



AmInvestment Bank

## Company Report

## BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

11 Jun 2024

FY24 above, FY25F interesting but with challenges

BUY

(Maintained)

AmInvestment Bank

Team Coverage

603 2036 2291

Rationale for report: Company Results

Price	RM2.57
Fair Value	RM3.42
52-week High/Low	RM2.59/RM1.96

## Key Changes

Fair value	↔
EPS	↔

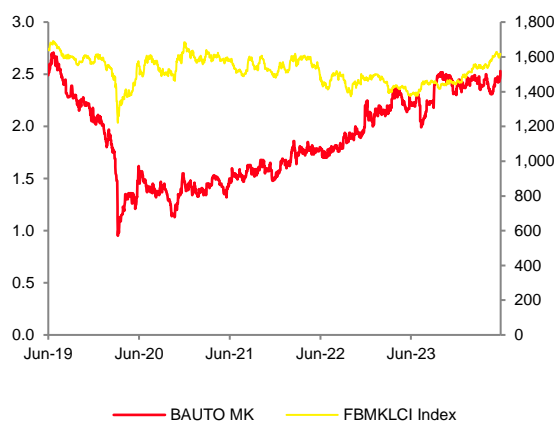
YE to Apr	FY24	FY25F	FY26F	FY27F
Revenue (RM mil)	4,074.7	3,977.4	4,090.1	4,080.2
Core net profit (RM mil)	333.7	326.7	327.8	337.9
FD Core EPS (sen)	28.6	28.0	28.1	28.9
FD Core EPS growth (%)	9.9	(2.1)	0.3	3.1
Consensus Net Profit (RM mil)	-	341.2	350.3	n.a
DPS (sen)	26.0	16.8	16.8	17.4
PE (x)	9.0	9.2	9.2	8.9
EV/EBITDA (x)	7.5	7.7	7.3	7.0
Div yield (%)	10.8	7.0	7.0	7.2
ROE (%)	42.5	37.6	32.8	29.8
Net Gearing (%)	10.6	net cash	net cash	net cash

## Stock and Financial Data

Shares Outstanding (million)	1,167.6
Market Cap (RMmil)	3,000.7
Book Value (RM/Share)	0.69
P/BV (x)	3.7
ROE (%)	42.5
Net Gearing (%)	10.6

Major Shareholders	Dynamic Milestone (14.7%) Employees Provident Fund Board (10.8%) Amanah Saham Nasional (7.2%)
Free Float	51.5
Avg Daily Value (RMmil)	6.8

Price performance	3mth	6mth	12mth
Absolute (%)	5.3	11.3	19.4
Relative (%)	0.5	(0.6)	1.8



## Investment Highlights

- Maintain BUY with an unchanged (FV) of RM3.44/share based on 12x FY25 P/E, which is its historical 5-year average. Our FY25F-FY26F earnings forecasts are unchanged, and we introduce forecast for FY27F. No change to our Neutral 3-star ESG rating.
- BAUTO delivered a 4QFY24 net profit of RM90.2mil (-10% YoY, +28% QoQ). This brings FY24 net profit to RM351.0mil (+49% YoY). It was 5% above our expectations.
- The group also announced a final DPS of 4.75sen (+36% YoY), which represents a payout ratio of 61%. This goes ex-div on 19 July. For FY24, BAUTO paid a total dividend (normal + special) of 26sen (+18% YoY). The dividend payment was higher than management's guidance.
- The number of car units sold was 14% lower YoY but crucially 1.5% higher QoQ. Lower YoY sales were expected as customers were buying ahead of the tax break expiry at the end Mar 2023. However, the better QoQ sales is a positive tone that demand and reception to the new model launches is healthy.
- The Philippines operations continued to deliver a strong performance with a strong customer take-up. FY24 operating profit almost doubled (+98% YoY) on the back of a 63% revenue growth.
- The inventory turnover was at 5.7x in FY24, much lower than its historical average of 7.0x. There is a surge in inventories due to new models that are not launched yet. It is likely a timing issue rather than structural.
- The balance sheet remains solid with a net cash of RM368mil. BAUTO churned FCF of RM188mil. If this level of cashflow continues into FY25F, we believe that there is scope for another special dividend as the group will have too much surplus cash, much more than its business needs.
- Management gave the customary mixed outlook statement; they are optimistic on the new product lineup, which is doing well. But they are also cautious due to the high-interest rate environment and volatile global markets.
- Our positive outlook on BAUTO is premised on its:
  - Impressive new model pipeline,
  - Strong brand franchise with a highly loyal clientele,
  - Clean balance sheet with industry-leading ROEs, and
- The stock currently trades at 9.2x FY25 P/E, which is at a 23% discount to its 5-year historical average.

