

Bermaz Auto Berhad (BAUTO MK)

Strong set of FY23 results

Results beat consensus; maintain BUY

BAuto's FY23 results beat the streets' estimates by 15% but came in within our expectations. We tweaked our FY24/25E projections slightly by -2% on housekeeping and introduce FY26E. We maintain BUY for BAuto with our new TP of MYR3.53, pegging to 13x FY24E EPS (vs. previous TP of MYR3.55 based on 14x FY23E EPS) as we roll fwd our valuation base year. Our new PER target is inline with the stock's latest 5Y 12M fwd. mean.

FY23 performance soar on strong vehicle unit sales

FY23 witnessed a remarkable surge in performance as sales/core net profit (CNP) soared by 53%/96% YoY to MYR3,548m/MYR304m from a low base. This was largely driven by recovery from the pandemic-induced impact and continued fulfillment of backlog orders received prior to the end of SST-tax holidays. Vehicle sales jumped 46% YoY to 21,370 units. Similarly, associates' contribution more than doubled, thanks to Mazda MY's robust performances (vehicle sales: 15,598 units, +30% YoY). FY23 EBIT margin expanded 2.5-ppts to 11.9% due to better economies of scale and product sales mix. These strong deliveries are expected to sustain due to persistently strong backlog orders (of >3 mths) and the impressive mthly. avg. of 1.6k-1.8k units of new bookings.

4Q23 continued the record-breaking streak

4Q23 revenue and CNP maintained their streak of record breaking, up 20%/13% QoQ to MYR1.1b/MYR98.8m respectively, on higher backlog order deliveries, and higher contributions from Mazda's PH operations (driven by change in sales mix). BAuto declared a 4th interim DPS of 3.5sen and special DPS of 7.5 sen, bringing FY23 DPS to 22.0 sen (84% DPR).

Top pick for the sector

We continue to like BAuto for its solid fundamental and resilient financials, having a net cash position and strong FCFs (min. capex requirements on asset light business model). Growth is underpinned by its robust pipeline of new launches and increasing CKD mix, providing good earnings visibility supported by sustained strong volume of orders/bookings. Even with our conservative estimate of 75% DPR (vs. hist. DPR of 78%-114%), BAuto still offers an attractive div. yield of 9%-10%.

FYE Apr (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	2,324	3,548	3,773	4,093	4,389
EBITDA	210	385	398	427	437
Core net profit	155	304	317	343	354
Core EPS (sen)	13.4	26.0	27.2	29.4	30.3
Core EPS growth (%)	18.7	94.9	4.4	8.2	3.2
Net DPS (sen)	8.8	22.0	20.4	22.0	22.8
Core P/E (x)	13.3	8.9	8.2	7.6	7.3
P/BV (x)	3.2	3.5	3.2	2.8	2.5
Net dividend yield (%)	4.9	9.5	9.1	9.9	10.2
ROAE (%)	25.9	43.5	39.9	39.1	36.2
ROAA (%)	10.5	18.3	17.3	17.5	16.7
EV/EBITDA (x)	7.7	6.1	5.7	5.2	5.1
Net gearing (%) (incl perps)	net cash				
Consensus net profit	-	-	265	265	na
MIBG vs. Consensus (%)	-	-	19.6	29.3	na

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BUY

Share Price	MYR 2.23
12m Price Target	MYR 3.53 (+58%)
Previous Price Target	MYR 3.55

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)	2.38/1.70
3m avg turnover (USDm)	1.6
Free float (%)	73.1
Issued shares (m)	1,169
Market capitalisation	MYR2.6B
	USD564M

Major shareholders:

Dynamic Milestone Sdn. Bhd.	14.7%
Employees Provident Fund	10.8%
Abrdn Asia Ltd.	5.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	5	24
Relative to index (%)	4	9	35

