

Bermaz Auto Berhad

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

Earnings Fell Short of Expectations**KEY INVESTMENT HIGHLIGHTS**

- 2QFY25 results were below expectations
- Auto sales hit by Chinese competition
- Kia poised to drive FY25 volume
- Downward revision to earnings between -16% to -26%
- Maintain BUY with a revised TP of RM2.21

Below expectations. Bermaz Auto Berhad (BAuto) posted a core PATAMI of RM41.9m for 2QFY25 (FYE April), bringing the 6MFY25 total to RM110.3m. This result fell short of expectations, representing 32%/37% of our/consensus full-year projections, due to weaker-than-expected margins. A second interim dividend of 3.0 sen was declared, accompanied by a special dividend of 7.0 sen, bringing the total dividend for 6MFY25 to 13.5 sen, reflecting a payout ratio of 143%.

Quarterly. The group's revenue dropped -35.8%oy, mainly driven by lower domestic Mazda (-38.9%oy) and Kia (-55.1%oy) sales amid rising competition from Chinese-made vehicles. Core PATAMI declined more steeply by -52.9%oy, with margins contracting by -3.1 percentage points due to a less favourable sales mix in its Philippines operations. As compared to 1QFY25, revenue declined by -23.6%qoq, with auto sales volume decreasing by -25.4%qoq. The higher sales volume in 1QFY25 was due to the return of the remaining PEUGEOT marque vehicles to Stellantis N.V. Overall, core PATAMI declined more sharply by -38.9%qoq, driven by the factor mentioned above.

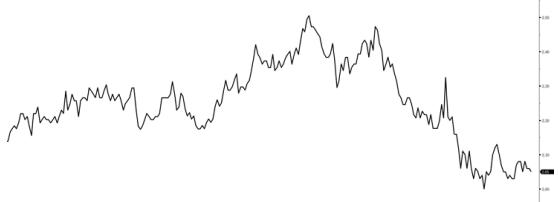
Outlook. The Group expects continued challenges amid rising competition from competitively priced Chinese-made vehicles with advanced connectivity features. The Kia marque's domestic operations, driven by the recent launch of the fifth-generation Sportage (C-segment SUV), are expected to partially offset the softer sales from Mazda marque's domestic operations. For Mazda, the upcoming lineup in CY25 includes the C-segment CX-5 MS Limited Edition package (Jan-25), as well as its upmarket push with the introduction of the new D-segment CX-60 (2QCY25) and CX-80 (3QCY25).

Maintain BUY. Accounting for lower profit margins, we have revised our FY25E/FY26F earnings down by -26%/-16%. Consequently, the **target price** has been reduced to **RM2.21** (from RM3.03) to reflect these adjustments, a valuation base year rollover, and a lower PER of 9x (from 10.3x) to better reflect the heightened competition in the sector. The stock is currently trading at -0.75SD below its 5-year historical mean. We maintain our **BUY** call on BA Auto, which is supported by its attractive dividend yield. 

Revised Target Price: RM2.21
(Previously RM3.03)

RETURN STATISTICS

Price @ 12 th December 2024 (RM)	2.04
Expected share price return (%)	+8.5
Expected dividend yield (%)	+8.6
Expected total return (%)	+17.1

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	-0.5	0.1
3 months	-8.9	-8.9
12 months	-11.2	-19.7

INVESTMENT STATISTICS

FYE April (RMm)	2024A	2025F	2026F
Revenue	3,398.1	3,687.0	3,866.4
Operating profit	322.8	354.0	378.9
PBT	356.8	394.5	417.6
Core PATAMI	254.9	287.6	309.3
Core EPS (sen)	21.8	24.6	26.5
PER (x)	9.4	8.3	7.7
DPS (sen)	17.4	19.7	21.2
Dividend Yield (%)	8.6%	9.6%	10.4%

KEY STATISTICS

FBM KLCI	1,602.08
Issue shares (m)	1,168.82
Estimated free float (%)	65.98
Market Capitalisation (RM'm)	2,385.48
52-wk price range	RM2 - RM2.59
3-mth average daily volume (m)	2.70
3-mth average daily value (RM'm)	5.91
Top Shareholders (%)	
Dynamic Milestone Sdn Bhd	14.96
Employees Provident Fund Board	13.33
Amanah Saham Nasional Bhd	8.24

