Bermaz Auto

The Rebound Drive

OUTPERFORM ↔

Price: RM0.82

Target Price: RM1.10 ↑

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Mazda Malaysia posted strong sales rebound in quarter ended January 2026 to 3,118 units (+24% QoQ, +25% YoY), based on MAA data, which we believe will drive a strong 3QFY26 results performance, due to be released by second week of March 2026. Stretching into the finish line, we see a stronger 4Q performance, backed by a strong delivery of Mazda 3 1.5L, that could reach as high as 800 units a month, supported by stable backlog bookings of 2k units/month. With the strong recovery on track for FY26, we raised FY26F net profit by 15% and FY27F net profit by 7%. We, however, raised our TP on higher quantum of 40% to RM1.10 (from RM0.80) as we raised PER valuation to 9x (from 7x, reverting to historical profit base of c.RM100m) as we believe that earnings risk has subsided for non-nationals brands on stricter barrier of entry/policy for cheap EVs. Reiterate OUTPERFORM call.

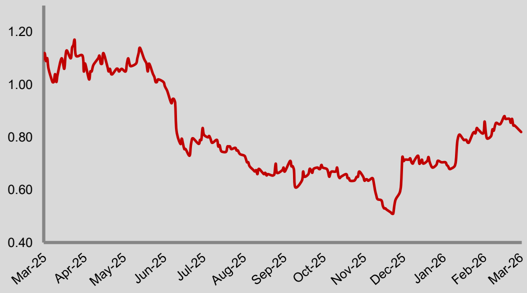
Persistent recovery in 3QFY26 (Nov-Jan 2026). Based on the recent release of Malaysia Automotive Association (MAA) data, Mazda Malaysia posted strong sales rebound in quarter ended January 2026 to 3,118 units (+24% QoQ, +25% YoY) which we believe was largely driven by the Mazda 3 1.5L sales and supported by in the order of CX-30, CX-5, CX-60, and CX-8. Based on these numbers, we estimate 3QFY26 net profit to be in the range of RM22m-RM25m, based on average ASPs and net profit margin as of 2QFY26 (being the closest in models mix sales). This implies 9MFY26 net profit in the range of RM47.5m-RM50.5m, which is at 71%-76% of our full-year estimates which we consider above expectation as we expect stronger sales in 4QFY26. The 3QFY26 results is due to be released by second week of March 2026.

We believe our upgrade in earnings in this note is timely with the expected recovery in sales for the next two quarters, which is now closer to the consensus earnings expectation.

Stronger sales expected in 4QFY26 (Feb-Apr 2026). Based on the back of the envelope calculation, factoring a stronger delivery of Mazda 3 1.5L up to 800 units for a single month (due to slowdown in sales in other countries during Chinese New Year holidays, the Malaysia region may get additional CBU delivery slot of Mazda 3) - we estimate 4QFY26 Mazda Malaysia sales to reach as high as 3,900 units (+25% QoQ, +83% YoY). Based on these numbers, we estimated 4QFY26 net profit to be in the range of RM29m-RM33m, based on average ASPs and net profit margin as of 2QFY26. This implies FY26 net profit in the range of RM76.5m-RM83.5m, which is at 115%-125% of our full-year estimate.

Mazda 3 1.5L driving the recovery. The 2025 Mazda 3 1.5L High Plus which was launched in Malaysia on November 5, 2025 priced from RM118,900 to RM119,620 (significantly lower than 2.0L at c.RM166k) has received overwhelming demand. After two months, it's still recorded unchanged 2k units backlog booking as of early-February 2026, despite stable delivery of c.500 units per month, which alludes to strong monthly demand. BAUTO's total order backlog now stands at 3,500 units with the majority coming from Mazda 3. In detailed, Mazda (300 units for CX-60, 2,000 units for M3 1.5L, 700 units for others), Xpeng (300 units) and BAP (200 units). Mazda 3 is consistently reviewed as a premium alternative to mainstream C-segment cars like the Honda Civic and Toyota Corolla Altis, and widely praised for its "Jinba-Ittai" driving dynamics and an interior that rivals European luxury brands.

Share Price Performance



KLCI	1,698.22
YTD KLCI chg	1.1%
YTD stock price chg	15.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK Equity
Market Cap (RM m)	931.3
Shares Outstanding	1,135.7
52-week range (H)	1.18
52-week range (L)	0.50
3-mth avg daily vol:	5,509,636
Free Float	59%
Beta	1.3

Major Shareholders

Dynamic Milestone Sdn Bhd	16.5%
Amanah Saham Nasional	7.6%
Lembaga Tabung Haji	7.0%

Summary Earnings Table

FY Apr (RM m)	2025A	2026F	2027F
Revenue	2,623.8	1,788.1	2,260.5
EBIT	212.7	86.6	144.6
PBT	224.3	106.2	167.9
Core net profit	**155.9**	**77.0**	**121.7**
Consensus (NP)	-	74.7	100.9
Earnings Revision	-	+15%	+7%
Core EPS (sen)	13.4	6.6	10.5
Core EPS growth (%)	-54.9	-50.6	58.1
NDPS (sen)	16.8	5.3	8.4
BVPS (RM)	0.57	0.58	0.60
PER (x)	6.1	12.4	7.8
PBV (x)	1.4	1.4	1.4
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	20.4	6.5	10.2

Forecasts. Based on our estimates as above, we raised FY26F net profit by 15% and FY27F net profit by 7%. We do expect the delivery of CBU models will be stabilised on certain level in FY27 as BAUTO started to transition towards the localisation of all-new CX-5 in FY27/28.

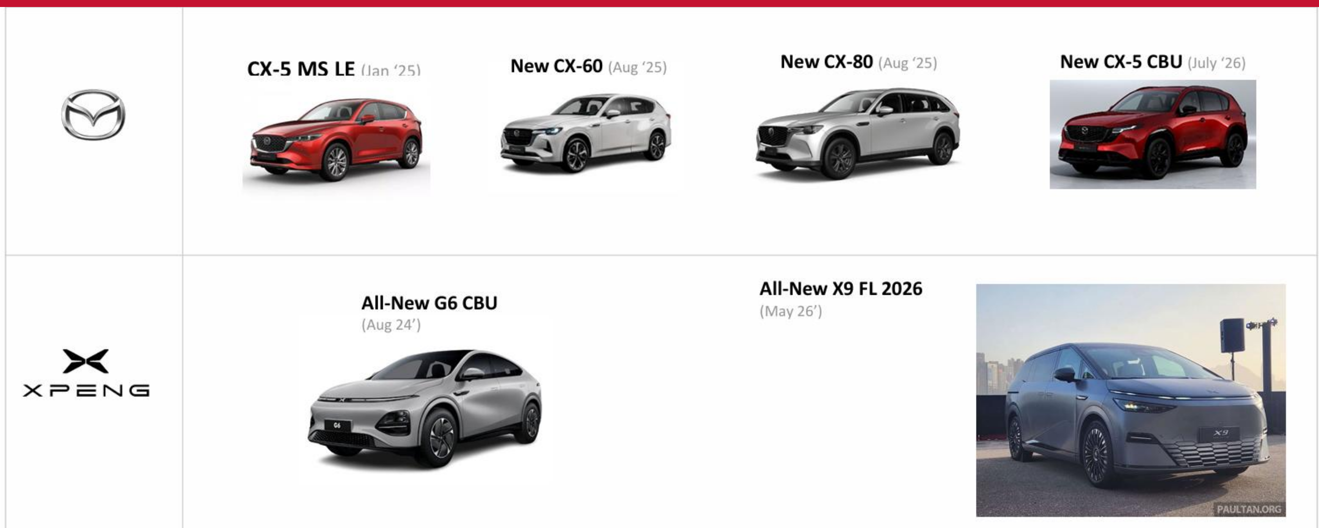
Valuations. We, however, raised our TP on a higher quantum of 40% to RM1.10 (from RM0.80) as we also raised our PER valuation to 9x (at -1.0SD from the trough valuation of 7x) which is at 2x multiple discounts to the sector's average forward PER of 11x and also the same discounts to BAUTO's 5-year average historical PER. Our PER valuation of 9x reflects it reverting to historical level of above 1k units/ month and to its historical profit base of RM100m. We expect earnings risk to subside for non-nationals space especially the competition in mid-market and luxury segments following the end of EV incentives for CBU and stricter barrier of entry of new EV brands/models (RM250k CBU floor price for new brands/models' entry). There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 5).

Investment case. We like BAUTO for: (i) its strong near-term earnings visibility backed by a total order backlog of 3,500 units - Mazda (300 units for CX-60, 2,000 units for M3 1.5L, 700 units for others), Xpeng (300 units) and BAP (200 units), (ii) its premium mid-market Mazda brand that offers superior margins, and (iii) its attractive dividend yield of about 7%. We expects BAUTO to benefit from the recent weakening of JPY against MYR, more so, as it expands its new Mazda launches towards CBU (CBU/CKD mix of 50%/50% expected in FY26 vs 40%/60% in FY25) such as its CX-60, CX-80 and Mazda 3 have garnered strong demand from the market especially for its all-new Mazda 3 (RM118,900 for the 1.5L High Plus model) which offers an attractive price point compared to previous launches. Maintain **OUTPERFORM**.

In response to the Chinese automakers' localisation plan, BAUTO has acquired a strategic stake of 11.54% in EP Manufacturing Bhd (EPMB) which provides contract assembly for key Chinese models which will enable BAUTO to benefit (as well as better control over its Xpeng brand localisation) from the expected stronger sales of Chinese value-for-money offerings. Key Chinese models include Xpeng G6 SUV and X9 MPV (BAUTO is the exclusive dealership and distributorship for Xpeng), GWM Haval H6 Hybrid, GWM Jolion, GWM Wey G9 MPV, BAIC BJ40P, X55II SUV and currently in the critical stage for localisation of MG vehicles. Moreover, for Mazda, it currently focus on Japanese Domestic Market (JDM) niche market value-for-money offerings to boost its near-to-mid-term earnings, while on the longer horizon, it is currently in negotiation for a better pricing for its upcoming models such as the long-awaited all-new Mazda CX-5 (CBU by July 2026, CKD by 2027).

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.

BAUTO's New Models in CY2025/26



Source: Company, Kenanga Research

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Income Statement

FY Apr (RM m)	2025A	2026F	2027F	2028F
Revenue	2,623.8	1,788.1	2,260.5	2,860.8
EBIT	**212.7**	**86.6**	**144.6**	**184.8**
Other Income	9.8	7.2	9.0	11.4
Interest Inc/(Exp)	-2.5	4.1	6.3	7.0
Associate	14.1	15.5	17.1	18.8
PBT	**224.3**	**106.2**	**167.9**	**210.6**
Taxation	-56.5	-25.0	-39.5	-49.5
Minority Interest	-11.9	-4.3	-6.8	-8.5
Net Profit	**155.9**	**77.0**	**121.7**	**152.6**

Financial Data & Ratios

FY Apr	2025A	2026F	2027F	2028F
Growth (%)				
Revenue	-33.2	-31.9	26.4	26.6
EBITDA	-31.2	-62.9	35.6	26.6
Op. Profit	-51.2	-59.3	66.9	27.8
PBT	-53.6	-52.6	58.1	25.4
CNP	-54.9	-50.6	58.1	25.4
Profitability (%)				
Operating Margin	8.1	4.8	6.4	6.5
PBT Margin	8.5	5.9	7.4	7.4
Core Net Margin	5.9	4.3	5.4	5.3
ROA	8.8	4.6	7.1	8.2
ROE	21.0	11.5	17.7	21.4
Leverage				
Debt/Asset (x)	0.1	0.1	0.1	0.1
Debt/Equity (x)	0.3	0.3	0.3	0.3
Net Cash/(Debt)	(207.2)	(359.9)	(387.0)	(413.8)
N.Debt/Equity(x)	(0.3)	(0.5)	(0.6)	(0.6)
Valuations				
Core EPS (sen)	13.4	6.6	10.5	13.1
NDPS (sen)	16.8	5.3	8.4	10.5
BV/sh (RM)	0.6	0.6	0.6	0.6
PER (x)	6.1	12.4	7.8	6.2
Div. Yield (%)	20.4	6.5	10.2	12.8
PBV (x)	1.4	1.4	1.4	1.3
EV/EBITDA (x)	16.4	27.9	19.9	17.3

Balance Sheet

FY Apr (RM m)	2025A	2026F	2027F	2028F
Fixed Assets	45.6	41.1	35.8	29.7
Int. Assets	0.5	0.5	0.5	0.5
Other F. Assets	488.7	488.7	488.7	488.7
Inventories	499.1	346.9	432.9	542.2
Receivables	209.8	172.8	193.7	220.2
Other Current Assets	14.5	14.5	14.5	14.5
Cash	432.8	585.6	612.6	639.4
Total Assets	**1,691.0**	**1,650.1**	**1,778.7**	**1,935.3**
Payables	225.9	128.5	183.5	253.5
ST Borrowings	225.6	225.6	225.6	225.6
Other ST Liabilities	136.4	263.3	390.2	517.1
LT Borrowings	0.0	0.0	0.0	0.0
Other LT Liabilities	367.9	367.9	367.9	367.9
Net Assets	**735.2**	**664.8**	**611.4**	**571.1**
Shareholders' Equity	659.1	588.6	535.3	495.0
Minority Interests	76.2	76.2	76.2	76.2
Total Equity	**735.2**	**664.8**	**611.4**	**571.1**

Cashflow Statement

FY Apr (RM m)	2025A	2026F	2027F	2028F
Operating CF	226.1	197.8	104.1	126.2
Investing CF	69.7	12.4	14.0	15.7
Financing CF	-224.5	-57.5	-91.0	-115.1
Change In Cash	71.3	152.7	27.0	26.8
Free CF	221.5	193.2	99.5	121.6

Source: Kenanga Research

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	OP	0.820	1.10	34.1%	952.0	Y	04/2026	6.6	10.5	-50.6%	58.1%	12.4	7.8	1.3	10.4%	5.3	6.5%
DRB-HICOM BHD	UP	1.09	0.620	-43.1%	2,107.0	Y	12/2025	5.1	5.4	55.4%	6.3%	21.3	20.1	0.2	0.9%	3.0	2.8%
HIL INDUSTRIES BHD	OP	0.700	0.850	21.4%	232.3	Y	12/2025	11.2	11.4	2.8%	2.3%	6.3	6.1	0.4	7.2%	2.0	2.9%
HONG LEONG INDUSTRIES BHD	OP	17.38	18.90	8.7%	5,698.9	Y	06/2026	157.4	160.6	2.7%	2.0%	11.0	10.8	2.3	21.4%	110.0	6.3%
MBM RESOURCES BHD	MP	4.98	4.90	-1.6%	1,946.7	Y	12/2025	81.6	82.2	-5.9%	0.7%	6.1	6.1	0.7	11.5%	45.0	9.0%
SIME DARBY BHD	OP	2.38	2.75	15.5%	16,186.4	Y	06/2026	19.8	21.5	15.6%	8.1%	12.0	11.1	0.8	7.0%	14.0	5.9%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.510	0.290	-43.1%	342.7	Y	12/2025	(27.2)	(25.6)	-189.1%	-194.2%	N.A.	N.A.	0.1	-7.2%	1.0	2.0%
SECTOR AGGREGATE					**27,466.0**					**7.6%**	**8.3%**	**12.4**	**11.4**	**0.7**	**5.6%**		**5.0%**

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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