



AmInvestment Bank

## Company report

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# UMW HOLDINGS

(UMWH MK EQUITY, UMWS.KL)

29 May 2023

## Highest ever quarterly revenue

# BUY

(Maintained)

### Rationale for Report: Company Result

Price	RM3.66
Fair Value	RM4.75
52-week High/Low	RM4.04/RM2.77

#### Key Changes

Fair value	📌
EPS	📌

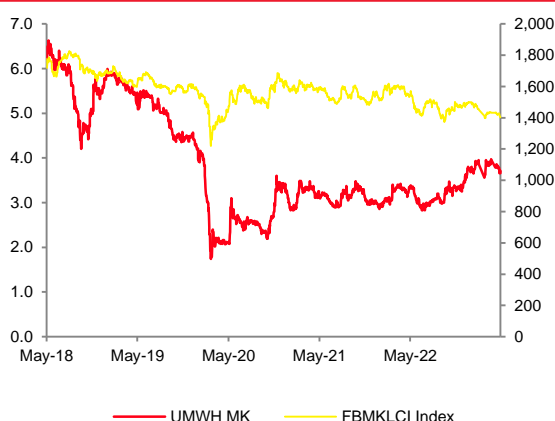
YE to Dec	FY22	FY23F	FY24F	FY25F
Revenue (RM mil)	15,814.4	15,261.5	15,648.5	15,906.1
Core net profit (RM mil)	422.0	423.3	431.3	438.8
FD Core EPS (sen)	36.1	36.2	36.9	37.6
FD Core EPS growth (%)	62.8	0.3	1.9	1.7
Consensus Net Profit (RM mil)	-	397.7	412.7	418.3
DPS (sen)	14.2	12.0	12.0	12.0
PE (x)	10.1	10.1	9.9	9.7
EV/EBITDA (x)	3.2	2.7	2.3	1.9
Div yield (%)	3.9	3.3	3.3	3.3
ROE (%)	9.8	9.4	9.0	8.6
Net Gearing (%)	nm	nm	nm	nm

#### Stock and Financial Data

Shares Outstanding (million)	1,168.3
Market Cap (RM mil)	4,276.0
Book Value (RM/share)	3.72
P/BV (x)	1.0
ROE (%)	9.8
Net Gearing (%)	-

Major Shareholders	Amanah Saham Nasional (55.2%) Kumpulan Wang Persaraan Diperbadankan (9.3%) Employees Provident Fund (9.2%)
Free Float	28.7
Avg Daily Value (RM mil)	2.6

Price performance	3mth	6mth	12mth
Absolute (%)	(7.3)	9.6	9.9
Relative (%)	(4.0)	15.4	21.2



#### Investment Highlights

- We reiterate BUY call on UMWH with a higher sum-of-parts (SOP)-derived fair value (FV) of RM4.75/share (from RM4.70/share previously). Our FV implies FY23F PE of 13x, at parity to its 5-year mean. We retain our neutral 3-star ESG rating.
- 1QFY23 core earnings beat expectations, accounting for 34% of both our FY23F net profit and streets'. The positive variance was due to stronger-than-expected earnings contribution from the automotive and equipment divisions. The sequentially higher earnings were mainly due to an increased share of profit from associates.
- Hence, we raised FY23F-FY25F earnings by 7% to account for higher contributions from Perodua and increased FY23F-FY25F sales assumption for Toyota cars to 93,000/94,000/94,000 units from 80,000/85,000/85,000 units previously. UMWH did not declare any dividend during the quarter under review, as expected.
- YoY, 1QFY23 revenue of RM4,380mil rose 20% with all segments outperforming. Consequently, 1QFY23 core earnings of RM135mil surged by 24% YoY.
- Automotive revenue grew 18% YoY driven by higher vehicle sales. The group sold 25,219 (+12% YoY) Toyota cars during the reporting quarter. On the other hand, the equipment segment grew 17% YoY due to encouraging demand from both local and overseas markets. Meanwhile, the manufacturing & engineering segment (M&E) division rose 43% YoY with all sub-segments, especially lubricants posting higher sales volume (+14% YoY).
- On a side note, management indicated that aerospace segment managed to maintain sales momentum from 4QFY22 as more fan cases were delivered (+30% QoQ).
- QoQ, topline grew marginally but bottomline improved by 27%, mainly driven by stronger core net profit from associates (+61%), together with better performance in automotive (+31%) and equipment (+44%) divisions. The automotive segment's earnings were accelerated by robust vehicle sales while equipment earnings were supported by better product mix and cost optimisation initiatives.
- We continue to like UMWH due to: 1) robust order book of more than 240,000 units for both Perodua and Toyota (6 – 7 months of earnings visibility), and 2) continuous recovery in its all-other segments.
- The company is currently trading at an attractive FY23F PE of 10x, lower than its 5-year average of 13x while offering a decent dividend yield of 3%.

## EXHIBIT 1: RESULTS SUMMARY

FYE Dec (RM mil)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)
<b>Revenue</b>	<b>3,650.8</b>	<b>4,375.4</b>	<b>4,379.6</b>	<b>0.1</b>	<b>20.0</b>
<b>Operating Profit</b>	<b>145.8</b>	<b>155.4</b>	<b>128.8</b>	<b>(17.1)</b>	<b>(11.7)</b>
Finance Costs	(39.0)	(28.3)	(15.4)	(45.7)	(60.6)
Investment Income	13.0	12.8	28.1	>100	>100
Share of Profits of Associates & JV	96.5	67.8	109.3	61.3	13.2
<b>Profit before tax</b>	<b>216.3</b>	<b>218.6</b>	<b>250.7</b>	<b>14.7</b>	<b>15.9</b>
Tax	(43.5)	(46.5)	(47.0)	1.1	8.1
<b>Profit after tax</b>	<b>172.8</b>	<b>172.2</b>	<b>203.7</b>	<b>18.3</b>	<b>17.9</b>
Less: Minority interest	54.1	48.6	51.8	6.6	(4.3)
Less: Holders of perpetual sukuk	17.5	17.6	17.5	(0.8)	0.0
<b>Net profit - Continuing operations</b>	<b>101.2</b>	<b>106.0</b>	<b>134.5</b>	<b>26.9</b>	<b>32.9</b>
Non-core adjustments	(7.0)	0.0	0.0		
<b>Core net profit</b>	<b>108.2</b>	<b>106.0</b>	<b>134.5</b>	<b>26.9</b>	<b>24.3</b>
<b>Margins</b>					
EBIT margin	4.0%	3.6%	2.9%	-0.6ppt	-1.1ppt
PBT Margin	5.9%	5.0%	5.7%	0.7ppt	-0.2ppt
Net profit margin	2.8%	2.4%	3.1%	0.6ppt	0.3ppt
Core net profit margin	3.0%	2.4%	3.1%	0.6ppt	0.1ppt

Source: MAA, AmlInvestment Bank Bhd

## EXHIBIT 2: SEGMENTAL BREAKDOWN

FYE Dec (RM mil)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)
<b>Revenue</b>					
Automotive	3,070.2	3,694.9	3,626.9	(1.8)	18.1
Equipment	371.8	395.3	434.9	10.0	17.0
Manufacturing & Engineering	227.1	278.5	323.6	16.2	42.5
Others	3.1	33.9	24.5	(27.7)	>100
Eliminations	(21.3)	(27.1)	(30.3)	-	-
<b>Total</b>	<b>3,650.8</b>	<b>4,375.4</b>	<b>4,379.6</b>	<b>0.1</b>	<b>20.0</b>
<b>PBT</b>					
Automotive	205.8	182.6	217.0	18.8	5.4
Equipment	31.8	35.7	51.3	44.0	61.6
Manufacturing & Engineering	10.6	29.2	22.4	(23.4)	>100
Others	(31.9)	(28.9)	(40.0)	38.5	25.2
<b>Total</b>	<b>216.3</b>	<b>218.6</b>	<b>250.7</b>	<b>14.7</b>	<b>15.9</b>
<b>Core net profit</b>					
Automotive	125.9	112.0	146.2	30.6	16.1
Equipment	21.3	25.0	36.0	43.9	69.2
Manufacturing & Engineering	3.7	19.3	10.6	(45.1)	>100
Others	(32.2)	(32.7)	(40.8)	24.8	27.0
<b>Sub-total</b>	<b>118.7</b>	<b>123.6</b>	<b>151.9</b>	<b>23.0</b>	<b>28.0</b>
Less: Holders of perpetual sukuk	17.5	17.6	17.5	(0.8)	0.0
Non-core adjustments	(7.0)	0.0	0.0	-	-
<b>Total</b>	<b>108.2</b>	<b>106.0</b>	<b>134.5</b>	<b>26.9</b>	<b>24.3</b>
<b>PBT Margin</b>					
Automotive	6.7%	4.9%	6.0%	1.0ppt	-0.7ppt
Equipment	8.5%	9.0%	11.8%	2.8ppt	3.3ppt
Manufacturing & Engineering	4.7%	10.5%	6.9%	-3.6ppt	2.2ppt
<b>Core Net Profit Margin</b>					
Automotive	4.1%	3.0%	4.0%	1.0ppt	-0.1ppt
Equipment	5.7%	6.3%	8.3%	1.9ppt	2.6ppt
Manufacturing & Engineering	1.6%	6.9%	3.3%	-3.7ppt	1.7ppt

