

Amir Hamdan

(603) 7890 8888 (ext 2112)

amir.hamdan@apexsecurities.com.my

Recommendation:	BUY
Current Price:	RM 5.47
Previous Target Price:	RM 6.67
Target Price:	↓ RM 6.54
Capital Upside/ Downside:	19.6%
Dividend Yield (%):	11.0%
Total Upside/ Downside:	30.5%

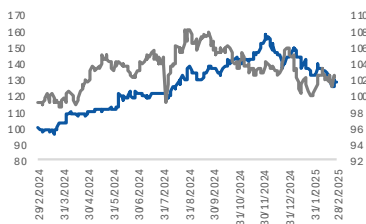
Stock information

Board	MAIN
Sector	Automotive
Bursa/ Bloomberg Code	5983/ MBMMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	390.9
Market Cap (RM' m)	2,138.2
52-Week Price Range (RM)	6.69-4.088
Beta (x)	0.9
Free float (%)	38.3
3M Average Volume (m)	0.7
3M Average Value (RM' m)	4.1

Top 3 Shareholders (%)

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

Share Price Performance



	1M	3M	12M
Absolute (%)	-4.0	-14.3	27.9
Relative (%)	-5.8	-13.9	25.0

MBM Resources Berhad

Well Positioned For Better Times Ahead

Executive Summary

- **MBMR's 4QFY24 core net profit dropped -6% yoy and +3.5% qoq to RM660.9m, bringing FY24 CNP at RM2,42bn, which was above expectations accounted for 124% and 122% of ours and consensus expectation respectively.**
- **We raised our earnings forecast for FY25-26 by +2.7%/+1.5% to account for the stronger-than-expected demand for Perodua and Jaecoo.**
- **We upgrade our recommendation to BUY, but with a lower target price of RM6.54 based on P/E multiple of 8.0x to rolled over FY26F EPS of 81.8 sen.**

Results above expectations. FY24 CNP stood at RM412m (+0.8% yoy) came above expectations, accounting to 124%/122% of ours and consensus forecasted CNP at RM331m/RM377m respectively. The difference was primarily driven by Perodua sales and new addition Jaecoo model.

YoY. 4QFY24 CNP dropped -0.8% yoy to RM120m, primarily due to lower Perodua vehicle supply towards year-end and weaker Volkswagen sales amid the absence of new model launches. Meanwhile, Daihatsu's commercial vehicle segment remained under pressure, constrained by limited model offerings. Meanwhile, revenue fell -5.6% yoy to RM660.0m.

QoQ. CNP added +11.5% qoq, primarily driven by year-end promotional activities. The Motor Trading and Assembly Division recorded RM580.7m in revenue, increase 4.1% qoq to RM22.6m, supported by higher vehicle sales and aftersales contributions.

Outlook. Looking ahead to FY25, MBMR's earnings growth will be driven by sustained Perodua sales, strong contributions from its auto parts division, and cost optimisation efforts. Perodua's market leadership and steady demand will support vehicle sales, while the auto parts segment benefits from higher production volumes and efficiency improvements

Earnings Revision. We trimmed our FY25F and FY26F earnings by -2.9% and -4.1% respectively to account for the stiffer competition in the overall automotive industry with the mushrooming of Chinese brand makers lately.

Valuation. Following the weakness in share price lately, we upgrade our recommendation on MBMR to **BUY**, but with a revised target price of **RM6.54** (from RM6.67), by pegging a 8.0x P/E multiple to rolled-over FY26F EPS of 81.8 sen and 0% ESG factored premium/discount based on three-star ESG rating.

Risk. Global trade tensions and tariff impositions among major economies may lead to raw material price volatility, supply chain disruptions, and inflationary pressures.

Results Note

Friday, 28 Feb, 2025

Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	FY24	FY23	YoY (%)	Comments
Revenue	660.9	700.2	(5.6)	638.4	3.5	2,485.6	2,416.2	2.9	Rose qoq, driven by seasonally stronger year-end sale
EBITDA	22.9	51.4	(55.5)	22.5	1.8	87.1	78.2	11.4	
Pre-tax profit	115.1	115.9	(0.7)	102.6	12.1	393.2	381.0	3.2	
Net profit	108.9	109.4	(0.5)	97.5	11.7	372.5	358.0	4.1	
Core net profit	120.0	121.0	(0.8)	107.6	11.5	412.0	408.9	0.8	Impacted by lower Perodua vehicle supply, weaker Volkswagen sales and decline in Daihatsu's commercial vehicle segment
Core EPS (sen)	30.7	31.0	(0.8)	27.5	11.5	105.4	104.6	0.8	
EBITDA margin (%)	3.5	7.3		3.5		3.5	3.2		
PBT margin (%)	17.4	16.6		16.1		15.8	15.8		
Core PATMI margin (%)	18.2	17.3		16.9		16.6	16.9		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	FY24	FY23	YoY (%)	Comments
Revenue									
Motor trading	580.7	613.4	(5.3)	558.1	4.1	2,182.4	2,098.2	4.0	
Autoparts manufacturing	79.3	86.2	(8.0)	79.6	(0.4)	300.5	316.1	(4.9)	
Others	0.8	0.6	29.9	0.6	28.9	2.8	2.5	8.8	
Total	660.9	700.2	(5.6)	638.4		2,485.6	2,416.9	2.8	

