Bermaz Auto (BAUTO MK)

1QFY27: Above Expectations; New CX-5 To Support Sales Momentum

Highlights

- Bermaz posted above-expectations results, with core net profit of RM41.8m in 1QFY27, driven by sustained healthy margin and higher vehicles sales.
- We expect Mazda's sales to remain resilient, with the upcoming 3rd-gen CX-5 launch to support volumes despite normalising sales of Mazda 3.
- Raise our earnings forecasts by 15%/10% for FY27/28 respectively to account for a sustained recovery in margins.
- Maintain BUY with a higher target price of RM1.30, based on 10.5x FY27F PE.

1QFY27 Results

Year to 30 Apr (RMm)	1QFY26	4QFY26	qoq%	Yoy%
Revenue	555.4	544.7	2.0	13.1
EBIT	54.8	64.8	(15.3)	90.3
Associates	1.1	2.3	(54.6)	111.4
PBT	55.9	67.4	(17.1)	195.0
Core PATMI	41.8	44.0	(5.0)	404.7
Margins				
EBIT	9.9	11.9	(2.0)	4.0
Core PATMI	7.5	8.1	(0.6)	5.8
Sales volume (units)	3696	3507	5.4	40.1
- Mazda Malaysia	3024	2838	6.6	39.1
- Philippines	263	370	(28.9)	(43.3)
- Xpeng	409	278	47.1	6.2

Source: Bermaz Auto, UOB Kay Hian

Analysis

- **Above expectations.** Bermaz Auto's (Bermaz) 1QFY27 core net profit of RM41.8m came in above our expectation, accounting for 32%/33% of our and consensus full-year forecasts. The outperformance was driven by stronger-than-expected margin and an improved contribution from Kia Malaysia (associate), which turned profitable this quarter compared with a RM2.0m loss in 4QFY26.
- Bermaz declared a first dividend interim dividend of 2 sen (1QFY26: 0.75 sen), on track to meet our FY27 DPS forecast of 8 sen.

Key Financials

Year to 30 Apr (RMm)	FY25	FY26	FY27F	FY28F	FY29F
Net turnover	2,622.3	2,274.3	2,373.1	2,454.9	2,563.9
EBITDA	249.0	235.1	226.6	241.0	247.2
Operating profit	222.0	209.7	197.9	208.9	211.8
Net profit (rep./act.)	163.4	115.5	144.6	148.8	152.6
Net profit (adj.)	163.4	115.5	144.6	148.8	152.6
EPS	13.9	9.9	12.3	12.7	13.0
PE (x)	6.7	9.4	7.5	7.3	7.1
P/B (x)	1.7	1.5	1.4	1.3	1.3
EV/EBITDA (x)	3.8	3.9	4.0	3.5	3.3
Dividend yield (%)	18.0	7.8	8.6	8.9	9.1
Net margin (%)	6.2	5.1	6.1	6.1	6.0
Net debt/(cash) to equity(%)	-32.4	-30.8	-32.9	-37.9	-42.2
Interest cover (x)	n.a.	22.6	19.6	27.7	37.5
ROE (%)	23.2	15.6	18.9	18.8	18.7
Consensus net profit	-	70.0	127.0	145.0	157.0
UOBKH/Consensus (x)	-	1.6	1.1	1.0	1.0

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	RM0.93
Target Price	RM1.30
Upside	39.8%
Previous TP	RM1.14

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	BAUTO MK
Shares issued (m)	1,172,18
Market cap (RMm)	1,090.1
Market cap (US$m)	268.1
3-mth avg daily t'over (US$m)	0.5

Price Performance (%)

52-week high/low: RM1.12/RM0.50

1mth	3mth	6mth	1yr	YTD
(3.1)	2.2	6.9	34.8	31.0

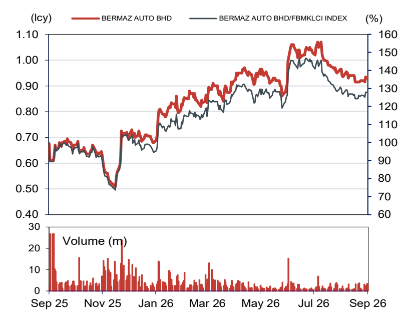
Major Shareholders (%)

Dynamic Milestone Sdn Bhd	16.53

Balance Sheet Metrics

FY26 NAV/Share (RM)	0.6
FY26 Net Debt/Share (RM)	(0.3)

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, retailing and also the provision of after sales service of Mazda vehicles in Malaysia and the Philippines as well as Xpeng models in Malaysia.

