

25 May 2022

UMW Holdings Bhd

1QFY22 Above Expectations

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1QFY22 core PATAMI of RM99.4m (+59%) came in above our/consensus expectation at 34%/32% of full-year estimates on stronger-than-expected performance, especially from associate Perodua. As such, we increase FY22E/FY23E CNP by 24%/22% on stronger back-logged booking despite SST-exemption period drawing closer to an end. Upgrade to OP from MP with a higher TP of RM4.40 (from RM3.20).

1QFY22 above expectations. 1QFY22 core PATAMI of RM99.4m (+59%) came in above our/consensus expectation at 34%/32% of full-year estimate on stronger-than-expected performance, especially from its associate Perodua.

YoY, 1QFY22 core PATAMI surged 59%, concurrent with stronger sales (+24%) with (i) overall stronger performance in all three business segments with the transition to endemic phase and full re-opening of the economy, and (ii) lower effective tax rate of 19.6% (1QFY21: 24.2%) from various tax incentives and benefits enjoyed by the group. Automotive segment showed higher sales (+28%), and segmental profit (+41%) in concurrence with steady Perodua and Toyota & Lexus unit sales of 61,624 units (+6%) and 22,447 units (+31%), respectively. On the other hand, Equipment segment recorded stronger overall sales (+12%) with a better segmental profit (+45%) as demand in both local and overseas markets continued to improve post lockdown with projected increase in activities following higher commodity prices. M&E segment sales was weaker (-1%), but with stronger segmental profit (+27%) due to the lower contribution from disposal of Auto Components sub-segment subsidiary with improvement in operating cost post-disposal, but Lubricant sub-segment still showed weak demand due to lockdown in certain overseas markets while Aerospace is still in a loss from the slowdown during the pandemic phase earlier.

QoQ, 1QFY22 core PATAMI plunged 60% in line with weak sales (flat) as 4QFY21 is a strongest quarter of the FY seasonally and there was also a 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") venture with Universal Robot A/S, while UMW Aerospace is expected to recover with the endemic phase of COVID-19 and the easing of travel arrangements.

FY22E/FY23E CNP increased by 24%/22%, on stronger back-logged booking despite SST-exemption period drawing closer to an end.

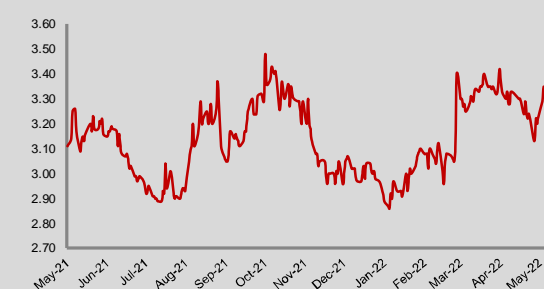
Upgrade to OP from MP with a higher TP of RM4.40 (from RM3.20) based on unchanged PER of 13x (at -1.0SD to 5-year historical mean PER) on roll-over valuation year of FY23E (from FY22E).

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

OUTPERFORM

Price: **RM3.35**
Target Price: **RM4.40** 

Share Price Performance



KLCI	1,531.30
YTD KLCI chg	-2.3%
YTD stock price chg	12.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK EQUITY
Market Cap (RM m)	3,913.8
Shares Outstanding	1,168.3
52-week range (H)	3.48
52-week range (L)	2.85
3-mth avg daily vol:	318,453
Free Float	29%
Beta	1.4

Major Shareholders

Amanah Saham Nasional	53.5%
Employees Provident Fund	12.4%
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	358.3	393.7
Core PATAMI	223.2	358.3	393.7
Consensus NP	-	309.8	345.1
Earnings Revision	-	24%	22%
Core EPS (sen)	19.1	30.7	33.7
C.EPS growth (%)	-2.9	60.5	9.9
NDPS (sen)	5.8	6.0	6.0
BVPS (RM)	3.52	3.77	4.05
Core PER (x)	17.5	10.9	9.9
PBV (x)	1.0	0.9	0.8
Net Gearing (x)	N.cash	N.cash	N.cash
Net Div. Yield (%)	1.7	1.8	1.8

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Result Highlight

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Turnover	3,650.8	3,645.1	0%	2,954.2	24%	3,650.8	2,954.2	24%
Associates and JV	96.5	160.9	-40%	87.5	10%	96.5	87.5	10%
EBIT	255.3	300.7	-15%	190.1	34%	255.3	190.1	34%
PBT	216.3	271.0	-20%	162.7	33%	216.3	162.7	33%
Taxation and Zakat	(42.5)	109.3	-139%	(39.3)	-8%	(42.5)	(39.3)	-8%
PATAMI	101.2	240.0	-58%	79.8	27%	101.2	79.8	27%
Core PATAMI	99.4	250.9	-60%	62.5	59%	99.4	62.5	59%
Core EPS (sen)	8.5	21.5	-60%	6.9	24%	8.5	6.9	24%
DPS (sen)	-	5.8		-		-	-	
EBIT margin	7.0%	8.2%		6.4%		7.0%	6.4%	
PBT margin	5.9%	7.4%		5.5%		5.9%	5.5%	
Core NP margin	2.7%	6.9%		2.1%		2.7%	2.1%	
Effective tax rate	19.6%	-40.3%		24.2%		19.6%	24.2%	

*1Q22 Core PATAMI excludes: (i) net reversal on receivables impairment (RM0.99m), (ii) net loss on investments disposal (RM2.6m), (iii) PPE gain on disposal (RM0.07m), and (iv) reversal of inventories (RM0.2m)

Source: Company, Kenanga Research

Segmental Breakdown

	1Q	4Q	QoQ	1Q	YoY	1Q	1Q	YoY
FYE Dec (RM m)	FY22	FY21	Chg	FY21	Chg	FY22	FY21	Chg
Revenue	3,650.8	3,645.1	0.2%	2,954.2	23.6%	3,650.8	2,954.2	23.6%
Automotive	3,070.2	3,061.6	0.3%	2,396.0	28.1%	3,070.2	2,396.0	28.1%
Equipment	371.8	365.1	1.8%	332.5	11.8%	371.8	332.5	11.8%
M&E	227.1	225.9	0.5%	230.3	-1.4%	227.1	230.3	-1.4%
Others	(18.3)	(7.5)		(4.5)		(18.3)	(4.5)	
Segment PBT/(LBT)	216.3	271.0	-20.2%	162.7	32.9%	216.3	162.7	32.9%
Automotive	205.8	269.2	-23.5%	145.5	41.4%	205.8	145.5	41.4%
Equipment	31.8	28.9	9.8%	21.9	44.8%	31.8	21.9	44.8%
M&E	10.6	11.7	-9.0%	8.4	26.9%	10.6	8.4	26.9%
Others	(31.9)	(38.8)		(13.1)	N.M	(31.9)	(13.1)	
Segment Margin								
Automotive	6.7%	8.8%		6.1%		6.7%	6.1%	
Equipment	8.5%	7.9%		6.6%		8.5%	6.6%	
M&E	4.7%	5.2%		3.6%		4.7%	3.6%	

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	1.75	2,031.8	Y	04/2022	-8.0%	10.6%	-11.5%	12.3%	15.2	17.1	15.3	3.3	2.4	16.1%	3.4%	1.65	MP	
DRB-HICOM BHD	1.32	2,551.6	Y	12/2022	29.5%	11.7%	-7.5%	35.4%	N.A.	13.1	9.7	0.3	0.3	2.1%	1.5%	1.80	OP	
MBM RESOURCES BERHAD	3.17	1,239.2	Y	12/2022	33.7%	11.4%	16.5%	16.6%	7.4	6.3	5.4	0.6	0.5	8.7%	6.3%	3.50	OP	
SIME DARBY BERHAD	2.25	15,302.3	Y	06/2022	5.0%	5.0%	3.9%	3.9%	13.4	12.9	12.4	0.9	0.9	7.2%	4.9%	2.60	OP	
TAN CHONG MOTOR HOLDINGS BHD	1.18	793.0	Y	12/2022	32.9%	10.2%	-31.3%	54.4%	N.A.	63.4	41.1	0.3	0.3	0.5%	2.5%	1.00	UP	
UMW HOLDINGS BHD	3.35	3,913.8	Y	12/2022	7.1%	7.9%	60.5%	9.9%	17.5	10.9	9.9	0.6	0.5	4.9%	1.8%	4.40	OP	
Simple Average					16.7%	9.5%	5.1%	22.1%	13.4	20.6	15.6	1.0	0.8	6.6%	3.4%			

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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