



AmInvestment Bank

Company report

UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

28 Aug 2020

1HFY20 core net profit plunges 90% YoY due to MCO

HOLD

(Maintained)

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Rationale for report: Company results/update

Price	RM2.61
Fair Value	RM2.40
52-week High/Low	RM5.23/RM1.65

Key Changes

Fair value	⬇️
EPS	⬇️

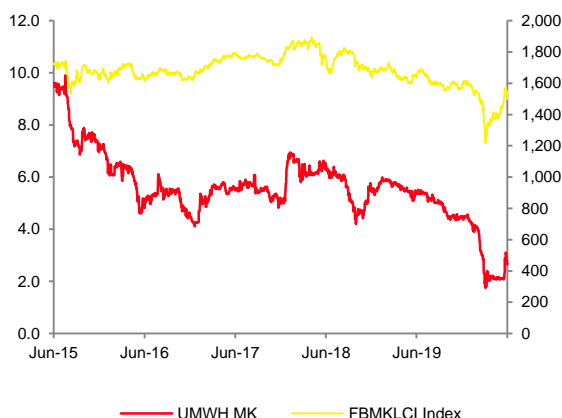
YE to Dec	FY19	FY20F	FY21F	FY22F
Revenue (RM mil)	11,739.1	10,056.8	10,680.7	11,155.4
Core net profit (RM mil)	278.6	104.8	220.8	282.7
FD Core EPS (sen)	23.8	9.0	18.9	24.2
FD Core EPS growth (%)	(38.6)	(62.4)	110.7	28.0
Consensus Net Profit (RM mil)	-	169.0	246.1	298.4
DPS (sen)	6.0	2.7	5.7	7.3
PE (x)	10.9	29.1	13.8	10.8
EV/EBITDA (x)	2.7	11.1	6.9	5.7
Div yield (%)	2.3	1.0	2.2	2.8
ROE (%)	8.0	2.9	5.9	7.2
Net Gearing (%)	36.5	41.4	41.4	39.1

Stock and Financial Data

Shares Outstanding (million)	1,168.3
Market Cap (RM mil)	3,049.3
Book Value (RM/share)	3.08
P/BV (x)	0.8
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)	5.8

Price performance	3mth	6mth	12mth
Absolute (%)	23.1	(19.2)	(47.7)
Relative (%)	15.0	(21.8)	(46.5)