Source: FactSet

Figure 1: BAUTO results summary table

FY Apr (MYRm)	Quarterly results					Cumulative		
	4Q23	4Q22	% YoY	3Q23	% QoQ	12M23	12M22	% YoY
Turnover	1,072.4	895.9	19.7	976.0	9.9	3,548.2	2,323.7	52.7
EBITDA	130.9	107.6	21.7	106.0	23.5	399.5	216.2	84.8
Int. expense	(1.8)	(2.9)	(36.2)	(2.7)	(31.6)	(9.3)	(10.7)	(13.2)
Associates	10.9	9.5	15.2	14.8	(26.0)	39.0	18.1	>100
- MMSB (30%)	8.0	7.9	0.1	13.4	(40.5)	32.3	11.1	>100
- Inokom (29%)	2.7	2.0	30.1	2.1	28.4	7.2	8.0	(10.3)
- Kia (33%)	0.4	(0.5)	NM	(0.6)	NM	(0.4)	(1.2)	(69.7)
Exceptional items	1.8	2.0	NM	(0.5)	NM	0.2	(0.1)	NM
Pre-tax profits	139.5	114.5	21.8	115.5	20.8	421.2	217.7	93.5
Tax	(31.9)	(34.5)	(7.6)	(23.3)	36.8	(94.0)	(59.7)	57.4
Minority interest	(7.0)	(1.9)	>100	(4.9)	(42.8)	(23.5)	(2.9)	>100
Net profit	100.6	78.1	28.8	87.3	15.3	303.7	155.1	95.8
Net profit Ex EI	98.8	76.1	29.9	87.8	12.6	303.5	155.2	95.5
<i>EBITDA margin (%)</i>	12.2	12.0	0.2	10.9	1.3	11.3	9.3	2.0
<i>Tax rate (%)</i>	22.9	30.2	(7.3)	20.2	2.7	22.3	27.4	(5.1)
Revenue	1,072.4	895.9	19.7	976.0	33.6	3,548.2	2,323.7	52.7
- Malaysia	1,231.9	840.1	46.6	927.7	32.8	3,548.2	2,140.7	65.7
- Philippines	71.9	57.3	25.6	48.3	48.8	231.4	184.4	25.5
EBIT	139.5	114.5	21.8	115.5	20.8	421.2	217.7	93.5
- Malaysia	117.9	105.4	11.8	89.9	31.2	348.6	200.6	73.8
- Philippines	8.8	1.6	>100	7.8	12.8	29.9	5.0	>100
- Others	1.9	(1.1)	NM	6.3	(69.0)	12.8	4.9	>100
EBIT Margins (%)	10.7	12.8	(2.1)	11.8	(1.1)	11.9	9.4	2.5
- Malaysia	9.6	12.6	(3.0)	9.7	(0.1)	9.8	9.4	0.5
- Philippines	12.2	2.7	9.5	16.1	(3.9)	12.9	2.7	10.2
Vehicle unit sales	6,515	5,740	13.5	5,796	12.4	21,370	14,666	45.7
Mazda Malaysia	4,827	4,551	6.1	4,453	8.4	15,598	12,038	29.6
Mazda Philippines	523	438	19.4	350	49.4	1,682	1,304	29.0
Peugeot	422	548	(23.0)	371	13.7	1,896	964	96.7
Kia	743	203	>100	622	19.5	2,194	360	>100