Source: Company, Apex Securities

Results Note

Friday, 28 Feb, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	2416.2	2220.7	2366.0	2435.4	2511.2
Gross Profit	200.4	177.7	189.3	194.8	200.9
EBITDA	78.2	76.6	88.8	94.6	97.4
Depreciation & Amortisation	-19.0	-18.7	-19.8	-20.6	-21.5
EBIT	97.2	91.3	92.2	92.6	93.1
Net Finance Income/ (Cost)	5.1	4.7	5.5	10.6	14.1
Associates & JV	288.9	268.7	286.3	294.7	301.3
Pre-tax Profit	1.0	355.2	373.0	376.7	380.4
Tax	-23.0	-18.8	-19.8	-20.0	-20.2
Profit After Tax	358.0	336.4	353.2	356.8	360.2
Minority Interest	37.1	37.1	37.1	37.1	37.1
Net Profit	321.0	299.4	316.2	319.7	323.2
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	321.0	299.4	316.2	319.7	323.2

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	82.1	76.6	80.9	81.8	82.7
P/E (x)	6.4	6.9	6.5	6.4	6.4
P/B (x)	0.8	0.8	0.7	0.7	0.7
EV/EBITDA (x)	32.6	33.6	30.9	30.3	30.2
DPS (sen)	0.6	0.6	6.0	0.6	0.6
Dividend Yield (%)	0.1%	0.1%	1.1%	0.1%	0.1%
EBITDA margin (%)	3.2%	3.4%	3.8%	3.9%	3.9%
EBIT margin (%)	4.0%	4.1%	3.9%	3.8%	3.7%
PBT margin (%)	0.0%	16.0%	15.8%	15.5%	15.1%
PAT margin (%)	14.8%	15.1%	14.9%	14.7%	14.3%
NP margin (%)	13.3%	13.5%	13.4%	13.1%	12.9%
CNP margin (%)	13.3%	13.5%	13.4%	13.1%	12.9%
ROE (%)	13.2%	11.6%	11.5%	10.9%	10.3%
ROA (%)	45.2%	43.8%	33.7%	29.1%	26.8%
Gearing (%)	0.1%	0.1%	0.1%	0.1%	0.1%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY26F
Core EPS (RM)	0.82
P/E multiple (x)	8.00
Fair Value (RM)	6.54

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	197.2	221.2	394.5	514.5	594.9
Receivables	185.8	152.1	181.5	186.8	192.6
Inventories	161.0	148.0	194.5	226.9	240.8
Other current assets	1.7	1.7	1.7	1.7	1.7
Total Current Assets	545.8	523.0	772.1	929.9	1030.0
Fixed Assets	186.6	432.2	424.5	418.4	413.8
Intangibles	1.1	1.1	1.1	1.1	1.1
Other non-current assets	1862.8	2059.4	2096.2	2129.0	2135.0
Total Non-current assets	2050.5	2492.6	2521.7	2548.5	2550.0
Short-term Debt	1.7	1.7	1.7	1.7	1.7
Payables	89.6	82.2	87.7	90.3	93.1
Other Current Liabilities	57.9	57.9	57.9	57.9	57.9
Total Current Liabilities	163.9	159.9	166.3	170.0	173.8
Long-term Debt	1.7	1.7	1.7	1.7	1.7
Other non-current liabilities	4.8	2.9	2.9	2.9	2.9
Total Non-current Liabilities	6.4	4.6	4.6	4.6	4.6
Shareholder's equity	2128.1	2291.5	2458.7	2636.8	2833.2
Minority interest	297.9	297.9	297.9	297.9	297.9
Total Equity	2426.0	2589.4	2756.6	2934.7	3131.1

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	391.3	355.2	373.0	376.7	380.4
Depreciation & amortisation	-17.2	-18.7	-19.8	-20.6	-21.5
Changes in working capital	-32.8	-46.8	75.9	37.7	19.8
Others	-29.0	-7.3	5.5	2.6	2.8
Operating cash flow	26.9	16.2	170.9	117.6	80.5
Net capex	-26.8	-9.8	-10.1	-10.8	-9.8
Others	212.6	152.5	149.4	156.5	163.3
Investing cash flow	185.8	142.7	139.3	145.7	153.6
Dividends paid	-144.6	-258.0	-108.9	-111.5	-118.7
Others	-128.2	142.4	-8.2	-11.8	-14.8
Financing cash flow	-272.8	-115.6	-117.1	-123.3	-133.5
Net cash flow	-88.0	24.5	173.3	120.1	80.3
Forex	0.0	0.0	0.0	0.0	0.0
Others	1.0	2.0	3.0	4.0	5.0
Beginning cash	284.7	196.7	221.2	394.5	514.5
Ending cash	196.7	221.2	394.5	514.5	594.9

Results Note

Friday, 28 Feb, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 emissions at 1,717 tCO ₂ e and Scope 2 emissions at 9,612 tCO ₂ e in FY23
Waste & Effluent	★★★	Total CO ₂ emissions reported at 11,329 tCO ₂ e (Scope 1: 1,717 tCO ₂ e, Scope 2: 9,612 tCO ₂ e) in FY23
Energy	★★★	Energy consumption increased by 1% YoY to 15,041,845 kWh
Water	★★★	Water consumption increased 6% YoY to 142,824 m ³ in FY23 due to increased production and sales
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Pesta Makanan Amal 2023 and donated to Sekolah Semangat Maju
Management	★★	Board composition: 9 members, with 2 female directors and 4 independent directors. The average board member age is 53
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:

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.

ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.

As of Friday, 28 Feb, 2025, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.