



AmInvestment Bank

Company Report

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Team Coverage

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BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

13 Dec 2023

Continued strong performance from Mazda sales

BUY

(Maintained)

Rationale for report: Company Result

Price	RM2.30
Fair Value	RM3.42
52-week High/Low	RM2.55/RM1.91

Key Changes

Fair value	↑
EPS	↓

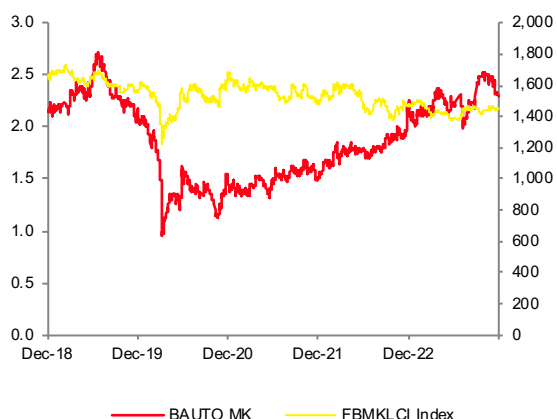
YE to Apr	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	3,548.2	4,074.7	3,977.4	4,090.1
Core net profit (RM mil)	303.7	332.3	324.9	326.0
FD Core EPS (sen)	26.0	28.5	27.8	27.9
FD Core EPS growth (%)	95.2	9.4	(2.2)	0.3
Consensus Net Profit (RM mil)	-	306.7	296.1	303.1
DPS (sen)	22.0	14.0	13.0	13.0
PE (x)	8.8	8.1	8.3	8.2
EV/EBITDA (x)	7.0	6.6	6.7	6.2
Div yield (%)	10.1	6.4	6.0	6.0
ROE (%)	43.5	39.2	31.9	27.4
Net Gearing (%)	14.5	3.9	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,167.6
Market Cap (RMmil)	2,685.4
Book Value (RM/Share)	0.65
P/BV (x)	3.5
ROE (%)	43.5
Net Gearing (%)	14.5

Major Shareholders	Dynamic Milestone (14.8%)
	Employees Provident Fund Board (13.3%)
	Amanah Saham Nasional (6.1%)
Free Float	51.5
Avg Daily Value (RMmil)	16.0

Price performance	3mth	6mth	12mth
Absolute (%)	5.5	6.8	11.3
Relative (%)	6.0	2.4	13.4



Investment Highlights

- We maintain BUY on Bermaz Auto with a higher fair value (FV) of RM3.42/share from RM3.29/share previously. This is premised on FY24F PE of 12x, on par with its 5-year mean. We kept a neutral ESG rating of 3-star.
- BAuto's 6MFY24 core net profit was slightly above expectations which accounted for 59% of our FY24F earnings and 62% of consensus. The strong performance was driven by higher-than-expected Mazda sales volume, mainly from the CX-30 CKD model and backlog order fulfillment for Mazda 3 during the preceding quarter.
- We revised our FY24F-FY25F earnings upwards by 4%/5% to take into consideration higher associate contribution and slightly increased sales volume assumption. We raised our FY24F sales volume assumption by 3% to 24.7k units from 23.9k units previously. Meanwhile, our FY25F sales volume assumption was also increased by 2% to 24k units from 23.4k units previously. We also did some fine-tuning to FY26F, backed by stronger revenue growth of 9%.
- 6MFY24 earnings increased 64.3% YoY to RM190mil. The higher earnings were supported by a 73% YoY growth in associate profits, mainly fueled by stronger performance from its 30%-owned Mazda Malaysia (26.8% YoY) and 29%-owned Inokom Malaysia (2x YoY).
- For the domestic market in 6MFY24, Mazda sold 7k units (+11.6% YoY) while Kia delivered 364 units (+14.1% YoY). Meanwhile on the regional front, the Philippines operations reported income growth of 2.2x YoY, lifted by a 55.4% YoY increase in Mazda car sales to 1.3k units.
- On a quarterly basis, revenue dropped by 7.6% QoQ to RM1bil in 2QFY24, largely dragged by a drop in revenue in Malaysia (-6.6% QoQ) and Philippines (-11.4% QoQ). Meanwhile, bottomline decreased 10% QoQ to RM90bil due to by weaker growth in sales volume for Kia models (-84.4% QoQ) and Mazda CBU models (-43.4% QoQ)
- The group declared a second interim dividend of 5 sen/share for the quarter under review, bringing 6MFY24 dividend to 10 sen/share. This accounts for 63% of our FY24F DPS of 16 sen, based on a payout ratio of 71.4%

- Based on our channel check Mazda currently has a backlog order of 2.5k units as of December 2023 and targets to achieve an average 18k units of backlog orders in FY24F-FY25F. We continue to like BAuto for its attractive model rollouts and CKD model expansions.
- The facelifted CX-5 model, Mazda's volume driver, is expected to be launched by early next year, which we foresee will contribute to an upward booking trend and higher order backlogs that will support the momentum of motor vehicle sales.
- The group currently trades at a compelling FY24F PE of 8x versus its 5-year average of 12x with an attractive FY24F dividend yield of 6%.

