

Malaysia

June 12, 2024 - 7:03 AM

ADD (no change)

Consensus ratings*: Buy 10 Hold 4 Sell 1

Current price:	RM2.54
Target price:	RM3.10
Previous target:	RM3.10
Up/downside:	22.0%
CGSI / Consensus:	6.7%
Reuters:	BERA.KL
Bloomberg:	BAUTO MK
Market cap:	US\$628.5m
Average daily turnover:	RM2,966m
Current shares o/s	US\$1.35m
Free float:	RM6.39m

*Source: Bloomberg

Key financial forecasts

	Apr-24F	Apr-25F	Apr-26F
Net Profit (RMm)	338.4	294.8	285.7
Core EPS (RM)	0.29	0.25	0.24
Core EPS Growth	10.5%	(12.9%)	(3.1%)
FD Core P/E (x)	8.77	10.07	10.39
Recurring ROE	43.1%	36.5%	34.9%
P/BV (x)	3.68	3.67	3.57
DPS (RM)	0.25	0.22	0.21
Dividend Yield	9.84%	8.46%	8.27%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	6.7	3.7	13.9
Relative (%)	6	-0.6	-3.2

Major shareholders	% held
Dynamic Milestone Sdn Bhd	14.9
Employees Provident Fund	12.9
Amanah Saham Nasional	6.1

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Bermaz Auto Berhad

Strong end to FY4/24; positive on prospects

- FY4/24 core net profit of RM91.0m beat expectations, at 104% of our FY24F estimates, a result of strong YTD TIVs and better product mix.
- We think the market is overestimating the impact of falling TIVs in 2025-26F. We believe BAuto can deliver c.35% ROEs, with attractive 8% yields.
- Reiterate Add with a GGM-derived TP of RM3.10, employing a 34.6% CY26F ROE and 9.4% required return, implying 12.6x CY25F P/E (historical mean).

FY4/24 core net profit beat; c.10% FY24 dividend yield

- Bermaz Auto's (BAuto) core net profit of RM91.0m was above expectations, at 104.0% of our FY24F estimates and 106.2% of Bloomberg consensus'. The earnings beat was on the back: 1) strong Malaysian total industry volumes (TIVs) in 2024-YTD, 2) a better product mix with more premium vehicle sales (i.e. Kia brand and higher-spec Mazda models), and 3) greater contribution from BAuto's Philippines operations.
- BAuto declared a fourth interim dividend of 4.75 sen and a special dividend of 7 sen, bringing its full-year FY24 DPS to 26 sen (vs. our estimate of 25 sen), translating into a 10.2% dividend yield (as at 11 Jun 2024).

TIVs to decline, but ROEs of c.35% are sustainable, in our view

- As discussed in our report "[Is the market pricing in the worst?](#)", dated 15 May 2024, we think that the market is underestimating BAuto's sustainable ROEs. We believe that FY25-26F core net profits of c.RM300m and ROEs of c.35% are achievable, given: 1) a robust consumer spending environment supported by cash handouts, EPF Account 3 and rising fresh graduate/civil servant salaries, 2) normalised TIV levels of c.650k p.a. for 2025-2026F, 3) continued growth in BAuto's Kia brand in Malaysia and Mazda brand in Philippines, and 4) improving product mix with greater sales of premium vehicles supporting margins.

Reiterate Add with a TP of RM3.10

- We reiterate our Add recommendation on BAuto as we expect demand for new vehicles in Malaysia to remain resilient. Our GGM-derived TP of RM3.10 (employing a 34.6% CY26F ROE, 9.4% required return and 2.0% long-term growth) implies a 12.6x CY25F P/E, its historical mean (Fig 5), and is undemanding compared to SEA automotive distributors and the broader Malaysian consumer discretionary space, in our view. FY25-26F dividend yields of c.8% are also attractive. Key re-rating catalysts: 1) continued growth of Kia brand in Malaysia and Mazda brand in the Philippines, and 2) robust Malaysian consumer spending supporting TIVs. Key downside risks: 1) decline in Malaysian consumer spending power, and 2) greater competition from Chinese brands in Malaysia.

