

HLIB Research

PP 9484/12/2012 (031413)

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BUY (Maintain)

Target Price: **RM5.00**
Previously: **RM5.00**
Current Price: **RM3.39**

Capital upside	47.5%
Dividend yield	6.5%
Expected total return	54.0%

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


Historical return (%)	1M	3M	12M
Absolute	5.9	5.9	7.9
Relative	5.4	9.2	14.4

Stock information

Bloomberg ticker	MBM MK
Bursa code	5983
Issued shares (m)	391
Market capitalisation (RM m)	1,325
3-mth average volume ('000)	178
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	★★

Major shareholders

Med-Bumikar Mara	49.5%
Employees Provident Fund	9.9%
Lembaga Tabung Haji	5.0%

Earnings summary

FYE (Dec)	FY21	FY22f	FY23f
PATMI - core (RM m)	171.2	240.1	222.6
EPS - core (sen)	38.6	61.4	57.0
P/E (x)	8.8	5.5	6.0

MBM Resources

Growing momentum into 2HFY22

MBMR reported core PATMI at RM121.5m for 1HFY22, an exceptional performance following higher group sales volume and improved cost structure. Outlook for 2HFY22 remains exciting with high order backlogs (especially Perodua) while on-going new orders remain relatively healthy, as the economy has fully reopened. The expected higher sales volume will be able to cushion the impact of increasing raw material costs, high logistic expenses and USD appreciation. Maintain BUY on MBMR with unchanged TP: RM5.00 based on 10% discount to SOP of RM5.60. MBMR offers attractive dividend yields of 6.5%-8.3% for FY22-24.

1HFY22 results recap. To recap, MBMR reported a strong core PATMI for 1HFY22 with RM121.5m, a stellar growth of +90.7% YoY on overall higher group sales volume and improved margins (from cost-cutting measures being implemented since starting of the pandemic), while there were series of lockdowns SPLY. The group has completed the disposal of discontinued OMI Alloy, netting disposal gain of RM40.9m in 1HFY22.

2HFY22 outlook. Demand for new cars remained strong with Perodua dealership (DMMS) having order backlog of average 8 months (depending on model variants), while other dealerships have order backlog of 2-3 months. Management indicated the dealerships are still receiving considerable new bookings (20-30% lower as compared to monthly average in 1HFY22). Management expects overall industry TIV may go beyond 630k units (forecasted by MAA). While demand remained strong, the industry may be challenged by the ongoing supply chain shortage (mainly due to labour issue), increasing material costs, logistics expenses and USD appreciation. The improving demand for aftersales services (fetching higher margins) will also benefit the group.

Perodua. Associate Perodua achieved sales volume of 125.7k units in 1HFY22, potentially to surpass its current set sales target of 247.8k units (+30.2% YoY). Management is expected to revise its target given the current high order backlogs of over 240k units, after taking into account of productions and supply chain issues. Perodua will focus on fulfilling its order backlog by 31 Mar 2023, by ramping up overall production capacity and supporting the vendors. Newly launched Alza replacement received more than 39k orders (as compare to planned production rate of 3.5k units/month). Perodua is poised to register a new record high sales volume in 2022, resulting exceptional high earnings for the year and a potential high dividend payout.

Dividend. The group has announced an attractive interim 6 sen/share dividend payout and special 10 sen/share (following disposal of OMI Alloy) or RM62.5m for 1HFY22. Management guided for another second interim dividend and final dividend for 2HFY22. With the indicative continued high dividend payout from Perodua and strong earnings of group subsidiaries and JV, we expect total dividend for FY22 to be higher than our assumed 22 sen/share. The current net cash position of MBMR group remains healthy at 62.9 sen/share.

Forecast. Unchanged.

Maintain BUY, TP: RM5.00. Maintain BUY on MBMR with an unchanged TP of RM5.00 based on 10% discount to SOP: RM5.60. MBMR is currently in a net cash position (62.9 sen/share) with continued earnings and cash flow growth, by leveraging onto the strong demand for Perodua models. MBMR offers attractive dividend yields of 6.5%-8.3% 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	244.3	289.2	310.8
Receivables	157.9	160.6	176.8	173.3	183.8
Inventories	56.1	93.5	96.9	94.8	101.3
PPE	282.7	274.9	265.7	256.6	247.7
Others	1,488.2	1,571.0	1,697.2	1,813.7	1,930.1
Assets	2,255.9	2,361.0	2,480.9	2,627.6	2,773.7
Payables	132.8	138.0	142.0	139.7	146.1
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	153.4	151.1	157.5
Shareholder's equity	1,825.7	1,918.0	2,040.8	2,173.5	2,296.9
Minority interest	277.0	270.3	286.7	302.9	319.2
Equity	2,102.7	2,188.3	2,327.6	2,476.4	2,616.2

