

Bermaz Auto Berhad

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

Still On Track For a Record Year**KEY INVESTMENT HIGHLIGHTS**

- BAUTO's 9MFY24 result came in within expectations
- Softer earnings off a high base and given seasonality, but still on track to hit record year
- Outstanding and new bookings still holding up
- Further volume growth anticipated backed by new launches
- Maintain BUY at TP of RM3.39

Within expectations. BAUTO's 9MFY24 result came in within expectations. The group reported a net profit of RM71m (-22%yoY) for its 3QFY24, which brought 9MFY24 net profit to RM261m (+28%yoY), making up 77.9%/78.3% of our/consensus estimates respectively.

Dividends. An interim dividend of 4.25sen/share was declared, bringing 9MFY24 dividends to 14.25sen/share (+30%yoY), representing a 64% DPR. Given record-breaking earnings this FY, we do not rule out special dividends in the final quarter and we believe BAUTO could maintain circa 80-85% DPR this year.

Key Highlights. 3QFY24 earnings were lower by -22%yoY given a high base last year which was driven by the sales tax holiday. In addition, sales mix comprised of lower CBU contribution (12% of Mazda sales vs. 16% in 3QFY23), which reduces the benefits from a weak JPY as only CBUs are exposed to JPY-denominated purchases while CKDs are purchased in MYR. On sequential basis, earnings and volumes were seasonally weaker as BAUTO does not participate in year-end sales campaigns, while associate earnings normalized from an inflated base in 2QFY24 which was bumped up by retrospective compensation from Chery.

Anticipating a sequential rebound. We expect volumes to rebound next quarter off the seasonally weak 3QFY24 as registrations resume in the new year. Outstanding bookings are still holding up at 2.4K units comprising 2000/200/400 bookings at Mazda MY/Kia/Mazda PH. Monthly new booking run rate stands at 1.8K units vs. Mazda average monthly TIV of ~1.6K/month. Some 46% of the outstanding bookings comprise of the CX5 IPM6 (facelift) launched in Jan24', which entailed an average +RM5K price increase - we reckon BAUTO will be able to keep some of the incremental margin which should be reflected from next quarter.

Eyeing further growth. Beyond the CX5 IPM6, other new models in the pipeline are the new Mazda CX60, Kia EV9 (CBU) and the Kia Sportage (C-segment SUV), which will be initially introduced as a CBU before progressing to CKD. Overall, BAUTO is targeting FY24F group sales volume of 24.2K (+13.2%yoY) rising to 26.3K (+8.7%yoY) in FY25F. The Sportage is anticipated to be an important volume driver in FY25F driving an expected >80%yoY volume growth for Kia (15% of BAUTO group volumes). In terms of the upcoming SST rate hike, BAUTO anticipates minimal impact as new vehicle sales already carry a higher 10% SST rate.

Unchanged Target Price: RM3.39**RETURN STATISTICS**

Price @ 13 th March 2024 (RM)	2.48
Expected share price return (%)	+36.8
Expected dividend yield (%)	9.3
Expected total return (%)	+46.1

SHARE PRICE CHART**INVESTMENT STATISTICS**

FYE April (RMm)	2023A	2024F	2025F
Revenue	3,548	3,769	3,735
Operating Profit	377	430	442
Profit Before Tax	421	470	484
Core PATAMI	305	335	345
Core EPS (sen)	26.2	28.8	29.6
PER (x)	9.5	8.6	8.4
DPS (sen)	22.0	23.0	23.7
Dividend Yield (%)	8.9	9.3	9.6

KEY STATISTICS

FBM KLCI	1,538.13
Issue shares (m)	1167.60
Estimated free float (%)	51.96
Market Capitalisation (RM'm)	2,895.64
52-wk price range	RM1.96-RM2.55
3-mth average daily volume (m)	3.20
3-mth average daily value (RM'm)	7.73
Top Shareholders (%)	
Dynamic Milestone Sdn Bhd	14.85
Employees Provident Fund Board	12.09
Amanah Saham Nasional Bhd	6.13

