



AmInvestment Bank

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

13 Sep 2022

Company report

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Steady as she goes

BUY

(Maintained)

Rationale for report: Company results

Price	RM1.83
Fair Value	RM2.25
52-week High/Low	RM1.85/RM1.45

Key Changes

Fair value	↔
EPS	↔

YE to Apr	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	2,325.1	3,049.9	3,531.2	3,612.2
Core net profit (RM mil)	155.7	201.0	252.4	261.0
FD Core EPS (sen)	13.4	17.3	21.7	22.4
FD Core EPS growth (%)	16.3	29.1	25.6	3.4
Consensus Net Profit (RM mil)	-	178.6	206.3	228.9
DPS (sen)	8.8	10.0	13.0	13.0
PE (x)	13.7	10.6	8.4	8.2
EV/EBITDA (x)	7.3	6.6	5.4	5.1
Div yield (%)	4.9	5.6	7.2	7.2
ROE (%)	26.0	29.7	32.8	29.8
Net Gearing (%)	net cash	net cash	net cash	net cash

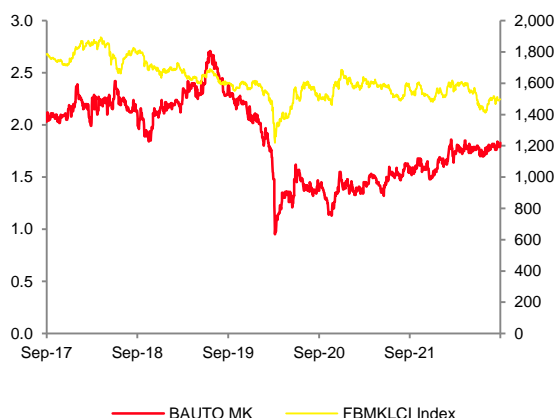
Stock and Financial Data

Shares Outstanding (million)	1,166.5
Market Cap (RM mil)	2,134.6
Book Value (RM/share)	0.54
P/BV (x)	3.4
ROE (%)	26.0
Net Gearing (%)	(77.9)

Major Shareholders	Employees Provident Fund (18.6%)
	Dynamic Milestone (14.4%)
	Amanah Saham Nasional (7.9%)

Free Float	51.5
Avg Daily Value (RM mil)	2.7

Price performance	3mth	6mth	12mth
Absolute (%)	3.1	6.7	16.0
Relative (%)	2.9	11.7	22.1



Investment Highlights

- We maintain BUY on Bermaz Auto (BAuto) with an unchanged value (FV) of RM2.25/share, based on an FY23F target PE of 13x, in line with the sector average.
- We make no changes in our earnings estimate as BAuto's 1QFY23 net earnings of RM50mil (-36% QoQ, 3.9x YoY) were largely in line with our expectation. The core net profit accounted for 25% of our forecast and 28% of consensus, compared to historical 1Q which contributed 19%–35% of full-year earnings in FY17–19.
- The sequentially lower revenue of RM717mil (-20% QoQ, +1.2x YoY) was expected following the softer car sales volume (Exhibits 2–5). The lower deliveries were mainly attributed to supply chain disruptions caused by China lockdowns that led to an inventory shortage of Mazda models. Nevertheless, the situation is expected to gradually recover as the supply chain readjusts.
- Meanwhile, the Philippine operations reported a stronger operating profit of RM7mil (vs. RM2mil in 4QFY22), backed by stronger sales. Nevertheless, as this was also affected by the inventory shortage, associate contribution declined by 58% to RM4mil, due to lower contributions from Mazda Malaysia and Inokom Corporation.
- YoY, the group's earnings improved by 3.9x compared to a low base in 1QFY22, which was affected by the movement control order. Separately, the group declared an interim dividend of 3.0 sen/share (70% payout based on 1QFY23 EPS), broadly in line with our expectation.
- BAuto's outstanding order book rose doubled QoQ to 11.9K units – i) Mazda 10K units; ii) Kia 1.3K units; and iii) Peugeot 600 units – as of mid-August. This is sufficient to fuel its sales at least for the next 6–7 months.
- In addition, the group's booking rate remains healthy post-SST exemption period, clocking 900 orders in July vs. 1,100–1,200 during a normal period. This is mainly attributed to BAuto's exercise of absorbing 50% of the SST hike for new bookings starting July until December 2022. The strong order book will provide BAuto with sales visibility while the impact of the additional cost could be offset by lower advertising and promotional spending.
- Another key earnings rerating catalyst for the company is the introduction of the locally assembled CX-30, in our view. With the production line currently being set up at the Inokom plant, the completely knocked down (CKD) programme is set to materialise soon.
- With the strong sales visibility and earnings catalysts still intact, the company is trading at an undemanding FY23F PE of 10.6x vs. its 5-year historical average of 13x (Exhibit 7).

