



AmInvestment Bank

## Company report

## BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

09 Dec 2022

*Earnings driven by higher CKD sales and share of profits from associates*

BUY

(Maintained)

## AmInvestment Bank

Team Coverage

03-2036 2333

## Rationale for report: Company result

Price	RM1.99
Fair Value	RM2.25
52-week High/Low	RM2.01/RM1.47

## 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)	-	185.4	203.1	224.3
DPS (sen)	8.8	10.0	13.0	13.0
PE (x)	14.9	11.5	9.2	8.9
EV/EBITDA (x)	8.1	7.3	6.0	5.6
Div yield (%)	4.8	5.5	7.1	7.1
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)	1,162.9
Market Cap (RMmil)	2,314.1
Book Value (RM/share)	0.54
P/BV (x)	3.7
ROE (%)	26.0
Net Gearing (%)	(77.9)

Major Shareholders	Employees Provident Fund (16.7%) Dynamic Milestone (14.6%) Amanah Saham Nasional (7.2%)
Free Float	51.5
Avg Daily Value (RMmil)	4.0

Price performance	3mth	6mth	12mth
Absolute (%)	10.6	14.7	34.6
Relative (%)	12.4	19.3	37.4



## Investment Highlights

- We maintain BUY call on Bermaz Auto (BAuto) with an unchanged fair value (FV) of RM2.25/share, based on FY23F PE of 13x - 1.5 standard deviation above its 5-year mean of 11.4x given its robust order book visibility. Our FV reflects an unchanged neutral ESG rating of 3 stars.
- BAuto's 6MFY23 core net profit (CNP) of RM116mil was largely within our expectations at 58% of our FY23F CNP and 62% of consensus estimate. The 6M earnings accounted for 53%-61% of FY16-17 full-year CNP. It is noteworthy that first half CNP to the full year earnings has been fluctuating in FY18-FY22, from 30% in FY18 to more than 50% in FY19-FY20 and down to 25% in FY21-22.
- The group declared a second interim dividend of 3.5 sen/share for the quarter under review, bringing its 6MFY23 dividends to 6.5 sen/share. This was within expectations.
- YoY, the group's 6MFY23 revenue rose by 86% as sales of motor vehicle division jumped 91%, on the back of continued deliveries of substantial bookings secured prior to the expiry of SST exemption on 30 June 2022. Year-to-date, sales volume soared 82% YoY.
- Meanwhile, 6MFY23 CNP also rocketed 3x YoY due to the higher sales volume and better sales mix in its Mazda operations coupled with a stronger MYR/JPY, as well as higher contributions from its PEUGEOT and Kia operations. Also, its associate has churned out commendable results of RM13mil (+6.6x YoY) on higher sales volume (+77% YoY).
- 2QFY23 revenue was up 62% YoY at RM783mil, which drove CNP by 2.5x YoY to RM66mil.
- Likewise, 2QFY23 topline grew 9% QoQ on volume gains from its Mazda CKD sales mix vs. CBU sales mix, which was dragged down by shipment delays from Mazda Japan. Subsequently, bottomline increased 31% QoQ in line with the better sales mix.
- BAuto's Philippine operation has also reported sales growth of 32% YoY in 6MFY23, underpinned by more units sold (+53% YoY). The group's continuous new model roll-outs alongside its promotional 50% SST absorption campaign until the end of 2022 are likely to support sales orders in the near-to-medium term.
- In addition, shortages of chips and components are expected to ease further following the recent announcement of China's zero-Covid policy relaxation, which will serve as a boon for automakers.
- The group currently trades at a compelling CY23F PE of 10.7x vs its 5-year peak of over 13x and offers an attractive dividend yield of 6%.

