

HLIB Research

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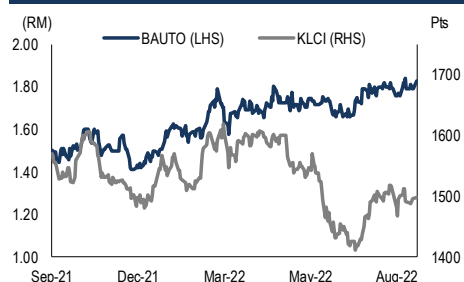
BUY (Maintain)

Target Price: RM2.05
Previously: RM2.05
Current Price: RM1.83

Capital upside	12.0%
Dividend yield	5.5%
Expected total return	17.5%

Sector coverage: Automotive

Company description: Bermaz Auto is involved in distribution, assembly, retailing and after sales service of Mazda, Peugeot and Kia vehicles in Malaysia and distribution of Mazda in the Philippines. Bermaz Auto is also involved in export of locally assembled Mazda and Kia vehicles.

Share price


	1M	3M	12M
Absolute	1.7	4.3	17.5
Relative	2.2	2.0	23.2

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,162
Market capitalisation (RM m)	2,126
3-mth average volume ('000)	1,599
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Employees Provident Fund	18.3%
Dynamic Milestone	14.5%
Permodalan Nasional Berhad	11.3%

Earnings summary

	FY22	FY23f	FY24f
FYE (Apr)			
PATMI - core (RM m)	161	208	165
EPS - core (sen)	13.8	17.9	14.2
P/E (x)	13.2	10.2	12.9

Bermaz Auto

A decent start

Reported core PATMI of RM51.3m for 1QFY23 (-36.5% QoQ; +341.8% YoY). The results were within HLIB expectation (24.7%), but above consensus (28.7%). Declared first interim dividend of 3.0 sen/share. We maintain our BUY recommendation with unchanged TP: RM2.05 based on 14x CY22 P/E. BAUTO earnings are expected to sustain for the remaining FY23, given its strong order backlogs and anticipated recovery of both Malaysia and Philippines economy, alongside a weakened JPY. The group has a net cash of RM462.1m (39.8 sen/share).

Within expectation. Reported 1QFY23 core PATMI at RM51.3m (-36.5% QoQ, +341.8% YoY), within HLIB's FY23 forecast of RM208.0m (24.7%), but above consensus' RM178.6m (28.7%). The group recorded net EIs of -RM1.2m during the quarter, mainly on forex loss and provisions, which were partially offset by gain on derivatives.

Dividend. Declared first interim dividend of 3.0 sen/share (ex-date: 13 Oct 2022).

QoQ. Core PATMI declined by -36.5% to RM51.3m mainly due to lower sales and margins from Malaysia Mazda operation on lower CKD sales volume (see Figure #6) and contribution from associates (lower production volume).

YoY. Core PATMI improved by +341.8% on higher group sales volume and margins from: (i) existing Malaysia Mazda and Philippines Mazda operations; (ii) new contributions from Malaysia Peugeot and Kia distributorships; and (iii) turnaround of associates' contributions. Recall that overall operations were affected by lockdowns in SPLY.

Outlook. BAUTO's Malaysia operation is expected to sustain for the remaining of FY23 in line with the anticipated strong Malaysia economic recovery, supported by the strong order backlogs of 8,500 units for Mazda, 500 units for Peugeot and 1,000 units for Kia. Currently the group is extending a 5% SST exemption for CKD models and 2.5% for CBU models, as part of group's strategy to sustain its overall new sales orders post government's ending of SST exemptions measures since end Jun 2022. BAUTO is currently benefitting from the depreciated JPY against MYR. Similarly, the Philippines operation is also experiencing a strong recovery following the removal of lockdown restrictions, allowing economic activities to operate at full capacity again. BAP recorded a strong PBT of RM7.1m for the quarter driven by lower operational costs and appreciation of PHP against JPY.

Forecast. Unchanged for FY23 and FY24. Introduced FY25 earnings at RM226m.

Maintain BUY, TP: RM2.05. We maintain BUY recommendation on BAUTO with unchanged TP of RM2.05, based on CY22 P/E of 14x. BAUTO has a strong orderbook with attractive new model line-ups. The group also has a healthy balance sheet position with net cash of RM462.1m (39.8 sen/share) as of end 1QFY23.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Cash	563	694	714	675	659
Receivables	148	163	181	131	165
Inventories	278	217	302	301	363
PPE	37	43	51	59	65
Others	375	442	453	476	510
Assets	1,402	1,560	1,701	1,642	1,761
Payables	248	273	328	240	240
Debt	205	200	150	100	100
Others	337	399	391	384	377
Liabilities	790	872	869	724	717
Shareholder's equity	565	634	772	843	953
Minority interest	47	55	60	74	91
Equity	612	688	832	917	1,044

