



AmInvestment Bank

## Company report

# UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

30 Nov 2022

*Higher contributions from all segments*

## BUY

(Maintained)

## AmInvestment Bank

Team Coverage

03-2036 2290

**Rationale for report: Company result**

Price	RM3.34
Fair Value	RM4.65
52-week High/Low	RM3.48/RM2.77

**Key Changes**

Fair value	↔
EPS	↔

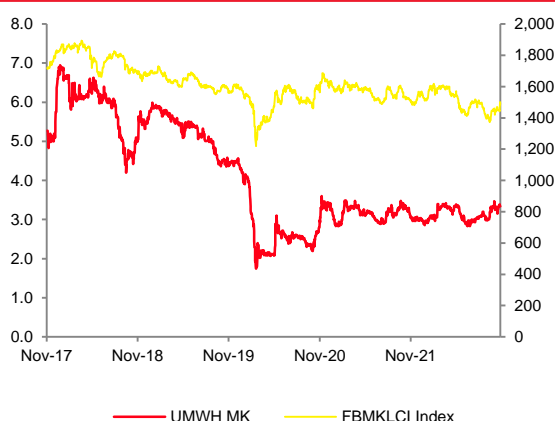
YE to Dec	FY21	FY22F	FY23F	FY24F
Revenue (RM mil)	11,060.8	14,530.0	14,570.0	14,883.0
Core net profit (RM mil)	259.2	404.0	390.5	401.5
FD Core EPS (sen)	22.2	34.6	33.4	34.4
FD Core EPS growth (%)	(9.0)	55.9	(3.3)	2.8
Consensus Net Profit (RM mil)	-	379.4	358.2	369.7
DPS (sen)	5.8	10.0	8.0	8.5
PE (x)	15.1	9.7	10.0	9.7
EV/EBITDA (x)	6.0	4.0	4.3	4.0
Div yield (%)	1.9	3.3	2.6	2.8
ROE (%)	6.7	9.5	8.6	8.3
Net Gearing (%)	nm	nm	nm	nm

**Stock and Financial Data**

Shares Outstanding (million)	1,168.3
Market Cap (RMmil)	3,902.1
Book Value (RM/share)	3.52
P/BV (x)	0.9
ROE (%)	6.7
Net Gearing (%)	-

Major Shareholders	Amanah Saham Nasional (53.5%) Employees Provident Fund (11.6%) Kumpulan Wang Persaraan Diperbadankan (8.8%)
Free Float	28.7
Avg Daily Value (RMmil)	1.5

Price performance	3mth	6mth	12mth
Absolute (%)	9.2	0.3	6.7
Relative (%)	10.2	4.4	8.6


**Investment Highlights**

- We reiterate our BUY call on UMWH with an unchanged sum-of-parts (SOP)-derived fair value of RM4.65/share. Our FV implies FY23F PE of 13.9x, at parity to its 5-year mean. We retain our neutral 3-star ESG rating.
- UMWH's 9MFY22 core net profit (CNP) of RM316mil came in largely within our expectation but above consensus, accounting for 77% of our FY22F net profit and 81% of street's. Given that the group is operating at full capacity, we anticipate 4QFY22 performance to be similar to 3QFY22. As such, we maintain our forecast assumptions.
- YoY, the group's 9MFY22 revenue rocketed 54% to RM11,439mil as automotive operation rose 61% to RM9,615mil, followed by manufacturing & engineering operation (+41%) at RM706mil and equipment operation (+19%) at RM1,133mil.
- Accordingly, 9MFY22 CNP surged 10.2x YoY as automotive net profit jumped 2.6x YoY while equipment rose 45% YoY. It is also noteworthy that UMWH's manufacturing & engineering operation turned around in 9MFY22 with a net profit of RM13mil vs. a net loss of RM9mil in 9MFY21.
- 3QFY22 topline surged 2.0x YoY due to a rebound in automotive (+2.2x) at RM3,428mil, manufacturing & engineering (+2.3x) at RM252mil and equipment (+25%) at RM394mil.
- The huge quarterly improvements were mainly due to a low base effect last year affected by lockdowns. Consequently, 3QFY22 CNP swung around to RM101mil from a loss of RM48mil in 3QFY21. This was primarily fueled by an upswing in 3QFY22 automotive CNP by 13.1x YoY.
- During the quarter under review, the group's associates were also back into the black with contribution of RM73mil as compared to losses of RM6mil in 3QFY21.
- QoQ, UWMH posted an increment of 9% in 3QFY22 topline, mainly supported by improvements across all operations – automotive (+10%), equipment (+8%) and manufacturing/engineering (+11%). However, lower forex-impacted associate pretax (-26% QoQ) coupled with higher effective tax rate (+6.6%-point QoQ) caused 3QFY22 bottomline to drop 6% QoQ.
- We are positive on UMWH's near-to-medium term outlook due to: 1) robust sales from Perodua and Toyota; and 2) continuous model roll-out pipeline.
- The company is currently trading at an attractive FY23F PE of 10x, a few notches lower than its 5-year average of 13.5x while offering a decent dividend yield of 3%.

