



BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

12 Jun 2024

1QFY25 below expectations, ASP is sticky

BUY

(Maintained)

AmInvestment Bank

Team Coverage

603 2036 2291

Rationale for report: Company Results

Price	RM2.37
Fair Value	RM3.10
52-week High/Low	RM2.60/RM2.11

Key Changes

Fair value	↓
EPS	↓

YE to Apr	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	3,930.3	3,818.8	4,087.9	4,078.1
Core net profit (RM mil)	351.0	301.5	327.4	337.5
FD Core EPS (sen)	30.1	25.8	28.0	28.9
FD Core EPS growth (%)	15.6	(14.2)	8.6	3.1
Consensus Net Profit (RM mil)	-	311	324	342
DPS (sen)	26.0	15.5	16.8	17.3
PE (x)	7.9	9.2	8.5	8.2
EV/EBITDA (x)	6.4	7.5	6.8	6.5
Div yield (%)	10.8	6.5	7.1	7.3
ROE (%)	47.1	32.0	26.8	25.2
Net Gearing (%)	11.8	net cash	net cash	net cash

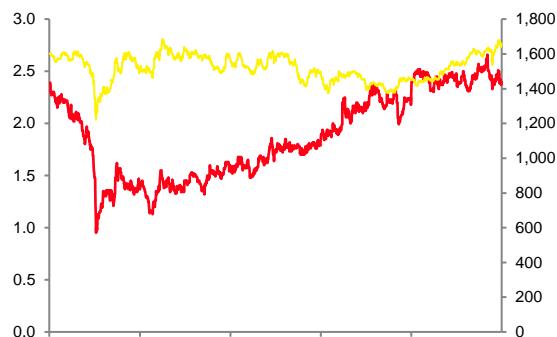
Stock and Financial Data

Shares Outstanding (million)	1,168.7
Market Cap (RMmil)	2,780
Book Value (RM/Share)	0.60
P/BV (x)	3.7
ROE (%)	47.1
Net Gearing (%)	Net cash

Major Shareholders	Dynamic Milestone (14.7%)
	Employees Provident Fund Board (10.8%)
	Amanah Saham Nasional (7.2%)

Free Float	51.5
Avg Daily Value (RMmil)	6.9

Price performance	3mth	6mth	12mth
Absolute (%)	(4.1)	(0.6)	8.2
Relative (%)	(5.8)	(6.4)	(4.0)



BAUTO MK FBMKLCI Index

Investment Highlights

- Maintain BUY on Bermaz Auto (BAUTO) with a lower fair value of RM3.10/share (from RM3.42/share) as we cut our FY25F forecast by 8% and peg it to an unchanged 12x FY25 P/E (its historical 5-year average). Our Neutral 3-star ESG rating is maintained.
- BAUTO delivered a 1QFY25 PATAMI of RM70.2mil (-30% YoY, -22% QoQ). The result was below our expectations, making up only 21% of our FY25 forecast. ASP was stagnant despite the launch of new models with higher sticker prices. This means BAUTO had to provide incentives and discounts to spur sales.
- We cut our FY25 earnings forecast by 8% as we lower our ASP growth assumption to +1% YoY from our earlier +5% YoY. Our FY26-27 forecasts are unchanged.
- The group announced an interim DPS of 3.5sen (-30% YoY), which represents a payout ratio of 59% (+0.3 pts YoY). The stock goes ex-div on 18 October and dividends will be paid out on 6 November.
- The number of car units sold was 23% and 3% lower YoY and QoQ. BAUTO is undergoing a transition period whereby old models are being phased out. Volumes should pick up in the upcoming quarters as the new models are expected to account for a higher portion of the overall sales mix.
- The Philippines operations continued to deliver a strong performance with a strong customer take-up. 1QFY25 revenue was 9% lower YoY but PBT up by 25% YoY.
- BAUTO is planning to buy 15% of EP Manufacturing (EPMB MK, Not Rated) for a total cash consideration of RM19.8m pending approval from Bursa Malaysia. BAUTO and EPMB is forming a JV whereby EPMB will supply components for the CX-5 model from its plant in Kedah.
- The inventory turnover was at 5.9x in FY24, lower than its historical average of 7x. We believe this is due to the loading of new models before their official launch; it is more of a timing issue rather than structural in nature.
- The balance sheet remains solid with a net cash of RM245mil. BAUTO churned FCF of RM75mil.
- We remain optimistic on BAUTO, the new model pipeline is promising and should sell well. The company is a cash cow and could potentially pay special dividends as its cash balance is much more than what the business requires.
- The stock currently trades at 9.2x FY25 P/E, which is at a 23% discount to its 5-year historical average.

