

25 November 2021

MBM Resources Bhd

9MFY21 Below Expectations

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9MFY21 core PATAMI of RM58.4m (-33%) came in below our/consensus expectation at 36%/39% of full-year estimates on worse-than-expected pandemic-induced lockdown's impact on its core business and associates, especially Perodua. We trimmed FY21E CNP by 16% but keep FY22E CNP unchanged as we expect Perodua to continue recording sustainable volume and market share especially with the extension of SST-exempted period to June 2022. Note that, Perodua achieved record-breaking sales of 27,858 units in October 2021 showcasing for a better 4Q ahead. Maintain OUTPERFORM with unchanged TP of RM3.50. The stock offers dividend yield of 4.7%.

9MFY21 below expectations. 9MFY21 core PATAMI of RM58.4m (-33%) came in below our/consensus expectation at 36%/39% of full-year estimates on worse-than-expected pandemic-induced lockdown impact on its core business and associates, especially Perodua. No dividend was declared for the quarter, bringing 9MFY21 DPS to 5.0 sen. (9MFY20: 5.0 sen), as expected.

YoY, 9MFY21 core PATAMI plunged 33%, concurrent with lower sales (-21%). Malaysia was placed under total lockdown (FMCO) from 1st June 2021 which was extended but had subsequently transitioned into various phases of National Recovery Plan (NRP). With the FMCO and NRP, MBMR vehicle showrooms were closed from June to mid-August 2021, and subsequently reopened in stages in conformity with the required vaccination rates of the states where the showrooms are located. Its manufacturing division was also closed during the same period and resumed operation by mid-August 2021. Perodua's sales volume plunged to 119,085 units (-18%), which in turn decreased associates' contribution (-37%).

QoQ, 3QFY21 core PATAMI plunged into core losses of RM5.4m, compared to core profit of RM16.7m in 2QFY21. Aside from vehicle showrooms being closed for almost two months, vehicles supply upon reopening were also limited given the various challenges faced by OEMs and suppliers at the production plants. Its workshops were operating with 60% capacity during this period

Outlook. MBMR's business strategy lies in its: (i) deep value stake in 22.58%-owned Perodua, and (ii) dual-income streams as the largest Perodua dealer and as parts supplier for most of the popular marques. Perodua's market share is supported by higher delivery of all-new Myvi, all-new Perodua ARUZ, and the all-new ATIVA which provide better margins compared to the previous models. Perodua is cautiously optimistic on CY21 prospects with tax exemptions and incentives on passenger vehicles helping to sustain volume until the end of the year.

Trimmed FY21E CNP by 16% on worse-than-expected pandemic-induced lockdown's impact on its core business and associates, especially Perodua. No changes to FY22E CNP as we expect Perodua to continue recording sustainable volume and market share especially with the extension of SST-exempted period to June 2022.

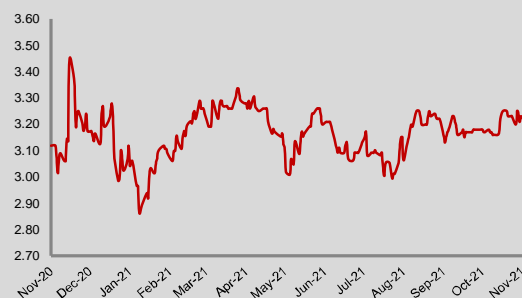
Maintain OUTPERFORM with unchanged TP of RM3.50 based on 9x FY22E EPS (at 5-year forward historical mean PER). The stock offers dividend yield of 4.7%.

Risks to our call include: (i) lower-than-expected car sales volume, and (ii) lower-than-expected associates' contribution.

OUTPERFORM ↔

Price: **RM3.22**
Target Price: **RM3.50** ↔

Share Price Performance



KLCI	1,522.27
YTD KLCI chg	-6.4%
YTD stock price chg	-5.0%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBM MK Equity
Market Cap (RM m)	1,258.7
Shares Outstanding	390.9
52-week range (H)	3.73
52-week range (L)	3.04
3-mth avg daily vol:	201,854
Free Float	32%
Beta	1.1

Major Shareholders

Med-Bumikar Mara Sdn Bhd	49.5%
Employees Provident Fund	8.9%
Lembaga Tabung Haji	5.3%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	1,796.5	1,660.4	1,828.8
EBIT	43.9	37.3	55.1
PBT	204.5	168.6	240.7
PATAMI	165.8	136.6	195.0
Core PATAMI	165.8	136.6	195.0
Consensus (NP)	-	151.6	190.0
Earnings Revision	-	-16.0%	-
Core EPS (sen)	42.4	34.9	49.9
Core EPS growth(%)	-13.6	-17.6	42.7
NDPS (sen)	22.0	15.0	15.0
BVPS (RM)	4.67	4.87	5.22
PER (x)	7.6	9.2	6.5
PBV (x)	0.7	0.7	0.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	6.8	4.7	4.7

