

**HLIB Research**

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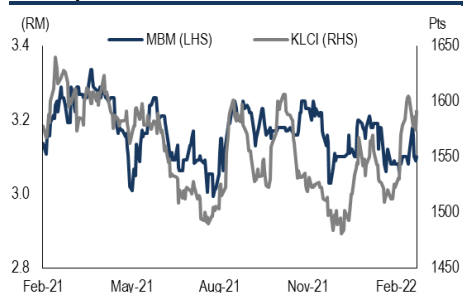
**BUY** (Maintain)

**Target Price:** **RM4.80**
**Previously:** **RM4.80**
**Current Price:** **RM3.10**

Capital upside	54.8%
Dividend yield	7.1%
Expected total return	61.9%

**Sector coverage:** Automotive

**Company description:** MBMR is an investment holding company involved in distributing and dealership of major international and national vehicle brands and related auto parts.

**Share price**


Historical return (%)	1M	3M	12M
Absolute	1.3	-1.9	-6.9
Relative	-3.7	-6.7	-7.7

**Stock information**

Bloomberg ticker	MBM MK
Bursa code	5983
Issued shares (m)	391
Market capitalisation (RM m)	1,212
3-mth average volume ('000)	146
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★ ★

**Major shareholders**

Med-Bumikar Mara	49.5%
Employees Provident Fund	9.2%
Lembaga Tabung Haji	5.2%

**Earnings summary**

FYE (Dec)	FY21	FY22f	FY23f
PATMI - core (RM m)	137	220	249
EPS - core (sen)	35	56	64
P/E (x)	8.9	5.5	4.9

# **MBM Resources**

## **Expect strong earnings in FY22**

MBMR reported core PATMI RM78.5m for 4QFY21, which uplifted FY21 PATMI to RM136.8m (-17.2% YoY). We deem the results below HLIB's expectation (88.5%), but slightly above consensus (106.4%). 4QFY21 earnings rebounded strongly as the economy reopened. We expect MBMR to continue leverage on the strong automotive sales in FY22, given the high backlogs and ongoing strong demand driven by the extended SST exemption measures until 30 Jun 2022. Maintain BUY on MBMR with unchanged TP: RM4.80 based on 10% discount to SOP of RM5.32. MBMR offers attractive dividend yield of 7.1%-8.1% for FY22-23.

**Within expectation.** Reported core PATMI of RM78.5m for 4QFY21, which uplifted PATMI to RM136.8m (-17.2% YoY) for FY21. We deem the result below HLIB's forecast of RM154.5m (88.5%), but slightly above consensus of RM128.6m (106.4%) EIs for the year were mainly on RM33.6m (estimated) deferred tax credit on Perodua (22.6% effective stake) in 4QFY21.

**Dividend.** Declared 2nd interim dividend of 5 sen/share and a special dividend of 10 sen/share (both ex-date: 11 March). FY21 total dividend would be 20 sen/share (an attractive 6.5% yield).

**QoQ.** Returned to core PATMI of RM78.5m (from LATMI -RM5.4m), as overall group operations recovered during the quarter after government allowed the gradual re-opening of economy since Sep (Phase 1 NRP since Jun). Motor sales recovered substantially with accelerated deliveries during the quarter.

**YoY.** Core PATMI was flattish +0.3%, as the improved margins from automotive dealerships was offset by the lower contributions from automotive components and core associate/JV (after deducting estimated deferred tax credit for associate Perodua in 4QFY21).

**YTD.** Core PATMI declined by -17.2% to RM136.8m in FY21 mainly due to lower core contribution from associate Perodua (after deducting estimated deferred tax credit in 4QFY21) on lower car sales volume, affected by supply chain disruption and longer lockdown period during the year.

**Outlook.** Management remained cautiously optimistic on the group's outlook in 2022. The optimism is backed by strong carried-over order bank and strong demand with the SST exemption extended until 30 Jun 2022. Perodua has set 2022 sales target of 247.8k units, as the group plans to increase production for the year to 265.9k units (provided no further supply disruption). Perodua is expected to launch new Alza replacement model and 2 updated models in 2022.

**Forecast.** Unchanged.

**Maintain BUY, TP: RM4.80.** Maintain BUY on MBMR with unchanged TP of RM4.80 based on 10% discount to SOP: RM5.32. MBMR is currently in a net cash position (60.7 sen/share) with continued earnings and cash flow growth, by leveraging onto the strong demand for Perodua models. MBMR offers attractive dividend yield of 7.1%-8.1% for FY22-23.

**Figure #1** Financial forecast summary

FYE Dec (RM m)	FY19	FY20	FY21	FY22f	FY23f
Revenue	2,085.2	1,793.5	1,531.9	2,166.8	2,361.0
EBITDA	54.9	64.0	60.3	66.1	72.7
EBIT	36.6	46.6	42.6	50.0	56.9
PBT	268.3	206.5	207.4	253.1	286.3
PAT	259.8	191.7	191.9	245.3	278.0
PATMI – Reported	226.1	160.5	168.0	219.8	248.9
PATMI – Core	198.6	167.8	136.8	219.8	248.9
% change YoY – Core PATMI		-15.5%	-18.5%	60.7%	13.2%
HLIB/ Consensus (%) – Core PATMI				119.0%	123.3%
Core EPS (sen)	50.8	42.9	35.0	56.2	63.7
P/E (x)	6.1	7.2	8.9	5.5	4.9
DPS (sen)	22.0	20.0	20.0	22.0	25.0
Yield (%)	7.1%	6.5%	6.5%	7.1%	8.1%
BVPS (RM/share)	4.5	4.7	4.9	5.2	5.6
P/B (x)	0.7	0.7	0.6	0.6	0.5
ROE (%)	11.9%	9.4%	7.3%	11.1%	11.7%
Net Gearing (%)	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash

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**Figure #2** Quarterly results comparison

FYE Dec (RMm)	4QFY20	3QFY21	4QFY21	QoQ	YoY	FY20	FY21	YoY
Revenue	563.4	230.6	562.2	143.8%	-0.2%	1,796.5	1,531.9	-14.7%
EBITDA	28.4	5.5	31.5	472.9%	10.6%	61.1	60.3	-1.3%
EBIT	24.1	1.0	26.9	N.M.	11.8%	43.7	42.6	-2.5%
Net Finance Income	0.3	0.8	0.6	-26.7%	67.4%	3.2	3.0	-7.2%
JV/Associates	71.8	(5.9)	105.9	N.M.	47.4%	157.5	161.6	2.6%
Reported PBT	96.5	(4.2)	133.7	N.M.	38.6%	204.5	207.4	1.4%
Tax	(15.4)	(0.9)	(9.5)	932.9%	-38.3%	(22.7)	(15.8)	-30.5%
MI	(10.2)	(0.2)	(14.7)	N.M.	44.7%	(24.0)	(23.7)	-0.9%
Reported PATAMI	70.9	(5.3)	109.5	N.M.	54.5%	157.9	168.0	6.4%
Discontinued Operation	(7.5)	(0.0)	(0.0)	17.1%	-99.5%	(7.9)	(0.2)	-98.0%
Eis	0.2	(0.0)	0.3			0.2	0.3	
<b>Core PATAMI</b>	<b>78.3</b>	<b>(5.4)</b>	<b>78.5</b>	<b>N.M.</b>	<b>0.3%</b>	<b>165.2</b>	<b>136.8</b>	<b>-17.2%</b>
Reported EPS (Sen)	18.1	(1.3)	28.0	N.M.	54.5%	40.4	43.0	6.4%
Core EPS (Sen)	20.0	(1.4)	20.1	N.M.	0.3%	42.3	35.0	-17.2%
				<u>%-pts</u>	<u>%-pts</u>			<u>%-pts</u>
EBITDA Margin	5.0%	2.4%	5.6%	3.2	0.5	3.4%	3.9%	0.5
EBIT Margin	4.3%	0.4%	4.8%	4.4	0.5	2.4%	2.8%	0.3
Core PATAMI Margin	13.9%	-2.3%	14.0%	16.3	0.1	9.2%	8.9%	(0.3)

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**Figure #3 MBM Resources earnings breakdown**

	4QFY20	3QFY21	4QFY21	QoQ	YoY	FY20	FY21	YoY
<b>Revenue</b>								
Motor Vehicles	491.9	201.6	485.3	140.7%	-1.3%	1,616.3	1,323.4	-18.1%
Automotive Components	71.1	28.5	76.4	167.9%	7.3%	178.6	206.6	15.7%
Others	0.4	0.5	0.5	18.7%	44.9%	1.6	1.9	20.2%
<b>Total</b>	<b>563.4</b>	<b>230.6</b>	<b>562.2</b>	<b>143.8%</b>	<b>-0.2%</b>	<b>1,796.5</b>	<b>1,531.9</b>	<b>-14.7%</b>
<b>Reported EBIT</b>								
Motor Vehicles	18.4	4.5	22.0	388.9%	20.1%	40.4	39.7	-1.7%
Automotive Components	7.9	(1.6)	6.8	N.>M.	-13.4%	11.3	10.5	-7.1%
Others	(2.1)	(1.9)	(1.9)	-0.4%	-10.0%	(8.0)	(7.6)	-5.3%
<b>Total</b>	<b>24.1</b>	<b>1.0</b>	<b>26.9</b>	<b>2607.6%</b>	<b>11.8%</b>	<b>43.7</b>	<b>42.6</b>	<b>-2.5%</b>
<b>Reported PBT</b>								
Motor Vehicles	82.1	0.5	121.2	N.M.	47.6%	185.1	190.0	2.7%
Automotive Components	15.8	(3.1)	14.4	N.M.	-8.9%	25.3	23.8	-5.8%
Others	(1.4)	(1.5)	(1.8)	19.5%	30.2%	(5.8)	(6.4)	10.3%
<b>Total</b>	<b>96.5</b>	<b>(4.2)</b>	<b>133.7</b>	<b>N.M.</b>	<b>38.6%</b>	<b>204.5</b>	<b>207.4</b>	<b>1.4%</b>
<b>Core</b>	<b>96.3</b>	<b>(4.1)</b>	<b>98.4</b>	<b>N.M.</b>	<b>2.2%</b>	<b>204.3</b>	<b>172.1</b>	<b>-15.8%</b>

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**Figure #4 MBM Resources vehicle unit sales**

	4QFY20	3QFY21	4QFY21	QoQ	YoY	FY20	FY21	YoY
<b>Dealership</b>								
Federal Auto	371	219	429	95.9%	15.6%	1,369	1,174	-14.2%
Daihatsu & Hino	522	347	617	77.8%	18.2%	1,597	1,457	-8.8%
Perodua	6,893	1,750	5,439	210.8%	-21.1%	22,305	14,921	-33.1%
<b>Total</b>	<b>7,786</b>	<b>2,316</b>	<b>6,485</b>	<b>180.0%</b>	<b>-16.7%</b>	<b>25,271</b>	<b>17,552</b>	<b>-30.5%</b>
<b>Associate</b>								
Perodua	72,802	20,065	72,802	262.8%	0.0%	219,351	191,689	-12.6%
Hino	814	741	1,905	157.1%	134.0%	3,371	4,994	48.1%
<b>Total</b>	<b>73,616</b>	<b>20,806</b>	<b>74,707</b>	<b>259.1%</b>	<b>1.5%</b>	<b>222,722</b>	<b>196,683</b>	<b>-11.7%</b>

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**Figure #5 MBM Resources SOP**

	Stakes	Value (RMm)	RM/Share	Basis
Perodua	22.6%	1,578.1	4.04	Based on FY22 PE 10x. Sustaining largest market share.
Autoliv Hirotako	51.0%	85.2	0.22	Based on FY22 PE 6x. Benchmarked against other auto part and component manufacturers.
Others	Various	417.7	1.07	Based on P/NTA valuation. Conservatively, we assigned 1x P/NTA for OMI, dealerships and other businesses, which has NTA values of RM418.0m based on FY20.
Subtotal		2,430.0	5.32	Implied FY22 P/E of 10.0x
<b>Target Price (RM)</b>		<b>4.80</b>		<b>Holding Company Discount 10%</b>
No of Shares		390.8		As at end FY20

Company, HLIB Research

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

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<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

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