

Bermaz Auto Berhad (BAUTO MK)

1QFY25: Weak start but inline

BUY

Share Price MYR 2.37
 12m Price Target MYR 3.04 (+28%)
 Previous Price Target MYR 3.04

Results met expectations; maintain BUY

BAuto's 1QFY25 core net profit (CNP) of MYR70m met expectations, achieving 20%/23% of ours/consensus FY25E. We anticipate stronger quarters ahead due to (i) seasonal factors, (ii) higher contribution from new MY launches like Kia Sportage, CX60, and XPeng G6, and (iii) increased associate contributions. Our forecasts, BUY and TP of MYR3.04, based on 10x FY25E PER (20% below the 5Y avg), are unchanged, pending further updates from its results briefing. The valuation discount is to factor in rising competition risks in the mass premium vehicle segment.

CNP fell -31% YoY as vehicle sales normalised

1QFY25 CNP fell -31% YoY to MYR70m, as revenue declined -22% YoY. This was due to a -23% YoY drop in vehicle sales to 5,117 units, driven by the absence of backlog orders, particularly for the Mazda 3, CX3, and CX8 models. Kia Carnival sales also dropped significantly (-59% YoY) to 232 units, likely impacted by the diesel subsidy rationalisation from 1 June 2024. On a positive note, associates profit contribution rose 25% YoY, led by Inokom and KMSB, partially offsetting a -19% YoY decline from MMSB.

QoQ, CNP dragged by lower vehicle sales and margins

QoQ, BAUTO's 1QFY25 CNP declined by -23%, with revenue down -10% and vehicle sales falling -7%, mainly due to weaker Mazda MY CKD model sales and Kia Carnival. EBIT margin contracted 1.6ppt, driven by lower margins from Kia operations and the cessation of Peugeot operations in Feb 2024. The 429 units of Peugeot sold during the quarter were inventory sales to Stellantis. BAUTO declared a DPS of 3.50sen, translating to a 58% DPR.

Anticipating stronger HoH

We remain positive on BAUTO for its strong fundamentals, resilient financials (net cash, robust free cash flow from its asset-light model), and attractive >9% dividend yield. The company targets c.23k vehicle sales for FY25E (flat to slightly lower YoY), with growth driven by the Kia Sportage launch, expected to more than double Kia sales and offset the slowdown in Mazda MY sales, leading to a stronger 2HFY25E. Order backlogs are mostly cleared, with current bookings averaging around 1.3k units/month.

FYE Apr (MYR m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	3,541	3,930	3,938	4,062	4,109
EBITDA	385	446	451	460	461
Core net profit	306	352	355	365	369
Core EPS (sen)	26.2	30.2	30.4	31.3	31.7
Core EPS growth (%)	96.3	15.2	0.9	2.9	1.2
Net DPS (sen)	22.0	26.0	22.8	23.5	23.8
Core P/E (x)	8.8	7.7	7.8	7.6	7.5
P/BV (x)	3.5	3.1	3.0	2.7	2.5
Net dividend yield (%)	9.5	11.3	9.6	9.9	10.0
ROAE (%)	43.8	43.3	40.2	38.1	35.0
ROAA (%)	18.4	19.0	18.0	17.5	16.6
EV/EBITDA (x)	6.1	5.2	5.3	5.2	5.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	312	331	352
MIBG vs. Consensus (%)	-	-	13.8	10.3	5.0

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Company Description

Franchise holders and sole distributors of: (i) Mazda, Peugeot and Kia vehicles in Malaysia and (ii) Mazda in the Philippines.

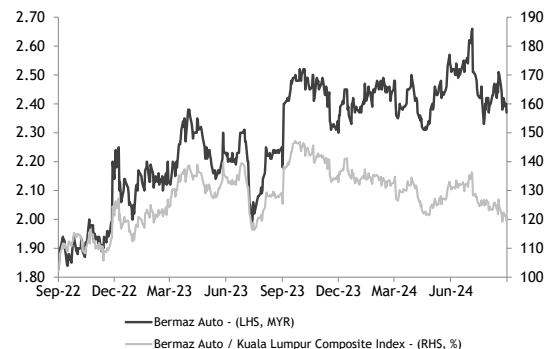
Statistics

52w high/low (MYR)	2.66/2.18
3m avg turnover (USDm)	1.5
Free float (%)	66.8
Issued shares (m)	1,171
Market capitalisation	MYR2.8B
	USD639M

Major shareholders:

Dynamic Milestone Sdn. Bhd.	14.9%
Employees Provident Fund	13.3%
Permodalan Nasional Bhd.	7.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(2)	(7)	5
Relative to index (%)	(6)	(9)	(8)

