

"Lower-than-expected results"

Share price performance



	1M	3M	12M
Absolute (%)	8.4	-2.5	7.6
Rel KLCI (%)	2.8	-7.1	7.0

	BUY	HOLD	SELL
Consensus	10	4	-

Stock Data

Sector	Auto & Auto Parts
Issued shares (m)	1,168.3
Mkt cap (RMm)/(US\$m)	3621.7/862.4
Avg daily vol - 6mth (m)	0.6
52-wk range (RM)	2.85-3.5
Est free float	28.6%
Stock Beta	1.66
Net cash/(debt) (RMm)	158.7
ROE (CY22E)	5.7%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	
ESG Risk Rating	28.2 (-2.0 yoy)

Key Shareholders

PNB	53.5%
EPF	12.6%
KWSP	8.8%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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UMW Holdings (UMWH MK)

HOLD (maintain)

Up/Downside: +8.0%

Price Target: RM3.35

Previous Target (Rating): RM3.34 (Hold)

Earnings below estimates

- UMW's FY21 core net profit of RM160m (-44% yoy) came in below our and consensus estimates due to higher-than-expected minority expenses and interest on its perpetual sukuk bond
- 4Q21 pretax profit recovered to RM271m (>+100% qoq) due to stronger sales across business segments from reopening of the economy
- Maintain HOLD rating with TP of RM3.35 (from RM3.34) due to better net cash position

Sales tax exemption period supported sales

UMW's FY21 recorded core net profit of RM160.2m (-43.8% yoy) after excluding one-off items i.e. deferred tax asset from investment tax allowance, gain on disposal of investment, PPE, leased assets and right of use of assets. Results fell below our and streets' estimates accounting for 78% and 93% of full-year forecasts respectively. This is due to higher than expected minority interests and interest on its perpetual sukuk bond. Revenue however increased to RM11.1bn (+15.8% yoy) due to stronger Automotive (+20.7% yoy) and Equipment (+15.5% yoy) sales contributions due to robust demand and longer sales tax exemption period compared to the previous year.

4Q21 stronger sales across all segments

Quarterly, 4Q21 pretax profit improved to RM271.0m (>+100%) due to stronger sales across the business segments; Automotive (+92.5%), Equipment (+15.6%), Manufacturing & Engineering (>+100%). This was due to reopening of the economy post FMCO period thus boosting sales volume during the quarter. The group declared a final dividend of 5.8sen for FY21 (vs 4.0sen for FY20).

Maintain Hold with a slightly higher TP of RM3.35 (from RM3.34)

Reduce our earnings forecasts slightly by -0.2-1.2% for FY22-23E and introduce FY24E earnings. Perodua targets a sales volume of 247.8k units (+30.2% yoy) while UMWT projects a sales volume of 73.0k units (+0.8% yoy) driven by sales tax exemption and reopening of economic activities with new facelifts and launches. Some notable launches in 2022 are Toyota Corolla Cross Hybrid EV, Toyota Camry facelift, Perodua Ativa, refreshed Perodua Aruz and Perodua Myvi facelift. Increase our TP slightly to RM3.35 (from RM3.34) pegged to CY22E based SOP valuation due to better net cash position. Maintain HOLD rating. Key up/downside risks: i) higher/lower-than-expected contribution from Perodua associates, ii) higher/lower-than-expected car sales volume and production and iii) increasing/decreasing chip supply.

Earnings & Valuation Summary

FYE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMm)	9,554.6	11,060.8	11,863.3	12,238.1	12,613.9
EBITDA (RMm)	712.0	649.6	638.7	721.2	795.4
Pretax profit (RMm)	400.7	482.8	537.0	598.5	669.5
Net profit (RMm)	204.6	268.2	244.3	275.3	308.0
EPS (sen)	17.5	23.0	20.9	23.5	26.3
PER (x)	17.7	13.5	14.8	13.2	11.8
Core net profit (RMm)	284.9	160.2	244.3	275.3	308.0
Core EPS (sen)	24.4	13.7	20.9	23.5	26.3
Core EPS growth (%)	27.4	(43.8)	52.4	12.6	11.8
Core PER (x)	12.7	22.6	14.8	13.2	11.8
Net DPS (sen)	4.0	5.8	6.0	6.0	6.0
Dividend Yield (%)	1.3	1.9	1.9	1.9	1.9
EV/EBITDA	5.7	5.3	5.6	5.0	4.6

Chg in Core EPS (%)		-0.2	-1.2	new
Affin/Consensus (x)		0.8	0.8	na

Source: Company, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	4Q20	3Q21	4Q21	QoQ % chg	YoY % chg	2020	2021	YoY % chg	Comments
Revenue	3,242	2,016	3,645	80.8	12.4	9,554.6	11,061	15.8	FY21: Higher revenue from the Automotive (+20.7% yoy) and Equipment (+15.5% yoy) segments supported by longer SST exemption
Op costs	(2,926)	(1,869)	(3,431)	83.6	17.3	(8,842.5)	(10,411)	17.7	
EBITDA	316.3	147.7	214.3	45.1	(32.3)	712.0	649.6	(8.8)	
<i>EBITDA margin (%)</i>	<i>9.8</i>	<i>7.3</i>	<i>5.9</i>	<i>-1.4 ppt</i>	<i>-3.9 ppt</i>	<i>7.5</i>	<i>5.9</i>	<i>-1.6 ppt</i>	
Depn and amort	(97.2)	(83.8)	(92.2)	10.0	(5.1)	(374.1)	(343.5)	(8.2)	
EBIT	219.1	63.8	122.1	91.2	(44.3)	338.0	306.1	(9.4)	
<i>EBIT margin (%)</i>	<i>6.8</i>	<i>3.2</i>	<i>3.3</i>	<i>0.2 ppt</i>	<i>-3.4 ppt</i>	<i>3.5</i>	<i>2.8</i>	<i>-0.8 ppt</i>	
Int expense	(29.1)	(25.4)	(29.7)	17.1	2.0	(115.5)	(108.2)	(6.4)	
Int and other inc	13.9	9.2	14.3	55.6	2.6	54.4	48.7	(10.5)	
Associates & JV	107.6	(5.7)	160.9	n.m.	49.5	204.1	268.0	31.3	
EI	(74.6)	(25.6)	3.4	n.m.	n.m.	(80.3)	(31.8)	(60.4)	
Pretax Profit	236.9	16.5	271.0	>+100	14.4	400.7	482.8	20.5	4Q21: added back one-off deferred tax asset from investment tax allowance
Tax	(26.3)	(26.0)	109.3	n.m.	n.m.	(77.7)	32.9	n.m.	
<i>Tax rate (%)</i>	<i>(11.1)</i>	<i>(158.0)</i>	<i>40.3</i>	<i>n.m.</i>	<i>n.m.</i>	<i>(19.4)</i>	<i>6.8</i>	<i>n.m.</i>	
MI & Sukuk	(73.1)	(38.3)	(140.4)	266.1	91.9	(118.3)	(247.4)	>+100	Below expectations - 4Q21: excludes one-off deferred tax asset from investment tax allowance of RM139.8m
Net profit	137.4	(47.9)	240.0	n.m.	74.6	204.6	268.2	31.1	
EPS (sen)	11.8	(4.1)	20.5	n.m.	74.6	17.5	23.0	31.1	Below expectations - 4Q21: excludes one-off deferred tax asset from investment tax allowance of RM139.8m
Core net profit	212.1	(22.3)	96.8	n.m.	(54.4)	284.9	160.2	(43.8)	

Source: Affin Hwang, Company

Fig 2: Sum-of-Parts Valuation

Segment	CY22E PE (x)	Equity Value (RMm)
Automotive*	8.1	3,132.6
Equipment	5.0	405.9
M&E	7.0	159.2
Serendah land		54.5
Equity Value (RMm)		3,752.1
net cash/ (debt)		158.7
Issued shares (mn)		1,168.3
Target price (RM/share)		3.35

Source: Affin Hwang

*includes associates & joint ventures

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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