- **Slight qoq margin moderation, but remains healthy.** Earnings fell 5% qoq despite a higher revenue of RM555.4m (+2% qoq), mainly due to a slightly lower margin amid higher promotional activities for Xpeng and weaker associates' contribution. Nonetheless, EBIT margin remained healthy, supported by reduced discounting activities and a favourable sales mix.
- **Xpeng offset softer Philippines operation.** Sales of Mazda Malaysia rose 5.4% qoq to 3,024 units, driven by robust demand for Mazda 3, with CBU volume increasing to 66% of total sales (4QFY26: 57%). Xpeng sales also grew 47% qoq to 409 units, supported by higher promotional activities. This helped offset a weaker performance from the Philippines operation, which remained affected by softer market conditions amid elevated fuel prices.
- **Demand outlook remains resilient.** While Mazda 3 sales may have peaked in the recent quarter, we expect monthly sales to remain at a healthy run rate of around 400 units and continue to be a key volume contributor. The upcoming launch of the 3rd-gen CX-5 in Oct 26 should help fill the gap as Mazda 3 sales normalise, with the flagship model projected to contribute around 200 units per month. Despite a modest decline in backlog orders to 2,150 units (May 26: 2,360 units), we foresee Mazda sales remaining resilient at around 1,000 units per month. We therefore maintain our conservative FY27 sales assumption of 14,500 units, below management's target of 16,000 units.
- **Xpeng offers another growth leg.** Xpeng continues to refresh its line-up, with the recent facelift of the X9 (Jun 26) and the planned launch of the Mona L03 (Apr 27). We expect the latter to be positioned as Xpeng's entry level model to broaden the brand's customer base and drive volumes. Xpeng's localisation efforts, with local production of the G6 commencing in Sep 26, should also position the brand to benefit from stricter EV import rules.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM1.30 (RM1.14 previously),** pegged to 10.5x PE (five-year average mean) of our revised FY27 earnings forecast. We continue to like Bermaz for its improving earnings trajectory, margin recovery, and stronger growth visibility over the next two years, underpinned by Mazda's refreshed line-up. The stock currently trades at an attractive valuation of 7.5x FY27F PE (below -1SD) and offers a yield of 8.6%.

Earnings Revision/Risk

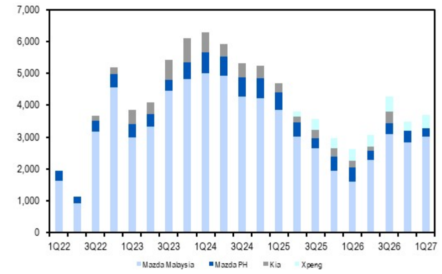
- **We raise our earnings forecasts by 15%/10% for FY27/28 respectively,** after incorporating higher margin assumptions. This reflects the sustained recovery in operating margins, which were previously impacted by heavy discounting on Mazda's ageing CKD models.
- **Forex benefit may moderate.** Bermaz's higher CBU mix has benefitted from a weaker yen over the past year, although recent yen appreciation could partially offset this benefit. Based on our sensitivity analysis, we estimate that every 5% strengthening of the Japanese yen against the ringgit would reduce group net profit by 3%.

