

PP14767/09/2012(030761)

## Berjaya Auto Berhad

## “Shift Into High Gear”

## Results Review

- Actual vs. expectations.** Berjaya Auto Berhad (BAuto) FY15 net profit of RM215 million (+65% y-o-y) came in line with ours and consensus estimates respectively, accounting 101% and 100% of both divide forecast, thanks to better-than-expected EBIT contribution from Malaysia (+68% y-o-y) and the Philippines (+104% y-o-y). Note that Mazda’s domestic sales volume surged to approximately 12,020 units as at FY15 that jumped by a solid 28% y-o-y from FY14 of 9,409 units.
- Dividend.** Declared fourth interim dividend of 2.75sen/share and a special dividend of 3.25sen/share for 4Q15, bringing total dividend to 14.60sen/share as at FY15 or equivalent to a dividend payout ratio of 55%, translating into a net yield of 4%.
- Top line.** Revenue surged to RM1.8 billion (+26% y-o-y) in FY15 mainly driven by higher sales volumes in Malaysia, on the back of strong demand for the all new Mazda 2 and CX-5 CKD as well as improving sales volumes from the Philippines, anchored by Mazda 2 and Mazda 3. Revenue contribution from Malaysia and Philippines has jumped significantly to RM1.6 billion (+23% y-o-y) and RM266 million (+52% y-o-y) respectively in FY15.
- Bottom line.** BAuto posted a higher EBIT of RM286 million (+71% y-o-y) in FY15 in tandem with the increase in revenue backed by strong sales volume during the period. EBIT margin stood at 16% as at FY15, higher than FY14 margin of 11%. Segmental-wise, EBIT contribution from Malaysia and Philippines segment grew tremendously to RM262 million (+68% y-o-y) and RM25 million (+104% y-o-y) respectively.

Friday, June 12, 2015

## BUY (TP: RM4.41)

Current Price (RM)	RM3.55
New Target Price (RM)	RM4.41
Previous Target Price (RM)	RM4.30
Previous Recommend.	BUY
Upside To Target Price	24%
Dividend Yield (FY17)	4%

## Stock Code

Bloomberg	BAuto MK
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## Stock &amp; Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	813
Market Cap (RM mn)	2,897
YTD Chg In Share Price	13%
Beta (x)	NA
52-week Hi/Lo (RM)	3.76   1.78
3M Average Volume (shrs)	2.28mn
Estimated Free Float	43%

## Major Shareholders

Berjaya Group	34%
Podium Success	6%
EPF	6%

- **New launches.** BAuto is on the right track to achieve further gains going forward fuelled by the successful launch of all new Mazda 2 (January 2015) and Mazda 3 CKD (April 2015) which may enhance Mazda's position in B-Segment and C-Segment market respectively. Based on our pricing analysis, the price of the new Mazda 2 of RM85k is relatively at the mid-range compare to Honda City (RM74k-RM89k), Honda Jazz (RM72k-RM87k), Toyota Vios (RM75k-RM94k) and slightly higher than Nissan Almera (RM65k-77k). The price of the new Mazda 3 CKD of between RM106k-RM121k is relatively cheaper compare to Toyota Altis (RM114k-RM138k), Honda Civic (RM113k-RM132k) and Nissan Sylphy (RM112k-RM122k). Moreover, the management also guided that several new launches can be expected in 2H2015 including its new SUV model, CX-3 as well as the facelift model of Mazda 6 and CX-5.
- **Mazda sales to accelerate in FY16.** We assume Mazda's vehicle sales in Malaysia to reach approximately 15,000 units in FY16 (+25% y-o-y) driven by a slew of upcoming new launches including the all new CX-3, Mazda 6 (facelift) and CX-5 (facelift) coupled with Mazda's strong sales volume of its existing Mazda 2, Mazda 3, and CX-5. Besides, Mazda's vehicle sales in the Philippines (via 60% owned BAP - Berjaya Auto Philippines) is expected to contribute positively to BAuto's earnings in FY16, assisted by higher contribution from Mazda 3, CX-5, Mazda 2 and BT-50 as well as continuous growth in the Philippines' automotive market (2014 TIV growth: +30% y-o-y).
- **Corporate exercise.** BAuto has proposed a 2 for 5 bonus issue of up to 326 million new BAuto shares of RM0.50 each equivalent to RM163 million which expected to improve the group's market liquidity. Therefore, post completion of the corporate exercise will enlarge BAuto's share base from 813.5 million to 1,138.9 million or 1,140.7 million depending on the finalisation of ESOS reserves option. The entire corporate exercise is expected to be completed sooner.
- **Change to forecast.** We have done some house-keeping in our FY16 and FY17 earnings projection. That said, FY16 and FY17 earnings are projected to grow by 13% y-o-y and 20% y-o-y respectively driven by i) improvement in sales volume anchored by the new CX-5 and Mazda 3 and Mazda 2 steady sales and ii) strong contribution from Philippines' operation.
- **Valuation & recommendation.** We re-value BAuto at RM4.41 based on 12x PER pegged to FY17 EPS of 36sen and the stock is a **BUY** underpinned by clear earnings visibility powered by i) aggressive launch of new models and ii) higher sales volume from Mazda CKD model.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.46	77	84	14.1	13.0	1.8	1.7	10	4	10.77	Hold
Tan Chong	Dec	2.79	22	29	14.0	10.3	0.7	0.7	4	2	3.00	Hold
MBM Resources	Dec	3.50	37	41	9.3	8.3	0.8	0.8	8	2	4.17	Buy
Berjaya Auto	Apr	3.55	23	29	15.6	13.8	6.9	5.8	52	3	4.41	Buy
APM Automotive	Dec	4.69	53	56	9.7	9.2	1.0	1.0	10	4	NR	NR
Average					12.5	10.9	2.3	2.0	17	3		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

Y/E: Apr (RM'mil)	FY13	FY14	FY15	FY16F	FY17F
Revenue	1,064	1,451	1,830	2,285	2,856
EBITDA	82	176	292	337	405
EBIT	76	170	286	324	390
Net interest expense	-5	-1	0	-7	-9
Associates	-2	11	9	21	26
PBT	69	180	301	338	407
Net profit	51	131	215	244	294
EPS (sen)	7	17	26	30	36
EBITDA margin	8%	12%	16%	15%	14%
PBT margin	7%	12%	16%	15%	14%
Net profit margin	5%	9%	12%	11%	10%
Dividend (sen)	NA	5	15	12	15
Dividend yield (%)	NA	3%	4%	3%	4%
PER (x)	NA	12.1	13.4	11.8	9.8
P/BV (x)	NA	4.6	6.1	4.7	3.7

Source: Company, M&amp;A Securities

Table 3: Results Analysis

Y/E: Apr (RM million)	4Q14	3Q15	4Q15	q-o-q	y-o-y	12M14	12M15	y-o-y
Revenue	395	389	424	9%	7%	1,451	1,830	26%
EBIT	59	65	72	11%	21%	167	286	71%
Finance cost	(0.1)	(0.2)	(0.02)	-90%	-60%	(1)	(0.1)	-91%
Associates	4	(1)	4	NM	-14%	11	9	-17%
PBT	64	66	77	17%	20%	180	301	67%
Taxation	(15)	(18)	(20)	14%	32%	(46)	(79)	73%
Minority interest	(1)	(2)	(2)	-11%	68%	(3)	(7)	120%
Net Profit	48	47	55	19%	15%	131	215	65%
EPS	6	6	7	18%	14%	17	27	55%
EBIT Margin	15%	17%	17%			11%	16%	
PBT margin	16%	17%	18%			12%	16%	
Net profit margin	12%	12%	13%			9%	12%	

Source: Bursa Malaysia, M&amp;A Securities

Table 4: Segmental Analysis

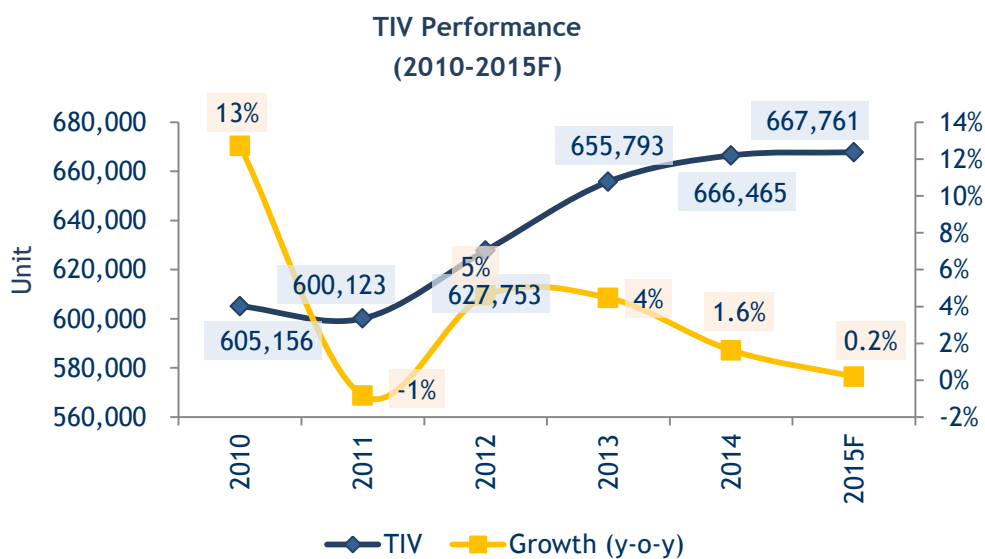
Y/E: Apr (RM million)	4Q14	3Q15	4Q15	q-o-q	y-o-y	12M14	12M15	y-o-y
<u>Revenue</u>								
Malaysia	343	320	360	13%	5%	1,274	1,564	23%
Philippines	52	69	64	-7%	24%	175	266	52%
<u>EBIT</u>								
Malaysia	56	58	67	16%	20%	156	262	68%
Philippines	4	7	6	-11%	58%	12	25	104%

