

HLIB Research

PP 9484/12/2012 (031413)

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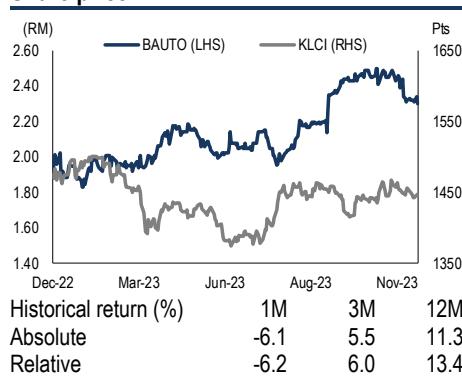
BUY (Maintain)

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

Capital upside	21.7%
Dividend yield	8.7%
Expected total return	30.4%

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)	1,168
Market capitalisation (RM m)	2,685
3-mth average volume ('000)	6,564
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Dynamic Milestone	14.8%
Permodalan Nasional Berhad	13.3%
Employees Provident Fund	9.8%

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)	8.8	7.6	9.0

Bermaz Auto

Strong 1H showing

Reported core PATMI of RM90.5m for 2QFY24 (-10.8% QoQ; +38.1% YoY) and RM192.0m for 1HFY24 (+64.3% YoY). The results were within HLIB's expectation (54.6%), but above consensus (62.3%). Declared a second interim dividend of 5.0 sen/share (1HFY24: 10 sen/share). We maintain our BUY recommendation with an unchanged TP of RM2.80 based on 10x CY24 P/E. BAuto's earnings are expected to stay strong for 2HFY24, given its healthy order backlog and continued recovery in both Malaysia and Philippines economy, alongside a weakened JPY. The group has a net cash of RM413.8m (35.5 sen/share).

Within expectation. Reported 2QFY24 core PATMI at RM90.5m (-10.8% QoQ, +38.1% YoY), bringing 1HFY24's sum to RM192.0m (+64.3% YoY), within HLIB's FY24 forecast of RM351.4m (54.6%) but above consensus' RM308.3m (62.3%). The group recorded net EIs of -RM1.7m in 1HFY24, mainly on provisions and write-off of inventories and forex loss.

Dividend. Declared a second interim dividend of 5.0 sen/share (ex-date: 27 Dec 2023). Total dividend declared for 1HFY24 was 10.0 sen/share.

QoQ. Core PATMI dropped -10.8% to RM90.5m inline with the fall in overall group car sales volume by -7.0% as well as deteriorated sales mix from CBU models (stronger margins due to depreciated JPY) in Malaysia as well as higher promotional activities during the quarter. Nevertheless, we note the stronger operating profit contribution from BAP despite the weaker sales volume, as well as associate Inokom (stronger volume) and Kia Malaysia (stronger volume).

YoY/YTD. Core PATMI improved substantially by +38.1% YoY and +64.3% YTD (to RM192.0m) on higher group sales volume (+30.8% YoY and +41.6% YTD) and stronger margins from: (i) existing Malaysia Mazda and Philippines Mazda operations (on higher volumes and depreciated JPY); (ii) stronger contributions from Kia distributorships; and (iii) stronger overall associates' contribution.

Outlook. BAuto's Malaysia operation is expected to remain strong for 2HFY24 in line with the continued economic recovery in Malaysia, supported by the still healthy order backlog of 3.0k units for the group (mainly Mazda) as well as the line-up of new and updated model launchings. 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 and CX-90 premium models have been well received in the Philippines market.

Forecast. Unchanged.

Maintain BUY, TP: RM2.80. We maintain BUY recommendation on BAuto with an unchanged TP of RM2.80, based on a conservative CY24 P/E of 10x. BAuto has a healthy orderbook with attractive new model line-ups. The group also has a healthy balance sheet position with net cash of RM413.8m (35.5 sen/share) as of end 2QFY24.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f	Income Statement					
						FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Cash	694	538	556	596	668	Revenue	2,324	3,541	3,504	3,241	3,653
Receivables	163	208	210	194	219	EBITDA	224	401	480	395	459
Inventories	217	504	420	389	438	EBIT	203	378	456	370	433
PPE	43	45	51	56	60	Net interest	(4)	5	7	9	12
Others	442	494	528	568	615	Associates & JV	18	41	44	50	58
Assets	1,560	1,788	1,765	1,802	2,001	Profit before tax	217	424	506	429	503
Payables	273	360	318	285	319	Tax	(60)	(94)	(125)	(102)	(120)
Debt	200	100	50	0	0	Net profit	158	330	381	326	383
Others	399	487	478	470	462	Minority interest	(3)	(23)	(30)	(29)	(45)
Liabilities	872	947	846	755	781	Core PATMI	161	307	351	298	338
Shareholder's equity	634	765	813	912	1,040	Exceptionals	(6)	(1)	0	0	0
Minority interest	55	77	107	135	180	Reported PATMI	155	306	351	298	338
Equity	688	841	919	1,048	1,220	Consensus core PATMI			308	301	310
						HLIB/ Consensus (%)			114%	99%	109%

