

SECTOR UPDATE

Automobile – Malaysia

MAA Aug 24 TIV: Falls Slightly Due To The Lower Performance In Both Passenger And Commercial Vehicles

MAA's Aug 24 TIV saw a slight decrease by 0.8% mom and 2.3% yoy, resulting from passenger and commercial vehicles' lower performance respectively. We increased our TIV forecast to 760,000 units as we anticipate demand for budget-friendly products especially Perodua's models to remain robust. However, we foresee limited catalysts except for ongoing new models and brands. BAUTO remains our top pick given its decent dividend yield of 8%. Maintain MARKET WEIGHT.

MAA'S 8M24 TIV PERFORMANCE

	8M24	8M23	yoy chg (%)	UOBKH Forecast	%	New Forecast	%
Passenger	488,277	451,403	8.2	669,350	73	694,350	70
Commercial	45,024	52,380	(14)	65,650	68	65,650	68
TIV	533,301	503,783	5.9	735,000	73	760,000	70

Source: MAA, UOB Kay Hian

WHAT'S NEW

- The Malaysia Automotive Association's (MAA) total industry volume (TIV) for Aug 24 came in at 71,162 units (-0.8% mom, -2.3% yoy). Passenger vehicle sales reached 65,637 units (-0.2% mom, -0.1% yoy), while commercial vehicle sales were at 5,525 units (-7.1% mom, -22.6% yoy). This resulted in 8M24 TIV coming in at 533,301 units, which accounted for 73% of our 2024 TIV forecast of 735,000 units.
- Perodua's sales supported by budget friendly products.** Perodua registered robust double-digit sales growth of 16% yoy in 8M24 (236,666 units in 2024) with a higher monthly average of around 29,000 units (vs. 27,000 units in 2023), maintaining its position as the market leader. We believe this is supported by budget-friendly products that offer customers reasonably priced entry models, such as the Perodua Bezza, Myvi, and Axia. Meanwhile, Proton's sales for 8M24 slightly declined by 3% yoy (99,379 units), which we believe is due to stiff competition from non-national brands, as Proton now competes in more premium segments compared with Perodua.
- Non-national brands hit by strong competition.** Toyota's sales slightly decreased by 3.3% yoy in 8M24 (63,185 units), maintaining its market position but seeing a 1.4ppt drop in market share yoy. Meanwhile, Honda's sales improved with double-digit growth of 12% yoy (53,520 units), gaining market share and increasing by 0.6ppt yoy. Similarly, Mazda's sales dropped 16% yoy to 10,755 units. We believe this is due to stiff competition from new brands entering the market, as well as the challenge of staying competitive by introducing refreshed models.

ACTION

- Maintain MARKET WEIGHT.** Our sector call factors in a -4.9% TIV growth in 2024, after an anticipated increase to 735,000 units (from 710,000 units) by incorporating an additional 25,000 units into our projection primarily on the expectation of robust sales from national brand, Perodua. We maintain our sector call as we foresee limited catalysts except for ongoing new models and brands. Sector valuation is trading at 9x 2024F PE, slightly above -1SD of 8.9x (average of peers' five-year mean of 12x). BAUTO remains our top pick given its decent dividend yield of 8%.

PEER COMPARISON

Company	Ticker	Rec	Price @ 19 Sept 24 (MYR)	Target Price (MYR)	Upside/(Downside) to TP (%)	Market Cap (MYR m)	----- PE ----- 2024F (x)	2025F (x)	----- P/B ----- 2024F (x)	2025F (x)	---- EV/EBITDA ---- 2024F (x)	2025F (x)	ROE 2024F (%)
Bermaz Auto	BAUTO MK	BUY	2.28	2.90	27	2,664.9	7.8	9.8	3.4	3.1	11.0	8.2	45.1
Sime Darby	SIME MK	BUY	2.37	3.13	32	16,153	11.8	9.2	0.8	0.8	7.5	5.4	6.9
DRB-Hicom	DRB MK	NOT RATED	1.08	-	-	2,087.9	8.0	6.1	0.3	0.3	4.2	3.6	3.4
MBM Resources	MBM MK	NOT RATED	5.78	-	-	2,259.3	7.9	7.9	1.0	0.9	25.6	24.8	12.2

Source: UOB Kay Hian

MARKET WEIGHT

(Maintained)

SEGMENTAL RATING

Segment	Rating
Automobile	MARKET WEIGHT (MAINTAINED)

