

UMW Holdings (UMWH MK)

9M23: Continues to excel

Results beat expectations; raised TP

9M23 earnings exceeded expectations, comprising 84%/93% of our/consensus FY estimates, driven by higher contribution from all segments. We've raised FY23E earnings by 7% to reflect higher sales from auto segment while keeping FY24E/25E earnings unchanged. We increased our TP to MYR6.22 (14x FY24E PER; 5Y 12M fwd mean PER) from MYR6.02 after rolling fwd our valuation base year. Maintain BUY.

Robust growth across divisions

UMW's robust 9M core net profit (CNP) of MYR421m (+33% YoY, excluding one-offs which included a MYR177m gain from land sale) came in stronger than its revenue growth (+20% YoY) thanks to margins improvement. All op divisions posted strong double-digit revenue growth. Auto segment (+15% YoY revenue) saw increased vehicle sales (Toyota: +8%; P2: +19%). Equipment (eq) segment (+19% YoY rev.) delivered more heavy and industrial eq. M&E segment (+40% YoY rev.) thrived on OEM market demand and doubled fan case deliveries.

QoQ performance

3Q CNP of MYR160m (+34% QoQ) came in on the back of 7% QoQ revenue growth. This is largely attributed to higher number of vehicles sold and sustained demand from M&E, partially offset by lower eq. delivery. Having said that, M&E profitability and margins have improved, contributing positively to the bottom line as operating costs reduced.

Positive on sustained strength and growth prospects

We are cautiously optimistic on UMW's outlook. Its robust auto division, fueled by a strong local brand presence, solid backlog orders, and enhanced supply chain, is expected to see earnings sustained. Demand in the eq segment will be upheld by infrastructure projects, while the M&E segment is projected to grow alongside the auto division driven by rising automotive product demand, initial contributions from the new smart lubricant plant, and increased utilization of its aerospace facility.

FYE Dec (MYR m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	11,061	15,814	18,112	16,012	16,170
EBITDA	506	952	1,101	1,094	1,159
Core net profit	156	421	538	519	537
Core EPS (sen)	13.4	36.0	46.0	44.4	45.9
Core EPS growth (%)	(45.2)	169.5	27.9	(3.5)	3.4
Net DPS (sen)	5.8	14.2	18.4	17.8	18.4
Core P/E (x)	22.2	9.6	10.6	11.0	10.7
P/BV (x)	0.9	0.9	1.2	1.1	1.0
Net dividend yield (%)	2.0	4.1	3.8	3.6	3.8
ROAE (%)	6.8	9.9	11.8	10.5	10.1
ROAA (%)	1.3	3.4	4.2	4.0	4.0
EV/EBITDA (x)	9.7	4.7	6.0	6.3	6.1
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	444	428	443
MIBG vs. Consensus (%)	-	-	21.3	21.4	21.3

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BUY

Share Price	MYR 4.90
12m Price Target	MYR 6.22 (+27%)
Previous Price Target	MYR 6.02

Company Description

UMW Holdings operates 3 core division: Auto (Toyota franchise in Msia), Industrial & Heavy Equipment and Manufacturing & Engineering.

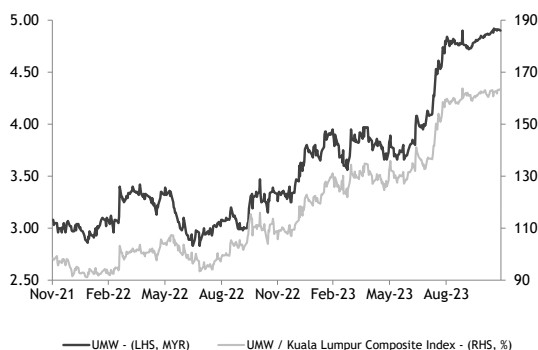
Statistics

52w high/low (MYR)	4.92/3.25
3m avg turnover (USDm)	2.3
Free float (%)	24.0
Issued shares (m)	1,168
Market capitalisation	MYR5.7B
	USD1.2B

Major shareholders:

Permodalan Nasional Bhd.	45.0%
Employees Provident Fund	10.4%
Kumpulan Wang Persaraan	9.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	1	3	47
Relative to index (%)	0	3	50

Source: FactSet

Note

MY = Malaysia

AUS = Australasia

CN = China

SG = Singapore

IND = Industrial division

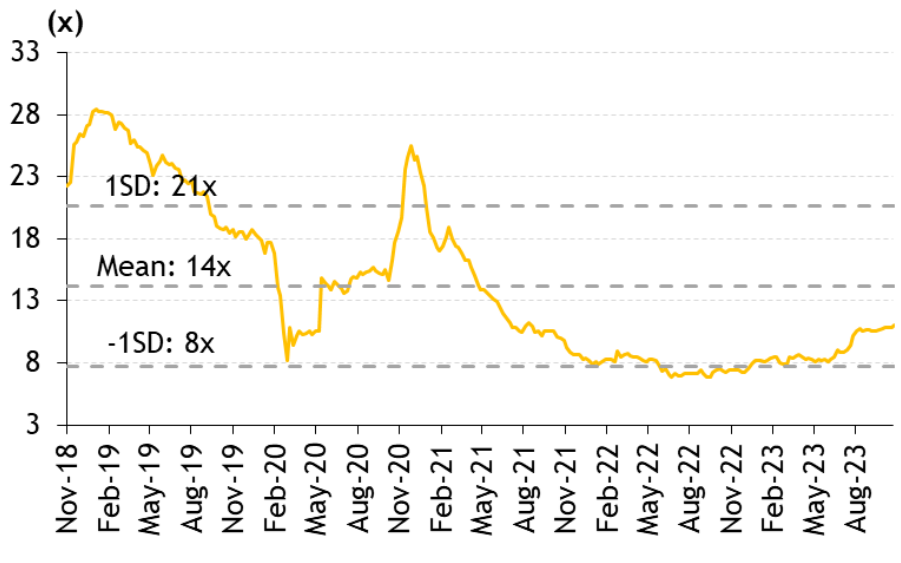
MT = Motor division

Figure 1: UMW results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	3Q22	2Q22	%QoQ	3Q22	%YoY	9M23	9M22	%YoY
Turnover	4,825.1	4,493.9	7.4	4,057.5	18.9	13,698.5	11,439.1	19.8
EBIT	223.3	380.3	(41.3)	163.5	36.6	732.4	450.1	62.7
Interest expense	(15.8)	(16.2)	(2.2)	(21.4)	(25.8)	(47.4)	(85.8)	(44.7)
Associates	115.6	69.0	67.6	72.8	58.8	293.9	267.1	10.0
Investment Income	24.7	18.8	31.5	16.6	49.3	74.1	46.4	59.8
Pre-tax profit	326.3	476.0	(31.4)	231.5	40.9	1,053.0	677.8	55.3
Taxation	(65.9)	(90.6)	(27.2)	(72.1)	(8.6)	(203.5)	(172.1)	18.2
Minority interest	(69.8)	(64.5)	8.3	(41.2)	69.2	(186.1)	(144.4)	28.9
Sukuk	(17.4)	(17.4)	0.3	(17.4)	0.0	(52.2)	(52.2)	0.0
Net profit	173.1	303.6	(43.0)	100.7	71.9	611.1	309.1	97.7
One-offs	13.5	184.2	(92.7)	(3.9)	NM	190.1	(7.0)	NM
Recurring net profit	159.6	119.3	33.8	104.6	52.6	421.0	316.1	33.2
	3Q22	2Q22	+/- ppt	3Q22	%YoY	9M23	9M22	+/- ppt
EBIT margin (%)	4.6	8.5	(3.8)	4.0	0.6	5.3	3.9	1.4
Tax rate (%)	20.2	19.0	1.2	31.2	(10.9)	19.3	25.4	(6.1)
	3Q22	2Q22	%QoQ	3Q22	%YoY	9M23	9M22	%YoY
Revenue	4,825.1	4,493.9	7.4	4,057.5	18.9	13,698.5	11,439.1	19.8
Automotive	4,023.2	3,417.2	17.7	3,427.6	17.4	11,067.3	9,615.1	15.1
Equipments	451.9	456.2	(0.9)	394.4	14.6	1,343.1	1,132.7	18.6
Manufacturing & Engineering	354.8	308.7	14.9	252.2	40.7	987.1	705.7	39.9
Others	(4.8)	311.7	NM	(16.6)	(71.0)	301.1	(14.5)	NM
Pre-tax profit	326.3	476.0	(31.4)	231.5	40.9	1,053.0	677.8	55.3
Automotive	257.6	212.8	21.0	183.6	40.3	687.5	592.3	16.1
Equipments	55.5	49.1	13.1	50.0	11.1	155.9	117.2	33.0
Manufacturing & Engineering	25.7	21.8	17.7	13.4	91.2	69.8	37.1	88.3
Others	(12.5)	192.2	NM	(15.5)	(19.2)	139.8	(68.7)	NM
	3Q22	2Q22	+/- ppt	3Q22	%YoY	9M23	9M22	+/- ppt
Pre-tax margins (%)	6.8	10.6	(3.8)	5.7	1.1	7.7	5.9	1.8
Automotive	6.4	6.2	0.2	5.4	1.0	6.2	6.2	0.1
Equipments	12.3	10.8	1.5	12.7	(0.4)	11.6	10.3	1.3
Manufacturing & Engineering	7.2	7.1	0.2	5.3	1.9	7.1	5.3	1.8
	3Q22	2Q22	%QoQ	3Q22	%YoY	9M23	9M22	%YoY
Vehicle Unit Sales (MAA data)								
Toyota	27,852	23,440	18.8	24,961	11.6	76,511	70,872	8.0
Perodua	88,537	66,126	33.9	69,011	28.3	233,227	196,354	18.8

Source: Company, Maybank IBG Research

Figure 2: UMW one-year rolling forward PE (currently trading at 11x)



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for UMW. Soft consumer sentiment and unattractive model launches are risks to its motors division. Forex volatility will affect its profitability and operational planning. Execution mishap, cost overruns and / or absence of new orders will cause adverse reaction. Acquisition of non-core assets or poor usage of capex will not be well received, particularly at this point of industry cycle.

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	13.7	8.9	10.6	11.0	10.7
Core P/E (x)	22.2	9.6	10.6	11.0	10.7
P/BV (x)	0.9	0.9	1.2	1.1	1.0
P/NTA (x)	0.9	0.9	1.2	1.1	1.0
Net dividend yield (%)	2.0	4.1	3.8	3.6	3.8
FCF yield (%)	nm	20.1	nm	nm	nm
EV/EBITDA (x)	9.7	4.7	6.0	6.3	6.1
EV/EBIT (x)	30.4	7.3	8.8	10.0	10.1

INCOME STATEMENT (MYR m)

Revenue	11,060.8	15,814.4	18,111.7	16,011.9	16,170.1
EBITDA	505.6	952.1	1,100.9	1,094.1	1,158.7
Depreciation	(343.5)	(340.6)	(351.8)	(410.1)	(460.8)
EBIT	162.1	611.5	749.1	684.0	698.0
Net interest income / (exp)	(59.5)	(44.0)	(83.5)	(89.4)	(91.9)
Associates & JV	268.0	334.9	361.7	372.6	383.7
Exceptionals	112.1	(6.0)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	482.8	896.5	1,027.3	967.2	989.8
Income tax	32.9	(218.6)	(271.8)	(263.5)	(270.2)
Minorities	(177.6)	(193.0)	(147.2)	(114.4)	(112.6)
Perpetual securities	(69.9)	(69.9)	(69.9)	(69.9)	(69.9)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	268.2	415.0	538.4	519.5	537.2
Core net profit	156.1	421.0	538.4	519.5	537.2

BALANCE SHEET (MYR m)

Cash & Short Term Investments	2,941.4	2,808.1	2,516.7	2,389.1	2,308.5
Accounts receivable	1,051.7	1,231.5	1,394.9	1,245.6	1,256.8
Inventory	1,752.2	2,045.7	2,044.5	1,793.6	1,804.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,545.0	2,706.2	3,154.4	3,544.3	3,883.5
Intangible assets	0.0	0.8	0.8	0.8	0.8
Investment in Associates & JVs	2,248.5	2,441.0	2,660.1	2,890.1	3,131.3
Other assets	1,634.0	1,183.8	1,183.8	1,183.8	1,183.8
Total assets	12,172.7	12,417.1	12,955.1	13,047.2	13,568.6
ST interest bearing debt	638.1	212.3	212.3	212.3	212.3
Accounts payable	2,248.8	3,292.8	3,290.8	2,887.0	2,903.7
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	2,095.0	1,339.9	1,339.9	1,339.9	1,339.9
Other liabilities	428.0	432.0	432.0	432.0	432.0
Total Liabilities	5,410.1	5,277.1	5,275.1	4,871.3	4,888.0
Shareholders Equity	4,004.7	4,350.0	4,742.9	5,124.4	5,516.5
Minority Interest	1,660.0	1,692.1	1,839.3	1,953.7	2,066.3
Total shareholder equity	5,664.7	6,042.1	6,582.1	7,078.1	7,582.8
Perpetual securities	1,097.9	1,097.9	1,097.9	1,097.9	1,097.9
Total liabilities and equity	12,172.7	12,417.1	12,955.1	13,047.2	13,568.6

CASH FLOW (MYR m)

Pretax profit	482.8	896.5	1,027.3	967.2	989.8
Depreciation & amortisation	343.5	340.6	351.8	410.1	460.8
Adj net interest (income)/exp	(133.5)	(133.5)	(139.7)	(139.7)	(139.7)
Change in working capital	(232.4)	524.8	(164.1)	(3.7)	(4.9)
Cash taxes paid	(74.0)	(139.1)	(271.8)	(263.5)	(270.2)
Other operating cash flow	(150.3)	(305.3)	(278.2)	(283.2)	(291.8)
Cash flow from operations	236.1	1,183.9	525.3	687.2	744.0
Capex	(301.8)	(367.4)	(800.0)	(800.0)	(800.0)
Free cash flow	(65.7)	816.6	(274.7)	(112.8)	(56.0)
Dividends paid	(123.1)	(256.8)	(215.4)	(207.8)	(214.9)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	267.0	(1,180.8)	0.0	0.0	0.0
Other invest/financing cash flow	705.9	489.5	198.7	192.9	191.3
Effect of exch rate changes	8.2	11.7	0.0	0.0	0.0
Net cash flow	792.3	(119.8)	(291.4)	(127.7)	(79.6)

