

13 March 2025

Bermaz Auto (BAUTO MK)

A High-Yield BUY Amid Market Turbulence

- **Keep BUY with new MYR1.20 TP (from MYR2.30), 15% upside and c.13% FY26F (Apr) yield.** Bermaz Auto's 9MFY25 core earnings of MYR135.6m missed our and Street's expectations. Regardless, we think valuations remain attractive, with the stock trading at 6x FY26P/E, below its historical mean of 8x. Its above-sector average yield of c.13% also remains a plus point.
- **Weaker-than-expected quarter.** 9MFY25 results missed our and Street's forecasts, making up 60% of full-year estimates. The deviation was mainly due to weaker-than-expected volumes sold amidst stiff competition in the local auto market. BAUTO declared a 3QFY25 DPS of 1.75 sen, bringing YTD DPS to 15.25 sen. This made up 87% of our full-year DPS of 17.5 sen. We keep our FY25F DPS unchanged, to be conservative.
- **Results highlights.** 3QFY25 revenue fell 33% YoY (-7% QoQ) as sales volumes fell 41% YoY. The drop in sales was mainly due to the ongoing price war in the local auto market, especially among non-national marques, due to the influx of Chinese carmakers. Due to the less favourable sales mix, operating profit fell by a larger 60% YoY. As a result, 3QFY25 core net profit slipped 64% YoY, bringing 9MFY25 earnings to MYR135.6m (-48% YoY).
- **Outlook.** The rivalry within the non-national segment continues, with BAUTO's management maintaining its strategy to keep its car prices unchanged to protect the brands' appeal in the resale market. Such a move, however, is at the expense of its market share, which has reduced to 1.8% in 2024 (from 2.4% in 2023). We understand the group is now focusing on volume-heavy CKD models with higher margins such as CX-30, CX-5, and CX-8 as well as KIA Sportage. Its EV brands, ie Xpeng and Deepal, should also help the group establish a stronger presence in the local EV market, though it would not contribute significantly to BAUTO's overall sales volumes.
- **Forecasts.** We cut FY25/FY26/FY27 earnings forecasts by 24%/26%/25% mainly to account for lower Philippines' Mazda and KIA volume forecasts on top of higher operating expenses, to better reflect its current sales performance in view of the intense competition. We keep our Malaysia's Mazda volumes estimate unchanged as it is line with our full-year forecasts. Given the earnings cut, we also slashed our FY26-27 DPS assumptions to 13 and 14 sen (from 20 and 23 sen), assuming a payout ratio of 75%.
- **Our new TP of MYR1.20** is based on a lower 7x CY25F target P/E (from 10x) – in line with local peers, considering the evolving competitive landscape in the local auto industry with the entry of Chinese carmakers alongside our cyclical downturn view on the sector. However, given the massive price correction (-35% YTD), we believe BAUTO's valuation is attractive – currently trading at 6x FY26F EPS, below its 8x historical mean while its above-sector average yield of c.13% should provide some price support. Key downside risks include softer-than-expected orders and deliveries, and resurgent supply chain constraints.

Forecasts and Valuation	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
Total turnover (MYRm)	3,548	3,930	2,962	3,318	3,413
Recurring net profit (MYRm)	304	353	171	201	216
Recurring net profit growth (%)	95.8	16.3	(51.6)	17.6	7.4
Recurring P/E (x)	3.98	3.42	7.07	6.01	5.60
P/B (x)	1.6	1.5	1.5	1.4	1.4
P/CF (x)	10.52	6.18	3.24	6.43	5.14
Dividend Yield (%)	21.2	24.8	16.8	12.5	13.5
EV/EBITDA (x)	2.45	2.03	3.12	2.64	2.35
Return on average equity (%)	43.5	44.3	21.2	24.7	24.9
Net debt to equity (%)	1.3	0.4	net cash	net cash	net cash

Source: Company data, RHB

Consumer Cyclicals | Auto & Autoparts

Buy (Maintained)

Target Price (Return):	MYR1.20 (15.0%)
Price (Market Cap):	MYR1.04 (USD273m)
ESG score:	3.2 (out of 4)
Avg Daily Turnover (MYR/USD)	6.74m/1.51m

