

**HLIB Research**

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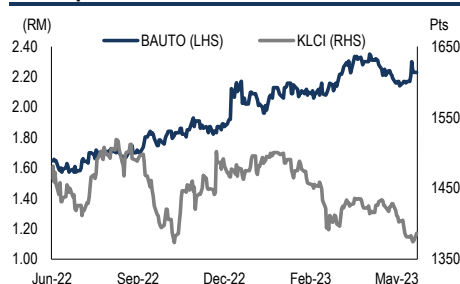
**BUY** (Maintain)

**Target Price: RM2.30**
**Previously: RM2.60**
**Current Price: RM2.23**

Capital upside	3.1%
Dividend yield	5.4%
Expected total return	8.5%

**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)	2,604
3-mth average volume ('000)	3,302
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

**Major shareholders**

Dynamic Milestone	14.7%
Employees Provident Fund	10.8%
Permodalan Nasional Berhad	7.2%

**Earnings summary**

FYE (Apr)	FY23	FY24f	FY25f
PATMI - core (RM m)	305	188	258
EPS - core (sen)	26.2	16.1	22.2
P/E (x)	8.5	13.8	10.0

# Bermaz Auto

## A record finish

Reported a record high PATMI of RM100.4m for 4QFY23 (+14.3% QoQ; +24.1% YoY) and RM305.0m for FY23 (+90.7% YoY). The results were above HLIB expectation (113.2%) and consensus (114.4%), mainly due to stronger than expected sales volume and margins. Declared a fourth interim dividend of 3.5 sen/share and a special dividend of 7.5 sen/share (both ex-date: 20 Jul 2023), boosting FY23 dividend to 22.0 sen/share. Downgrade to HOLD recommendation (from Buy) with a lower TP: RM2.30 (from RM2.60), as we roll forward our valuation into CY24, based on a lower 12x P/E (from 14x), in tandem with the softer sentiment towards the automotive sector.

**Above expectations.** BAUTO reported a new quarterly high 4QFY23 core PATMI at RM100.4m (+14.3% QoQ; +24.1% YoY), bumping up FY23 to a new yearly high of RM305.0m (+90.7% YoY). We deem the results above HLIB's FY23 forecast (113.2%) and consensus (114.4%) due to stronger than expected sales volume and margins. However, we expect car sales volume to slow down in FY24, given the ended PENJANA SST exemptions delivery by end Mar-23.

**Dividend.** Declared a fourth interim dividend of 3.5 sen/share and a special dividend of 7.5 sen/share (both ex-date: 20 Jul 2023), bringing up YTD dividend to 22.0 sen/share.

**QoQ.** Core PATMI continued to improve QoQ by +14.1% to RM100.4m following the ramp up of production and deliveries in Malaysia prior to the ending of SST exemption scheme by end Mar 2023, as well as continued recovery of Philippines market, which was partially offset by lower associates' contribution (mainly MMSB on lower production volume and inventory adjustments).

**YoY.** Core PATMI improved by +24.1% YoY on stronger group sales volume and stronger associate contributions during the quarter.

**YTD.** Similarly, core PATMI improved by +90.7% YoY, mainly due to low base effect SPLY (affected by various lockdown measures in both Malaysia and the Philippines) as well as new contribution from Kia and Peugeot distributorship.

**Outlook.** BAUTO's Malaysia operation is expected to sustain into 1HFY24, backed mainly by the strong order-book of 6.0k units for Mazda and combined 500 units for Peugeot and Kia. The orderbook includes the outstanding 1,000 units of Mazda 3, which are subject to SST exemption schemes. Management guided there is ongoing strong demand for Mazda models such as CX-30 and CX-5, while focusing on rebuilding the brand image for Peugeot and Kia. Management is expecting to maintain their margins with recent price adjustment exercises and on-going cost optimization progress. Upcoming model line-up include Mazda CX-60, Peugeot e-2008 EV, Peugeot 408, Kia Nero EV, Kia Sportage and Kia Carens. The Philippines market continued to show positive momentum in recent quarters leveraging onto their economic recovery.

**Forecast.** Unchanged.

**Downgrade to HOLD, TP: RM2.30.** We downgrade our recommendation to HOLD (from Buy) on BAUTO with a lower TP of RM2.30 (from RM2.60), as we roll forward our valuation from FY24 to CY24 with a lower 12x P/E (from 14x). The downgrade is in line with the softer market sentiment towards the automotive sector. The group still has a healthy balance sheet position with net cash of RM437.7m (37.5 sen/share) as of end FY23.

