

26 May 2022

# MBM Resources Bhd

## 1QFY22 Within Expectations

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1QFY22 core PATAMI of RM49.6m (+5%) came in within both our/consensus expectation at 25% each of full-year estimates. Perodua continued to record stronger sales with back-logged booking of more than 100k units. Maintain OP with a higher Target Price of RM4.10 (from RM3.50) based on 7x PER on roll-over FY23E EPS (from FY22E). The stock offers dividend yield of 6.3%.

**1QFY22 within expectations.** 1QFY22 core PATAMI of RM49.6m (+5%) came in within both our/consensus expectation at 25% each of full-year estimates. No dividend for the quarter, as expected.

**YoY, 1QFY22** core PATAMI rose 5%, excluding one-off disposal gain of RM35.6m (Alloy wheels segment land & factory building), concurrent with stronger sales (+14%) coming mainly from Motor Trading Division and Associates given the further easing of movement restrictions and improved operating conditions. Motor Vehicles Trading recorded higher sales (+15%) and more than doubled its profit from higher demand for Perodua, Volvo and Volkswagen vehicles, as well as the commercial vehicles Daihatsu Granmax although sales volume is still affected by some supply shortages especially for Perodua. Its associates' contribution recorded strong sales (+18%) with Perodua driving the improved sales at 61,624 units (+6%). On the other hand, its Auto Parts Manufacturing recorded better sales (+9%) in tandem with stronger unit sales as above, but the Division's profitability were slightly affected by rising production costs.

**QoQ, 1QFY22** earnings plunged 55% on seasonally weaker sales (-15%) while some carmakers' productions were also affected, by among others, semiconductor chips shortages and logistic issues.

**Outlook.** MBMR's business strategy lies in its: (i) deep value stake in 22.58%-owned Perodua, and (ii) dual-income streams as the largest Perodua dealer and as parts supplier for most of the popular marques. Perodua's market share is supported by higher delivery of all-new Myvi, all-new Perodua ARUZ, and the all-new ATIVA which provide better margins compared to the previous models. The group is cautiously optimistic on CY22 prospects with the continued strong demand for vehicles supported by favourable interest rates, continuation of sales tax exemption until 30 June 2022, and introduction of new models including electric vehicles (EV) at more competitive prices.

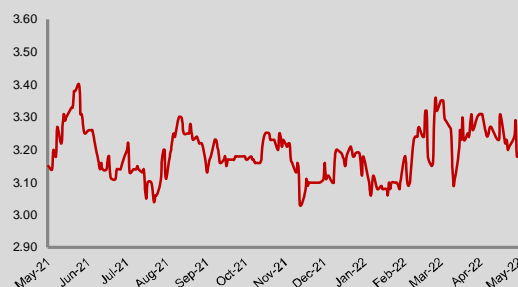
**Maintain OUTPERFORM with a higher Target Price of RM4.10 (from RM3.50)** based on 7x PER on roll-over FY23E EPS (from FY22E EPS and at -1.0 SD of 5-year forward historical mean PER). The stock offers dividend yield of 6.3%.

**Risks to our call include:** (i) lower-than-expected car sales volume, and (ii) lower-than-expected associates' contribution.

# OUTPERFORM ↔

Price: **RM3.19**  
Target Price: **RM4.10** ↑

### Share Price Performance



KLCI	1,535.56
YTD KLCI chg	-2.0%
YTD stock price chg	2.8%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	MBM MK Equity
Market Cap (RM m)	1,246.9
Shares Outstanding	390.9
52-week range (H)	3.39
52-week range (L)	2.92
3-mth avg daily vol:	319,942
Free Float	31%
Beta	0.9

### Major Shareholders

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

### Summary Earnings Table

FYE Dec (RM m)	2021A	2022E	2023E
Turnover	1,531.9	2,047.4	2,280.3
EBIT	42.9	32.7	37.1
PBT	207.5	254.1	281.6
<b>PATAMI</b>	<b>167.9</b>	<b>195.6</b>	<b>228.0</b>
<b>Core PATAMI</b>	<b>167.9</b>	<b>195.6</b>	<b>228.0</b>
Consensus (NP)	-	197.3	214.7
Earnings Revision	-	-	-
Core EPS (sen)	43.0	50.0	58.3
Core EPS growth(%)	5.6	16.5	16.5
NDPS (sen)	20.0	20.0	20.0
BVPS (RM)	4.90	5.20	5.58
PER (x)	7.4	6.4	5.5
PBV (x)	0.7	0.6	0.6
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	6.3	6.3	6.3