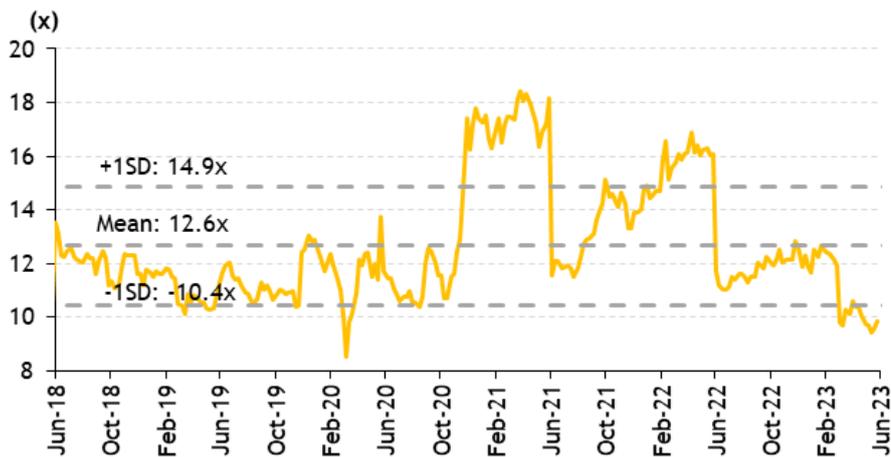
Source: Company, Maybank IBG research

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

FY Apr (Units)	Quarterly results					Cumulative		
	4Q23	4Q22	% YoY	3Q23	% QoQ	12M23	12M22	% YoY
<u>Mazda MY: (i) + (ii)</u>	4,827	4,551	6.1	4,453	8.4	15,598	12,038	29.6
<u>CBU (i)</u>								
- Mazda 2	46	38	21.1	56	(17.9)	284	182	56.0
- Mazda 3	314	152	>100	8	>100	517	815	(36.6)
- Mazda 6	11	26	(57.7)	65	(83.1)	173	96	80.2
- CX-3	606	117	>100	362	67.4	1,166	657	77.5
- CX-30	6	214	(97.2)	182	(96.7)	928	666	39.3
- MX-30	0	0	NM	4	(100.0)	4	1	>100
- CX-9	13	9	44.4	11	18.2	43	42	2.4
- MX-5	4	4	0.0	8	(50.0)	32	24	33.3
- BT-50	31	90	(65.6)	25	24.0	273	138	97.8
<u>CKD (ii)</u>								
- Mazda 3	0	0	NM	0	NM	0	2	(100.0)
- CX-5	1,540	3,455	(55.4)	2,763	(44.3)	8,026	7,929	1.2
- CX-8	695	446	55.8	969	(28.3)	2,591	1,486	74.4
- CX-30	1,561	0	NM	0	NM	1,561	0	NM
<u>Mazda PH CBU</u>	523	438	19.4	350	49.4	1,682	1,304	29.0
- Mazda 2	17	15	13.3	6	>100	54	42	28.6
- Mazda 3	50	42	19.0	0	NM	102	110	(7.3)
- Mazda 6	2	2	0.0	0	NM	2	8	(75.0)
- CX-3	19	0	NM	4	375.0	33	8	312.5
- CX-30	11	17	(35.3)	1	>100	39	91	(57.1)
- CX-5	57	124	(54.0)	137	(58.4)	379	306	23.9
- CX-8	58	102	(43.1)	42	38.1	259	274	(5.5)
- CX-9	91	15	>100	20	>100	199	121	64.5
- MX-5	121	27	>100	51	>100	243	81	>100
- BT-50	97	94	3.2	89	9.0	372	263	41.4
<u>Peugeot</u>	422	548	(23.0)	371	13.7	1,896	964	96.7
-2008	118	180	(34.4)	144	(18.1)	708	237	>100
-3008	221	289	(23.5)	192	15.1	989	556	77.9
-5008	40	79	(49.4)	35	14.3	156	171	(8.8)
-5008	43	0	NM	0	NM	43	0	NM
<u>Kia</u>	743	203	>100	622	19.5	2,194	360	>100
- Carnival CBU	394	203	94.1	377	4.5	1,036	360	>100
- EV6 CBU	12	0	NM	35	(65.7)	101	0	NM
- Carnival CKD	269	0	NM	210	28.1	989	0	NM
- Sorento CKD	68	0	NM	0	NM	68	0	NM

