



## Bermaz Auto Berhad

(5248 | BAUTO MK) Main | Consumer Products &amp; Services

**Maintain BUY**

### Record High Earnings

**Revised Target Price: RM3.50**  
(previously RM3.39)

#### KEY INVESTMENT HIGHLIGHTS

- **FY24 result came in within our expectation but beats consensus**
- **Fourth interim and special dividend brings FY24 dividend yield to 10%**
- **All-new Kia Sportage is next key launch**
- **TP raised to RM3.50; maintain BUY for undemanding 8.6x PER, attractive 9.3% FY25F dividend yield and rock-solid ROE of 33%**

**Within our expectation but beats consensus.** BAUTO's FY24 result came in within our expectation but ahead of consensus. The group reported a net profit of RM90m (-10%yoy) for its 4QFY24, which brought full year earnings to RM351m (+15%yoy), accounting for 105%/106% of our/consensus estimates.

**Dividend surprise.** A fourth interim dividend of 4.75sen and a special dividend of 7sen was declared bringing full year dividends to 26sen (86% DPR). This is slightly ahead of our earlier projection of 23sen (80%DPR).

**Key Highlights.** 4QFY24 net profit was lower by -10%yoy in line with lower revenue (-13%yoy) against a record base in 4QFY23 which saw substantially higher deliveries ahead of the Penjana sales tax exemption deadline on 31<sup>st</sup> March 2023. On sequential basis however, earnings rebounded strongly (+28%qoq) as sales and margins improved given a better product mix i.e., higher proportion of Mazda 3 and CX5 sales volume and lower proportion of lower margin CX30 sales volume.

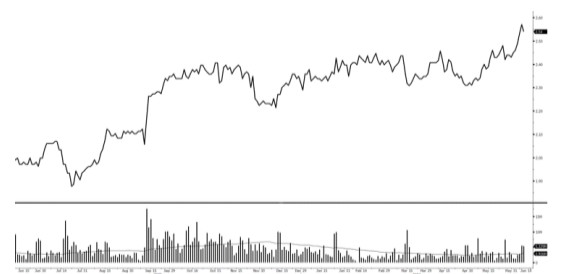
**Targeting decent growth in FY25F.** BAUTO is targeting to increase group sales volume by +6.4% in FY25F driven mainly by Kia (+116%yoy to 4K units) and BAUTO PH (BAP) (+8%yoy to 2.8K units). The former is expected to be driven by the launch of the CBU Kia Sportage (C-SUV) while the latter is expected to continue riding on the broad auto market and macro recovery in PH. Meanwhile, Mazda MY is targeted to register marginal growth of +0.6%yoy to 18,500 units. The next catalyst for Mazda MY is expected further out in anticipation of the upcoming CX5 replacement in 2026, though this has yet to be modelled into our projections. As for XPeng, BAUTO is targeting small volume of 700 units in FY25F, which should allow it to achieve break-even. The group is not targeting significant volumes from XPeng as yet, and the strategy currently is to complement its existing EV line-up in the <RM200K price point. Separately, order backlogs are still holding up with Mazda MY's at 1500 units, Kia at 150 units and BAP at 350 units.

**Earnings revision.** No changes to our projections. We conservatively project flattish earnings in FY25F/26F as industrywide order backlogs continue to normalize. Any stronger than expected volumes as per BAUTO's internal target is an upside catalyst.

#### RETURN STATISTICS

Price @ 11 <sup>th</sup> June 2024 (RM)	2.54
Expected share price return (%)	+37.7
Expected dividend yield (%)	9.3
Expected total return (%)	<b>+47.0</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.7	6.0
3 months	6.3	-1.2
12 months	18.0	1.5

#### INVESTMENT STATISTICS

FYE April (RMm)	2024A	2025F	2026F
Revenue	3,930	3,870	3,863
Operating Profit	436	431	427
Profit Before Tax	489	477	476
Core PATAMI	351	345	344
Core EPS (sen)	30.1	29.6	29.5
PER (x)	8.4	8.6	8.6
DPS (sen)	26.0	23.7	23.6
Dividend Yield (%)	10.2	9.3	9.3

#### KEY STATISTICS

FBM KLCI	1,611.49
Issue shares (m)	1167.60
Estimated free float (%)	51.96
Market Capitalisation (RM'm)	2,965.92
52-wk price range	RM1.96-RM2.59
3-mth average daily volume (m)	2.92
3-mth average daily value (RM'm)	7.03
Top Shareholders (%)	
Dynamic Milestone Sdn Bhd	14.90
Employees Provident Fund Board	13.53
Amanah Saham Nasional Bhd	6.13

