

30 November 2021

# UMW Holdings Bhd

## 9MFY21 Below Our Expectation

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## MARKET PERFORM ↔

Price: **RM3.08**  
Target Price: **RM3.20** ↔

9MFY21 turned into the red with core losses of RM27.6m compared to core profit of RM79.7m in 9MFY20 and our/consensus core PATAMI of RM170.8m/RM223.4m. We deemed the results below our expectation on worse-than-expected lockdown impact on its core business. As such, we cut our FY21E CNP by 56%, but maintain FY22E CNP on back-logged spill-over recovery reaching above 100k units from both Toyota and Perodua combined. Maintain MP with unchanged TP of RM3.20.

**Results highlights, YoY, 9MFY21** turned to the red with core losses of RM27.6m compared to core profit of RM79.7m in 9MFY20 mainly due to significant losses recorded in 3QFY21 following the imposition of the Full Movement Control Order (FMCO). This was despite higher sales (+17%) recorded from an earlier stronger 1HFY21. Automotive segment showed higher sales (+24%), and segmental profit (+45%) in concurrence with steady Toyota & Lexus, and Perodua unit sales of 46,118 units (+24%) and 119,093 units (-18%), respectively. On the other hand, Equipment segment recorded stronger overall sales (+16%), but lower segmental profit (-8%) affected by Myanmar operation due to political instability (Myanmar typically registers higher margin for parts sales compared to other region). M&E segment sales (-26%) was negatively affected by lower production demand for fan cases amidst travel restrictions.

**QoQ, 3QFY21** plunged further into core losses of RM77.2m compared to core losses of RM30.4m following the implementation of the FMCO from 1<sup>st</sup> June 2021 until mid-August 2021 with all segments recording lower sales and segmental profit. Toyota & Lexus, and Perodua recorded lower unit sales at 11,856 units (-29%) and 21,803 units (-45%), respectively.

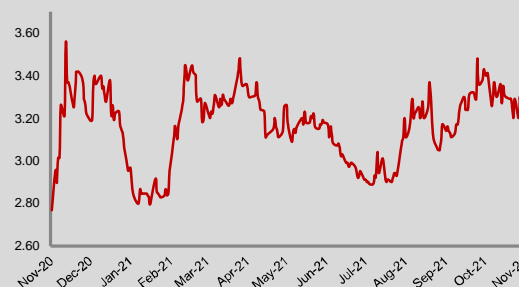
**Outlook.** UMW derives its earnings mostly from: (i) the stream of new models such as Vios and face-lifted Yaris, Toyota RAV4 CBU, Lexus UX200, Toyota Hilux Rogue, Innova and Fortuner (Feb 2021), Toyota Corolla Cross (CBU 25 Mar 2021, CKD 2HCY21), Harrier (8<sup>th</sup> April 2021), and (ii) its 38%-owned Perodua with the all-new launches of Perodua Ativa, refreshed ARUZ, and the recent face-lifted Myvi. 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 wide roll-out of vaccines and the implementation of travel bubbles.

**Cut FY21E CNP by 56%, unchanged FY22E CNP.** We cut our FY21E CNP by 56% due to worse-than-expected lockdown impact on its core business. We maintain FY22E CNP on back-logged spill-over recovery reaching above 100k units from both Toyota and Perodua combined.

**Maintain MP with unchanged TP of RM3.20** based on 13x FY22E EPS (at -1.0 SD of 5-year historical mean PER).

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

### Share Price Performance



KLCI 1,510.57  
YTD KLCI chg -7.2%  
YTD stock price chg -9.4%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker UMW MK EQUITY  
Market Cap (RM m) 3,598.3  
Shares Outstanding 1,168.3  
52-week range (H) 3.64  
52-week range (L) 2.79  
3-mth avg daily vol: 817,594  
Free Float 29%  
Beta 1.8

### Major Shareholders

Amanah Saham Nasional 53.4%  
Employees Provident Fund 12.6%  
KWAP 8.8%

### Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Turnover	9,554.6	9,083.7	10,851.4
EBIT	631.7	477.9	940.5
PBT	400.7	248.5	704.2
<b>PATAMI</b>	<b>204.6</b>	<b>76.1</b>	<b>288.0</b>
<b>Core PATAMI</b>	<b>230.0</b>	<b>76.1</b>	<b>288.0</b>
Consensus NP	-	223.4	317.4
Earnings Revision	-	-55.5%	-
Core EPS (sen)	19.7	6.5	24.7
C.EPS growth (%)	-9.8	-66.9	278.7
NDPS (sen)	4.0	6.0	6.0
BVPS (RM)	3.31	3.32	3.50
Core PER (x)	15.6	47.3	12.5
PBV (x)	0.9	0.9	0.9
Net Gearing (x)	0.3	0.2	0.1
Net Div. Yield (%)	1.3	1.9	1.9

