HLIB Research

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Bermaz Auto

Downward normalisation ahead

Reported core PATMI of RM91.0m for 4QFY24 (+31.8% QoQ; -9.3% YoY) and RM352.0m for FY24 (+15.4% YoY). The results were within our expectation (104%) but slightly above consensus (107%). Declared a fourth interim dividend of 4.75 sen/share and a special dividend of 7.0 sen/share (FY24: 26.0 sen/share). Maintain HOLD with an unchanged TP of RM2.46 based on 10x CY25 P/E. We expect BAuto's earnings to normalise lower in subsequent quarters, in line with the industry's downward trend and increasing competitive environment, especially with the emergence of Chinese OEMs. The group has a net cash of RM302.3m (25.9 sen/share).

HOLD (Maintain)

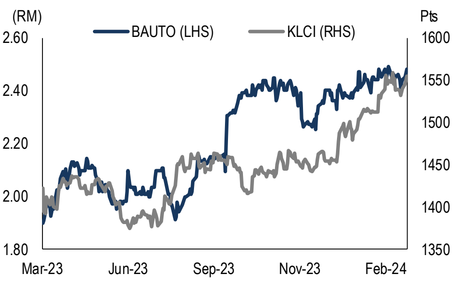
Target Price:	**RM2.46**
Previously:	**RM2.46**
Current Price:	**RM2.54**

Capital upside	-3.1%
Dividend yield	7.1%
Expected total return	4.0%

Sector coverage: Automotive

Company description: Bermaz Auto is involved in distribution, assembly, retailing and after sales service of Mazda and Kia vehicles in Malaysia and distribution of Mazda in the Philippines. Bermaz Auto is also involved in export of locally assembled Mazda and Kia vehicles.

Share price



Historical return (%)	1M	3M	12M
Absolute	6.7	3.7	18.0
Relative	6.0	0.0	1.5

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,168
Market capitalisation (RM m)	2,966
3-mth average volume ('000)	2,880
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Dynamic Milestone	14.9%
Employees Provident Fund	13.5%
Permodalan Nasional Berhad	9.8%

Earnings summary

FYE (Apr)	FY24	FY25f	FY26f
PATMI - core (RM m)	352	279	303
EPS - core (sen)	30.1	23.9	25.9
P/E (x)	8.4	10.6	9.8

Within expectations. Reported 4QFY24 core PATMI of RM91.0m (+31.8% QoQ, -9.3% YoY), bringing FY24's sum to RM352.0m (+15.4% YoY). The results were within our FY24 forecast at 104% but slightly above consensus at 107%. BAuto recorded net EIs of -RM1.0m for FY24, mainly on PPE write-offs and negative derivative fair value adjustments, partially offset by forex gain.

Dividend. Declared a fourth interim dividend of 4.75 sen/share and a special dividend of 7.0 sen/share (both ex-date: 18 Jul 2024). Total dividend declared for FY24 was 26.0 sen/share.

QoQ & YTD. Core PATMI improved by +31.8% QoQ (to RM91.0m) and +15.8% YTD (to RM352.0m), mainly driven by improved margins (following better sales mix from higher margin models and depreciation of JPY) as well as improved group sales volume (+11.2% YTD). Similarly, contribution from associates improved, mainly driven by Kia Malaysia (KMSB) for higher export volume to Thailand during the quarter.

YoY. Core PATMI dropped by -9.3% YoY, dragged by the lower group sales volume (-15.9% YoY), partially cushioned by improved group margins (on improved sales mix and weakened JPY) and stronger contributions from associates Mazda Malaysia (MMSB) and KMSB.

Outlook. The strong performance during the quarter was mainly driven by the new launch of CX-5 IPM6, return of Peugeot inventories to Stellantis with margins (following ceasing of Peugeot distributorship in Feb-24) as well as lumpy export volume for Kia CKDs to Thailand during the quarter. However, we have seen overall order backlogs continuing its downward trend to 2k units currently (from 2.2-2.5k units back in Jan-24). We expect Malaysia's TIV to slow down in 2024 following the record high base of 800k units achieved in 2023, alongside heightened competition with the entrance of new Chinese OEMs with aggressive pricing and marketing strategies. On a more positive note, BAuto has secured the exclusive distributorship for XPeng EV in Malaysia with starting model G6, to be launched in Aug-24. Philippines market continues to recover post the pandemic and BAuto is expected to leverage onto the recovery – the newly launched CX-60 and CX-90 premium models have been well received in there.

Forecast. Unchanged.

Maintain HOLD, TP: RM2.46. We maintain our HOLD recommendation on BAuto with an unchanged TP of RM2.46, based on PE 10x on CY25 earnings. Despite the downward normalisation of sales and earnings, BAuto still has a healthy balance sheet position with net cash of RM302.3m (25.9 sen/share) as of end 4QFY24.

