



AmInvestment Bank

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

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Company report

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Rationale for Report: Company Results

BUY

(Maintained)

Price	RM2.23
Fair Value	RM2.77
52-week High/Low	RM2.39/RM1.66

Key Changes

Fair value	↑
EPS	↑

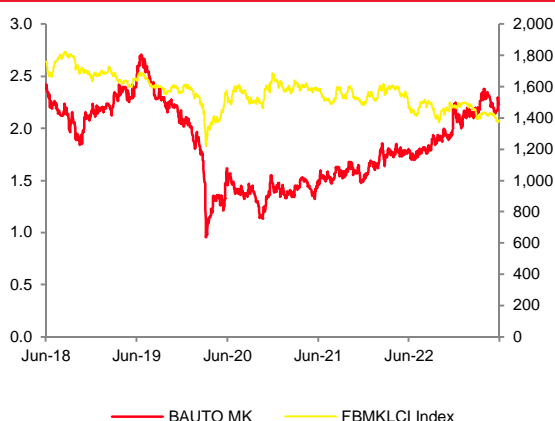
YE to Apr	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	3,548.2	3,562.8	3,676.1	3,703.4
Core net profit (RM mil)	303.7	281.6	289.6	292.8
FD Core EPS (sen)	26.0	24.1	24.8	25.1
FD Core EPS growth (%)	95.8	(7.3)	2.8	1.1
Consensus Net Profit (RM mil)	-	266.7	238.9	253.1
DPS (sen)	22.0	13.0	13.0	13.0
PE (x)	8.6	9.2	9.0	8.9
EV/EBITDA (x)	6.5	7.3	7.0	6.8
Div yield (%)	9.9	5.8	5.8	5.8
ROE (%)	43.5	34.0	30.1	26.6
Net Gearing (%)	1.4	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,167.6
Market Cap (RMmil)	2,603.7
Book Value (RM/share)	0.65
P/BV (x)	3.4
ROE (%)	43.5
Net Gearing (%)	1.4

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)	7.4

Price performance	3mth	6mth	12mth
Absolute (%)	4.7	4.2	25.7
Relative (%)	8.2	10.8	35.4



Investment Highlights

- We maintain BUY on Bermaz Auto (BAuto) with a higher fair value (FV) of RM2.77/share (vs. RM2.70/share previously), premised on a FY24F PE of 12x, on par with its 10-year mean. Our FV also reflects an unchanged neutral ESG rating of 3-stars.
- BAuto's results were above expectations accounting for 17% of our and 14% of consensus estimate due to stronger-than-expected sales of motor vehicles (CX-5, CX-8, and CX-30). We raise our FY24F-FY25F earnings by 5% to 6% to account for better margin assumptions due to price revision in April 2023 and higher associate contributions. We also introduce FY26F net profit of RM293mil, backed by a conservative growth in revenue of 1%.
- BAuto's net earnings rose 96% YoY to RM304mil in FY23. The group's sales of motor vehicles surged 46% YoY to 21,370 units in FY23 as carmakers rushed to fulfill the sales tax-free orders before the registration deadline on 31 March 2023. The higher earnings were also supported by a growth of >100% in associates' profits, mainly fueled by better performance from 30%-owned Mazda Malaysia (>100% YoY) and 33%-owned KIA Malaysia. FY23 saw a lower share of loss from KIA of RM0.4mil compared to -RM1mil in FY22 as it delivered 1,158 units of cars which was higher compared to the last financial year.
- Domestically, Mazda sold 15,598 units (+30% YoY) while Kia delivered 2,194 units (+6x YoY). Meanwhile, Peugeot sold 1,896 units (+2x YoY).
- On the regional front, the Philippines operations reported a sales growth of 26% YoY in FY23, lifted by a 29% YoY increase in car sales to 1,682 units.
- On quarterly comparison, topline grew 10% QoQ to RM1.1bil in 4QFY23, mainly underpinned by: i) higher revenue from Malaysia (+8% QoQ), which recorded increased car sales of 5,992 units (+10% QoQ), and ii) improved sales in Philippines (+49% QoQ) with 523 units sold (+49% QoQ). Bottomline climbed 15% QoQ to RM100.6mil buoyed by stronger earnings from the local operations (+28% QoQ) and Philippines (+25% QoQ). This was largely driven by improved sales mix of certain Mazda models.
- BAuto declared a 4th interim dividend of 3.5 sen per share in 4QFY23. This coupled with a special dividend of 7.5 sen per share, brought the FY23 dividends to 22.0 sen per share (payout: 85%), translating to a high dividend yield of close to 10% based on a share price of RM2.23/share. Our dividend per share estimate of 13 sen (payout: 54%) for FY24F to FY26F excludes any special dividends.
- BAuto's outlook is positive. Our channel checks reveal that the group has a current order backlog of 6,000 to 7,000 units as at end May 2023, which is similar to March – April. This indicates that new bookings are still strong. The backlog will be supportive of the group's revenue for another 5 to 6 months.
- The group currently trades at a compelling FY24F PE of 9x versus its 10-year average of 12x with an attractive FY24F dividend yield of 6%.

