



Company report

MBM RESOURCES

(MBM MK EQUITY, MBMR.KL)

19 Jul 2022

Appealing value-for-money proposition

BUY

(Maintained)

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Rationale for report: Company update

Price	RM3.12
Fair Value	RM5.00
52-week High/Low	RM3.39/RM2.92

Key Changes

Fair value	↕
EPS	↕

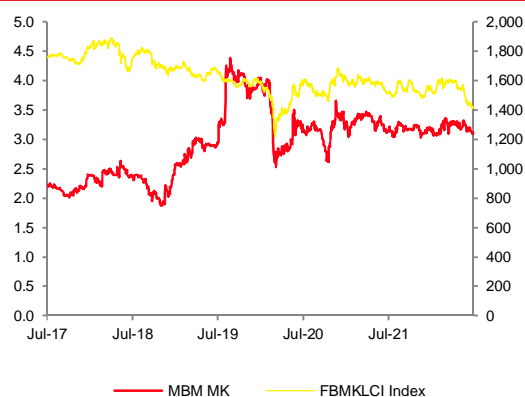
YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	1,531.9	2,036.8	2,081.8	2,160.7
Core net profit (RM mil)	168.1	219.2	229.9	242.4
FD Core EPS (sen)	43.0	56.1	58.8	62.0
FD Core EPS growth (%)	1.4	30.4	4.9	5.4
Consensus Net Profit (RM mil)	-	207.0	213.7	224.3
DPS (sen)	20.0	15.0	16.0	17.0
PE (x)	7.3	5.6	5.3	5.0
EV/EBITDA (x)	16.3	15.1	12.9	11.8
Div yield (%)	6.5	4.8	5.2	5.5
ROE (%)	9.0	11.0	10.6	10.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	390.7
Market Cap (RM mil)	1,219.0
Book Value (RM/share)	4.90
P/BV (x)	0.6
ROE (%)	9.0
Net Gearing (%)	-

Major Shareholders	Med-Bumikar Mara Sdn Bhd (49.5%) Employees Provident Fund (10.0%) Lembaga Tabung Haji (5.1%)
Free Float	31.4
Avg Daily Value (RM mil)	0.5

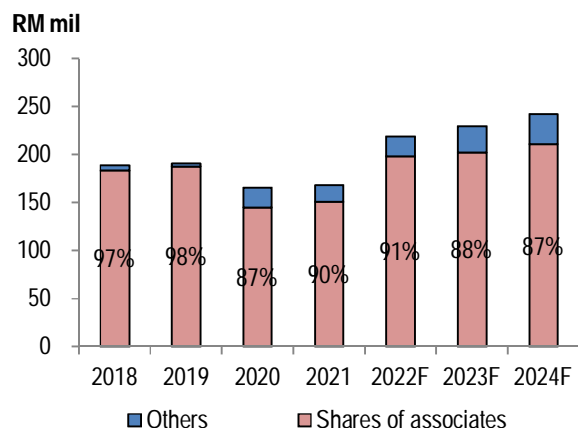
Price performance	3mth	6mth	12mth
Absolute (%)	(4.3)	0.9	2.5
Relative (%)	6.7	9.7	10.0



Investment Highlights

- We reiterate our BUY call on MBM Resources (MBMR) with unchanged forecasts and fair value (FV) of RM5.00/share, derived from FY22F target PE 9x (in line with its 3-year pre-pandemic average) and neutral ESG scoring of 3 stars.
- MBMR's 2QFY22 results are expected to be stronger QoQ and YoY, mainly driven by higher Perodua sales. The carmaker reported sales of 65,719 units (+7% QoQ, +67% YoY) during the quarter. Mainly from its 22.6% equity stake in Perodua, MBMR's share of associates is estimated to contribute 91% of the group's FY22F net profit (Exhibit 1).
- Perodua's sales are expected to further improve in 2HFY22 vs. 1HFY22 following the addition of the all-new Alza to its product line-up. As a baseline, the previous generation of Alza contributed 5–7%, or 1,200 units of Perodua's monthly sales. The new entry-level multi-purpose vehicle will be making its debut tomorrow.
- The new model is available in 3 variants with a tentative pricing of RM62K (1.5 X), RM68K (1.5 H) and RM75K (1.5 AV). Compared to its peers such as the Mitsubishi Xpander and Honda BR-V, which cost RM23K–36K more, we deem the price as competitive (Exhibit 3).
- Being priced higher than its predecessor (Exhibit 3), this model will help to rerate Perodua's average selling price. The new model's margin would also be better as there is no need to offer discounts to attract buyers.
- Perodua registered more than 200,000 bookings as of 30 June (the end of the SST booking period). This translates into more than 7 months' worth of sales based on the carmaker's monthly production capacity of 28,000 units. Given that chip shortage is no longer its key concern, Perodua should be able to meet these orders before the registration deadline of end-March 2023, in our view.
- While other carmakers are forced to revise upwards their car prices, Perodua is upholding its commitment to provide value to consumers by maintaining prices for most of its models (Exhibit 4) despite rising input costs. The carmaker has cost-reduction measures in place to offset the impact, while production running at full capacity will bolster its operating leverage.
- The current inflationary environment may lead to consumers cutting back on discretionary spending. However, by focusing to provide great value to customers, Perodua stands to benefit from potential downtrading.
- Despite having more than 6 months of sales visibility, the stock is trading at an attractive valuation of FY23F PE of 5x vs. its 3-year pre-pandemic FY17–19 average of 9x.

EXHIBIT 1: MBMR'S CORE NET PROFIT TREND



Source: MBMR, AmInvestment Bank

EXHIBIT 2: SNEAK PEEK OF THE ALL-NEW ALZA EXTERIOR



Source: Perodua

EXHIBIT 3: THE ALL-NEW ALZA COMPARISONS

Previous gen. Alza (Mk1 FL)		2022 All-new Alza (D27A)		Mitsubishi Xpander		Honda BR-V	
Variant	Model	Variant	Model	Variant	Model	Variant	Model
1.5 S (MT)	RM 51,490	1.5 X (CVT)	RM 62,000	1.5 (AT)	RM 96,800	1.5 E (CVT)	RM 90,700
1.5 S (AT)	RM 54,290	1.5 H (CVT)	RM 68,000			1.5 V (CVT)	RM 97,700
1.5 SE (AT)	RM 56,890	1.5 AV (CVT)	RM 75,000				
1.5 AV (AT)	RM 62,690						

Source: MBMR, AmInvestment Bank

EXHIBIT 4: PERODUA MODEL PRICE COMPARISON (2020 VS 2022)

Model	Variant	2020 price (inclusive of SST)	2022 price (inclusive of SST)	Difference
Axia	1.0 E (MT)	RM 24,090	RM 24,090	0%
	1.0 G	RM 33,490	RM 33,490	0%
	1.0 Gxtra	RM 34,990	RM 34,990	0%
	1.0 Style	RM 38,890	RM 38,890	0%
	1.0 SE	RM 38,890	RM 38,890	0%
	1.0 AV	RM 43,190	RM 43,190	0%
Bezza	1.0 G (MT)	RM 34,580	RM 34,580	0%
	1.0 G	RM 36,580	RM 36,580	0%
	1.3 X	RM 43,980	RM 43,980	0%
	1.3 AV	RM 49,980	RM 49,980	0%
Myvi*	1.3 G	RM 44,590	RM 48,500	9%
	1.3 Premium X	RM 46,590	RM 50,900	9%
	1.3 High	RM 50,290	RM 54,900	9%
	1.3 AV	RM 54,090	RM 59,900	11%
Aruz	1.5 X	RM 72,900	RM 72,900	0%
	1.5 AV	RM 77,900	RM 77,900	0%
Ativa**	1.0T X	-	RM 62,500	-
	1.0T H	-	RM 67,300	-
	1.0T AV	-	RM 72,600	-

*Perodua introduced the facelifted Myvi in Nov 2021 which led to the change in the price

**Ativa was first introduced in March 2021 and has no prior SST-inclusive baseline price

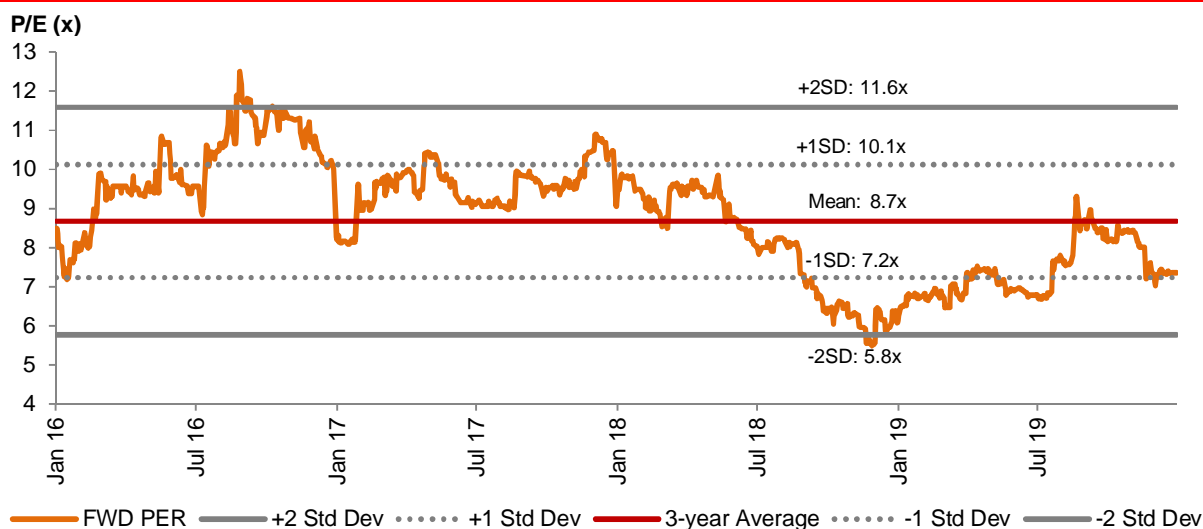
Source: Perodua

EXHIBIT 5: SALES VOLUME ASSUMPTIONS

(Units)	2020	2021	2022F	2023F	2024F
Perodua TIV	220,163	190,291	245,000	250,000	255,000
Daihatsu TIV	1,410	1,282	1,400	1,400	1,500
Hino	3,697	3,697	5,600	5,800	6,000
Volvo	1,080	1,096	1,073	1,073	1,066
Volkswagen	564	367	501	551	551

Source: Malaysian Automotive Association, AmInvestment Bank

EXHIBIT 6: 3-YEAR PE BAND (PRE-PANDEMIC)



Source: Bloomberg, AmInvestment Bank

EXHIBIT 7: ESG RATING

Overall	★	★	★			
Zero-carbon initiatives	★	★				
Work site safety	★	★	★			
Shareholder accountability	★	★	★			
Social responsibility	★	★	★			
Pollution control	★	★				
Supply chain auditing	★	★	★	★		
Corruption-free pledge	★	★	★	★		
Accessibility & transparency	★	★	★			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmInvestment Bank

EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	1,796.5	1,531.9	2,036.8	2,081.8	2,160.7
EBITDA	61.3	60.6	67.7	80.1	88.8
Depreciation/Amortisation	17.4	17.7	14.9	15.3	15.6
Operating income (EBIT)	43.9	42.9	52.7	64.8	73.2
Other income & associates	157.5	161.6	210.0	214.5	223.5
Net interest	3.2	3.0	2.5	0.9	(0.3)
Exceptional items	-	-	-	-	-
Pretax profit	204.5	207.5	265.2	280.3	296.4
Taxation	(14.8)	(15.6)	(14.4)	(17.1)	(19.0)
Minorities/pref dividends	24.0	23.8	31.7	33.2	35.0
Net profit	165.8	168.1	219.2	229.9	242.4
Core net profit	165.8	168.1	219.2	229.9	242.4
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	220.2	212.5	207.6	202.3	196.8
Intangible assets	1.1	1.1	1.1	1.1	1.1
Other long-term assets	1,502.5	1,664.1	1,874.2	2,088.6	2,312.1
Total non-current assets	1,723.9	1,877.8	2,082.9	2,292.1	2,510.0
Cash & equivalent	265.9	273.4	271.2	295.5	319.8
Stock	56.6	48.3	64.2	65.6	68.1
Trade debtors	169.5	144.5	192.2	196.4	203.8
Other current assets	46.6	46.6	46.6	46.6	46.6
Total current assets	538.6	512.8	574.2	604.1	638.3
Trade creditors	139.4	118.9	158.1	161.6	167.7
Short-term borrowings	6.9	41.9	76.9	111.9	146.9
Other current liabilities	4.2	4.2	4.2	4.2	4.2
Total current liabilities	150.5	165.0	239.1	277.6	318.8
Long-term borrowings	0.1	0.1	0.1	0.1	0.1
Other long-term liabilities	9.3	9.3	9.3	9.3	9.3
Total long-term liabilities	9.4	9.4	9.4	9.4	9.4
Shareholders' funds	1,825.0	1,914.9	2,075.5	2,242.9	2,418.8
Minority interests	277.6	301.3	333.0	366.2	401.3
BV/share (RM)	4.67	4.90	5.31	5.74	6.19
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	204.5	207.5	265.2	280.3	296.4
Depreciation/Amortisation	17.4	17.7	14.9	15.3	15.6
Net change in working capital	-	-	-	-	-
Others	(142.1)	(167.4)	(251.2)	(234.7)	(245.9)
Cash flow from operations	79.9	57.7	29.0	60.8	66.1
Capital expenditure	(4.7)	(10.0)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	0.4	(161.6)	(210.0)	(214.5)	(223.5)
Others	54.5	161.6	210.0	214.5	223.5
Cash flow from investing	50.2	(10.0)	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	(28.2)	35.0	35.0	35.0	35.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(43.0)	(78.2)	(58.6)	(62.5)	(66.5)
Others	(52.8)	3.0	2.5	0.9	(0.3)
Cash flow from financing	(124.0)	(40.2)	(21.2)	(26.6)	(31.8)
Net cash flow	6.1	7.5	(2.2)	24.2	24.3
Net cash/(debt) b/f	-	-	-	-	-
Net cash/(debt) c/f	6.1	7.5	(2.2)	24.2	24.3
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(14.0)	(14.7)	33.0	2.2	3.8
EBITDA growth (%)	(23.0)	(1.2)	11.7	18.4	10.9
Pretax margin (%)	11.4	13.5	13.0	13.5	13.7
Net profit margin (%)	9.2	11.0	10.8	11.0	11.2
Interest cover (x)	nm	nm	nm	nm	227.1
Effective tax rate (%)	7.2	7.5	5.4	6.1	6.4
Dividend payout (%)	25.9	46.5	26.7	27.2	27.4
Debtors turnover (days)	32	37	30	34	34
Stock turnover (days)	16	12	10	11	11
Creditors turnover (days)	28	31	25	28	28

Source: Company, AmInvestment Bank Bhd estimates

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