

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

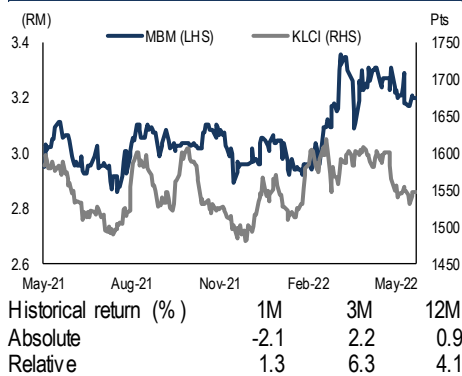
Target Price: RM5.00
Previously: RM5.00
Current Price: RM3.20

Capital upside	56.3%
Dividend yield	6.9%
Expected total return	63.2%

Sector coverage: Automotive

Company description: MBMR is involved in distributing and dealership of major international and national vehicle marques and manufacturing of related auto parts.

Share price



Stock information

Bloomberg ticker	MBM MK
Bursa code	5983
Issued shares (m)	391
Market capitalisation (RM m)	1,251
3-mth average volume ('000)	312
SC Shariah compliant	Yes
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)	8.3	5.6	5.6

MBM Resources

To record a new high in FY22

MBMR reported core PATMI at RM56.6m for 1QFY22, a strong start for the year. Outlook for FY22 remains exciting with high order backlogs (especially Perodua) while on-going new orders remain encouraging (despite ending of SST exemption by Jun 2022), as the economy fully reopened. Management highlighted that issues of supply chain disruption, increasing raw material costs, high logistic expenses and USD appreciation are still manageable. Maintain BUY on MBMR with unchanged TP: RM5.00 based on 10% discount to SOP of RM5.52. MBMR offers attractive dividend yield of 6.9%-8.8% for FY22-24.

1QFY22 results recap. To recap, MBMR reported a strong core PATMI for starting quarter of the year with RM56.6m, a growth of +20.2% YoY on overall higher group sales volume and improved margins (from cost-cutting measures being implemented since starting of the pandemic). The drop -37.0% QoQ was mainly due to combination of: 1) pent-up and rushed productions and deliveries during 4QFY21, post lifting of lockdown measures; and 2) lower starting inventory at the beginning of the year and shorter working days during 1QFY22.

FY22 outlook. Demand for new cars remained strong with Perodua dealership (DMMS) having order backlog of up to 6 months, while other dealerships have order backlog of up to 2 months. Management indicated the dealerships are still receiving high number of new bookings despite advising the customers of car delivery only after SST exemption ends in Jun 2022. Management believes the strong demand was driven by improving consumer sentiment as the economy fully reopened. The automotive industry is lobbying to the government to further extend the SST exemption until year end, as the industry is currently facing unprecedented supply chain issues, unable to fulfil the surprisingly high backlog orders by June 2022. Nevertheless, the industry may be challenged by the ongoing supply chain disruption, increasing material costs, logistics expenses and RM depreciation against USD. Management guided the direct impact to the group is still manageable with strong support from principal OEMs.

Perodua. Associate Perodua achieved sales volume of 60.2k units in 1QFY22, relatively in line with its record high sales target of 247.8k units (+30.2% YoY). The indicative order backlog of 5-6 months and ongoing encouraging new orders can easily push deliveries until year end. The new Alza replacement model is rumoured to have started taking pre-bookings, while another two updated models will be launched in 2H22 to keep the market excited. Perodua is poised to register record high earnings for the year, promising a potential high dividend payout.

Dividend. The group has paid out a record high 26 sen/share (inclusive of a special dividend of 10 sen/share) or RM101.6m for FY21. With the indicative continued high dividend payout from Perodua and strong earnings of group subsidiaries and JV, as well as disposal proceeds of RM65.5m, we expect another bumper divvy for FY22 (potentially higher than our assumed 22 sen/share). The current net cash position of MBMR group remains healthy at 58.8 sen/share.

Forecast. Unchanged.

