

HLIB Research

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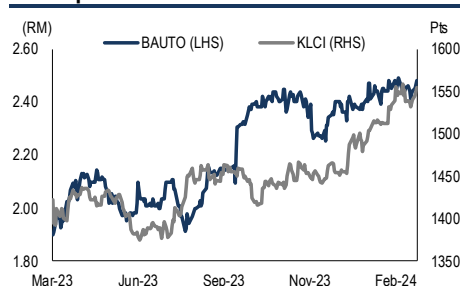
HOLD (from Buy)

Target Price: RM2.46
Previously: RM2.80
Current Price: RM2.48

Capital upside	-0.8%
Dividend yield	8.1%
Expected total return	7.3%

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	0.0	5.1	21.2
Relative	-0.6	-0.5	9.8

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,168
Market capitalisation (RM m)	2,896
3-mth average volume ('000)	3,232
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Dynamic Milestone	14.9%
Employees Provident Fund	12.1%
Permodalan Nasional Berhad	9.8%

Earnings summary

FYE (Apr)	FY23	FY24f	FY25f
PATMI - core (RM m)	307	337	279
EPS - core (sen)	26.3	28.9	23.9
P/E (x)	9.4	8.6	10.4

Bermaz Auto

Downwards normalising in 3QFY24 earnings

Reported core PATMI of RM69.0m for 3QFY24 (-23.7% QoQ; -21.3% YoY) and RM261.0m for 9MFY24 (+27.6% YoY). The results were below HLIB's expectation (74.3%), but within consensus (74.3%). Declared a third interim dividend of 4.25 sen/share (9MFY24: 14.25 sen/share). Downgrade our recommendation to HOLD (from Buy) with a lower TP of RM2.46 based on 10x CY25 P/E. BAuto's earnings are expected to continue normalising in subsequent quarters, in line with industry expectations. The group has a net cash of RM395.4m (33.9 sen/share).

Below expectation. Reported 3QFY24 core PATMI at RM69.0m (-23.7% QoQ, -21.3% YoY), bringing 9MFY24's sum to RM261.0m (+27.6% YoY). We deem the results to be below our FY24 forecast (74.3%) as we expect continued earnings normalization in the subsequent quarter – however, the results was within consensus (78.3%). The group recorded net ElS of -RM0.2m for 9MFY24, mainly on provisions and write-off of inventories, cushioned by forex gain, gain on disposal and fair value adjustment.

Dividend. Declared a third interim dividend of 4.25 sen/share (ex-date: 17 Apr 2024). Total dividend declared for 9MFY24 was 14.25 sen/share.

QoQ & YoY. Core PATMI dropped -23.7% QoQ and -21.3% YoY to RM69.0m in tandem with the fall in overall group car sales volume by -11.7% QoQ and -5.7% YoY as well as deteriorated sales mix from CBU models (which commands stronger margins due to the depreciated JPY) in Malaysia as well as higher promotional activities during the quarter. Similarly, contribution from associates deteriorated on lower production volume for MMSB and loss making KMSB during the quarter.

YTD. Nevertheless, core PATMI still improved by +27.6% YTD (to RM261m) on higher group sales volume (+23.1% YTD) and stronger margins from: (i) existing Malaysia Mazda and Philippines Mazda operations (on higher volumes and depreciated JPY); and (ii) stronger contributions from associate KMSB and Inokom.

Outlook. BAuto's Malaysia operations has seen some downward normalisation trends for the past months after recording a strong 1HFY24. Order backlogs remained relatively healthy at 2.2-2.5k units for the group (mainly Mazda), supported by the newly updated CX-5 model. Upcoming new models include Mazda CX-60, Kia Sportage and Kia EV9. BAuto has also effectively ceased distributorship and dealership for the Peugeot marque in Feb 2024. BAuto is currently benefitting from the depreciated JPY against MYR. Similarly, its Philippines operation is also experiencing continued recovery as the economy continues to recover post pandemic. The newly launched CX-60 and CX-90 premium models have been well received in the Philippines market.