EXHIBIT 1: RESULT SUMMARY

FYE April (RM mil)	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	1,089.3	937.5	846.2	(9.7)	(22.3)
EBITDA	130.7	110.7	87.3	(21.1)	(33.2)
Operating Profit	130.7	110.7	87.3	(21.1)	(33.2)
Investment related income	3.2	2.1	1.9	(6.5)	(39.3)
Finance costs	(1.8)	(1.7)	(2.2)	28.1	21.2
Net interest expense	1.3	0.3	(0.3)	n.a	n.a
Share of results of associates	8.6	19.6	10.7	(45.0)	24.6
Profit before tax	140.7	130.6	97.8	(25.1)	(30.5)
Tax	(32.8)	(21.0)	(22.4)	6.7	(31.7)
Profit after tax	107.9	99.6	75.4	(24.3)	(30.1)
Minority interest	7.7	9.4	5.2	(44.9)	(32.8)
PATAMI	100.2	90.2	70.2	(22.2)	(29.9)
EPS (sen)	8.6	7.7	6.0	(22.8)	(30.3)
DPS (sen)	5.0	4.8	3.5	(26.3)	(30.0)
Payout (%)	58.3	61.4	58.6	-2.8 pts	0.3 pts
Margins					
EBITDA margin (%)	12.0	11.8	10.3	-1.5 pts	-1.7 pts
EBIT margin (%)	12.0	11.8	10.3	-1.5 pts	-1.7 pts
PBT margin (%)	12.9	13.9	11.6	-2.4 pts	-1.4 pts
PATAMI (%)	9.2	9.6	8.3	-1.3 pts	-0.9 pts
Segmental breakdown	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	1,089.3	937.5	846.2	(9.7)	(22.3)
Malaysia	988.9	841.7	755.0	(10.3)	(23.7)
Philippines	100.3	95.9	91.2	(4.9)	(9.1)
Operating income	130.7	110.7	87.3	(21.1)	(33.2)
Malaysia	116.1	97.3	69.3	(28.8)	(40.3)
Philippines	14.9	13.8	18.4	32.9	23.2
Sales Volume	6,648	5,279	5,122	(3.0)	(23.0)
Mazda	5,729	4,847	4,414	(8.9)	(23.0)
Malaysia	4,999	4,210	3,852	(8.5)	(22.9)
Philippines	730	637	562	(11.8)	(23.0)
Peugeot	313	27	430	1492.6	37.4
Kia	606	405	278	(31.4)	(54.1)
Mazda - Malaysia					
CBU	1,610	592	661	11.7	(58.9)
CKD	3,389	3,618	3,191	(11.8)	(5.8)

Source: Company

Key observations:

- Overall car sales volume declined by 23% YoY in 1QFY25.
- Profit margin declined as the lower volumes and stagnant ASP means lower economies of scale benefits and this has pushed up the unit cost of sales.
- Philippine operation is outperforming Malaysia.

