



AmInvestment Bank

## Company report

## BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

14 Mar 2023

Outperformance driven by robust Mazda sales

BUY

(Maintained)

AmInvestment Bank

Team Coverage

03-2036 2333

Rationale for report: Company results

Price	RM2.12
Fair Value	RM2.63
52-week High/Low	RM2.25/RM1.57

## Key Changes

Fair value	📌
EPS	📌

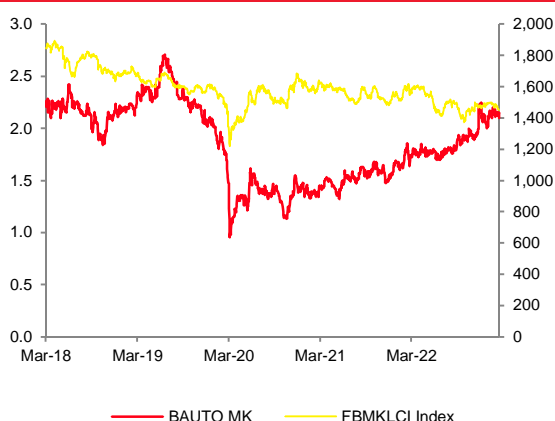
YE to Apr	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	2,323.7	3,466.9	3,587.9	3,721.4
Core net profit (RM mil)	155.1	250.7	257.8	268.0
FD Core EPS (sen)	13.3	21.5	22.1	23.0
FD Core EPS growth (%)	16.0	61.4	2.8	4.0
Consensus Net Profit (RM mil)	-	213.4	218.7	245.4
DPS (sen)	8.8	12.0	13.0	13.0
PE (x)	15.8	9.8	9.5	9.1
EV/EBITDA (x)	8.5	6.4	6.2	5.9
Div yield (%)	4.1	5.7	6.1	6.1
ROE (%)	25.9	36.3	32.3	29.5
Net Gearing (%)	net cash	net cash	net cash	net cash

## Stock and Financial Data

Shares Outstanding (million)	1,166.5
Market Cap (RMmil)	2,449.6
Book Value (RM/share)	0.54
P/BV (x)	3.9
ROE (%)	25.9
Net Gearing (%)	(77.9)

Major Shareholders	Employees Provident Fund (14.7%) Dynamic Milestone Sdn Bhd (14.7%) Amanah Saham Nasional (7.2%)
Free Float	51.5
Avg Daily Value (RMmil)	5.2

Price performance	3mth	6mth	12mth
Absolute (%)	7.1	14.1	19.0
Relative (%)	10.2	17.4	31.0



## Investment Highlights

- We maintain BUY on Bermaz Auto (BAuto) with a higher fair value (FV) of RM2.63/share (vs. RM2.51/share previously), premised on a FY24F PE of 12x. This is on par with its 10-year mean. Our FV also reflects an unchanged neutral ESG rating of 3 stars.
- We raise our FY23F earnings for BAuto by 27% and FY24F-FY25F forecast by 6%-7% after factoring in higher sales volume assumptions and associate contributions. 9MFY23 earnings of RM203mil were 27% above our estimate and 20% ahead of consensus due to higher-than-expected sales of motor vehicles.
- 9MFY23 earnings rose by 2.6x YoY to RM203mil as sales of motor vehicles surged 77% alongside better sales mix and appreciation of MYR/JPY.
- Mazda sold 10,771 units (+44% YoY) while Kia delivered 1,451 units (+9x YoY) in 9MFY23. Also, Peugeot sold 1,474 units (+3.5x YoY). Mazda Malaysia also performed well as reflected in the 3.3x YoY climb in the share of earnings in 9MFY23. Sales of spare parts increased by 39%.
- 3QFY23 topline grew 25% QoQ to RM976mil while bottomline improved by 33%, underpinned by resilient sales of vehicles during the reviewing quarter.
- On the regional front, Philippines' 9MFY23 operation reported sales growth of 25% YoY, lifted by a 34% increase in units sold.
- BAuto declared a 3<sup>rd</sup> interim dividend of 4.5 sen per share in 3QFY23, bringing 9MFY23 dividends to 11.0 sen per share. We estimate a total dividend of 12.0 sen per share (raised from 10 sen per share previously) for FY23F, which translates to a decent yield of nearly 6%.
- BAuto has a current order backlog of nearly 7,000 units, of which only 15% are from the SST exemption bookings and these would be fulfilled by end of March 2023. The backlog could last for 5-6 months.
- We remain positive on the group for its: 1) large backlogs and 2) sustainable order book. Monthly delivery since September 2022 has consistently hit above 1,000 units and we understand that new orders for February 2023 would be close to 2,000 units. We believe that the strong orders were supported by the newly launched CKD Mazda CX-30. Overall, BAuto targets a sales volume of 14,000 units for FY23F, which is in line with our estimates.
- The group currently trades at a compelling CY23F PE of 10x versus its 10-year average of 12x. FY23F dividend yield is attractive at 6%.

