

## MBM Resources Berhad

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

### A Strong End to FY23

#### KEY INVESTMENT HIGHLIGHTS

- **FY23 results outperformed**
- **Strong year-end deliveries and production**
- **Earnings to be anchored by Perodua backlog orders in near-term**
- **FY24F earnings raised 11%**
- **Maintain BUY at higher TP of RM4.92**

**Another earnings beat.** MBMR reported strong results for its 4QFY23, boosted by strong year-end deliveries. The group reported a net profit of RM98m (+75%yoy) for its 4QFY23, which brought full year core net profit to RM306m (+29%yoy) (normalized for RM28m one-off gain on land sale). The results accounted for 113%/110% of our/consensus estimates with outperformance stemming from stronger than expected TIV. So far, no further interim or special dividend has been announced for 4QFY23 but FY23 total dividends amounted to 39sen/share (FY22: 43sen/share), implying a lower 50% DPR vs. 71% DPR in FY22. Nonetheless, we would not rule out a final dividend given the record-breaking FY23 earnings.

**Key Highlights.** Group 4QFY23 earnings were up +75%yoy driven by higher contribution from associates (+76%yoy) and JVs (+63%yoy) on the back of order backlog fulfillment and increased production. MBMR's motor trading division saw higher revenue (+8%yoy) on the back of improved supply and higher Perodua dealership sales, but margins contracted given lower sales mix from the higher end brands such as Volvo and VW, coupled with higher discounting required. Additionally, sales of Daihatsu commercial vehicles were affected by supply constraints. As a result, motor trading PBT contracted -9%yoy to RM18m despite the higher revenue registered. On the contrary, the parts manufacturing division saw improved PBT (+114%yoy) supported by robust production volume by OEMs towards year-end. Going forward, we expect MBMR's earnings to be anchored mainly by Perodua as it clears its backlog orders, which we understand stands at 128K at end-December 2023, equivalent to an estimated 4 months waiting list.

**Earnings estimates.** Given the outperformance, we raised FY24F net profit by +11% to factor in mainly higher Perodua TIV on the back of higher production to meet backlog orders. We also introduce FY25F net profit at RM273m, which is largely at similar levels to FY24F.

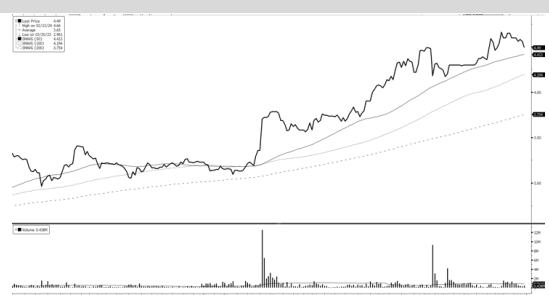
**Recommendation.** Maintain **BUY** on MBMR at higher **TP** of **RM4.92** to reflect the upward earnings revision. Our valuation pegs MBMR at 7x PER, which is close to mean PER. MBMR remains a cheap proxy to Perodua trading at 6.4x FY24F PER. Dividend yield of 7.8% (DPR: 50%) remains relatively attractive. Net cash stands at RM181m (46sen/share), accounting for 10% of market cap. Key risk to our call is sharper than expected demand normalization and supply shortages.


**Maintain BUY**
**Revised Target Price: RM4.92**  
 (Previously RM4.75)

#### RETURN STATISTICS

Price @ 28 <sup>th</sup> Feb. 2024 (RM)	4.48
Expected share price return (%)	+9.8
Expected dividend yield (%)	7.8
<b>Expected total return (%)</b>	<b>+17.7</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.7	0.0
3 months	5.9	-4.1
12 months	27.0	19.4

#### INVESTMENT STATISTICS

FYE Dec (RMm)	2023A	2024F	2025F
Revenue	2,592.9	2,344.6	2,334.0
Operating Profit	73.4	67.4	67.8
Profit Before Tax	368.5	336.5	334.4
Core PATAMI	304.6	274.2	272.5
Core EPS (sen/share)	78.1	70.3	69.8
PER (x)	5.7	6.4	6.4
DPS (sen/share)	39.0	35.1	34.9
Dividend Yield (%)	8.7	7.8	7.8

#### KEY STATISTICS

FBM KLCI	1545.49
Issue shares (m)	390.89
Estimated free float (%)	34.56
Market Capitalisation (RM'm)	1,755.09
52-wk price range	RM3.03-RM4.66
3-mth average daily volume (m)	0.89
3-mth average daily value (RM'm)	3.85
Top Shareholders (%)	
Med-Bumikar Mara Sdn Bhd	49.50
Employees Provident Fund Board	5.01
Lembaga Tabung Haji	4.81

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**Table 1: MBBR 4QFY23 Result Summary**

<b>FYE Dec (RMm)</b>	<b>4Q22</b>	<b>3Q23</b>	<b>4Q23</b>	<b>YoY</b>	<b>QoQ</b>	<b>FY22</b>	<b>FY23</b>	<b>YTD</b>
Revenue	650.9	621.3	700.2	7.6%	12.7%	2307.6	2416.9	4.7%
<b>Operating profit</b>	<b>18.4</b>	<b>47.0</b>	<b>23.2</b>	26.3%	-50.6%	<b>105.0</b>	<b>97.6</b>	-7.0%
Net finance cost	1.0	1.3	0.6	-37.1%	-54.1%	4.1	4.7	16.1%
JCE	4.2	5.4	6.9	62.8%	28.1%	16.0	24.2	51.7%
Associates	48.4	69.7	85.2	76.0%	22.2%	198.3	268.1	35.2%
<b>Pretax income</b>	<b>72.0</b>	<b>123.4</b>	<b>115.9</b>	<b>61.0%</b>	<b>-6.1%</b>	<b>323.3</b>	<b>394.7</b>	<b>22.1%</b>
Tax	(8.4)	(8.4)	(6.5)	-22.8%	-23.0%	(26.2)	(23.0)	-12.3%
PAT	63.6	115.0	109.4	72.1%	-4.8%	297.1	371.705	25.1%
MI/Discontinued Ops	7.7	10.2	11.6	51.6%	13.5%	29.7	37.2	25.3%
Net profit	55.9	104.8	97.8	74.9%	-6.6%	267.4	334.5	25.1%
<b>Core net profit</b>	<b>55.9</b>	<b>76.4</b>	<b>97.8</b>	<b>74.9%</b>	<b>28.1%</b>	<b>237.0</b>	<b>306.1</b>	29.2%
GDPS (sen)	21.00	13.00	0.00	NA	NA	43.00	39.00	-9.3%
Core EPS (sen)	14.33	19.57	25.07	74.9%	28.1%	60.73	78.45	29.2%
Operating margin	2.8%	7.6%	3.3%			4.5%	4.0%	
Pretax margin	11.1%	19.9%	16.6%			14.0%	16.3%	
Tax rate	-11.7%	-6.8%	-5.6%			-8.1%	-5.8%	
Core net profit margin	8.6%	12.3%	14.0%			10.3%	12.7%	
<b>Revenue by division</b>	<b>4Q22</b>	<b>3Q23</b>	<b>4Q23</b>	<b>YoY</b>	<b>QoQ</b>	<b>FY22</b>	<b>FY23</b>	<b>YTD</b>
Motor trading	566.1	538.0	613.4	8.4%	14.0%	1,989.3	2,098.2	5.5%
Parts Manufacturing	84.2	82.6	86.2	2.3%	4.3%	316.1	316.1	0.0%
Others	0.6	0.6	0.6	7.2%	1.3%	2.2	2.5	12.8%
<b>Pretax by division (subsidiaries)</b>	<b>74.0</b>	<b>123.4</b>	<b>115.9</b>	56.6%	-6.1%	<b>323.3</b>	<b>394.7</b>	
Motor trading	19.8	14.6	17.9	-9.2%	22.6%	64.4	54.9	-14.8%
Parts Manufacturing	3.1	6.0	6.6	114.2%	10.4%	19.1	22.9	19.7%
Others	(1.5)	27.6	(0.8)	-48.8%	-103%	25.5	24.6	-3.7%
<b>Pretax margin (subsidiaries)</b>				<b>ppts</b>	<b>ppts</b>			<b>ppts</b>
Motor trading	3.5%	2.7%	2.9%	(0.56)	0.20	3.2%	2.6%	-19.2%
Parts Manufacturing	3.7%	7.3%	7.7%	4.03	0.43	6.1%	7.2%	19.7%
Perodua TIV (units) - MAA	85,666	88,541	97,100	13.3%	9.7%	282,030	330,336	17.1%

Source: Company, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RMm)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
<b>Revenue</b>	<b>1,531.9</b>	<b>2,308.1</b>	<b>2,416.9</b>	<b>2,344.6</b>	<b>2,334.0</b>
Operating expenses	-1,489.0	-2,203.2	-2,319.2	-2,277.2	-2,266.3
<b>EBIT</b>	<b>42.9</b>	<b>104.9</b>	<b>97.6</b>	<b>67.4</b>	<b>67.8</b>
Net interest expense	3.0	4.1	4.7	4.8	4.9
Associates/JCE	161.6	216.3	292.4	264.3	261.8
<b>PBT</b>	<b>207.5</b>	<b>325.3</b>	<b>394.7</b>	<b>336.5</b>	<b>334.4</b>
Taxation	-15.6	-27.0	-23.0	-24.6	-24.4
Minority Interest	23.8	29.7	37.2	37.7	37.5
Net profit	168.1	268.6	334.5	274.2	272.5
<b>Core net profit</b>	<b>145.6</b>	<b>234.2</b>	<b>306.1</b>	<b>274.2</b>	<b>272.5</b>
<b>Balance Sheet (RMm)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
PPE	181.4	174.5	186.7	189.3	191.6
Investments in associate	1,415.1	1,527.6	1,654.9	1,729.6	1,805.3
Others	213.4	205.0	211.8	229.6	245.6
<b>Non-current assets</b>	<b>1,809.8</b>	<b>1,907.0</b>	<b>2,053.4</b>	<b>2,148.5</b>	<b>2,242.5</b>
Inventories	92.3	115.6	162.1	141.2	140.6
Receivables	164.6	199.2	185.8	229.8	228.7
Others	33.4	21.4	1.7	1.7	1.7
Cash & equivalent	260.9	282.7	197.2	307.4	387.9
<b>Current assets</b>	<b>551.2</b>	<b>619.0</b>	<b>546.8</b>	<b>680.0</b>	<b>758.9</b>
Share capital	391.7	391.7	392.7	393.7	394.7
Minority Interest	270.3	287.1	298.1	335.8	373.3
Reserves	1,526.3	1,664.0	1,738.2	1,874.4	2,009.7
<b>Total Equity</b>	<b>2,188.3</b>	<b>2,342.8</b>	<b>2,428.9</b>	<b>2,603.8</b>	<b>2,777.6</b>
Long-term borrowings	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities	5.1	4.3	4.3	4.3	4.3
Others	3.2	2.8	2.1	2.1	2.1
<b>Non-current liabilities</b>	<b>8.4</b>	<b>7.1</b>	<b>6.4</b>	<b>6.4</b>	<b>6.4</b>
Short-term borrowings	23.3	4.3	16.4	16.4	16.4
Payables	141.5	169.5	143.1	196.5	195.6
Others	-0.5	2.2	5.4	5.4	5.4
<b>Current liabilities</b>	<b>164.4</b>	<b>176.0</b>	<b>164.9</b>	<b>218.3</b>	<b>217.3</b>

<b>Cash Flow Statement (RMm)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
PBT	207.5	325.3	394.7	336.5	334.4
Depreciation & Amortization	17.5	18.4	16.4	17.4	17.6
Chgs in working capital	-34.1	-30.0	-59.4	30.3	0.7
Others	-181.5	-264.7	-353.0	-288.9	-286.2
<b>CF from Operations</b>	<b>9.3</b>	<b>48.9</b>	<b>-1.3</b>	<b>95.4</b>	<b>66.5</b>
Capex	-9.0	-6.3	-26.8	-20.0	-20.0
Others	85.1	166.1	213.0	171.8	170.2
<b>CF from Investments</b>	<b>76.1</b>	<b>159.8</b>	<b>186.2</b>	<b>151.8</b>	<b>150.2</b>
Dividends paid	-109.2	-157.5	-284.3	-137.0	-136.2
Movement in borrowings	18.1	-19.0	16.4	0.0	0.0
Others	-2.7	-4.2	-4.5	0.0	0.0
<b>CF from Financing</b>	<b>-93.8</b>	<b>-180.6</b>	<b>-272.4</b>	<b>-137.0</b>	<b>-136.2</b>
<b>Net changes in cash</b>	<b>-8.4</b>	<b>28.2</b>	<b>-87.5</b>	<b>110.1</b>	<b>80.5</b>
Beginning cash	265.0	256.6	284.8	197.2	307.4
Overdrafts & Deposits	4.3	0.0	0.0	0.0	0.0
<b>Ending cash</b>	<b>256.6</b>	<b>284.8</b>	<b>197.2</b>	<b>307.4</b>	<b>387.9</b>
<b>Key Ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
Operating margin	2.8%	4.5%	4.0%	2.9%	2.9%
Core net profit margin	9.5%	10.1%	12.7%	11.7%	11.7%
ROE	7.6%	11.4%	14.4%	12.1%	11.3%
ROA	6.2%	9.3%	11.8%	9.7%	9.1%
Net gearing (%)	-12.4%	-13.5%	-8.5%	-12.8%	-15.5%
Book value/share (RM)	4.92	5.27	5.46	5.81	6.16
PBV (x)	0.9	0.9	0.8	0.8	0.7
PER (x)	12.0	7.5	5.7	6.4	6.4

Source: Company, 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	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### 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