

UMW Holdings (UMWH MK)

FY21 results came in below

Maintain BUY and MYR4.00 TP

FY21 results came in below ours/ consensus' estimates, due to underperformance (softer vehicle sales) at its 38%-owned Perodua (P2) ops in 4Q21. The financial setback in FY21 (-45% YoY) is well-flagged. Focus is on the consumer recovery play (higher sales volume, stronger product pipeline) in FY22. Our TP is unchanged, pegged to 16x FY22 PER (-0.5-SD valuation).

Salient 4Q21 results

Headline net profit of MYR240m in 4Q21 consisted of substantial one-offs (MYR109m), mainly from the tax credit from the tax incentives for its new plant (+MYR103m). Excluding that, UMW reported core net profit of MYR131m in 4Q21 (3Q21: -MYR48m). This took its FY21 core earnings to MYR156m (-45% YoY); 91% of our FY estimate. P2's weaker-than-expected vehicle sales were the key underlying setback. It reported lower vehicle sales of 71.2k/ 190.3k units in 4Q21/ FY21 (vs. its earlier goals of 81k/ 200k units). This was partly offset by better-than-expected performance at its Toyota ops. Toyota sold 72.4k units in FY21, surpassing its 72k units target. UMW declared final DPS of 5.8 sen in 4Q21 (4Q20: 4.0 sen).

A better FY22

Our estimates are unchanged, on an improved FY22. We expect UMW to register higher vehicles sales (P2: +22% YoY to 233k units; Toyota: +2% YoY to 74k units) in FY22 as the economy progressively recovers post-pandemic. Our sales forecasts are comparatively: (i) lower vis-à-vis P2 (247.8k units) but (ii) higher vs. Toyota's 73k units. UMW is ready to ride on the EV plays, with: (i) plans to roll out 2 new EVs (BEV & hybrid; ex-Cross hybrid) in FY22-23 and (ii) EVs making up 15% of its FY22 sales.

Big picture aspiration; ESG progress

All in, UMW has set a 10-year target, to achieve: (i) MYR20b revenue, (ii) MYR2b pretax profit and (iii) MYR1b net profit. This would be aided by organic growth, M&As and divestment strategies. On the ESG front, it targets to be carbon neutral by 2050, with a 300k trees planting target.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	9,555	11,061	11,482	11,711	12,036
EBITDA	712	506	690	745	734
Core net profit	285	156	289	298	314
Core EPS (sen)	24.4	13.4	24.8	25.5	26.9
Core EPS growth (%)	20.4	(45.2)	85.5	2.9	5.6
Net DPS (sen)	4.0	5.8	6.3	6.4	6.8
Core P/E (x)	13.9	22.2	12.5	12.2	11.5
P/BV (x)	1.0	0.8	0.8	0.8	0.7
Net dividend yield (%)	1.2	2.0	2.0	2.1	2.2
ROAE (%)	5.4	6.7	6.8	6.5	6.5
ROAA (%)	2.5	1.3	2.3	2.3	2.4
EV/EBITDA (x)	8.2	9.5	7.8	6.8	6.6
Net gearing (%) (incl perps)	6.5	net cash	1.9	net cash	net cash
Consensus net profit	-	-	289	333	na
MKE vs. Consensus (%)	-	-	0.2	(10.5)	na

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BUY

Share Price	MYR 3.10
12m Price Target	MYR 4.00 (+29%)
Previous Price Target	MYR 4.00

Company Description

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

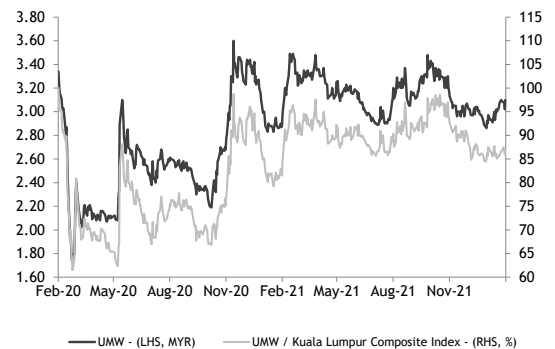
Statistics

52w high/low (MYR)	3.49/2.86
3m avg turnover (USDm)	0.2
Free float (%)	24.0
Issued shares (m)	1,168
Market capitalisation	MYR3.6B USD862M

