

## Malaysia

### ADD (no change)

Consensus ratings\*: Buy 9 Hold 5 Sell 1

Current price:	RM1.04
Target price:	RM1.70
Previous target:	RM2.30
Up/downside:	63.5%
CGSI / Consensus:	-9.3%
Reuters:	BERA.KL
Bloomberg:	BAUTO MK
Market cap:	US\$273.0m
Average daily turnover:	RM1,209m
Current shares o/s:	US\$1.51m
Free float:	RM6.74m
*Source: Bloomberg	

### Key changes in this note

- Cut FY25-27F core EPS by 14%-23.5%, factoring in lower margins.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-18.1	-49.0	-58.1
Relative (%)	-10.7	-41.7	-53.6

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

### Analyst(s)



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# Bermaz Auto Berhad

## Weathering the storm

- 3QFY4/25 results were below expectations, mainly dragged by lower sales volume and higher advertising and promotional expenses.
- Despite ongoing Chinese competition, we believe BAuto's stronger line-up in 2HFY25F will drive sales and support earnings growth from 1HFY26F.
- Cut FY25-27F earnings on lower margins. Maintain Add, with a lower TP of RM1.70, supported by FY26F earnings growth and strong cash position.

### Results below expectations

Bermaz Auto (BAuto) reported a 3QFY25F core net profit of RM27m, marking a decline of 35% qoq and 61% yoy. This brings its 9MFY25 core net profit to RM137m (-47% yoy), falling short of both our and Bloomberg consensus' estimates. The 9MFY25 figure accounts for 63% of our and Bloomberg consensus' full-year projections; we believe the shortfall was mainly driven by higher-than-expected costs, particularly increased advertising and promotional expenses, as well as higher incentives paid to dealers to sustain market share in a highly competitive environment.

### Weak performance in 3QFY4/25F

BAuto's 3QFY25F earnings declined qoq and yoy, primarily due to softer sales volumes, which continued to face intense competition from the influx of competitively priced Chinese-made vehicles, which we highlighted in our previous report ([link](#)). That said, its newly launched Xpeng saw a strong pick-up in sales, with volume growing 118% qoq to 341 units (2QFY25F: 156 units). While this helped partially offset the overall weakness in total car sales, its contribution remains modest at 12% of its total Malaysia sales volume.

### Chinese competition persists, but new launches ahead

While we reckon that the headwinds from the Chinese carmakers will remain, we expect BAuto's sales volume to improve in 2H25F, underpinned by the launch of the new Xpeng G9 and the introduction of three EV models from Deepal. Mazda Malaysia will also be launching its new CX-60 in 2Q25 and CX-80 in 3Q25. The Xpeng G6, which was launched in Malaysia in 4Q24, is currently selling c.120 units per month; this should drive sales and support earnings growth from 1HFY26 onwards, in our view.

### Cut earnings forecast; maintain Add

We cut our FY25-27F core EPS forecasts by 14%/18%/24%, factoring in lower margins mainly due to higher cost related to advertising and promotion, as well as higher incentives given to the dealers to sustain sales. We have also adjusted our assumption of the long-term growth rate from 1% to 0%, given the intense competition in the auto industry. Maintain Add, with a lower GGM-derived target price of RM1.70 (previous: RM2.30). We expect earnings to improve from FY26F onwards, driven by an expanded lineup. Despite intense competition in the auto industry, BAuto remains attractive, supported by a strong dividend yield of 10% for FY26-27F and a net cash per share of RM0.36.

Financial Summary	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
Revenue (RMm)	3,541	3,911	2,707	2,806	2,865
Operating EBITDA (RMm)	402.8	462.5	263.3	282.6	290.8
Net Profit (RMm)	305.8	345.6	186.8	199.1	205.0
Core EPS (RM)	0.26	0.30	0.16	0.17	0.18
Core EPS Growth	98.0%	12.7%	(45.9%)	6.6%	2.9%
FD Core P/E (x)	3.96	3.52	6.50	6.10	5.93
DPS (RM)	0.22	0.26	0.13	0.10	0.11
Dividend Yield	21.2%	25.0%	12.3%	9.8%	10.1%
EV/EBITDA (x)	1.50	1.57	2.59	2.15	1.77
P/FCFE (x)	182.7	8.5	6.5	6.4	5.8
Net Gearing	(43.8%)	(24.3%)	(26.3%)	(29.9%)	(34.2%)
P/BV (x)	1.59	1.49	1.42	1.30	1.20
ROE	43.8%	43.7%	22.4%	22.3%	21.1%
% Change In Core EPS Estimates			(14.4%)	(17.9%)	(23.5%)
EPS/Consensus EPS (x)			0.85	0.83	0.82