## EXHIBIT 1: RESULT SUMMARY

FYE April (RM mil)	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
<b>Revenue</b>	<b>1,072.4</b>	<b>896.5</b>	<b>937.5</b>	<b>4.6</b>	<b>(12.6)</b>	<b>3,548.2</b>	<b>3,930.3</b>	<b>10.8</b>
<b>EBITDA</b>	<b>109.2</b>	<b>87.1</b>	<b>110.7</b>	<b>27.1</b>	<b>1.4</b>	<b>376.8</b>	<b>436.1</b>	<b>15.7</b>
<b>Operating Profit</b>	<b>126.5</b>	<b>87.1</b>	<b>110.7</b>	<b>27.1</b>	<b>(12.5)</b>	<b>376.8</b>	<b>436.1</b>	<b>15.7</b>
Investment related income	4.0	2.3	2.1	(11.9)	(48.5)	14.6	10.5	(28.5)
Finance costs	(1.8)	(1.8)	(1.7)	(4.4)	(6.6)	(9.3)	(7.4)	(19.9)
<b>Net interest expense</b>	<b>2.1</b>	<b>0.5</b>	<b>0.3</b>	<b>(37.3)</b>	<b>(84.5)</b>	<b>5.4</b>	<b>3.1</b>	<b>(43.1)</b>
Share of results of associates	10.9	7.5	19.6	162.4	78.9	39.0	50.0	28.3
<b>Profit before tax</b>	<b>139.5</b>	<b>95.1</b>	<b>130.6</b>	<b>37.3</b>	<b>(6.4)</b>	<b>421.2</b>	<b>489.1</b>	<b>16.1</b>
Tax	(31.9)	(20.5)	(21.0)	2.2	(34.2)	(94.0)	(101.4)	7.9
<b>Profit after tax</b>	<b>107.6</b>	<b>74.5</b>	<b>99.6</b>	<b>33.6</b>	<b>(7.5)</b>	<b>327.2</b>	<b>377.7</b>	<b>15.4</b>
Minority interest	7.0	4.0	9.4	132.7	33.9	23.5	26.7	13.7
<b>Net profit</b>	<b>100.6</b>	<b>70.5</b>	<b>90.2</b>	<b>28.0</b>	<b>(10.3)</b>	<b>303.7</b>	<b>351.0</b>	<b>15.6</b>
<b>Core Net Profit</b>	<b>100.6</b>	<b>70.5</b>	<b>90.2</b>	<b>28.0</b>	<b>(10.3)</b>	<b>303.7</b>	<b>351.0</b>	<b>15.6</b>
<b>EPS (sen)</b>	<b>8.6</b>	<b>6.0</b>	<b>7.7</b>	<b>28.4</b>	<b>(10.3)</b>	<b>26.0</b>	<b>30.1</b>	<b>15.6</b>