**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 #2 Quarterly results comparison**

FYE Apr (RM m)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
Revenue	897.4	976.0	1,072.4	9.9%	19.5%	2,325.1	3,548.2	52.6%
EBITDA	108.4	105.4	132.3	25.5%	22.1%	208.4	386.3	85.3%
Core EBIT	103.0	99.5	126.2	26.9%	22.5%	202.7	378.1	86.6%
Interest Expense	(1.8)	(1.8)	(1.0)	-46.9%	-47.9%	(6.6)	(5.6)	-14.7%
Interest on Lease Liability	(1.0)	(0.9)	(0.9)			(4.0)	(3.6)	
Interest and Investment Income	1.9	4.5	4.0	-10.5%	108.6%	6.6	14.6	120.7%
Associates								#DIV/0!
MMSB	7.9	13.4	8.0	-40.5%	0.1%	11.1	32.3	190.1%
Inokom	2.0	2.1	2.7	28.4%	30.1%	8.0	7.2	-10.3%
KMSB	(0.5)	(0.6)	0.4			(1.2)	(0.4)	
Others	0.0	(0.1)	(0.1)			0.0	(0.2)	
Core PBT	111.6	116.0	139.3	20.1%	24.8%	216.8	422.5	94.9%
Exceptionals	3.8	(0.5)	0.3			1.8	(1.3)	
Reported PBT	115.4	115.5	139.5	20.8%	20.9%	218.6	421.2	92.7%
Tax	(34.6)	(23.3)	(31.9)	36.8%	-7.7%	(59.7)	(94.0)	57.3%
MI	(2.1)	(4.9)	(7.0)	42.8%	226.6%	(3.1)	(23.5)	655.5%
Reported PATAMI	78.7	87.3	100.6	15.3%	27.8%	155.7	303.7	95.1%
Core PATAMI	<b>80.9</b>	<b>87.8</b>	<b>100.4</b>	<b>14.3%</b>	<b>24.1%</b>	<b>159.9</b>	<b>305.0</b>	<b>90.7%</b>
Reported EPS (Sen)	6.8	7.5	8.6	15.0%	27.4%	13.4	26.1	94.4%
Core EPS (Sen)	7.0	7.5	8.6	14.1%	23.7%	13.8	26.2	90.1%
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA Margin (%)	12.1%	10.8%	12.3%	1.5	0.3	9.0%	10.9%	1.9
Core EBIT Margin (%)	11.5%	10.2%	11.8%	1.6	0.3	8.7%	10.7%	1.9
Core PATAMI Margin (%)	9.0%	9.0%	9.4%	0.4	0.3	6.9%	8.6%	1.7























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**Figure #3 Quarterly result breakdown**

FYE Apr (RM m)	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
<b>Revenue</b>								
Malaysia	840.1	927.7	1,000.5	7.9%	19.1%	2,140.7	3,316.8	54.9%
Philippines	57.3	48.3	71.9	48.8%	25.6%	184.4	231.4	25.5%
<b>Total</b>	<b>897.4</b>	<b>976.0</b>	<b>1,072.4</b>	<b>9.9%</b>	<b>19.5%</b>	<b>2,325.1</b>	<b>3,548.2</b>	<b>52.6%</b>
<b>EBIT</b>								
Malaysia	105.4	92.3	117.9	27.7%	11.8%	200.6	348.6	73.8%
Philippines	1.6	7.0	8.8	25.1%	461.1%	5.0	29.9	503.0%
Others	(0.2)	(0.4)	(0.3)			(1.1)	(1.6)	
<b>Total</b>	<b>106.8</b>	<b>99.0</b>	<b>126.5</b>	<b>27.8%</b>	<b>18.4%</b>	<b>204.5</b>	<b>376.8</b>	<b>84.3%</b>
<b>Core EBIT</b>	<b>103.0</b>	<b>99.5</b>	<b>126.2</b>	<b>26.9%</b>	<b>22.5%</b>	<b>202.7</b>	<b>378.1</b>	<b>86.6%</b>

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**Figure #4 Bermaz model lineup for 2022-23**

	2022/2023				2023		
	<b>Mazda3 IPM2</b> (Feb'22) 	<b>CX-30 IPM2</b> (Feb'22) 	<b>CX-8 IPM3</b> (June '22) 	<b>New MX-30 EV</b> (June '22) 	<b>CX-30 CKD</b> (Mar'23) 	<b>New CX-60</b> (TBA) 	
	<b>New 3008</b> (Nov'21) 	<b>New 5008</b> (Nov'21) 	<b>All-New 2008</b> (Jan'22) 		<b>New Landtrek</b> (Mar'23) 	<b>New e-2008 EV</b> (CYQ3'23) 	<b>New 408</b> (TBA) 
	<b>All-New Carnival</b> (Dec'21) 	<b>Carnival CKD</b> (July '22) 	<b>New EV6 EV</b> (June '22) 	<b>All-New Sorento</b> (Mar'23) 	<b>Niro EV</b> (CYQ3 '23) 	<b>All-New Sportage</b> (TBA) 	<b>Carens (KY)</b> (TBA) 

