



AmInvestment Bank

Company report

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

11 March 2022

Peugeot and Kia's contribution kicking in

BUY

(Maintained)

Muhammad Afif Zulkaply

muhammad-afif.z@ambankgroup.com

03-2036 2293

Rationale for report: Company results

Price	RM1.74
Fair Value	RM1.97
52-week High/Low	RM1.86/RM1.29

Key Changes

Fair value	⬇️
EPS	⬇️

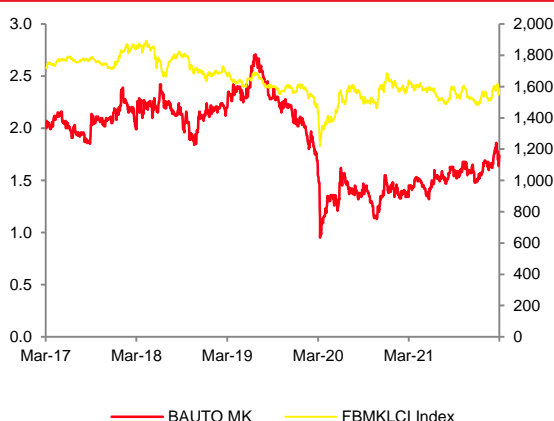
YE to Apr	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	2,287.9	2,263.5	3,015.0	3,494.1
Core net profit (RM mil)	133.9	125.5	201.3	249.3
FD Core EPS (sen)	11.5	10.8	17.3	21.4
FD Core EPS growth (%)	28.8	(6.3)	60.4	23.8
Consensus Net Profit (RM mil)	-	132.6	166.1	195.1
DPS (sen)	6.5	6.5	10.0	13.0
PE (x)	15.1	16.1	10.1	8.1
EV/EBITDA (x)	9.5	9.7	6.5	5.3
Div yield (%)	4.2	4.2	6.5	8.4
ROE (%)	25.9	21.3	30.6	33.3
Net Gearing (%)	net cash	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,166.5
Market Cap (RM mil)	2,029.6
Book Value (RM/share)	0.49
P/BV (x)	3.6
ROE (%)	25.9
Net Gearing (%)	(63.3)

Major Shareholders	Employees Provident Fund (18.6%) Dynamic Milestone Sdn Bhd (14.4%) Amanah Saham Nasional (7.9%)
Free Float	51.5
Avg Daily Value (RM mil)	3.1

Price performance	3mth	6mth	12mth
Absolute (%)	16.8	8.8	30.4
Relative (%)	10.0	8.4	35.3



Investment Highlights

- We maintain BUY on Bermaz Auto (BAuto) with a slight tweak to our fair value (FV) of RM1.97 (from RM2.00), based on a CY2022F 13x target PE (sector average). We revise downwards FY22 earnings estimates after imputing lower sales assumptions from the Peugeot brand.
- BAuto's 3QFY22 net earnings jumped 64% QoQ and 29% YoY to RM42.7mil, on the back of stronger revenue of RM623.1mil (+29% QoQ, +4% YoY). The group's sales volume grew 29% QoQ, bolstered by pent-up demand after the reopening of the sector's supply chain.
- However, the cumulative 9MFY22 core earnings of RM79.0mil were deemed slightly below expectations as sales of the Peugeot brand models fell short of expectations. We understand that BAuto held up the deliveries of the 2008, 3008, and 5008 models – after they were launched in November 2021 – as the company worked to ensure the products adhere to its internal quality criteria. Nevertheless, the matter has been resolved and the group has started to recognize sales from these models.
- Notably, BAuto reported its maiden sales contribution from the Kia brand with 157 units of the completely built-up Kia Carnival model sold during the quarter. Separately, the share of associates also improved 125% QoQ, predominantly driven by Mazda Malaysia's contribution (3QFY22: RM5.0mil vs. 2QFY22: RM0.1mil), signifying an improvement in regional markets' sales.
- Dividend. BAuto declared an interim dividend of 2.25 sen, which implies a 61% payout rate of 3QFY22 EPS.
- Earnings revision. We cut FY22 earnings by 8% to reflect the lower sales assumptions from the Peugeot brand.
- BAuto remains our top pick for the sector. The demand for the group's products is robust with 3,800 units or 3 months' worth of backlogged orders. The group's constant product updates bode well as it would translate to a more consistent and predictable sales flow.
- Another potential earnings rerating catalyst for the company is the local assembling of its CX-30 model which could materialize as early as end-2022. The current chip shortage only affects its CBU models and BAuto is currently in discussion with its principal to obtain more inventory allocation.

