

**HLIB Research**

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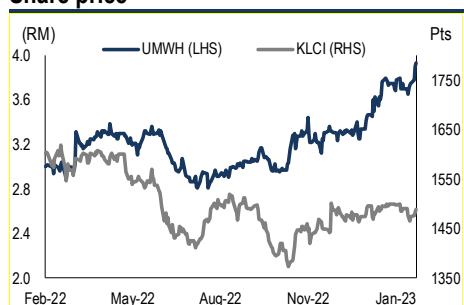
**BUY** (Maintain)

**Target Price: RM4.25**
**Previously: RM4.25**
**Current Price: RM3.95**

Capital upside	7.6%
Dividend yield	2.5%
Expected total return	10.1%

**Sector coverage:** Automotive

**Company description:** UMW imports, assembles, and markets passenger and commercial vehicles and related spare parts. It also trades light and heavy equipment for industrial, construction, and agricultural sectors. UMW also assembles parts for aircraft engines.

**Share price**


	1M	3M	12M
Absolute	4.5	18.3	27.4
Relative	6.7	21.0	40.8

**Stock information**

Bloomberg ticker	UMWH MK
Bursa code	4588
Issued shares (m)	1,168
Market capitalisation (RM m)	4,615
3-mth average volume ('000)	836
SC Shariah compliant	Yes
F4GBM Index member	No
ESG rating	N.A.

**Major shareholders**

Permodalan Nasional Berhad	62.2%
Employees Provident Fund	10.2%
Kumpulan Wang Persaraan	9.1%

**Earnings summary**

FYE (Dec)	FY22	FY23f	FY24f
PATMI - core (RM m)	399	422	412
EPS - core (sen)	34.2	36.1	35.3
P/E (x)	11.6	10.9	11.2

# UMW Holdings

## 4QFY22 shortfall

Reported a disappointing core 4QFY22 PATMI at RM68.3m (-40.0% QoQ; -52.9% YoY), resulting to RM399.1m for FY22 (+176.1% YoY) below both HLIB's forecast (84.5%) and consensus (90.0%). Still, we expect continued stronger earnings in FY23, leveraging onto the growth of Automotive, Equipment and M&E segments in tandem with the economic recovery. Maintain BUY with an unchanged TP: RM4.25 based on 10% discount to SOP: RM4.72.

**Below expectation.** UMW reported core PATMI of RM68.3m for 4QFY22 (-40.0% QoQ; -52.9% YoY) and RM399.1m for FY22 (+176.1% YoY). The results were below HLIB's FY22 forecast (84.5%) and consensus (90.0%). The disappointment was due to lower than expected margins on higher operating costs in 4QFY22. RM16.0m EIs were adjusted for FY22 on fair value gain on derivative, unrealised forex gain net PPE write-offs/impairments and RM29m Prosperity Tax impact.

**Dividend.** Declared a final dividend of 11.2 sen/share (ex-date: 17 Apr 2023). Total dividend for FY22 was 14.2 sen/share (above our expectation of 8.0 sen/share). Management shared its intention to continue rewarding shareholders as the group's balance sheet improved.

**QoQ/YoY.** Despite the group's higher revenue and record quarterly car sales, core PATMI declined -40.0% QoQ and -52.9% YoY to RM68.3m in 4QFY22, mainly due to combination of accelerated costs, cost adjustments, higher logistics costs and raw material costs during the quarter.

**YTD.** Core PATMI rose to RM399.1m in FY22 (+176.0% YoY), mainly driven by stronger contribution across all segments as the economy fully reopened during the year (vs. various lockdowns SPLY). All segments recorded stronger sales revenue following higher sales volume, production volume and services provided.

**Automotive.** Backed by strong order backlogs of 50k units for Toyota and 220k units for Perodua, we expect sustained performance in FY23. The group is targeting for higher productions and imports in order to address the high order backlogs. Toyota's 2023 sales target is 93k units (-8.0% YoY) and Perodua at 314k units (+11.3% YoY). The higher raw material costs is expected to be negated by the recovering RM/USD, ongoing cost-optimization measurements and hike in car prices. Attractive new model launches for the year include new Toyota Vios and Perodua Axia.

**Equipment.** The segment has been improving in tandem with the economic recovery post pandemic in the region. Heavy equipment continues to leverage onto the recovery of construction sector as well as sustaining plantation sector. Industrial equipment remains healthy as UMW established a new refurbishment business model and expanded automation business, system integration and logistic solution.

**M&E.** Both automotive parts (Kayaba) and lubricants are expected to continue leverage on economic recovery in 2023. The lubricants will have its new smart plant commencing operations in 2H23. Aerospace manufacturing continues to recover with higher demand (as airlines reinstate flying capacity) and is expected to achieve capacity utilization of 70-75% in 2023 (vs. 50% in 2022).

**Forecast.** Unchanged.

**Maintain BUY, TP: RM4.25.** Maintain BUY with an unchanged adjusted TP: RM4.25, based on discount of 10% to SOP of RM4.72. UMW will continue to ride onto the higher automotive order backlogs and the continued economic recovery in coming quarters.

**Figure #1** Financial forecast summary

FYE Dec (RM m)	FY20	FY21	FY22	FY23f	FY24f
Revenue	9,555	11,061	15,814	13,240	12,995
EBITDA	658	635	952	865	834
EBIT	284	292	612	516	483
PBT	401	483	896	784	739
Operation PAT	313	516	678	642	606
Discontinued operation	0	0	0	0	0
PATMI – Reported	195	268	415	422	412
PATMI – Core	140	145	370	422	412
HLIB/ Consensus (%) – Core PATMI				95.1%	105.0%
Core EPS (sen)	12.0	12.4	31.7	36.1	35.3
P/E (x)	32.9	31.9	12.5	10.9	11.2
DPS (sen)	4.0	5.8	14.2	10.0	10.0
Yield (%)	1.0%	1.5%	3.6%	2.5%	2.5%
Shareholder's equity	3,868	4,005	4,350	4,714	5,044
BVPS (RM/share)	3.31	3.43	3.72	4.04	4.32
P/B (x)	1.2	1.2	1.1	1.0	0.9
ROE (%)	3.7%	3.7%	8.9%	9.3%	8.4%
Net Gearing (%)	-5.9%	-7.2%	N.Cash	N.Cash	N.Cash

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**Figure #2** Quarterly results comparison

FYE Dec (RMm)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Revenue	3,645.1	4,057.5	4,375.4	7.8%	20.0%	11,060.8	15,814.4	43.0%
EBITDA	238.7	272.8	163.7	-40.0%	-31.4%	635.2	952.4	49.9%
EBIT	146.5	183.8	77.4	-57.9%	-47.2%	291.7	611.8	109.8%
Net finance expense	(18.5)	(5.0)	(4.6)	-8.3%	-75.1%	(76.9)	(50.2)	-34.7%
Associates	160.9	72.8	67.8	-6.9%	-57.9%	268.0	334.9	25.0%
Eis	(17.9)	(20.1)	78.1			0.0	0.0	
Reported PBT	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%	-142.5%	32.9	(218.6)	-764.5%
Reported operation net profit	380.3	159.4	172.2	8.0%	-54.7%	515.6	677.9	31.5%
Reported PATMI	240.0	100.7	106.0	5.2%	-55.8%	268.2	415.0	54.7%
Exceptionals	(94.8)	13.1	(37.6)	-387.5%	-60.3%	(123.7)	(16.0)	-87.1%
<b>Core PATMI</b>	<b>145.2</b>	<b>113.8</b>	<b>68.3</b>	<b>-40.0%</b>	<b>-52.9%</b>	<b>144.5</b>	<b>399.1</b>	<b>176.1%</b>
Reported EPS (Sen)	20.5	8.6	9.1	5.2%	-55.8%	23.0	35.5	54.7%
Core EPS (Sen)	12.4	9.7	5.8	-40.0%	-52.9%	12.4	34.2	176.1%
				<b>%-pts</b>	<b>%-pts</b>			<b>%-pts</b>
EBITDA margin (%)	6.5%	6.7%	3.7%	(3.0)	(2.8)	5.7%	6.0%	0.3
EBIT margin (%)	4.0%	4.5%	1.8%	(2.8)	(2.2)	2.6%	3.9%	1.2
Core PATMI margin (%)	4.0%	2.8%	1.6%	(3.0)	(2.5)	1.3%	2.5%	(0.1)

Bursa, HLIB Research

**Figure #3** Quarterly results comparison by segment

FYE Dec (RMm)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
<b>Reported Revenue</b>								
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%	1,302.8	1,528.0	17.3%
Manufacturing & Engineering	225.9	252.2	278.5	10.4%	23.3%	688.2	984.2	43.0%
Others	(7.5)	(16.6)	6.7	-140.5%	-189.4%	39.5	(7.7)	-119.5%
<b>Total</b>	<b>3,645.1</b>	<b>4,057.5</b>	<b>4,375.4</b>	<b>7.8%</b>	<b>20.0%</b>	<b>11,060.8</b>	<b>15,814.4</b>	<b>43.0%</b>
<b>Reported PATMI</b>								
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	350.5%	5853.4%	(8.6)	32.3	-476.6%
Others	(48.3)	(35.6)	(50.3)	41.2%	4.1%	(196.4)	(176.3)	-10.2%
<b>Total</b>	<b>240.0</b>	<b>100.7</b>	<b>106.0</b>	<b>5.2%</b>	<b>-55.8%</b>	<b>268.2</b>	<b>415.0</b>	<b>54.7%</b>
<b>Core PATMI</b>	<b>145.2</b>	<b>113.8</b>	<b>68.3</b>	<b>-40.0%</b>	<b>-52.9%</b>	<b>144.5</b>	<b>399.1</b>	<b>176.1%</b>

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**Figure #4** UMW automotive sales statistics

FYE Dec (Units)	4QFY21	3QFY22	4QFY22	QoQ (%)	YoY (%)	FY21	FY22	YoY (%)
Toyota	26,024	24,683	29,909	21.2%	14.9%	71,585	100,041	39.8%
Lexus	252	278	254	-8.6%	0.8%	809	993	22.7%
Perodua	71,198	69,011	85,665	24.1%	20.3%	190,291	282,019	48.2%
<b>Total</b>	<b>97,474</b>	<b>93,972</b>	<b>115,828</b>	<b>23.3%</b>	<b>18.8%</b>	<b>262,685</b>	<b>383,053</b>	<b>45.8%</b>

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**Figure #5** UMW sum-of-parts valuation

Division	Stakes (%)	Value (RMm)	RM/Share	Basis
Automotive	Various	5,384.5	4.61	FY23 PE 12x
Equipment	Various	760.5	0.65	FY23 PE 8x
Manufacturing & Engineering	Various	758.5	0.65	FY23 PE 18x
500 acres Serendah land	100.00	980.1	0.84	Based on RM45/sqf
Perpetual Sukuk		(1,097.9)	(0.94)	Based on 2021 Annual Report
Holding Co Net Debt		(1,268.2)	(1.09)	Based on 2021 Annual Report
SOP		5,517.5	4.72	
Holding Co Discount			10.0%	
<b>Target Price</b>			<b>4.25</b>	<b>Implied FY23 PE of 11.8</b>

\* No of Shares 1,168.3 As at end FY2021

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
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