Figure 1: FY4/24 results (RM m)

Interim Results	4QFY24	4QFY23	yoY % chg	3QFY24	qoq % chg	% chg	FY24	FY23	yoY % chg
Revenue	938	1,072	-12.6%	897	4.6%	3,930	3,548	10.8%	
EBITDA	118	132	-10.8%	92	27.8%	464	401	15.5%	
EBITDA Margin (%)	12.6%	12.3%	0.3%	10.3%	2.3%	11.8%	11.3%	0.5%	
EBIT	111	126	-11.7%	86	30.1%	437	378	15.6%	
EBIT Margin (%)	11.9%	11.8%	0.1%	9.6%	2.3%	11.1%	10.7%	0.5%	
Pre-tax profit	131	140	-6.4%	95	37.3%	489	421	16.1%	
Pre-tax profit Margin (%)	13.9%	13.0%	0.9%	10.6%	3.3%	12.4%	11.9%	0.6%	
Net Profit	90	101	-10.3%	71	28.0%	351.0	304	15.6%	
Net Profit Margin (%)	9.6%	9.4%	0.2%	7.9%	1.8%	8.9%	8.6%	0.4%	
Core Net Profit	91	100	-9.3%	69	31.8%	352	305	15.4%	
Core Net Profit Margin (%)	9.7%	9.4%	0.3%	7.7%	2.0%	9.0%	8.6%	0.4%	
Core EPS (sen) - basic	7.79	8.61	-9.5%	5.91	31.7%	30.18	26.21	15.1%	

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 2: FY4/24 segment breakdown – margin improvements as product mix shifts towards more premium vehicles; Philippines contribution increasing (RM m)

Continuing Operations	4QFY24	4QFY23	yoY % chg	3QFY24	qoq % chg	FY24	FY23	yoY % chg
Segment Revenues	938	1,072	-12.6%	897	4.6%	3,930	3,548	10.8%
Malaysia	842	1,001	-15.9%	806	4.5%	3,554	3,317	7.2%
Philippines	96	72	33.4%	91	5.7%	376	231	62.5%
Segment EBIT	112	129	-13.6%	88	26.9%	440	383	15.0%
Malaysia	98	121	-18.6%	75	31.5%	383	354	8.1%
Philippines	13	8	58.4%	13	1.0%	57	28	101.4%
Segment EBIT Margin (%)	11.9%	12.0%	-0.1%	9.8%	2.1%	11.2%	10.8%	0.4%
Malaysia	11.7%	12.1%	-0.4%	9.3%	2.4%	10.8%	10.7%	0.1%
Philippines	14.0%	11.8%	2.2%	14.7%	-0.6%	15.3%	12.3%	3.0%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 3: Unit sales by region and brand – Kia brand in Malaysia and Mazda brand in Philippines are key growth drivers.

Sales Volumes	4QFY24	4QFY23	yoY % chg	3QFY24	qoq % chg	FY24	FY23	yoY % chg
Total Units Sold	5,480	6,515	-15.9%	5,463	0.3%	23,775	21,370	11.3%
Malaysia	4,843	5,992	-19.2%	4,857	-0.3%	21,192	19,688	7.6%
Malaysia - Mazda	4,210	4,827	-12.8%	4,267	-1.3%	18,394	15,598	17.9%
Malaysia - Peugeot	228	422	-46.0%	146	56.2%	947	1,896	-50.1%
Malaysia - Kia	405	743	-45.5%	444	-8.8%	1,851	2,194	-15.6%
Philippines	637	523	21.8%	606	5.1%	2,583	1,682	53.6%
PH - Mazda	637	523	21.8%	606	5.1%	2,583	1,682	53.6%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

Figure 4: TIV heatmap – 2024-YTD TIVs have been stronger-than-expected, with Mazda maintaining a 2.3% market share

