

Bermaz Auto Berhad (BAUTO MK)

1QFY24: Post-results briefing

On track to achieve its FY24E sales target of 24k units

We came away from BAUTO's results briefing yesterday feeling positive. Our earnings forecasts, BUY rating, and MYR4.14 TP (12.5x FY24E PER; 5Y 12M fwd. mean) remain unchanged. BAUTO maintains its FY24E target of 24k vehicle sales (+12% YoY), driven by strong bookings, improved supply chain, and upcoming launches. Backlog orders total around 4.5k units (c.4k for Mazda), with monthly bookings averaging c.1.8k units (vs. hist. avg. c.1.2k) even post the SST exemption holiday which ended in March 2023.

CKD sales mix to normalize post backlogs fulfillment

Mazda 3 sales nearly tripled QoQ in 1QFY24, benefitting from the improved supply chain. Most Mazda 3 backlogs are cleared, and we foresee sales returning to a normal pace (new bookings averaging c.100+ units/mnth). The remaining CX3 backlogs (c.100+ units) should be resolved by 2QFY24. CKD sales mix is anticipated to return to >80% after backlog fulfillment (1Q: c.70%). On the PH side, BAUTO will concentrate on high-margin products (CX60, CX90, CX5, CX8, and MX5) while expecting the strong 1QFY24 performance to continue on improve supply.

Anticipating new CKD models for Kia and Peugeot

BAUTO is still negotiating for new CKD-Kia Sportage and CKD-Peugeot 408 models, likely driving sales growth in 2HFY24. Favorable JPY and PHP exchange rate hedges, along with recent price hikes (MYR3.5k for CX30 in Apr 2023, MYR5k for Mazda 3 in Sept 2023), are expected to sustain margins throughout the year.

Solid fundamentals with attractive dividend yield

We continue to like BAUTO for its solid fundamental and resilient financials, having a net cash position and strong FCFs (min. capex requirements on asset light business model). Growth is underpinned by its robust pipeline of new launches and increasing CKD mix, providing good earnings visibility. Even with our conservative estimate of 75% DPR (vs. hist. DPR of 78%-114%), BAUTO still offers an attractive div. yield of >10%.

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	6.9	6.6	6.4
P/BV (x)	3.2	3.5	3.0	2.7	2.4
Net dividend yield (%)	4.9	9.5	10.8	11.4	11.8
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	4.7	4.4	4.3
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	314	301	303
MIBG vs. Consensus (%)	-	-	22.8	36.0	39.0

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BUY

Share Price	MYR 2.30
12m Price Target	MYR 4.14 (+80%)
Previous Price Target	MYR 4.14

Company Description

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

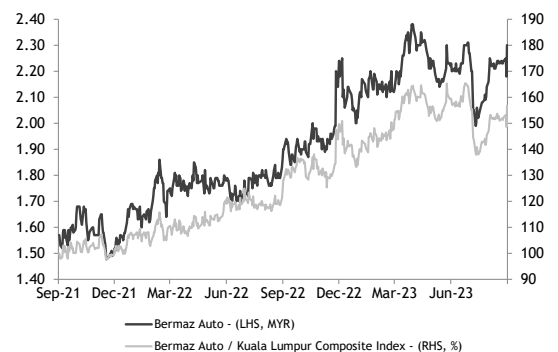
Statistics

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	MYR2.7B USD575M

Major shareholders:

