



AmInvestment Bank

## Company report

# UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

25 May 2021

Core net profit almost doubles YoY in 1QFY21

## BUY

(Maintained)

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Rationale for report: Company results/update

Price	RM3.14
Fair Value	RM4.07
52-week High/Low	RM3.64/RM2.06

## Key Changes

Fair value	↔
EPS	↔

YE to Dec	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	9,554.6	10,703.9	10,931.4	11,226.3
Core net profit (RM mil)	284.9	288.4	300.2	315.4
FD Core EPS (sen)	24.4	24.7	25.7	27.0
FD Core EPS growth (%)	5.6	1.2	4.1	5.0
Consensus Net Profit (RM mil)	-	313.5	343.0	-
DPS (sen)	3.7	7.4	7.7	35.0
PE (x)	12.9	12.7	12.2	11.6
EV/EBITDA (x)	8.2	7.5	7.5	17.8
Div yield (%)	1.3	2.6	2.7	12.1
ROE (%)	5.6	7.6	7.5	7.7
Net Gearing (%)	40.7	39.6	38.7	43.1

## Stock and Financial Data

Shares Outstanding (million)	1,168.3
Market Cap (RM mil)	3,668.4
Book Value (RM/share)	3.16
P/BV (x)	1.0
ROE (%)	5.6
Net Gearing (%)	40.7

Major Shareholders	ASB (40.7%)
	EPF (8.8%)
	PNB (7.3%)

Free Float	32.6
Avg Daily Value (RM mil)	3.6

Price performance	3mth	6mth	12mth
Absolute (%)	9.4	16.3	49.5
Relative (%)	8.4	16.8	36.7



