

Bermaz Auto Berhad (BAUTO MK)

2QFY22 results in line

Maintain BUY and MYR2.25 TP

BAuto reported higher YoY earnings (+16%) in 1HFY4/22 and is on track to meet our FY estimate. We are excited over its outlook, on improved performances ahead across its marques, fuelled by fresh, exciting line-ups. BAuto remains one of our key auto picks. It offers strong earnings growth, a solid balance sheet, net cash, decent dividend yields, management acumen and undemanding valuations. Our TP is PER-based.

1HFY4/22 core earnings up 16% YoY

BAuto reported higher core net profit of MYR27m (+126% OoQ; +16% YoY) in 2QFY4/22, which took its 1HFY4/22 core earnings to MYR38m (+16% YoY). The QoQ strength was driven by higher: (i) vehicle sales (Mazda MY: +67%) and EBITDA margin (+0.7-ppts) as well as (iii) turnaround at associate (+MYR3m in 2Q22 vs. -MYR1m in 1Q22). 30%-owned MMSB contributed MYR0.1m in 2Q22 (vs. -MYR2m in 1Q22) while 29%-owned Inokom registered a 3-fold QoQ increase in profits, to MYR3m in 2Q22, on higher vehicle sales (+64%) & production (+149%) respectively. BAuto declared a 2nd interim DPS of 1.5 sen in 2Q22 (2Q21: 1.25 sen).

An improved 2H22, a stronger FY23

Our earnings estimates are unchanged. While 1H22 results accounted for 31%/ 29% of ours/ consensus FY estimates, we deem this to be in line, on expectation of a much improved 2H22, fuelled by the: (i) absence of MCOs, (ii) SST holidays up to Jun 2022 and (iii) higher vehicle sales, driven by a strong pipeline of new/ face-lifted/ CKD models (ICEVs and EVs) for its three marques (Mazda, Peugeot and Kia). In its electrification pursuits, BAuto targets to bring in: (i) Mazda's MX-30 (BEV), (ii) Peugeot's new e-2008 (BEV), (iii) Kia's EV6 (BEV) and (iv) new PBV1 by 4Q22, a positive. With these line-ups, we expect a stronger FY23 ahead.

Growth and vision offerings

We remain positive of BAuto. It offers visible growth (Mazda, Kia & Peugeot), strong management acumen, attractive dividend yields and inexpensive valuations. Kia MY is optimistic of growing its ASEAN market. It has an ambitious 5-year target to produce 100k units, on 4 models (Carnival - MPV, Sorento, Sportage - SUV & Niro - SUV crossover) by 2026.

FYE Apr (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,755	2,288	2,373	3,695	4,478
EBITDA	120	163	153	322	378
Core net profit	104	131	126	237	270
Core EPS (sen)	9.0	11.3	10.8	20.4	23.3
Core EPS growth (%)	(60.6)	25.1	(3.7)	87.8	14.3
Net DPS (sen)	7.5	6.5	6.5	12.2	14.0
Core P/E (x)	15.1	13.1	13.8	7.4	6.4
P/BV (x)	3.4	3.0	2.8	2.2	1.9
Net dividend yield (%)	5.5	4.4	4.3	8.1	9.3
ROAE (%)	19.5	25.9	21.3	34.0	32.1
ROAA (%)	9.3	9.7	8.5	13.7	13.4
EV/EBITDA (x)	13.9	8.6	9.3	4.4	3.7
Net gearing (%) (incl perps)	7.2	net cash	net cash	net cash	net cash
Consensus net profit	-	-	131	169	182
MKE vs. Consensus (%)	-	-	(3.8)	39.8	48.5

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BUY

Share Price	MYR 1.50
12m Price Target	MYR 2.25 (+50%)
Previous Price Target	MYR 2.25