Maintain BUY, TP: RM5.00. Maintain BUY on MBMR with unchanged TP: RM5.00, 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	8.3	5.6	5.6	5.2
EV/EBITDA (x)	15.9	16.6	15.5	17.3	15.9
DPS (sen)	20.0	26.0	22.0	25.0	28.0
Dividend yield	6.3%	8.1%	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

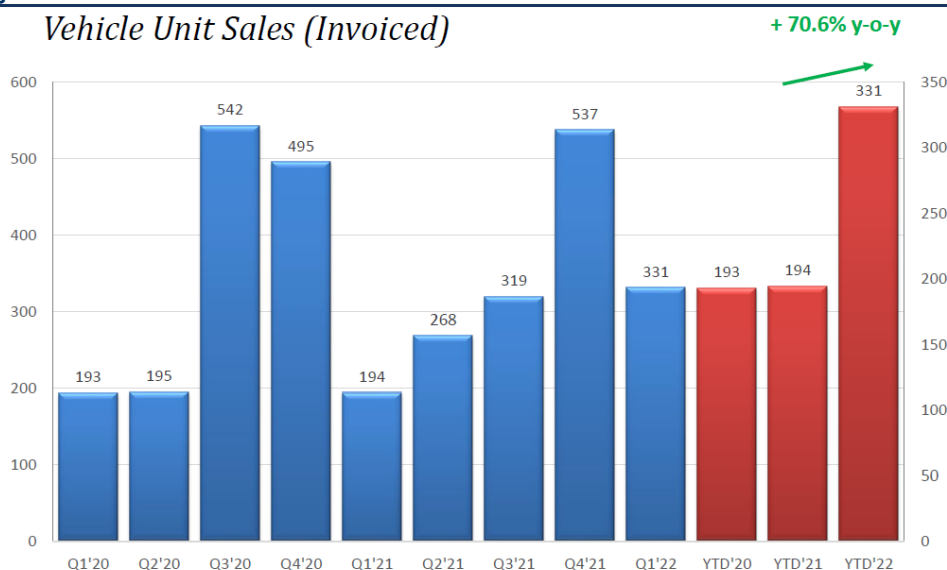
Figure #1 MBM Resources SOP

	Stakes	Value (RMm)	RM/Share	Basis
Perodua	22.6%	1,874.6	4.80	Based on FY23 PE 10x. Sustaining largest market share.
Autoliv Hirotao	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

Figure #2 DMSB – Daihatsu Truck Sales

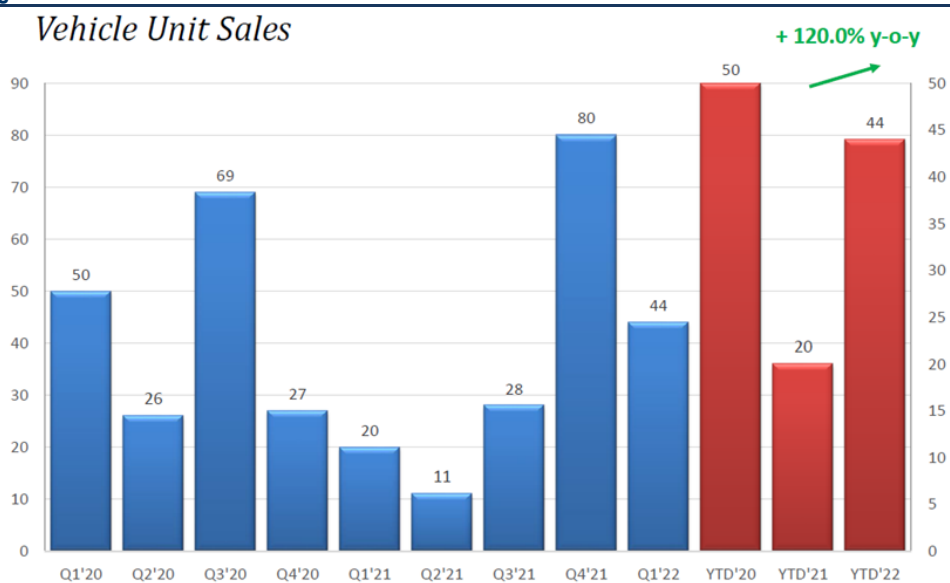
Vehicle Unit Sales (Invoiced)



