

Bermaz Auto Berhad

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

Maintain BUY

Another record-breaking year?

Unchanged Target Price: RM3.36
(previously RM3.30)

KEY INVESTMENT HIGHLIGHTS

- **BAuto's 1QFY24 result smashes estimates**
- **Earnings held up close to 4QFY23's record high**
- **Sales momentum still holding up with 4.5K outstanding bookings**
- **FY24F/25F earnings raised +4.2%/+3.3%**
- **Re-affirm BUY at higher TP of RM3.36**

Yet another beat. Bermaz Auto's (BAuto) 1QFY24 (FYE April) results beat expectations again. The group reported a net profit of RM100.2m for its 1QFY24, which remains close to its record high of RM100.6m in the prior quarter. The 1QFY24 earnings accounted for 32%/38% of our and consensus estimates respectively, due mainly to stronger than expected sales volume and margins.

Key Highlights. 1QFY24F earnings were up +98%yoy on the back of a +52% revenue growth, +114%yoy growth in associate earnings and improvement in operating margins. Topline growth was driven by stronger sales volume for Mazda (+67%yoy) post-introduction of the CKD CX30 in March and clearing of backlog for the Mazda 3. CBU proportion of sales rose to 32% from a typical ~20% given the latter. Operating margins improved on the weaker JPY and better sales mix during the period. Additionally, Kia and BAuto Philippines (BAP) performed well in 1QFY24 with sales volume rising +35% and +73%yoy. BAP is benefiting from auto demand recovery in PH, while a favourable model mix coupled with introduction of the CX60 and CX90 drove improved margins.

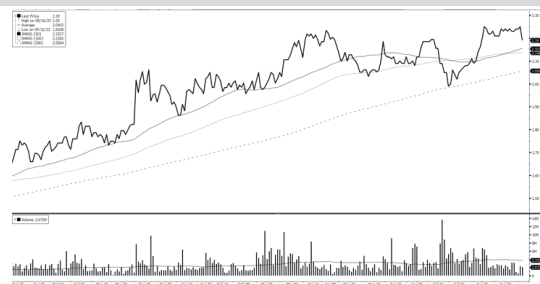
Momentum still holding up. We gather that new booking momentum is still holding up at 1.7K-1.8K in August and is similarly sustaining into September. Group outstanding bookings however receded to around 4.5K units (from 6.5K in June) following large backlog deliveries of the Mazda 3 in 1QFY24. We also gather that the bulk of the current outstanding bookings are for CKD models, meaning a normalization in CKD proportion of sales to around 80%-90% levels from next quarter. Impact of the selling price hike in April (between 1.5%-12.0%) is expected to be reflected from 2QFY24. Groupwide, upcoming launches which could serve as catalysts are the: (1) CKD Kia Sportage and Carens, (2) Mazda CX-60 CBU, (3) the new Peugeot 408. The group is also exploring introduction of a mild hybrid version of the CX30, we understand.

Earnings revision. We raise FY24F/25F net profit by +4.2%/+3.3% to reflect higher sales volume for Mazda MY & PH given stronger than expected demand. So far, there seems to be little cannibalization of the CX5 sales from the introduction of CKD CX30 despite some overlapping price points.

RETURN STATISTICS

Price @ 12 th Sept. 2023 (RM)	2.19
Expected share price return (%)	+53.64
Expected dividend yield (%)	10.16
Expected total return (%)	+63.80

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.3	2.6
3 months	1.7	-2.9
12 months	24.0	27.8

INVESTMENT STATISTICS

FYE April (RMm)	2023A	2024F	2025F
Revenue	3,548	3,685	3,731
Operating Profit	377	417	429
Profit Before Tax	421	456	471
Core PATAMI	305	324	334
Core EPS (sen)	26.2	27.8	28.7
PER (x)	8.4	7.9	7.6
DPS (sen)	22.0	22.2	22.9
Dividend Yield (%)	10.0	10.2	10.5

KEY STATISTICS

FBM KLCI	1,455.04
Issue shares (m)	1165.93
Estimated free float (%)	52.51
Market Capitalisation (RM'm)	2,551.05
52-wk price range	RM1.73-RM2.30
3-mth average daily volume (m)	3.76
3-mth average daily value (RM'm)	8.17
Top Shareholders (%)	
Dynamic Milestone Sdn Bhd	14.86
Employees Provident Fund Board	10.57
Amanah Saham Nasional Bhd	7.19

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Recommendation. Re-affirm **BUY** on BAUTO at higher **TP of RM3.36** (from RM3.30 previously) following the upward earnings revision. Our valuation pegs BAUTO at 12x FY24F earnings, at par to its 5-year historical mean. We like BAUTO for its above-industry earnings and volume growth (throughout our forecast horizon) driven by recent acquisitions of Kia/Peugeot brands and expansion in its Mazda/Kia CKD line-up. Coupled with undemanding valuation of 7.9x FY24F PER and attractive dividend yield of ~10%, BAUTO remains one of our top picks in the sector. Net cash now stands at RM477m (RM0.41/share). Key catalysts: (1) Sustained earnings improvement for underlying Mazda operations on improving margins and demand recovery, (2) A weak JPY, (3) Rollout of CKD Kia Sportage and Carens, (3) BEV duty exemptions which may incentivize consumer take-up of EV models – BAUTO is well positioned to capitalize on this with ready EV models from Kia (EV6 & Niro EV), Peugeot (e-2008 EV) and Mazda (MX30 EV). 

Table 1: Key volume assumptions

Volume assumptions (units) (MY)	FY22	FY23	FY24F	FY25F
Mazda	12,038	15,598	15,902	15,926
Kia	360	2,194	2,500	2,625
Peugeot	964	1,896	2,100	2,205
Total	13,362	19,688	20,502	20,756
Growth	-2.3%	47.3%	4.1%	1.2%

Source: Company, MIDFR

Exhibit 1: BAUTO Product Map

	CY2023			
	CX-30 CKD (Mar'23) 	New Mazda 3 (Sep '23) 	CX-3 IPM5 (Oct '23) 	New CX-60 (TBA) 
	New Landtrek (Mar'23) 	New e-2008 EV (Jun '23) 	New 408 (TBA) 	
	Niro EV (Jul '23) 	All-New Sportage (TBA) 	Carens (KY) (TBA) 	

Source: Company, MIDFR

Table 2: BAuto 1QFY24 Result Summary

FYE Apr (RMm)	1Q23	4Q23	1Q24	QoQ	YoY
Revenue	716.9	1,072.4	1,089.3	1.6%	51.9%
Operating profit	70.2	126.5	130.7	3.4%	86.2%
Investment income	2.9	4.0	3.2	-20.6%	10.5%
Finance cost	(2.5)	(1.8)	(1.8)	-1.2%	-27.9%
Associates	4.0	10.9	8.6	-21.1%	114.4%
Pretax profit	74.6	139.5	140.7	0.8%	88.6%
Tax	(18.0)	(31.9)	(32.8)		
PAT	56.6	107.6	107.9	0.3%	90.6%
MI	6.5	7.0	7.7	9.9%	19.0%
Net profit	50.2	100.6	100.2	-0.4%	99.8%
Core net profit	50.6	100.6	100.2	-0.4%	98.2%
Core EPS (sen)	4.34	8.64	8.60	-0.4%	98.2%
GDPS (sen)	3.00	11.00	5.00	-54.5%	66.7%
Operating margin	9.8%	11.8%	12.0%		
Pretax margin	10.4%	13.0%	12.9%		
Core net profit margin	7.1%	9.4%	9.2%		
Tax rate	24.1%	22.9%	23.3%		
Dividend Payout Ratio	69%	127%	58%		
Malaysia revenue (RMm)	658.0	1,000.5	988.9	-1.2%	50.3%
Philippines revenue (RMm)	58.9	71.9	100.3	39.6%	70.4%
Malaysia EBIT (RMm)	63.1	117.9	116.1	-1.6%	83.9%
Philippines EBIT (RMm)	7.4	8.8	14.9	69.7%	100.7%
Malaysia EBIT margin	9.6%	11.8%	11.7%		
Philippines EBIT margin	12.6%	12.2%	14.9%		

