December 13, 2024

Maybank Investment Bank

Bermaz Auto Berhad (BAUTO MK)

2QFY24: Normalising from super cycle

BUY

Share Price	MYR 2.04
12m Price Target	MYR 2.42 (+19%)
Previous Price Target	*MYR 2.42*

Results in-line; expect stronger 2H ahead

BAuto's 1HFY25 core net profit (CNP) of MYR111m met expectations, achieving 39%/38% of our/consensus FY25 estimates. We expect stronger quarters ahead, driven by higher contributions from new launches, including the Kia Sportage, Mazda CX60, and XPeng G6, as well as seasonal factors. Our forecasts and TP of MYR2.42 are unchanged, based on a 10x FY25E PER (20% below its 5Y average). Maintain BUY for its compelling valuation and >9% dividend yield.

CNP fell -42% YoY as sales normalised

1HFY25 CNP fell 42% YoY to MYR111m, with revenue declining 29% YoY. Vehicle sales fell 30% YoY to 8,932 units, in absence of backlog orders and new models, compounded by heightened competition from new brands/ models in the domestic market, particularly in the mass premium passenger vehicle segment. Kia Carnival sales plunged 58% YoY to 392 units, impacted by the diesel subsidy rationalization effective 1 June 2024.

Competition intensifying QoQ; declared 10sen DPS

QoQ, BAuto's 2QFY25 CNP dropped 41%, with revenue down 24% and vehicle sales falling 25%, mainly due to intensifying competition. The decline in vehicle sales was also partly attributed to the return of remaining Peugeot vehicles to the principal manufacturer in 1QFY25, following the cessation of Peugeot operations in Feb 2024. The company declared 10sen DPS for FY25E (3sen interim and 7sen special), representing a 143% DPR (61% ex- special). This aligns with our 80% DPR assumption, with normalization expected in subsequent quarters.

New model launches to support growth ahead

BAuto's 1H vehicle sales is normalizing after a two year super cycle, further pressured by challenges from rising competition in the mass premium segment as it avoids price wars. We expect sales to stabilize in 2HFY25, and new model launches and distributorships to partly cushion the sales slowdown for Mazda. Order backlogs are mostly cleared, with current total bookings averaging 1,000 units/month.

FYE Apr (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	3,541	3,930	3,461	3,999	4,089
EBITDA	385	446	355	423	431
Core net profit	306	352	282	337	347
Core EPS (sen)	26.2	30.2	24.2	28.9	29.7
Core EPS growth (%)	96.3	15.2	(20.0)	19.5	3.0
Net DPS (sen)	22.0	26.0	19.3	21.7	22.3
Core P/E (x)	8.8	7.7	8.4	7.1	6.9
P/BV (x)	3.5	3.1	2.8	2.5	2.3
Net dividend yield (%)	9.5	11.3	9.5	10.6	10.9
ROAE (%)	43.8	43.3	33.3	37.8	34.9
ROAA (%)	18.4	19.0	14.7	16.9	16.1
EV/EBITDA (x)	6.1	5.2	5.8	4.9	4.7
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	291	313	337
MIBG vs. Consensus (%)	-	-	(3.1)	7.7	2.8

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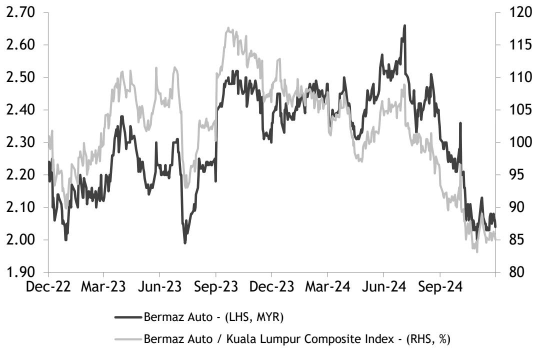
Company Description

Franchise holders and sole distributors of: (i) Mazda, Peugeot and Kia vehicles in Malaysia and (ii) Mazda in the Philiippines.

