

25 May 2021

UMW Holdings Bhd

1QFY21 Within Expectations

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1QFY21 core PATAMI of RM80m (+278% YoY, -40% QoQ) came in within our/consensus at 27%/26% of full-year estimates. The group expect a hiccup in sales for some of the models starting April 2021 due to global chip shortage up to September 2021. However, it confirmed that its popular Toyota Vios and Yaris, and the all-new Perodua Ativa are currently unaffected by the chip shortage. Maintain OP with a TP of RM4.35.

1QFY21 within expectations. 1QFY21 core PATAMI of RM80m (+278% YoY, -40% QoQ) came in within our/consensus at 27%/26% of full-year estimates. Note that, 1QFY21 core PATAMI excludes: (i) net reversal on receivables impairment (RM9.6m), (ii) net loss on investments disposal (RM0.2m), (iii) PPE gain on disposal (RM7m), and (iv) reversal of inventories (RM1.1m). No dividend was declared for the quarter as expected.

YoY, 1QFY21 core PATAMI surged by 278% mainly due to higher overall sales (+39%) as last year was impacted by the closure of businesses during MCO starting 18th March 2020 until 4th May 2020, and boosted by the current extension of sales tax exemption until 30th June 2021. Evidently, Toyota & Lexus, and Perodua recorded significantly higher unit sales at 17,151 units (+62.1%) and 57,909 units (+28.8%), respectively. Whereas, despite stronger overall sales for the equipment segment (+15%) with the improving demand in almost all regions, profit was lower by 15% dragged by lower Myanmar operation from the political instability (Myanmar typically registers higher margin for parts sales compared to other region). M&E segment sales (-7%) was negatively affected by lower production demand for fan cases amidst travel restrictions.

QoQ, 1QFY21 core PATAMI decreased 40% from the seasonally higher 4QFY20 results. Toyota & Lexus, and Perodua recorded lower unit sales at by c.22% and 23%, respectively. This was cushioned by higher Equipment segment sales (+5%) with stronger demand for construction vehicles in both Malaysia and Singapore. Nonetheless, M&E segment (-6%) continued to register weak demand for the fan cases amidst the pandemic.

Outlook. UMW derives its earnings mostly from: (i) the stream of new models such as Vios and face-lifted Yaris, Toyota RAV4 CBU, Lexus UX200, Toyota Hilux Rogue, Innova & Fortuner (Feb 2021), Toyota Corolla Cross (CBU 25 Mar, CKD 2HCY21), Harrier (8th April 2021), and (ii) its 38%-owned Perodua with the all-new launches of Perodua Ativa. 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 is expected to recover with the roll-out of vaccines and the implementation of travel bubbles. UMW has also unveiled its mobility CREST@2021 strategic framework, aiming for RM1b in PATAMI by 2030.

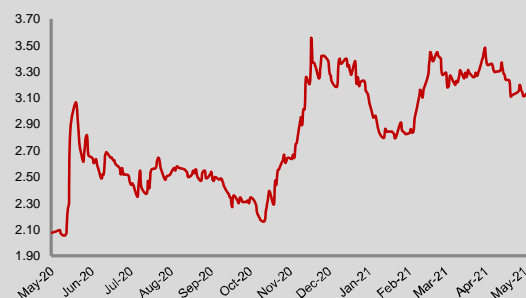
Maintain OP with unchanged TP of RM4.35 based on 16x FY22E EPS (at 5-year historical mean PER).

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

OUTPERFORM ↔

Price: RM3.14
Target Price: RM4.35 ↔

Share Price Performance



KLCI	1,571.82
YTD KLCI chg	-3.4%
YTD stock price chg	-7.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK EQUITY
Market Cap (RM m)	3,668.4
Shares Outstanding	1,168.3
52-week range (H)	3.64
52-week range (L)	2.06
3-mth avg daily vol:	1,087,448
Free Float	29%
Beta	1.8

Major Shareholders

Amanah Saham Nasional	52.7%
Employees Provident Fund	13.1%
KWAP	8.7%

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
PATAMI	204.6	296.0	317.7
Core PATAMI	230.0	296.0	317.7
Consensus NP	-	313.5	343.0
Earnings Revision	-	-	-
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)	16.0	12.4	11.5
PBV (x)	0.9	0.9	0.8
Net Gearing (x)	0.3	0.2	0.0
Net Div. Yield (%)	1.3	1.9	1.9

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Result Highlight

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY21	FY20	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	2,954.2	3,242.3	-9%	2,119.2	39%	2,954.2	2,119.2	39%
Associates and JV	87.5	107.6	-19%	29.2	200%	87.5	29.2	200%
EBIT	190.1	266.0	-29%	92.8	105%	190.1	92.8	105%
PBT	162.7	236.9	-31%	63.0	158%	162.7	63.0	158%
Taxation and Zakat	(39.3)	(26.3)	-49%	(14.2)	-176%	(39.3)	(14.2)	-176%
PATAMI	97.7	137.4	-29%	44.3	120%	97.7	44.3	120%
Core PATAMI	80.0	134.4	-40%	21.2	278%	80.0	21.2	278%
Core EPS (sen)	6.9	11.5	-40%	1.8	278%	6.9	1.8	278%
DPS (sen)	-	4.0		-		-	-	
EBIT margin	6.4%	8.2%		4.4%		6.4%	4.4%	
PBT margin	5.5%	7.3%		3.0%		5.5%	3.0%	
Core NP margin	2.7%	4.1%		1.0%		2.7%	1.0%	
Effective tax rate	24.2%	11.1%		22.6%		24.2%	22.6%	

Source: Company, Kenanga Research

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY21	FY20	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	2,954.2	3,242.3	-8.9%	2,119.2	39.4%	2,954.2	2,119.2	39.4%
Automotive	2,396.0	2,668.2	-10.2%	1,585.9	51.1%	2,396.0	1,585.9	51.1%
Equipment	332.5	317.9	4.6%	289.2	15.0%	332.5	289.2	15.0%
M&E	230.3	244.2	-5.7%	248.5	-7.4%	230.3	248.5	-7.4%
Others	(4.5)	12.0	N.M	(4.4)	-1.9%	(4.5)	(4.4)	N.M
Segment PBT/(LBT)	162.7	236.9	-31.3%	63.0	158.1%	162.7	63.0	158.1%
Automotive	145.5	191.0	-23.8%	53.7	171.0%	145.5	53.7	171.0%
Equipment	21.9	18.5	18.6%	25.8	-14.9%	21.9	25.8	-14.9%
M&E	8.4	22.7	-63.2%	10.5	-20.1%	8.4	10.5	-20.1%
Others	(13.1)	4.6	N.M	(26.9)	N.M	(13.1)	(26.9)	N.M
Segment Margin								
Automotive	6.1%	7.2%		3.4%		6.1%	3.4%	
Equipment	6.6%	5.8%		8.9%		6.6%	8.9%	
M&E	3.6%	9.3%		4.2%		3.6%	4.2%	

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	1.35	1,567.9	Y	04/2021	51.7%	-7.8%	-11.6%	42.3%	15.6	17.7	12.4	3.0	2.4	15.3%	3.4%	1.50	MP	
DRB-HICOM BHD	1.82	3,518.5	Y	12/2021	7.0%	20.7%	68.4%	15.2%	N.A.	10.8	9.4	0.4	0.3	3.2%	1.6%	2.50	OP	
MBM RESOURCES BERHAD	3.14	1,227.4	Y	12/2021	8.9%	4.4%	21.0%	5.6%	7.4	6.1	5.8	0.6	0.5	9.2%	3.8%	4.90	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	1.0	7.9%	6.8%	2.55	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.15	772.8	N	12/2021	13.4%	18.8%	-121.6%	40.7%	N.A.	N.A.	18.5	0.3	0.3	-1.1%	1.3%	1.25	MP	
UMW HOLDINGS BHD	3.14	3,668.4	Y	12/2021	13.3%	12.2%	28.7%	7.3%	15.9	12.4	11.5	0.6	0.5	4.3%	1.9%	4.35	OP	
Simple Average					16.7%	9.0%	0.0%	18.8%	13.3	11.9	11.7	1.0	0.8	6.5%	3.2%			

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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