

COMPANY RESULTS

UMW Holdings (UMWH MK)

3Q23: Results Still Resilient, Backed By Pent-up Demand

9M23 results were above expectation on higher contribution across business segments. UMW's prospects remain promising, supported by robust new bookings in the automobile segment and positive developments in the equipment and M&E segment. The Sime Darby-UMW acquisition deal appears favourable, paving the way for numerous synergy initiatives between Sime Darby and UMW. Downgrade to HOLD. Target price: RM5.00.

3Q23 RESULTS

Year to 31 Dec (RMm)	3Q23	2Q23	qoq % chg	yoy % chg	9M23	yoy % chg
Revenue	4,834.1	4,180.0	15.6	19.1	13,393.6	17.1
- Auto	4,023.2	3,417.2	17.7	17.4	11,067.3	15.1
- Equipment	452.0	456.2	(0.9)	14.6	1,343.1	18.6
- M&E	363.8	299.7	21.4	44.3	987.1	39.9
Associates & JV	115.6	69.0	67.6	58.8	293.9	10.0
PBT	342.1	257.9	32.7	47.8	866.1	27.8
PATAMI	173.1	126.6	36.8	71.9	434.1	40.5
Core PATAMI	160.7	138.5	16.0	72.4	421.8	45.2
PBT Margin (%)	(%)	(%)	+/- ppt	+/- ppt	(%)	+/- ppt
Overall	7.1	6.2	1.5	0.0	3.9	0.3
Auto	6.4	6.2	4.1	(4.3)	3.9	(8.6)
Equipment	12.3	10.8	(8.3)	11.2	7.5	25.6
M&E	7.1	7.3	7.0	26.2	4.4	32.3

Source: UMW Holdings, UOB Kay Hian

RESULTS WHAT'S NEW

- Above expectations.** UMW Holdings (UMW) reported a PATMI of RM173.1m (+36.8% qoq, +71.9% yoy) and 3Q23 revenue of RM4.8b (+15.6% qoq, +19.1% yoy). This brought 9M23 PATMI to RM434.1m (+40.5% yoy), forming 97.8%/95.4% of full-year estimates. The key deviation against our forecasts was underpinned by higher contribution and double-digit growth in PBT across its automotive (+40.3% qoq), equipment (+11.1% qoq) and manufacturing & engineering (+91.2% qoq) segments. This can be attributed to: a) higher numbers of vehicles sold, b) sustained demand for equipment in both local and overseas markets, and c) higher contribution from the aerospace sub-segment due to higher delivery of fan cases.

KEY FINANCIALS

Year to 31 Dec (RMm)	2021	2022	2023F	2024F	2025F
Net turnover	11,061	15,814	16,561	15,101	15,837
EBITDA	618	952	1,171	1,042	1,067
Operating profit	274	611	791	671	703
Net profit (rep./act.)	268	415	572	525	527
Net profit (adj.)	245	394	572	525	527
EPS (sen)	21.0	33.7	49.0	44.9	45.1
PE (x)	23.4	14.5	10.0	10.9	10.9
P/B (x)	1.1	1.1	1.0	0.9	0.8
EV/EBITDA (x)	13.0	8.5	6.9	7.7	7.5
Dividend yield (%)	0.9	1.4	2.0	1.8	1.8
Net margin (%)	2.4	2.6	3.5	3.5	3.3
Net debt/(cash) to equity (%)	(4.1)	(23.1)	6.8	0.8	(2.0)
Interest cover (x)	10.4	19.1	20.2	16.5	14.6
ROE (%)	5.3	7.9	10.1	8.6	8.1
Consensus net profit	-	-	452	429	441
UOBKH/Consensus (x)	-	-	1.27	1.22	1.19

Source: UMW Holdings, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM4.90
Target Price	RM5.00
Upside	+2.0%

COMPANY DESCRIPTION

UMW, through its 51%-owned subsidiary UMW-Toyota, imports, assembles and distributes Toyota and Lexus vehicles in Malaysia. It also owns 38% stake in Perodua.

STOCK DATA

GICS sector	Consumer Discretionary
Bloomberg ticker:	UMWH MK
Shares issued (m):	1,168.3
Market cap (RMm):	5,724.6
Market cap (US\$m):	1,223.0
3-mth avg daily t'over (US\$m):	2.7

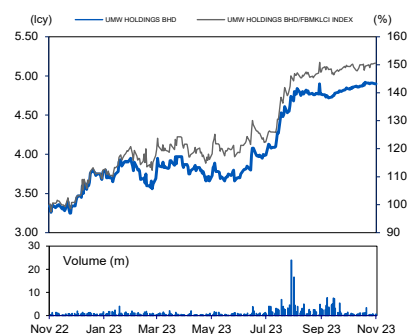
Price Performance (%)

52-week high/low	RM4.92/RM3.25			
1mth	3mth	6mth	1yr	YTD
1.2	3.4	33.9	46.7	41.2

Major Shareholders

	%
Skim Amanah Saham Bumiputra	41.9
EPF	10.4
Permodalan Nasional Berhad	6.1
FY23 NAV/Share (RM)	5.05
FY23 Net Debt/Share (RM)	0.35

PRICE CHART



Source: Bloomberg

ANALYST(S)

Anas Fitri Ahmad
+603 2147 1915
anasfitri@uobkayhian.com

STOCK IMPACT

- Automotive segment.** The automobile segment reported 9M23 revenue of RM11.1b (+15.1% yoy) and PBT of RM687.4m (+16.2% yoy), driven by a higher number of vehicles sold ytd. This is attributable to UMW Toyota's vehicle sales increasing 8% to 70,872 units from 76,511 units. We gather that the current orderbook remains healthy coupled with strong new additional bookings for Toyota (34,000 units) and Perodua (140,000 units) with shorter waiting periods (2-5 months compared with 2-8 months in 2022) depending on the model. The near-term outlook is expected to remain robust, supported by year-end promotions aimed at clearing current-year production models, low-base effect due to customers' wait-and-see approach for Malaysia's Budget 2024 incentives, and improvements in the supply chain. Hence, we anticipate strong sales in 4Q23.
- Equipment segment.** Revenue for the equipment segment improved 18.6% yoy due to encouraging demand in the local and overseas markets. We note that Malaysia is still the largest contributor to equipment sales, with 60% coming from the industrial sector and the remaining 40% from heavy equipment. Key focus on the segments that will support this current encouraging ride include: a) synergistic benefits from its collaboration with Toyota Industries Corp (TICO) to develop One Stop Centre capability and the logistic automation business, and b) increased demand in the mining sector in Papua New Guinea and the plantation sector in Malaysia that will support the heavy equipment sub-segment's growth.
- Manufacturing & Engineering segment.** The improvement in 9M23 performance with higher revenue of RM987.1m (+39.9% yoy) and PBT of RM69.8m (+88.3% yoy) was driven by higher contribution from all sub-segments, particularly from the aerospace sub-segment that was backed by higher delivery fan cases. There was also an increase in sales of shock absorbers and lubricants within the lubricants sub-segment. Catalysts for the segment include: a) higher utilisation on growing air travel demand, b) more contracts being secured from other OEMs, leading to higher utilisation, c) commencement of new smart lubricant with higher blending capacity by 71% and annual production capacity of 60m litres, and d) sustained demand from customers.

- Sime Darby-UMW acquisition deal to be completed by 1QFY24.** Recall that Sime Darby entered into a conditional SPA with PNB to acquire 61.2% stake in UMW Group at an offer price of RM5.00 (implies 14x 2024F PE) in Aug 23. The acquisition progress is expected to be completed in 4Q23, followed by the proposed MGO by 1Q24. Various synergy efforts will be implemented to enhance the overall business divisions for both Sime Darby and UMW moving forward

EARNINGS REVISION/RISK

- We lift our 2023/2024/2025 earnings by 29%/26%/19%** after factoring in higher revenue contribution from the automobile, equipment, manufacturing and engineering segments.

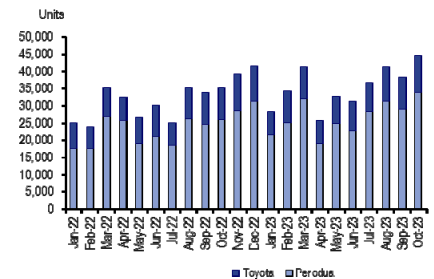
VALUATION/RECOMMENDATION

- Downgrade to HOLD with a target price of RM5.00, which implies 14x 2024F PE (UMW's five-year mean).** We deem the offer price of RM5.00 fair as this is in line with UMW's five-year mean PE.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - Investing in renewable energy by installing solar panels at two of the group's operational sites, namely the KYB-UMW and Aerospace plants. - Investing in nature-based solutions for CO2 sequestration and collaborating with key stakeholders in reforestation initiative (300,000 mangrove trees to be planted by 2023). Social <ul style="list-style-type: none"> - Implementing community development initiatives that nurture future generations and equip youths with industry-ready skills, such as the PROTÉGÉ programme. - Contributed about RM10.8m in cash and in kind to communities. Governance <ul style="list-style-type: none"> - Board composition. 30% requirement for female directors has long been met by the group, whereby 40% of UMW's Directors are female. - Established the three-year Integrity and Governance Unit (IGU) Blueprint 2021-23.
--

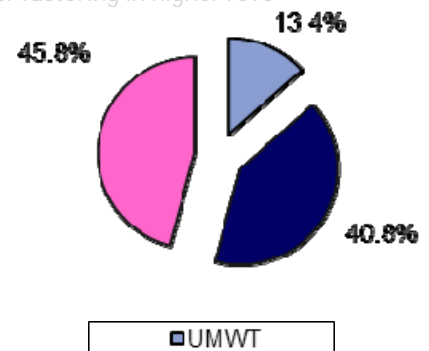
PERODUA AND TOYOTA SALES VOLUME TREND



Source: MAA, UMW Holdings

UMW AUTOMOBILE MARKET SHARE

after factoring in higher revenue



Source: MAA, UMW Holdings

UMW'S KEY ASSUMPTIONS

Year to 31 Dec	2023F	2024F	2024F
Sales Volume (units):			
Toyota/Lexus	112,928	101,468	106,182
Perodua	320,000	324,000	324,000
Forex:			
US\$/RM	4.40	4.40	4.40

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Net turnover	15,814	16,561	15,101	15,837
EBITDA	952	1,171	1,042	1,067
Deprec. & amort.	341	380	371	364
EBIT	611	791	671	703
Associate contributions	335	366	397	398
Net interest income/(expense)	(50)	(58)	(63)	(73)
Pre-tax profit	896	1,099	1,005	1,027
Tax	(219)	(228)	(201)	(211)
Minorities	(263)	(299)	(280)	(290)
Net profit	415	572	525	527
Net profit (adj.)	394	572	525	527

CASH FLOW

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Operating	1,203	(585)	839	659
Pre-tax profit	896	1,099	1,005	1,027
Tax	(139)	(228)	(201)	(211)
Deprec. & amort.	341	380	371	364
Associates	(335)	(366)	(397)	(398)
Working capital changes	(346)	(1,408)	123	(62)
Other operating cashflows	786	(62)	(62)	(62)
Investing	49	(138)	(138)	(138)
Capex (growth)	(510)	(200)	(200)	(200)
Investments	409	0	0	0
Others	150	62	62	62
Financing	(1,533)	333	(105)	(105)
Dividend payments	(257)	(114)	(105)	(105)
Proceeds from borrowings	(1,276)	448	0	0
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	(280)	(390)	596	416
Beginning cash & cash equivalent	2,081	1,870	1,480	2,077
Changes due to forex impact	68	0	0	0
Ending cash & cash equivalent	1,870	1,480	2,077	2,492

BALANCE SHEET

Year to 31 Dec (RMm)	2022	2023F	2024F	2025F
Fixed assets	2,706	2,921	2,921	2,921
Other LT assets	3,346	3,711	4,109	4,506
Cash/ST investment	2,808	1,597	1,952	2,134
Other current assets	3,557	4,747	4,384	4,567
Total assets	12,417	12,976	13,366	14,129
ST debt	212	400	400	400
Other current liabilities	3,390	2,814	2,574	2,695
LT debt	1,340	1,600	1,600	1,600
Other LT liabilities	335	335	335	335
Shareholders' equity	5,448	5,906	6,325	6,747
Minority interest	1,692	1,921	2,131	2,351
Total liabilities & equity	12,417	12,976	13,366	14,129

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	6.0	7.1	6.9	6.7
Pre-tax margin	5.7	6.6	6.7	6.5
Net margin	2.6	3.5	3.5	3.3
ROA	3.4	4.5	4.0	3.8
ROE	7.9	10.1	8.6	8.1
Growth				
Turnover	43.0	4.7	(8.8)	4.9
EBITDA	54.1	23.0	(11.0)	2.4
Pre-tax profit	85.7	22.6	(8.6)	2.2
Net profit	54.7	37.9	(8.3)	0.4
Net profit (adj.)	61.0	45.2	(8.3)	0.4
EPS	61.0	45.2	(8.3)	0.4
Leverage				
Debt to total capital	17.9	20.4	19.1	18.0
Debt to equity	28.5	33.9	31.6	29.6
Net debt/(cash) to equity	(23.1)	6.8	0.8	(2.0)
Interest cover (x)	19.1	20.2	16.5	14.6

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2023, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W