

HLIB Research

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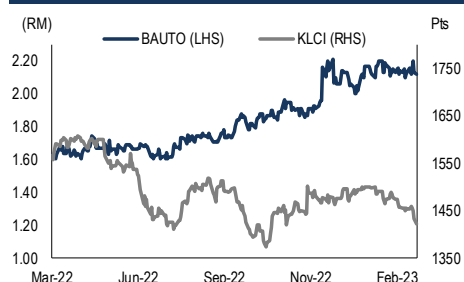
BUY (Maintain)

Target Price: RM2.60
Previously: RM2.35
Current Price: RM2.12

Capital upside	22.6%
Dividend yield	8.5%
Expected total return	31.1%

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

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,166
Market capitalisation (RM m)	2,471
3-mth average volume ('000)	2,483
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Employees Provident Fund	14.7%
Dynamic Milestone	14.7%
Permodalan Nasional Berhad	11.3%

Earnings summary

FYE (Apr)	FY22	FY23f	FY24f
PATMI - core (RM m)	161	269	192
EPS - core (sen)	13.8	23.2	16.5
P/E (x)	15.3	9.1	12.8

Bermaz Auto

A record quarter

Reported core PATMI of RM87.8m for 3QFY23 (+33.9% QoQ; +115.8% YoY) and RM204.6m for 9MFY23 (+158.9% YoY). The results were above HLIB expectation (78.7%) and consensus (95.0%), mainly due to stronger than expected sales volume and margins. Declared a third interim dividend of 4.5 sen/share (ex-date: 17 Apr 2023). Raised earnings forecasts for FY23 by 3.7%, FY24 by 4.2% and FY25 by 5.8% following higher sales volume and margin assumptions. We maintain our BUY recommendation with a higher TP: RM2.60 (from RM2.35) based on 14x CY23 P/E. BAUTO earnings are expected to sustain into 1HFY24, given the strong order backlogs.

Above expectations. Reported record high 3QFY23 core PATMI at RM87.8m (+33.9% QoQ; +115.8% YoY), accelerating 9MFY23 to RM204.6m (+158.9% YoY). We deem the results above HLIB's FY23 forecast (78.7%) and consensus (95.0%) due to stronger than expected sales volume and margins. We expect a continued strong 4QFY23 as the group accelerates car productions and deliveries prior to the end of SST exemptions delivery by end Mar-23.

Dividend. Declared a third interim dividend of 4.5 sen/share (ex-date: 17 Apr 2023), bringing up YTD dividend to 11.0 sen/share.

QoQ. Core PATMI continued to improve QoQ by +33.9% to RM87.8m following ramping up of productions and deliveries of Mazda and Kia in Malaysia prior to ending of SST exemption scheme by end Mar 2023. EBITDA margin was relatively flattish while the higher associates' contribution (mainly MMSB on higher production for both domestic and export markets) had further improved PATMI margin.

YoY/YTD. Core PATMI improved substantially by +115.8% YoY and +158.9% YTD mainly due to low base SPLY (affected by various lockdown measures in both Malaysia and the Philippines) for Mazda as well as new contribution from Kia and Peugeot distributorship.

Outlook. BAUTO's Malaysia operation is expected to sustain into 1HFY24, backed mainly by the strong order-book of 6.8k units for Mazda, 250 units for Peugeot and 400 units for Kia. The still high order-book is mainly driven by the group's ongoing promotional campaign of absorbing 5% SST exemption for CKD models and 2.5% for CBU models for new bookings in Malaysia (ended Dec 2022) as well as attractive new model launches. Management expects to offset the higher cost with ongoing cost efficiency programs and appreciated MYR against JPY. The group has recently launched CX-30 CKD model and Kia Sorento. Upcoming model line-up include Peugeot Landtrek, Peugeot e-2008 EV, Kia Sportage and Kia Carens. However, the Philippines market recovery seems to be relatively slow despite the removal of lockdown restrictions since earlier part of 2022.

Forecast. We raised earnings forecasts for FY23 by 3.7%, FY24 by 4.2% and FY25 by 5.8% following higher sales volume and margin assumptions.

Maintain BUY, TP: RM2.60. We maintain BUY recommendation on BAUTO with a higher TP of RM2.60 (from 2.35), as we raise our earnings with a higher 14x P/E (from 13x on stronger expectations of sales sustainability). BAUTO has strong order-book of over 7k units. The group also has a healthy balance sheet position with net cash of RM427.7m (36.8 sen/share) as of end 3QFY23.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Cash	563	694	698	671	645
Receivables	148	163	199	139	175
Inventories	278	217	266	278	351
PPE	37	43	51	59	65
Others	375	442	473	502	544
Assets	1,402	1,560	1,687	1,648	1,780
Payables	248	273	297	252	252
Debt	205	200	150	100	100
Others	337	399	391	384	377
Liabilities	790	872	837	736	729
Shareholder's equity	565	634	775	816	917
Minority interest	47	55	74	96	133
Equity	612	688	850	912	1,051

