

“Earnings beat was due to higher-than-expected contribution from Motors division and associate Perodua”

Share price performance



	1M	3M	12M
Absolute (%)	1.2	3.4	46.7
Rel KLCI (%)	0.8	3.1	50.5

	BUY	HOLD	SELL
Consensus	7	5	1

Source: Bloomberg

Stock Data

Sector	Automotive
Issued shares (m)	1,168.3
Mkt cap (RMm)/(US\$m)	5724.6/1222.8
Avg daily vol - 6mth (m)	2.0
52-wk range (RM)	3.22-4.92
Est free float	29.4%
Stock Beta	0.77
Net cash/(debt) (RMm)	1,181.7
ROE (CY23E)	7.8%
Derivatives	Nil
Shariah Compliant	Yes
FTSE4Good Constituent	No
FBM EMAS (Top 200)	N/a
ESG Rank	
ESG Risk Rating*	21.1 (n/a yoy)

Key Shareholders

PNB	53.7%
KWSP	10.4%
EPF	9.1%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

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UMW Holdings (UMWH MK)

HOLD (maintain)

Up/Downside: +2%

Price Target: RM5.00

Previous Target (Rating): RM5.00 (Hold)

Positive surprises from Motors division – above estimates

- **UMW's 9M23 core net profit of RM380m was stronger by 15% yoy on improved revenue across all segments that was partially offset by higher operating costs – above our expectations**
- **UMW's 3Q23 earnings of RM160m saw a strong surge of >100% qoq on the back of improved profits across all segments and strong contribution from Perodua and Toyota**
- **Maintain HOLD with an unchanged TP of RM5.00 based on Sime's takeover offer price for UMW. We raise our FY23E-FY25E EPS forecasts by 27% - 43% on: (i) upward revision of Perodua and Toyota's 2023E TIV forecasts to 314k and 100k units respectively, and (ii) improved profits from sub-core segments**

Earnings beat was due to higher-than-expected contribution from Motors division

UMW reported a strong set of results – 9M23 earnings of RM379.9m was up by 15% yoy on improved revenue across all segments by 19.8% yoy that was partially offset by the 20.7% yoy increase in operating costs. Overall, the results were above our and consensus estimates at 107% and 84% of full-year FY23E estimates. The earnings beat was due to: (i) stronger-than-expected contribution from Toyota and Perodua, and (ii) improved profits from UMW's sub-core segments.

3Q23 earnings of RM160m saw a strong surge by >100% qoq

3Q23 earnings surged strongly by >100% qoq to RM159.6m on the back of: (i) improved profits across all segments, led primarily by the Motors division (+21% yoy), (ii) strong sales volume from Toyota (9M23 TIV: 76.5k units, +8% yoy), and (iii) improved share of profits from its associate, Perodua. However, its 3Q23 PBT saw a strong drop of 31.3% qoq due to absence of significant land sales to Longi during the previous quarter.

Maintain HOLD with a 12-month TP of RM5.00

We raise the FY23E – FY25E EPS by 27%-43% after incorporating: (i) improved profits from its sub core segments and (ii) upward revision of Perodua and Toyota's TIV forecasts to 314k units (from 260k units) and 100k units (from 80k units) respectively, on the back of stronger-than-expected sales volumes. We maintain our HOLD call on UMW with an unchanged TP of RM5.00 based on SIME's takeover price for UMW. Key upside/downside risks: 1) higher/lower-than-expected contribution from its Perodua associate, 2) higher/lower-than-expected car sales volume and production, and 3) supply chain improvement/disruptions.