Cash Flow Statement

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
EBITDA	60.9	61.0	58.7	60.0	63.7
Net interest	3.0	3.1	3.9	4.4	4.4
Working capital	33.1	(34.5)	(15.6)	3.4	(10.6)
Taxation	(14.5)	(16.4)	(13.9)	(14.0)	(15.1)
Others	0.4	(0.8)	0.0	0.0	0.0
CFO	82.9	12.4	33.2	53.7	42.3
Capex	(4.7)	(9.0)	(8.2)	(8.2)	(8.2)
Dividends received	34.9	71.1	110.0	100.0	100.0
Others	15.8	(1.0)	0.0	0.0	0.0
CFI	46.0	61.1	101.8	91.8	91.8
Changes in debt	(28.2)	19.1	(23.4)	0.0	0.0
Shares issued	0.0	0.0	0.0	0.0	0.0
Dividends	(92.2)	(109.2)	(128.2)	(100.7)	(112.5)
Others	(2.4)	(3.1)	0.0	0.0	0.0
CFF	(122.8)	(93.2)	(151.6)	(100.7)	(112.5)
Net cash flow	6.1	(19.7)	(16.6)	44.9	21.6
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	244.3	289.2
Ending cash	271.0	260.9	244.3	289.2	310.8

Income Statement

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Revenue	1,793.5	1,528.7	1,938.2	1,895.2	2,025.9
EBITDA	60.9	61.0	58.7	60.0	63.7
EBIT	43.7	43.5	41.3	42.7	46.6
Finance cost	3.0	3.1	3.9	4.4	4.4
Associates & JV	159.5	163.9	234.2	214.4	214.4
Profit before tax	206.5	210.8	281.4	263.5	267.4
Tax	(16.3)	(15.2)	(13.9)	(14.0)	(15.1)
Net profit	190.2	195.7	267.5	249.5	252.3
Minority interest	(23.4)	(24.3)	(27.4)	(26.9)	(27.3)
Core PATMI	166.2	151.0	240.1	222.6	225.0
Exceptionals	(7.2)	20.3	0.0	0.0	0.0
Reported PATMI	159.0	171.2	240.1	222.6	225.0
Consensus core PATMI			207.3	214.3	224.3
HLIB/ Consensus			115.8%	103.9%	100.3%

Valuation & Ratios

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Reported EPS (sen)	40.7	43.8	61.4	57.0	57.6
Core EPS (sen)	42.5	38.6	61.4	57.0	57.6
P/E (x)	8.0	8.8	5.5	6.0	5.9
EV/EBITDA (x)	17.4	17.8	18.4	17.3	15.9
DPS (sen)	20.0	26.0	22.0	25.0	28.0
Dividend yield	5.9%	7.7%	6.5%	7.4%	8.3%
BVPS (RM)	4.67	4.91	5.22	5.56	5.88
P/B (x)	0.7	0.7	0.6	0.6	0.6
EBITDA margin	3.4%	4.0%	3.0%	3.2%	3.1%
EBIT margin	2.4%	2.8%	2.1%	2.3%	2.3%
PBT margin	11.5%	13.8%	14.5%	13.9%	13.2%
Net margin	10.6%	12.8%	13.8%	13.2%	12.5%
ROE	7.5%	6.5%	9.9%	8.7%	8.3%
ROA	9.3%	9.9%	12.4%	11.7%	11.1%
Net gearing	N.Cash	N.Cash	N.Cash	N.Cash	N.Cash
Net cash/share (sen)	67.5	60.8	62.5	74.0	79.5