EXHIBIT 2: PB BAND CHART

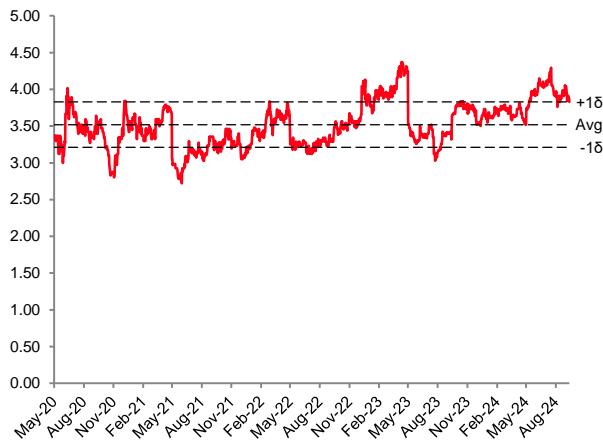


EXHIBIT 3: PE BAND CHART

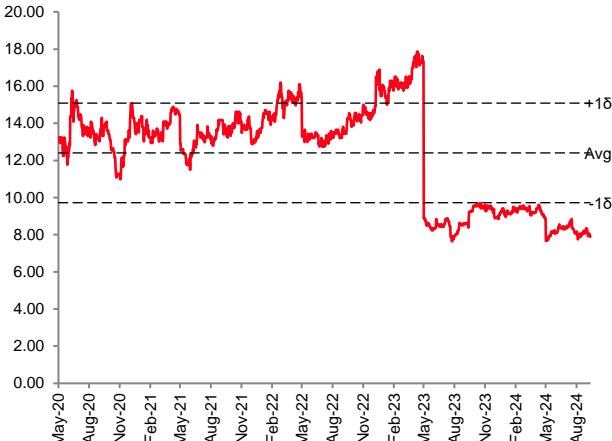


EXHIBIT 4: ESG MATRIX

	Assessment	Parameters	Weight age	Rating			Rationale
1	Water usage	m3 used	20%	*	*	*	6% increase in water usage from FY22 baseline
2	Energy usage	Renewable energy production	20%	*	*	*	3x increase in renewable energy production in FY23
3	Minimise waste generation	Scheduled waste in tonnes	20%	*	*	*	29% increase in FY23
4	Scope 1 Emissions	tCO2e emitted	15%	*	*		59% increase in FY23
5	Scope 2 Emissions	tCO2e emitted	15%	*	*	*	19% increase in FY23
6	Carbon Emissions Reduction	Number of free EV chargers	10%	*	*	*	Capable of complimentary charging 29 EV cars at a time
Weighted score for environmental assessment			100%	*	*	*	
1	Health, safety & well-being	Number of fatalities & injuries	25%	*	*	*	0 fatalities & injuries for 3 consecutive years
2	Women in workforce	% of total workforce	25%	*	*	*	30% of workforce
3	Investment in employee training	Hours of training	25%	*	*	*	2.86x increase in training hours, 18.1k hours in FY23 vs 6.3k hours in FY22
4	CSR programmes	Disbursement in RM	25%	*	*	*	Disbursement of RM638K through Mazda Medicare Fund (MMF)
Weighted score for social assessment			100%	*	*	*	
1	Board age diversity	% under 60 years old	20%	*	*		15%
2	Board women representation	% of total board directors	20%	*	*	*	29% representation
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*		14% representation
4	Independent board directors	% of total board directors	20%	*	*	*	57% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*	RM9.2mil - 11% of FY23 staff costs
Weighted score for governance assessment			100%	*	*	*	

Combined Score by respective Segments

Environmental score		30%	*	*	*		
Social score		30%	*	*	*		
Governance score		40%	*	*	*		
Overall ESG Score		100%	*	*	*	Final Rating of 3-stars	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star.

