

UMW Holdings (UMWH MK)

1Q22 results ahead of expectation

TP raised to MYR5.00. BUY.

1Q22 core net earnings accounted for 38% of our initial FY estimate, on strong vehicle sales momentum, leading us to raise our: (i) FY22-24E earnings by 23-24%, mainly on stronger Perodua (P2) vehicle sales outlook and (ii) TP by 25%, as we roll over valuations to FY23, pegged to an unchanged 16x PER (-0.5 SD valuation). We see upside bias to earnings, if: (i) the SST holiday is unexpectedly extended beyond Jun 2022 and (ii) disruptions to the global supply chain ease in 2H.

Salient 1Q22 results: Up 25% YoY

UMW reported core net profit of MYR108m (+23% YoY), driven by improvement across all segments amidst the economic recovery post-Covid-19. This recovery was led by its: (i) automotive (+41% in 1Q22 pretax profit to MYR206m), (ii) equipment (+45% to MYR32m) and (iii) manufacturing & engineering (+27% to MYR11m) divisions respectively. Its automotive division registered higher vehicles sales of its Toyota (+31% to 22.4k units) and 38%-owned P2 (+6% to 61.6k units) franchises.

Raise earnings, auto to lead growth

Our 24%/24%/23% increase in FY22/23/24E earnings estimates solely reflect higher P2 vehicle sales (+6%/+4%/+4%) to 248k-252k units respectively. Our earnings upgrade is conservative, for they reflect: (i) the disruption to the global supply chain, (ii) the risk of no further SST extension beyond Jun 2022 as well as (iii) no change to Toyota's vehicle sales estimate for now (1Q22 vehicles sales = 31% of FY estimate). We see room to raise earnings, should these risks lower than anticipated. Order backlog combined (Toyota & P2) total around 100k units now (4-6 months' visibility).

Big picture aspiration; ESG progress

All in, UMW has set a 10-year target to achieve: (i) MYR20b revenue, (ii) MYR2b pretax profit and (iii) MYR1b net profit. This would be aided by organic growth, M&As and divestment strategies. On the ESG front, it targets to be carbon neutral by 2050, with: (i) 150k/300k mangrove trees and (ii) 10k bamboo trees planting targets by end-2022/23 and 2022. Toyota/ P2 BEV models will be introduced/ CKD-ed by 2024.

| FYE Dec (MYR m) | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------------|-------|----------|--------|----------|----------|
| Revenue | 9,555 | 11,061 | 11,482 | 11,711 | 12,036 |
| EBITDA | 712 | 506 | 730 | 785 | 773 |
| Core net profit | 285 | 156 | 358 | 369 | 386 |
| Core EPS (sen) | 24.4 | 13.4 | 30.6 | 31.6 | 33.0 |
| Core EPS growth (%) | 20.4 | (45.2) | 129.2 | 3.0 | 4.6 |
| Net DPS (sen) | 4.0 | 5.8 | 7.7 | 8.0 | 8.3 |
| Core P/E (x) | 13.9 | 22.2 | 10.9 | 10.6 | 10.1 |
| P/BV (x) | 1.0 | 0.8 | 0.9 | 0.8 | 0.8 |
| Net dividend yield (%) | 1.2 | 2.0 | 2.3 | 2.4 | 2.5 |
| ROAE (%) | 5.4 | 6.7 | 8.3 | 8.0 | 7.7 |
| ROAA (%) | 2.5 | 1.3 | 2.9 | 2.9 | 2.9 |
| EV/EBITDA (x) | 8.2 | 9.5 | 7.7 | 6.8 | 6.6 |
| Net gearing (%) (incl perps) | 6.5 | net cash | 1.7 | net cash | net cash |
| Consensus net profit | - | - | 299 | 340 | 358 |
| MKE vs. Consensus (%) | - | - | 19.6 | 8.4 | 7.7 |

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BUY

| | |
|-----------------------|-----------------|
| Share Price | MYR 3.35 |
| 12m Price Target | MYR 5.00 (+49%) |
| Previous Price Target | MYR 4.00 |

Company Description

UMW Holdings operates 3 core division: Auto (Toyota franchise in Msia), Industrial & Heavy Equipment and Manufacturing & Engineering.