Company

Figure #3 DMSB – Hino Truck Sales

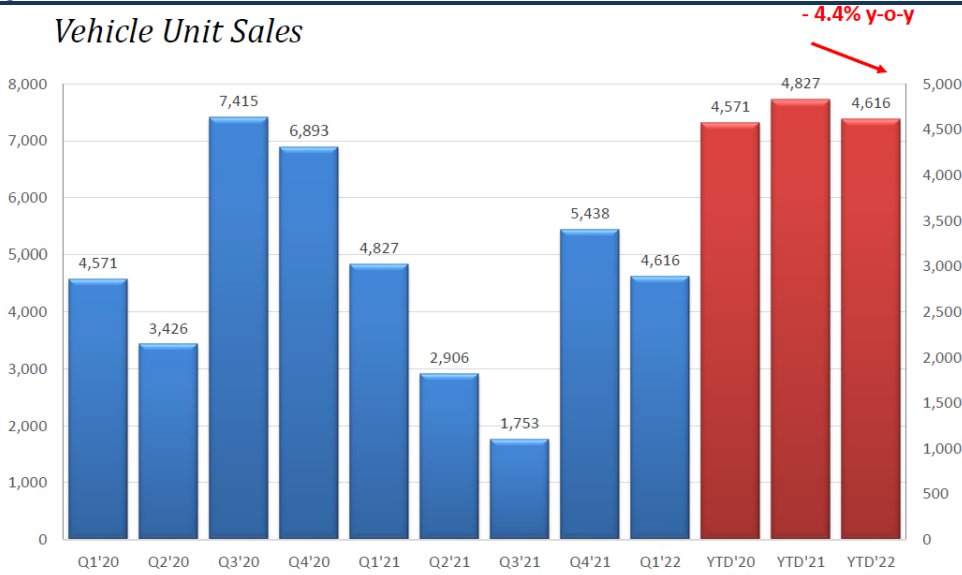
Vehicle Unit Sales



Company

Figure #4 DMMS – Perodua Sales

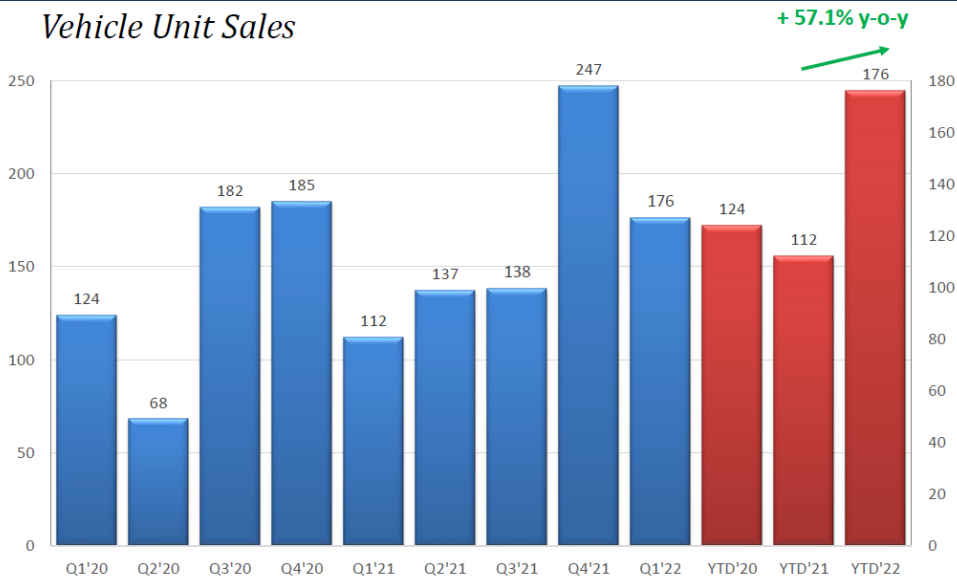
Vehicle Unit Sales



Company

Figure #5 FAHB – Volvo Sales

