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Recommendation: **SELL**

Current Price: **RM 5.05**

Previous Target Price: **RM 4.35**

Target Price: ↑ **RM 4.46**

Upside/Downside: **-11.7%**

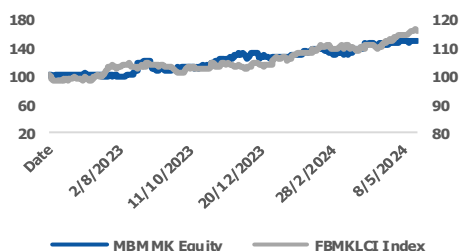
Stock information

Board	MAIN
Sector	Automotive
Bursa / Bloomberg Code	5983 / MBM MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆★
Bloomberg ESG Rating	N/A
Shares issued (m)	390.9
Market Cap (RM' m)	1,974.0
52-Week Price Range (RM)	3.173-5.07
Beta (x)	0.7
Free float (%)	38.3
3M Average Volume (m)	0.5
3M Average Value (RM' m)	2.6

Top 3 Shareholders (%)

Med-Bumikar Mara Sdn Bhd	49.5
Lembaga Tabung Haji	4.6
Norges Bank	2.9

Share Price Performance



	1M	3M	12M
Absolute (%)	4.3	12.7	56.4
Relative (%)	1.6	7.7	35.6

MBM Resources Berhad

Kick start with strong production





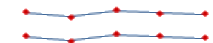



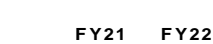
Summary

- **MBMR's 1QFY24 net profit of RM79.2m was above our and consensus expectation.**
- **Growth in revenue was mainly propelled by strong demand for Perodua vehicles due to the fulfillment of pre-sales tax exemption backlog order.**
- **Downgrade our recommendation to SELL with a higher target price of RM4.46 based on 7.1x PE to FY24F EPS of 63 sen.**

Results Review

- **Results review.** 1QFY24 core net profit grew 0.9% yoy to RM79.2m in tandem with the improved topline. Revenue for the quarter rose 11.0% yoy to RM617.1m due to the fulfillment of pre-sales tax exemption backlog order.
- **Above expectations.** 1QFY24 core net profit of RM79.2m slightly exceeded both our and consensus expectations, making up to 33% and 31% of the forecasted net profit.
- **Operations Highlights.** Growth in MBMR's revenue was mainly propelled by strong demand for Perodua vehicles, thanks to the fulfillment of backlog orders from previous years. Despite the robust topline performance, core profit growth remained flattish due to a contraction in margins resulting from a shift in the product mix. The strong Perodua sales was partially offset by lower sales volumes in Volvo and Volkswagen, with the latter usually offers higher margins compared to the affordable segment. Besides that, the decline in profit contributions from the autoparts manufacturing division also played a key role to the reduction in profit margin.
- **Industry Highlights.** TIV in April 2024 was down -17.8% mom but grew by +25.0% yoy. The slowdown in monthly performance was in line with past trends as production was affected by the Raya festive season. YTD, TIV stood at 257,375 unit (+7.1% yoy) backed by robust orderbook backlog.
- **Outlook.** While TIV has demonstrated some encouraging numbers, we maintained a more cautious outlook for remainder of the year. We reckon auto sales may begin to taper off in 2H24 due to uncertainty in fuel subsidy mechanism, the increase in service tax, possible implementation of luxury tax as well as normalisation in orderbook replenishment.
- **Valuation.** Following the recent surge in share price, we downgrade our recommendation to **SELL** (previously HOLD) with a higher target price of RM4.46 as we update our forward PE assumption to 7.1x which is +1 STD of its 5-yr forward PE.
- **Risk.** Supply chain disruption, changes in government regulations, softer-than-expected consumer demand amid economic slowdown.

