

**Bermaz Auto Berhad**

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

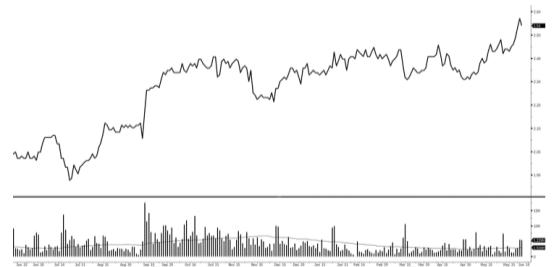
**Record High Earnings****KEY INVESTMENT HIGHLIGHTS**

- 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%**

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

**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 (%)               | +47.0 |

**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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**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.

**Recommendation.** Maintain **BUY** on BA Auto at a higher **TP of RM3.50** (from RM3.39) as well rollover our valuation base to FY25F earnings. Our valuation still pegs BA Auto 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, BA Auto'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: BA Auto Product Map

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

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, MIDF

**FINANCIAL SUMMARY**

| Income Statement (RM'm)        | 2022           | 2023           | 2024           | 2025F          | 2026F          |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| <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>   |
| Balance Sheet (RM'm)           | 2022           | 2023           | 2024           | 2025F          | 2026F          |
| 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>   |
| <i>Forex adjustments</i>    | (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