

Bermaz Auto Berhad (BAUTO MK)

1HFY24: Results on track

Results inline; maintain forecasts and TP

BAuto 1HFY24 results meet expectations, with core net profit (CNP) at 59%/60% of ours/consensus' full-year estimates. We maintain our forecasts and TP of MYR3.51 based on unchanged 12.5x FY24E PER; 5Y 12M fwd mean. We consider results to be inline with expectations, anticipating a softer 2H due to normalized vehicle sales in MY. BAuto is on track to achieve its FY24E target of 24k sales (+12% YoY; YTD: 12.8k units sold). Orders backlog stabilized at c.3.1k units, with monthly bookings averaging c.1.5k units. Maintain BUY.

CNP surged 64% YoY on improved sales, margins

BAuto 1HFY24 (April YE) CNP surged 64% YoY to MYR192m despite the end of SST holidays in March 2023. Vehicle sales rose 42% YoY to 12,832 units, with all marques except Peugeot showing strong sales improvement. Associates' profit contribution increased 73% YoY, driven by robust vehicle sales. EBIT margin slightly improved due to scale and product sales mix. MY Mazda CKD model sales grew 59% YoY to 7,395 units, boosted by the March 2023 launch of the CX30 CKD.

QoQ moderates as backlog orders normalize

QoQ, BAuto's CNP decreased by 11%, aligning with a 7% drop in vehicle sales. Notably, Mazda MY sales were resilient, with only a 2% decline QoQ, attributed in part to a significant one-off delivery of backlog orders for Mazda 3 in 1Q. BAuto declared a 2nd interim DPS of 5 sen, bringing the YTD DPS to 10 sen (61% DPR).

Prospects remain intact

We continue to like BAuto for its robust fundamentals, resilient financials (solid net cash, strong FCF from asset-light model), and an appealing >8% dividend yield. Growth is bolstered by a robust pipeline of new launches and an expanding CKD mix, ensuring earnings visibility with sustained strong orders surpassing pre-pandemic levels.

FYE Apr (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	2,324	3,548	3,874	3,938	4,102
EBITDA	210	385	421	430	447
Core net profit	155	304	328	338	354
Core EPS (sen)	13.4	26.0	28.1	29.0	30.4
Core EPS growth (%)	18.7	94.9	8.0	3.1	4.8
Net DPS (sen)	8.8	22.0	21.1	21.7	22.8
Core P/E (x)	13.3	8.9	8.3	8.0	7.6
P/BV (x)	3.2	3.5	3.2	2.9	2.6
Net dividend yield (%)	4.9	9.5	9.1	9.4	9.8
ROAE (%)	25.9	43.5	41.1	38.4	36.3
ROAA (%)	10.5	18.3	17.8	17.2	16.8
EV/EBITDA (x)	7.7	6.1	5.6	5.4	5.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	322	310	303
MIBG vs. Consensus (%)	-	-	1.9	9.1	17.0

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BUY

Share Price	MYR 2.32
12m Price Target	MYR 3.51 (+51%)
Previous Price Target	MYR 3.51

Company Description

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

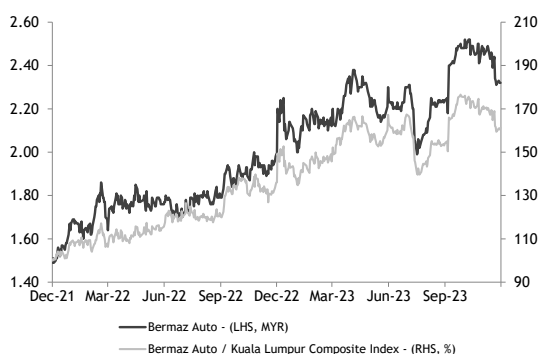
Statistics

52w high/low (MYR)	2.52/1.99
3m avg turnover (USDm)	3.4
Free float (%)	68.9
Issued shares (m)	1,171
Market capitalisation	MYR2.7B
	USD581M

Major shareholders:

Dynamic Milestone Sdn. Bhd.	14.8%
Employees Provident Fund	11.2%
Permodalan Nasional Bhd.	7.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(7)	4	17
Relative to index (%)	(6)	5	18