Company Description

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

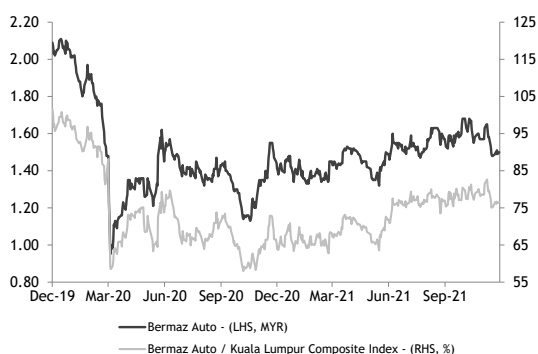
Statistics

52w high/low (MYR)	1.68/1.32
3m avg turnover (USDm)	0.6
Free float (%)	60.9
Issued shares (m)	1,164
Market capitalisation	MYR1.7B USD413M

Major shareholders:

Employees Provident Fund	19.6%
Dynamic Milestone Sdn. Bhd.	14.3%
Permodalan Nasional Bhd.	8.5%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(4)	(5)	2
Relative to index (%)	(2)	0	15

Source: FactSet

Fig 1: Bermaz Auto's results summary

FY Apr (MYR m)	Quarterly					Cumulative		
	2QFY4/22	2QFY4/21	%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Turnover	483.8	599.8	(19.3)	320.8	50.8	804.6	1,048.7	(23.3)
EBITDA	34.7	34.5	0.6	20.9	66.0	55.7	55.9	(0.4)
Interest expense	(2.4)	(3.2)	(26.7)	(2.8)	(15.0)	(5.2)	(7.3)	(29.3)
Associates	2.9	1.8	66.6	(0.9)	NM	2.0	(0.2)	NM
- MMSB (30%)	0.1	(0.3)	NM	(1.9)	NM	(1.8)	(4.0)	(55.1)
- Inokom (29%)	2.8	2.0	39.4	0.9	>100	3.7	3.8	(1.8)
- Peugeot (20%)	0.0	0.0	NM	0.1	NM	0.1	0.0	NM
Exceptional items	(0.4)	2.1	NM	(1.5)	(71.8)	(1.9)	1.1	NM
Pre-tax profit	33.5	33.9	(1.0)	14.5	>100	48.0	47.0	2.2
Taxation	(8.6)	(9.4)	(7.9)	(4.1)	NM	(12.8)	(13.9)	(8.1)
Minority interest	1.1	0.3	>100	(0.1)	NM	1.0	0.9	14.1
Net profit	26.0	24.8	5.0	10.3	>100	36.3	34.0	6.7
Core net profit	26.5	22.7	16.4	11.7	>100	38.2	32.9	16.0
EBITDA margin (%)	7.2	5.8	1.4	6.5	0.7	6.9	5.3	1.6
Tax rate (%)	25.7	27.6	(1.9)	28.6	(2.9)	26.6	29.6	(3.0)
	2QFY4/22	2QFY4/21	%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Revenue	483.8	599.8	(19.3)	320.8	50.8	804.6	1,048.7	(23.3)
- Malaysia	449.6	558.4	(19.5)	270.6	66.2	720.3	980.1	(26.5)
- Philippines	34.2	41.4	(17.5)	50.2	(31.9)	84.4	68.6	22.9
EBIT	33.5	33.9	(1.0)	14.5	>100	48.0	47.0	2.2
- Malaysia	31.0	32.9	(5.8)	15.5	>100	46.4	50.5	(8.0)
- Philippines	1.2	2.1	(43.8)	1.1	3.6	2.3	1.9	17.0
- Others	1.3	(1.6)	NM	3.1	(57.1)	4.4	0.9	>100
EBIT Margin %	6.9	5.7	1.3	4.5	2.4	6.0	4.5	1.5
- Malaysia	6.9	5.9	1.0	5.7	1.2	6.4	5.2	1.3
- Philippines	3.4	5.0	(1.6)	2.2	1.2	2.7	2.8	(0.1)
Vehicle Unit Sales	2QFY4/22	2QFY4/21	%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Malaysia	2,699	3,520	(23.3)	1,619	66.7	4,318	6,183	(30.2)
Philippines	215	282	(23.8)	315	(31.7)	530	459	15.5

Source: Company, Maybank Kim Eng

Fig 2: Mazda Malaysia S/B (MMSB)- Results summary (30%-owned)

