

30 June 2022

Bermaz Auto Berhad

All-New CX-8, MX-30, and Kia EV-6

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OUTPERFORM ↔

Price : **RM1.74**
Target Price : **RM2.30** ↔

We reiterate our **OUTPERFORM** call on BAUTO with unchanged TP of RM2.30. BAUTO is expected to launch more high-margin new vehicles ahead especially for the SUV market which is enjoying growing demand, and electric vehicles (EV) which are seeing rising awareness (global EV volume increased 120% in 2021).

The key takeaways from the launching event conference:

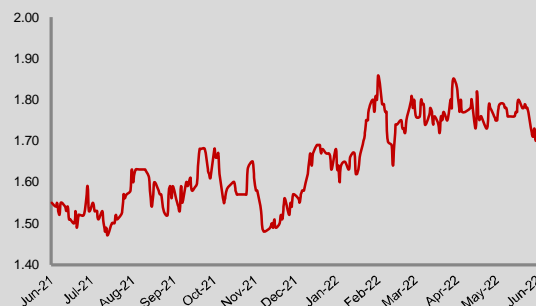
- New high-margin launch.** Launching of the popular all-new CX-8 CKD with addition of turbocharged petrol variant is expected to intensify the current back-log orders and at a higher pricing point by RM3k which we believe is to safeguard their margin due to increase in operation cost. CX-8 accounted for as high as 15% and 30% of BAUTO total unit sales and revenue, respectively. Mazda's current back-log orders is at 10k units, to be fulfilled by 1QCY23, further cementing its high profit margin position without the need to fork additional cost to absorb SST for orders before 30th June 2022.
- The path to EV market.** In response to the EV niche market demand, BAUTO launched the all-new MX-30 EV CBU and all-new KIA EV-6 GT-Line AWD CBU with limited units allocation for the 1st batch, to test the response for a larger CBU volume or a shift toward CKD production which entailed better margin (on average CKD margin is higher by 5% over CBU).
- Stronger associates' earnings ahead.** Both 30%-owned Mazda Malaysia Sdn Bhd. and 29%-owned Inokom Corporation Bhd are expected to boost capacity, capitalising on exciting new CKD launches including the CX-8 for the export market. We expect both plant utilisation rate to jump above 50% over the next 3 quarters (vs. 30% in FY2021) especially with the expected arrival of automotive parts from the recent re-opening of Shanghai Port.

2022 exciting new launches. New Mazda launches are the all-new CX-3 IPM4 version (Jan 2022), CX-30 IPM4 version (Feb 2022), CX-8 IPM4 version (June 2022) and all-new Mazda MX-30 EV (June 2022). PEUGEOT's current line-ups are the 2008, 3008 and 5008 SUVs, while upcoming models are Landtrek (3Q 2022), 3008/5008 IPM version (July 2022), all new e-2008 EV CBU (4Q 2022), and 508 Electric Hybrid (in discussion). Kia's current line-ups for now is Carnival with upcoming models such as Sportage PHEV (3Q/4Q 2022, CKD 2023), EV6/PBV1 EV (4Q 2022), and all new Niro/Sorento (4Q 2022).

Maintain OUTPERFORM with a TP of RM2.30 based on 15x CY23E EPS on par with local peers' average 1-year Fwd. PER, and at a 15% premium over its Japanese peers' average PER of 13x given its highest PAT margin ranking among automakers (commanding an average of 8% compared to average PAT margin of both local and Japanese peers at 5%) which also translated to 5-year Fwd. historical mean PER. We like BAUTO as it offers: (i) highest number of high-margin new launches, and (ii) the highest PATAMI margin which is head and shoulders compared to peers.

Risks to our call include: (i) lower-than-expected production volume recovery, (ii) lower-than-expected margin, and (iii) stricter government regulation.

Share Price Performance



KLCI 1,451.48
YTD KLCI chg -7.4%
YTD stock price chg 10.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	2,022.2
Shares outstanding	1,162.2
52-week range (H)	1.88
52-week range (L)	1.46
3-mth avg daily vol:	1,097,885
Free Float	51%
Beta	0.7

Major Shareholders

Employees Provident Fund	18.3%
Dynamic Milestone Sdn Bhd	14.5%
Amanah Saham Nasional	7.9%

Summary Earnings Table

FY Apr (RM m)	2022A	2023E	2024E
Turnover	2,325.1	2,350.1	2,587.6
EBIT	204.5	198.0	226.0
PBT	218.6	218.4	249.7
Net Profit	155.7	163.6	187.1
Consensus (NP)	-	176.4	203.5
Earnings Revision	-	-	-
Core EPS (sen)	13.4	14.1	16.1
Core EPS (%)	16.3	5.1	14.4
NDPS (sen)	8.8	8.5	9.7
BVPS (RM)	0.55	0.61	0.67
PER (x)	13.0	12.3	10.8
PBV (x)	3.2	2.9	2.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	5.0	4.9	5.6

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The launching of All new MX-30, Kia EV6 and CX-8



Source: Paultan.org, Kenanga Research

Pricing of CX-8 and Electric Vehicle in Malaysia

CX-8 Price Comparison		Price Range	
2019 Generation (SST-exempted price)		RM177k	RM211k
All-New 2022 Generation		RM180k	RM214k
Electric Vehicle		Price Range	Driving Range
2022 Mazda MX-30 EV		RM198k	199km
Kia EV6 GT-Line Long Range AWD		RM301k	506km
2022 Hyundai Ioniq 5		RM199k-RM259k	430km
Nissan Leaf EV		RM169k	311km
BMW iX and iX3		RM319k-RM397k	425km-461km
Mercedes-Benz EQA250 AMG Line		RM278k	429km
Volvo XC40 Recharge Pure Electric		RM262k	418km
BMW i4 M50		RM431k	510km
2022 MG ZS EV facelift		RM235k	319km

Source: Company, Kenanga Research

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Income Statement						Financial Data & Ratios					
FY Apr (RM m)	2020A	2021A	2022A	2023E	2024E	FY Apr	2020A	2021A	2022A	2023E	2024E
Revenue	1,755.4	2,287.9	2,325.1	2,350.1	2,587.6	Growth (%)					
EBIT	132.0	155.8	204.5	198.0	226.0	Turnover	-30.3	30.3	1.6	1.1	10.1
Other Income	3.8	5.4	6.6	9.4	10.4	EBITDA	-58.4	227.4	-19.9	51.5	11.3
Interest Inc/(Exp)	-2.9	-7.4	-3.9	0.5	1.8	Op. Profit	-53.2	18.1	31.2	-3.2	14.2
Associate	26.5	20.5	18.1	19.9	21.8	PBT	-61.2	28.0	29.4	-0.1	14.4
PBT	132.0	168.9	218.6	218.4	249.7	PATAMI	-61.8	32.7	16.3	5.1	14.4
Taxation	-27.9	-40.0	-59.7	-52.4	-59.9	Profitability (%)					
Minority Interest	-3.2	4.9	-3.1	-2.4	-2.7	Op. Margin	7.5	6.8	8.8	8.4	8.7
PATAMI	100.8	133.8	155.7	163.6	187.1	PBT Margin	7.5	7.4	9.4	9.3	9.6
Balance Sheet						CNP Margin	5.7	5.8	6.7	7.0	7.2
FY Apr (RM m)	2020A	2021A	2022A	2023E	2024E	ROA	9.0	10.0	10.6	10.2	10.8
Fixed Assets	109.2	100.9	121.3	105.1	88.1	ROE	19.3	25.7	25.8	24.4	25.3
Int. Assets	0.5	0.5	0.5	0.5	0.5	DuPont Analysis					
Other F. Assets	275.0	308.2	358.7	358.7	358.7	Net Margin (%)	5.7	5.8	6.7	7.0	7.2
Inventories	684.6	277.8	230.4	234.9	278.2	Assets T/O(x)	1.4	1.6	1.5	1.4	1.4
Receivables	107.5	148.5	142.5	143.6	154.1	Lev. Factor (x)	2.7	2.5	2.4	2.4	2.3
Other CA	10.4	2.5	0.4	0.4	0.4	ROE (%)	19.3	25.7	25.8	24.4	25.3
Cash	100.2	563.4	693.9	818.8	935.1	Leverage					
Total Assets	1,287.4	1,401.8	1,547.7	1,662.0	1,815.1	Debt/Asset (x)	-	0.1	0.1	0.1	0.1
Payables	349.5	247.6	253.0	255.9	283.6	Debt/Equity (x)	-	0.4	0.3	0.3	0.3
ST Borrowings	0.0	105.7	100.0	100.0	100.0	Net (Cash)/Debt	(100.2)	(357.9)	(494.1)	(618.9)	(735.2)
Ot. ST Liabilities	231.9	97.9	108.6	108.6	108.6	Gearing (x)	(0.2)	(0.6)	(0.8)	(0.9)	(0.9)
LT Borrowings	0.0	99.8	99.8	99.8	99.8	Valuations					
Ot. LT Liabilities	185.8	238.8	297.2	297.2	297.2	Core EPS(sen)	8.7	11.5	13.4	14.1	16.1
Net Assets	520.2	612.1	689.1	800.5	925.8	NDPS (sen)	7.5	6.5	8.8	8.5	9.7
S.Equity	472.7	569.4	637.1	702.5	777.3	BV/sh (RM)	0.4	0.5	0.5	0.6	0.7
Minority Interests	47.6	42.7	52.0	98.7	151.1	PER (x)	20.5	15.4	13.3	12.6	11.0
Total Equity	520.2	612.1	689.1	800.5	925.8	Div. Yield (%)	5.8	4.2	3.7	4.9	4.7
Cashflow Statement						PBV (x)	4.4	3.6	3.2	2.9	2.7
FY Apr (RM m)	2020A	2021A	2022A	2023E	2024E	EV/EBITDA (x)	20.5	17.8	14.7	14.6	14.4
Operating CF	-147.2	455.0	291.1	205.7	208.0						
Investing CF	-12.8	-0.8	-27.1	16.8	18.7						
Financing CF	-64.9	10.9	-131.9	-97.6	-110.4						
Change In Cash	-225.0	465.1	132.0	124.8	116.3						
Free CF	-151.8	450.4	286.5	201.1	203.4						

Source: 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.				
AUTOMOTIVE																		
BERMAZ AUTO BHD	1.74	2,022.2	Y	04/2023	1.1%	10.1%	5.1%	14.4%	13.0	12.3	10.8	3.2	2.9	24.4%	4.9%	2.30	OP	
DRB-HICOM BHD	1.19	2,300.6	Y	12/2022	29.5%	11.7%	-7.5%	35.4%	N.A.	11.8	8.7	0.3	0.2	2.1%	1.7%	1.80	OP	
MBM RESOURCES BHD	3.17	1,239.1	Y	12/2022	33.7%	11.4%	16.5%	16.6%	7.4	6.3	5.4	0.6	0.5	8.7%	6.3%	4.10	OP	
SIME DARBY BHD	2.18	14,845.6	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.0	12.5	12.1	0.9	0.9	7.2%	5.0%	2.60	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.15	749.9	Y	12/2022	32.9%	10.2%	-31.3%	54.4%	N.A.	61.8	40.0	0.3	0.3	0.5%	2.6%	1.00	UP	
UMW HOLDINGS BHD	3.02	3,528.2	Y	12/2022	7.1%	7.9%	60.5%	9.9%	15.8	9.8	9.0	0.5	0.4	4.9%	2.0%	4.40	OP	
Simple Average					18.2%	9.4%	7.9%	22.4%	12.3	19.1	14.3	1.0	0.9	8.0%	3.8%			

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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Published and printed by:

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