

14 September 2021

## Bermaz Auto Bhd

1QFY22 Within Our Expectation

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Although 1QFY22 PATAMI of RM10.3m (+11%) came in at 9%/7% of our/consensus full-year estimates, we deemed the results to be within our expectation. This is because we expect stronger sales in upcoming quarters on the re-opening of the automotive sector effective 16<sup>th</sup> August 2021, especially in the key areas within Klang Valley which recently progressed to NRP Phase 2. Maintain MP with unchanged TP of RM1.45. The stock offers a dividend yield of 4%.

**1QFY22 within our expectation.** 1QFY22 PATAMI of RM10.3m (+11%) came in at 9%/7% of our/consensus full-year estimates. Still, we deemed the results as within our expectation as we expect stronger sales in the upcoming quarters with the re-opening of automotive sector effective 16<sup>th</sup> August 2021, especially in key areas of Klang Valley which recently moved on to NRP Phase 2. A 1<sup>st</sup> interim DPS of 0.5 sen was declared, bringing 1QFY22 DPS to 0.5 sen (1QFY21: 0.5 sen), as expected.

**YoY, 1QFY22 PATAMI** rose 11%, despite drag in sales (-29%) largely due to: (i) expansion in EBIT margin by 1.0ppt to 5.1% from 4.1% in 1QFY21 from a string of cost saving efforts including reversal of over-accrued provision (volume commitment fee), the ending of aggressive promotion (i.e. in-house warranty extension), and lower A&P costs with the extension of SST exemption, as well as (ii) lower finance costs and lower effective tax expense at 28.6% (1QFY21:34.5%). This was also supported by the improved contribution from associates (a profit of RM0.9m compared to a loss of RM1.9m) with: (i) MMSB reporting lower loss of RM1.9m compared to a loss of RM3.8m, (ii) Inokom at RM0.949m (-47%), and (iii) BAASB at RM0.6m (n.a.) with minimal orders from both the domestic and export markets during the MCO and CMCO periods. The lower sales was due to the full lockdown in Phase 1 from 1<sup>st</sup> June 2021 until 15<sup>th</sup> August 2021 with Mazda's 1QFY22 sales at 1,934 units (-32% YoY).

**QoQ, 1QFY22 PATAMI** plunged 85%, outpacing the drop in sales growth (-50%) mainly due to: (i) contracting EBIT margin by 6.1ppt to 5.1%, from 11.2% in 4QFY21 with zero sales during lockdown, and (ii) higher effective tax rate at 28.6% (4QFY21: 21.1%) due to certain expenses or losses being disallowed for tax purposes, different foreign tax rate and the inclusion of the share of results of associates presented net of tax. Overall, Mazda's 1QFY22 sales drop 53% QoQ.

**Exciting new launches ahead.** Mazda's current line-ups are the Mazda 3 (CBU, July 2019), CX-5 (CKD, 22nd Oct 2019), CX-8 (CKD, 13th November 2019), CX-30 (CBU, 15th January 2020), CX-9, Mazda 2 and MX-5 RF (3rd March 2020). New Mazda launches are the all-new CX-3 IPM version (CBU, July/Aug 2021), CKD for CX-30 (CY2021/22), CX-5/CX-8 IPM version (mid-2022) and all-new Mazda MX-30 (CY2021/22). PEUGEOT's current line-ups are the 3008 and 5008 SUVs, while upcoming models are 2008 SUV (Dec 2021), 3008/5008 IPM version (July 2022), 3008 EV CBU (in discussion), and 508 Electric Hybrid (in discussion). KIA's upcoming line-ups are the all-new Kia Carnival (CKD, Apr 2022), Sportage PHEV (CY2022, CKD 2023), and EV 6, Niro (depending on NAP regulation),

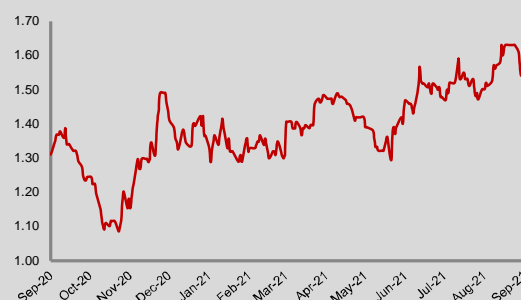
**Maintain MP with unchanged TP of RM1.45** based on unchanged 13x CY22E EPS (at 5-year Fwd. historical mean PER).

**Risks to our call include:** higher/lower car sales volume, and forex falling outside the range of our expectations.

## MARKET PERFORM ↔

Price: **RM1.58**  
Target Price: **RM1.45** ↔

### Share Price Performance



KLCI 1,570.13  
YTD KLCI chg -3.5%  
YTD stock price chg 10.2%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK EQUITY
Market Cap (RM m)	1,835.1
Shares Outstanding	1,161.4
52-week range (H)	1.65
52-week range (L)	1.11
3-mth avg daily vol:	1,954,405
Free Float	51%
Beta	1.2

### Major Shareholders

Employees Provident Fund	19.7%
Dynamic Milestone Sdn Bhd	14.3%
Amanah Saham Nasional	7.9%