Company

**Figure #5 Sales model breakdown**

Malaysia Sales Statistics	4QFY22	3QFY23	4QFY23	QoQ (%)	YoY (%)	FY22	FY23	YoY (%)
<b>Mazda</b>								
Mazda 2 (CBU)	38	56	46	-17.9%	21.1%	182	284	56.0%
Mazda 3 (CBU)	152	8	314	3825.0%	106.6%	817	517	-36.7%
Mazda 6 (CBU)	26	65	11	-83.1%	-57.7%	96	173	80.2%
CX-3 (CBU)	117	362	606	67.4%	417.9%	657	1,166	77.5%
CX-30 (CBU)	214	182	6	-96.7%	-97.2%	666	928	39.3%
CX-9 (CBU)	9	11	13	18.2%	44.4%	42	43	2.4%
MX-30 (CBU)	0	4	0	N.M.	N.M.	1	4	300.0%
MX-5 (CBU)	4	8	4	-50.0%	0.0%	24	32	33.3%
BT-50 (CBU)	90	25	31	24.0%	-65.6%	138	273	97.8%
CX-30 (CKD)	0	0	1,561	N.M.	N.M.	0	1,561	N.M.
CX-5 (CKD)	3,455	2,763	1,540	-44.3%	-55.4%	7,929	8,026	1.2%
CX-8 (CKD)	446	969	695	-28.3%	55.8%	1,486	2,591	74.4%
<b>Total Mazda Malaysia</b>	<b>4,551</b>	<b>4,453</b>	<b>4,827</b>	<b>8.4%</b>	<b>6.1%</b>	<b>12,038</b>	<b>15,598</b>	<b>29.6%</b>
<b>Peugeot</b>								
2008 (CKD)	180	144	118	-18.1%	-34.4%	237	708	198.7%
3008 (CKD)	289	192	221	15.1%	-23.5%	556	989	77.9%
5008 (CKD)	79	35	40	14.3%	-49.4%	171	156	-8.8%
Landtrek (CBU)	0	0	43	N.M.	N.M.	0	43	N.M.
<b>Total Peugeot Malaysia</b>	<b>548</b>	<b>371</b>	<b>422</b>	<b>13.7%</b>	<b>-23.0%</b>	<b>964</b>	<b>1,896</b>	<b>96.7%</b>
<b>KIA</b>								
Carnival (CKD)	0	210	269	28.1%	N.M.	0	989	N.M.
Carnival (CBU)	203	377	394	4.5%	94.1%	360	1,036	187.8%
Sorento (CKD)	0	0	68	N.M.	N.M.	0	68	N.M.
EV6 (CBU)	0	35	12	-65.7%	N.M.	0	101	N.M.
<b>Total KIA Malaysia</b>	<b>203</b>	<b>622</b>	<b>743</b>	<b>19.5%</b>	<b>266.0%</b>	<b>360</b>	<b>2,194</b>	<b>509.4%</b>
<b>Total Malaysia</b>	<b>5,302</b>	<b>5,446</b>	<b>5,992</b>	<b>10.0%</b>	<b>13.0%</b>	<b>13,362</b>	<b>19,688</b>	<b>47.3%</b>
<b>The Philippines Sales Statistics</b>								
<b>Mazda</b>								
Mazda 2	15	6	17	183.3%	13.3%	42	54	28.6%
Mazda 3	42	0	50	N.M.	19.0%	110	102	-7.3%
Mazda 6	2	0	2	N.M.	0.0%	8	2	-75.0%
CX-3	0	4	19	375.0%	N.M.	8	33	312.5%
CX-30	17	1	11	1000.0%	-35.3%	91	39	-57.1%
CX-5	124	137	57	-58.4%	-54.0%	306	379	23.9%
CX-8	102	42	58	38.1%	-43.1%	274	259	-5.5%
CX-9	15	20	91	355.0%	506.7%	121	199	64.5%
MX-5	27	51	121	137.3%	348.1%	81	243	200.0%
BT-50	94	89	97	9.0%	3.2%	263	372	41.4%
<b>Total Mazda Philippines</b>	<b>438</b>	<b>350</b>	<b>523</b>	<b>49.4%</b>	<b>19.4%</b>	<b>1,304</b>	<b>1,682</b>	<b>29.0%</b>
<b>GRAND TOTAL</b>	<b>5,740</b>	<b>5,796</b>	<b>6,515</b>	<b>12.4%</b>	<b>13.5%</b>	<b>14,666</b>	<b>21,370</b>	<b>45.7%</b>

Bermaz Auto

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### Stock rating guide

<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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