Monthly TIVs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	yoY %
2007	35,072	31,216	38,635	33,571	38,382	43,716	44,876	47,611	44,823	42,908	43,638	42,255	486,703	
2008	45,741	38,446	46,338	50,189	47,873	48,957	53,957	47,213	50,625	37,458	40,825	39,825	547,447	12.5%
2009	38,066	37,361	44,854	41,169	41,829	42,389	48,996	46,263	43,837	44,449	43,546	45,318	518,077	-5.4%
2010	48,255	38,464	53,337	47,010	48,382	51,452	51,332	52,151	41,233	50,263	42,840	52,387	577,106	11.4%
2011	54,696	40,370	63,182	50,898	45,953	41,688	50,165	58,306	44,354	53,591	48,134	47,612	598,949	3.8%
2012	41,212	44,013	53,583	47,774	58,301	56,665	59,459	51,818	45,925	55,447	53,365	60,470	628,032	4.9%
2013	55,066	44,976	57,622	52,489	49,634	53,631	68,431	51,104	54,945	55,078	52,252	60,493	655,721	4.4%
2014	50,273	50,718	58,919	58,732	55,939	58,561	60,267	51,125	47,771	54,187	55,313	64,660	666,465	1.6%
2015	50,602	50,390	67,314	45,187	51,254	57,437	58,646	53,452	51,106	55,754	56,092	69,401	666,635	0.0%
2016	44,591	37,874	48,788	42,202	44,668	57,358	42,471	52,219	48,125	47,879	49,095	64,822	580,092	-13.0%
2017	44,667	42,455	53,718	42,746	50,594	50,273	48,553	51,718	40,956	47,039	49,187	54,719	576,625	-0.6%
2018	44,560	40,563	49,987	47,047	42,977	64,465	68,466	65,550	31,240	47,273	48,282	48,188	598,598	3.8%
2019	48,450	39,814	54,776	49,935	60,760	42,586	50,854	51,148	44,666	53,870	52,584	54,842	604,285	1.0%
2020	42,942	41,087	21,243	145	23,366	44,756	58,878	53,838	57,758	57,695	57,604	68,836	528,148	-12.6%
2021	33,392	43,448	64,876	58,329	47,207	1,926	7,499	17,923	44,227	64,762	60,046	65,184	508,819	-3.7%
2022	41,533	45,064	73,244	57,585	50,661	63,597	49,930	67,599	67,698	61,900	65,201	76,657	720,669	41.6%
2023	50,168	63,561	78,881	47,800	63,154	62,601	64,765	72,836	68,187	76,182	73,270	78,440	799,845	11.0%
2024	66,903	64,290	71,052	57,991	-	-	-	-	-	-	-	-	*740,000	*-7.5%
Avg. (2007-19)	46,250	41,282	53,158	46,842	48,965	51,475	54,344	52,283	45,354	49,630	48,858	54,230	603,660	3.8%
Avg. (2020-23)	42,009	48,290	59,561	40,965	46,097	43,220	45,268	53,049	59,468	65,135	64,030	72,279	632,353	7.5%

Note: The Malaysian Automotive Association (MAA) estimates 2024F TIVs of 740,000 units

SOURCES: CGSI RESEARCH, MAA

Figure 5: Adj. P/E (1 year forward, as of 11 Jun 2024) – we think current share prices overly penalise BAuto for the expected decline in TIVs

