

## Bermaz Auto Berhad (BAUTO MK)

### 1QFY24: Another beat

#### Another beat; maintain BUY with higher TP

BAuto 1QFY24 results exceeded expectations, with core net profit (CNP) comprising 32%/36% of ours/consensus' full-year estimates. We've raised our FY24/25/26E projections by 22%/19%/19%, expecting higher car sales. We believe BAUTO is poised to reach its FY24E target of 24k sales (+12% YoY) due to a sustaining strong orders of c.1.8k units Mazda per mth (c.3 mths waiting period). We maintain BUY with a revised TP of MYR4.14, based on 12.5x FY24E EPS (vs. MYR3.53 TP at 13x FY24E EPS previously).

#### CNP nearly doubled YoY on improved sales, margins

BAuto 1QFY24 (April YE) delivered outstanding results, with CNP nearly doubling YoY to MYR102m despite the end of SST holidays in March 2023. Vehicle sales surged by 54% YoY to 6,648 units. Similarly, associates' collective profit contribution more than doubled, largely driven by Mazda Malaysia's robust performance (vehicle sales: 4,929 units; +123% YoY). EBIT margin rose 2.5ppts to 12.9%, attributed to scale and product sales mix. MY Mazda CKD model sales grew by 80% YoY to 3,389 units, partly due to the launch of CX30 CKD in March 2023.

#### Quarterly gains reflect solid momentum

QoQ BAUTO's CNP grew by 3%, in-line with its 2% vehicle sales growth, largely driven by its exceptionally strong Mazda PH performance (730 units; +40% YoY). There was also noticeable surge in sales for Mazda 3 in MY, ie. sales almost tripled to 883 units on continued fulfilment of the backlog orders. Bauto declared a 1st interim DPS of 5 sen (58% DPR).

#### BAuto's strengths continue to shine

We continue to like BAUTO for its solid fundamentals and resilient financials per healthy net cash position and strong FCF generation (min. capex requirements given asset light business model). Growth is underpinned by its robust pipeline of new launches and increasing CKD mix, providing good earnings visibility supported by sustained strong volumes of orders / bookings. Even with our conservative estimate of 75% DPR (vs. hist. DPR of 78%-114%), BAUTO offers a highly-attractive div. yield of 11%-12%.

FYE Apr (MYR m)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	2,324	3,548	4,343	4,640	4,943
EBITDA	210	385	489	514	526
Core net profit	155	304	386	409	422
Core EPS (sen)	13.4	26.0	33.1	35.1	36.2
Core EPS growth (%)	18.7	94.9	27.2	5.9	3.1
Net DPS (sen)	8.8	22.0	24.8	26.3	27.1
Core P/E (x)	13.3	8.9	6.6	6.2	6.0
P/BV (x)	3.2	3.5	2.8	2.5	2.3
Net dividend yield (%)	4.9	9.5	11.4	12.1	12.4
ROAE (%)	25.9	43.5	46.6	42.9	39.4
ROAA (%)	10.5	18.3	20.4	19.5	18.6
EV/EBITDA (x)	7.7	6.1	4.5	4.2	4.0
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	282	290	298
MIBG vs. Consensus (%)	-	-	37.1	41.2	41.4

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## BUY

Share Price	MYR 2.18
12m Price Target	MYR 4.14 (+90%)
Previous Price Target	MYR 3.53

#### Company Description

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

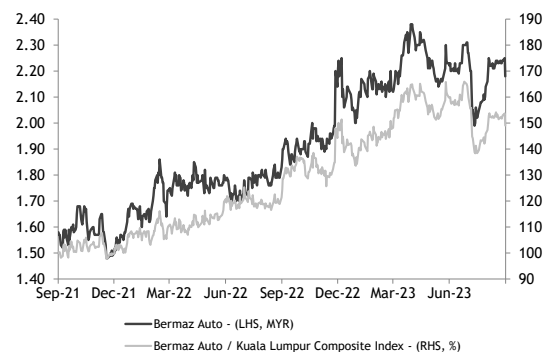
#### Statistics

52w high/low (MYR)	2.38/1.84
3m avg turnover (USDm)	1.7
Free float (%)	69.5
Issued shares (m)	1,169
Market capitalisation	MYR2.5B USD545M

