

13 Dec 2024

Hold (from Buy)

Price
RM2.04

Target Price
RM2.10 (from RM2.90)

Market Data

| Bloomberg Code | BAUTO MK |
|--------------------------|-------------|
| No. of shares (m) | 1,162.2 |
| Market cap (RMm) | 2,414.7 |
| 52-week high/low (RM) | 2.60 / 2.04 |
| Avg daily turnover (RMm) | 6.8 |
| KLCI (pts) | 1,602.1 |

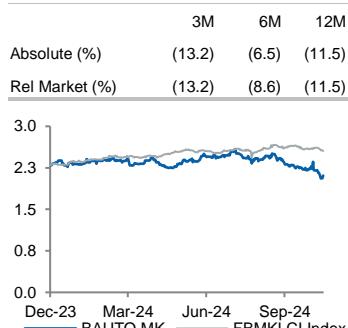
Source: Bloomberg, CIMB Securities

Major Shareholder (%)

| | |
|-------------------|-------|
| Dynamic Milestone | 14.8% |
| EPF | 13.3% |
| PNB | 11.2% |
| Free Float | 60.7 |

Source: Bloomberg, CIMB Securities

Performance



Source: Bloomberg, CIMB Securities

Bermaz Auto

Speed bump ahead

Bermaz Auto (BAuto)'s 1HFY4/25 results missed expectations at 37%/38% of our/consensus estimates, respectively. Core net profit slipped 55% yoy in 2QFY25 owing to lower-than-expected Mazda and Kia sales volumes. Despite this, BA Auto declared a higher 10 sen DPS in the quarter (vs. 5 sen in 2QFY24). We cut our EPS forecast by 12–24% to reflect a wider decline in BA Auto's sales volume forecast amid rising competition in the SUV and EV segments. We downgrade the stock to Hold with a lower TP of RM2.10, based on a lower 8.6x CY26F P/E (1 s.d. below mean).

Financial highlights

| FYE Apr | 2023 | 2024 | 2025F | 2026F | 2027F |
|-----------------------|-------|----------|----------|----------|----------|
| Revenue (RMm) | 3,541 | 3,940 | 3,433 | 3,781 | 4,048 |
| Core net profit (RMm) | 305.8 | 351.0 | 222.1 | 255.2 | 298.3 |
| Core EPS (Sen) | 26.3 | 30.2 | 19.1 | 22.0 | 25.7 |
| EPS growth (%) | 97.2 | 14.8 | (36.7) | 14.9 | 16.9 |
| DPS (Sen) | 22.0 | 26.0 | 19.0 | 19.0 | 20.0 |
| Core PE (x) | 7.8 | 6.8 | 10.7 | 9.3 | 7.9 |
| Div yield (%) | 10.8 | 12.7 | 9.3 | 9.3 | 9.8 |
| ROE (%) | 43.7 | 44.3 | 26.3 | 29.3 | 33.4 |
| Net Gearing (%) | | Net Cash | Net Cash | Net Cash | Net Cash |
| PBV(x) | | 3.1 | 2.9 | 2.7 | 2.7 |
| | | | | | 2.6 |

Source: Company, CIMB Securities

BAuto's core net profit slid 55% yoy, but still declared 10 sen DPS in 2QFY4/25

BAuto's 2QFY4/25 core net profit fell by 55% yoy, primarily due to lower sales volumes for its Mazda and Kia marque domestic operations, impacted by intensifying competition in the automotive industry, especially with the entry of new Chinese players. Mazda and Kia sales volumes declined by 39% and 55% yoy, respectively. Despite the weaker earnings, BA Auto declared a total DPS of 10 sen for the quarter, consisting of a 3 sen second interim DPS and a 7 sen special DPS. According to BA Auto, the special dividend was largely attributed to a special payout from its 30%-owned associate, Mazda Malaysia Sdn Bhd (MMSB). To recap, we previously estimated that MMSB was considering a special dividend of RM200–300m, given its minimal capital expenditure requirements and strong financial position (with RM668m in cash reserves and no borrowings as of the fiscal year-end in Mar 2024). Therefore, we view the special dividend payout from MMSB as a positive catalyst for the stock. Overall, BA Auto declared a higher 13.5 sen DPS in 1HFY24, compared with the 10 sen DPS in 1HFY23.