EXHIBIT 1: RESULT SUMMARY

FYE April (RM mil)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Revenue	783.0	1,089.3	1,007.0	(7.6)	28.6	1,499.8	2,096.2	39.8
EBITDA	87.0	130.7	107.6	(17.7)	23.6	151.4	238.3	57.4
Operating Profit	81.2	130.7	107.6	(17.7)	32.5	162.7	238.3	46.4
Investment related income	3.3	3.2	2.9	(8.4)	(12.2)	6.2	6.1	(1.6)
Finance costs	(2.2)	(1.8)	(2.1)	13.2	(5.8)	(4.7)	(3.9)	(17.6)
Net interest expense	1.1	1.3	0.8	(37.7)	(24.7)	1.5	2.2	50.1
Share of results of associates	9.3	8.6	14.4	66.9	55.5	13.3	23.0	73.3
Profit before tax	91.6	140.7	122.8	(12.7)	34.1	166.2	263.5	58.6
Tax	(20.8)	(32.8)	(27.1)	(17.3)	30.5	(38.7)	(59.9)	54.6
Profit after tax	70.8	107.9	95.7	(11.3)	35.2	127.4	203.6	59.8
Minority interest	5.1	7.7	5.6	(26.8)	9.5	11.6	13.3	14.8
Net profit	65.7	100.2	90.1	(10.1)	37.2	115.8	190.3	64.3
Core Net Profit	65.7	100.2	90.1	(10.1)	37.2	115.8	190.3	64.3
EPS (sen)	5.6	8.6	7.7	(9.9)	36.7	10.0	16.3	63.8
DPS (sen)	3.5	5.0	5.0	0.0	42.9	6.5	10.0	53.8
Margins								
EBITDA margin (%)	11.1	12.0	10.7	-1.3 pts	-0.4 pts	10.1	11.4	1.3 pts
EBIT margin (%)	10.4	12.0	10.7	-1.3 pts	0.3 pts	10.9	11.4	0.5 pts
PBT margin (%)	11.7	12.9	12.2	-0.7 pts	0.5 pts	11.1	12.6	1.5 pts
Core net margin (%)	8.4	9.2	8.9	-0.3 pts	0.6 pts	7.7	9.1	1.4 pts

EXHIBIT 2: SEGMENTAL BREAKDOWN

Segmental breakdown	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Revenue	783.0	1,089.3	1,012.2	(7.1)	29.3	1,499.8	2,096.2	39.8
Malaysia	730.7	988.9	923.2	(6.6)	26.4	1,388.7	1,906.9	37.3
Philippines	52.3	100.3	88.9	(11.4)	70.1	111.2	189.3	70.3
Operating income	81.2	130.7	238.3	82.3	>100	151.4	238.3	57.4
Malaysia	75.2	116.1	207.8	79.0	>100	138.3	207.8	50.3
Philippines	6.6	14.9	31.4	>100	>100	14.0	31.5	>100
Unallocated corporate items	(0.5)	(0.3)	(0.9)	>100	71.0	(0.9)	(0.9)	3.3
Share of results of associates	9.3	8.6	14.4	66.8	55.4	13.3	23.0	73.3
Mazda Malaysia	8.1	7.2	6.8	(5.2)	(16.3)	11.0	13.9	26.8
Inokom Corporation	1.4	1.3	3.8	>100	>100	2.5	5.1	>100
KIA Malaysia Sdn Bhd	(0.3)	0.3	3.5	>100	>100	(0.2)	3.7	>100
Other	0.1	(0.1)	0.3	>100	>100	0.0	0.2	>100
Sales Volume	4,402	6,357	5,837	(8.2)	32.6	8,549	9,223	7.9
Mazda	3,719	5,729	5,528	(3.5)	48.6	7,127	8,306	16.5
Malaysia	3,332	4,999	4,918	(1.6)	47.6	6,318	7,049	11.6
Philippines	387	730	610	(16.4)	57.6	809	1,257	55.4
Peugeot	629	313	260	(16.9)	(58.7)	1,103	553	(49.9)
Kia	54	315	49	(84.4)	(9.3)	319	364	14.1
Mazda - Malaysia								
CBU	561	1,610	912	(43.4)	62.6	1,668	2,522	51.2
CKD	2,771	3,389	4,006	18.2	44.6	4,650	7,395	59.0