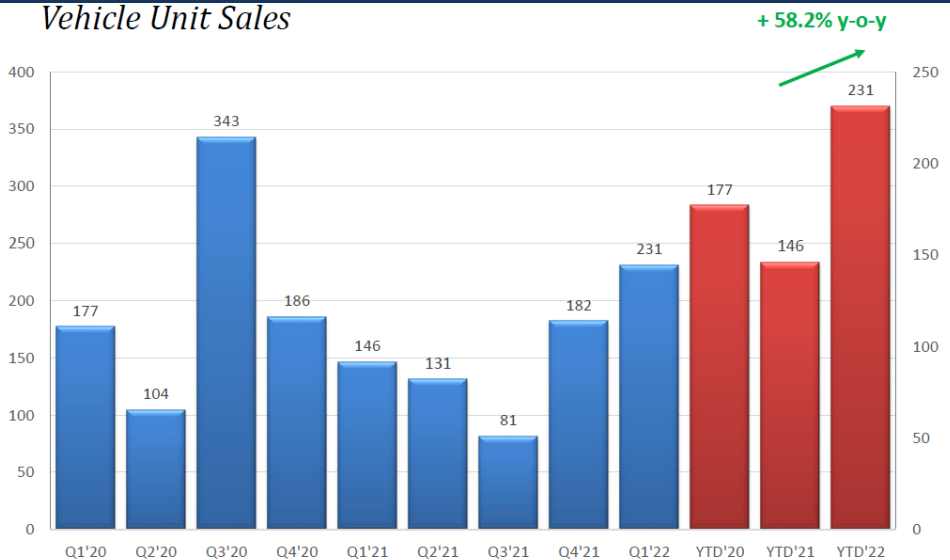
Vehicle Unit Sales



Company

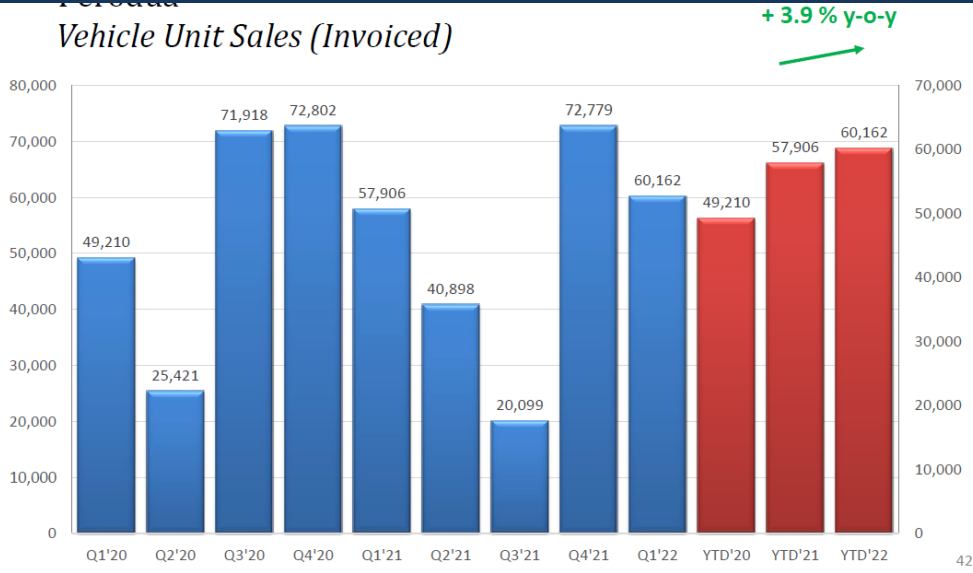
Figure #6 FAHB – Volkswagen Sales

Vehicle Unit Sales



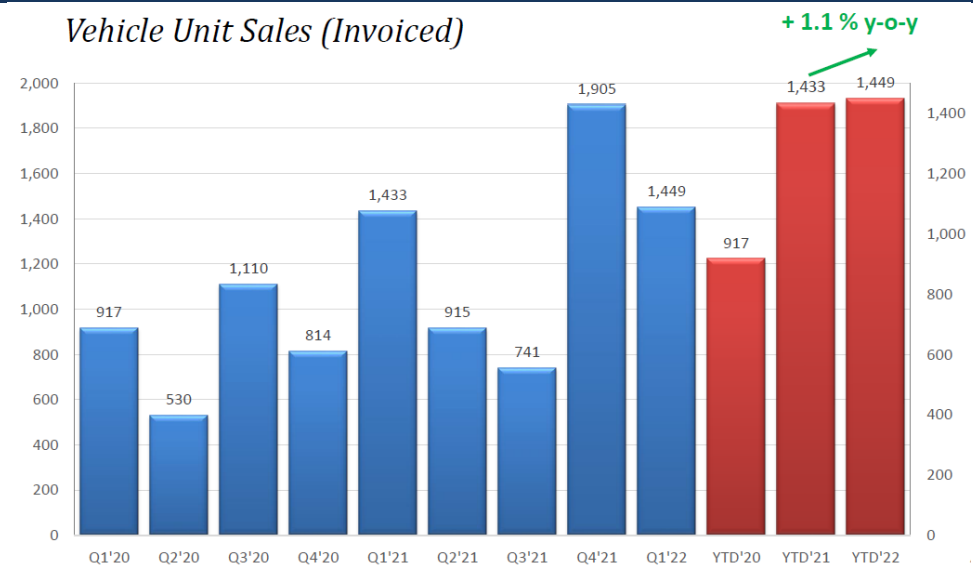
Company

Figure #7 Associate Perodua Sales



