

MBM Resources (MBM MK)

FY21 results were above expectation

U/G to BUY, TP lifted to MYR4.00

FY21 results came above our FY estimate, on stronger-than-expected QoQ performance, mainly from its 23%-owned Perodua (P2; 3.3x jump in vehicles sales). We raise FY22-23 earnings by 15%-16%, on stronger consumer spending post-pandemic, favouring P2. Our revised TP (+16%), pegged to an unchanged 8x FY22 PER (mean) offers a 29% upside.

Spectacular 4Q21 performance; 15 sen DPS

MBM reported core net profit of MYR109m in 4Q21 (vs. -MYR5m in 3Q21), which took FY21 core earnings to MYR168m (-4% YoY). The QoQ turnaround was impressive, driven largely by P2's performance. It recorded a spectacular 3.3x QoQ jump in vehicle sales to 71.2k units in 4Q21 (FY21: 190.3k units), driven by the relaxation of the movement control restrictions. This is impressive despite coming up short of its FY21's 200k units expectation. Meanwhile, MBM declared an interim/ final DPS of 5/10 sen respectively in 4Q21 (FY21 DPS: 20 sen; 47% DPR).

Raise FY22-23 earnings; the Perodua push factor

The earnings setback in FY21 (-4% YoY) from the pandemic is well-flagged (chips supply issue, stocks shortages). Focus is on an improved FY22 onwards, on recovery post-pandemic. Our 15-16% lift in FY22-23 earnings mainly reflects P2's improved performance. We expect P2 to register higher vehicle sales of 233k units (+22% YoY) in FY22. P2 targets to sell 6k units/ mth for its face-lifted MyVi model (launched in 4Q21) and will continue to bank on Ativa (1Q21) and the refreshed Aruz (2Q21) to spur sales. It is also taking initiatives to transition into electrification through its yet-to-be launched hybrid EVs (HEVs). All in, we see upside to our earnings, for our P2 forecast is 6% below its 247.8k unit target.

Undemanding valuations, attractive dividend appeal

We like MBM for its 3-tier exposure as a: (i) shareholder; (ii) dealer; and (iii) supplier of auto parts to P2. It is cash-rich and offers a decent dividend yield and undemanding valuations. Our DPS estimates offer attractive dividend yield of 7%, based on 44% DPR. Matching the DPR to FY21's 47% would offer investors a higher dividend yield appeal of 8-9%.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,793	1,532	1,572	1,654	1,677
EBITDA	61	61	84	87	87
Core net profit	175	168	194	205	209
Core EPS (sen)	44.8	42.9	49.5	52.4	53.4
Core EPS growth (%)	(10.6)	(4.2)	15.4	5.8	1.9
Net DPS (sen)	20.0	20.0	21.8	23.1	23.5
Core P/E (x)	7.6	7.5	6.3	5.9	5.8
P/BV (x)	0.7	0.7	0.6	0.6	0.5
Net dividend yield (%)	5.9	6.3	7.0	7.4	7.6
ROAE (%)	9.3	9.0	9.8	9.8	9.5
ROAA (%)	7.9	7.3	8.0	7.9	7.7
EV/EBITDA (x)	22.4	21.7	14.5	13.6	13.0
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	189	189	na
MKE vs. Consensus (%)	-	-	2.7	8.4	na

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BUY

[Prior:HOLD]

Share Price MYR 3.10
12m Price Target MYR 4.00 (+29%)
Previous Price Target MYR 3.45

Company Description

MBM Resources operates as an investment holding company, which engages in automotive businesses.

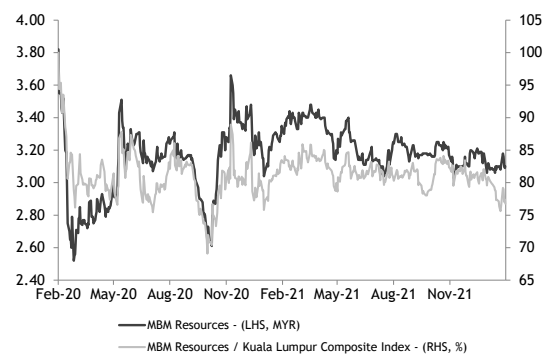
Statistics

52w high/low (MYR)	3.48/3.03
3m avg turnover (USDm)	0.1
Free float (%)	37.8
Issued shares (m)	391
Market capitalisation	MYR1.2B USD289M

Major shareholders:

Med Bumikar Mara Sdn. Bhd.	49.5%
Employees Provident Fund	9.2%
Lembaga Tabung Haji	5.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	(2)	(7)
Relative to index (%)	(5)	(7)	(8)

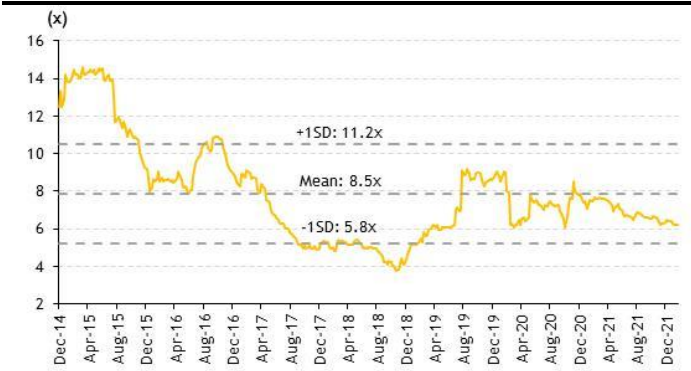
Source: FactSet

MBM Resources: Results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
Turnover	562.2	230.6	>100	560.4	0.3	1,531.9	1,793.5	(14.6)
<i>Motor trading</i>	485.3	201.6	>100	488.9	(0.7)	1,323.4	1,613.4	(18.0)
<i>Auto parts manufacturing</i>	76.4	28.5	>100	45.1	69.2	206.6	152.6	35.4
<i>Auto parts manufacturing - Disc</i>	0.0	0.0	NM	25.6	NM	0.0	25.6	NM
<i>Property development</i>	1.9	0.0	NM	1.9	(2.4)	1.9	1.9	(2.4)
<i>Others</i>	(1.3)	0.5	NM	(1.2)	12.3	0.0	0.0	NM
EBIT	17.0	0.9	>100	47.8	(64.5)	32.5	32.6	(0.4)
<i>Motor trading</i>	22.7	4.3	>100	18.2	25.1	40.0	39.7	0.8
<i>Auto parts manufacturing</i>	(3.7)	(1.6)	NM	(3.5)	7.0	0.0	0.0	NM
<i>Auto parts manufacturing - Disc</i>	0.1	(0.0)	NM	0.4	(68.5)	0.0	0.0	NM
<i>Property development</i>	(7.6)	0.0	NM	(7.1)	6.8	(7.6)	(7.1)	6.1
<i>Others</i>	5.4	(1.7)	NM	5.4	(0.1)	0.0	0.0	NM
Interest expense	(0.2)	(0.1)	60.4	(0.3)	(40.2)	(0.5)	(1.2)	(60.6)
Interest income	0.7	0.9	(16.6)	0.5	60.6	3.4	4.2	(18.7)
JV	5.0	0.3	>100	6.0	(16.7)	11.1	12.7	(12.4)
Associates	100.9	(6.2)	NM	67.9	48.7	150.5	146.9	2.5
Pre-tax profit	133.9	(4.3)	NM	98.5	36.0	207.5	206.5	0.5
Tax	(9.5)	(0.9)	NM	(9.4)	0.6	(15.6)	(16.3)	(4.2)
Minority interest	(14.7)	(0.2)	NM	(9.6)	53.2	(23.8)	(23.4)	1.6
Reported net profit	109.7	(5.3)	NM	79.4	38.1	168.1	166.8	0.7
Exceptional item	(0.5)	0.2	NM	8.3	NM	(0.3)	8.3	NM
Core net profit	109.1	(5.1)	NM	87.8	24.4	167.8	175.2	(4.2)
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
EBIT (%)	3.0	0.4	2.6	8.5	(5.5)	2.1	1.8	0.3
<i>Motor trading</i>	4.7	2.1	2.6	3.7	1.0	3.0	2.5	0.6
<i>Auto parts manufacturing</i>	(4.9)	(5.6)	0.7	(7.7)	2.8	0.0	0.0	0.0
Tax rate (%)	7.1	(20.7)	27.8	9.5	(2.5)	7.5	7.9	(0.4)
Vehicle unit sales (MAA data)	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
- Perodua	71,198	21,803	>100	75,151	(5.3)	190,291	220,163	(13.6)

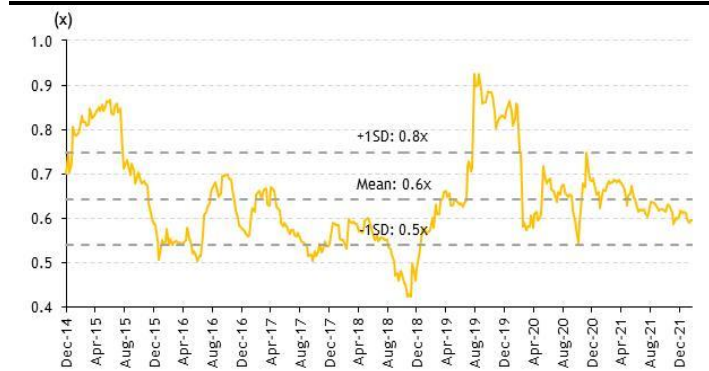
Source: Company, Maybank IBG Research

1-year forward PER



Source: Bloomberg, Maybank IBG Research

1-year forward PBV



Source: Bloomberg, Maybank IBG Research

1-year forward EV/ EBITDA



Source: Bloomberg, Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	7.5	7.5	6.3	5.9	5.8
Core P/E (x)	7.6	7.5	6.3	5.9	5.8
P/BV (x)	0.7	0.7	0.6	0.6	0.5
P/NTA (x)	0.7	0.7	0.6	0.6	0.5
Net dividend yield (%)	5.9	6.3	7.0	7.4	7.6
FCF yield (%)	5.7	0.0	4.4	4.2	4.6
EV/EBITDA (x)	22.4	21.7	14.5	13.6	13.0
EV/EBIT (x)	31.1	30.6	18.3	16.9	15.9

INCOME STATEMENT (MYR m)

Revenue	1,793.5	1,531.9	1,572.3	1,653.7	1,677.1
EBITDA	61.1	60.6	84.3	86.6	87.2
Depreciation	(17.2)	(17.7)	(17.2)	(16.5)	(15.9)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	44.0	42.9	67.1	70.1	71.3
Net interest income / (exp)	3.0	3.0	2.9	3.9	4.9
Associates & JV	159.5	161.6	170.5	180.5	183.2
Exceptionals	(8.3)	0.3	0.0	0.0	0.0
Pretax profit	206.5	207.5	240.6	254.5	259.4
Income tax	(16.3)	(15.6)	(18.0)	(19.1)	(19.5)
Minorities	(23.4)	(23.8)	(28.9)	(30.5)	(31.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	166.8	168.1	193.6	204.9	208.8
Core net profit	175.2	167.8	193.6	204.9	208.8

BALANCE SHEET (MYR m)

Cash & Short Term Investments	271.0	260.7	338.4	413.1	493.4
Accounts receivable	157.9	164.6	169.0	177.7	180.2
Inventory	56.1	92.3	94.2	98.9	100.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	214.2	181.4	174.1	167.6	161.7
Intangible assets	1.1	1.1	1.1	1.1	1.1
Investment in Associates & JVs	1,406.9	1,497.4	1,560.9	1,631.9	1,703.8
Other assets	148.7	164.1	164.1	164.1	164.1
Total assets	2,255.9	2,361.6	2,501.9	2,654.5	2,804.6
ST interest bearing debt	6.9	23.3	23.3	23.3	23.3
Accounts payable	132.8	141.5	144.4	151.8	153.8
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	0.1	0.0	0.0	0.0	0.0
Other liabilities	13.0	11.0	11.0	11.0	11.0
Total Liabilities	153.3	176.3	179.3	186.6	188.6
Shareholders Equity	1,825.7	1,915.5	2,024.0	2,138.7	2,255.7
Minority Interest	277.0	269.8	298.6	329.2	360.3
Total shareholder equity	2,102.7	2,185.3	2,322.6	2,467.9	2,616.0
Total liabilities and equity	2,255.9	2,361.6	2,501.9	2,654.5	2,804.6

CASH FLOW (MYR m)

Pretax profit	206.5	207.5	240.6	254.5	259.4
Depreciation & amortisation	17.2	17.7	17.2	16.5	15.9
Adj net interest (income)/exp	1.2	0.5	2.9	3.9	4.9
Change in working capital	18.7	(59.1)	(3.3)	(6.2)	(1.8)
Cash taxes paid	(14.5)	(16.4)	(18.0)	(19.1)	(19.5)
Other operating cash flow	(149.1)	(140.8)	(176.4)	(188.4)	(193.0)
Cash flow from operations	79.9	9.3	63.0	61.3	66.0
Capex	(4.7)	(9.0)	(10.0)	(10.0)	(10.0)
Free cash flow	75.2	0.4	53.0	51.3	56.0
Dividends paid	(92.2)	(109.2)	(85.2)	(90.2)	(91.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(28.2)	(18.1)	0.0	0.0	0.0
Other invest/financing cash flow	51.3	82.2	109.9	113.5	116.2
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	6.1	(44.7)	77.7	74.7	80.3

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(15.0)	(14.6)	2.6	5.2	1.4
EBITDA growth	(43.3)	(0.9)	39.2	2.7	0.7
EBIT growth	(50.5)	(2.4)	56.4	4.4	1.8
Pretax growth	(23.0)	0.5	16.0	5.8	1.9
Reported net profit growth	(28.0)	0.7	15.2	5.8	1.9
Core net profit growth	(10.6)	(4.2)	15.4	5.8	1.9
Profitability ratios (%)					
EBITDA margin	3.4	4.0	5.4	5.2	5.2
EBIT margin	2.5	2.8	4.3	4.2	4.3
Pretax profit margin	11.5	13.5	15.3	15.4	15.5
Payout ratio	46.9	46.5	44.0	44.0	44.0
DuPont analysis					
Net profit margin (%)	9.3	11.0	12.3	12.4	12.5
Revenue/Assets (x)	0.8	0.6	0.6	0.6	0.6
Assets/Equity (x)	1.2	1.2	1.2	1.2	1.2
ROAE (%)	9.3	9.0	9.8	9.8	9.5
ROAA (%)	7.9	7.3	8.0	7.9	7.7
Liquidity & Efficiency					
Cash conversion cycle	18.8	21.7	25.6	25.3	25.8
Days receivable outstanding	29.9	37.9	38.2	37.7	38.4
Days inventory outstanding	17.9	19.1	23.6	23.2	23.6
Days payables outstanding	29.0	35.4	36.1	35.6	36.3
Dividend cover (x)	2.1	2.2	2.3	2.3	2.3
Current ratio (x)	3.7	3.3	3.7	4.1	4.5
Leverage & Expense Analysis					
Asset/Liability (x)	nm	nm	nm	nm	nm
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	0.1	0.4	0.3	0.3	0.3
Capex/revenue (%)	0.3	0.6	0.6	0.6	0.6
Net debt/ (net cash)	(264.0)	(237.4)	(315.1)	(389.8)	(470.1)

Source: Company; Maybank

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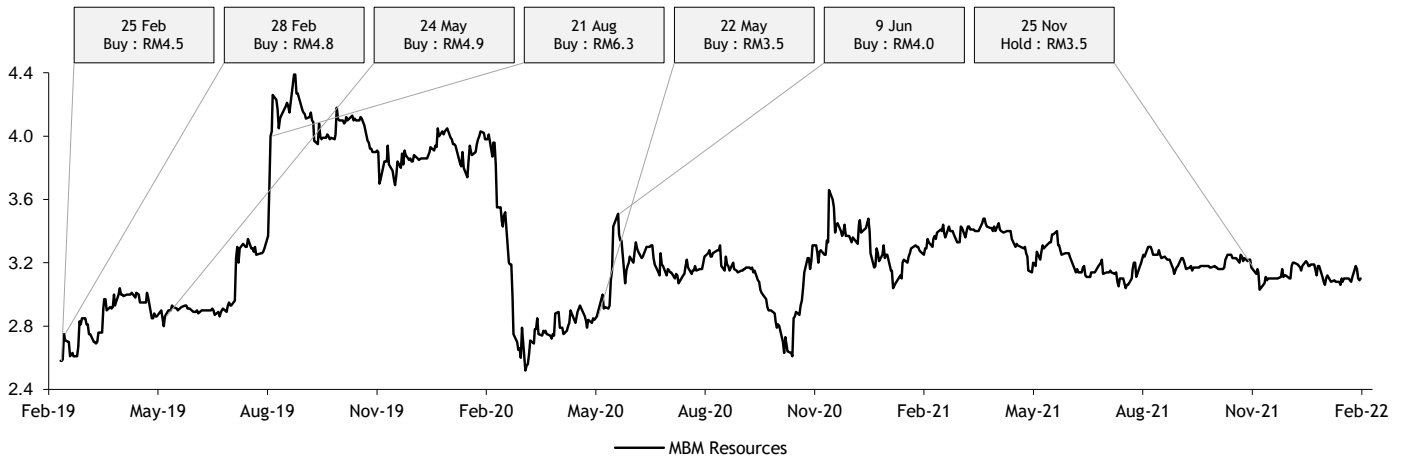
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