

26 February 2021

# UMW Holdings Bhd

## FY20 Above Expectations

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**FY20 core PATAMI of RM230m (-10%) came in above our/consensus at 135%/153% of full-year estimates due to stronger-than-expected contribution from Automotive division and associate, Perodua. As such, we increase FY21E CNP by 12% and our TP to RM4.00 (from RM3.85). Reiterate OP. The group is expected to launch the all-new Toyota Corolla Cross (CBU soon, CKD by 4QCY21 and all-new Perodua Ativa SUV (3<sup>rd</sup> March 2021).**

**FY20 above our expectation.** FY20 core PATAMI of RM230m (-10%) came in above our/consensus at 135%/153% of full-year estimates due to the stronger-than-expected contribution from Automotive division and associate, Perodua. Note that, FY20 core PATAMI excludes: (i) Debt recovery from earlier investment (RM54.9m), (ii) Disposal of unlisted O&G related assets (RM108.6m), (iii) PPE gain on disposal (RM23.9m), and (iv) Reversal of Inventories (RM4.4m). Final dividend of 4.0 sen was declared for FY20 (FY19: 6.0sen), as expected.

**QoQ, 4QFY20 core PATAMI** surged 116%, a stronger pace than sales (+22%) mainly due to: (i) higher associates contribution (+14%), especially from 38%-owned Perodua ramping up production to full capacity, and (ii) lower effective tax rate of 11.1% (3QFY20 : 26.3%) from lower tax provision in the overseas subsidiaries. Both Toyota & Lexus and Perodua recorded higher sales at 10,583 units (+17%), and 44,977 units (+6%), respectively, boosted by sales tax exemption. Its M&E segment's (+12%) higher PBT contribution came from cost savings initiative and slightly higher deliveries of fan cases, while equipment segment (-46%) posted lower PBT contribution due to lower demand amid various MCOs in place.

**YoY, FY20 core PATAMI** decreased 10% mainly due to lower Automotive segment's pre-tax profit contribution (-37%), suffering from: (i) the closure of businesses during MCO starting 18<sup>th</sup> March 2020, until 4<sup>th</sup> May 2020, and (ii) higher Bukit Raja plant depreciation (+8%). Toyota & Lexus and Perodua recorded lower unit sales at 59,320 units (-15%) and 220,163 units (-8%), respectively. Furthermore, the equipment segment (-24%) faced a challenging market for both Heavy and Industrial Equipment especially during the MCO. This was, however, cushioned by: (i) higher M&E segment profit contribution (+1%), mainly due to cost optimisation strategy, and supported by ramp-up production of fan cases by Aerospace sub-segment (24-hour operations), but the closure during MCO also affected its performance.

**Outlook.** UMW derives its earnings mostly from: (i) the stream of new models such as Vios and Yaris facelifted, Toyota RAV4 CBU, Lexus UX200, Toyota Hilux Rogue, Innova & Fortuner (Feb 2021), Toyota Corolla Cross (CBU soon, CKD 4QCY20) and (ii) its 38%-owned Perodua which is launching the all-new Perodua Ativa on 3<sup>rd</sup> March 2021. For Equipment division, the group will continue to leverage on its partners (KOMATSU & TICO)'s strengths and new collaborative robots ("Cobots") venture with Universal Robot A/S, while UMW Aerospace has turned profitable in 2019.

We increased **FY21E CNP by 12%** to reflect stronger contribution from Automotive division and associate Perodua.

**Maintain OP with a higher TP of RM4.00 (from RM3.85)** based on 16x FY21E EPS (at 5-year historical mean PER).

**Risks to our call include:** (i) lower-than-expected car sales volume, and (ii) higher-than-expected operating expenses.

# OUTPERFORM ↔

**Price:** RM2.88  
**Target Price:** RM4.00 ↑

### Share Price Performance



KLCI	1,582.74
YTD KLCI chg	-2.8%
YTD stock price chg	-15.3%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK EQUITY
Market Cap (RM m)	3,364.7
Shares Outstanding	1,168.3
52-week range (H)	3.66
52-week range (L)	1.65
3-mth avg daily vol:	1,030,150
Free Float	29%
Beta	1.8

### Major Shareholders

Amanah Saham Nasional	52.6%
Employees Provident Fund	13.2%
KWAP	7.1%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	9,554.6	10,822.0	12,139.3
EBIT	631.7	719.9	829.0
PBT	400.7	556.2	624.6
<b>PATAMI</b>	<b>204.6</b>	<b>296.0</b>	<b>317.7</b>
<b>Core PATAMI</b>	<b>230.0</b>	<b>296.0</b>	<b>317.7</b>
Consensus NP	-	246.7	293.8
Earnings Revision	-	+11.8%	new
Core EPS (sen)	19.7	25.3	27.2
C.EPS growth (%)	-9.8	28.7	7.3
NDPS (sen)	4.0	6.0	6.0
BVPS (RM)	3.31	3.50	3.72
Core PER (x)	14.6	11.4	10.6
PBV (x)	0.9	0.8	0.8
Net Gearing (x)	0.3	0.3	0.3
Net Div. Yield (%)	1.4	2.1	2.1