<b>DPS (sen)</b>	<b>11.0</b>	<b>11.5</b>	<b>4.3</b>	<b>(63.0)</b>	<b>(61.4)</b>	<b>22.0</b>	<b>25.8</b>	<b>17.0</b>
<b>Margins</b>								
EBITDA margin (%)	10.2	9.7	11.8	2.1 pts	1.6 pts	10.6	11.1	0.5 pts
EBIT margin (%)	11.8	9.7	11.8	2.1 pts	0.0 pts	10.6	11.1	0.5 pts
PBT margin (%)	13.0	10.6	13.9	3.3 pts	0.9 pts	11.9	12.4	0.6 pts
Core net margin (%)	9.4	7.9	9.6	1.8 pts	0.2 pts	8.6	8.9	0.4 pts
<b>Segmental breakdown</b>								
<b>Revenue</b>	<b>1,072.4</b>	<b>896.5</b>	<b>937.5</b>	<b>4.6</b>	<b>(12.6)</b>	<b>3,548.2</b>	<b>3,930.3</b>	<b>10.8</b>
Malaysia	1,000.5	805.8	841.7	4.5	(15.9)	3,316.8	3,554.4	7.2
Philippines	71.9	90.7	95.9	5.7	33.4	231.4	375.9	62.5
<b>Operating income</b>	<b>126.5</b>	<b>87.1</b>	<b>110.7</b>	<b>27.1</b>	<b>(12.5)</b>	<b>376.8</b>	<b>436.1</b>	<b>15.7</b>
Malaysia	117.9	73.7	97.3	32.1	(17.5)	348.6	378.8	8.7
Philippines	8.8	13.8	13.8	0.3	57.3	29.9	59.1	97.8
Unallocated corporate items	(0.3)	(0.4)	(0.5)	21.2	69.3	(1.6)	(1.8)	14.8
<b>Sales Volume</b>	<b>6,178</b>	<b>5,235</b>	<b>5,314</b>	<b>1.5</b>	<b>(14.0)</b>	<b>18,709</b>	<b>16,208</b>	<b>(13.4)</b>
Mazda	5,350	4,873	4,847	(0.5)	(9.4)	15,719	14,942	(4.9)
Malaysia	4,827	4,267	4,210	(1.3)	(12.8)	14,037	12,561	(10.5)
Philippines	523	606	637	5.1	21.8	1,682	2,381	41.6
Peugeot	422	146	27	(81.5)	(93.6)	1,853	894	(51.8)
Kia	406	216	440	103.7	8.4	1,137	372	(67.3)
Mazda - Malaysia								
CBU	1,031	519	592	14.1	(42.6)	3,420	3,633	6.2
CKD	3,796	3,748	3,618	(3.5)	(4.7)	12,178	14,761	21.2