Figure #1 Financial forecast summary

FYE Apr (RM m)	FY21	FY22	FY23	FY24f	FY25f
Revenue	2,288	2,324	3,548	2,776	3,508
EBITDA	176	224	402	254	355
EBIT	159	203	378	231	332
PBT	173	217	422	271	384
PAT	133	158	328	209	296
PATMI – Core	137	161	305	188	258
PATMI – Reported	134	155	304	188	258
HLIB/ Consensus (%) – Core PATMI				78.6%	102.0%
Core EPS (sen)	11.8	13.8	26.2	16.1	22.2
P/E (x)	18.9	16.1	8.5	13.8	10.0
DPS (sen)	6.5	8.8	22.0	12.0	14.0
Yield (%)	2.9%	3.9%	9.9%	5.4%	6.3%
Shareholder's equity	565	634	763	812	907
BVPS (RM/share)	0.49	0.55	0.65	0.70	0.78
P/B (x)	4.6	4.1	3.4	3.2	2.9
ROE (%)	26.5%	26.8%	43.7%	23.6%	30.0%
Net Gearing (%)	63.3%	N.Cash	N.Cash	N.Cash	N.Cash

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Figure #1 Quarterly results comparison

FYE Apr (RMm)	4QFY23	3QFY24	4QFY24	*QoQ (%)*	*YoY (%)*	FY23	FY24	*YoY (%)*
Revenue	1,072.4	896.5	937.5	*4.6%*	*-12.6%*	3,548.2	3,930.3	*10.8%*
EBITDA	132.3	92.4	118.1	*27.8%*	*-10.8%*	386.3	446.4	*15.5%*
Core EBIT	126.2	85.6	111.4	*30.1%*	*-11.7%*	378.1	437.0	*15.6%*
Interest Expense	(1.0)	(0.7)	(0.6)	*-15.7%*	*-35.0%*	(5.6)	(3.3)	*-42.0%*
Interest on Lease Liability	(0.9)	(1.1)	(1.1)			(3.6)	(4.2)	
Interest and Investment Income	4.0	2.3	2.1	*-11.9%*	*-48.5%*	14.6	10.5	*-28.5%*
Associates								*#DIV/0!*
MMSB	8.0	5.2	10.8	*106.4%*	*35.3%*	32.3	29.9	*-7.4%*
Inokom	2.7	3.6	2.6	*-29.1%*	*-4.4%*	7.2	11.3	*56.6%*
KMSB	0.4	(1.3)	6.3			(0.4)	8.7	
Others	(0.1)	(0.0)	(0.1)			(0.2)	0.1	
Core PBT	139.3	93.6	131.3	*40.3%*	*-5.7%*	422.5	490.1	*16.0%*
Exceptionals	0.3	1.5	(0.8)			(1.3)	(1.0)	
Reported PBT	139.5	95.1	130.6	*37.3%*	*-6.4%*	421.2	489.1	*16.1%*
Tax	(31.9)	(20.5)	(31.0)	*50.8%*	*-2.9%*	(94.0)	(111.4)	*18.5%*
MI	(7.0)	(4.0)	(9.4)	*132.7%*	*33.9%*	(23.5)	(26.7)	*13.7%*
Reported PATAMI	100.6	70.5	90.2	*28.0%*	*-10.3%*	303.7	351.0	*15.6%*
Core PATAMI	**100.4**	**69.0**	**91.0**	***31.8%***	***-9.3%***	**305.0**	**352.0**	***15.4%***
Reported EPS (Sen)	8.6	6.0	7.7	*28.0%*	*-10.4%*	26.0	30.1	*15.5%*
Core EPS (Sen)	8.6	5.9	7.8	*31.8%*	*-9.4%*	26.1	30.1	*15.4%*
				%-pts	*%-pts*			*%-pts*
EBITDA Margin (%)	12.3%	10.3%	12.6%	2.3	0.3	10.9%	11.4%	0.5
Core EBIT Margin (%)	11.8%	9.6%	11.9%	2.3	0.1	10.7%	11.1%	0.5
Core PATAMI Margin (%)	9.4%	7.7%	9.7%	2.0	0.3	8.6%	9.0%	0.4

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Figure #2 Quarterly result breakdown