Statistics

52w high/low (MYR)	2.66/2.00
3m avg turnover (USDm)	1.3
Free float (%)	66.7
Issued shares (m)	1,172
Market capitalisation	MYR2.4B USD539M
Major shareholders:	
Dynamic Milestone Sdn. Bhd.	14.9%
Employees Provident Fund	13.3%
Permodalan Nasional Bhd.	7.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	2	(13)	(11)
Relative to index (%)	2	(11)	(20)

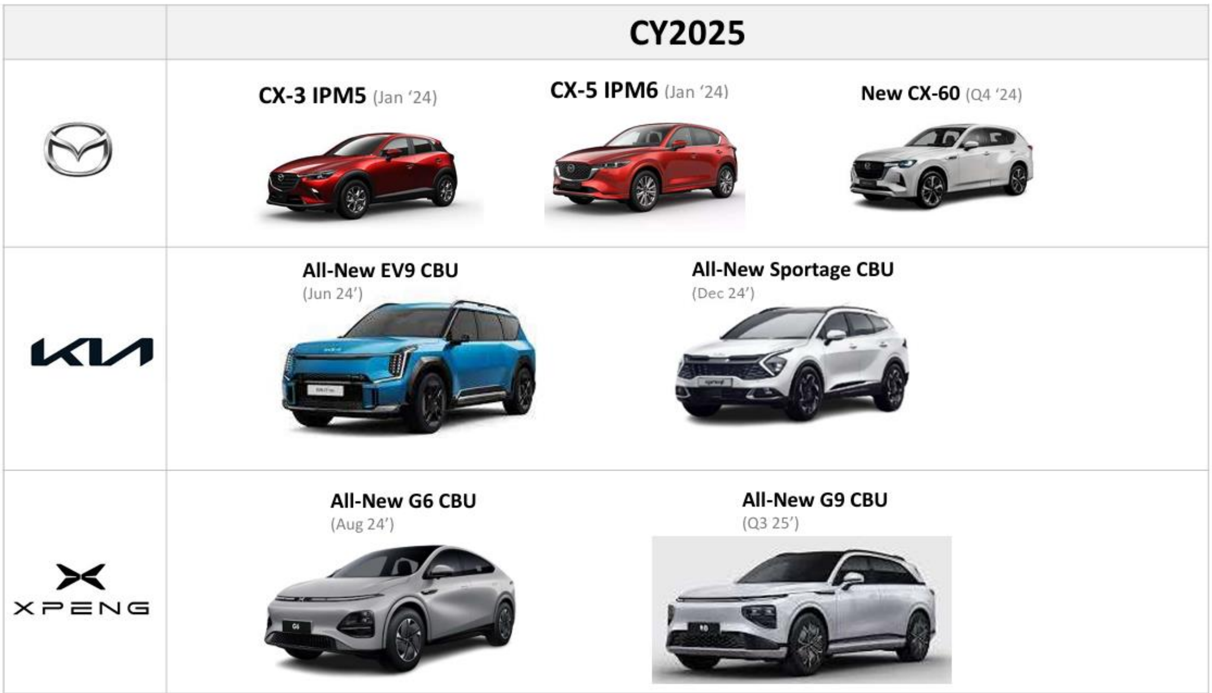
Source: FactSet

Figure 1: BAUTO results summary table

	Quarterly results					Cumulative		
FY Apr (MYR m)	**2Q25**	**2Q24**	*% YoY*	**1Q25**	*% QoQ*	**1H25**	**1H24**	*% YoY*
Turnover	**646.9**	**1,007.0**	***(35.8)***	**846.2**	***(23.6)***	**1,493.0**	**2,096.2**	***(28.8)***
EBIT	58.0	110.9	*(47.7)*	88.7	*(34.6)*	146.6	246.0	*(40.4)*
EBITDA	60.4	113.2	*(46.6)*	91.1	*(33.7)*	151.6	250.6	*(39.5)*
Int. expense	(3.7)	(2.1)	*76.9*	(2.2)	*65.3*	(5.9)	(3.9)	*50.8*
Associates	3.4	14.4	*(76.4)*	10.7	*(68.4)*	14.1	23.0	*(38.6)*
- MMSB (30%)	3.1	6.8	*(54.8)*	5.8	*(47.0)*	8.9	13.9	*(36.5)*
- Inokom (29%)	1.3	3.8	*(66.3)*	3.8	*(66.1)*	5.1	5.1	*(1.2)*
- Kia (33%)	(0.6)	3.5	*NM*	1.5	*NM*	0.8	3.7	*(77.6)*
One-offs	(0.7)	(0.4)	*68.8*	0.6	*NM*	(0.1)	(1.7)	*(93.3)*
Pre-tax profits	**57.1**	**122.8**	***(53.6)***	**97.8**	***(41.6)***	**154.8**	**263.5**	***(41.2)***
Tax	(14.3)	(27.1)	*(47.1)*	(22.4)	*(36.0)*	(36.7)	(59.9)	*(38.7)*
Minority interest	(2.4)	(5.6)	*(58.0)*	(5.2)	*54.2*	(7.5)	(13.3)	*(43.5)*
Net profit	**40.4**	**90.1**	***(55.2)***	**70.2**	***(42.5)***	**110.6**	**190.3**	***(41.9)***
