

Malaysia

September 12, 2024 - 8:07 AM

**ADD** (no change)

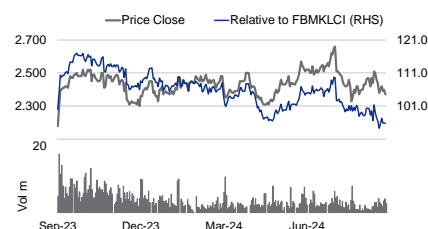
Consensus ratings\*: Buy 11 Hold 4 Sell 0

Current price:	RM2.37
Target price:	RM3.10
Previous target:	RM3.10
Up/downside:	30.8%
CGSI / Consensus:	4.5%
Reuters:	BERA.KL
Bloomberg:	BAUTO MK
Market cap:	US\$638.0m RM2,770m
Average daily turnover:	US\$1.44m RM6.58m
Current shares o/s	1,168m
Free float:	52.3%

\*Source: Bloomberg

Key financial forecasts

	Apr-24A	Apr-25F	Apr-26F
Net Profit (RMm)	345.6	293.5	285.9
Core EPS (RM)	0.30	0.25	0.24
Core EPS Growth	12.7%	(15.0%)	(2.6%)
FD Core P/E (x)	8.02	9.44	9.69
Recurring ROE	43.7%	36.2%	35.0%
P/BV (x)	3.39	3.44	3.34
DPS (RM)	0.26	0.22	0.21
Dividend Yield	11.0%	9.1%	8.9%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-2.1	-6.7	5.3
Relative (%)	-4.8	-8.5	-7.4

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

## Proposed acquisition: 11.54% of EP Manufacturing

- 1QFY25 results were within our and Bloomberg consensus estimates.
- We believe the proposed acquisition of a 11.54% stake in EP Manufacturing could pave the way for future partnerships.
- Reiterate Add with TP of RM3.10, implying a 12.4x CY25F P/E, below its historical mean of 12.9x, with attractive dividend yield of 9%.
- This note marks the transfer of coverage to Jacquelyn Yow.

### 1QFY25 core net profit within expectations

- Bermaz Auto's (BAuto) 1QFY4/25 core net profit came in at RM69.7m (-23% qoq, -31% yoy), within our expectations, contributing 24% of our and 23% of Bloomberg consensus full-year forecasts. The lower qoq and yoy core net profit in 1Q was mainly due to lower sales volumes, impacted by the launch of several new and facelift models by other marques such as Mercedes-Benz, Smart, Mini, Jaecoo, etc.
- BAuto also declared a first interim dividend of 3.5sen (1QFY24 first interim dividend: 5.0 sen), dividend yield of 1.5%. We expect a total dividend of 21.5 sen for FY25F, which would translate into a total dividend yield of 9%.

### Proposed acquisition of 11.54% in EP Manufacturing Bhd

- BAuto announced on 11 Sep that it has entered into a conditional share subscription agreement with EP Manufacturing Bhd (EPMB MK; Not Rated) to subscribe to c.15% of EPM's existing issued share capital. On completion of the proposed subscription, BAuto will hold a 11.54% equity stake in EPM. The total cash consideration for this subscription is approximately RM19.8m, at a price of RM0.60 per EPM share.
- For FY23, EPM reported revenue of RM650m and net profit of RM20.9m, translating into a P/E ratio of 6.3x.
- We view this as a strategic move for BAuto which could pave the way for future partnerships with EPM. Notably, EPM recently secured 2 vehicle assembly agreements with China's Great Wall Motor and Beijing Automotive Industry Corp International.

### Reiterate Add with a TP of RM3.10

- We reiterate our Add recommendation on BAuto as we expect the demand for new vehicles in Malaysia to remain resilient and BAuto's volumes to pick up as the year progresses. Our GGM-derived TP of RM3.10 (employing a 34.9% CY26F ROE, 9.4% COE and 2.0% long-term growth) implies a 12.4x CY25F P/E, below its historical mean of 12.9x. Its FY25-26F dividend yields of c.9% are also attractive. Key re-rating catalysts: 1) continued growth of Kia sales in Malaysia and Mazda in the Philippines and 2) robust Malaysian consumer spending supporting TIVs. Key downside risks: 1) a decline in consumer spending power and 2) greater competition from Chinese brands in Malaysia.

Figure 1: 1QFY25 results

Interim Results	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg
Revenue	846	1,089	-22.3%	938	-9.7%
EBITDA	93	138	-32.6%	118	-21.2%
EBITDA Margin (%)	11.0%	12.7%	-1.7%	12.6%	-1.6%
EBIT	87	132	-34.3%	111	-22.2%
EBIT Margin (%)	10.3%	12.1%	-1.9%	11.9%	-1.6%
Pre-tax profit	98	141	-30.5%	131	-25.1%
Pre-tax profit Margin (%)	11.6%	12.9%	-1.4%	13.9%	-2.4%
Net Profit	70	100	-29.9%	90	-22.2%
Net Profit Margin (%)	8.3%	9.2%	-0.9%	9.6%	-1.3%
Core Net Profit	70	101	-31.4%	91	-23.4%
Core Net Profit Margin (%)	8.2%	9.3%	-1.1%	9.7%	-1.5%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

**Figure 2: Segmental breakdown**

Continuing Operations	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg
<b>Segment Revenues</b>	<b>846</b>	<b>1,089</b>	<b>-22.3%</b>	<b>938</b>	<b>-9.7%</b>
Malaysia	755	989	-23.7%	842	-10.3%
Philippines	91	100	-9.1%	96	-4.9%
<b>Segment EBIT</b>	<b>87</b>	<b>132</b>	<b>-33.8%</b>	<b>112</b>	<b>-21.6%</b>
Malaysia	69	118	-41.0%	98	-29.4%
Philippines	18	15	24.9%	13	35.1%
<b>Segment EBIT Margin (%)</b>	<b>10.3%</b>	<b>12.1%</b>	<b>-1.8%</b>	<b>11.9%</b>	<b>-1.6%</b>
Malaysia	9.2%	11.9%	-2.7%	11.7%	-2.5%
Philippines	19.9%	14.5%	5.4%	14.0%	5.9%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

**Figure 3: Unit sales by region**

Sales Volumes	1QFY25	1QFY24	yoy % chg	4QFY24	qoq % chg
<b>Total Units Sold</b>	<b>5,117</b>	<b>6,648</b>	<b>-23.0%</b>	<b>5,480</b>	<b>-6.6%</b>
<b>Malaysia</b>	<b>4,555</b>	<b>5,918</b>	<b>-23.0%</b>	<b>4,843</b>	<b>-5.9%</b>
Malaysia - Mazda	3,852	4,999	-22.9%	4,210	-8.5%
Malaysia - Peugeot	429	313	37.1%	228	88.2%
Malaysia - Kia	274	606	-54.8%	405	-32.3%
<b>Philippines</b>	<b>562</b>	<b>730</b>	<b>-23.0%</b>	<b>637</b>	<b>-11.8%</b>
PH - Mazda	562	730	-23.0%	637	-11.8%

SOURCES: CGSI RESEARCH, COMPANY REPORTS

**Figure 4: Peers comparison**

Company	Bbg Ticker	Bbg Recom.	Price (lcl curr)	Target Price (lcl curr)	Market Cap (US\$ m)	P/E (x)			2-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)	Dividend Yield (%)
						CY24F	CY25F	CY26F		CY24F	CY25F		
<b>SEA Auto Distributors</b>													
Sime Darby Bhd	SIME MK	Add	2.26	3.28	3,557	10.0	9.1	8.7	15.0%	0.74	0.71	7.7%	5.8%
Bermaz Auto Berhad	BAUTO MK	Add	2.37	3.10	640	8.9	9.6	9.5	-4.8%	3.42	3.37	37.8%	9.7%
Astra International	ASII IJ	Add	5,025	5,500	13,208	7.0	6.7	6.9	-4.9%	0.98	0.91	14.0%	6.4%
<b>Average</b>						<b>8.6</b>	<b>8.5</b>	<b>8.4</b>	<b>1.8%</b>	<b>1.72</b>	<b>1.66</b>	<b>19.8%</b>	<b>7.3%</b>
<b>Global Auto Manufacturese</b>													
BYD Co Ltd	1211 HK	Add	240.2	345.0	99,544	18.9	15.7	13.2	15.9%	3.59	2.92	21.4%	1.6%
NIO Inc	9866 HK	Add	43.20	70.00	11,561	na	na	61.8	na	8.40	23.98	-78.3%	0.0%
Li Auto Inc	2015 HK	Add	75.45	115.8	20,530	17.7	10.5	8.3	6.8%	1.95	1.77	12.2%	0.0%
KIA	000270 KS	Add	96,200	158,000	28,693	3.5	3.8	3.9	7.4%	0.69	0.60	21.5%	4.7%
Hyundai Motor Company	005380 KS	Add	223,500	360,000	34,913	4.3	4.2	4.1	7.6%	0.57	0.51	14.2%	5.8%
<b>Average</b>						<b>11.1</b>	<b>8.6</b>	<b>18.3</b>	<b>9.4%</b>	<b>3.04</b>	<b>5.96</b>	<b>-1.8%</b>	<b>2.4%</b>