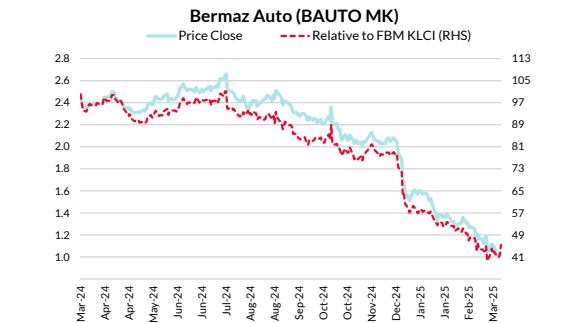
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(35.0)	(18.1)	(49.0)	(55.8)	(58.1)
Relative	(25.4)	(10.7)	(41.7)	(46.4)	(53.6)
52-wk Price low/high (MYR)				1.01	2.66



Source: Bloomberg

Overall ESG Score: 3.2 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.3 (EXCELLENT)

G Score: 3.3 (EXCELLENT)

Please refer to the ESG analysis on the next page

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Emissions And ESG

Trend analysis

In FY24, Scope 1 emissions increased to 1,001 tonnes of CO2 equivalents (FY23: 913 tonnes of CO2 equivalents) while Scope 2 emissions increased to 3,790 tonnes of CO2 equivalents (FY23: 3,444 tonnes of CO2 equivalents).

Emissions (tCO2e)	Apr-22	Apr-23	Apr-24	Apr-25
Scope 1	573	913	1,001	na
Scope 2	2,878	3,444	3,790	na
Scope 3	3	2,030	1,944	na
Total emissions	3,454	6,387	6,735	na

Source: Company data, RHB

Latest ESG-Related Developments

Climate change management: BAUTO's climate change strategy includes working with employees and supply chain partners to save energy through fuel efficiency and perform a climate change risk assessment.

Waste and pollution management: BAUTO is committed to addressing pollution and waste issue by avoiding its impact and improving efficiency.

Its commitment to efficient resource use prioritises reducing, reusing and recycling over disposal to reduce environmental impact and operations costs and optimise efficiency.

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: 13 December 2024

E Score: 3.0 (GOOD)

BAUTO focuses on environmentally-conscious manufacturing, production, and assembly processes. Major suppliers are subjected to an environmental risk assessment to ensure their complete compliance with the group's environmental standards.

S Score: 3.3 (EXCELLENT)

BAUTO upholds the highest environmental and social standards in the suppliers' code of conduct, and familiarises all suppliers with these guidelines.

G Score: 3.3 (EXCELLENT)

BAUTO has applied and adopted the majority of best practices of the Malaysian Code on Corporate Governance. Nevertheless, we note that the board has two female directors out of a total of seven (<30%). The board also does not disclose on a named basis the top five senior management's remuneration components in bands of MYR50,000. The company practices a high level of transparency and actively engages with the investment community.