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Result Highlight

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	230.6	320.9	-28.1%	600.4	-61.6%	969.7	1233.1	-21.4%
EBIT/ (LBIT)	2.5	9.4	-73.4%	20.4	-87.8%	19.7	25.3	-21.9%
Associates	-6.2	12.6	>100%	55.4	>100%	49.6	79.0	-37.2%
Jointly controlled entity	0.3	1.6	-80.3%	4.4	-92.8%	6.7	6.6	1.6%
PBT/(LBT)	-4.2	22.8	>100%	79.6	-105.2%	73.7	108.0	-31.8%
Taxation	-0.9	-3.0	70.2%	-4.6	80.9%	-6.1	-6.9	10.7%
PATAMI	-5.4	16.7	>100%	65.1	>100%	58.4	87.4	-33.2%
Core PATAMI	-5.4	16.7	>100%	65.1	>100%	58.4	87.4	-33.2%
EPS (sen)	-1.4	4.3	>100%	16.7	>100%	14.9	22.4	-33.2%
DPS (sen)	0.0	5.0		0.0		5.0	5.0	
EBIT/(LBIT) margin	1.1%	2.9%		3.4%		2.0%	2.0%	
PBT/(LBT) margin	N.M	7.1%		13.3%		7.6%	8.8%	
Core PATAMI margin	N.M	5.2%		10.8%		6.0%	7.1%	
Effective tax rate	N.M	13.0%		5.8%		8.3%	6.4%	

Source: Company, Kenanga Research

Segmental breakdown

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	230.6	320.9	-28.1%	600.4	-61.6%	969.7	1233.1	-21.4%
Motor Vehicles Trading	201.6	282.0	-28.5%	547.4	-63.2%	838.2	1124.4	-25.5%
Auto Parts Manufacturing	28.5	38.4	-25.9%	52.6	-45.8%	130.3	107.5	21.2%
Others	0.5	0.4	5.8%	0.4	4.3%	1.3	1.2	12.3%
Segment PBT	-4.2	22.8	>100%	79.6	>100%	73.7	108.0	-31.8%
Motor Vehicles Trading	4.6	9.1	-49.8%	17.3	-73.6%	18.6	23.4	-20.4%
Auto Parts Manufacturing	-1.3	0.6	>100%	4.0	>100%	4.0	3.5	15.7%
Others	-1.5	-1.2	-29.6%	-1.6	5.2%	-4.6	-4.5	-4.0%
Jointly-controlled Entity	0.3	1.6	-80.3%	4.4	-92.8%	6.1	6.6	-8.6%
Associates	-6.2	12.6	>100%	55.4	>100%	49.6	79.0	-37.2%
Segment PBT margin (%)	N.M	7.1%		13.3%		7.6%	8.8%	
Motor Vehicles Trading	2.3%	3.2%		3.2%		2.2%	2.1%	
Auto Parts Manufacturing	N.M	1.5%		7.6%		3.1%	3.2%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliance	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.				
STOCKS UNDER COVERAGE																		
BERMAZ AUTO BHD	1.61	1,869.2	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	14.0	15.8	14.0	3.0	2.2	16.1%	3.7%	1.65	MP	
DRB-HICOM BHD	1.59	3,073.5	Y	12/2021	-14.3%	39.1%	-310.8%	-52.6%	N.A.	N.A.	15.9	0.3	0.3	-4.3%	1.3%	1.80	MP	
MBM RESOURCES BERHAD	3.22	1,258.7	Y	12/2021	-7.6%	10.1%	-17.6%	42.7%	7.6	9.2	6.5	0.6	0.6	6.3%	4.7%	3.50	OP	
SIME DARBY BERHAD	2.21	15,030.2	Y	06/2022	4.6%	5.0%	15.2%	5.8%	12.0	10.5	9.9	0.9	0.9	8.8%	5.0%	2.60	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.15	772.8	N	12/2021	-25.4%	31.9%	-133.5%	-72.8%	N.A.	N.A.	61.8	0.3	0.3	-1.6%	1.3%	1.00	UP	
UMW HOLDINGS BHD	3.20	3,738.6	Y	12/2021	-4.9%	19.5%	-25.7%	69.6%	16.3	21.9	12.9	0.6	0.5	3.5%	1.9%	3.20	MP	
Simple Average					-9.3%	19.4%	-80.7%	0.9%	12.5	14.3	20.2	1.0	0.8	4.8%	3.0%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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