## EXHIBIT 1: RESULTS SUMMARY

FYE April (RM mil)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
<b>Revenue</b>	<b>623.1</b>	<b>783.0</b>	<b>976.0</b>	<b>24.6</b>	<b>56.6</b>	<b>1,427.8</b>	<b>2,475.8</b>	<b>73.4</b>
<b>EBITDA</b>	<b>54.7</b>	<b>87.0</b>	<b>104.9</b>	<b>20.6</b>	<b>91.7</b>	<b>97.6</b>	<b>250.4</b>	<b>&gt;100</b>
<b>Operating Profit</b>	<b>49.6</b>	<b>81.2</b>	<b>99.0</b>	<b>21.9</b>	<b>99.4</b>	<b>112.7</b>	<b>267.7</b>	<b>&gt;100</b>
Investment related income	1.5	3.3	4.5	35.0	>100	4.7	10.6	>100
Finance costs	(2.6)	(2.2)	(2.7)	23.1	2.8	(7.8)	(7.4)	(4.7)
<b>Net interest expense</b>	<b>(1.1)</b>	<b>1.1</b>	<b>1.8</b>	<b>58.3</b>	<b>nm</b>	<b>(3.1)</b>	<b>3.2</b>	<b>nm</b>
Share of results of associates	6.6	9.3	14.8	59.5	>100	8.6	28.0	>100
<b>Profit before tax</b>	<b>55.1</b>	<b>91.6</b>	<b>115.5</b>	<b>26.1</b>	<b>&gt;100</b>	<b>103.1</b>	<b>281.7</b>	<b>&gt;100</b>
Tax	(12.4)	(20.8)	(23.3)	12.3	88.3	(25.2)	(62.1)	>100
<b>Profit after tax</b>	<b>42.7</b>	<b>70.8</b>	<b>92.2</b>	<b>30.2</b>	<b>&gt;100</b>	<b>78.0</b>	<b>219.6</b>	<b>&gt;100</b>
Minority interest	2.0	5.1	4.9	(4.7)	>100	1.0	16.5	>100
<b>Net profit</b>	<b>40.7</b>	<b>65.7</b>	<b>87.3</b>	<b>32.9</b>	<b>&gt;100</b>	<b>77.0</b>	<b>203.1</b>	<b>&gt;100</b>
<b>EPS (sen)</b>	<b>3.5</b>	<b>5.6</b>	<b>7.5</b>	<b>32.9</b>	<b>&gt;100</b>	<b>6.6</b>	<b>17.4</b>	<b>&gt;100</b>
<b>DPS (sen)</b>	<b>2.3</b>	<b>3.5</b>	<b>4.5</b>	<b>28.6</b>	<b>&gt;100</b>	<b>4.3</b>	<b>11.0</b>	<b>&gt;100</b>
<b>Margins</b>								
EBITDA margin (%)	8.8	11.1	10.8	-0.4 pts	2.0 pts	6.8	10.1	3.3 pts
EBIT margin (%)	8.0	10.4	10.1	-0.2 pts	2.2 pts	7.9	10.8	2.9 pts
PBT margin (%)	8.8	11.7	11.8	0.1 pts	3.0 pts	7.2	11.4	4.2 pts
Core net margin (%)	6.5	8.4	8.9	0.6 pts	2.4 pts	5.4	8.2	2.8 pts
<b>Segmental breakdown</b>								
<b>Revenue</b>	<b>623.1</b>	<b>783.0</b>	<b>976.0</b>	<b>24.6</b>	<b>56.6</b>	<b>1,427.8</b>	<b>2,475.8</b>	<b>73.4</b>
Malaysia	580.4	730.7	927.7	27.0	59.8	1,300.6	2,316.3	78.1
Philippines	42.8	52.3	48.3	(7.6)	13.0	127.1	159.5	25.4
<b>Operating income</b>	<b>49.6</b>	<b>81.2</b>	<b>99.0</b>	<b>21.9</b>	<b>99.4</b>	<b>97.6</b>	<b>250.4</b>	<b>&gt;100</b>
Malaysia	48.7	75.2	92.3	22.9	89.6	95.1	230.6	>100
Philippines	1.1	6.6	7.0	6.4	>100	3.4	21.1	>100
Unallocated corporate items	(0.2)	(0.5)	(0.4)	(29.9)	>100	(0.9)	(1.3)	46.4
<b>Share of results of associates</b>	<b>6.6</b>	<b>9.3</b>	<b>14.8</b>	<b>59.4</b>	<b>&gt;100</b>	<b>8.6</b>	<b>28.1</b>	<b>&gt;100</b>
Mazda Malaysia	5.0	8.1	13.4	65.1	>100	3.2	24.4	>100
Inokom Corporation	2.2	1.4	2.1	45.6	(7.4)	6.0	4.5	(24.2)
KIA Malaysia Sdn Bhd	(0.7)	(0.3)	(0.6)	82.3	(10.0)	(0.7)	(0.8)	21.8
Other	(0.0)	0.1	(0.1)	nm	>100	0.0	0.0	(>100)

