

29 November 2019

UMW Holdings Bhd

9MFY19 Within Expectations

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

9MFY19 core PATAMI of RM277.3m (-14% YoY) came in within our/consensus expectations at 74%/72% of full-year estimates. UMW recorded the highest quarterly profit since the last 4 quarters at RM115m (+12% QoQ) on higher margin models sales and improved contribution from M&E segment. No change to our FY19-20E CNP and TP of RM5.45 based on 14x FY20E EPS. Maintain MP.

9MFY19 within expectations. 9MFY19 core PATAMI of RM277.3m (-14% YoY) came in within our/consensus expectations at 74%/72% of full-year estimates. Special DPS of 4.0 sen was declared for the quarter, bringing YTD-FY19 DPS to 4.0 sen (YTD-FY18: 4.0sen), within expectation.

YoY, 9MFY19 core PATAMI plunged 14%, no thanks to: (i) weaker equipment segment profit contribution (-14%) following a slow-down in construction, manufacturing, mining and logging activities in countries that the segment operates in, (ii) lower Automotive segment's profit contribution (-1%) from the weaker UMW Toyota Motor's sales of 58,885 units (-15%) from the delay in pricing approval, (iii) higher effective tax rate of 19.6% (9MFY18: 18.1%), and (iv) higher depreciation (+153%) largely from the new Bukit Raja Plant. The decline was despite: (i) higher associate and joint-venture company contribution (+33%), especially from 38%-owned Perodua, which recorded better sales of 178,668 units (+6%), and (ii) higher M&E segment profit contribution (+155%), due to the ramping up of fan case production by the Aerospace sub-segment.

QoQ. 3QFY19 core PATAMI surged 12% buoyed by: (i) higher associate and joint-venture company (+12%), especially from 38%-owned Perodua, which recorded higher margin sales driven by the all-new Perodua Myvi and the all-new Perodua ARUZ (25k bookings, 22.2k delivered), despite recording lower unit sales of 56,972 units (-7%), (ii) higher M&E segment profit contribution (+16%), due to the ramping up of fan case production by the Aerospace sub-segment, and (iii) lower effective tax rate of 14.0% (2QFY19: 20.3%). These more than offset: (i) lower Automotive segment profit contribution (-7%) from the weaker UMW Toyota Motor's sales of 19,908 units (-9%) affected by the spate of public holidays, and (ii) weaker equipment segment margin earned (-13.2%) in a challenging market for both its Heavy and Industrial Equipment businesses.

Outlook. UMW Toyota targeted higher 2019 sales at 72k units (+8%) 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, A90 Toyota GR Supra (20th Sept) and will be launching the all-New Toyota Corolla Altis by year-end and 4 new SUVs in 2020. Elsewhere, 38%-owned Perodua is targeting higher 2019 sales of 235k units (+3%), driven by the all-new MyVi and ARUZ. For Equipment division, the group will continue to leverage on its partners (KOMATSU & TICO)'s strengths, while UMW Aerospace is expected to reach breakeven level by FY20.

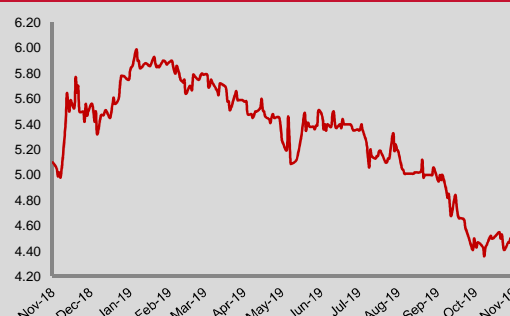
Maintain MARKET PERFORM with Target Price of RM5.45 based on 14x FY20E EPS (at -1.0SD of its 5-year historical mean PER).

Risks to our call include: (i) lower-than-expected car sales volume, and (ii) unfavourable forex.

OUTPERFORM ↔

Price: RM4.40
Target Price: RM5.45 ↔

Share Price Performance



KLCI 1,583.77
YTD KLCI chg -6.3%
YTD stock price chg -19.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK Equity
Market Cap (RM m)	5,140.5
Shares Outstanding	1,168.3
52-week range (H)	6.02
52-week range (L)	4.32
3-mth avg daily vol	352,056
Free Float	30%
Beta	0.7

Major Shareholders

Skim Amanah Saham Bumiputera	41.1%
Employees Provident Fund	11.3%
Yayasan Pelaburan Bumiputera	7.2%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	11,306.3	11,987.1	12,822.2
EBIT	522.9	557.2	701.5
PBT	786.2	847.2	1,029.0
PATAMI	341.7	374.6	455.0
CNP	379.7	374.6	455.0
Consensus NP	-	383.9	431.5
Earnings Revision	-	-	-
Core EPS (sen)	32.5	32.1	38.9
C.EPS growth (%)	135.5	-1.3	21.5
NDPS (sen)	7.5	7.5	7.5
BVPS (RM)	2.85	3.09	3.41
Core PER (x)	13.5	13.7	11.3
PBV (x)	1.5	1.4	1.3
Net Gearing (x)	0.5	0.3	0.2
Net Div. Yield (%)	1.7	1.7	1.7

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Result Highlight

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
Turnover	2,882.7	2,966.0	-3%	3,289.8	-12%	8,623.5	8,624.4	0%
Associates and JV	85.2	76.1	12%	58.3	46%	227.0	170.6	33%
EBIT/LBIT	181.1	222.4	-19%	203.6	-11%	536.4	693.9	-23%
PBT/(LBT)	150.3	179.1	-16%	203.6	-26%	443.1	622.0	-29%
Taxation and Zakat	(21.0)	(36.3)	42%	(43.5)	52%	(86.8)	(112.7)	23%
PATAMI	103.3	57.2	81%	96.7	7%	239.1	407.3	-41%
Core PATAMI	115.0	102.9	12%	137.7	-16%	277.3	324.2	-14%
Core EPS (sen)	9.8	8.8	12%	11.8	-16%	23.7	27.7	-14%
DPS (sen)	4.0	-	-	-	-	4.0	4.0	-
EBIT/(LBIT) margin	6.3%	7.5%	-	6.2%	-	6.2%	8.0%	-
PBT/(LBT) margin	5.2%	6.0%	-	6.2%	-	5.1%	7.2%	-
Core NP/ (NL) margin	4.0%	3.5%	-	4.2%	-	3.2%	3.8%	-
Effective tax rate	14.0%	20.3%	-	21.4%	-	19.6%	18.1%	-

Source: Company, Kenanga Research

Segmental Breakdown

	3Q	2Q	QoQ	3Q	YoY	9M	9M	YoY
FYE Dec (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
Revenue	2,882.7	2,966.0	-2.8%	3,289.8	-12.4%	8,623.5	8,624.4	0.0%
Automotive	2,296.9	2,386.4	-3.7%	2,643.4	-13.1%	6,845.9	6,903.1	-0.8%
Equipment	353.7	343.6	2.9%	403.4	-12.3%	1,080.1	1,142.4	-5.5%
M&E	252.4	244.5	3.2%	253.6	-0.5%	734.0	600.3	22.3%
Others	(20.3)	(8.5)	-	(10.6)	-	(36.5)	(21.4)	-
Segment PBT/(LBT)	150.3	179.1	-16.1%	203.6	-26.2%	443.1	622.0	-28.8%
Automotive	140.1	151.1	-7.3%	151.3	-7.4%	415.4	419.6	-1.0%
Equipment	30.8	35.5	-13.2%	43.5	-29.3%	108.4	126.3	-14.1%
M&E	15.4	13.2	16.1%	15.5	-1.0%	30.9	12.1	154.8%
Others	(35.9)	(20.7)	-	(6.7)	-	(111.6)	64.0	-
Segment Margin								
Automotive	6.1%	6.3%	-	5.7%	-	6.1%	6.1%	-
Equipment	8.7%	10.3%	-	10.8%	-	10.0%	11.1%	-
M&E	6.1%	5.4%	-	6.1%	-	4.2%	2.0%	-

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliance	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	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.				
STOCKS UNDER COVERAGE																		
BERMAZ AUTO BHD	2.14	2,486.7	Y	04/2020	0.6%	0.5%	-16.3%	16.7%	9.4	11.2	9.6	4.1	3.6	34.0%	7.6%	2.75	OP	
DRB-HICOM BHD	2.39	4,620.4	Y	12/2019	-33.3%	63.8%	-4.8%	77.1%	25.3	26.5	15.0	0.7	0.7	2.6%	1.3%	2.60	MP	
MBM RESOURCES BERHAD	3.94	1,540.1	Y	12/2019	-3.7%	0.3%	19.6%	4.2%	9.3	7.8	7.5	1.0	0.9	12.0%	3.0%	4.75	OP	
SIME DARBY BERHAD	2.30	15,643.3	Y	06/2020	4.1%	4.4%	-9.4%	15.4%	16.5	18.2	15.7	1.1	1.1	5.8%	4.3%	2.20	MP	
TAN CHONG MOTOR HOLDINGS BHD	1.32	861.5	Y	12/2019	-10.2%	1.0%	-44.7%	15.5%	8.2	14.8	12.8	0.3	0.3	2.1%	3.0%	1.05	UP	
UMW HOLDINGS BHD	4.40	5,140.5	Y	12/2019	6.0%	7.0%	-1.3%	21.5%	13.5	13.7	11.3	1.5	1.4	10.8%	1.7%	5.45	OP	
Simple Average					-8.5%	14.0%	-11.1%	25.8%	13.7	15.7	12.1	1.4	1.3	11.3%	3.9%			

Source: Bloomberg, Kenanga Research

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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.**

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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