Investment Highlights

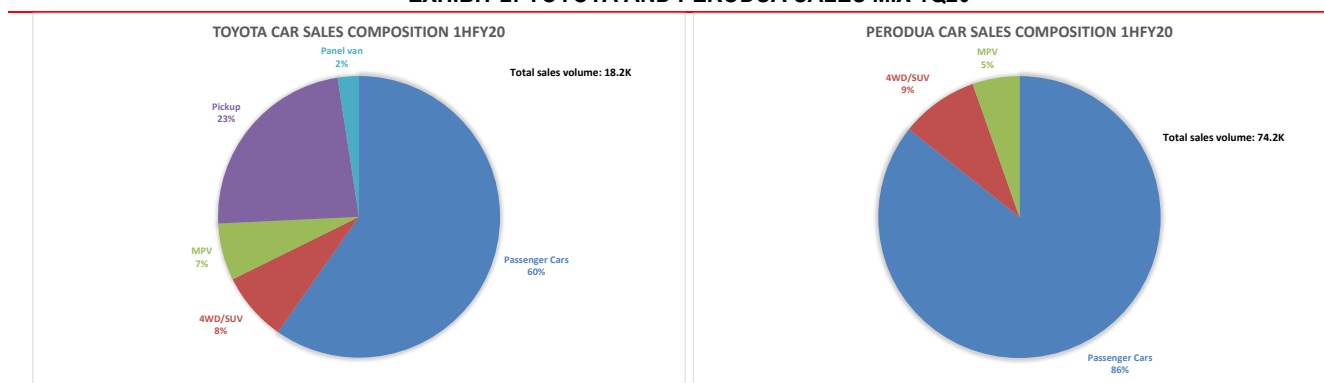
- We maintain HOLD on UMW Holdings (UMWH) with a lower SOP-derived RM2.40 fair value (from RM2.70 previously), based on an FY21F PE of 10x for its motor segment.
- We cut our UMWH's FY20–21F core net profit forecast by 42% and 17% respectively to account for: i) lower revenue contribution for the group's heavy equipment division; and ii) lower Toyota sales volume assumptions due to the delay in new model launches.
- UMWH's 1H20 core net profit of RM15.6mil was below our expectations, accounting for 9% of both ours and consensus full-year forecast and consensus respectively. 1H20 core net profit plunged 90% YoY.
- UMWH registered a 1H20 revenue of RM3.6bil, which was a 36% YoY decrease. The poorer performance was attributed to: i) lower revenue contribution from the automotive segment; and ii) lower equipment segment contribution due to the MCO, which resulted in closures of dealerships, showrooms and manufacturing plants nationwide.
- To recap, Toyota sold 18.2K units in 1H20 (-42% YoY) vs. 31.3K units in 1H19. Toyota's market share in 1H20 was 10.6%. The company confirmed during an analyst briefing that 2 new CKD launches in 2020 will be pushed back to 2021. The group also hinted that one of the new launches will be open for bookings in December 2020, with its official launch in 2021. We think that both models would be SUVs.
- For the automotive segment, the group registered a lower 1H20 revenue of RM1.6bil (-27% YoY) due to the lower number of vehicles sold in the quarter. Sales in March were impacted by the MCO which took effect on 18 March, with gradual reopenings of dealerships starting 13 May. The automotive segment's 1H20 net profit took a massive dive to RM12.0mil (-96% YoY).
- We noted a drop in 1H20 associate earnings of RM2.2mil (-98% YoY) and we suspect that this was due to the weaker performance from Perodua. Perodua sold a total of 74.2K units in 1H20 vs. 121.8K units in 1H19 (-39% YoY) and we believe that the lower Perodua sales volume was a result of the nationwide MCO.
- UMWH's only saving grace for the quarter was the M&E segment. The division registered a lower 1H20 revenue of RM431.9mil (-10% YoY) but a higher net profit of RM14.3mil (+306% YoY). This was highly attributed to higher production of fan cases in the aerospace segment and the group's measures to improve margins through cost containment measures. The group further guided that production of the Trent 7000 is scheduled to commence in 4Q2020, with its first bulk of deliveries to be executed in October 2020.

EXHIBIT 1: EARNINGS SUMMARY

RM mil	2Q19	1Q20	2Q20	QoQ	YoY	1H19	1H20	YoY
Revenue	2,971.2	2,119.2	1,529.7	-28%	-49%	5,746.0	3,648.9	-36%
Operating Expenses	(2,904.8)	(2,095.6)	(1,561.4)	-25%	-46%	(5,623.6)	(3,657.0)	-35%
Other Operating Income	38.4	22.1	17.7	-20%	-54%	58.9	39.8	-33%
Operating Profit	104.9	45.7	(14.0)	-131%	-113%	181.4	31.7	-83%
Finance Costs	(44.1)	(29.7)	(30.1)	1%	-32%	(63.3)	(59.9)	-6%
Share of Profits of Associates & JV	71.1	29.2	(26.9)	-192%	-138%	136.8	2.2	-98%
Investment Income	18.5	17.9	12.2	-32%	-34%	36.2	30.1	-17%
Profit before tax	150.4	63.0	(58.8)	-193%	-139%	291.0	4.2	-99%
Tax	(36.6)	(14.2)	4.7	-133%	-113%	(66.1)	(9.5)	-86%
Profit after tax	113.8	48.8	(54.1)	-211%	-148%	225.0	(5.3)	-102%
Minority interest								
Continuing operations	30.9	4.5	(10.5)	-333%	-134%	56.4	(6.0)	-111%
Discontinued operations	(9.2)	0.0	0.0	NA	-100%	(10.3)	0.0	-100%
Total	21.7	4.5	(10.5)	-333%	-148%	46.1	(6.0)	-113%
Net profit								
Continuing operations	50.1	44.3	(78.4)	-277%	-257%	135.8	(34.1)	-125%
Discontinued operations	0.8	0.0	0.0	NA	-100%	1.6	0.0	-100%
Total	50.9	44.3	(78.4)	-277%	-254%	137.4	(34.1)	-125%
Core net profit	82.2	44.8	(29.2)	-165%	-136%	160.1	15.6	-90%
Margins								
EBIT margin	3.5%	2.2%	-0.9%			3.2%	0.9%	
PBT Margin	5.1%	3.0%	-3.8%			5.1%	0.1%	
Net profit margin	1.7%	2.1%	-5.1%			2.4%	-0.9%	
Core net profit margin	2.8%	2.1%	-1.9%			2.8%	0.4%	
Toyota								
Sales volume (units)	17,529	10,415	7,784	-25%	-56%	31,251	18,199	-42%
Perodua								
Sales volume (units)	61,123	44,977	29,193	-35%	-52%	121,782	74,170	-39%