EXHIBIT 1: RESULTS SUMMARY

FYE April (RM mil)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Revenue	320.8	897.4	716.9	(20.1)	>100
EBITDA	21.2	112.7	75.7	(32.8)	>100
Operating Profit	16.3	106.8	70.2	(34.3)	>100
Investment related income	1.9	1.9	2.9	49.9	54.2
Finance costs	(2.8)	(2.8)	(2.5)	(9.3)	(9.3)
Net interest expense	(0.9)	(0.9)	0.3	n.m.	n.m.
Share of results of associates	(0.9)	9.5	4.0	(57.6)	n.m.
Profit before tax	14.5	115.4	74.6	(35.4)	>100
Tax	(4.1)	(34.6)	(18.0)	(48.1)	>100
Profit after tax	10.3	80.8	56.6	(30.0)	>100
Minority interest	0.1	2.1	6.5	>100	>100
Net profit	10.3	78.7	50.2	(36.3)	>100
Core Net Profit	10.3	78.7	50.2	(36.3)	>100
EPS (sen)	0.9	6.8	4.3		
GDPS (sen)	0.5	4.5	3.0		
Margins					
EBITDA margin (%)	6.6	12.6	10.6	-2.0 pts	4.0 pts
EBIT margin (%)	5.1	11.9	9.8	-2.1 pts	4.7 pts
PBT margin (%)	4.5	12.9	10.4	-2.5 pts	5.9 pts
Core net margin (%)	3.2	8.8	7.0	-1.8 pts	3.8 pts
Segmental breakdown					
Revenue	320.8	897.4	716.9	(20.1)	>100
Malaysia	270.6	840.1	658.0	(21.7)	>100
Philippines	50.2	57.3	58.9	2.9	17.4
Operating income	16.3	106.8	70.2	(34.3)	>100
Malaysia	15.5	105.4	63.1	(40.1)	>100
Philippines	1.1	1.6	7.4	374.3	>100
Unallocated corporate items	(0.3)	(0.2)	(0.4)	76.0	30.9
Share of results of associates	(0.9)	9.5	4.0	(57.6)	n.m.
Mazda Malaysia	(1.9)	7.9	2.9	(63.6)	n.m.
Inokom Corporation	0.9	2.0	1.0	(49.5)	9.0
Bermaz Auto Alliance	0.1	0.0	0.0	n.m.	n.m.
KIA Malaysia	0.0	(0.5)	0.1	n.m.	n.m.
Other	0.0	0.0	(0.0)	n.m.	n.m.
Sales Volume (units)	1,934	5,740	4,147	(27.8)	>100
Mazda	1,934	4,989	3,408	(31.7)	76.2
- Malaysia	1,619	4,551	2,986	(34.4)	84.4
- Philippines	315	438	422	(3.7)	34.0
Peugeot	0	548	474	(13.5)	n.m.
Kia	0	203	265	30.5	n.m.
Mazda - Malaysia					
CBU	415	650	1,107	70.3	>100
CKD	1,204	3,901	1,879	(51.8)	56.1

Source: BAUTO, AmlInvestment Bank

EXHIBIT 2: SALES INVOICED – MAZDA (MALAYSIA)

FY Apr (units)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
CBU	415	650	1,107	70.3	>100
Mazda 2	26	38	80	>100	>100
Mazda 3	216	152	114	(25.0)	(47.2)
Mazda 5	0	0	0	n.m.	n.m.
Mazda 6	4	26	21	(19.2)	>100
Mazda 8	0	0	0	n.m.	n.m.
Biante	0	0	0	n.m.	n.m.
CX-3	0	117	198	69.2	n.m.
CX-30	160	214	620	>100	>100
CX-7	0	0	0	n.m.	n.m.
CX-9	3	9	6	(33.3)	>100
MX-5	3	4	7	75.0	>100
RX-8	0	0	0	n.m.	n.m.
BT-50	3	90	61	(32.2)	>100
CKD	1,204	3,901	1,879	(51.8)	56.1
Mazda 3	2	0	0	n.m.	n.m.
CX-5	963	3,455	1,511	(56.3)	56.9
CX-8	239	446	368	(17.5)	54.0
Total	1,619	4,551	2,986	(34.4)	84.4