Figure 6: Peer comparison

Company	Bloomberg Tickers	Mkt Cap (US\$ m)	Rec.	Price (LCY)	TP (LCY)	P/E (x) 2024F	P/E (x) 2025F	P/BV (x) 2024F	P/BV (x) 2025F	ROE (%) 2024F	ROE (%) 2025F	Yield (%) 2024F	Yield (%) 2025F
SEA Auto Distributors													
Sime Darby Bhd	SIME MK	3,827	Add	2.65	3.06	12.2	11.1	0.9	0.8	7.6	7.8	4.3	4.9
Bermaz Auto Berhad	BAUTO MK	629	Add	2.54	3.10	9.6	10.3	3.7	3.6	38.9	35.4	8.9	8.3
Astra International	ASII IJ	10,810	Add	4,350	5,500	6.1	5.8	0.9	0.8	14.0	14.1	7.4	7.8
Global Auto Manufacturers													
BYD Co Ltd	1211 HK	93,179	Add	228.40	324.00	19.3	17.2	3.8	3.4	21.5	20.9	1.6	1.7
NIO Inc	9866 HK	10,034	Add	37.55	75.00	na	na	5.7	9.2	(50.7)	(42.5)	na	na
XPeng Inc	9868 HK	7,536	Add	31.15	76.50	na	na	2.0	2.5	(17.9)	(9.2)	na	na
Li Auto Inc	2015 HK	20,608	Add	75.85	200.00	13.5	8.8	2.0	1.8	16.3	21.1	na	na
KIA	000270 KS	35,398	Add	122,000	146,000	4.5	5.1	0.9	0.8	21.2	16.1	3.7	3.7
Hyundai Motor Company	005380 KS	41,181	Add	271,000	300,000	5.4	6.5	0.7	0.7	14.1	10.6	4.8	4.1
Malaysian Consumer Discretionary													
7-Eleven Malaysia Holdings	SEM MK	465	Hold	1.98	1.98	32.4	26.9	5.1	4.7	17.5	18.2	1.8	2.2
Berjaya Food Berhad	BFD MK	223	Add	0.60	1.00	18.4	10.5	2.1	1.9	11.9	19.0	2.1	4.3
Bonia Corporation	BON MK	72	Add	1.70	3.50	5.8	na	0.8	na	14.3	na	15.4	na
Mynews Holdings Berhad	MNHB MK	102	Add	0.64	0.89	38.3	23.4	2.0	1.9	5.0	8.1	0.6	1.4
Panasonic Manufacturing Malaysia Berhad	PMM MK	263	Reduce	20.40	20.10	15.2	na	1.5	na	9.8	na	5.5	na
Mr D.I.Y. Group (M) Bhd	MRDIY MK	3,845	Add	1.92	2.06	28.7	24.4	9.2	8.3	34.4	35.7	2.3	3.1
Beshom Holdings Bhd	BESHOM MK	64	Hold	1.01	0.93	22.5	17.4	1.0	1.0	4.4	5.5	3.6	4.3

DATA AS OF 11 JUN 2024

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Net Revenues	3,541	4,130	3,576	3,438
Gross Profit	584	679	585	568
Operating EBITDA	403	452	389	379
Depreciation And Amortisation	-23	-25	-26	-28
Operating EBIT	379	427	362	351
Financial Income/(Expense)	3	6	8	8
Pretax Income/(Loss) from Assoc.	41	41	36	34
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-El)	424	475	406	393
Exceptional Items	-1	0	0	0
Pre-tax Profit	423	475	406	393
Taxation	-94	-114	-97	-94
Exceptional Income - post-tax				
Profit After Tax	329	361	308	299
Minority Interests	-23	-22	-14	-13
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	306	338	295	286
Recurring Net Profit	306	338	295	286
Fully Diluted Recurring Net Profit	306	338	295	286

Balance Sheet

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Total Cash And Equivalents	538	483	484	498
Total Debtors	208	237	201	188
Inventories	504	677	607	603
Total Other Current Assets	0	0	0	0
Total Current Assets	1,250	1,397	1,293	1,289
Fixed Assets	117	110	102	92
Total Investments	317	358	394	428
Intangible Assets	1	1	1	1
Total Other Non-Current Assets	105	105	105	105
Total Non-current Assets	538	573	601	625
Short-term Debt	100	0	0	0
Current Portion of Long-Term Debt				
Total Creditors	436	598	539	537
Other Current Liabilities	67	82	83	82
Total Current Liabilities	603	680	622	618
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	283	314	278	266
Total Non-current Liabilities	283	314	278	266
Total Provisions	61	72	74	73
Total Liabilities	947	1,066	973	958
Shareholders' Equity	765	805	808	831
Minority Interests	77	99	113	126
Total Equity	841	904	921	957

Cash Flow

(RMm)	Apr-23A	Apr-24F	Apr-25F	Apr-26F
EBITDA	402.8	451.7	388.6	378.9
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(176.2)	(6.0)	13.8	6.8
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(10.9)	27.9	2.8	(1.5)
Net Interest (Paid)/Received	(9.3)	(5.5)	(3.3)	(3.1)
Tax Paid	(102.5)	(113.9)	(97.4)	(94.4)
Cashflow From Operations	103.9	354.2	304.5	286.6
Capex	(10.5)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments				
Other Investing Cashflow	13.2	11.7	11.1	11.3
Cash Flow From Investing	2.7	1.7	1.1	1.3
Debt Raised/(repaid)	(100.0)	(99.9)	0.0	0.0
Proceeds From Issue Of Shares	8.0	0.0	0.0	0.0
Shares Repurchased				
Dividends Paid	(154.0)	(297.9)	(292.1)	(262.9)
Preferred Dividends				
Other Financing Cashflow	(22.7)	(18.4)	(15.4)	(14.6)
Cash Flow From Financing	(268.7)	(416.2)	(307.5)	(277.5)
Total Cash Generated	(162.0)	(60.3)	(1.9)	10.5
Free Cashflow To Equity	6.6	256.0	305.6	287.9
Free Cashflow To Firm	115.9	361.4	308.9	291.1