Cash Flow Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
EBITDA	176	224	284	213	292
Net Interest	(7)	(4)	(6)	(4)	(3)
Taxation	(40)	(66)	(64)	(41)	(67)
Working Capital	286	101	(48)	(37)	(96)
Others	38	39	4	4	4
CFO	453	294	170	135	131
Capex	(4)	(12)	(15)	(15)	(15)
Others	(3)	(23)	0	0	0
CFI	(6)	(35)	(15)	(15)	(15)
Changes in debt	68	(31)	(50)	(50)	0
Shares issued	1	0	0	0	0
Dividends	(37)	(78)	(70)	(93)	(116)
Others	(13)	(16)	(16)	(16)	(16)
CFF	19	(126)	(136)	(159)	(132)
Net cash flow	465	133	19	(39)	(16)
Forex	(2)	(1)	0	0	0
Others	0	0	(0)	(0)	(0)
Beginning cash	100	563	694	714	675
Ending cash	563	694	714	675	659

Income Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Revenue	2,288	2,324	3,018	2,618	3,298
EBITDA	176	224	284	213	292
EBIT	159	203	263	191	269
Net interest	(7)	(4)	(6)	(4)	(3)
Associates & JV	21	18	21	33	43
Profit before tax	173	217	277	220	309
Tax	(40)	(60)	(64)	(41)	(67)
Net profit	133	158	213	179	243
Minority interest	5	(3)	(6)	(14)	(17)
Core PATMI	137	161	208	165	226
Exceptionals	(4)	(6)	0	0	0
Reported PATMI	134	155	208	165	226
Consensus core PATMI			179	206	229
HLIB/ Consensus (%)			116%	80%	99%

Valuation & Ratios

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Reported EPS (sen)	11.5	13.3	17.9	14.2	19.5
Core EPS (sen)	11.8	13.8	17.9	14.2	19.5
P/E (x)	15.5	13.2	10.2	12.9	9.4
DPS (sen)	6.5	8.8	10.0	8.0	12.0
Dividend yield (%)	3.5%	4.8%	5.5%	4.4%	6.6%
BVPS (RM)	0.49	0.55	0.66	0.73	0.82
P/B (x)	3.8	3.4	2.8	2.5	2.2
EBITDA margin	7.7%	9.6%	9.4%	8.1%	8.9%
EBIT margin	7.0%	8.7%	8.7%	7.3%	8.1%
PBT margin	7.5%	9.4%	9.2%	8.4%	9.4%
Net margin	6.0%	6.9%	6.9%	6.3%	6.9%
ROE (%)	26.5%	26.8%	29.5%	20.4%	25.2%
ROA (%)	10.2%	10.8%	12.7%	9.9%	13.3%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	30.8	42.6	48.5	49.5	48.1

Assumptions

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Sales volume					
Mazda Msia	13,439	12,038	12,820	10,050	11,950
Kia Msia	0	360	2,000	2,000	3,000
Peugeot Msia	242	997	2,000	2,000	3,000
Mazda Php	1,245	1,304	2,400	3,000	3,500
Production volume					
MMSB (units)	9,833	10,890	14,500	16,700	20,200
Inokom (units)	17,282	22,215	26,230	28,633	32,174

Figure #1 Quarterly results comparison

FYE Apr (RM m)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Revenue	320.8	897.4	716.9	-20.1%	123.5%
EBITDA	22.5	108.4	76.9	-29.1%	241.6%
Core EBIT	17.7	103.0	71.4	-30.7%	303.9%
Interest Expense	(1.8)	(1.8)	(1.6)	-13.3%	-9.5%
Interest on Lease Liability	(1.0)	(1.0)	(0.9)		
Interest and Investment Income	1.9	1.9	2.9	49.9%	54.2%
Associates					
MMSB	(1.9)	7.9	2.9	-63.6%	-250.5%
Inokom	0.9	2.0	1.0	-49.5%	9.0%
KMSB	0.0	0.0	0.0		
Core PBT	15.8	111.6	75.7	-32.1%	378.5%
Exceptionals	(1.4)	3.8	(1.2)		
Reported PBT	14.5	115.4	74.6	-35.4%	415.1%
Tax	(4.1)	(34.6)	(18.0)	-48.1%	333.9%
MI	(0.1)	(2.1)	(6.5)	201.6%	8745.2%
Reported PATAMI	10.3	78.7	50.2	-36.3%	388.5%
Core PATAMI	11.6	80.9	51.3	-36.5%	341.8%
Reported EPS (Sen)	0.9	6.8	4.3	-36.3%	388.2%
Core EPS (Sen)	1.0	7.0	4.4	-36.5%	341.5%
				<u>%-pts</u>	<u>%-pts</u>
EBITDA Margin (%)	7.0%	12.1%	10.7%	(1.4)	3.7
Core EBIT Margin (%)	5.5%	11.5%	10.0%	(1.5)	4.4
Core PATAMI Margin (%)	3.6%	9.0%	7.2%	(1.9)	3.5

