

**HLIB Research**

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**BUY** (Maintain)

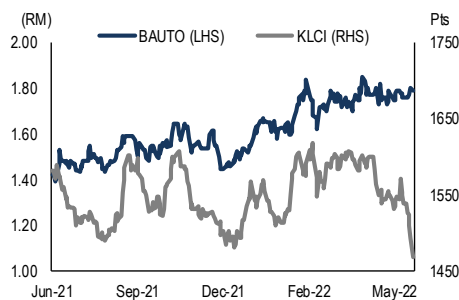
**Target Price:** RM1.95  
**Previously:** RM1.95  
**Current Price:** RM1.78

Capital upside 9.6%  
Dividend yield 5.5%  
Expected total return 15.1%

**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**



Historical return (%)	1M	3M	12M
Absolute	6.7	16.8	30.4
Relative	6.6	10.0	34.4

**Stock information**

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,162
Market capitalisation (RM m)	2,069
3-mth average volume ('000)	908
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★ ★ ★ ★

**Major shareholders**

Employees Provident Fund	18.5%
Dynamic Milestone	14.4%
Permodalan Nasional Berhad	12.0%

**Earnings summary**

FYE (Apr)	FY22	FY23f	FY24f
PATMI - core (RM m)	159.9	147.8	205.2
EPS - core (sen)	13.8	12.7	17.7
P/E (x)	12.9	14.0	10.1

# Bermaz Auto

## FY23 supported by high order backlogs

Reported core PATMI of RM80.9m for 4QFY22 (+98.9% QoQ; +25.6% YoY) and RM159.9m for FY22 (+22.5% YoY). The results were above HLIB expectation (107.0%) and consensus (121.1%). Declared fourth interim dividend of 2.0 sen/share and a special dividend of 2.5 sen (both ex-date: 14 Jul 2022). We maintain our BUY recommendation with unchanged TP: RM1.95 based on 14x CY22 P/E. BAUTO earnings are expected to sustain into FY23, given the strong order backlogs and the high probability of the Malaysia government further extending SST exemptions to end 2022 (from June 2022).

**Marginally above.** Reported 4QFY22 core PATMI at RM80.9m (+98.9% QoQ, +25.6% YoY) and FY22 at RM159.9m (+22.2% YoY). This achieved 107.0% of HLIB's FY22 forecast (marginally above) and 121.1% of consensus (above), as BAUTO accelerates productions and deliveries of cars during the last quarter of the financial year. The group recognised additional provision of RM6.0m for Prosperity Tax during the quarter (we deem as an EI).

**Dividend.** Declared fourth interim dividend of 2.0 sen/share and a special dividend of 2.5 sen/share (both ex-date: 14 Jul 2022), bringing up YTD dividend to 8.75 sen/share.

**QoQ.** Core PATMI continued to improve QoQ by +98.9% to RM80.9m following ramping up of productions and deliveries in Malaysia operation as the country transitioned into endemicity during the quarter and full commencement of the automotive sector. BAUTO also enjoyed margin improvement from RM appreciation against JPY during the quarter. Associates contribution also improved from MMSB on higher volume and margins on RM appreciation against JPY.

**YoY.** Core PATMI improved by +25.6% YoY on higher sales volume and group margins, partially offset by lower contribution from associates.

**YTD.** Core PATMI improved +22.2% YTD, on improved margins from: (i) better sales mix (despite slight drop of -2.6% in group sales volume YTD); (ii) RM appreciation against JPY; (iii) on-going strict cost-control measures; and (iv) revision of warranty and free after-sales service campaigns by end CY21.

**Outlook.** BAUTO's Malaysia operation is expected to sustain into FY23 in tandem with the anticipated economic recovery, supported by the strong orderbook of 8k units for Mazda, 500 units for Peugeot and 600 units for Kia. Upcoming model line-up include Mazda CX-8 IPM3, Mazda MX-30 EV, Peugeot Landtrek, Peugeot e-2008 EV, Kia EV6, Kia Sportage, Kia Sorento, Kia Nero and Kia PBV1 EV. The automotive industry is currently lobbying to the Malaysia government to further extend the SST exemption until end Dec 2022 (from current Jun 2022) while the Transport Minister has suggested government may agree to the idea to support the industry. Similarly, the Philippines market is also experiencing strong recovery following removal of lockdown restrictions, allowing economic activities to operate at full capacity again. Similarly, Mazda Philippines (BAP) is enjoying strong order recovery, while management is working towards securing more order allocation.

**Forecast.** Unchanged.

**Maintain BUY, TP: RM1.95.** We maintain BUY recommendation on BAUTO with unchanged TP of RM1.95, based on CY22 P/E of 14x. BAUTO has strong orderbook with attractive new model line-up. The group also has a healthy balance sheet position with net cash of RM494.1m (42.5s/share) as of end FY22.