## EXHIBIT 1: RESULTS SUMMARY

FYE April (RM mil)	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
<b>Revenue</b>	<b>483.8</b>	<b>716.9</b>	<b>783.0</b>	<b>9.2</b>	<b>61.8</b>	<b>804.6</b>	<b>1,499.8</b>	<b>86.4</b>
<b>EBITDA</b>	<b>36.8</b>	<b>75.7</b>	<b>87.0</b>	<b>14.9</b>	<b>&gt;100</b>	<b>57.9</b>	<b>162.7</b>	<b>&gt;100</b>
<b>Operating Profit</b>	<b>31.7</b>	<b>70.2</b>	<b>81.2</b>	<b>15.7</b>	<b>&gt;100</b>	<b>48.0</b>	<b>151.4</b>	<b>&gt;100</b>
Investment related income	1.3	2.9	3.3	15.3	>100	3.2	6.2	93.9
Finance costs	(2.4)	(2.5)	(2.2)	(13.3)	(7.5)	(5.2)	(4.7)	(8.5)
<b>Net interest expense</b>	<b>(1.0)</b>	<b>0.3</b>	<b>1.1</b>	<b>&gt;100</b>	<b>&gt;100</b>	<b>(2.0)</b>	<b>1.5</b>	<b>&gt;100</b>
Share of results of associates	2.9	4.0	9.3	>100	>100	2.0	13.3	>100
<b>Profit before tax</b>	<b>33.5</b>	<b>74.6</b>	<b>91.6</b>	<b>22.8</b>	<b>&gt;100</b>	<b>48.0</b>	<b>166.2</b>	<b>&gt;100</b>
Tax	(8.6)	(18.0)	(20.8)	15.8	>100	(12.8)	(38.7)	>100
<b>Profit after tax</b>	<b>24.9</b>	<b>56.6</b>	<b>70.8</b>	<b>25.1</b>	<b>&gt;100</b>	<b>35.3</b>	<b>127.4</b>	<b>&gt;100</b>
Minority interest	(1.1)	(6.5)	5.1	(20.5)	>100	(1.0)	(11.6)	>100
<b>Net profit</b>	<b>26.0</b>	<b>50.2</b>	<b>65.7</b>	<b>30.9</b>	<b>&gt;100</b>	<b>36.3</b>	<b>115.8</b>	<b>&gt;100</b>
<b>Core Net Profit</b>	<b>26.0</b>	<b>50.2</b>	<b>65.7</b>	<b>30.9</b>	<b>&gt;100</b>	<b>36.3</b>	<b>115.8</b>	<b>&gt;100</b>
<b>EPS (sen)</b>	<b>2.2</b>	<b>4.3</b>	<b>5.6</b>			<b>3.1</b>	<b>10.0</b>	
<b>GDPS (sen)</b>	<b>1.5</b>	<b>3.0</b>	<b>3.5</b>			<b>2.0</b>	<b>6.5</b>	
<b>Margins</b>								
EBITDA margin (%)	7.6	10.6	11.1	0.6 pts	3.5 pts	7.2	10.9	3.7 pts
EBIT margin (%)	6.5	9.8	10.4	0.6 pts	3.8 pts	6.0	10.1	4.1 pts
PBT margin (%)	6.9	10.4	11.7	1.3 pts	4.8 pts	6.0	11.1	5.1 pts
Core net margin (%)	5.4	7.0	8.4	1.4 pts	3.0 pts	4.5	7.7	3.2 pts
<b>Segmental breakdown</b>								
<b>Revenue</b>	<b>483.8</b>	<b>716.9</b>	<b>783.0</b>	<b>9.2</b>	<b>61.8</b>	<b>804.6</b>	<b>1,499.8</b>	<b>86.4</b>
Malaysia	449.6	658.0	730.7	11.0	62.5	720.3	1,388.7	92.8
Philippines	34.2	58.9	52.3	(11.2)	52.9	84.4	111.2	31.8
<b>Operating income</b>	<b>31.7</b>	<b>70.2</b>	<b>81.2</b>	<b>15.7</b>	<b>&gt;100</b>	<b>48.0</b>	<b>151.4</b>	<b>&gt;100</b>
Malaysia	31.0	63.1	75.2	19.1	>100	46.4	138.3	>100
Philippines	1.2	7.4	6.6	(11.1)	>100	2.3	14.0	>100
Unallocated corporate items	(0.4)	(0.4)	(0.5)	55.7	28.0	(0.7)	(0.9)	29.1
<b>Share of results of associates</b>	<b>2.9</b>	<b>4.0</b>	<b>9.3</b>	<b>&gt;100</b>	<b>217.5</b>	<b>2.0</b>	<b>13.3</b>	<b>&gt;100</b>
Mazda Malaysia	0.1	2.9	8.1	>100	>100	(1.8)	11.0	>100
Inokom Corporation	2.8	1.0	1.4	38.0	(48.9)	3.7	2.5	(34.2)
Bermaz Auto Alliance	0.0	0.0	0.0	NA	NA	0.1	0.0	NM
KIA Malaysia Sdn Bhd	0.0	0.1	(0.3)	NM	NM	0.0	(0.2)	NM
Other	0.0	(0.0)	0.1	>100	NM	0.0	0.0	NA