FYE Apr (RM m)	4QFY23	3QFY24	4QFY24	*QoQ (%)*	*YoY (%)*	FY23	FY24	*YoY (%)*
Revenue								
Malaysia	1000.5	805.8	841.7	*4.5%*	*-15.9%*	3,316.8	3,554.4	*7.2%*
Philippines	71.9	90.7	95.9	*5.7%*	*33.4%*	231.4	375.9	*62.5%*
Total	**1072.4**	**896.5**	**937.5**	***4.6%***	***-12.6%***	**3,548.2**	**3,930.3**	***10.8%***
EBIT								
Malaysia	117.9	73.7	97.3	*32.1%*	*-17.5%*	348.6	378.8	*8.7%*
Philippines	8.8	13.8	13.8	*0.3%*	*57.3%*	29.9	59.1	*97.8%*
Others	(0.3)	(0.4)	(0.5)			(1.6)	(1.8)	
Total	**126.5**	**87.1**	**110.7**	***27.1%***	***-12.5%***	**376.8**	**436.1**	***15.7%***
Core EBIT	**126.2**	**85.6**	**111.4**	***30.1%***	***-11.7%***	**378.1**	**437.0**	***15.6%***

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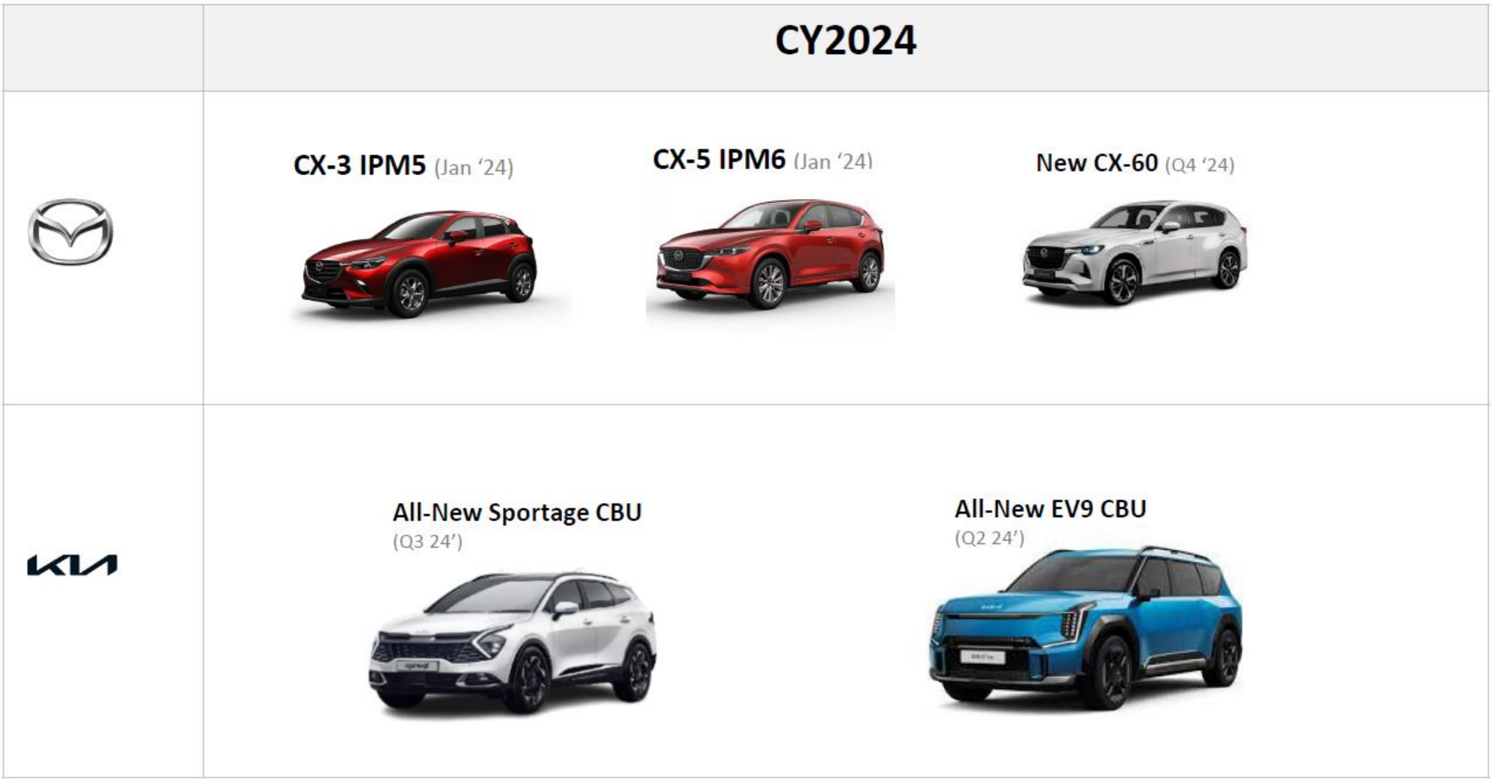
Figure #3 Model line up 2023