Forecast. Cut earnings forecast for FY24 by -4.1%, FY25 by -6.5% and FY26 by -10.5%, on assumptions of lower sales volume and weaker margins.

Downgrade to HOLD, TP: RM2.45. We downgrade our recommendation to HOLD (from Buy) on BAuto with a lower TP of RM2.46, as we bring forward our valuation to CY25 at a P/E target of 10x. Despite the downward normalisation of sales and earnings, BAuto still has a healthy balance sheet position with net cash of RM395.4m (33.9 sen/share) as of end 3QFY24.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Cash	694	538	508	561	601
Receivables	163	208	231	181	193
Inventories	217	504	461	362	385
PPE	43	45	51	56	60
Others	442	494	533	575	625
Assets	1,560	1,788	1,784	1,735	1,864
Payables	273	360	357	266	282
Debt	200	100	50	0	0
Others	399	487	478	470	462
Liabilities	872	947	885	736	744
Shareholder's equity	634	765	798	879	971
Minority interest	55	77	101	121	149
Equity	688	841	899	999	1,120

Cash Flow Statement

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
EBITDA	224	401	448	357	389
Net Interest	(4)	5	3	6	8
Taxation	(66)	(102)	(115)	(91)	(100)
Working Capital	101	(186)	16	58	(18)
Others	39	3	4	4	4
CFO	294	121	356	334	282
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)	(30)	53	40
Forex	(1)	(4)	0	0	0
Others	0	0	0	(0)	0
Beginning cash	563	694	538	508	561
Ending cash	694	538	508	561	601

Income Statement

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Revenue	2,324	3,541	3,844	3,018	3,209
EBITDA	224	401	448	357	389
EBIT	203	378	424	332	363
Net interest	(4)	5	3	6	8
Associates & JV	18	41	49	52	60
Profit before tax	217	424	476	390	431
Tax	(60)	(94)	(115)	(91)	(100)
Net profit	158	330	361	299	331
Minority interest	(3)	(23)	(24)	(20)	(28)
Core PATMI	161	307	337	279	303
Exceptionals	(6)	(1)	0	0	0
Reported PATMI	155	306	337	279	303
Consensus core PATMI			333	290	300
HLIB/ Consensus (%)			101%	96%	101%

Valuation & Ratios

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Reported EPS (sen)	13.3	26.2	28.9	23.9	25.9
Core EPS (sen)	13.8	26.3	28.9	23.9	25.9
P/E (x)	18.0	9.4	8.6	10.4	9.6
DPS (sen)	8.8	22.0	20.0	18.0	18.0
Dividend yield (%)	3.5%	8.9%	8.1%	7.3%	7.3%
BVPS (RM)	0.55	0.66	0.68	0.75	0.83
P/B (x)	4.5	3.8	3.6	3.3	3.0
EBITDA margin	9.6%	11.3%	11.6%	11.8%	12.1%
EBIT margin	8.7%	10.7%	11.0%	11.0%	11.3%
PBT margin	9.4%	12.0%	12.4%	12.9%	13.4%
Net margin	6.9%	8.7%	8.8%	9.2%	9.4%
ROE (%)	26.8%	43.8%	43.1%	33.2%	32.7%
ROA (%)	10.9%	18.3%	18.9%	15.8%	16.8%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	42.6	37.5	39.3	48.1	51.5

Assumptions

FYE Apr	FY22	FY23	FY24f	FY25f	FY26f
Sales volume					
Mazda Msia	12,038	15,598	18,390	13,885	13,985
Kia Msia	360	2,194	1,800	2,200	3,000
Peugeot Msia	997	1,896	1,500	0	0
Mazda Php	1,304	1,682	2,635	2,900	3,050
Production volume					
MMSB (units)	9,833	10,890	15,118	26,800	25,500
Inokom (units)	17,282	22,215	26,745	37,153	38,274

