

**HLIB Research**

PP 9484/12/2012 (031413)

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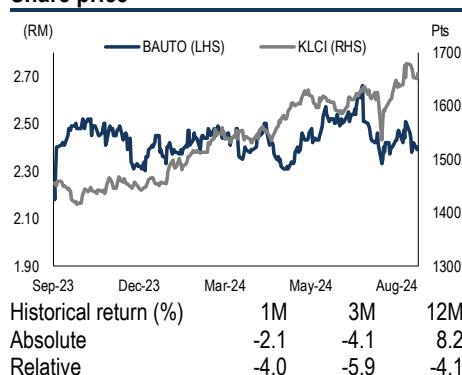
**HOLD** (Maintain)

<b>Target Price:</b>	<b>RM2.40</b>
<b>Previously:</b>	<b>RM2.46</b>
<b>Current Price:</b>	<b>RM2.37</b>

Capital upside	1.3%
Dividend yield	7.6%
Expected total return	8.9%

**Sector coverage:** Automotive

**Company description:** Bermaz Auto is involved in distribution, assembly, retailing and after sales service of Mazda, Kia and Xpeng 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)	1,169
Market capitalisation (RM m)	2,770
3-mth average volume ('000)	2,771
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

**Major shareholders**

Dynamic Milestone	14.3%
Employees Provident Fund	13.4%
Permodalan Nasional Berhad	9.8%

**Earnings summary**

FYE (Apr)	FY24	FY25f	FY26f
PATMI - core (RM m)	346	276	286
EPS - core (sen)	29.7	23.7	24.5
P/E (x)	8.0	10.0	9.7

# Bermaz Auto

## Downward normalisation

Reported core PATMI of RM69.5m for 1QFY25 (-23.6% QoQ; -31.5% YoY). The results were within our expectation (24.3%), but slightly below consensus (22.7%). Declared first interim dividend of 3.5 sen/share. Maintain HOLD with a lower TP of RM2.40 (from RM2.46) based on 10x CY25 P/E. We expect BAuto's earnings to sustain in subsequent quarters, driven by the new Xpeng contribution and sustained Philippines operation. BAuto is also subscribing new shares in EPMB for an 11.54% stake, worth a total cash consideration RM19.8m. BAuto has a net cash of RM324.1m (27.7 sen/share).

**Within expectation.** 1QFY25 core PATMI of RM69.5m (-23.6% QoQ, -31.5% YoY), was inline with our FY25 forecast of RM278.5m (at 24.3%), but slightly below consensus' RM306.4m (22.7%). The group recorded net EIs of +RM0.7m during the quarter, mainly on derivative gains, partially offset by forex loss.

**Dividend.** Declared first interim dividend of 3.5 sen/share (ex-date: 17 Oct 2024).

**QoQ.** Core PATMI dropped -23.6% to RM69.5m mainly dragged by the lower Malaysia sales volume along with lower margins, as well as lower associates contribution (there was export volume for MMSB and KMSB in 4QFY24). These were partially cushioned by the improved profitability of its Philippines operations (despite lower sales volume) on better sales mix and margins from CX60 and CX90 models.

**YoY.** Core PATMI declined -31.5% on weaker Malaysia sales volume and margins, which was partially offset by stronger Philippines performance (improved margins) and associates' contribution (higher production volume).

**Outlook.** The Malaysia operational landscape is expected to become more competitive, given the entrance of China OEMs with attractive price points. Nevertheless, BAuto's new Xpeng distributorship may protect the group's market share. On the other hand, its Philippines operation is looking more positive with improved margins, driven by its well-received premium models (CX-60 and CX-90).

**Diversification.** BAuto has entered into a conditional share subscription agreement with EP Manufacturing Bhd (EPMB) to acquire 33m shares for a total cash consideration RM19.8m (indicative RM0.60/share, similar to its last traded share price). The transaction is part of EPMB's overall private placement exercise to raise RM39.6m (66.1m shares at RM0.60/share) to fund its expansion plan for a new manufacturing plant in Melaka. EPMB is principally involved in the manufacturing and supply of metal body panels, chassis parts and modular assembly of automotive parts and components to original equipment manufacturers (including Mazda, Perodua, Proton and Honda). Post the transaction, BAuto will own an effective 11.54% stake in EPMB. We are overall neutral on the exercise, as the subscription price is in line with current share price, representing 10x PE (based on annualised 1HFY24) and 0.4x PB (as at end June-24). The exercise is expected to complete by end 2024.