Source: UOB Kay Hian

SECTOR PICKS

Company	Ticker	Rec	Share Price	Target Price
BERMAZ AUTO	BAUTO MK	BUY	2.28	2.90
SIME DARBY	SIME MK	BUY	2.37	3.13

Source: Bloomberg, UOB Kay Hian

ANALYST(S)

Anas Fitri Ahmad
+603 2147 1915
anasfitri@uobkayhian.com

ESSENTIALS

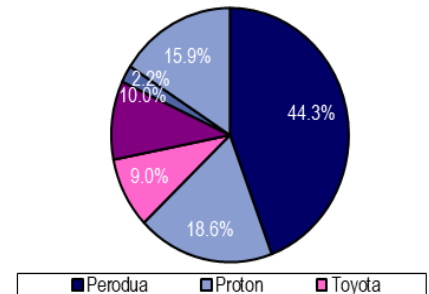
- Perodua continues to maintain positive momentum.** Based on channel checks, Perodua's order backlog stands at 100,000 units, with a healthy replenishment of new orders. The brand's sales volume average for 8M24 increased to 29,000 units per month in 2024 as compared with 27,000 units per month in 2023, indicating that demand for its vehicles remains robust. This consistent growth highlights Perodua's ability to maintain its market leadership, supported by its attractive pricing strategy and high demand for entry-level models like Bezza, Myvi, and Axia.
- New entrants pose strong competition to existing brands.** We noted that there are a few new model line-ups set to launch in 4Q24, which could pose strong competition to brands competing in the C, and D car segments, particularly within the price range of RM100,000 to RM200,000. This, coupled with the growing number of Chinese brands entering the market, presents a threat to existing brands especially non-national brands. These upcoming models are expected to attract a broader customer base, potentially influencing market share and sales volumes in these competitive segments, especially as consumers seek more value-driven options with advanced features and performance.
- Increase 2024 TIV forecast to 760,000 units (from 735,000 units).** We have incorporated an additional 25,000 units into our 2024 projection. We expect the national brand, Perodua to maintain robust sales over the next four months, at around 30,000 units per month, supported by strong demand for its budget-friendly models.

TOP KEY MARQUES YTD

Make	Sales (Units)		Market Share (%)		Ranking	
	Jan-Aug 24	Jan-Aug 23	Jan-Aug 24	Jan-Aug 23	Jan-Aug 24	Jan-Aug 23
Perodua	236,666	204,232	44.4	40.5	1	1
Proton	99,379	102,800	18.6	20.4	2	2
Toyota	63,185	66,378	11.8	13.2	3	3
Honda	53,520	47,503	10.0	9.4	4	4
Mazda	10,755	12,835	2.2	2.5	5	5
Others	69,796	70,035	13.1	13.9	n/a	n/a
TIV	533,301	503,783	100	100	n/a	n/a
Passenger	488,277	451,403	92	90	n/a	n/a
Commercial	45,024	52,380	8	10	n/a	n/a

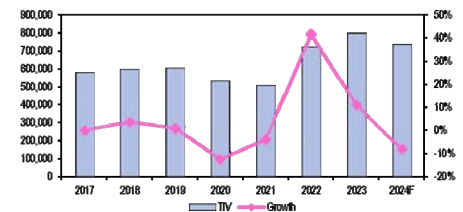
Source: MAA

MARKET SHARE AS OF 8M24



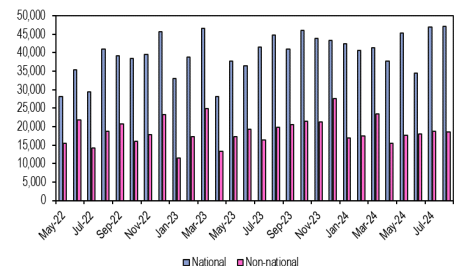
Source: MAA

YEARLY TIV NUMBERS



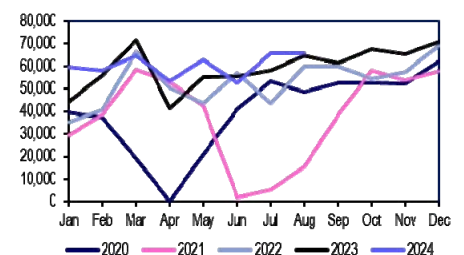
Source: MAA

NATIONAL AND NON-NATIONAL VEHICLES



Source: MAA

PASSENGER VEHICLES TREND



Source: MAA

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries or jurisdictions by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W