**Figure #1 Quarterly results comparison**

FYE Apr (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	1,755	2,288	2,325	2,271	2,727
EBITDA	126	169	208	197	273
EBIT	110	153	203	181	257
PBT	134	166	217	202	287
PAT	-17	-52	-65	-44	-64
PATMI – Core	117	130	160	148	205
PATMI – Reported	115	133	156	148	205
% change YoY – Core PATMI		10.6%	23.4%	-7.6%	38.9%
HLIB/ Consensus (%) – Core PATMI				86.0%	101.5%
Core EPS (sen)	10.1	11.2	13.8	12.7	17.7
P/E (x)	17.7	16.0	12.9	14.0	10.1
DPS (sen)	7.5	6.5	8.8	9.8	11.8
Yield (%)	4.2%	3.7%	4.9%	5.5%	6.6%
Shareholder's equity	470	565	634	726	807
BVPS (RM/share)	0.40	0.49	0.55	0.63	0.69
P/B (x)	4.4	3.7	3.3	2.8	2.6
ROE (%)	22.7%	25.0%	57.2%	21.0%	26.8%
Net Gearing (%)	8.0%	N.Cash	N.Cash	N.Cash	N.Cash

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**Figure #2 Quarterly results comparison**

FYE Apr (RM m)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Revenue	641.2	623.1	897.4	44.0%	40.0%	2,287.9	2,325.1	1.6%
EBITDA	73.2	54.7	108.4	98.1%	48.0%	161.4	208.4	29.2%
Core EBIT	69.1	49.6	103.0	107.7%	49.1%	156.5	202.7	29.5%
Interest Expense	(1.8)	(1.7)	(1.8)	10.4%	1.0%	(8.9)	(6.6)	-26.1%
Interest on Lease Liability	(1.3)	(1.0)	(1.0)			(3.9)	(4.0)	
Interest and Investment Income	1.7	1.5	1.9	25.0%	14.4%	5.4	6.6	22.5%
Associates								
MMSB	12.7	5.0	7.9	59.2%	-37.7%	13.5	11.1	-17.8%
Inokom	0.4	2.2	2.0	-8.6%	378.7%	6.7	8.0	19.1%
KMSB	0.0	(0.7)	(0.5)			0.0	(1.2)	
Core PBT	81.0	55.1	111.6	102.7%	37.7%	169.6	216.8	27.8%
Exceptionals	2.4	0.1	3.8			3.1	1.8	
Reported PBT	83.5	55.1	115.4	109.4%	38.3%	172.7	218.6	26.6%
Tax	(17.6)	(12.4)	(34.6)	179.2%	96.5%	(41.1)	(59.7)	45.2%
MI	1.0	(2.0)	(2.1)	6.5%	-323.7%	2.4	(3.1)	-230.3%
Reported PATAMI	66.8	40.7	78.7	93.3%	17.8%	133.9	155.7	16.3%
Core PATAMI	64.4	40.7	80.9	98.9%	25.6%	130.8	159.9	22.2%
Reported EPS (Sen)	5.8	3.5	6.8	93.3%	17.8%	11.5	13.4	16.3%
Core EPS (Sen)	5.5	3.5	7.0	98.9%	25.6%	11.3	13.8	22.2%
				<u>ppts</u>	<u>ppts</u>			<u>ppts</u>
EBITDA Margin (%)	11.4%	8.8%	12.1%	3.3	0.7	7.1%	9.0%	1.9
Core EBIT Margin (%)	10.8%	8.0%	11.5%	3.5	0.7	6.8%	8.7%	1.9
Core PATAMI Margin (%)	10.0%	6.5%	9.0%	2.5	(1.0)	5.7%	6.9%	1.2

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**Figure #3 Quarterly result breakdown**

FYE Apr (RM m)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
<b>Revenue</b>								
Malaysia	588.0	580.4	840.1	44.8%	42.9%	2,118.0	2,140.7	1.1%
Philippines	53.2	42.8	57.3	33.9%	7.6%	169.9	184.4	8.5%
<b>Total</b>	<b>641.2</b>	<b>623.1</b>	<b>897.4</b>	<b>44.0%</b>	<b>40.0%</b>	<b>2,287.9</b>	<b>2,325.1</b>	<b>1.6%</b>
<b>EBIT</b>								
Malaysia	75.1	48.7	105.4	116.5%	40.3%	162.1	200.6	23.8%
Philippines	(4.3)	1.1	1.6	40.0%	-136.7%	(2.3)	5.0	-314.9%
Others	0.6	(0.2)	(0.2)			(0.2)	(1.1)	
<b>Total</b>	<b>71.5</b>	<b>49.6</b>	<b>106.8</b>	<b>115.2%</b>	<b>49.4%</b>	<b>159.6</b>	<b>204.5</b>	<b>28.1%</b>
<b>Core EBIT</b>	<b>69.1</b>	<b>49.6</b>	<b>103.0</b>	<b>107.7%</b>	<b>49.1%</b>	<b>156.5</b>	<b>202.7</b>	<b>29.5%</b>