**Forecast.** Post book-keeping on its latest Annual Report (FY24), we have adjusted FY25 and FY26 earnings by -0.8% and -5.5% respectively. We have also introduced FY26 earnings at RM290.6m.

**Maintain HOLD, TP: RM2.40.** We maintain our HOLD recommendation on BAuto with a lower TP: RM2.40 (from TP of RM2.46), based on PE 10x on CY25 earnings. We expect earnings to be relatively stable in the coming quarter, driven mainly by its Philippines operation and new Xpeng contribution. BAuto still has a healthy balance sheet position with net cash of RM324.1m (27.7 sen/share) as of end 1QFY25.

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Apr	FY23	FY24	FY25f	FY26f	FY27f
Cash	538	365	434	484	538
Receivables	208	224	194	199	202
Inventories	504	687	486	497	504
PPE	45	48	53	57	60
Others	494	564	592	631	673
<b>Assets</b>	<b>1,788</b>	<b>1,887</b>	<b>1,760</b>	<b>1,867</b>	<b>1,977</b>
Payables	360	381	285	292	296
Debt	100	63	13	13	13
Others	487	535	528	521	513
<b>Liabilities</b>	<b>947</b>	<b>979</b>	<b>825</b>	<b>825</b>	<b>822</b>
Shareholder's equity	765	816	815	890	971
Minority interest	77	93	120	151	184
<b>Equity</b>	<b>841</b>	<b>909</b>	<b>934</b>	<b>1,042</b>	<b>1,155</b>

### Income Statement

FYE Apr	FY23	FY24	FY25f	FY26f	FY27f
Revenue	3,541	3,911	3,238	3,313	3,359
EBITDA	401	464	392	397	398
EBIT	378	437	365	369	368
Net interest	5	3	(1)	1	3
Associates & JV	41	45	38	48	52
Profit before tax	424	485	401	417	423
Tax	(94)	(111)	(98)	(100)	(100)
Net profit	330	373	303	318	323
Minority interest	(23)	(27)	(27)	(32)	(33)
<b>Core PATMI</b>	<b>307</b>	<b>346</b>	<b>276</b>	<b>286</b>	<b>291</b>
Exceptionals	(1)	(1)	0	0	0
Reported PATMI	306	346	276	286	291
Consensus core PATMI			330	306	320
HLIB/ Consensus (%)			84%	93%	91%

### Cash Flow Statement

FYE Apr	FY23	FY24	FY25f	FY26f	FY27f
EBITDA	401	464	392	397	398
Net Interest	5	3	(1)	1	3
Taxation	(102)	(129)	(98)	(100)	(100)
Working Capital	(186)	(155)	134	(9)	(5)
Others	3	26	5	5	5
<b>CFO</b>	<b>121</b>	<b>209</b>	<b>431</b>	<b>294</b>	<b>299</b>
Capex	(11)	(14)	(15)	(15)	(15)
Others	1	(11)	0	0	0
<b>CFI</b>	<b>(10)</b>	<b>(26)</b>	<b>(15)</b>	<b>(15)</b>	<b>(15)</b>
Changes in debt	(100)	(37)	(50)	0	0
Shares issued	7	(2)	0	0	0
Dividends	(154)	(298)	(277)	(210)	(210)
Others	(17)	(21)	(20)	(20)	(20)
<b>CFF</b>	<b>(264)</b>	<b>(358)</b>	<b>(347)</b>	<b>(230)</b>	<b>(230)</b>
<b>Net cash flow</b>	<b>(153)</b>	<b>(174)</b>	<b>69</b>	<b>49</b>	<b>55</b>
Forex	(4)	1	0	0	0
Others	0	0	0	0	0
Beginning cash	694	538	365	434	484
Ending cash	538	365	434	484	538

