

11 September 2015 | 1QFY16 Results Review

Berjaya Auto Berhad

Volume driven growth

INVESTMENT HIGHLIGHTS


- **1QFY16 core earnings declined -4%yoy and -3%qoq to RM53.8m; within ours and consensus expectations**
- **Revenue growth were driven by robust sales volume of its competitively priced Mazda vehicles**
- **An interim dividend of 2.25sen per share was declared**
- **Maintain BUY with an unchanged TP of RM3.30**

Within expectations. BAUTO's 1QFY16 core earnings declined by -4.1%yoy to RM53.8m, accounted for c.21% and c.22% of ours and consensus full year earnings expectations.

Volume driven growth. The Group recorded double-digit growth in sales volume of Mazda vehicles both in Philippines and the local market. Mazda's TIV in the local market grew c.15%yoy in the period of May-July 2015. Nonetheless, the Group's revenue only increased by a marginal 1%yoy to RM512.5m despite the robust sales volume as it was heavily contributed by the competitively priced Mazda 2 SKYACTIV and Mazda 3 CKD SKYACTIV.

Margin deterioration. Its core earnings declined -4%yoy to RM53.8m due to margin compression whereby it's operating margins contracted by c.-0.8ppts. This could be attributed to the strategy of growing its market share by spending on advertising and promotional expenses as well as competitive pricing of its models to entice sales in light of heightened competition in the auto industry.

Outlook. Auto industry is expected to remain challenging in the near term due to softening demand for motor vehicles in light of current economic uncertainties. Nevertheless, we are of the view that BAUTO is poised to garner further market share and outperform its peers in terms of sales volume growth due to its current exciting product line-up, driven by the introduction of Mazda 2 and Mazda 3 CKD. For the first 7 months of 2015, Mazda's TIV grew by 16.9% to 7.9k units whilst its market shares grew to 2.3% from 1.6%.

Maintain BUY with an unchanged TP of RM3.30. We made no changes to our full year earnings forecast at this juncture. We reiterate our BUY call on Berjaya Auto with a GGM-derived TP of RM3.30, assuming a sustainable ROIC of 66.1%, COE of 10% and a terminal growth rate of 3%. Our TP implies FY16 PER and PER 17 of 14.8x and 15.0x respectively. 

Maintain BUY

Unchanged Target Price (TP): RM3.30

RETURN STATS	
Price (10 Sep 2015)	RM2.13
Target Price	RM3.30
Expected Share Price Return	+54.9%
Expected Dividend Yield	+5.2%
Expected Total Return	+60.1%

STOCK INFO	
KLCI	1,614.02
Bursa / Bloomberg	5248 / BAUTO MK
Board / Sector	Main/ Consumer
Syariah Compliant	Yes
Issued shares (mil)	1,139.7
Par Value (RM)	0.50
Market cap. (RM'm)	2,427.6
Price over NA	5.09x
52-wk price Range	RM1.89 – RM2.96
Beta (against KLCI)	1.32
3-mth Avg Daily Vol	2.55m
3-mth Avg Daily Value	RM6.26m
Major Shareholders (%)	
Berjaya Group	34.29
Podium Success	6.41
EPF	5.84

INVESTMENT STATISTICS

FYE April (RM'm)	FY13	FY14	FY15	FY16F	FY17F
Revenue	1,064	1,451	1,830	2,384	2,278
EBITDA	79	170	294	345	339
EBIT	72	165	287	335	326
Associates	(2)	11	9	12	12
Pretax profit	69	180	301	356	351
Net Profit	51	131	215	254	250
Normalised Net Profit	48	129	217	254	250

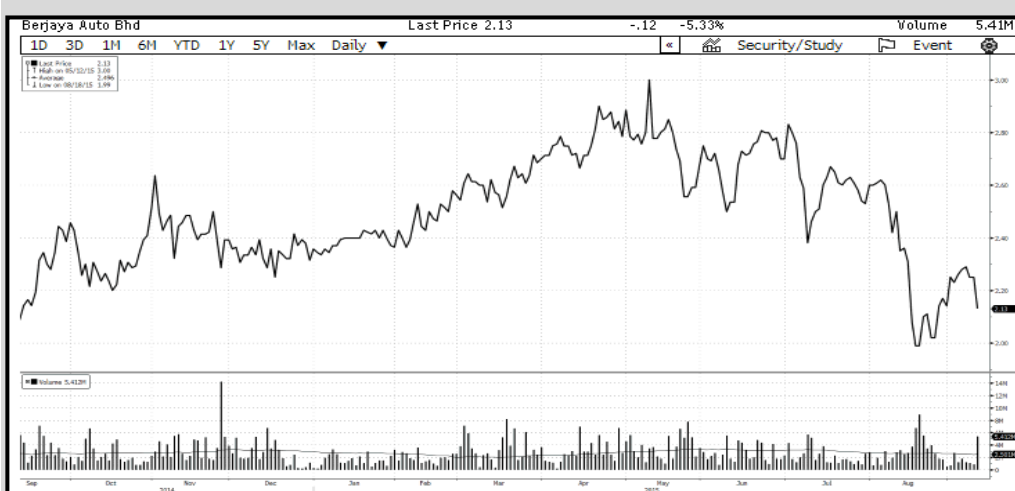
Source: MIDFR

BERJAYA AUTO: 1QFY16 RESULTS REVIEW

FYE April (RM'm)	Quarterly Results				
	1QFY16	1QFY15	4QFY15	%YoY	%QoQ
Revenue	512.5	508.0	424.3	0.9	20.8
Operating profit	68.0	71.5	72.3	(4.9)	(5.9)
Associate	4.2	3.7	3.6	13.0	17.3
Pre-tax profit	73.5	76.5	77.2	(3.8)	(4.8)
Core Net profit	53.8	56.1	55.5	(4.1)	(3.1)
	+/- ppts	+/- ppts	+/- ppts	+/- ppts	+/- ppts
Operating profit margin (%)	13.3	14.1	17.0	(0.8)	(3.8)
Effective tax rate (%)	25.2	24.9	27.5	0.2	(2.3)

Source: Group, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.