

# UMW Holdings (UMWH MK)

## 1H22: Above expectation

### Maintain BUY and MYR5.00 TP

1H22's core net profit accounted for 59% of our FY estimate, with 2Q22 replicating 1Q22's performance as it continued to enjoy strong vehicle sales from the SST holidays. With 2H expected to match 1H, underpinned by the strong backlog (60k units), our upgraded FY22 earnings (+21%) reflect higher Toyota sales expectations (+22%). Our TP is unchanged, as we roll over valuations to FY23, pegged to 16x PER (-0.5 SD valuation).

### 1H22 core NP up 2.9x YoY

2Q22's results mirrored 1Q22, with UMW reporting core net profit of MYR107m (-1% QoQ) in 2Q22. This took 1H22's core earnings to MYR215m (+194% YoY). The auto division remained its key earnings contributor (PBT: MYR203m), accounting for 88% of the Group's PBT in 2Q22. Both its Toyota (T) and Perodua (P2; 38%-owned) brands continued to enjoy strong QoQ sales (+5%/ +6%), driven by the SST exemption benefits. Meanwhile, its equipment (+12% QoQ) and manufacturing & engineering ops' (+23% QoQ) PBT complemented automotive ops, fuelled by various cost savings initiatives.

### Raise earnings, stronger Toyota vehicle sales

Our 21% increase in FY22-23 earnings mainly reflect higher T sales (+22% to 90k units). All in, we expect UMW's 2H22 performance to match 1H22, backed by its strong T bookings (60k units). The waiting time for its popular SUV Corolla Cross (ICE & hybrid models) is now at 6M-7M. Our T sales estimate of 90k units is realistic and is higher than UMW's revised 80k units (+6k units). Following the introduction of its hybrid model in 1Q22, UMW will introduce a BEV model in 2024. Whilst this means its BEV roll-out would miss the CBU EV zero tax benefits (ending 4Q23), we do not rule out an extension on this nation-wide electrification pursuit.

### Long term targets and ESG aspiration

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.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	9,555	11,061	13,205	11,841	12,036
EBITDA	712	506	885	760	725
Core net profit	285	156	433	373	386
Core EPS (sen)	24.4	13.4	37.1	32.0	33.0
Core EPS growth (%)	20.4	(45.2)	177.4	(13.8)	3.3
Net DPS (sen)	4.0	5.8	9.4	8.1	8.3
Core P/E (x)	13.9	22.2	8.3	9.6	9.3
P/BV (x)	1.0	0.8	0.8	0.7	0.7
Net dividend yield (%)	1.2	2.0	3.1	2.6	2.7
ROAE (%)	5.4	6.7	10.0	8.0	7.7
ROAA (%)	2.5	1.3	3.4	2.8	2.9
EV/EBITDA (x)	8.2	9.5	6.0	6.5	6.4
Net gearing (%) (incl perps)	6.5	net cash	1.0	net cash	net cash
Consensus net profit	-	-	336	358	363
MKE vs. Consensus (%)	-	-	28.9	4.4	6.4

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# BUY

Share Price	MYR 3.06
12m Price Target	MYR 5.00 (+63%)
Previous Price Target	MYR 5.00

### Company Description

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

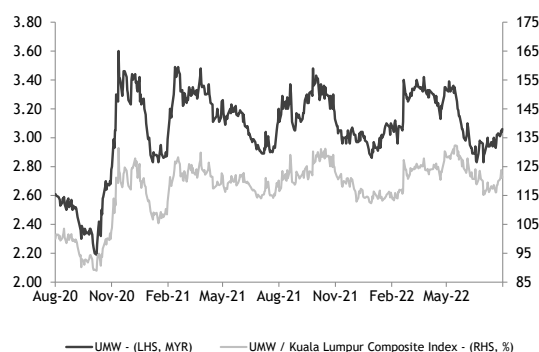
### Statistics

52w high/low (MYR)	3.48/2.83
3m avg turnover (USDm)	0.1
Free float (%)	24.0
Issued shares (m)	1,168
Market capitalisation	MYR3.6B
	USD800M

### Major shareholders:

Permodalan Nasional Bhd.	42.5%
Employees Provident Fund	12.4%
Kumpulan Wang Persaraan	8.4%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	8	(8)	(4)
Relative to index (%)	5	(6)	1

