



Bermaz Auto Berhad

(5248 | BAUTO MK) Main | Consumer Products & Services

Maintain BUY

Earnings Matched Expectations, No Surprises

Revised Target Price: RM3.03
(Previously RM3.50)

KEY INVESTMENT HIGHLIGHTS

- **1QFY25 results on track with expectations**
- **BAuto takes 11.54% stake in EPMB to support expansion plans**
- **All-new Kia Sportage is the next key launch**
- **No change to earnings forecasts**
- **Maintain BUY with a revised TP of RM3.03**

Within expectations. Bermaz Auto Berhad (BAuto) posted a core PATAMI of RM68.6m for 1QFY25 (FYE April), aligning with expectations at 20%/22% of our/consensus full-year estimates. The Group announced a first interim dividend of 3.50 sen per share, reflecting a 60% payout ratio.

Quarterly. Core PATAMI in 1QFY25 declined by -32.7%yoy, reflecting a -22.3%yoy drop in revenue, largely driven by weaker domestic operations stemming from lower sales volumes due to increased competition and the clearing of the Mazda 3 backlog in 1QFY24. Sequentially, revenue dropped by -9.7%qoq due to weaker domestic operations, as highlighted earlier. PBT margin also fell to 11.6% (4QFY24: 13.9%), primarily due to lower margins from its Kia operations and the non-renewal of the Peugeot distributorship agreement in Feb-24.

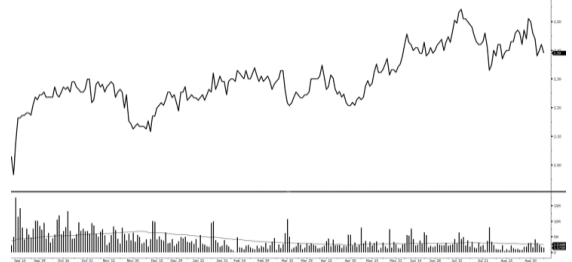
EMPB issues 30% of shares, split between the largest shareholder and BAuto. BAuto, through its 100%-owned subsidiary Bermaz Capital Sdn Bhd (BCSB), has agreed to subscribe to 33.0 million new shares in EP Manufacturing Berhad (EPMB), representing about 15% of EPMB's issued share capital. EPMB, an automotive parts manufacturer, has recently secured assembly deals with BAIC and Great Wall Motor (GWM) and plans to invest over RM100.0m in a new manufacturing hub at Hicom Pegoh Industrial Park, Melaka. The subscription, priced at RM0.60 per share for a total of RM19.8 million (6% of BAuto's net cash as of 1QFY25), will help fund the setup costs. The valuation seems fair since the deal is priced at 9.4x EPMB's annualised 1HFY24 figures, which is just above its sector's historical mean of 9.0x. Upon completion by Dec-24, BAuto will hold an 11.54% stake in EPMB's expanded share capital. There is no indication as to whether EPMB will assemble BAuto's new models, as the current assembly is handled by Inokom's plant in Kulim, Kedah.

Maintain BUY. No changes have been made to our earnings estimates. Upcoming launches include the Mazda CX-60 and Kia Sportage (CBU in 4QCY24 (2HFY25), with the latter expected to drive volume in FY25F. However, we have lowered our target PER to 10.3x (the 5-year historical mean) from 11.8x, due to anticipated increased competition in the mid-range segment. Consequently, our target price has been adjusted to **RM3.03** (10.3x FY25F) from RM3.50. We maintain a **BUY** call, as the stock is trading at -0.5SD below its historical mean and offers an appealing dividend yield of 10%. BAuto maintains a healthy balance sheet with a net cash position of RM324.1m (27.6 sen per share) as of 1QFY25.

RETURN STATISTICS

Price @ 11 th September 2024 (RM)	2.37
Expected share price return (%)	+27.8
Expected dividend yield (%)	+10.0
Expected total return (%)	+37.8

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.2	-4.9
3 months	-2.2	-5.3
12 months	9.6	-3.8

INVESTMENT STATISTICS

FYE April (RMm)	2024A	2025F	2026F
Revenue	3,930.3	3,870.1	3,863.0
Operating Profit	436.1	430.7	426.9
Profit Before Tax	489.1	476.9	476.1
Core PATAMI	351.0	345.3	343.7
Core EPS (sen)	30.1	29.6	29.5
PER (x)	7.9	8.0	8.0
DPS (sen)	26.0	23.7	23.6
Dividend Yield (%)	11.0	10.0	10.0

KEY STATISTICS

FBM KLCI	1,639.80
Issue shares (m)	1168.8
Estimated free float (%)	64.5
Market Capitalisation (RM'm)	2,793.5
52-wk price range	RM2.11 -
3-mth average daily volume (m)	2.74
3-mth average daily value (RM'm)	6.82
Top Shareholders (%)	
Dynamic Milestone Sdn Bhd	14.90
Employees Provident Fund Board	13.40
Amanah Saham Nasional Bhd	6.13

BERMAZ AUTO: 1Q25 RESULTS SUMMARY

FYE Apr (RM'm)	Quarterly				
Income Statement	1QFY25	4QFY24	1QFY24	QoQ	YoY
Revenue	846.2	937.5	1,089.3	-9.7%	-22.3%
Malaysia	755.0	841.7	988.9	-10.3%	-23.7%
Philippines	91.2	95.9	100.3	-4.9%	-9.1%
Operating profit	87.3	110.7	130.7	-21.1%	-33.2%
Malaysia	69.3	97.3	116.1	-28.8%	-40.3%
Philippines	18.4	13.8	14.9	32.9%	23.2%
Finance costs	-2.2	-1.7	-1.8	-28.1%	-21.2%
Associates	10.7	19.6	8.6	-45.0%	24.6%
PBT	97.8	130.6	140.7	-25.1%	-30.5%
Tax expense	-22.4	-31.0	-32.8	27.7%	31.7%
PATAMI	70.2	90.2	100.2	-22.2%	-29.9%
Core PATAMI	68.6	92.8	102.0	-26.1%	-32.7%
				ppts	ppts
OP margin (%)	10.3%	11.8%	12.0%	-1.5	-1.7
PBT margin (%)	11.6%	13.9%	12.9%	-2.4	-1.4
Core PATAMI margin (%)	8.1%	9.9%	9.4%	-1.8	-1.3
Effective tax rate (%)	-22.9%	-23.7%	-23.3%	0.8	0.4

UNITS SOLD

FYE Apr	Quarterly				
Sales Volume (Units)	1QFY25	4QFY24	1QFY24	QoQ	YoY
Mazda (MY)	3,852	4,210	4,999	-8.5%	-22.9%
Peugeot (MY)	429	228	313	88.2%	37.1%
Kia (MY)	274	405	606	-32.3%	-54.8%
Mazda (PH)	562	637	730	-11.8%	-23.0%
Total Volume	5,117	5,480	6,648	-6.6%	-23.0%

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2,325.1	3,540.6	3,930.3	3,870.1	3,863.0
Operating profit	204.5	376.8	436.1	430.7	426.9
PBT	218.6	423.3	489.1	476.9	476.1
PATAMI	155.7	305.8	351.0	345.3	343.7
Core PATAMI	157.0	304.7	351.0	345.3	343.7
Balance Sheet (RM'm)	2022A	2023A	2024A	2025F	2026F
Fixed Assets	41.6	44.5	47.0	49.1	50.8
Investments in associate	275.7	314.5	364.4	414.9	466.1
Non-current assets	480.5	536.3	609.9	641.3	694.3
Inventories	230.4	498.3	687.1	543.5	542.5
Receivables	142.5	197.6	196.5	215.5	215.1
Cash & cash equivalents	694.4	537.6	364.8	603.3	653.3
Current assets	1,067.2	1,240.6	1,251.9	1,369.4	1,418.1
Long-term borrowings	99.8	0.0	0.0	0.0	0.0
Non-current liabilities	397.1	343.9	387.3	343.9	343.9
Short-term borrowings	100.0	100.0	62.5	100.0	100.0
Payables	253.0	351.1	389.1	382.9	382.2
Current liabilities	461.6	593.7	560.4	625.5	624.8
Share capital	609.4	619.6	626.2	626.2	626.2
Minority interest	54.8	76.6	92.9	139.8	173.3
Total equity	689.1	839.4	914.1	1,041.4	1,143.7
Cash Flow Statement (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	218.6	423.3	489.1	476.9	476.1
Depreciation & Amortisation	6.3	8.2	3.8	3.7	4.7
Changes in working capital	41.6	-224.9	-37.4	6.1	0.7
Operating cash flow	293.2	114.9	195.5	343.1	337.1
Capex	-37.5	-12.2	-12.2	-12.2	-12.2
Investing cash flow	-28.8	1.0	-8.3	-12.2	-12.2
Dividends paid	-78.4	-154.0	-297.7	-276.2	-275.0
Net movement in borrowings	-31.5	-99.8	-37.5	0.0	0.0
Financing cash flow	-131.9	-268.7	-361.4	-276.2	-275.0
Net cash flow	132.5	-152.8	-174.1	54.7	50.0
Beginning cash	563.4	694.4	537.6	548.6	603.3
Ending cash	694.4	537.6	364.8	603.3	653.3
Margins (%)	2022A	2023A	2024A	2025F	2026F
OP margin	8.8%	10.6%	11.1%	11.1%	11.1%
PBT margin	9.4%	12.0%	12.4%	12.3%	12.3%
Core PATAMI margin	6.8%	8.6%	8.9%	8.9%	8.9%

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology