

13 September 2023

Bermaz Auto

Charging Ahead

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BAUTO's 1QFY24 results beat expectations on strong demand for the refreshed CX-30 CKD model. Its 1QFY24 core net profit doubled YoY, driven by robust sales of Mazda, Peugeot and Kia vehicles, and higher margins. It raised its FY24F sales guidance by 1k units to 24k units from 23k units three months ago. We increase our FY24-25F net profit by 4% each, lift our TP by 4% to RM3.22 (from RM3.10) and reiterate our OUTPERFORM call.

Its 1QFY24 results beat expectations, coming in at 37% of our full-year forecast and 38% of the full-year consensus estimate. The key variance against our forecast came from a higher-than-expected sales volume especially for the refreshed CX-30 CKD model and backlog orders delivery of Mazda 3 CBU.

It declared a first interim NDPS of 5.0 sen (ex-date: 19 Oct; payment date: 03 Nov 2023) in 1QFY24 vs. 3.0 sen paid in 1QFY23, on track to beat our full-year forecast of 18.9 sen. We therefore raise our FY24-25 dividend forecasts by 11% and 10% to 20.9 sen and 21.5 sen, respectively.

YoY, BAUTO's 1QFY24 revenue rose 52% driven by robust demand for Mazda (+15% to 5,729 units), and Kia (55% to 315 units) vehicles, while Peugeot focused on high-margin models (-43% to 313 units)

In terms of geographical breakdown, higher sales of 5,918 units (+51%) and 730 units (+73%) were recorded in both Malaysia and the Philippines, respectively, on economy reopening.

Its core net profit doubled due to: (i) a higher blended margin with product mix skewed towards high-margin models, (ii) cheaper costs of imported units with the strengthening of the MYR against JPY, and (iii) a lower effective tax rate. Its associates represented largely by contract vehicle assembler Mazda Malaysia Sdn Bhd recorded profit contribution that more than doubled, driven by higher production as the economy reopened.

QoQ, BAUTO's 1QFY24 revenue rose 2% driven by mostly by Mazda (+7%) vehicles, which more than cushioned the weaker sales volumes of Peugeot (-26%) and Kia (-58%) vehicles (as it focused on selling higher-end Peugeot and Kia to sustain margins). However, its core net profit was flat due to a higher effective tax rate.

Outlook. BAUTO guided for a higher number of at least 24k units in FY24 driven by all-new models launching (see page 2) especially boosted by the refreshed CKD model of CX-30. At present, its order backlogs stand at 5k units for Mazda and a few hundred units each for Kia and Peugeot.

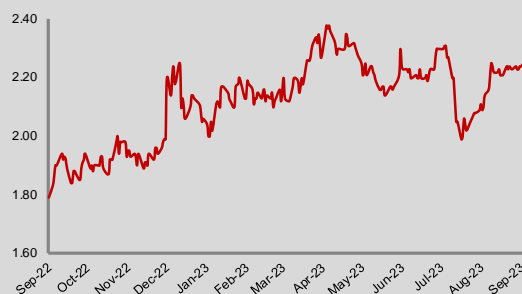
Forecasts. We increase our FY24-25F net profit by 4% each as we raise our sales volume assumptions by 4% each to 24k units in FY24 and to 24.4k in FY25, partially offset by higher cost of sales (assuming MYR is to weaken against JPY).

Consequently, we lift our TP by 4% to RM3.22 (from RM3.10) based on an unchanged CY24F PER of 13x, at a premium to the auto sector's average forward PER of 11x given its niche in the premium mid-market segment and ability to consistently pay out good dividends.

OUTPERFORM ↔

Price: RM2.18
Target Price: RM3.22 ↑

Share Price Performance



KLCI 1,453.39
YTD KLCI chg -2.8%
YTD stock price chg 6.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	2,539.4
Shares Outstanding	1,164.9
52-week range (H)	2.31
52-week range (L)	1.74
3-mth avg daily vol:	3,761,836
Free Float	53%
Beta	0.5

Major Shareholders

Dynamic Milestone Sdn Bhd	14.9%
Employees Provident Fund	10.6%
Amanah Saham Nasional	7.2%

Summary Earnings Table

FY Apr (RM m)	2023A	2024F	2025F
Revenue	3,548.2	4,104.4	4,311.3
EBIT	376.8	343.7	352.8
PBT	421.2	397.0	413.9
Core net profit	303.7	284.9	293.1
Consensus (NP)	-	261.4	276.4
Earnings Revision	-	+4%	+4%
Core EPS (sen)	26.2	24.5	25.2
Core EPS growth (%)	95.8	-6.2	2.9
NDPS (sen)	22.0	20.9	21.5
BVPS (RM)	0.66	0.70	0.73
PER (x)	8.3	8.9	8.6
PBV (x)	3.3	3.1	3.0
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	10.1	9.6	9.8

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We like BAUTO for: (i) its strong earnings visibility backed by an order backlog of 5.5k units for Mazda, Kia and Peugeot vehicles, (ii) its premium mid-market Mazda brand that offers the best of both worlds, i.e. products that appeal to the middle-income group and yet command superior margins than its peers in the mid-market segment, and (iii) its attractive dividend yield of about 9%. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). Maintain **OUTPERFORM**.

Risks to our call include: (i) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation, (ii) supply chain disruptions, (iii) escalating input costs, and (iv) MYR weakens against JPY.

Results Highlight

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Apr (RM m)	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Revenue	1,089.3	1,072.4	2%	716.9	52%	1,089.3	716.9	52%
EBIT	130.7	126.5	3%	70.2	86%	130.7	70.2	86%
Associates	8.6	10.9	-21%	4.0	114%	8.6	4.0	114%
PBT/(LBT)	140.7	139.5	1%	74.6	89%	140.7	74.6	89%
Taxation	(32.8)	(31.9)	-3%	(18.0)	-83%	(32.8)	(18.0)	-83%
Core net profit	100.2	100.6	0%	50.2	100%	100.2	50.2	100%
EPS (sen)	8.6	8.7	-1%	4.3	99%	8.6	4.3	99%
DPS (sen)	5.00	11.00		3.00		5.00	3.00	
EBIT margin	12.0%	11.8%		9.8%		12.0%	9.8%	
PBT margin	12.9%	13.0%		10.4%		12.9%	10.4%	
Net Profit margin	9.2%	9.4%		7.0%		9.2%	7.0%	
Effective tax rate	23.3%	22.9%		24.1%		23.3%	24.1%	














Source: Bursa Announcement, Kenanga Research

Unit Sales

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
	FY23	FY23	Chg	FY22	Chg	FY23	FY22	Chg
Mazda	5,729	5,350	7%	4,989	15%	5,729	4,989	15%
Peugeot	313	422	-26%	548	-43%	313	548	-43%
Kia	315	743	-58%	203	55%	315	203	55%
Total	6,357	6,515	-2%	5,740	11%	6,357	5,740	11%

Source: Company, Kenanga Research

BAUTO's Planned New Models in CY2023

	CY2023			
	CX-30 CKD (Mar'23) 	New Mazda 3 (Sep '23) 	CX-3 IPM5 (Oct '23) 	New CX-60 (TBA) 
	New Landtrek (Mar'23) 	New e-2008 EV (Jun '23) 	New 408 (TBA) 	
	Niro EV (Jul '23) 	All-New Sportage (TBA) 	Carens (KY) (TBA) 	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside (%)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE (%)	Net Div. (sen)	Net Div Yld (%)
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.				
Stocks Under Coverage																	
BERMAZ AUTO BHD	OP	2.18	3.22	47.7%	2,531.0	Y	04/2024	24.5	25.2	-6.2%	2.9%	8.9	8.6	3.1	36.2%	20.9	9.6%
DRB-HICOM BHD	MP	1.45	1.45	0.0%	2,802.9	Y	12/2023	16.5	17.7	4.9%	7.2%	8.8	8.2	0.3	3.6%	2.0	1.4%
HIL INDUSTRIES BHD	UP	1.04	0.780	-25.0%	345.2	Y	12/2023	9.2	10.1	28.0%	9.5%	11.3	10.3	0.8	6.9%	2.0	1.9%
HONG LEONG INDUSTRIES BHD	OP	8.94	11.40	27.5%	2,931.4	Y	06/2024	95.1	103.0	7.3%	8.4%	9.4	8.7	1.3	16.5%	62.0	6.9%
MBM RESOURCES BHD	OP	3.68	4.70	27.7%	1,438.5	Y	12/2023	65.3	67.1	14.0%	2.7%	5.6	5.5	0.6	10.7%	46.0	12.5%
SIME DARBY BHD	OP	2.17	2.45	12.9%	14,758.2	Y	06/2024	17.7	17.9	4.4%	1.0%	12.2	12.1	0.9	8.4%	14.0	6.5%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.08	0.800	-25.9%	725.8	N	12/2023	(7.4)	(4.8)	-232.2%	-164.6%	N.A.	N.A.	0.3	-1.8%	2.0	1.9%
UMW HOLDINGS BHD	ACCEPT	4.79	5.00	4.4%	5,596.2	Y	12/2023	35.5	37.9	5.3%	6.7%	13.5	12.6	1.2	9.3%	15.0	3.1%
SECTOR AGGREGATE					31,129.0					4.3%	4.5%	11.2	10.8	0.8	7.0%		5.5%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating			
GENERAL	Earnings Sustainability & Quality	★	★	★	★
	Community Investment	★	★	★	
	Workers Safety & Wellbeing	★	★	★	
	Corporate Governance	★	★	★	
	Anti-Corruption Policy	★	★	★	
	Emissions Management	★	★	★	
SPECIFIC	Electric & Hybrid Vehicles Availability	★	★	★	
	Supply Chain Management	★	★	★	★
	Energy Efficiency	★	★	★	
	Effluent & Water Management	★	★	★	★
	Training & Education	★	★	★	★
OVERALL		★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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 by:

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