#### Major shareholders:

Dynamic Milestone Sdn. Bhd.	14.8%
Employees Provident Fund	10.5%
Permodalan Nasional Bhd.	7.5%

#### Price Performance



	-1M	-3M	-12M
Absolute (%)	2	(2)	19
Relative to index (%)	2	(7)	23

Source: FactSet

Figure 1: BAUTO results summary table

FY Apr (MYR m)	Quarterly results					Cumulative		
	1Q24	1Q23	% YoY	4Q23	% QoQ	3M24	3M23	% YoY
<b>Turnover</b>	<b>1,089.3</b>	<b>716.9</b>	<b>51.9</b>	<b>1,072.4</b>	<b>1.6</b>	<b>1,089.3</b>	<b>716.9</b>	<b>51.9</b>
EBITDA	137.4	76.0	80.7	130.9	5.0	137.4	76.0	80.7
Int. expense	(1.8)	(2.5)	(27.9)	(1.8)	(1.2)	(1.8)	(2.5)	(27.9)
Associates	8.6	4.0	>100	10.9	(21.1)	8.6	4.0	>100
- MMSB (30%)	7.2	2.9	>100	8.0	(10.0)	7.2	2.9	>100
- Inokom (29%)	1.3	1.0	27.9	2.7	(50.4)	1.3	1.0	27.9
- Kia (33%)	0.3	0.1	>100	0.4	(37.6)	0.3	0.1	>100
One-offs	(1.3)	(1.2)	8.7	1.8	NM	(1.3)	(1.2)	8.7
<b>Pre-tax profits</b>	<b>140.7</b>	<b>74.6</b>	<b>88.6</b>	<b>139.5</b>	<b>0.8</b>	<b>140.7</b>	<b>74.6</b>	<b>88.6</b>
Tax	(32.8)	(18.0)	82.5	(31.9)	2.7	(32.8)	(18.0)	82.5
Minority interest	(7.7)	(6.5)	19.0	(7.0)	(9.9)	(7.7)	(6.5)	19.0
<b>Net profit</b>	<b>100.2</b>	<b>50.2</b>	<b>99.8</b>	<b>100.6</b>	<b>(0.4)</b>	<b>100.2</b>	<b>50.2</b>	<b>99.8</b>
<b>Net profit Ex one-offs</b>	<b>101.5</b>	<b>51.3</b>	<b>97.7</b>	<b>98.8</b>	<b>2.7</b>	<b>101.5</b>	<b>51.3</b>	<b>97.7</b>
<i>EBITDA margin (%)</i>	<i>12.6</i>	<i>10.6</i>	<i>2.0</i>	<i>12.2</i>	<i>0.4</i>	<i>12.6</i>	<i>10.6</i>	<i>2.0</i>
<i>Tax rate (%)</i>	<i>23.3</i>	<i>24.1</i>	<i>(0.8)</i>	<i>22.9</i>	<i>0.4</i>	<i>23.3</i>	<i>24.1</i>	<i>(0.8)</i>
<b>Revenue</b>	<b>1,089.3</b>	<b>716.9</b>	<b>51.9</b>	<b>1,072.4</b>	<b>1.6</b>	<b>1,089.3</b>	<b>716.9</b>	<b>51.9</b>
- Malaysia	988.9	658.0	50.3	1,000.5	(1.2)	988.9	658.0	50.3
- Philippines	100.3	58.9	70.4	71.9	39.6	100.3	58.9	70.4
<b>EBIT</b>	<b>140.7</b>	<b>74.6</b>	<b>88.6</b>	<b>139.5</b>	<b>0.8</b>	<b>140.7</b>	<b>74.6</b>	<b>88.6</b>
- Malaysia	116.1	63.1	83.9	117.9	(1.6)	116.1	63.1	83.9
- Philippines	14.9	7.4	>100	8.8	69.7	14.9	7.4	>100
- Others	4.2	3.7	12.3	1.9	>100	4.2	3.7	12.3
<b>EBIT Margins (%)</b>	<b>12.9</b>	<b>10.4</b>	<b>2.5</b>	<b>13.0</b>	<b>(0.1)</b>	<b>12.9</b>	<b>10.4</b>	<b>2.5</b>
- Malaysia	11.7	9.6	2.1	11.8	(0.1)	11.7	9.6	2.1
- Philippines	14.9	12.6	2.2	12.2	2.6	14.9	12.6	2.2
<b>Vehicle unit sales</b>	<b>6,648</b>	<b>4,330</b>	<b>53.5</b>	<b>6,515</b>	<b>2.0</b>	<b>6,648</b>	<b>4,330</b>	<b>53.5</b>
Mazda Malaysia	4,999	2,986	67.4	4,827	3.6	4,999	2,986	67.4
Mazda Philippines	730	422	73.0	523	39.6	730	422	73.0
Peugeot	313	474	(34.0)	422	(25.8)	313	474	(34.0)
Kia	606	448	35.3	743	(18.4)	606	448	35.3

