

# MBM Resources Bhd

## Strong New Bookings

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MBMR has continued to record overwhelming bookings for its Perodua line of vehicles especially for the newest models of Perodua Alza with the waiting period now extending beyond one year, indicating strong new bookings despite the absence of any tax waiver. MBMR is optimistic that Perodua sales in 2022 would hit new record at 270k-290k units, surpassing Perusahaan Otomobil Kedua Sdn Bhd's official target of 247,800 units. We maintain our forecasts, TP of RM4.45 and OUTPERFORM call. The stock offers an attractive dividend yield of >6%.

We attended MBMR's 3QFY22 results briefing last Friday and the key takeaways are as follows:

1. MBMR guided for Perodua 2022 sales of 270k-290k units which translate to a 42% to 52% YoY growth, surpassing Perusahaan Otomobil Kedua Sdn Bhd's official target of 247,800 units based on the current production level trend. Perodua has the highest localisation rate of 95% in the automotive industry and production has been running smoothly at 95% of plant monthly capacity, with minimal interruption from chip shortages. We are keeping our Perodua TIV assumptions of 270,000 units and 280,000 units for FY22 and FY23, respectively.
2. MBMR updated that its order backlog remains strong at 200k units, driven by monthly new bookings that have returned to the pre-pandemic level of 25k to 35k, despite the absence of tax waiver. The new bookings are ordered from the highest to the lowest are as follows: Bezza, Alza, Axia, Myvi, Ativa and Aruz. Perodua Alza's booking backlog now stands at 65k and the waiting period is the longest at more than one year based on a production rate of 4k units per month at the maximum due to chip shortages.
3. MBMR shared that Perusahaan Otomobil Kedua Sdn Bhd is conducting a feasibility study on potential commercial production of hybrid and electric vehicles based on potential customer reception. A Perodua Ativa hybrid subscription plan (RM500/month for five years) launched in September 2022 comprising 300 units of CBU Rocky hybrid was fully taken up within the first month.

We like MBMR for its: (i) strategy to focus on affordable-price range Perodua vehicles amidst the high inflationary environment with more than 200k units of back-logged bookings, (ii) highly sought-after Tier-1 OEM auto parts manufacturing line boosted by the all-new models (i.e. all-new Perodua Alza, and Proton X50), and (iii) position in capitalising on both fronts for Perodua through its 22.58% stake and role as the largest Perodua dealership.

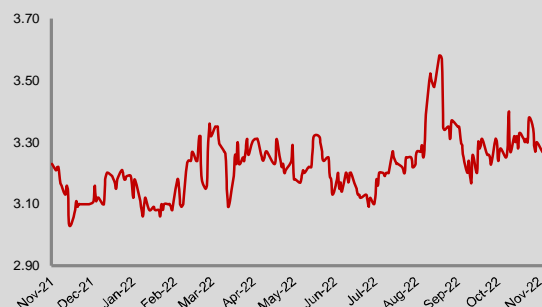
We maintain our TP of RM4.45 based on 7x FY23F EPS which is at a discount to the auto sector's average forward PER of 11x given its smaller scale and business model which is skewed toward auto dealerships compared to other players that are more involved in auto manufacturing. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4). The stock also offers an attractive dividend yield of >6%. **Maintain OUTPERFORM.**

**Risks to our call include:** (i) consumers cutting back on discretionary spending (particularly big-ticket items like new cars) amidst high inflation, (ii) persistent disruptions (including chip shortages) in the global automotive supply chain, and (iii) persistently high cost for materials in auto parts manufacturing.

## OUTPERFORM ↔

Price : RM3.30  
Target Price : RM4.45 ↔

### Share Price Performance



KLCI 1,501.88  
YTD KLCI chg -4.2%  
YTD stock price chg 9.8%

### Stock Information

|                      |               |
|----------------------|---------------|
| Shariah Compliant    | Yes           |
| Bloomberg Ticker     | MBM MK Equity |
| Market Cap (RM m)    | 1,293.8       |
| Shares outstanding   | 390.9         |
| 52-week range (H)    | 3.55          |
| 52-week range (L)    | 2.84          |
| 3-mth avg daily vol: | 181,908       |
| Free Float           | 31%           |
| Beta                 | 0.7           |

