

UMW Holdings Berhad (UMW MK)

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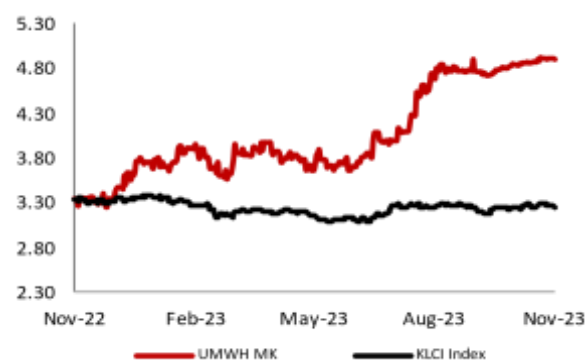
HOLD

Share Price RM4.90
Target Price RM 5.00 +0.2%

Above Expectation

- Accept Offer (TP: 5.00).** UMW's 9MFY23 PATAMI of RM611mn (+97.7% YoY) exceeded both our and consensus expectations, accounting for 158.9% and 145% respectively. In 9MFY23, both revenue and net profit increased by +21.5% and +97.7% YoY respectively, driven by the completion of the sale of industrial land to Longi (RM218.1mn). In 3QFY23, UMW's revenue increased by 7.8%, propelled by higher contributions from the Automotive and Manufacturing & Engineering (M&E) segments. We expect UMW to maintain positive earnings through i) strong vehicle demand mainly from Toyota and Perodua, and ii) improved supply chain, which will increase the volume of vehicle production. We revised our call to **HOLD** with a higher **TP of RM5.00** (RM4.57 previously) to align with the current offer price from Sime Darby. We are overall positive with the offer price and advise shareholders to accept the offer, given that it is higher than our existing TP.
- Key Highlight.** In 3QFY23, revenue increased by (+7.8% QoQ, +19.8% YoY), driven by i) a higher number of sales from the automotive division (+17.7% QoQ, +15.1% YoY), mainly from Toyota and Perodua, and ii) robust demand for M&E with a substantial increase from the Aerospace sub-segment, which rose by (+21.4% QoQ, +39.9% YoY) due to increased deliveries of Rolls-Royce fan cases. However, revenue for the Equipment segment was slightly lower (-0.9% QoQ) due to a decrease in equipment deliveries.
- Earnings revision.** No change to our forecast.
- Outlook.** We expect UMW to maintain positive earnings through i) strong vehicle demand, mainly from Toyota and Perodua, aided by a robust backlog of orders (30k Toyota and 155k Perodua), and ii) an improved supply chain that will increase the volume of vehicle production, leading to expedited deliveries. Regarding the takeover, Sime Darby recently convened an Extraordinary General Meeting (EGM) to seek approval for the acquisition of a 61.2% stake in UMW. The transaction received overwhelming support, with 99.7% of votes in favour. It is noteworthy that PNB and EPF abstained from voting. Sime Darby will launch a Mandatory General Offer (MGO) to acquire the remaining shares in UMW by mid-December to early January 2024.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	1.2	3.4	52.3
vs FBM KLCI	0.8	3.1	50.6

Stock Data

ESG Rating	Fair
Mkt Cap (RM)	5,724.6
Adjusted beta	0.8
Free float (%)	26.8
Issued shares (m)	1,168.3
52w H/L (RM)	4.92/ 3.22
3m avg daily volume (m)	2,632,988

Major Shareholders (%)

ASNB	53.7
EPF	10.4
KWAP	9.1

Research Team

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Table 1: Quarterly figures

UMW FYE 30 Dec (RM'mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	3QFY22	2QFY23	3QFY23	QoQ Chg	YoYChg	9M22	9M23	Chg (%)	BIMB	9M/F
Revenue	4,057	4,485	4,834	7.8%	19.1%	11,439	13,699	19.8%	14,000	97.8%
EBITDA	253	575	464	-19.3%	83.7%	704	1,253	78.0%	875	143.3%
Pretax profit	231	476	326	-31.4%	40.9%	678	1,053	55.3%	819	128.6%
Taxation	-72	-91	-66	-27.2%	-8.6%	-172	-204	18.2%	-188	108.1%
Net Profit	101	304	173	-43.0%	71.9%	309	611	97.7%	385	158.9%
Core Net Profit	95	293	158	-46.3%	65.8%	297	585	97.2%	385	152.1%
Core EPS (sen)	8.13	25.11	13.49	-46.3%	65.8%	25.39	50.09	97.2%	33	41.0%
				change (ppts)				ppts		
EBITDA margin (%)	6.2%	11.9%	9.6%	-2.3	3.4	6.2%	8.8%	2.6	6.2%	
PBT margin (%)	5.7%	9.9%	6.7%	-3.1	1.0	5.9%	7.4%	1.5	5.8%	
Core Net profit margin (%)	2.3%	6.1%	3.3%	-2.8	0.9	2.6%	4.1%	1.5	2.3%	
Effective tax rate (%)	31%	19%	20%	1.2	-10.9	31%	20%	-10.9	31%	

Source: BIMB Securities, Company

Table 2: Earnings forecast

FYE 30 Dec (RM'mn)	FY21	FY22	FY23F	FY24F	FY25F
Turnover	11,061	15,814	14,000	13,371	13,628
EBITDA	644	991	875	878	892
Pretax Profit	483	896.5	819	827	846
Net Profit	268.2	415.0	384	388	397
EPS (sen)	23.0	35.5	32.9	33.3	34.0
Consensus NP			420.5	407.2	422.5
PER (x)	15.9	10.3	11.6	11.5	11.2
DPS (sen)	5.8	14.2	15.5	15.5	15.5
D. Yield (%)	1.6	3.9	4.1	4.1	4.1
Key Ratios (%)					
ROE	6.7	9.5	8.4	8.2	8.0
EBITDA margin	5.8	6.3	6.2	6.6	6.5
Pretax margin	4.4	5.7	5.8	6.2	6.2
PATAMI margin	2.4	2.6	2.7	2.9	2.9

Source: Bloomberg, BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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