



AmInvestment Bank

Company report

UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

28 Feb 2023

Missed expectation, yet outlook remains solid

BUY

(Maintained)

AmInvestment Bank

Team Coverage

03-2036 2333

Rationale for report: Company result

Price	RM3.95
Fair Value	RM4.70
52-week High/Low	RM4.04/RM2.77

Key Changes

Fair value	⬇️
EPS	⬇️

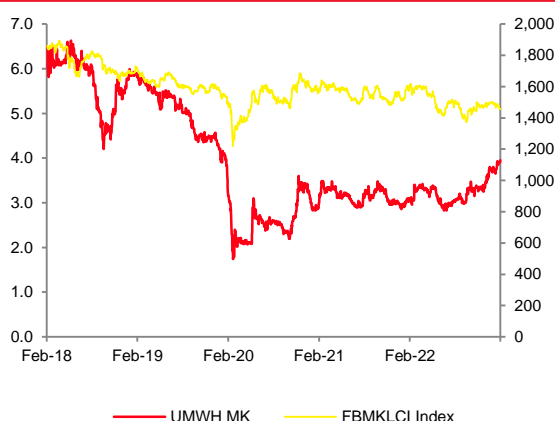
YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	15,814.4	14,570.0	14,883.0	15,825.0
Core net profit (RM mil)	422.0	395.3	403.2	411.8
FD Core EPS (sen)	36.1	33.8	34.5	35.2
FD Core EPS growth (%)	62.8	(6.3)	2.0	2.1
Consensus Net Profit (RM mil)	-	392.5	399.7	426.0
DPS (sen)	14.2	12.0	12.0	12.0
PE (x)	10.9	11.7	11.4	11.2
EV/EBITDA (x)	3.6	4.2	4.0	3.6
Div yield (%)	3.6	3.0	3.0	3.0
ROE (%)	9.8	8.8	8.5	8.2
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	1,168.3
Market Cap (RMmil)	4,614.8
Book Value (RM/share)	3.72
P/BV (x)	1.1
ROE (%)	9.8
Net Gearing (%)	-

Major Shareholders	Amanah Saham Nasional (55.2%) Employees Providen Fund (10.2%) Kumpulan Wang Persaraan Diperbadankan (9.1%)
Free Float	28.7
Avg Daily Value (RMmil)	3.0

Price performance	3mth	6mth	12mth
Absolute (%)	18.3	29.1	27.4
Relative (%)	20.8	33.1	39.3



Investment Highlights

- We reiterate our BUY call on UMWH with a lower sum-of-parts (SOP)-derived fair value of RM4.70/share. Our FV implies FY23F PE of 14x, at parity to its 5-year mean. We retain our neutral 3-star ESG rating.
- UMWH's FY22 core earnings missed expectations, coming in 13% below our forecast and 6% street's. The shortfall was mainly due to lower-than-expected associate share of result from 38%-owned Perodua. We reduce our FY23F-FY24F earnings marginally by 4%-5% to account for Perodua's lower margin due to higher raw material cost. We also introduce FY25F earnings of RM412mil, premised on a 6% YoY revenue growth and stable pretax margin of 5%.
- YoY, FY22 core earnings of RM422mil rocketed 63% as all operating segments outperformed, contributing to a 43% growth in revenue following the gradual recovery in the economy. Notably, automotive revenue grew 47% YoY due to higher vehicle sales.
- Equipment division also delivered higher revenue (+16% YoY) on better sales from local and overseas markets. In line with higher vehicle sales, manufacturing & engineering segment (M&E) posted better revenues (+36% YoY) on higher demand from auto component & lubricant sub-segments.
- Likewise, 4QFY22 topline surged 20% YoY on higher contributions across all business divisions. Nevertheless, 4QFY22 core profit plunged by 54% YoY on lower associate share of profit (-58% YoY) from Perodua.
- QoQ, UWMH posted an increment of 8% in 4QFY22 topline, mainly supported by higher car deliveries in automotive (+8%) and fan case sales in M&E (+10%) businesses. However, lower sequential earnings growth in 4QFY22 (+5% QoQ) was caused by higher operating expenses (+9% QoQ) in equipment segment alongside Perodua's lower share of profit (-7% QoQ).
- We continue to like UMWH due to: 1) robust order book of more than 270,000 units for both Perodua and Toyota, 2) continuous new launches – Toyota has lined up all-new Vios in March roll-out and possibly another 4 new models. M&E segment started to pick up pace since last year on strong orders from all sub-segments with sales exceeding pre-pandemic levels (+24% YoY).
- The company is currently trading at an attractive FY23F PE of 12x, lower than its 5-year peak of 14x while offering a decent dividend yield of 3%.