Sales volume (units) (subsidiaries)	1Q23	4Q23	1Q24	QoQ	YoY
Mazda (Malaysian operations)	2,986	4,827	4,999	3.6%	67.4%
Peugeot (Malaysian operations)	474	422	313	-25.8%	-34.0%
Kia (Malaysian operations)	448	743	606	-18.4%	35.3%
Mazda (Philippines)	422	523	730	39.6%	73.0%
Total volume	4,330	6,515	6,648	2.0%	53.5%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021	2022	2023	2024F	2025F
Revenue	2,287.9	2,325.1	3,548.2	3,685.1	3,730.6
Operating profit	159.6	204.5	376.8	416.7	428.9
Net interest expense	-7.4	-3.9	5.4	1.4	2.3
Associates	20.5	18.1	39.0	37.7	39.4
PBT	172.7	218.6	421.2	455.9	470.6
Taxation	-41.1	-59.7	-94.0	-100.4	-103.5
Minority Interest	-2.4	3.1	23.5	31.6	33.1
Net profit	133.9	155.7	303.7	323.9	334.0
Core net profit	134.8	157.0	304.7	323.9	334.0
Balance Sheet (RM'm)	2021	2022	2023	2024F	2025F
Fixed Assets	37.2	41.6	44.5	47.0	49.1
Investments in associate	233.3	275.7	314.5	359.2	404.7
Others	139.1	163.2	177.4	177.4	177.4
Non-current assets	409.6	480.5	536.3	583.6	631.2
Inventories	277.8	230.4	498.3	517.5	523.9
Receivables	131.3	142.5	197.6	205.2	207.7
Others	19.8	(0.1)	7.1	7.1	7.1
Cash & equivalent	563.3	694.4	537.6	573.5	621.4
Current assets	992.2	1,067.2	1,240.6	1,303.3	1,360.1
Long-term borrowings	99.8	99.8	0.0	0.0	0.0
Others	238.8	297.2	343.9	343.9	343.9
Non-current liabilities	338.5	397.1	343.9	343.9	343.9
Short-term borrowings	105.7	100.0	100.0	100.0	100.0
Payables	247.6	253.0	351.1	364.6	369.1
Others	97.9	108.6	142.6	142.6	142.6
Current liabilities	451.1	461.6	593.7	607.2	611.7
Share capital	609.3	609.4	619.6	619.6	619.6
Minority Interest	46.7	54.8	76.6	108.2	141.3
Others	(43.9)	24.9	143.1	207.9	274.7
Total Equity	612.1	689.1	839.4	935.8	1,035.7

Cash Flow Statement (RM'm)	2021	2022	2023	2024F	2025F
PBT	172.7	218.6	421.2	455.9	470.6
Depreciation & Amortization	4.9	6.3	8.2	3.8	4.3
Chgs in working capital	281.1	41.6	(224.9)	(13.3)	(4.4)
Others	(3.7)	26.7	(89.6)	(139.3)	(143.2)
Operating cash flow	455.0	293.2	114.9	307.1	327.3
Capex	(6.0)	(37.5)	(12.2)	(12.2)	(12.2)
Others	5.2	8.7	13.2	0.0	0.0
Investing cash flow	(0.8)	(28.8)	1.0	(12.2)	(12.2)
Dividends paid	(37.2)	(78.4)	(154.0)	(259.1)	(267.2)
Net movement in borrowings	67.7	(31.5)	(99.8)	0.0	0.0
Others	(19.6)	(22.0)	(14.8)	0.0	0.0
Financing cash flow	10.9	(131.9)	(268.7)	(259.1)	(267.2)
Net cash flow	465.1	132.5	(152.8)	35.9	47.9
Beginning cash	100.2	563.4	694.4	537.6	573.5
<i>Forex adjustments</i>	<i>(2.0)</i>	<i>(1.5)</i>	<i>(4.0)</i>	<i>0.0</i>	<i>0.0</i>
Ending cash	563.3	694.4	537.6	573.5	621.4

Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	7.0%	8.8%	10.6%	11.3%	11.5%
Core net profit margin	5.9%	6.7%	8.5%	8.8%	9.0%
ROE	22.0%	22.8%	36.3%	34.6%	32.3%
ROA	9.6%	10.1%	17.2%	17.2%	16.8%
Net gearing (%)	-58.5%	-71.8%	-52.1%	-50.6%	-50.3%
Book value/share (RM)	0.53	0.59	0.72	0.80	0.89
PBV (x)	4.2	3.8	3.1	2.7	2.5
PER (x)	19.3	16.5	8.5	7.9	7.6

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