Source: AmlInvestment Bank Bhd

EXHIBIT 2: TOYOTA AND PERODUA SALES MIX 1Q20



Source: AmlInvestment Bank Bhd

EXHIBIT 3: SEGMENTAL BREAKDOWN

Segmental Breakdown	2Q19	1Q20	2Q20	QoQ	YoY	1H19	1H20	YoY
Revenue								
Automotive	2,386.4	1,585.9	1,102.0	-31%	-54%	4,549.0	2,687.9	-41%
Equipment	343.6	289.2	233.2	-19%	-32%	726.5	522.4	-28%
Manufacturing & Engineering	244.5	248.5	183.3	-26%	-25%	481.6	431.9	-10%
Others	(3.3)	(4.4)	11.1	-354%	-435%	(11.0)	6.7	-161%
Total	2,971.2	2,119.2	1,529.7	-28%	-49%	5,746.0	3,648.9	-36%
PBT								
Automotive	151.1	53.7	(41.7)	-178%	-128%	275.3	12.0	-96%
Equipment	35.5	25.8	24.6	-4%	-31%	77.6	50.4	-35%
Manufacturing & Engineering	13.2	10.5	8.0	-23%	-39%	15.6	18.5	19%
Eliminations	(49.5)	(26.9)	(49.8)	85%	1%	(77.5)	(76.7)	-1%
Total	150.4	63.0	(58.8)	-193%	-139%	291.0	4.2	-99%
Net profit								
Automotive	102.4	50.5	(17.4)	-134%	-117%	188.0	33.1	-82%
Equipment	28.2	15.6	21.0	34%	-26%	59.1	36.7	-38%
Manufacturing & Engineering	6.7	6.5	7.8	20%	17%	3.5	14.3	306%
Others	(25.5)	(28.3)	(55.1)	95%	117%	(52.9)	(83.4)	58%
Total	111.9	44.3	(43.6)	-198%	-139%	197.6	(34.1)	-117%
PBT Margin								
Automotive	6.3%	3.4%	-3.8%			6.1%	0.4%	
Equipment	10.3%	8.9%	10.6%			10.7%	9.6%	
Manufacturing & Engineering	5.4%	4.2%	4.4%			3.2%	4.3%	
Net Profit Margin								
Automotive	4.3%	3.2%	-1.6%			4.1%	1.2%	
Equipment	8.2%	5.4%	9.0%			8.1%	7.0%	
Manufacturing & Engineering	2.7%	2.6%	4.3%			0.7%	3.3%	

Source: AmlInvestment Bank Bhd

EXHIBIT 4: SOP VALUATION MATRIX

SOP VALUATION						
Segment	PAT (RM mil)	Stake	PE (x)	Value (RM mil)	Value (RM/share)	No. of Shares
Automotive	178	51%	10	908	0.78	1,168.3
Equipment	19	91%	11	186	0.16	
M&E	45		10	447	0.38	
					1.32	
Add: Others segment	80			80	0.07	
Add: Perodua	554	38%	8	1,684	1.44	
Add: Serendah land (821 acres at RM15/psf)				536	0.46	
Add: Company net debt				-1,038	-0.89	
Fair Value					2.40	

Source: AmlInvestment 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: AmlInvestment Bank Bhd, paultan.org

