



AmInvestment Bank

Company Report

AmInvestment Bank

Team coverage

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BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

14 Mar 2024

3QFY24 Results: In-line thanks to the Philippines

BUY

(Maintained)

Rationale for report: Company Result

Price	RM2.48
Fair Value	RM3.34
52-week High/Low	RM2.55/RM1.96

Key Changes

Fair value	⬆
EPS	↔

YE to Apr	FY23	FY24F	FY25F	FY25F
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)	26.01	28.46	27.83	27.92
FD Core EPS growth (%)	95.2	9.4	(2.2)	(0.3)
Consensus Net Profit (RM mil)	-	332.9	291.1	229.4
DPS (sen)	22.0	18.5	13.0	13.0
PE (x)	18.6	8.7	8.9	8.9
EV/EBITDA (x)	12.7	7.1	7.2	7.2
Div yield (%)	8.9	7.5	5.2	5.2
ROE (%)	25.9	39.2	30.8	30.8
Net Gearing (%)	4.3	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,167.6
Market Cap (RMmil)	2,895.6
Book Value (RM/Share)	0.65
P/BV (x)	3.8
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)	8.9

Price performance	3mth	6mth	12mth
Absolute (%)	3.8	12.2	20.0
Relative (%)	(2.5)	4.8	13.0



Investment Highlights

- We maintain our BUY rating and earnings forecasts for Bermaz Auto (BAUTO) but lower our fair value to RM3.34/share (from RM3.42) as we roll forward our base valuation year to FY25 and peg it to an unchanged 12x P/E (historical 5-year average). No change to our neutral 3-star ESG rating.
- BAUTO delivered with 3QFY24 net profit of RM70.5mil (-19% YoY, -22% QoQ). This brings 9MFY24 net profit to RM260.8 mil (+28% YoY) and makes up 78% of our FY24 forecast. We deem this result as in-line.
- Announced a DPS of 4.25sen (-15% YoY) which represents a payout ratio of 70%. This goes ex-div on 18 April. The 9MFY24 DPS tallies to 14.25sen (+30% YoY) with a payout ratio of 64%.
- 3QFY24's weaker YoY and QoQ performance was due to a lower number of cars sold and the change in sales mix in Malaysia. Furthermore, last year was exceptionally strong due to pent-up demand stemming from a prolonged period of supply disruptions for the general automotive sector.
- The Philippines operations delivered a strong showing with revenue and net profit almost doubling YoY on the back of 73% growth in cars sold.
- BAUTO's annualized inventory turnover was at 6.9x in 3QFY24, consistent with its historical average of 7.0x. This suggests that consumer demand is stable.
- Balance sheet remains solid with a net cash of RM304mil. It delivered FCF of RM267mil in 3QFY24, which equates to 30% of revenue, making it the sector leader.
- The outlook statement is mixed, management is optimistic about its new product lineup which enjoyed good reception and initial take-up rates. However, it is cautious about the high-interest rate environment and volatile global markets.
- Our positive outlook on BAUTO is due to its:
 - Impressive new model pipeline,
 - Strong brand franchise with a highly loyal clientele,
 - Strong balance sheet with industry-leading ROEs, and
 - FY24F FCF yield of 8.7%, enabling management to pay higher than its stipulated 60% dividend payout policy.
- The stock currently trades at 7.5x FY24 P/E, which is at a 37% discount to its 5-year historical average.

EXHIBIT 1: RESULT SUMMARY

FYE April (RM mil)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	976.0	1,007.0	896.5	(11.0)	(8.1)	2,475.8	2,992.7	20.9
EBITDA	104.9	107.6	87.1	(19.1)	(17.0)	250.4	325.4	29.9
Operating Profit	99.0	107.6	87.1	(19.1)	(12.0)	267.7	325.4	21.6
Investment related income	4.5	2.9	2.3	(19.6)	(47.7)	10.6	8.4	(21.0)
Finance costs	(2.7)	(2.1)	(1.8)	(12.6)	(33.1)	(7.4)	(5.7)	(23.3)
Net interest expense	1.8	0.8	0.5	(36.6)	(69.9)	3.2	2.7	(15.6)
Share of results of associates	14.8	14.4	7.5	(48.3)	(49.5)	28.0	30.5	8.6
Profit before tax	115.5	122.8	95.1	(22.6)	(17.7)	281.7	358.6	27.3
Tax	(23.3)	(27.1)	(20.5)	(24.2)	(11.9)	(62.1)	(80.4)	29.6
Profit after tax	92.2	95.7	74.5	(22.1)	(19.2)	219.6	278.1	26.7
Minority interest	4.9	5.6	4.0	(28.5)	(17.9)	16.5	17.3	5.1
Net profit	87.3	90.1	70.5	(21.7)	(19.2)	203.1	260.8	28.4
Core Net Profit	87.3	90.1	70.5	(21.7)	(19.2)	203.1	260.8	28.4
EPS (sen)	7.5	7.7	6.0	(22.0)	(19.8)	17.4	22.3	27.8
DPS (sen)	4.5	5.0	4.3	(15.0)	(5.6)	11.0	14.3	29.5
Margins								
EBITDA margin (%)	10.8	10.7	9.7	-1.0 pts	-1.0 pts	10.1	10.9	0.8 pts
EBIT margin (%)	10.1	10.7	9.7	-1.0 pts	-0.4 pts	10.8	10.9	0.1 pts
PBT margin (%)	11.8	12.2	10.6	-1.6 pts	-1.2 pts	11.4	12.0	0.6 pts
Core net margin (%)	8.9	8.9	7.9	-1.1 pts	-1.1 pts	8.2	8.7	0.5 pts
Segmental breakdown	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	976.0	1,007.0	896.5	(11.0)	(8.1)	2,475.8	2,992.7	20.9
Malaysia	927.7	918.0	805.8	(12.2)	(13.1)	2,316.3	2,712.7	17.1
Philippines	48.3	88.9	90.7	2.0	87.8	159.5	280.0	75.6
Operating income	99.0	107.6	87.1	(19.1)	(12.0)	250.4	325.4	29.9
Malaysia	92.3	91.7	73.7	(19.7)	(20.2)	230.6	281.5	22.0
Philippines	7.0	16.5	13.8	(16.6)	96.1	21.1	45.2	114.7
Unallocated corporate items	(0.4)	(0.6)	(0.4)	(37.7)	1.8	(1.3)	(1.3)	2.9
Sales Volume	5,586	6,047	5,463	(9.7)	(2.2)	14,135	12,487	(11.7)
Mazda	4,803	5,528	4,873	(11.8)	1.5	11,930	11,420	(4.3)
Malaysia	4,453	4,918	4,267	(13.2)	(4.2)	10,771	9,625	(10.6)
Philippines	350	610	606	(0.7)	73.1	1,159	1,795	54.9
Peugeot	371	260	146	(43.8)	(60.6)	1,474	697	(52.7)
Kia	412	259	444	71.4	7.8	731	370	(49.4)
Mazda - Malaysia								
CBU	721	912	519	(43.1)	(28.0)	2,389	3,041	27.3
CKD	3,732	4,006	3,748	(6.4)	0.4	8,382	11,143	32.9