Cash Flow Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
EBITDA	176	224	353	254	355
Net Interest	(7)	(4)	4	5	6
Taxation	(40)	(66)	(87)	(61)	(88)
Working Capital	286	101	(61)	4	(110)
Others	38	39	4	4	4
CFO	453	294	213	205	167
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)	(128)	(151)	(163)
Others	(13)	(16)	(16)	(16)	(16)
CFF	19	(126)	(194)	(217)	(179)
Net cash flow	465	133	4	(27)	(26)
Forex	(2)	(1)	0	0	0
Others	0	0	(0)	0	(0)
Beginning cash	100	563	694	698	671
Ending cash	563	694	698	671	645

Income Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Revenue	2,288	2,324	3,319	2,776	3,508
EBITDA	176	224	353	254	355
EBIT	159	203	331	231	332
Net interest	(7)	(4)	4	5	6
Associates & JV	21	18	41	39	52
Profit before tax	173	217	376	275	389
Tax	(40)	(60)	(87)	(61)	(88)
Net profit	133	158	289	214	301
Minority interest	5	(3)	(20)	(22)	(38)
Core PATMI	137	161	269	192	264
Exceptionals	(4)	(6)	0	0	0
Reported PATMI	134	155	269	192	264
Consensus core PATMI			215	219	245
HLIB/ Consensus (%)			125%	88%	108%

Valuation & Ratios

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Reported EPS (sen)	11.5	13.3	23.2	16.5	22.7
Core EPS (sen)	11.8	13.8	23.2	16.5	22.7
P/E (x)	17.9	15.3	9.1	12.8	9.3
DPS (sen)	6.5	8.8	18.0	12.0	14.0
Dividend yield (%)	3.1%	4.1%	8.5%	5.7%	6.6%
BVPS (RM)	0.49	0.55	0.67	0.70	0.79
P/B (x)	4.4	3.9	3.2	3.0	2.7
EBITDA margin	7.7%	9.6%	10.6%	9.1%	10.1%
EBIT margin	7.0%	8.7%	10.0%	8.3%	9.5%
PBT margin	7.5%	9.4%	11.3%	9.9%	11.1%
Net margin	6.0%	6.9%	8.1%	6.9%	7.5%
ROE (%)	26.5%	26.8%	38.3%	24.1%	30.4%
ROA (%)	10.2%	10.8%	16.6%	11.5%	15.4%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	30.8	42.6	47.2	49.2	46.9

Assumptions

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Sales volume					
Mazda Msia	13,439	12,038	15,095	11,220	13,300
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	1,700	2,900	3,500
Production volume					
MMSB (units)	9,833	10,890	17,000	17,700	21,500
Inokom (units)	17,282	22,215	28,314	29,883	33,424

Figure #1 Quarterly results comparison

FYE Apr (RM m)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
Revenue	623.1	783.0	976.0	24.6%	56.6%	1,427.8	2,475.8	73.4%
EBITDA	54.7	86.9	105.4	21.3%	92.7%	103.8	257.9	148.5%
Core EBIT	49.6	81.1	99.5	22.7%	100.5%	99.7	251.9	152.7%
Interest Expense	(1.7)	(1.3)	(1.8)	41.6%	8.4%	(4.8)	(4.7)	-2.0%
Interest on Lease Liability	(1.0)	(0.9)	(0.9)			(3.0)	(2.7)	
Interest and Investment Income	1.5	3.3	4.5	35.0%	191.5%	4.7	10.6	125.6%
Associates								#DIV/0!
MMSB	5.0	8.1	13.4	65.1%	167.8%	3.2	24.4	662.6%
Inokom	2.2	1.4	2.1	45.6%	-7.4%	6.0	4.5	-24.2%
KMSB	(0.7)	(0.3)	(0.6)			(0.7)	(0.8)	
Others	(0.0)	0.1	(0.1)			(0.0)	(0.1)	
Core PBT	55.1	91.5	116.0	26.8%	110.7%	105.2	283.2	169.3%
Exceptionals	0.1	0.1	(0.5)			(2.0)	(1.5)	
Reported PBT	55.1	91.6	115.5	26.1%	109.6%	103.1	281.7	173.1%
Tax	(12.4)	(20.8)	(23.3)	12.3%	88.3%	(25.2)	(62.1)	146.7%
MI	(2.0)	(5.1)	(4.9)	-4.7%	143.5%	(1.0)	(16.5)	1605.1%
Reported PATAMI	40.7	65.7	87.3	32.9%	114.4%	77.0	203.1	163.7%
Core PATAMI	40.7	65.5	87.8	33.9%	115.8%	79.1	204.6	158.9%
Reported EPS (Sen)	3.5	5.7	7.5	32.7%	114.2%	6.6	17.5	163.4%
Core EPS (Sen)	3.5	5.6	7.5	33.7%	115.6%	6.8	17.6	158.6%
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA Margin (%)	8.8%	11.1%	10.8%	(0.3)	2.0	7.3%	10.4%	3.1
Core EBIT Margin (%)	8.0%	10.4%	10.2%	(0.2)	2.2	7.0%	10.2%	3.2
Core PATAMI Margin (%)	6.5%	8.4%	9.0%	0.6	2.5	5.5%	8.3%	2.7




