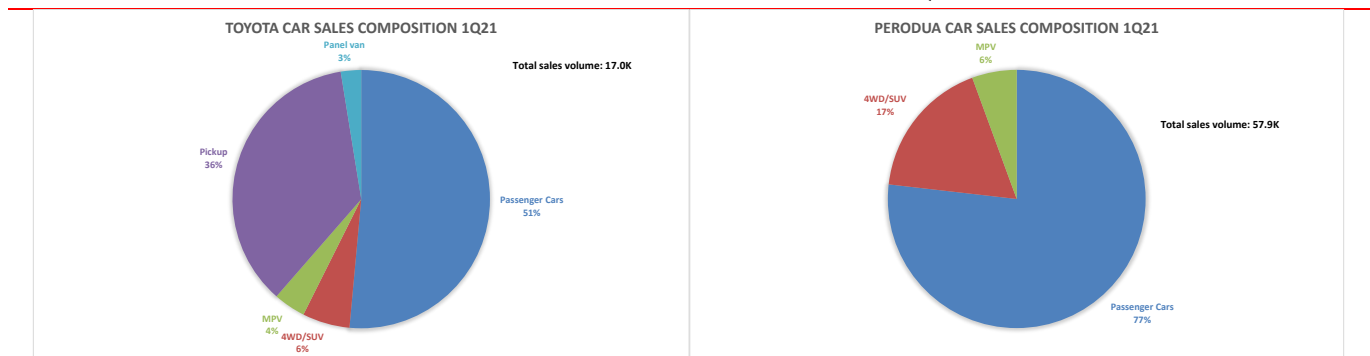
## Investment Highlights

- We maintain our BUY call, net profit forecasts and fair value (FV) of RM4.07 on UMW Holdings based on sum-of-parts (SOP) valuation (Exhibit 4), with an FY21F PE of 10x for its motor segment.
- UMWH's 1QFY21 core net profit of RM87.5mil (predominantly adjusted for reversal of impairment on receivables of RM9.7mil) came in within expectations, at 30% and 28% of our full-year forecasts and full-year consensus estimates respectively. 1QFY21 core net profit surged 95% YoY.
- UMWH registered a 1Q21 revenue of RM3.0bil, which was a 39% YoY increase. The improved performance was largely attributed to: i) higher revenue contribution from the automotive segment bolstered by improved sales volume from both Toyota and Perodua; and ii) higher equipment segment contribution due to improving demand for its products and services in both local and overseas market.
- To recap, Toyota sold 17.0K units in 1Q21 (+63% YoY) vs. 10.4K units in 1Q20. Toyota's market share in 1Q21 was 12.2%. For the automotive segment, the group registered a stronger 1Q21 revenue of RM2.4bil (+51% YoY) due to higher number of vehicles sold. We believe that this was attributed to: 1) the SST exemption; and 2) Toyota's aggressive new launches throughout the quarter (Corolla Cross, Innova, Fortuner and Harrier). Hence, the automotive segment's 1Q21 net profit jumped to RM95.1mil (+88% YoY).
- We also noted a significant improvement in 1Q21 associate earnings to RM87.5mil (+200% YoY) and we suspect that this was due to the stronger performance from Perodua. Perodua sold a total of 57.9K units in 1Q21 vs. 45.0K units in 1Q20 (+29% YoY) and we believe that the increased Perodua sales volume was a result of the SST exemption and the debut of the A-segment Perodua Ativa.
- The M&E division registered a lower 1Q21 revenue and net profit of RM230.3mil (-7% YoY) and RM0.7mil (-89% YoY) respectively. We reckon that this is largely attributed to lower production and deliveries of fan cases due to the impact of the Covid-19 pandemic on the global aviation sector.

● Key highlights from the analyst briefing:

- 1) The CKD project of the C-segment Corolla Cross SUV is set to begin in 2HFY21. The group hinted that there will be no more major new model launches in 2021 for both Toyota and Perodua. Note that the new facelift Perodua Aruz was just launched in early May 2021.
- 2) The MAA has submitted a proposal to the government for the extension of the SST exemption period. The group remains hopeful of the possibility of yet another extension till end-December 2021.
- 3) The group’s aerospace division will face a bumpy journey in 2021, largely attributed to the downtrend of the global aviation industry due to the Covid-19 pandemic, which has led to a negative demand shock for plane parts, including fan casings. The group expects a recovery in FY22, with orders from Rolls Royce to pick up in 2022.
- 4) The daily average booking number for the Perodua Ativa is 290 units. As of end-April, Perodua has delivered a total of about 9.0K units. The waiting period of the Ativa is between two and four months.

**EXHIBIT 1: TOYOTA AND PERODUA SALES MIX 1QFY21**



Source: AmlInvestment Bank Bhd

**EXHIBIT 2: SOP VALUATION MATRIX**

FY21F SOP VALUATION						
Segment	PAT (RM mil)	Stake	PE (x)	Value (RM mil)	Value (RM/share)	No. of Shares
Automotive	254	51%	10	1,294	1.11	1,168.3
Equipment	46	91%	9	380	0.33	
M&E	27		10	268	0.23	
					<b>1.66</b>	
Add: Others segment	80			80	0.07	
Add: Perodua	790	38%	9	2,702	2.31	
Add: Serendah land (821 acres at RM15/psf)				1,073	0.92	
Add: Company net debt				-1,038	-0.89	
<b>Fair Value</b>					<b>4.07</b>	

Source: AmlInvestment Bank Bhd

## EXHIBIT 3: EARNINGS SUMMARY

RM mil	1Q20	4Q20	1Q21	QoQ	YoY
<b>Revenue</b>	<b>2,119.2</b>	<b>3,242.3</b>	<b>2,954.2</b>	-9%	39%
Operating Expenses	(2,095.6)	(3,128.0)	(2,888.1)	-8%	38%
Other Operating Income	22.1	30.1	23.7	-21%	7%
<b>Operating Profit</b>	<b>45.7</b>	<b>144.5</b>	<b>89.8</b>	-38%	97%
Finance Costs	(29.7)	(29.1)	(27.4)	-6%	-8%
Share of Profits of Associates & JV	29.2	107.6	87.5	-19%	200%
Investment Income	17.9	13.9	12.8	-8%	-29%
<b>Profit before tax</b>	<b>63.0</b>	<b>236.9</b>	<b>162.7</b>	-31%	158%
Tax	(14.2)	(26.3)	(39.3)	49%	176%
<b>Profit after tax</b>	<b>48.8</b>	<b>210.6</b>	<b>123.4</b>	-41%	153%
Minority interest					
Continuing operations	4.5	38.1	26.1	-32%	480%
Discontinued operations	0.0	0.0	0.0	NA	NA
<b>Total</b>	<b>4.5</b>	<b>38.1</b>	<b>26.1</b>	<b>-32%</b>	<b>480%</b>
<b>Net profit</b>					
Continuing operations	44.3	137.4	97.3	-29%	119%
Discontinued operations	0.0	0.0	0.0	NA	NA
<b>Total</b>	<b>44.3</b>	<b>137.4</b>	<b>97.3</b>	-29%	119%
<b>Core net profit</b>	<b>44.8</b>	<b>189.3</b>	<b>87.5</b>	-54%	95%
<b>Margins</b>					
EBIT margin	2.2%	4.5%	3.0%		
PBT Margin	3.0%	7.3%	5.5%		
Net profit margin	2.1%	4.2%	3.3%		
Core net profit margin	2.1%	5.8%	3.0%		
<b>Toyota</b>					
Sales volume (units)	10,415	21,667	16,990	-22%	63%
<b>Perodua</b>					
Sales volume (units)	44,977	75,151	57,909	-23%	29%