Source: AmInvestment Bank Bhd

**EXHIBIT 2: PB BAND CHART**



**EXHIBIT 3: PE BAND CHART**



**EXHIBIT 4: ESG MATRIX**

<b>Overall</b>	★	★	★		
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-stars

Source: AmInvestment Bank Bhd

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, FYE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	2,287.9	2,323.7	3,466.9	3,587.9	3,721.4
<b>EBITDA</b>	<b>177.4</b>	<b>230.7</b>	<b>329.6</b>	<b>327.6</b>	<b>333.5</b>
Depreciation/Amortisation	(16.2)	(20.4)	(17.9)	(15.1)	(14.1)
Operating income (EBIT)	161.2	210.3	311.7	312.5	319.5
Other income & associates	20.5	18.1	42.0	46.8	51.5
Net interest	(12.8)	(10.7)	(14.2)	(12.7)	(11.2)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>168.9</b>	<b>217.7</b>	<b>339.4</b>	<b>346.5</b>	<b>359.8</b>
Taxation	(40.0)	(59.7)	(77.3)	(77.9)	(80.1)
Minorities/pref dividends	(4.9)	2.9	11.4	10.8	11.6
<b>Net profit</b>	<b>133.8</b>	<b>155.1</b>	<b>250.7</b>	<b>257.8</b>	<b>268.0</b>
Core net profit	133.8	155.1	250.7	257.8	268.0
Balance Sheet (RMmil, FYE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	37.2	41.6	33.7	28.6	26.5
Intangible assets	0.5	1.3	1.3	1.3	1.3
Other long-term assets	371.9	437.6	479.6	526.3	577.8
<b>Total non-current assets</b>	<b>409.6</b>	<b>480.5</b>	<b>514.6</b>	<b>556.2</b>	<b>605.7</b>
Cash & equivalent	563.4	693.9	521.0	563.8	608.6
Stock	277.8	230.4	421.0	435.7	451.9
Trade debtors	148.5	142.5	224.9	232.8	241.5
Other current assets	2.5	0.4	0.4	0.4	0.4
<b>Total current assets</b>	<b>992.2</b>	<b>1,067.2</b>	<b>1,167.3</b>	<b>1,232.7</b>	<b>1,302.3</b>
Trade creditors	247.6	253.0	285.0	294.9	305.9
Short-term borrowings	105.7	100.0	90.0	80.0	70.0
Other current liabilities	97.9	108.6	108.6	108.6	108.6
<b>Total current liabilities</b>	<b>451.1</b>	<b>461.6</b>	<b>483.5</b>	<b>483.4</b>	<b>484.4</b>
Long-term borrowings	99.8	99.8	89.8	79.8	69.8
Other long-term liabilities	238.8	297.2	297.2	297.2	297.2