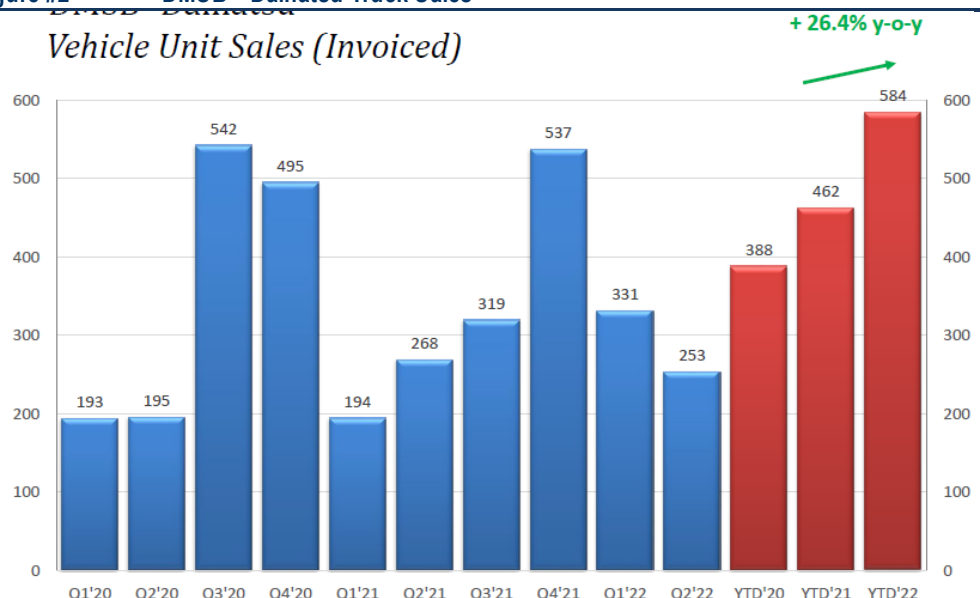
Assumptions

FYE Dec	FY20	FY21	FY22f	FY23f	FY24f
Dealership Sales ('000)					
Volvo, VW, Mitsubishi	1.4	1.2	1.5	1.3	1.5
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

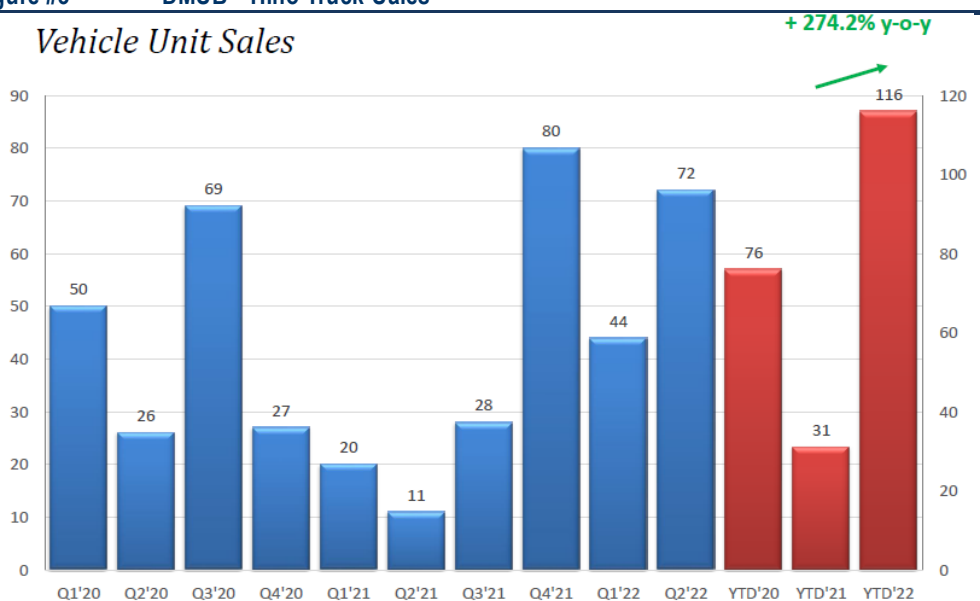
Figure #1 MBM Resources SOP

	Stakes	Value (RMm)	RM/Share	Basis
Perodua	22.6%	1,808.0	4.63	Based on FY23 PE 10x. Sustaining largest market share.
Autoliv Hirotako	51.0%	86.6	0.22	Based on FY23 PE 6x. Benchmarked against other auto part and component manufacturers.
Others	Various	292.3	0.75	Based on P/NTA valuation. Conservatively, we assigned 0.7x P/NTA for OMI, dealerships and other businesses, which has NTA values of RM455.0m based on FY21.
Subtotal		2,187.2	5.60	Implied FY22 P/E of 9.1x
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

