

**Amir Hamdan**

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<b>Recommendation:</b>	<b>HOLD</b>
<b>Current Price:</b>	<b>RM 6.36</b>
<b>Previous Target Price:</b>	<b>RM 5.36</b>
<b>Target Price:</b>	<b>RM 6.67</b> <span style="color: green;">↑</span>
<b>Upside/Downside:</b>	<b>4.9%</b>

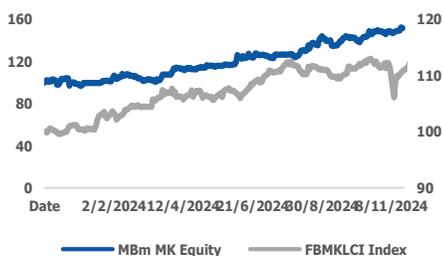
**Stock information**

Board	MAIN
Sector	Automotive
Bursa / Bloomberg Code	5983 / MBM MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆
Bloomberg ESG Rating	NA
Shares issued (m)	390.9
Market Cap (RM' m)	2,486.0
52-Week Price Range (RM)	4-6.36
Beta (x)	0.8
Free float (%)	38.3
3M Average Volume (m)	0.4
3M Average Value (RM' m)	2.3

**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 (%)	3.2	13.5	54.4
Relative (%)	4.6	16.5	40.5

## MBM Resources Berhad

### Perodua Set to Drive Future Growth

#### Summary

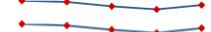
- **9MFY24 core net profit improved to RM292.0m, up +1.4% yoy, driven by a 19.3% yoy increase in Perodua sales volume came above our expectations at 110.9% of in-house estimates and 101.3% of consensus expectations.**
- **We raised our CNP forecast for FY24-26 by +6.8%/+6.3%/+6.4% to account for the stronger-than-expected demand for Perodua.**
- **We maintain our HOLD recommendation, but with a higher target price of RM6.67 based on 8.0x pegged to FY25F EPS of 8.3 sen as recent share price appreciation has reflected its fundamentals.**

#### Results Review

- **Results review.** MBMR's 3QFY24 core net profit (CNP) improved +1.4% yoy, but slipped -14.0% qoq to RM107.6m, propelled by a 4.7% rise in sales volume, fueled by high demand for Perodua vehicles. Despite sales volume for Volvo and VW remained sluggish, the segment's aftersales revenue and margins remained stable with a further 4.5% yoy increase in aftersales revenue.
- **Results exceeded expectations.** 9MFY24 CNP of RM292.0m exceeded our expectations, reaching 110.9% of our previous full-year estimate of RM263.4m, as well as above consensus expectations at 101.3% of RM288.2m. The variance was primarily driven by better-than-expected Perodua sales%.
- **Operations Highlights.** Motor trading and assembly segment revenue of RM1.60bn marked a +7.9% yoy increase RM1.71bn from 9MFY23. Growth was mainly fueled by a +19.3% yoy rise in Perodua sales volume and a +7.4% yoy improvement in aftersales performance. However, gains were partially offset by lower volumes in Volkswagen and Volvo, reflecting softer premium segment demand, and ongoing challenges in Daihatsu vehicle sales.
- **Industry Highlights** Total Industry Volume (TIV) reached 664,002 units in 10M24, reflecting a YTD growth of +2.4%, driven primarily by sustained consumer demand. For Oct 24, TIV added 20.4% mom to 69,859 units, anchored by positive impact from year-end promotional campaigns.
- **Outlook.** The automotive sector is poised for intensified competition, following the numerous new model launches expected from 2Q24 onwards. Additionally, the planned increase in goods value tax may exert further pressure on the luxury vehicle segment, which is already experiencing a significant sales slowdown.

- **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 Perodua. We maintain our **HOLD** recommendation, but with a higher target price of **RM6.67** as recent share price appreciation has reflected fundamentals.
- **Risk.** Soft consumer sentiment and unattractive model launches are risks to its motors division

**Figure 1: Results Comparison**

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	638.4	621.3	2.8	569.2	12.1	1,716.6	1,824.8	6.3		Periodua outperformed TIV
EBITDA	105.5	126.8	(16.8)	83.7	26.0	288.7	287.8	(0.3)		
Pre-tax profit	102.6	123.4	(16.8)	80.4	27.7	278.8	278.1	(0.3)		
Net profit	97.5	115.0	(15.2)	76.1	28.1	262.3	263.6	0.5		
Core net profit	107.6	125.2	(14.0)	84.6	27.2	287.9	292.0	1.4		
Core EPS (sen)	27.5	32.0	(14.0)	21.7	27.2	73.7	74.7	1.4		
EBITDA margin (%)	16.5	20.4		14.7		16.8	15.8			
PBT margin (%)	16.1	19.9		14.1		16.2	15.2			
Core PATMI margin (%)	16.9	20.2		14.9		16.8	16.0			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Revenue</b>	<b>2307.6</b>	<b>2416.2</b>	<b>2220.7</b>	<b>2104.9</b>	<b>1995.6</b>
<b>Gross Profit</b>	<b>190.2</b>	<b>200.4</b>	<b>184.2</b>	<b>174.6</b>	<b>165.5</b>
<b>EBITDA</b>	<b>123.7</b>	<b>116.8</b>	<b>76.6</b>	<b>78.2</b>	<b>71.4</b>
Depreciation & Amortisation	18.7	19.6	16.8	17.9	18.8
<b>EBIT</b>	<b>105.0</b>	<b>97.2</b>	<b>59.8</b>	<b>60.2</b>	<b>52.5</b>
Net Finance Income/ (Cost)	4.1	5.1	4.7	5.0	7.6
Associates & JV	214.3	288.9	285.4	278.5	291.5
<b>Pre-tax Profit</b>	<b>323.3</b>	<b>391.3</b>	<b>350.0</b>	<b>343.8</b>	<b>351.6</b>
Tax	-26.2	-23.0	-18.5	-18.2	-18.6
<b>Profit After Tax</b>	<b>297.1</b>	<b>368.3</b>	<b>331.4</b>	<b>325.6</b>	<b>333.0</b>
Minority Interest	29.7	37.1	37.2	37.2	37.2
<b>Net Profit</b>	<b>267.4</b>	<b>331.2</b>	<b>294.2</b>	<b>288.3</b>	<b>295.8</b>
Exceptionals	29.7	37.1	37.1	37.1	37.1
<b>Core Net Profit</b>	<b>310.1</b>	<b>368.3</b>	<b>331.2</b>	<b>325.4</b>	<b>332.8</b>