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 1: 3QFY25 results**

Interim Results	3QFY25	3QFY24	yoY % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoY % chg
Revenue	602	897	-32.8%	647	-6.9%	2,095	2,993	-30.0%
EBITDA	45	92	-51.6%	62	-28.1%	200	346	-42.2%
EBITDA Margin (%)	7.4%	10.3%	-2.9%	9.6%	-2.2%	9.5%	11.6%	-2.0%
EBIT	38	86	-56.0%	56	-32.2%	180	326	-44.7%
EBIT Margin (%)	6.3%	9.6%	-3.3%	8.6%	-2.3%	8.6%	10.9%	-2.3%
Pre-tax profit	35	95	-63.4%	57	-38.9%	190	359	-47.1%
Pre-tax profit Margin (%)	5.8%	10.6%	-4.8%	8.8%	-3.0%	9.1%	12.0%	-2.9%
Net Profit	24	71	-65.8%	40	-40.2%	134.7	261	-48.4%
Net Profit Margin (%)	4.0%	7.9%	-3.9%	6.2%	-2.2%	6.4%	8.7%	-2.3%
Core Net Profit	27	69	-61.3%	41	-34.8%	137	261	-47.4%
Core Net Profit Margin (%)	4.4%	7.7%	-3.3%	6.3%	-1.9%	6.6%	8.7%	-2.2%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

**Figure 2: Segmental earnings**

Continuing Operations	3QFY25	3QFY24	yoY % chg	2QFY25	qoq % chg	9MFY25	9MFY24	yoY % chg
Segment Revenues	602	897	-32.8%	647	-6.9%	2,095	2,993	-30.0%
Malaysia	552	806	-31.4%	582	-5.0%	1,889	2,713	-30.4%
Philippines	50	91	-45.3%	65	-23.8%	206	280	-26.4%
Segment EBIT	35	88	-60.1%	54	-35.4%	177	329	-46.2%
Malaysia	27	75	-64.0%	45	-40.2%	141	285	-50.5%
Philippines	8	13	-38.1%	9	-12.3%	36	44	-18.7%
Segment EBIT Margin (%)	5.8%	9.8%	-4.0%	8.4%	-2.6%	8.4%	11.0%	-2.5%
Malaysia	4.9%	9.3%	-4.4%	7.7%	-2.9%	7.5%	10.5%	-3.0%
Philippines	16.6%	14.7%	1.9%	14.4%	2.2%	17.3%	15.7%	1.6%

SOURCES: CGSI RESEARCH, BAUTO

**Figure 3: Peer comparison**

Company	Bbg Ticker	Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)		2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%) CY26F	Dividend Yield (%) CY26F
						CY25F	CY26F		CY25F	CY26F		
<b>SEA Auto Distributors</b>												
Sime Darby Bhd	SIME MK	Add	2.06	3.60	3,171	9.0	7.6	6.9	23.5%	0.67	0.65	8.4%
Bermaz Auto Berhad	BAUTO MK	Add	1.04	1.70	273	5.1	6.2	6.0	-22.4%	1.45	1.34	22.0%
Astra International	ASII IJ	Add	4,810	6,000	11,836	6.1	6.1	6.2	-2.6%	0.93	0.86	14.6%
<b>Average</b>						<b>6.7</b>	<b>6.6</b>	<b>6.4</b>	<b>-0.5%</b>	<b>1.02</b>	<b>0.95</b>	<b>15.0%</b>
<b>Global Auto Manufacturese</b>												
BYD Co Ltd	1211 HK	Add	355.0	451.0	143,862	23.8	18.2	15.0	30.4%	5.56	4.64	27.7%
NIO Inc	9866 HK	Hold	40.15	41.00	10,785	na	na	na	na	3.93	5.22	-58.6%
Li Auto Inc	2015 HK	Add	112.3	139.0	30,671	20.6	15.4	11.0	9.0%	2.77	2.48	17.0%
KIA	000270 KS	Add	99,100	158,000	27,120	3.6	4.0	4.0	7.4%	0.71	0.62	16.8%
Hyundai Motor Company	005380 KS	Add	198,200	335,000	28,563	4.3	4.2	4.2	0.8%	0.51	0.46	11.5%
<b>Average</b>						<b>13.1</b>	<b>10.4</b>	<b>8.5</b>	<b>11.9%</b>	<b>2.70</b>	<b>2.69</b>	<b>2.9%</b>