### Valuation & Ratios

FYE Apr	FY23	FY24	FY25f	FY26f	FY27f
Reported EPS (sen)	26.2	29.6	23.7	24.5	24.9
Core EPS (sen)	26.3	29.7	23.7	24.5	24.9
P/E (x)	9.0	8.0	10.0	9.7	9.5
DPS (sen)	22.0	26.0	18.0	18.0	18.0
Dividend yield (%)	9.3%	11.0%	7.6%	7.6%	7.6%
BVPS (RM)	0.66	0.70	0.70	0.76	0.83
P/B (x)	3.6	3.4	3.4	3.1	2.8
EBITDA margin	11.3%	11.9%	12.1%	12.0%	11.8%
EBIT margin	10.7%	11.2%	11.3%	11.1%	11.0%
PBT margin	12.0%	12.4%	12.4%	12.6%	12.6%
Net margin	8.7%	8.9%	8.5%	8.6%	8.7%
ROE (%)	43.8%	43.8%	33.9%	33.5%	31.2%
ROA (%)	18.3%	18.9%	15.1%	15.8%	15.1%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	37.5	25.9	36.1	40.3	45.0

### Assumptions

FYE Apr	FY23	FY24	FY25f	FY26f	FY27f
<b>Sales volume</b>					

Mazda Msia	15,598	18,394	14,565	14,115	14,115
Kia Msia	2,194	1,848	1,800	2,000	2,000
Peugeot Msia	1,896	943	1,200	1,800	1,800
Mazda Php	1,682	2,583	2,730	3,300	3,450

### Production volume

MMSB (units)	9,833	10,890	15,118	18,400	20,600
Inokom (units)	17,282	22,215	26,745	30,153	32,790

**Figure #1** Quarterly results comparison

FYE Apr (RMm)	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Revenue	1,089.3	937.5	846.2	-9.7%	-22.3%
EBITDA	138.0	118.1	92.8	-21.4%	-32.8%
Core EBIT	132.0	111.4	86.6	-22.3%	-34.4%
Interest Expense	(0.9)	(0.6)	(1.1)	77.7%	16.7%
Interest on Lease Liability	(0.9)	(1.1)	(1.1)		
Interest and Investment Income	3.2	2.1	1.9	-6.5%	-39.3%
Associates					
MMSB	7.2	10.8	5.8	-46.2%	-19.1%
Inokom	1.3	2.6	3.8	48.5%	186.3%
KMSB	0.3	6.3	1.5		
Others	(0.1)	(0.1)	(0.3)		
Core PBT	141.9	131.3	97.0	-26.1%	-31.6%
Exceptionals	(1.3)	(0.8)	0.7		
Reported PBT	140.7	130.6	97.8	-25.1%	-30.5%
Tax	(32.8)	(31.0)	(22.4)	-27.7%	-31.7%
MI	(7.7)	(9.4)	(5.2)	-44.9%	-32.8%
Reported PATAMI	100.2	90.2	70.2	-22.2%	-29.9%
<b>Core PATAMI</b>	<b>101.5</b>	<b>91.0</b>	<b>69.5</b>	<b>-23.6%</b>	<b>-31.5%</b>
Reported EPS (Sen)	8.6	7.7	6.0	-22.3%	-30.1%
Core EPS (Sen)	8.7	7.8	5.9	-23.7%	-31.7%
				<b>%-pts</b>	<b>%-pts</b>
EBITDA Margin (%)	12.7%	12.6%	11.0%	(1.6)	(1.7)
Core EBIT Margin (%)	12.1%	11.9%	10.2%	(1.7)	(1.9)
Core PATAMI Margin (%)	9.3%	9.7%	8.2%	(1.5)	(1.1)

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**Figure #2** Quarterly result breakdown

FYE Apr (RM m)	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
<b>Revenue</b>					
Malaysia	988.9	841.7	755.0	-10.3%	-23.7%
Philippines	100.3	95.9	91.2	-4.9%	-9.1%
<b>Total</b>	<b>1089.3</b>	<b>937.5</b>	<b>846.2</b>	<b>-9.7%</b>	<b>-22.3%</b>
<b>EBIT</b>					
Malaysia	116.1	97.3	69.3	-28.8%	-40.3%
Philippines	14.9	13.8	18.4	32.9%	23.2%
Others	(0.3)	(0.5)	(0.4)		
<b>Total</b>	<b>130.7</b>	<b>110.7</b>	<b>87.3</b>	<b>-21.1%</b>	<b>-33.2%</b>
<b>Core EBIT</b>	<b>132.0</b>	<b>111.4</b>	<b>86.6</b>	<b>-22.3%</b>	<b>-34.4%</b>