Source: FactSet

Figure 1: BAUTO results summary table

FY Apr (MYR m)	Quarterly results					Cumulative		
	1Q25	1Q24	% YoY	4Q24	% QoQ	3M25	3M24	% YoY
Turnover	846.2	1,089.3	(22.3)	937.5	(9.7)	846.2	1,089.3	(22.3)
EBIT	88.7	135.1	(34.4)	113.4	(21.8)	88.7	135.1	(34.4)
EBITDA	91.1	137.4	(33.7)	115.8	(21.3)	91.1	137.4	(33.7)
Int. expense	(2.2)	(1.8)	21.2	(1.7)	28.1	(2.2)	(1.8)	21.2
Associates	10.7	8.6	24.6	19.6	(45.0)	10.7	8.6	24.6
- MMSB (30%)	5.8	7.2	(19.1)	10.8	(46.2)	5.8	7.2	(19.1)
- Inokom (29%)	3.8	1.3	>100	2.6	48.5	3.8	1.3	>100
- Kia (33%)	1.5	0.3	>100	6.3	(76.5)	1.5	0.3	>100
One-offs	0.6	(1.3)	NM	(0.7)	NM	0.6	(1.3)	NM
Pre-tax profits	97.8	140.7	(30.5)	130.6	(25.1)	97.8	140.7	(30.5)
Tax	(22.4)	(32.8)	(31.7)	(31.0)	(27.7)	(22.4)	(32.8)	(31.7)
Minority interest	(5.2)	(7.7)	(32.8)	(9.4)	44.9	(5.2)	(7.7)	(32.8)
Net profit	70.2	100.2	(29.9)	90.2	(22.2)	70.2	100.2	(29.9)
Net profit Ex one-offs	69.7	101.5	(31.4)	90.9	(23.4)	69.7	101.5	(31.4)
<i>EBIT margin (%)</i>	<i>10.5</i>	<i>12.4</i>	<i>(1.9)</i>	<i>12.1</i>	<i>(1.6)</i>	<i>10.5</i>	<i>12.4</i>	<i>(1.9)</i>
<i>EBITDA margin (%)</i>	<i>10.8</i>	<i>12.6</i>	<i>(1.8)</i>	<i>12.4</i>	<i>(1.6)</i>	<i>10.8</i>	<i>12.6</i>	<i>(1.8)</i>
<i>Tax rate (%)</i>	<i>22.9</i>	<i>23.3</i>	<i>(0.4)</i>	<i>23.7</i>	<i>(0.8)</i>	<i>22.9</i>	<i>23.3</i>	<i>(0.4)</i>
Revenue	846.2	1,089.3	(22.3)	937.5	(9.7)	846.2	1,089.3	(22.3)
- Malaysia	755.0	988.9	(23.7)	841.7	(10.3)	755.0	988.9	(23.7)
- Philippines	91.2	100.3	(9.1)	95.9	(4.9)	91.2	100.3	(9.1)
EBIT	88.7	135.1	(34.4)	113.4	(21.8)	88.7	135.1	(34.4)
- Malaysia	69.3	116.1	(40.3)	97.3	(28.8)	69.3	116.1	(40.3)
- Philippines	18.4	14.9	23.2	13.8	32.9	18.4	14.9	23.2
- Others	1.0	4.2	(76.6)	2.3	(57.3)	1.0	4.2	(76.6)
EBIT Margins (%)	10.5	12.4	(1.9)	12.1	(1.6)	10.5	12.4	(1.9)
- Malaysia	9.2	11.7	(2.6)	11.6	(2.4)	9.2	11.7	(2.6)
- Philippines	20.2	14.9	5.3	14.4	5.7	20.2	14.9	5.3
Vehicle unit sales	5,117	6,648	(23.0)	5,480	(6.6)	5,117	6,648	(23.0)
Mazda Malaysia	3,852	4,999	(22.9)	4,210	(8.5)	3,852	4,999	(22.9)
Mazda Philippines	562	730	(23.0)	637	(11.8)	562	730	(23.0)
Peugeot	429	313	37.1	228	88.2	429	313	37.1
Kia	274	606	(54.8)	405	(32.3)	274	606	(54.8)