FY Apr (MYR m)	Quarterly					Cumulative		
	2QFY4/22	2QFY4/21	%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Revenue	241.7	274.0	(11.8)	150.3	60.8	392.0	304.6	28.7
PBT	1.9	(3.1)	NM	(9.1)	NM	(7.2)	(25.3)	(71.7)
PAT (ex-E)	1.5	(2.4)	NM	(6.9)	NM	(5.4)	(19.0)	(71.4)
No. of vehicles (unit)	2,341	2,449	(4.4)	1,429	63.8	3,770	2,698	39.7

Source: Company, Maybank Kim Eng

Fig 3: Inokom - Results summary (29%-owned)

FY Apr (MYR m)	Quarterly					Cumulative		
	2QFY4/22	2QFY4/21	%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Revenue	31.8	33.1	(3.9)	41.5	(23.3)	73.3	69.4	5.5
PBT	11.7	9.2	26.7	7.3	60.0	19.0	16.6	14.4
PAT (ex-E)	9.6	8.9	8.8	3.3	>100	12.9	13.1	(1.8)
No. of vehicles (unit)	5,459	3,476	57.0	2,195	>100	7,654	7,759	(1.4)

Source: Company, Maybank Kim Eng

Fig 4: BAASB - Results summary (20%-owned)

FY Apr (MYR m)	2QFY4/22	2QFY4/21	Quarterly			Cumulative		
			%YoY	1QFY4/22	%QoQ	1H22	1H21	% YoY
Revenue	33.8	0	NM	7.7	>100	41.4	0	NM
PBT	(2.4)	0	NM	0.4	NM	(2.0)	0	NM
PAT (ex-E)	(1.8)	0	NM	0.3	NM	(1.5)	0	NM
No. of vehicles (unit)	131	0	NM	33	>100	164	0	NM

Source: Company, Maybank Kim Eng

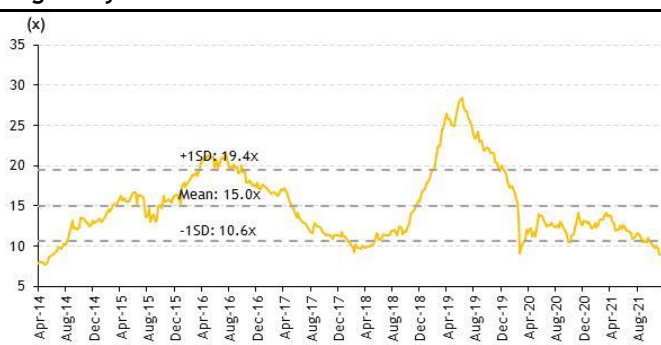
Fig 5: BAUTO's auto stats (unit)

FY Apr	2020	2021	2022F	2023F	2024F
Mazda					
- MY (100%)	9,484	13,439	12,000	13,752	14,712
- PH (60%)	2,227	1,245	1,400	2,440	2,440
Kia					
- MY (100%)			1,000	6,000	10,000
Peugeot					
- MY (55%)	-	242*	1,000	2,800	3,500