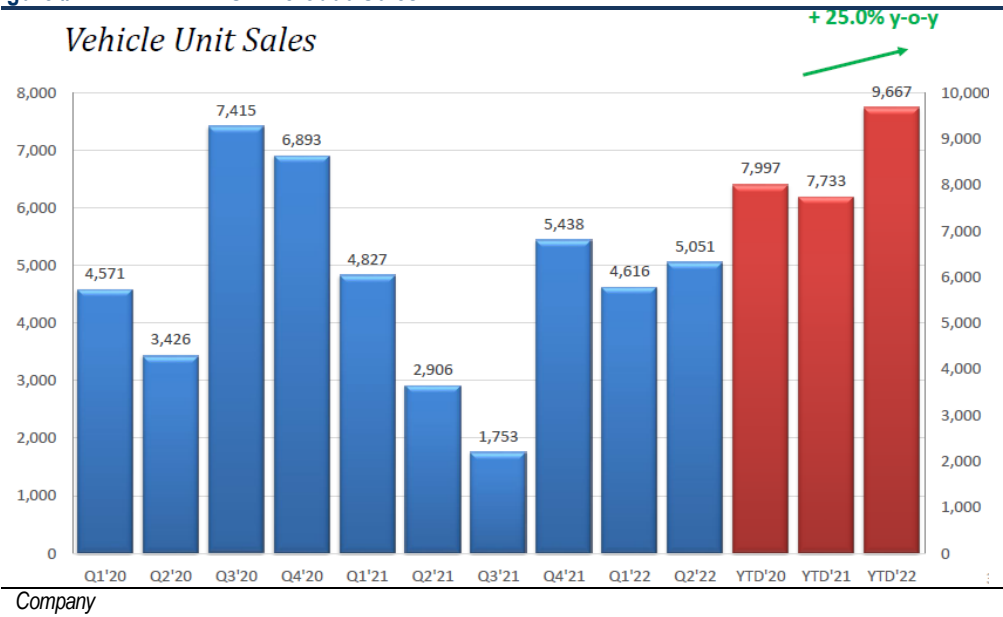


Figure #5 FAHB – Volvo Sales

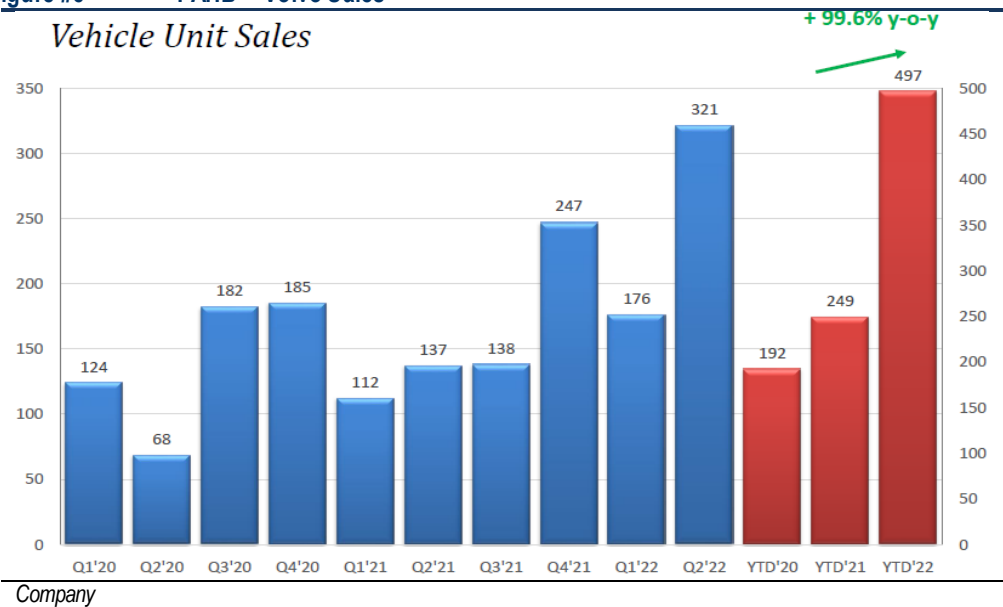
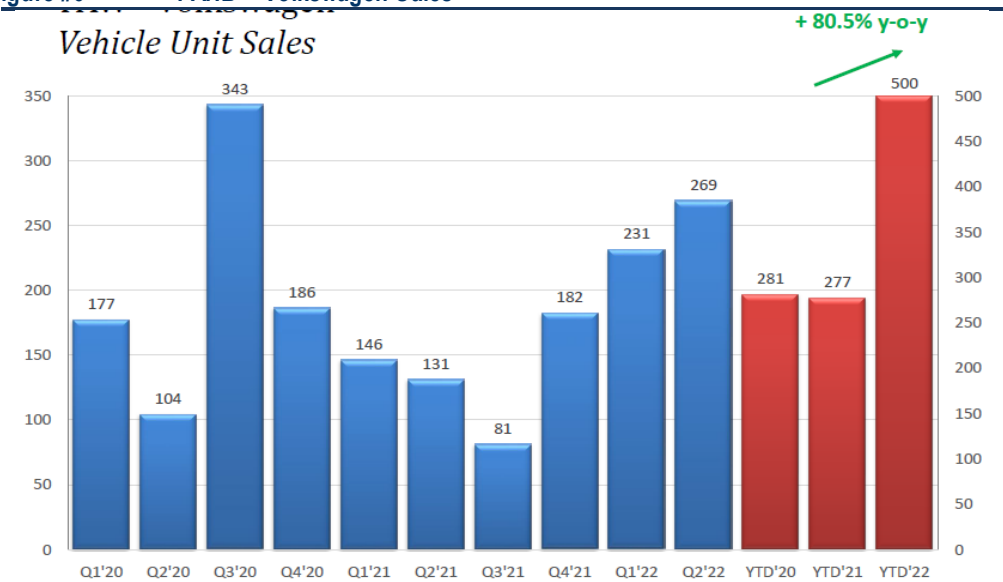


