MBM Resources Berhad

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

Results Beat Expectations

Maintain **NEUTRAL**

Revised **Target Price: RM5.87**

(Previously RM4.90)

KEY INVESTMENT HIGHLIGHTS

- **3QFY24 results were above our expectations**
- **22.0sen special dividend declared**
- **Perodua sales grew ahead of TIV**
- **Auto parts margins boosted by high demand**
- **Maintain NEUTRAL with a revised TP of RM5.87**

Above expectations. MBM Resources Berhad (MBMR) recorded a core PATAMI of RM87.4m for 3QFY24, resulting in a cumulative total of RM235.3m for 9MFY24. This exceeded expectations, representing 86%/82% of our/consensus full-year projections due to a higher-than-expected profit margin. MBMR declared a special dividend of 22.0 sen, along with a second interim dividend of 7.0 sen, bringing the total 9MFY24 dividends to 45.0 sen, with a payout ratio of 75%.

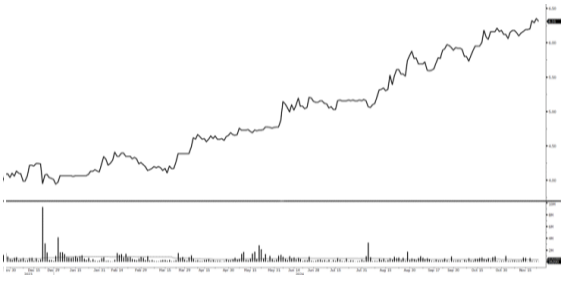
Quarterly. In 3QFY24, the motor trading & assembly division saw a +3.7%yoy revenue increase, driven by a +4.7%yoy increase in Perodua unit sales (3QCY24 TIV: -1.0%yoy). However, the PBT margin fell by -0.3 percentage points (ppts) due to higher discounts on commercial vehicles. Meanwhile, the auto parts manufacturing division saw revenue decline by -3.6%yoy due to lower TIP from certain non-national makes. Nevertheless, the division's PBT margin rose by +1.2ppts, supported by strong production demand. The contribution from associates also increased by +6.7%yoy, driven by high production and sales volumes. Overall revenue increased by +2.8%yoy, while core PATAMI rose +15.8%yoy, driven by a +1.5 ppts margin improvement. Compared to 2QFY24, revenue increased by +12.1%qoq due to longer working months, while core PATAMI jumped +29.2%qoq, driven by similar factors.

Outlook. MAA has recently updated its TIV target to 800k units for the year from the prior 765k-unit forecast (+4.6%). This revised target indicates flat year-on-year growth compared to CY23's 799,731 units, with the adjustment accounting for backorders from national carmakers. Perodua has achieved a year-to-date +10.1%yoy growth in unit sales, outperforming the 10MCY24 TIV growth of +2.4%yoy, which we expect to impact MBMR's earnings positively.

Maintain NEUTRAL. After making upward adjustments to the profit margins of the auto parts manufacturing division, we have revised our earnings for FY24E/FY25F upwards by +16%/+13%, respectively. Consequently, our target price is revised to **RM5.87** (from RM4.90), based on 7.5x FY25F EPS. We believe the strong performance of Perodua is already priced in, as the share price has climbed by +53% year-to-date. We are maintaining our **NEUTRAL** recommendation as the stock is trading in line with the sector's 5-year historical mean.

RETURN STATISTICS	
Price @ 25th November 2024 (RM)	6.36
Expected share price return (%)	-7.7
Expected dividend yield (%)	+9.0
Expected total return (%)	+1.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.4	3.3
3 months	7.1	13.4
12 months	53.1	38.8

INVESTMENT STATISTICS

FYE Dec (RMm)	2024E	2025F	2026F
Revenue	2,344.6	2,334.0	2,322.4
Operating Profit	68.0	67.7	67.3
PBT	363.4	357.1	350.7
Core PATAMI	318.9	305.8	299.6
Core EPS (sen)	81.6	78.2	76.6
PER (x)	7.8x	8.1x	8.3x
DPS (sen/share)	57.1	46.9	46.0
Dividend yield (%)	9.0%	7.4%	7.2%

KEY STATISTICS	
FBM KLCI	1,597.45
Issue shares (m)	390.89
Estimated free float (%)	38.29
Market Capitalisation (RM'm)	2,466.50
52-wk price range	RM4.00 -
3-mth average daily volume (m)	0.40
3-mth average daily value (RM'm)	2.40
Top Shareholders (%)	
Med-Bumikar Mara Sdn Bhd	49.50
Lembaga Tabung Haji	4.64
Norges Bank	2.87

