



1QFY2020 Financial Results

Briefing to analysts and fund managers

15 June 2020



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MENARA UMW

UMW

1Q20 FINANCIAL PERFORMANCE SNAPSHOT

	(RM' m)	1Q20	1Q19	y-o-y
01	Revenue	2,119.2	2,779.9	(23.8%)
02	Profit before taxation	63.0	140.5	(55.1%)
03	Taxation and zakat	(14.2)	(29.7)	52.0%
04	Profit after taxation (PAT)	48.8	110.8	(55.9%)
05	Minority interests	(4.5)	(24.3)	(81.6%)
06	PATAMI	44.3	86.5	(48.8%)

1Q20 CORE PATAMI

Stripping out items not pertaining to normal business operations – Note 27

	RM million	Remarks
Reported PATAMI	44.3	-
*ADJUSTMENTS	Amount recognised in PATAMI	
Reversal of impairment on receivables (net)	(20.0)	Debt recovery from an earlier investment
Loss on sale on investment (net)	27.7	Crystallisation of forex loss on an investment in Unlisted O&G, in which we no longer hold any stake in
Gain on disposal of PPE not relating to business operations	(3.2)	-
CORE PATAMI	48.8	

* One-off/Exceptional items that are non-operational in nature

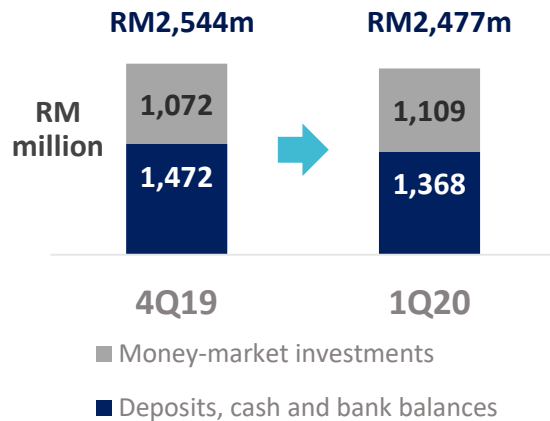
Note:

- Gain on disposal of PPE of RM5.1m is mainly due to sale of leased asset under Industrial Equipment sub-segment, which is part of our business operations

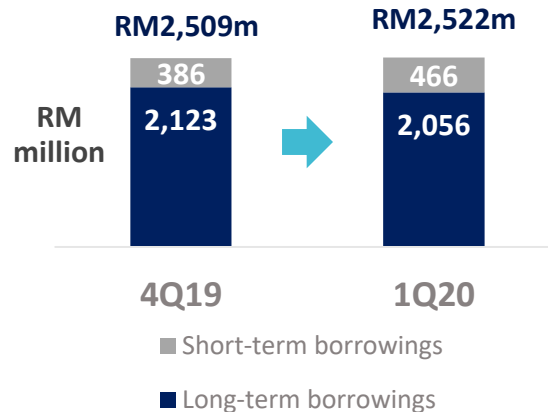
CASH AND DEBT POSITION

Strong financial position to withstand near-term business interruptions

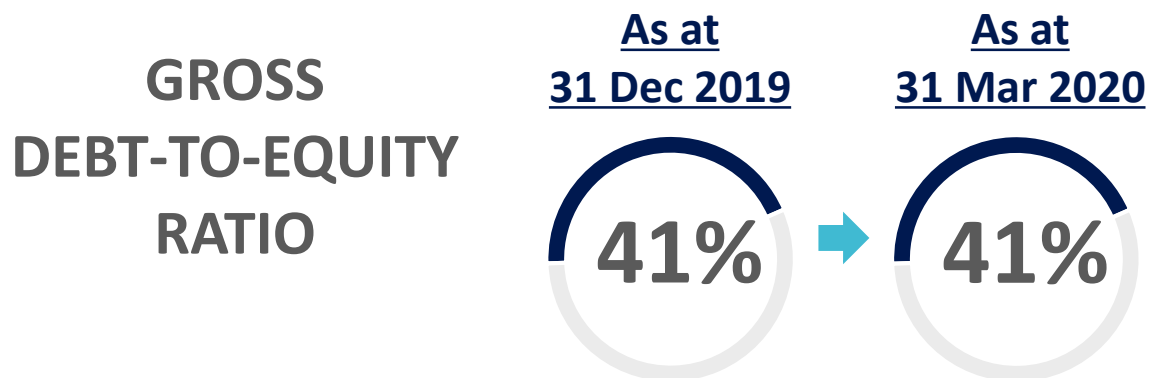
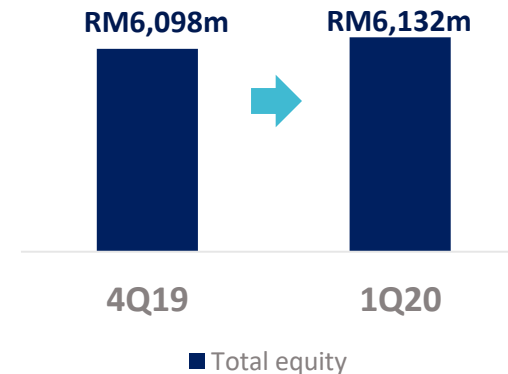
Deposits, cash, bank balances and money market investments



Total borrowings



Total equity



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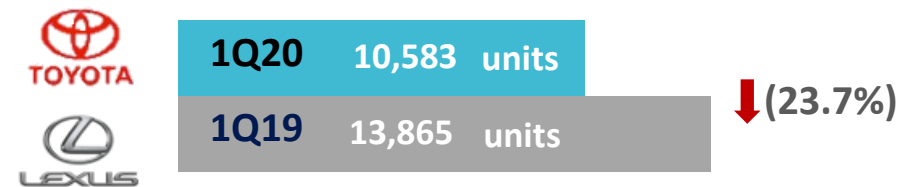
UMW



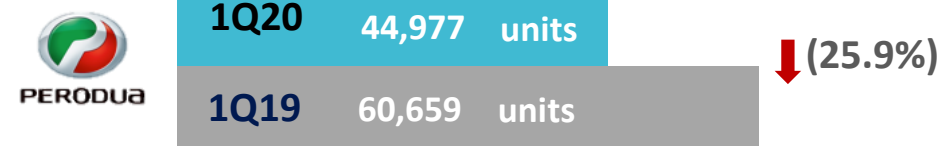
AUTOMOTIVE SALES

UMW Group's market share strengthened further in 1Q20

Sales were affected by the Movement Control Order (MCO) implemented from 18 March.



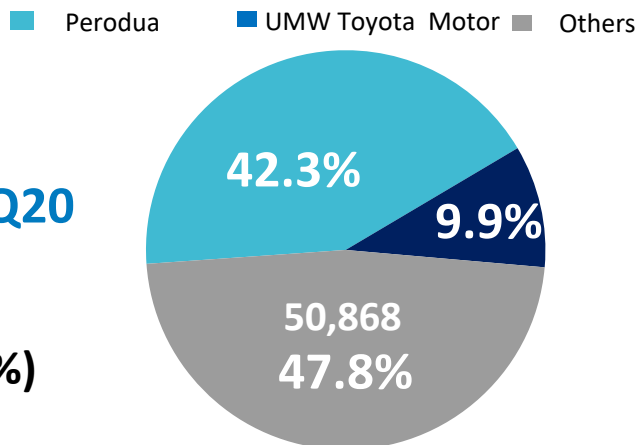
- As government gradually relaxes the MCO, operations have commenced in May according to SOPs set by MITI.
- The best-selling models in 1Q20 were **Vios, Hilux and Yaris** which accounted for close to 80% of Toyota's (excluding Lexus) sales.
- The upgraded Toyota Alphard and Toyota Vellfire were introduced on 9 March.
- The all-new Lexus UX 200 was launched on 4 March.
- Market share for 1Q20 was 9.9%



- Facelift Perodua Bezza was introduced on 8 January.
- The best-selling model for Perodua in 1Q20 was **Axia**, constituting 32% of total Perodua sales.
- Market share for 1Q20 was 42.3%

Market share

UMW Group sold
55,560 units in 1Q20
 market share grew to
52.2% (2019 – 51.4%)



Brand	1Q20		
	Units	(y-o-y)	Market Share %
Proton	21,757	19.0%	20.4
Honda	11,100	(50.0%)	10.4
Nissan	2,747	(46.8%)	2.6
Mazda	2,723	(17.8%)	2.6
Others	12,709	(35.5%)	11.9
TIV	106,428	(25.6%)	

Source: Malaysian Automotive Association

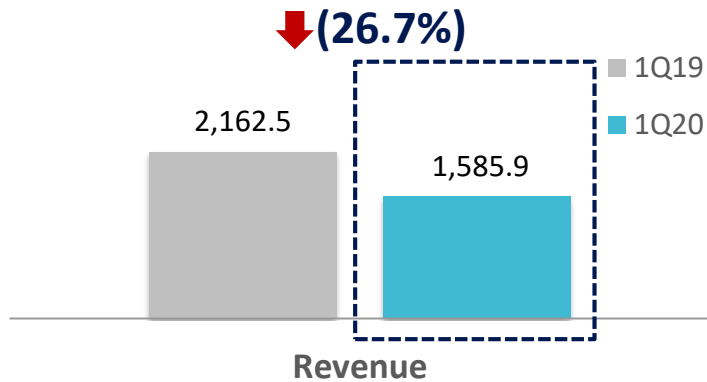


AUTOMOTIVE SEGMENT

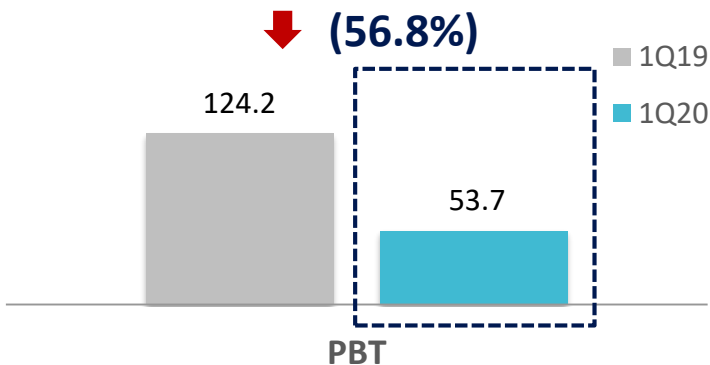
The MCO resulted in lower vehicle sales from UMWT as well as an associate company

1Q20 vs 1Q19

RM million



RM million



Automotive Results

01 REVENUE

- 1Q20 revenue of RM1,585.9 million was lower by 26.7% y-o-y, mainly due to lower number of vehicles sold in the current quarter. Sales in March were affected by the Movement Control Order (MCO) imposed by the government, which took effect on 18 March.

02 PROFIT BEFORE TAXATION

- PBT declined by more than half y-o-y to RM53.7 million, mainly as a result of lower revenue coupled with lower contribution from an associated company as a result of the MCO.

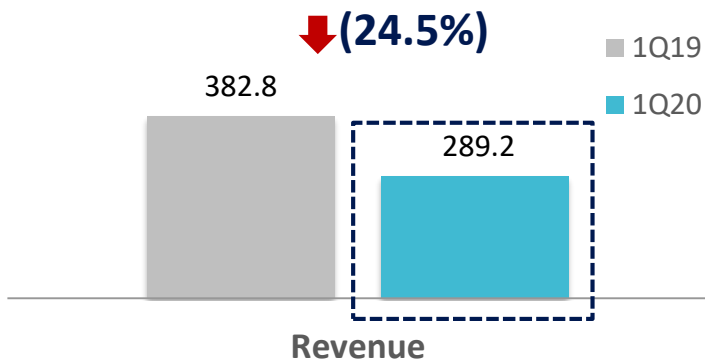


EQUIPMENT SEGMENT

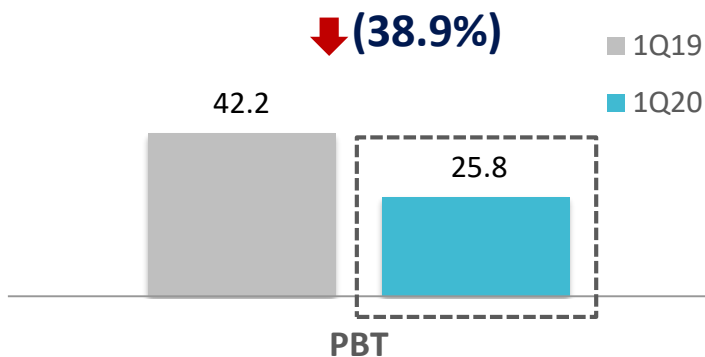
Challenging market conditions and restrictions in operations affected performance

1Q20 vs 1Q19

RM million



RM million



Equipment Results

01 FINANCIAL RESULTS

- Revenue of RM289.2 million was lower by 24.5% y-o-y, mainly due to sluggish demand and restrictions in operations during the Movement Control Order (MCO) period and similar lockdown measures imposed by governments in countries it operates in.
- PBT declined by 38.9% y-o-y to RM25.8 million as a result of lower revenue coupled with narrowing margins as pricing competition persists.

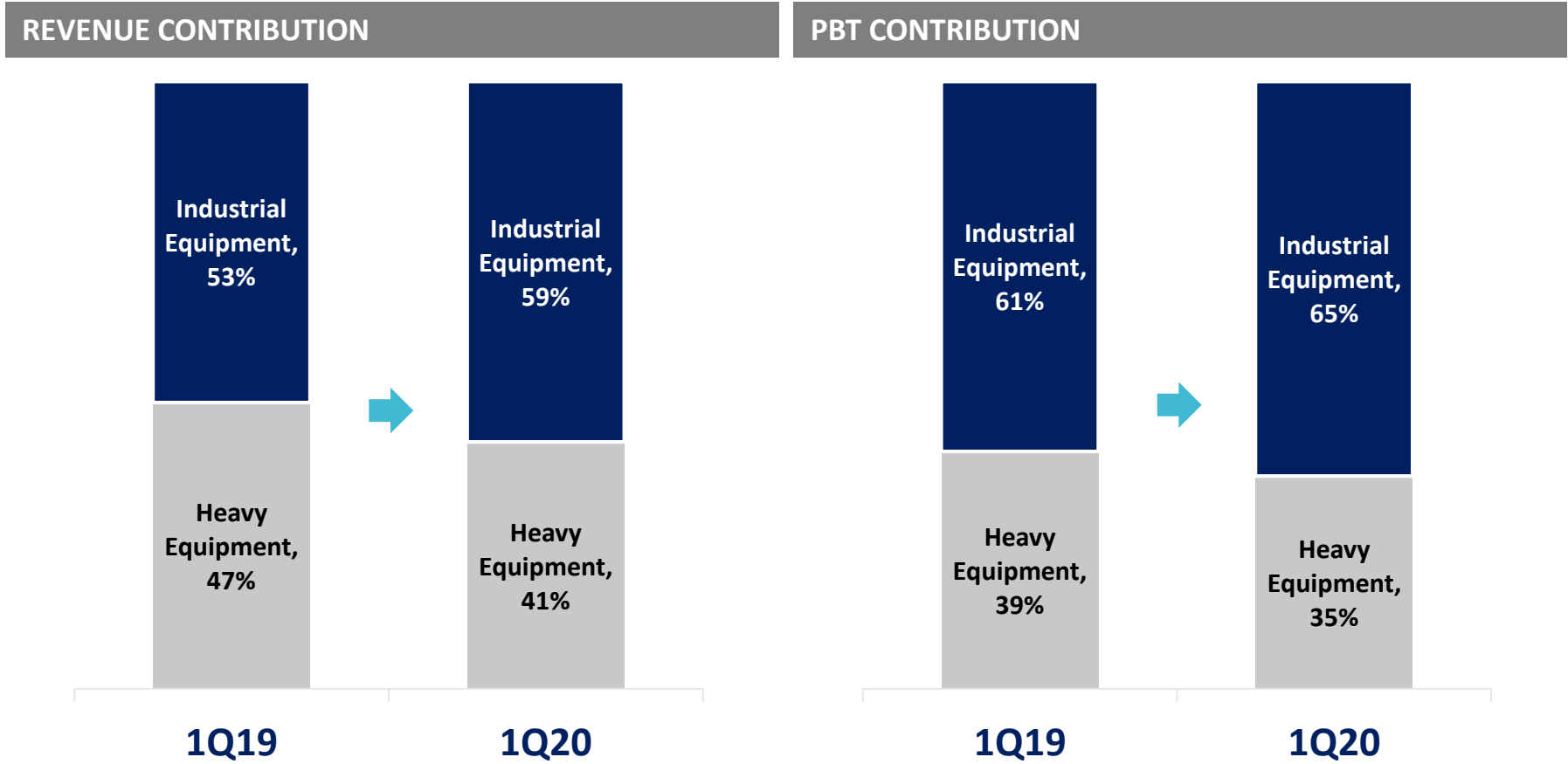
02 OPERATIONAL HIGHLIGHTS

- The COVID-19 outbreak has affected the segment's performance in 1Q20 due to lower demand and operational restrictions.
- Operations in Myanmar continues to be affected by the slowdown in jade mining as a result of government intervention. However, it plans to mitigate this through new product launching as well as promotional activities to improve equipment sales as well as sales of parts.
- The lifting of MCO and commencement of operations should improve Industrial equipment sub-segment, whereby delivery of equipment and parts were reduced due to MCO. The sub-segment is also undertaking cost reduction initiatives to cushion the impact.



EQUIPMENT SEGMENT BREAKDOWN

Industrial equipment business has increasingly been the higher contributor to the segment



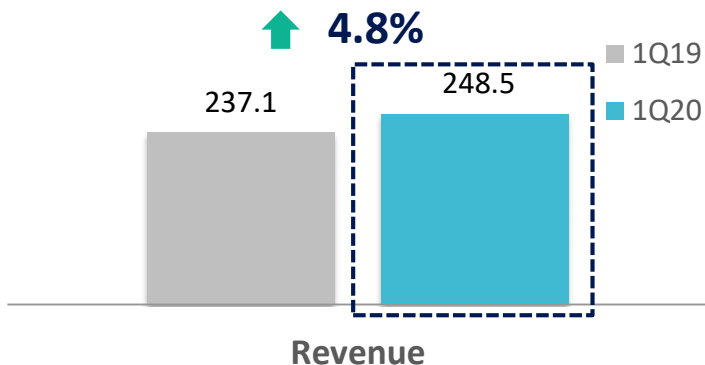


MANUFACTURING & ENGINEERING SEGMENT

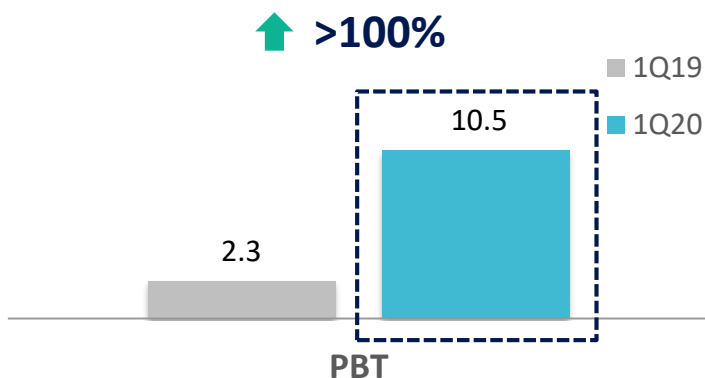
Driven by the turn-around in Aerospace business

1Q20 vs 1Q19

RM million



RM million



M&E Results

01 FINANCIAL RESULTS

- Revenue of RM248.5 million was higher by 4.8% y-o-y as the Aerospace business delivered higher number of fan cases.
- Meanwhile, PBT was stronger at RM10.5 million compared to the RM2.3 million in 1Q19 as a result of increased Aerospace revenue as well as higher contribution from the Lubricants sub-segment.

02 AEROSPACE

- The aerospace business continues its effort to further improve margins mainly through cost containment measures.
- Improved plant utilisation as the business ramps up production to meet orders from Rolls-Royce.

03 AUTO COMPONENTS & LUBRICANTS

- Although the MCO has caused a slowdown in demand, the lubricants business registered improved margins due to cost optimisation initiatives.
- The auto components and lubricants businesses are expected to benefit from the sustained export market.

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OPERATIONAL UPDATES

COVID-19 OUTBREAK

Business Strategy

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

23:35:60

Business Strategy

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

23:35:60

IMPACT OF COVID-19 OUTBREAK TO BUSINESS OPERATIONS



AUTOMOTIVE

IMPACT

- All operations (sales and manufacturing) was halted since 18 March 2020 up until the CMCO.
- No sales were recorded in the second half of March 2020 and only minimal in the month of April.
- Cautious consumer sentiment may affect sale of new vehicles in the near future.

LATEST UPDATES

- **Re-opening of sales and service outlets since 4 May 2020** - The majority of authorised Toyota, Lexus and Perodua Sales and Service Outlets have resumed operations.
- **Commencement of production on 12 May 2020** – For both UMWT and Perodua’s assembly plants, following approval given by the Selangor State Government.
- **Extension of warranty expiring during MCO** - Vehicles with warranties expiring during MCO are automatically extended for another 30 days, from the last day of the MCO.
- **Rescheduling of service appointments** – for existing service appointments scheduled during the MCO period.

COUNTER-MEASURES

- **Two-pronged cost reduction efforts**
 - Variable cost - effort on component cost, logistics cost and productivity improvement
 - Fixed cost - through the tackling of “non-strategic” spending on certain promotional expenses and operating expenses
- **Aggressive targeted-marketing campaigns** – there may be an increase in demand for new vehicles as consumers may opt not to use public transport as social distancing will continue to be practiced.
- **Work closely with Toyota Capital Malaysia and other financial institutions** – to provide innovative financing packages.
- **Ensure parts stock availability** – to cater to the demand post-MCO mainly for vehicle servicing as per maintenance schedule

IMPACT OF COVID-19 OUTBREAK TO BUSINESS OPERATIONS



EQUIPMENT

IMPACT

- Restricted operating capacities and supply-chain disruptions have caused a slowdown in the manufacturing and industrial sector.
- However, during the MCO period sectors such as F&B, healthcare- and pharmaceutical-related manufacturing, logistics and warehousing were still operating.
- Stop-work order for construction projects during MCO has led to delays in machines and parts deliveries, thus reduction in Equipment segment's revenue.

LATEST UPDATES

- All business operations in Malaysia have resumed since 4 May 2020.

COUNTER-MEASURES

- **Extend promotional packages to assist customers** in industrial sectors, especially small and medium enterprises
- **Productivity and margin improvement efforts** - Address cash management and operational efficiencies.
- **Work closely with principals and customers** to mitigate the adverse impact from MCO.
- **Ensure stock availability** – to support demand

IMPACT OF COVID-19 OUTBREAK TO BUSINESS OPERATIONS



M&E

IMPACT

- **Production halt** – affecting production for Aerospace, Auto-components and Lubricants
- **Sale of lubricants had resumed** for customers under essential services and government agencies since phase 2 of MCO with orders fulfilled from existing inventories.
- While global air passenger traffic has seen a rapid decline, demand for aerospace components is likely to be sustainable in the near-term due to the backlog of orders for aircraft.

LATEST UPDATES

- **Commencement of operations since 16 April 2020** - for UMW Aerospace and KYB-UMW. The Group had managed to obtain approval from MITI to commence production, strictly subjected to SOPs set by MITI.
- **Commencement of operations since 4 May 2020** - For all other businesses under the M&E segment (auto-components manufacturing and lubricants).

COUNTER-MEASURES

- **UMW Aerospace has obtained approval for 24-hour operations at its facility from 4 May 2020** - to mitigate the halt in production in the first two phases of MCO which caused disruption to Rolls-Royce's global supply-chain.
- **Ensure inventory availability from all businesses** – to instantly fulfill demand once MCO is lifted.
- **KYB-UMW's operations expected to be sustained with export sales.**

COVID-19 OUTBREAK - COUNTER-MEASURES

The operating landscape has changed and will continue to be highly fluid and unpredictable

The Group, supported by a strong financial position, is confident of withstanding any business interruptions in the year ahead and will continue to:

1 MANAGE STRONG CASH FLOW CONTROLS

- Stretch out trade payables as far as possible without jeopardising sustainability of our ecosystem, including support to our key suppliers.
- Constant review and revision of capex and opex.
- Extensive cost reduction and cost optimisation activities.

2 ENHANCE OPERATIONAL EFFICIENCIES

- Especially through supply chain stabilisation and customer engagement.
- All business divisions are putting focus into:
 - inventory management
 - production capacity optimization
 - constant engagement with customers, principals and OEMs

3 ENHANCE AND REDEPLOY EXISTING RESOURCES

- To build capabilities, accelerate recovery and retool the business for a new, post COVID-19 world.
- Staff redeployment within the Group
- Initiatives to support the local workforce

RELATED GOVERNMENT STIMULUS MEASURES TO BUFFER IMPACT FROM OUTBREAK

Government's economic stimulus package, which introduced measures to safeguard household income could support demand of automotive-related products.

Enhanced access to financing for small and medium enterprises under the stimulus package could sustain demand for the equipment segment.

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UMW

Focus on strengthening our core business segments and strategic cost optimisation initiatives to improve our business performance and operational productivity

AUTOMOTIVE

- In light of the current situation, consumer sentiment is expected to remain subdued
 - MAA revised downwards 2020 TIV target to 400,000 units
 - Based on this forecast, UMW's target for 2020 is 45,000 units, market share of 11.3%
 - Perodua will announce its revised target soon
- However, the Group is cautiously optimistic of improving demand post-MCO
 - shall benefit from the recent announcement of sales tax exemption on vehicles for the remainder of the year
 - social distancing could create demand for entry-level models at Toyota and Perodua
 - plans to launch a pipeline of exciting new models

EQUIPMENT

HEAVY EQUIPMENT

- May face sluggish domestic demand due to the delay in implementation of projects caused by the COVID-19 pandemic and slowdown in some sectors we operates in
- Nevertheless, encouraging demand in mining and construction sectors in our overseas operations could help to soften the impact

INDUSTRIAL EQUIPMENT

- continue to focus on expanding our equipment rental business
- extending promotional packages to our customers, especially those in the small and medium enterprises to cushion the impact of Covid-19 on their businesses
- Refurbishment of ex-rental forklifts to expand market coverage and retain customers

MANUFACTURING & ENGINEERING

- Demand for auto components in the after-sales and overseas markets is expected to be sustainable
- The lubricants sub-segment will continue to leverage on its OEM partners and strengthen its domestic sales and export to ASEAN countries
- While we are expecting a downward impact to the Aerospace sub-segment following the Covid-19 pandemic, we are partially sheltered by firm fan case orders received for the rest of the year
- About 50% of revenue comes from the export market
- Opportunities arising from migration of operations to Asia-Pacific due to cheaper cost and effective logistics management.

THANK YOU

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