

# MBM Resources

## Fast and Vigorous

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**MBMR's 1QFY23 results met expectations. Its recorded strong sales of Perodua, Volvo and Volkswagen vehicles, as well as Daihatsu commercial vehicles, with additional earnings kicker coming from associate Perusahaan Otomobil Kedua Sdn Bhd on the back of higher vehicle production. We maintain our earnings forecasts, lift our TP by 2% to RM4.70 (from RM4.60) and reiterate our OUTPERFORM call.**

MBMR's 1QFY23 core net profit of RM79.8m came in at 31% and 32% of our full-year forecast and the full-year consensus estimate, respectively. We deemed the results as within expectations as we expect slightly a slower 2QFY23 due to fewer working days and plant shutdown during the Hari Raya period for annual maintenance. No dividend was declared for the quarter as MBMR typically announces half-yearly dividends.

**YoY**, 1QFY23 revenue rose 16% driven by: (i) strong sales from vehicle distribution (+18%) due to robust demand for Perodua, Volvo and Volkswagen vehicles, as well as Daihatsu commercial vehicles on new model launches, and (ii) equally strong sales recorded by its auto parts manufacturing division (+13%). The share of profit from associates rose 34% driven by strong sales volume at Perusahaan Otomobil Kedua Sdn Bhd (+27% to 78,564 units). Overall, core net profit rose by 61%.

**QoQ**, 1QFY23 revenue decreased by 15% from the record base of prior year-end promotional campaign. Nonetheless, the share of profit from associates rose 40% as Perusahaan Otomobil Kedua Sdn Bhd ramped up production level for the all-new Perodua Axia with its first delivery in February 2023. Consequentially, core net profit rose by 40%.

**Forecasts.** Maintained.

We raise our TP by 2% to RM4.70 from RM4.60 after we roll forward our valuation base year to FY24F (from FY23F). Our TP is based on unchanged PER of 7x on FY24F 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 which are more into auto manufacturing. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

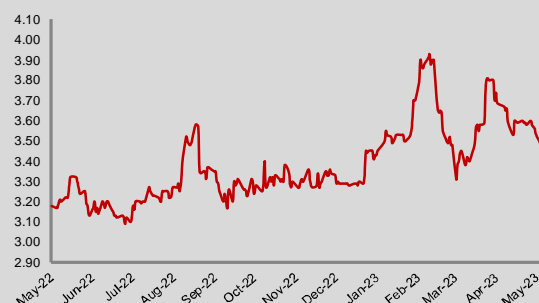
We continue to like MBMR for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 190k units, (ii) it being a good proxy to the mass-market Perodua brand given that it is the largest dealer of Perodua vehicles in Malaysia as well as its 22.58% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its Tier-1 OEM auto parts manufacturing certification. The stock also offers an attractive dividend yield of >7%. 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:** RM3.49  
**Target Price:** RM4.70 ↑

## Share Price Performance



KLCI 1,402.48  
YTD KLCI chg -6.2%  
YTD stock price chg 10.7%

## Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBM MK Equity
Market Cap (RM m)	1,364.2
Shares Outstanding	390.9
52-week range (H)	3.88
52-week range (L)	2.89
3-mth avg daily vol:	417,035
Free Float	31%
Beta	0.7

## Major Shareholders

Med-Bumikar Mara Sdn Bhd	49.5%
Employees Provident Fund	8.1%
Lembaga Tabung Haji	4.8%

## Summary Earnings Table

FYE Dec (RM m)	2022A	2023F	2024F
Revenue	2,308.1	2,452.1	2,576.3
EBIT	104.9	62.6	65.6
PBT	325.3	306.2	315.9
<b>Net Profit</b>	<b>268.6</b>	<b>256.3</b>	<b>264.5</b>
<b>Core Net Profit</b>	<b>223.8</b>	<b>256.3</b>	<b>264.5</b>
Consensus (NP)	-	247.1	244.1
Earnings Revision	-	-	-
Core EPS (sen)	57.1	65.4	67.5
Core EPS growth (%)	30.3	14.5	3.2
NDPS (sen)	37.0	26.0	26.0
BVPS (RM)	5.25	5.64	6.05
PER (x)	6.1	5.3	5.2
PBV (x)	0.7	0.6	0.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	10.6	7.4	7.4

