MBM Resources

Record Year End

OUTPERFORM ↔

Price: RM5.47
Target Price: RM6.90 ↑

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MBMR's FY24 results met expectations. It ends the year with record FY24 core net profit, rising 9% on favourable sales mix, and robust sales volume at 23%-owned Perusahaan Otomobil Kedua Sdn Bhd. For FY25, it will leverage on Perodua's new launches i.e all-new Myvi, D66B and EV. We raised FY25F net profit by 2%, introduce FY26F net profit of RM344.0m (+1%), lift our TP by 2% to RM6.90 (from RM6.80), and maintain our OUTPERFORM call. The stock offers attractive dividend yield of about 8%.

MBMR's FY24 core net profit met expectations. No dividend was declared for the quarter as it typically declared final dividend in the 3Q.

YoY, its FY24 revenue rose 3%, driven by strong sales from vehicle distribution (+4%) due to robust demand for Perodua on the introduction of new model and fairly decent demand at its new Jaecoo dealership which just started in 3QFY24. This more than offset: (i) lower demand for Volvo, Volkswagen vehicles, and Daihatsu commercial vehicles due to intense competition in the non-nationals space, and (ii) lower production volume by auto parts manufacturing division (-5%) due to a shift towards lower volume, but higher margins new models.

Its core net profit rose 9% on favourable sales mix skewed towards higher margins new models and strong sales volume at 23%-owned Perusahaan Otomobil Kedua Sdn Bhd (+8% to 358,102 units).

QoQ, MBMR's 4QFY24 revenue rose 4%, driven by attractive year-end promotion as well as more vehicles allocation received as the biggest Perodua dealership. Its core net profit soared by 12%, driven by higher share of associate contributions (+21%) on higher sales volume at 23%-owned Perusahaan Otomobil Kedua Sdn Bhd (+8%), as well as better margins on new models.

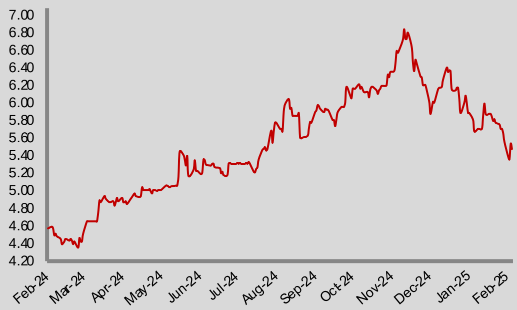
Forecasts. We raised FY25F net profit by 2% mainly for book-keeping purposes. We introduced FY26F net profit of RM344.0m (+1%).

Valuation. Correspondingly, we raise our TP by 2% to RM6.90 from RM6.80 based on unchanged PER of 8x on FY25F 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).

Investment case. We continue to like MBMR for: (i) its strong earnings visibility backed by an order backlog of Perodua vehicles of 68k units (CY25 target sales of 345k units), (ii) 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 23% stake in Perusahaan Otomobil Kedua Sdn Bhd, the producer of Perodua vehicles, and (iii) its attractive dividend yield of about 8%. Maintain **OUTPERFORM.**

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

Share Price Performance



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-11.3%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBM MK Equity
Market Cap (RM m)	2,138.2
Shares Outstanding	390.9
52-week range (H)	6.69
52-week range (L)	4.09
3-mth avg. daily vol.	690,532
Free Float	38%
Beta	0.9

Major Shareholders

Med-Bumikar Mara Sdn Bhd	49.5%
Lembaga Tabung Haji	4.6%
Norges Bank	2.9%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2026F
Revenue	2,485.6	2,507.5	2,428.4
EBIT	69.2	68.5	64.3
PBT	393.2	401.5	407.2
Net Profit	**333.0**	**339.2**	**344.0**
Core Net Profit	**333.0**	**339.2**	**344.0**
Consensus (NP)	-	312.7	312.7
Earnings Revision	-	+2%	NEW
Core EPS (sen)	85.0	86.6	87.8
Core EPS Growth (%)	9.1	1.9	1.4
NDPS (sen)	45.0	45.0	45.0
BVPS (RM)	5.68	6.10	6.52
PER (x)	6.4	6.3	6.2
PBV (x)	1.0	0.9	0.8
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	8.2	8.2	8.2

Result Highlights

FYE Dec (RM m)	4Q FY24	3Q FY24	QoQ Chg	4Q FY23	YoY Chg	12M FY24	12M FY23	YoY Chg
Revenue	**660.9**	**638.4**	**3.5%**	**700.2**	**-5.6%**	**2485.6**	**2416.9**	**2.8%**
EBIT	18.1	18.3	-1.2%	24.4	-26.1%	69.2	77.6	-10.8%
Net Interest Income/ (Exp)	0.9	1.3		1.5		4.3	6.0	
Associates	89.9	74.4	20.7%	85.2	5.5%	290.1	268.1	8.2%
Jointly controlled entity	6.2	8.6	-27.6%	6.9	-9.1%	29.6	24.2	22.2%
EI	0.0	0.0		0.0		0.0	29.5	
PBT/(LBT)	115.1	102.6	12.1%	115.9	-0.7%	393.2	394.7	-0.4%
Taxation	-6.2	-5.1	-21.1%	-6.5	4.1%	-20.6	-23.0	10.2%
Minority Interest	-11.2	-10.1		-6.5		-39.5	-28.5	
Net Profit	**97.7**	**87.4**	**11.8%**	**97.8**	**-0.1%**	**333.0**	**334.5**	**-0.4%**
Core Net Profit	**97.7**	**87.4**	**11.8%**	**97.8**	**-0.1%**	**333.0**	**305.0**	**9.2%**
DPS (sen)	0.0	29.0		0.0		45.0	39.0	
EBIT/(LBIT) margin	2.7%	2.9%		3.5%		2.8%	3.2%	
PBT/(LBT) margin	17.4%	16.1%		16.6%		15.8%	16.3%	
Core PATAMI margin	14.8%	13.7%		14.0%		13.4%	12.6%	
Effective tax rate	5.4%	5.0%		5.6%		5.3%	5.8%	

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	4Q FY24	3Q FY24	QoQ Chg	4Q FY23	YoY Chg	12M FY24	12M FY23	YoY Chg
Revenue	**660.9**	**638.4**	**3.5%**	**700.2**	**-5.6%**	**2485.6**	**2416.9**	**2.8%**
Vehicles Distribution	580.7	558.1	4.1%	613.4	-5.3%	2182.4	2098.2	4.0%
Auto Parts Manufacturing	79.3	79.6	-0.4%	86.2	-8.0%	300.5	316.1	-4.9%
Others	0.8	0.6	28.9%	0.6	29.9%	2.8	2.5	8.8%
Segment PBT	**115.1**	**102.6**	**12.1%**	**115.9**	**-0.7%**	**393.2**	**394.7**	**-0.4%**
Vehicles Distribution	14.1	13.6	3.4%	17.9	-21.6%	52.3	54.9	-4.6%
Auto Parts Manufacturing	6.8	6.7	0.6%	6.6	2.0%	26.3	22.9	15.0%
Others	-1.9	7.2	-125.7%	-0.8	-143.5%	2.8	24.6	-88.7%
Jointly-controlled Entity	6.2	5.4	16.4%	6.9	-9.1%	26.3	24.2	8.7%
Associates	89.9	69.7	28.9%	85.2	5.5%	285.4	268.1	6.4%
Segment PBT margin (%)	**17.4%**	**16.1%**		**16.6%**		**15.8%**	**16.3%**	
Vehicles Distribution	2.4%	2.4%		2.9%		2.4%	2.6%	
Auto Parts Manufacturing	8.5%	8.5%		7.7%		8.8%	7.2%	

Source: Company, Kenanga Research

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	1.19	2.20	84.9%	1,381.6	Y	04/2025	19.4	22.8	-35.9%	17.5%	6.1	5.2	1.5	24.2%	17.5	14.7%
DRB-HICOM BHD	MP	0.800	0.850	6.3%	1,546.4	Y	12/2024	6.4	8.1	109.1%	26.2%	12.4	9.8	0.1	1.2%	2.0	2.5%
HIL INDUSTRIES BHD	OP	0.830	1.00	20.5%	275.5	Y	12/2024	13.9	14.2	9.5%	1.7%	5.9	5.8	0.5	9.3%	3.0	3.6%
HONG LEONG INDUSTRIES BHD	OP	13.48	15.90	18.0%	4,420.1	Y	06/2025	132.7	136.5	26.6%	2.8%	10.2	9.9	1.8	18.1%	70.0	5.2%
MBM RESOURCES BHD	OP	5.47	6.90	26.1%	2,138.2	Y	12/2024	86.8	88.0	1.9%	1.4%	6.3	6.2	0.8	12.9%	45.0	8.2%
SIME DARBY BHD	OP	2.29	2.90	26.6%	15,574.3	Y	06/2025	20.1	20.8	7.5%	3.4%	11.4	11.0	0.8	7.0%	13.5	5.9%
TAN CHONG MOTOR HOLDINGS BHD	UP	0.360	0.440	22.2%	241.9	Y	12/2024	(28.6)	(21.4)	-248.6%	-174.8%	N.A.	N.A.	0.1	-7.3%	1.0	2.8%
SECTOR AGGREGATE					**25,578.0**					**3.2%**	**7.9%**	**10.9**	**10.1**	**0.6**	**5.9%**		**6.1%**

Source: Kenanga Research

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Stock ESG Ratings:

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