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

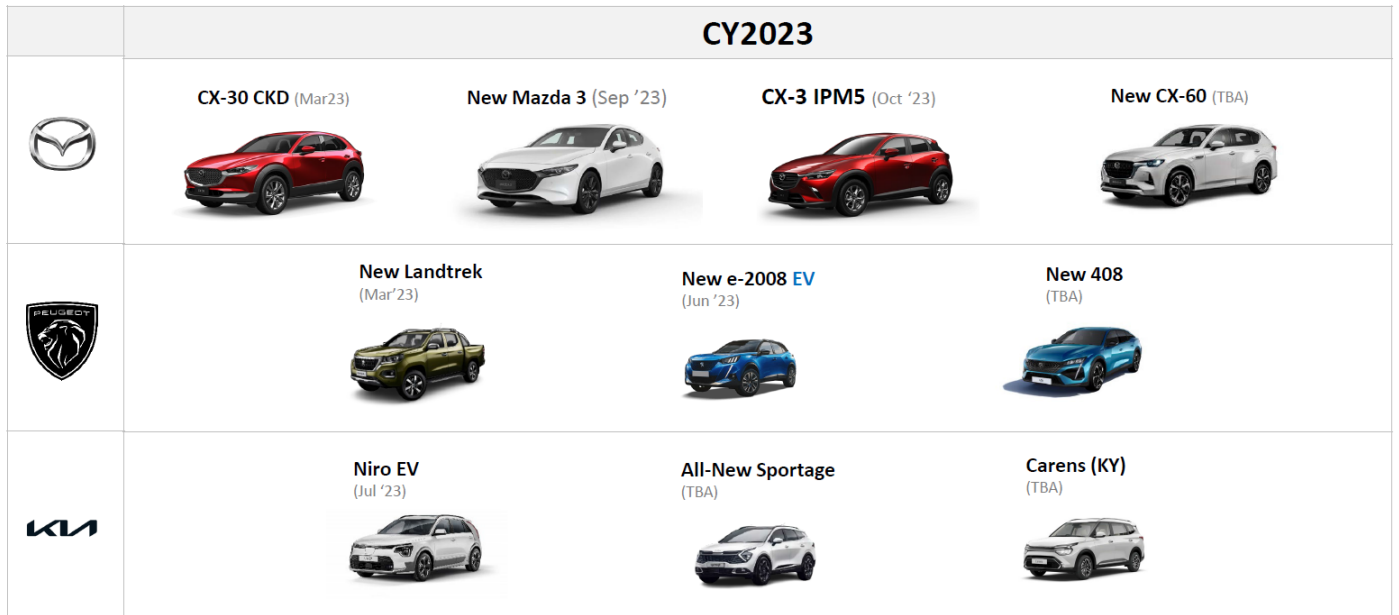
Price Performance



	-1M	-3M	-12M
Absolute (%)	7	4	24
Relative to index (%)	8	(2)	27

Source: FactSet

Figure 1: BAUTO product map



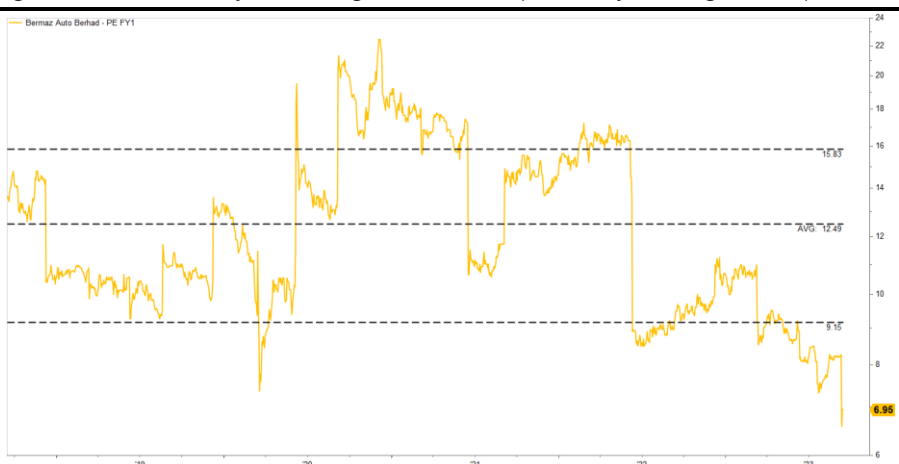
Source: Company

Figure 2: BAUTO's vehicle sales target (FY24E)

	FY23	1QFY24	FY24E
Mazda - MY	15,598	4,827	18,000
Mazda - PH	1,682	523	2,300
Kia	2,194	743	2,500
Peugeot	1,896	422	1,800
Total	21,370	6,515	24,600