EXHIBIT 1: RESULTS SUMMARY

FYE April (RM mil)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	897.4	976.0	1,072.4	9.9	19.5	2,323.7	3,548.2	52.7
EBITDA	112.2	104.9	109.2	4.0	(2.7)	224.1	376.8	68.2
Operating Profit	106.8	99.0	126.5	27.8	18.4	203.6	376.8	85.1
Investment related income	1.9	4.5	4.0	(10.5)	>100	6.6	14.6	>100
Finance costs	(2.8)	(2.7)	(1.8)	(31.6)	(33.8)	(10.7)	(9.3)	(13.2)
Net interest expense	(0.9)	1.8	2.1	21.5	(>100)	(4.0)	5.4	(>100)
Share of results of associates	9.5	14.8	10.9	(26.0)	15.2	18.1	39.0	>100
Profit before tax	115.4	115.5	139.5	20.8	20.9	217.7	421.2	93.5
Tax	(34.6)	(23.3)	(31.9)	36.8	(7.7)	(59.7)	(94.0)	57.4
Profit after tax	80.8	92.2	107.6	16.7	33.1	158.0	327.2	>100
Minority interest	2.1	4.9	7.0	42.8	>100	2.9	23.5	>100
Net profit	78.7	87.3	100.6	15.3	27.8	155.1	303.7	95.8
Core Net Profit	78.7	87.3	100.6	15.3	27.8	155.1	303.7	95.8
EPS (sen)	6.8	7.5	8.6	14.8	27.5	13.3	26.0	95.8
DPS (sen)	4.5	4.5	11.0	>100	>100	8.8	22.0	>100
Margins								
EBITDA margin (%)	12.5	10.8	10.2	-0.6 pts	-2.3 pts	9.6	10.6	1.0 pts
EBIT margin (%)	11.9	10.1	11.8	1.6 pts	-0.1 pts	8.8	10.6	1.9 pts
PBT margin (%)	12.9	11.8	13.0	1.2 pts	0.1 pts	9.4	11.9	2.5 pts
Core net margin (%)	8.8	8.9	9.4	0.4 pts	0.6 pts	6.7	8.6	1.9 pts
Segmental breakdown								
Revenue	897.4	976.0	1,072.4	9.9	19.5	2,325.1	3,548.2	52.6
Malaysia	840.1	927.7	1,000.5	7.9	19.1	2,140.7	3,316.8	54.9
Philippines	57.3	48.3	71.9	48.8	25.6	184.4	231.4	25.5
Operating income	106.8	99.0	126.5	27.8	18.4	204.5	376.8	84.3
Malaysia	105.4	92.3	117.9	27.7	11.8	200.6	348.6	73.8
Philippines	1.6	7.0	8.8	25.1	>100	5.0	29.9	>100
Unallocated corporate items	(0.2)	(0.4)	(0.3)	(27.1)	40.0	(1.1)	(1.6)	45.2
Share of results of associates	9.5	14.8	10.9	(25.9)	15.2	18.1	39.1	>100
Mazda Malaysia	7.9	13.4	8.0	(40.5)	0.1	11.1	32.3	>100
Inokom Corporation	2.0	2.1	2.7	28.4	30.1	8.0	7.2	(10.3)
KIA Malaysia Sdn Bhd	(0.5)	(0.6)	0.4	nm	nm	(1.2)	(0.4)	(69.8)
Other	0.0	(0.1)	(0.1)	20.6	nm	0.0	0.0	nm