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**Result Highlight**

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
<b>Turnover</b>	<b>478.5</b>	<b>562.2</b>	<b>-14.9%</b>	<b>418.3</b>	<b>14.4%</b>	<b>478.5</b>	<b>418.3</b>	<b>14.4%</b>
EBIT/ (LBIT)	45.5	28.4	60.4%	7.9	476.8%	45.5	7.9	476.8%
Associates	50.9	100.9	-49.6%	43.2	17.8%	50.9	43.2	17.8%
Jointly controlled entity	3.1	5.0	-38.5%	4.8	-35.6%	3.1	4.8	-35.6%
PBT/(LBT)	98.5	133.7	-26.4%	55.0	78.9%	98.5	55.0	78.9%
Taxation	-6.6	-9.5	30.3%	-2.3	-188.4%	-6.6	-2.3	-188.4%
<b>PATAMI</b>	<b>85.2</b>	<b>109.5</b>	<b>-22.2%</b>	<b>47.1</b>	<b>81.1%</b>	<b>85.2</b>	<b>47.1</b>	<b>81.1%</b>
<b>Core PATAMI</b>	<b>49.6</b>	<b>109.5</b>	<b>-54.7%</b>	<b>47.1</b>	<b>5.4%</b>	<b>49.6</b>	<b>47.1</b>	<b>5.4%</b>
EPS (sen)	12.7	28.0	-54.7%	12.0	5.4%	12.7	12.0	5.4%
DPS (sen)	0.0	15.0		0.0		0.0	0.0	
EBIT/(LBIT) margin	9.5%	5.1%		1.9%		9.5%	1.9%	
PBT/(LBT) margin	20.6%	23.8%		13.2%		20.6%	13.2%	
Core PATAMI margin	10.4%	19.5%		11.3%		10.4%	11.3%	
Effective tax rate	6.7%	7.1%		4.2%		6.7%	4.2%	

Source: Company, Kenanga Research

**Segmental breakdown**

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
<b>Revenue</b>	<b>478.5</b>	<b>562.2</b>	<b>-14.9%</b>	<b>418.3</b>	<b>14.4%</b>	<b>478.5</b>	<b>418.3</b>	<b>14.4%</b>
Motor Vehicles Trading	408.7	485.3	-15.8%	354.6	15.3%	408.7	354.6	15.3%
Auto Parts Manufacturing	69.3	76.4	-9.2%	63.3	9.4%	69.3	63.3	9.4%
Others	0.5	0.5	-0.7%	0.4	25.5%	0.5	0.4	25.5%
<b>Segment PBT</b>	<b>62.9</b>	<b>133.7</b>	<b>-53.0%</b>	<b>55.0</b>	<b>14.2%</b>	<b>62.9</b>	<b>55.0</b>	<b>14.2%</b>
Motor Vehicles Trading	10.6	23.2	-54.3%	4.9	115.5%	10.6	4.9	115.5%
Auto Parts Manufacturing	4.9	6.4	-24.3%	4.8	2.1%	4.9	4.8	2.1%
Others	-6.6	-1.8	-265.1%	-2.0	-235.5%	-6.6	-2.0	-235.5%
Jointly-controlled Entity	3.1	5.0	-38.5%	4.1	-25.2%	3.1	4.1	-25.2%
Associates	50.9	100.9	-49.6%	43.2	17.8%	50.9	43.2	17.8%
<b>Segment PBT margin (%)</b>	<b>13.1%</b>	<b>23.8%</b>		<b>13.2%</b>		<b>13.1%</b>	<b>13.2%</b>	
Motor Vehicles Trading	2.6%	4.8%		1.4%		2.6%	1.4%	
Auto Parts Manufacturing	7.0%	8.4%		7.5%		7.0%	7.5%	

Source: Company, Kenanga Research

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Peer Comparison																		
Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliance	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.				
<b>STOCKS UNDER COVERAGE</b>																		
BERMAZ AUTO BHD	1.75	2,031.8	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	15.2	17.1	15.3	3.3	2.4	16.1%	3.4%	1.65	MP	
DRB-HICOM BHD	1.33	2,570.9	Y	12/2022	29.5%	11.7%	-7.5%	35.4%	N.A.	13.2	9.7	0.3	0.3	2.1%	1.5%	1.80	OP	
MBM RESOURCES BERHAD	3.19	1,247.0	Y	12/2022	33.7%	11.4%	16.5%	16.6%	7.4	6.4	5.5	0.6	0.5	8.7%	6.3%	4.10	OP	
SIME DARBY BERHAD	2.17	14,758.2	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.0	12.5	12.0	0.9	0.9	7.2%	5.1%	2.60	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.13	759.4	Y	12/2022	32.9%	10.2%	-31.3%	54.4%	N.A.	60.7	39.3	0.3	0.3	0.5%	2.7%	1.00	UP	
UMW HOLDINGS BHD	3.35	3,913.8	Y	12/2022	7.1%	7.9%	60.5%	9.9%	17.5	10.9	9.9	0.6	0.5	4.9%	1.8%	4.40	OP	
<b>Simple Average</b>					<b>16.7%</b>	<b>9.5%</b>	<b>5.1%</b>	<b>22.1%</b>	<b>13.3</b>	<b>20.1</b>	<b>15.3</b>	<b>1.0</b>	<b>0.8</b>	<b>6.6%</b>	<b>3.5%</b>			

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%  
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%  
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%  
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

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