Net profit Ex one-offs	**41.0**	**90.5**	***(54.7)***	**69.7**	***(41.1)***	**110.7**	**192.0**	***(42.4)***
EBIT margin (%)	*9.0*	*11.0*	*(2.0)*	*10.5*	*(1.5)*	*9.8*	*11.7*	*(1.9)*
EBITDA margin (%)	*9.3*	*11.2*	*(1.9)*	*10.8*	*(1.4)*	*10.2*	*12.0*	*(1.8)*
Tax rate (%)	*25.1*	*22.1*	*3.1*	*22.9*	*2.2*	*23.7*	*22.7*	*1.0*
Revenue	**646.9**	**1,007.0**	***(35.8)***	**846.2**	***(23.6)***	**1,493.0**	**2,096.2**	***(28.8)***
- Malaysia	581.7	918.0	*(36.6)*	755.0	*(23.0)*	1,336.6	1,906.9	*(29.9)*
- Philippines	65.2	88.9	*(26.7)*	91.2	*(28.5)*	156.4	189.3	*(17.4)*
EBIT	**58.0**	**110.9**	***(47.7)***	**88.7**	***(34.6)***	**146.6**	**246.0**	***(40.4)***
- Malaysia	46.4	91.7	*(49.4)*	69.3	*(33.1)*	115.7	207.8	*(44.3)*
- Philippines	9.3	16.5	*(44.0)*	18.4	*(49.7)*	27.6	31.4	*(12.1)*
- Others	2.3	2.7	*(12.1)*	1.0	*141.8*	3.3	6.8	*(51.4)*
EBIT Margins (%)	**9.0**	**11.0**	***(2.0)***	**10.5**	***(1.5)***	**9.8**	**11.7**	***(1.9)***
- Malaysia	8.0	10.0	*(2.0)*	9.2	*(1.2)*	8.7	10.9	*(2.2)*
- Philippines	14.2	18.6	*(4.4)*	20.2	*(6.0)*	17.7	16.6	*1.1*
Vehicle unit sales	**3,815**	**6,184**	***(38.3)***	**5,117**	***(25.4)***	**8,932**	**12,832**	***(30.4)***
Mazda Malaysia	3,007	4,918	*(38.9)*	3,852	*(21.9)*	6,859	9,917	*(30.8)*
Mazda Philippines	461	610	*(24.4)*	562	*(18.0)*	1,023	1,340	*(23.7)*
Peugeot	13	260	*(95.0)*	429	*(97.0)*	442	573	*(22.9)*
Kia	178	396	*(55.1)*	274	*(35.0)*	452	1,002	*(54.9)*
XPeng	156	0	*NM*	0	*NM*	156	0	*NM*