1HFY25 revenue and core net profit fell 29% and 42% yoy, respectively

Revenue dropped 29% yoy in 1HFY4/25 owing to lower sales volume from Malaysia and the Philippines. Total sales volume in 1HFY25 dropped 30% yoy to 8,932 units. The group attributed the lower sales volume in the Malaysian market to increasing competition from other distributors and lower new orders replenishment following the high fulfilment of Mazda 3 orders in 1HFY24. Overall, core net profit slipped 42% yoy in 1HFY25.

FY25–27F net profit revised down 12–24% on lower sales volume forecast

We are revising our FY25–27F net profit forecasts downwards by 12–24% to reflect a lower sales volume assumption, particularly for Mazda. We now project Mazda sales volume in Malaysia to decline by 19% yoy to 15,000 units. However, we still expect Kia sales volume to grow in FY4/25F, albeit at a slower rate, driven by the upcoming launch of the Kia Sportage. The group recently opened booking registrations for the Kia Sportage and plans to launch the locally assembled vehicle in Jan 2025. We estimate the pricing for the new Sportage to range between RM147,000 and RM187,000. We expect the Kia Sportage to become a new volume driver for BA Auto in FY4/26F. We project Kia sales volume to grow from 1,900 units in FY4/24 to 2,600/4,000/4,500 units in FY25/26/27F, respectively.

Analyst

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Meanwhile, the group delivered 156 units of the XPeng G6 EV in 2QFY4/25. We understand the group has secured at least 450 bookings for this model since its launch in Aug 2024, and sales remains on track to the target for FY4/25F. Beyond the Kia Sportage, the group is also preparing to launch three new Mazda models — the Mazda CX-60, CX-80, and CX-5 MS Limited Edition — as well as one new XPeng model, the G9 SUV.

In addition, BA Auto was recently awarded the distributorship for the Deepal EV in Malaysia. Deepal, an EV brand under the China-based Changan Automobile Group, is set to introduce three new EV models in Malaysia — the S07, S05, and E07 — beginning in the second half of CY25F.

Downgrade BA Auto from Buy to Hold with a lower RM2.10 TP, based on lower 8.6x P/E

We expect BA Auto's FY25F core EPS to decline 37% yoy, following successive record net profit deliveries in FY23 and FY24. Post earnings revision, we downgrade our rating on BA Auto from Buy to Hold with a lower target price of RM2.10 (versus RM2.90 previously). We also roll over our valuation to end-2025. We pegged our valuation to a lower 8.6x P/E, based 1 s.d. below its historical mean P/E, versus 10.9x previously (0.5 s.d. below mean). The stock trades at 9.3x CY25F P/E, which is close to 1 s.d. below the mean. Despite the weaker earnings outlook, BA Auto still offers an attractive dividend yield of 9.3% in FY25–26F, supported by a net cash position of RM184m (RM0.16/share) as of 31 Oct 2024. We believe BA Auto is still well-positioned to benefit from Kia's strategic expansion in Asia Pacific through its domestic vehicle assembly and ASEAN export programme.