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**Figure #4 Mazda model lineup 2022**











Company

**Figure #5 Peugeot model lineup 2022**

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

Company

**Figure #6 Kia model lineup 2022**

	<b>2021</b>	<b>All-New Carnival</b> (Dec'21) 		
	<b>2022</b>	<b>Carnival CKD</b> (Q3'22) 	<b>New EV6 EV</b> (Q3'22) 	<b>All-New Sportage</b> (Q2'23) 
		<b>All-New Sorento</b> (Q4'22) 	<b>All-New Niro</b> (Q4'22) 	<b>New PBV1 EV</b> (Q4'22) 

Company

**Figure #7** Quarterly sales breakdown

	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
<b>Malaysia Mazda Sales</b>								
<b>Mazda CBU</b>								
Mazda 2	60	79	38	-51.9%	-36.7%	290	182	-37.2%
Mazda 3	414	76	152	100.0%	-63.3%	1,223	815	-33.4%
Mazda 5	1	0	0	N.M.	N.M.	2	0	N.M.
Mazda 6	16	29	26	-10.3%	62.5%	71	96	35.2%
Biante	0	0	0	N.M.	N.M.	2	0	N.M.
CX-3	0	212	117	-44.8%	N.M.	235	657	179.6%
CX-30	728	166	214	28.9%	-70.6%	1,924	666	-65.4%
CX-9	11	17	9	-47.1%	-18.2%	112	42	-62.5%
MX-30	0	1	0	N.M.	N.M.	0	1	N.M.
MX-5	12	5	4	-20.0%	-66.7%	24	24	0.0%
BT-50	0	43	90	109.3%	N.M.	21	138	557.1%
<b>Subtotal</b>	<b>1,242</b>	<b>628</b>	<b>650</b>	<b>3.5%</b>	<b>-47.7%</b>	<b>3,904</b>	<b>2,621</b>	<b>-32.9%</b>
<b>Mazda CKD</b>								
Mazda 3	0	0	0	N.M.	N.M.	0	2	N.M.
CX-5	1,987	2,074	3,455	66.6%	73.9%	7,814	7,929	1.5%
CX-8	431	467	446	-4.5%	3.5%	1,721	1,486	-13.7%
<b>Subtotal</b>	<b>2,418</b>	<b>2,541</b>	<b>3,901</b>	<b>53.5%</b>	<b>61.3%</b>	<b>9,535</b>	<b>9,417</b>	<b>-1.2%</b>
<b>Mazda Total</b>	<b>3,660</b>	<b>3,169</b>	<b>4,551</b>	<b>43.6%</b>	<b>24.3%</b>	<b>13,439</b>	<b>12,038</b>	<b>-10.4%</b>
<b>Peugeot (CKD)</b>								
2008		57	180				237	
3008		167	289				556	
5008		59	79				171	
<b>Peugeot Total</b>	<b>196</b>	<b>283</b>	<b>548</b>	<b>93.6%</b>	<b>179.6%</b>	<b>242</b>	<b>831</b>	<b>243.4%</b>
<b>Kia (CBU)</b>								
Carnival		157	203			0	360	
<b>Kia Total</b>	<b>0</b>	<b>157</b>	<b>203</b>	<b>29.3%</b>	<b>N.M.</b>	<b>0</b>	<b>360</b>	<b>N.M.</b>
<b>Malaysia Total</b>	<b>3,856</b>	<b>3,609</b>	<b>5,302</b>	<b>46.9%</b>	<b>37.5%</b>	<b>13,681</b>	<b>13,229</b>	<b>-3.3%</b>
<b>The Philippines Sales Statistics</b>								
<b>CBU</b>								
Mazda 2	29	27	15	-44.4%	-48.3%	67	42	-37.3%
Mazda 3	75	18	42	133.3%	-44.0%	294	110	-62.6%
Mazda 6	11	1	2	100.0%	-81.8%	26	8	-69.2%
CX-3	9	0	0	N.M.	N.M.	20	8	-60.0%
CX-30	42	25	17	-32.0%	-59.5%	117	91	-22.2%
CX-5	77	55	124	125.5%	61.0%	208	306	47.1%
CX-8	73	67	102	52.2%	39.7%	132	274	107.6%
CX-9	42	0	15	N.M.	-64.3%	124	121	-2.4%
MX-5	10	11	27	145.5%	170.0%	76	81	6.6%
BT-50	66	132	94	-28.8%	42.4%	181	263	45.3%
<b>Philippines Total</b>	<b>434</b>	<b>336</b>	<b>438</b>	<b>30.4%</b>	<b>0.9%</b>	<b>1,245</b>	<b>1,304</b>	<b>4.7%</b>
<b>GRAND TOTAL</b>	<b>4,290</b>	<b>3,945</b>	<b>5,740</b>	<b>45.5%</b>	<b>33.8%</b>	<b>14,926</b>	<b>14,533</b>	<b>-2.6%</b>

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

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

### Sector rating guide

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

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