



AmInvestment Bank

Company report

Eunice Ng Qing Rong

ng.qing-rong@ambankgroup.com

+603-2036 1688

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

13 Sep 2023

Driven by robust Mazda delivery

BUY

(Maintained)

Rationale for report: Company result

Price RM2.18
Fair Value RM3.10
52-week High/Low RM2.31/RM1.74

Key Changes

Fair value ⓘ
EPS ⓘ

YE to Apr	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	3,548.2	3,901.7	3,823.7	3,703.1
Core net profit (RM mil)	303.7	314.2	300.6	287.5
FD Core EPS (sen)	26.0	26.9	25.7	24.6
FD Core EPS growth (%)	95.2	3.5	(4.3)	(4.4)
Consensus Net Profit (RM mil)	-	261.4	276.4	307.4
DPS (sen)	22.0	14.0	13.0	13.0
PE (x)	8.4	8.1	8.5	8.9
EV/EBITDA (x)	6.6	6.6	6.7	6.8
Div yield (%)	10.1	6.4	6.0	6.0
ROE (%)	43.5	37.5	30.4	25.4
Net Gearing (%)	14.5	3.8	net cash	net cash

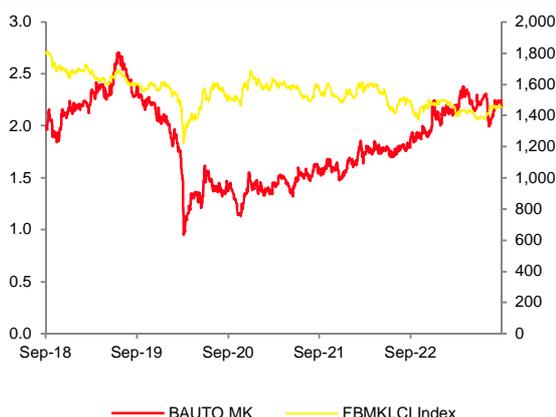
Stock and Financial Data

Shares Outstanding (million) 1,167.6
Market Cap (RMmil) 2,545.3
Book Value (RM/share) 0.65
P/BV (x) 3.3
ROE (%) 43.5
Net Gearing (%) 14.5

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) 8.2

Price performance	3mth	6mth	12mth
Absolute (%)	1.3	6.0	23.4
Relative (%)	(3.4)	4.5	27.2



Investment Highlights

- We maintain BUY call on Bermaz Auto (BAuto) with a higher fair value (FV) of RM3.10/share from RM2.77/share previously. This is derived from an unchanged FY24F target P/E of 12x, on par with its 5-year mean. We maintain a neutral ESG rating of 3-star.
- Our FY24F-FY25F earnings have been raised by 12%/4% to account for higher sales volume assumptions and associate contribution together with some fine-tuning to FY26F. We raise FY24F sales volume assumption by 13% to 23.6k units from 20.9k units while increasing FY25F sales volume assumption by 5% to 22.9k units from 21.7k.
- BAuto's 1QFY24 net profit of RM100.2mil (-0.4% QoQ, +99.8% YoY) was above our expectations, accounting for 36% of our FY24F earnings and 38% of consensus. The positive deviation was due to higher-than-expected sales volume. As a comparison, 1QFY23 accounted for only 16.5% of FY23 core net profit.
- YoY, the group's 1QFY24 revenue surged 52% to RM1.1bil mainly due to strong Mazda sales, particularly the CX-30 CKD model which was introduced in March 2023, and continued fulfilment of balance back orders for Mazda 3.
- The impressive revenue delivery stemmed from vehicle sales rising 53% YoY to 6,357 units, thanks to Mazda Malaysia's robust performance while net profit was further boosted by associate contribution surging 2.2x YoY. Domestically, Mazda sold 4,999 units (+68% YoY), Kia 315 units (+19% YoY) and Peugeot 313 units (-34% YoY).
- On the regional front, Philippines operations reported a remarkable revenue growth of 70% YoY, lifted by a similar 73% increase in car sales to 730 units.
- BAuto declared a 1QFY24 dividend of 5 sen per share, up 2 sen YoY, which translates to a payout ratio of 58%. This accounts for 36% of our FY23F DPS of 14.0 sen, based on a payout ratio of 52%.
- We continue to like BAuto for its robust earnings visibility, supported by a substantial order backlog of 4.5k units comprising 4K Mazda units, 500 units for Kia and Peugeot. This is sufficient to support its sales at least for the next 6-7 months.
- In addition, prospective growth is underpinned by a robust pipeline of new launches and increasing CKD mix. The upcoming launches which could serve as catalysts are the: i) Mazda CX-60 CBU, ii) CKD Kia Sportage and Carens; and iii) Peugeot new 408.
- 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)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	716.9	1,072.4	1,089.3	1.6	51.9
EBITDA	75.7	109.2	130.7	19.7	72.6
Operating Profit	70.2	126.5	130.7	3.4	86.2
Investment related income	2.9	4.0	3.2	(20.6)	10.5
Finance costs	(2.5)	(1.8)	(1.8)	(1.2)	(27.9)
Net interest expense	0.3	2.1	1.3	(37.2)	>100
Share of results of associates	4.0	10.9	8.6	(21.1)	>100
Profit before tax	74.6	139.5	140.7	0.8	88.6
Tax	(18.0)	(31.9)	(32.8)	2.7	82.5
Profit after tax	56.6	107.6	107.9	0.3	90.6
Minority interest	6.5	7.0	7.7	9.9	19.0
Net profit	50.2	100.6	100.2	(0.4)	99.8
Core Net Profit	50.2	100.6	100.2	(0.4)	99.8
EPS (sen)	4.3	8.6	8.6	(0.5)	99.1
DPS (sen)	3.0	11.0	5.0	(54.5)	66.7
Margins					
EBITDA margin (%)	10.6	10.2	12.0	1.8 pts	1.4 pts
EBIT margin (%)	9.8	11.8	12.0	0.2 pts	2.2 pts
PBT margin (%)	10.4	13.0	12.9	-0.1 pts	2.5 pts
Core net margin (%)	7.0	9.4	9.2	-0.2 pts	2.2 pts