DATA AS AT 12 MAR 2025

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS



## LSEG ESG Scores

B	A+	B	A-	A-	C-
ESG Grade	ESG Controversies Grade	ESG Combined Grade	ESG Environmental Pillar Grade	ESG Social Pillar Grade	ESG Governance Pillar Grade

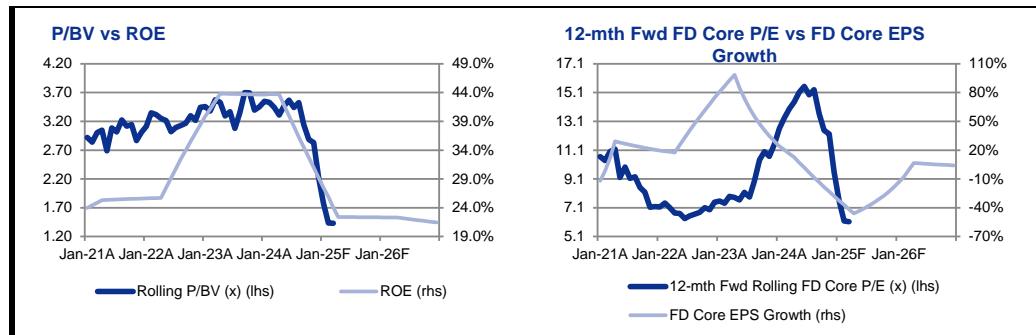
## ESG in a nutshell

Bermaz Auto (BAuto) is principally involved in the distribution of completely knocked down (CKD) and completely built up (CBU) Mazda vehicles in Malaysia and the Philippines. BA Auto was appointed as the franchise holder in Malaysia for Kia in Apr 2021. Its sustainability activities are focused on improving safety standards for consumers, climate protection, green technology via Energy Efficient Vehicle (EEVs), local content vendor development, high value-added manufacturing and promotion of exports of value-added products, as outlined under Malaysia's National Automotive Policy (NAP). BA Auto has been included in the FTSE4Good Bursa Malaysia Index since Jun 2020.

Keep your eye on	Implications
Global automakers are increasing efforts to achieve cleaner exhaust emissions and to improve fuel economy to reduce CO2 emissions and the world's dependence on fossil fuels. The Malaysian government has introduced incentives to promote EV adoption in the country, including import duty and excise duty exemption for CBU EVs to 2025 and import duty CKD EVs to 2027.	BAuto has recently secured the Xpeng and Deepal distributorships. The Xpeng G6 was launched in 4Q24 in Malaysia, while BA Auto is expecting to launch three new EV models from Deepal in Malaysia in 2H25F. We believe this will help BA Auto penetrate the growing EV market in Malaysia.
<b>ESG highlights</b>	<b>Implications</b>
The company runs the BA Auto Training School (BTS), one of Malaysia's few technical schools equipped to provide training to diagnose and repair EVs. In line with BA Auto's sustainability efforts to promote recycling, BA Auto's EV technicians encourage and perform module-level battery repairs instead of the general market practice of replacing the entire battery pack.	BA Auto had one of the highest numbers of EV certified trainers from the Institute of the Motor Industry, United Kingdom (IMI), with 25 qualified trainers with Level 4 IMI certification and 4 with Level 3 IMI certification. This will improve the quality of the company's after-sales offerings for EVs, potentially increasing demand for its EVs
Trends	Implications
BA Auto's service centres and paint booths produce hazardous waste such as paint and oil sludge. The company complies with the Environmental Quality (Scheduled Waste) Regulation 2005 for scheduled waste disposal and engages a licenced contractor to remove and dispose of all scheduled wastes from the site within 180 days.	Internal combustion engine (ICE) vehicles require more maintenance on a regular basis compared to EVs. They also produce more waste oil as part of their regular service requirements. If BA Auto's sales mix sees greater contribution from EVs, it may reduce the amount of waste oil produced each year.