Source: Company

 Aml Investment Bank Bhd

EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	3,548.2	3,930.3	3,818.8	4,087.9	4,078.1
EBITDA	400.3	443.4	368.3	395.6	399.7
Depreciation/Amortisation	(23.4)	(18.9)	(16.5)	(14.6)	(14.6)
Operating income (EBIT)	376.8	424.5	351.8	381.0	385.1
Other income & associates	39.0	42.5	52.1	59.0	64.9
Net interest	5.4	(11.4)	(9.4)	(8.0)	(6.6)
Exceptional items	-	-	-	-	-
Pretax profit	421.2	489.1	394.5	432.0	443.3
Taxation	(94.0)	(111.4)	(85.6)	(93.3)	(94.6)
Minorities/pref dividends	23.5	26.7	7.4	11.3	11.2
Net profit	303.7	351.0	301.5	327.4	337.5
Core net profit	303.7	351.0	301.5	327.4	337.5
Balance Sheet (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	44.6	48.0	43.5	40.9	38.3
Intangible assets	105.1	105.1	105.1	105.1	105.1
Other long-term assets	388.8	456.6	508.7	567.7	632.5
Total non-current assets	538.5	609.7	657.3	713.7	775.9
Cash & equivalent	537.6	59.2	131.2	202.8	267.7
Stock	503.9	686.8	673.3	691.2	690.0
Trade debtors	207.8	223.7	216.4	226.2	225.6
Other current assets	0.3	307.8	307.8	307.8	307.8
Total current assets	1,249.6	1,277.5	1,328.7	1,428.0	1,491.1
Trade creditors	360.1	381.0	371.8	405.1	404.3
Short-term borrowings	113.0	62.5	52.5	42.5	32.5
Other current liabilities	129.8	129.8	129.8	129.8	129.8
Total current liabilities	602.9	591.3	554.1	577.4	566.6
Long-term borrowings	68.8	81.7	71.7	61.7	51.7
Other long-term liabilities	-	-	-	-	-
Total long-term liabilities	68.8	387.2	71.7	61.7	51.7
Shareholders' funds	766.9	722.9	1,159.6	1,279.3	1,403.0
Minority interests	76.6	92.9	100.3	111.6	122.8
BV/share (RM)	0.66	0.62	0.99	1.10	1.20
Cash Flow (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	421.2	489.1	394.5	432.0	443.3
Depreciation/Amortisation	23.4	18.9	16.5	14.6	14.6
Net change in working capital	114.9	(39.8)	11.6	5.6	0.9
Others	(444.6)	(142.5)	(128.3)	(144.2)	(152.9)
Cash flow from operations	114.9	325.7	294.3	308.0	306.0
Capital expenditure	(12.2)	(10.0)	(12.0)	(12.0)	(12.0)
Net investments & sale of fixed assets	0.4	-	-	-	-
Others	12.7	-	-	-	-
Cash flow from investing	1.0	(10.0)	(12.0)	(12.0)	(12.0)
Debt raised/(repaid)	(100.0)	(20.0)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	8.0	6.6	-	-	-
Dividends paid	(256.9)	(303.6)	(180.9)	(196.4)	(202.5)
Others	80.2	(11.4)	(9.4)	(8.0)	(6.6)
Cash flow from financing	(268.7)	(328.4)	(210.3)	(224.4)	(229.1)
Net cash flow	(152.8)	(12.6)	72.0	71.5	64.9
Net cash/(debt) b/f	694.4	537.6	525.0	597.0	668.6
Net cash/(debt) c/f	537.6	525.0	597.0	668.6	733.5
Key Ratios (YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	52.7	10.8	(2.8)	7.0	(0.2)
EBITDA growth (%)	73.5	10.8	(16.9)	7.4	1.0
Pretax margin (%)	11.9	12.4	10.3	10.6	10.9
Net profit margin (%)	8.6	8.9	7.9	8.0	8.3
Interest cover (x)	nm	37.2	37.4	47.6	58.4
Effective tax rate (%)	22.3	22.8	21.7	21.6	21.3
Dividend payout (%)	84.6	86.5	60.0	60.0	60.0
Debtors turnover (days)	19	20	21	20	20
Stock turnover (days)	37	55	65	61	62
Creditors turnover (days)	33	34	36	35	36

Source: Company, Amlnvestment Bank Bhd estimates

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