Note: *20% equity stake from Dec 2021 to Jun 2021

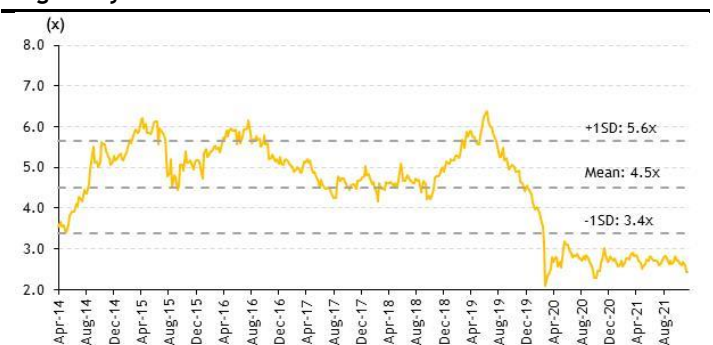
Source: Company, Maybank Kim Eng

Fig 6: 1-year forward PER



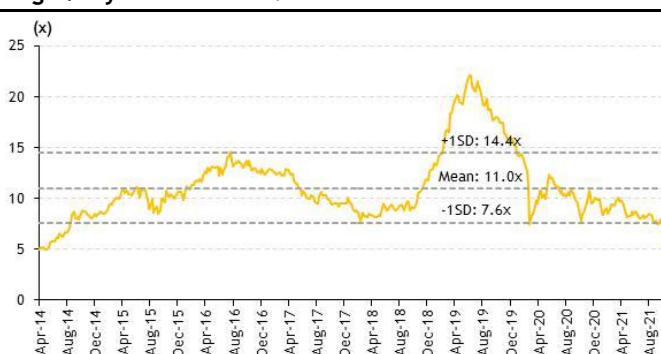
Source: Company, Maybank KE

Fig 7: 1-year forward PBV



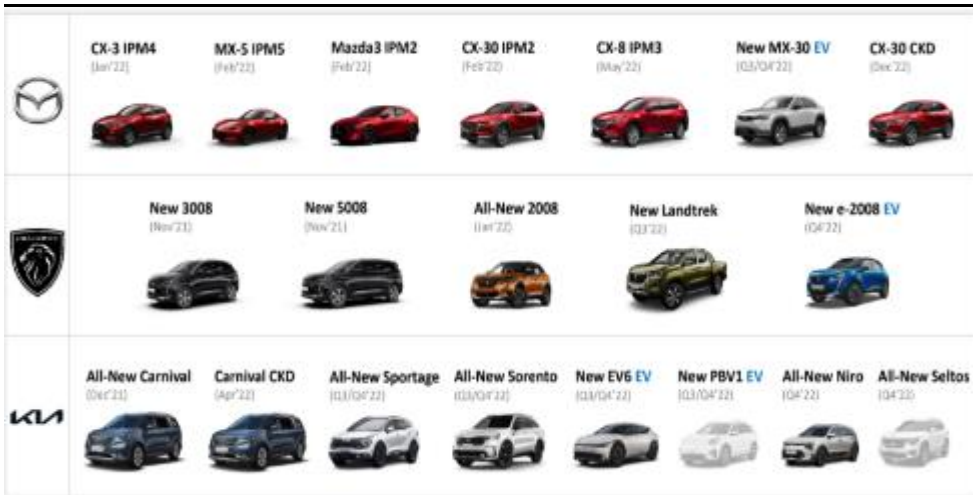
Source: Company, Maybank KE

Fig 8: 1-year forward EV/ EBITDA



Source: Company, Maybank KE

Fig 9: BAuto: Product map



Source: Company, Maybank KE

Fig 10: Mazda model lineup



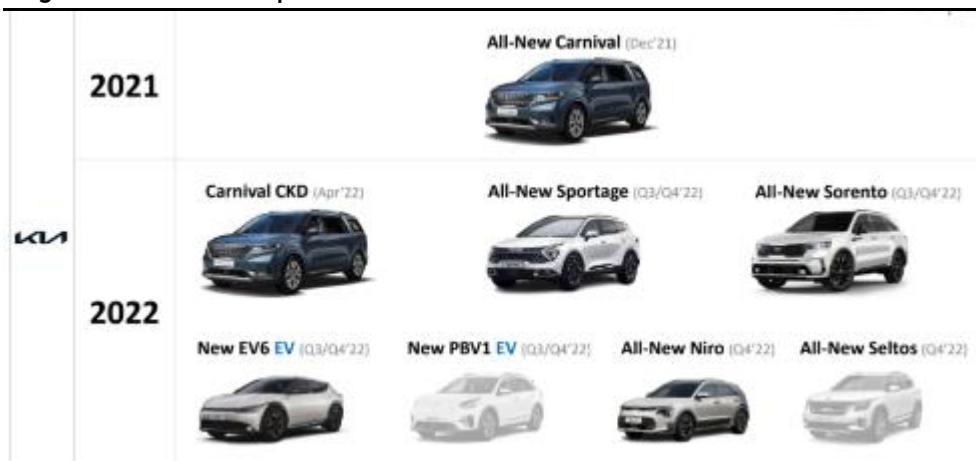
Source: Company, Maybank KE

Fig 11: Peugeot model lineup



Source: Company, Maybank KE

Fig 12: Kia model lineup



Source: Company, Maybank KE

FYE 30 Apr	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	24.0	12.1	13.8	7.4	6.4
Core P/E (x)	15.1	13.1	13.8	7.4	6.4
P/BV (x)	3.4	3.0	2.8	2.2	1.9
P/NTA (x)	3.4	3.0	2.8	2.2	1.9
Net dividend yield (%)	5.5	4.4	4.3	8.1	9.3
FCF yield (%)	nm	26.3	4.8	6.3	11.3
EV/EBITDA (x)	13.9	8.6	9.3	4.4	3.7
EV/EBIT (x)	14.4	8.9	9.6	4.5	3.7

INCOME STATEMENT (MYR m)

Revenue	1,755.4	2,287.9	2,373.3	3,695.4	4,478.1
EBITDA	120.1	163.1	153.1	321.9	378.3
Depreciation	(4.4)	(4.9)	(4.9)	(4.9)	(4.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	115.8	158.2	148.2	317.0	373.4
Net interest income / (exp)	(6.7)	(12.8)	(19.9)	(29.6)	(29.6)
Associates & JV	26.5	20.5	31.6	40.0	42.5
Exceptionals	(3.7)	3.1	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	132.0	168.9	159.8	327.3	386.2
Income tax	(27.9)	(40.0)	(33.6)	(68.7)	(81.1)
Minorities	(3.2)	4.9	(0.3)	(22.0)	(34.8)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	100.8	133.8	126.0	236.5	270.3
Core net profit	104.5	130.7	126.0	236.5	270.3

BALANCE SHEET (MYR m)