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Figure #2 Quarterly result breakdown

FYE Apr (RM m)	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
Revenue								
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%
Total	623.1	783.0	976.0	24.6%	56.6%	1,427.8	2,475.8	73.4%
EBIT								
Malaysia	48.7	75.2	92.3	22.9%	89.6%	95.1	230.6	142.4%
Philippines	1.1	6.6	7.0	6.4%	528.2%	3.4	21.1	522.4%
Others	(0.2)	(0.5)	(0.4)			(0.9)	(1.3)	
Total	49.6	81.2	99.0	21.9%	99.4%	97.6	250.4	156.5%
Core EBIT	49.6	81.1	99.5	22.7%	100.5%	99.7	251.9	152.7%

Bursa, HLIB Research

Figure #3 Bermaz model lineup for 2022-23

	2022				2023	
	Mazda3 IPM2 (Feb'22) 	CX-30 IPM2 (Feb'22) 	CX-8 IPM3 (June '22) 	New MX-30 EV (June '22) 	CX-30 CKD (Mar'23) 	
	New 3008 (Nov'21) 	New 5008 (Nov'21) 	All-New 2008 (Jan'22) 	New Landtrek (Mar'23) 	New e-2008 EV (Q1'23) 	
	All-New Carnival (Dec'21) 	Carnival CKD (July '22) 	New EV6 EV (June '22) 	All-New Sorento (Mar'23) 	All-New Sportage InProgress (Q2'23) 	Carens (KY) InProgress (Q2'23) 

Company

Figure #4 Sales model breakdown

Malaysia Sales Statistics	3QFY22	2QFY23	3QFY23	QoQ (%)	YoY (%)	9MFY22	9MFY23	YoY (%)
<u>Mazda CBU</u>								
Mazda 2	79	102	56	-45.1%	-29.1%	144	238	65.3%
Mazda 3	76	81	8	-90.1%	-89.5%	665	203	-69.5%
Mazda 6	29	76	65	-14.5%	124.1%	70	162	131.4%
CX-3	212	0	362	N.M.	70.8%	540	560	3.7%
CX-30	166	120	182	51.7%	9.6%	452	922	104.0%
CX-9	17	13	11	-15.4%	-35.3%	33	30	-9.1%
MX-30	1	0	4	N.M.	300.0%	1	4	300.0%
MX-5	5	13	8	-38.5%	60.0%	20	28	40.0%
BT-50	43	156	25	-84.0%	-41.9%	48	242	404.2%
Subtotal	628	561	721	28.5%	14.8%	1,973	2,389	21.1%
<u>Mazda CKD</u>								
CX-5	2,074	2,212	2,763	24.9%	33.2%	4,474	6,486	45.0%
CX-8	467	559	969	73.3%	107.5%	1,040	1,896	82.3%
Subtotal	2,541	2,771	3,732	34.7%	46.9%	5,514	8,382	52.0%
Total Mazda Malaysia	3,169	3,332	4,453	33.6%	40.5%	7,487	10,771	43.9%
<u>Peugeot CKD</u>								
2008	57	200	144	-28.0%	152.6%	57	590	935.1%
3008	167	383	192	-49.9%	15.0%	267	768	187.6%
5008	59	46	35	-23.9%	-40.7%	92	116	26.1%
Total Peugeot Malaysia	283	629	371	-41.0%	31.1%	416	1,474	254.3%
<u>KIA</u>								
Carnival (CKD)	0	327	210	-35.8%	N.M.	0	720	N.M.
Carnival (CBU)	157	2	377	N.M.	140.1%	157	642	308.9%
EV6	0	52	35	-32.7%	N.M.	0	89	N.M.
Total KIA Malaysia	157	381	622	63.3%	296.2%	157	1,451	824.2%
Total Malaysia	3,609	4,342	5,446	25.4%	50.9%	8,060	13,696	69.9%
The Philippines Sales Statistics								
<u>CBU</u>								
Mazda 2	27	23	6	-73.9%	-77.8%	27	37	37.0%
Mazda 3	18	21	0	N.M.	N.M.	68	52	-23.5%
Mazda 6	1	0	0	N.M.	N.M.	6	0	N.M.
CX-3	0	10	4	-60.0%	N.M.	8	14	75.0%
CX-30	25	8	1	-87.5%	-96.0%	74	28	-62.2%
CX-5	55	109	137	25.7%	149.1%	182	322	76.9%
CX-8	67	19	42	121.1%	-37.3%	172	201	16.9%
CX-9	0	57	20	-64.9%	N.M.	106	108	1.9%
MX-5	11	58	51	-12.1%	363.6%	54	122	125.9%
BT-50	132	82	89	8.5%	-32.6%	169	275	62.7%
Total Mazda Philippines	336	387	350	-9.6%	4.2%	866	1,159	33.8%
GRAND TOTAL	3,945	4,729	5,796	22.6%	46.9%	8,926	14,855	66.4%

Bermaz Auto

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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.

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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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