Source: AmInvestment Bank Bhd

EXHIBIT 2: PB BAND CHART



Source: AmInvestment Bank Bhd

EXHIBIT 3: PE BAND CHART



EXHIBIT 4: 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

EXHIBIT 5: FINANCIAL DATA

Income Statement (RM mil, FYE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	2,323.7	3,548.2	3,562.8	3,676.1	3,703.4
EBITDA	230.7	400.3	344.5	348.6	345.7
Depreciation/Amortisation	(20.4)	(23.4)	(18.9)	(16.5)	(14.6)
Operating income (EBIT)	210.3	376.8	325.6	332.1	331.2
Other income & associates	18.1	39.0	52.1	54.9	58.3
Net interest	(10.7)	5.4	(6.3)	(4.9)	(3.5)
Exceptional items	-	-	-	-	-
Pretax profit	217.7	421.2	371.4	382.1	386.0
Taxation	(59.7)	(94.0)	(79.8)	(81.8)	(81.9)
Minorities/pref dividends	2.9	23.5	10.0	10.7	11.3
Net profit	155.1	303.7	281.6	289.6	292.8
Core net profit	155.1	303.7	281.6	289.6	292.8
Balance Sheet (RM mil, FYE 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	543.4	598.3	656.6
Total non-current assets	481.3	536.3	579.5	629.9	685.7
Cash & equivalent	172.4	89.2	164.2	230.6	304.3
Stock	216.7	498.3	500.1	513.9	517.2
Trade debtors	163.2	197.6	198.5	205.9	207.7
Other current assets	526.4	455.5	455.5	455.5	455.5
Total current assets	1,078.7	1,240.6	1,318.4	1,405.8	1,484.6
Trade creditors	272.9	351.1	352.3	361.6	363.8
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	584.9	584.2	576.4
Long-term borrowings	99.8	-	-	-	-
Other long-term liabilities	295.8	343.9	343.9	343.9	343.9
Total long-term liabilities	395.6	343.9	343.9	343.9	343.9
Shareholders' funds	633.7	762.8	892.5	1,030.3	1,171.3
Minority interests	54.5	76.6	86.6	97.4	108.7
BV/share (RM)	0.54	0.65	0.76	0.88	1.00
Cash Flow (RM mil, FYE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	217.7	421.2	371.4	382.1	386.0
Depreciation/Amortisation	20.4	23.4	18.9	16.5	14.6
Net change in working capital	293.2	114.9	(1.5)	(11.8)	(2.8)
Others	(238.1)	(444.6)	(125.6)	(131.8)	(136.8)
Cash flow from operations	293.2	114.9	263.1	255.0	261.0
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)	(151.8)	(151.8)	(151.8)
Others	1.4	80.2	(6.3)	(4.9)	(3.5)
Cash flow from financing	(131.9)	(268.7)	(178.1)	(176.7)	(175.3)
Net cash flow	132.5	(152.8)	75.1	66.4	73.7
Net cash/(debt) b/f	563.4	694.4	537.6	612.7	679.0
Net cash/(debt) c/f	694.4	537.6	612.7	679.0	752.7
Key Ratios (FYE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	1.6	52.7	0.4	3.2	0.7
EBITDA growth (%)	30.0	73.5	(13.9)	1.2	(0.8)
Pretax margin (%)	9.4	11.9	10.4	10.4	10.4
Net profit margin (%)	6.7	8.6	7.9	7.9	7.9
Interest cover (x)	19.7	nm	51.7	67.8	94.7
Effective tax rate (%)	27.4	22.3	21.5	21.4	21.2
Dividend payout (%)	65.7	84.6	53.9	52.4	51.8
Debtors turnover (days)	24	19	20	20	20
Stock turnover (days)	39	37	51	50	51
Creditors turnover (days)	41	32	36	35	36

Source: Company, AmlInvestment Bank Bhd estimates

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