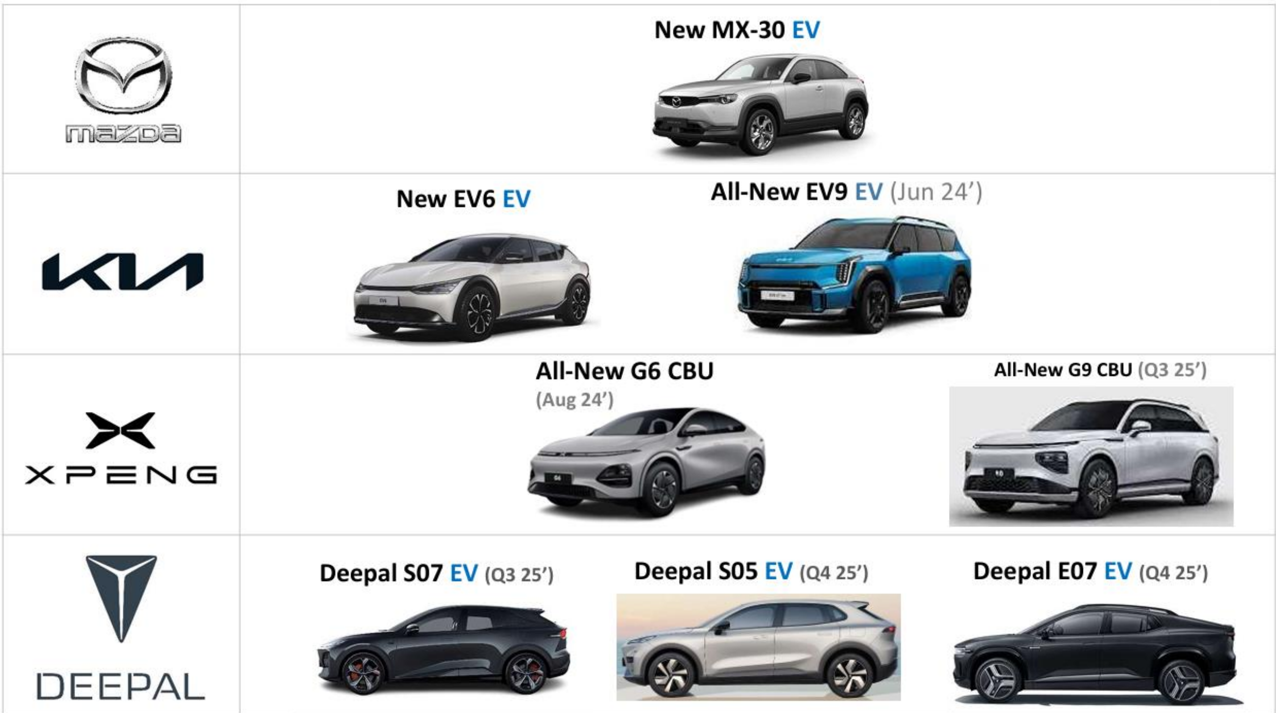
Source: Company, Maybank IBG research

Figure 2: BAUTO product map



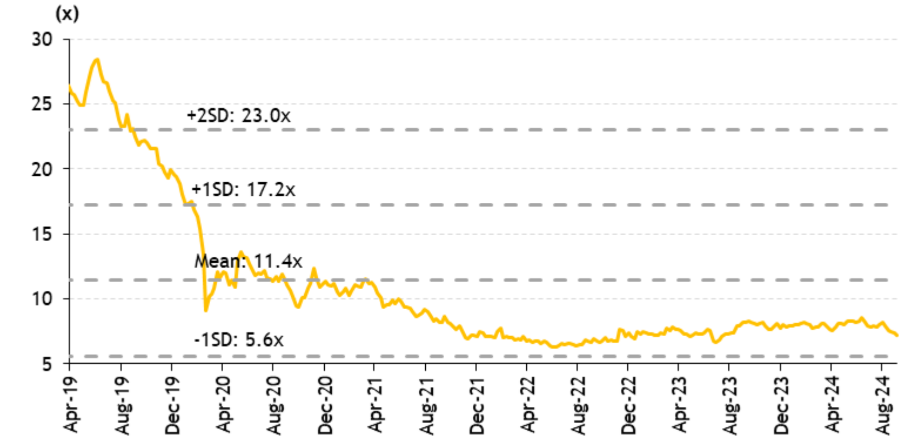
Source: Company

Figure 3: BAUTO EV model line-up



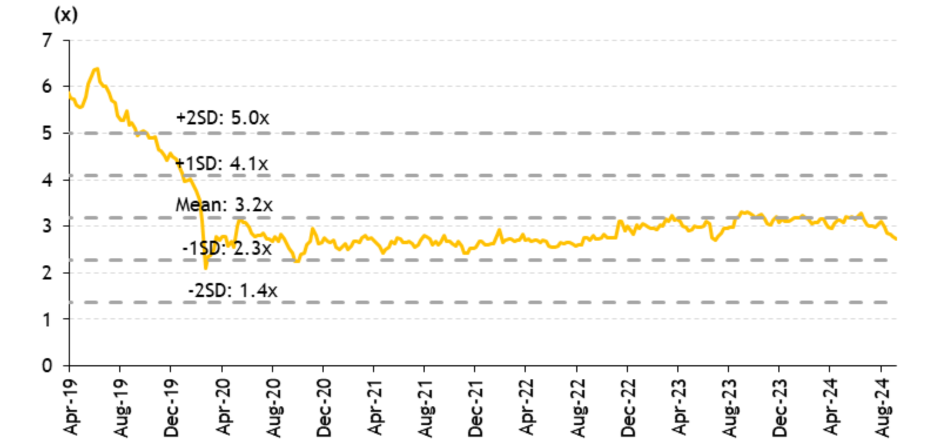
Source: Company

Figure 4: BAUTO one-year forward PER



Source: Maybank IBG Research

Figure 5: BAUTO one-year forward PBV



Source: Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for BAuto. Soft consumer sentiment and unattractive model launches may drag earnings. Forex volatility will affect its profitability and operational planning. Execution mishap, cost overruns and / or absence of new orders will cause adverse impact on earnings.

FYE 30 Apr	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	7.5	7.8	8.4	7.1	6.9
Core P/E (x)	8.8	7.7	8.4	7.1	6.9
P/BV (x)	3.5	3.1	2.8	2.5	2.3
P/NTA (x)	3.5	3.1	2.8	2.5	2.3
Net dividend yield (%)	9.5	11.3	9.5	10.6	10.9
FCF yield (%)	3.8	10.7	12.5	10.5	12.5
EV/EBITDA (x)	6.1	5.2	5.8	4.9	4.7
EV/EBIT (x)	6.2	5.3	5.9	5.0	4.8
INCOME STATEMENT (MYR m)					
Revenue	3,540.6	3,930.3	3,461.2	3,998.5	4,089.3
EBITDA	384.8	446.3	354.8	422.6	430.8
Depreciation	(8.2)	(9.3)	(9.3)	(9.3)	(9.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	376.6	437.0	345.5	413.3	421.5
Net interest income /(exp)	5.4	3.1	6.5	6.5	6.5
Associates & JV	41.1	50.0	54.9	60.4	66.4
Exceptionals	0.2	(0.9)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	423.3	489.1	406.8	480.1	494.4
Income tax	(94.0)	(111.4)	(97.6)	(115.2)	(118.6)
Minorities	(23.5)	(26.7)	(27.5)	(28.3)	(29.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	305.8	351.0	281.7	336.6	346.5
Core net profit	305.6	351.9	281.7	336.6	346.5