Cash & Short Term Investments	100.2	563.4	671.0	705.6	760.1
Accounts receivable	107.5	148.5	154.0	239.8	290.6
Inventory	684.6	277.8	288.2	448.7	543.8
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	38.7	37.2	42.3	47.4	52.5
Intangible assets	0.5	0.5	0.5	0.5	0.5
Investment in Associates & JVs	210.4	233.3	264.9	304.9	347.4
Other assets	146.5	141.1	141.1	141.1	141.1
Total assets	1,288.4	1,401.8	1,562.0	1,888.1	2,135.9
ST interest bearing debt	137.7	105.7	105.7	105.7	105.7
Accounts payable	349.5	247.6	256.8	399.9	484.6
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.0	99.8	200.0	200.0	200.0
Other liabilities	280.0	337.0	337.0	337.0	337.0
Total Liabilities	767.2	789.7	899.2	1,042.2	1,126.9
Shareholders Equity	470.1	565.4	615.9	776.8	905.2
Minority Interest	51.2	46.7	47.0	69.0	103.8
Total shareholder equity	521.2	612.1	662.8	845.8	1,009.0
Total liabilities and equity	1,288.4	1,401.8	1,562.0	1,888.1	2,135.9

CASH FLOW (MYR m)

Pretax profit	132.0	168.9	159.8	327.3	386.2
Depreciation & amortisation	4.4	4.9	4.9	4.9	4.9
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	(230.5)	278.0	(6.7)	(103.3)	(61.1)
Cash taxes paid	(27.9)	(40.0)	(33.6)	(68.7)	(81.1)
Other operating cash flow	(25.2)	43.2	(31.6)	(40.0)	(42.5)
Cash flow from operations	(147.2)	455.0	92.9	120.2	206.4
Capex	(15.0)	(3.6)	(10.0)	(10.0)	(10.0)
Free cash flow	(162.2)	451.4	82.9	110.2	196.4
Dividends paid	(53.8)	(37.2)	(75.5)	(75.6)	(141.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	137.7	67.7	100.2	0.0	0.0
Other invest/financing cash flow	(141.6)	(18.8)	0.0	0.0	0.0
Effect of exch rate changes	5.0	(1.1)	0.0	0.0	0.0
Net cash flow	(214.9)	462.1	107.6	34.6	54.5