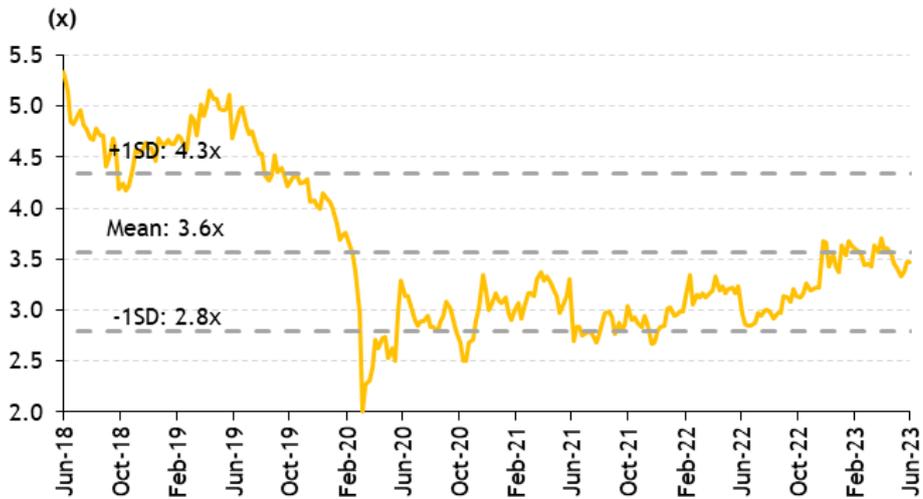
Source: Company, Maybank IBG research

Figure 3: BAUTO one-year rolling forward PER (currently trading at 9.8x)



Source: Bloomberg, Maybank IBG research (compilation)

Figure 4: BAUTO one-year rolling forward PBV (currently trading at 3.5x)



Source: Bloomberg, Maybank IBG research (compilation)

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	8.2	7.6	7.3
Core P/E (x)	13.3	8.9	8.2	7.6	7.3
P/BV (x)	3.2	3.5	3.2	2.8	2.5
P/NTA (x)	3.2	3.5	3.2	2.8	2.5
Net dividend yield (%)	4.9	9.5	9.1	9.9	10.2
FCF yield (%)	13.6	3.8	10.3	10.7	11.1
EV/EBITDA (x)	7.7	6.1	5.7	5.2	5.1
EV/EBIT (x)	7.9	6.2	5.8	5.3	5.2
INCOME STATEMENT (MYR m)					
Revenue	2,323.7	3,548.2	3,773.3	4,092.7	4,389.3
EBITDA	209.6	384.8	397.9	426.7	436.8
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	389.9	418.7	428.8
Net interest income / (exp)	(4.0)	5.4	10.7	10.7	10.7
Associates & JV	18.1	39.0	46.3	51.8	57.7
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	446.9	481.3	497.3
Income tax	(59.7)	(94.0)	(107.3)	(115.5)	(119.4)
Minorities	(2.9)	(23.5)	(22.9)	(23.1)	(24.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	155.1	303.7	316.8	342.7	353.8
Core net profit	155.2	303.5	316.8	342.7	353.8
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	693.9	537.4	548.4	589.8	620.1
Accounts receivable	142.5	197.6	210.1	227.9	244.4
Inventory	230.4	498.3	529.9	574.8	616.5
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	360.7	412.6	470.3
Other assets	162.3	184.1	184.1	184.1	184.1
Total assets	1,547.7	1,776.9	1,882.4	2,042.2	2,192.5
ST interest bearing debt	100.0	99.9	0.0	0.0	0.0
Accounts payable	253.0	351.1	373.4	405.0	434.3
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	959.9	991.5	1,020.8
Shareholders Equity	634.3	762.8	823.1	928.2	1,024.9
Minority Interest	54.8	76.6	99.5	122.6	146.8
Total shareholder equity	689.1	839.4	922.5	1,050.7	1,171.7
Total liabilities and equity	1,547.7	1,776.9	1,882.4	2,042.2	2,192.5
CASH FLOW (MYR m)					
Pretax profit	217.7	421.2	446.9	481.3	497.3
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)	(21.9)	(31.0)	(28.8)
Cash taxes paid	(59.7)	(94.0)	(107.3)	(115.5)	(119.4)
Other operating cash flow	55.1	(18.0)	(46.3)	(51.8)	(57.7)
Cash flow from operations	291.1	114.9	279.5	290.9	299.4
Capex	(10.6)	(12.2)	(12.0)	(12.0)	(12.0)
Free cash flow	280.5	102.7	267.5	278.9	287.4
Dividends paid	(78.4)	(154.0)	(256.5)	(237.6)	(257.0)
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)	11.1	41.3	30.4

