MBM Resources Berhad

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

3 Stars

SHARIAH Compliant

Corporate Update

Upgrade to **BUY** (from NEUTRAL)

Unchanged Target Price **RM5.87**

4QFY24 Results Review Performance Held Firm

Upgrade to BUY. MBM Resources Berhad's (MBM) 4QFY24 earnings came in as expected, with no surprises. However, we are upgrading our call from NEUTRAL to **BUY**, given the recent weakness in its share price and the attractive dividend yield. This brought total returns to over +10%. Our earnings estimates remain unchanged. Our target price remains unchanged at **RM5.87**, based on 7.5x FY25F. The stock is trading at nearly a -30% discount to the sector's 5-year mean.

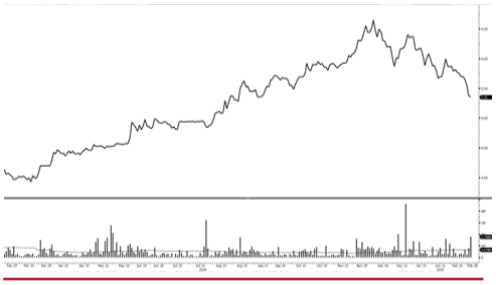
Within expectations. MBM's 4QFY24 core PATAMI of RM97.7m brought its FY24 total to RM333.0m, aligning with expectations at 104%/105% of our/consensus full-year estimates. No dividend was announced, as it is typically not declared in this quarter.

The auto parts manufacturing division saw margin expansion. In 4QFY24, the motor trading & assembly division saw a -5.2%yoy revenue decline, mainly due to a lower supply of Perodua vehicles at year-end and weaker Volkswagen volume amid a lack of new models. Meanwhile, the auto parts manufacturing division posted an -8.0%yoy revenue decline, in line with the total industry production (TIP), which fell -5.2%yoy during the quarter. However, the PBT margin for this division improved by 0.8 percentage points, supported by sustained production demand from certain customers and enhanced operational efficiency. This lifted core PATAMI by +3.4%yoy to RM97.7m.

Jaecoo's entry fueled quarter-on-quarter sales growth. The motor trading & assembly division's revenue rose by +4.1%qoq compared to 3QFY24. This was driven by higher Perodua sales volume, the addition of Jaecoo from Aug-24 onwards, and steady after-sales performance. The auto parts manufacturing division's revenue remained flat quarter-on-quarter, while PBT inched up by +0.6%qoq, supported by the aforementioned factor. This led to an +11.9%qoq increase in core PATAMI compared to the preceding quarter.

RETURN STATISTICS	
Price @ 27th February 2025 (RM)	5.47
Expected share price return (%)	+7.3
Expected dividend yield (%)	+7.2
Expected total return (%)	+14.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.0	-7.7
3months	-14.0	-17.1
12 months	19.4	17.9

INVESTMENT STATISTICS

FYE Dec	2024A	2025F	2026F
Revenue	2,485.6	2,334.0	2,322.4
Operating profit	69.2	67.7	67.3
PBT	393.2	357.1	350.7
Core PATAMI	333.0	305.8	299.6
Core EPS (sen)	85.2	78.2	76.6
DPS (sen)	45.0	39.1	38.3
Dividend yield	8.2%	7.2%	7.0%

KEY STATISTICS

FBM KLCI	1,586.60
Issued shares (m)	390.89
Estimated free float (%)	38.29
Market Capitalisation (RM'm)	2,091.25
52-wk price range	RM4.08 - RM6.69
3-mth average daily volume (m)	0.68
3-mth average daily value (RM'm)	4.20
Top Shareholders (%)	
Med-Bumikar Mara Sdn Bhd	49.50
Lembaga Tabung Haji	4.64
Norges Bank	2.87

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MBM RESOURCES: 4QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulatively		
Income Statement	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Revenue	660.9	638.4	699.6	3.5%	-5.5%	2,485.6	2,416.2	2.9%
Operating profit	18.1	18.3	22.8	-1.1%	-20.8%	69.2	97.2	-28.8%
Net finance costs	0.9	1.3	1.0	-30.3%	-7.6%	4.3	5.1	-16.6%
Share of JV	6.2	8.6	6.9	-27.6%	-9.1%	29.6	24.2	22.2%
Share of associates	89.9	74.4	81.8	20.7%	9.9%	290.1	264.7	9.6%
PBT	115.1	102.6	112.5	12.1%	2.3%	393.2	391.3	0.5%
Tax expense	-6.2	-5.1	-6.5	-21.1%	4.1%	-20.6	-23.0	10.2%
PATAMI	97.7	87.4	94.6	11.8%	3.3%	333.0	331.2	0.5%
Core PATAMI	97.7	87.4	94.5	11.9%	3.4%	333.0	301.7	10.4%
				ppts	**ppts**			**ppts**
OP margin (%)	2.7%	2.9%	3.3%	-0.1	-0.5	2.8%	4.0%	-1.2
PBT margin (%)	17.4%	16.1%	16.1%	1.3	1.3	15.8%	16.2%	-0.4
Core PATAMI margin (%)	14.8%	13.7%	13.5%	1.1	1.3	13.4%	12.5%	0.9
Effective tax rate (%)	-5.4%	-5.0%	-5.8%	-0.4	0.4	-5.3%	-5.9%	0.6