Potential catalysts and risks

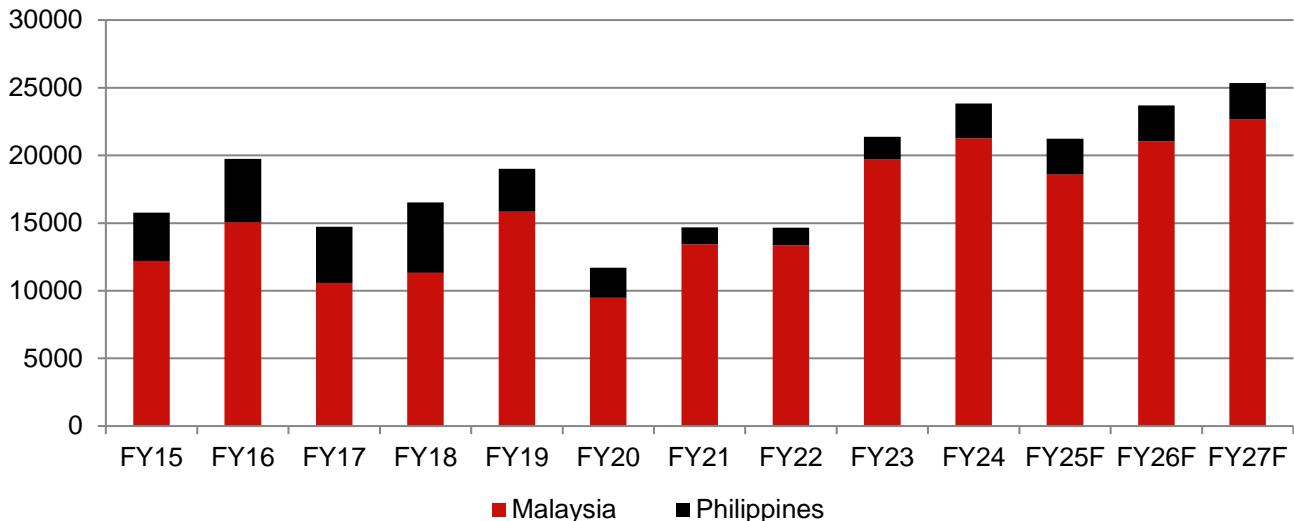
Potential re-rating catalysts include acquisition of new EV marque distributorships, implementation of new localisation programmes, strengthening of the ringgit, and special dividend from MMSB. Key risks to our Buy call include a delay in rollout of the new CKD programme, deterioration in consumer sentiment following diesel subsidy removal, and unfavourable forex movements.

Exhibit 1: Sector comparison

| FYE Apr (RM m) | 2QFY25 | 2QFY24 | yoY % chg | 1QFY25 | qoq % chg | 2QFY25 Cum | 2QFY24 Cum | yoY % chg | Prev. FY25F |
|--------------------------|-------------|----------------|---------------|---------------|---------------|--------------|--------------|-----------------|-------------|
| Revenue | 647 | 1,007 | (35.8) | 846 | (23.6) | 1,493 | 2,096 | (28.8) | 3,645 |
| Operating costs | (586) | (892) ▲ | (34.3) | (754) ▲ | (22.3) | (1,340) | (1,843) ▲ | (27.3) ▲ | (3,239) |
| EBITDA | 61 | 115 ▲ | (47.1) | 92 ▲ | (33.5) | 152.9 | 253.3 | (39.7) ▲ | 406 |
| <i>EBITDA margin (%)</i> | <i>9.4</i> | <i>11.5</i> | | <i>10.9</i> | | <i>10.2</i> | <i>12.1</i> | | <i>11.1</i> |
| Depn & amort. | (6.7) | (7.4) ▲ | (9.1) | (6.2) | 8.0 | (13.0) | (13.5) | (3.6) | (27.9) |
| EBIT | 54.3 | 107.9 ▲ | (49.7) | 85.6 ▲ | (36.6) | 139.9 | 239.9 | (41.7) ▲ | 378 |
| Interest expense | (2.4) | (2.0) | 19.8 | (1.1) | 128.2 | (3.5) | (3.8) | (8.4) | (6.3) |
| Interest & invt inc | 2.4 | 2.9 | (16.5) | 1.9 | 26.0 | 4.4 | 6.1 | (28.4) | 10.4 |
| Associates | 3.4 | 14.4 | (76.4) | 10.7 | (68.4) | 14.1 | 23.0 | (38.6) | 40.0 |
| Exceptionals | (0.7) | (0.4) | > 100 | 0.6 | > 100 | (0.1) | (1.7) | (93.3) | - |
| Pretax profit | 57.1 | 122.8 ▲ | (53.6) | 97.8 ▲ | (41.6) | 154.8 | 263.5 | (41.2) ▲ | 422 |
| Tax | (14.3) | (27.1) | (47.1) | (22.4) | (36.0) | (36.7) | (59.9) | (38.7) ▲ | (107.1) |
| <i>Tax rate (%)</i> | <i>25.1</i> | <i>22.1</i> | | <i>22.9</i> | | <i>23.7</i> | <i>22.7</i> | | <i>25.4</i> |
| Minority interests | (2.4) | (5.6) | (58.0) | (5.2) | (54.2) | (7.5) | (13.3) | (43.5) | (23.9) |
| Net profit | 40.3 | 90.1 ▲ | (55.2) | 70.2 ▲ | (42.5) | 110.6 | 190.3 | (41.9) | 291 |
| Core net profit | 41.0 | 90.5 ▲ | (54.7) | 69.7 ▲ | (41.1) | 110.7 | 192.0 | (42.4) ▲ | 291 |
| EPS (sen) | 3.5 | 7.8 ▲ | (55.2) | 6.0 ▲ | (42.6) | 9.5 | 16.4 | (41.9) | 25.4 |
| Core EPS (sen) | 3.5 | 7.8 ▲ | (54.7) | 6.0 ▲ | (41.1) | 9.5 | 16.5 | (42.4) | 25.4 |
| Net DPS (sen) | 10.0 | 5.0 | 100.0 | 3.5 | 185.7 | 13.5 | 10.0 | 35.0 | 22.0 |

Source: Company, CIMB Securities

Exhibit 2: BAuto's annual sales volume actual and forecasts (FY25–27F)



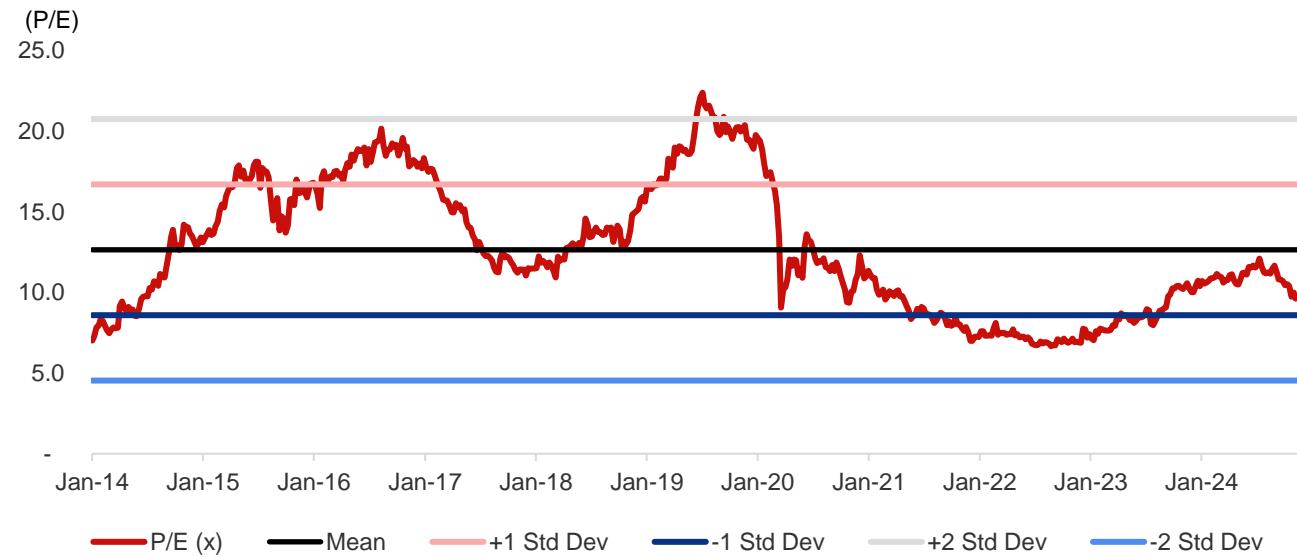
Source: Company, CIMB Securities

Exhibit 3: Earnings revision

| FYE Apr (RM m) | Previous earnings forecast | | | Revised earnings forecast | | | Changes (%) | | |
|-------------------|----------------------------|-------|-------|---------------------------|-------|-------|-------------|--------|--------|
| | FY25F | FY26F | FY27F | FY25F | FY26F | FY27F | FY25F | FY26F | FY27F |
| Turnover | 3,645 | 4,011 | 4,271 | 3,433 | 3,781 | 4,048 | -5.8% | -5.7% | -5.2% |
| EBITDA | 406 | 444 | 470 | 313 | 360 | 419 | -22.9% | -19.0% | -10.9% |
| EBIT | 378 | 416 | 443 | 285 | 332 | 391 | -24.6% | -20.3% | -11.7% |
| Pretax profit | 422 | 466 | 499 | 324 | 375 | 440 | -23.3% | -19.5% | -11.8% |
| Net profit | 291 | 319 | 341 | 222 | 255 | 298 | -23.6% | -20.0% | -12.4% |
| EPS (sen) | 25 | 27 | 29 | 19 | 22 | 26 | -23.6% | -20.0% | -12.4% |

Source: Company, CIMB Securities

Exhibit 4: BAuto's 1-year forward P/E (x)



Source: Company, CIMB Securities

Bermaz Auto

Income Statement

| FYE Apr (RMm) | 2023 | 2024 | 2025F | 2026F | 2027F |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 3,540.6 | 3,940.3 | 3,433.3 | 3,780.9 | 4,048.1 |
| EBITDA | 400.3 | 463.0 | 312.6 | 359.5 | 419.1 |
| Depreciation/Amortisation | (23.4) | (26.8) | (27.9) | (27.9) | (28.1) |
| Operating income (EBIT) | 376.8 | 436.2 | 284.8 | 331.6 | 391.0 |
| Other income & associates | 41.1 | 50.0 | 35.0 | 40.0 | 45.0 |
| Net interest | 5.4 | 3.0 | 3.9 | 3.5 | 4.1 |