EXHIBIT 3: PB BAND CHART

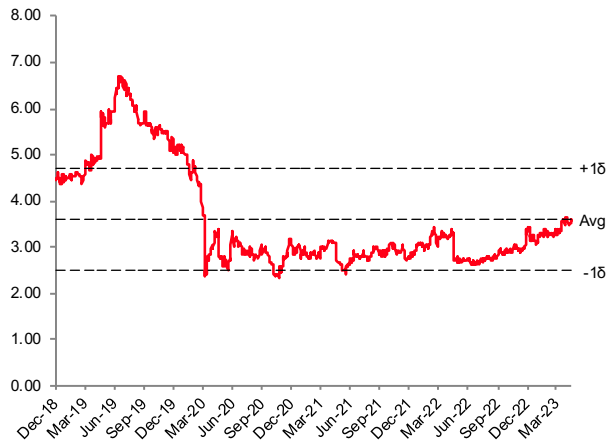


EXHIBIT 4: PE BAND CHART



EXHIBIT 5: ESG MATRIX

Overall	★	★	★		
Zero-carbon initiatives	★				
Work site safety	★	★	★		
Shareholder accountability	★	★	★		
Social responsibility	★	★	★		
Pollution control	★	★			
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★	★	
Accessibility & transparency	★	★	★	★	★

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-stars

Source: AmInvestment Bank Bhd

EXHIBIT 1: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
30 Apr					
Revenue	2,323.7	3,548.2	4,074.7	3,977.4	4,090.1
EBITDA	230.7	400.3	410.4	388.5	396.3
Depreciation/Amortisation	(20.4)	(23.4)	(18.9)	(16.5)	(14.6)
Operating income (EBIT)	210.3	376.8	391.5	372.0	381.7
Other income & associates	18.1	39.0	59.2	62.4	59.0
Net interest	(10.7)	5.4	(13.3)	(11.9)	(10.5)
Exceptional items	-	-	-	-	-
Pretax profit	217.7	421.2	437.3	422.5	430.1
Taxation	(59.7)	(94.0)	(94.5)	(90.0)	(92.8)
Minorities/pref dividends	2.9	23.5	10.5	7.6	11.4
Net profit	155.1	303.7	332.3	324.9	326.0
Core net profit	155.1	303.7	332.3	324.9	326.0
Balance Sheet (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	43.3	44.6	35.7	31.2	28.6
Intangible assets	0.5	0.5	0.5	0.5	0.5
Other long-term assets	437.5	491.3	550.4	612.8	671.8
Total non-current assets	481.3	536.3	586.6	644.5	700.8
Cash & equivalent	172.4	89.2	143.4	256.3	353.8
Stock	216.7	498.3	562.3	550.4	564.1
Trade debtors	163.2	197.6	231.7	225.4	232.8
Other current assets	526.4	455.5	455.5	455.5	455.5
Total current assets	1,078.7	1,240.6	1,392.9	1,487.7	1,606.1
Trade creditors	272.9	351.1	394.4	386.4	395.6
Short-term borrowings	100.0	99.9	89.9	79.9	69.9
Other current liabilities	103.3	142.6	142.6	142.6	142.6
Total current liabilities	476.2	593.7	626.9	608.9	608.2
Long-term borrowings	99.8	100.0	90.0	80.0	70.0
Other long-term liabilities	295.8	243.7	243.7	243.7	243.7
Total long-term liabilities	395.6	343.7	333.7	323.7	313.7
Shareholders' funds	633.7	762.8	931.6	1,104.7	1,278.9
Minority interests	54.5	76.6	87.1	94.7	106.0
BV/share (RM)	0.54	0.65	0.80	0.95	1.10
Cash Flow (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	217.7	421.2	437.3	422.5	430.1
Depreciation/Amortisation	20.4	23.4	18.9	16.5	14.6
Net change in working capital	293.2	114.9	(54.8)	10.1	(11.7)
Others	(238.1)	(444.6)	(140.4)	(140.5)	(141.3)
Cash flow from operations	293.2	114.9	261.0	308.6	291.7
Capital expenditure	(10.6)	(12.2)	(10.0)	(12.0)	(12.0)
Net investments & sale of fixed assets	(23.6)	0.4	-	-	-
Others	5.4	12.7	-	-	-
Cash flow from investing	(28.8)	1.0	(10.0)	(12.0)	(12.0)
Debt raised/(repaid)	(31.5)	(100.0)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	-	8.0	-	-	-
Dividends paid	(101.9)	(256.9)	(163.5)	(151.8)	(151.8)
Others	1.4	80.2	(13.3)	(11.9)	(10.5)
Cash flow from financing	(131.9)	(268.7)	(196.8)	(183.7)	(182.3)
Net cash flow	132.5	(152.8)	54.2	112.9	97.5
Net cash/(debt) b/f	563.4	694.4	537.6	591.8	704.7
Net cash/(debt) c/f	694.4	537.6	591.8	704.7	802.2
Key Ratios (YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	1.6	52.7	14.8	(2.4)	2.8
EBITDA growth (%)	30.0	73.5	2.5	(5.3)	2.0
Pretax margin (%)	9.4	11.9	10.7	10.6	10.5
Net profit margin (%)	6.7	8.6	8.2	8.2	8.0
Interest cover (x)	19.7	nm	29.4	31.3	36.4
Effective tax rate (%)	27.4	22.3	21.6	21.3	21.6
Dividend payout (%)	65.7	84.6	49.2	46.7	46.6
Debtors turnover (days)	24	19	19	21	20
Stock turnover (days)	39	37	48	51	50
Creditors turnover (days)	41	32	33	36	35

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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