AUTOMOTIVE

***Maintain* POSITIVE**

Good signs from post-tax holiday sales momentum

KEY INVESTMENT HIGHLIGHTS

- **Post-tax holiday bookings for Perodua still going strong**
- **New Alza entails 8-10 months waiting period**
- **Attempts to raise 2H22 production could raise 2022 slaes target beyond the current 247.8K target (+30%yoy)**
- **Maintain POSITIVE on autos - UMW (BUY, TP: RM4.78) and MBM (BUY, TP: RM4.28) 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**

Post-tax holiday bookings still going strong. Perodua managed to garner around 24,265 new bookings in the month of July (equivalent to around a month of Perodua TIV) despite expiry of the sales tax exemption since 30th June 2022. We gather that this is on top of the 243K outstanding bookings (which is equivalent to a year's worth of Perodua TIV) announced last month. The strong July bookings signals still strong sales momentum, which we think is partly driven by the recent launch of the new Alza and broadly, pent-up demand amid a gradually improving labor market in line with the macro recovery. The new Alza which was launched on 20th July has seen 39K bookings (around 9K bookings collected in July itself), significantly higher than its monthly sales target of 3K with a waiting period of 8-10 months.

Semiconductor supply secured for rest of 2022. Positively, Perodua's CEO also indicated that the group has secured chip supplies for the remainder of the year to achieve its record annual TIV target of 247,800 units (+30%yoy) for 2022. Perodua is also looking at sharing resources with its vendors e.g. workforce placement, warehouse sharing and parts arrangements to address foreign labor shortage issues at the vendors and ensure a smooth supply chain domestically. We also anticipate these efforts to result in a certain extent of cost savings which would help cushion the impact of higher material and logistic costs.

Potentially higher 2022 sales target? While Perodua's July TIV is expected to be slightly weaker than June given residual chip supply issues, Perodua is understood to be attempting to increase production to around 26K/month in 2H22 (vs. an average 21.7K/month in 1H22) in order to shorten its waiting list. Should this materialize, we see possibilities of Perodua's 2022 TIV outperforming even management's bullish 247.8k sales target. As it stands, our 2022F Perodua TIV is 243.5K (+28%yoy), slightly more conservative than management's target – Perodua's Jan-Jul22 cumulative sales of 146K accounts for 60% of our projection.

COMPANY IN FOCUS

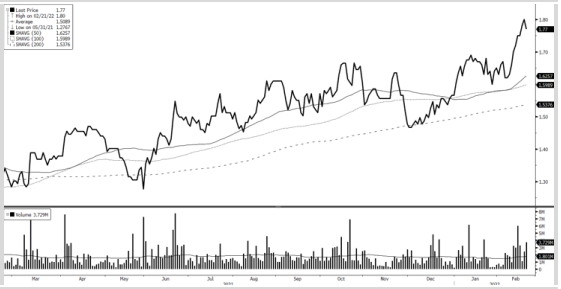
Bermaz Auto Bhd

Maintain **BUY** | Unchanged Target price: RM2.36

Price @ 7th August 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 4%-6% dividend yield

Share price chart



UMW Holdings Bhd

Maintain **BUY** | Unchanged Target price: RM4.78

Price @ 7th August 2022: RM2.94

- +69%yoy FY22F EPS growth driven by +28%/+16%yoy Perodua/Toyota TIV growth
- Potential launch of the new generation Vios to drive strong replacement cycle
- 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	11.4	9.1	2.4	20.9	4.4	2.36	36.2
Tan Chong	NEUTRAL	1.11	NA	19.2	0.3	0.0	1.4	1.20	9.5
UMW Holdings	BUY	2.94	10.3	9.6	0.8	7.8	1.9	4.78	64.5
MBM Resources	BUY	3.23	6.0	5.8	0.6	10.2	6.6	4.28	39.1

Source: Company, MIDFR **FY23F & FY24F (FYE Apr)*

Key beneficiaries. MBMR (BUY, TP: RM4.28) and **UMW (BUY, TP: RM4.78)** 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. Having said that, UMW is now trading at a deep 40% discount to historical mean and is a better proxy to the overall sector recovery given its exposure to both Perodua and Toyota which account for 52% of TIV.

Chart 1: Annual TIV trend

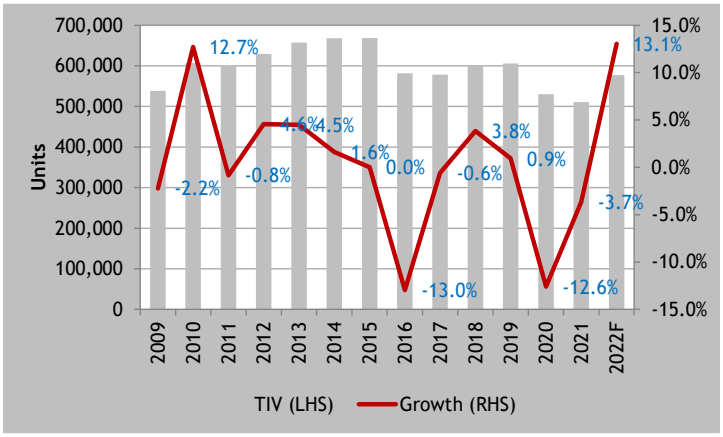
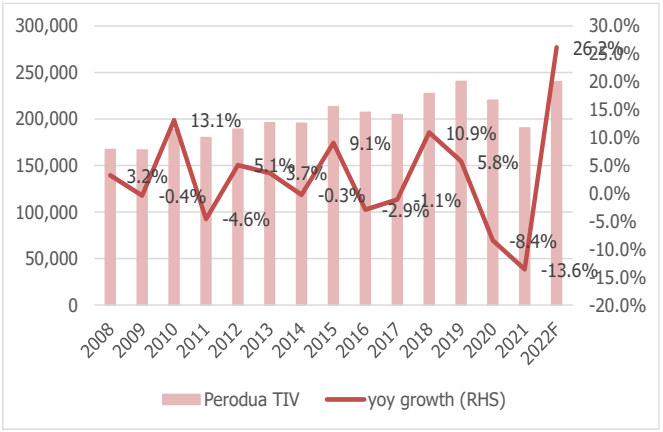


Chart 2: Perodua annual sales trend



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