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**Recommendation.** Maintain **BUY** on BAuto at a higher **TP of RM3.50** (from RM3.39) as well rollover our valuation base to FY25F earnings. Our valuation still pegs BAuto at 11.8x PER, at par to its 7-year historical mean. Current valuation remains undemanding at 8.6x FY25F PER while dividend yield is attractive at 9.3% (80% DPR) backed by a solid balance sheet with a net cash of RM302m (RM0.26/share). ROE of 33% is rock-solid relative to peers. Despite the upcoming RON95 subsidy rollback, BAuto’s premium customer base in the upper middle income and higher income segments are likely to be more resilient and is unlikely to downtrade to lower market segments, we believe. Key upcoming catalyst is launch of the Kia Sportage in 4QCY24. Key risk to our call is larger than expected impact of subsidy rollbacks and tax reforms.

**Exhibit 1: BAuto Product Map**

	CY2025		
	<p>CX-3 IPM5 (Jan '24)</p>	<p>CX-5 IPM6 (Jan '24)</p>	<p>New CX-60 (Q4 '24)</p>
	<p>All-New EV9 CBU (Jun 24')</p>	<p>All-New Sportage CBU (Q4 24')</p>	
	<p>All-New G6 CBU (Aug 24')</p>		

Source: Company, MIDFR

**BAUTO FY24 RESULT SUMMARY**

FYE Apr (RMm)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YTD
Revenue	1,072.4	896.5	937.5	4.6%	-12.6%	3,540.6	3,930.3	11.0%
<b>Operating profit</b>	<b>126.5</b>	<b>87.1</b>	<b>110.7</b>	<b>27.1%</b>	<b>-12.5%</b>	<b>376.8</b>	<b>436.1</b>	<b>15.7%</b>
Investment income	4.0	2.3	2.1	-11.9%	-48.5%	14.6	10.5	-28.5%
Finance cost	(1.8)	(1.8)	(1.7)	-4.4%	-6.6%	(9.3)	(7.4)	-19.9%
Associates	10.9	7.5	19.6	162.4%	78.9%	41.1	50.0	21.8%
Pretax profit	139.5	95.1	130.6	37.3%	-6.4%	423.3	489.1	15.6%
Tax	(31.9)	(20.5)	(31.0)			(94.0)	(111.4)	18.5%
PAT	107.6	74.5	99.6	33.6%	-7.5%	329.3	377.7	14.7%
MI	7.0	4.0	9.4	132.7%	33.9%	23.5	26.7	13.7%
Net profit	100.6	70.5	90.2	28.0%	-10.3%	305.8	351.0	14.8%
<b>Core net profit</b>	<b>100.6</b>	<b>70.5</b>	<b>90.2</b>	<b>28.0%</b>	<b>-10.3%</b>	<b>305.8</b>	<b>351.0</b>	<b>14.8%</b>
Core EPS (sen)	8.64	6.05	7.75	28.0%	-10.3%	26.26	30.14	15%
GDPS (sen)	11.00	4.25	11.75	176.5%	6.8%	22.00	26.00	18%
Operating margin	11.8%	9.7%	11.8%			10.6%	11.1%	
Pretax margin	13.0%	10.6%	13.9%			12.0%	12.4%	
Core net profit margin	9.4%	7.9%	9.6%			8.6%	8.9%	
Tax rate	22.9%	21.6%	23.7%			22.2%	22.8%	

Sales volume (units) (subsidiaries)	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YTD
Mazda (Malaysian operations)	4,827	4,267	4,210	-1.3%	-12.8%	15,598	18,394	17.9%
Peugeot (Malaysian operations)	422	146	228	56.2%	-46.0%	1,896	947	-50.1%
Kia (Malaysian operations)	743	444	405	-8.8%	-45.5%	2,194	1,851	-15.6%
Mazda (Philippines)	523	606	637	5.1%	21.8%	1,682	2,583	53.6%
<b>Total volume</b>	<b>6,515</b>	<b>5,463</b>	<b>5,480</b>	<b>0.3%</b>	<b>-15.9%</b>	<b>21,370</b>	<b>23,775</b>	<b>11.3%</b>