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<b>Result Highlight</b>								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
Turnover	3,242.3	2,663.3	22%	3,123.9	4%	9,554.6	11,760.2	-19%
Associates and JV	107.6	94.3	14%	64.6	67%	204.1	275.7	-26%
EBIT	266.0	186.1	43%	332.4	-20%	516.2	883.7	-42%
PBT	236.9	159.5	48%	297.8	-20%	400.7	741.2	-46%
Taxation and Zakat	(26.3)	(41.9)	37%	(24.9)	-6%	(77.7)	(112.5)	31%
<b>PATAMI</b>	<b>137.4</b>	<b>101.3</b>	<b>36%</b>	<b>200.5</b>	<b>-31%</b>	<b>204.6</b>	<b>454.4</b>	<b>-55%</b>
<b>Core PATAMI</b>	<b>189.4</b>	<b>87.8</b>	<b>116%</b>	<b>39.4</b>	<b>380%</b>	<b>230.0</b>	<b>255.0</b>	<b>-10%</b>
Core EPS (sen)	16.2	7.5	116%	3.4	380%	19.7	21.8	-10%
DPS (sen)	4.0	-		2.0		4.0	6.0	
EBIT margin	8.2%	7.0%		10.6%		5.4%	7.5%	
PBT margin	7.3%	6.0%		9.5%		4.2%	6.3%	
Core NP margin	5.8%	3.3%		1.3%		2.4%	2.2%	
Effective tax rate	11.1%	26.3%		8.4%		19.4%	15.2%	

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY20	FY20	Chg	FY19	Chg	FY20	FY19	Chg
<b>Revenue</b>	<b>3,242.3</b>	<b>2,663.3</b>	<b>21.7%</b>	<b>3,123.9</b>	<b>3.8%</b>	<b>9,554.6</b>	<b>11,760.2</b>	<b>-18.8%</b>
Automotive	2,668.2	2,127.5	25.4%	2,450.0	8.9%	7,483.7	9,295.9	-19.5%
Equipment	317.9	297.0	7.1%	328.0	-3.1%	1,137.3	1,408.2	-19.2%
M&E	244.2	242.3	0.8%	328.5	-25.7%	918.3	1,062.5	-13.6%
Others	12.0	(3.4)	N.M	17.4	-31.2%	15.3	(6.4)	N.M
<b>Segment PBT/(LBT)</b>	<b>236.9</b>	<b>159.5</b>	<b>48.5%</b>	<b>297.8</b>	<b>-20.5%</b>	<b>400.7</b>	<b>741.2</b>	<b>-45.9%</b>
Automotive	191.0	131.6	45.2%	114.9	66.3%	334.6	530.3	-36.9%
Equipment	18.5	34.0	-45.6%	27.3	-32.2%	102.9	135.7	-24.1%
M&E	22.7	20.3	11.8%	30.0	-24.2%	61.6	60.9	1.1%
Others	4.6	(26.4)	N.M	125.7	N.M	(98.4)	14.3	N.M
<b>Segment Margin</b>								
Automotive	7.2%	6.2%		4.7%		4.5%	5.7%	
Equipment	5.8%	11.5%		8.3%		9.1%	9.6%	
M&E	9.3%	8.4%		9.1%		6.7%	5.7%	

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.				
<b>STOCKS UNDER COVERAGE</b>																		
BERMAZ AUTO BHD	1.36	1,579.5	Y	04/2021	100.0%	-3.3%	21.5%	38.8%	15.7	12.9	9.3	3.0	2.4	20.8%	4.6%	1.70	OP	
DRB-HICOM BHD	1.81	3,499.2	Y	12/2021	7.0%	20.7%	68.4%	15.2%	N.A.	10.8	9.3	0.4	0.3	3.2%	1.7%	2.50	OP	
MBM RESOURCES BERHAD	3.35	1,309.5	Y	12/2021	8.9%	4.4%	21.0%	5.6%	7.9	6.5	6.2	0.6	0.6	9.2%	3.6%	4.60	OP	
SIME DARBY BERHAD	2.20	14,965.6	Y	06/2021	5.9%	5.9%	15.0%	1.8%	14.4	12.5	12.3	1.0	0.9	7.6%	6.4%	2.40	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.12	730.4	N	12/2020	-28.9%	25.2%	-295.0%	-54.0%	17.3	N.A.	19.2	0.3	0.3	-2.9%	1.3%	1.30	MP	
UMW HOLDINGS BHD	2.88	3,364.7	Y	12/2021	13.3%	12.2%	28.7%	7.3%	14.6	11.4	10.6	0.5	0.4	4.3%	2.1%	4.00	OP	
<b>Simple Average</b>					<b>17.7%</b>	<b>10.8%</b>	<b>-23.4%</b>	<b>2.5%</b>	<b>14.0</b>	<b>10.8</b>	<b>11.2</b>	<b>1.0</b>	<b>0.8</b>	<b>7.0%</b>	<b>3.3%</b>			

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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