Source: BAUTO, AmlInvestment Bank

EXHIBIT 3: SALES INVOICED – MAZDA (PHILIPPINES)

FY Apr (units)	1QFY22	4QFY22	1QFY23	QoQ	YoY
Mazda 2	0	15	8	(46.7)	n.m.
Mazda 3	32	42	31	(26.2)	(3.1)
Mazda 5	0	0	0	n.m.	n.m.
Mazda 6	3	2	0	n.m.	n.m.
Mazda 8	0	0	0	n.m.	n.m.
Biante	0	0	0	n.m.	n.m.
CX-3	8	0	0	n.m.	n.m.
CX-30	36	17	19	11.8	(47.2)
CX-5	62	124	76	(38.7)	22.6
CX-7	0	0	0	n.m.	n.m.
CX-8	53	102	140	37.3	>100
CX-9	72	15	31	>100	(56.9)
MX-5	17	27	13	(51.9)	(23.5)
RX-8	0	0	0	n.m.	n.m.
BT-50	32	94	104	10.6	>100
Total	315	438	422	(3.7)	34.0

Source: BAUTO, AmlInvestment Bank

EXHIBIT 4: SALES INVOICED – PEUGEOT (MALAYSIA)

FY Apr (units)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
CKD					
2008	0	180	246	36.7	n.m.
3008	0	289	193	(33.2)	n.m.
5008	0	79	35	(55.7)	n.m.
Total	0	548	474	(13.5)	n.m.

Source: BAUTO, AmlInvestment Bank

EXHIBIT 5: SALES INVOICED – KIA (MALAYSIA)

FY Apr (units)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
CBU					
Carnival	0	203	263	29.6	n.m.
EV6	0	0	2	n.m.	n.m.
Total	0	203	265	30.5	n.m.

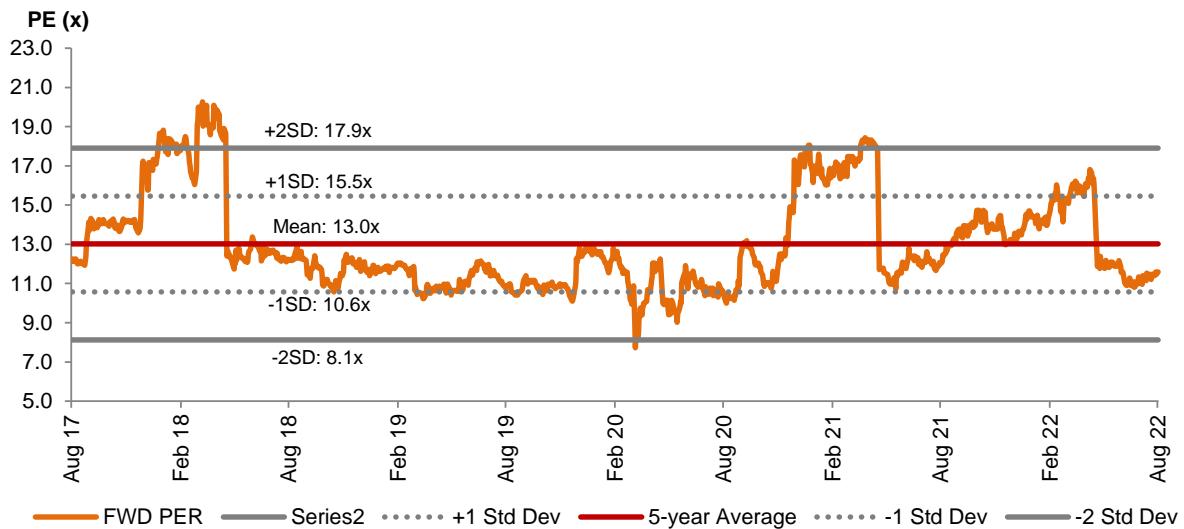
Source: BAUTO, AmlInvestment Bank

EXHIBIT 6: SALES ASSUMPTIONS

Units	FY21	FY22	FY23F	FY24F	FY25F
Mazda	14,684	13,341	14,405	17,160	17,520
- Malaysia	13,439	12,037	12,280	14,320	14,520
- Philippines	1,245	1,304	2,125	2,840	3,000
Peugeot	242	964	2,500	2,800	2,900
Kia	N/A	360	2,200	2,300	2,400

