



## Company report

# UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

16 June 2020

1Q earnings dampened by Covid-19

**HOLD**

(Maintained)

Jeremie Yap Jake Hui

jeremie-yap@ambankgroup.com

+603-2036 2304

Rationale for report: Company results/update

Price	RM2.65
Fair Value	RM2.70
52-week High/Low	RM5.50/RM1.65

## Key Changes

Fair value	↕
EPS	↔

YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	11,739.1	10,216.2	10,788.7	11,146.8
Core net profit (RM mil)	278.6	178.8	267.5	282.7
FD Core EPS (sen)	23.8	15.3	22.9	24.2
FD Core EPS growth (%)	(38.6)	(35.8)	49.6	5.7
Consensus Net Profit (RM mil)	-	-	341.4	322.3
DPS (sen)	6.0	4.6	6.9	7.2
PE (x)	11.1	17.3	11.6	11.0
EV/EBITDA (x)	2.7	8.8	6.1	5.8
Div yield (%)	2.3	1.7	2.6	2.7
ROE (%)	8.0	4.9	7.0	7.0
Net Gearing (%)	36.5	39.3	37.9	36.2

## Stock and Financial Data

Shares Outstanding (million)	1,168.3
Market Cap (RM mil)	3,096.0
Book Value (RM/share)	3.08
P/BV (x)	0.9
ROE (%)	8.0
Net Gearing (%)	36.5

Major Shareholders	ASB (40.7%)
	EPF (8.8%)
	PNB (7.3%)
Free Float	32.6
Avg Daily Value (RM mil)	7.2

Price performance	3mth	6mth	12mth
Absolute (%)	15.7	(41.0)	(50.3)
Relative (%)	3.8	(38.1)	(45.7)



## Investment Highlights

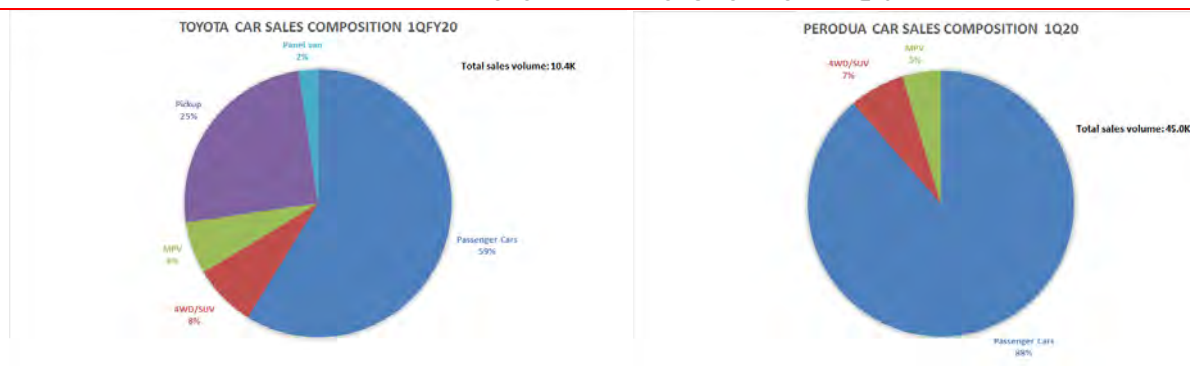
- We maintain our HOLD call on UMW Holdings (UMWH) with a higher SOP-derived FV of RM2.70 (from RM2.56 previously) based on a rolled-over FY21F PE of 10x for its motor segment.
- We cut UMWH's FY20F core net profit forecast by 40% after tweaking our sales volume assumptions lower and reducing our estimate for the revenue contribution from the equipment division. We make no changes to our FY21–22F earnings estimates.
- UMWH's 1Q20 core net profit of RM44.8mil (-42.0% YoY) was below our expectations, accounting for 15% and 21% of our full-year forecast and consensus respectively.
- UMWH registered a 1Q20 revenue of RM2.1bil, which was a 24% YoY decrease. The poorer performance was attributed to: i) lower revenue contribution from the automotive segment; and ii) weaker contribution from the equipment segment due to the intensified pricing competition with its competitors as guided by the group.
- To recap, Toyota sold 10.4K units in 1Q20 (-24% YoY) vs. 13.7K units in 1Q19. Toyota's market share in 1Q20 was 9.9%. The company confirmed during an analyst briefing that there will be 3 more new SUV launches in 2020 after the recent debut of the all-new Lexus UX200. Channel checks have indicated that the next one will be the Toyota RAV4 CBU while the subsequent two SUV launches will be CKD models.
- For the automotive segment, the group registered a lower 1Q20 revenue of RM1.6bil (-27% YoY) due to the lower number of vehicles sold in the quarter. Sales in March were impacted by the movement control order (MCO) which took effect on 18 March 2020. The automotive segment's net profit tumbled 48% YoY attributed largely to lower contribution from associates.
- We believe that the drop in 1Q20 associate earnings of RM29.2mil (-56% YoY) was due to the weaker performance from Perodua. Perodua sold 45.0K units in 1Q20 vs. 60.7K units in 1Q19 (-26% YoY). The lower Perodua sales volume was likely attributed to the MCO – which shuttered all dealerships and showrooms.
- UMWH's only saving grace for the quarter was the M&E segment. The division registered a higher 1Q20 revenue of RM248.5bil (+5% YoY) and a net profit of RM6.5mil, compared to a 1Q19 net loss of RM3.2mil. This was largely contributed by higher deliveries of fan cases in the aerospace segment and the group's measures to improve margins through cost containment measures. The group has further guided that the production of Trent 7000 is scheduled to commence in 4Q2020.