EXHIBIT 1: RESULTS SUMMARY

	3QFY21	2QFY22	3QFY22	QoQ	YoY	9MFY21	9MFY22	YoY
Revenue	598.0	483.8	623.1	29%	4%	1,646.7	1,427.8	-13%
EBITDA	39.5	36.8	54.7	49%	39%	100.1	112.7	13%
Operating Profit	35.6	31.7	49.6	57%	39%	88.1	97.6	11%
Investment related income	1.7	1.3	1.5	16%	-11%	3.7	4.7	26%
Finance costs	(2.4)	(2.4)	(2.6)	11%	7%	(9.7)	(7.8)	-20%
Net interest expense	(0.7)	(1.0)	(1.1)	5%	49%	(6.0)	(3.1)	-49%
Share of results of associates	7.4	2.9	6.6	125%	-11%	7.2	8.6	20%
Profit before tax	42.2	33.5	55.1	64%	31%	89.2	103.1	16%
Tax	(9.6)	(8.6)	(12.4)	44%	29%	(23.5)	(25.2)	7%
Profit after tax	32.6	24.9	42.7	71%	31%	65.7	78.0	19%
Minority interest	(0.5)	(1.1)	0.0	-100%	-100%	(1.4)	(1.0)	-27%
Net profit	33.1	26.0	42.7	64%	29%	67.1	79.0	18%
Core Net Profit	33.1	26.0	42.7	64%	29%	67.1	79.0	18%
EPS (sen)	2.8	2.2	3.7			5.8	6.8	
GDPS (sen)	1.5	1.5	2.3			3.3	4.3	
Margins								
EBITDA margin	6.6%	7.6%	8.8%			6.1%	7.9%	
EBIT margin	6.0%	6.5%	8.0%			5.3%	6.8%	
PBT margin	7.1%	6.9%	8.8%			5.4%	7.2%	
Core net margin	5.5%	5.4%	6.9%			4.1%	5.5%	
Segmental breakdown								
Revenue	598.0	483.8	623.1	29%	4%	1,646.7	1,427.8	-13%
Mazda	598.0	483.8	534.3	10%	-11%	1,646.7	1,299.6	-21%
Malaysia	549.9	449.6	491.5	9%	-11%	1,530.0	1,172.4	-23%
Philippines	48.1	34.2	42.8	25%	-11%	116.7	127.1	9%
Peugeot	0.0	0.0	56.8	NA	NA	0.0	90.6	NA
Kia	0.0	0.0	31.6	NA	NA	0.0	37.1	NA
Bauto Parts	0.0	0.0	0.5	NA	NA	0.0	0.5	NA
Operating income	34.9	30.6	48.6	58%	39%	82.1	94.6	15%
Mazda	35.6	32.4	42.3	31%	19%	82.4	92.1	12%
Malaysia	36.5	31.6	41.6	31%	14%	83.0	90.0	8%
Philippines	(0.9)	0.8	0.7	-3%	-186%	(0.6)	2.2	-448%
Peugeot	0.0	0.0	0.9	NA	NA	0.0	(2.6)	NA
Kia	0.0	0.0	4.5	NA	NA	0.0	3.4	NA
Bauto Parts	0.0	0.0	0.9	NA	NA	0.0	1.5	NA
Investment holding	(0.8)	(1.7)	0.0	-102%	-103%	(0.3)	0.2	-169%
Share of results of associates	7.4	2.9	6.6	125%	-11%	7.2	8.6	20%
Mazda Malaysia	4.8	0.1	5.0	3925%	4%	0.8	3.2	297%
Inokom Corporation	2.5	2.8	2.2	-20%	-11%	6.3	6.0	-5%
Bermaz Auto Alliance	0.0	0.0	0.0	NA	-100%	0.0	0.1	72%
KIA Malaysia Sdn Bhd	0.0	0.0	(0.7)	NA	NA	0.0	(0.7)	NA
Other	0.0	0.0	(0.0)	NA	NA	0.0	0.0	NA
Sales Volume	3,948	3,047	3,945	29%	0%	10,590	8,926	-16%
Mazda	3,948	2,914	3,505	20%	-11%	10,590	8,353	-21%
Malaysia	3,596	2,699	3,169	17%	-12%	9,779	7,487	-23%
Philippines	352	215	336	56%	-5%	811	866	7%
Peugeot	0	133	283	113%	NA	0	416	NA
Kia	0	0	157	NA	NA	0	157	NA
Mazda - Malaysia								
CBU	737	928	628	-32%	-15%	2,662	1,971	-26%
CKD	2,859	1,771	2,541	43%	-11%	7,117	5,516	-22%

Source: BAUTO, AmlInvestment Bank

EXHIBIT 2: SALES INVOICED – MAZDA (MALAYSIA)

FY Apr (units)	3QFY21	2QFY22	3QFY22	QoQ	YoY	9MFY21	9MFY22	YoY
CBU	737	928	627	-32%	-15%	2,662	1,970	-26%
Mazda 2	41	39	79	103%	93%	230	144	-37%
Mazda 3	230	371	76	-80%	-67%	809	663	-18%
Mazda 5	0	0	0	NA	NA	1	0	NA
Mazda 6	7	37	29	-22%	314%	55	70	27%
Mazda 8	0	0	0	NA	NA	0	0	NA
Biante	0	0	0	NA	NA	2	0	NA
CX-3	2	328	212	-35%	10500%	235	540	130%
CX-30	429	126	166	32%	-61%	1,196	452	-62%
CX-7	0	0	0	NA	NA	0	0	NA
CX-9	26	13	17	31%	-35%	101	33	-67%
MX-5	1	12	5	-58%	400%	12	20	67%
RX-8	0	0	0	NA	NA	0	0	NA
BT-50	1	2	43	2050%	4200%	21	48	129%
CKD	2,859	1,771	2,541	43%	-11%	7,117	5,516	-22%
Mazda 3	0	0	0	NA	NA	0	2	NA
CX-5	2,514	1,437	2,074	44%	-18%	5,827	4,474	-23%
CX-8	345	334	467	40%	35%	1,290	1,040	-19%
Total	3,596	2,699	3,168	17%	-12%	9,779	7,486	-23%

Source: BAUTO, AmInvestment Bank

EXHIBIT 3: SALES INVOICED – MAZDA (PHILIPPINES)

FY Apr (units)	3QFY21	2QFY22	3QFY22	QoQ	YoY	9MFY21	9MFY22	YoY
Mazda 2	13	0	27	NA	108%	38	27	-29%
Mazda 3	64	18	18	0%	-72%	219	68	-69%
Mazda 5	0	0	0	NA	NA	0	0	NA
Mazda 6	12	2	1	-50%	-92%	15	6	-60%
CX-3	4	0	0	NA	NA	11	8	-27%
CX-30	48	13	25	92%	-48%	75	74	-1%
CX-5	64	65	55	-15%	-14%	131	182	39%
CX-7	0	0	0	NA	NA	0	0	NA
CX-8	35	52	67	29%	91%	59	172	192%
CX-9	40	34	0	NA	NA	82	106	29%
MX-5	15	26	11	-58%	-27%	66	54	-18%
BT-50	57	5	132	2540%	132%	115	169	47%
Total	352	215	336	56%	-5%	811	866	7%

Source: BAUTO, AmInvestment Bank

EXHIBIT 4: SALES ASSUMPTIONS

Units	FY21	FY22F	FY23F	FY24F
Mazda	14,684	13,340	15,145	17,160
Malaysia	13,439	11,880	13,020	14,320
Philippines	1,245	1,460	2,125	2,840
Peugeot (current)	242	680	2,500	2,800
Peugeot (previous)	242	1,500	2,500	2,800
Kia	N/A	280	1,400	2,100

Source: AmlInvestment Bank

EXHIBIT 5: BAUTO'S PRODUCT MAP

Mazda		Peugeot		Kia	
Models	Estimated timeline	Models	Estimated timeline	Models	Estimated timeline
Mazda 2 IPM5	Dec-21	New 3008	Nov-21	All-new Carnival	Dec-21
All-new BT-50	Dec-21	New 5008	Nov-21	Carnival CKD	Apr-22
CX-3 IPM4	Jan-22	All-new 2008	Jan-22	All-new Sportage	3Q/4Q CY22
MX-5 IPM5	Feb-22	New Landtrek	3QCY22	All-new Sorento	3Q/4Q CY22
Mazda 3 IPM2	Feb-22	New e-2008 EV	4QCY22	New EV6 EV	3Q/4Q CY22
CX-30 IPM2	Feb-22			All-new Niro	4QCY22
CX-8 IPM3	May-22				
New MX-30 EV	3Q/4Q CY22				
CX-30 CKD	TBC				