Analyst:

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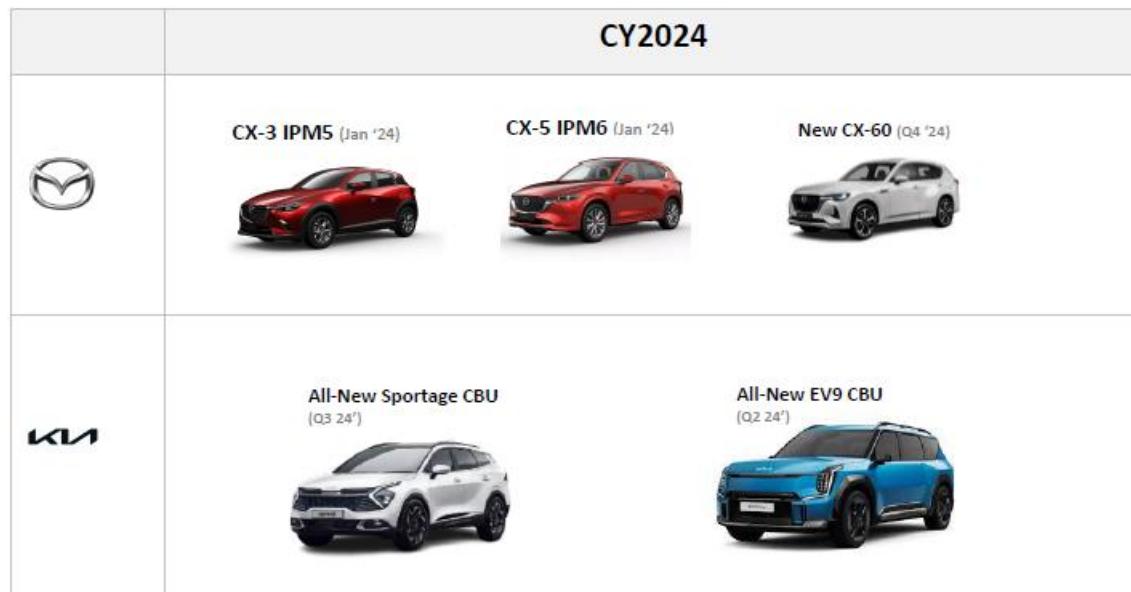
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Earnings revision. We leave our projections unchanged as the result was in line with our expectation.

Recommendation. Re-affirm **BUY** on BA Auto at unchanged **TP of RM3.39**. Our valuation pegs BA Auto at 11.8x FY24F earnings, at par to its 7-year historical mean. We like BA Auto for its above-industry earnings and volume growth throughout our forecast horizon driven by acquisition of the Kia brand and expansion of its Mazda/Kia CKD line-up. Valuation is cheap at 8.6x FY24F PER while dividend yield is attractive at 9.3% (80% DPR). Balance sheet is solid given an asset light corporate structure with its net cash of RM395m (RM0.34/share) accounting for 14% of market cap. Key catalysts: (1) Rollout of the Kia Sportage and Carens, (2) Weak JPY, (3) BEV duty exemptions which may incentivize consumer take-up of EV models – BA Auto is well positioned to capitalize on this with ready EV models from Kia (EV6 & Niro EV) and Mazda (MX30 EV). 