Major shareholders:

Permodalan Nasional Bhd.	43.2%
Employees Provident Fund	12.6%
Kumpulan Wang Persaraan	8.8%

Price Performance



	-1M	-3M	-12M
Absolute (%)	8	(3)	8
Relative to index (%)	3	(7)	7

Source: FactSet

UMWH's quarterly results summary

FY Dec (MYR m)	Quarterly results					Cumulative		
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY 20	% YoY
Turnover	3,645.1	2,016.4	80.8	3,242.2	12.4	11,060.8	9,554.6	15.8
EBIT	1,464.5	38.3	NM	1,760.5	(16.8)	1,613.3	1,873.8	(13.9)
Interest expense	(29.7)	(25.4)	17.1	(29.1)	2.0	(108.2)	(115.5)	(6.4)
Associates	160.9	(5.7)	NM	107.6	49.5	268.0	204.1	31.3
Investment Income	14.3	9.2	55.6	13.9	2.6	48.7	54.4	(10.5)
Pre-tax profit	271.0	16.5	>100	236.9	14.4	482.8	400.7	20.5
Taxation	109.3	(26.0)	NM	(26.3)	NM	32.9	(77.7)	NM
Minority interest	(122.8)	(20.9)	NM	(38.1)	NM	(177.6)	(48.5)	NM
Sukuk	(17.6)	(17.4)	1.1	(35.0)	(49.7)	(69.9)	(69.9)	0.0
Net profit / (loss)	240.0	(47.9)	NM	137.4	74.6	268.2	204.6	31.1
Exceptional item	109.4	(0.2)	NM	(51.9)	NM	112.1	(80.3)	NM
Recurring net profit / (loss)	130.5	(47.7)	NM	189.4	(31.1)	156.1	284.9	(45.2)
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
EBIT margin (%)	40.2	1.9	38.3	54.3	(14.1)	14.6	19.6	(5.0)
Tax rate (%)	(40.3)	158.0	NM	11.1	(51.5)	(6.8)	19.4	(26.2)
	4Q21	3Q21	%QoQ	4Q20	%YoY	12M21	12M20	%YoY
Revenue	3,645.1	2,016.4	80.8	3,242.2	12.4	11,060.8	9,554.6	15.8
Automotive	3,061.6	1,590.8	92.5	2,668.2	14.7	9,030.3	7,483.7	20.7
Equipment	365.1	316.0	15.6	317.9	14.8	1,313.4	1,137.3	15.5
M&E	225.9	110.3	>100	244.2	(7.5)	726.3	918.3	(20.9)
Others	(7.5)	(0.7)	NM	12.0	(163.0)	(9.3)	15.3	(160.9)
Pre-tax profit	271.0	16.5	1,545.4	236.9	14.4	482.8	400.7	20.5
Automotive	269.2	27.4	882.0	191.0	40.9	476.7	334.6	42.5
Equipment	28.9	24.3	19.0	18.5	56.4	107.0	102.9	4.0
M&E	11.7	8.2	42.9	22.7	(48.7)	22.2	61.6	(64.0)
Others	(38.8)	(43.4)	(10.7)	4.6	(937.6)	(123.2)	(98.4)	25.1
	4Q21	3Q21	+/- ppt	4Q20	%YoY	FY21	FY20	+/- ppt
Pre-tax margins (%)	7.4	0.8	6.6	7.3	0.1	4.4	4.2	0.2
Automotive	8.8	1.7	7.1	7.2	1.6	5.3	4.5	0.8
Equipment	7.9	7.7	0.2	5.8	2.1	8.1	9.1	(0.9)
M&E	5.2	7.4	(2.2)	9.3	(4.1)	3.1	6.7	(3.7)
	4Q21	3Q21	%QoQ	4Q20	%YoY	FY21	FY20	% YoY
Vehicle Unit Sales (MAA)								
Toyota	26,276	12,007	118.8	21,981	19.5	72,394	59,320	22.0
Perodua	71,198	21,803	226.6	75,151	(5.3)	190,291	220,163	(13.6)