Source: AmlInvestment Bank Bhd

EXHIBIT 2: PB BAND CHART

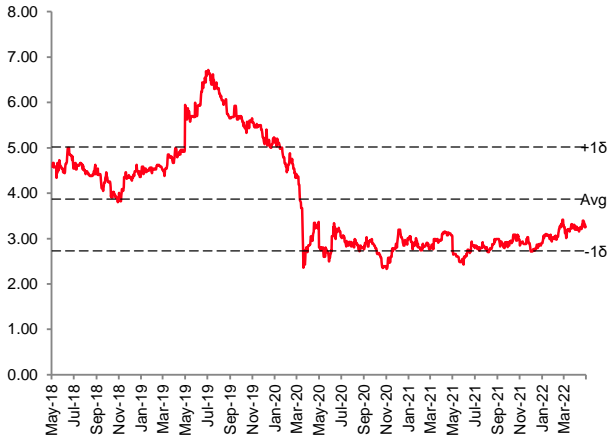


EXHIBIT 3: PE BAND CHART

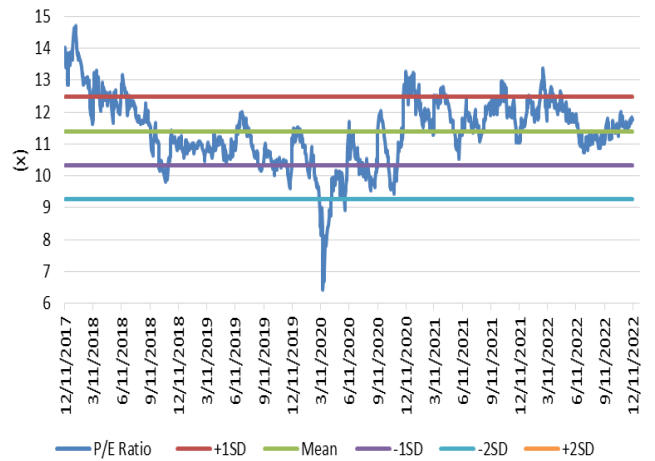


EXHIBIT 4: ESG MATRIX

<b>Overall</b>	★	★	★		
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 5: FINANCIAL DATA

Income Statement (RMmil, FYE 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	-	-	-	-	-
<b>Pretax profit</b>	<b>172.7</b>	<b>218.6</b>	<b>278.3</b>	<b>347.1</b>	<b>358.7</b>
Taxation	(41.1)	(59.7)	(63.6)	(78.9)	(81.3)
Minorities/pref dividends	(2.4)	3.1	13.7	15.8	16.4
<b>Net profit</b>	<b>133.9</b>	<b>155.7</b>	<b>201.0</b>	<b>252.4</b>	<b>261.0</b>
Core net profit	133.9	155.7	201.0	252.4	261.0
Balance Sheet (RMmil, FYE 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
<b>Total non-current assets</b>	<b>409.6</b>	<b>480.5</b>	<b>506.5</b>	<b>545.0</b>	<b>587.7</b>
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
<b>Total current assets</b>	<b>992.2</b>	<b>1,067.2</b>	<b>1,117.0</b>	<b>1,214.9</b>	<b>1,285.0</b>
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
<b>Total current liabilities</b>	<b>451.1</b>	<b>461.6</b>	<b>449.2</b>	<b>478.8</b>	<b>475.4</b>
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
<b>Total long-term liabilities</b>	<b>338.5</b>	<b>397.1</b>	<b>387.1</b>	<b>377.1</b>	<b>367.1</b>
<b>Shareholders' funds</b>	<b>565.4</b>	<b>634.3</b>	<b>718.7</b>	<b>819.8</b>	<b>929.5</b>
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, FYE 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)
<b>Cash flow from operations</b>	<b>455.0</b>	<b>291.1</b>	<b>4.8</b>	<b>192.9</b>	<b>237.6</b>
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
<b>Cash flow from investing</b>	<b>(0.8)</b>	<b>(27.1)</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(10.0)</b>
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)
<b>Cash flow from financing</b>	<b>10.9</b>	<b>(131.9)</b>	<b>(140.3)</b>	<b>(174.7)</b>	<b>(172.6)</b>
<b>Net cash flow</b>	<b>465.2</b>	<b>132.0</b>	<b>(145.5)</b>	<b>8.2</b>	<b>55.0</b>
<b>Net cash/(debt) b/f</b>	<b>100.2</b>	<b>563.4</b>	<b>693.9</b>	<b>548.4</b>	<b>556.7</b>
<b>Net cash/(debt) c/f</b>	<b>563.4</b>	<b>693.9</b>	<b>548.4</b>	<b>556.7</b>	<b>611.7</b>
Key Ratios (FYE 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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