



Company report

BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

11 Sep 2020

Looking beyond 1QFY21 with better earnings ahead

BUY

(Maintained)

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Rationale for report: Company results

Price	RM1.41
Fair Value	RM1.61
52-week High/Low	RM2.42/RM0.94

Key Changes

Fair value	⬇️
EPS	⬇️

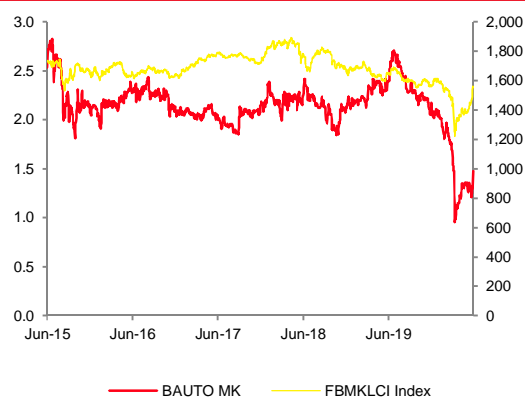
YE to Apr	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,759.0	1,957.3	2,105.6	2,305.5
Core net profit (RM mil)	105.9	142.9	159.9	163.6
FD Core EPS (sen)	9.2	12.4	13.8	14.2
FD Core EPS growth (%)	(59.7)	34.9	11.9	2.4
Consensus Net Profit (RM mil)	-	149.8	174.7	191.2
DPS (sen)	7.5	5.6	6.2	6.4
PE (x)	15.4	11.4	10.2	9.9
EV/EBITDA (x)	10.3	10.5	7.7	7.4
Div yield (%)	5.3	4.0	4.4	4.5
ROE (%)	18.6	24.2	23.7	21.6
Net Gearing (%)	0.1	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,154.6
Market Cap (RM mil)	1,628.0
Book Value (RM/share)	0.48
P/BV (x)	3.0
ROE (%)	18.6
Net Gearing (%)	(64.5)

Major Shareholders	Dynamic Milestone Sdn Bhd (15.1%) EPF (8.0%) ASB (6.0%)
Free Float	49.9
Avg Daily Value (RM mil)	3.9

Price performance	3mth	6mth	12mth
Absolute (%)	(7.2)	(9.0)	(38.4)
Relative (%)	(1.9)	(12.7)	(34.1)



Investment Highlights

- We maintain our BUY call on Bermaz Auto (BAuto) with a lower fair value of RM1.61 based on an unchanged FY21F PE of 13x.
- We revise our FY21–23F net profit forecasts downwards by 10%, 14% and 14% respectively after factoring in lower sales volume assumptions for the group's domestic market.
- BAuto's 1QFY21 core net profit of RM8.9mil missed expectations, accounting for only 6% of both ours and consensus full-year forecasts respectively. Core earnings were down 83% YoY, attributed to a slide in revenue to RM448.9mil (-16% YoY), higher finance cost and share of losses from associates.
- In 1QFY21, BAuto sold a total of 2.7K units of vehicles in the local market, a decrease of 18% YoY compared with 1QFY20's 3.3K units. The dip in domestic sales was largely attributed to the closure of most businesses and operations in the beginning of the quarter until mid-May 2020.
- The group's operations in the Philippines continued to be weak, recording a 1QFY21 total sales volume of only 177 units (-66% YoY). This was the Philippines's worst quarterly sales performance in more than 5 financial years as it continues to be heavily impacted by: 1) the rising costs from the implementation of the "TRAIN" law in early 2018; and 2) the enhanced community quarantine (ECQ) where residents in the nation were required to stay at home from 17 March till 1 June 2020 due to the Covid-19 pandemic.
- BAuto's 30%-owned MMSB flipped into a loss of RM20.0mil (-177% YoY) in 1QFY21. In the quarter, MMSB sold only 249 units vs. 3.9K units in 1QFY20. However, it was partially mitigated by Inokom's 1QFY21 PAT of RM6.2mil (+574% YoY) despite a lower production volume of 4.3K units (-20% YoY) which led to a revenue drop at RM36.2mil (-12% YoY).
- BAuto declared a dividend of 0.5 sen/share for 1QFY21, which translates into a payout ratio of 63%. We note that the group has recently guided for a lower dividend payout of 50% of its domestic operation's profits. For FY21F, we project a dividend yield of 4.0%.
- However, we believe that the worst is now over for BAuto. With the implementation of the SST holiday, we expect BAuto to maintain a sales and production volume of about 1.1K units/month in the next two quarters with a favourable product mix – i.e. the CX-5 CKD. Post-revision, we are still expecting a stellar growth of 35% in earnings for FY21F for the group.

EXHIBIT 1: EARNINGS SUMMARY

	1QFY20	4QFY20	1QFY21	QoQ	YoY
Revenue	535.0	299.4	448.9	50%	-16%
Operating Profit	56.1	2.2	18.5	736%	-67%
Investment related income	1.4	0.8	0.6	-23%	-55%
Finance costs	(1.1)	(2.7)	(4.1)	52%	268%
Finance Costs	0.3	(1.9)	(3.4)	84%	-1244%
Share of results of associates	8.6	2.8	(1.9)	-168%	-122%
Profit before tax	65.0	3.2	13.1	310%	-80%
Tax	(13.6)	(1.1)	(4.5)	296%	-67%
Profit after tax	51.5	2.1	8.6	318%	-83%
Minority interest	1.0	(0.4)	(0.7)	63%	-169%
Net profit	50.5	2.5	9.2	276%	-82%
Core Net Profit	51.0	5.5	8.9	60%	-83%
EPS (sen)	4.4	0.2	0.8		
GDPS (sen)	3.3	0.0	0.5		
Margins					
EBITDA margin	11.2%	2.1%	5.0%		
EBIT margin	10.5%	0.7%	4.1%		
PBT margin	12.2%	1.1%	2.9%		
Net profit margin	9.4%	0.8%	2.1%		
Core net margin	9.5%	1.9%	2.0%		
Revenue breakdown					
Malaysia	467.4	631.1	421.7	-33%	-10%
Philippines	67.7	125.4	27.2	-78%	-60%
Total	535.0	756.5	448.9	-41%	-16%
Operating income breakdown					
Malaysia	52.8	1.9	17.6	834%	-67%
Philippines	3.5	(0.8)	(0.1)	-84%	-103%
Total	56.3	1.1	17.5	1444%	-69%
Operating margin					
Malaysia	11.3%	0.3%	4.2%		
Philippines	5.2%	-0.6%	-0.4%		
Sales Volume					
Malaysia	3,260	1,588	2,663	68%	-18%
Philippines	527	315	177	-44%	-66%
Total	3,787	1,903	2,840	49%	-25%

Source: AmInvestment Bank Bhd

EXHIBIT 2: SALES SUMMARY

Sales	1QFY21		
	Malaysia	Phil	Model Total
CBU			
Mazda 2	94	10	104
Mazda 3	227	64	291
Mazda 5	1	0	1
Mazda 6	23	0	23
Mazda 8	0	0	0
Biante	2	0	2
CX-3	180	3	183
CX-30	272	17	289
CX-5	0	31	31
CX-7	0	0	0
	0	5	5
CX-9	27	15	42
MX-5	4	16	20
BT-50	14	16	30
Sub-total	844	177	1,021
CKD			
Mazda 3	0	0	0
CX-5	1,486	0	1,486
CX-8	333	0	333
Sub-total	1,819	0	1,819
Total by Country	2,663	177	
TOTAL SOLD	2,840		

	FY19				FY20				FY21	3M		%
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY20	FY21	
Malaysia												
CBU												
Mazda 2	255	333	415	533	247	276	48	33	94	247	94	-62%
Mazda 3	0	0	0	0	143	207	165	79	227	143	227	59%
Mazda 5	2	0	1	2	0	1	2	0	1	0	1	NA
Mazda 6	22	38	79	64	36	38	21	13	23	36	23	-36%
Mazda 8	1	0	0	0	0	0	0	0	0	0	0	NA
Biante	30	1	0	0	0	0	0	0	2	0	2	NA
CX-3	107	715	912	119	232	175	135	55	180	232	180	-22%
CX-30	0	0	0	0	0	0	102	103	272	0	272	NA
CX-5	0	0	0	0	0	0	0	0	0	0	0	NA
CX-8	0	0	0	0	0	0	0	0	0	0	0	NA
CX-7	0	0	0	0	0	0	0	0	0	0	0	NA
CX-9	51	41	48	52	24	38	51	18	27	24	27	13%
MX-5	9	5	1	8	2	7	2	4	4	2	4	100%
BT-50	55	17	11	46	26	7	5	15	14	26	14	-46%
Sub-total	532	1,150	1,467	824	710	749	531	320	844	710	844	19%
CKD												
Mazda 3	414	189	276	163	101	33	7	2	0	101	0	-100%
CX-5	0	0	0	0	0	0	1,133	1,002	1,486	0	1,486	NA
New CX-5 (3Q18)	2,037	3,196	3,300	2,296	2,449	1,612	571	264	333	2,449	333	-86%
Sub-total	2,451	3,385	3,576	2,459	2,550	1,645	1,711	1,268	1,819	2,550	1,819	-29%
Total for M'sia	2,983	4,535	5,043	3,283	3,260	2,394	2,242	1,588	2,663	3,260	2,663	-18%