Figure #6 FAHB – Volkswagen Sales



Company
Figure #7 Associate Perodua Sales

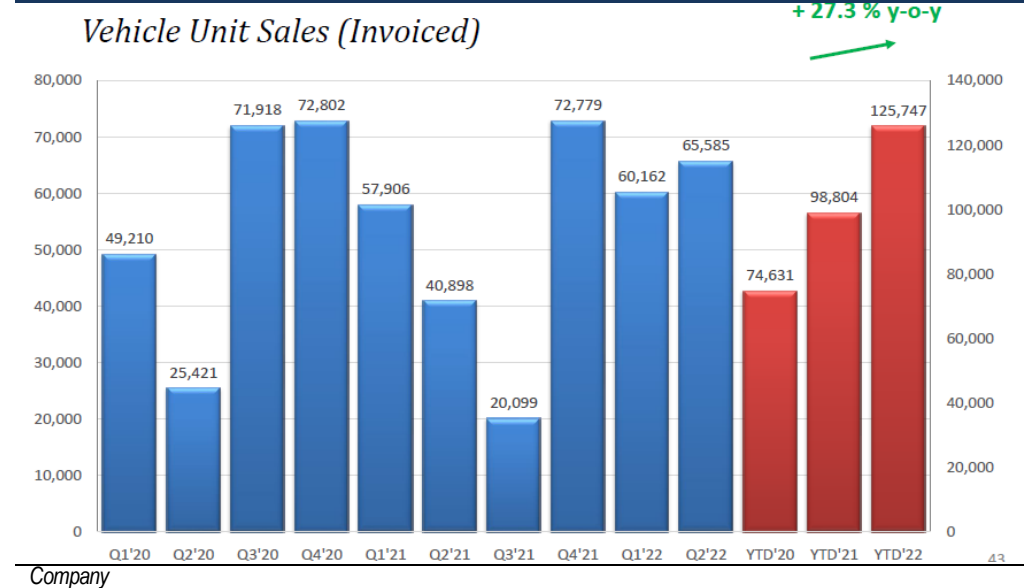


Figure #8 Associate Hino Sales

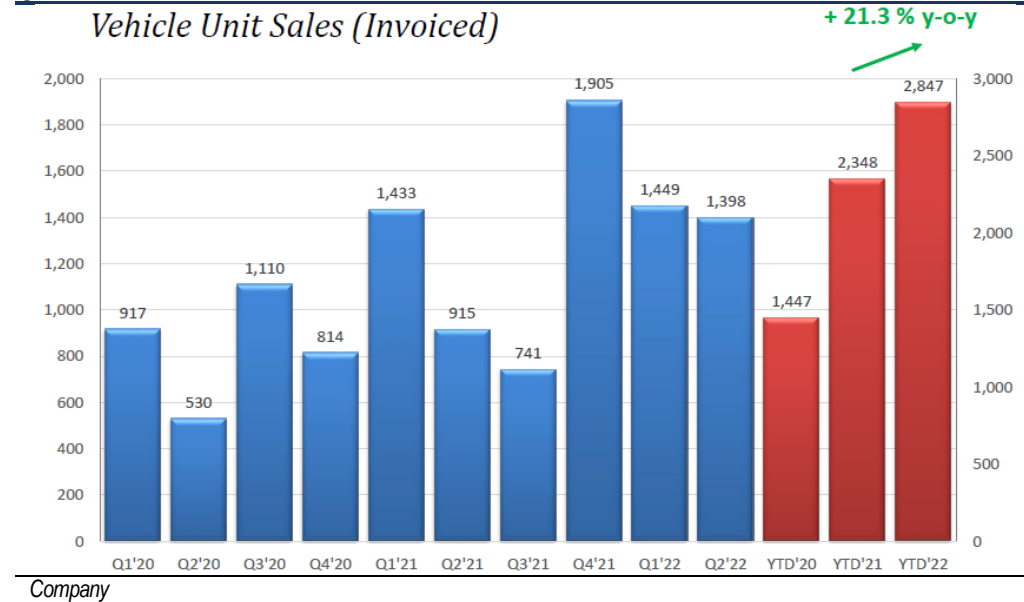
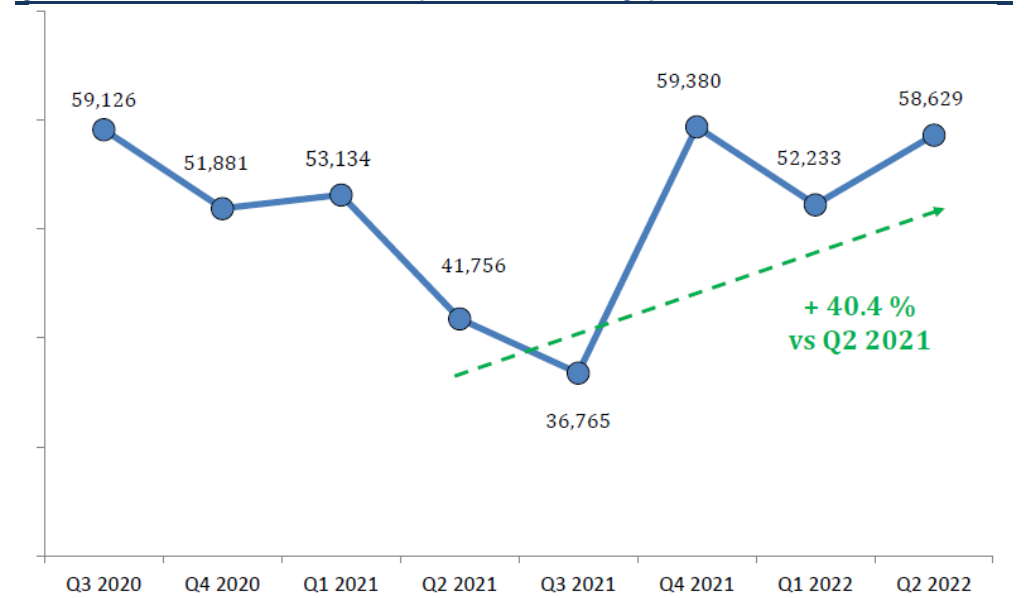