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	537.4	568.1	562.3	586.5	631.9
Accounts receivable	197.6	219.3	193.2	223.1	228.2
Inventory	498.3	553.2	487.2	562.8	575.6
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	44.6	47.2	49.9	52.5	55.2
Intangible assets	0.5	0.5	0.5	0.5	0.5
Investment in Associates & JVs	314.5	364.5	419.4	479.7	546.1
Other assets	184.1	184.1	184.1	184.1	184.1
Total assets	**1,776.9**	**1,936.9**	**1,896.5**	**2,089.3**	**2,221.6**
ST interest bearing debt	99.9	0.0	0.0	0.0	0.0
Accounts payable	351.1	389.7	343.2	396.5	405.5
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	100.0	100.0	100.0	100.0
Other liabilities	487.0	487.0	487.0	487.0	487.0
Total Liabilities	**937.6**	**976.3**	**929.7**	**983.0**	**992.0**
Shareholders Equity	762.8	857.3	835.9	947.2	1,041.3
Minority Interest	76.6	103.3	130.8	159.1	188.3
Total shareholder equity	**839.4**	**960.6**	**966.7**	**1,106.3**	**1,229.5**
Total liabilities and equity	**1,776.9**	**1,936.9**	**1,896.5**	**2,089.3**	**2,221.6**
CASH FLOW (MYR m)					
Pretax profit	423.3	489.1	406.8	480.1	494.4
Depreciation & amortisation	8.2	9.3	9.3	9.3	9.3
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(202.5)	(37.9)	45.7	(52.3)	(8.8)
Cash taxes paid	(94.0)	(111.4)	(97.6)	(115.2)	(118.6)
Other operating cash flow	(20.1)	(50.0)	(54.9)	(60.4)	(66.4)
Cash flow from operations	114.9	299.1	309.3	261.5	309.8
Capex	(12.2)	(12.0)	(12.0)	(12.0)	(12.0)
Free cash flow	102.7	287.1	297.3	249.5	297.8
Dividends paid	(154.0)	(256.5)	(303.1)	(225.4)	(252.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(99.9)	0.1	0.0	0.0	0.0
Other invest/financing cash flow	(5.6)	0.0	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(156.8)	30.7	(5.7)	24.2	45.4