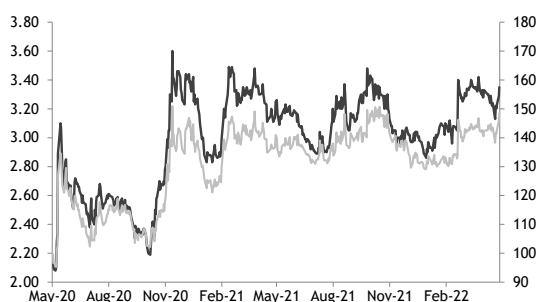
Statistics

| | |
|------------------------|-----------|
| 52w high/low (MYR) | 3.48/2.86 |
| 3m avg turnover (USDm) | 0.2 |
| Free float (%) | 24.0 |
| Issued shares (m) | 1,168 |
| Market capitalisation | MYR3.9B |
| | USD892M |

Major shareholders:

| | |
|--------------------------|-------|
| Permodalan Nasional Bhd. | 43.2% |
| Employees Provident Fund | 12.4% |
| Kumpulan Wang Persaraan | 8.8% |

Price Performance



— UMW - (LHS, MYR) — UMW / Kuala Lumpur Composite Index - (RHS, %)

| | -1M | -3M | -12M |
|-----------------------|-----|-----|------|
| Absolute (%) | 1 | 11 | 7 |
| Relative to index (%) | 4 | 13 | 9 |

Source: FactSet

UMWH's quarterly results summary

| FY Dec (MYR m) | Quarterly results | | | | |
|--------------------------------------|-------------------|----------------|---------------|----------------|-------------|
| | 1Q22 | 4Q21 | %QoQ | 1Q21 | %YoY |
| Turnover | 3,650.8 | 3,645.1 | 0.2 | 2,954.2 | 23.6 |
| EBIT | 145.8 | 1,464.5 | (90.0) | 89.8 | 62.3 |
| Interest expense | (39.0) | (29.7) | 31.4 | (27.4) | 42.5 |
| Associates | 96.5 | 160.9 | (40.0) | 87.5 | 10.3 |
| Investment Income | 13.0 | 14.3 | (9.4) | 12.8 | 1.5 |
| Pre-tax profit | 216.3 | 271.0 | (20.2) | 162.7 | 32.9 |
| Taxation | (43.5) | 109.3 | nm | (39.3) | 10.5 |
| Minority interest | (54.1) | (122.8) | (55.9) | (26.1) | 107.5 |
| Sukuk | (17.5) | (17.6) | (0.8) | 0.0 | - |
| Net profit / (loss) | 101.2 | 240.0 | (57.8) | 97.3 | 4.1 |
| Exceptional item | (7.0) | 109.4 | nm | 9.3 | nm |
| Recurring net profit / (loss) | 108.2 | 130.5 | (17.1) | 88.0 | 22.9 |
| | 1Q22 | 4Q21 | +/- ppt | 1Q21 | %YoY |
| EBIT margin (%) | 4.0 | 40.2 | (36.2) | 3.0 | 1.0 |
| Tax rate (%) | 20.1 | (40.3) | 60.5 | 24.2 | (4.1) |
| | 1Q22 | 4Q21 | %QoQ | 1Q21 | %YoY |
| Revenue | 3,650.8 | 3,645.1 | 0.2 | 2,954.2 | 23.6 |
| Automotive | 3,070.2 | 3,061.6 | 0.3 | 2,396.0 | 28.1 |
| Equipment | 371.8 | 365.1 | 1.8 | 332.5 | 11.8 |
| M&E | 227.1 | 225.9 | 0.5 | 230.3 | (1.4) |
| Others | (18.3) | (7.5) | 142.8 | (4.5) | 309.3 |
| | 1Q22 | 4Q21 | %QoQ | 1Q21 | %YoY |
| Pre-tax profit | 216.3 | 271.0 | (20.2) | 162.7 | 32.9 |
| Automotive | 205.8 | 269.2 | (23.5) | 145.5 | 41.4 |
| Equipment | 31.8 | 28.9 | 9.8 | 21.9 | 44.8 |
| M&E | 10.6 | 11.7 | (9.0) | 8.4 | 26.9 |
| Others | (31.9) | (38.8) | (17.6) | (13.1) | 143.0 |
| | 1Q22 | 4Q21 | %QoQ | 1Q21 | %YoY |
| Pre-tax margins (%) | 5.9 | 7.4 | (1.5) | 5.5 | 0.4 |
| Automotive | 6.7 | 8.8 | (2.1) | 6.1 | 0.6 |
| Equipment | 8.5 | 7.9 | 0.6 | 6.6 | 1.9 |
| M&E | 4.7 | 5.2 | (0.5) | 3.6 | 1.0 |
| | 1Q22 | 4Q21 | %QoQ | 1Q21 | %YoY |
| Vehicle Unit Sales (MAA) | | | | | |
| Toyota | 22,447 | 26,276 | (14.6) | 17,151 | 30.9 |
| Perodua | 61,624 | 71,198 | (13.4) | 57,909 | 6.4 |

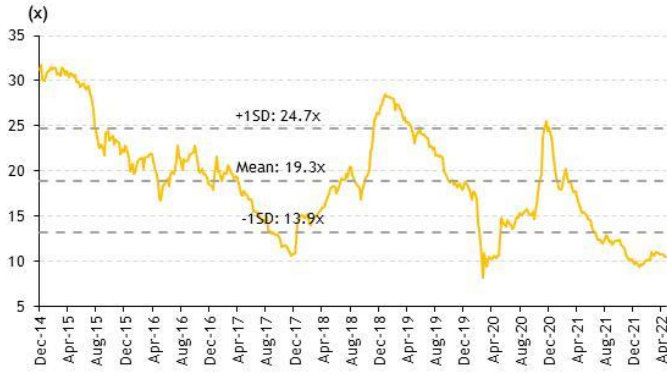
Source: Company

UMW: Vehicles sales

| | 2020 | 2021 | 2022F | 2023F | 2024F |
|---------|---------|---------|---------|---------|---------|
| Toyota | 59,320 | 72,394 | 74,040 | 75,520 | 77,780 |
| Perodua | 220,163 | 190,291 | 248,000 | 250,500 | 251,500 |

Source: Company, Maybank IBG Research

1-year forward PER



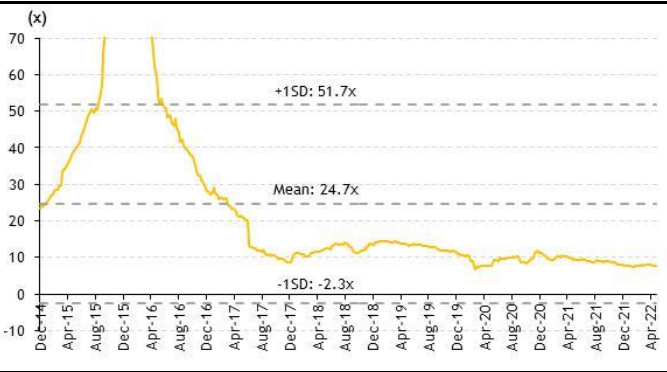
Source: Company, Maybank IBG Research

1-year forward PBV



Source: Company, Maybank IBG Research

1-year forward EV/ EBITDA



Source: Company, Maybank IBG Research

| FYE 31 Dec | FY20A | FY21A | FY22E | FY23E | FY24E |
|------------------------|-------|-------|-------|-------|-------|
| Key Metrics | | | | | |
| P/E (reported) (x) | 15.9 | 13.7 | 10.9 | 10.6 | 10.1 |
| Core P/E (x) | 13.9 | 22.2 | 10.9 | 10.6 | 10.1 |
| P/BV (x) | 1.0 | 0.8 | 0.9 | 0.8 | 0.8 |
| P/NTA (x) | 1.0 | 0.8 | 0.9 | 0.8 | 0.8 |
| Net dividend yield (%) | 1.2 | 2.0 | 2.3 | 2.4 | 2.5 |
| FCF yield (%) | 17.0 | nm | nm | 7.8 | 7.3 |
| EV/EBITDA (x) | 8.2 | 9.5 | 7.7 | 6.8 | 6.6 |
| EV/EBIT (x) | 17.3 | 29.7 | 14.9 | 13.6 | 12.5 |

INCOME STATEMENT (MYR m)

| | | | | | |
|-----------------------------|---------|----------|----------|----------|----------|
| Revenue | 9,554.6 | 11,060.8 | 11,481.6 | 11,710.6 | 12,036.3 |
| EBITDA | 712.0 | 505.6 | 730.1 | 785.1 | 773.1 |
| Depreciation | (374.1) | (343.5) | (351.9) | (392.5) | (367.5) |
| EBIT | 338.0 | 162.1 | 378.3 | 392.6 | 405.6 |
| Net interest income / (exp) | (61.1) | (59.5) | (50.5) | (57.1) | (49.7) |
| Associates & JV | 204.1 | 268.0 | 321.9 | 330.4 | 342.0 |
| Exceptionals | (80.3) | 112.1 | 0.0 | 0.0 | 0.0 |
| Other pretax income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 400.7 | 482.8 | 649.7 | 665.9 | 697.9 |
| Income tax | (77.7) | 32.9 | (157.0) | (160.6) | (167.2) |
| Minorities | (48.5) | (177.6) | (65.1) | (66.8) | (75.3) |
| Perpetual securities | (69.9) | (69.9) | (69.9) | (69.9) | (69.9) |
| Discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 204.6 | 268.2 | 357.7 | 368.6 | 385.6 |
| Core net profit | 284.9 | 156.1 | 357.7 | 368.6 | 385.6 |

