

MBM Resources Berhad

(5983 | MBM MK) Consumer Products & Services | Automotive

Maintain BUY

Kickstarts 2020 with the Bezza facelift

Unchanged Target Price: RM4.55


KEY INVESTMENT HIGHLIGHTS

- **Facelift Bezza launched, packed with new features**
- **Targeting 4,000 unit sales a month, in-line with historical sales trend**
- **In the pipeline are Perodua's B-segment SUV and potentially, the new Alza; our 1.6%yoy Perodua TIV growth is conservative**
- **Maintain MBM as our top BUY at unchanged TP of RM4.55/share, solid 6% FY20F yields on the back of just 7x FY20F PER**

Facelift Bezza launched. Perodua launched its 2020 Bezza facelift, which comes in 4 variants priced between RM34,580 – RM49,980. The facelift Bezza comes with a redesigned front and rear-end with a much bolder look, while the interior remained largely similar but with revised trim designs. However, a significant change is the incorporation of Perodua's Advanced Safety Assist 2.0 (ASA) vs. ASA 1.0 in the outgoing model, though this is only available for the top AV variant. ASA 2.0 was first introduced for the latest MyVi and later the Aruz. VSC (Vehicle Stability Control) and ABS (Antilock Brake System) comes standard across all variants vs. for the AV variant only previously. Other equipment features include keyless entry, front corner sensors, reverse sensors and a reverse camera.

Packing up on features. The facelift Bezza is packing up on features and is the most affordable sedan in Malaysia to be equipped with AEB (auto emergency braking). This should help Perodua keep up with Proton which has been doing the same in the past year for its A/B segment models. The Bezza is one of Perodua's key volume drivers, generating ~4000 unit sales/month and accounting for an estimated 20% of Perodua's TIV. Perodua management's target sales of 4,000 units/month for the facelift Bezza is in-line with historical sales.

In the pipeline. Other than the facelift Bezza, Perodua is scheduled to introduce its B-segment SUV, possibly in 2H20, positioned below the Aruz which is priced at RM70,000 – RM80,000. The Alza is also long overdue for a replacement, first launched in 2009 with its last facelift in 2018. Our forecast for a 1.6%yoy growth in Perodua's FY20F TIV at this juncture is conservative.

Recommendation. We re-affirm our BUY on MBM at unchanged TP of RM4.55. At just 7x FY20F earnings coupled with an attractive 6.7% yield, MBM remains a cheap proxy to Perodua's volume expansion and the spillover on its parts manufacturing and Perodua dealership units. Key catalysts: (1) Launch of Perodua's new B-segment SUV in FY20F (2) A recovery in industry production driven by the new national car launches (3) Sale of OMIA assets. Risk to our call is weaker than expected demand and a weak Ringgit. 

RETURN STATISTICS

Price @ 8 Jan 2020 (RM)	3.93
Expected share price return (%)	+15.7
Expected dividend yield (%)	+6.7
Expected total return (%)	+22.4

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-9.3	-10.3
3 months	-6.3	-7.6
12 months	97.9	110.7

KEY STATISTICS

FBM KLCI	1589.10
Syariah compliant	Yes
Issue shares (m)	390.89
Estimated free float (%)	36.6
Market Capitalisation (RM'm)	1536.20
52-wk price range (RM)	1.86 – 4.47
Beta vs FBM KLCI (x)	0.64
Monthly velocity (%)	0.01
Monthly volatility (%)	22.49
3-mth average daily volume (m)	1.15
3-mth average daily value (RM'm)	4.7
Top Shareholders (%)	
Med-Bumikar Mara Sdn Bhd	49.50
Employees Provident Fund Board	8.86
AIA Bhd	4.03

Analyst(s)

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INVESTMENT STATISTICS

FYE Dec	FY16	FY17	FY18	FY19F	FY20F
Revenue (RM'm)	1,680.7	1,732.6	1,928.2	1,827.7	1,854.3
EBIT (RM'm)	(48.5)	(257.6)	12.5	37.0	40.1
Pre-tax Profit (RM'm)	79.4	(148.5)	200.7	255.1	272.8
Normalised PATAMI (RM'm)	84.8	86.1	168.3	201.5	216.4
FD EPS (sen)	21.7	22.1	43.1	51.7	55.5
EPS growth (%)	5.4	1.6	95.6	19.7	7.4
PER (x)	17.0	16.8	8.6	7.2	6.7
Net Dividend (sen)	6.0	3.0	12.0	23.2	25.0
Net Dividend Yield (%)	1.6	0.8	3.2	6.3	6.7

Source: Company, MIDFR

FACELIFT BEZZA (TOP) VS. OUTGOING BEZZA (BOTTOM)