Figure #1 Quarterly results comparison

FYE Apr (RMm)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue	976.0	1,007.0	896.5	-11.0%	-8.1%	2,475.8	2,992.7	20.9%
EBITDA	105.4	115.4	92.4	-20.0%	-12.4%	257.9	332.5	28.9%
Core EBIT	99.5	108.0	85.6	-20.7%	-13.9%	251.9	325.6	29.2%
Interest Expense	(1.8)	(1.0)	(0.7)	-23.0%	-59.1%	(4.7)	(2.6)	-43.4%
Interest on Lease Liability	(0.9)	(1.1)	(1.1)			(2.7)	(3.0)	
Interest and Investment Income	4.5	2.9	2.3	-19.6%	-47.7%	10.6	8.4	-21.0%
Associates								#DIV/0!
MMSB	13.4	6.8	5.2	-23.2%	-61.0%	24.4	19.1	-21.4%
Inokom	2.1	3.8	3.6	-5.7%	73.1%	4.5	8.7	92.4%
KMSB	(0.6)	3.5	(1.3)			(0.8)	2.4	
Others	(0.1)	0.3	(0.0)			(0.1)	0.2	
Core PBT	116.0	123.2	93.6	-24.0%	-19.3%	283.2	358.8	26.7%
Exceptionals	(0.5)	(0.4)	1.5			(1.5)	(0.2)	
Reported PBT	115.5	122.8	95.1	-22.6%	-17.7%	281.7	358.6	27.3%
Tax	(23.3)	(27.1)	(20.5)	-24.2%	-11.9%	(62.1)	(80.4)	29.6%
MI	(4.9)	(5.6)	(4.0)	-28.5%	-17.9%	(16.5)	(17.3)	5.1%
Reported PATAMI	87.3	90.1	70.5	-21.7%	-19.2%	203.1	260.8	28.4%
Core PATAMI	87.8	90.5	69.0	-23.7%	-21.3%	204.6	261.0	27.6%
Reported EPS (Sen)	7.5	7.7	6.0	-21.8%	-19.4%	17.5	22.4	28.2%
Core EPS (Sen)	7.5	7.8	5.9	-23.7%	-21.5%	17.6	22.4	27.3%
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA Margin (%)	10.8%	11.5%	10.3%	(1.2)	(0.5)	10.4%	11.1%	0.7
Core EBIT Margin (%)	10.2%	10.7%	9.6%	(1.2)	(0.6)	10.2%	10.9%	0.7
Core PATAMI Margin (%)	9.0%	9.0%	7.7%	(1.3)	(1.3)	8.3%	8.7%	0.5








Bursa, HLIB Research

Figure #2 Quarterly result breakdown

FYE Apr (RM m)	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Revenue								
Malaysia	927.7	918.0	805.8	-12.2%	-13.1%	2,316.3	2,712.7	17.1%
Philippines	48.3	88.9	90.7	2.0%	87.8%	159.5	280.0	75.6%
Total	976.0	1007.0	896.5	-11.0%	-8.1%	2,475.8	2,992.7	20.9%
EBIT								
Malaysia	92.3	91.7	73.7	-19.6%	-20.2%	230.6	281.5	22.0%
Philippines	7.0	16.5	13.8	-16.6%	96.1%	21.1	45.2	114.7%
Others	(0.4)	(0.6)	(0.4)			(1.3)	(1.3)	
Total	99.0	107.6	87.1	-19.1%	-12.0%	250.4	325.4	29.9%
Core EBIT	99.5	108.0	85.6	-20.7%	-13.9%	251.9	325.6	29.2%

Bursa, HLIB Research

Figure #3 Model line up 2023

CY2024	
	<p>CX-3 IPM5 (Jan '24) </p> <p>CX-5 IPM6 (Jan '24) </p> <p>New CX-60 (Q4 '24) </p>
	<p>All-New Sportage CBU (Q3 24') </p> <p>All-New EV9 CBU (Q2 24') </p>