Source: AmlInvestment Bank Bhd

## EXHIBIT 4: SEGMENTAL BREAKDOWN

<b>Segmental Breakdown</b>	<b>1Q20</b>	<b>4Q20</b>	<b>1Q21</b>	<b>QoQ</b>	<b>YoY</b>
<b>Revenue</b>					
Automotive	1,585.9	2,668.2	2,396.0	-10%	51%
Equipment	289.2	317.9	332.5	5%	15%
Manufacturing & Engineering	248.5	244.2	230.3	-6%	-7%
Others	(4.4)	12.0	(4.5)	-137%	2%
<b>Total</b>	<b>2,119.2</b>	<b>3,242.3</b>	<b>2,954.2</b>	<b>-9%</b>	<b>39%</b>
<b>PBT</b>					
Automotive	53.7	191.0	145.5	-24%	171%
Equipment	25.8	18.5	21.9	19%	-15%
Manufacturing & Engineering	10.5	22.7	8.4	-63%	-20%
Eliminations	(26.9)	4.6	(13.1)	-384%	-51%
<b>Total</b>	<b>63.0</b>	<b>236.9</b>	<b>162.7</b>	<b>-31%</b>	<b>158%</b>
<b>Net profit</b>					
Automotive	50.5	135.1	95.1	-30%	88%
Equipment	15.6	15.8	15.3	-3%	-2%
Manufacturing & Engineering	6.5	10.2	0.7	-93%	-89%
Others	(28.3)	11.4	(13.8)	-222%	-51%
<b>Total</b>	<b>44.3</b>	<b>172.5</b>	<b>97.3</b>	<b>-44%</b>	<b>119%</b>
<b>PBT Margin</b>					
Automotive	3.4%	7.2%	6.1%		
Equipment	8.9%	5.8%	6.6%		
Manufacturing & Engineering	4.2%	9.3%	3.6%		
<b>Net Profit Margin</b>					
Automotive	3.2%	5.1%	4.0%		
Equipment	5.4%	5.0%	4.6%		
Manufacturing & Engineering	2.6%	4.2%	0.3%		