**EXHIBIT 1: EARNINGS SUMMARY**

RM mil	1Q19	4Q19	1Q20	QoQ	YoY
<b>Revenue</b>	<b>2,774.8</b>	<b>3,115.7</b>	<b>2,119.2</b>	-32%	-24%
Operating Expenses	(2,718.8)	(3,080.4)	(2,095.6)	-32%	-23%
Other Operating Income	20.5	39.8	22.1	-45%	8%
<b>Operating Profit</b>	<b>76.5</b>	<b>75.1</b>	<b>45.7</b>	-39%	-40%
Finance Costs	(19.2)	(32.6)	(29.7)	-9%	55%
Share of Profits of Associates & JV	65.6	64.6	29.2	-55%	-56%
Investment Income	17.7	16.4	17.9	9%	1%
<b>Profit before tax</b>	<b>140.7</b>	<b>123.5</b>	<b>63.0</b>	-49%	-55%
Tax	(29.5)	(21.9)	(14.2)	-35%	-52%
<b>Profit after tax</b>	<b>111.2</b>	<b>101.6</b>	<b>48.8</b>	-52%	-56%
Minority interest					
Continuing operations	25.5	46.8	4.5	-90%	-82%
Discontinued operations	(1.2)	(9.2)	0.0	-100%	-100%
<b>Total</b>	<b>24.3</b>	<b>37.6</b>	<b>4.5</b>	<b>-88%</b>	<b>-82%</b>
<b>Net profit</b>					
Continuing operations	<b>85.7</b>	<b>208.1</b>	<b>44.3</b>	-79%	-48%
Discontinued operations	0.8	(7.7)	0.0	-100%	-100%
<b>Total</b>	<b>86.5</b>	<b>200.5</b>	<b>44.3</b>	-78%	-49%
<b>Core net profit</b>	<b>77.9</b>	<b>15.5</b>	<b>44.8</b>	188%	-42%
<b>Margins</b>					
EBIT margin	2.8%	2.4%	2.2%		
PBT Margin	5.1%	4.0%	3.0%		
Net profit margin	3.1%	6.7%	2.1%		
Core net profit margin	2.8%	0.5%	2.1%		
<b>Toyota</b>					
Sales volume (units)	13,722	21,483	10,415	-52%	-24%
<b>Perodua</b>					
Sales volume (units)	60,659	61,587	44,977	-27%	-26%

Source: AmInvestment Bank Bhd

**EXHIBIT 2: TOYOTA AND PERODUA SALES MIX 1Q20**



Source: AmInvestment Bank Bhd

## EXHIBIT 3: SEGMENTAL BREAKDOWN

<b>Segmental Breakdown</b>	<b>1Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>QoQ</b>	<b>YoY</b>
<b>Revenue</b>					
Automotive	2,162.5	2,450.0	1,585.9	-35%	-27%
Equipment	382.8	328.0	289.2	-12%	-24%
Manufacturing & Engineering	237.1	328.5	248.5	-24%	5%
Others	(7.7)	9.1	(4.4)	-148%	-43%
<b>Total</b>	<b>2,774.8</b>	<b>3,115.7</b>	<b>2,119.2</b>	<b>-32%</b>	<b>-24%</b>
<b>PBT</b>					
Automotive	124.2	114.9	53.7	-53%	-57%
Equipment	42.2	27.3	25.8	-6%	-39%
Manufacturing & Engineering	2.3	30.0	10.5	-65%	350%
Eliminations	(28.0)	(48.6)	(26.9)	-45%	-4%
<b>Total</b>	<b>140.7</b>	<b>123.5</b>	<b>63.0</b>	<b>-49%</b>	<b>-55%</b>
<b>Net profit</b>					
Automotive	85.6	82.4	50.5	-39%	-41%
Equipment	30.8	5.5	15.6	183%	-49%
Manufacturing & Engineering	(3.2)	17.9	6.5	-64%	-306%
Others	(27.5)	(51.1)	(28.3)	-45%	3%
<b>Total</b>	<b>85.7</b>	<b>54.8</b>	<b>44.3</b>	<b>-19%</b>	<b>-48%</b>
<b>PBT Margin</b>					
Automotive	5.7%	4.7%	3.4%		
Equipment	11.0%	8.3%	8.9%		
Manufacturing & Engineering	1.0%	9.1%	4.2%		
<b>Net Profit Margin</b>					
Automotive	4.0%	3.4%	3.2%		
Equipment	8.0%	1.7%	5.4%		
Manufacturing & Engineering	-1.3%	5.5%	2.6%		

Source: AmInvestment Bank Bhd

## EXHIBIT 4: FY21F SUM-OF-PARTS MATRIX

Segment	SOP VALUATION					
	PAT (RM mil)	Stake	PE (x)	Value (RM mil)	Value (RM/share)	No. of Shares
Automotive	260	51%	10	1,327	1.14	1,168.3
Equipment	19	91%	11	186	0.16	
M&E	45		10	447	0.38	
					<b>1.68</b>	
Add: Others segment	80			80	0.07	
Add: Perodua	607	38%	7	1,613	1.38	
Add: Serendah land (821 acres at RM15/psf)				536	0.46	
Add: Company net debt				(1,038)	(0.89)	
<b>Fair Value</b>					<b>2.70</b>	

