

HLIB Research

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BUY (Maintain)

Target Price: **RM5.00**

Previously: **RM4.80**

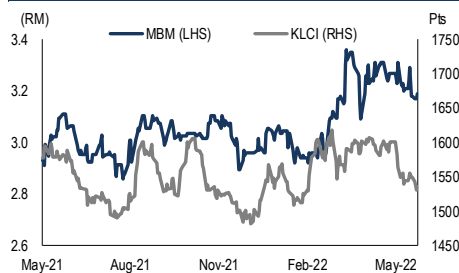
Current Price: **RM3.19**

Capital upside	56.7%
Dividend yield	6.9%
Expected total return	63.6%

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	-1.5	6.2	2.8
Relative	2.4	10.0	5.7

Stock information

Bloomberg ticker	MBM MK
Bursa code	5983
Issued shares (m)	391
Market capitalisation (RM m)	1,247
3-mth average volume ('000)	321
SC Shariah compliant	MBM MK
F4GBM Index member	No
ESG rating	★★

Major shareholders

Med-Bumikar Mara	49.5%
Employees Provident Fund	9.5%
Lembaga Tabung Haji	5.2%

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI - core (RM m)	151	225	224
EPS - core (sen)	39	57	57
P/E (x)	8.2	5.6	5.6

MBM Resources

Decent start for the year

MBMR reported core PATMI RM56.6m for 1QFY22 (-37.0% QoQ; +20.2% YoY), within HLIB's expectation (25.7%), but above consensus (28.7%). Completed disposal of OMI Alloy assets with net gain of RM32.8m. We expect MBMR to continue leveraging 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 (potentially extend further to year end). Maintain BUY on MBMR with higher TP: RM5.00 (from RM4.80) based on 10% discount to SOP of RM5.52. MBMR offers attractive dividend yield of 6.9%-8.8% for FY22-24.

Within expectation. Reported core PATMI of RM56.6m for 1QFY22 (-37.0% QoQ; +20.2% YoY). We deem the result within HLIB's forecast (25.7%), but above consensus (28.7%). EI gains of RM32.7m were excluded for the quarter, mainly attributed to the disposal gain from OMI Alloy assets of RM35.6m and netting off the RM2.8m tax for RPTG.

Dividend. Management has recently declared a final dividend of 6sen/share (ex-date: 15 Jun 2022) for FY21, boosting total dividend for the previous financial year to historical high of 26sen/share (yielding 8.2%).

QoQ. Reported core PATMI of RM56.6m (-37.0% QoQ), mainly due to lower group sales volume and contribution from JV/associates (see Figure #3), as OEMs and dealers accelerated deliveries during year end 2021 to clear inventory and meet the high demand, resulting lower inventory level during starting of 2022.

YoY. Core PATMI improved to RM56.6m (+20.2% YoY), on higher overall group sales volume and margins, combined with higher contributions from associate Perodua (see Figure #3).

OMI Alloy. The group has finally completed the disposal of OMI Alloy assets at RM65.5m during the quarter. The net disposal gain was RM32.8m, after netting off RM2.8m tax for RPTG.

Outlook. The group will leverage on the expected continued recovery of Malaysia economy following further relaxation on Covid-19 measures. There are strong carried-over order backlog and strong demand for cars as consumers take advantage of the SST exemption extended until 30 Jun 2022 (potentially extend further to year end). 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). However, management cautioned on the underlying risk of shortage of chips and components, along with the threat of material price increase and recent appreciation of USD.

Forecast. Adjusted FY22 earnings by +2.2% and FY23 by -9.9%. Introduce FY24 earnings at RM239.2m.

Maintain BUY, TP: RM5.00. Maintain BUY on MBMR with a higher TP of RM5.00 (from RM4.80) based on 10% discount to SOP: RM5.52. MBMR is currently in a net cash position (58.8 sen/share) with continued earnings and cash flow growth, by leveraging onto the strong demand for Perodua models. MBMR offers attractive dividend yield of 6.9%-8.8% for FY22-24.

Financial Forecast

All items in (RM m) unless otherwise stated

Balance Sheet

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Cash	271.0	260.9	257.3	306.8	348.2
Receivables	157.9	160.6	174.8	174.2	178.4
Inventories	56.1	93.5	95.7	95.3	97.9
PPE	282.7	274.9	264.2	253.7	243.4
Others	1,488.2	1,571.0	1,681.5	1,794.3	1,913.8
Assets	2,255.9	2,361.0	2,473.5	2,624.3	2,781.7
Payables	132.8	138.0	140.5	140.6	143.1
Debt	7.0	23.4	0.0	0.0	0.0
Others	13.4	11.4	11.4	11.4	11.4
Liabilities	153.3	172.8	151.9	152.0	154.5
Shareholder's equity	1,825.7	1,918.0	2,033.1	2,167.5	2,305.1
Minority interest	277.0	270.3	288.4	304.9	322.1
Equity	2,102.7	2,188.3	2,321.6	2,472.4	2,627.3

Cash Flow Statement

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
EBITDA	61.9	60.9	63.9	54.7	56.9
Net interest	3.0	3.1	3.6	4.0	4.0
Working capital	33.1	(34.5)	(13.9)	1.1	(4.3)
Taxation	(14.5)	(16.4)	(16.6)	(13.8)	(14.3)
Others	(0.6)	(0.8)	0.0	0.0	0.0
CFO	82.9	12.4	37.1	46.0	42.4
Capex	(4.7)	(9.0)	(8.0)	(8.0)	(8.0)
Dividends received	50.2	81.3	112.2	112.4	120.1
Others	0.5	(11.2)	0.0	0.0	0.0
CFI	46.0	61.1	104.2	104.4	112.1
Changes in debt	(28.2)	18.1	(23.4)	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Dividends	(82.1)	(78.2)	(109.4)	(89.9)	(101.6)
Others	(12.5)	(33.1)	(12.1)	(10.9)	(11.5)
CFF	(122.8)	(93.2)	(144.9)	(100.8)	(113.1)
Net cash flow	6.1	(19.7)	(3.7)	49.6	41.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	(0.7)	9.6	(0.0)	(0.0)	0.0
Beginning cash	265.6	271.0	260.9	257.3	306.8
Ending cash	271.0	260.9	257.3	306.8	348.2

Income Statement

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Revenue	1,793.5	1,528.7	1,913.9	1,906.5	1,958.4
EBITDA	61.9	60.9	63.9	54.7	56.9
EBIT	44.5	43.5	45.2	36.2	38.6
Finance cost	3.0	3.1	3.6	4.0	4.0
Associates & JV	159.5	163.9	222.7	225.2	239.7
Profit before tax	206.5	210.8	271.4	265.4	282.3
Tax	(16.3)	(15.2)	(16.6)	(13.8)	(14.3)
Net profit	190.2	195.6	254.9	251.6	268.0
Minority interest	(23.4)	(24.3)	(30.3)	(27.3)	(28.8)
Core PATMI	166.3	151.4	224.6	224.3	239.2
Exceptionals	(7.3)	19.9	0.0	0.0	0.0
Reported PATMI	159.0	171.2	224.6	224.3	239.2
Consensus core PATMI			197.3	214.7	222.6
HLIB/ Consensus			113.8%	104.5%	107.5%

Valuation & Ratios

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Reported EPS (sen)	40.7	43.8	57.5	57.4	61.2
Core EPS (sen)	42.5	38.7	57.5	57.4	61.2
P/E (x)	7.5	8.2	5.6	5.6	5.2
EV/EBITDA (x)	15.9	16.6	15.5	17.2	15.8
DPS (sen)	20.0	26.0	22.0	25.0	28.0
Dividend yield	6.3%	8.2%	6.9%	7.8%	8.8%
BVPS (RM)	4.67	4.91	5.20	5.55	5.90
P/B (x)	0.7	0.7	0.6	0.6	0.5
EBITDA margin	3.5%	4.0%	3.3%	2.9%	2.9%
EBIT margin	2.5%	2.8%	2.4%	1.9%	2.0%
PBT margin	11.5%	13.8%	14.2%	13.9%	14.4%
Net margin	10.6%	12.8%	13.3%	13.2%	13.7%
ROE	9.3%	8.1%	11.4%	10.7%	10.7%
ROA	7.5%	6.6%	9.3%	8.8%	8.9%
Net gearing	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash

Assumptions

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Dealership Sales ('000)					
Volvo & VW	1.4	1.2	1.5	1.3	1.5
Daihatsu & Hino	1.6	1.5	2.2	2.3	2.4
Perodua	22.3	14.9	19.4	19.4	19.4
Associate Sales ('000)					
Hino	3.4	5.0	5.5	5.8	6.0
Perodua	219.4	191.7	242.6	242.8	243.1

Figure #1 Quarterly results comparison

FYE Dec (RMm)	1QFY21	4QFY21	1QFY22	QoQ	YoY
Revenue	418.3	562.2	478.5	-14.9%	14.4%
EBITDA	11.2	31.5	16.7	-46.8%	49.0%
EBIT	6.9	26.9	12.2	-54.8%	76.8%
Net Finance Income	0.8	0.6	1.0	80.7%	22.9%
JV/Associates	47.3	105.9	54.0	-49.0%	14.1%
Reported PBT	55.0	133.7	98.5	-26.4%	79.0%
Tax	(2.3)	(9.5)	(2.5)	-73.3%	9.5%
MI	(5.6)	(14.7)	(6.7)	-54.8%	18.0%
Reported PATAMI	47.1	109.5	89.3	-18.5%	89.7%
Discontinued Operation	(0.0)	(0.0)	4.0	N.M.	N.M.
Eis	0.0	0.3	31.3		
Core PATAMI	47.1	89.8	56.6	-37.0%	20.2%
Reported EPS (Sen)	12.0	28.0	22.8	-18.5%	89.7%
Core EPS (Sen)	12.0	23.0	14.5	-37.0%	20.2%
				<u>%-pts</u>	<u>%-pts</u>
EBITDA Margin	2.7%	5.6%	3.5%	(2.1)	0.8
EBIT Margin	1.6%	4.8%	2.5%	(2.2)	0.9
Core PATAMI Margin	11.2%	16.0%	11.8%	(4.2)	0.6

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Figure #2 MBM Resources earnings breakdown

	1QFY21	4QFY21	1QFY22	QoQ	YoY
Revenue					
Motor Vehicles	354.6	485.3	408.7	-15.8%	15.3%
Automotive Components	63.3	76.4	69.3	-9.2%	9.4%
Others	0.4	0.5	0.5	-0.7%	25.5%
Total	418.3	562.2	478.5	-14.9%	14.4%
Reported EBIT					
Motor Vehicles	4.5	22.0	10.1	-54.1%	126.6%
Automotive Components	4.7	6.8	3.8	-43.6%	-19.1%
Others	(2.3)	(1.9)	(1.8)	-7.6%	-23.8%
Total	6.9	26.9	12.2	-54.8%	76.8%
Reported PBT					
Motor Vehicles	47.3	121.2	60.2	-50.3%	27.4%
Automotive Components	9.7	14.4	39.7	175.4%	306.8%
Others	(2.0)	(1.8)	(1.4)	-24.0%	-30.3%
Total	55.0	133.7	98.5	-26.4%	79.0%
Core	55.0	110.9	67.2	-39.4%	22.1%

Bursa, HLIB Research

Figure #3 MBM Resources vehicle unit sales

	1QFY21	4QFY21	1QFY22	QoQ	YoY
Dealership					
Federal Auto	258	429	407	-5.1%	57.8%
Daihatsu & Hino	214	617	375	-39.2%	75.2%
Perodua	4,827	5,438	4,615	-15.1%	-4.4%
Total	5,299	6,484	5,397	-16.8%	1.8%
Associate					
Perodua	57,906	72,779	60,164	-17.3%	3.9%
Hino	1,433	1,905	1,449	-23.9%	1.1%
Total	59,339	74,684	61,613	-17.5%	3.8%

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Figure #4 MBM Resources SOP

	Stakes	Value (RMm)	RM/Share	Basis
Perodua	22.6%	1,874.6	4.80	Based on FY23 PE 10x. Sustaining largest market share.
Autoliv Hirotako	51.0%	72.8	0.19	Based on FY23 PE 6x. Benchmarked against other auto part and component manufacturers.
Others	Various	209.0	0.53	Based on P/NTA valuation. Conservatively, we assigned 0.5x P/NTA for OMI, dealerships and other businesses, which has NTA values of RM418.0m based on FY21.
Subtotal		2,365.3	5.52	Implied FY22 P/E of 9.6x
Target Price (RM)			5.00	Holding Company Discount 10%
No of Shares		390.8		As at end FY21

Company, HLIB Research

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BUY	Expected absolute return of +10% or more over the next 12 months.
HOLD	Expected absolute return of -10% to +10% over the next 12 months.
SELL	Expected absolute return of -10% or less over the next 12 months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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