

15 March 2024

Bermaz Auto

Bags Distributorship for Xpeng

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BAUTO has been awarded the distributorship of XPeng EV vehicles in Malaysia. Xpeng will take over the vacated Peugeot showroom in Glenmarie. The first model, XPeng G6 EV (SUV) slated for launch in 4QCY24 will be competitively priced at <RM200k. The sales volumes will be insignificant during our forecast period. We maintain our forecasts, TP of RM2.30 and MARKET PERFORM call.

Xpeng EV distributorship. BAUTO has been awarded the distributorship, sale of spare parts and provision of after-sales services of XPeng marque smart electric vehicles (EVs) in Malaysia by Shenzhen Xiaopeng Motors Supply Chain Management Co. Ltd China and Guangzhou Xiaopeng Motors Trading Co., Ltd., China. Xpeng Motors' is dual-listed on the New York Stock Exchange and the Hong Kong Stock Exchange.

XPeng marque vehicles are among the top smart EVs in China as well as globally. They are equipped with the latest state of the art features such as autonomous driving technology, digital cockpits and high-performance batteries. XPeng marque smart EVs' Navigation Guided Pilot software offers autonomous-driving capability and can navigate in major cities in China such as Beijing and Shanghai. XPeng group intends to expand its business operations over the next three years.

Xpeng sold 141,601 EV vehicles (+17%) to mainland China customers in 2023. Currently, its product line-up of smart EVs includes the P7i (sports sedan), P5 (family sedan), G9 (flagship SUV) and P7i (sports sedan) and the newly launched X9 (flagship MPV). Xpeng plan to launch its first right-hand drive EV car, G6 sport-utility vehicle (SUV) in Hong Kong by end-2024. In China, the G6 is priced from 209,900 to 276,900 yuan (RM136,933 to RM180,642).

Impact on earnings. We estimate that the earnings impact of the latest development is negligible at <1%. The new distributorship required minimum capex (probably less than RM2m) and Xpeng will take over the showroom vacated by Peugeot in Glenmarie, Shah Alam (only needed to change the signage). Given the crowded EV market with various new EV launches, we believe that at most it will only be able to sell a few hundred CBU units during the first year of operation. The first model to be introduced will be the Xpeng G6 EV (SUV) is expected to be competitively priced <RM200k within the EV premium segment where Tesla 3 and BYD Seal belong.

Forecasts. Maintained as the sales volumes will be insignificant during our forecast period.

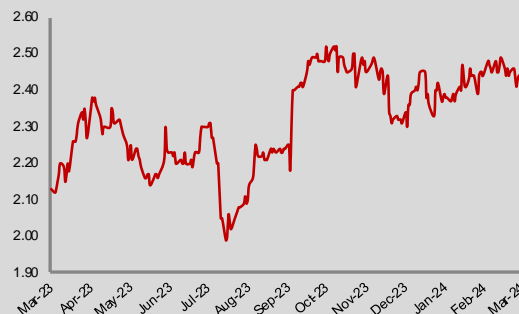
Valuations. We also maintain our TP at RM2.30 based on 10x CY24F PER, at a 1x multiple discounts to the sector's average forward PER of 11x to reflect higher earnings risk for mid-market auto players on subsidy rationalisation which will hurt their target customers, i.e. the middle-income group, the most. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We continue to like BAUTO for: (i) its strong near-term earnings visibility backed by an order backlog of 2.2k units for Mazda, Kia and Peugeot vehicles, (ii) its premium mid-market Mazda brand that offers superior margins, and (iii) its attractive dividend yield of about 8%. However, we are concerned over subsidy rationalisation hurting its target customers, i.e. the middle-income group. Maintain **MARKET PERFORM**.

MARKET PERFORM ↔

Price: RM2.41
Target Price: RM2.30 ↔

Share Price Performance



KLCI 1,543.75
YTD KLCI chg 6.1%
YTD stock price chg 2.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	2,813.9
Shares Outstanding	1,167.6
52-week range (H)	2.55
52-week range (L)	1.96
3-mth avg. daily vol.	3,205,915
Free Float	53%
Beta	0.4

Major Shareholders

Dynamic Milestone Sdn Bhd	14.9%
Employees Provident Fund	12.1%
Amanah Saham Nasional	6.1%

Summary Earnings Table

FY Apr (RM m)	2023A	2024F	2025F
Revenue	3,548.2	4,386.6	4,205.0
EBIT	376.8	368.8	310.4
PBT	421.2	422.1	372.0
Core net profit	303.7	302.9	263.4
Consensus (NP)	-	329.0	291.7
Earnings Revision	-	-	-
Core EPS (sen)	26.2	26.1	22.7
Core EPS Growth (%)	95.8	-0.3	-13.0
NDPS (sen)	22.0	20.1	18.2
BVPS (RM)	0.66	0.72	0.76
PER (x)	9.5	9.5	10.9
PBV (x)	3.8	3.5	3.2
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	8.9	8.1	7.3

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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.