SOURCES: CGSI RESEARCH, LSEG

## BY THE NUMBERS



Profit & Loss					
(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
<b>Total Net Revenues</b>	<b>3,541</b>	<b>3,911</b>	<b>2,707</b>	<b>2,806</b>	<b>2,865</b>
<b>Gross Profit</b>	<b>584</b>	<b>659</b>	<b>480</b>	<b>507</b>	<b>520</b>
<b>Operating EBITDA</b>	<b>403</b>	<b>462</b>	<b>263</b>	<b>283</b>	<b>291</b>
Depreciation And Amortisation	(23)	(27)	(28)	(32)	(34)
<b>Operating EBIT</b>	<b>379</b>	<b>436</b>	<b>236</b>	<b>251</b>	<b>257</b>
Financial Income/(Expense)	3	3	1	3	5
Pretax Income/(Loss) from Assoc.	41	45	27	28	29
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>424</b>	<b>483</b>	<b>264</b>	<b>282</b>	<b>290</b>
Exceptional Items	(1)	0	0	0	0
<b>Pre-tax Profit</b>	<b>423</b>	<b>484</b>	<b>264</b>	<b>282</b>	<b>290</b>
Taxation	(94)	(111)	(63)	(68)	(70)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>329</b>	<b>372</b>	<b>201</b>	<b>214</b>	<b>220</b>
Minority Interests	(23)	(27)	(14)	(15)	(15)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>306</b>	<b>346</b>	<b>187</b>	<b>199</b>	<b>205</b>
Recurring Net Profit	306	345	187	199	205
<b>Fully Diluted Recurring Net Profit</b>	<b>306</b>	<b>345</b>	<b>187</b>	<b>199</b>	<b>205</b>
Normalised Net Profit	330	372	201	214	220
<b>Fully Diluted Normalised Profit</b>	<b>306</b>	<b>345</b>	<b>187</b>	<b>199</b>	<b>205</b>

Cash Flow					
(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
EBITDA	402.8	462.5	263.3	282.6	290.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(176.2)	(138.9)	14.6	(6.8)	(4.1)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(10.9)	7.6	(13.9)	(5.4)	(1.8)
Net Interest (Paid)/Received	(9.3)	(7.4)	(7.3)	(7.0)	(6.7)
Tax Paid	(102.5)	(129.0)	(63.4)	(67.6)	(69.6)
<b>Cashflow From Operations</b>	<b>103.9</b>	<b>194.8</b>	<b>193.4</b>	<b>195.9</b>	<b>208.6</b>
Capex	(10.5)	(14.2)	(14.2)	(14.2)	(10.0)
Disposals Of FAs/subsidiaries	0.0	(11.9)	0.0	0.0	0.0
Acq. Of Subsidiaries/Investments					
Other Investing Cashflow	13.2	11.1	8.8	9.7	11.3
<b>Cash Flow From Investing</b>	<b>2.7</b>	<b>(15.0)</b>	<b>(5.5)</b>	<b>(4.5)</b>	<b>1.3</b>
Debt Raised/(repaid)	(100.0)	(37.5)	0.0	0.0	0.0
Proceeds From Issue Of Shares	8.0	4.8	0.0	0.0	0.0
Shares Repurchased					
Dividends Paid	(154.0)	(297.7)	(149.5)	(119.5)	(123.0)
Preferred Dividends					
Other Financing Cashflow	(22.7)	(23.5)	(21.3)	(20.1)	(19.0)
<b>Cash Flow From Financing</b>	<b>(268.7)</b>	<b>(353.8)</b>	<b>(170.7)</b>	<b>(139.6)</b>	<b>(142.0)</b>
Total Cash Generated	(162.0)	(174.1)	17.1	51.8	67.8
<b>Free Cashflow To Equity</b>	<b>6.6</b>	<b>142.2</b>	<b>187.9</b>	<b>191.4</b>	<b>209.9</b>
<b>Free Cashflow To Firm</b>	<b>115.9</b>	<b>187.2</b>	<b>195.2</b>	<b>198.3</b>	<b>216.6</b>

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS... cont'd

Balance Sheet					
(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
Total Cash And Equivalents	538	365	389	448	523
Total Debtors	208	224	159	165	168
Inventories	504	687	573	594	607
Total Other Current Assets	0	2	2	2	2
<b>Total Current Assets</b>	<b>1,250</b>	<b>1,277</b>	<b>1,124</b>	<b>1,209</b>	<b>1,300</b>
Fixed Assets	117	132	126	117	101
Total Investments	317	361	388	416	444
Intangible Assets	1	1	1	1	1
Total Other Non-Current Assets	105	117	117	117	117
<b>Total Non-current Assets</b>	<b>538</b>	<b>610</b>	<b>631</b>	<b>650</b>	<b>662</b>
Short-term Debt	100	63	63	63	63
Current Portion of Long-Term Debt					
Total Creditors	436	469	379	393	402
Other Current Liabilities	67	59	56	54	53
<b>Total Current Liabilities</b>	<b>603</b>	<b>591</b>	<b>498</b>	<b>510</b>	<b>517</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	283	322	242	243	243
<b>Total Non-current Liabilities</b>	<b>283</b>	<b>322</b>	<b>242</b>	<b>243</b>	<b>243</b>
Total Provisions	61	65	55	51	50
<b>Total Liabilities</b>	<b>947</b>	<b>979</b>	<b>795</b>	<b>804</b>	<b>810</b>
Shareholders' Equity	765	816	853	933	1,015
Minority Interests	77	93	107	122	137
<b>Total Equity</b>	<b>841</b>	<b>909</b>	<b>960</b>	<b>1,054</b>	<b>1,152</b>

