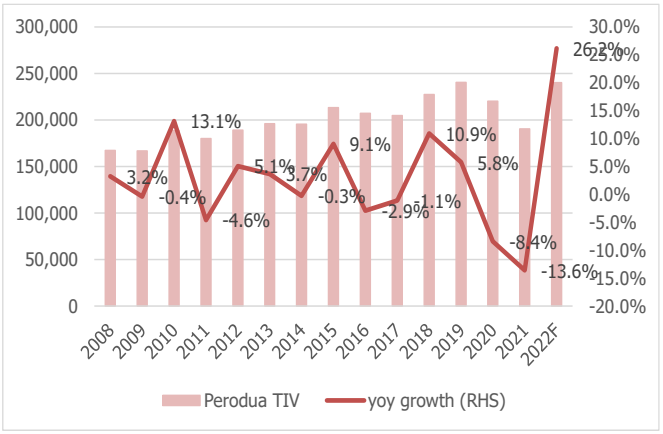


Chart 2: Perodua annual sales trend



Source: MAA, 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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology