

28 February 2022

UMW Holdings Bhd FY21 Above Expectations

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FY21 core PATAMI of RM223.3m (+4%) came in above our/consensus expectation at 293%/130% of estimates on stronger-than-expected 4QFY21 performance, especially with the higher-than-expected recognition of deferred tax assets of RM140m (from approved investment tax allowance). Automakers generally are expected to continue ramping up production and deliveries driven by the 1HCY22 sales tax exemption as well as introduction of new models including electric vehicles (EV), inline with the reopening of the economy. However, looming uncertainties in term of global supply chain recovery may impact certain models' production. Maintain MP and TP of RM3.20.

FY21 above expectations. FY21 core PATAMI of RM223.3m (+4%) came in above our/consensus expectation at 293%/130% of estimates on stronger-than-expected 4QFY21 performance, especially with the higher-than-expected recognition of deferred tax assets of RM140m (from approved investment tax allowance). Final DPS of 5.8 sen (FY20: 4.0 sen), was declared, above expectation.

YoY, FY21 core PATAMI rose 4%, in concurrent with stronger sales (+16%) on stronger 4QFY21 which recovered from 3QFY21 lockdown quarter. Automotive segment showed higher sales (+21%), and segmental profit (+43%) in concurrence with steady Toyota & Lexus and Perodua unit sales of 71,585 units (+22%) and 190,291 units (-14%), respectively. On the other hand, Equipment segment recorded stronger overall sales (+16%) with a better segmental profit (+4%) as demand in both local and overseas market continued to improve post lockdown with projected increase in activities following higher commodity prices. M&E segment sales (-21%) was negatively affected by lower production demand for fan cases amidst travel restrictions.

QoQ, 4QFY21 soared strongly into the black with core PATAMI of RM250.9m compared to core losses of RM77.2m in 3QFY21 in concurrent with higher sales (+81%), which strongly recovered from 3QFY21 lockdown quarter, boosted by year-end promotional sales. Both Toyota & Lexus and Perodua unit sales of 26,024 units (+120%) and 71,198 units (+224%), respectively, drove stronger on delivery of its popular models. Note that, there was recognition of deferred tax assets (DTA) of RM140m in relation to investment tax allowance which was approved in 4QFY21.

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, Toyota Corolla Cross Hybrid, Harrier, 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")'s 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.

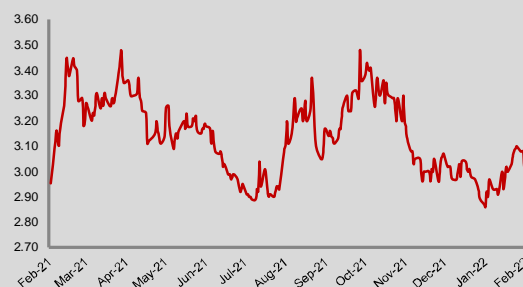
Maintain MP and TP of RM3.20 based on 13x FY22E EPS (at -1.0 SD of 5-year historical mean PER).

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

MARKET PERFORM ↔

Price: **RM3.10**
Target Price: **RM3.20** ↔

Share Price Performance



KLCI 1,591.72
YTD KLCI chg 1.5%
YTD stock price chg 4.4%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker UMWH MK EQUITY
Market Cap (RM m) 3,621.7
Shares Outstanding 1,168.3
52-week range (H) 3.50
52-week range (L) 2.85
3-mth avg daily vol: 241,938
Free Float 29%
Beta 1.7

Major Shareholders

Amanah Saham Nasional 53.5%
Employees Provident Fund 12.6%
KWAP 8.8%

Summary Earnings Table

FY Dec (RM m)	2021A	2022E	2023E
Turnover	11,060.8	11,849.6	12,790.2
EBIT	934.4	1,025.8	1,160.9
PBT	482.8	643.9	715.1
PATAMI	268.2	288.7	324.1
Core PATAMI	223.2	288.7	324.1
Consensus NP	171.9	292.8	333.4
Earnings Revision	-	-	new
Core EPS (sen)	19.1	24.7	27.7
C.EPS growth (%)	-2.9	29.3	12.3
NDPS (sen)	5.8	6.0	6.0
BVPS (RM)	3.52	3.71	3.93
Core PER (x)	16.2	12.5	11.2
PBV (x)	0.9	0.8	0.8
Net Gearing (x)	Net cash	Net cash	Net cash
Net Div. Yield (%)	1.9	1.9	1.9

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Result Highlight								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Turnover	3,645.1	2,016.4	81%	3,242.3	12%	11,060.8	9,554.6	16%
Associates and JV	160.9	(5.7)	>100%	107.6	50%	268.0	204.1	31%
EBIT	300.7	41.8	>100%	266.0	13%	590.9	516.2	14%
PBT	271.0	16.5	>100%	236.9	14%	482.8	400.7	20%
Taxation and Zakat	109.3	(26.0)	>100%	(26.3)	>100%	32.9	(77.7)	>100%
PATAMI	240.0	(47.9)	>100%	154.9	55%	268.6	204.6	31%
Core PATAMI	250.9	(77.2)	>100%	134.4	87%	223.3	214.1	4%
Core EPS (sen)	21.5	(6.6)	>100%	11.5	87%	19.1	18.3	4%
DPS (sen)	5.8	-		4.0		5.8	4.0	
EBIT margin	8.2%	2.1%		8.2%		5.3%	5.4%	
PBT margin	7.4%	0.8%		7.3%		4.4%	4.2%	
Core NP margin	6.9%	N.M		4.1%		2.0%	2.2%	
Effective tax rate	-40.3%	N.M		11.1%		-6.8%	19.4%	

*FY21 Core PATAMI excludes: (i) net reversal on receivables impairment (RM3.1m), (ii) net loss on investments disposal (RM2.6m), (iii) PPE gain on disposal (RM43.2m), and (iv) reversal of inventories (RM3.9m)

Source: Company, Kenanga Research

Segmental Breakdown								
	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY21	FY21	Chg	FY20	Chg	FY21	FY20	Chg
Revenue	3,645.1	2,016.4	80.8%	3,242.3	12.4%	11,060.8	9,554.6	15.8%
Automotive	3,061.6	1,590.8	92.5%	2,668.2	14.7%	9,030.3	7,483.7	20.7%
Equipment	365.1	316.0	15.6%	317.9	14.8%	1,313.4	1,137.3	15.5%
M&E	225.9	110.3	104.9%	244.2	-7.5%	726.3	918.3	-20.9%
Others	(7.5)	(0.7)	N.M	12.0	-163.0%	(9.3)	15.3	N.M
Segment PBT/(LBT)	271.0	16.5	>100%	236.9	14.4%	482.8	400.7	20.5%
Automotive	269.2	27.4	>100%	191.0	40.9%	476.7	334.6	42.5%
Equipment	28.9	24.3	19.0%	18.5	56.4%	107.0	102.9	4.0%
M&E	11.7	8.2	42.9%	22.7	-48.7%	22.2	61.6	-64.0%
Others	(38.8)	(43.4)	N.M	4.6	N.M	(123.2)	(98.4)	N.M
Segment Margin								
Automotive	8.8%	1.7%		7.2%		5.3%	4.5%	
Equipment	7.9%	7.7%		5.8%		8.1%	9.1%	
M&E	5.2%	7.4%		9.3%		3.1%	6.7%	

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.				
STOCKS UNDER COVERAGE																		
BERMAZ AUTO BHD	1.86	2,161.6	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	16.1	18.2	16.2	3.5	2.5	16.1%	3.2%	1.65	MP	
DRB-HICOM BHD	1.46	2,822.5	Y	12/2022	29.5%	11.7%	-7.5%	35.4%	N.A.	14.5	10.7	0.3	0.3	2.1%	1.4%	1.80	OP	
MBM RESOURCES BERHAD	3.10	1,211.8	Y	12/2022	33.7%	11.4%	16.5%	16.5%	7.2	6.2	5.3	0.6	0.5	8.7%	6.5%	3.50	OP	
SIME DARBY BERHAD	2.31	15,730.9	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.8	13.3	12.8	1.0	0.9	7.2%	4.8%	2.40	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.11	723.9	Y	12/2021	-25.4%	31.9%	-133.5%	-72.8%	N.A.	N.A.	59.7	0.3	0.3	-1.6%	1.4%	1.00	UP	
UMW HOLDINGS BHD	3.10	3,621.7	Y	12/2022	7.1%	7.9%	29.3%	12.3%	16.2	12.5	11.2	0.5	0.5	4.9%	1.9%	3.20	MP	
Simple Average					7.0%	13.1%	-17.1%	1.3%	13.3	12.9	19.3	1.0	0.8	6.2%	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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