Sales Volume Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026	11,997	1,473
2027F	13,300	1,200
2028F	13,500	1,300
2028F	14,000	1,400

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Brand



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social and Governance (ESG)

Environmental
- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.
Social
- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.
Governance
- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board

Source: Bermaz Auto, UOB Kay Hian

Profit & Loss

Year to 30 Apr (RMm)	FY26	FY27F	FY28F	FY29F
Net turnover	2,274.3	2,373.1	2,454.9	2,563.9
EBITDA	235.1	226.6	241.0	247.2
Deprec. & amort.	25.4	28.8	32.1	35.4
EBIT	209.7	197.9	208.9	211.8
Associate contributions	(25.0)	5.0	6.0	8.0
Net interest income/(expense)	0.3	(0.9)	2.1	4.0
Pre-tax profit	185.0	201.9	217.0	223.9
Tax	(57.3)	(50.5)	(54.3)	(56.0)
Minorities	(12.3)	(6.8)	(13.9)	(15.2)
Net profit	115.5	144.6	148.8	152.7
Net profit (adj.)	115.5	144.6	148.8	152.7

Balance Sheet

Year to 30 Apr (RMm)	FY26	FY27F	FY28F	FY29F
Fixed assets	167.9	159.1	147.0	131.7
Other LT assets	388.5	440.2	446.2	454.2
Cash/ST investment	423.9	433.9	425.5	486.0
Other current assets	706.9	734.4	759.7	793.4
Total assets	1687.3	1767.6	1778.4	1865.3
ST debt	74.8	80.0	60.0	60.0
Other current liabilities	406.4	449.6	460.3	475.8
LT debt	129.7	100.0	50.0	50.0
Other LT liabilities	290.0	291.0	292.0	292.0
Shareholders' equity	712.9	766.7	821.9	878.1
Minority interest	73.4	80.3	94.2	109.4
Total liabilities & equity	1687.3	1767.6	1778.4	1865.3

Cash Flow

Year to 30 Apr (RMm)	FY26	FY27F	FY28F	FY29F
Operating	179.2	145.3	171.1	171.0
Pre-tax profit	185.0	201.9	217.0	223.9
Tax	(34.9)	(50.5)	(54.3)	(56.0)
Deprec. & amort.	25.4	29.8	33.1	36.4
Working capital changes	37.4	(31.8)	(16.6)	(21.3)
Other operating cashflows	(58.7)	0.9	(2.1)	(4.0)
Investing	(19.2)	(8.4)	(7.2)	(7.4)
Capex (maintenance)	(9.9)	(20.0)	(20.0)	(20.0)
Investments	0.0	1.0	2.0	2.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	(9.3)	10.6	10.8	10.6
Financing	(131.1)	(126.9)	(172.3)	(103.1)
Dividend payments	(60.5)	(90.8)	(93.6)	(96.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	(21.1)	(24.5)	(70.0)	0.0
Others/interest paid	(49.5)	(11.5)	(8.7)	(6.6)
Net cash inflow (outflow)	28.9	10.1	(8.4)	60.5
Beginning cash & cash equivalent	433.7	423.9	433.9	425.5
Changes due to forex impact	(38.7)	0.0	0.0	0.0
Ending cash & cash equivalent	423.9	433.9	425.5	486.0

Key Metric

Year to 30 Apr (%)	FY26	FY27F	FY28F	FY29F
Profitability				
EBITDA margin	10.3	9.5	9.8	9.6
Pre-tax margin	8.1	8.5	8.8	8.7
Net margin	5.1	6.1	6.1	6.0
ROA	6.7	8.3	8.5	8.5
ROE	15.6	18.9	18.8	18.6
Growth				
Turnover	(13.3)	4.3	3.4	4.4
EBITDA	(5.6)	-3.6	6.3	2.6
Pre-tax profit	(20.0)	9.1	7.5	3.1
Net profit	(29.3)	25.2	2.9	2.6
Net profit (adj.)	(29.3)	25.2	2.9	2.6
EPS	(29.3)	25.2	2.9	2.6
Leverage				
Debt to total capital	26.0	21.3	12.0	11.1
Debt to equity	28.7	23.5	13.4	12.5
Net debt/(cash) to equity	(30.8)	(33.1)	(38.4)	(42.8)
Interest cover	22.6	19.6	27.7	37.5