AUTOMOTIVE

***Maintain* POSITIVE**

Strong Rebound

KEY INVESTMENT HIGHLIGHTS

- **August TIV up +36%mom on supply recovery**
- **Year-to-date TIV of 447K (+63%yoy) still slightly ahead of our CY22 estimate**
- **7-12 months outstanding bookings provide strong revenue visibility moving into CY23**
- **New bookings holding up well post-tax holiday**
- **Players are sitting on strong net cash pile, underpins solid dividends**
- **Maintain POSITIVE; our top sector picks are BAuto (BUY, TP: RM2.36), MBM (BUY, TP: RM4.28) and UMW (BUY, TP: RM4.88)**

Strong month. August TIV rose +36%mom to 66,614 units reflecting: (1) A recovery in chip and component supply, (2) Deliveries of strong orders placed prior to the tax-holiday expiry on 30th June. The MAA expects September TIV to sustain at August levels. On a year-on-year basis, growth was significantly stronger (+272%yoy) off a low base last year given the lockdowns from June till August 2022.

YTD TIV still outperforming our target. On a year-to-date basis, August TIV comes up to 447,209 units (+63%yoy) still slightly ahead of our expectation making up 74% of our CY22F TIV of 607K (+19%yoy). Nevertheless, we reckon Nov-Dec 2022 TIV could weaken as buyers opt for new year 2023 registrations.

Honda and Perodua led the sequential growth in Aug22', up by +51%mom and +42%mom respectively. Other than supply recovery, Honda also benefitted from launch of the new HRV in mid-July (waiting list of >12 months). For Perodua, production improved to its highest this year, delivering on promise to raise production to 26K/month – Perodua produced 27.2K units in Aug22'. Perodua is also benefitting from the recent launch of the new Alza, which has so far garnered 51K bookings (vs. 3K-3.5K/month production) – we estimate around 12K bookings were placed in August alone. Around 7.7K units have been delivered as at end-August.

Solid revenue visibility. Overall, players are sitting on implied 7-12 months waiting list. The strong orderbank provides good revenue visibility for the sector moving into CY23. Furthermore, new bookings post-tax holiday has been holding up pretty well, with an average 20%-30% reduction vs. average monthly bookings during the tax holiday – new bookings from Jul22' onwards will likely feed into TIV from Apr23' onwards further cementing this revenue visibility from strong forward bookings.

COMPANY IN FOCUS

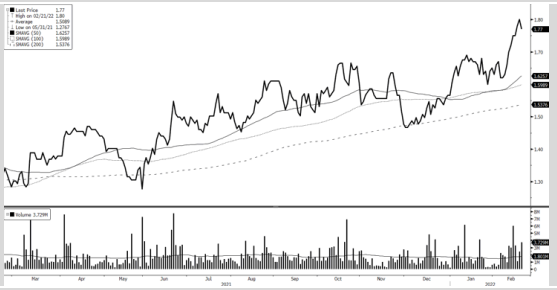
Bermaz Auto Bhd

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

Price @ 21th September 2022: RM1.93

- +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: RM4.88

Price @ 21th September 2022: RM3.12

- +38% earnings CAGR over our forecast horizon driven by +13.5%/+9.1% Perodua/Toyota volume growth over the same period
- 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	1.93	12.3	9.8	2.6	20.9	5.7	2.36	26.4
Tan Chong	NEUTRAL	1.13	NA	19.5	0.3	0.0	1.3	1.20	7.5
UMW Holdings	BUY	3.12	11.0	10.2	0.8	7.8	3.9	4.88	57.1
MBM Resources	BUY	3.30	6.2	5.9	0.6	10.2	6.5	4.28	36.2

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

We remain POSITIVE on the auto sector as a play into a recovery in domestic consumption. Notwithstanding normalization in OPR and higher inflation (which in the Malaysian context is much better contained) prospects are underpinned by strong order banks and an improving labor market & household income condition, while valuations are 25%-40% below historical mean. **BAuto (BUY, TP: RM2.36), MBM Resources (BUY, TP: RM4.28)** and **UMW (BUY, TP: RM4.88)** remain our top sector picks. Beyond the reopening theme, BAuto is a play into brand expansion from the acquisition of Kia and Peugeot franchise, leading to structural expansion in market share and above-industry growth. MBM Resources and UMW are both key proxies to the sector recovery given exposure to Perodua (and Toyota for UMW) - effectively controlling the largest share of the industry. Overall, most players under our coverage are sitting on strong net cash pile, which makes up 20-25% of their respective market caps – this underpins attractive dividend payouts for the year, we believe. Key risks to our call are a prolonged and significant spike in inflation, deterioration in broad economic recovery and a weaker than expected Ringgit.

Chart 1: Monthly TIV trend

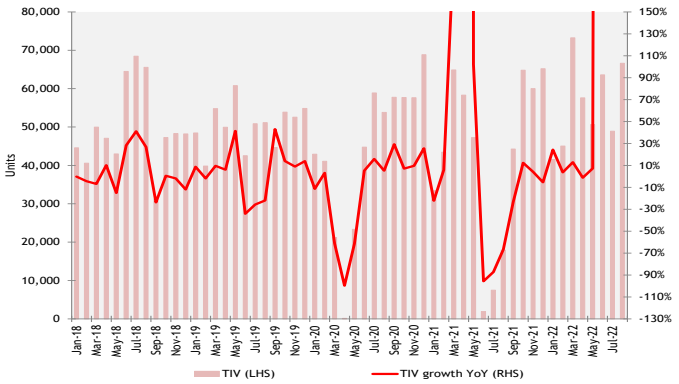
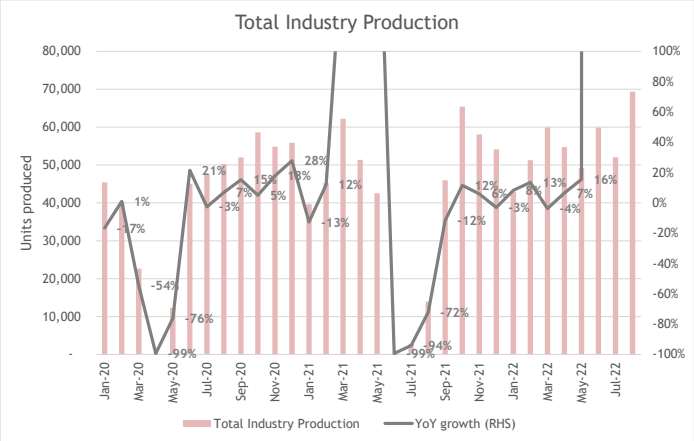


Chart 2: Monthly TIP trend



Source: MAA, MIDFR

Table 1: August 2022 TIV Summary

									Market share	
Marques	**Aug-21**	**Jul-22**	**Aug-22**	**YoY**	**MoM**	**YTD21**	**YTD22**	**YTD %**	**Aug-21**	**Aug-22**
Proton	2,741	11,097	14,942	445.1%	34.6%	60,997	83,441	36.8%	22.2%	18.7%
Perodua	6,988	18,350	26,041	272.7%	41.9%	104,933	171,734	63.7%	38.2%	38.4%
Toyota	2,483	6,624	8,961	260.9%	35.3%	37,630	61,034	62.2%	13.7%	13.6%
Honda	1,407	5,298	8,019	469.9%	51.4%	26,988	52,990	96.3%	9.8%	11.8%
Nissan	433	1,135	1,072	147.6%	-5.6%	6,386	9,982	56.3%	2.3%	2.2%
Mazda	703	1,120	1,371	95.0%	22.4%	6,300	9,680	53.7%	2.3%	2.2%
Others	3,168	5,298	6,208	96.0%	17.2%	31,409	58,348	85.8%	11.4%	13.0%
Total	**17,923**	**48,922**	**66,614**	**271.7%**	**36.2%**	**274,643**	**447,209**	**62.8%**	**100.0%**	**100.0%**

									Market share	
Segment	**Aug-21**	**Jul-22**	**Aug-22**	**YoY**	**MoM**	**YTD21**	**YTD22**	**YTD %**	**Aug-21**	**Aug-22**
Passenger cars	15,475	43,594	59,769	286.2%	37.1%	244,649	397,100	62.3%	89.1%	88.8%
Commercial vehicles	2,448	5,328	6,845	179.6%	28.5%	29,994	50,109	67.1%	10.9%	11.2%
Total	**17,923**	**48,922**	**66,614**	**271.7%**	**36.2%**	**274,643**	**447,209**	**62.8%**		

									Market share	
Segment	**Aug-21**	**Jul-22**	**Aug-22**	**YoY**	**MoM**	**YTD21**	**YTD22**	**YTD %**	**Aug-21**	**Aug-22**
National cars	9,729	29,447	40,983	321.2%	39.2%	165,930	255,175	53.8%	60.4%	57.1%
Non-nationals	8,194	19,475	25,631	212.8%	31.6%	108,713	192,034	76.6%	39.6%	42.9%
Total	**17,923**	**48,922**	**66,614**	**271.7%**	**36.2%**	**274,643**	**447,209**	**62.8%**		

Source: MAA, MIDFR

Table 2: August 2022 TIP Summary

Marques	**Aug-21**	**Jul-22**	**Aug-22**	**YoY**	**MoM**	**YTD21**	**YTD22**	**YTD**
Proton	1,007	12,849	15,660	1455.1%	21.9%	57,992	85,977	48.3%
Perodua	9,073	16,959	27,269	200.6%	60.8%	108,017	174,580	61.6%
Toyota	2,167	7,334	9,386	333.1%	28.0%	29,951	58,483	95.3%
Honda	-	6,135	7,282	#DIV/0!	18.7%	28,327	53,144	87.6%
Nissan	-	738	738	#DIV/0!	0.0%	3,406	5,376	57.8%
Mazda	-	990	1,354	#DIV/0!	36.8%	5,122	8,032	56.8%
Others	1,714	7,056	7,689	348.6%	9.0%	25,209	53,780	113.3%
Total	**13,961**	**52,061**	**69,378**	**396.9%**	**33.3%**	**258,024**	**439,372**	**70.3%**

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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