ESG Rating History



Source: RHB

Financial Exhibits

Asia Malaysia Consumer Cyclical Bermaz Auto BAUTO MK Buy	Financial summary (MYR)	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Recurring EPS	0.26	0.30	0.15	0.17	0.19
	DPS	0.22	0.26	0.18	0.13	0.14
	BVPS	0.66	0.71	0.68	0.72	0.77
	Return on average equity (%)	43.5	44.3	21.2	24.7	24.9
	Valuation metrics	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Recurring P/E (x)	3.98	3.42	7.07	6.01	5.60
	P/B (x)	1.6	1.5	1.5	1.4	1.4
	FCF Yield (%)	8.3	14.9	28.4	12.6	16.6
	Dividend Yield (%)	21.2	24.8	16.8	12.5	13.5
Key drivers i. Strong growth from Philippines; ii. Better-than-expected consumer spending; iii. New model launches.	EV/EBITDA (x)	2.45	2.03	3.12	2.64	2.35
	EV/EBIT (x)	2.60	2.15	3.54	2.97	2.63
	Income statement (MYRm)	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Total turnover	3,548	3,930	2,962	3,318	3,413
	Gross profit	591	679	444	513	539
	EBITDA	400	463	255	300	321
	Depreciation and amortisation	(23)	(27)	(30)	(33)	(34)
	Operating profit	377	436	225	267	287
	Net interest	5	3	(4)	(4)	(4)
	Pre-tax profit	421	489	239	283	304
Key risks i. Unfavourable FX movements; ii. Disruption in product pipeline; iii. Lacklustre consumer spending; iv. Sustained price competition within the non-national segment.	Taxation	(94)	(111)	(57)	(68)	(73)
	Reported net profit	304	351	171	201	216
	Recurring net profit	304	353	171	201	216
	Cash flow (MYRm)	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Change in working capital	(238)	(188)	176	(44)	(13)
	Cash flow from operations	115	196	373	188	235
	Capex	(15)	(15)	(30)	(35)	(35)
	Cash flow from investing activities	1	(8)	(22)	(27)	(27)
	Dividends paid	(256)	(300)	(203)	(151)	(163)
	Cash flow from financing activities	(269)	(361)	(228)	(163)	(175)
Company Profile BAUTO is involved in the distribution, assembling, retailing, and also the provision of after sales service of Mazda vehicles in Malaysia. The group is also involved in the domestic distribution of locally assembled Mazda vehicles and the export of the locally assembled Mazda vehicles. Its subsidiary Bermaz Auto Philippines distributes Mazda vehicles in the Philippines.	Cash at beginning of period	172	89	59	182	179
	Net change in cash	(153)	(174)	123	(3)	33
	Ending balance cash	20	(85)	182	179	212
	Balance sheet (MYRm)	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Total cash and equivalents	89	59	182	179	212
	Tangible fixed assets	45	41	42	43	44
	Total investments	314	366	385	405	426
	Total assets	1,777	1,862	1,753	1,848	1,924
	Short-term debt	100	63	50	50	50
	Total liabilities	938	948	860	892	899
Key metrics i. Strong growth from Philippines; ii. Better-than-expected consumer spending; iii. New model launches.	Total equity	839	914	893	956	1,025
	Total liabilities & equity	1,777	1,862	1,753	1,848	1,924
	Key metrics	Apr-23	Apr-24	Apr-25F	Apr-26F	Apr-27F
	Revenue growth (%)	52.7	10.8	(24.6)	12.0	2.9
	Recurrent EPS growth (%)	95.8	16.3	(51.6)	17.6	7.4
	Gross margin (%)	16.7	17.3	15.0	15.5	15.8
	Operating EBITDA margin (%)	11.3	11.8	8.6	9.1	9.4
	Net profit margin (%)	8.6	8.9	5.8	6.1	6.3
	Dividend payout ratio (%)	84.2	85.6	119.0	75.2	75.4
	Capex/sales (%)	0.4	0.4	1.0	1.1	1.0
	Interest cover (x)	40.7	58.8	18.2	21.5	23.1

Source: Company data, RHB

Results At a Glance

Figure 1: Results review

FYE Apr (MYRm)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9M24	9M25	YoY (%)	Comments
Revenue	896.5	646.9	602.1	(6.9)	(32.8)	2,992.7	2,095.1	(30.0)	9MFY25 YoY decline was due to weaker YoY sales in both Malaysia and the Philippines.
- Malaysia	805.8	575.8	552.4	(4.1)	(31.4)	2,712.7	1,889.1	(30.4)	
- Philippines	90.7	65.2	49.7	(23.8)	(45.3)	280.0	206.1	(26.4)	
EBIT	87.1	54.9	35.1	(36.1)	(59.7)	325.4	177.5	(45.4)	Weaker YoY in line with lower revenue.
- Malaysia	74.3	45.6	27.2	(40.4)	(63.4)	284.8	143.4	(49.6)	
- Philippines	13.3	9.5	7.9	(16.6)	(40.4)	44.0	35.6	(19.1)	
Interest expense	(1.8)	(3.7)	(3.1)	(15.3)	71.4	(5.7)	(8.9)	56.5	
Interest income	2.3	2.4	2.6	6.1	10.1	8.4	6.9	(17.7)	
Associates	7.5	3.4	0.3	(92.2)	(96.5)	30.5	14.1	(53.6)	Largely driven by the decline in contributions from Mazda Malaysia.
Pre-tax profit	95.1	57.1	34.8	(38.9)	(63.4)	358.6	189.7	(47.1)	
Tax	(20.5)	(14.3)	(8.6)	(40.0)	(58.1)	(80.4)	(45.3)	(43.6)	
Minority interest	(4.0)	(2.4)	(2.1)	(11.8)	(48.2)	(17.3)	(9.6)	(44.6)	
Net profit	70.5	40.3	24.1	(40.2)	(65.8)	260.8	134.7	(48.4)	
Core profit	70.4	41.9	25.2	(39.8)	(64.2)	261.8	135.6	(48.2)	9MFY25 results missed our and Street's expectations, at 60% of full-year estimates.
EBIT margin (%)	9.7	8.5	5.8			10.9	8.5		
Pre-tax margin (%)	10.6	8.8	5.8			12.0	9.1		
Effective tax rate (%)	(21.6)	(25.1)	(24.7)			(22.4)	(23.9)		
Net margin (%)	7.9	6.5	4.2			8.7	6.5		

Source: Company data, RHB

Figure 2: Invoiced Mazda vehicle sales in Malaysia

FYE Apr (units)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9M24	9M25	YoY
Mazda 2	49	53	10	(81.1)	(79.6)	123	96	(22.0)
Mazda 3	150	255	183	(28.2)	22.0	1,361	777	(42.9)
Mazda 6	16	15	9	(40.0)	(43.8)	95	34	(64.2)
CX-3	276	66	44	(33.3)	(84.1)	1,340	351	(73.8)
CX-30	1,691	1,019	1,101	8.0	(34.9)	4,561	3,260	(28.5)
CX-5	1,616	1,270	1,089	(14.3)	(32.6)	4,911	4,057	(17.4)
MX-30	0	0	0	n.m.	n.m.	5	0	n.m.
CX-8	441	318	219	(31.1)	(50.3)	1,673	890	(46.8)
CX-9	2	7	3	(57.1)	50.0	9	17	88.9
MX-5	5	4	1	(75.0)	(80.0)	19	10	(47.4)
BT-50	21	0	(1)	n.m.	n.m.	87	24	(72.4)
	4,918	3,851	3,007	(21.9)	(38.9)	9,917	6,858	(30.8)

Source: Company data

Figure 3: Invoiced sales of Mazda vehicles in the Philippines

FYE April (units)	3QFY24	2QFY25	3QFY25	QoQ (%)	YoY (%)	9M24	9M25	YoY
Mazda 2	5	14	8	(42.9)	60.0	19	28	47.4
Mazda 3	57	94	13	(86.2)	(77.2)	267	146	(45.3)
Mazda 6	6	6	4	(33.3)	(33.3)	16	16	0.0
CX-3	6	1	0	n.m.	n.m.	23	7	(69.6)
CX-30	9	17	6	(64.7)	(33.3)	73	32	(56.2)
CX-5	75	59	56	(5.1)	(25.3)	310	194	(37.4)
CX-8	57	81	86	6.2	50.9	289	239	(17.3)
CX-9	15	37	31	(16.2)	106.7	153	97	(36.6)
CX-60	130	72	34	(52.8)	(73.8)	215	275	27.9
CX-90	68	39	41	5.1	(39.7)	151	166	9.9
MX-5	25	27	26	(3.7)	4.0	139	83	(40.3)
BT-50	153	14	0	n.m.	n.m.	291	45	(84.5)
	606	461	305	(33.8)	(49.7)	1,946	1,328	(31.8)

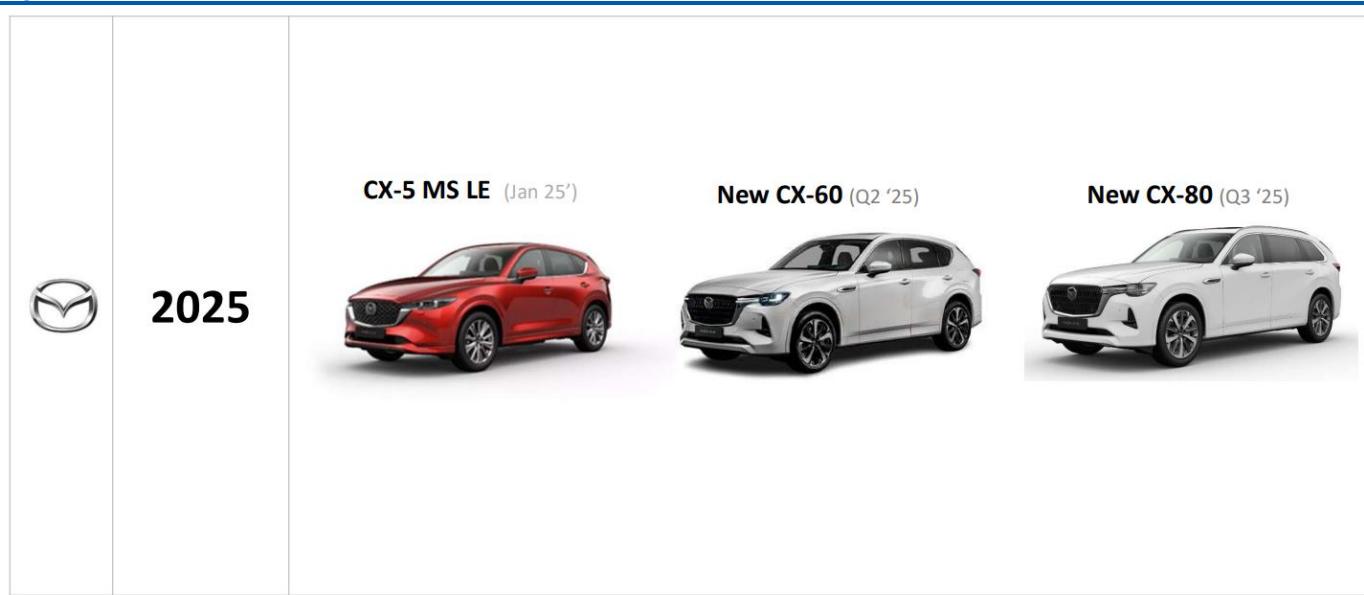
Source: Company data

Figure 4: Key assumptions

Sales (units)	FY22	FY23	FY24	FY25F	FY26F	FY27F
Malaysia - Mazda	12,038	15,598	18,600	13,100	13,500	14,000
Philippines - Mazda	1,304	1,663	2,500	2,000	2,100	2,100
Kia	360	2,194	1,851	1,825	4,050	4,000
XPeng	-	-	-	450	600	600
Deepal	-	-	-	-	600	600

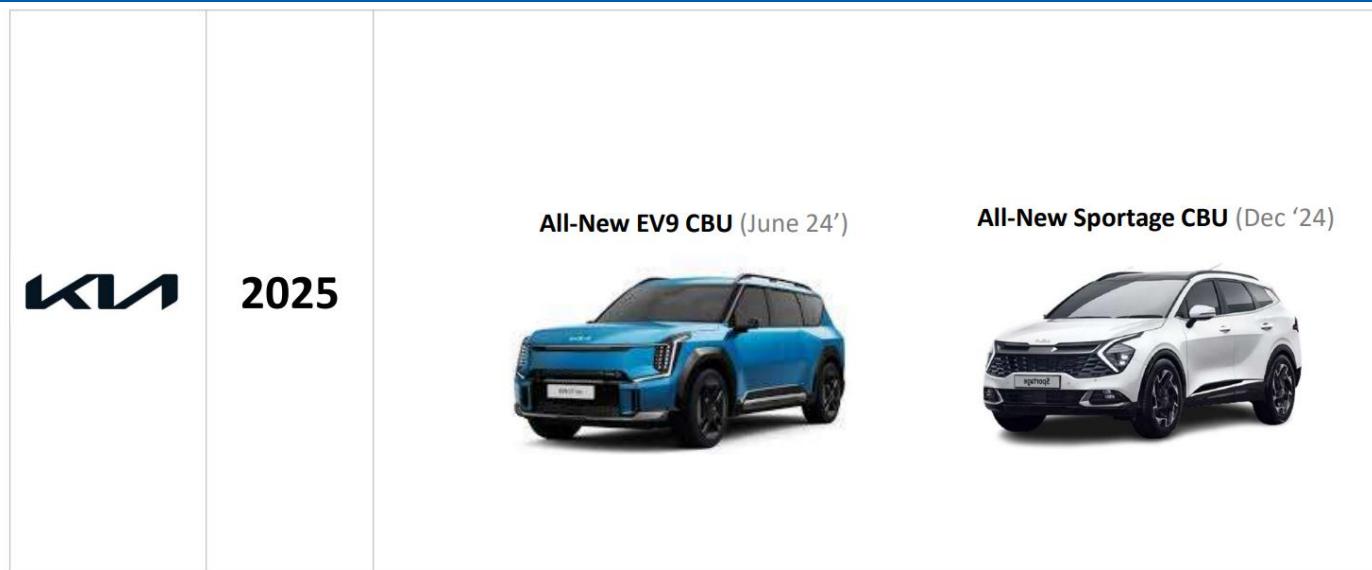
Source: RHB

Figure 5: Line-up of Mazda models



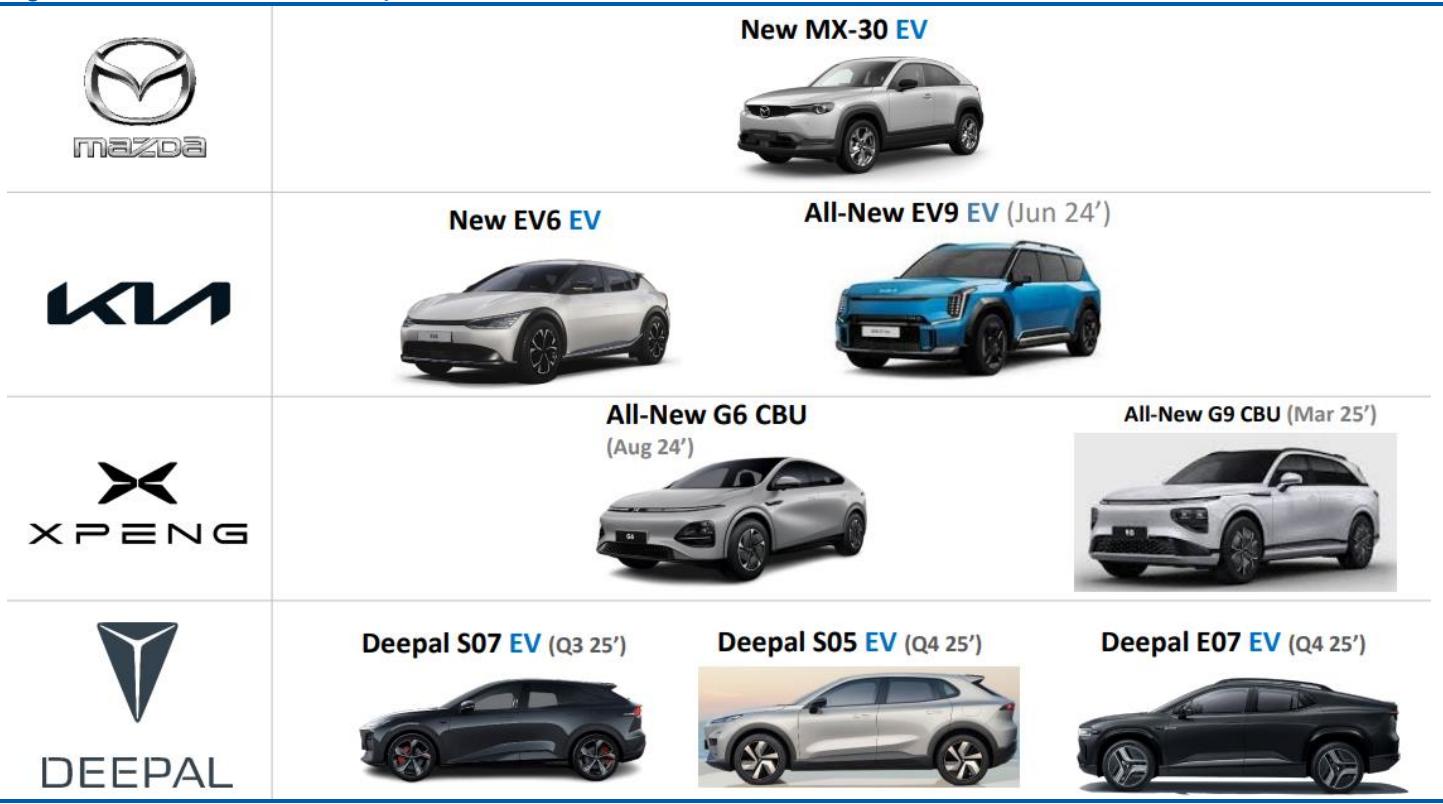
Source: Company data

Figure 6: Line-up of Kia models



Source: Company data

Figure 7: BAUTO's EV model line-up



Source: Company data

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2025-01-21	Buy	2.30	1.36
2024-12-13	Buy	2.65	1.94
2024-09-12	Buy	3.05	2.35
2024-06-12	Buy	3.25	2.53
2024-03-14	Buy	3.35	2.41
2023-12-13	Buy	3.60	2.36
2023-09-13	Buy	3.45	2.30
2023-06-13	Buy	3.25	2.22
2023-03-14	Buy	3.45	2.13
2023-01-13	Buy	2.90	2.02
2022-12-09	Buy	2.55	2.20
2022-09-13	Buy	2.35	1.86
2022-08-01	Buy	2.35	1.80
2022-07-04	Buy	2.30	1.72
2022-06-14	Buy	2.00	1.78

Source: RHB, Bloomberg

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