Source: FactSet

Figure 1: BAUTO results summary table

FY Apr (MYR m)	Quarterly results					Cumulative		
	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY
Turnover	1,007.0	783.0	28.6	1,089.3	(7.6)	2,096.2	1,499.8	39.8
EBITDA	112.5	86.5	30.1	137.4	(18.1)	249.9	162.5	53.8
Int. expense	(2.1)	(2.2)	(5.8)	(1.8)	13.2	(3.9)	(4.7)	(17.6)
Associates	14.4	9.3	55.5	8.6	66.9	23.0	13.3	73.3
- MMSB (30%)	6.8	8.1	(16.2)	7.2	(5.2)	13.9	11.0	26.8
- Inokom (29%)	3.8	1.4	167.1	1.3	>100	5.1	2.5	>100
- Kia (33%)	3.5	(0.3)	NM	0.3	>100	3.7	(0.2)	NM
One-offs	(0.4)	0.1	NM	(1.3)	(69.0)	(1.7)	(1.1)	59.6
Pre-tax profits	122.8	91.6	34.1	140.7	(12.7)	263.5	166.2	58.6
Tax	(27.1)	(20.8)	30.5	(32.8)	(17.3)	(59.9)	(38.7)	54.6
Minority interest	(5.6)	(5.1)	9.5	(7.7)	26.8	(13.3)	(11.6)	14.8
Net profit	90.1	65.7	37.2	100.2	(10.1)	190.3	115.8	64.3
Net profit Ex one-offs	90.5	65.5	38.1	101.5	(10.8)	192.0	116.9	64.3
<i>EBITDA margin (%)</i>	<i>11.2</i>	<i>11.0</i>	<i>0.1</i>	<i>12.6</i>	<i>(1.4)</i>	<i>11.9</i>	<i>10.8</i>	<i>1.1</i>
<i>Tax rate (%)</i>	<i>22.1</i>	<i>22.7</i>	<i>(0.6)</i>	<i>23.3</i>	<i>(1.2)</i>	<i>22.7</i>	<i>23.3</i>	<i>(0.6)</i>
Revenue	1,007.0	783.0	28.6	1,089.3	(7.6)	2,096.2	1,499.8	39.8
- Malaysia	918.0	730.7	25.6	988.9	(7.2)	1,906.9	1,388.7	37.3
- Philippines	88.9	52.3	70.1	100.3	(11.4)	189.3	111.2	70.3
EBIT	122.8	91.6	34.1	140.7	(12.7)	263.5	166.2	58.6
- Malaysia	91.7	77.6	18.2	116.1	(21.0)	207.8	140.7	47.6
- Philippines	16.5	5.8	>100	14.9	10.8	31.4	13.3	>100
- Others	2.7	0.9	>100	4.2	(35.7)	6.8	4.6	46.9
EBIT Margins (%)	12.2	11.7	0.5	12.9	(0.7)	12.6	11.1	1.5
- Malaysia	10.0	10.6	(0.6)	11.7	(1.7)	10.9	10.1	0.8
- Philippines	18.6	11.2	7.4	14.9	3.7	16.6	11.9	4.7
Vehicle unit sales	6,184	4,729	30.8	6,648	(7.0)	12,832	9,059	41.6
Mazda Malaysia	4,918	3,332	47.6	4,999	(1.6)	9,917	6,318	57.0
Mazda Philippines	610	387	57.6	730	(16.4)	1,340	809	65.6
Peugeot	260	629	(58.7)	313	(16.9)	573	1,103	(48.1)
Kia	396	381	3.9	606	(34.7)	1,002	829	20.9

Source: Company, Maybank IBG research

Figure 2: BAUTO's vehicle sales by marques & models

FY Apr (Units)	Quarterly results					Cumulative		
	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY
Mazda MY: (i) + (ii)	4,918	3,332	47.6	4,999	(1.6)	9,917	6,318	57.0
CBU (i)								
- Mazda 2	33	102	(67.6)	45	(26.7)	74	182	(59.3)
- Mazda 3	328	81	>100	883	(62.9)	1,211	195	>100
- Mazda 6	28	76	(63.2)	51	(45.1)	79	97	(18.6)
- CX-3	500	0	NM	564	(11.3)	1,064	198	>100
- CX-30	1	120	(99.2)	1	0.0	2	740	(99.7)
- MX-30	4	0	NM	1	>100	5	0	NM
- CX-9	3	13	(76.9)	4	(25.0)	7	19	(63.2)
- MX-5	5	13	(61.5)	9	(44.4)	14	20	(30.0)
- BT-50	14	156	(91.0)	52	(73.1)	66	217	(69.6)
CKD (ii)								
- CX-5	1,583	2,212	(28.4)	1,712	(7.5)	3,295	3,723	(11.5)
- CX-8	587	559	5.0	645	(9.0)	1,232	927	32.9
- CX-30	1,836	0	NM	1,032	77.9	2,868	0	NM
Mazda PH CBU	500	387	29.2	672	(25.6)	1,340	809	65.6
- Mazda 2	8	23	(65.2)	6	33.3	14	31	(54.8)
- Mazda 3	99	21	>100	111	(10.8)	210	52	>100
- Mazda 6	6	0	NM	4	50.0	10	0	NM
- CX-3	11	10	10.0	6	83.3	17	10	70.0
- CX-30	29	8	>100	35	(17.1)	64	27	>100
- CX-60	0	0	NM	0	NM	85	0	NM
- CX-5	87	109	(20.2)	148	(41.2)	235	185	27.0
- CX-8	97	19	>100	135	(28.1)	232	159	45.9
- CX-9	37	57	(35.1)	101	(63.4)	138	88	56.8
- CX-90	0	0	NM	0	NM	83	0	NM
- MX-5	54	58	(6.9)	60	(10.0)	114	71	60.6
- BT-50	72	82	(12.2)	66	9.1	138	186	(25.8)
Peugeot	260	629	(58.7)	313	(16.9)	573	1,103	(48.1)
-2008	72	200	(64.0)	81	(11.1)	153	446	(65.7)
-3008	164	383	(57.2)	179	(8.4)	343	576	(40.5)
-5008	14	46	(69.6)	43	(67.4)	57	81	(29.6)
-Landtrek	10	0	NM	10	0.0	20	0	NM
Kia	396	381	3.9	603	(34.3)	1,002	829	20.9
- Carnival CBU	44	2	>100	305	(85.6)	349	265	31.7
- EV6 CBU	2	52	(96.2)	7	(71.4)	9	54	(83.3)
- Niro CBU	3	0	NM	0	NM	3	0	NM
- Stinger CBU	0	0	NM	0	NM	3	0	NM
- Carnival CKD	321	327	(1.8)	260	23.5	581	510	13.9
- Sorento CKD	26	0	NM	31	(16.1)	57	0	NM

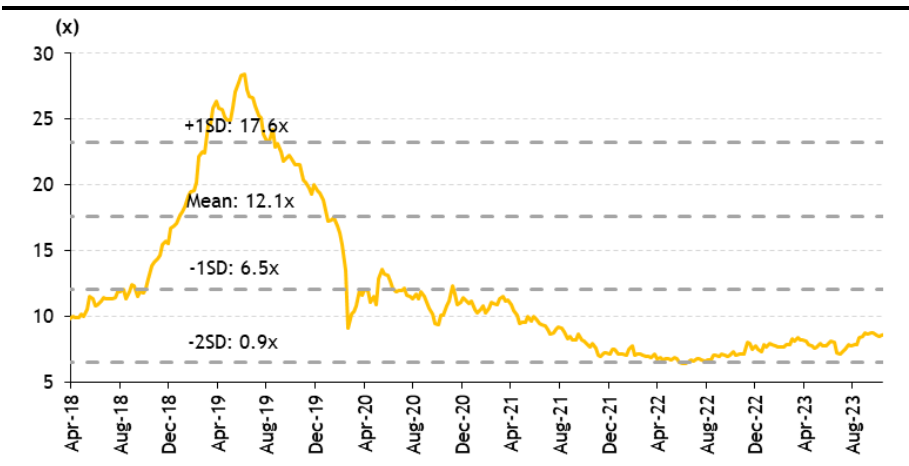
Source: Company, Maybank IBG research

Figure 3: BAUTO’s vehicle sales target (FY24E)

	FY23	1QFY24	FY24E (Old)	FY24E (New)
Mazda - MY	15,598	4,827	18,000	18,000
Mazda - PH	1,682	523	2,300	2,300
Kia	2,194	743	2,500	2,500
Peugeot	1,896	422	1,800	1,200
Total	21,370	6,515	24,600	24,000

