

HLIB Research

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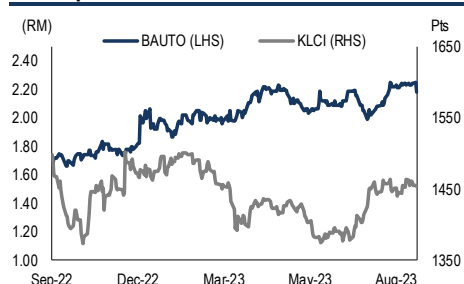
BUY (Maintain)

Target Price: RM2.80
Previously: RM2.30
Current Price: RM2.18

Capital upside	28.4%
Dividend yield	9.2%
Expected total return	37.6%

Sector coverage: Automotive

Company description: Bermaz Auto is involved in distribution, assembly, retailing and after sales service of Mazda, Peugeot 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

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,165
Market capitalisation (RM m)	2,539
3-mth average volume ('000)	3,780
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Dynamic Milestone	14.9%
Permodalan Nasional Berhad	11.3%
Employees Provident Fund	10.6%

Earnings summary

FYE (Apr)	FY23	FY24f	FY25f
PATMI - core (RM m)	307	351	298
EPS - core (sen)	26.3	30.1	25.5
P/E (x)	8.3	7.2	8.5

Bermaz Auto

A strong start for FY24

Reported core PATMI of RM101.5m for 1QFY24 (+1.1% QoQ; +97.7% YoY). The results were above HLIB expectation (54.1%) and consensus (38.1%). Declared first interim dividend of 5.0 sen/share. We maintain our BUY recommendation with a higher TP: RM2.80 (from RM2.30) based on 10x CY24 P/E. BAuto's earnings are expected to sustain for the remaining FY24, given its strong order backlogs and continued recovery of both Malaysia and Philippines economy, alongside a weakened JPY. The group has a net cash of RM477.1m (41.0 sen/share).

Above expectations. Reported 1QFY24 core PATMI at RM101.5m (+1.1% QoQ, +97.7% YoY), above HLIB's FY24 forecast of RM187.8m (at 54.1%) and consensus' RM266.7m (38.1%). The group recorded net EIs of -RM1.3m during the quarter, mainly on derivative losses, partially offset by forex gain.

Dividend. Declared first interim dividend of 5.0 sen/share (ex-date: 19 Oct 2023).

QoQ. Core PATMI was relatively flattish with +1.1% to RM101.5m inline with the overall group sales improvement of +2.0%, as the higher Philippines sales volume (+39.6%) was offset by the slight drop in Malaysia sales volume (-1.2%). Subsequently, we note the stronger operating profit contribution from BAP, offset by lower Malaysia operations (mainly on lower associate contribution).

YoY. Core PATMI improved substantially by +97.7% on higher group sales volume (+53.5%) and margins from: (i) existing Malaysia Mazda and Philippines Mazda operations; (ii) stronger contributions from Kia distributorships; and (iii) stronger associates' contributions.

Outlook. BAuto's Malaysia operation is expected to sustain for the remaining of FY24 in line with the continued Malaysia economic recovery, supported by the still strong order backlogs of 4.5k units for the group (mainly Mazda). BAuto is currently benefitting from the depreciated JPY against MYR. Similarly, the Philippines operation is also experiencing continued recovery as the economy continues to recover post pandemic. Newly launched CX-60 premium model has been well received in the Philippines market.

Forecast. Raised forecasts for FY24 by +87.2% and FY25 by +15.3%. Introduced FY25 earnings at RM338.1m.

Maintain BUY, TP: RM2.80. We maintain BUY recommendation on BAuto with a higher TP of RM2.80 (from RM2.30), based on a conservative CY24 P/E of 10x. BAuto has a strong orderbook with attractive new model line-ups. The group also has a healthy balance sheet position with net cash of RM477.1m (41.0 sen/share) as of end 1QFY24.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Cash	694	538	556	596	668
Receivables	163	208	210	194	219
Inventories	217	504	420	389	438
PPE	43	45	51	56	60
Others	442	494	527	567	614
Assets	1,560	1,788	1,764	1,801	2,000
Payables	273	360	318	285	319
Debt	200	100	50	0	0
Others	399	487	478	470	462
Liabilities	872	947	846	755	781
Shareholder's equity	634	765	813	912	1,040
Minority interest	55	77	107	135	180
Equity	688	841	919	1,048	1,220