BALANCE SHEET (MYR m)

| | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash & Short Term Investments | 2,050.9 | 2,941.4 | 2,610.9 | 2,978.8 | 3,331.3 |
| Accounts receivable | 1,202.3 | 1,051.7 | 1,086.1 | 1,104.8 | 1,131.4 |
| Inventory | 1,439.3 | 1,752.2 | 1,778.0 | 1,805.7 | 1,861.6 |
| Reinsurance assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Property, Plant & Equip (net) | 2,463.0 | 2,531.4 | 3,019.5 | 2,827.0 | 2,659.5 |
| Intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investment in Associates & JVs | 2,080.9 | 2,248.5 | 2,465.9 | 2,691.9 | 2,929.5 |
| Other assets | 2,210.8 | 1,647.6 | 1,647.6 | 1,647.6 | 1,647.6 |
| Total assets | 11,447.1 | 12,172.7 | 12,608.1 | 13,055.8 | 13,560.9 |
| ST interest bearing debt | 523.8 | 638.1 | 638.1 | 638.1 | 638.1 |
| Accounts payable | 2,156.2 | 2,248.8 | 2,281.9 | 2,317.5 | 2,389.2 |
| Insurance contract liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LT interest bearing debt | 1,942.3 | 2,095.0 | 2,095.0 | 2,095.0 | 2,095.0 |
| Other liabilities | 408.0 | 428.0 | 428.0 | 428.0 | 428.0 |
| Total Liabilities | 5,029.9 | 5,410.1 | 5,443.3 | 5,478.8 | 5,550.6 |
| Shareholders Equity | 3,868.1 | 4,116.5 | 4,453.7 | 4,799.0 | 5,157.1 |
| Minority Interest | 1,451.2 | 1,548.2 | 1,613.3 | 1,680.1 | 1,755.4 |
| Total shareholder equity | 5,319.3 | 5,664.7 | 6,067.0 | 6,479.1 | 6,912.4 |
| Perpetual securities | 1,097.9 | 1,097.9 | 1,097.9 | 1,097.9 | 1,097.9 |
| Total liabilities and equity | 11,447.1 | 12,172.7 | 12,608.1 | 13,055.8 | 13,560.9 |

CASH FLOW (MYR m)

| | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|
| Pretax profit | 400.7 | 482.8 | 649.7 | 665.9 | 697.9 |
| Depreciation & amortisation | 374.1 | 343.5 | 351.9 | 392.5 | 367.5 |
| Adj net interest (income)/exp | (133.5) | (133.5) | (109.3) | (109.3) | (109.3) |
| Change in working capital | 449.7 | (221.1) | (27.1) | (10.9) | (10.8) |
| Cash taxes paid | (77.7) | 32.9 | (157.0) | (160.6) | (167.2) |
| Other operating cash flow | (99.5) | (161.3) | (271.4) | (273.2) | (292.3) |
| Cash flow from operations | 913.7 | 343.3 | 436.7 | 504.4 | 485.8 |
| Capex | (237.3) | (406.4) | (840.0) | (200.0) | (200.0) |
| Free cash flow | 676.5 | (63.2) | (403.3) | 304.4 | 285.8 |
| Dividends paid | (93.7) | (123.1) | (90.4) | (93.1) | (97.4) |
| Equity raised / (purchased) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Debt | (74.0) | 232.4 | 0.0 | 0.0 | 0.0 |
| Other invest/financing cash flow | 56.9 | 810.5 | 163.2 | 156.6 | 164.0 |
| Effect of exch rate changes | (3.3) | 8.2 | 0.0 | 0.0 | 0.0 |
| Net cash flow | 562.4 | 864.9 | (330.4) | 367.9 | 352.4 |

| FYE 31 Dec | FY20A | FY21A | FY22E | FY23E | FY24E |
|--|--------|----------|-------|----------|----------|
| Key Ratios | | | | | |
| Growth ratios (%) | | | | | |
| Revenue growth | (18.8) | 15.8 | 3.8 | 2.0 | 2.8 |
| EBITDA growth | 8.6 | (29.0) | 44.4 | 7.5 | (1.5) |
| EBIT growth | 9.3 | (52.0) | 133.4 | 3.8 | 3.3 |
| Pretax growth | (45.9) | 20.5 | 34.6 | 2.5 | 4.8 |
| Reported net profit growth | (55.0) | 31.1 | 33.4 | 3.0 | 4.6 |
| Core net profit growth | 20.4 | (45.2) | 129.2 | 3.0 | 4.6 |
| Profitability ratios (%) | | | | | |
| EBITDA margin | 7.5 | 4.6 | 6.4 | 6.7 | 6.4 |
| EBIT margin | 3.5 | 1.5 | 3.3 | 3.4 | 3.4 |
| Pretax profit margin | 4.2 | 4.4 | 5.7 | 5.7 | 5.8 |
| Payout ratio | 22.8 | 25.3 | 25.3 | 25.3 | 25.3 |
| DuPont analysis | | | | | |
| Net profit margin (%) | 2.1 | 2.4 | 3.1 | 3.1 | 3.2 |
| Revenue/Assets (x) | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 |
| Assets/Equity (x) | 3.0 | 3.0 | 2.8 | 2.7 | 2.6 |
| ROAE (%) | 5.4 | 6.7 | 8.3 | 8.0 | 7.7 |
| ROAA (%) | 2.5 | 1.3 | 2.9 | 2.9 | 2.9 |
| Liquidity & Efficiency | | | | | |
| Cash conversion cycle | 21.7 | 13.8 | 15.0 | 15.1 | 15.0 |
| Days receivable outstanding | 50.0 | 36.7 | 33.5 | 33.7 | 33.4 |
| Days inventory outstanding | 70.1 | 60.1 | 65.5 | 65.5 | 65.0 |
| Days payables outstanding | 98.4 | 82.9 | 84.0 | 84.0 | 83.4 |
| Dividend cover (x) | 4.4 | 4.0 | 4.0 | 4.0 | 4.0 |
| Current ratio (x) | 2.1 | 2.1 | 2.0 | 2.1 | 2.2 |
| Leverage & Expense Analysis | | | | | |
| Asset/Liability (x) | 2.3 | 2.2 | 2.3 | 2.4 | 2.4 |
| Net gearing (%) (incl perps) | 6.5 | net cash | 1.7 | net cash | net cash |
| Net gearing (%) (excl. perps) | 7.8 | net cash | 2.0 | net cash | net cash |
| Net interest cover (x) | 5.5 | 2.7 | 7.5 | 6.9 | 8.2 |
| Debt/EBITDA (x) | 3.5 | 5.4 | 3.7 | 3.5 | 3.5 |
| Capex/revenue (%) | 2.5 | 3.7 | 7.3 | 1.7 | 1.7 |
| Net debt/ (net cash) | 415.2 | (208.3) | 122.1 | (245.8) | (598.2) |

Source: Company; Maybank IBG Research

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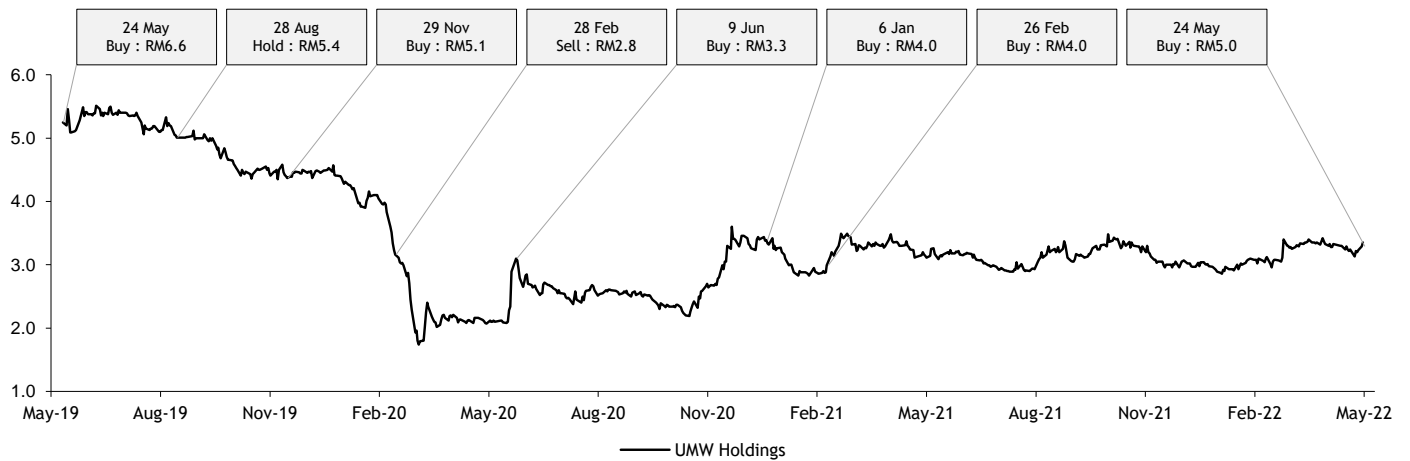
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