

Steven Chong

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Recommendation: **HOLD**

Current Price: **RM 5.67**

Previous Target Price: **RM 4.46**

Target Price: **RM 5.36**

Upside/Downside: **-5.5%**

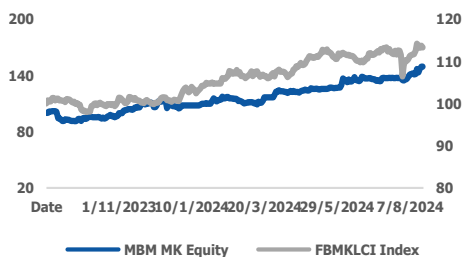
Stock information

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)	2,216.3
52-Week Price Range (RM)	3.582-5.84
Beta (x)	0.7
Free float (%)	38.3
3M Average Volume (m)	0.5
3M Average Value (RM' m)	2.4

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 (%)	7.0	12.5	47.8
Relative (%)	3.7	7.8	28.3

MBM Resources Berhad

Perodua set to propel growth

Summary










- **MBMR recorded CNP of RM66.7m (+31.8% yoy, -15.7% qoq) in 2QFY24, bringing 1HFY24 CNP to RM145.9m (+13.0% yoy), which was above our expectations at 60% but within consensus expectation at 54%. The variation was mainly stemmed from higher-than-expected P2 sales which exceeded our forecasts by +12.4%.**
- **We raised our earnings forecast for FY24-26 by +6.8%/+6.3%/+6.4% to account for the stronger-than-expected demand for P2.**
- **We upgrade our recommendation to HOLD (from SELL) with a higher target price of RM5.36 with forward PE of 7.7x (from 7.1x) on EPS of 70.0 sen after rolling forward our valuation metrics to FY25.**

Results Review

- **Results review.** MBMR's 2QFY24 core net earnings stood at RM66.7m, grew +31.8% yoy but drop -15.7% qoq. The improved year-over-year CNP was driven by higher sales from P2 dealership offsetting tepid demand for Volvo and VW. Similarly, revenue was recorded at RM569.2m, increased +5.5% yoy and -7.8% qoq.
- **Results exceeded expectation.** The Group's 1HFY24 core net profit of RM145.9m came above our expectations, at 60% of in-house forecast, but was within consensus expectation at 54%. The variation was mainly derived from higher-than-expected P2 sales which exceeded our forecasts by +12.4%.
- **Operations Highlights.** During the quarter, revenue from the motor trading division grew +6.9% yoy. Growth was driven by strong demand for P2 vehicles, which saw an increase of +24.1% yoy, outperforming TIV growth of +8.3% yoy. On the other hand, sales volume in Volvo and Volkswagen remained subdued due to model limitations. Revenue from autoparts manufacturing slid -3.8% yoy despite higher volume due to changes in model mix.
- **Industry Highlights.** TIV in July 24 surged +23.6% mom and +10.8% yoy backed by longer working month and a barrage of new model launches from luxury brands including Suzuki, Mercedes, Mini cooper, Porsche, Lexus and others. YTD, TIV stood at 462,088 unit (+7.2% yoy) buoyed by the delivery of strong backlog order from previous year. Concurrently, MAA has adjusted its previous TIV forecast for CY24 from 740k to 765k, revising the projected yoy decline from -7.5% to -4.3%. The optimism was stem from better-than-expected GDP growth, stable OPR rate, and aggressive promotional activities.
- **Outlook.** Perodua's management has set a conservative sales target of 330k units for CY24, slightly lower to last year's actual sales of 331k. Nonetheless, the Group is off to a strong start, having sold 170k vehicles in 1H24, marking a 17.4% yoy increase. We opined that demand for national marquee should remain resilient going forward backed by i) increased spending power resulting from revision in civil servant wages, and ii) demand boost from Merdeka sales campaign.

- **Valuation.** We raised our earnings forecast for FY24-26 by +6.8%/+6.3%/+6.4% to account for the stronger-than-expected demand for P2. As a result, we upgrade our recommendation to **HOLD** with a higher target price of RM5.36 (previously RM4.46) based on forward PE of 7.7x to rolled over FY25 EPS of 70.0 sen.
- **Risk.** Supply chain disruption changes in government regulations, softer-than-expected consumer demand amid economic slowdown.