Source: AmlInvestment Bank Bhd

## EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue	11,744.4	9,554.6	10,703.9	10,931.4	11,226.3
EBITDA	682.8	631.7	690.9	699.4	302.8
Depreciation/Amortisation	(346.2)	(374.1)	(474.5)	(497.9)	(113.0)
Operating income (EBIT)	336.6	257.7	216.4	201.6	189.8
Other income & associates	355.0	258.5	300.2	317.9	351.0
Net interest	(126.7)	(115.5)	(6.5)	(10.0)	(13.7)
<b>Exceptional items</b>	-	-	-	-	-
Pretax profit	564.9	400.7	510.1	509.5	527.1
Taxation	(108.9)	(77.7)	(50.4)	(45.7)	(41.8)
<b>Minorities/pref dividends</b>	<b>104.6</b>	<b>48.5</b>	<b>(241.2)</b>	<b>(230.4)</b>	<b>(165.0)</b>
Net profit	448.1	204.6	288.4	300.2	314.4
Core net profit	269.8	284.9	288.4	300.2	315.4
Balance Sheet (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Fixed assets	3,719.6	3,988.6	4,249.5	4,500.6	-
Intangible assets	-	-	-	-	-
<b>Other long-term assets</b>	<b>2,888.6</b>	<b>2,872.1</b>	<b>2,987.8</b>	<b>3,116.9</b>	<b>3,454.1</b>
Total non-current assets	6,608.1	6,860.7	7,237.3	7,617.5	3,454.1
Cash & equivalent	1,338.0	1,088.8	992.0	891.0	693.8
Stock	1,350.0	1,263.0	1,374.0	1,485.5	1,610.2
Trade debtors	918.3	859.2	879.8	898.5	922.7
<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	4,754.6	4,359.3	4,394.0	4,423.3	4,375.0
Trade creditors	2,190.9	2,049.8	2,208.9	2,368.2	2,547.4
Short-term borrowings	1,277.9	1,534.9	1,791.9	2,048.9	2,305.9
<b>Other current liabilities</b>	<b>214.8</b>	<b>205.2</b>	<b>208.6</b>	<b>211.6</b>	<b>215.5</b>
Total current liabilities	3,683.6	3,790.0	4,209.4	4,628.7	5,068.9
Long-term borrowings	1,371.7	1,058.7	745.8	432.8	119.9
<b>Other long-term liabilities</b>	<b>90.5</b>	<b>86.4</b>	<b>87.9</b>	<b>89.2</b>	<b>90.8</b>
<b>Total long-term liabilities</b>	<b>1,462.3</b>	<b>1,145.2</b>	<b>833.7</b>	<b>522.0</b>	<b>210.7</b>
Shareholders' funds	3,595.1	3,697.2	3,899.1	4,109.2	4,014.9
Minority interests	2,621.7	2,657.5	2,828.8	2,989.4	3,154.4
BV/share (RM)	3.08	3.16	3.34	3.52	3.44
Cash Flow (RMmil, YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Pretax profit	564.9	400.7	510.1	509.5	527.1
Depreciation/Amortisation	346.2	374.1	474.5	497.9	113.0
Net change in working capital	644.2	(6.7)	31.7	32.7	35.1
<b>Others</b>	<b>(164.8)</b>	<b>(491.9)</b>	<b>(520.0)</b>	<b>(528.3)</b>	<b>(552.3)</b>
Cash flow from operations	1,390.4	276.1	496.3	511.8	122.9
Capital expenditure	(670.4)	(522.7)	(535.2)	(546.6)	-
Net investments & sale of fixed assets	-	-	-	-	-
<b>Others</b>	<b>135.8</b>	<b>166.9</b>	<b>154.4</b>	<b>149.6</b>	<b>144.5</b>
Cash flow from investing	(534.6)	(355.8)	(380.8)	(397.0)	144.5
Debt raised/(repaid)	(56.0)	(56.0)	(56.0)	(56.0)	(56.0)
Equity raised/(repaid)	-	-	-	1.0	2.0
Dividends paid	(107.3)	(43.8)	(86.5)	(90.1)	(408.7)
<b>Others</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(69.9)</b>	<b>(67.9)</b>	<b>4.0</b>
<b>Cash flow from financing</b>	<b>(233.2)</b>	<b>(169.6)</b>	<b>(212.3)</b>	<b>(212.9)</b>	<b>(458.6)</b>
<b>Net cash flow</b>	<b>622.7</b>	<b>(249.2)</b>	<b>(96.8)</b>	<b>(98.0)</b>	<b>(191.2)</b>
<b>Net cash/(debt) b/f</b>	<b>715.3</b>	<b>1,338.0</b>	<b>1,088.8</b>	<b>992.0</b>	<b>891.0</b>
Net cash/(debt) c/f	1,338.0	1,088.8	992.0	894.0	699.8
Key Ratios (YE 31 Dec)	FY19	FY20	FY21F	FY22F	FY23F
Revenue growth (%)	3.9	(18.6)	12.0	2.1	2.7
EBITDA growth (%)	(16.3)	(7.5)	9.4	1.2	(56.7)
Pretax margin (%)	4.8	4.2	4.8	4.7	4.7
Net profit margin (%)	3.8	2.1	2.7	2.7	2.8
Interest cover (x)	2.7	2.2	33.5	20.2	13.9
Effective tax rate (%)	19.3	19.4	9.9	9.0	7.9
Dividend payout (%)	18.0	16.0	22.5	22.5	97.5
Debtors turnover (days)	31	34	30	30	30
Stock turnover (days)	45	50	45	48	50
Creditors turnover (days)	63	81	73	76	80

Source: Company, AmlInvestment Bank Bhd estimates

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