Source: PaulTan, MIDFR

Income Statement (RMm)	FY16	FY17	FY18	FY19F	FY20F
Revenue	1,680.7	1,732.6	1,928.2	1,827.7	1,854.3
Operating expenses	(1,729.3)	(1,990.1)	(1,915.8)	(1,790.7)	(1,814.2)
EBIT	(48.5)	(257.6)	12.5	37.0	40.1
Net interest expense	(12.2)	(11.3)	(5.9)	5.0	5.9
Associates/JCE	140.2	120.4	194.1	213.1	226.8
PBT	79.4	(148.5)	200.7	255.1	272.8
Taxation	(7.7)	(7.5)	(11.7)	(25.5)	(27.3)
Minority Interest	9.7	(7.2)	23.5	28.1	29.1
Net profit	62.0	(148.8)	165.5	201.5	216.4
Core net profit	84.8	86.1	168.3	201.5	216.4
Consensus net profit		79.0	138.4	187.1	195.4
MIDF / Consensus		9.0%	21.6%	7.7%	10.7%
Balance Sheet (RMm)	FY16	FY17	FY18	FY19F	FY20F
Non-current assets	1,824.7	1,567.9	1,645.0	1,862.4	1,958.9
PPE	354.3	334.7	243.2	242.2	241.2
Investments in associate	1,057.2	1,105.0	1,168.0	1,164.3	1,232.0
Others	413.2	128.2	233.8	456.0	485.8
Current assets	538.3	506.6	464.3	568.7	612.2
Inventories	191.9	148.2	116.2	127.9	129.8
Receivables	148.3	150.5	146.5	164.5	166.9
Others	31.1	14.5	(34.1)	31.1	31.1
Cash & equivalent	167.0	193.3	235.7	245.2	284.4
TOTAL ASSETS	2,362.9	2,074.5	2,109.3	2,431.1	2,571.1
Share capital	390.7	390.7	390.7	390.7	390.7
Minority Interest	266.9	215.7	303.0	331.0	360.2
Reserves	1,210.6	1,048.9	1,134.9	1,512.7	1,631.7
TOTAL EQUITY	1,868.2	1,655.3	1,828.6	2,234.4	2,382.6
Non-current liabilities	212.9	116.6	92.6	36.6	31.6
Long-term borrowings	201.3	108.2	85.5	25.0	20.0
Deferred tax liabilities	3.7	4.4	3.7	3.7	3.7
Others	7.9	3.9	3.4	7.9	7.9
Current liabilities	281.8	302.6	188.1	160.1	156.9
Short-term borrowings	170.0	168.5	58.2	21.0	16.0
Payables	109.6	131.6	126.1	136.8	138.6
Others	2.2	2.5	3.8	2.2	2.2
TOTAL LIABILITIES	494.7	419.2	280.7	196.7	188.5

Cash Flow Statement (RMm)	FY16	FY17	FY18	FY19F	FY20F
Operating activities					
PBT	82.8	83.5	200.7	229.6	245.5
Depreciation & Amortization	25.7	29.9	21.1	21.1	21.0
Chgs in working capital	(16.2)	(2.4)	50.6	26.8	(2.4)
Others	(138.1)	(35.2)	(208.1)	(213.1)	(226.8)
CF from Operations	(45.9)	75.8	64.4	64.3	37.3
Investing activities					
Capex	(25.5)	(20.0)	(9.7)	(20.0)	(20.0)
Others	71.3	135.6	112.6	195.9	129.3
CF from Investments	45.8	115.6	102.9	175.9	109.3
Financing activities					
Dividends paid	(32.2)	(11.0)	(24.9)	(90.6)	(97.3)
Net proceeds in borrowings	(40.7)	(102.1)	(144.0)	(140.0)	(10.0)
Others	26.7	(67.6)	-	-	-
CF from Financing	(46.2)	(180.7)	(169.0)	(230.6)	(107.3)
Net changes in cash	(46.3)	10.8	(1.7)	9.5	39.2
Beginning cash	224.2	209.1	219.8	218.1	227.6
Overdrafts & Deposits	31.2				
Ending cash	209.1	219.8	218.1	227.6	266.9
Ratios	FY16	FY17	FY18	FY19F	FY20F
Revenue growth	-7.5%	3.1%	11.3%	-5.2%	1.5%
EBIT growth	NA	NA	-104.8%	196.5%	8.5%
Core net profit growth	5.4%	1.6%	95.6%	19.7%	7.4%
PBT margin	4.7%	-8.6%	10.4%	14.0%	14.7%
Core net profit margin	5.0%	5.0%	8.7%	11.0%	11.7%
ROE	5.3%	6.0%	11.0%	10.6%	10.7%
ROA	3.6%	4.1%	8.0%	8.3%	8.4%
Net gearing (%)	12.8%	5.8%	-6.0%	-10.5%	-12.3%
Book value/share (RM)	4.10	3.69	3.91	4.88	5.18
PBV (x)	0.90	1.00	0.95	0.76	0.71
FCF/share (RM)	-0.00	0.49	0.43	0.62	0.38

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.