	FY19				FY20				FY21	3M		%
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	FY20	FY21	
Philippines												
Mazda 2	170	82	60	72	218	35	52	17	10	218	10	-95%
Mazda 3	171	148	525	14	0	310	173	57	64	0	64	NA
Mazda 5	0	0	0	0	0	0	0	0	0	0	0	NA
Mazda 6	9	23	18	15	23	15	8	8	0	23	0	-100%
Mazda 8	0	0	0	0	0	0	0	0	0	0	0	NA
Biante	0	0	0	0	0	0	0	0	0	0	0	NA
CX-3	98	56	75	103	0	37	22	9	3	0	3	NA
CX-5	0	0	0	0	0	0	121	27	17	0	17	NA
CX-5	102	161	141	206	87	131	67	50	31	87	31	-64%
CX-7	0	0	0	0	0	0	0	0	0	0	0	NA
CX-8	0	0	0	0	0	0	80	60	5	0	5	
CX-9	58	83	86	82	86	49	46	27	15	86	15	-83%
MX-5	62	23	33	27	16	36	29	10	16	16	16	0%
BT-50	130	123	80	124	97	91	83	50	16	97	16	-84%
Total for Phil	800	699	1,018	643	527	704	681	315	177	527	177	-66%
Grand Total	3,783	5,234	6,061	3,926	3,787	3,098	2,923	1,903	2,840	3,787	2,840	-25%

Source: AmInvestment Bank Bhd

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	2,492.1	1,759.0	1,957.3	2,105.6	2,305.5
EBITDA	288.8	123.9	124.7	162.8	165.1
Depreciation/Amortisation	(4.8)	(15.8)	(6.1)	(6.3)	(3.3)
Operating income (EBIT)	284.0	108.1	118.6	156.5	161.8
Other income & associates	50.2	26.5	58.9	56.8	59.8
Net interest	(0.7)	(2.9)	(5.6)	(5.6)	(4.6)
Exceptional items	-	-	-	-	1.0
Pretax profit	342.3	131.8	171.9	207.7	215.0
Taxation	(74.2)	(28.3)	(27.1)	(45.3)	(46.9)
Minorities/pref dividends	2.8	3.0	1.9	2.6	3.5
Net profit	265.3	100.5	142.9	159.9	164.6
Core net profit	263.1	105.9	142.9	159.9	163.6
Balance Sheet (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	16.3	10.9	6.4	1.7	-
Intangible assets	0.5	0.5	0.5	0.5	0.5
Other long-term assets	234.7	274.8	333.7	390.5	448.3
Total non-current assets	251.5	286.2	340.6	392.7	448.8
Cash & equivalent	181.2	355.5	324.5	374.6	411.8
Stock	412.2	78.2	224.4	207.0	210.4
Trade debtors	110.3	28.4	73.9	72.7	73.9
Other current assets	0.3	0.3	0.3	0.3	1.3
Total current assets	704.1	462.5	623.1	654.5	697.5
Trade creditors	172.6	43.2	121.9	116.5	118.5
Short-term borrowings	-	-	-	-	1.0
Other current liabilities	80.7	22.7	54.9	54.0	54.9
Total current liabilities	253.3	65.9	176.8	170.5	174.4
Long-term borrowings	-	-	-	-	1.0
Other long-term liabilities	74.2	31.6	55.3	54.7	56.3
Total long-term liabilities	74.2	31.6	55.3	54.7	57.3
Shareholders' funds	529.7	551.4	630.0	717.9	808.9
Minority interests	52.4	53.7	55.5	58.1	61.6
BV/share (RM)	0.46	0.48	0.55	0.62	0.70
Cash Flow (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	342.3	131.8	171.9	207.7	215.0
Depreciation/Amortisation	4.8	6.0	6.1	6.3	3.3
Net change in working capital	-	-	-	-	-
Others	(253.0)	129.6	(137.5)	(84.7)	(101.2)
Cash flow from operations	94.0	267.4	40.5	129.2	117.1
Capital expenditure	(2.4)	(0.6)	(1.6)	(1.6)	(1.6)
Net investments & sale of fixed assets	-	-	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(2.4)	(0.6)	(1.6)	(1.6)	(1.6)
Debt raised/(repaid)	-	-	-	-	1.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(211.6)	(86.9)	(64.3)	(71.9)	(73.6)
Others	(5.6)	(5.6)	(5.6)	(5.6)	(5.6)
Cash flow from financing	(217.2)	(92.5)	(69.9)	(77.6)	(78.3)
Net cash flow	(125.6)	174.3	(31.0)	50.1	37.2
Net cash/(debt) b/f	306.8	181.2	355.5	324.5	374.6
Net cash/(debt) c/f	181.2	355.5	324.5	374.6	412.8
Key Ratios (YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	25.1	(29.4)	11.3	7.6	9.5
EBITDA growth (%)	54.5	(57.1)	0.7	30.5	1.4
Pretax margin (%)	13.7	7.5	8.8	9.9	9.3
Net profit margin (%)	10.6	5.7	7.3	7.6	7.1
Interest cover (x)	406.8	37.3	21.0	27.8	34.9
Effective tax rate (%)	21.7	21.5	15.8	21.8	21.8
Dividend payout (%)	79.8	86.5	45.0	45.0	44.7
Debtors turnover (days)	15	14	10	13	12
Stock turnover (days)	48	51	28	37	33
Creditors turnover (days)	23	22	15	21	19

Source: Company, AmInvestment Bank Bhd estimates

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