### Major Shareholders

|                          |       |
|--------------------------|-------|
| Med-Bumikar Mara Sdn Bhd | 49.5% |
| Employees Provident Fund | 9.9%  |
| Lembaga Tabung Haji      | 5.0%  |

### Summary Earnings Table

| FYE Dec (RM m)         | 2021A        | 2022F        | 2023F        |
|------------------------|--------------|--------------|--------------|
| Revenue                | 1,531.9      | 2,169.8      | 2,321.6      |
| EBIT                   | 42.9         | 35.8         | 38.1         |
| PBT                    | 207.5        | 298.0        | 307.8        |
| <b>PATAMI</b>          | <b>167.9</b> | <b>229.5</b> | <b>249.2</b> |
| <b>Core Net Profit</b> | <b>167.9</b> | <b>229.5</b> | <b>249.2</b> |
| Consensus (NP)         | -            | 214.8        | 220.6        |
| Earnings Revision      | -            | -            | -            |
| Core EPS (sen)         | 43.0         | 58.7         | 63.8         |
| Core EPS growth (%)    | 5.6          | 36.7         | 8.6          |
| NDPS (sen)             | 20.0         | 22.0         | 24.0         |
| BVPS (RM)              | 4.90         | 5.27         | 5.67         |
| PER (x)                | 7.7          | 5.6          | 5.2          |
| PBV (x)                | 0.7          | 0.6          | 0.6          |
| Net Gearing (x)        | N.Cash       | N.Cash       | N.Cash       |
| Net Div. Yield (%)     | 6.0          | 6.6          | 7.3          |

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| Income Statement    |                |                |                |                |                | Financial Data & Ratios  |         |         |         |         |         |
|---------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|---------|---------|---------|---------|---------|
| FY Dec (RM m)       | 2019A          | 2020A          | 2021A          | 2022F          | 2023F          | FY Dec                   | 2019A   | 2020A   | 2021A   | 2022F   | 2023F   |
| Revenue             | 2,088.5        | 1,793.5        | 1,531.9        | 2,169.8        | 2,321.6        | <b>Growth (%)</b>        |         |         |         |         |         |
| Op. Profit          | 61.0           | 44.0           | 42.9           | 35.8           | 38.1           | Turnover                 | 8.3     | -14.1   | -14.6   | 41.6    | 7.0     |
| Depreciation        | -19.3          | -17.2          | -17.7          | -18.0          | -19.7          | EBITDA                   | 8.3     | -14.1   | -14.6   | 41.6    | 7.0     |
| Int. Inc/(Exp)      | 2.5            | 3.0            | 3.0            | 1.7            | 3.1            | Op Profit                | 389.1   | -27.9   | -2.4    | -16.6   | 6.5     |
| Joint Venture       | 11.9           | 12.7           | 11.1           | 0.0            | 0.0            | PBT                      | 31.1    | -21.5   | 0.5     | 43.7    | 3.3     |
| Associate           | 187.8          | 146.9          | 150.5          | 260.6          | 266.6          | CNP                      | 16.0    | -17.2   | 5.6     | 36.7    | 8.6     |
| Pre-tax Profit      | 263.2          | 206.5          | 207.5          | 298.0          | 307.8          | <b>Profitability (%)</b> |         |         |         |         |         |
| Taxation            | -16.7          | -18.1          | -17.1          | -17.1          | -17.1          | Op. Margin               | 2.9     | 2.5     | 2.8     | 1.6     | 1.6     |
| MI                  | 26.0           | 23.4           | 23.8           | 31.3           | 34.0           | PBT Margin               | 12.6    | 11.5    | 13.5    | 13.7    | 13.3    |
| Core net profit     | 192.0          | 159.0          | 167.9          | 229.5          | 249.2          | CNP Margin               | 9.2     | 8.9     | 11.0    | 10.6    | 10.7    |
|                     |                |                |                |                |                | ROA                      | 10.6    | 7.2     | 7.3     | 9.4     | 9.6     |
|                     |                |                |                |                |                | ROE                      | 13.8    | 8.9     | 9.0     | 11.5    | 11.7    |
| Balance Sheet       |                |                |                |                |                | DuPont Analysis          |         |         |         |         |         |
| FY Dec (RM m)       | 2019A          | 2020A          | 2021A          | 2022F          | 2023F          | Net Margin (%)           | 9.2     | 8.9     | 11.0    | 10.6    | 10.7    |
| F. Assets           | 231.6          | 214.2          | 181.4          | 203.4          | 223.7          | Assets T/O (x)           | 1.0     | 0.8     | 0.6     | 0.9     | 0.9     |
| Intangible Assets   | 1.1            | 1.1            | 1.1            | 1.1            | 1.1            | Lev. Factor (x)          | 1.3     | 1.2     | 1.2     | 1.2     | 1.2     |
| Other F. Assets     | 1,383.3        | 1,510.8        | 1,625.8        | 1,625.8        | 1,625.8        | ROE (%)                  | 13.8    | 8.9     | 9.0     | 11.5    | 11.7    |
| Inventories         | 105.2          | 56.1           | 92.3           | 243.7          | 260.8          | <b>Leverage</b>          |         |         |         |         |         |
| Receivables         | 142.4          | 157.9          | 164.6          | 214.0          | 229.0          | Debt/Asset (x)           | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other C. Assets     | 62.1           | 44.8           | 35.8           | 35.8           | 35.8           | Debt/Equity (x)          | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Cash                | 263.7          | 271.0          | 260.7          | 182.5          | 295.6          | N. (Cash)/Debt           | (227.8) | (264.0) | (237.4) | (159.2) | (272.2) |
| <b>Total Assets</b> | <b>2,189.4</b> | <b>2,255.9</b> | <b>2,361.6</b> | <b>2,506.3</b> | <b>2,671.6</b> | N. Debt/Eqty (x)         | (0.1)   | (0.1)   | (0.1)   | (0.1)   | (0.1)   |
| Payables            | 132.7          | 132.8          | 141.5          | 142.7          | 152.7          | <b>Valuations</b>        |         |         |         |         |         |
| ST Borrowings       | 16.6           | 6.9            | 23.3           | 23.3           | 23.3           | Core EPS (sen)           | 49.1    | 40.7    | 43.0    | 58.7    | 63.8    |
| Other ST Liability  | 3.4            | 4.3            | 3.1            | 3.1            | 3.1            | NDPS (sen)               | 22.0    | 20.0    | 20.0    | 22.0    | 24.0    |
| LT Borrowings       | 19.3           | 0.1            | 0.0            | 0.0            | 0.0            | BV/sh (RM)               | 4.5     | 4.7     | 4.9     | 5.3     | 5.7     |
| Other LT Liability  | 9.4            | 9.1            | 8.4            | 8.4            | 8.4            | PER (x)                  | 6.7     | 8.1     | 7.7     | 5.6     | 5.2     |
| <b>Net Assets</b>   | <b>2,008.0</b> | <b>2,102.7</b> | <b>2,185.3</b> | <b>2,328.8</b> | <b>2,484.2</b> | Div. Yield (%)           | 6.6     | 6.0     | 6.0     | 6.6     | 7.3     |
| S. Equity           | 1,743.9        | 1,825.7        | 1,915.5        | 2,059.0        | 2,214.4        | PBV (x)                  | 0.7     | 0.7     | 0.7     | 0.6     | 0.6     |
| Minority Interests  | 264.1          | 277.0          | 269.8          | 269.8          | 269.8          | EV/EBITDA (x)            | 16.5    | 22.5    | 22.2    | 30.6    | 31.3    |
| <b>Total Equity</b> | <b>2,008.0</b> | <b>2,102.7</b> | <b>2,185.3</b> | <b>2,328.8</b> | <b>2,484.2</b> |                          |         |         |         |         |         |
| Cashflow Statement  |                |                |                |                |                |                          |         |         |         |         |         |
| FY Dec (RM m)       | 2019A          | 2020A          | 2021A          | 2022F          | 2023F          |                          |         |         |         |         |         |
| Operating CF        | 29.2           | 79.9           | 9.3            | -214.5         | -22.8          |                          |         |         |         |         |         |
| Investing CF        | 224.4          | 50.2           | 75.9           | 220.6          | 226.6          |                          |         |         |         |         |         |
| Financing CF        | -185.8         | -124.0         | 4.4            | -84.3          | -90.7          |                          |         |         |         |         |         |
| Change In Cash      | 67.9           | 6.1            | -8.6           | -78.2          | 113.1          |                          |         |         |         |         |         |
| Free CF             | -1.4           | 49.3           | -21.3          | -254.5         | -62.8          |                          |         |         |         |         |         |