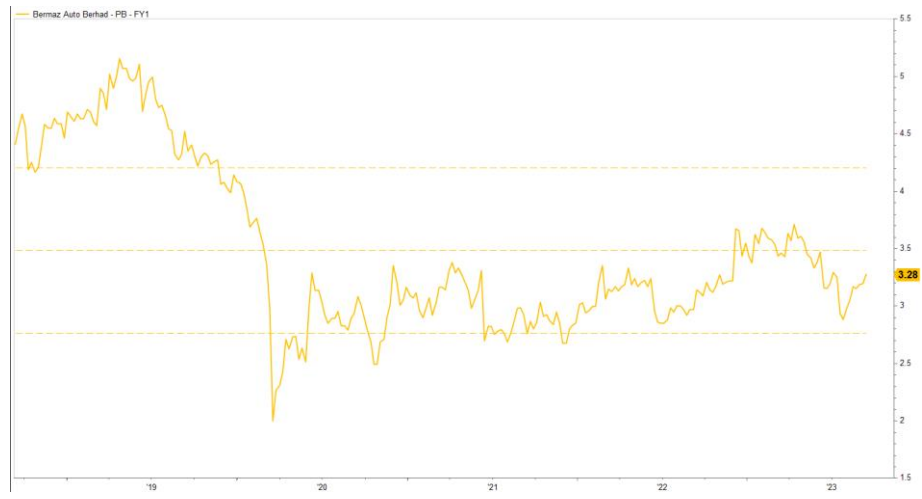
Source: Company, Maybank IBG research

Figure 3: BAUTO one-year rolling forward PER (currently trading at 7.0x)



Source: Factset, Maybank IBG Research

Figure 4: BAUTO one-year rolling forward PBV (currently trading at 3.3x)



Source: Factset, Maybank IBG Research

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
Key Metrics					
P/E (reported) (x)	12.0	7.5	6.9	6.6	6.4
Core P/E (x)	13.3	8.9	6.9	6.6	6.4
P/BV (x)	3.2	3.5	3.0	2.7	2.4
P/NTA (x)	3.2	3.5	3.0	2.7	2.4
Net dividend yield (%)	4.9	9.5	10.8	11.4	11.8
FCF yield (%)	13.6	3.8	10.5	12.9	13.2
EV/EBITDA (x)	7.7	6.1	4.7	4.4	4.3
EV/EBIT (x)	7.9	6.2	4.8	4.5	4.4

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
Total assets	1,547.7	1,776.9	2,008.0	2,179.9	2,349.0
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
Total Liabilities	858.6	937.6	1,016.2	1,045.7	1,075.7
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
Total shareholder equity	689.1	839.4	991.8	1,134.2	1,273.3
Total liabilities and equity	1,547.7	1,776.9	2,008.0	2,179.9	2,349.0

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
Net cash flow	130.6	(156.8)	25.0	57.7	47.9

FYE 30 Apr	FY22A	FY23A	FY24E	FY25E	FY26E
Key Ratios					
Growth ratios (%)					
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
Profitability ratios (%)					
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
DuPont analysis					
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
Liquidity & Efficiency					
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
Leverage & Expense Analysis					
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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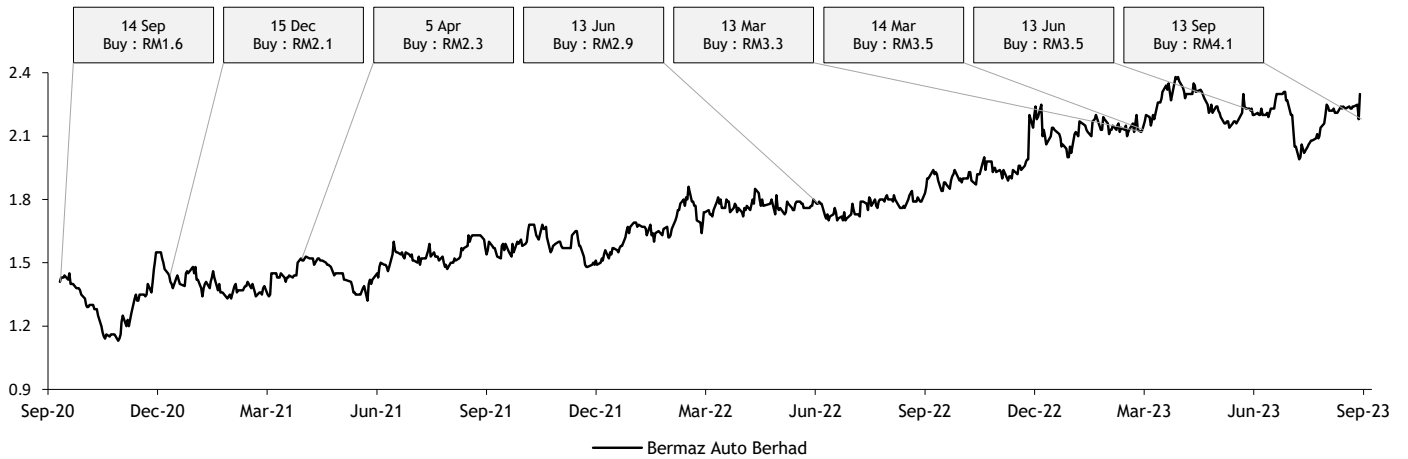
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Historical recommendations and target price: Bermaz Auto Berhad (BAUTO MK)



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