Cash Flow Statement

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
EBITDA	224	401	480	395	459
Net Interest	(4)	5	7	9	12
Taxation	(66)	(102)	(125)	(102)	(120)
Working Capital	101	(186)	38	14	(39)
Others	39	3	4	4	4
CFO	294	121	404	320	315
Capex	(12)	(11)	(15)	(15)	(15)
Others	(23)	1	0	0	0
CFI	(35)	(10)	(15)	(15)	(15)
Changes in debt	(31)	(100)	(50)	(50)	0
Shares issued	0	7	0	0	0
Dividends	(78)	(154)	(303)	(198)	(210)
Others	(16)	(17)	(17)	(17)	(17)
CFF	(126)	(264)	(370)	(265)	(227)
Net cash flow	133	(153)	18	40	73
Forex	(1)	(4)	0	0	0
Others	0	0	(0)	0	(0)
Beginning cash	563	694	538	556	596
Ending cash	694	538	556	596	668

Income Statement

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Revenue	2,324	3,541	3,504	3,241	3,653
EBITDA	224	401	480	395	459
EBIT	203	378	456	370	433
Net interest	(4)	5	7	9	12
Associates & JV	18	41	44	50	58
Profit before tax	217	424	506	429	503
Tax	(60)	(94)	(125)	(102)	(120)
Net profit	158	330	381	326	383
Minority interest	(3)	(23)	(30)	(29)	(45)
Core PATMI	161	307	351	298	338
Exceptionals	(6)	(1)	0	0	0
Reported PATMI	155	306	351	298	338
Consensus core PATMI			267	239	253
HLIB/ Consensus (%)			132%	125%	134%

Valuation & Ratios

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Reported EPS (sen)	13.3	26.2	30.1	25.5	29.0
Core EPS (sen)	13.8	26.3	30.1	25.5	29.0
P/E (x)	15.8	8.3	7.2	8.5	7.5
DPS (sen)	8.8	22.0	20.0	18.0	18.0
Dividend yield (%)	4.0%	10.1%	9.2%	8.3%	8.3%
BVPS (RM)	0.55	0.66	0.70	0.78	0.89
P/B (x)	4.0	3.3	3.1	2.8	2.4
EBITDA margin	9.6%	11.3%	13.7%	12.2%	12.6%
EBIT margin	8.7%	10.7%	13.0%	11.4%	11.9%
PBT margin	9.4%	12.0%	14.4%	13.2%	13.8%
Net margin	6.9%	8.7%	10.0%	9.2%	9.3%
ROE (%)	26.8%	43.8%	44.5%	34.5%	34.6%
ROA (%)	10.9%	18.3%	19.8%	16.7%	17.8%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	42.6	37.5	43.4	51.0	57.3

Assumptions

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Sales volume					
Mazda Msia	12,038	15,598	15,295	13,245	13,445
Kia Msia	360	2,194	2,200	2,000	3,000
Peugeot Msia	997	1,896	1,500	2,000	3,000
Mazda Php	1,304	1,682	2,970	3,600	3,870
Production volume					
MMSB (units)	9,833	10,890	15,118	24,200	24,500
Inokom (units)	17,282	22,215	26,745	34,986	37,007

Figure #1 Quarterly results comparison

FYE Apr (RMm)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue	716.9	1072.4	1089.3	1.6%	51.9%
EBITDA	76.9	132.3	138.0	4.3%	79.5%
Core EBIT	71.4	126.2	132.0	4.6%	84.9%
Interest Expense	(1.6)	(1.0)	(0.9)	-1.0%	-40.5%
Interest on Lease Liability	(0.9)	(0.9)	(0.9)		
Interest and Investment Income	2.9	4.0	3.2	-20.6%	10.5%
Associates					
MMSB	2.9	8.0	7.2	-10.0%	147.4%
Inokom	1.0	2.7	1.3	-50.4%	27.9%
KMSB	0.1	0.4	0.3		
Others	(0.0)	(0.1)	(0.1)		
Core PBT	75.7	139.3	141.9	1.9%	87.4%
Exceptionals	(1.2)	0.3	(1.3)		
Reported PBT	74.6	139.5	140.7	0.8%	88.6%
Tax	(18.0)	(31.9)	(32.8)	2.7%	82.5%
MI	(6.5)	(7.0)	(7.7)	9.9%	19.0%
Reported PATAMI	50.2	100.6	100.2	-0.4%	99.8%
Core PATAMI	51.3	100.4	101.5	1.1%	97.7%
Reported EPS (Sen)	4.3	8.6	8.6	-0.3%	99.4%
Core EPS (Sen)	4.4	8.6	8.7	1.2%	97.3%
				<u>%-pts</u>	<u>%-pts</u>
EBITDA Margin (%)	10.7%	12.3%	12.7%	0.3	1.9
Core EBIT Margin (%)	10.0%	11.8%	12.1%	0.3	2.2
Core PATAMI Margin (%)	7.2%	9.4%	9.3%	(0.0)	2.2














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Figure #2 Quarterly result breakdown

FYE Apr (RM m)	1QFY23	4QFY23	1QFY24	QoQ (%)	YoY (%)
Revenue					
Malaysia	658.0	1000.5	988.9	-1.2%	50.3%
Philippines	58.9	71.9	100.3	39.6%	70.4%
Total	716.9	1072.4	1089.3	1.6%	51.9%
EBIT					
Malaysia	63.1	117.9	116.1	-1.6%	83.9%
Philippines	7.4	8.8	14.9	69.7%	100.7%
Others	(0.4)	(0.3)	(0.3)		
Total	70.2	126.5	130.7	3.4%	86.2%
Core EBIT	71.4	126.2	132.0	4.6%	84.9%

Bursa, HLIB Research

Figure #3 Model line up 2023

CY2023				
	<p>CX-30 CKD (Mar'23)</p> 	<p>New Mazda 3 (Sep '23)</p> 	<p>CX-3 IPM5 (Oct '23)</p> 	<p>New CX-60 (TBA)</p> 
	<p>New Landtrek (Mar'23)</p> 	<p>New e-2008 EV (Jun '23)</p> 	<p>New 408 (TBA)</p> 	
	<p>Niro EV (Jul '23)</p> 	<p>All-New Sportage (TBA)</p> 	<p>Carens (KY) (TBA)</p> 	

Company

Figure #4 Quarterly sales breakdown

Malaysia Sales Statistics	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Mazda CBU					
Mazda 2	80	46	45	-2.2%	-43.8%
Mazda 3	114	314	883	181.2%	674.6%
Mazda 6	21	11	51	363.6%	142.9%
CX-3	198	606	564	-6.9%	184.8%
CX-30	620	6	1	-83.3%	-99.8%
CX-9	6	13	4	-69.2%	-33.3%
MX-30	0	0	1	N.M.	N.M.
MX-5	7	4	9	125.0%	28.6%
BT-50	61	31	52	67.7%	-14.8%
Subtotal	1,107	1,031	1,610	56.2%	45.4%
Mazda CKD					
CX-30	0	1,561	1,032	-33.9%	N.M.
CX-5	1,511	1,540	1,712	11.2%	13.3%
CX-8	368	695	645	-7.2%	75.3%
Subtotal	1,879	3,796	3,389	-10.7%	80.4%
Total Mazda Malaysia	2,986	4,827	4,999	3.6%	67.4%
Peugeot CKD					
2008	246	118	81	-31.4%	-67.1%
3008	193	221	179	-19.0%	-7.3%
5008	35	40	43	7.5%	22.9%
Landtrek	0	43	10	-76.7%	N.M.
Total Peugeot Malaysia	474	422	313	-25.8%	-34.0%
KIA					
Carnival (CKD)	183	269	260	-3.3%	42.1%
Carnival (CBU)	263	394	305	-22.6%	16.0%
Sorento (CKD)	0	68	31	-54.4%	N.M.
EV6	2	12	7	-41.7%	250.0%
Stinger	0	0	3	N.M.	N.M.
Total KIA Malaysia	448	743	606	-18.4%	35.3%
Total Malaysia	3,908	5,992	5,918	-1.2%	51.4%

Bermaz Auto

Figure #5 Quarterly sales breakdown

Philippines Sales Statistics	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Mazda 2	8	17	6	-64.7%	-25.0%
Mazda 3	31	50	111	122.0%	258.1%
Mazda 6	0	2	4	100.0%	N.M.
CX-3	0	19	6	-68.4%	N.M.
CX-30	19	11	35	218.2%	84.2%
CX-5	76	57	148	159.6%	94.7%
CX-60	0	0	53	N.M.	N.M.
CX-7	140	58	135	132.8%	-3.6%
CX-9	31	91	101	11.0%	225.8%
CX-90	0	0	5	N.M.	N.M.
MX-5	13	121	60	-50.4%	361.5%
BT-50	104	97	66	-32.0%	-36.5%
Total Mazda Philippines	422	523	730	39.6%	73.0%
Total Group Sales	4,330	6,515	6,648	2.0%	53.5%

Bermaz Auto

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Stock rating guide

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.
NOT RATED	Stock is not or no longer within regular coverage.

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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