



BERMAZ AUTO

(BAUTO MK EQUITY, BJAU.KL)

9 June 2021

Acquires additional 35% stake in Berjaya Auto

BUY

(Maintained)

Jeremie Yap

jeremie-yap@ambankgroup.com

+603-2036 2304

Rationale for report: Company update

Price	RM1.45
Fair Value	RM1.80
52-week High/Low	RM1.65/RM1.12

Key Changes

Fair value	↕
EPS	↕

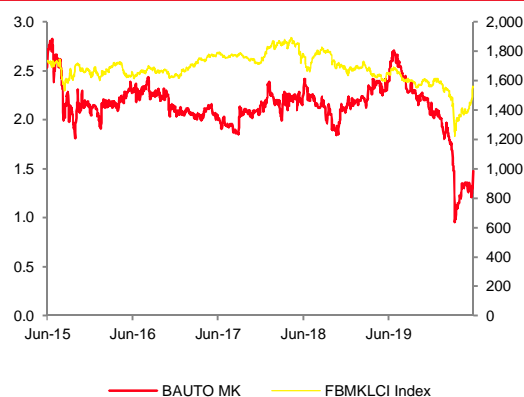
YE to Apr	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	1,759.0	2,150.4	2,325.4	2,485.3
Core net profit (RM mil)	105.9	89.4	160.0	174.5
FD Core EPS (sen)	9.2	7.7	13.9	15.1
FD Core EPS growth (%)	(59.7)	(15.6)	78.9	9.1
Consensus Net Profit (RM mil)	-	95.5	142.9	174.7
DPS (sen)	7.5	4.6	8.3	9.1
PE (x)	15.8	18.7	10.5	9.6
EV/EBITDA (x)	10.6	19.9	8.5	7.9
Div yield (%)	5.6	3.5	6.2	6.8
ROE (%)	18.6	15.7	25.8	25.4
Net Gearing (%)	net cash	net cash	net cash	net cash

Stock and Financial Data

Shares Outstanding (million)	1,154.6
Market Cap (RM mil)	1,674.2
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)	2.6

Price performance	3mth	6mth	12mth
Absolute (%)	7.4	(6.5)	(2.0)
Relative (%)	8.2	(4.4)	(4.0)



Investment Highlights

- We maintain our BUY call on Bermaz Auto (BAuto) with an unchanged fair value (FV) of RM1.80/share based on FY22F PE of 13x.
- BAuto announced that it is acquiring an additional 35% stake in Berjaya Auto Alliance Sdn Bhd (BAASB) from Berjaya Corp for RM4.58mil cash.
- Key points of the announcement:
 - 1) The valuation of BAASB at RM1.09/share, which was based on its book value as at 30 April 2021.
 - 2) Post-acquisition, BAuto's stake in BAASB will increase to 55% (from 20% previously). Recall that on 1 December 2020, BAASB was awarded the sole distributorship of the Peugeot marque in Malaysia, along with the rights of aftersales and spare parts distribution for Peugeot, Citroen and DS marques in Malaysia.
 - 3) BAuto will not be involved in the manufacturing and assembly for Peugeot vehicles. It will still be under the Naza Group in the Gurun plant in Kedah.
 - 4) We estimate that the net profit contribution to be minimal ranging from RM1.0mil to RM3.0mil over the next 2 years. This will be less than 2% of our FY22F and FY23F earnings. Therefore, we make no changes to our forecast.
 - 5) The current CKD models are the Peugeot 3008 and 5008. We gather that management plans to launch the Peugeot 2008 CKD in end-2021.
 - 6) The group plans to open its first Peugeot showroom and aftersales service centre in the next few months. However, no timeline was given.
- Overall, we are mildly positive on this development as we think that this will tighten BAuto's grip as a stronger non-national automotive player with three prominent brands under its belt. While we gather that profit contribution would only be minimal over the immediate term, we believe that this augurs well for the group's next phase of growth in the medium to long term.
- We are also excited on the third potential Mazda CKD programme (after the CX-5 and CX-8), which will come to light soon (from our ground checks). We expect the third Mazda CKD model to make its debut in 4QCY22.

