

23 May 2019

UMW Holdings Bhd

1Q19 Within Our Expectation

By Wan Mustaqim Bin Wan Ab Aziz I wanmustaqim@kenanga.com.my

1Q19 core PATAMI of RM78.7m (+17% YoY, +14% QoQ) came in within our expectation at 20%, but below consensus expectation at 16%, of the full-year estimate. For 1Q19, UMW Toyota Motor sales was at 13,722 units (+8% YoY, +6% QoQ), whereas, Perodua's sales were at 60,659 units (+9% YoY, +3% QoQ). No changes to our FY19-20E CNP and our TP of RM5.80 based on 17x FY19E EPS. Maintain MP.

1Q19 within our expectation. 1Q19 core PATAMI of RM78.7m (+17% YoY, +14% QoQ) came in within our expectation at 20%, but below consensus expectation at 16%, of the full-year estimate. No dividend was declared for the quarter as opposed to 5.0 sen in 1Q18.

YoY, 1Q19 core PATAMI rose 17% buoyed by: (i) higher Automotive revenue (+15%) from UMW Toyota Motor sales at 13,722 units (+8% YoY), (ii) better performance of associate and joint-venture company (+17%) especially from 38%-owned Perodua, which recorded higher unit sales at 60,659 units (+9% YoY), (iii) higher Equipment revenue (+3%) with the strong export sales for Komatsu equipment and industrials old fleet renewal, and (iv) higher M&E segment revenue (+40%), with higher sales of auto component and improved sales from aerospace business. This was despite lower PBT margin by 1.3ppt to 5.1% from 6.4% in 1Q18 due to higher depreciation (+59%) largely from the new Bukit Raja Plant.

Note that, the top three selling models in 1Q19 were Vios, Hilux and Rush, which accounted for 68% of Toyota's (excluding Lexus) sales, whereas, Perodua's consists of Myvi, Axia and Aruz.

QoQ. 1Q19 core PATAMI increased by 14% mainly from: (i) the stronger UMW Toyota Motor's 1Q19 sales unit (+6%) boosted by the roll-out of the all-new Toyota Vios (RM78-88k) on 24th January 2019, (ii) favourable sales mix under equipment segment (higher margin sales), (iii) lower finance costs (-40%) from lower borrowings, and (iv) lower effective tax rate of 20.9% (4Q18:28.7%). This was despite the higher depreciation (+70%) largely from the new Bukit Raja Plant affecting its Automotive segment margin as well as lower contribution from associates and JV companies largely due to Perodua's investment cost on all-new Perodua ARUZ platform.

Outlook. UMW Toyota is targeting a better year for 2019 at 75k units (+15%) for Toyota and Lexus models. UMW has launched the all-new Toyota Vios (RM78-88k) on 24th January 2019, all-New Toyota Yaris (RM72-84k) on 19th April 2019 and will be launching the A90 Toyota GR Supra (CBU by 2H19). Elsewhere, 38%-owned Perodua is targeting higher 2019 sales of 231k (+1.7%), from the all-new ARUZ (bookings at 20k units, 9.8k delivered) and MyVi (bookings at 150k, with c.130k units delivered). For Equipment, the group will continue to leverage on its partners (KOMATSU & TICO)' strength to boost product range and market penetration while, expanding total solutions services. UMW Aerospace, under the M&E segment, is expected to trim its losses to c.RM20m level in FY18/FY19 before reaching breakeven level in FY20 considering that some front-loaded investments need to be amortised.

Maintain MARKET PERFORM with an unchanged Target Price of RM5.80 based on 17x FY19E EPS, which is the 5-year historical mean PER, or implying 14.3x FY20E EPS. Risks to our call include: (i) lower-than-expected car sales volume, and (ii) unfavourable forex.

MARKET PERFORM ↔

Price: RM5.45
Target Price: RM5.80 ↔

Share Price Performance



KLCI	1,603.74
YTD KLCI chg	-5.1%
YTD stock price chg	-0.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK Equity
Market Cap (RM m)	6,367.2
Shares Outstanding	1,168.3
52-week range (H)	6.95
52-week range (L)	4.20
3-mth avg daily vol:	1,672,144
Free Float	41%
Beta	0.6

Major Shareholders

Skim Amanah Saham Bumiputera	40.8%
Employees Provident Fund	10.8%
Yayasan Pelaburan Bumiputera	7.8%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	11,306.3	11,636.0	12,347.7
EBIT	522.9	412.8	508.2
PBT	786.2	611.9	736.1
PATAMI	341.7	398.8	473.2
CNP	379.7	398.8	473.2
Consensus NP	-	499.6	561.1
Earnings Revision	-	-	-
Core EPS (sen)	32.5	34.1	40.5
C.EPS growth	135.5	5.0	18.7
NDPS (sen)	7.5	7.5	7.5
BVPS (RM)	2.85	3.11	3.44
Core PER (x)	16.8	16.0	13.5
PBV (x)	1.9	1.8	1.6
Net Gearing (x)	0.5	0.4	0.4
Net Div. Yield	1.4	1.4	1.4

23 May 2019

Result Highlight						
	1Q	4Q	QoQ	1Q	YoY	
FYE Dec (RM'm)	FY19	FY18	Chg	FY18	Chg	
Turnover	2,774.8	2,681.8	3%	2,415.3	15%	
Associates and JV	65.6	96.3	-32%	56.3	17%	
EBIT/LBIT	159.9	136.0	18%	168.1	-5%	
PBT/(LBT)	140.7	103.9	35%	154.3	-9%	
Taxation and Zakat	(29.5)	(29.8)	1%	(29.6)	1%	
PATAMI	86.5	15.1	474%	74.1	17%	
Core PATAMI	78.7	69.3	14%	67.2	17%	
Core EPS (sen)	6.7	5.9	14%	5.7	17%	
DPS (sen)	-	2.5		5.0		
<p><i>*Note that the 1Q19 core PATAMI has been adjusted by excluding non-core items amounting to RM7.8m, which consists of: (i) reversal for impairment losses of receivables of RM4.7m, (ii) write down of PPE of RM0.05m, (iii) loss on sale of investment of RM3.7m, (vi) Gain on disposal of property, plant and equipment of RM6.8m.</i></p>						
EBIT/(LBIT) margin	5.8%	5.1%		7.0%		
PBT/(LBT) margin	5.1%	3.9%		6.4%		
Core NP/ (NL) margin	2.8%	2.6%		2.8%		
Effective tax rate	20.9%	28.7%		19.2%		

Source: Company, Kenanga Research

Segmental Breakdown						
	1Q	4Q	QoQ	1Q	YoY	
FYE Dec (RM'm)	FY19	FY18	Chg	FY18	Chg	
Revenue	2,774.8	2,681.8	3.5%	2,415.3	14.9%	
Automotive	2,162.5	2,046.1	5.7%	1,877.1	15.2%	
Equipment	382.8	397.8	-3.8%	373.0	2.6%	
M&E	237.1	242.5	-2.2%	168.5	40.7%	
Others	(7.7)	(4.5)	N.M	(3.2)	-137.8%	
Segment PBT/(LBT)	140.7	103.9	35.3%	154.3	-8.8%	
Automotive	124.2	125.5	-1.0%	125.9	-1.4%	
Equipment	42.2	26.0	61.9%	44.9	-6.2%	
M&E	2.3	9.5	-75.4%	(2.9)	>100%	
Others	(28.0)	(57.1)	N.M	(13.7)	N.M	
Segment Margin						
Automotive	5.7%	6.1%		6.7%		
Equipment	11.0%	6.5%		12.0%		
M&E	1.0%	3.9%		-1.7%		
Others	N.M	N.M		N.M		

Source: Company, Kenanga Research

23 May 2019

Peer Comparison																	
Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
AUTOMOTIVE																	
BERMAZ AUTO BHD	2.30	2,667.6	Y	04/2019	20.5%	3.6%	78.5%	3.2%	19.1	10.7	10.4	5.1	4.1	42.5%	7.5%	2.85	OP
DRB-HICOM BHD	2.00	3,866.5	Y	03/2019	3.3%	2.1%	12.3%	5.1%	12.4	11.0	10.5	0.6	0.6	5.1%	1.5%	1.90	MP
MBM RESOURCES BERHAD	2.90	1,133.6	Y	12/2018	0.3%	1.0%	1.7%	2.1%	6.8	6.7	6.6	0.6	0.6	8.9%	2.1%	3.45	OP
SIME DARBY BERHAD	2.17	14,757.8	Y	06/2018	0.7%	2.3%	-6.9%	3.3%	17.2	18.5	17.9	0.4	0.4	2.1%	3.7%	2.35	MP
TAN CHONG MOTOR HOLDINGS BHD	1.59	1,037.7	Y	12/2018	0.3%	1.8%	-3.8%	4.7%	9.9	10.3	9.8	0.4	0.4	3.6%	2.5%	2.15	OP
UMW HOLDINGS BHD	5.45	6,367.2	Y	12/2018	2.9%	6.1%	5.0%	18.7%	16.8	16.0	13.5	1.9	1.8	11.5%	1.4%	5.80	MP
Simple Average					5.0%	2.2%	16.4%	3.7%	13.1	11.4	11.0	1.4	1.2	12.4%	3.5%		
CONSENSUS ESTIMATES																	
APM AUTOMOTIVE HOLDINGS BHD	2.95	576.8	Y	12/2019	-0.8%	3.8%	0.7%	4.8%	15.0	14.9	14.2	0.5	0.5	3.1	0.1	2.83	NEUTRAL
PECCA GROUP BHD	1.09	199.9	Y	06/2019	9.8%	4.9%	55.8%	5.6%	19.6	12.6	11.9	1.2	1.2	9.5	0.1	1.30	BUY

Source: Bloomberg, Kenanga Research

This rest of the page is intentionally left blank

23 May 2019

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)
Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my



Chan Ken Yew
Head of Research