

HLIB Research

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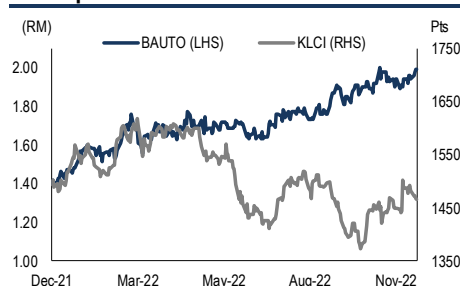
BUY (Maintain)

Target Price: RM2.35
Previously: RM2.05
Current Price: RM1.99

Capital upside	18.1%
Dividend yield	7.0%
Expected total return	25.1%

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	3.1	11.2	35.5
Relative	1.4	13.4	38.1

Stock information

Bloomberg ticker	BAUTO MK
Bursa code	5248
Issued shares (m)	1,163
Market capitalisation (RM m)	2,314
3-mth average volume ('000)	2,113
SC Shariah compliant	Yes
F4GBM Index member	Yes
ESG rating	★★★★

Major shareholders

Employees Provident Fund	16.7%
Dynamic Milestone	14.6%
Permodalan Nasional Berhad	11.3%

Earnings summary

FYE (Apr)	FY22	FY23f	FY24f
PATMI - core (RM m)	161	260	184
EPS - core (sen)	13.8	22.4	15.9
P/E (x)	14.4	8.9	12.5

Bermaz Auto

A strong 1HFY23

Reported core PATMI of RM65.5m for 2QFY23 (+27.7% QoQ; +144.8% YoY) and RM116.9m for 1HFY23 (+204.4% YoY). The results were above HLIB expectation (56.2%) and consensus (63.1%), mainly due to stronger than expected sales volume and margins. Declared a second interim dividend of 3.5 sen/share (ex-date: 22 Dec 2022). We maintain our BUY recommendation with a higher TP: RM2.35 (from RM2.05) based on 13x CY23 P/E. BAUTO earnings are expected to sustain into 2HFY23, given the strong order backlogs.

Above expectations. Reported 2QFY23 core PATMI at RM65.5m (+27.7% QoQ, +144.8% YoY) and 1HFY23 at RM116.9m (+204.4% YoY). We deem the results above HLIB's FY23 forecast (56.2%) and consensus (63.1%) due to stronger than expected sales volume and margins. We expect a stronger 2HFY23 as the group accelerates car productions and deliveries prior to the end of SST exemptions delivery by end Mar-23.

Dividend. Declared a second interim dividend of 3.5 sen/share (ex-date: 22 Dec 2022), bringing up YTD dividend to 6.5 sen/share.

QoQ. Core PATMI continued to improve QoQ by +27.7% to RM65.5m following ramping up of productions and deliveries in Malaysia operation as the country continued to recover since endemicity in April 2022. Margin improved slightly during the quarter, mainly driven by improved model sales mix. Associates contribution also improved from MMSB on higher volume and RM appreciation against JPY.

YoY/YTD. Core PATMI improved substantially by +144.8% YoY and +204.4% YTD due new sales contribution from Kia and Peugeot as well as low base effect in SPLY which was affected by various lockdown measures in both Malaysia and the Philippines.

Outlook. BAUTO's Malaysia operation is expected to sustain into 2HFY23 in tandem with the anticipated economic recovery, supported by the strong order-book of 8.5k units for Mazda, 300 units for Peugeot and 1.2k units for Kia. The still high order-book is mainly driven by the group's ongoing 5% SST exemption for CKD models and 2.5% for CBU models for new bookings in Malaysia until year end, as the group continues to benefit from the depreciated JPY against MYR. Upcoming model line-up include Mazda CX-30 CKD, Peugeot Landtrek, Peugeot e-2008 EV, Kia Sportage, Kia Sorento, and Kia Carens. However, the Philippines market recovery seems to remain relatively slow despite the removal of lockdown restrictions.

Forecast. We raised earnings forecasts for FY23 by 25.2%, FY24 by 11.9% and FY25 by 10.3% following higher sales volume and margin assumptions.

Maintain BUY, TP: RM2.35. We maintain BUY recommendation on BAUTO with a higher TP of RM2.35 (from 2.05), as we roll forward valuation into CY23 with 13x P/E (lowered from 14x due to expected slower market in CY23). BAUTO has strong order-book of 10k units with exciting new model line-up. The group also has a healthy balance sheet position with net cash of RM483.4m (41.6 s/share) as of end 2QFY23.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Cash	563	694	722	738	726
Receivables	148	163	195	132	169
Inventories	278	217	261	263	337
PPE	37	43	51	59	65
Others	375	442	462	488	528
Assets	1,402	1,560	1,691	1,680	1,825
Payables	248	273	290	239	243
Debt	205	200	150	100	100
Others	337	399	391	384	377
Liabilities	790	872	830	723	720
Shareholder's equity	565	634	777	846	956
Minority interest	47	55	83	111	150
Equity	612	688	861	957	1,105

Cash Flow Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
EBITDA	176	224	362	242	334
Net Interest	(7)	(4)	5	6	7
Taxation	(40)	(66)	(86)	(50)	(79)
Working Capital	286	101	(59)	11	(107)
Others	38	39	4	4	4
CFO	453	294	225	213	159
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)	(116)	(116)	(139)
Others	(13)	(16)	(16)	(16)	(16)
CFF	19	(126)	(182)	(182)	(155)
Net cash flow	465	133	27	16	(12)
Forex	(2)	(1)	0	0	0
Others	0	0	0	0	0
Beginning cash	100	563	694	722	738
Ending cash	563	694	722	738	726

Income Statement

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Revenue	2,288	2,324	3,258	2,633	3,374
EBITDA	176	224	362	242	334
EBIT	159	203	340	220	310
Net interest	(7)	(4)	5	6	7
Associates & JV	21	18	30	36	50
Profit before tax	173	217	375	262	367
Tax	(40)	(60)	(86)	(50)	(79)
Net profit	133	158	288	212	288
Minority interest	5	(3)	(28)	(28)	(38)
Core PATMI	137	161	260	184	249
Exceptionals	(4)	(6)	0	0	0
Reported PATMI	134	155	260	184	249
Consensus core PATMI			185	203	224
HLIB/ Consensus (%)			140%	91%	111%

Valuation & Ratios

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Reported EPS (sen)	11.5	13.3	22.4	15.9	21.5
Core EPS (sen)	11.8	13.8	22.4	15.9	21.5
P/E (x)	16.8	14.4	8.9	12.5	9.3
DPS (sen)	6.5	8.8	14.0	10.0	14.0
Dividend yield (%)	3.3%	4.4%	7.0%	5.0%	7.0%
BVPS (RM)	0.49	0.55	0.67	0.73	0.82
P/B (x)	4.1	3.6	3.0	2.7	2.4
EBITDA margin	7.7%	9.6%	11.1%	9.2%	9.9%
EBIT margin	7.0%	8.7%	10.4%	8.4%	9.2%
PBT margin	7.5%	9.4%	11.5%	10.0%	10.9%
Net margin	6.0%	6.9%	8.0%	7.0%	7.4%
ROE (%)	26.5%	26.8%	36.8%	22.7%	27.7%
ROA (%)	10.2%	10.8%	16.0%	10.9%	14.2%
Net gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
N.Cash/share (sen)	30.8	42.6	49.2	54.9	53.9

Assumptions

FYE Apr	FY21	FY22	FY23f	FY24f	FY25f
Sales volume					
Mazda Msia	13,439	12,038	14,530	10,180	12,400
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	2,050	3,000	3,500
Production volume					
MMSB (units)	9,833	10,890	16,000	16,700	20,500
Inokom (units)	17,282	22,215	27,480	28,883	32,424

Figure #1 Quarterly results comparison

FYE Apr (RM m)	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Revenue	483.8	716.9	783.0	9.2%	61.8%	804.6	1,499.8	86.4%
EBITDA	37.5	76.9	86.9	13.0%	131.7%	52.7	156.3	196.7%
Core EBIT	32.4	71.4	81.1	13.6%	150.1%	50.1	152.5	204.4%
Interest Expense	(1.3)	(1.6)	(1.3)	-20.0%	-4.9%	(3.1)	(2.9)	-7.6%
Interest on Lease Liability	(1.0)	(0.9)	(0.9)			(2.1)	(1.9)	
Interest and Investment Income	1.3	2.9	3.3	15.3%	149.7%	3.2	6.2	93.9%
Associates								#DIV/0!
MMSB	0.1	2.9	8.1	179.9%	6429.0%	-1.8	11.0	-711.5%
Inokom	2.8	1.0	1.4	38.0%	-48.9%	3.7	2.5	-34.2%
KMSB	0.0	0.0	0.0			0.0	0.0	
Core PBT	34.3	75.7	91.5	20.8%	166.7%	50.1	167.2	233.6%
Exceptionals	(0.7)	(1.2)	0.1			(2.1)	(1.1)	
Reported PBT	33.5	74.6	91.6	22.8%	173.0%	48.0	166.2	246.0%
Tax	(8.6)	(18.0)	(20.8)	15.8%	140.9%	(12.8)	(38.7)	203.4%
MI	1.1	(6.5)	(5.1)	-20.5%	-559.7%	1.0	(11.6)	-1210.3%
Reported PATAMI	26.0	50.2	65.7	30.9%	152.2%	36.3	115.8	219.0%
Core PATAMI	26.8	51.3	65.5	27.7%	144.8%	38.4	116.9	204.4%
Reported EPS (Sen)	2.2	4.3	5.7	31.0%	152.2%	3.1	10.0	219.0%
Core EPS (Sen)	2.3	4.4	5.6	27.7%	144.7%	3.3	10.1	204.4%
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA Margin (%)	7.8%	10.7%	11.1%	0.4	3.3	6.5%	10.4%	3.9
Core EBIT Margin (%)	6.7%	10.0%	10.4%	0.4	3.7	6.2%	10.2%	3.9
Core PATAMI Margin (%)	5.5%	7.2%	8.4%	1.2	2.8	4.8%	7.8%	3.0




