Source: AmInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

Segmental breakdown	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	716.9	1,072.4	1,089.3	1.6	51.9
Malaysia	658.0	1,000.5	988.9	(1.2)	50.3
Philippines	58.9	71.9	100.3	39.6	70.4
Operating income	70.2	126.5	130.7	3.4	86.2
Malaysia	63.1	117.9	116.1	(1.6)	83.9
Philippines	7.4	8.8	14.9	69.7	>100
Unallocated corporate items	(0.4)	(0.3)	(0.3)	7.9	(14.2)
Share of results of associates	4.0	10.9	8.6	(21.1)	>100
Mazda Malaysia	2.9	8.0	7.2	(10.0)	>100
Inokom Corporation	1.0	2.7	1.3	(50.4)	27.9
KIA Malaysia Sdn Bhd	0.1	0.4	0.3	(37.7)	>100
Other	(0.0)	(0.1)	(0.1)	4.3	>100
Sales Volume	4,147	6,178	6,357	2.9	53.3
Mazda	3,408	5,350	5,729	7.1	68.1
Malaysia	2,986	4,827	4,999	3.6	67.4
Philippines	422	523	730	39.6	73.0
Peugeot	474	422	313	(25.8)	(34.0)
Kia	265	406	315	(22.4)	18.9
Mazda - Malaysia					
CBU	1,107	1,031	1,610	56.2	45.4
CKD	1,879	3,796	3,389	(10.7)	80.4

Source: AmInvestment Bank Bhd

EXHIBIT 3: BAUTO'S PRODUCT MAP

CY2023				
	<p>CX-30 CKD (Mar'23)</p> 	<p>New Mazda 3 (Sep '23)</p> 	<p>CX-3 IPM5 (Oct '23)</p> 	<p>New CX-60 (TBA)</p> 
	<p>New Landtrek (Mar'23)</p> 	<p>New e-2008 EV (Jun '23)</p> 	<p>New 408 (TBA)</p> 	
	<p>Niro EV (Jul '23)</p> 	<p>All-New Sportage (TBA)</p> 	<p>Carens (KY) (TBA)</p> 	

Source: AmInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART

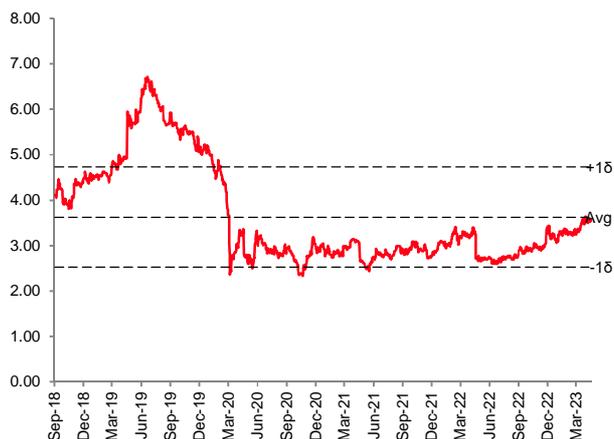


EXHIBIT 5: PE BAND CHART

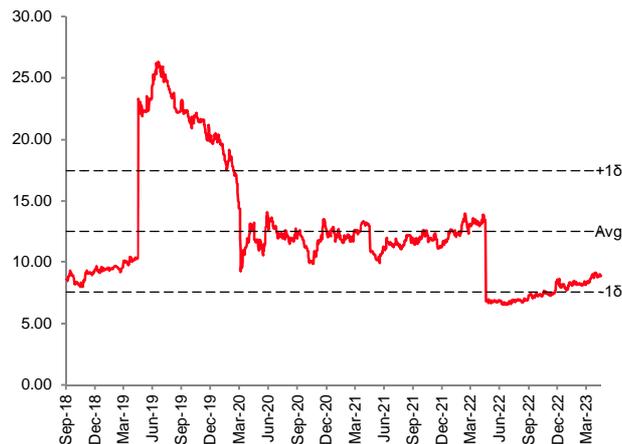


EXHIBIT 6: ESG MATRIX

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 7: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	2,323.7	3,548.2	3,901.7	3,823.7	3,703.1
EBITDA	230.7	400.3	388.4	367.7	345.7
Depreciation/Amortisation	(20.4)	(23.4)	(18.9)	(16.5)	(14.6)
Operating income (EBIT)	210.3	376.8	369.5	351.2	331.1
Other income & associates	18.1	39.0	57.3	57.1	58.3
Net interest	(10.7)	5.4	(13.3)	(11.9)	(10.5)
Exceptional items	-	-	-	-	-
Pretax profit	217.7	421.2	413.5	396.3	378.9
Taxation	(59.7)	(94.0)	(89.0)	(84.8)	(80.1)
Minorities/pref dividends	2.9	23.5	10.2	10.9	11.3
Net profit	155.1	303.7	314.2	300.6	287.5
Core net profit	155.1	303.7	314.2	300.6	287.5
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	548.5	605.6	663.9
Total non-current assets	481.3	536.3	584.7	637.3	693.0
Cash & equivalent	172.4	89.2	145.0	240.2	324.0
Stock	216.7	498.3	541.3	531.8	517.1
Trade debtors	163.2	197.6	220.5	215.5	207.6
Other current assets	526.4	455.5	455.5	455.5	455.5
Total current assets	1,078.7	1,240.6	1,362.2	1,443.0	1,504.3
Trade creditors	272.9	351.1	380.1	373.7	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	612.7	596.3	576.4
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	913.5	1,062.3	1,198.0
Minority interests	54.5	76.6	86.8	97.7	109.0
BV/share (RM)	0.54	0.65	0.78	0.91	1.03
Cash Flow (RMmil, YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	217.7	421.2	413.5	396.3	378.9
Depreciation/Amortisation	20.4	23.4	18.9	16.5	14.6
Net change in working capital	293.2	114.9	(36.8)	8.1	12.6
Others	(238.1)	(444.6)	(133.0)	(130.0)	(128.0)
Cash flow from operations	293.2	114.9	262.5	291.0	278.1
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)	55.8	95.3	83.8
Net cash/(debt) b/f	563.4	694.4	537.6	593.4	688.6
Net cash/(debt) c/f	694.4	537.6	593.4	688.6	772.5
Key Ratios (YE 30 Apr)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	1.6	52.7	10.0	(2.0)	(3.2)
EBITDA growth (%)	30.0	73.5	(3.0)	(5.3)	(6.0)
Pretax margin (%)	9.4	11.9	10.6	10.4	10.2
Net profit margin (%)	6.7	8.6	8.1	7.9	7.8
Interest cover (x)	19.7	nm	27.8	29.5	31.6
Effective tax rate (%)	27.4	22.3	21.5	21.4	21.2
Dividend payout (%)	65.7	84.6	52.0	50.5	52.8
Debtors turnover (days)	24	19	20	21	21
Stock turnover (days)	39	37	49	51	52
Creditors turnover (days)	41	32	34	36	36

Source: Company, AmlInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.