

PP14767/09/2012(030761)

Market Access

MBM Resources Berhad

“Shifting Into High Gear”

Results Review

- Actual vs. expectations.** MBM Resources Bhd (MBMR) 1Q15 net profit of RM35 million (+50% y-o-y) came in line with ours and consensus estimates respectively, accounting 22% and 24% of both estimates full year net profit forecast. MBMR gained immensely from its associates, Perodua (20%-stake) and Hino (42%-stake) which contributed a combined 46% of the PBT in 1Q15. Note that Perodua’s vehicle sales stood at 57k units in 1Q15, accounting 27% of Perodua’s FY15 sales target of 208k units, essentially on track with their target.
- Dividend.** No dividend was declared during the quarter.
- Top line.** Revenue rose to RM592 million (+32% y-o-y) in 1Q15 due to higher contribution from motor trading division (+1% y-o-y), auto part manufacturing division (+6% y-o-y) as well as the revenue recognition from its property development project (Menara MBM). Motor trading division performance in 1Q15 has improved due to the higher sales volume from the group’s subsidiaries, DMMS - Perodua (+28% y-o-y) which was able to offset the weaker sales volume from DMSB - Daihatsu and Hino trucks (-12% y-o-y) and Federal Auto - Volvo, Volkswagen and Mitsubishi (-28% y-o-y).
- Bottom line.** MBMR posted a strong PBT of RM65 million (-133% y-o-y) in 1Q15 supported by the strong PBT contribution from motor trading division thanks to the sturdy demand of Perodua Axia and the new Mayvi facelift coupled with robust consumer buying sentiment in 1Q15 ahead of GST implementation. The associates contribution also improved by 9% y-o-y to RM30 million. PBT margin stood at 11% in 1Q15, higher than 1Q14 margin of 6%.

Tuesday, May 26, 2015

BUY (TP: RM4.17)

Current Price (RM)	RM3.45
New Target Price (RM)	RM4.17
Previous Target Price (RM)	RM3.80
Previous Recommend.	BUY
Upside To Target Price	21%
Dividend Yield (FY16)	3%

Stock Code

Bloomberg	MBM MK
-----------	--------

Stock & Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	391
Market Cap (RM mn)	1,328
YTD Chg In Share Price	17%
Beta (x)	0.80
52-week Hi/Lo (RM)	3.48   2.60
3M Average Volume (shrs)	0.58mn
Estimated Free Float	19%

Major Shareholders

Med-Bumikar Mara	50%
EPF	14%
LTH	9%

Legend

DMSB: Daihatsu (Malaysia) Sdn Bhd
DMMS: DMM Sales Sdn Bhd

- **2015 to be a smashing year for Perodua.** We foresee 2015 to be a great year for Perodua due to the strong demand of Perodua Axia whose booking numbers have reached a respectable 100,000 units with 60,000 units have been delivered to customers by the end of March 2015. Interestingly, Perodua has launched the new Perodua Myvi facelift on 15 January 2015 with price range from RM41k-RM58k, potentially maintaining its strong grip in the A and B class segment. The new Perodua Myvi came out with six different choice of colours and available in six variants consisting of; i) 1.3 Standard G MT, ii) 1.3 Standard G AT, iii) 1.3 Premium X AT, iv) 1.5 SE MT, v) 1.5 SE AT and vi) 1.5 Advance AT. Hence, we remain optimistic that the two key models would drive Perodua to achieve its 2015 sales target of 208k units (+6% y-o-y).
- **Cash for clunkers.** Based on our channel checks, the 'cash for clunkers' scheme has been put on 'hold' by the government due to the GST's related issue but the scheme will not be cancelled and waiting for the right time to be implemented, sooner or later. We expect this to be a positive catalyst for the national car player such as Perodua and Proton to ramp-up their sales volume. The Malaysian Automotive Institute (MAI) projects 2015 TIV could reach 750k units, exceeding its initial 2015 forecast of 700k if the scheme being implemented in 2015.
- **Change to forecast.** We keep unchanged our FY15 and FY16 earnings forecast due to steady associates' contribution to the group's bottom line. Nonetheless, FY15 and FY16 earnings are forecast to jump by 39% y-o-y and 6% y-o-y driven by i) stronger Perodua vehicle sales on steady deliveries of Perodua Axia and ii) full production of Hino manufacturing plant by FY15.
- **Valuation & recommendation.** We value MBMR at RM4.17 based on 10x PER pegged to FY16 EPS of 43sen and the stock is a **BUY** powered by i) strengthening of the group's auto part manufacturing division and ii) leveraging on higher vehicles sales of Perodua and steady sales from other stable notably Hino, Daihatsu, Mitsubishi, Volvo and VW.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	10.66	77	84	14.1	13.0	1.8	1.7	10	4	11.57	Hold
Tan Chong	Dec	2.90	22	29	14.0	10.3	0.7	0.7	4	2	3.00	Hold
MBM Resources	Dec	3.45	37	41	9.3	8.3	0.8	0.8	8	2	4.17	Buy
Berjaya Auto	Apr	3.58	23	29	15.6	13.8	6.9	5.8	52	3	4.30	Buy
APM Automotive	Dec	4.90	53	56	9.7	9.2	1.0	1.0	10	4	NR	NR
Average					12.5	10.9	2.3	2.0	17	3		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	2,268	2,267	1,780	2,398	2,422
EBIT	92	70	121	72	85
Finance costs	(25)	(23)	(21)	-24	-24
Interest Income	5	9	1	7	7
Associates	125	140	125	168	170
PBT	197	196	132	223	237
Net profit	136	139	114	159	169
EPS (sen)	38	36	29	41	43
PBT margin	9%	9%	7%	9%	10%
Net profit margin	6%	6%	6%	7%	7%
PER (x)	8.3	8.3	8.3	8.5	8.0
P/BV (x)	0.9	0.9	0.8	0.8	0.8
DPS (sen)	6	6	6	8	9
Dividend yield	2%	2%	2%	2%	3%