| Exceptional items | - | - | - | - | - |
| Pretax profit | 423.3 | 489.1 | 323.7 | 375.1 | 440.1 |
| Taxation | (94.0) | (111.4) | (82.2) | (95.7) | (112.2) |
| Minorities/pref dividends | (23.5) | (26.7) | (19.4) | (24.2) | (29.6) |
| Net profit | 305.8 | 351.0 | 222.1 | 255.2 | 298.3 |
| Core net profit | 305.8 | 351.0 | 222.1 | 255.2 | 298.3 |

Balance Sheet

| FYE Apr (RMm) | 2023 | 2024 | 2025F | 2026F | 2027F |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Fixed assets | 44.6 | 41.3 | 118.8 | 105.9 | 92.8 |
| Intangible assets | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Other long-term assets | 493.4 | 568.1 | 589.1 | 636.4 | 667.8 |
| Total non-current assets | 538.5 | 609.9 | 708.4 | 742.8 | 761.1 |
| Cash & equivalent | 537.6 | 364.8 | 407.4 | 415.9 | 463.6 |
| Stock | 503.9 | 687.1 | 598.7 | 659.3 | 705.9 |
| Trade debtors | 207.8 | 196.5 | 171.2 | 188.6 | 201.9 |
| Other current assets | 0.3 | 3.5 | 3.5 | 3.5 | 3.5 |
| Total current assets | 1,249.6 | 1,251.9 | 1,180.8 | 1,267.2 | 1,374.9 |
| Trade creditors | 360.1 | 350.9 | 305.8 | 336.7 | 360.5 |
| Short-term borrowings | 99.9 | 62.5 | 62.5 | 62.5 | 62.5 |
| Other current liabilities | 142.8 | 147.0 | 153.8 | 160.6 | 167.4 |
| Total current liabilities | 602.9 | 560.4 | 522.1 | 559.8 | 590.4 |
| Long-term borrowings | - | - | - | - | - |
| Other long-term liabilities | 343.7 | 387.3 | 387.3 | 441.2 | 465.3 |
| Total long-term liabilities | 343.7 | 387.3 | 387.3 | 441.2 | 465.3 |
| Shareholders' funds | 764.9 | 821.2 | 867.6 | 872.5 | 914.3 |
| Minority interests | 76.6 | 92.9 | 112.2 | 136.5 | 166.0 |