Bursa, HLIB Research

Figure #3 Model line up 2023

CY2025			
	<b>CX-3 IPM5</b> (Jan '24) 	<b>CX-5 IPM6</b> (Jan '24) 	<b>New CX-60</b> (Q4 '24) 
	<b>All-New EV9 CBU</b> (Jun 24') 	<b>All-New Sportage CBU</b> (Dec 24') 	
		<b>All-New G6 CBU</b> (Aug 24') 	

Company

**Figure #4** Quarterly sales breakdown

Malaysia Sales Statistics	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
<b>Mazda CBU</b>					
Mazda 2	45	27	33	22.2%	-26.7%
Mazda 3	883	274	339	23.7%	-61.6%
Mazda 6	51	17	10	-41.2%	-80.4%
CX-3	564	254	241	-5.1%	-57.3%
CX-30	1	0	0	N.M.	N.M.
CX-9	4	4	7	75.0%	75.0%
MX-30	1	0	0	N.M.	N.M.
MX-5	9	6	5	-16.7%	-44.4%
BT-50	52	10	25	150.0%	-51.9%
<b>Subtotal</b>	<b>1,610</b>	<b>592</b>	<b>660</b>	<b>11.5%</b>	<b>-59.0%</b>
<b>Mazda CKD</b>					
CX-30	1,032	1,274	1,140	-10.5%	10.5%
CX-5	1,712	1,878	1,698	-9.6%	-0.8%
CX-8	645	466	353	-24.2%	-45.3%
<b>Subtotal</b>	<b>3,389</b>	<b>3,618</b>	<b>3,191</b>	<b>-11.8%</b>	<b>-5.8%</b>
<b>Total Mazda Malaysia</b>	<b>4,999</b>	<b>4,210</b>	<b>3,851</b>	<b>-8.5%</b>	<b>-23.0%</b>
<b>Peugeot CKD</b>					
2008	81	60	100	66.7%	23.5%
3008	179	105	308	193.3%	72.1%
5008	43	32	13	-59.4%	-69.8%
Landtrek	10	27	8	-70.4%	-20.0%
<b>Total Peugeot Malaysia</b>	<b>313</b>	<b>224</b>	<b>429</b>	<b>91.5%</b>	<b>37.1%</b>
<b>KIA</b>					
Carnival (CKD)	260	390	232	-40.5%	-10.8%
Carnival (CBU)	305	2	0	N.M.	N.M.
Sorento (CKD)	31	13	22	69.2%	-29.0%
EV6	7	0	0	N.M.	N.M.
EV9	0	0	20	N.M.	N.M.
Niro EV	0	0	0	N.M.	N.M.
Stinger	0	0	0	N.M.	N.M.
<b>Total KIA Malaysia</b>	<b>603</b>	<b>405</b>	<b>274</b>	<b>-32.3%</b>	<b>-54.6%</b>
<b>Total Malaysia</b>	<b>5,915</b>	<b>4,839</b>	<b>4,554</b>	<b>-5.9%</b>	<b>-23.0%</b>

Bermaz Auto

**Figure #5** **Quarterly sales breakdown**

Philippines Sales Statistics	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)
Mazda 2	6	7	6	-14.3%	0.0%
Mazda 3	111	66	39	-40.9%	-64.9%
Mazda 6	4	5	6	20.0%	50.0%
CX-3	6	5	6	20.0%	0.0%
CX-30	35	28	9	-67.9%	-74.3%
CX-5	148	92	79	-14.1%	-46.6%
CX-60	53	106	169	59.4%	218.9%
CX-7	135	61	72	18.0%	-46.7%
CX-9	101	30	29	-3.3%	-71.3%
CX-90	5	51	86	68.6%	1620.0%
MX-5	60	52	30	-42.3%	-50.0%
BT-50	66	134	31	-76.9%	-53.0%
<b>Total Mazda Philippines</b>	<b>730</b>	<b>637</b>	<b>562</b>	<b>-11.8%</b>	<b>-23.0%</b>
<b>Total Group Sales</b>	<b>6,645</b>	<b>5,476</b>	<b>5,116</b>	<b>-6.6%</b>	<b>-23.0%</b>

Bermaz Auto

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

## Sector rating guide

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

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