

“Core net profit above our estimate”

Share price performance



	1M	3M	12M
Absolute (%)	8.1	-8.4	-4.4
Rel KLCI (%)	5.5	-5.9	1.1

	BUY	HOLD	SELL
Consensus	12	3	-

Source: Bloomberg

Stock Data

Sector	Auto & Auto Parts
Issued shares (m)	1,168.3
Mkt cap (RMm)/(US\$m)	3,575/799.9
Avg daily vol - 6mth (m)	0.2
52-wk range (RM)	2.77-3.48
Est free float	29.5%
Stock Beta	1.12
Net cash/(debt) (RMm)	988.2
ROE (CY23E)	7.8%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 25%
ESG Rank	

Key Shareholders

PNB	52.7%
EPF	12.4%
KWSP	8.9%

Source: Bloomberg, Affin Hwang, Bursa Malaysia

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UMW Holdings (UMWH MK)

HOLD (maintain)

Up/Downside: +9.5%

Price Target: RM3.35

Previous Target (Rating): RM3.45 (Hold)

Strong orderbook for 2022E

- **UMW's 6M22 core net profit more than tripled to RM211.5m, above our and street estimates**
- **Revenue increased to RM7bn (+37% yoy) due to double-digit growth across all business segments**
- **Increase EPS forecasts by 8-13% for FY22-24E after raising our sales volume estimates. But maintain HOLD with lower TP of RM3.35 due weakening of consumer disposable income**

Double-digit sales growth across segments

UMW's 6M22 core net profit more than tripled to RM211.5m, accounting for 68% and 62% of our and street full-year forecasts due to higher-than-expected sales volume and lower-than-expected taxation. Revenue recovered to RM7.4bn (+36.7% yoy) on the back of double-digit sales growth across its business segments; Automotive (+41%), Equipment (+17%) and Manufacturing and Engineering (M&E) (+16%). The group benefited from strong sales momentum following reopening of economic activities post intermittent lockdown periods in the previous year.

2Q22 core net profit dragged by higher taxation

In 2Q22 however, core net profit declined to RM101.9m (-7.0% qoq) on the back of a higher effective tax rate of 24.6% (+4.5ppt qoq) despite revenue having increased marginally to RM3.7bn (+2.2% qoq). Revenue was affected by a slight increase in sales from the Automotive segment (+2%) partially offset by lower sales from the Equipment segment (-1%) and flat M&E segments. No dividend was declared during the quarter under review.

Maintain HOLD with lower TP of RM3.35 (from RM3.45)

We increase our EPS forecasts by 7.8-13.4% for FY22-24E after increasing our sales volume assumption for Toyota and Perodua as well as lowering our taxation expenses. Note that Perodua targets a sales volume of 247.8k units (+30.2% yoy) while UMWT has increased its target sales volume to 80.0k (+10.5% yoy) from 73.0k units (+0.8% yoy) driven by a strong orderbook with attractive new launches and facelifts. Even then, we maintain our HOLD call with lower TP to RM3.35 based on CY23E SOP valuation. The share price has been trading sideways YTD despite strengthening of TIV in the industry. We believe investors are cautious of declining consumer purchasing power in a rising interest rates and inflationary environment. Key upside/downside risks: 1) higher/lower-than-expected contribution from Perodua, 2) higher/lower-than-expected car sales volumes and production and 3) improvement/deterioration of microchips supply.

Earnings & Valuation Summary

FYE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMm)	9,554.6	11,060.8	12,517.6	12,732.6	12,947.3
EBITDA (RMm)	712.0	649.6	749.3	778.1	794.5
Pretax profit (RMm)	400.7	482.8	759.7	741.7	749.6
Net profit (RMm)	204.6	268.2	349.8	348.6	352.3
EPS (sen)	17.5	23.0	29.9	29.8	30.2
PER (x)	17.5	13.3	10.2	10.3	10.1
Core net profit (RMm)	284.9	160.2	352.9	348.6	352.3
Core EPS (sen)	24.4	13.7	30.2	29.8	30.2
Core EPS growth (%)	27.4	(43.8)	120.2	(1.2)	1.1
Core PER (x)	12.5	22.3	10.1	10.3	10.1
Net DPS (sen)	4.0	5.8	10.0	8.0	8.0
Dividend Yield (%)	1.3	1.9	3.3	2.6	2.6
EV/EBITDA	5.6	5.2	4.6	4.4	4.5

Chg in Core EPS (%)		+13.4	+7.8	+7.8
Affin/Consensus (x)		1.0	1.0	0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	2Q21	1Q22	2Q22	QoQ % chg	YoY % chg	6M21	6M22	YoY % chg	Comments
Revenue	2,445.1	3,650.8	3,730.8	2.2	52.6	5,399.3	7,381.6	36.7	6M22: Higher revenue from Automotive (+41%), Equipment (+17%) as well as M&E segments (+16%)
Op costs	(2,344.0)	(3,414.9)	(3,511.7)	2.8	49.8	(5,133.1)	(6,926.6)	34.9	qoq: Marginal increase in Automotive segment (+2%) partially offset by lower Equipment (-1%) and flat M&E segment sales
EBITDA	101.1	235.8	219.1	(7.1)	116.7	266.2	455.0	70.9	
<i>EBITDA margin (%)</i>	<i>4.1</i>	<i>6.5</i>	<i>5.9</i>	<i>-0.6 ppt</i>	<i>1.7 ppt</i>	<i>4.9</i>	<i>6.2</i>	<i>1.2 ppt</i>	
Deprn and amort	(85.7)	(81.6)	(83.6)	2.4	(2.5)	(167.5)	(165.2)	(1.4)	
EBIT	15.4	154.2	135.5	(12.1)	779.9	98.7	289.8	193.5	
<i>EBIT margin (%)</i>	<i>0.6</i>	<i>4.2</i>	<i>3.6</i>	<i>-0.6 ppt</i>	<i>3.0 ppt</i>	<i>1.8</i>	<i>3.9</i>	<i>2.1 ppt</i>	
Int expense	(25.7)	(39.0)	(25.4)	(34.9)	(1.2)	(53.1)	(64.4)	21.3	
Int and other inc	12.4	13.0	16.8	29.8	35.7	25.2	29.8	18.3	
Associates & JV	25.2	96.5	97.8	1.3	287.5	112.7	194.3	72.4	Yoy: Higher sales volume coming from a low base due to MCO 3.0 lockdown period in 2Q21
EI	5.3	(8.4)	5.3	n.m.	0.2	11.8	(3.1)	(126.4)	
Pretax Profit	32.6	216.3	230.0	6.4	605.9	195.3	446.3	128.6	
Tax	(11.1)	(43.5)	(56.5)	30.0	410.8	(50.4)	(100.0)	98.4	
<i>Tax rate (%)</i>	<i>34.0</i>	<i>20.1</i>	<i>24.6</i>	<i>4.5 ppt</i>	<i>-9.4 ppt</i>	<i>25.8</i>	<i>22.4</i>	<i>-3.4 ppt</i>	
MI & Sukuk	(25.2)	(71.6)	(66.3)	(7.3)	163.7	(68.7)	(137.9)	100.7	
Net profit	(3.6)	101.2	107.2	5.9	n.m.	76.2	208.4	173.6	
EPS (sen)	(0.3)	8.7	9.2	5.9	n.m.	6.5	17.8	173.6	
Core net profit	(8.9)	109.6	101.9	(7.0)	n.m.	64.4	211.5	228.5	Above our and streets' estimates

Source: Affin Hwang, Company

Fig 2: Sum-of-Parts Valuation

Segment	CY23E PE (x)	Equity Value (RMm)
Automotive*	7	3,099.9
Equipment	7	550.7
M&E	5	84.9
Serendah land		34.8
Equity Value (RMm)		3,770.3
net cash/ (debt)		146.1
Issued shares (mn)		1,168.3
Target price (RM/share)		3.35

Source: Affin Hwang

*includes associates & joint ventures

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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