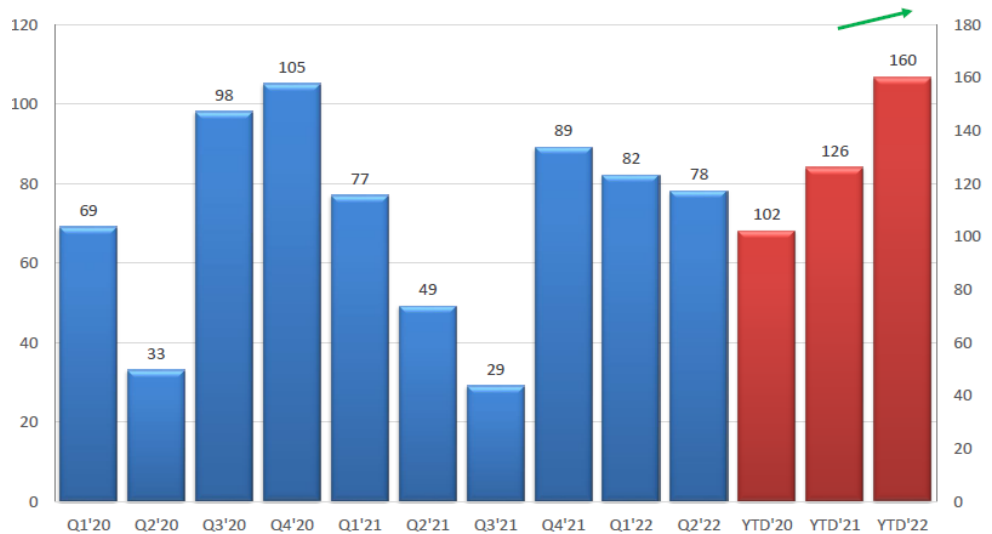
Figure #9 MBM Resources Group After Sales Throughput