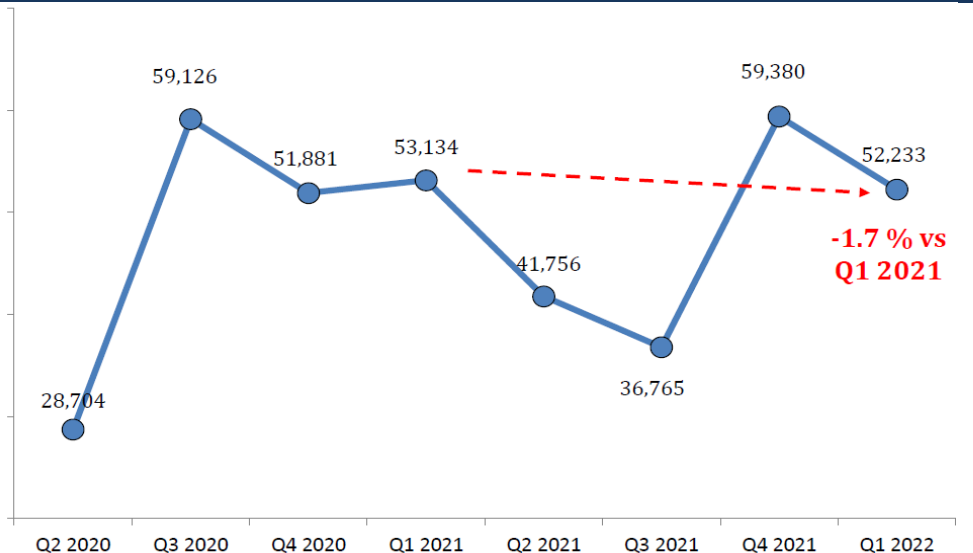
Company

Figure #8 Associate Hino Sales



Company

Figure #9 MBM Resources Group After Sales Throughput

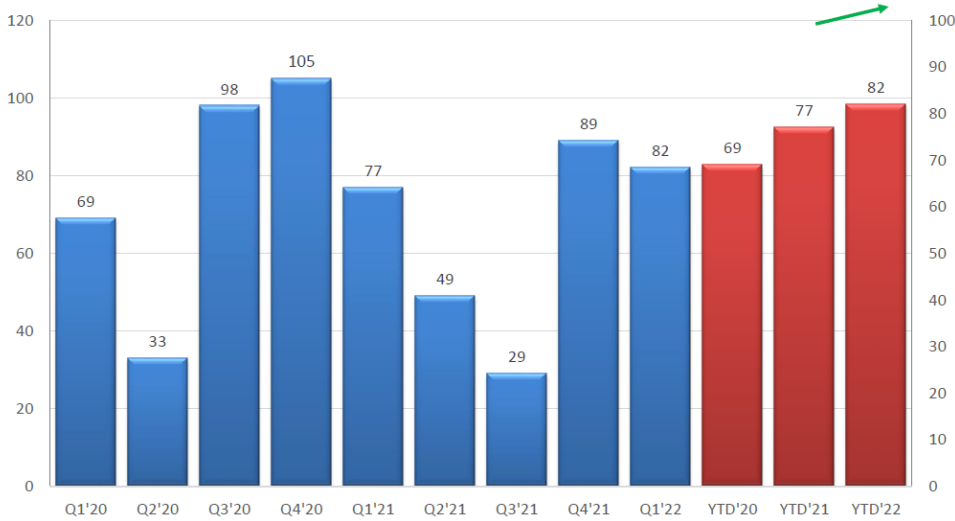


Company

Figure #10 OMI – Steel Wheels

Auto Parts Manufacturing Unit Sales ('000)