FYE 30 Apr	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	52.4	11.0	(11.9)	15.5	2.3
EBITDA growth	83.6	16.0	(20.5)	19.1	1.9
EBIT growth	84.8	16.0	(20.9)	19.6	2.0
Pretax growth	94.5	15.6	(16.8)	18.0	3.0
Reported net profit growth	97.2	14.8	(19.8)	19.5	3.0
Core net profit growth	96.8	15.2	(20.0)	19.5	3.0
Profitability ratios (%)					
EBITDA margin	10.9	11.4	10.3	10.6	10.5
EBIT margin	10.6	11.1	10.0	10.3	10.3
Pretax profit margin	12.0	12.4	11.8	12.0	12.1
Payout ratio	83.9	86.3	80.0	75.0	75.0
DuPont analysis					
Net profit margin (%)	8.6	8.9	8.1	8.4	8.5
Revenue/Assets (x)	2.0	2.0	1.8	1.9	1.8
Assets/Equity (x)	2.3	2.3	2.3	2.2	2.1
ROAE (%)	43.8	43.3	33.3	37.8	34.9
ROAA (%)	18.4	19.0	14.7	16.9	16.1
Liquidity & Efficiency					
Cash conversion cycle	26.5	36.0	40.6	35.4	37.5
Days receivable outstanding	17.3	19.1	21.5	18.7	19.9
Days inventory outstanding	54.0	57.2	64.6	56.2	59.6
Days payables outstanding	44.8	40.3	45.5	39.6	42.0
Dividend cover (x)	1.2	1.2	1.3	1.3	1.3
Current ratio (x)	2.1	2.5	2.6	2.6	2.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.9	2.0	2.0	2.1	2.2
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.3	0.2	0.3	0.2	0.2
Capex/revenue (%)	0.3	0.3	0.3	0.3	0.3
Net debt/ (net cash)	(437.4)	(468.1)	(462.3)	(486.5)	(531.9)

Source: Company; Maybank IBG Research

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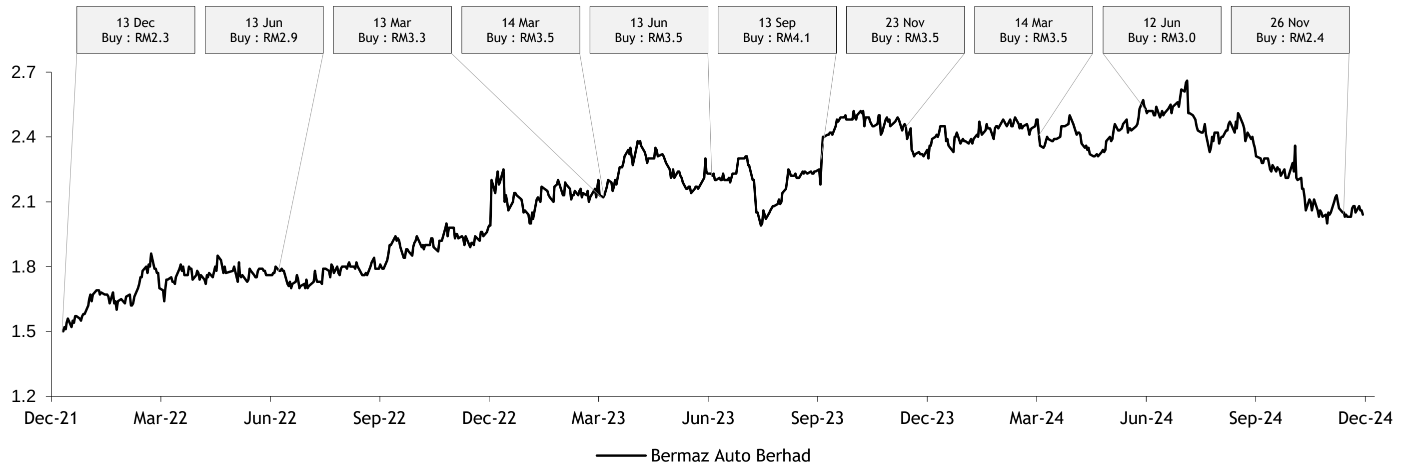

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