Source: Company

## Key observations:

- Overall car sales volume declined by 14% YoY in 4QFY24, and by 13.4% YoY in FY24.
- Profit margins improved in FY24 on better sales mix, and lower incentives. There were a few facelifts model launches during the period, which enjoyed brisk sales. We note that BAUTO raised the sticker prices of these models by 3-5% and probably gave minimal discounts to customers.
- KIA did not do well in FY24 with significant declines. Mazda is still the key product for BAUTO.
- Philippine operation is outperforming Malaysia; all of the initial work are delivering the desired results.

EXHIBIT 2: PB BAND CHART

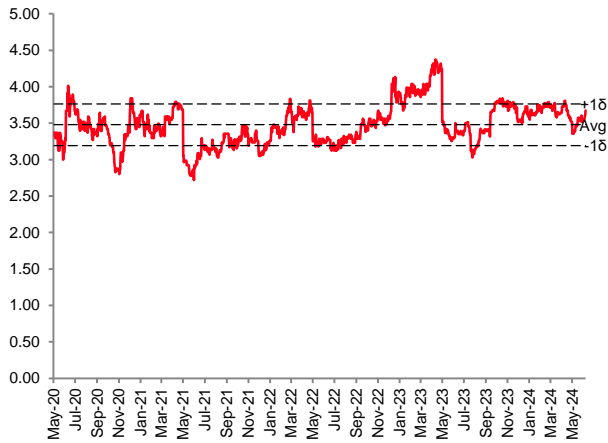


EXHIBIT 3: PE BAND CHART

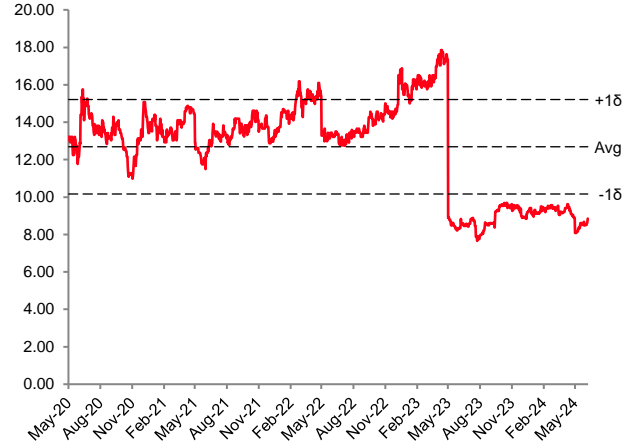


EXHIBIT 4: ESG MATRIX

	Assessment	Parameters	Weight age	Rating				Rationale
1	Water usage	m3 used	20%	*	*	*		6% increase in water usage from FY22 baseline
2	Energy usage	Renewable energy production	20%	*	*	*	*	3x increase in renewable energy production in FY23
3	Minimise waste generation	Scheduled waste in tonnes	20%	*	*	*		29% increase in FY23
4	Scope 1 Emissions	tCO2e emitted	15%	*	*			59% increase in FY23
5	Scope 2 Emissions	tCO2e emitted	15%	*	*	*		19% increase in FY23
6	Carbon Emissions Reduction	Number of free EV chargers	10%	*	*	*	*	Capable of complimentary charging 29 EV cars at a time
<b>Weighted score for environmental assessment</b>			<b>100%</b>	*	*	*		
1	Health, safety & well-being	Number of fatalities & injuries	25%	*	*	*	*	0 fatalities & injuries for 3 consecutive years
2	Women in workforce	% of total workforce	25%	*	*	*		30% of workforce
3	Investment in employee training	Hours of training	25%	*	*	*		2.86x increase in training hours, 18.1k hours in FY23 vs 6.3k hours in FY22
4	CSR programmes	Disbursement in RM	25%	*	*	*		Disbursement of RM638K through Mazda Medicare Fund (MMF)
<b>Weighted score for social assessment</b>			<b>100%</b>	*	*	*		
1	Board age diversity	% under 60 years old	20%	*	*			15%
2	Board women representation	% of total board directors	20%	*	*	*		29% representation
3	Directors with tenure below 6 years	% below 6 years category	20%	*	*			14% representation
4	Independent board directors	% of total board directors	20%	*	*	*	*	57% - independent non-exec
5	Remuneration to directors	% of total staff costs	20%	*	*	*		RM9.2mil - 11% of FY23 staff costs
<b>Weighted score for governance assessment</b>			<b>100%</b>	*	*	*		

Combined Score by respective Segments

Environmental score		30%	*	*	*		
Social score		30%	*	*	*		
Governance score		40%	*	*	*		
<b>Overall ESG Score</b>		<b>100%</b>	<b>*</b>	<b>*</b>	<b>*</b>		<b>Final Rating of 3-stars</b>