EXHIBIT 1: FINANCIAL DATA

Income Statement (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	2,492.1	1,759.0	2,150.4	2,325.4	2,485.3
EBITDA	288.8	123.9	69.3	161.9	173.3
Depreciation/Amortisation	(4.8)	(15.8)	(16.0)	(16.0)	(16.0)
Operating income (EBIT)	284.0	108.1	53.3	145.9	157.3
Other income & associates	50.2	26.5	54.2	58.3	62.0
Net interest	(0.7)	(2.9)	(5.6)	(5.6)	(5.6)
Exceptional items	-	-	-	-	-
Pretax profit	342.3	131.8	101.8	198.6	213.7
Taxation	(74.2)	(28.3)	(11.4)	(36.5)	(36.4)
Minorities/pref dividends	2.8	3.0	0.9	2.1	2.8
Net profit	265.3	100.5	89.4	160.0	174.5
Core net profit	263.1	105.9	89.4	160.0	174.5
Balance Sheet (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	16.3	10.9	6.3	1.7	0.2
Intangible assets	0.5	0.5	0.5	0.5	0.5
Other long-term assets	234.7	274.8	328.9	387.2	449.2
Total non-current assets	251.5	286.2	335.7	389.4	449.9
Cash & equivalent	181.2	355.5	294.3	305.4	313.1
Stock	412.2	78.2	209.0	219.6	235.8
Trade debtors	110.3	28.4	67.9	76.4	82.1
Other current assets	0.3	0.3	0.3	0.3	1.3
Total current assets	704.1	462.5	571.4	601.8	632.3
Trade creditors	172.6	43.2	116.5	124.0	133.4
Short-term borrowings	-	-	-	-	1.0
Other current liabilities	80.7	22.7	50.6	56.7	60.7
Total current liabilities	253.3	65.9	167.2	180.6	195.1
Long-term borrowings	-	-	-	-	1.0
Other long-term liabilities	74.2	31.6	52.2	56.6	60.6
Total long-term liabilities	74.2	31.6	52.2	56.6	61.6
Shareholders' funds	529.7	551.4	587.2	651.1	721.9
Minority interests	52.4	53.7	54.6	56.7	59.5
BV/share (RM)	0.46	0.48	0.51	0.56	0.63
Cash Flow (RMmil, YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	342.3	131.8	101.8	198.6	213.7
Depreciation/Amortisation	4.8	6.0	16.0	16.0	16.0
Net change in working capital	-	-	-	-	-
Others	(253.0)	129.6	(118.3)	(100.2)	(110.9)
Cash flow from operations	94.0	267.4	(0.5)	114.4	118.8
Capital expenditure	(2.4)	(0.6)	(1.5)	(1.6)	(1.8)
Net investments & sale of fixed assets	-	-	-	-	-
Others	-	-	-	-	-
Cash flow from investing	(2.4)	(0.6)	(1.5)	(1.6)	(1.8)
Debt raised/(repaid)	-	-	-	-	1.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(211.6)	(86.9)	(53.7)	(96.0)	(104.7)
Others	(5.6)	(5.6)	(5.6)	(5.6)	(5.6)
Cash flow from financing	(217.2)	(92.5)	(59.3)	(101.6)	(109.4)
Net cash flow	(125.6)	174.3	(61.2)	11.1	7.7
Net cash/(debt) b/f	306.8	181.2	355.5	294.3	305.4
Net cash/(debt) c/f	181.2	355.5	294.3	305.4	314.1
Key Ratios (YE 30 Apr)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	25.1	(29.4)	22.3	8.1	6.9
EBITDA growth (%)	54.5	(57.1)	(44.1)	133.8	7.1
Pretax margin (%)	13.7	7.5	4.7	8.5	8.6
Net profit margin (%)	10.6	5.7	4.2	6.9	7.0
Interest cover (x)	406.8	37.3	9.4	25.9	27.9
Effective tax rate (%)	21.7	21.5	11.2	18.4	17.0
Dividend payout (%)	79.8	86.5	60.0	60.0	60.0
Debtors turnover (days)	15	14	8	11	12
Stock turnover (days)	48	51	24	34	33
Creditors turnover (days)	23	22	14	19	19

Source: Company, AmInvestment Bank Bhd estimates

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