



AmInvestment Bank

Company report

MBM RESOURCES

(MBM MK EQUITY, MBMR.KL)

29 Nov 2022

Perodua remains crown jewel

BUY

(Maintained)

AmInvestment Bank

Team Coverage

03-2036 2290

Rationale for report: Company update

Price	RM3.30
Fair Value	RM5.10
52-week High/Low	RM3.55/RM2.84

Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	1,531.9	2,181.0	2,248.0	2,301.8
Core net profit (RM mil)	168.1	234.4	250.0	275.3
FD Core EPS (sen)	43.0	60.0	64.0	70.4
FD Core EPS growth (%)	1.4	39.4	6.6	10.1
Consensus Net Profit (RM mil)	-	214.8	220.6	227.5
DPS (sen)	20.0	30.0	16.0	17.0
PE (x)	7.7	5.5	5.2	4.7
EV/EBITDA (x)	17.5	16.2	13.7	12.5
Div yield (%)	6.1	9.1	4.8	5.2
ROE (%)	9.0	11.9	11.8	11.8
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	390.7
Market Cap (RMmil)	1,289.4
Book Value (RM/share)	4.90
P/BV (x)	0.7
ROE (%)	9.0
Net Gearing (%)	-

Major Shareholders	Med-Bumikar Mara (49.5%) Employees Provident Fund (9.9%) Lembaga Tabung Haji (5.0%)
Free Float	31.4
Avg Daily Value (RMmil)	0.7

Price performance	3mth	6mth	12mth
Absolute (%)	0.2	6.1	10.9
Relative (%)	1.1	10.4	12.8



Investment Highlights

- We reiterate our BUY call on MBMR with an unchanged fair value of RM5.10/share, based on FY23F PE of 8x at parity to its pre-pandemic 5-year (2015-2019) mean on robust order bookings, with no changes to the neutral ESG rating of 3 stars.

- Our forecasts are maintained following an analyst briefing last Friday. Key takeaways included:

- Year-to-date (YTD) market share of Perodua remains strong at 43% (+0.7% YoY) but Proton's slid to 21% (-4% YoY) due to component supply issues in early 2022. Apart from that, Proton also faced chip hiccups that prompted the reallocations to best-selling models. However, the impact of chip shortages was very minimal on Perodua due to its resilient supply chain.
- Given that YTD total industry volume (TIV) was already at 577,800 units, management believes that the 700,000 level can materialise by the end of 2022 based on robust prospects.

While MBMR's aftersales throughput has jumped by 63% YoY in 3QFY22 due to low base impact during the movement restrictions last year, the group highlighted that the uptrend is normalising and likely to stabilise in the future.

- In terms of currency risks, management guided that the strength of the USD/MYR was levelling off, benefiting the group especially in its manufacturing segment. The surge in the USD/MYR was partially cushioned by depreciation in the THB//MYR and JPY//MYR as the group sourced the parts from Thailand and Japan. Therefore, the overall impact was minimal – less than 2% to its gross margin in 2022.
- Model-wise, MBMR is rolling out a new model – Volvo c40 which is an electrical vehicle (EV), possibly in the middle of December 2022. The group is also expecting more stocks from Volvo to close off the year.
- Cost-wise, its associates have incurred higher raw material prices which squeezed its contribution by 14% QoQ. Nonetheless, the group's gross margin across its own business units has seen otherwise and is expected to continue improving in 4QFY22 with more model roll-outs in the pipeline. For instance, the new Alza was introduced just 2 months ago.
- We also gathered that Perodua's sales have slowly reverted to the pre-pandemic level after the expiry of SST in June 2022, with bookings down slightly in July but subsequently rising in August-October this year to inch closer to 30,000 units (MBMR's pre-pandemic level per month range-bound at 30,000 units – 35,000 units). Management's guidance also highlighted November figures would be similar to October level.

- MBMR currently trades at an undemanding FY23F PE of 5.2 x vs its 5-year peaks of over 6.5x coupled with attractive dividend yields of 5%.

EXHIBIT 1: PB BAND CHART



EXHIBIT 2: PE BAND CHART



EXHIBIT 3: ESG MATRIX

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-stars

Source: AmlInvestment Bank Bhd

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	1,796.5	1,531.9	2,181.0	2,248.0	2,301.8
EBITDA	61.3	60.6	71.5	85.4	93.8
Depreciation/Amortisation	17.4	17.7	14.9	15.3	15.6
Operating income (EBIT)	43.9	42.9	56.5	70.2	78.2
Other income & associates	157.5	161.6	225.1	234.4	258.4
Net interest	3.2	3.0	1.8	(0.3)	(1.5)
Exceptional items	-	-	-	-	-
Pretax profit	204.5	207.5	283.4	304.3	335.1
Taxation	(14.8)	(15.6)	(15.2)	(18.2)	(19.9)
Minorities/pref dividends	24.0	23.8	33.9	36.1	39.8
Net profit	165.8	168.1	234.4	250.0	275.3
Core net profit	165.8	168.1	234.4	250.0	275.3
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	1,889.2	2,123.6	2,382.0
Total non-current assets	1,723.9	1,877.8	2,097.9	2,327.0	2,579.9
Cash & equivalent	265.9	273.4	208.0	234.2	262.5
Stock	56.6	48.3	68.7	70.9	72.6
Trade debtors	169.5	144.5	205.8	212.1	217.2
Other current assets	46.6	46.6	46.6	46.6	46.6
Total current assets	538.6	512.8	529.1	563.7	598.8
Trade creditors	139.4	118.9	169.3	174.5	178.7
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	250.3	290.5	329.7
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	2,032.0	2,219.5	2,428.4
Minority interests	277.6	301.3	335.2	371.3	411.1
BV/share (RM)	4.67	4.90	5.20	5.68	6.21
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	204.5	207.5	283.4	304.3	335.1
Depreciation/Amortisation	17.4	17.7	14.9	15.3	15.6
Net change in working capital	(32.5)	(40.2)	(69.1)	(5.6)	(4.1)
Others	(109.6)	(127.1)	(204.3)	(249.9)	(275.3)
Cash flow from operations	79.9	57.7	25.0	64.0	71.2
Capital expenditure	(4.7)	(10.0)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	0.4	(161.6)	(225.1)	(234.4)	(258.4)
Others	54.5	161.6	225.1	234.4	258.4
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)	(117.3)	(62.5)	(66.5)
Others	(52.8)	3.0	1.8	(0.3)	(1.5)
Cash flow from financing	(124.0)	(40.2)	(80.4)	(27.8)	(33.0)
Net cash flow	6.1	7.5	(65.4)	26.2	28.3
Net cash/(debt) b/f	258.8	264.9	272.4	207.0	233.2
Net cash/(debt) c/f	264.9	272.4	207.0	233.2	261.5
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(14.0)	(14.7)	42.4	3.1	2.4
EBITDA growth (%)	(23.0)	(1.2)	18.0	19.5	9.8
Pretax margin (%)	11.4	13.5	13.0	13.5	14.6
Net profit margin (%)	9.2	11.0	10.7	11.1	12.0
Interest cover (x)	nm	nm	nm	231.7	51.8
Effective tax rate (%)	7.2	7.5	5.4	6.0	5.9
Dividend payout (%)	25.9	46.5	50.0	25.0	24.1
Debtors turnover (days)	32	37	29	34	34
Stock turnover (days)	16	12	10	11	11
Creditors turnover (days)	28	31	24	28	28

Source: Company, AmlInvestment Bank Bhd estimates

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