**Key Ratios**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	5.4%	4.8%	3.4%	3.7%	3.6%
EBIT margin	4.5%	4.0%	2.7%	2.9%	2.6%
PBT margin	14.0%	16.2%	15.8%	16.3%	17.6%
PAT margin	12.9%	15.2%	14.9%	15.5%	16.7%
NP margin	11.6%	13.7%	13.2%	13.7%	14.8%
Core NP margin	11.6%	13.7%	13.2%	13.7%	14.8%
ROE	13.2%	15.2%	12.7%	11.7%	11.3%
ROA	16.3%	18.0%	14.7%	14.1%	14.2%
Net gearing	Net Cash				

Valuations	FY25F
Core EPS (RM)	0.83
P/E multiple (x)	8.0
<b>Fair Value (RM)</b>	<b>6.67</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Cash</b>	<b>284.8</b>	<b>197.2</b>	<b>205.5</b>	<b>294.2</b>	<b>385.5</b>
Receivables	178.6	185.8	152.1	161.5	191.4
Inventories	115.6	161.0	148.0	173.0	185.9
Other current assets	42.5	1.7	1.7	1.7	1.7
<b>Total Current Assets</b>	<b>621.6</b>	<b>545.8</b>	<b>507.3</b>	<b>630.4</b>	<b>764.4</b>
Fixed Assets	174.5	186.6	199.2	209.0	216.5
Intangibles	1.1	1.1	1.1	1.1	1.1
Other non-current assets	1731.5	1862.8	2059.4	2096.2	2129.0
<b>Total Non-current assets</b>	<b>1907.0</b>	<b>2050.5</b>	<b>2259.7</b>	<b>2306.3</b>	<b>2346.7</b>
Short-term Debt	1.3	1.7	1.7	1.7	1.7
Payables	116.4	89.6	82.2	77.9	73.9
Other Current Liabilities	63.1	57.9	57.9	57.9	57.9
<b>Total Current Liabilities</b>	<b>179.5</b>	<b>163.9</b>	<b>159.9</b>	<b>156.5</b>	<b>153.5</b>
Long-term Debt	1.3	1.7	1.7	1.7	1.7
Other non-current liabilities	6.0	4.8	2.9	2.9	2.9
<b>Total Non-current Liabilities</b>	<b>7.4</b>	<b>6.4</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>
Shareholder's equity	2054.5	2128.1	2304.6	2477.6	2655.0
Minority interest	287.2	297.9	297.9	297.9	297.9
<b>Total Equity</b>	<b>2341.7</b>	<b>2426.0</b>	<b>2602.5</b>	<b>2775.5</b>	<b>2952.9</b>

**Cash Flow**

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Pre-tax profit</b>	<b>336.3</b>	<b>391.3</b>	<b>350.0</b>	<b>343.8</b>	<b>351.6</b>
Depreciation & amortisation	18.7	19.6	16.8	17.9	18.8
Changes in working capital	-60.4	-32.8	-46.8	34.4	42.8
Others	37.6	-29.0	-7.3	-4.3	-4.0
<b>Operating cash flow</b>	<b>69.5</b>	<b>26.9</b>	<b>9.0</b>	<b>88.6</b>	<b>87.1</b>
Net capex	-6.3	-26.8	-9.8	-10.1	-10.8
Others	177.5	212.6	152.5	149.4	156.5
<b>Investing cash flow</b>	<b>171.1</b>	<b>185.8</b>	<b>142.7</b>	<b>139.3</b>	<b>145.7</b>
Dividends paid	-78.2	-144.6	-258.0	-117.7	-115.3
Others	-102.4	-128.2	133.7	-3.3	-7.6
<b>Financing cash flow</b>	<b>-180.6</b>	<b>-272.8</b>	<b>-124.3</b>	<b>-121.0</b>	<b>-122.9</b>
<b>Net cash flow</b>	<b>39.5</b>	<b>-88.0</b>	<b>8.8</b>	<b>88.7</b>	<b>91.3</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	1.0	2.0	3.0	4.0
Beginning cash	245.2	284.7	196.7	205.5	294.2
<b>Ending cash</b>	<b>284.7</b>	<b>196.7</b>	<b>205.5</b>	<b>294.2</b>	<b>385.5</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

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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

**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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