Cash Flow Statement

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f	Valuation & Ratios					
						FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
EBITDA	224	401	480	395	459	Reported EPS (sen)	13.3	26.2	30.1	25.5	29.0
Net Interest	(4)	5	7	9	12	Core EPS (sen)	13.8	26.3	30.1	25.5	29.0
Taxation	(66)	(102)	(125)	(102)	(120)	P/E (x)	16.7	8.8	7.6	9.0	7.9
Working Capital	101	(186)	38	14	(39)	DPS (sen)	8.8	22.0	20.0	18.0	18.0
Others	39	3	4	4	4	Dividend yield (%)	3.8%	9.6%	8.7%	7.8%	7.8%
CFO	294	121	404	320	315	BVPS (RM)	0.55	0.66	0.70	0.78	0.89
Capex	(12)	(11)	(15)	(15)	(15)	P/B (x)	4.2	3.5	3.3	2.9	2.6
Others	(23)	1	0	0	0	EBITDA margin	9.6%	11.3%	13.7%	12.2%	12.6%
CFI	(35)	(10)	(15)	(15)	(15)	EBIT margin	8.7%	10.7%	13.0%	11.4%	11.9%
Changes in debt	(31)	(100)	(50)	(50)	0	PBT margin	9.4%	12.0%	14.4%	13.2%	13.8%
Shares issued	0	7	0	0	0	Net margin	6.9%	8.7%	10.0%	9.2%	9.3%
Dividends	(78)	(154)	(303)	(198)	(210)	ROE (%)	26.8%	43.8%	44.5%	34.5%	34.6%
Others	(16)	(17)	(17)	(17)	(17)	ROA (%)	10.9%	18.3%	19.8%	16.7%	17.8%
CFF	(126)	(264)	(370)	(265)	(227)	Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Net cash flow	133	(153)	18	40	73	N.Cash/share (sen)	42.6	37.5	43.4	51.0	57.3
Forex	(1)	(4)	0	0	0	Assumptions					
Others	0	0	(0)	(0)	0	FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Beginning cash	563	694	538	556	596	Sales volume					
Ending cash	694	538	556	596	668	Mazda Msia	12,038	15,598	15,295	13,245	13,445

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)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Revenue	783.0	1,089.3	1,007.0	-7.6%	28.6%	1,499.8	2,096.2	39.8%
EBITDA	86.9	138.0	115.4	-16.4%	32.8%	156.3	244.6	56.5%
Core EBIT	81.1	132.0	108.0	-18.2%	33.2%	152.5	240.0	57.4%
Interest Expense	(1.3)	(0.9)	(1.0)	1.2%	-24.7%	(2.9)	(1.9)	-33.5%
Interest on Lease Liability	(0.9)	(0.9)	(1.1)			(1.9)	(2.0)	
Interest and Investment Income	3.3	3.2	2.9	-8.4%	-12.2%	6.2	6.1	-1.6%
Associates								#DIV/0!
MMSB	8.1	7.2	6.8	-5.2%	-16.2%	11.0	13.9	26.8%
Inokom	1.4	1.3	3.8	188.1%	167.1%	2.5	5.1	108.7%
KMSB	(0.3)	0.3	3.5			(0.2)	3.7	
Others	0.1	(0.1)	0.3			0.0	0.2	
Core PBT	91.5	141.9	123.2	-13.2%	34.7%	167.2	265.2	58.6%
Exceptionals	0.1	(1.3)	(0.4)			(1.1)	(1.7)	
Reported PBT	91.6	140.7	122.8	-12.7%	34.1%	166.2	263.5	58.6%
Tax	(20.8)	(32.8)	(27.1)	-17.3%	30.5%	(38.7)	(59.9)	54.6%
MI	(5.1)	(7.7)	(5.6)	-26.8%	9.5%	(11.6)	(13.3)	14.8%
Reported PATAMI	65.7	100.2	90.1	-10.1%	37.2%	115.8	190.3	64.3%
Core PATAMI	65.5	101.5	90.5	-10.8%	38.1%	116.9	192.0	64.3%
Reported EPS (Sen)	5.7	8.6	7.7	-10.1%	36.8%	10.0	16.3	63.8%
Core EPS (Sen)	5.6	8.7	7.8	-10.9%	37.7%	10.1	16.5	63.8%
				%-pts	%-pts			%-pts
EBITDA Margin (%)	11.1%	12.7%	11.5%	(1.2)	0.4	10.4%	11.7%	1.2
Core EBIT Margin (%)	10.4%	12.1%	10.7%	(1.4)	0.4	10.2%	11.4%	1.3
Core PATAMI Margin (%)	8.4%	9.3%	9.0%	(0.3)	0.6	7.8%	9.2%	1.4