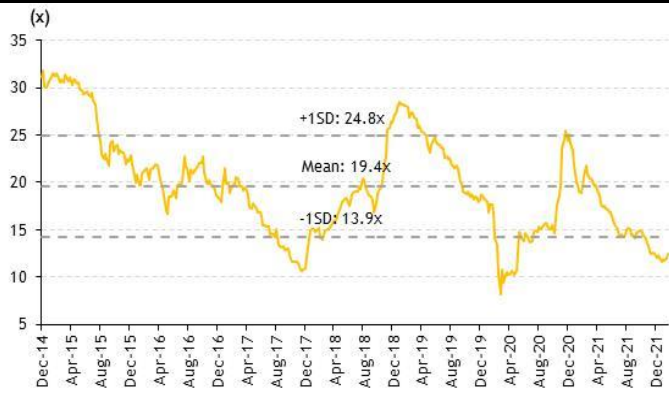
Source: Company

UMW: Vehicles sales

	2020	2021	2022F	2023F	2024F
Toyota	59,320	72,394	74,040	75,520	77,780
Perodua	220,163	190,291	233,000	235,500	241,000

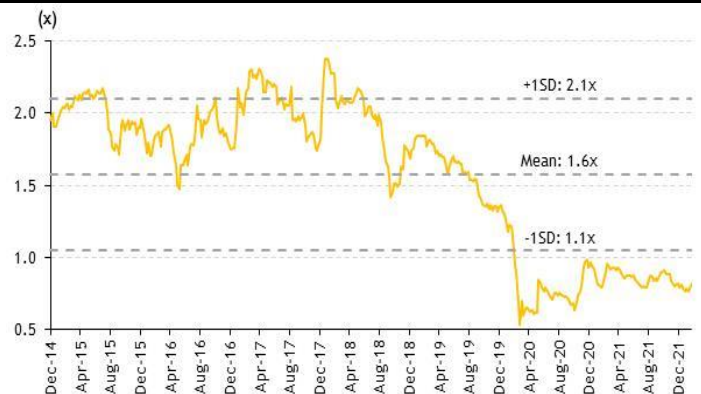
Source: Company, Maybank IBG Research

1-year forward PER



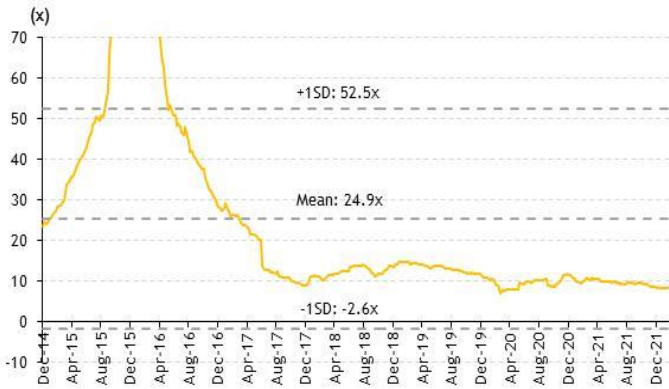
Source: Company, Maybank IBG Research

1-year forward PBV



Source: Company, Maybank IBG Research

1-year forward EV/ EBITDA



Source: Company, Maybank IBG Research

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	15.9	13.7	12.5	12.2	11.5
Core P/E (x)	13.9	22.2	12.5	12.2	11.5
P/BV (x)	1.0	0.8	0.8	0.8	0.7
P/NTA (x)	1.0	0.8	0.8	0.8	0.7
Net dividend yield (%)	1.2	2.0	2.0	2.1	2.2
FCF yield (%)	17.0	nm	nm	7.5	7.0
EV/EBITDA (x)	8.2	9.5	7.8	6.8	6.6
EV/EBIT (x)	17.3	29.7	15.9	14.4	13.2
INCOME STATEMENT (MYR m)					
Revenue	9,554.6	11,060.8	11,481.6	11,710.6	12,036.3
EBITDA	712.0	505.6	690.1	745.4	733.6
Depreciation	(374.1)	(343.5)	(351.9)	(392.5)	(367.5)
EBIT	338.0	162.1	338.3	352.9	366.1
Net interest income / (exp)	(61.1)	(59.5)	(50.5)	(57.4)	(50.3)
Associates & JV	204.1	268.0	286.3	291.5	302.7
Exceptionals	(80.3)	112.1	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	400.7	482.8	574.1	587.0	618.6
Income tax	(77.7)	32.9	(149.7)	(152.6)	(159.1)
Minorities	(48.5)	(177.6)	(65.1)	(66.8)	(75.3)
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	204.6	268.2	289.5	297.8	314.4
Core net profit	284.9	156.1	289.5	297.8	314.4
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	2,050.9	2,941.4	2,597.6	2,951.4	3,289.9
Accounts receivable	1,202.3	1,051.7	1,086.1	1,104.8	1,131.4
Inventory	1,439.3	1,752.2	1,785.3	1,812.9	1,868.8