Source: AmlInvestment Bank

EXHIBIT 7: 5-YEAR PE BAND CHART



Source: Bloomberg, AmlInvestment Bank

EXHIBIT 8: ESG RATING

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-star

Source: AmlInvestment Bank

EXHIBIT 9: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	2,287.9	2,325.1	3,049.9	3,531.2	3,612.2
EBITDA	175.7	225.4	266.0	321.9	327.4
Depreciation/Amortisation	(16.2)	(20.9)	(17.9)	(15.1)	(13.4)
Operating income (EBIT)	159.6	204.5	248.2	306.7	314.0
Other income & associates	20.5	18.1	33.8	43.7	46.0
Net interest	(7.4)	(3.9)	(3.7)	(3.3)	(1.3)
Exceptional items	-	-	-	-	-
Pretax profit	172.7	218.6	278.3	347.1	358.7
Taxation	(41.1)	(59.7)	(63.6)	(78.9)	(81.3)
Minorities/pref dividends	(2.4)	3.1	13.7	15.8	16.4
Net profit	133.9	155.7	201.0	252.4	261.0
Core net profit	133.9	155.7	201.0	252.4	261.0
Balance Sheet (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	37.2	41.6	33.7	28.6	25.2
Intangible assets	0.5	1.3	1.3	1.3	1.3
Other long-term assets	371.9	437.6	471.4	515.1	561.2
Total non-current assets	409.6	480.5	506.5	545.0	587.7
Cash & equivalent	563.4	693.9	548.4	556.7	611.7
Stock	277.8	230.4	370.3	428.8	438.6
Trade debtors	148.5	142.5	197.9	229.1	234.4
Other current assets	2.5	0.4	0.4	0.4	0.4
Total current assets	992.2	1,067.2	1,117.0	1,214.9	1,285.0
Trade creditors	247.6	253.0	250.7	290.2	296.9
Short-term borrowings	105.7	100.0	90.0	80.0	70.0
Other current liabilities	97.9	108.6	108.6	108.6	108.6
Total current liabilities	451.1	461.6	449.2	478.8	475.4
Long-term borrowings	99.8	99.8	89.8	79.8	69.8
Other long-term liabilities	238.8	297.2	297.2	297.2	297.2
Total long-term liabilities	338.5	397.1	387.1	377.1	367.1
Shareholders' funds	565.4	634.3	718.7	819.8	929.5
Minority interests	46.7	54.8	68.5	84.3	100.7
BV/share (RM)	0.49	0.54	0.62	0.70	0.80
Cash Flow (RMmil, YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	172.7	218.6	278.3	347.1	358.7
Depreciation/Amortisation	16.2	20.9	17.9	15.1	13.4
Net change in working capital	455.0	-	(197.7)	(50.1)	(8.4)
Others	(188.9)	51.6	(93.7)	(119.2)	(126.0)
Cash flow from operations	455.0	291.1	4.8	192.9	237.6
Capital expenditure	(3.6)	(10.6)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	(2.5)	(23.6)	(33.8)	(43.7)	(46.0)
Others	5.4	7.0	33.8	43.7	46.0
Cash flow from investing	(0.8)	(27.1)	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	67.7	(31.5)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	1.2	-	-	-	-
Dividends paid	(75.7)	(101.9)	(116.6)	(151.3)	(151.3)
Others	17.7	1.4	(3.7)	(3.3)	(1.3)
Cash flow from financing	10.9	(131.9)	(140.3)	(174.7)	(172.6)
Net cash flow	465.2	132.0	(145.5)	8.2	55.0
Net cash/(debt) b/f	100.2	563.4	693.9	548.4	556.7
Net cash/(debt) c/f	563.4	693.9	548.4	556.7	611.7
Key Ratios (YE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	30.1	1.6	31.2	15.8	2.3
EBITDA growth (%)	37.9	28.2	18.1	21.0	1.7
Pretax margin (%)	7.5	9.4	9.1	9.8	9.9
Net profit margin (%)	5.9	6.7	6.6	7.1	7.2
Interest cover (x)	21.6	52.0	67.5	91.7	240.3
Effective tax rate (%)	23.8	27.3	22.8	22.7	22.7
Dividend payout (%)	56.5	65.4	58.0	60.0	58.0
Debtors turnover (days)	20	23	20	22	23
Stock turnover (days)	77	40	36	41	44
Creditors turnover (days)	48	39	30	28	30

Source: Company, AmlInvestment Bank Bhd estimates

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