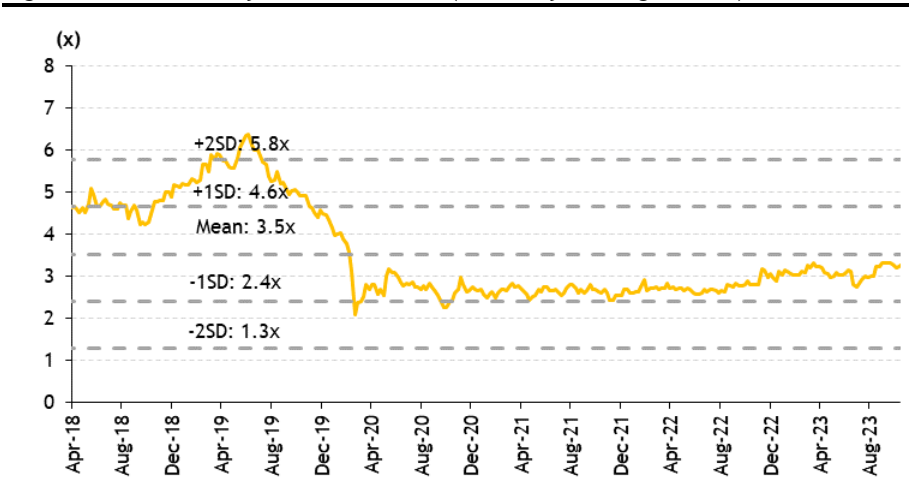
Source: Company, Maybank IBG Research

Figure 4: BAUTO one-year forward PER (currently trading at 8.7x)



Source: Maybank IBG Research

Figure 5: BAUTO one-year forward PBV (currently trading at 3.3x)



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	FY22A	FY23A	FY24E	FY25E	FY26E
Key Metrics					
P/E (reported) (x)	12.0	7.5	8.3	8.0	7.6
Core P/E (x)	13.3	8.9	8.3	8.0	7.6
P/BV (x)	3.2	3.5	3.2	2.9	2.6
P/NTA (x)	3.2	3.5	3.2	2.9	2.6
Net dividend yield (%)	4.9	9.5	9.1	9.4	9.8
FCF yield (%)	13.6	3.8	10.2	11.3	11.4
EV/EBITDA (x)	7.7	6.1	5.6	5.4	5.1
EV/EBIT (x)	7.9	6.2	5.7	5.5	5.2
INCOME STATEMENT (MYR m)					
Revenue	2,323.7	3,548.2	3,873.7	3,938.0	4,101.9
EBITDA	209.6	384.8	420.7	429.9	447.0
Depreciation	(5.8)	(8.2)	(8.0)	(8.0)	(8.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	203.8	376.6	412.7	421.9	439.0
Net interest income / (exp)	(4.0)	5.4	10.0	10.0	10.0
Associates & JV	18.1	39.0	42.5	47.6	53.0
Exceptionals	(0.1)	0.2	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	217.7	421.2	465.2	479.4	502.0
Income tax	(59.7)	(94.0)	(111.7)	(115.1)	(120.5)
Minorities	(2.9)	(23.5)	(25.8)	(26.6)	(27.4)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	155.1	303.7	327.8	337.8	354.1
Core net profit	155.2	303.5	327.8	337.8	354.1
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	693.9	537.4	556.4	617.1	672.5
Accounts receivable	142.5	197.6	215.7	219.3	228.4
Inventory	230.4	498.3	544.0	553.1	576.1
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	41.6	44.6	48.6	52.6	56.6
Intangible assets	1.3	0.5	0.5	0.5	0.5
Investment in Associates & JVs	275.7	314.5	357.0	404.5	457.5
Other assets	162.3	184.1	184.1	184.1	184.1
Total assets	1,547.7	1,776.9	1,906.3	2,031.2	2,175.6
ST interest bearing debt	100.0	99.9	0.0	0.0	0.0
Accounts payable	253.0	351.1	383.3	389.7	405.9
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	99.8	0.0	100.0	100.0	100.0
Other liabilities	406.0	487.0	487.0	487.0	487.0
Total Liabilities	858.6	937.6	969.8	976.2	992.4
Shareholders Equity	634.3	762.8	834.0	926.0	1,026.8
Minority Interest	54.8	76.6	102.4	129.0	156.4
Total shareholder equity	689.1	839.4	936.5	1,055.0	1,183.2
Total liabilities and equity	1,547.7	1,776.9	1,906.3	2,031.2	2,175.6
CASH FLOW (MYR m)					
Pretax profit	217.7	421.2	465.2	479.4	502.0
Depreciation & amortisation	5.8	8.2	8.0	8.0	8.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	72.2	(202.5)	(31.6)	(6.3)	(15.9)
Cash taxes paid	(59.7)	(94.0)	(111.7)	(115.1)	(120.5)
Other operating cash flow	55.1	(18.0)	(42.5)	(47.6)	(53.0)
Cash flow from operations	291.1	114.9	287.4	318.5	320.6
Capex	(10.6)	(12.2)	(12.0)	(12.0)	(12.0)
Free cash flow	280.5	102.7	275.4	306.5	308.6
Dividends paid	(78.4)	(154.0)	(256.5)	(245.8)	(253.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(5.6)	(99.9)	0.1	0.0	0.0
Other invest/financing cash flow	(65.9)	(5.6)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	130.6	(156.8)	19.1	60.7	55.3

FYE 30 Apr	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	1.6	52.7	9.2	1.7	4.2
EBITDA growth	32.4	83.6	9.3	2.2	4.0
EBIT growth	32.9	84.8	9.6	2.2	4.1
Pretax growth	28.8	93.5	10.5	3.0	4.7
Reported net profit growth	15.9	95.8	7.9	3.1	4.8
Core net profit growth	18.7	95.5	8.0	3.1	4.8
Profitability ratios (%)					
EBITDA margin	9.0	10.8	10.9	10.9	10.9
EBIT margin	8.8	10.6	10.7	10.7	10.7
Pretax profit margin	9.4	11.9	12.0	12.2	12.2
Payout ratio	65.6	84.4	75.0	75.0	75.0
DuPont analysis					
Net profit margin (%)	6.7	8.6	8.5	8.6	8.6
Revenue/Assets (x)	1.5	2.0	2.0	1.9	1.9
Assets/Equity (x)	2.4	2.3	2.3	2.2	2.1
ROAE (%)	25.9	43.5	41.1	38.4	36.3
ROAA (%)	10.5	18.3	17.8	17.2	16.8
Liquidity & Efficiency					
Cash conversion cycle	23.2	26.5	36.3	37.6	37.1
Days receivable outstanding	22.5	17.3	19.2	19.9	19.6
Days inventory outstanding	46.9	54.0	57.9	60.0	59.2
Days payables outstanding	46.2	44.8	40.8	42.3	41.7
Dividend cover (x)	1.5	1.2	1.3	1.3	1.3
Current ratio (x)	2.3	2.1	2.5	2.6	2.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.9	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)	50.4	na	na	na	na
Debt/EBITDA (x)	1.0	0.3	0.2	0.2	0.2
Capex/revenue (%)	0.5	0.3	0.3	0.3	0.3
Net debt/ (net cash)	(494.1)	(437.4)	(456.4)	(517.1)	(572.5)

Source: Company; Maybank IBG Research

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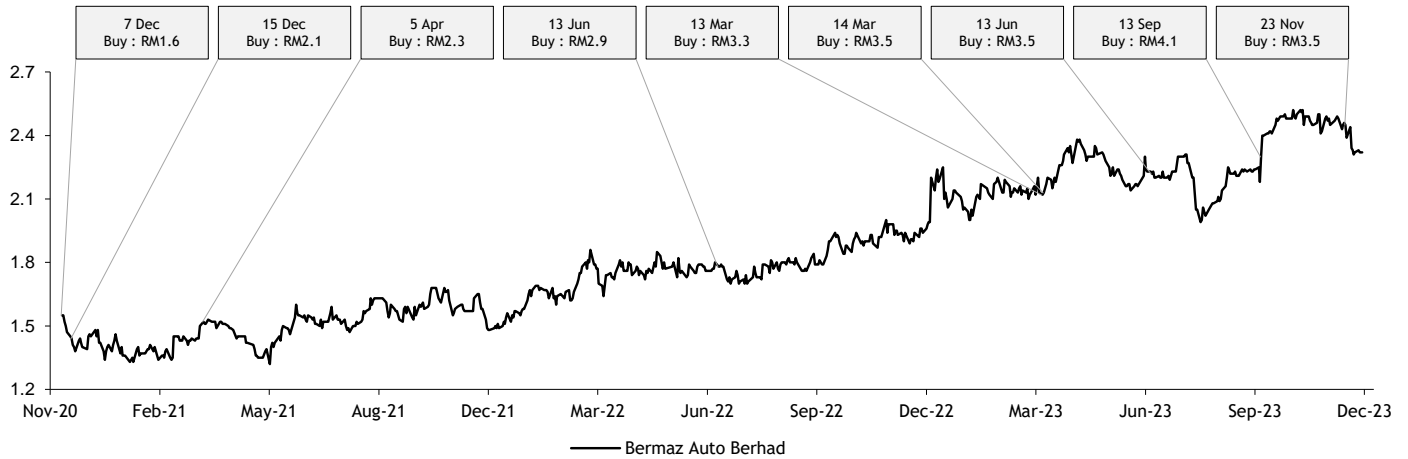
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