<b>Total long-term liabilities</b>	<b>338.5</b>	<b>397.1</b>	<b>387.1</b>	<b>377.1</b>	<b>367.1</b>
<b>Shareholders' funds</b>	<b>565.4</b>	<b>634.3</b>	<b>745.1</b>	<b>851.3</b>	<b>967.8</b>
Minority interests	46.7	54.8	66.2	77.0	88.6
BV/share (RM)	0.49	0.54	0.64	0.73	0.83
Cash Flow (RMmil, FYE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	168.9	217.7	339.4	346.5	359.8
Depreciation/Amortisation	16.2	20.4	17.9	15.1	14.1
Net change in working capital	455.0	293.2	(241.1)	(12.6)	(13.9)
Others	(185.1)	(238.1)	(105.1)	(112.0)	(120.4)
<b>Cash flow from operations</b>	<b>455.0</b>	<b>293.2</b>	<b>11.2</b>	<b>237.1</b>	<b>239.5</b>
Capital expenditure	(3.6)	(10.6)	(10.0)	(10.0)	(12.0)
Net investments & sale of fixed assets	(2.5)	(23.6)	-	-	-
Others	5.4	5.4	-	-	-
<b>Cash flow from investing</b>	<b>(0.8)</b>	<b>(28.8)</b>	<b>(10.0)</b>	<b>(10.0)</b>	<b>(12.0)</b>
Debt raised/(repaid)	67.7	(31.5)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	1.2	-	-	-	-
Dividends paid	(75.7)	(101.9)	(139.9)	(151.5)	(151.5)
Others	17.7	1.4	(14.2)	(12.7)	(11.2)
<b>Cash flow from financing</b>	<b>10.9</b>	<b>(131.9)</b>	<b>(174.1)</b>	<b>(184.3)</b>	<b>(182.8)</b>
<b>Net cash flow</b>	<b>465.2</b>	<b>132.5</b>	<b>(172.9)</b>	<b>42.9</b>	<b>44.7</b>
<b>Net cash/(debt) b/f</b>	<b>100.2</b>	<b>563.4</b>	<b>694.4</b>	<b>521.5</b>	<b>564.3</b>
<b>Net cash/(debt) c/f</b>	<b>563.4</b>	<b>694.4</b>	<b>521.5</b>	<b>564.3</b>	<b>609.0</b>
Key Ratios (FYE 30 Apr)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	30.1	1.6	49.2	3.5	3.7
EBITDA growth (%)	23.9	30.0	42.9	(0.6)	1.8
Pretax margin (%)	7.4	9.4	9.8	9.7	9.7
Net profit margin (%)	5.8	6.7	7.2	7.2	7.2
Interest cover (x)	12.6	19.7	21.9	24.5	28.4
Effective tax rate (%)	23.7	27.4	22.8	22.5	22.3
Dividend payout (%)	56.6	65.7	55.8	58.8	56.5
Debtors turnover (days)	20	23	19	23	23
Stock turnover (days)	77	40	34	44	44
Creditors turnover (days)	48	39	28	29	29

Source: Company, AmlInvestment Bank Bhd estimates

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