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: Company

## EXHIBIT 1: FINANCIAL DATA

Income Statement (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	3,548.2	4,074.7	3,977.4	4,090.1	4,080.2
EBITDA	400.3	410.4	388.5	396.3	400.3
Depreciation/Amortisation	(23.4)	(18.9)	(16.5)	(14.6)	(14.6)
Operating income (EBIT)	376.8	391.5	372.0	381.7	385.7
Other income & associates	39.0	59.2	62.4	59.0	64.9
Net interest	5.4	(11.4)	(9.4)	(8.0)	(6.6)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>421.2</b>	<b>439.2</b>	<b>425.0</b>	<b>432.6</b>	<b>443.9</b>
Taxation	(94.0)	(95.0)	(90.6)	(93.4)	(94.8)
Minorities/pref dividends	23.5	10.5	7.6	11.4	11.3
<b>Net profit</b>	<b>303.7</b>	<b>333.7</b>	<b>326.7</b>	<b>327.8</b>	<b>337.9</b>
Core net profit	303.7	333.7	326.7	327.8	337.9
Balance Sheet (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	44.6	41.3	36.8	34.2	31.6
Intangible assets	105.1	105.1	105.1	105.1	105.1
Other long-term assets	388.8	463.5	525.9	584.9	649.7
<b>Total non-current assets</b>	<b>538.5</b>	<b>609.9</b>	<b>667.8</b>	<b>724.2</b>	<b>786.4</b>
Cash & equivalent	537.6	59.2	129.7	217.8	282.9
Stock	503.9	687.1	675.3	674.1	673.0
Trade debtors	207.8	196.5	190.2	189.9	189.2
Other current assets	0.3	309.1	309.1	309.1	309.1
<b>Total current assets</b>	<b>1,249.6</b>	<b>1,251.9</b>	<b>1,304.2</b>	<b>1,390.9</b>	<b>1,454.2</b>
Trade creditors	360.1	350.9	342.9	363.4	362.6
Short-term borrowings	113.0	62.5	52.5	42.5	32.5
Other current liabilities	129.8	129.8	129.8	129.8	129.8
<b>Total current liabilities</b>	<b>602.9</b>	<b>543.2</b>	<b>525.2</b>	<b>535.7</b>	<b>524.9</b>
Long-term borrowings	68.8	81.9	71.9	61.9	51.9
Other long-term liabilities	-	-	-	-	-
<b>Total long-term liabilities</b>	<b>68.8</b>	<b>81.9</b>	<b>71.9</b>	<b>61.9</b>	<b>51.9</b>
<b>Shareholders' funds</b>	<b>766.9</b>	<b>803.7</b>	<b>934.4</b>	<b>1,065.5</b>	<b>1,200.6</b>
Minority interests	76.6	92.9	100.4	111.8	123.1
BV/share (RM)	0.66	0.69	0.80	0.91	1.03
Cash Flow (RMmil, YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	421.2	439.2	425.0	432.6	443.9
Depreciation/Amortisation	23.4	18.9	16.5	14.6	14.6
Net change in working capital	114.9	(54.8)	10.1	21.9	1.0
Others	(444.6)	(142.7)	(143.6)	(144.4)	(153.0)
<b>Cash flow from operations</b>	<b>114.9</b>	<b>260.5</b>	<b>308.0</b>	<b>324.8</b>	<b>306.5</b>
Capital expenditure	(12.2)	(10.0)	(12.0)	(12.0)	(12.0)
Net investments & sale of fixed assets	0.4	-	-	-	-
Others	12.7	-	-	-	-
<b>Cash flow from investing</b>	<b>1.0</b>	<b>(10.0)</b>	<b>(12.0)</b>	<b>(12.0)</b>	<b>(12.0)</b>
Debt raised/(repaid)	(100.0)	(20.0)	(20.0)	(20.0)	(20.0)
Equity raised/(repaid)	8.0	6.6	-	-	-
Dividends paid	(256.9)	(303.6)	(196.0)	(196.7)	(202.7)
Others	80.2	(11.4)	(9.4)	(8.0)	(6.6)
<b>Cash flow from financing</b>	<b>(268.7)</b>	<b>(328.4)</b>	<b>(225.5)</b>	<b>(224.7)</b>	<b>(229.3)</b>
<b>Net cash flow</b>	<b>(152.8)</b>	<b>(77.8)</b>	<b>70.5</b>	<b>88.1</b>	<b>65.2</b>
<b>Net cash/(debt) b/f</b>	<b>694.4</b>	<b>537.6</b>	<b>459.8</b>	<b>530.3</b>	<b>618.3</b>
<b>Net cash/(debt) c/f</b>	<b>537.6</b>	<b>459.8</b>	<b>530.3</b>	<b>618.3</b>	<b>683.5</b>
Key Ratios (YE 31 Apr)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	52.7	14.8	(2.4)	2.8	(0.2)
EBITDA growth (%)	73.5	2.5	(5.3)	2.0	1.0
Pretax margin (%)	11.9	10.8	10.7	10.6	10.9
Net profit margin (%)	8.6	8.2	8.2	8.0	8.3
Interest cover (x)	nm	34.3	39.5	47.6	58.3
Effective tax rate (%)	22.3	21.6	21.3	21.6	21.3
Dividend payout (%)	84.6	91.0	60.0	60.0	60.0
Debtors turnover (days)	19	18	18	17	17
Stock turnover (days)	37	53	63	60	60
Creditors turnover (days)	33	32	32	32	32

Source: Company, AmlInvestment Bank Bhd estimates

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