Key Ratios

	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Revenue Growth	52.4%	16.6%	(13.4%)	(3.9%)
Operating EBITDA Growth	80.9%	12.1%	(14.0%)	(2.5%)
Operating EBITDA Margin	11.4%	10.9%	10.9%	11.0%
Net Cash Per Share (RM)	0.32	0.36	0.36	0.38
BVPS (RM)	0.65	0.69	0.69	0.71
Gross Interest Cover	41.0	77.4	109.4	111.9
Effective Tax Rate	22.2%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	50.4%	88.0%	99.1%	92.0%
Accounts Receivables Days	19.13	19.71	22.34	20.66
Inventory Days	44.47	62.62	78.38	76.95
Accounts Payables Days	39.07	46.02	59.08	58.63
ROIC (%)	135%	75%	61%	68%
ROCE (%)	39.7%	44.3%	38.2%	36.2%
Return On Average Assets	19.6%	18.9%	15.7%	15.4%

12-mth Fwd FD P/E (x) - Bermaz Auto Berhad



Key Drivers

	Apr-23A	Apr-24F	Apr-25F	Apr-26F
Malaysia Volume	19,688.0	20,670.0	17,175.6	15,884.5
Philippines Volume	1,682.0	2,315.0	2,366.6	2,484.9

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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Description:	Excellent	Very Good	Good	N/A	N/A

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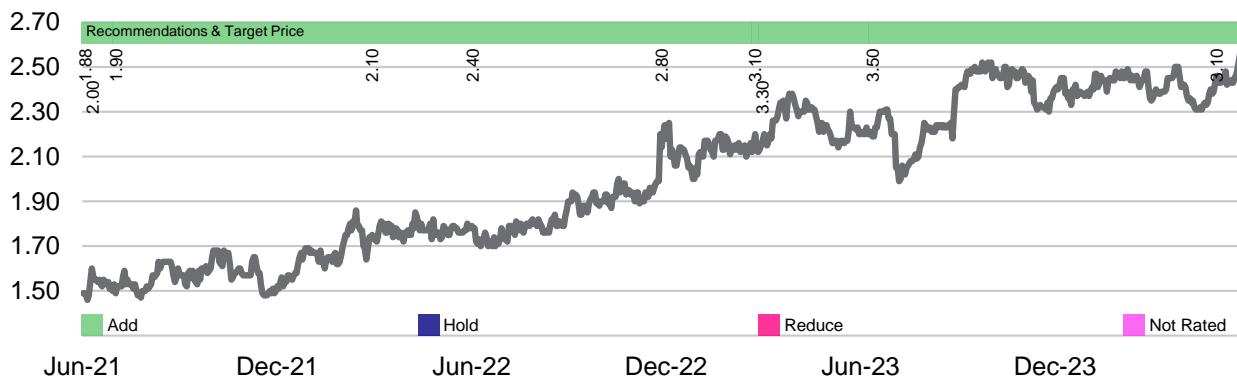
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2024		
634 companies under coverage for quarter ended on 31 March 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.5%	1.3%
Hold	24.1%	0.2%
Reduce	10.4%	0.3%

Spitzer Chart for stock being researched (2 year data)

Bermaz Auto Berhad (BAUTO MK)

— Price Close



Recommendation Framework

Stock Ratings

Definition: The stock's total return is expected to exceed 10% over the next 12 months.

Add The stock's total return is expected to be between 0% and positive 10% over the next 12 months.

Hold The stock's total return is expected to fall below 0% or more over the next 12 months.

Reduce The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Overweight A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.

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