Source: Bursa Malaysia, M&amp;A Securities

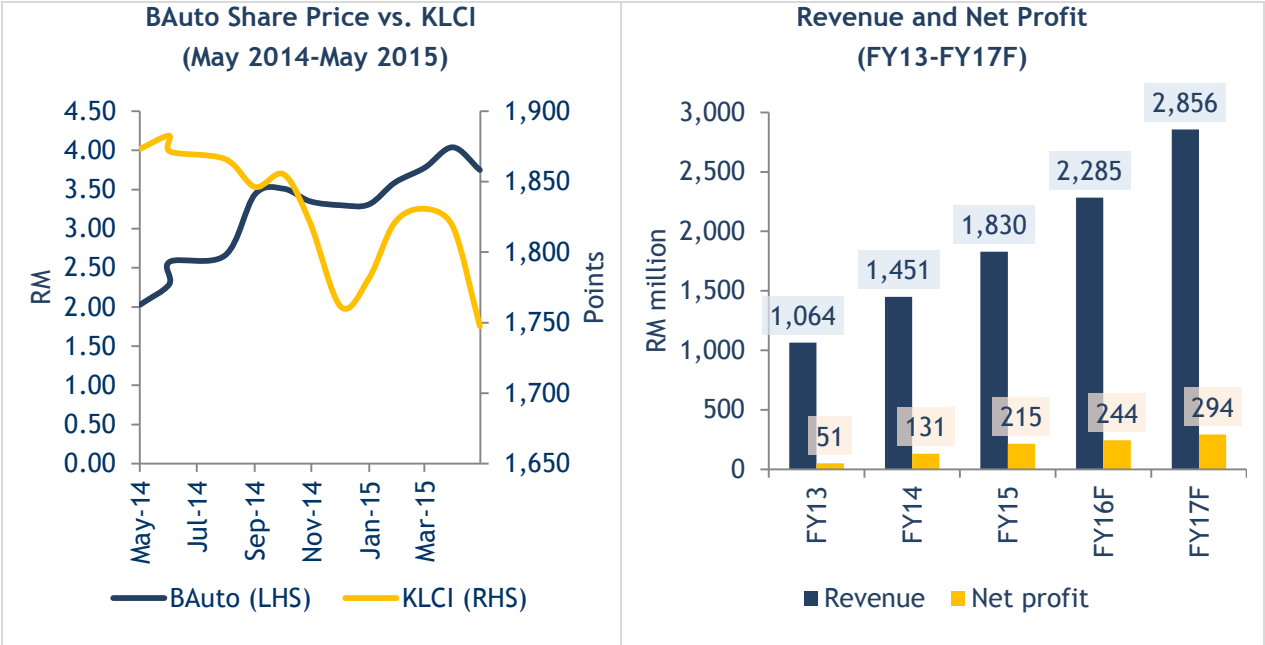
Table 5: Selected New Launches 2014/2015

Model	Launch	Segment	OTR price (RM)
Toyota Rush Facelift	Apr-15	SUV	98k-103k
Toyota Camry	Apr-15	D	150k-175k
Mazda CX-5 GL	Apr-15	SUV	126k-133k
Mazda 3	Apr-15	C	106k-121k
Honda H-RV	Feb-15	SUV	99k-119k
Proton Exora Facelift	Feb-15	MPV	57k-82k
Perodua Myvi Facelift	Jan-15	B	42k-59k
Mazda 2	Jan-15	B	88k
Nissan Almera Facelift	Jan-15	B	65k-78k
Nissan X-Trail	Jan-15	SUV	142k-165k
Perodua Axia	Sep-14	A	24K-42K
Proton Iriz	Sep-14	B	42k-62k
Honda Jazz	Jul-14	B	73k-88k
Nissan Teana	Jun-14	D	140k-170k
Mazda 5	May-14	MPV	157k
Perodua Myvi XT	Apr-14	B	41k - 44k
Nissan Sylphy	Apr-14	C	112k - 122k

Source: Company, M&amp;A Securities



Source: MAA, M&amp;A Securities



Source: Bloomberg, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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