Key Ratios					
	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
Revenue Growth	52.4%	10.5%	(30.8%)	3.6%	2.1%
Operating EBITDA Growth	80.9%	14.8%	(43.1%)	7.3%	2.9%
Operating EBITDA Margin	11.4%	11.8%	9.7%	10.1%	10.1%
Net Cash Per Share (RM)	0.32	0.19	0.22	0.27	0.34
BVPS (RM)	0.65	0.70	0.73	0.80	0.87
Gross Interest Cover	40.96	58.75	32.41	36.01	38.28
Effective Tax Rate	22.2%	23.0%	24.0%	24.0%	24.0%
Net Dividend Payout Ratio	50.4%	86.3%	80.0%	60.0%	60.0%
Accounts Receivables Days	19.13	20.19	25.79	21.05	21.21
Inventory Days	44.5	67.0	103.3	92.7	93.5
Accounts Payables Days	39.07	41.71	57.27	51.42	51.85
ROIC (%)	135%	77%	28%	35%	36%
ROCE (%)	39.7%	43.2%	22.7%	22.8%	21.7%
Return On Average Assets	19.6%	20.1%	11.0%	11.7%	11.4%

Key Drivers					
	Apr-23A	Apr-24A	Apr-25F	Apr-26F	Apr-27F
Malaysia Volume	19,688.0	21,188.0	11,807.8	12,884.7	13,296.9
Philippines Volume	1,682.0	2,583.0	2,509.9	2,172.9	2,238.1

SOURCES: CGSI RESEARCH ESTIMATES, COMPANY REPORTS

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

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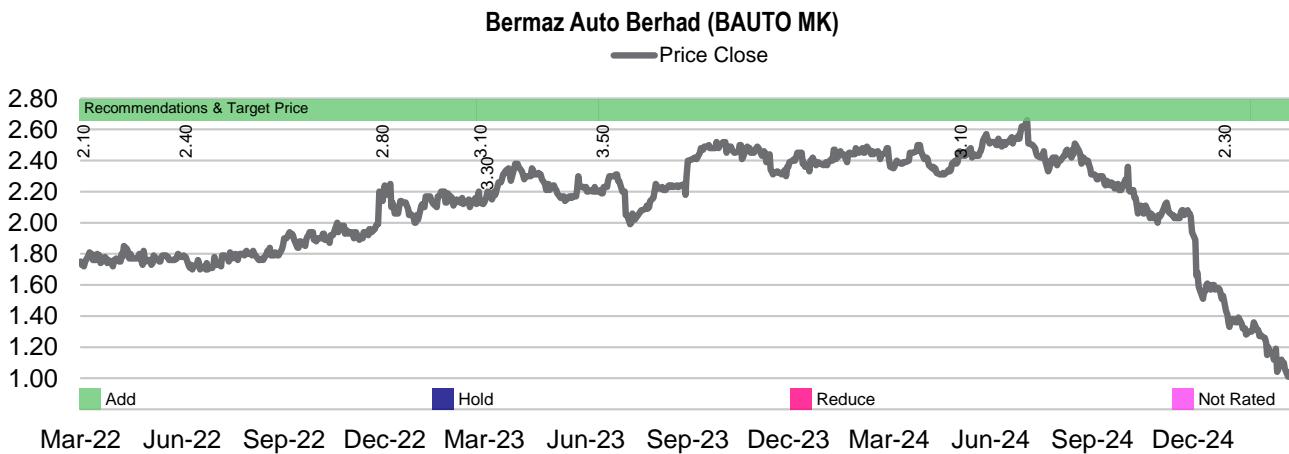
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2024		
598 companies under coverage for quarter ended on 31 December 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.4%	0.8%
Hold	22.2%	0.8%
Reduce	10.4%	0.3%

**Spitzer Chart for stock being researched (2-year data)**

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**Definition:**

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

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