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulatively		
Revenue	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Motor trading & assembly	580.7	558.1	558.1	4.1%	4.1%	2,182.4	2,097.6	4.0%
Auto parts manufacturing	79.3	79.6	79.6	-0.4%	-0.4%	300.5	316.1	-4.9%
Others	0.8	0.6	0.6	28.9%	28.9%	2.8	2.5	8.8%
PBT	**4QFY24**	**3QFY24**	**4QFY23**	**QoQ**	**YoY**	**FY24**	**FY23**	**YoY**
Motor trading & assembly	14.1	13.6	13.6	3.4%	3.4%	52.3	54.9	-4.6%
Auto parts manufacturing	6.8	6.7	6.7	0.6%	0.6%	26.3	22.9	15.0%
Others	-1.9	-0.8	0.8	-146.4%	-346.4%	-5.2	-3.8	-37.3%
PBT Margin	**3QFY24**	**3QFY24**	**3QFY23**	**QoQ**	**YoY**	**9MFY24**	**9MFY23**	**YoY**
Motor trading & assembly	2.4%	2.4%	2.4%	0.0	0.0	2.4%	2.6%	-0.2
Auto parts manufacturing	8.5%	8.5%	8.5%	0.1	0.1	8.8%	7.2%	1.5
Others	-229.3%	-119.9%	119.9%	-109.4	-349.3	-188.4%	-149.3%	-39.0

Source: MBM Resources, MIDFR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2022A	2023A	2024A	2025F	2026F
Revenue	2,308.1	2,416.9	2,485.6	2,334.0	2,322.4
Operating profit	104.9	97.6	69.2	67.7	67.3
PBT	325.3	394.7	393.2	357.1	350.7
PATAMI	268.6	334.5	333.0	305.8	299.6
Core PATAMI	234.2	306.1	333.0	305.8	299.6
EPS (sen)	59.9	78.3	85.2	78.2	76.6
PER (x)	9.1	7.0	6.4	7.0	7.1
DPS (sen)	43.0	39.0	45.0	39.1	38.3
Dividend yield (%)	7.9	7.1	8.2	7.2	7.0
Balance Sheet (RM'm)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
PPE	174.5	186.6	194.0	191.6	201.2
Associates	1,527.6	1,652.0	1,766.9	1,805.3	1,895.5
Non-current assets	**1,907.0**	**2,050.5**	**2,178.4**	**2,242.5**	**2,354.6**
Inventories	115.6	161.0	114.2	140.6	147.6
Receivables	199.2	185.8	182.3	228.7	240.2
Cash balances	282.7	197.2	258.3	387.9	407.3
Current assets	**619.0**	**545.8**	**561.7**	**758.9**	**796.9**
Share capital	391.7	391.7	391.7	394.7	414.4
Reserves	1,664.0	1,736.4	1,834.8	2,009.7	2,110.2
Total equity	**2,342.8**	**2,426.0**	**2,547.1**	**2,777.7**	**2,916.5**
LT borrowings	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**7.1**	**6.4**	**12.8**	**6.4**	**6.8**
ST borrowings	4.3	16.4	45.9	16.4	17.2
Payables	169.5	142.1	128.5	195.6	205.3
Current liabilities	**176.0**	**163.9**	**179.1**	**217.3**	**228.2**

Cash Flow (RM'm)	2022A	2023A	2024A	2025F	2026F
PBT	325.3	391.3	393.2	357.1	364.3
D & A	18.4	19.6	17.9	17.6	18.0
Chgs in working capital	-30.0	-88.8	13.2	0.7	0.7
Operating cash flow	**48.9**	**-1.0**	**100.7**	**66.5**	**67.9**
Capex	-6.3	-26.9	-18.7	-20.0	-20.4
Investing cash flow	**159.8**	**186.3**	**187.8**	**150.2**	**154.7**
Dividends paid	-157.5	-258.0	-234.5	-152.9	-149.8
Borrowings	-19.0	16.4	29.5	0.0	0.0
Financing cash flow	**-180.6**	**-272.8**	**-227.3**	**-136.2**	**-138.9**
Net changes in cash	**28.2**	**-87.5**	**61.1**	**80.6**	**82.2**
Beginning cash flow	**256.6**	**284.8**	**197.2**	**258.3**	**263.5**
Ending cash flow	**284.8**	**197.2**	**258.3**	**338.9**	**345.7**
Profitability Ratios (%)	**2022A**	**2023A**	**2024A**	**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%
PATAMI margin	11.6%	13.8%	13.4%	13.1%	12.9%
Core PATAMI margin	10.1%	12.7%	13.6%	13.1%	12.9%
ROA	9.3%	11.8%	12.2%	10.2%	9.5%
ROE	10.0%	12.6%	13.1%	11.0%	10.3%
Growth (%)	**2022A**	**2023A**	**2024A**	**2025F**	**2026F**
Revenue growth	50.7%	4.7%	2.8%	-6.1%	-0.5%
PBT growth	56.8%	21.3%	-0.4%	-9.2%	-1.8%
PATAMI growth	59.8%	24.5%	-0.4%	-8.2%	-2.0%
Core PATAMI growth	60.8%	30.7%	8.8%	-8.2%	-2.0%

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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