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	15.8	43.0	14.5	(11.6)	1.0
EBITDA growth	(29.0)	88.3	15.6	(0.6)	5.9
EBIT growth	(52.0)	277.2	22.5	(8.7)	2.0
Pretax growth	20.5	85.7	14.6	(5.8)	2.3
Reported net profit growth	31.1	54.7	29.7	(3.5)	3.4
Core net profit growth	(45.2)	169.8	27.9	(3.5)	3.4
Profitability ratios (%)					
EBITDA margin	4.6	6.0	6.1	6.8	7.2
EBIT margin	1.5	3.9	4.1	4.3	4.3
Pretax profit margin	4.4	5.7	5.7	6.0	6.1
Payout ratio	25.3	40.0	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	2.4	2.6	3.0	3.2	3.3
Revenue/Assets (x)	0.9	1.3	1.4	1.2	1.2
Assets/Equity (x)	3.0	2.9	2.7	2.5	2.5
ROAE (%)	6.8	9.9	11.8	10.5	10.1
ROAA (%)	1.3	3.4	4.2	4.0	4.0
Liquidity & Efficiency					
Cash conversion cycle	16.6	5.5	(3.1)	(1.6)	(1.3)
Days receivable outstanding	36.7	26.0	26.1	29.7	27.9
Days inventory outstanding	52.7	44.5	48.0	51.3	47.8
Days payables outstanding	72.7	65.0	77.2	82.6	77.0
Dividend cover (x)	4.0	2.5	2.5	2.5	2.5
Current ratio (x)	2.1	1.8	1.7	1.8	1.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.4	2.5	2.7	2.8
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	2.7	13.9	9.0	7.7	7.6
Debt/EBITDA (x)	5.4	1.6	1.4	1.4	1.3
Capex/revenue (%)	2.7	2.3	4.4	5.0	4.9
Net debt/ (net cash)	(208.3)	(1,255.9)	(964.5)	(836.8)	(756.2)

Source: Company; Maybank IBG Research

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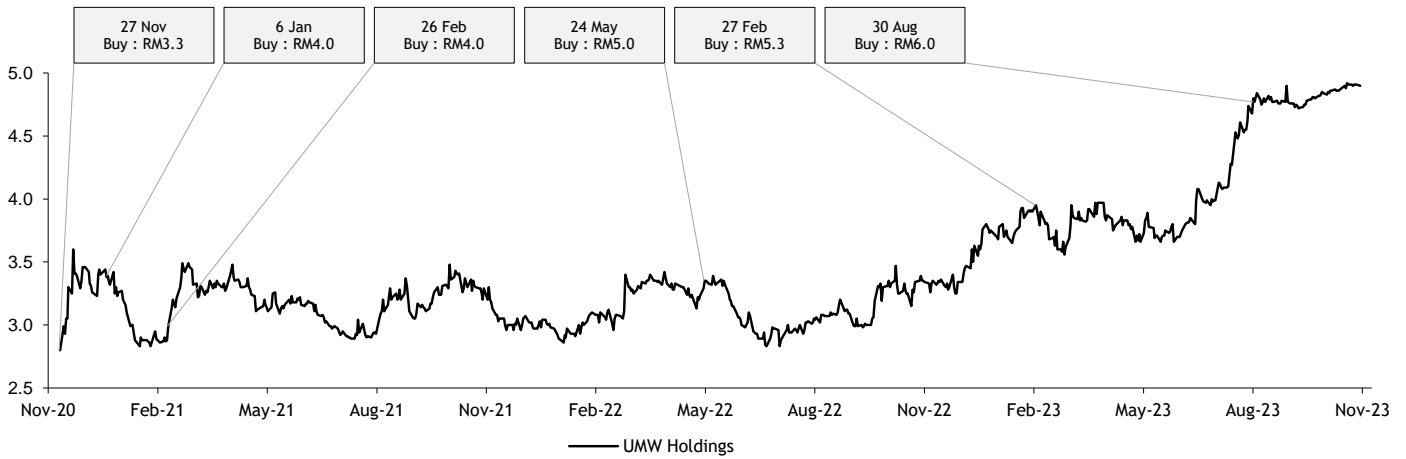
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