Source: FactSet

## UMWH's quarterly results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	2Q22	1Q22	%QoQ	2Q21	%YoY	6M22	6M21	% YoY
Turnover	3,730.8	3,650.8	2.2	2,445.1	52.6	7,381.6	5,399.3	36.7
EBIT	140.8	145.8	(3.4)	20.7	581.6	286.6	110.5	159.4
Interest expense	(25.4)	(39.0)	(34.9)	(25.7)	(1.2)	(64.4)	(53.1)	21.3
Associates	97.8	96.5	1.3	25.2	287.5	194.3	112.7	72.4
Investment Income	16.8	13.0	29.8	12.4	35.7	29.8	25.2	18.3
<b>Pre-tax profit</b>	<b>230.0</b>	<b>216.3</b>	<b>6.4</b>	<b>32.6</b>	<b>605.9</b>	<b>446.3</b>	<b>195.3</b>	<b>128.6</b>
Taxation	(56.5)	(43.5)	30.0	(11.1)	410.8	(100.0)	(50.4)	98.4
Minority interest	(49.0)	(54.1)	(9.5)	(7.8)	528.3	(103.1)	(33.9)	204.3
Sukuk	(17.4)	(17.5)	(0.6)	(34.8)	(50.1)	(34.8)	(34.8)	0.0
<b>Net profit / (loss)</b>	<b>107.2</b>	<b>101.2</b>	<b>5.9</b>	<b>(21.1)</b>	<b>(608.0)</b>	<b>208.4</b>	<b>76.2</b>	<b>173.6</b>
Exceptional item	(0.0)	(7.0)	(99.7)	(6.4)	(99.6)	(7.0)	2.9	NM
<b>Recurring net profit / (loss)</b>	<b>107.2</b>	<b>108.2</b>	<b>(0.9)</b>	<b>(14.7)</b>	<b>NM</b>	<b>215.4</b>	<b>73.3</b>	<b>&gt;100</b>
	2Q22	1Q22	+/- ppt	2Q21	%YoY	6M22	6M21	+/- ppt
EBIT margin (%)	3.8	4.0	(0.2)	0.8	2.9	3.9	2.0	1.8
Tax rate (%)	24.6	20.1	4.5	34.0	(9.4)	22.4	25.8	(3.4)
	2Q22	1Q22	%QoQ	2Q21	%YoY	6M22	6M21	% YoY
<b>Revenue</b>	<b>3,730.8</b>	<b>3,650.8</b>	<b>2.2</b>	<b>2,445.1</b>	<b>52.6</b>	<b>7,381.6</b>	<b>5,399.3</b>	<b>36.7</b>
Automotive	3,117.4	3,070.2	1.5	1,981.9	57.3	6,187.5	4,377.9	41.3
Equipment	366.6	371.8	(1.4)	299.9	22.2	738.4	632.4	16.8
M&E	226.4	227.1	(0.3)	159.9	41.6	453.5	390.2	16.2
Others	20.4	(18.3)	NM	3.4	NM	2.2	(1.1)	NM
<b>Pre-tax profit</b>	<b>230.0</b>	<b>216.3</b>	<b>6.4</b>	<b>32.6</b>	<b>&gt;100</b>	<b>446.3</b>	<b>195.3</b>	<b>&gt;100</b>
Automotive	202.9	205.8	(1.4)	34.6	>100	408.7	180.2	>100
Equipment	35.4	31.8	11.6	31.8	11.4	67.2	53.8	25.0
M&E	13.1	10.6	22.8	(6.1)	NM	23.7	2.3	>100
Others	(21.3)	(31.9)	NM	(27.8)	(23.3)	(53.3)	(40.9)	30.1
	2Q22	1Q22	+/- ppt	2Q21	%YoY	6M22	6M21	+/- ppt
<b>Pre-tax margins (%)</b>	<b>6.2</b>	<b>5.9</b>	<b>0.2</b>	<b>1.3</b>	<b>4.8</b>	<b>6.0</b>	<b>3.6</b>	<b>2.4</b>
Automotive	6.5	6.7	(0.2)	1.7	4.8	6.6	4.1	2.5
Equipment	9.7	8.5	1.1	10.6	(0.9)	9.1	8.5	0.6
M&E	5.8	4.7	1.1	(3.8)	9.6	5.2	0.6	4.6
	2Q22	1Q22	%QoQ	2Q21	%YoY	6M22	6M21	% YoY
<b>Vehicle Unit Sales</b>								
Toyota	23,469	22,447	4.6	16,960	38.4	45,916	34,111	34.6
Perodua	65,719	61,624	6.6	39,381	66.9	127,343	97,290	30.9

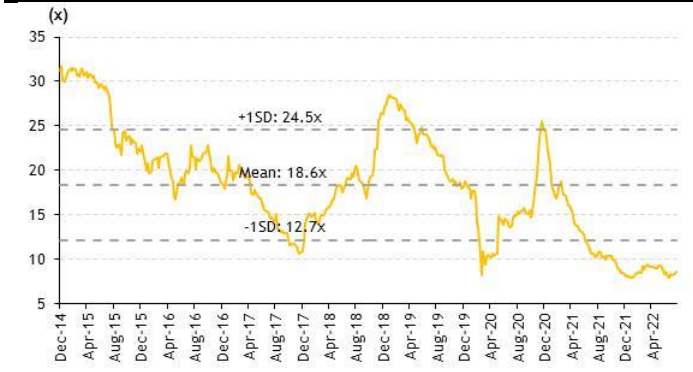
Source: Company

## UMW: Vehicles sales

	2020	2021	2022F	2023F	2024F
Toyota	59,320	72,394	90,000	75,520	77,780
Perodua	220,163	190,291	248,000	250,500	251,500

Source: Company, Maybank IBG Research

### 1-year forward PER



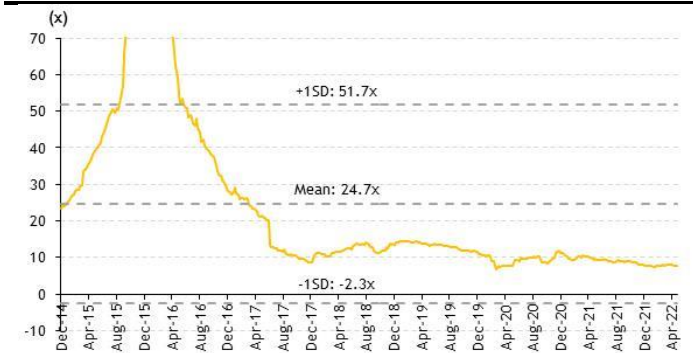
Source: Company, Maybank IBG Research

### 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
<b>Key Metrics</b>					
P/E (reported) (x)	15.9	13.7	8.3	9.6	9.3
Core P/E (x)	13.9	22.2	8.3	9.6	9.3
P/BV (x)	1.0	0.8	0.8	0.7	0.7
P/NTA (x)	1.0	0.8	0.8	0.7	0.7
Net dividend yield (%)	1.2	2.0	3.1	2.6	2.7
FCF yield (%)	17.0	nm	nm	10.2	7.6
EV/EBITDA (x)	8.2	9.5	6.0	6.5	6.4
EV/EBIT (x)	17.3	29.7	10.0	13.5	13.1

**INCOME STATEMENT (MYR m)**

Revenue	9,554.6	11,060.8	13,204.9	11,841.0	12,036.3
EBITDA	712.0	505.6	884.9	760.1	724.6
Depreciation	(374.1)	(343.5)	(351.9)	(392.5)	(367.5)
EBIT	338.0	162.1	533.0	367.5	357.1
Net interest income / (exp)	(61.1)	(59.5)	(50.5)	(56.1)	(47.6)
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	804.5	641.7	651.5
Income tax	(77.7)	32.9	(176.4)	(141.1)	(138.6)
Minorities	(48.5)	(177.6)	(125.2)	(57.4)	(57.2)
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	433.0	373.3	385.8
Core net profit	284.9	156.1	433.0	373.3	385.8

**BALANCE SHEET (MYR m)**

Cash & Short Term Investments	2,050.9	2,941.4	2,659.0	3,086.1	3,425.5
Accounts receivable	1,202.3	1,051.7	1,226.9	1,115.4	1,131.4
Inventory	1,439.3	1,752.2	2,033.8	1,831.8	1,866.8
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
<b>Total assets</b>	<b>11,447.1</b>	<b>12,172.7</b>	<b>13,052.9</b>	<b>13,199.9</b>	<b>13,660.3</b>
ST interest bearing debt	523.8	638.1	638.1	638.1	638.1
Accounts payable	2,156.2	2,248.8	2,610.3	2,351.0	2,395.9
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
<b>Total Liabilities</b>	<b>5,029.9</b>	<b>5,410.1</b>	<b>5,771.6</b>	<b>5,512.3</b>	<b>5,557.3</b>
Shareholders Equity	3,868.1	4,116.5	4,509.9	4,858.8	5,217.0
Minority Interest	1,451.2	1,548.2	1,673.5	1,730.9	1,788.1
<b>Total shareholder equity</b>	<b>5,319.3</b>	<b>5,664.7</b>	<b>6,183.4</b>	<b>6,589.7</b>	<b>7,005.2</b>
Perpetual securities	1,097.9	1,097.9	1,097.9	1,097.9	1,097.9
<b>Total liabilities and equity</b>	<b>11,447.1</b>	<b>12,172.7</b>	<b>13,052.9</b>	<b>13,199.9</b>	<b>13,660.3</b>

**CASH FLOW (MYR m)**

Pretax profit	400.7	482.8	804.5	641.7	651.5
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)	(95.4)	54.2	(6.0)
Cash taxes paid	(77.7)	32.9	(176.4)	(141.1)	(138.6)
Other operating cash flow	(99.5)	(161.3)	(271.4)	(274.2)	(294.4)
Cash flow from operations	913.7	343.3	503.8	563.9	470.7
Capex	(237.3)	(406.4)	(840.0)	(200.0)	(200.0)
Free cash flow	676.5	(63.2)	(336.2)	363.9	270.7
Dividends paid	(93.7)	(123.1)	(109.4)	(94.3)	(97.5)
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	157.6	166.1
Effect of exch rate changes	(3.3)	8.2	0.0	0.0	0.0
Net cash flow	562.4	864.9	(282.4)	427.1	339.3

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	(18.8)	15.8	19.4	(10.3)	1.6
EBITDA growth	8.6	(29.0)	75.0	(14.1)	(4.7)
EBIT growth	9.3	(52.0)	228.8	(31.1)	(2.8)
Pretax growth	(45.9)	20.5	66.6	(20.2)	1.5
Reported net profit growth	(55.0)	31.1	61.4	(13.8)	3.3
Core net profit growth	20.4	(45.2)	177.4	(13.8)	3.3
<b>Profitability ratios (%)</b>					
EBITDA margin	7.5	4.6	6.7	6.4	6.0
EBIT margin	3.5	1.5	4.0	3.1	3.0
Pretax profit margin	4.2	4.4	6.1	5.4	5.4
Payout ratio	22.8	25.3	25.3	25.3	25.3
<b>DuPont analysis</b>					
Net profit margin (%)	2.1	2.4	3.3	3.2	3.2
Revenue/Assets (x)	0.8	0.9	1.0	0.9	0.9
Assets/Equity (x)	3.0	3.0	2.9	2.7	2.6
ROAE (%)	5.4	6.7	10.0	8.0	7.7
ROAA (%)	2.5	1.3	3.4	2.8	2.9
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	21.7	13.8	13.7	15.9	15.1
Days receivable outstanding	50.0	36.7	31.1	35.6	33.6
Days inventory outstanding	70.1	60.1	61.4	69.6	65.3
Days payables outstanding	98.4	82.9	78.8	89.3	83.9
Dividend cover (x)	4.4	4.0	4.0	4.0	4.0
Current ratio (x)	2.1	2.1	1.9	2.1	2.2
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.3	2.2	2.3	2.4	2.5
Net gearing (%) (incl perps)	6.5	net cash	1.0	net cash	net cash
Net gearing (%) (excl. perps)	7.8	net cash	1.2	net cash	net cash
Net interest cover (x)	5.5	2.7	10.6	6.5	7.5
Debt/EBITDA (x)	3.5	5.4	3.1	3.6	3.8
Capex/revenue (%)	2.5	3.7	6.4	1.7	1.7
Net debt/ (net cash)	415.2	(208.3)	74.1	(353.1)	(692.4)

Source: Company; Maybank IBG Research

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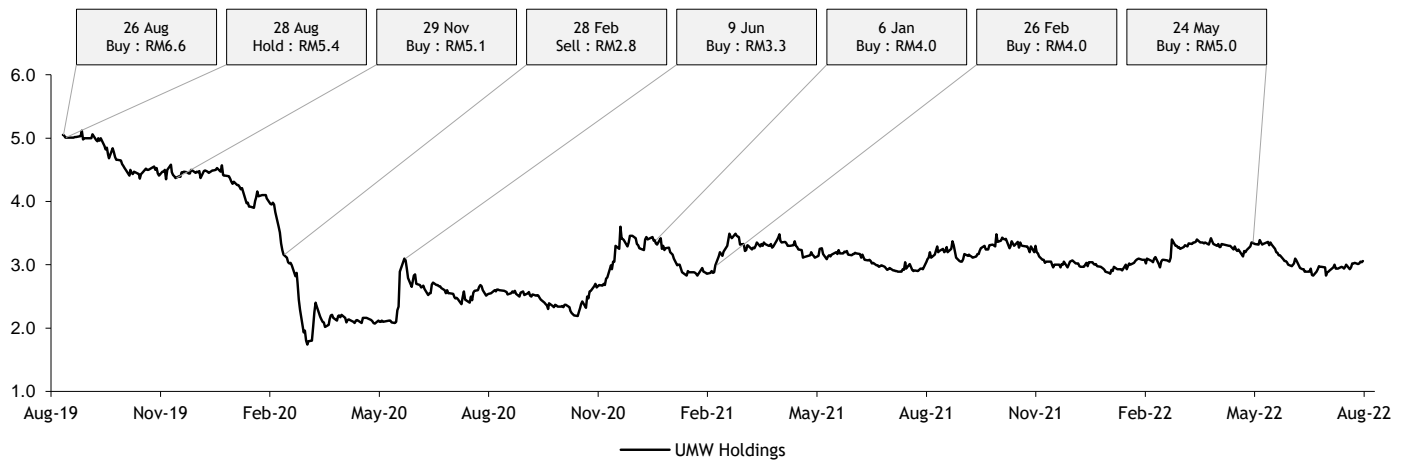
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