FYE 30 Apr	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(30.3)	30.3	3.7	55.7	21.2
EBITDA growth	(59.4)	35.7	(6.1)	110.3	17.5
EBIT growth	(60.4)	36.6	(6.3)	113.9	17.8
Pretax growth	(61.2)	28.0	(5.4)	104.8	18.0
Reported net profit growth	(61.8)	32.7	(5.9)	87.8	14.3
Core net profit growth	(60.6)	25.1	(3.7)	87.8	14.3
Profitability ratios (%)					
EBITDA margin	6.8	7.1	6.5	8.7	8.4
EBIT margin	6.6	6.9	6.2	8.6	8.3
Pretax profit margin	7.5	7.4	6.7	8.9	8.6
Payout ratio	85.8	56.4	60.0	60.0	60.0
DuPont analysis					
Net profit margin (%)	5.7	5.8	5.3	6.4	6.0
Revenue/Assets (x)	1.4	1.6	1.5	2.0	2.1
Assets/Equity (x)	2.7	2.5	2.5	2.4	2.4
ROAE (%)	19.5	25.9	21.3	34.0	32.1
ROAA (%)	9.3	9.7	8.5	13.7	13.4
Liquidity & Efficiency					
Cash conversion cycle	75.0	53.1	28.4	23.8	26.5
Days receivable outstanding	21.1	20.1	22.9	19.2	21.3
Days inventory outstanding	116.2	86.9	50.4	42.5	47.2
Days payables outstanding	62.2	53.9	44.9	37.9	42.1
Dividend cover (x)	1.2	1.8	1.7	1.7	1.7
Current ratio (x)	1.6	2.2	2.4	2.3	2.3
Leverage & Expense Analysis					
Asset/Liability (x)	1.7	1.8	1.7	1.8	1.9
Net gearing (%) (incl perps)	7.2	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	7.2	net cash	net cash	net cash	net cash
Net interest cover (x)	17.4	12.3	7.4	10.7	12.6
Debt/EBITDA (x)	1.1	1.3	2.0	0.9	0.8
Capex/revenue (%)	0.9	0.2	0.4	0.3	0.2
Net debt/ (net cash)	37.5	(357.9)	(365.3)	(400.0)	(454.5)

Source: Company; Maybank

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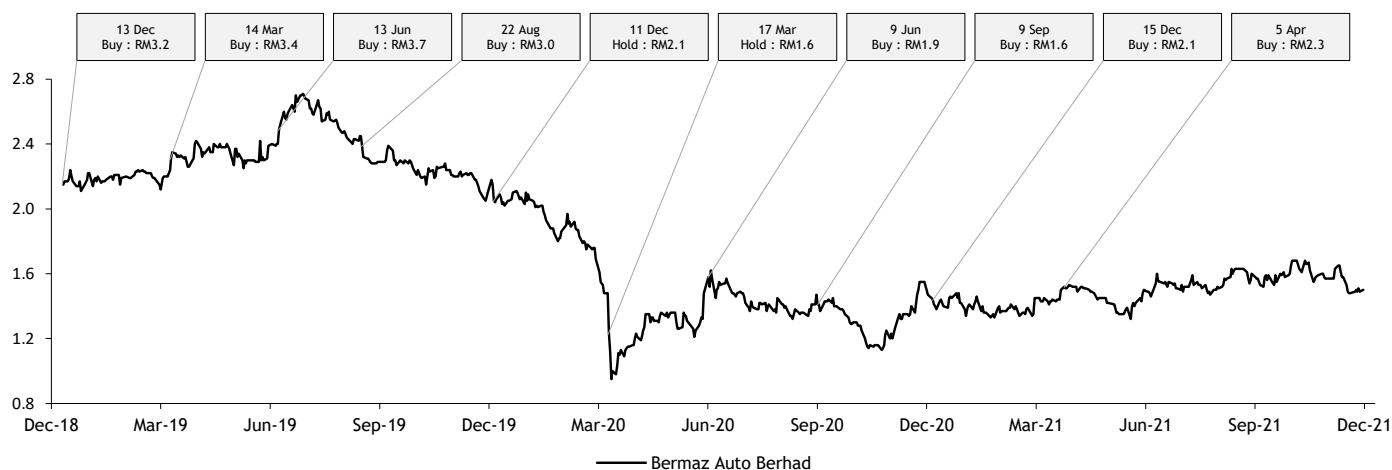
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