



BERMAZ AUTO BERHAD

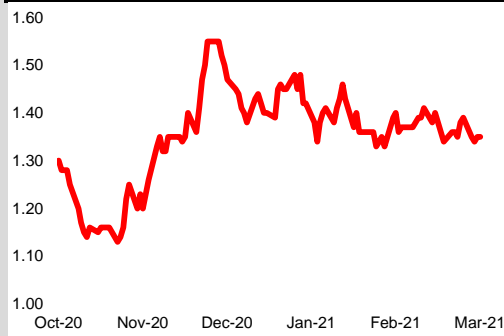
Neutral

DESCRIPTION

Engaged in distribution of Mazda vehicles in Malaysia and the Philippines and retailing of Mazda vehicles and provision of after sales services in Malaysia.

12-Month Target Price	RM1.46
Current Price	RM1.35
Expected Return	8.1%
Market Sector	Main Automotive
Bursa Code	5248
Bloomberg Ticker	BAUTO MK
Shariah-Compliant	Yes

SHARE PRICE CHART



52 Week Range (RM)	0.94 – 1.65
3-Month Average Vol ('000)	1,851.6

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-0.7	-9.2	-3.0
Relative Returns	-3.9	-5.7	-9.6

KEY STOCK DATA

Market Capitalisation (RMm)	1,567.9
No. of Shares (m)	1,161.4

MAJOR SHAREHOLDERS

	%
Employees Provident Fund	20.0
Dynamic Milestone SB	13.8
Kumpulan Wang Persaraan	6.4

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Stronger Domestic Sales

Bermaz Auto (BAuto) recorded a net profit of RM33.1m (+21.8% YoY) in 3QFY21 mainly due to higher sales volume from domestic operations, driven by the positive impact from the stimulus package introduced by the government which provides sales tax exemption on both CKD and CBU vehicles. Sales volume for Malaysia jumped by 60% YoY. However, this improvement was partially offset by lower sales volume from the Philippine operations. For 9MFY21, the results were in line with our full-year forecast but slightly below market expectations. We make no changes to our earnings forecasts and maintain our **Neutral** call on BAuto. A third interim dividend of 1.5sen per share was approved, bringing total dividend declared for FY21F to 3.25sen per share.

§ **Higher domestic sales volume.** Revenue for 3QFY21 increased by 27.9% YoY to RM598m, from RM467.5m in 3QFY20 due to higher sales volume from the domestic operations. Despite the impact of the Covid-19 pandemic, improvement in sales volume for the domestic operations was mainly driven by the vehicle sales tax exemption in place and aggressive promotional campaign offering free 6 years of warranty and 6 years of free maintenance. Both CBU and CKD volumes were higher, +39% YoY and +67% YoY respectively. Nevertheless, this was partly offset by lower sales volume in the Philippines (-48%), which was negatively impacted by the Covid-19 pandemic.

§ **3QFY21 earnings rose 21.8% YoY.** BAuto reported higher EBIT of RM35.6m (+32% YoY) in 3QFY21, in-line with higher sales volume from the domestic operations. However, this was partly offset by weaker contribution from the Philippines operations, which barely broke-even compared to a profit of RM4.4m in 3QFY20. Meanwhile, profit contribution from its associated companies was down 13.6% YoY, mainly due to the drop in unit sales for Mazda Malaysia (-21%) as a result of softer export markets following the imposition of lockdown measures and weaker economic sentiment in the region. Note that the sole distributorship of the Peugeot marque has started contributing to the group, though it remains immaterial during the quarter.

§ **Outlook.** We understand that BAuto has been given the green light from Mazda Japan to do the third CKD programme of CX-30 model in the Kulim assembly plant at the earliest in December 2021. Given this, we expect margins to improve in the medium term. Meanwhile, its Philippines' operations are expected to continue to be impacted by lower sales volume arising from a weaker market due to the impact of the Covid-19 pandemic. Nevertheless, we understand that this will be mitigated by its minimal operating overhead.

KEY FORECAST TABLE

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F	CAGR
Revenue	2519.9	1755.4	2081.7	2258.3	2416.7	-1.0%
Operating Profit	291.1	112.1	151.7	216.7	236.2	-5.1%
Pre-tax Profit	340.6	132.0	122.5	185.3	202.5	-12.2%
Net Profit	264.0	100.8	87.0	131.6	143.8	-14.1%
EPS (Sen)	22.7	8.7	7.5	11.3	12.4	
P/E (x)	5.9	15.6	18.0	11.9	10.9	
DPS (Sen)	21.3	7.5	4.1	7.9	8.7	
Dividend Yield (%)	15.7	5.5	3.0	5.9	6.4	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FYE Apr (RM m)	<u>3Q21</u>	<u>3Q20</u>	<u>2Q21</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY21</u>	<u>YTD FY20</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	598.0	467.5	599.8	27.9	(0.3)	1646.7	1459.7	12.8	Improved vehicle sales volume from domestic operations
Operating profit	35.6	27.0	34.0	32.0	4.7	88.1	105.9	(16.8)	
Inv related income	1.7	0.7	1.4	156.7	23.1	3.7	3.0	25.7	
Finance cost	(2.4)	(1.8)	(3.2)	37.1	(24.2)	(9.7)	(4.0)	>100	
Share of results of associates & JV	7.4	8.5	1.8	(13.6)	319.8	7.2	23.7	(69.8)	Lower contributions from 30%-owned Mazda Malaysia SB
Pre-tax profit	42.2	34.3	33.9	22.9	24.5	89.2	128.6	(30.6)	
Taxation	(9.6)	(6.0)	(9.4)	61.6	2.9	(23.5)	(27.1)	(13.2)	
Minority Interest	0.5	(1.2)	0.3	>(100)	99.6	1.4	(3.4)	>(100)	
Reported Net profit	33.1	27.2	24.8	21.8	33.4	67.1	98.1	(31.6)	
Core Net Profit	33.1	28.0	25.6	18.4	29.3	68.7	101.2	(32.1)	
EPS (sen)	2.8	2.3	2.1			5.8	8.4		
DPS (sen)	1.5	1.5	1.3			3.3	7.5		
Operating Margin (%)	6.0	5.8	5.7			5.3	7.3		
Pre-tax Margin (%)	7.1	7.3	5.7			5.4	8.8		
Core Net Margin (%)	5.5	5.8	4.1			4.1	6.7		
Effective tax rate (%)	22.8	17.4	27.6			26.4	21.1		

Source: Company, PublicInvest Research

Table 2: Results By Segments

FYE Apr (RM m)	<u>3Q21</u>	<u>3Q20</u>	<u>2Q21</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY21</u>	<u>YTD FY20</u>	<u>YoY chg (%)</u>
Revenue by segment:								
Malaysia	549.9	386.4	558.4	42.3	(1.5)	1530.0	1226.7	24.7
Philippines	48.1	81.0	41.4	(40.7)	16.1	116.7	233.0	(49.9)
EBIT by segment:								
Malaysia	36.4	22.8	32.9	59.8	10.8	86.9	93.4	(7.0)
Philippines	0.0	4.4	2.1	(99.3)	(98.4)	2.0	13.5	(85.4)
Unallocated corp exp	(0.9)	(0.2)	(0.9)	>100	(7.6)	0.0	0.0	n.a
EBIT Margin (%):								
Malaysia	5.9	4.8	4.2			5.2	8.4	
Philippines	5.0	6.2	(0.4)			2.8	6.0	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
Revenue	2,519.9	1,755.4	2,081.7	2,258.3	2,416.7
Operating expenses	(2,248.2)	(1,675.1)	(1,946.0)	(2,059.0)	(2,199.1)
Other income	19.4	31.8	16.0	17.4	18.6
Operating Profit	291.1	112.1	151.7	216.7	236.2
Share of results of associates & JV	50.2	26.5	(21.2)	(23.4)	(25.7)
Finance Costs	(0.7)	(6.7)	(8.0)	(8.0)	(8.0)
Pre-tax Profit	340.6	132.0	122.5	185.3	202.5
Income Tax	(73.8)	(27.9)	(29.4)	(44.5)	(48.6)
Minorities	(2.8)	(3.2)	(6.1)	(9.3)	(10.1)
Net Profit	264.0	100.8	87.0	131.6	143.8
Growth					
Revenue (%)	26.4	-30.3	18.6	8.5	7.0
Operating Profit (%)	60.5	-61.5	35.3	42.8	9.0
Core Net Profit (%)	88.6	-61.8	-13.8	51.3	9.3

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Apr (RM m)	2019A	2020A	2021F	2022F	2023F
Property, Plant & Equipment	27.1	109.2	105.4	98.2	87.7
Cash and Cash Equivalents	320.2	100.2	91.7	347.9	396.9
Other Assets	620.3	1,079.0	928.1	754.0	786.7
Total Assets	967.6	1,288.4	1,125.1	1,200.1	1,271.3
Payables	169.4	349.5	278.1	306.5	327.1
Borrowings	-	137.7	-	-	-
Tax Payables	13.3	5.4	5.4	5.4	5.4
Other Liabilities	175.1	209.5	216.2	223.3	230.8
Total Liabilities	357.8	767.2	564.8	600.3	628.3
Shareholders' Equity	609.8	521.2	560.3	599.8	643.0
Total Equity and Liabilities	967.6	1,288.4	1,125.1	1,200.1	1,271.3

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Apr	2019A	2020A	2021F	2022F	2023F
Book Value Per Share	0.5	0.4	0.5	0.5	0.6
EPS (Sen)	22.7	8.7	7.5	11.3	12.4
DPS (Sen)*	21.3	7.5	4.1	7.9	8.7
Payout Ratio (%)	93.5	85.9	55.0	70.0	70.0
ROA (%)	27.3	7.8	7.7	11.0	11.3
ROE (%)	43.3	19.3	15.5	21.9	22.4

Source: Company, PublicInvest Research estimates, * including special dividend declared

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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Published and printed by:

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