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue	11,303.6	11,739.1	10,056.8	10,680.7	11,155.4
EBITDA	815.9	1,640.7	410.0	667.7	815.4
Depreciation/Amortisation	(273.7)	(423.9)	(450.3)	(473.6)	(497.2)
Operating income (EBIT)	542.2	1,216.8	(40.3)	194.1	318.3
Other income & associates	270.7	206.5	167.6	210.5	235.4
Net interest	(12.6)	(27.8)	4.7	(7.1)	(11.8)
Exceptional items	-	-	-	-	-
Pretax profit	800.3	1,395.5	132.0	397.5	541.9
Taxation	(124.1)	(149.4)	8.5	(44.9)	(73.3)
Minorities/pref dividends	(155.4)	(321.8)	(105.6)	(201.6)	(252.7)
Net profit	515.4	278.6	104.8	220.8	282.7
Core net profit	454.0	278.6	104.8	220.8	282.7
Balance Sheet (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Fixed assets	2,820.9	3,719.6	3,970.2	4,230.7	4,493.1
Intangible assets	-	-	-	-	-
Other long-term assets	2,851.9	2,888.6	2,870.1	2,897.2	2,945.1
Total non-current assets	5,672.9	6,608.1	6,840.2	7,127.9	7,438.2
Cash & equivalent	1,311.8	1,338.0	1,075.7	956.1	909.5
Stock	1,548.5	1,350.0	1,215.1	1,290.5	1,347.9
Trade debtors	1,076.6	918.3	826.6	877.9	916.9
Other current assets	1,148.3	1,148.3	1,148.3	1,148.3	1,148.3
Total current assets	5,085.1	4,754.6	4,265.7	4,272.9	4,322.6
Trade creditors	1,854.0	2,190.9	1,972.1	2,094.4	2,187.5
Short-term borrowings	535.0	1,277.9	1,534.9	1,791.9	2,048.9
Other current liabilities	106.3	214.8	200.0	208.3	214.6
Total current liabilities	2,495.3	3,683.6	3,707.0	4,094.6	4,451.0
Long-term borrowings	2,298.2	1,371.7	1,058.7	745.8	432.8
Other long-term liabilities	250.0	90.5	84.2	87.7	90.4
Total long-term liabilities	2,548.3	1,462.3	1,142.9	833.5	523.3
Shareholders' funds	3,344.6	3,595.1	3,668.5	3,823.1	4,021.0
Minority interests	2,369.8	2,621.7	2,657.5	2,789.3	2,972.1
BV/share (RM)	2.86	3.08	3.14	3.27	3.44
Cash Flow (RMmil, YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Pretax profit	800.3	1,395.5	132.0	397.5	541.9
Depreciation/Amortisation	273.7	423.9	450.3	473.6	497.2
Net change in working capital	(1,075.1)	644.2	(10.4)	5.8	4.4
Others	(640.4)	(1,073.2)	(341.0)	(424.2)	(471.5)
Cash flow from operations	(641.6)	1,390.4	230.9	452.8	572.0
Capital expenditure	(847.8)	(670.4)	(502.8)	(534.0)	(557.8)
Net investments & sale of fixed assets	-	-	-	-	-
Others	182.4	135.8	166.9	153.8	147.8
Cash flow from investing	(665.4)	(534.6)	(335.9)	(380.3)	(410.0)
Debt raised/(repaid)	(56.0)	(56.0)	(56.0)	(56.0)	(56.0)
Equity raised/(repaid)	-	-	-	-	1.0
Dividends paid	(180.4)	(107.3)	(31.4)	(66.3)	(84.8)
Others	1,064.6	(69.9)	(69.9)	(69.9)	(67.9)
Cash flow from financing	828.2	(233.2)	(157.3)	(192.1)	(207.6)
Net cash flow	(478.7)	622.7	(262.3)	(119.5)	(45.6)
Net cash/(debt) b/f	1,193.4	715.3	1,338.0	1,075.7	956.1
Net cash/(debt) c/f	714.7	1,338.0	1,075.7	956.1	912.5
Key Ratios (YE 31 Dec)	FY18	FY19	FY20F	FY21F	FY22F
Revenue growth (%)	2.1	3.9	(14.3)	6.2	4.4
EBITDA growth (%)	109.7	101.1	(75.0)	62.9	22.1
Pretax margin (%)	7.1	11.9	1.3	3.7	4.9
Net profit margin (%)	4.6	2.4	1.0	2.1	2.5
Interest cover (x)	43.1	43.7	nm	27.3	27.1
Effective tax rate (%)	15.5	10.7	6.5	11.3	13.5
Dividend payout (%)	26.3	28.9	22.5	22.5	22.5
Debtors turnover (days)	34	31	32	29	29
Stock turnover (days)	48	45	47	43	43
Creditors turnover (days)	75	63	76	69	70

Source: Company, AmlInvestment Bank Bhd estimates

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