

## MBM Resources Berhad

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

### Results Right on Target


#### KEY INVESTMENT HIGHLIGHTS

- **2QFY24 results were within our expectations**
- **Perodua sees strong demand with double-digit increase in unit sales**
- **Volvo and Volkswagen sales remain subdued; Daihatsu's commercial vehicle sales struggle with model limitations**
- **Maintain NEUTRAL with a revised TP of RM4.90**

**Within expectations.** MBM Resources Berhad (MBMR) reported a core PATAMI of RM67.6m in 2QFY24, bringing the 1HFY24 total to RM147.9m. This result was in line with expectations, accounting for 54% of both our and the consensus full-year estimates. A first interim dividend of 6.0 sen along with a special dividend of 10.0 sen were announced, translating into a payout of 42%.

**Quarter-on-quarter.** The Group's revenue declined by -7.8%qoq, while core PATAMI dropped by -15.7%qoq, attributed to seasonality. In 2QFY24, revenue in the motor trading & assembly division fell by -7.2%qoq due to lower vehicle supply, which is reflected in the -7.1%qoq decline in TIV. Similarly, the revenue in the auto parts manufacturing division was weaker due to scheduled plant shutdowns by major OEMs during the quarter, aligning with public holidays during those months.

**Year-on-year.** The motor trading & assembly division saw a +6.9%yoy increase in revenue, driven by continued strong demand for Perodua vehicles, with a +24.1%yoy increase in unit sales volume (2QCY24 TIV: +8.3%yoy). Volvo and Volkswagen's sales remained subdued for the quarter, and Daihatsu's commercial vehicle sales faced ongoing challenges due to model limitations. The auto parts manufacturing division experienced a slight underperformance, with revenue decreasing by -3.8%yoy due to shifts in customer and model mix. However, the division's PBT more than doubled, benefiting from higher production demand from customers and the lack of specific lump cost recovery claims from vendors that had impacted the results in 2QFY23. Overall, the Group's revenue increased by +5.5%yoy, while core PATAMI rose by +30.3%yoy.

**Maintain NEUTRAL.** Our earnings estimates remain unchanged, but the target price has been slightly revised to **RM4.90** (based on 7x FY25F EPS) as we update our valuation base year. The FY24F dividend yield of +6.2% (DPR: 50%) remains appealing; however, the share price has risen by +36% year-to-date. With the stock now trading at 8.1x FY25F, which is slightly above its historical mean, we maintain a **NEUTRAL** call on MBMR. 

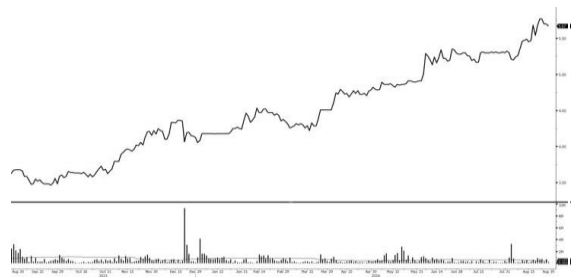
**Maintain NEUTRAL**

**Revised Target Price: RM4.90**  
(Previously RM4.92)

#### RETURN STATISTICS

Price @ 28 <sup>th</sup> August 2024 (RM)	5.67
Expected share price return (%)	-13.2
Expected dividend yield (%)	+6.2
Expected total return (%)	-7.0

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.0	3.0
3 months	7.2	8.3
12 months	48.1	27.7

#### 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)	7.3	8.1	8.1
DPS (sen/share)	39.0	35.1	34.9
Dividend Yield (%)	9.5	6.2	6.2

#### KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	390.89
Estimated free float (%)	38.29
Market Capitalisation (RM'm)	2,216.33
52-wk price range	RM3.58-RM5.84
3-mth average daily volume (m)	0.47
3-mth average daily value (RM'm)	2.49
Top Shareholders (%)	
Med-Bumikar Mara Sdn Bhd	49.50
Employees Provident Fund Board	4.64
Lembaga Tabung Haji	2.87

## MBM RESOURCES: 2Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				Cumulatively			
	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
<b>Income Statement</b>								
Revenue	569.2	617.1	539.6	-7.8%	5.5%	1,186.4	1,095.4	8.3%
Operating profit	15.1	17.8	10.5	-14.8%	43.4%	32.9	27.4	20.1%
Net finance costs	1.0	1.1	1.3	-12.4%	-28.9%	2.0	2.8	-28.1%
Share of JV	6.9	7.8	4.7	-11.5%	48.1%	14.8	12.0	22.8%
Share of associates	57.4	68.4	45.2	-16.1%	27.0%	125.8	113.2	11.1%
PBT	80.4	95.0	61.8	-15.4%	30.2%	175.4	155.4	12.9%
Tax expense	-4.3	-5.0	-3.3	15.5%	-28.5%	-9.3	-8.1	-14.8%
PATAMI	67.6	80.2	51.9	-15.7%	30.3%	147.9	131.9	12.1%
Core PATAMI	67.6	80.2	51.9	-15.7%	30.3%	147.9	131.7	12.3%
OP margin (%)	2.7%	2.9%	2.0%			2.8%	2.5%	
PBT margin (%)	14.1%	15.4%	11.4%			14.8%	14.2%	
Core PATAMI margin (%)	11.9%	13.0%	9.6%			12.5%	12.0%	
Effective tax rate (%)	-5.3%	-5.3%	-5.4%			-5.3%	-5.2%	

## SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly				Cumulatively			
	2QFY24	1QFY24	2QFY23	QoQ	YoY	6MFY24	6MFY23	YoY
<b>Revenue</b>								
Motor trading & assembly	502.3	541.2	470.0	-7.2%	6.9%	1,043.5	946.8	10.2%
Auto parts manufacturing	66.3	75.3	68.9	-11.9%	-3.8%	141.6	147.3	-3.9%
Others	0.7	0.6	0.7	6.4%	-0.1%	1.3	1.3	0.0%
<b>PBT</b>								
Motor trading & assembly	11.4	13.2	10.3	-13.7%	10.9%	24.7	22.3	10.7%
Auto parts manufacturing	5.6	7.3	2.7	-23.7%	108.3%	12.8	10.2	25.4%
Others	-0.9	-1.7	-1.1	46.4%	16.7%	-2.3	-2.3	0.0%
<b>PBT Margin</b>								
Motor trading & assembly	2.3%	2.4%	2.2%	-0.17	0.08	2.4%	2.4%	0.01
Auto parts manufacturing	8.4%	9.7%	3.9%	-1.28	4.51	9.1%	6.9%	2.11
Others	-132.6%	-263.1%	-158.9%	130.51	26.31	-175.0%	-175.0%	0.00

Source: Company, MIDFR

## FINANCIAL SUMMARY

Income Statement (RMm)	FY21	FY22	FY23	FY24F	FY25F
Revenue	1,531.9	2,308.1	2,416.9	2,344.6	2,334.0
EBIT	42.9	104.9	97.6	67.4	67.8
Net interest expense	3.0	4.1	4.7	4.8	4.9
Associates/JV	161.6	216.3	292.4	264.3	261.8
PBT	207.5	325.3	394.7	336.5	334.4
PATAMI	168.1	268.6	334.5	274.2	272.5
Core PATAMI	145.6	234.2	306.1	274.2	272.5
EPS (sen)	37.3	60.0	78.0	70.3	69.8
PER (x)	15.2	9.4	7.3	8.1	8.1
DPS (sen)	26.0	43.0	54.0	35.1	34.9
Dividend yield	4.6	7.6	9.5	6.2	6.2
Balance Sheet (RMm)	FY21	FY22	FY23	FY24F	FY25F
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
<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
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>
Deferred tax liabilities	5.1	4.3	4.3	4.3	4.3
<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
<b>Current liabilities</b>	<b>164.4</b>	<b>176.0</b>	<b>164.9</b>	<b>218.3</b>	<b>217.3</b>
Cash Flow Statement (RMm)	FY21	FY22	FY23	FY24F	FY25F
PBT	206.5	207.5	325.3	394.7	336.4
Depreciation & Amortization	17.2	17.5	18.4	16.4	17.4
Changes in working capital	33.6	-34.1	-30.0	-59.4	30.3
<b>CF from operations</b>	<b>79.9</b>	<b>9.3</b>	<b>48.9</b>	<b>-1.3</b>	<b>95.4</b>
Capex	-4.7	-9.0	-6.3	-26.8	-20.0
<b>CF from investments</b>	<b>50.2</b>	<b>76.1</b>	<b>159.8</b>	<b>186.2</b>	<b>151.8</b>
Dividends paid	-92.2	-109.2	-157.5	-284.3	-137.0
Movement in borrowings	0.0	18.1	-19.0	16.4	0.0
<b>CF from financing</b>	<b>-124.0</b>	<b>-93.8</b>	<b>-180.6</b>	<b>-272.4</b>	<b>-137.0</b>
<b>Net changes in cash</b>	<b>6.1</b>	<b>-8.4</b>	<b>28.2</b>	<b>-87.5</b>	<b>110.1</b>
Beginning cash	258.8	265.0	256.6	284.8	197.2
<b>Ending cash</b>	<b>271.0</b>	<b>256.6</b>	<b>284.8</b>	<b>197.2</b>	<b>307.4</b>
Margins	FY21	FY22	FY23	FY24F	FY25F
OP margin	2.8%	4.5%	4.0%	2.9%	2.9%
PBT margin	13.5%	14.1%	16.3%	14.3%	14.3%
Core PATAMI margin	9.5%	10.1%	12.7%	11.7%	11.7%

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### 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