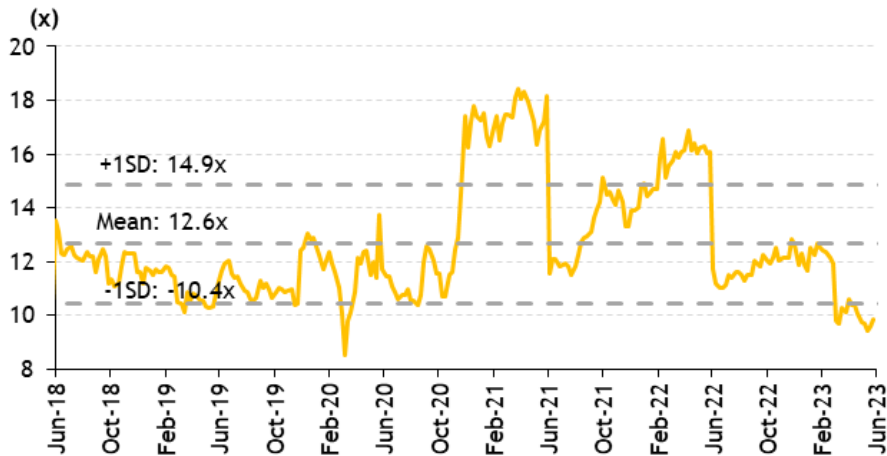
Source: Company, Maybank IBG research

Figure 2: BAUTO's vehicle sales by marques &amp; models

FY Apr (Units)	Quarterly results					Cumulative		
	1Q24	1Q23	% YoY	4Q23	% QoQ	3M24	3M23	% YoY
<b><u>Mazda MY: (i) + (ii)</u></b>	<b>4,999</b>	<b>2,986</b>	<b>67.4</b>	<b>4,827</b>	<b>3.6</b>	<b>4,999</b>	<b>2,986</b>	<b>67.4</b>
<b><u>CBU (i)</u></b>								
- Mazda 2	33	80	(58.8)	46	(28.3)	45	80	(58.8)
- Mazda 3	883	114	>100	314	>100	883	114	>100
- Mazda 6	51	21	>100	11	>100	51	21	>100
- CX-3	564	198	>100	606	(6.9)	564	198	>100
- CX-30	1	620	(99.8)	6	(83.3)	1	620	(99.8)
- MX-30	1	0	NM	0	NM	1	0	NM
- CX-9	4	6	(33.3)	13	(69.2)	4	6	(33.3)
- MX-5	9	7	28.6	4	>100	9	7	28.6
- BT-50	52	61	(14.8)	31	67.7	52	61	(14.8)
<b><u>CKD (ii)</u></b>								
- CX-5	1,712	1,511	13.3	1,540	11.2	1,712	1,511	13.3
- CX-8	645	368	75.3	695	(7.2)	645	368	75.3
- CX-30	1,032	0	NM	1,561	(33.9)	1,032	0	NM
<b><u>Mazda PH CBU</u></b>	<b>672</b>	<b>422</b>	<b>59.2</b>	<b>523</b>	<b>28.5</b>	<b>672</b>	<b>422</b>	<b>59.2</b>
- Mazda 2	6	8	(25.0)	17	(64.7)	6	8	(25.0)
- Mazda 3	111	31	>100	50	>100	111	31	>100
- Mazda 6	4	0	NM	2	100.0	4	0	NM
- CX-3	6	0	NM	19	(68.4)	6	0	NM
