

# UMW Holdings (UMWH MK)

## 9M22 results on track

### Maintain BUY and MYR5.00 TP

9M22's core net profit accounted for 73% of our FY estimate, with 3Q22 replicating 1Q/2Q's performances as it continued to enjoy strong vehicle sales from the SST holidays. We expect an equally strong 4Q22, underpinned by the strong backlog (Toyota & Perodua). Our TP is unchanged, pegged to FY23 PER of 16x (-0.5 SD valuation).

### 9M22: Stronger YoY; interim DPS of 3sen in 3Q22

Core net profit of MYR101m (-6% QoQ) in 3Q22 took 9M22's core net profit to MYR316m (12x YoY). While revenue was up 9% QoQ, driven by higher vehicle sales (Toyota [T]: +6% and Perodua [P2; 38%-owned]: +5%), the QoQ earnings weakness was mainly due to lower associate profits (-26% to MYR73m; 31% of Group's PBT in 3Q22) from its (i) Perodua (P2) ops (absence of ITA in the quarter) and (ii) Toyota Capital (hit by higher costs from the forex impact). Overall, the auto division remained its key earnings contributor (PBT: MYR184m), accounting for 79% of the Group's PBT in 3Q22. It declared an interim DPS of 3sen in 3Q22 and aims to have two interim dividend payouts (vs. one p.a. currently) from now on, on its improved financials.

### A strong end to 4Q22 expected

Our earnings estimates are unchanged, on a stronger QoQ outlook in 4Q22. The YoY growth in FY22 (+177%) mainly reflects higher T/ P2 vehicle sales (+24%/ +30%) to 90k/248k units respectively), backed by its strong T/ P2 bookings (60k/ 240k units). Our T sales estimate of 90k units is realistic (10M22): 80k units). On to its nation-wide electrification agenda, following the introduction of its hybrid model in 1Q22, UMW will introduce a BEV model in 2024, which would still enjoy the CBU EV zero tax benefits (ending 4Q24).

### Long-term targets and ESG aspiration

All in, UMW has set a 10-year (to 2031) 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	9.0	10.5	10.1
P/BV (x)	1.0	0.8	0.9	0.8	0.7
Net dividend yield (%)	1.2	2.0	2.8	2.4	2.5
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	6.4	6.9	6.9
Net gearing (%) (incl perps)	6.5	net cash	1.0	net cash	net cash
Consensus net profit	-	-	390	362	385
MKE vs. Consensus (%)	-	-	11.0	3.1	0.1

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# BUY

Share Price	MYR 3.34
12m Price Target	MYR 5.00 (+50%)
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.

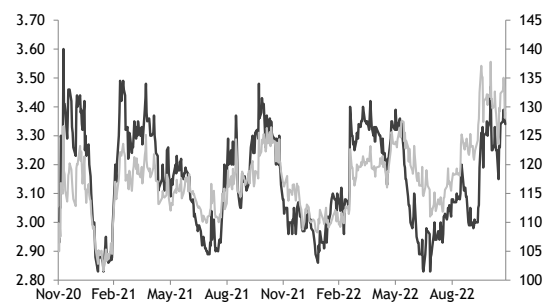
### Statistics

52w high/low (MYR)	3.47/2.83
3m avg turnover (USDm)	0.4
Free float (%)	24.0
Issued shares (m)	1,168
Market capitalisation	MYR3.9B USD872M

### Major shareholders:

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

### Price Performance



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

	-1M	-3M	-12M
Absolute (%)	0	9	7
Relative to index (%)	(2)	10	9

Source: FactSet

## UMWH's quarterly results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	3Q22	2Q22	%QoQ	3Q21	%YoY	9M22	9M21	% YoY
Turnover	4,057.5	3,730.8	8.8	2,016.4	>100	11,439.1	7,415.7	54.3
EBIT	163.5	140.8	16.1	38.3	>100	450.1	148.8	>100
Interest expense	(21.4)	(25.4)	(16.0)	(25.4)	(15.8)	(85.8)	(78.5)	9.3
Associates	72.8	97.8	(25.6)	(5.7)	NM	267.1	107.1	149.5
Investment Income	16.6	16.8	(1.6)	9.2	80.0	46.4	34.4	34.8
<b>Pre-tax profit</b>	<b>231.5</b>	<b>230.0</b>	<b>0.6</b>	<b>16.5</b>	<b>&gt;100</b>	<b>677.8</b>	<b>211.8</b>	<b>&gt;100</b>
Taxation	(72.1)	(56.5)	27.6	(26.0)	>100	(172.1)	(76.4)	>100
Minority interest	(41.2)	(49.0)	(15.8)	(20.9)	97.1	(144.4)	(54.8)	>100
Sukuk	(17.4)	(17.4)	0.3	(17.4)	0.0	(52.2)	(52.2)	0.0
<b>Net profit / (loss)</b>	<b>100.7</b>	<b>107.2</b>	<b>(6.1)</b>	<b>(47.9)</b>	<b>NM</b>	<b>309.1</b>	<b>28.3</b>	<b>&gt;100</b>
Exceptional item	0.0	(0.0)	NM	(0.2)	NM	(7.0)	2.7	NM
<b>Recurring net profit / (loss)</b>	<b>100.7</b>	<b>107.2</b>	<b>(6.1)</b>	<b>(47.7)</b>	<b>NM</b>	<b>316.1</b>	<b>25.6</b>	<b>&gt;100</b>
	<b>3Q22</b>	<b>2Q22</b>	<b>+/- ppt</b>	<b>3Q21</b>	<b>%YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>+/- ppt</b>
EBIT margin (%)	4.0	3.8	0.3	1.9	2.1	3.9	2.0	1.9
Tax rate (%)	31.2	24.6	6.6	158.0	>100	25.4	36.1	(10.7)
	<b>3Q22</b>	<b>2Q22</b>	<b>%QoQ</b>	<b>3Q21</b>	<b>%YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>%YoY</b>
<b>Revenue</b>	<b>4,057.5</b>	<b>3,730.8</b>	<b>8.8</b>	<b>2,016.4</b>	<b>&gt;100</b>	<b>11,439.1</b>	<b>7,415.7</b>	<b>54.3</b>
Automotive	3,427.6	3,117.4	10.0	1,590.8	>100	9,615.1	5,968.7	61.1
Equipment	394.4	366.6	7.6	316.0	24.8	1,132.7	948.3	19.4
M&E	252.2	226.4	11.4	110.3	>100	705.7	500.5	41.0
Others	(16.6)	20.4	NM	(0.7)	NM	(14.5)	(1.8)	>100
<b>Pre-tax profit</b>	<b>231.5</b>	<b>230.0</b>	<b>0.6</b>	<b>16.5</b>	<b>&gt;100</b>	<b>677.8</b>	<b>211.8</b>	<b>&gt;100</b>
Automotive	183.6	202.9	(9.5)	27.4	>100	592.3	207.6	>100
Equipment	50.0	35.4	41.0	24.3	>100	117.2	78.1	50.1
M&E	13.4	13.1	2.8	8.2	64.2	37.1	10.5	>100
Others	(15.5)	(21.3)	(27.5)	(43.4)	(64.4)	(68.7)	(84.4)	(18.5)
	<b>3Q22</b>	<b>2Q22</b>	<b>+/- ppt</b>	<b>3Q21</b>	<b>%YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>+/- ppt</b>
<b>Pre-tax margins (%)</b>	<b>5.7</b>	<b>6.2</b>	<b>(0.5)</b>	<b>0.8</b>	<b>4.9</b>	<b>5.9</b>	<b>2.9</b>	<b>3.1</b>
Automotive	5.4	6.5	(1.2)	1.7	3.6	6.2	3.5	2.7
Equipment	12.7	9.7	3.0	7.7	5.0	10.3	8.2	2.1
M&E	5.3	5.8	(0.4)	7.4	(2.1)	5.3	2.1	3.2
	<b>3Q22</b>	<b>2Q22</b>	<b>%QoQ</b>	<b>3Q21</b>	<b>%YoY</b>	<b>9M22</b>	<b>9M21</b>	<b>%YoY</b>
<b>Vehicle Unit Sales</b>								
Toyota	24,956	23,469	6.3	12,007	107.8	70,872	46,118	53.7
Perodua	69,011	65,719	5.0	21,803	216.5	196,354	119,093	64.9

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



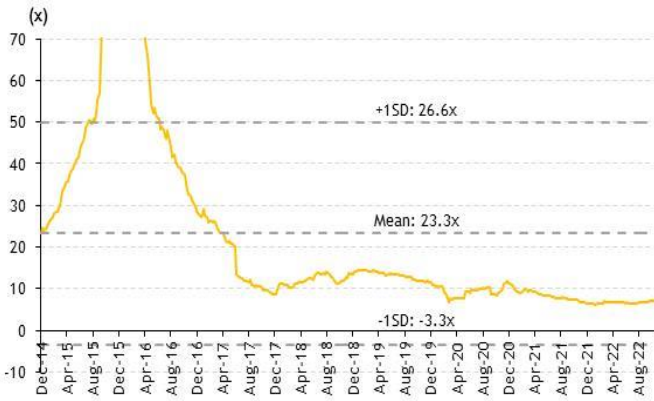
Source: Company, Maybank IBG Research

### 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	9.0	10.5	10.1
Core P/E (x)	13.9	22.2	9.0	10.5	10.1
P/BV (x)	1.0	0.8	0.9	0.8	0.7
P/NTA (x)	1.0	0.8	0.9	0.8	0.7
Net dividend yield (%)	1.2	2.0	2.8	2.4	2.5
FCF yield (%)	17.0	nm	nm	9.3	6.9
EV/EBITDA (x)	8.2	9.5	6.4	6.9	6.9
EV/EBIT (x)	17.3	29.7	10.6	14.4	14.0
<b>INCOME STATEMENT (MYR m)</b>					
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
<b>BALANCE SHEET (MYR m)</b>					
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>
<b>CASH FLOW (MYR m)</b>					
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
<b>Net cash flow</b>	<b>562.4</b>	<b>864.9</b>	<b>(282.4)</b>	<b>427.1</b>	<b>339.3</b>

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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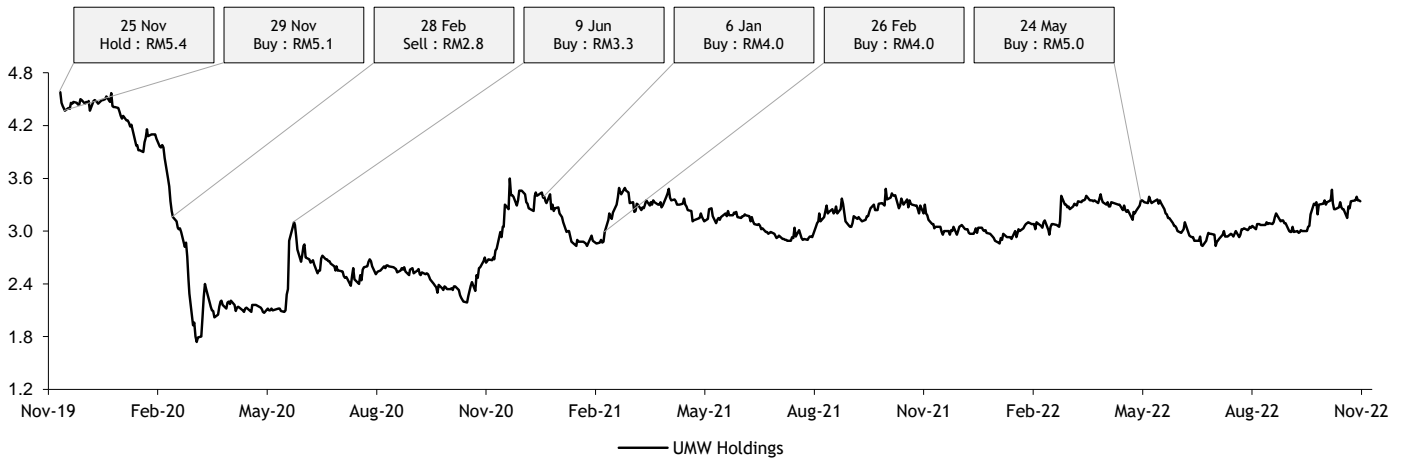
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