Bursa, HLIB Research

Figure #2 Quarterly result breakdown

FYE Apr (RM m)	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Revenue								
Malaysia	730.7	988.9	918.0	-7.2%	25.6%	1,388.7	1,906.9	37.3%
Philippines	52.3	100.3	88.9	-11.4%	70.1%	111.2	189.3	70.3%
Total	783.0	1,089.3	1,007.0	-7.6%	28.6%	1,499.8	2,096.2	39.8%
EBIT								
Malaysia	75.2	116.1	91.7	-21.0%	22.0%	138.3	207.8	50.3%
Philippines	6.6	14.9	16.5	10.8%	150.2%	14.0	31.4	124.0%
Others	(0.5)	(0.3)	(0.6)			(0.9)	(0.9)	
Total	81.2	130.7	107.6	-17.7%	32.5%	151.4	238.3	57.4%
Core EBIT	81.1	132.0	108.0	-18.2%	33.2%	152.5	240.0	57.4%

Bursa, HLIB Research

Figure #3 Model line up 2023

	CY2023		CY2024		
	CX-30 CKD (Mar '23) 	New Mazda 3 (Sep '23) 	CX-3 IPM5 (Jan '24) 	CX-5 IPM6 (Jan '24) 	New CX-60 (TBA) 
	New Landtrek (Mar '23) 	New e-2008 EV (Jun '23) 			New 408 (TBA) 
	Niro EV (Jul '23) 		All-New Sportage (TBA) 		Carens (KY) (TBA) 

Company

Figure #4 **Quarterly sales breakdown**

Malaysia Sales Statistics	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	YoY (%)
Mazda CBU								
Mazda 2	102	45	29	-35.6%	-71.6%	182	74	-59.3%
Mazda 3	81	883	328	-62.9%	304.9%	195	1,211	521.0%
Mazda 6	76	51	28	-45.1%	-63.2%	97	79	-18.6%
CX-3	0	564	500	-11.3%	N.M.	198	1,064	437.4%
CX-30	120	1	1	0.0%	-99.2%	740	2	-99.7%
CX-9	13	4	3	-25.0%	-76.9%	19	7	-63.2%
MX-30	0	1	4	300.0%	N.M.	0	5	N.M.
MX-5	13	9	5	-44.4%	-61.5%	20	14	-30.0%
BT-50	156	52	14	-73.1%	-91.0%	217	66	-69.6%
Subtotal	561	1,610	912	-43.4%	62.6%	1,668	2,522	51.2%
Mazda CKD								
CX-30	0	1,032	1,836	77.9%	N.M.	0	2,868	N.M.
CX-5	2,212	1,712	1,583	-7.5%	-28.4%	3,723	3,295	-11.5%
CX-8	559	645	587	-9.0%	5.0%	927	1,232	32.9%
Subtotal	2,771	3,389	4,006	18.2%	44.6%	4,650	7,395	59.0%
Total Mazda Malaysia	3,332	4,999	4,918	-1.6%	47.6%	6,318	9,917	57.0%
Peugeot CKD								
2008	200	81	72	-11.1%	-64.0%	446	153	-65.7%
3008	383	179	164	-8.4%	-57.2%	576	343	-40.5%
5008	46	43	14	-67.4%	-69.6%	81	57	-29.6%
Landtrek	0	10	10	0.0%	N.M.	0	20	N.M.
Total Peugeot Malaysia	629	313	260	-16.9%	-58.7%	1,103	573	-48.1%
KIA								
Carnival (CKD)	327	260	321	23.5%	-1.8%	510	581	13.9%
Carnival (CBU)	2	305	44	-85.6%	2100.0%	265	349	31.7%
Sorento (CKD)	0	31	26	-16.1%	N.M.	0	57	N.M.
EV6	52	7	2	-71.4%	-96.2%	54	9	-83.3%
Niro EV	0	0	3	N.M.	N.M.	0	3	N.M.
Stinger	0	3	0	N.M.	N.M.	0	3	N.M.
Total KIA Malaysia	381	606	396	-34.7%	3.9%	829	996	20.1%
Total Malaysia	4,342	5,918	5,574	-5.8%	28.4%	8,250	11,486	39.2%

Bermaz Auto

Figure #5 Quarterly sales breakdown

Philippines Sales Statistics	2QFY23	1QFY24	2QFY24	QoQ (%)	YoY (%)	6MFY23	6MFY24	QoQ (%)
Mazda 2	23	6	8	33.3%	-65.2%	31	14	-54.8%
Mazda 3	21	111	99	-10.8%	371.4%	52	210	303.8%
Mazda 6	0	4	6	50.0%	N.M.	0	10	N.M.
CX-3	10	6	11	83.3%	10.0%	10	17	70.0%
CX-30	8	35	29	-17.1%	262.5%	27	64	137.0%
CX-5	109	148	87	-41.2%	-20.2%	185	235	27.0%
CX-60	0	53	32	-39.6%	N.M.	0	85	N.M.
CX-7	19	135	97	-28.1%	410.5%	159	232	45.9%
CX-9	57	101	37	-63.4%	-35.1%	88	138	56.8%
CX-90	0	5	78	1460.0%	N.M.	0	83	N.M.
MX-5	58	60	54	-10.0%	-6.9%	71	114	60.6%
BT-50	82	66	72	9.1%	-12.2%	186	138	-25.8%
Total Mazda Philippines	387	730	610	-16.4%	57.6%	809	1,340	65.6%
Total Group Sales	4,729	6,648	6,184	-7.0%	30.8%	9,059	12,826	41.6%

Bermaz Auto

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Published & printed by:

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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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