Figure 1: Results Comparison

FYE Dec (RM m)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	3MFY23	3MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	617.1	555.8	11.0	700.2	(11.9)	555.8	617.1	11.0		Periodua continue to drive growth
EBITDA	98.5	97.1	1.5	120.2	(18.1)	97.1	98.5	1.5		
Pre-tax profit	93.9	92.1	2.0	115.3	(18.5)	92.1	93.9	2.0		
Net profit	88.9	87.4	1.8	108.8	(18.3)	87.4	88.9	1.8		Margin contracted due to a shift in profit mix
Core net profit	79.2	78.5	0.9	97.2	(18.6)	78.5	79.2	0.9		
Core EPS (sen)	20.3	20.1	0.9	24.9	(18.6)	20.1	20.3	0.9		
EBITDA margin (%)	16.0	17.5		17.2		17.5	16.0			
PBT margin (%)	15.2	16.6		16.5		16.6	15.2			
Core PATM margin (%)	12.8	14.1		13.9		14.1	12.8			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	1528.7	2307.6	2416.9	2332.6	2285.1
Gross Profit	136.4	190.2	200.4	193.5	189.5
EBITDA	224.7	337.4	408.9	386.6	394.1
Depreciation & Amortisation	17.0	18.2	18.9	20.3	19.1
EBIT	207.7	319.3	390.0	366.3	375.0
Net Finance Income/ (Cost)	3.1	4.1	4.7	4.7	8.4
Pre-tax Profit	210.8	323.3	394.7	371.1	383.4
Tax	-15.2	-26.2	-23.0	-89.1	-92.0
Profit After Tax	195.7	297.1	371.7	282.0	291.4
Minority Interest	24.3	29.7	37.2	37.2	37.2
Net Profit	171.4	267.4	334.5	244.8	254.2
Exceptionals	0.0	30.4	28.4	0.0	0.0
Core Net Profit	171.4	297.8	362.8	244.8	254.2

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	14.7%	14.6%	16.9%	16.6%	17.2%
EBIT margin	13.6%	13.8%	16.1%	15.7%	16.4%
PBT margin	13.8%	14.0%	16.3%	15.9%	16.8%
PAT margin	12.8%	12.9%	15.4%	12.1%	12.8%
NP margin	11.2%	11.6%	13.8%	10.5%	11.1%
Core NP margin	11.2%	11.6%	13.8%	10.5%	11.1%
ROE	7.8%	11.4%	13.8%	9.7%	9.7%
ROA	7.3%	10.6%	12.9%	9.1%	9.1%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Perodua Unit Sales	4924.0	22901.0	26560.0	26161.6	24853.5
Volvo Unit Sales	634.0	899.0	639.0	575.1	546.3
Volkswagen Unit Sales	540.0	996.0	728.0	655.2	622.4
Capex as % sales	0.6%	0.3%	1.1%	0.4%	0.4%

Valuations

	FY24F
Core EPS (RM)	0.626
P/E multiple (x)	7.1
Fair Value (RM)	4.46

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	260.9	284.8	197.2	313.0	428.3
Receivables	138.9	178.6	185.8	179.3	175.7
Inventories	104.4	107.8	56.1	93.5	115.6
Other current assets	47.0	50.4	107.6	64.6	39.3
Total Current Assets	551.2	621.6	546.8	650.4	758.9
Fixed Assets	181.3	174.5	186.7	175.8	165.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1628.6	1732.6	1866.7	1867.0	1867.2
Total Non-current assets	1809.8	1907.0	2053.4	2042.7	2033.1
Short-term Debt	23.3	0.0	16.4	16.4	16.4
Payables	90.0	116.4	143.1	138.1	135.3
Other Current Liabilities	51.1	63.1	5.4	5.4	5.4
Total Current Liabilities	164.4	179.5	164.9	159.9	157.1
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	172.8	186.9	171.3	166.3	163.5
Total Non-current Liabilities	172.8	186.9	171.3	166.3	163.5
Shareholder's equity	1918.0	2054.5	2130.8	2228.7	2330.4
Minority interest	270.3	287.2	298.1	298.1	298.1
Equity	2188.3	2341.7	2428.9	2526.8	2628.5

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	210.8	323.3	394.7	371.1	383.4
Depreciation & amortisation	17.0	18.2	18.9	20.3	19.1
Changes in working capital	-36.7	-35.5	-26.8	7.1	4.0
Others	-181.8	-257.1	-388.0	-126.3	-129.3
Operating cash flow	9.3	48.9	-1.3	272.2	277.3
Net capex	-9.0	-6.3	-26.8	-9.3	-9.1
Others	73.7	177.5	213.0	-0.2	-0.2
Investing cash flow	64.8	171.1	186.2	-9.6	-9.4
Changes in borrowings	18.1	-19.0	16.4	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-78.2	-144.6	-258.0	-146.9	-152.5
Others	-33.7	-17.0	-30.8	0.0	0.0
Financing cash flow	-93.8	-180.6	-272.4	-146.9	-152.5
Net cash flow	-19.7	39.5	-87.5	115.7	115.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	15.7	0.1	0.0	0.0	0.0
Beginning cash	264.9	245.2	284.7	197.2	313.0
Ending cash	260.9	284.8	197.2	313.0	428.3

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

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RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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