G6 sport-utility vehicle (SUV) priced from 209,900 to 276,900 yuan (RM136,933 to RM180,642)



Source: Paultan.org, Kenanga Research

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Income Statement				
FY Apr (RM m)	2022A	2023A	2024F	2025F
Revenue	2,323.7	3,548.2	4,386.6	4,205.0
EBIT	203.6	376.8	368.8	310.4
Other Income	6.6	14.6	17.5	16.8
Interest Inc/(Exp)	-4.0	5.4	10.4	14.4
Associate	18.1	39.0	42.9	47.2
PBT	217.7	421.2	422.1	372.0
Taxation	-59.7	-94.0	-101.3	-93.0
Minority Interest	-2.9	-23.5	-17.9	-15.6
Net Profit	155.1	303.7	302.9	263.4

Financial Data & Ratios				
FY Dec	2022A	2023A	2024F	2025F
Growth (%)				
Revenue	1.6	52.7	23.6	-4.1
EBITDA	-19.9	143.3	12.1	-8.1
Op. Profit	30.7	85.1	-2.1	-15.8
PBT	28.8	93.5	0.2	-11.9
CNP	15.9	95.8	-0.3	-13.0
Profitability (%)				
Operating Margin	8.8	10.6	8.4	7.4
PBT Margin	9.4	11.9	9.6	8.8
Core Net Margin	6.7	8.6	6.9	6.3
ROA	10.5	18.2	15.8	12.3
ROE	25.7	43.4	37.9	30.6

Balance Sheet				
FY Apr (RM m)	2022A	2023A	2024F	2025F
Fixed Assets	93.0	116.8	99.6	81.7
Int. Assets	0.5	0.5	0.5	0.5
Other F. Assets	757.0	419.0	419.0	419.0
Inventories	216.7	498.3	651.0	617.9
Receivables	163.2	197.6	234.6	226.6
Other Current Assets	4.4	7.1	7.1	7.1
Cash	694.4	537.6	655.5	873.0
Total Assets	1,929.2	1,776.9	2,067.3	2,225.8
Payables	272.9	351.1	448.8	427.7
ST Borrowings	100.0	99.9	99.9	99.9
Other ST Liabilities	103.3	142.6	265.6	392.6
LT Borrowings	99.8	0.0	0.0	0.0
Other LT Liabilities	295.8	343.9	343.9	343.9
Net Assets	688.2	839.4	909.0	961.7
Shareholders' Equity	636.5	764.8	834.5	887.1
Minority Interests	51.8	74.6	74.6	74.6
Total Equity	688.2	839.4	909.0	961.7

Leverage				
Debt/Asset (x)	0.1	0.1	0.0	0.0
Debt/Equity (x)	0.3	0.1	0.1	0.1
Net Cash/(Debt)	(494.6)	(437.7)	(555.6)	(773.1)
N.Debt/Equity(x)	(0.8)	(0.6)	(0.7)	(0.9)
Valuations				
Core EPS (sen)	13.4	26.2	26.1	22.7
NDPS (sen)	8.8	22.0	20.1	18.2
BV/sh (RM)	0.5	0.7	0.7	0.8
PER (x)	18.6	9.5	9.5	10.9
Div. Yield (%)	3.5	8.9	8.1	7.3
PBV (x)	4.5	3.8	3.5	3.2
EV/EBITDA (x)	14.7	12.7	12.2	13.3

Cashflow Statement				
FY Dec (RM m)	2022A	2023A	2024F	2025F
Operating CF	293.2	114.9	300.9	369.7
Investing CF	-28.8	1.0	39.8	44.1
Financing CF	-131.9	-268.7	-222.8	-196.3
Change In Cash	132.5	-152.8	117.9	217.5
Free CF	288.6	110.3	296.4	365.2

Source: 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.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
BERMAZ AUTO BHD	MP	2.41	2.30	-4.6%	2,798.0	Y	04/2024	26.1	22.7	-0.3%	-13.0%	9.2	10.6	3.4	37.9%	20.1	8.3%
DRB-HICOM BHD	MP	1.34	1.40	4.5%	2,590.2	Y	12/2024	15.9	18.6	14.2%	17.0%	8.4	7.2	0.2	3.1%	2.0	1.5%
HIL INDUSTRIES BHD	MP	0.905	0.940	3.9%	300.4	Y	12/2024	13.6	14.3	11.9%	4.6%	6.6	6.4	0.6	9.7%	2.0	2.2%
HONG LEONG INDUSTRIES BHD	OP	10.64	11.70	10.0%	3,488.9	Y	06/2024	92.7	97.4	4.6%	5.0%	11.5	10.9	1.8	15.2%	110.0	10.3%
MBM RESOURCES BHD	OP	4.38	5.80	32.4%	1,712.1	Y	12/2024	72.5	73.3	-7.2%	1.1%	6.0	6.0	0.8	12.9%	40.0	9.1%
SIME DARBY BHD	OP	2.70	2.80	3.7%	18,362.7	Y	06/2024	17.7	19.3	4.4%	9.1%	15.2	14.0	1.1	7.4%	12.0	4.4%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.900	0.720	-20.0%	604.8	Y	12/2024	(16.8)	(16.2)	-187.2%	-196.8%	N.A.	N.A.	0.2	-4.2%	1.0	1.1%
SECTOR AGGREGATE					29,857.1					4.5%	6.3%	12.8	12.0	0.8	6.6%		5.3%

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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