FYE 30 Apr	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
Revenue growth	1.6	52.7	6.3	8.5	7.2
EBITDA growth	32.4	83.6	3.4	7.2	2.4
EBIT growth	32.9	84.8	3.5	7.4	2.4
Pretax growth	28.8	93.5	6.1	7.7	3.3
Reported net profit growth	15.9	95.8	4.3	8.2	3.2
Core net profit growth	18.7	95.5	4.4	8.2	3.2
Profitability ratios (%)					
EBITDA margin	9.0	10.8	10.5	10.4	10.0
EBIT margin	8.8	10.6	10.3	10.2	9.8
Pretax profit margin	9.4	11.9	11.8	11.8	11.3
Payout ratio	65.6	84.4	75.0	75.0	75.0
DuPont analysis					
Net profit margin (%)	6.7	8.6	8.4	8.4	8.1
Revenue/Assets (x)	1.5	2.0	2.0	2.0	2.0
Assets/Equity (x)	2.4	2.3	2.3	2.2	2.1
ROAE (%)	25.9	43.5	39.9	39.1	36.2
ROAA (%)	10.5	18.3	17.3	17.5	16.7
Liquidity & Efficiency					
Cash conversion cycle	23.2	26.5	36.7	36.4	36.6
Days receivable outstanding	22.5	17.3	19.4	19.3	19.4
Days inventory outstanding	46.9	54.0	58.5	57.9	58.2
Days payables outstanding	46.2	44.8	41.2	40.8	41.0
Dividend cover (x)	1.5	1.2	1.3	1.3	1.3
Current ratio (x)	2.3	2.1	2.5	2.6	2.6
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.9	2.0	2.1	2.1
Net gearing (%) (incl perps)	net cash				
Net gearing (%) (excl. perps)	net cash				
Net interest cover (x)	50.4	na	na	na	na
Debt/EBITDA (x)	1.0	0.3	0.3	0.2	0.2
Capex/revenue (%)	0.5	0.3	0.3	0.3	0.3
Net debt/ (net cash)	(494.1)	(437.4)	(448.4)	(489.8)	(520.1)

Source: Company; Maybank IBG Research

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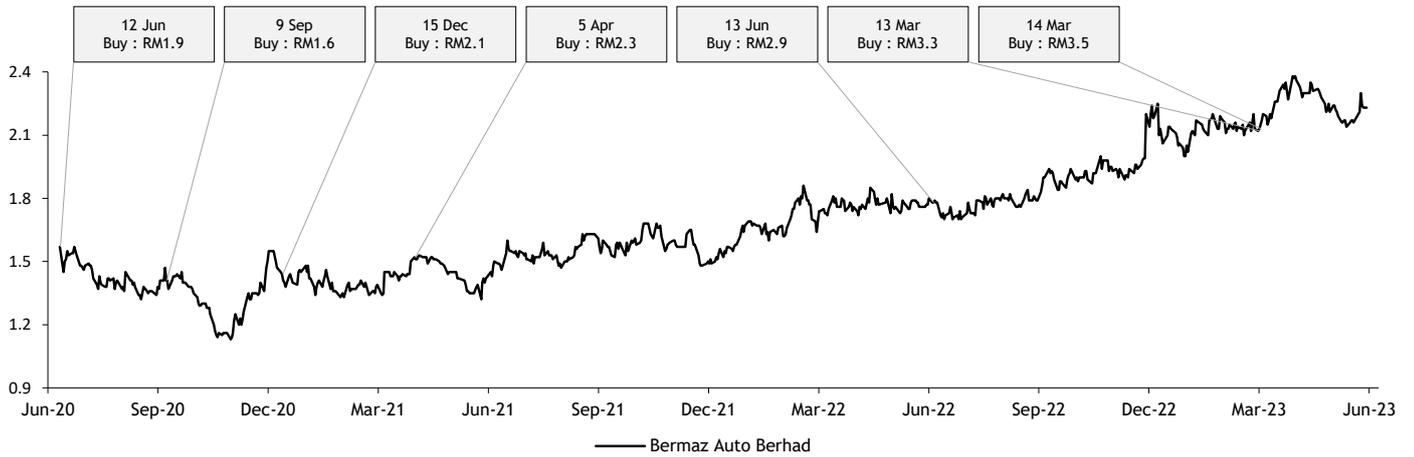
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