### Summary Earnings Table

FY Apr (RM m)	2021A	2022E	2023E
Turnover	2,287.9	2,104.4	2,328.1
EBIT	172.7	121.0	143.0
PBT	172.7	153.8	179.8
<b>PATAMI</b>	<b>133.9</b>	<b>118.5</b>	<b>133.1</b>
Consensus (NP)	-	141.4	174.3
Earnings Revision	-	-	-
Core EPS (sen)	11.5	10.2	11.5
Core EPS growth (%)	32.8	-11.6	12.3
NDPS (sen)	6.5	6.1	6.9
BVPS (RM)	0.49	0.53	0.58
PER (x)	13.7	15.5	13.8
PBV (x)	3.2	3.0	2.7
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.1	3.9	4.4

14 September 2021

## Result Highlight

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Apr (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	320.8	641.2	-50%	448.9	-29%	320.8	448.9	-29%
EBIT	16.3	71.5	-77%	18.5	-12%	16.3	18.5	-12%
Associates	0.9	13.4	-93%	(1.9)	147%	0.9	(1.9)	147%
PBT/(LBT)	14.5	83.5	-83%	13.1	10%	14.5	13.1	10%
Taxation	(4.1)	(17.6)	76%	(4.5)	9%	(4.1)	(4.5)	9%
<b>PATAMI</b>	<b>10.3</b>	<b>66.8</b>	<b>-85%</b>	<b>9.2</b>	<b>11%</b>	<b>10.3</b>	<b>9.2</b>	<b>11%</b>
EPS (sen)	0.9	5.8	-85%	0.8	10%	0.9	0.8	10%
DPS (sen)	0.50	3.25		0.50		0.50	0.50	
EBIT margin	5.1%	11.2%		4.1%		5.1%	4.1%	
PBT margin	4.5%	13.0%		2.9%		4.5%	2.9%	
PATAMI margin	3.2%	10.4%		2.1%		3.2%	2.1%	
Effective tax rate	28.6%	21.1%		34.5%		28.6%	34.5%	

Source: Bursa Announcement, Kenanga Research

## Unit Sales

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Malaysia	1,619	3,660	-56%	2,663	-39%	1,619	2,663	-39%
Philippines	315	434	-27%	177	78%	315	177	78%
<b>Total</b>	<b>1,934</b>	<b>4,094</b>	<b>-53%</b>	<b>2,840</b>	<b>-32%</b>	<b>1,934</b>	<b>2,840</b>	<b>-32%</b>

Source: Company, Kenanga Research

## Wholly-owned Berjaya Auto Alliance (BAASB)-Peugeot unit sales &amp; after-sales and spare parts distribution for vehicles under Peugeot, Citroen and DS marque vehicles

## Bermaz Auto Alliance's results – 31-Jul-21

	3 months ended			3 months ended	
	CY Q1	LY Q1		LY Q4	
	31-Jul-21	31-Jul-20	+(-)	30-Apr-21	+(-)
	RM'000	RM'000	%	RM'000	%
	(A)	(B)	(A)-(B)/(B)	(C)	(A)-(C)/(C)
Revenue	7,653	-	NA	35,716	(78.6)
Profit before tax	360	-	NA	1,250	(71.2)
Profit after tax	274	-	NA	964	(71.6)
No. of vehicles sold (Units)	33	-	NA	196	(83.2)

^ - BAASB commenced operation on 1/12/2020 as an Associated Company of Bermaz Auto Berhad ("BAB") and became a Subsidiary of BAB on 8/6/2021.

Source: Company, Kenanga Research

14 September 2021

## 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.			
<b>AUTOMOTIVE</b>																	
BERMAZ AUTO BHD	1.58	1,835.1	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	13.7	15.5	13.8	3.0	2.1	16.1%	3.8%	1.45	MP
DRB-HICOM BHD	1.63	3,151.2	Y	12/2021	-6.3%	42.4%	-76.0%	628.8%	N.A.	68.2	9.4	0.3	0.3	0.5%	1.2%	2.20	OP
MBM RESOURCES BERHAD	3.24	1,266.5	Y	12/2021	-7.9%	15.8%	-1.9%	20.3%	7.6	7.8	6.5	0.6	0.6	7.6%	4.6%	3.50	OP
SIME DARBY BERHAD	2.25	15,305.7	Y	06/2022	4.6%	5.0%	15.2%	5.8%	12.3	10.6	10.1	1.0	0.9	8.8%	4.4%	2.60	OP
TAN CHONG MOTOR HOLDINGS BHD	1.16	756.5	N	12/2021	-25.4%	31.9%	-133.5%	-72.8%	N.A.	N.A.	62.4	0.3	0.3	-1.6%	1.3%	1.00	UP
UMW HOLDINGS BHD	3.25	3,797.0	Y	12/2021	-4.9%	19.5%	-25.7%	69.6%	16.5	22.2	13.1	0.6	0.5	3.5%	1.8%	3.20	MP
<b>Simple Average</b>					<b>-8.0%</b>	<b>20.9%</b>	<b>-38.9%</b>	<b>110.7%</b>	<b>12.5</b>	<b>24.9</b>	<b>19.2</b>	<b>1.0</b>	<b>0.8</b>	<b>5.8%</b>	<b>2.9%</b>		

Source: Bloomberg, Kenanga Research

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14 September 2021

**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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