## EXHIBIT 1: RESULTS SUMMARY

FYE Dec (RM mil)	3Q21	2Q22	3Q22	QoQ (%)	YoY (%)	9M21	9M22	YoY (%)
<b>Revenue</b>	<b>2,016.4</b>	<b>3,730.8</b>	<b>4,057.5</b>	<b>8.8</b>	<b>&gt;100</b>	<b>7,415.7</b>	<b>11,439.1</b>	<b>54.3</b>
<b>Operating Profit</b>	<b>38.3</b>	<b>140.8</b>	<b>163.5</b>	<b>16.1</b>	<b>&gt;100</b>	<b>148.8</b>	<b>450.1</b>	<b>&gt;100</b>
Finance Costs	(25.4)	(25.4)	(21.4)	(16.0)	(15.8)	(78.5)	(85.8)	9.3
Investment Income	9.2	16.8	16.6	(1.6)	80.0	34.4	46.4	34.8
Share of Profits of Associates & JV	(5.7)	97.8	72.8	(25.6)	>100	107.1	267.1	>100
<b>Profit before tax</b>	<b>16.5</b>	<b>230.0</b>	<b>231.5</b>	<b>0.6</b>	<b>&gt;100</b>	<b>211.8</b>	<b>677.8</b>	<b>&gt;100</b>
Tax	(26.0)	(56.5)	(72.1)	27.6	>100	(76.4)	(172.1)	>100
<b>Profit after tax</b>	<b>(9.6)</b>	<b>173.5</b>	<b>159.4</b>	<b>(8.2)</b>	<b>&gt;100</b>	<b>135.3</b>	<b>505.7</b>	<b>&gt;100</b>
Less: Minority interest	20.9	49.0	41.2	(15.8)	97.1	54.8	144.4	>100
Less: Holders of perpetual sukuk	17.4	17.4	17.4	0.3	0.0	52.2	52.2	(0.0)
<b>Net profit - Continuing operations</b>	<b>(47.9)</b>	<b>107.2</b>	<b>100.7</b>	<b>(6.1)</b>	<b>(&gt;100)</b>	<b>28.3</b>	<b>309.1</b>	<b>&gt;100</b>
Non-core adjustments	0.2	0.0	0.0			(2.7)	(7.0)	
<b>Core net profit</b>	<b>(48.1)</b>	<b>107.2</b>	<b>100.7</b>	<b>(6.1)</b>	<b>&gt;100</b>	<b>31.0</b>	<b>316.1</b>	<b>&gt;100</b>
<b>Margins</b>								
EBIT margin	1.9%	3.8%	4.0%			2.0%	3.9%	
PBT Margin	0.8%	6.2%	5.7%			2.9%	5.9%	
Net profit margin	(2.4%)	2.9%	2.5%			0.4%	2.7%	
Core net profit margin	(2.4%)	2.9%	2.5%			0.4%	2.8%	

Source: AmlInvestment Bank Bhd

## EXHIBIT 2: SEGMENTAL BREAKDOWN

FYE Dec (RM mil)	3Q21	2Q22	3Q22	QoQ (%)	YoY (%)	9M21	9M22	YoY (%)
<b>Segmental Breakdown</b>								
<b>Revenue</b>								
Automotive	1,590.8	3,117.4	3,427.6	10.0	>100	5,968.7	9,615.1	61.1
Equipment	316.0	366.6	394.4	7.6	24.8	948.3	1,132.7	19.4
Manufacturing & Engineering	110.3	226.4	252.2	11.4	>100	500.5	705.7	41.0
Others	(0.7)	20.4	(16.6)	(>100)	>100	(1.8)	(14.5)	>100
<b>Total</b>	<b>2,016.4</b>	<b>3,730.8</b>	<b>4,057.5</b>	<b>8.8</b>	<b>101.2</b>	<b>7,415.7</b>	<b>11,439.1</b>	<b>54.3</b>
<b>PBT</b>								
Automotive	27.4	202.9	183.6	(9.5)	>100	207.6	592.3	>100
Equipment	24.3	35.4	50.0	41.0	>100	78.1	117.2	50.1
Manufacturing & Engineering	8.2	13.1	13.4	2.8	64.2	10.5	37.1	>100
Others	(43.4)	(21.3)	(15.5)	(27.5)	(64.4)	(84.4)	(68.7)	(18.5)
<b>Total</b>	<b>16.5</b>	<b>230.0</b>	<b>231.5</b>	<b>0.6</b>	<b>&gt;100</b>	<b>211.8</b>	<b>677.8</b>	<b>220.1</b>
<b>Net profit</b>								
Automotive	7.4	118.1	97.3	(17.6)	>100	129.4	341.4	>100
Equipment	16.9	24.7	34.7	40.4	>100	55.7	80.7	44.8
Manufacturing & Engineering	(1.9)	5.1	4.3	(15.6)	>100	(8.9)	13.0	>100
Others	(52.9)	(23.4)	(18.2)	(22.2)	(65.6)	(95.8)	(73.8)	(23.0)
<b>Sub-total</b>	<b>(30.5)</b>	<b>124.6</b>	<b>118.1</b>	<b>(5.2)</b>	<b>(&gt;100)</b>	<b>80.5</b>	<b>361.3</b>	<b>&gt;100</b>
Less: Holders of perpetual sukuk	17.4	17.4	17.4	0.3	0.0	52.2	52.2	(0.0)
<b>Total</b>	<b>(47.9)</b>	<b>107.2</b>	<b>100.7</b>	<b>(6.1)</b>	<b>(&gt;100)</b>	<b>28.3</b>	<b>309.1</b>	<b>&gt;100</b>
<b>PBT Margin</b>								
Automotive	1.7%	6.5%	5.4%			3.5%	6.2%	
Equipment	7.7%	9.7%	12.7%			8.2%	10.3%	
Manufacturing & Engineering	7.4%	5.8%	5.3%			2.1%	5.3%	
<b>Net Profit Margin</b>								
Automotive	0.5%	3.8%	2.8%			2.2%	3.6%	
Equipment	5.4%	6.7%	8.8%			5.9%	7.1%	
Manufacturing & Engineering	-1.8%	2.2%	1.7%			-1.8%	1.8%	

