

UOBKH HIGHLIGHTS

UMW Holdings (UMWH MK/BUY/RM3.10/Target: RM3.90)

4Q21: Above Expectation, Automobile Segment Outperformed

Year to 31 Dec	4Q21 (RMm)	qoq % chg	yoy % chg	2021 (RMm)	yoy % chg	Remarks
Revenue	3,645.0	80.8	12.4	11,061.0	15.8	Higher sales of vehicles
Auto	3,062.0	92.5	14.8	9,030.0	20.7	
Equipment	365.0	15.5	14.8	1,313.0	15.5	
M&E	226.0	105.5	(7.4)	726.0	(20.9)	
Associates & JVs	160.9	(2,936.5)	49.5	68.0	(66.7)	Toyota regained leadership of the non-national segment
PBT	271.0	1,545.4	14.4	482.8	20.5	
Auto	269	896.3	40.8	477	42.4	
Equipment	29	20.8	56.7	107	3.9	
M&E	12.0	50.0	(47.2)	22.0	(64.5)	
PATAMI	240.0	(601.0)	74.6	250.8	(13.2)	
Core PATAMI	233.4	(2,426.6)	17.4	245.0	3.8	Above expectations
Toyota Unit Sales	26,024	119.5	18.4	72,394	23.7	
Perodua Unit Sales	71,198	226.6	(5.3)	190,291	(13.6)	
PBT Margin	(%)	+/- ppts	+/- ppts	(%)	+/- ppts	
Overall	7.4	7.2	0.1	4.4	0.2	
Auto	8.8	7.1	1.6	5.3%	0.8	
Equipment	7.9	0.3	2.1	8.1%	1.0	
M&E	5.3	(2.0)	(4.0)	3.0%	(3.8)	

Source: UMW Holdings, UOB Kay Hian

RESULTS

- 2021 earnings above expectations.** UMW Holdings (UMW) reported 4Q21 core net profit of RM222.4m (+18% yoy, +100% qoq) after adjusting for exceptional items such as: a) reversal of impairment on receivables (RM-8.1m); b) gain on disposal of investments (RM2.6m); c) gain on disposal of property, plant and equipment (RM4.9m); d) reversal of inventories (RM-10.3m); and e) property, plant and equipment written off (RM-0.1m). This brings 2021 core net profit to RM245m (+4% yoy), which accounted for 110%/142% of our/consensus' full-year estimates respectively. The positive deviation was due to the stronger-than-expected sales during the year-end promotion for the automobile segment which saw PBT surge to RM269m in 4Q21, as well as positive spill-over from the sales tax exemption.
- Manufacturing and engineering (M&E) revenue and profit before taxation and zakat (PBTZ)** were impacted by lower demand in all three sub-segments, primarily due to lower demand for fan cases in the aerospace sub-segment, as well as with the disposal of a subsidiary, UMW Advantech, effective 30 Nov 21. The aerospace sub-segment is constantly looking for ways to improve plant utilisation in accordance with its product and customer diversification strategy. The sub-segment has been impacted by the COVID-19 pandemic, but is expected to improve as international travel resumes.
- The equipment division's revenue and profitability increased** despite the challenging business environment arising from the COVID-19 pandemic and the political situation in Myanmar. UMW expects the division's earnings to continue to improve in tandem with the reopening of the economy and higher commodity prices. The heavy equipment sub-segment may benefit from the anticipated increase in construction activity, while the industrial equipment sub-performance segment's is expected to be sustained as it continues to focus on growth sectors.

EARNINGS REVISION/RISK

- Adjust 2022 earnings forecast higher by 4% post model updates.** The introduction of the first locally assembled hybrid electric vehicle (Toyota Corolla Cross) and all-new facelift models (Toyota Camry) as well as tax-free incentive for the purchase of electric vehicles (EV) are expected to drive automotive sales and contribute positively to the company in 2022. Furthermore, the SST exemption extension would continue to entice buyers to make car purchases, given the more affordable prices.
- Key risks include** susceptibility to supply chain disruption due to the chip shortage crisis.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of RM3.90.** Our valuation implies 14x 2022F PE. We believe 2022 earnings will be supported by the deliveries of first locally assembled hybrid electric vehicle (Toyota Corolla Cross) and Toyota Camry new facelift, potential introduction of the all-new Alza in mid-22 as well as the sales tax exemption extension.

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