Earnings & Valuation Summary

FYE 31 Dec	2021	2022	2023E	2024E	2025E
Revenue (RMm)	11,060.8	15,814.4	18,219.0	17,068.8	17,195.0
EBITDA (RMm)	649.6	747.5	1,216.0	740.4	769.4
Pretax profit (RMm)	482.8	896.5	1,485.4	816.0	851.7
Net profit (RMm)	268.2	415.0	507.5	383.5	400.3
EPS (sen)	23.0	35.5	43.4	32.8	34.3
PER (x)	21.3	13.8	11.3	14.9	14.3
Core net profit (RMm)	160.2	370.2	507.5	383.5	400.3
Core EPS (sen)	13.7	31.7	43.4	32.8	34.3
Core EPS growth (%)	(43.8)	131.0	37.1	(24.4)	4.4
Core PER (x)	35.7	15.5	11.3	14.9	14.3
Net DPS (sen)	5.8	14.2	5.0	5.2	5.5
Dividend Yield (%)	1.2	2.9	1.0	1.1	1.1
EV/EBITDA	8.5	5.0	3.0	5.0	4.8

Chg in EPS (%)		+42.6	+27.0	+31.2
Affin/Consensus (x)		1.1	0.9	0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Fig 1: Results Comparison

FYE Dec (RMm)	3Q22	2Q23	3Q23	QoQ %chg	YoY %chg	9M22	9M23	YoY %chg	Comments
Revenue	4,057.5	4,484.9	4,834.9	7.8	19.2	7,381.6	13,699.3	19.8	Strong 3Q23 and 9M23 sales yoy across all segments
Op costs	(3,786.5)	(4,221.4)	(4,556.8)	7.9	20.3	(6,926.6)	(12,932.6)	20.7	
EBITDA	271.0	263.5	278.1	5.5	2.6	455.0	766.8	5.7	
<i>EBITDA margin (%)</i>	<i>6.7</i>	<i>5.9</i>	<i>5.8</i>	<i>-0.1ppt</i>	<i>-0.9ppt</i>	<i>6.2</i>	<i>5.6</i>	<i>-0.7ppt</i>	
Depn and amort	(89.1)	-87.0	-89.3	2.7	0.3	(165.2)	(262.3)	3.1	
EBIT	181.9	176.5	188.8	6.9	3.7	289.8	504.5	7.0	
<i>EBIT margin (%)</i>	<i>4.5</i>	<i>3.9</i>	<i>3.9</i>	<i>0ppt</i>	<i>-0.6ppt</i>	<i>3.9</i>	<i>3.7</i>	<i>-0.4ppt</i>	
Int expense	(21.4)	-16.2	-15.8	-2.2	-25.8	(64.4)	(47.4)	-44.7	
Int and other inc	16.3	21.3	24.2	13.9	48.5	29.8	70.8	52.7	
Associates & JV	72.8	69.0	115.6	67.6	58.8	194.3	293.9	10.0	Improved gross margins and strong sales volume from associate, Perodua
El	(18.2)	225.3	13.5	-94.0	n.m.	(3.1)	231.2	n.m.	
Pretax Profit	231.5	476.0	326.3	-31.4	40.9	446.3	1,053.0	55.3	
Tax	(72.1)	-90.6	-65.9	-27.2	-8.6	(100.0)	(203.5)	18.2	
<i>Tax rate (%)</i>	<i>31.2</i>	<i>19.0</i>	<i>20.2</i>	<i>1.2ppt</i>	<i>-10.9ppt</i>	<i>22.4</i>	<i>19.3</i>	<i>-6.1ppt</i>	
MI & Sukuk	(58.7)	-81.8	-87.2	6.6	48.7	(137.9)	(238.3)	21.2	
Net profit	100.7	303.6	173.1	-43.0	71.9	208.4	611.1	97.7	
EPS (sen)	8.6	26.0	14.8	-43.0	71.9	17.8	52.3	97.7	
Core net profit	118.9	78.2	159.6	>100	34.2	211.5	379.9	15.0	Above our and consensus estimates – accounted for 107% and 84% of full-year estimates respectively

Source: Affin Hwang, Company

Important Disclosures and Disclaimer

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +10% over a 12-month period
HOLD	Total return is expected to be between -5% and +10% over a 12-month period
SELL	Total return is expected to be below -5% over a 12-month period
NOT RATED	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
NEUTRAL	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
UNDERWEIGHT	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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