

11 December 2020

Bermaz Auto Bhd

6MFY21 Within Our Expectation

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6MFY21 PATAMI of RM34.0m (-52%) came in at 36%/29% of our/consensus full-year estimate. We deem the results as within our expectation as we expect stronger recovery ahead, underpinned by the SST-exempted (till year-end) led sales rush and its 6-year free warranty and 6-year free maintenance promotions. Maintain MARKET PERFORM with unchanged TP of RM1.40 based on 12x CY21E EPS (at 5-year fwd historical mean PER).

6MFY21 within our expectation. 6MFY21 PATAMI of RM34.0m (-52%) came in at 36%/29% of our/consensus full-year estimate. We deem the results as within our expectation as we expect stronger recovery ahead, underpinned by the SST-exempted (till year-end) led sales rush and its 6-year free warranty and 6-year free maintenance promotions. A 2nd interim DPS of 1.25 sen (2QFY20: 2.75 sen) was declared, bringing YTD-DPS to 1.75 sen (6MFY20: 6.00 sen), as expected.

QoQ, 2QFY21 PATAMI surged 168% with (i) corresponding surge in sales (+34%) from the post-MCO recovery in total unit sales to 3,802 units (+34%) and supported by (ii) expanding EBIT margin by 1.6ppt to 5.7%, from 4.1% in 1QFY21 in line with the increased sales and lower inventory holding costs, (iii) associates turning profitable at RM1.8m compared to loss of RM1.9m in 1QFY21, and (iv) lower effective tax rate of 27.6% (1QFY21: 34.5%). Associates turned profitable with the stronger Inokom Corporation's earnings (+11%), and lower share of losses at Mazda Malaysia SB (MMSB) at RM0.253m compared to a loss of RM3.8m in 1QFY21 as MMSB was still on lower production mode to clear existing inventory from the MCO period.

YoY, 6MFY21 PATAMI plunged 52%, despite higher sales (+6%) largely due to: (i) contraction in EBIT margin by 3.0ppt to 5.0% from 8.0% in 6MFY20 due to aggressive promotional campaigns for the local market, (ii) share of loss contribution from one of its associate companies, Mazda Malaysia SB (-RM4.0m) due to significant drop in unit sales with minimal orders from both the domestic and export markets during the MCO and CMCO periods, partly offset by stronger Inokom Corp (RM3.8m), and (iii) higher effective tax rate of 29.6% (6MFY20: 22.4%). Overall, Mazda 6MFY21 sales was at 6,642 units (-4% YoY).

Exciting new launches ahead. BAUTO had launched the all-new Mazda 3 Sedan and Hatchback (CBU, July 2019), face-lifted and turbo variants of CX-5 (CKD, 22nd Oct 2019), all-new CX-8 (CKD, 13th November 2019), all-new CX-30 (CBU, 15th January 2020), 2020 Mazda CX-9, face-lifted Mazda 2 and 2020 Mazda MX-5 RF (3rd March 2020). BAUTO will also introduce the face-lifted CX-30 CKD (CY2021), and all-new Mazda MX-30 (CY2021).

Maintain MARKET PERFORM with unchanged TP of RM1.40 based on 12x CY21E EPS (at 5-year Fwd. historical mean PER).

Risks to our call include: (i) lower-than-expected car sales volume, and (ii) unfavourable forex.

MARKET PERFORM ↔

Price: RM1.50
Target Price: RM1.40 ↔

Share Price Performance



KLCI 1,654.39
YTD KLCI chg 4.1%
YTD stock price chg -28.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	1,742.1
Shares Outstanding	1,161.4
52-week range (H)	2.18
52-week range (L)	0.94
3-mth avg daily vol:	2,221,870
Free Float	48%
Beta	1.2

Major Shareholders

Employees Provident Fund	20.0%
Dynamic Milestone Sdn Bhd	13.8%
KWAP	6.3%

Summary Earnings Table

FY Apr (RM m)	2020A	2021E	2022E
Turnover	1,459.0	2,270.0	2,384.2
EBIT	108.1	83.6	142.4
PBT	131.8	125.6	190.4
PATAMI	100.5	93.3	141.4
Consensus (NP)	-	117.8	152.3
Earnings Revision	-	-	-
Core EPS (sen)	8.7	8.0	12.2
Core EPS growth (%)	-61.9	-7.2	51.6
NDPS (sen)	7.5	4.8	7.3
BVPS (RM)	0.41	0.44	0.49
PER (x)	17.3	18.7	12.3
PBV (x)	3.7	3.4	3.1
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	5.0	3.2	4.9



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Result Highlight

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Apr (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	599.8	448.9	34%	457.2	31%	1,048.7	992.2	6%
EBIT	34.0	18.5	84%	22.8	49%	52.5	78.9	-34%
Associates	1.8	(1.9)	190%	6.5	-73%	(0.2)	15.2	-101%
PBT/(LBT)	33.9	13.1	158%	29.2	16%	47.0	94.2	-50%
Taxation	(9.4)	(4.5)	-107%	(7.6)	-24%	(13.9)	(21.1)	34%
PATAMI	24.8	9.2	168%	20.4	22%	34.0	70.9	-52%
EPS (sen)	2.1	0.8	167%	1.8	21%	2.9	6.1	-52%
DPS (sen)	1.25	0.50		2.75		1.75	6.00	
EBIT margin	5.7%	4.1%		5.0%		5.0%	8.0%	
PBT margin	5.7%	2.9%		6.4%		4.5%	9.5%	
PATAMI margin	4.1%	2.1%		4.5%		3.2%	7.1%	
Effective tax rate	27.6%	34.5%		26.0%		29.6%	22.4%	

Source: Bursa Announcement, Kenanga Research

Unit Sales

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Malaysia	3,520	2,663	32%	2,394	47%	6,183	5,654	9%
Philippines	282	177	59%	704	-60%	459	1,231	-63%
Total	3,802	2,840	34%	3,098	23%	6,642	6,885	-4%

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
<u>AUTOMOTIVE</u>																	
BERMAZ AUTO BHD	1.50	1,742.1	Y	04/2021	55.6%	5.0%	-7.2%	51.6%	17.3	18.7	12.3	3.3	2.7	16.0%	3.2%	1.40	MP
DRB-HICOM BHD	2.16	4,175.8	Y	12/2020	-9.3%	30.1%	-215.7%	29.6%	25.3	N.A.	16.9	0.4	0.4	-1.9%	0.0%	2.10	MP
MBM RESOURCES BERHAD	3.44	1,344.7	Y	12/2020	-8.1%	1.2%	-34.9%	16.7%	7.0	10.8	9.2	0.7	0.6	6.1%	3.5%	3.35	MP
SIME DARBY BERHAD	2.32	15,781.9	Y	06/2021	5.3%	5.2%	13.5%	1.4%	15.2	13.4	13.2	1.1	1.0	7.7%	4.3%	2.30	MP
TAN CHONG MOTOR HOLDINGS BHD	1.18	769.7	N	12/2020	-28.9%	17.8%	-281.6%	-61.8%	16.9	N.A.	24.4	0.3	0.3	-2.8%	1.3%	1.00	MP
UMW HOLDINGS BHD	3.41	3,983.9	Y	12/2020	-10.9%	14.0%	-36.6%	42.5%	15.6	24.7	17.3	0.7	0.6	2.6%	0.9%	3.30	OP
Simple Average					0.6%	12.2%	-93.8%	13.3%	16.2	16.9	15.5	1.1	0.9	4.6%	2.2%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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