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## Result Highlight

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
<b>Turnover</b>	<b>555.8</b>	<b>651.4</b>	<b>-14.7%</b>	<b>478.5</b>	<b>16.2%</b>	<b>555.8</b>	<b>478.5</b>	16.2%
EBIT/ (LBIT)	19.8	22.2	-10.9%	45.5	-56.5%	19.8	45.5	-56.5%
Associates	68.0	48.4	40.4%	50.9	33.6%	68.0	50.9	33.6%
Jointly controlled entity	7.3	4.2	74.0%	3.1	137.6%	7.3	3.1	137.6%
PBT/(LBT)	93.6	73.9	26.7%	98.5	-4.9%	93.6	98.5	-4.9%
Taxation	-4.8	-9.2	47.9%	-6.6	27.4%	-4.8	-6.6	27.4%
<b>Net Profit</b>	<b>80.0</b>	<b>57.1</b>	<b>40.0%</b>	<b>85.2</b>	<b>-6.2%</b>	<b>80.0</b>	<b>85.2</b>	-6.2%
<b>Core Net Profit</b>	<b>79.8</b>	<b>57.0</b>	39.9%	<b>49.6</b>	60.9%	<b>79.8</b>	<b>49.6</b>	60.9%
EPS (sen)	20.4	14.6	39.9%	12.7	60.9%	20.4	12.7	60.9%
DPS (sen)	0.0	21.0		0.0		0.0	0.0	
EBIT/(LBIT) margin	3.6%	3.4%		9.5%		3.6%	9.5%	
PBT/(LBT) margin	16.8%	11.3%		20.6%		16.8%	20.6%	
Core PATAMI margin	14.4%	8.8%		10.4%		14.4%	10.4%	
Effective tax rate	5.1%	12.4%		6.7%		5.1%	6.7%	

Source: Company, Kenanga Research

## Segmental breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY23	FY22	Chg	FY22	Chg	FY23	FY22	Chg
<b>Revenue</b>	<b>555.8</b>	<b>651.4</b>	<b>-14.7%</b>	<b>478.5</b>	<b>16.2%</b>	<b>555.8</b>	<b>478.5</b>	<b>16.2%</b>
Vehicles Distribution	476.8	566.6	-15.9%	408.7	16.7%	476.8	408.7	16.7%
Auto Parts Manufacturing	78.4	84.2	-6.9%	69.3	13.1%	78.4	69.3	13.1%
Others	0.6	0.6	9.5%	0.5	17.6%	0.6	0.5	17.6%
<b>Segment PBT</b>	<b>93.6</b>	<b>73.9</b>	<b>26.7%</b>	<b>98.5</b>	<b>-4.9%</b>	<b>93.6</b>	<b>98.5</b>	<b>-4.9%</b>
Vehicles Distribution	12.0	19.7	-39.2%	10.6	13.0%	12.0	10.6	13.0%
Auto Parts Manufacturing	7.6	3.1	147.2%	4.9	55.1%	7.6	4.9	55.1%
Others	-1.2	-1.5	18.5%	29.0	-104.2%	-1.2	29.0	-104.2%
Jointly-controlled Entity	7.3	4.2	74.0%	3.1	137.6%	7.3	3.1	137.6%
Associates	68.0	48.4	40.4%	50.9	33.6%	68.0	50.9	33.6%
<b>Segment PBT margin (%)</b>	<b>16.8%</b>	<b>11.3%</b>		<b>20.6%</b>		<b>16.8%</b>	<b>20.6%</b>	
Vehicles Distribution	2.5%	3.5%		2.6%		2.5%	2.6%	
Auto Parts Manufacturing	9.7%	3.6%		7.0%		9.7%	7.0%	

Source: Company, 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	2.17	2.90	33.64%	2,519.4	Y	04/2023	21.6	22.8	61.1%	5.6%	10.0	9.5	3.5	37.2%	15.1	7.0%
DRB-HICOM BHD	MP	1.33	1.40	5.26%	2,570.9	Y	12/2023	15.4	16.2	-1.9%	5.3%	8.6	8.2	0.3	3.4%	2.0	1.5%
MBM RESOURCES BHD	OP	3.49	4.70	34.67%	1,364.2	Y	12/2023	65.6	67.7	14.5%	3.2%	5.3	5.2	0.6	12.0%	26.0	7.4%
SIME DARBY BHD	OP	2.07	2.40	15.94%	14,078.1	Y	06/2023	15.0	17.2	-14.6%	14.9%	13.8	12.0	0.9	6.3%	12.0	5.8%
TAN CHONG MOTOR HOLDINGS BHD	UP	1.09	0.800	-26.61%	732.5	N	12/2023	(7.4)	(4.8)	-232.2%	-164.6%	N.A.	N.A.	0.3	-1.8%	2.0	1.8%
UMW HOLDINGS BHD	OP	3.72	4.80	29.03%	4,346.1	Y	12/2023	35.5	37.9	5.3%	6.7%	10.5	9.8	0.9	9.3%	15.0	4.0%
SECTOR AGGREGATE					25,611.1					-1.9%	10.7%	11.7	10.6	0.7	6.0%		4.6%

Source: Kenanga Research

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**Stock ESG Ratings:**

	Criterion	Rating				
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	★	★	
	Community Investment	★	★	★	★	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★		
<b>SPECIFIC</b>	Electric & Hybrid Vehicles Availability	★	★	★		
	Supply Chain Management	★	★	★	★	
	Energy Efficiency	★	★	★		
	Effluent & Water Management	★	★	★		
	Training & Education	★	★	★	★	
<b>OVERALL</b>		★	★	★		

☆ 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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