+ 6.5% y-o-y

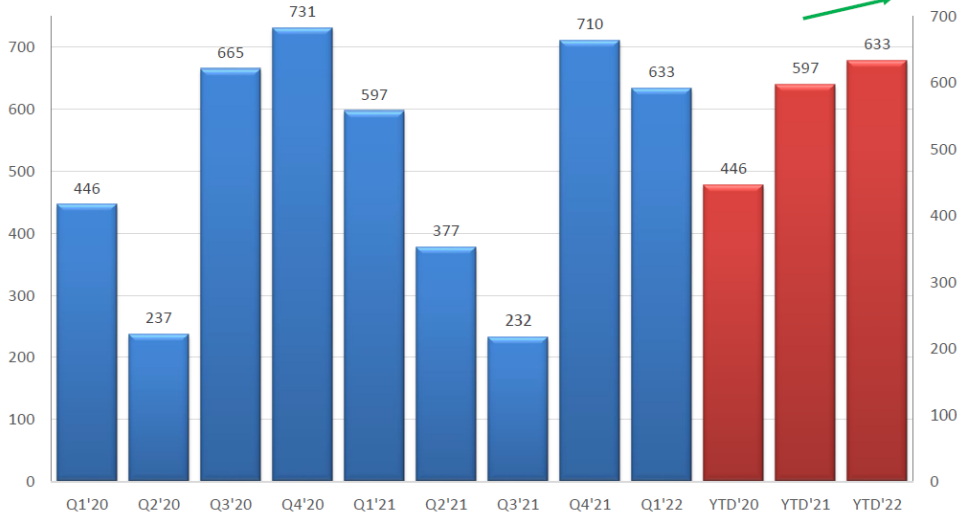


Company

Figure #11 OMI – Tyre Assembly

Auto Parts Manufacturing Unit Sales ('000)

+ 6.0% y-o-y

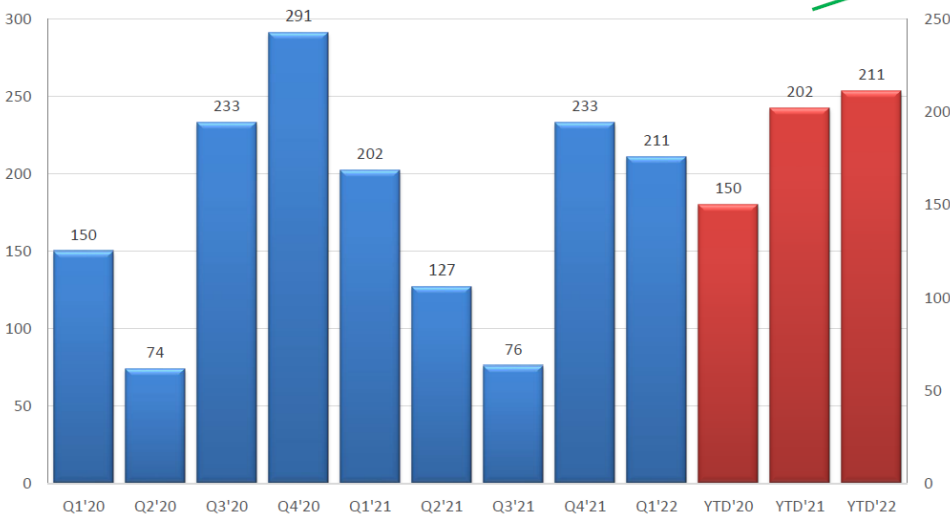


Company

Figure #12 Autoliv – NVH products

Auto Parts Manufacturing Unit Sales ('000)

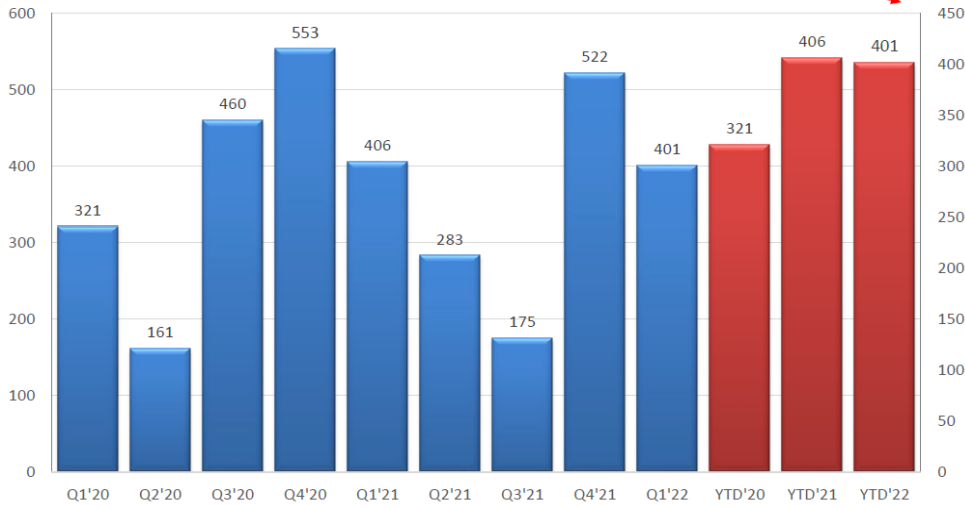
+ 4.5% y-o-y



Company

Figure #13 Autoliv Hirotako - Seatbelts

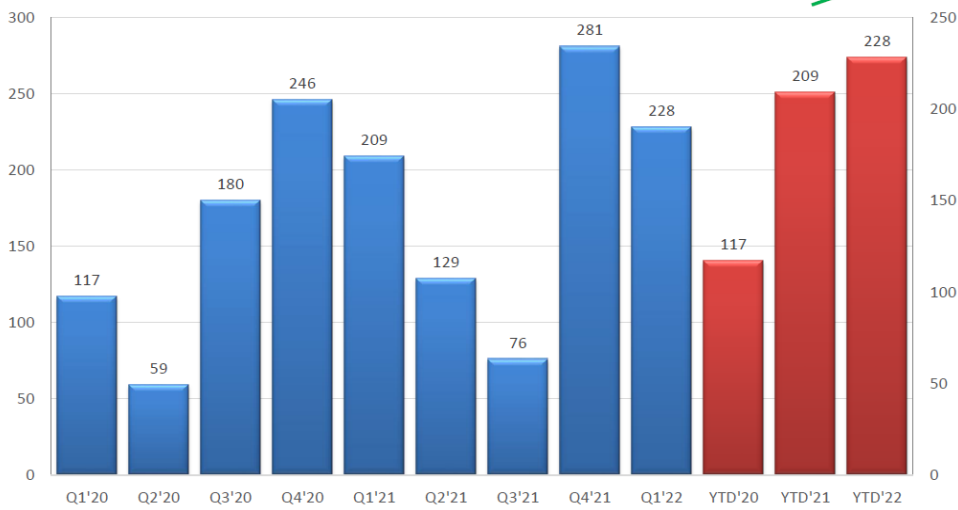
Auto Parts Manufacturing Unit Sales ('000)



Company

Figure #14 Autoliv Hirotako - Airbags

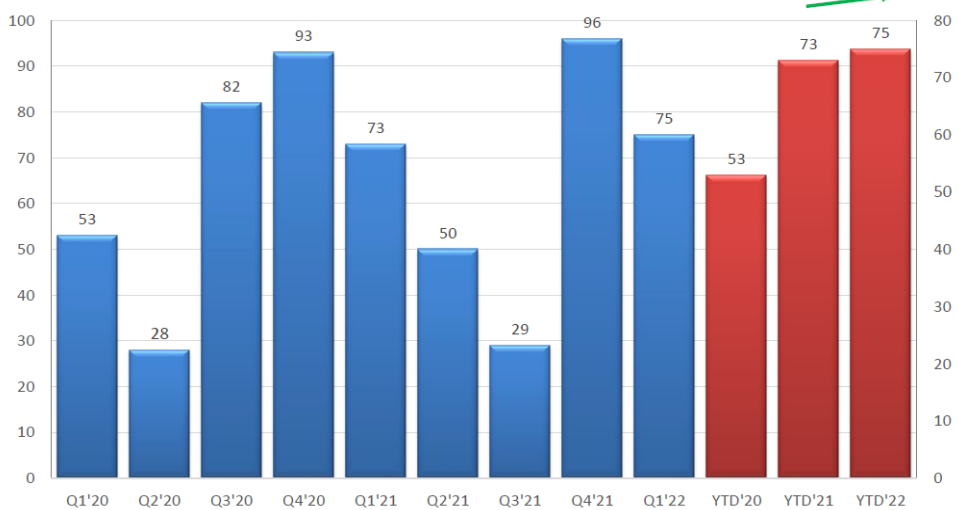
Auto Parts Manufacturing Unit Sales ('000)



Company

Figure #15 Autoliv Hirotako - Steering Wheels

Auto Parts Manufacturing Unit Sales ('000)



Company

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Stock rating guide

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.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating guide

OVERWEIGHT	Sector expected to outperform the market over the next 12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next 12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next 12 months.

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