Company

Figure #4 Quarterly sales breakdown

Malaysia Sales Statistics	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	YoY (%)
Mazda CBU								
Mazda 2	56	29	49	69.0%	-12.5%	238	123	-48.3%
Mazda 3	8	328	150	-54.3%	1775.0%	203	1,361	570.4%
Mazda 6	65	28	16	-42.9%	-75.4%	162	95	-41.4%
CX-3	362	500	276	-44.8%	-23.8%	560	1,340	139.3%
CX-30	182	1	0	N.M.	N.M.	922	2	-99.8%
CX-9	11	3	2	-33.3%	-81.8%	30	9	-70.0%
MX-30	4	4	0	N.M.	N.M.	4	5	25.0%
MX-5	8	5	5	0.0%	-37.5%	28	19	-32.1%
BT-50	25	14	21	50.0%	-16.0%	242	87	-64.0%
Subtotal	721	912	519	-43.1%	-28.0%	2,389	3,041	27.3%
Mazda CKD								
CX-30	0	1,836	1,691	-7.9%	N.M.	0	4,559	N.M.
CX-5	2,763	1,583	1,616	2.1%	-41.5%	6,486	4,911	-24.3%
CX-8	969	587	441	-24.9%	-54.5%	1,896	1,673	-11.8%
Subtotal	3,732	4,006	3,748	-6.4%	0.4%	8,382	11,143	32.9%
Total Mazda Malaysia	4,453	4,918	4,267	-13.2%	-4.2%	10,771	14,184	31.7%
Peugeot CKD								
2008	144	72	33	-54.2%	-77.1%	590	186	-68.5%
3008	192	164	107	-34.8%	-44.3%	768	450	-41.4%
5008	35	14	4	-71.4%	-88.6%	116	61	-47.4%
Landtrek	0	10	2	-80.0%	N.M.	0	22	N.M.
Total Peugeot Malaysia	371	260	146	-43.8%	-60.6%	1,474	719	-51.2%
KIA								
Carnival (CKD)	210	321	412	28.3%	96.2%	720	993	37.9%
Carnival (CBU)	377	44	4	-90.9%	-98.9%	642	353	-45.0%
Sorento (CKD)	0	26	26	0.0%	N.M.	0	83	N.M.
EV6	35	2	1	-50.0%	-97.1%	89	10	-88.8%
Niro EV	0	3	1	-66.7%	N.M.	0	4	N.M.
Stinger	0	0	0	N.M.	N.M.	0	3	N.M.
Total KIA Malaysia	622	396	444	12.1%	-28.6%	1,451	1,439	-0.8%
Total Malaysia	5,446	5,574	4,857	-12.9%	-10.8%	13,696	16,342	19.3%

Bermaz Auto

Figure #5 Quarterly sales breakdown

Philippines Sales Statistics	3QFY23	2QFY24	3QFY24	QoQ (%)	YoY (%)	9MFY23	9MFY24	QoQ (%)
Mazda 2	6	8	5	-37.5%	-16.7%	37	19	-48.6%
Mazda 3	0	99	57	-42.4%	N.M.	52	267	413.5%
Mazda 6	0	6	6	0.0%	N.M.	0	16	N.M.
CX-3	4	11	6	-45.5%	50.0%	14	23	64.3%
CX-30	1	29	9	-69.0%	800.0%	28	73	160.7%
CX-5	137	87	75	-13.8%	-45.3%	322	310	-3.7%
CX-60	0	32	130	306.3%	N.M.	0	215	N.M.
CX-7	42	97	57	-41.2%	35.7%	201	289	43.8%
CX-9	20	37	15	-59.5%	-25.0%	108	153	41.7%
CX-90	0	78	68	-12.8%	N.M.	0	151	N.M.
MX-5	51	54	25	-53.7%	-51.0%	122	139	13.9%
BT-50	89	72	153	112.5%	71.9%	275	291	5.8%
Total Mazda Philippines	350	610	606	-0.7%	73.1%	1,159	1,946	67.9%
Total Group Sales	5,796	6,184	5,463	-11.7%	-5.7%	14,855	18,288	23.1%

Bermaz Auto

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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.
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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