Bursa, HLIB Research

Figure #2 Quarterly result breakdown

FYE Apr (RM m)	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Revenue					
Malaysia	270.6	840.1	658.0	-21.7%	143.1%
Philippines	50.2	57.3	58.9	2.9%	17.4%
Total	320.8	897.4	716.9	-20.1%	123.5%
EBIT					
Malaysia	15.5	105.4	63.1	-40.1%	307.9%
Philippines	1.1	1.6	7.4	374.3%	567.8%
Others	(0.3)	(0.2)	(0.4)		
Total	16.3	106.8	70.2	-34.3%	330.2%
Core EBIT	17.7	103.0	71.4	-30.7%	303.9%






Bursa, HLIB Research

Figure #3 Mazda model lineup 2022

	2021	CX-9 IPM4 (Aug'21) 	Mazda2 IPM5 (Dec'21) 	All-New BT-50 (Dec'21) 
	2022	CX-3 IPM4 (Jan'22) 	MX-5 IPM5 (Feb'22) 	Mazda3 IPM2 (Feb'22) 
		CX-8 IPM3 (June '22) 	New MX-30 EV (June'22) 	








Company

Figure #4 Peugeot model lineup 2022

	2021	New 3008 (Nov'21) 	New 5008 (Nov'21) 
	2022	All-New 2008 (Jan'22) 	New Landtrek (Q3'22) 

Company

Figure #5 Kia model lineup 2022

	<p>2021</p>	<p>All-New Carnival (Dec'21)</p> 		
<p>KIA</p>	<p>2022</p>	<p>Carnival CKD (July '22)</p> 	<p>New EV6 EV (June '22)</p> 	<p>All-New Sportage (Q2'23)</p> 
		<p>All-New Sorento (Q4'22)</p> 	<p>All-New Niro (Q4'22)</p> 	<p>New PBV1 EV (Q4'22)</p> 

Company

Figure #6 Quarterly sales breakdown

Malaysia Sales Statistics	1QFY22	4QFY22	1QFY23	QoQ (%)	YoY (%)
Mazda CBU					
Mazda 2	26	38	80	110.5%	207.7%
Mazda 3	218	152	114	-25.0%	-47.7%
Mazda 6	4	26	21	-19.2%	425.0%
CX-3	0	117	198	69.2%	N.M.
CX-30	160	214	620	189.7%	287.5%
CX-9	3	9	6	-33.3%	100.0%
MX-5	3	4	7	75.0%	133.3%
BT-50	3	90	61	-32.2%	1933.3%
Subtotal	417	650	1,107	70.3%	165.5%
Mazda CKD					
CX-5	963	3,455	1,511	-56.3%	56.9%
CX-8	239	446	368	-17.5%	54.0%
Subtotal	1,202	3,901	1,879	-51.8%	56.3%
Total Mazda Malaysia	1,619	4,551	2,986	-34.4%	84.4%
Peugeot CKD*					
2008	0	180	246	36.7%	N.M.
3008	0	289	193	-33.2%	N.M.
5008	0	79	35	-55.7%	N.M.
Total Peugeot Malaysia	0	548	474	-13.5%	N.M.
KIA					
Carnival (CKD)	0	0	183	N.M.	N.M.
Carnival (CBU)	0	203	263	29.6%	N.M.
EV6	0	0	2	N.M.	N.M.
Total KIA Malaysia	0	203	448	120.7%	N.M.
Total Malaysia	1,619	5,302	3,908	-26.3%	141.4%
The Philippines Sales Statistics					
CBU					
Mazda 2	0	15	8	-46.7%	N.M.
Mazda 3	32	42	31	-26.2%	-3.1%
Mazda 6	3	2	0	N.M.	N.M.
CX-3	8	0	0	N.M.	N.M.
CX-30	36	17	19	11.8%	-47.2%
CX-5	62	124	76	-38.7%	22.6%
CX-8	53	102	140	37.3%	164.2%
CX-9	72	15	31	106.7%	-56.9%
MX-5	17	27	13	-51.9%	-23.5%
BT-50	32	94	104	10.6%	225.0%
Total Mazda Philippines	315	438	422	-3.7%	34.0%
GRAND TOTAL	1,934	5,740	4,330	-24.6%	123.9%

*Associate level, as BAASB only became 55% subsidiary effective 2QFY22.
Bermaz Auto

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Stock rating guide

BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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