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
<b>Revenue</b>	<b>2,325.1</b>	<b>3,540.6</b>	<b>3,930.3</b>	<b>3,870.1</b>	<b>3,863.0</b>
<b>Operating profit</b>	<b>204.5</b>	<b>376.8</b>	<b>436.1</b>	<b>430.7</b>	<b>426.8</b>
Net interest expense	-3.9	5.4	3.1	1.7	3.1
Associates	18.1	41.1	50.0	44.5	46.2
<b>PBT</b>	<b>218.6</b>	<b>423.3</b>	<b>489.1</b>	<b>476.9</b>	<b>476.1</b>
Taxation	-59.7	-94.0	-111.4	-99.5	-98.9
Minority Interest	3.1	23.5	26.7	32.1	33.5
Net profit	155.7	305.8	351.0	345.3	343.7
<b>Core net profit</b>	<b>157.0</b>	<b>304.7</b>	<b>351.0</b>	<b>345.3</b>	<b>343.7</b>
<b>Balance Sheet (RM'm)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025F</b>	<b>2026F</b>
Fixed Assets	41.6	44.5	47.0	49.1	50.8
Investments in associate	275.7	314.5	364.3	414.8	466.0
Others	163.2	177.4	198.6	177.4	177.4
<b>Non-current assets</b>	<b>480.5</b>	<b>536.3</b>	<b>609.9</b>	<b>641.3</b>	<b>694.3</b>
Inventories	230.4	498.3	687.1	543.5	542.5
Receivables	142.5	197.6	196.5	215.5	215.1
Others	(0.1)	7.1	3.5	7.1	7.1
Cash & equivalent	694.4	537.6	364.8	603.4	653.4
<b>Current assets</b>	<b>1,067.2</b>	<b>1,240.6</b>	<b>1,251.9</b>	<b>1,369.5</b>	<b>1,418.1</b>
Long-term borrowings	99.8	0.0	0.0	0.0	0.0
Others	297.2	343.9	387.3	343.9	343.9
<b>Non-current liabilities</b>	<b>397.1</b>	<b>343.9</b>	<b>387.3</b>	<b>343.9</b>	<b>343.9</b>
Short-term borrowings	100.0	100.0	62.5	100.0	100.0
Payables	253.0	351.1	389.1	382.9	382.2
Others	108.6	142.6	108.8	142.6	142.6
<b>Current liabilities</b>	<b>461.6</b>	<b>593.7</b>	<b>560.4</b>	<b>625.5</b>	<b>624.8</b>
Share capital	609.4	619.6	626.2	626.2	626.2
Minority Interest	54.8	76.6	92.9	139.8	173.3
Others	24.9	143.1	195.0	275.3	344.1
<b>Total Equity</b>	<b>689.1</b>	<b>839.4</b>	<b>914.1</b>	<b>1,041.4</b>	<b>1,143.6</b>

Cash Flow Statement (RM'm)	2022	2023	2024	2025F	2026F
PBT	218.6	423.3	489.1	476.9	476.1
Depreciation & Amortization	6.3	8.2	3.8	3.7	4.7
Chgs in working capital	41.6	(224.9)	(37.4)	6.1	0.7
Others	26.7	(91.7)	(260.0)	(143.6)	(144.4)
<b>Operating cash flow</b>	<b>293.2</b>	<b>114.9</b>	<b>195.5</b>	<b>343.1</b>	<b>337.1</b>
Capex	(37.5)	(12.2)	(12.2)	(12.2)	(12.2)
Others	8.7	13.2	3.8	0.0	0.0
<b>Investing cash flow</b>	<b>(28.8)</b>	<b>1.0</b>	<b>(8.3)</b>	<b>(12.2)</b>	<b>(12.2)</b>
Dividends paid	(78.4)	(154.0)	(297.7)	(276.2)	(275.0)
Net movement in borrowings	(31.5)	(99.8)	(37.5)	0.0	0.0
Others	(22.0)	(14.8)	(26.2)	0.0	0.0
<b>Financing cash flow</b>	<b>(131.9)</b>	<b>(268.7)</b>	<b>(361.4)</b>	<b>(276.2)</b>	<b>(275.0)</b>
Net cash flow	132.5	(152.8)	(174.1)	54.7	50.0
<b>Beginning cash</b>	<b>563.4</b>	<b>694.4</b>	<b>537.6</b>	<b>548.7</b>	<b>603.4</b>
Forex adjustments	(1.5)	(4.0)	1.3	0.0	0.0
<b>Ending cash</b>	<b>694.4</b>	<b>537.6</b>	<b>364.8</b>	<b>603.4</b>	<b>653.4</b>

Key Ratios	2022	2023	2024	2025F	2026F
Operating profit margin	8.8%	10.6%	11.1%	11.1%	11.0%
Core net profit margin	6.7%	8.5%	8.9%	8.9%	8.9%
ROE	22.8%	36.3%	38.4%	33.2%	30.1%
ROA	10.1%	17.2%	18.9%	17.2%	16.3%
Net gearing (%)	-71.8%	-52.1%	-33.1%	-48.3%	-48.4%
Book value/share (RM)	0.59	0.72	0.78	0.89	0.98
PBV (x)	4.3	3.5	3.2	2.8	2.6
PER (x)	18.8	9.7	8.4	8.6	8.6

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology