

14 June 2022

Bermaz Auto Bhd

FY22 Above Expectations

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OUTPERFORM ↑

Price: **RM1.78**
Target Price: **RM2.30** ↑

FY22 PATAMI of RM155.7m (+16%) beat our forecast and consensus estimates by 30% and 17%, respectively. The positive variance from our forecast was due to stronger-than-expected 4Q sales and margins particularly last-minute CBU delivery arrival and unexpected strengthening of the MYR against the JPY. FY23E PATAMI is revised stronger by 24% on stronger volume sales in line with the expected recovery in supply chain and stronger margins with better sales mix model and strengthening MYR against JPY. Upgrade to OP from MP with a higher TP of RM2.30 (from RM1.65). The stock also offers a dividend yield of 4.8%.

FY22 above expectations. FY22 PATAMI of RM155.7m (+16%) beat our forecast and consensus estimates by 30% and 17%, respectively. The positive variance from our forecast was due to stronger-than-expected 4Q sales and margins particularly last-minute CBU delivery arrival and unexpected strengthening of the MYR against the JPY. A 4th interim DPS of 2.0 sen and special DPS of 2.5 sen was declared, bringing FY22 DPS to 8.75 sen (FY21: 6.50 sen), above expectations.

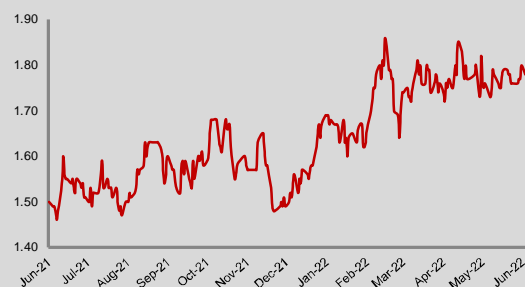
YoY, FY22 PATAMI rose 16% more than sales (+2%) largely due to: (i) expansion in EBIT margin by 1.7ppt to 8.8% from 7.0% in FY21 on better sales mix margin and a string of cost saving efforts including reversal of over-accrued provision (volume commitment fee), the ending of aggressive promotion (i.e. in-house warranty extension), lower A&P costs with the extension of SST exemption and strengthening of the MYR against the JPY. This was despite the higher effective tax expense of 27.3% (FY21: 23.8%) from full recognition of Cukai Makmur in 4Q. Overall results were also supported by the contribution from associates from: (i) MMSB with profit of RM35.4m (-7.3%), (ii) Inokom with profit of RM27.7m (+19%), (iii) KIA Malaysia with a loss of RM3.6m (n.a.), and (iv) Berjaya Auto Asia Inc with a profit of RM0.247m (n.a.). The marginal increase in sales was due to the full lockdown in Phase 1 from 1st June 2021 until 15th August 2021 with total FY22 group sales at 14,666 units (0% YoY). Breakdown of sales: - Mazda CKD sales at 9,417 units, Mazda CBU sales at 3,925 units, Peugeot sales at 964 units, and Kia sales at 360 units.

QoQ, 4QFY22 PATAMI surged 93%, outpacing the strong sales growth (+44%) mainly due to expanding EBIT margin by 3.9ppt to 11.9%, from 8.0% in 3QFY22 as mentioned above. The surge in sales volume was from its domestic operations (+47%) and Philippine operation (+30%) with the improved market sentiment in endemic phase. Overall 4QFY22 sales were stronger at 5,740 units (+46%).

FY23E PATAMI revised stronger by 24% on stronger volume sales (volume growth at 7% to 15,700 units) in line with the expected recovery in supply chain and stronger margin with better sales mix model (planned transition to CKD for certain models) and strengthening of MYR against JPY (from MYR3.73/100 yen to MYR3.58/100 yen).

Upgrade to OP from MP with a TP of RM2.30 (from RM1.65) based on 15x CY23E EPS (roll-over from CY22E EPS) on par with local peers' average 1-year Fwd. PER of 15x and at a 15% premium to its Japanese peers' average PER of 13x given its standing with one of the highest PAT margin among automakers (commanding an average of 8% compared to average PAT margin of both local and Japanese peers at 5%) which also translated to 5-year Fwd. historical mean PER. **We like the stock as it offers: (i) one of the highest dividend yields in our auto universe coverage, and (ii) the highest PATAMI margin which is head and shoulders compared to peers. Risks to our call include:** lower car sales volume, and forex falling outside the range of our expectations.

Share Price Performance



KLCI 1,464.83
YTD KLCI chg -6.6%
YTD stock price chg 12.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	BAUTO MK EQUITY
Market Cap (RM m)	2,068.7
Shares Outstanding	1,162.2
52-week range (H)	1.88
52-week range (L)	1.42
3-mth avg daily vol:	969,323
Free Float	52%
Beta	0.6

Major Shareholders

Employees Provident Fund	18.2%
Dynamic Milestone Sdn Bhd	14.4%
Amanah Saham Nasional	7.9%

Summary Earnings Table

FY Apr (RM m)	2022A	2023E	2024E
Turnover	2,325.1	2,350.1	2,587.6
EBIT	204.5	217.8	235.5
PBT	218.6	238.2	259.2
PATAMI	155.7	164.3	186.5
Consensus (NP)	-	171.8	202.1
Earnings Revision	-	+24%	new
Core EPS (sen)	13.4	14.2	16.1
Core EPS growth (%)	16.3	5.5	13.5
NDPS (sen)	8.8	8.5	9.6
BVPS (RM)	0.55	0.61	0.67
PER (x)	13.3	12.6	11.1
PBV (x)	3.2	2.9	2.7
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	4.9	4.8	5.4



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Exciting new launches ahead. New Mazda launches are the all-new CX-3 IPM4 version (Jan 2022), CX-30 IPM4 version (Feb 2022), CX-8 IPM4 version (June 2022) and all-new Mazda MX-30 EV (3Q 2022). PEUGEOT's current line-ups are the 2008, 3008 and 5008 SUVs, while upcoming models are Landtrek (3Q 2022), 3008/5008 IPM version (July 2022), all new e-2008 EV CBU (4Q 2022), and 508 Electric Hybrid (in discussion). Kia's current line-ups for now is Carnival with upcoming models such as Sportage PHEV (3Q/4Q 2022, CKD 2023), EV6/PBV1 EV (4Q 2022), and all new Niro/Sorento (4Q 2022) (refer to image table overleaf).

Result Highlight

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Apr (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	897.4	623.1	44%	641.2	40%	2,325.1	2,287.9	2%
EBIT	106.8	49.6	115%	71.5	49%	204.5	159.6	28%
Associates	9.5	6.6	45%	13.4	-29%	19.9	20.5	-3%
PBT/(LBT)	115.4	55.1	109%	83.5	38%	218.6	172.7	27%
Taxation	(34.6)	(12.4)	-179%	(17.6)	-97%	(59.7)	(41.1)	-45%
PATAMI	78.7	40.7	93%	66.8	18%	155.7	133.9	16%
EPS (sen)	6.8	3.5	93%	5.8	18%	13.4	11.5	16%
DPS (sen)	4.50	2.25		3.25		8.75	6.50	
EBIT margin	11.9%	8.0%		11.2%		8.8%	7.0%	
PBT margin	12.9%	8.8%		13.0%		9.4%	7.5%	
PATAMI margin	8.8%	6.5%		10.4%		6.7%	5.9%	
Effective tax rate	30.0%	22.5%		21.1%		27.3%	23.8%	




















Source: Bursa Announcement, Kenanga Research

Unit Sales

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Malaysia	5,302	3,609	47%	3,660	45%	13,362	13,439	-1%
Philippines	438	336	30%	434	1%	1,304	1,245	5%
Total	5,740	3,945	46%	4,094	40%	14,666	14,684	0%

Source: Company, Kenanga Research

BAUTO PRODUCT MAP 2022

2022								
	CX-3 IPM4 (Jan'22)	MX-5 IPM5 (Feb'22)	Mazda3 IPM2 (Feb'22)	CX-30 IPM2 (Feb'22)	CX-8 IPM3 (June '22)	New MX-30 EV (Q3'22)		
								
	New 3008 (Nov'21)	New 5008 (Nov'21)	All-New 2008 (Jan'22)		New Landtrek (Q3'22)	New e-2008 EV (Q4'22)		
								
	All-New Carnival (Dec'21)	Carnival CKD (Q3'22)	New EV6 EV (Q3'22)	All-New Sorento (Q4'22)	All-New Sportage InProgress (Q2'23)	Carens (KY) InProgress (Q2'23)	New PBV1 EV (Q4'22)	All-New Niro (Q4'22)
								

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.			
AUTOMOTIVE																	
BERMAZ AUTO BHD	1.78	2,066.6	Y	04/2022	1.1%	10.1%	5.5%	13.5%	13.3	12.6	11.1	3.2	2.9	24.5%	4.8%	2.30	OP
DRB-HICOM BHD	1.14	2,203.6	Y	12/2022	29.5%	11.7%	-7.5%	35.4%	N.A.	11.3	8.4	0.2	0.2	2.1%	1.8%	1.80	OP
MBM RESOURCES BERHAD	3.25	1,270.4	Y	12/2022	33.7%	11.4%	16.5%	16.6%	7.6	6.5	5.6	0.6	0.6	8.7%	6.2%	4.10	OP
SIME DARBY BERHAD	2.19	14,894.2	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.1	12.6	12.1	0.9	0.9	7.2%	5.0%	2.60	OP
TAN CHONG MOTOR HOLDINGS BHD	1.14	766.1	Y	12/2022	32.9%	10.2%	-31.3%	54.4%	N.A.	61.3	39.7	0.3	0.3	0.5%	2.6%	1.00	UP
UMW HOLDINGS BHD	3.25	3,797.0	Y	12/2022	7.1%	7.9%	60.5%	9.9%	17.0	10.6	9.6	0.6	0.5	4.9%	1.8%	4.40	OP
Simple Average					18.2%	9.4%	7.9%	22.3%	12.7	19.1	15.0	1.0	0.9	8.0%	3.7%		

Source: Bloomberg, Kenanga Research

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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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