Source: BAuto

EXHIBIT 6: ESG RATING

Overall	★	★	★		
Zero-carbon initiatives	★				
Work site safety	★	★	★		
Shareholder accountability	★	★	★		
Social responsibility	★	★	★		
Pollution control	★	★			
Supply chain auditing	★	★	★	★	
Corruption-free pledge	★	★	★	★	
Accessibility & transparency	★	★	★	★	★

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 7: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	1,759.0	2,287.9	2,263.5	3,015.0	3,494.1
EBITDA	127.4	175.7	174.2	259.8	313.9
Depreciation/Amortisation	(15.8)	(16.2)	(13.5)	(12.5)	(11.8)
Operating income (EBIT)	111.6	159.6	160.7	247.3	302.1
Other income & associates	26.5	20.5	15.1	33.8	43.5
Net interest	(2.9)	(7.4)	(5.4)	(4.4)	(3.2)
Exceptional items	-	-	-	-	-
Pretax profit	135.3	172.7	170.4	276.7	342.4
Taxation	(28.3)	(41.1)	(40.4)	(63.1)	(77.7)
Minorities/pref dividends	3.0	(2.4)	4.5	12.3	15.4
Net profit	104.0	133.9	125.5	201.3	249.3
Core net profit	104.0	133.9	125.5	201.3	249.3
Balance Sheet (RMmil, YE 30 Apr)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	38.7	37.2	33.7	31.2	29.5
Intangible assets	0.5	0.5	0.5	0.5	0.5
Other long-term assets	346.5	371.9	387.0	420.8	464.3
Total non-current assets	385.7	409.6	421.2	452.6	494.3
Cash & equivalent	100.2	563.4	529.0	496.3	497.9
Stock	684.6	277.8	274.9	366.1	424.3
Trade debtors	107.5	148.5	146.9	195.6	226.7
Other current assets	10.4	2.5	2.5	2.5	2.5
Total current assets	902.7	992.2	953.2	1,060.5	1,151.5
Trade creditors	349.5	247.6	186.0	247.8	287.2
Short-term borrowings	137.7	105.7	95.7	85.7	75.7
Other current liabilities	94.2	97.9	97.9	97.9	97.9
Total current liabilities	581.4	451.1	379.6	431.4	460.8
Long-term borrowings	-	99.8	89.8	79.8	69.8
Other long-term liabilities	185.8	238.8	238.8	238.8	238.8
Total long-term liabilities	185.8	338.5	328.5	318.5	308.5
Shareholders' funds	470.1	565.4	615.1	699.7	797.6
Minority interests	51.2	46.7	51.2	63.4	78.8
BV/share (RM)	0.40	0.49	0.53	0.60	0.68
Cash Flow (RMmil, YE 30 Apr)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	135.3	172.7	170.4	276.7	342.4
Depreciation/Amortisation	15.8	16.2	13.5	12.5	11.8
Net change in working capital	(147.2)	455.0	(57.0)	(78.2)	(49.9)
Others	(151.1)	(188.9)	(50.1)	(92.6)	(118.0)
Cash flow from operations	(147.2)	455.0	76.8	118.4	186.3
Capital expenditure	(15.3)	(3.6)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	(1.4)	(2.5)	(15.1)	(33.8)	(43.5)
Others	3.8	5.4	15.1	33.8	43.5
Cash flow from investing	(12.8)	(0.8)	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	137.7	67.7	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	4.1	1.2	-	-	-
Dividends paid	(86.9)	(75.7)	(75.8)	(116.7)	(151.4)
Others	(2.9)	17.7	(5.4)	(4.4)	(3.2)
Cash flow from financing	(64.9)	10.9	(101.2)	(141.1)	(174.6)
Net cash flow	(225.0)	465.2	(34.4)	(32.7)	1.7
Net cash/(debt) b/f	320.2	100.2	563.4	529.0	496.3
Net cash/(debt) c/f	100.2	563.4	529.0	496.3	497.9
Key Ratios (YE 30 Apr)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(29.4)	30.1	(1.1)	33.2	15.9
EBITDA growth (%)	(55.9)	37.9	(0.9)	49.2	20.8
Pretax margin (%)	7.7	7.5	7.5	9.2	9.8
Net profit margin (%)	5.9	5.9	5.5	6.7	7.1
Interest cover (x)	38.9	21.6	29.9	55.7	94.2
Effective tax rate (%)	20.9	23.8	23.7	22.8	22.7
Dividend payout (%)	83.6	56.5	60.4	58.0	60.7
Debtors turnover (days)	21	20	24	21	22
Stock turnover (days)	100	77	45	39	41
Creditors turnover (days)	54	48	35	26	28

Source: Company, AmlInvestment Bank Bhd estimates

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.