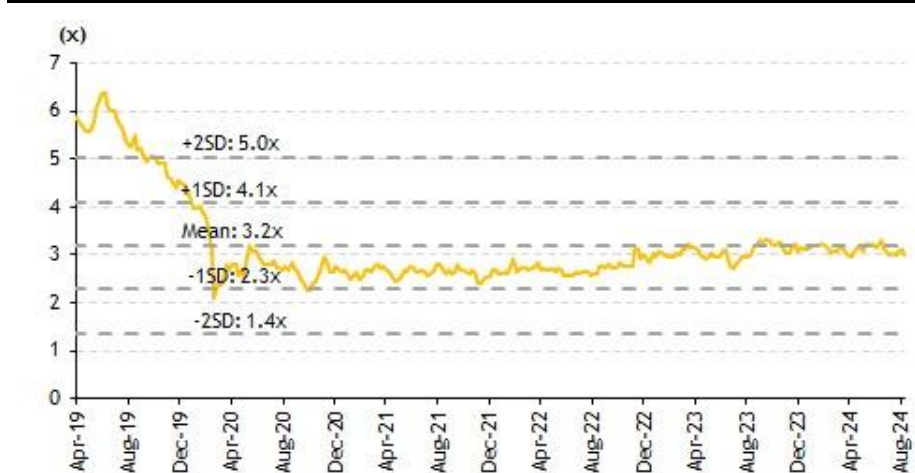
Source: Company, Maybank IBG research

Figure 2: BAUTO one-year forward PER



Source: Maybank IBG Research

Figure 3: BAUTO one-year forward PBV



Source: Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for BAUTO. Soft consumer sentiment, steep competition and unattractive model launches may drag earnings. Forex volatility will affect its profitability and operational planning. Execution mishap, cost overruns and / or absence of new orders will cause adverse impact on earnings.

FYE 30 Apr	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	7.5	7.8	7.8	7.6	7.5
Core P/E (x)	8.8	7.7	7.8	7.6	7.5
P/BV (x)	3.5	3.1	3.0	2.7	2.5
P/NTA (x)	3.5	3.1	3.0	2.7	2.5
Net dividend yield (%)	9.5	11.3	9.6	9.9	10.0
FCF yield (%)	3.8	10.7	11.7	11.5	11.8
EV/EBITDA (x)	6.1	5.2	5.3	5.2	5.1
EV/EBIT (x)	6.2	5.3	5.4	5.3	5.2

INCOME STATEMENT (MYR m)

Revenue	3,540.6	3,930.3	3,938.0	4,062.4	4,108.7
EBITDA	384.8	446.3	451.2	460.3	461.0
Depreciation	(8.2)	(9.3)	(9.3)	(9.3)	(9.3)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	376.6	437.0	441.9	451.0	451.6
Net interest income / (exp)	5.4	3.1	6.5	6.5	6.5
Associates & JV	41.1	50.0	54.9	60.4	66.4
Exceptionals	0.2	(0.9)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	423.3	489.1	503.2	517.8	524.5
Income tax	(94.0)	(111.4)	(120.8)	(124.3)	(125.9)
Minorities	(23.5)	(26.7)	(27.5)	(28.3)	(29.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	305.8	351.0	354.9	365.2	369.5
Core net profit	305.6	351.9	354.9	365.2	369.5

BALANCE SHEET (MYR m)

Cash & Short Term Investments	537.4	568.1	589.1	641.3	692.5
Accounts receivable	197.6	219.3	219.8	226.7	229.3
Inventory	498.3	553.2	554.3	571.8	578.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	44.6	47.2	49.9	52.5	55.2
Intangible assets	0.5	0.5	0.5	0.5	0.5
Investment in Associates & JVs	314.5	364.5	419.4	479.7	546.1
Other assets	184.1	184.1	184.1	184.1	184.1
Total assets	1,776.9	1,936.9	2,017.0	2,156.7	2,286.0
ST interest bearing debt	99.9	0.0	0.0	0.0	0.0
Accounts payable	351.1	389.7	390.5	402.8	407.4
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	100.0	100.0	100.0	100.0
Other liabilities	487.0	487.0	487.0	487.0	487.0
Total Liabilities	937.6	976.3	977.0	989.4	993.9
Shareholders Equity	762.8	857.3	909.2	1,008.2	1,103.8
Minority Interest	76.6	103.3	130.8	159.1	188.3
Total shareholder equity	839.4	960.6	1,040.0	1,167.3	1,292.0
Total liabilities and equity	1,776.9	1,936.9	2,017.0	2,156.7	2,286.0

CASH FLOW (MYR m)

Pretax profit	423.3	489.1	503.2	517.8	524.5
Depreciation & amortisation	8.2	9.3	9.3	9.3	9.3
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(202.5)	(37.9)	(0.8)	(12.1)	(4.5)
Cash taxes paid	(94.0)	(111.4)	(120.8)	(124.3)	(125.9)
Other operating cash flow	(20.1)	(50.0)	(54.9)	(60.4)	(66.4)
Cash flow from operations	114.9	299.1	336.2	330.4	337.1
Capex	(12.2)	(12.0)	(12.0)	(12.0)	(12.0)
Free cash flow	102.7	287.1	324.2	318.4	325.1
Dividends paid	(154.0)	(256.5)	(303.1)	(266.2)	(273.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(99.9)	0.1	0.0	0.0	0.0
Other invest/financing cash flow	(5.6)	0.0	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(156.8)	30.7	21.1	52.2	51.1

FYE 30 Apr	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	52.4	11.0	0.2	3.2	1.1
EBITDA growth	83.6	16.0	1.1	2.0	0.1
EBIT growth	84.8	16.0	1.1	2.1	0.1
Pretax growth	94.5	15.6	2.9	2.9	1.3
Reported net profit growth	97.2	14.8	1.1	2.9	1.2
Core net profit growth	96.8	15.2	0.9	2.9	1.2
Profitability ratios (%)					
EBITDA margin	10.9	11.4	11.5	11.3	11.2
EBIT margin	10.6	11.1	11.2	11.1	11.0
Pretax profit margin	12.0	12.4	12.8	12.7	12.8
Payout ratio	83.9	86.3	75.0	75.0	75.0
DuPont analysis					
Net profit margin (%)	8.6	8.9	9.0	9.0	9.0
Revenue/Assets (x)	2.0	2.0	2.0	1.9	1.8
Assets/Equity (x)	2.3	2.3	2.2	2.1	2.1
ROAE (%)	43.8	43.3	40.2	38.1	35.0
ROAA (%)	18.4	19.0	18.0	17.5	16.6
Liquidity & Efficiency					
Cash conversion cycle	26.5	36.3	38.0	37.5	37.8
Days receivable outstanding	17.3	19.1	20.1	19.8	20.0
Days inventory outstanding	54.0	58.4	60.8	59.8	60.4
Days payables outstanding	44.8	41.1	42.9	42.2	42.6
Dividend cover (x)	1.2	1.2	1.3	1.3	1.3
Current ratio (x)	2.1	2.5	2.6	2.7	2.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.9	2.0	2.1	2.2	2.3
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.3	0.2	0.2	0.2	0.2
Capex/revenue (%)	0.3	0.3	0.3	0.3	0.3
Net debt/ (net cash)	(437.4)	(468.1)	(489.1)	(541.3)	(592.5)

Source: Company; Maybank IBG Research

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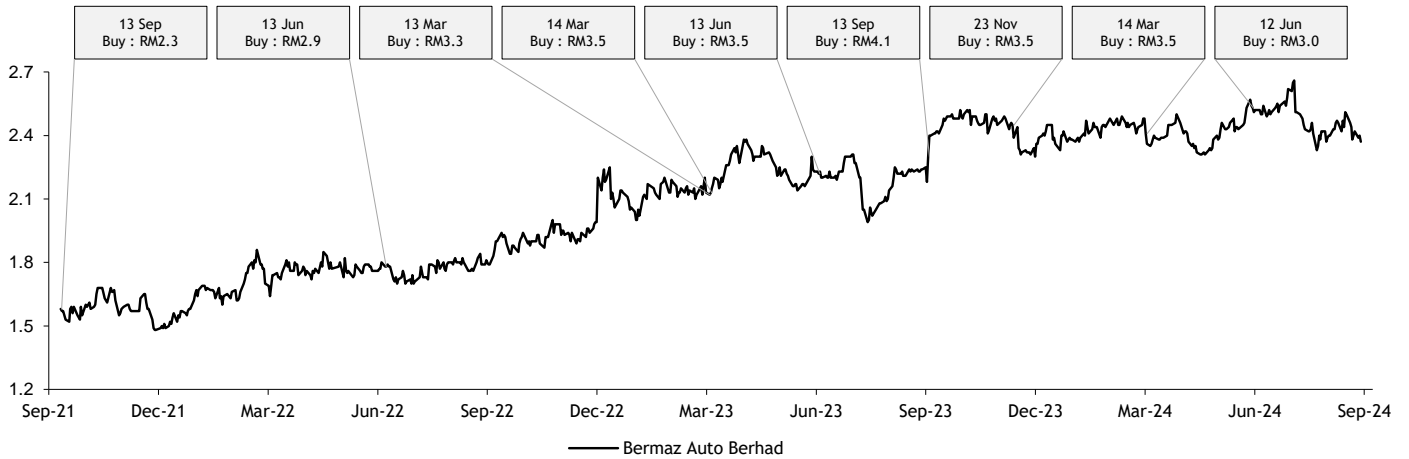
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