Source: AmlInvestment Bank Bhd

## EXHIBIT 3: 3Q22 SALES VOLUME OF UMW-RELATED BRANDS

FYE Dec (units)	3Q21	2Q22	3Q22	QoQ (%)	YoY (%)	9M21	9M22	YoY (%)
<b>Toyota/Lexus</b>	<b>12,007</b>	<b>23,463</b>	<b>24,961</b>	<b>6.4</b>	<b>&gt;100</b>	<b>46,118</b>	<b>70,871</b>	<b>53.7</b>
- Passenger	9,252	17,019	17,340	1.9	87.4	32,890	48,990	49.0
- Commercial	2,755	6,444	7,621	18.3	>100	13,228	21,881	65.4
<b>Perodua</b>	<b>21,803</b>	<b>65,719</b>	<b>69,011</b>	<b>5.0</b>	<b>&gt;100</b>	<b>119,093</b>	<b>196,354</b>	<b>64.9</b>
- Passenger	21,803	65,719	69,011	5.0	>100	119,093	196,354	64.9
<b>Total</b>	<b>33,810</b>	<b>89,182</b>	<b>93,972</b>	<b>5.4</b>	<b>&gt;100</b>	<b>165,211</b>	<b>267,225</b>	<b>61.7</b>

Source: AmlInvestment Bank Bhd

## EXHIBIT 4: SOP VALUATION MATRIX

Segment	FY23F PAT (RM mil)	Stake	PE (x)	Value (RM mil)	Value (RM/share)	No. of shares
Automotive	220.6	51%	13.0	1,462.9	1.25	1,168.3
Equipment	88.9	91%	9.0	728.4	0.62	
Manufacturing & Engineering	36.4		10.0	364.2	0.31	
					<b>2.19</b>	
Add: Perodua	837.9	38%	13.0	4,139.0	3.54	
Add: Serendah land				1,073.0	0.92	
Add: Company net debt				-1,742.4	-1.49	
SOP discount (10%)				-343.49	-0.51	
<b>Fair Value</b>					<b>4.65</b>	

Source: AmlInvestment Bank Bhd

EXHIBIT 5: PB BAND CHART



EXHIBIT 6: PE BAND CHART



EXHIBIT 7: ESG MATRIX

<b>Overall</b>	★	★	★		
Zero-carbon initiatives	★	★			
Work site safety	★	★	★		
Shareholder accountability	★	★	★		
Social responsibility	★	★	★	★	
Pollution control	★	★			
Supply chain auditing	★	★	★		
Corruption-free pledge	★	★	★	★	
Accessibility & transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-stars

Source: AmlInvestment Bank Bhd

## EXHIBIT 8: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	9,554.6	11,060.8	14,530.0	14,570.0	14,883.0
EBITDA	632.5	617.8	866.9	754.2	731.8
Depreciation/Amortisation	(374.1)	(343.5)	(325.6)	(310.2)	(286.8)
Operating income (EBIT)	258.4	274.2	541.3	444.0	444.9
Other income & associates	204.1	268.0	397.3	398.4	408.1
Net interest	(61.1)	(59.5)	(62.9)	(56.8)	(49.9)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>401.4</b>	<b>482.8</b>	<b>875.7</b>	<b>785.6</b>	<b>803.1</b>
Taxation	(78.5)	32.9	(191.4)	(154.9)	(158.0)
Minorities/pref dividends	48.5	177.6	210.5	170.4	173.8
<b>Net profit</b>	<b>204.8</b>	<b>268.2</b>	<b>404.0</b>	<b>390.5</b>	<b>401.5</b>
Core net profit	284.9	259.2	404.0	390.5	401.5
Balance Sheet (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Fixed assets	2,463.0	2,531.4	2,325.8	2,215.6	2,048.8
Intangible assets	-	-	-	-	-
Other long-term assets	2,992.3	3,261.3	3,658.6	4,057.0	4,465.1
<b>Total non-current assets</b>	<b>5,455.3</b>	<b>5,792.7</b>	<b>5,984.4</b>	<b>6,272.6</b>	<b>6,513.9</b>
Cash & equivalent	2,050.9	2,941.4	3,104.4	3,301.6	3,541.5
Stock	1,439.3	1,752.2	2,301.7	2,308.1	2,357.6
Trade debtors	1,187.7	1,051.7	1,381.5	1,385.3	1,415.1
Other current assets	1,313.9	634.8	634.8	634.8	634.8
<b>Total current assets</b>	<b>5,991.8</b>	<b>6,380.0</b>	<b>7,422.4</b>	<b>7,629.7</b>	<b>7,948.9</b>
Trade creditors	2,156.2	2,284.8	3,001.4	3,009.7	3,074.3
Short-term borrowings	523.8	638.1	588.1	538.1	488.1
Other current liabilities	116.2	96.9	96.9	96.9	96.9
<b>Total current liabilities</b>	<b>2,796.2</b>	<b>3,019.8</b>	<b>3,686.4</b>	<b>3,644.7</b>	<b>3,659.3</b>
Long-term borrowings	1,942.3	2,095.0	2,095.0	2,095.0	2,095.0
Other long-term liabilities	291.5	295.4	295.4	295.4	295.4
<b>Total long-term liabilities</b>	<b>2,233.7</b>	<b>2,390.4</b>	<b>2,390.4</b>	<b>2,390.4</b>	<b>2,390.4</b>
<b>Shareholders' funds</b>	<b>3,868.1</b>	<b>4,116.5</b>	<b>4,403.6</b>	<b>4,700.7</b>	<b>5,002.8</b>
Minority interests	2,549.0	2,646.1	2,856.6	3,027.0	3,200.8
BV/share (RM)	3.31	3.52	3.77	4.02	4.28
Cash Flow (RMmil, YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Pretax profit	401.4	482.8	875.7	785.6	803.1
Depreciation/Amortisation	374.1	343.5	325.6	310.2	286.8
Net change in working capital	460.0	(221.1)	(162.8)	(1.9)	(14.7)
Others	(289.2)	(343.5)	(525.8)	(496.5)	(516.2)
<b>Cash flow from operations</b>	<b>946.3</b>	<b>261.6</b>	<b>512.8</b>	<b>597.4</b>	<b>559.1</b>
Capital expenditure	(95.5)	(406.4)	(120.0)	(200.0)	(120.0)
Net investments & sale of fixed assets	(1,081.5)	(526.3)	(397.3)	(398.4)	(408.1)
Others	1,066.5	1,406.7	397.3	398.4	408.1
<b>Cash flow from investing</b>	<b>(110.5)</b>	<b>474.0</b>	<b>(120.0)</b>	<b>(200.0)</b>	<b>(120.0)</b>
Debt raised/(repaid)	(43.1)	267.0	(50.0)	(50.0)	(50.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(46.7)	(67.8)	(116.8)	(93.5)	(99.3)
Others	(147.7)	(159.8)	(62.9)	(56.8)	(49.9)
<b>Cash flow from financing</b>	<b>(237.5)</b>	<b>39.4</b>	<b>(229.7)</b>	<b>(200.2)</b>	<b>(199.2)</b>
<b>Net cash flow</b>	<b>598.3</b>	<b>775.0</b>	<b>163.0</b>	<b>197.2</b>	<b>239.9</b>
<b>Net cash/(debt) b/f</b>	<b>1,350.9</b>	<b>1,901.4</b>	<b>2,533.0</b>	<b>2,696.1</b>	<b>2,893.2</b>
<b>Net cash/(debt) c/f</b>	<b>1,901.4</b>	<b>2,533.0</b>	<b>2,696.1</b>	<b>2,893.2</b>	<b>3,133.1</b>
Key Ratios (YE 31 Dec)	FY20	FY21	FY22F	FY23F	FY24F
Revenue growth (%)	(18.6)	15.8	31.4	0.3	2.1
EBITDA growth (%)	(19.1)	(2.3)	40.3	(13.0)	(3.0)
Pretax margin (%)	4.2	4.4	6.0	5.4	5.4
Net profit margin (%)	2.1	2.4	2.8	2.7	2.7
Interest cover (x)	4.2	4.6	8.6	7.8	8.9
Effective tax rate (%)	19.6	6.8	21.9	19.7	19.7
Dividend payout (%)	22.8	25.3	28.9	23.9	24.7
Debtors turnover (days)	50	37	31	35	34
Stock turnover (days)	58	53	51	58	57
Creditors turnover (days)	81	73	66	75	75

Source: Company, AmlInvestment Bank Bhd estimates

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