DATA AS OF 11 SEP 2024

SOURCES: CGSI RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

## BY THE NUMBERS

### Profit & Loss

(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F
<b>Total Net Revenues</b>	<b>3,541</b>	<b>3,911</b>	<b>3,628</b>	<b>3,492</b>
<b>Gross Profit</b>	<b>584</b>	<b>659</b>	<b>576</b>	<b>560</b>
<b>Operating EBITDA</b>	<b>403</b>	<b>462</b>	<b>394</b>	<b>384</b>
Depreciation And Amortisation	(23)	(27)	(26)	(28)
<b>Operating EBIT</b>	<b>379</b>	<b>436</b>	<b>368</b>	<b>356</b>
Financial Income/(Expense)	3	3	4	6
Pretax Income/(Loss) from Assoc.	41	45	36	35
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>424</b>	<b>483</b>	<b>408</b>	<b>397</b>
Exceptional Items	(1)	0	0	0
<b>Pre-tax Profit</b>	<b>423</b>	<b>484</b>	<b>408</b>	<b>397</b>
Taxation	(94)	(111)	(98)	(95)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>329</b>	<b>372</b>	<b>310</b>	<b>302</b>
Minority Interests	(23)	(27)	(16)	(16)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>306</b>	<b>346</b>	<b>293</b>	<b>286</b>
Recurring Net Profit	306	345	293	286
<b>Fully Diluted Recurring Net Profit</b>	<b>306</b>	<b>345</b>	<b>293</b>	<b>286</b>

### Balance Sheet

(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F
Total Cash And Equivalents	538	365	513	530
Total Debtors	208	224	204	191
Inventories	504	687	616	612
Total Other Current Assets	0	2	2	2
<b>Total Current Assets</b>	<b>1,250</b>	<b>1,277</b>	<b>1,335</b>	<b>1,336</b>
Fixed Assets	117	132	102	92
Total Investments	317	361	397	432
Intangible Assets	1	1	1	1
Total Other Non-Current Assets	105	117	129	129
<b>Total Non-current Assets</b>	<b>538</b>	<b>610</b>	<b>628</b>	<b>653</b>
Short-term Debt	100	63	63	63
Current Portion of Long-Term Debt				
Total Creditors	436	469	549	548
Other Current Liabilities	67	59	79	78
<b>Total Current Liabilities</b>	<b>603</b>	<b>591</b>	<b>691</b>	<b>689</b>
Total Long-term Debt	0	0	0	0
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	283	322	286	274
<b>Total Non-current Liabilities</b>	<b>283</b>	<b>322</b>	<b>286</b>	<b>274</b>
Total Provisions	61	65	72	72
<b>Total Liabilities</b>	<b>947</b>	<b>979</b>	<b>1,049</b>	<b>1,035</b>
Shareholders' Equity	765	816	805	828
Minority Interests	77	93	109	125
<b>Total Equity</b>	<b>841</b>	<b>909</b>	<b>915</b>	<b>954</b>

### Cash Flow

(RMm)	Apr-23A	Apr-24A	Apr-25F	Apr-26F
EBITDA	402.8	462.5	393.9	384.3
Cash Flow from Invnt. & Assoc.				
Change In Working Capital	(176.2)	(138.9)	153.7	6.5
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(10.9)	7.6	27.8	(0.1)
Net Interest (Paid)/Received	(9.3)	(7.4)	(6.3)	(6.1)
Tax Paid	(102.5)	(129.0)	(97.9)	(95.3)
<b>Cashflow From Operations</b>	<b>103.9</b>	<b>194.8</b>	<b>471.2</b>	<b>289.3</b>
Capex	(10.5)	(14.2)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	0.0	(11.9)	0.0	0.0
Acq. Of Subsidiaries/Investments				
Other Investing Cashflow	13.2	11.1	10.2	12.2
<b>Cash Flow From Investing</b>	<b>2.7</b>	<b>(15.0)</b>	<b>0.2</b>	<b>2.2</b>
Debt Raised/(repaid)	(100.0)	(37.5)	0.0	0.0
Proceeds From Issue Of Shares	8.0	4.8	0.0	0.0
Shares Repurchased				
Dividends Paid	(154.0)	(297.7)	(303.8)	(262.9)
Preferred Dividends				
Other Financing Cashflow	(22.7)	(31.0)	(18.4)	(17.6)
<b>Cash Flow From Financing</b>	<b>(268.7)</b>	<b>(361.4)</b>	<b>(322.2)</b>	<b>(280.5)</b>
Total Cash Generated	(162.0)	(181.6)	149.3	11.0
<b>Free Cashflow To Equity</b>	<b>6.6</b>	<b>142.2</b>	<b>471.4</b>	<b>291.5</b>
<b>Free Cashflow To Firm</b>	<b>115.9</b>	<b>187.2</b>	<b>477.7</b>	<b>297.6</b>

### Key Ratios

	Apr-23A	Apr-24A	Apr-25F	Apr-26F
Revenue Growth	52.4%	10.5%	(7.2%)	(3.8%)
Operating EBITDA Growth	80.9%	14.8%	(14.8%)	(2.4%)
Operating EBITDA Margin	11.4%	11.8%	10.9%	11.0%
Net Cash Per Share (RM)	0.32	0.19	0.33	0.35
BVPS (RM)	0.65	0.70	0.69	0.71
Gross Interest Cover	40.96	58.75	58.26	58.08
Effective Tax Rate	22.2%	23.0%	24.0%	24.0%
Net Dividend Payout Ratio	50%	86%	104%	92%
Accounts Receivables Days	19.13	20.19	21.50	20.65
Inventory Days	44.47	67.01	77.93	76.48
Accounts Payables Days	39.07	41.71	50.72	58.26
ROIC (%)	135%	77%	44%	64%
ROCE (%)	39.7%	43.2%	36.1%	34.8%
Return On Average Assets	19.6%	20.1%	15.9%	15.0%

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



### Key Drivers

	Apr-23A	Apr-24A	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

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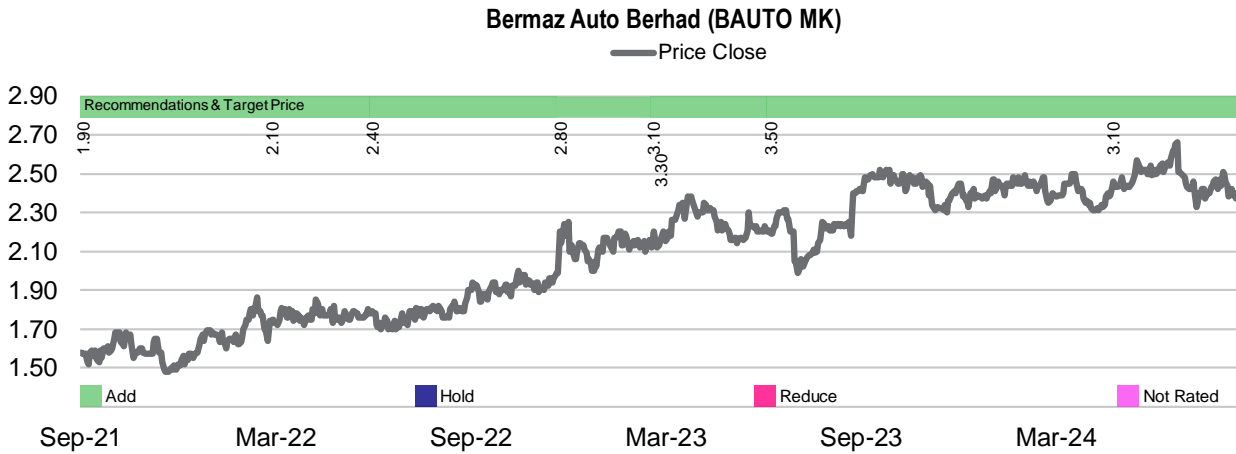
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588 companies under coverage for quarter ended on 30 June 2024		
	Rating Distribution (%)	Investment Banking clients (%)
Add	65.0%	0.5%
Hold	25.3%	0.5%
Reduce	9.7%	0.3%

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



<b>Recommendation Framework</b>	
<b>Stock Ratings</b>	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
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