Company

Figure #10 OMI – Steel Wheels*Auto Parts Manufacturing Unit Sales ('000)*

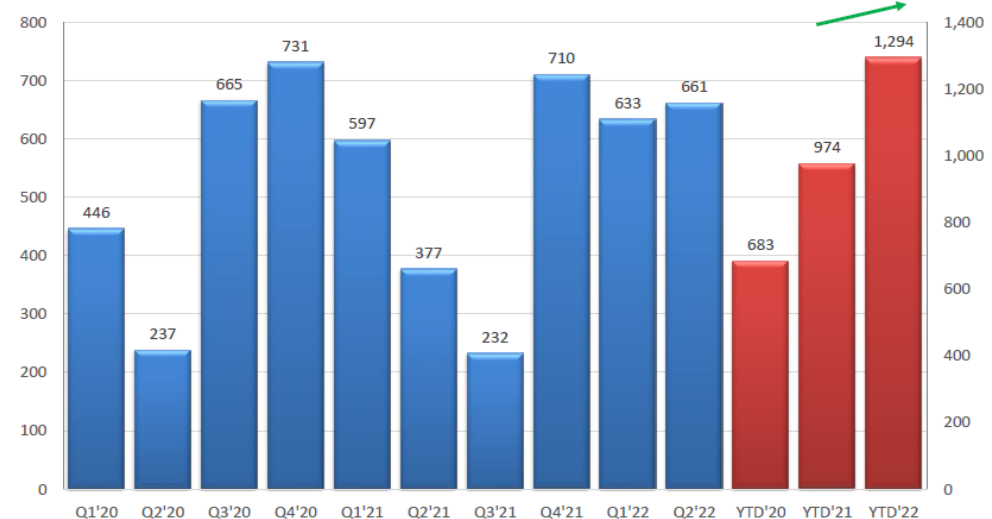
+ 27.0% y-o-y



Company

Figure #11 OMI – Tyre Assembly*Auto Parts Manufacturing Unit Sales ('000)*

+ 32.9% y-o-y



Company

Figure #12 Autoliv – NVH products

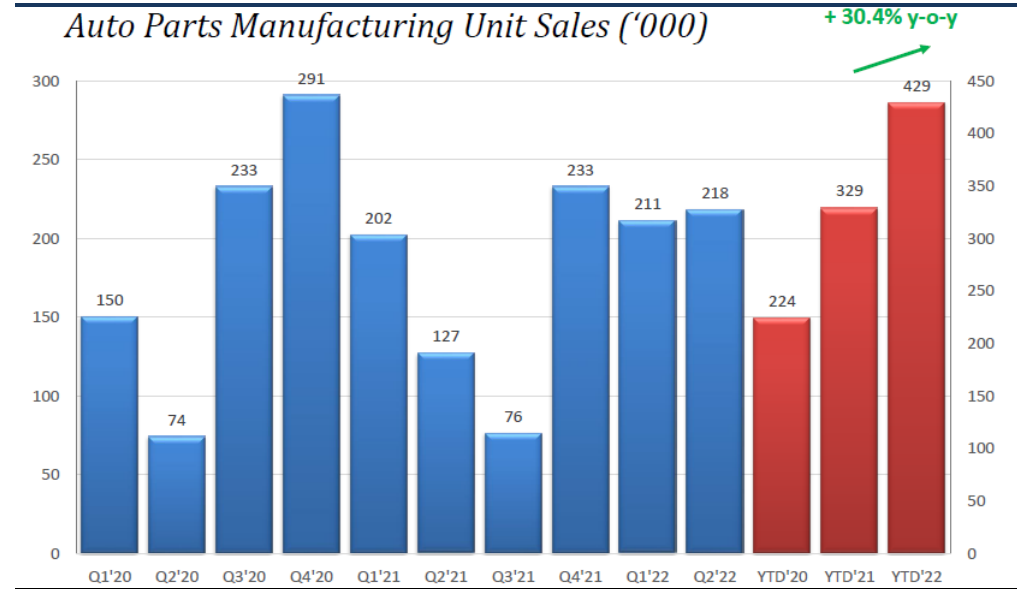


Figure #13 Autoliv Hirotako - Seatbelts

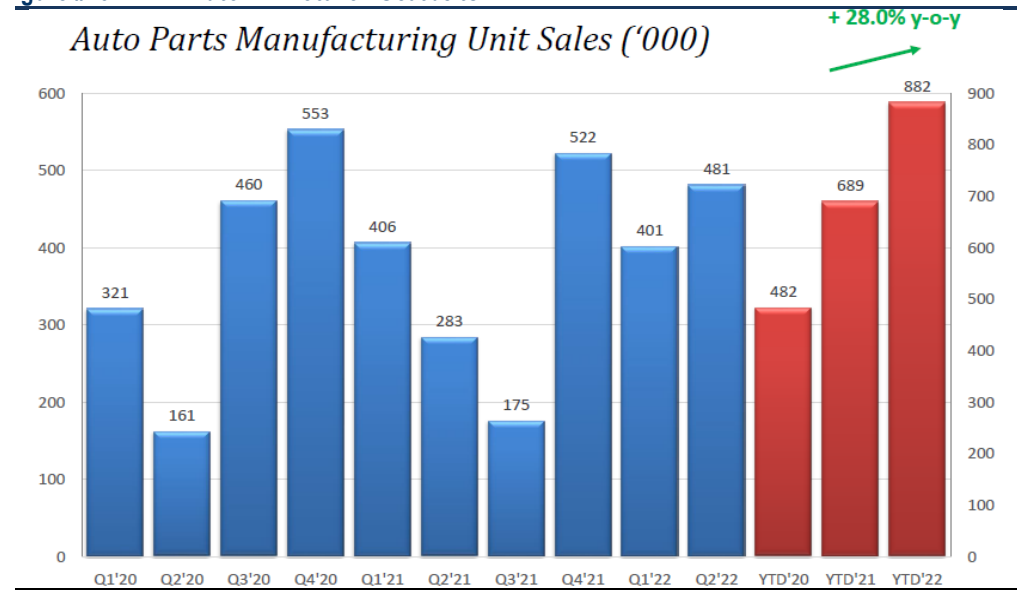


Figure #14 Autoliv Hirotako - Airbags