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	2,463.0	2,531.4	3,019.5	2,827.0	2,659.5
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	2,080.9	2,248.5	2,430.4	2,617.5	2,815.8
Other assets	2,210.8	1,647.6	1,647.6	1,647.6	1,647.6
Total assets	11,447.1	12,172.7	12,566.5	12,961.2	13,413.0
ST interest bearing debt	523.8	638.1	638.1	638.1	638.1
Accounts payable	2,156.2	2,248.8	2,291.3	2,326.8	2,398.5
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,942.3	2,095.0	2,095.0	2,095.0	2,095.0
Other liabilities	408.0	428.0	428.0	428.0	428.0
Total Liabilities	5,029.9	5,410.1	5,452.7	5,488.2	5,559.9
Shareholders Equity	3,868.1	4,116.5	4,402.7	4,695.1	4,999.9
Minority Interest	1,451.2	1,548.2	1,613.3	1,680.1	1,755.4
Total shareholder equity	5,319.3	5,664.7	6,016.0	6,375.2	6,755.3
Perpetual securities	1,097.9	1,097.9	1,097.9	1,097.9	1,097.9
Total liabilities and equity	11,447.1	12,172.7	12,566.5	12,961.2	13,413.0
CASH FLOW (MYR m)					
Pretax profit	400.7	482.8	574.1	587.0	618.6
Depreciation & amortisation	374.1	343.5	351.9	392.5	367.5
Adj net interest (income)/exp	(133.5)	(133.5)	(109.3)	(109.3)	(109.3)
Change in working capital	449.7	(221.1)	(25.0)	(10.9)	(10.8)
Cash taxes paid	(77.7)	32.9	(149.7)	(152.6)	(159.1)
Other operating cash flow	(99.5)	(161.3)	(235.8)	(234.2)	(252.4)
Cash flow from operations	913.7	343.3	406.1	472.6	454.5
Capex	(237.3)	(406.4)	(840.0)	(200.0)	(200.0)
Free cash flow	676.5	(63.2)	(433.9)	272.6	254.5
Dividends paid	(93.7)	(123.1)	(73.1)	(75.2)	(79.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(74.0)	232.4	0.0	0.0	0.0
Other invest/financing cash flow	56.9	810.5	163.2	156.4	163.4
Effect of exch rate changes	(3.3)	8.2	0.0	0.0	0.0
Net cash flow	562.4	864.9	(343.8)	353.8	338.5

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	(18.8)	15.8	3.8	2.0	2.8
EBITDA growth	8.6	(29.0)	36.5	8.0	(1.6)
EBIT growth	9.3	(52.0)	108.7	4.3	3.8
Pretax growth	(45.9)	20.5	18.9	2.3	5.4
Reported net profit growth	(55.0)	31.1	7.9	2.9	5.6
Core net profit growth	20.4	(45.2)	85.5	2.9	5.6
Profitability ratios (%)					
EBITDA margin	7.5	4.6	6.0	6.4	6.1
EBIT margin	3.5	1.5	2.9	3.0	3.0
Pretax profit margin	4.2	4.4	5.0	5.0	5.1
Payout ratio	22.8	25.3	25.3	25.3	25.3
DuPont analysis					
Net profit margin (%)	2.1	2.4	2.5	2.5	2.6
Revenue/Assets (x)	0.8	0.9	0.9	0.9	0.9
Assets/Equity (x)	3.0	3.0	2.9	2.8	2.7
ROAE (%)	5.4	6.7	6.8	6.5	6.5
ROAA (%)	2.5	1.3	2.3	2.3	2.4
Liquidity & Efficiency					
Cash conversion cycle	21.7	13.8	15.0	15.1	15.0
Days receivable outstanding	50.0	36.7	33.5	33.7	33.4
Days inventory outstanding	70.1	60.1	65.4	65.5	65.0
Days payables outstanding	98.4	82.9	83.9	84.0	83.4
Dividend cover (x)	4.4	4.0	4.0	4.0	4.0
Current ratio (x)	2.1	2.1	2.0	2.1	2.2
Leverage & Expense Analysis					
Asset/Liability (x)	2.3	2.2	2.3	2.4	2.4
Net gearing (%) (incl perps)	6.5	net cash	1.9	net cash	net cash
Net gearing (%) (excl. perps)	7.8	net cash	2.3	net cash	net cash
Net interest cover (x)	5.5	2.7	6.7	6.2	7.3
Debt/EBITDA (x)	3.5	5.4	4.0	3.7	3.7
Capex/revenue (%)	2.5	3.7	7.3	1.7	1.7
Net debt/ (net cash)	415.2	(208.3)	135.5	(218.3)	(556.8)

Source: Company; Maybank

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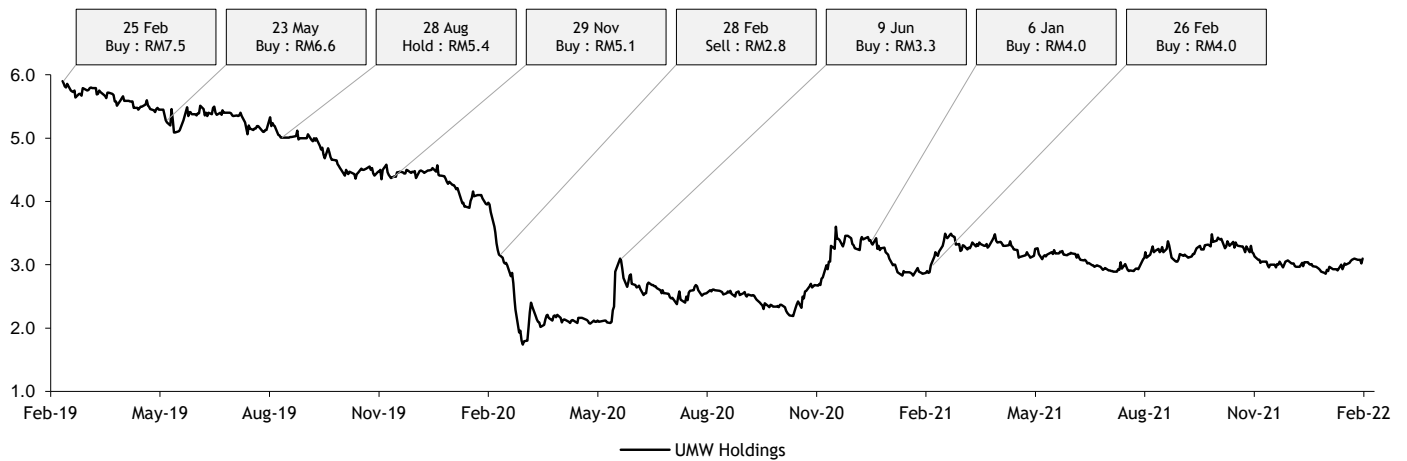
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