- CX-30	35	19	84.2	11	>100	35	19	84.2
- CX-5	148	76	94.7	57	>100	148	76	94.7
- CX-8	135	140	(3.6)	58	>100	135	140	(3.6)
- CX-9	101	31	>100	91	11.0	101	31	>100
- MX-5	60	13	>100	121	(50.4)	60	13	>100
- BT-50	66	104	(36.5)	97	(32.0)	66	104	(36.5)
<b><u>Peugeot</u></b>	<b>313</b>	<b>474</b>	<b>(34.0)</b>	<b>422</b>	<b>(25.8)</b>	<b>313</b>	<b>474</b>	<b>(34.0)</b>
-2008	81	246	(67.1)	118	(31.4)	81	246	(67.1)
-3008	179	193	(7.3)	221	(19.0)	179	193	(7.3)
-5008	43	35	22.9	40	7.5	43	35	22.9
-Landtrek	10	0	NM	43	(76.7)	10	0	NM
<b><u>Kia</u></b>	<b>603</b>	<b>448</b>	<b>34.6</b>	<b>743</b>	<b>(18.8)</b>	<b>606</b>	<b>448</b>	<b>34.6</b>
- Carnival CBU	305	263	16.0	394	(22.6)	305	263	16.0
- EV6 CBU	7	2	>100	12	(41.7)	7	2	>100
- Stinger CBU	0	0	NM	0	NM	3	0	NM
- Carnival CKD	260	183	42.1	269	(3.3)	260	183	42.1
- Sorento CKD	31	0	NM	68	(54.4)	31	0	NM

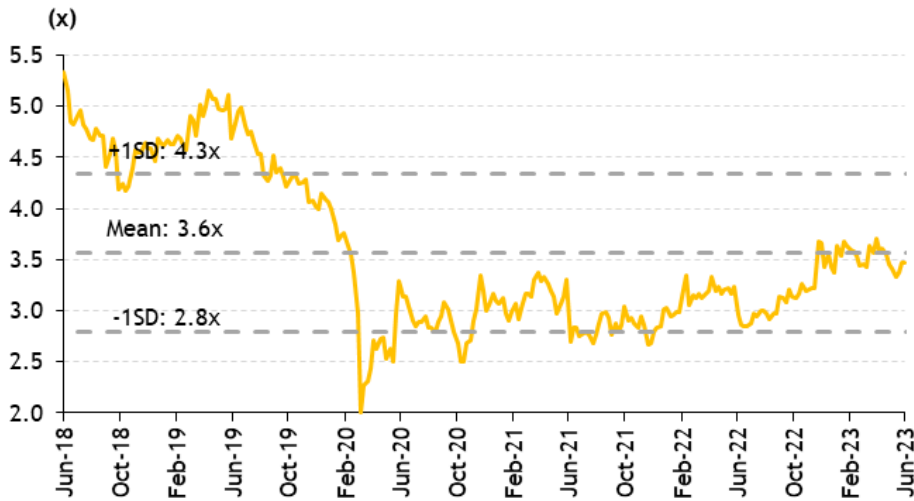
Source: Company, Maybank IBG research

**Figure 3: BAUTO one-year rolling forward PER (currently trading at 9.8x)**



Source: Bloomberg, Maybank IBG research (compilation)

**Figure 4: BAUTO one-year rolling forward PBV (currently trading at 3.5x)**



Source: Bloomberg, Maybank IBG research (compilation)