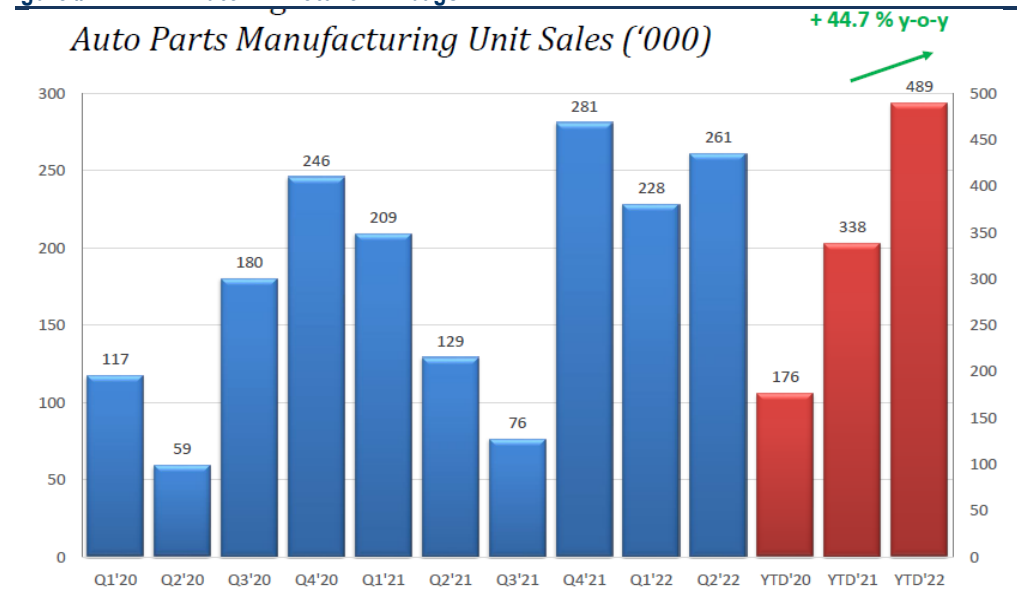
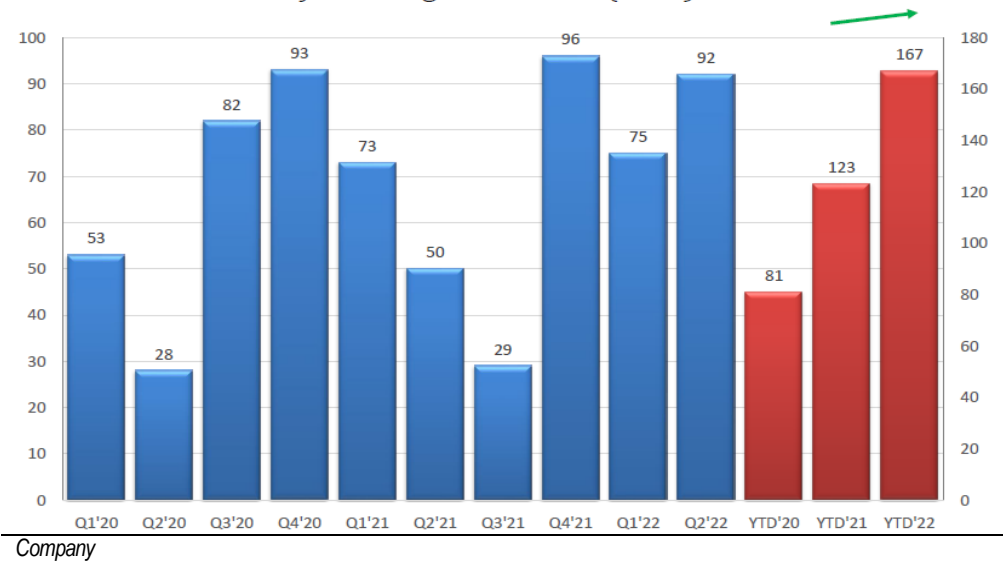


Figure #15 Autoliv Hirotako – Steering Wheels

Auto Parts Manufacturing Unit Sales ('000)

+ 35.8% y-o-y



Company

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Published & printed by:

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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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