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<b>Result Highlight</b>								
	<b>3Q</b>	<b>2Q</b>	<b>QoQ</b>	<b>3Q</b>	<b>YoY</b>	<b>9M</b>	<b>9M</b>	<b>YoY</b>
<b>FYE Dec (RM m)</b>	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
Turnover	<b>2,016.4</b>	<b>2,445.1</b>	<b>-18%</b>	<b>2,663.3</b>	<b>-24%</b>	<b>7,415.7</b>	<b>6,312.3</b>	<b>17%</b>
Associates and JV	(5.7)	25.2	>100%	94.3	N.M	107.1	96.5	11%
EBIT	41.8	58.3	-28%	186.1	-78%	290.2	250.2	16%
PBT	16.5	32.6	-49%	159.5	-90%	211.8	163.8	29%
Taxation and Zakat	(26.0)	(11.1)	-135%	(41.9)	38%	(76.4)	(51.4)	-49%
<b>PATAMI</b>	<b>(47.9)</b>	<b>(21.1)</b>	<b>-127%</b>	<b>101.3</b>	<b>-147%</b>	<b>28.7</b>	<b>67.2</b>	<b>-57%</b>
<b>Core PATAMI</b>	<b>(77.2)</b>	<b>(30.4)</b>	<b>-154%</b>	<b>87.8</b>	<b>&gt;100%</b>	<b>(27.6)</b>	<b>79.7</b>	<b>&gt;100%</b>
Core EPS (sen)	(6.6)	(2.6)	-154%	7.5	>100%	(2.4)	6.8	>100%
DPS (sen)	-	-	-	-	-	-	-	-
EBIT margin	2.1%	2.4%		7.0%		3.9%	4.0%	
PBT margin	0.8%	1.3%		6.0%		2.9%	2.6%	
Core NP margin	N.M	N.M		3.3%		N.M	1.3%	
Effective tax rate	N.M	N.M		26.3%		N.M	31.4%	

*\*9MFY21 Core PATAMI excludes: (i) net reversal on receivables impairment (RM11.209m), (ii) net loss on investments disposal (RM0.6m), (iii) PPE gain on disposal (RM38.3m), and (iv) reversal of inventories (RM7.1m)*

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
	<b>3Q</b>	<b>2Q</b>	<b>QoQ</b>	<b>3Q</b>	<b>YoY</b>	<b>9M</b>	<b>9M</b>	<b>YoY</b>
<b>FYE Dec (RM m)</b>	<b>FY21</b>	<b>FY21</b>	<b>Chg</b>	<b>FY20</b>	<b>Chg</b>	<b>FY21</b>	<b>FY20</b>	<b>Chg</b>
<b>Revenue</b>	<b>2,016.4</b>	<b>2,445.1</b>	<b>-17.5%</b>	<b>2,663.3</b>	<b>-24.3%</b>	<b>7,415.7</b>	<b>6,312.3</b>	<b>17.5%</b>
Automotive	1,590.8	1,981.9	-19.7%	2,127.5	-25.2%	5,968.7	4,815.5	23.9%
Equipment	316.0	299.9	5.3%	297.0	6.4%	948.3	819.4	15.7%
M&E	110.3	159.9	-31.1%	242.3	-54.5%	500.5	674.1	-25.8%
Others	(0.7)	3.4	N.M	(3.4)	81.1%	(1.8)	3.3	N.M
<b>Segment PBT/(LBT)</b>	<b>16.5</b>	<b>32.6</b>	<b>-49.5%</b>	<b>159.5</b>	<b>-89.7%</b>	<b>211.8</b>	<b>163.8</b>	<b>29.3%</b>
Automotive	27.4	34.6	-20.9%	131.6	-79.2%	207.6	143.6	44.6%
Equipment	24.3	31.8	-23.6%	34.0	-28.5%	78.1	84.4	-7.5%
M&E	8.2	(6.1)	234.9%	20.3	-59.8%	10.5	38.8	-73.0%
Others	(43.4)	(27.8)	N.M	(26.4)	N.M	(84.4)	(103.1)	N.M
<b>Segment Margin</b>								
Automotive	1.7%	1.7%		6.2%		3.5%	3.0%	
Equipment	7.7%	10.6%		11.5%		8.2%	10.3%	
M&E	7.4%	N.M		8.4%		2.1%	5.8%	

Source: Company, Kenanga Research

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	1.53	1,778.1	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	13.3	15.0	13.3	2.9	2.1	16.1%	3.9%	1.65	MP	
DRB-HICOM BHD	1.54	2,977.2	Y	12/2021	-14.3%	39.1%	-310.8%	-52.6%	N.A.	N.A.	15.4	0.3	0.3	-4.3%	1.3%	1.80	MP	
MBM RESOURCES BERHAD	3.13	1,223.5	Y	12/2021	-7.6%	10.1%	-17.6%	42.8%	7.4	9.0	6.3	0.6	0.6	6.3%	4.8%	3.50	OP	
SIME DARBY BERHAD	2.20	14,965.6	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.1	12.6	12.2	0.9	0.9	7.2%	5.0%	2.40	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.12	730.4	Y	12/2021	-25.4%	31.9%	-133.5%	-72.8%	N.A.	N.A.	60.2	0.3	0.3	-1.6%	1.3%	1.00	UP	
UMW HOLDINGS BHD	3.08	3,598.3	Y	12/2021	-4.9%	19.5%	-66.9%	278.7%	15.6	47.3	12.5	0.6	0.5	1.1%	1.9%	3.20	MP	
<b>Simple Average</b>					<b>-9.2%</b>	<b>19.4%</b>	<b>-89.4%</b>	<b>35.4%</b>	<b>12.4</b>	<b>21.0</b>	<b>20.0</b>	<b>0.9</b>	<b>0.8</b>	<b>4.1%</b>	<b>3.0%</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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