BERMAZ AUTO: 2QFY25 RESULTS SUMMARY

FYE Apr (RM'm)	Quarterly					Cumulatively		
	2QFY25	1QFY25	2QFY24	QoQ	YoY	6MFY25	6MFY24	YoY
Revenue	646.9	846.2	1,007.0	-23.6%	-35.8%	1,493.0	2,096.2	-28.8%
Malaysia	581.7	755.0	918.0	-23.0%	-36.6%	1,336.6	1,906.9	-29.9%
Philippines	65.2	91.2	88.9	-28.5%	-26.7%	156.4	189.3	-17.4%
Operating profit	54.9	87.3	107.6	-37.1%	-49.0%	142.2	238.3	-40.3%
Malaysia	46.4	69.3	91.7	-33.1%	-49.4%	115.7	207.8	-44.3%
Philippines	9.3	18.4	16.5	-49.7%	-44.0%	27.6	31.4	-12.1%
Finance costs	-1.2	-0.3	0.8	-332.5%	-245.5%	-1.5	2.2	-168.8%
Associates	3.4	10.7	14.4	-68.4%	-76.4%	14.1	23.0	-38.6%
PBT	57.1	97.8	122.8	-41.6%	-53.6%	154.8	263.5	-41.2%
Tax expense	-14.3	-22.4	-27.1	36.0%	47.1%	-36.7	-59.9	38.7%
PATAMI	40.3	70.2	90.1	-42.5%	-55.2%	110.6	190.3	-41.9%
Core PATAMI	41.9	68.6	88.9	-38.9%	-52.9%	110.3	190.3	-42.0%
				ppts	ppts		ppts	ppts
OP margin (%)	8.5%	10.3%	10.7%	-1.8	-2.2	9.5%	11.4%	-1.8
PBT margin (%)	8.8%	11.6%	12.2%	-2.7	-3.4	10.4%	12.6%	-2.2
Core PATAMI margin (%)	6.5%	8.1%	8.8%	-1.6	-2.4	7.4%	9.1%	-1.7
Effective tax rate (%)	-25.1%	-22.9%	-22.1%	-2.2	-3.1	-23.7%	-22.7%	-1.0

UNITS SOLD

FYE Apr	Quarterly					Cumulatively		
	2QFY25	1QFY25	2QFY24	QoQ	YoY	6MFY25	6MFY24	YoY
Sales Volume (Units)	2QFY25	1QFY25	2QFY24	QoQ	YoY	6MFY25	6MFY24	YoY
Mazda (MY)	3,007	3,852	4,918	-21.9%	-38.9%	6,859	9,917	-30.8%
Peugeot (MY)	13	429	260	-97.0%	-95.0%	442	573	-22.9%
Kia (MY)	178	274	396	-35.0%	-55.1%	452	1,002	-54.9%
XPeng (MY)	156	0	0	-	-	156	0	-
Mazda (PH)	461	562	610	-18.0%	-24.4%	1,023	1,340	-23.7%
Total Volume	3,815	5,117	6,184	-25.4%	-38.3%	8,932	12,832	-30.4%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	3,548.2	3,932.6	3,398.1	3,687.0	3,866.4
Operating profit	375.7	436.2	322.8	354.0	378.9
PBT	416.9	480.5	356.8	394.5	417.6
Core PATAMI	302.5	348.8	254.9	283.9	309.3
EPS (sen)	25.9	29.8	21.8	24.3	26.5
PER (x)	7.9	6.8	9.4	8.4	7.7
DPS (sen)	22.0	26.0	17.4	19.4	21.2
Dividend yield (%)	10.8%	12.7%	8.6%	9.5%	10.4%
Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	44.5	47.0	49.1	50.8	52.3
Investments in associate	314.5	379.4	444.9	511.1	562.3
Non-current assets	536.3	603.8	693.3	783.7	870.4
Inventories	498.3	552.3	477.2	517.8	543.0
Receivables	197.6	219.0	189.2	205.3	215.3
Cash & cash equivalents	537.6	533.6	579.2	551.0	540.4
Current assets	1,240.6	1,312.0	1,252.7	1,281.2	1,305.8
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	343.9	343.9	343.9	343.9	343.9
Short-term borrowings	100.0	100.0	100.0	100.0	100.0
Payables	351.1	389.1	336.2	364.8	382.6
Current liabilities	593.7	631.7	578.8	607.4	625.1
Share capital	619.6	619.6	619.6	619.6	619.6
Minority interest	76.6	107.7	139.8	173.3	207.9
Total equity	839.4	940.2	1,023.3	1,113.6	1,210.0
Cash Flow Statement (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	326.2	379.9	265.1	295.0	320.9
Depreciation & Amortisation	9.1	9.6	10.1	10.4	10.7
Operating cash flow	114.9	302.3	276.6	226.1	263.0
Capex	-15.0	-15.0	-15.0	-15.0	-15.0
Investing cash flow	2.7	-8.3	-27.2	-27.2	-27.2
Dividends paid	-154.0	-279.1	-203.9	-227.1	-247.5
Net movement in borrowings	-99.8	0.0	0.0	0.0	0.0
Financing cash flow	-268.7	-279.1	-203.9	-227.1	-246.5
Net cash flow	-152.8	-4.0	45.5	-28.2	-10.6
Beginning cash	694.4	537.6	533.6	579.2	551.0
Ending cash	537.6	533.6	579.2	551.0	540.4
Margins (%)	2023A	2024A	2025E	2026F	2027F
OP margin	10.6%	11.1%	9.5%	9.6%	9.8%
PBT margin	11.8%	12.2%	10.5%	10.7%	10.8%
Core PATAMI margin	8.5%	8.9%	7.5%	7.7%	8.0%

Source: BAuto, 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