Source: Bursa Malaysia, M&amp;A Securities

Table 3: Results Analysis

YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
Revenue	447	418	592	42%	32%	447	592	32%
Gross profit	29	32	66	109%	129%	29	66	129%
Net finance cost	(5)	(5)	(5)	1%	1%	(5)	(5)	1%
Associates/JCE	33	38	34	-9%	4%	33	34	4%
PBT	28	40	65	64%	133%	28	65	133%
Taxation	(1)	(3)	(15)	508%	1176%	(1)	(15)	1176%
Net profit	23	34	35	5%	50%	23	35	50%
EPS (sen)	6	9	9	5%	50%	6	9	50%
EBIT margin	6%	8%	11%			6%	11%	
PBT margin	6%	10%	11%			6%	11%	
Net profit margin	5%	8%	6%			5%	6%	
Effective tax rate	4%	6%	23%			4%	23%	

Source: Bursa Malaysia, M&amp;A Securities

Table 4: Segmental Analysis

YE: Dec (RM million)	1Q14	4Q14	1Q15	q-o-q	y-o-y	3M14	3M15	y-o-y
<u>Revenue</u>								
Motor Trading	409	378	411	9%	1%	409	411	1%
Auto Parts Manufacturing	38	40	41	2%	6%	38	41	6%
<u>PBT</u>								
Motor Trading	29	5	34	551%	19%	29	34	19%
Auto Parts Manufacturing	4	(2)	2	NM	-47%	4	2	-47%

Source: Bursa Malaysia, M&amp;A Securities

Table 5: Selected New Launches 2014/2015

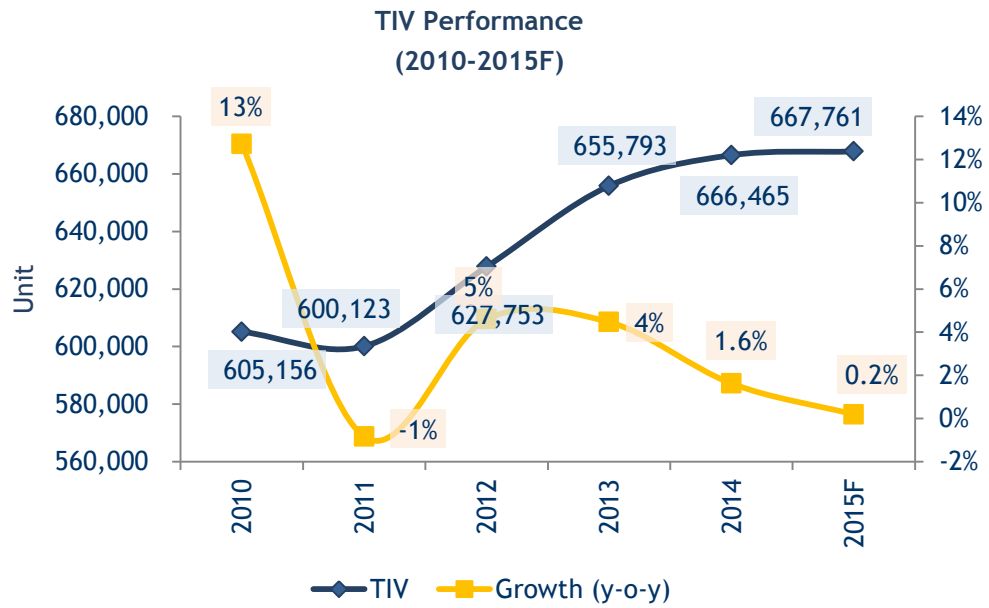
Model	Launch	Segment	OTR price (RM)
Toyota Rush Facelift	Apr-15	SUV	98k-103k
Toyota Camry	Apr-15	D	150k-175k
Mazda CX-5 GL	Apr-15	SUV	126k-133k
Mazda 3	Apr-15	C	106k-121k
Honda H-RV	Feb-15	SUV	99k-119k
Proton Exora Facelift	Feb-15	MPV	57k-82k
Perodua Myvi Facelift	Jan-15	B	42k-59k
Mazda 2	Jan-15	B	88k
Nissan Almera Facelift	Jan-15	B	65k-78k
Nissan X-Trail	Jan-15	SUV	142k-165k
Perodua Axia	Sep-14	A	24K-42K
Proton Iriz	Sep-14	B	42k-62k
Honda Jazz	Jul-14	B	73k-88k
Nissan Teana	Jun-14	D	140k-170k
Mazda 5	May-14	MPV	157k
Perodua Myvi XT	Apr-14	B	41k - 44k
Nissan Sylphy	Apr-14	C	112k - 122k

Source: Company, M&amp;A Securities

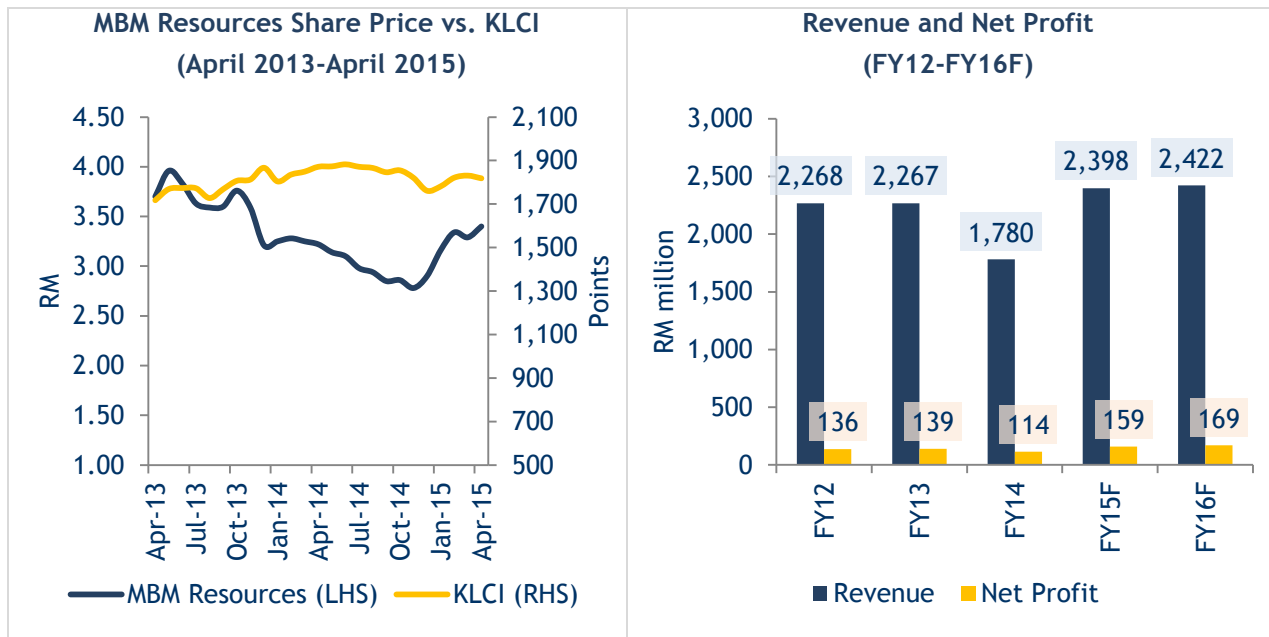
Table 6: YTD 2015 TIV

Marque	Mar-14	Feb-15	Mar-15	m-o-m	y-o-y	3M14	3M15	y-o-y
Proton	12,315	8,254	10,528	28%	-15%	32,734	27,682	-15%
Perodua	16,324	18,589	22,497	21%	38%	44,024	57,153	30%
Toyota	10,046	5,159	7,335	42%	-27%	24,634	16,603	-33%
Honda	4,915	6,042	9,581	59%	95%	15,627	22,145	42%
Nissan	3,994	3,515	5,005	42%	25%	11,957	13,226	11%
Mazda	918	994	1,503	51%	64%	2,257	3,372	49%
Others	10,407	7,837	10,865	39%	4%	28,677	28,125	-2%
TIV	58,919	50,390	67,314	33.6%	14%	159,910	168,306	5.250%
Passenger	52,122	44,917	59,318	32%	14%	52,122	148,932	186%
Commercial	6,797	5,473	7,996	46%	18%	17,382	19,374	11%

Source: MAA, M&amp;A Securities



Source: MAA, M&A Securities



Source: Bloomberg, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

## DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)

(A wholly-owned subsidiary of INSAS BERHAD)

A Participating Organisation of Bursa Malaysia Securities Berhad

### Principal Office:

Level 1,2,3 No.45 & 47,43-6

The Boulevard, Mid Valley City,

Lingkaran Syed Putra,

59200 Kuala Lumpur

Tel: +603 - 2282 1820 Fax: +603 - 2283 1893

Website: [www.mnaonline.com.my](http://www.mnaonline.com.my)