Bursa, HLIB Research

Figure #2 Quarterly result breakdown

FYE Apr (RM m)	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Revenue								
Malaysia	449.6	658.0	730.7	11.0%	62.5%	720.3	1,388.7	92.8%
Philippines	34.2	58.9	52.3	-11.2%	52.9%	84.4	111.2	31.8%
Total	483.8	716.9	783.0	9.2%	61.8%	804.6	1,499.8	86.4%
EBIT								
Malaysia	31.0	63.1	75.2	19.1%	142.8%	46.4	138.3	197.8%
Philippines	1.2	7.4	6.6	-11.1%	472.9%	2.3	14.0	519.5%
Others	(0.4)	(0.4)	(0.5)			(0.7)	(0.9)	
Total	31.7	70.2	81.2	15.7%	156.4%	48.0	151.4	215.5%
Core EBIT	32.4	71.4	81.1	13.6%	150.1%	50.1	152.5	204.4%

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 (Q1'23) 		
	New 3008 (Nov'21) 	New 5008 (Nov'21) 	All-New 2008 (Jan'22) 	New Landtrek (Q3'22) 	New e-2008 EV (Q1'23) 		
	All-New Carnival (Dec'21) 	Carnival CKD (July '22) 	New EV6 EV (June '22) 	All-New Sorento (Q1'23) 	All-New Sportage InProgress (Q2'23) 	Carens (KY) InProgress (Q2'23) 	

Company

Figure #4 Sales model breakdown

Malaysia Sales Statistics	2QFY22	1QFY23	2QFY23	QoQ (%)	YoY (%)	6MFY22	6MFY23	YoY (%)
Mazda CBU								
Mazda 2	39	80	102	27.5%	161.5%	65	182	180.0%
Mazda 3	371	114	81	-28.9%	-78.2%	589	195	-66.9%
Mazda 6	37	21	76	261.9%	105.4%	41	97	136.6%
CX-3	328	198	0	N.M.	N.M.	328	198	-39.6%
CX-30	126	620	120	-80.6%	-4.8%	286	740	158.7%
CX-9	13	6	13	116.7%	0.0%	16	19	18.8%
MX-5	12	7	13	85.7%	8.3%	15	20	33.3%
BT-50	2	61	156	155.7%	7700.0%	5	217	4240.0%
Subtotal	928	1,107	561	-49.3%	-39.5%	1,345	1,668	24.0%
Mazda CKD								
CX-5	1,437	1,511	2,212	46.4%	53.9%	2,400	3,723	55.1%
CX-8	334	368	559	51.9%	67.4%	573	927	61.8%
Subtotal	1,771	1,879	2,771	47.5%	56.5%	2,973	4,650	56.4%
Total Mazda Malaysia	2,699	2,986	3,332	11.6%	23.5%	4,318	6,318	46.3%
Peugeot CKD								
2008	0	246	200	-18.7%	N.M.	0	446	N.M.
3008	100	193	383	98.4%	283.0%	100	576	476.0%
5008	33	35	46	31.4%	39.4%	33	81	145.5%
Total Peugeot Malaysia	133	474	629	32.7%	372.9%	133	1,103	729.3%
KIA								
Carnival (CKD)	0	183	327	78.7%	N.M.	0	510	N.M.
Carnival (CBU)	0	263	2	-99.2%	N.M.	0	265	N.M.
EV6	0	2	52	2500.0%	N.M.	0	54	N.M.
Total KIA Malaysia	0	448	381	-15.0%	N.M.	0	829	N.M.
Total Malaysia	2,832	3,908	4,342	11.1%	53.3%	4,451	8,250	85.4%
The Philippines Sales Statistics								
CBU								
Mazda 2	0	8	23	187.5%	N.M.	0	31	N.M.
Mazda 3	18	31	21	-32.3%	16.7%	50	52	4.0%
Mazda 6	2	0	0	N.M.	N.M.	5	0	N.M.
CX-3	0	0	10	N.M.	N.M.	8	10	25.0%
CX-30	13	19	8	-57.9%	-38.5%	49	27	-44.9%
CX-5	65	76	109	43.4%	67.7%	127	185	45.7%
CX-8	52	140	19	-86.4%	-63.5%	105	159	51.4%
CX-9	34	31	57	83.9%	67.6%	106	88	-17.0%
MX-5	26	13	58	346.2%	123.1%	43	71	65.1%
BT-50	5	104	82	-21.2%	1540.0%	37	186	402.7%
Total Mazda Philippines	215	422	387	-8.3%	80.0%	530	809	52.6%
GRAND TOTAL	3,047	4,330	4,729	9.2%	55.2%	4,848	7,127	47.0%

*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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