

“Core net profit above our estimate in 9M22”

### Share price performance



	1M	3M	12M
Absolute (%)	0.0	10.3	8.1
Rel KLCI (%)	-1.1	12.9	10.8

	BUY	HOLD	SELL
Consensus	12	3	-

Source: Bloomberg

### Stock Data

Sector	Automotive
Issued shares (m)	1,168.3
Mkt cap (RMm)/(US\$m)	3,890.4/862.7
Avg daily vol - 6mth (m)	0.3
52-wk range (RM)	2.77-3.48
Est free float	29.6%
Stock Beta	0.86
Net cash/(debt) (RMm)	1,044.48
ROE (CY23E)	7.8%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	Top 26-50%
ESG Risk Rating	28.2 (n.a yoy)

### Key Shareholders

PNB	53.5%
EPF	11.6%
KWSP	8.8%

Source: Bloomberg, Affin Hwang, ESG Risk Rating  
Powered by Sustainalytics, Bursa Malaysia

### Damia Othman

T (603) 2146 7625

E damia.othman@affinhwang.com

## UMW Holdings (UMWH MK)

**HOLD (maintain)**

Up/Downside: +3.6%

**Price Target: RM3.45**

Previous Target (Rating): RM3.35 (Hold)

### Strong auto deliveries in 3Q22

- **UMW's 9M22 core net profit jumped more than 6x to RM330m, above our and street estimates**
- **Revenue increased to RM11bn (+54% yoy) due to double-digit growth across all business segments**
- **Boosting our 2022E EPS by 29% after raising our sales-volume estimates but making no material change to that for 2023-24E. Maintaining HOLD with higher TP of RM3.45 due to better cash position**

### Double-digit sales growth across segments

UMW's 9M22 core net profit climbed by more than 5x to RM330.4m (from RM59.5m in 9M21), accounting for 94% and 87% of our and street full-year forecasts due to higher-than-expected revenue and associates' contribution. Revenue recovered to RM11.4bn (+54.3% yoy) on the back of double-digit sales growth across its business segments; Automotive (+61%), Equipment (+19%) and Manufacturing and Engineering (M&E) (+41%). The group benefited from strong sales momentum following the reopening of economic activities post intermittent lockdown periods in the previous year as well as strong auto deliveries post the SST exemption period.

### 3Q22 core net profit dragged by higher taxation

Sequentially, 3Q22 revenue increased to RM4.1bn (+8.8% qoq) on the back of stronger sales contributions from its business segments: Automotive (+10% qoq), Equipment (+8%) and Manufacturing and Engineering (M&E) (+11%). Even then, the pretax profit was flattish at RM231.5m (+0.6% qoq) partially dampened by lower Associates and JV contributions of RM72.8m (-25.6% qoq). The group declared an interim dividend of 3.0 sen which is a first after 5 years (vs. 5.8sen final dividend for 2021).

### Maintaining HOLD with higher TP of RM3.45 (from RM3.35)

We boost our 2022E EPS by 28.9% after increasing our sales volume for UMWT and fine tune that for 2023-24E due to the change in 2022E. However, we maintain our HOLD call with a higher SOTP-based 12-month TP of RM3.45 (from RM3.35), with a 2023E year. YTD the share price is up by 12.5% and currently trades at a 2023E PER of 11x, which is around -1SD below its 5-year forward mean PER of 17x. We find this to be approaching its fair value considering declining consumption growth for auto cars in 2023E and a rising cost environment with weakening of the Ringgit to the USD. 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	14,729.2	12,908.0	13,109.2
EBITDA (RMm)	712.0	649.6	1,013.9	781.4	794.0
Pretax profit (RMm)	400.7	482.8	1,006.1	729.3	752.0
Net profit (RMm)	204.6	268.2	433.6	349.0	353.4
EPS (sen)	17.5	23.0	37.1	29.9	30.3
PER (x)	19.1	14.5	9.0	11.2	11.0
Core net profit (RMm)	284.9	160.2	454.9	349.0	353.4
Core EPS (sen)	24.4	13.7	38.9	29.9	30.3
Core EPS growth (%)	27.4	(43.8)	183.9	(23.3)	1.3
Core PER (x)	13.7	24.4	8.6	11.2	11.0
Net DPS (sen)	4.0	5.8	6.0	5.0	6.0
Dividend Yield (%)	1.2	1.7	1.8	1.5	1.8
EV/EBITDA	6.1	5.7	3.5	4.5	4.9

Chg in Core EPS (%)

+28.9

+0.1

+0.3

Affin/Consensus (x)

1.2

1.0

0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	3Q21	2Q22	3Q22	QoQ % chg	YoY % chg	9M21	9M22	YoY % chg	Comments
Revenue	2,016.4	3,730.8	4,057.5	8.8	>100	7,415.7	11,439.1	54.3	9M22: Higher revenue from Automotive (+61%), Equipment (+19%) as well as M&E (+41%) segments
Op costs	(1,868.7)	(3,511.7)	(3,786.7)	7.8	>100	(7,001.8)	(10,713.3)	53.0	qoq: higher revenue in Auto business (+10%), Equipment (+8%), and M&E (+11%) segment
<b>EBITDA</b>	<b>147.7</b>	<b>219.1</b>	<b>270.8</b>	23.6	83.4	<b>413.9</b>	<b>725.7</b>	75.4	
<i>EBITDA margin (%)</i>	<i>7.3</i>	<i>5.9</i>	<i>6.7</i>	<i>0.8 ppt</i>	<i>-0.7 ppt</i>	<i>5.6</i>	<i>6.3</i>	<i>0.8 ppt</i>	
Depn and amort	(83.8)	(83.6)	(89.1)	6.6	6.2	(251.3)	(254.3)	1.2	
EBIT	63.8	135.5	181.7	34.1	>100	162.6	471.5	>100	
<i>EBIT margin (%)</i>	<i>3.2</i>	<i>3.6</i>	<i>4.5</i>	<i>0.8 ppt</i>	<i>1.3 ppt</i>	<i>2.2</i>	<i>4.1</i>	<i>1.9 ppt</i>	
Int expense	(25.4)	(25.4)	(21.4)	(16.0)	(15.8)	(78.5)	(85.8)	9.3	
Int and other inc	9.2	16.8	16.6	(1.6)	80.0	34.4	46.4	34.8	
Associates & JV	(5.7)	97.8	72.8	(25.6)	n.m.	107.1	267.1	>100	yoy: Higher sales volume from a low base due to MCO 3.0 lockdown period in 2Q21
EI	(25.6)	5.3	(18.2)	n.m.	(28.6)	(13.8)	(21.4)	55.1	
<b>Pretax Profit</b>	<b>16.5</b>	<b>230.0</b>	<b>231.5</b>	0.6	>100	<b>211.8</b>	<b>677.8</b>	>100	
Tax	(26.0)	(56.5)	(72.1)	27.6	>100	(76.4)	(172.1)	>100	
<i>Tax rate (%)</i>	<i>158.0</i>	<i>24.6</i>	<i>31.2</i>	<i>6.6 ppt</i>	<i>&gt;-100 ppt</i>	<i>36.1</i>	<i>25.4</i>	<i>-10.7 ppt</i>	
MI & Sukuk	(38.3)	(66.3)	(58.7)	(11.6)	53.0	(89.6)	(196.6)	>100	
Net profit	(47.9)	107.2	100.7	(6.1)	n.m.	45.7	309.1	>100	
EPS (sen)	(4.1)	9.2	8.6	(6.1)	n.m.	3.9	26.5	>100	
<b>Core net profit</b>	<b>(22.3)</b>	<b>101.9</b>	<b>118.9</b>	16.7	n.m.	<b>59.5</b>	<b>330.4</b>	>100	Above our and streets' estimates

Source: Affin Hwang, Company

Fig 2: SOTP valuation

Segment	2023E target PER (x)	Equity Value (RMm)
Automotive*	7	2,914.8
Equipment	7	591.7
M&E	5	104.7
Serendah land		34.8
Equity Value (RMm)		3,646.0
net cash/ (debt) (CY23E)		384.9
Issued shares (m)		1,168.3
<b>Target price (RM/share)</b>		<b>3.45</b>

Source: Affin Hwang forecasts  
\*includes associates & joint ventures

## Important Disclosures and Disclaimer

### Equity Rating Structure and Definitions

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	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.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	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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 Affin Hwang Investment Bank Berhad (14389-U)  
 A Participating Organisation of Bursa Malaysia Securities Berhad

22nd Floor, Menara Boustead,  
 69, Jalan Raja Chulan,  
 50200 Kuala Lumpur, Malaysia.

T : + 603 2142 3700  
 F : + 603 2146 7630  
 research@affinhwang.com

[www.affinhwang.com](http://www.affinhwang.com)