### Risk statement

There are several risk factors for our earnings estimates, price target, and rating for BAuto. Soft consumer sentiment 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	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Key Metrics</b>					
P/E (reported) (x)	12.0	7.5	6.6	6.2	6.0
Core P/E (x)	13.3	8.9	6.6	6.2	6.0
P/BV (x)	3.2	3.5	2.8	2.5	2.3
P/NTA (x)	3.2	3.5	2.8	2.5	2.3
Net dividend yield (%)	4.9	9.5	11.4	12.1	12.4
FCF yield (%)	13.6	3.8	11.1	13.7	14.0
EV/EBITDA (x)	7.7	6.1	4.5	4.2	4.0
EV/EBIT (x)	7.9	6.2	4.5	4.2	4.1

**INCOME STATEMENT (MYR m)**

Revenue	2,323.7	3,548.2	4,342.6	4,640.3	4,943.4
EBITDA	209.6	384.8	488.9	513.8	526.0
Depreciation	(5.8)	(8.2)	(8.0)	(8.0)	(8.0)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	203.8	376.6	480.9	505.8	518.0
Net interest income / (exp)	(4.0)	5.4	10.7	10.7	10.7
Associates & JV	18.1	39.0	46.3	51.8	57.7
Exceptionals	(0.1)	0.2	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	217.7	421.2	538.0	568.3	586.5
Income tax	(59.7)	(94.0)	(129.1)	(136.4)	(140.8)
Minorities	(2.9)	(23.5)	(22.9)	(23.1)	(24.2)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	155.1	303.7	386.0	408.9	421.6
Core net profit	155.2	303.5	386.0	408.9	421.6

**BALANCE SHEET (MYR m)**

Cash & Short Term Investments	693.9	537.4	562.3	620.0	667.9
Accounts receivable	142.5	197.6	241.8	258.4	275.3
Inventory	230.4	498.3	609.9	651.7	694.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	41.6	44.6	48.6	52.6	56.6
Intangible assets	1.3	0.5	0.5	0.5	0.5
Investment in Associates & JVs	275.7	314.5	360.7	412.6	470.3
Other assets	162.3	184.1	184.1	184.1	184.1
<b>Total assets</b>	<b>1,547.7</b>	<b>1,776.9</b>	<b>2,008.0</b>	<b>2,179.9</b>	<b>2,349.0</b>
ST interest bearing debt	100.0	99.9	0.0	0.0	0.0
Accounts payable	253.0	351.1	429.7	459.1	489.1
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	99.8	0.0	100.0	100.0	100.0
Other liabilities	406.0	487.0	487.0	487.0	487.0
<b>Total Liabilities</b>	<b>858.6</b>	<b>937.6</b>	<b>1,016.2</b>	<b>1,045.7</b>	<b>1,075.7</b>
Shareholders Equity	634.3	762.8	892.3	1,011.7	1,126.6
Minority Interest	54.8	76.6	99.5	122.6	146.8
<b>Total shareholder equity</b>	<b>689.1</b>	<b>839.4</b>	<b>991.8</b>	<b>1,134.2</b>	<b>1,273.3</b>
<b>Total liabilities and equity</b>	<b>1,547.7</b>	<b>1,776.9</b>	<b>2,008.0</b>	<b>2,179.9</b>	<b>2,349.0</b>

**CASH FLOW (MYR m)**

Pretax profit	217.7	421.2	538.0	568.3	586.5
Depreciation & amortisation	5.8	8.2	8.0	8.0	8.0
Adj net interest (income)/exp	0.0	0.0	0.0	0.0	0.0
Change in working capital	72.2	(202.5)	(77.2)	(28.9)	(29.5)
Cash taxes paid	(59.7)	(94.0)	(129.1)	(136.4)	(140.8)
Other operating cash flow	55.1	(18.0)	(46.3)	(51.8)	(57.7)
Cash flow from operations	291.1	114.9	293.4	359.2	366.5
Capex	(10.6)	(12.2)	(12.0)	(12.0)	(12.0)
Free cash flow	280.5	102.7	281.4	347.2	354.5
Dividends paid	(78.4)	(154.0)	(256.5)	(289.5)	(306.7)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(5.6)	(99.9)	0.1	0.0	0.0
Other invest/financing cash flow	(65.9)	(5.6)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>130.6</b>	<b>(156.8)</b>	<b>25.0</b>	<b>57.7</b>	<b>47.9</b>