Cash flow Statement

| FYE Apr (RMm) | 2023 | 2024 | 2025F | 2026F | 2027F |
|--|----------------|----------------|----------------|----------------|----------------|
| Pretax profit | 423.3 | 489.1 | 323.7 | 375.1 | 440.1 |
| Depreciation/Amortisation | 23.4 | 26.8 | 27.9 | 27.9 | 28.1 |
| Net change in working capital | - | - | - | - | - |
| Others | (333.6) | (320.4) | (117.5) | (132.6) | (152.8) |
| Cash flow from operations | 113.2 | 195.5 | 234.0 | 270.4 | 315.4 |
| Capital expenditure | 0.5 | 0.9 | - | - | - |
| Net investments & sale of fixed assets | 0.5 | (12.0) | - | - | - |
| Others | 1.7 | 2.8 | (9.8) | (4.6) | (3.4) |
| Cash flow from investing | 2.7 | (8.3) | (9.8) | (4.6) | (3.4) |
| Debt raised/(repaid) | (100.0) | (37.5) | - | - | - |
| Equity raised/(repaid) | - | - | - | - | - |
| Dividends paid | (154.0) | (297.7) | (175.3) | (250.5) | (256.8) |
| Others | (14.6) | (26.2) | (6.3) | (6.9) | (7.5) |
| Cash flow from financing | (268.7) | (361.4) | (181.6) | (257.4) | (264.3) |
| Net cash flow | (152.8) | (174.1) | 42.6 | 8.5 | 47.7 |
| Cash b/f | 694.3 | 537.5 | 364.8 | 407.4 | 415.9 |
| Cash c/f | 537.5 | 364.8 | 407.4 | 415.9 | 463.6 |

Key Ratios

| FYE Apr | 2023 | 2024 | 2025F | 2026F | 2027F |
|---------------------------|------|------|--------|-------|-------|
| Revenue growth (%) | 52.4 | 11.3 | (12.9) | 10.1 | 7.1 |
| EBITDA growth (%) | 78.6 | 15.7 | (32.5) | 15.0 | 16.6 |
| Pretax margins (%) | 12.0 | 12.4 | 9.4 | 9.9 | 10.9 |
| Net profit margins (%) | 8.6 | 8.9 | 6.5 | 6.8 | 7.4 |
| Interest cover (x) | 50.2 | nm | nm | nm | nm |
| Effective tax rate (%) | 29.9 | 24.6 | 25.4 | 25.4 | 25.5 |
| Net dividend payout (%) | 83.6 | 86.1 | 99.4 | 86.5 | 77.9 |
| Debtors turnover (days) | 24.5 | 19.1 | 18.7 | 19.5 | 17.4 |
| Stock turnover (days) | 38.8 | 37.1 | 55.2 | 68.3 | 60.7 |
| Creditors turnover (days) | 40.9 | 32.6 | 32.9 | 34.9 | 31.0 |

Source: Bloomberg, CIMB Securities

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|----------------------|---|
| Buy | The stock's total return is expected to exceed 10% over the next twelve (12) months. |
| Hold | The stock's total return is expected to be between 0% and positive 10% over the next twelve (12) months. |
| Reduce | The stock's total return is expected to fall below 0% or more over the next twelve (12) months. |
| | <i>Note: The total expected return of a stock is defined as the sum of: the percentage difference between the target price and the current price; and the forward net dividend yields of the stock. Stock price targets have an investment horizon of twelve (12) months.</i> |
| Sector Rating | Definition |
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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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Bermaz Auto

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