Source: MAA, AmlInvestment Bank Bhd

## EXHIBIT 3: 1Q23 SALES VOLUME OF UMWH-RELATED BRANDS

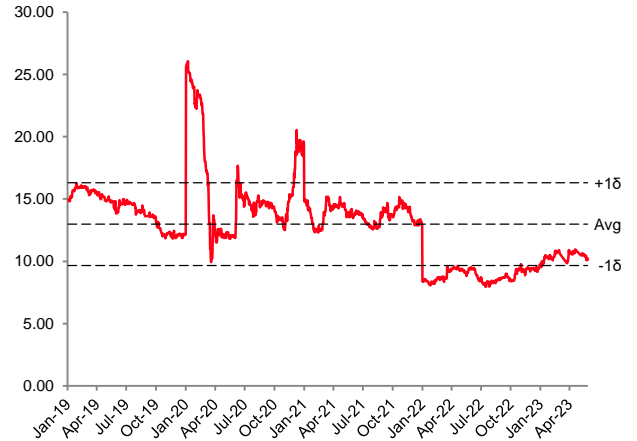
FYE Dec (units)	1Q22	4Q22	1Q23	QoQ (%)	YoY (%)
<b>Toyota/Lexus</b>	<b>22,447</b>	<b>30,163</b>	<b>25,219</b>	<b>(16.4)</b>	<b>12.3</b>
- Passenger	14,631	21,700	17,429	(19.7)	19.1
- Commercial	7,816	8,463	7,790	(8.0)	(0.3)
<b>Perodua</b>	<b>61,624</b>	<b>85,665</b>	<b>78,564</b>	<b>(8.3)</b>	<b>27.5</b>
- Passenger	61,624	85,665	78,564	(8.3)	27.5
<b>Total</b>	<b>84,071</b>	<b>115,828</b>	<b>103,783</b>	<b>(10.4)</b>	<b>23.4</b>

Source: MAA, AmlInvestment Bank Bhd

**EXHIBIT 4: PB BAND CHART**



**EXHIBIT 5: PE BAND CHART**



**EXHIBIT 6: 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 7: FINANCIAL DATA

Income Statement (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	11,060.8	15,814.4	15,261.5	15,648.5	15,906.1
<b>EBITDA</b>	<b>617.8</b>	<b>946.1</b>	<b>911.7</b>	<b>889.1</b>	<b>866.8</b>
Depreciation/Amortisation	(343.5)	(340.6)	(357.0)	(327.9)	(302.3)
Operating income (EBIT)	274.2	605.5	554.8	561.3	564.5
Other income & associates	268.0	334.9	353.6	363.8	374.0
Net interest	(59.5)	(44.0)	(41.4)	(36.4)	(31.4)
Exceptional items	-	-	-	-	-
<b>Pretax profit</b>	<b>482.8</b>	<b>896.5</b>	<b>867.0</b>	<b>888.6</b>	<b>907.0</b>
Taxation	32.9	(218.6)	(173.4)	(177.7)	(181.4)
Minorities/pref dividends	177.6	193.0	200.4	209.7	217.0
<b>Net profit</b>	<b>268.2</b>	<b>415.0</b>	<b>423.3</b>	<b>431.3</b>	<b>438.8</b>
Core net profit	259.2	422.0	423.3	431.3	438.8
Balance Sheet (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Fixed assets	2,531.4	2,706.6	2,549.6	2,341.8	2,159.5
Intangible assets	-	0.8	0.8	0.8	0.8
Other long-term assets	3,261.3	3,344.3	3,697.9	4,061.7	4,435.6
<b>Total non-current assets</b>	<b>5,792.7</b>	<b>6,051.7</b>	<b>6,248.3</b>	<b>6,404.3</b>	<b>6,595.9</b>
Cash & equivalent	2,941.4	2,808.1	3,360.5	3,775.7	4,169.7
Stock	1,752.2	2,045.7	1,974.2	2,024.3	2,057.6
Trade debtors	1,051.7	1,231.5	1,188.5	1,218.6	1,238.7
Other current assets	634.8	280.0	83.8	83.8	83.8
<b>Total current assets</b>	<b>6,380.0</b>	<b>6,365.4</b>	<b>6,607.0</b>	<b>7,102.3</b>	<b>7,549.8</b>
Trade creditors	2,284.8	3,292.8	3,177.7	3,258.3	3,311.9
Short-term borrowings	638.1	212.3	112.3	12.3	(87.7)
Other current liabilities	96.9	96.9	166.8	236.6	306.5
<b>Total current liabilities</b>	<b>3,019.8</b>	<b>3,602.1</b>	<b>3,456.8</b>	<b>3,507.2</b>	<b>3,530.7</b>
Long-term borrowings	2,095.0	1,339.9	1,439.9	1,539.9	1,639.9
Other long-term liabilities	295.4	335.1	335.1	335.1	335.1
<b>Total long-term liabilities</b>	<b>2,390.4</b>	<b>1,675.1</b>	<b>1,775.1</b>	<b>1,875.1</b>	<b>1,975.1</b>
<b>Shareholders' funds</b>	<b>4,116.5</b>	<b>4,350.0</b>	<b>4,633.1</b>	<b>4,924.2</b>	<b>5,222.8</b>
Minority interests	2,646.1	2,789.9	2,990.4	3,200.1	3,417.1
BV/share (RM)	3.52	3.72	3.97	4.21	4.47
Cash Flow (RM mil, YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Pretax profit	482.8	896.5	867.0	888.6	907.0
Depreciation/Amortisation	343.5	340.6	357.0	327.9	302.3
Net change in working capital	(221.1)	516.6	(0.5)	0.4	0.3
Others	(343.7)	(558.4)	(485.6)	(505.1)	(523.9)
<b>Cash flow from operations</b>	<b>261.4</b>	<b>1,195.3</b>	<b>737.8</b>	<b>711.8</b>	<b>685.7</b>
Capital expenditure	(247.6)	(344.9)	(200.0)	(120.0)	(120.0)
Net investments & sale of fixed assets	(526.3)	(385.8)	-	-	-
Others	1,158.7	790.3	-	-	-
<b>Cash flow from investing</b>	<b>384.8</b>	<b>59.6</b>	<b>(200.0)</b>	<b>(120.0)</b>	<b>(120.0)</b>
Debt raised/(repaid)	267.0	(1,180.8)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(46.7)	(102.8)	(140.2)	(140.2)	(140.2)
Others	(180.8)	(250.9)	(41.4)	(36.4)	(31.4)
<b>Cash flow from financing</b>	<b>39.4</b>	<b>(1,534.6)</b>	<b>(181.6)</b>	<b>(176.6)</b>	<b>(171.6)</b>
<b>Net cash flow</b>	<b>685.6</b>	<b>(279.7)</b>	<b>356.2</b>	<b>415.1</b>	<b>394.0</b>
<b>Net cash/(debt) b/f</b>	<b>1,901.4</b>	<b>2,354.1</b>	<b>1,710.3</b>	<b>2,066.4</b>	<b>2,481.6</b>
<b>Net cash/(debt) c/f</b>	<b>2,354.1</b>	<b>1,710.3</b>	<b>2,066.4</b>	<b>2,481.6</b>	<b>2,875.6</b>
Key Ratios (YE 31 Dec)	FY21	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	15.8	43.0	(3.5)	2.5	1.6
EBITDA growth (%)	(2.3)	53.1	(3.6)	(2.5)	(2.5)
Pretax margin (%)	4.4	5.7	5.7	5.7	5.7
Net profit margin (%)	2.4	2.6	2.8	2.8	2.8
Interest cover (x)	4.6	13.8	13.4	15.4	18.0
Effective tax rate (%)	6.8	24.4	20.0	20.0	20.0
Dividend payout (%)	25.3	40.0	33.1	32.5	31.9
Debtors turnover (days)	37	26	29	28	28
Stock turnover (days)	53	44	48	47	47
Creditors turnover (days)	73	64	77	75	75

Source: Company, AmlInvestment Bank Bhd estimates

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