Source: AmInvestment Bank Bhd

## EXHIBIT 5: TOYOTA PRICE LIST POST-SST EXEMPTION

Toyota Model	Variant	Price with SST	Price with 2020 SST Exemption (until December 31)	Price difference	Price difference in Percentage
Yaris	1.5J	RM70,888	RM69,576	-RM1,312	-1.85%
	1.5E	RM76,888	RM75,479	-RM1,409	-1.83%
	1.5G	RM83,888	RM82,475	-RM1,413	-1.68%
Vios	1.5J	RM77,200	RM76,101	-RM1,099	-1.42%
	1.5E	RM81,200	RM80,074	-RM1,126	-1.39%
	1.5G	RM87,300	RM86,132	-RM1,168	-1.34%
Corolla	1.8E	RM128,888	RM123,972	-RM4,916	-3.81%
	1.8G	RM139,888	RM134,505	-RM5,383	-3.85%
Camry	2.5V	RM196,888	RM188,763	-RM8,125	-4.13%
Rush	1.5G	RM93,000	RM88,314	-RM4,686	-5.04%
	1.5S	RM97,000	RM91,885	-RM5,115	-5.27%
C-HR	1.8L	RM150,000	RM144,336	-RM5,664	-3.78%
RAV4	2.0L	RM203,880	RM196,436	-RM7,444	-3.65%
	2.5L	RM223,880	RM215,665	-RM8,215	-3.67%
Harrier	2.0T Premium	RM243,000	RM234,510	-RM8,490	-3.49%
	2.0T Luxury	RM266,000	RM256,396	-RM9,604	-3.61%
Fortuner	2.4 4x4	RM171,500	RM162,178	-RM9,322	-5.44%
	2.4 VRZ 4x4	RM195,600	RM184,431	-RM11,169	-5.71%
	2.7 SRZ 4x4	RM181,200	RM172,523	-RM8,677	-4.79%
Hilux	5/Cab 2.4 MT 4x4	RM90,000	RM90,000	RM0	0.00%
	2.4 STD MT 4x4	RM100,000	RM100,000	RM0	0.00%
	2.4G MT 4x4	RM110,000	RM110,000	RM0	0.00%
	2.4G AT 4x4	RM118,100	RM118,100	RM0	0.00%
	2.4 L-Edition 4x4	RM124,888	RM124,888	RM0	0.00%
2.8 Black Edition 4x4	RM139,888	RM139,888	RM0	0.00%	
Avanza	1.5E	RM80,888	RM77,963	-RM2,925	-3.62%
	1.5S	RM83,888	RM80,849	-RM3,039	-3.62%
	1.5S+	RM87,888	RM84,849	-RM3,039	-3.46%
Innova	2.0E MT (Taxi)	RM84,325	RM84,325	RM0	0.00%
	2.0E	RM115,280	RM110,034	-RM5,246	-4.55%
	2.0G	RM123,400	RM117,364	-RM6,036	-4.89%
	2.0X	RM132,400	RM127,126	-RM5,274	-3.98%
Vellfire	2.5L	RM382,300	RM367,881	-RM14,419	-3.77%
Alphard	3.5L	RM464,000	RM446,609	-RM17,391	-3.75%
Hiace	Panel Van 2.5TD	RM98,000	RM98,000	RM0	0.00%

Source: AmInvestment Bank Bhd, [paultan.org](http://paultan.org)

## EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	11,303.6	11,739.1	10,216.2	10,788.7	11,146.8
EBITDA	815.9	1,640.7	518.9	753.5	792.6
Depreciation/Amortisation	(273.7)	(423.9)	(450.4)	(474.1)	(497.8)
Operating income (EBIT)	542.2	1,216.8	68.4	279.4	294.9
Other income & associates	270.7	206.5	218.3	230.5	245.0
Net interest	(12.6)	(27.8)	4.7	(4.4)	(6.7)
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	800.3	1,395.5	291.4	505.5	533.2
Taxation	(124.1)	(149.4)	(17.5)	(66.0)	(68.9)
<b>Minorities/pref dividends</b>	<b>(155.4)</b>	<b>(321.8)</b>	<b>(164.9)</b>	<b>(241.8)</b>	<b>(249.5)</b>
Net profit	515.4	278.6	178.8	267.5	281.7
Core net profit	454.0	278.6	178.8	267.5	282.7
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Fixed assets	2,820.9	3,719.6	3,977.6	4,242.9	4,504.3
Intangible assets	-	-	-	-	-
<b>Other long-term assets</b>	<b>2,851.9</b>	<b>2,888.6</b>	<b>2,921.6</b>	<b>2,968.7</b>	<b>3,025.9</b>
Total non-current assets	5,672.9	6,608.1	6,899.2	7,211.6	7,530.2
Cash & equivalent	1,311.8	1,338.0	1,129.8	1,057.7	997.4
Stock	1,548.5	1,350.0	1,234.4	1,303.6	1,346.8
Trade debtors	1,076.6	918.3	839.7	886.7	916.2
<b>Other current assets</b>	<b>1,148.3</b>	<b>1,148.3</b>	<b>1,148.3</b>	<b>1,148.3</b>	<b>1,148.3</b>
Total current assets	5,085.1	4,754.6	4,352.2	4,396.4	4,408.8
Trade creditors	1,854.0	2,190.9	2,003.3	2,115.6	2,185.8
Short-term borrowings	535.0	1,277.9	1,534.9	1,791.9	2,048.9
<b>Other current liabilities</b>	<b>106.3</b>	<b>214.8</b>	<b>202.1</b>	<b>209.7</b>	<b>214.5</b>
Total current liabilities	2,495.3	3,683.6	3,740.3	4,117.2	4,449.2
Long-term borrowings	2,298.2	1,371.7	1,058.7	745.8	432.8
<b>Other long-term liabilities</b>	<b>250.0</b>	<b>90.5</b>	<b>85.1</b>	<b>88.4</b>	<b>90.4</b>
<b>Total long-term liabilities</b>	<b>2,548.3</b>	<b>1,462.3</b>	<b>1,143.8</b>	<b>834.1</b>	<b>523.2</b>
Shareholders' funds	3,344.6	3,595.1	3,720.2	3,907.5	4,104.7
Minority interests	2,369.8	2,621.7	2,716.8	2,888.8	3,068.4
BV/share (RM)	2.86	3.08	3.18	3.34	3.51
<b>Cash Flow (RMmil, YE 31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Pretax profit	800.3	1,395.5	291.4	505.5	533.2
Depreciation/Amortisation	273.7	423.9	450.4	474.1	497.8
Net change in working capital	(1,075.1)	644.2	(8.9)	5.3	3.3
<b>Others</b>	<b>(640.4)</b>	<b>(1,073.2)</b>	<b>(417.7)</b>	<b>(468.0)</b>	<b>(481.8)</b>
Cash flow from operations	(641.6)	1,390.4	315.2	516.9	552.5
Capital expenditure	(847.8)	(670.4)	(510.8)	(539.4)	(557.3)
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>182.4</b>	<b>135.8</b>	<b>166.9</b>	<b>156.5</b>	<b>152.9</b>
Cash flow from investing	(665.4)	(534.6)	(343.9)	(382.9)	(404.5)
Debt raised/(repaid)	(56.0)	(56.0)	(56.0)	(56.0)	(56.0)
Equity raised/(repaid)	-	-	-	-	1.0
Dividends paid	(180.4)	(107.3)	(53.6)	(80.2)	(84.5)
<b>Others</b>	<b>1,064.6</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(67.9)</b>
<b>Cash flow from financing</b>	<b>828.2</b>	<b>(233.2)</b>	<b>(179.4)</b>	<b>(206.1)</b>	<b>(207.3)</b>
<b>Net cash flow</b>	<b>(478.7)</b>	<b>622.7</b>	<b>(208.2)</b>	<b>(72.1)</b>	<b>(59.3)</b>
<b>Net cash/(debt) b/f</b>	<b>1,193.4</b>	<b>715.3</b>	<b>1,338.0</b>	<b>1,129.8</b>	<b>1,057.7</b>
Net cash/(debt) c/f	714.7	1,338.0	1,129.8	1,057.7	1,000.4
<b>Key Ratios (YE 31 Dec)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20F</b>	<b>FY21F</b>	<b>FY22F</b>
Revenue growth (%)	2.1	3.9	(13.0)	5.6	3.3
EBITDA growth (%)	109.7	101.1	(68.4)	45.2	5.2
Pretax margin (%)	7.1	11.9	2.9	4.7	4.8
Net profit margin (%)	4.6	2.4	1.7	2.5	2.5
Interest cover (x)	43.1	43.7	nm	63.3	44.2
Effective tax rate (%)	15.5	10.7	6.0	13.1	12.9
Dividend payout (%)	26.3	28.9	22.5	22.5	22.5
Debtors turnover (days)	34	31	31	29	30
Stock turnover (days)	48	45	46	43	43
Creditors turnover (days)	75	63	75	70	70

Source: Company, AmInvestment Bank Bhd estimates

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