Figure 1: Results Comparison

FYE Dec (RM m)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	569.2	539.6	5.5	617.1	(7.8)	1,095.4	1,186.4	8.3		Periodua continue to drive growth
EBITDA	83.7	64.8	29.2	98.5	(15.0)	161.9	182.3	12.6		
Pre-tax profit	79.4	60.4	31.5	93.9	(15.4)	152.6	173.4	13.6		
Net profit	75.2	57.1	31.6	88.9	(15.4)	144.5	164.1	13.6		
Core net profit	66.7	50.6	31.8	79.2	(15.7)	129.1	145.9	13.0		
Core EPS (sen)	17.1	12.9	31.8	20.3	(15.7)	33.0	37.3	13.0		
EBITDA margin (%)	14.7	12.0		16.0		14.8	15.4			
PBT margin (%)	14.0	11.2		15.2		13.9	14.6			
Core PATMI margin (%)	11.7	9.4		12.8		11.8	12.3			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	2307.6	2416.9	2440.0	2530.8	2694.3
Gross Profit	190.2	200.4	204.8	212.4	226.2
EBITDA	337.4	408.9	411.0	419.7	436.5
Depreciation & Amortisation	18.2	18.9	20.3	19.1	18.1
EBIT	319.3	390.0	390.8	400.6	418.4
Net Finance Income/ (Cost)	4.1	4.7	4.7	8.3	11.6
Pre-tax Profit	323.3	394.7	395.5	408.9	429.9
Tax	-26.2	-23.0	-94.9	-98.1	-103.2
Profit After Tax	297.1	371.7	300.6	310.8	326.8
Minority Interest	29.7	37.2	37.2	37.2	37.2
Net Profit	267.4	334.5	263.4	273.6	289.5
Exceptionals	30.4	28.4	0.0	0.0	0.0
Core Net Profit	297.8	362.8	263.4	273.6	289.5

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	14.6%	16.9%	16.8%	16.6%	16.2%
EBIT margin	13.8%	16.1%	16.0%	15.8%	15.5%
PBT margin	14.0%	16.3%	16.2%	16.2%	16.0%
PAT margin	12.9%	15.4%	12.3%	12.3%	12.1%
NP margin	11.6%	13.8%	10.8%	10.8%	10.7%
Core NP margin	11.6%	13.8%	10.8%	10.8%	10.7%
ROE	11.4%	13.8%	10.4%	10.3%	10.5%
ROA	10.6%	12.9%	9.7%	9.7%	9.8%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY25F
Core EPS (RM)	0.700
P/E multiple (x)	7.7
Fair Value (RM)	5.36

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	284.8	197.2	310.4	420.9	529.9
Receivables	178.6	185.8	187.6	194.6	207.1
Inventories	107.8	56.1	93.5	115.6	162.1
Other current assets	50.4	107.6	71.8	55.7	20.3
Total Current Assets	621.6	546.8	663.3	786.8	919.4
Fixed Assets	174.5	186.7	176.2	167.2	159.9
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	1732.6	1866.7	1867.0	1867.2	1867.4
Total Non-current assets	1907.0	2053.4	2043.2	2034.4	2027.3
Short-term Debt	0.0	16.4	16.4	16.4	16.4
Payables	116.4	143.1	144.0	149.4	159.0
Other Current Liabilities	63.1	5.4	5.4	5.4	5.4
Total Current Liabilities	179.5	164.9	165.8	171.1	180.8
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	186.9	171.3	172.2	177.6	187.2
Total Non-current Liabilities	186.9	171.3	172.2	177.6	187.2
Shareholder's equity	2054.5	2130.8	2236.2	2345.6	2461.4
Minority interest	287.2	298.1	298.1	298.1	298.1
Equity	2341.7	2428.9	2534.2	2643.7	2759.5

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	323.3	394.7	395.5	408.9	429.9
Depreciation & amortisation	18.2	18.9	20.3	19.1	18.1
Changes in working capital	-35.5	-26.8	-2.4	-7.7	-13.9
Others	-257.1	-388.0	-132.2	-135.4	-140.4
Operating cash flow	48.9	-1.3	281.2	285.0	293.8
Net capex	-6.3	-26.8	-9.8	-10.1	-10.8
Others	177.5	213.0	-0.2	-0.2	-0.2
Investing cash flow	171.1	186.2	-10.0	-10.4	-11.0
Changes in borrowings	-19.0	16.4	0.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-144.6	-258.0	-158.0	-164.1	-173.7
Others	-17.0	-30.8	0.0	0.0	0.0
Financing cash flow	-180.6	-272.4	-158.0	-164.1	-173.7
Net cash flow	39.5	-87.5	113.2	110.5	109.0
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0	0.0
Beginning cash	245.2	284.7	197.2	310.4	420.9
Ending cash	284.8	197.2	310.4	420.9	529.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH 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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