EXHIBIT 1: RESULTS SUMMARY

FYE Dec (RM mil)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Revenue	3,645.1	4,057.5	4,375.4	7.8	20.0	11,060.8	15,814.4	43.0
Operating Profit	125.5	163.5	155.4	(4.9)	23.9	274.2	605.5	>100
Finance Costs	(29.7)	(21.4)	(28.3)	32.7	(4.6)	(108.2)	(114.1)	5.5
Investment Income	14.3	16.6	12.8	(22.6)	(10.5)	48.7	70.2	44.1
Share of Profits of Associates & JV	160.9	72.8	67.8	(6.9)	(57.9)	268.0	334.9	25.0
Profit before tax	271.0	231.5	218.6	(5.6)	(19.3)	482.8	896.5	85.7
Tax	109.3	(72.1)	(46.5)	(35.6)	(>100)	32.9	(218.6)	(>100)
Profit after tax	380.3	159.4	172.2	8.0	(54.7)	515.6	677.9	31.5
Less: Minority interest	122.8	41.2	48.6	17.8	(60.4)	177.6	193.0	8.7
Less: Holders of perpetual sukuk	17.6	17.4	17.6	1.1	0.0	69.9	69.9	(0.0)
Net profit - Continuing operations	240.0	100.7	106.0	5.2	(55.8)	268.2	415.0	54.7
Non-core adjustments	11.7	0.0	0.0			9.0	(7.0)	
Core net profit	228.3	100.7	106.0	5.2	(53.6)	259.2	422.0	62.8
Margins								
EBIT margin	3.4%	4.0%	3.6%	-0.5ppt	0.1ppt	2.5%	3.8%	1.3ppt
PBT Margin	7.4%	5.7%	5.0%	-0.7ppt	-2.4ppt	4.4%	5.7%	1.3ppt
Net profit margin	6.6%	2.5%	2.4%	-0.1ppt	-4.2ppt	2.4%	2.6%	0.2ppt
Core net profit margin	6.3%	2.5%	2.4%	-0.1ppt	-3.8ppt	2.3%	2.7%	0.3ppt

Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 2: SEGMENTAL BREAKDOWN

FYE Dec (RM mil)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Segmental Breakdown								
Revenue								
Automotive	3,061.6	3,427.6	3,694.9	7.8	20.7	9,030.3	13,310.0	47.4
Equipment	365.1	394.4	395.3	0.2	8.3	1,313.4	1,528.0	16.3
Manufacturing & Engineering	225.9	252.2	278.5	10.4	23.3	726.3	984.2	35.5
Others	(7.5)	(16.6)	94.8	>100	nm	(9.3)	80.4	nm
Total	3,645.1	4,057.5	4,463.5	10.0	22.5	11,060.8	15,902.6	43.8
PBT								
Automotive	269.2	183.6	182.6	(0.5)	(32.1)	476.7	774.9	62.5
Equipment	28.9	50.0	35.7	(28.7)	23.2	107.0	152.8	42.8
Manufacturing & Engineering	11.7	13.4	29.2	>100	>100	22.2	66.3	>100
Others	(38.8)	(15.5)	(28.9)	86.7	(25.5)	(123.2)	(97.6)	(20.8)
Total	271.0	231.5	218.6	(5.6)	(19.3)	482.8	896.5	85.7
Net profit								
Automotive	266.5	97.3	112.0	15.1	(58.0)	395.9	453.3	14.5
Equipment	21.5	34.7	25.0	(28.0)	16.1	77.3	105.7	36.8
Manufacturing & Engineering	0.3	4.3	19.3	>100	>100	(8.6)	32.3	nm
Others	(30.7)	(18.2)	(32.7)	79.6	6.4	(126.5)	(106.5)	(15.8)
Sub-total	257.6	118.1	123.6	4.6	(52.0)	338.1	484.9	43.4
Less: Holders of perpetual sukuk	17.6	17.4	17.6	1.1	0.0	69.9	69.9	(0.0)
Total	240.0	100.7	106.0	5.2	(55.8)	268.2	415.0	54.7
PBT Margin								
Automotive	8.8%	5.4%	4.9%	-0.4ppt	-3.8ppt	5.3%	5.8%	0.5ppt
Equipment	7.9%	12.7%	9.0%	-3.7ppt	1.1ppt	8.1%	10.0%	1.9ppt
Manufacturing & Engineering	5.2%	5.3%	10.5%	5.2ppt	5.3ppt	3.1%	6.7%	3.7ppt
Net Profit Margin								
Automotive	8.7%	2.8%	3.0%	0.2ppt	-5.7ppt	4.4%	3.4%	-1.0ppt
Equipment	5.9%	8.8%	6.3%	-2.5ppt	0.4ppt	5.9%	6.9%	1.0ppt
Manufacturing & Engineering	0.1%	1.7%	6.9%	5.2ppt	6.8ppt	-1.2%	3.3%	4.5ppt

Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 3: 4Q22 SALES VOLUME OF UMWH-RELATED BRANDS

FYE Dec (units)	4Q21	3Q22	4Q22	QoQ (%)	YoY (%)	2021	2022	YoY (%)
Toyota/Lexus	26,276	24,961	30,163	20.8	14.8	72,394	101,034	39.6
- Passenger	19,498	17,340	21,700	25.1	11.3	52,388	70,690	34.9
- Commercial	6,778	7,621	8,463	11.0	24.9	20,006	30,344	51.7
Perodua	71,198	69,011	85,665	24.1	20.3	190,291	282,019	48.2
- Passenger	71,198	69,011	85,665	24.1	20.3	190,291	282,019	48.2
Total	97,474	93,972	115,828	23.3	18.8	262,685	383,053	45.8

Source: MAA, AmlInvestment Bank Bhd

EXHIBIT 4: PB BAND CHART



EXHIBIT 5: PE BAND CHART

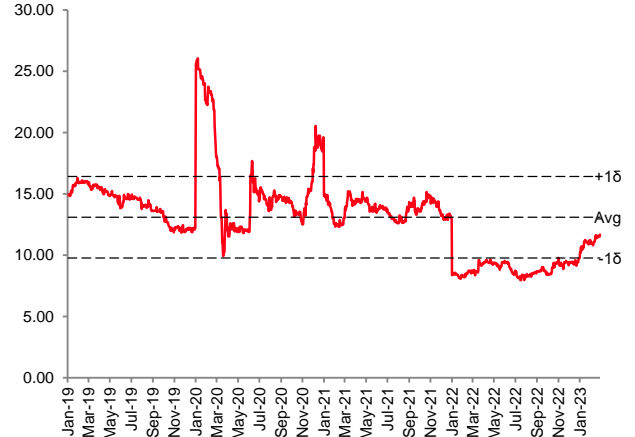


EXHIBIT 6: ESG MATRIX

Overall	★	★	★		
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 7: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	11,060.8	15,814.4	14,570.0	14,883.0	15,825.0
EBITDA	617.8	946.1	754.4	730.5	726.6
Depreciation/Amortisation	(343.5)	(340.6)	(310.2)	(286.8)	(266.3)
Operating income (EBIT)	274.2	605.5	444.2	443.7	460.3
Other income & associates	268.0	334.9	403.2	409.9	414.7
Net interest	(59.5)	(44.0)	(57.0)	(48.6)	(41.7)
Exceptional items	-	-	-	-	-
Pretax profit	482.8	896.5	790.4	804.9	833.3
Taxation	32.9	(218.6)	(154.9)	(158.0)	(167.4)
Minorities/pref dividends	177.6	193.0	170.4	173.8	184.2
Net profit	268.2	415.0	395.3	403.2	411.8
Core net profit	259.2	422.0	395.3	403.2	411.8
Balance Sheet (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	2,531.4	2,706.6	2,506.6	2,386.6	2,266.6
Intangible assets	-	0.8	0.8	0.8	0.8
Other long-term assets	3,261.3	3,344.3	3,747.5	4,157.4	4,572.1
Total non-current assets	5,792.7	6,051.7	6,254.9	6,544.8	6,839.5
Cash & equivalent	2,941.4	2,808.1	2,959.2	3,173.2	3,381.4
Stock	1,752.2	2,045.7	1,884.8	1,925.2	2,047.1
Trade debtors	1,051.7	1,231.5	1,134.6	1,159.0	1,232.4
Other current assets	634.8	280.0	280.0	280.0	280.0
Total current assets	6,380.0	6,365.4	6,258.6	6,537.4	6,940.8
Trade creditors	2,284.8	3,292.8	3,033.7	3,098.9	3,295.0
Short-term borrowings	638.1	212.3	162.3	112.3	62.3
Other current liabilities	96.9	96.9	96.9	96.9	96.9
Total current liabilities	3,019.8	3,602.1	3,293.0	3,308.1	3,454.3
Long-term borrowings	2,095.0	1,339.9	1,339.9	1,339.9	1,339.9
Other long-term liabilities	295.4	335.1	335.1	335.1	335.1
Total long-term liabilities	2,390.4	1,675.1	1,675.1	1,675.1	1,675.1
Shareholders' funds	4,116.5	4,350.0	4,605.1	4,868.2	5,139.8
Minority interests	2,646.1	2,789.9	2,960.3	3,134.1	3,318.3
BV/share (RM)	3.52	3.72	3.94	4.17	4.40
Cash Flow (RMmil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	482.8	896.5	790.4	804.9	833.3
Depreciation/Amortisation	343.5	340.6	310.2	286.8	266.3
Net change in working capital	(221.1)	524.8	(1.2)	0.3	0.9
Others	(343.5)	(558.4)	(501.1)	(519.2)	(540.4)
Cash flow from operations	261.6	1,203.4	598.3	572.8	560.1
Capital expenditure	(406.4)	(509.9)	(200.0)	(120.0)	(120.0)
Net investments & sale of fixed assets	(526.3)	(385.8)	(403.2)	(409.9)	(414.7)
Others	1,406.7	945.2	403.2	409.9	414.7
Cash flow from investing	474.0	49.5	(200.0)	(120.0)	(120.0)
Debt raised/(repaid)	267.0	(1,180.8)	(50.0)	(50.0)	(50.0)
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(67.8)	(102.8)	(140.2)	(140.2)	(140.2)
Others	(159.8)	(249.0)	(57.0)	(48.6)	(41.7)
Cash flow from financing	39.4	(1,532.6)	(247.2)	(238.8)	(231.9)
Net cash flow	775.0	(279.7)	151.1	214.0	208.2
Net cash/(debt) b/f	1,901.4	2,443.6	1,799.7	1,950.8	2,164.8
Net cash/(debt) c/f	2,443.6	1,799.7	1,950.8	2,164.8	2,373.0
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	43.0	(7.9)	2.1	6.3
EBITDA growth (%)	(2.3)	53.1	(20.3)	(3.2)	(0.5)
Pretax margin (%)	4.4	5.7	5.4	5.4	5.3
Net profit margin (%)	2.4	2.6	2.7	2.7	2.6
Interest cover (x)	4.6	13.8	7.8	9.1	11.0
Effective tax rate (%)	6.8	24.4	19.6	19.6	20.1
Dividend payout (%)	25.3	40.0	35.5	34.8	34.0
Debtors turnover (days)	37	26	30	28	28
Stock turnover (days)	53	44	49	47	46
Creditors turnover (days)	73	64	79	75	74

Source: Company, AmlInvestment Bank Bhd estimates

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