FYE 30 Apr	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	1.6	52.7	22.4	6.9	6.5
EBITDA growth	32.4	83.6	27.1	5.1	2.4
EBIT growth	32.9	84.8	27.7	5.2	2.4
Pretax growth	28.8	93.5	27.7	5.6	3.2
Reported net profit growth	15.9	95.8	27.1	5.9	3.1
Core net profit growth	18.7	95.5	27.2	5.9	3.1
<b>Profitability ratios (%)</b>					
EBITDA margin	9.0	10.8	11.3	11.1	10.6
EBIT margin	8.8	10.6	11.1	10.9	10.5
Pretax profit margin	9.4	11.9	12.4	12.2	11.9
Payout ratio	65.6	84.4	75.0	75.0	75.0
<b>DuPont analysis</b>					
Net profit margin (%)	6.7	8.6	8.9	8.8	8.5
Revenue/Assets (x)	1.5	2.0	2.2	2.1	2.1
Assets/Equity (x)	2.4	2.3	2.3	2.2	2.1
ROAE (%)	25.9	43.5	46.6	42.9	39.4
ROAA (%)	10.5	18.3	20.4	19.5	18.6
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	23.2	26.5	34.4	36.6	36.7
Days receivable outstanding	22.5	17.3	18.2	19.4	19.4
Days inventory outstanding	46.9	54.0	54.7	58.3	58.4
Days payables outstanding	46.2	44.8	38.6	41.1	41.2
Dividend cover (x)	1.5	1.2	1.3	1.3	1.3
Current ratio (x)	2.3	2.1	2.5	2.6	2.6
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.8	1.9	2.0	2.1	2.2
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)	50.4	na	na	na	na
Debt/EBITDA (x)	1.0	0.3	0.2	0.2	0.2
Capex/revenue (%)	0.5	0.3	0.3	0.3	0.2
Net debt/ (net cash)	(494.1)	(437.4)	(462.3)	(520.0)	(567.9)

Source: Company; Maybank IBG Research

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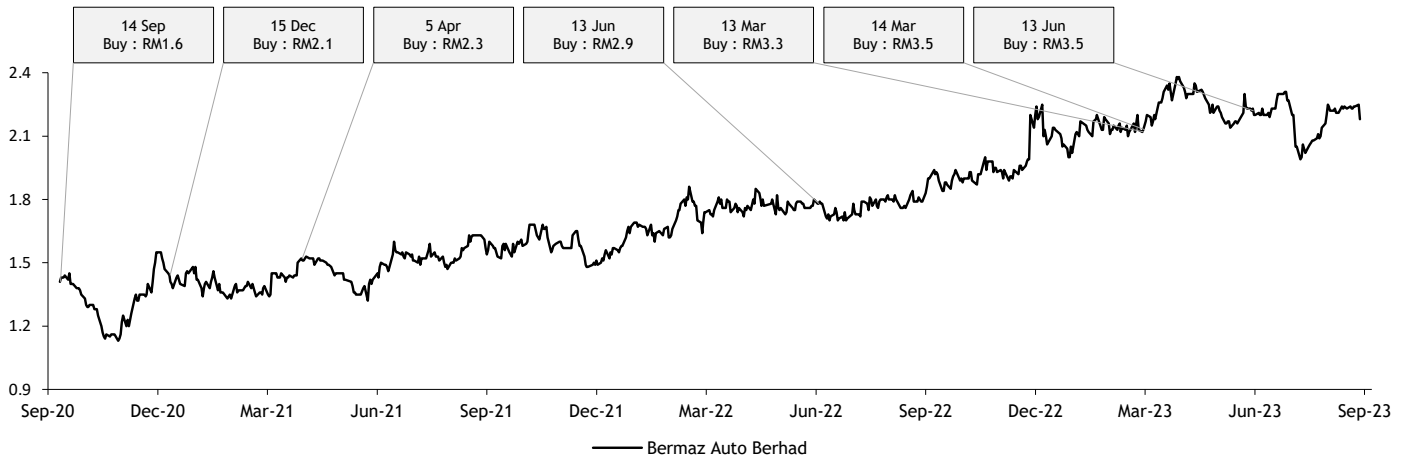
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