Company

Figure #4 Quarterly sales breakdown

Malaysia Sales Statistics	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Mazda CBU								
Mazda 2	46	49	27	-44.9%	-41.3%	284	150	-47.2%
Mazda 3	314	150	274	82.7%	-12.7%	517	1,635	216.2%
Mazda 6	11	16	17	6.3%	54.5%	173	112	-35.3%
CX-3	606	276	254	-8.0%	-58.1%	1,166	1,594	36.7%
CX-30	6	0	0	N.M.	N.M.	928	2	-99.8%
CX-9	13	2	4	100.0%	-69.2%	43	13	-69.8%
MX-30	0	0	0	N.M.	N.M.	4	5	25.0%
MX-5	4	5	6	20.0%	50.0%	32	25	-21.9%
BT-50	31	21	10	-52.4%	-67.7%	273	97	-64.5%
Subtotal	**1,031**	**519**	**592**	**14.1%**	**-42.6%**	**3,420**	**3,633**	**6.2%**
Mazda CKD								
CX-30	1,561	1,691	1,274	-24.7%	-18.4%	1,561	5,833	273.7%
CX-5	1,540	1,616	1,878	16.2%	21.9%	8,026	6,789	-15.4%
CX-8	695	441	466	5.7%	-32.9%	2,591	2,139	-17.4%
Subtotal	**3,796**	**3,748**	**3,618**	**-3.5%**	**-4.7%**	**12,178**	**14,761**	**21.2%**
Total Mazda Malaysia	**4,827**	**4,267**	**4,210**	**-1.3%**	**-12.8%**	**15,598**	**18,394**	**17.9%**
Peugeot								
2008 (CKD)	118	33	60	81.8%	-49.2%	708	246	-65.3%
3008 (CKD)	221	107	105	-1.9%	-52.5%	989	555	-43.9%
5008 (CKD)	40	4	32	700.0%	-20.0%	156	93	-40.4%
E-2008 (CBU)	0	0	4	N.M.	N.M.	0	4	N.M.
Landtrek (CBU)	43	2	27	1250.0%	-37.2%	43	49	14.0%
Total Peugeot Malaysia	**422**	**146**	**228**	**56.2%**	**-46.0%**	**1,896**	**947**	**-50.1%**
KIA								
Carnival (CKD)	269	412	390	-5.3%	45.0%	989	1,383	39.8%
Carnival (CBU)	394	4	2	-50.0%	-99.5%	1,036	355	-65.7%
Sorento (CKD)	68	26	13	-50.0%	-80.9%	68	96	41.2%
EV6	12	1	0	N.M.	N.M.	101	10	-90.1%
Niro EV	0	1	0	N.M.	N.M.	0	4	N.M.
Stinger	0	0	0	N.M.	N.M.	0	3	N.M.
Total KIA Malaysia	**743**	**444**	**405**	**-8.8%**	**-45.5%**	**2,194**	**1,844**	**-16.0%**
Total Malaysia	**5,992**	**4,857**	**4,843**	**-0.3%**	**-19.2%**	**19,688**	**21,185**	**7.6%**

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Figure #5 Quarterly sales breakdown

Philippines Sales Statistics	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	QoQ (%)
Mazda 2	17	5	7	*40.0%*	*-58.8%*	54	26	*-51.9%*
Mazda 3	50	57	66	*15.8%*	*32.0%*	102	333	*226.5%*
Mazda 6	2	6	5	*-16.7%*	*150.0%*	2	21	*950.0%*
CX-3	19	6	5	*-16.7%*	*-73.7%*	33	28	*-15.2%*
CX-30	11	9	28	*211.1%*	*154.5%*	39	101	*159.0%*
CX-5	57	75	92	*22.7%*	*61.4%*	379	402	*6.1%*
CX-60	0	130	106	*-18.5%*	*N.M.*	0	321	*N.M.*
CX-7	58	57	61	*7.0%*	*5.2%*	259	350	*35.1%*
CX-9	91	15	30	*100.0%*	*-67.0%*	199	183	*-8.0%*
CX-90	0	68	51	*-25.0%*	*N.M.*	0	202	*N.M.*
MX-5	121	25	52	*108.0%*	*-57.0%*	243	191	*-21.4%*
BT-50	97	153	134	*-12.4%*	*38.1%*	372	425	*14.2%*
Total Mazda Philippines	**523**	**606**	**637**	***5.1%***	***21.8%***	**1,682**	**2,583**	***53.6%***
Total Group Sales	**6,515**	**5,463**	**5,480**	***0.3%***	***-15.9%***	**21,370**	**23,768**	***11.2%***

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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