Source: Company

EXHIBIT 2: NEW MODEL LINEUP (ICE AND EV)

CY2024

CX-3 IPM5 (Jan '24)



CX-5 IPM6 (Jan '24)



New CX-60 (Q4 '24)



All-New Sportage CBU (Q3 24')



All-New EV9 CBU (Q2 24')



Line-Up CY 2024



MAZDA

New MX-30 EV



New EV6 EV



Niro EV



All-New EV9 EV (Q2 24')



Source: Company

EXHIBIT 3: PB BAND CHART

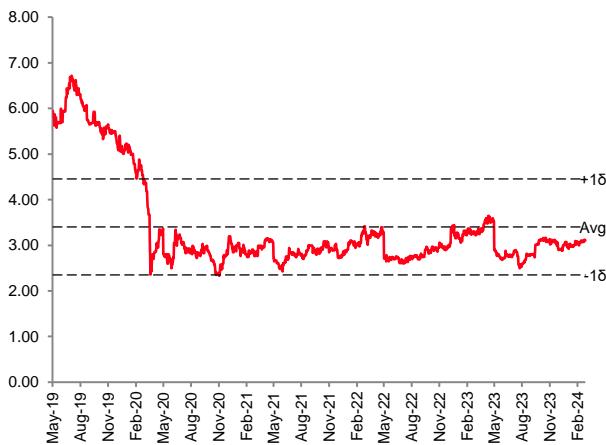


EXHIBIT 4: PE BAND CHART

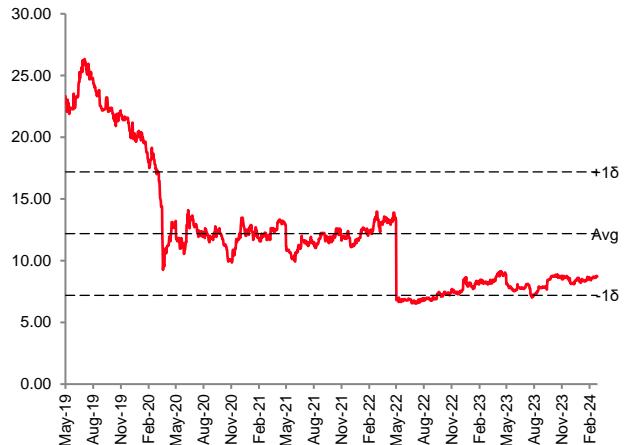


EXHIBIT 5: ESG MATRIX

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: AmlInvestment Bank Bhd

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY23	FY23	FY24F	FY25F	FY26F
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)	FY23	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	148.3	266.2	368.7
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	478.3	502.2	517.3
Total current assets	1,078.7	1,240.6	1,420.6	1,544.3	1,682.9
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	151.9	159.5	164.2	169.2
Total current liabilities	476.2	602.9	643.8	630.5	634.8
Long-term borrowings	99.8	100.0	90.0	80.0	70.0
Other long-term liabilities	295.8	243.7	248.6	253.6	258.6
Total long-term liabilities	395.6	343.7	338.6	333.5	328.6
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)	FY23	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	(8.4)	(6.9)	(5.4)
Cash flow from financing	(131.9)	(268.7)	(191.9)	(178.7)	(177.2)
Net cash flow	132.5	(152.8)	59.1	117.9	102.5
Net cash/(debt) b/f	563.4	694.4	537.6	596.7	714.6
Net cash/(debt) c/f	694.4	537.6	596.7	714.6	817.1
Key Ratios (YE 30 Apr)	FY23	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, Amlnvestment Bank Bhd estimates

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