Source: Kenanga Research

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## Peer Table Comparison

| Name                         | Rating | Last Price (RM) | Target Price (RM) | Upside (%) | Market Cap (RM'm) | Shariah Compliant | Current FYE | Core EPS (sen) |            | Core EPS Growth |            | PER (x) - Core Earnings |            | PBV (x)    | ROE (%)    | Net Div. (sen) | Net Div Yld (%) |
|------------------------------|--------|-----------------|-------------------|------------|-------------------|-------------------|-------------|----------------|------------|-----------------|------------|-------------------------|------------|------------|------------|----------------|-----------------|
|                              |        |                 |                   |            |                   |                   |             | 1-Yr. Fwd.     | 2-Yr. Fwd. | 1-Yr. Fwd.      | 2-Yr. Fwd. | 1-Yr. Fwd.              | 2-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd. | 1-Yr. Fwd.     | 1-Yr. Fwd.      |
| Stocks Under Coverage        |        |                 |                   |            |                   |                   |             |                |            |                 |            |                         |            |            |            |                |                 |
| BERMAZ AUTO BHD              | OP     | 1.94            | 2.30              | 18.56%     | 2,241.9           | Y                 | 04/2023     | 14.1           | 16.1       | 5.1%            | 14.4%      | 13.8                    | 12.0       | 3.2        | 24.4%      | 9.9            | 5.1%            |
| DRB-HICOM BHD                | OP     | 1.43            | 1.70              | 18.88%     | 2,551.9           | Y                 | 12/2022     | 15.7           | 20.6       | 44.4%           | 30.9%      | 9.1                     | 6.9        | 0.3        | 3.3%       | 2.0            | 1.4%            |
| MBM RESOURCES BHD            | OP     | 3.30            | 4.45              | 34.85%     | 1,266.5           | Y                 | 12/2022     | 58.7           | 63.8       | 36.7%           | 8.6%       | 5.6                     | 5.2        | 0.6        | 10.2%      | 22.0           | 6.7%            |
| SIME DARBY BHD               | OP     | 2.22            | 2.60              | 17.12%     | 15,049.9          | Y                 | 06/2023     | 17.3           | 19.0       | -1.8%           | 10.1%      | 12.9                    | 11.7       | 0.9        | 7.3%       | 12.0           | 5.4%            |
| TAN CHONG MOTOR HOLDINGS BHD | UP     | 1.14            | 0.850             | -25.44%    | 736.9             | Y                 | 12/2022     | (3.6)          | (1.0)      | -233.0%         | -128.1%    | N.A.                    | N.A.       | 0.3        | -0.9%      | 3.0            | 2.6%            |
| UMW HOLDINGS BHD             | OP     | 3.34            | 4.80              | 43.71%     | 3,890.4           | Y                 | 12/2022     | 36.9           | 37.2       | 93.3%           | 0.9%       | 9.1                     | 9.0        | 0.5        | 5.9%       | 6.0            | 1.8%            |
| Simple Average               |        |                 |                   |            |                   |                   |             | 23.2           | 25.9       | -9.2%           | -10.5%     | 10.1                    | 9.0        | 1.0        | 8.3%       |                | 3.8%            |

Source: Kenanga Research

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**Stock ESG Ratings:**

|          | Criterion                             | Rating |   |   |   |  |
|----------|---------------------------------------|--------|---|---|---|--|
| GENERAL  | Earnings Sustainability & Quality     | ★      | ★ | ★ |   |  |
|          | Corporate Social Responsibility       | ★      | ★ | ☆ |   |  |
|          | Management/Workforce Diversity        | ★      | ★ | ★ |   |  |
|          | Accessibility & Transparency          | ★      | ★ | ☆ |   |  |
|          | Corruption-Free Pledge                | ★      | ★ | ★ |   |  |
|          | Carbon-Neutral Initiatives            | ★      | ★ | ☆ |   |  |
| SPECIFIC | Electric Vehicles Initiatives         | ★      | ★ |   |   |  |
|          | Energy Efficient Vehicles Initiatives | ★      | ★ | ★ | ★ |  |
|          | Renewable Energy                      | ★      | ★ | ☆ |   |  |
|          | Occupational Health and Safety        | ★      | ★ | ★ | ★ |  |
|          | Waste Management /Recycling           | ★      | ★ | ★ |   |  |
| OVERALL  |                                       | ★      | ★ | ★ |   |  |

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

**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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