Exhibit 1: BA Auto Product Map



Source: Company, MIDFR

Chart 1: BA Auto Margin & Mazda TIV Trend

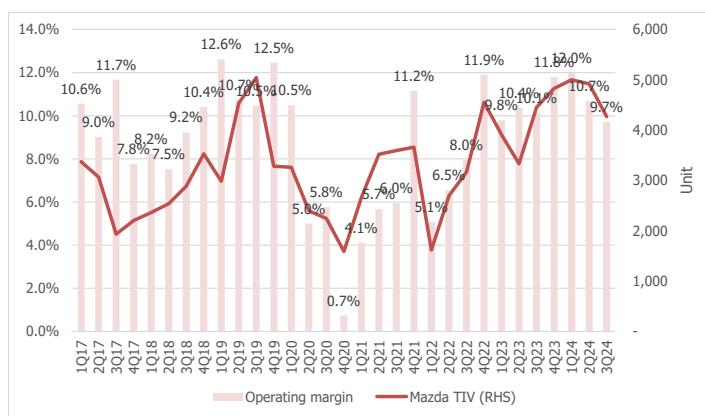
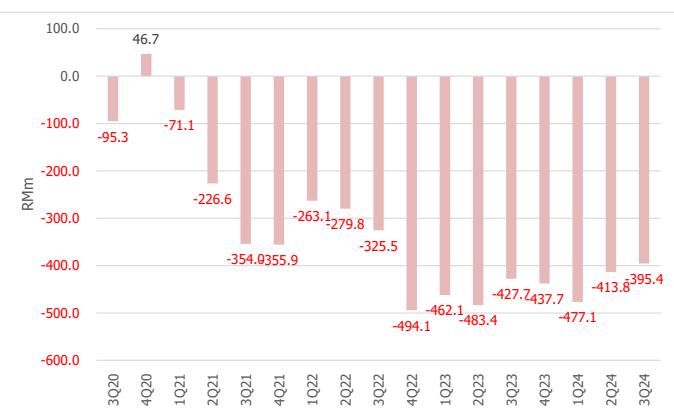


Chart 2: BA Auto Net Debt/(Cash) Trend



Source: Company, MIDFR

BAUTO 9MFY24 RESULT SUMMARY

FYE Apr (RMm)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YTD
Revenue	976.0	1,007.0	896.5	-11.0%	-8.1%	2,475.8	2,992.7	20.9%
Operating profit	99.0	107.6	87.1	-19.1%	-12.0%	250.4	325.4	29.9%
Investment income	4.5	2.9	2.3	-19.6%	-47.7%	10.6	8.4	-21.0%
Finance cost	(2.7)	(2.1)	(1.8)	-12.6%	-33.1%	(7.4)	(5.7)	-23.3%
Associates	14.8	14.4	7.5	-48.3%	-49.5%	28.0	30.5	8.6%
Pretax profit	115.5	122.8	95.1	-22.6%	-17.7%	281.7	358.6	27.3%
Tax	(23.3)	(27.1)	(20.5)			(62.1)	(80.4)	29.6%
PAT	92.2	95.7	74.5	-22.1%	-19.2%	219.6	278.1	26.7%
MI	4.9	5.6	4.0	-28.5%	-17.9%	16.5	17.3	5.1%
Net profit	87.3	90.1	70.5	-21.7%	-19.2%	203.1	260.8	28.4%
Core net profit	87.7	90.1	70.5	-21.7%	-19.6%	204.2	260.8	27.7%
Core EPS (sen)	7.53	7.73	6.05	-21.7%	-19.6%	17.53	22.39	28%
GDPS (sen)	4.50	5.00	4.25	-15.0%	-5.6%	11.00	14.25	30%
Operating margin	10.1%	10.7%	9.7%			10.1%	10.9%	
Pretax margin	11.8%	12.2%	10.6%			11.4%	12.0%	
Core net profit margin	9.0%	8.9%	7.9%			8.2%	8.7%	
Tax rate	20.2%	22.1%	21.6%			22.0%	22.4%	
Malaysia revenue (RMm)	927.7	918.0	805.8	-12.2%	-13.1%	2,316	2,712.7	17.1%
Philippines revenue (RMm)	48.3	88.9	90.7	2.0%	87.8%	159	280.0	75.6%
Malaysia operating profit (RMm)	92.3	91.7	73.7	-19.6%	-20.2%	230.6	281.5	22.0%
Philippines operating profit (RMm)	7.0	16.5	13.8	-16.6%	96.1%	21.1	45.2	114.7%
Malaysia EBIT margin	10.0%	10.0%	9.1%			10.0%	10.4%	
Philippines EBIT margin	14.6%	18.6%	15.2%			13.2%	16.2%	

Sales volume (units) (subsidiaries)	3Q23	2Q24	3Q24	QoQ	YoY	9M23	9M24	YTD
Mazda (Malaysian operations)	4,453	4,918	4,267	-13.2%	-4.2%	10,771	14,184	31.7%
Peugeot (Malaysian operations)	371	260	146	-43.8%	-60.6%	1,474	719	-51.2%
Kia (Malaysian operations)	622	396	444	12.1%	-28.6%	1,451	1,446	-0.3%
Mazda (Philippines)	350	610	606	-0.7%	73.1%	1,159	1,946	67.9%
Total volume	5,796	6,184	5,463	-11.7%	-5.7%	14,855	18,295	23.2%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021	2022	2023	2024F	2025F
Revenue	2,287.9	2,325.1	3,548.2	3,769.2	3,735.5
Operating profit	159.6	204.5	376.8	430.3	442.2
Net interest expense	-7.4	-3.9	5.4	1.4	2.2
Associates	20.5	18.1	39.0	38.0	39.7
PBT	172.7	218.6	421.2	469.7	484.1
Taxation	-41.1	-59.7	-94.0	-103.6	-106.7
Minority Interest	-2.4	3.1	23.5	31.1	32.1
Net profit	133.9	155.7	303.7	335.0	345.3
Core net profit	134.8	157.0	304.7	335.0	345.3
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	359.4	405.2
Others	139.1	163.2	177.4	177.4	177.4
Non-current assets	409.6	480.5	536.3	583.8	631.7
Inventories	277.8	230.4	498.3	529.4	524.6
Receivables	131.3	142.5	197.6	209.9	208.0
Others	19.8	(0.1)	7.1	7.1	7.1
Cash & equivalent	563.3	694.4	537.6	566.7	623.3
Current assets	992.2	1,067.2	1,240.6	1,313.0	1,363.0
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	373.0	369.6
Others	97.9	108.6	142.6	142.6	142.6
Current liabilities	451.1	461.6	593.7	615.5	612.2
Share capital	609.3	609.4	619.6	619.6	619.6
Minority Interest	46.7	54.8	76.6	107.7	139.8
Others	(43.9)	24.9	143.1	210.1	279.2
Total Equity	612.1	689.1	839.4	937.4	1,038.6

Cash Flow Statement (RM'm)	2021	2022	2023	2024F	2025F
PBT	172.7	218.6	421.2	469.7	484.1
Depreciation & Amortization	4.9	6.3	8.2	3.8	4.1
Chgs in working capital	281.1	41.6	(224.9)	(21.5)	3.3
Others	(3.7)	26.7	(89.6)	(142.8)	(146.5)
Operating cash flow	455.0	293.2	114.9	309.2	345.0
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)	(268.0)	(276.2)
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)	(268.0)	(276.2)
Net cash flow	465.1	132.5	(152.8)	29.1	56.6
Beginning cash	100.2	563.4	694.4	537.6	566.7
<i>Forex adjustments</i>	(2.0)	(1.5)	(4.0)	0.0	0.0
Ending cash	563.3	694.4	537.6	566.7	623.3

Key Ratios	2021	2022	2023	2024F	2025F
Operating profit margin	7.0%	8.8%	10.6%	11.4%	11.8%
Core net profit margin	5.9%	6.7%	8.5%	8.9%	9.2%
ROE	22.0%	22.8%	36.3%	35.7%	33.2%
ROA	9.6%	10.1%	17.2%	17.7%	17.3%
Net gearing (%)	-58.5%	-71.8%	-52.1%	-49.8%	-50.4%
Book value/share (RM)	0.53	0.59	0.72	0.80	0.89
PBV (x)	4.7	4.2	3.4	3.1	2.8
PER (x)	21.4	18.4	9.5	8.6	8.4

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