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MBM RESOURCES: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Revenue	638.4	569.2	621.3	12.1%	2.8%	1,824.8	1,716.6	6.3%
Operating profit	18.3	15.1	17.7	20.8%	3.3%	51.1	45.1	13.5%
Net finance costs	1.3	1.0	1.3	39.4%	1.1%	3.4	4.1	-18.8%
Share of JV	8.6	6.9	5.4	24.4%	60.8%	23.4	17.4	34.5%
Share of associates	74.4	57.4	69.7	29.7%	6.7%	200.2	182.9	9.4%
PBT	102.6	80.4	94.1	27.7%	9.1%	278.1	249.5	11.5%
Tax expense	-5.1	-4.3	-8.4	-20.7%	39.0%	-14.4	-16.5	12.7%
PATAMI	87.4	67.6	104.8	29.2%	-16.6%	235.3	236.6	-0.6%
Core PATAMI	87.4	67.6	75.5	29.2%	15.8%	235.3	207.2	13.6%
				ppts	**ppts**			**ppts**
OP margin (%)	2.9%	2.7%	2.8%	0.2	0.0	2.8%	2.6%	0.2
PBT margin (%)	16.1%	14.1%	15.1%	2.0	0.9	15.2%	14.5%	0.7
Core PATAMI margin (%)	13.7%	11.9%	12.1%	1.8	1.5	12.9%	12.1%	0.8
Effective tax rate (%)	-5.0%	-5.3%	-9.0%	0.3	3.9	-5.2%	-6.6%	1.4

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Motor trading & assembly	558.1	502.3	538.0	11.1%	3.7%	1,601.6	1,484.8	7.9%
Auto parts manufacturing	79.6	66.3	82.6	20.1%	-3.6%	221.2	229.9	-3.8%
Others	0.6	0.7	0.6	-7.5%	2.1%	1.9	1.9	1.9%
PBT	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Motor trading & assembly	13.6	11.4	14.6	19.2%	-7.0%	38.3	36.9	3.7%
Auto parts manufacturing	6.7	5.6	6.0	21.3%	12.0%	19.6	16.2	20.4%
Others	-0.8	-0.9	-0.7	16.4%	-5.8%	-3.3	-3.0	-10.5%
PBT Margin	**3QFY24**	**2QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Motor trading & assembly	2.4%	2.3%	2.7%	0.2	-0.3	2.4%	2.5%	-0.1
Auto parts manufacturing	8.5%	8.4%	7.3%	0.1	1.2	8.8%	7.1%	1.8
Others	-119.9%	-132.6%	-115.8%	12.7	-4.1	-171.3%	-158.1%	-13.2

Source: MBM Resources, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,308.1	2,416.9	2,344.6	2,334.0	2,322.4
Operating profit	104.9	97.6	68.0	67.7	67.3
PBT	325.3	394.7	363.4	357.1	350.7
PATAMI	268.6	334.5	318.9	312.8	306.6
Core PATAMI	234.2	306.1	318.9	312.8	306.6
EPS (sen)	59.9	78.3	81.6	80.0	78.4
DPS (sen)	43.0	39.0	57.1	48.0	47.1
Dividend yield (%)	6.8%	6.1%	9.0%	7.5%	7.4%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	214.2	181.4	174.5	186.7	189.3
Investments in associate	1,335.6	1,415.1	1,527.6	1,654.9	1,729.6
Non-current assets	**1,726.1**	**1,809.8**	**1,907.0**	**2,053.4**	**2,148.5**
Inventories	56.1	92.3	115.6	162.1	141.2
Receivables	157.9	164.6	199.2	185.8	229.8
Cash & equivalent	271.0	260.9	282.7	197.2	307.4
Current assets	**529.8**	**551.2**	**619.0**	**546.8**	**680.0**
Share capital	391.7	391.7	391.7	392.7	393.7
Reserves	1,434.1	1,526.3	1,664.0	1,738.2	1,874.4
Total equity	**2,102.7**	**2,188.3**	**2,342.8**	**2,428.9**	**2,603.8**
Long-term borrowings	0.1	0.0	0.0	0.0	0.0
Non-current liabilities	**9.3**	**8.4**	**7.1**	**6.4**	**6.4**
Short-term borrowings	6.9	23.3	4.3	16.4	16.4
Payables	132.8	141.5	169.5	143.1	196.5
Current liabilities	**144.0**	**164.4**	**176.0**	**164.9**	**218.3**

Cash Flow Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	325.3	394.7	363.4	357.1	350.7
Depreciation & amortisation	18.4	16.4	17.4	17.6	18.0
Changes in working capital	-30.0	-59.4	30.3	0.7	0.7
Operating cash flow	**48.9**	**-1.3**	**95.4**	**66.5**	**67.9**
Capex	-6.3	-26.8	-20.0	-20.0	-20.4
Investing cash flow	**159.8**	**186.2**	**151.8**	**150.2**	**153.2**
Dividends paid	-157.5	-284.3	-137.0	-136.2	-138.9
Movement in borrowings	-19.0	16.4	0.0	0.0	0.0
Financing cash flow	**-180.6**	**-272.4**	**-137.0**	**-136.2**	**-138.9**
Net changes in cash	**28.2**	**-87.5**	**110.1**	**80.6**	**82.2**
Beginning cash	**256.6**	**284.8**	**197.2**	**307.4**	**313.5**
Ending cash	**284.8**	**197.2**	**307.4**	**387.9**	**395.7**

Margins (%)	2022A	2023A	2024E	2025F	2026F
OP margin	4.5%	4.0%	2.9%	2.9%	2.9%
PBT margin	14.1%	16.3%	15.5%	15.3%	15.1%
Core PATAMI margin	10.1%	12.7%	13.6%	13.4%	13.2%

Source: MBM Resources, MIDFR

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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 *rise* 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 *fall* 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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology