

Steven Chong
 (603) 7890 8888 (ext 2068)
stevenchong@apexsecurities.com.my

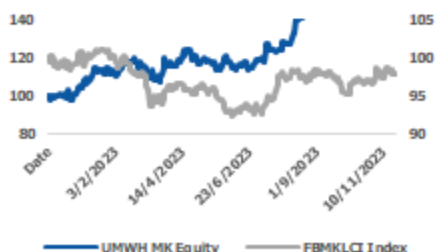
Recommendation:	HOLD
Current Price:	RM 4.90
Previous Target Price:	RM 5.00
Target Price:	↔ RM 5.00
Upside/Downside:	2.0%

Stock information

Board	MAIN
Sector	Automotive
Bursa / Bloomberg Code	4588 / UMWH MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	☆☆★★
Shares issued (m)	1,168.3
Market Cap (RM' m)	5,724.6
52-Week Price Range (RM)	4.92-3.22
Beta (x)	0.8
Free float (%)	29.4
3M Average Volume (m)	2.6
3M Average Value (RM' m)	12.6

Top 3 Shareholders	(%)
Amanah Saham Nasional Bhd	53.7
Employees Provident Fund Board	10.4
Kumpulan Wang Persaraan Diperbadan	9.1

Share Price Performance



	1M	3M	12M
Absolute (%)	1.2	3.4	46.7
Relative (%)	0.8	3.1	50.6

UMW Holdings Berhad

Within expectation

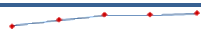








Summary

- **UMW's 9MFY23 core net profit at RM309.1m came in within our expectations.**
- **Looking ahead, demand for vehicles is projected to stay robust throughout the remainder of the year, bolstered by a substantial order backlog.**
- **We revised our call to HOLD with a target price of RM5.00 by pegging PE multiple of 13.7x to FY24F EPS of RM0.36.**

Results Review

- **Results review.** UMW 3QFY23 core net profit stood at RM173.1m, surging +102.6% qoq and +71.9% yoy driven by strong growth across all segments. Meanwhile, top line recorded at RM4.8b, reflecting growth of +7.8% qoq and 19.1% yoy respectively.
- **Within expectations.** 9MFY23 core net profit of RM309.1m after excluding one-off gain from sale of Longi land (RM218.1m) was well within both our and consensus expectations, which accounted for 70% of our full year estimates and 68% of consensus estimates.
- **Operations Highlights.** Profit contribution from the automotive segment grew +16.1% yoy in 9MFY23 driven by favourable car sales from Perodua and Toyota brand. Concurrently, the manufacturing and engineering segment recorded strong earnings growth of +88.3% yoy following higher delivery of fan cases. Additionally, the equipment segment exhibited strong earnings growth of +33.0% yoy, driven by robust demand for heavy equipment, particularly from the construction, mining, and agriculture sectors.
- **Industry Highlights.** During the period, the Toyota and Lexus brands achieved sales of 76,511 units, (+8.0% yoy), while Perodua experienced a substantial surge with a +18.8% yoy growth, reaching a total of 233,227 units sold.
- **Outlook.** Demand for vehicles is projected to stay robust throughout the remainder of the year, bolstered by a substantial order backlog. The improvement in supply chain has resulted in increased vehicle production, which subsequently reduce the delivery lead-time to consumer.
- **Valuation.** We revised our call to HOLD (previously SELL), with a target price of RM5.00 based on 13.7x PER FY24F, matching the offer price from Sime Darby.
- **Risk.** Disruptions in the supply chain, including shortages of critical components or raw materials, intense competition leading to pricing pressures, demand slowdown due to economic downturns.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	4,834.1	4,057.5	19.1	4,484.9	7.8	11,439.1	13,698.5	19.8		Strong growth across all segment
EBITDA	417.3	325.3	28.3	647.2	(35.5)	971.5	1,388.4	42.9		
Pre-tax profit	326.3	231.5	40.9	476.0	(31.4)	677.8	1,053.0	55.3		Buoyed by one-off gain from Longi land sale
Net profit	260.3	159.4	63.4	385.4	(32.4)	505.7	849.4	68.0		
Core net profit	173.1	100.7	71.9	85.5	102.6	309.1	393.0	27.2		
Core EPS (sen)	14.8	8.6	71.9	7.3	102.6	26.5	33.6	27.2		
EBITDA margin (%)	8.6	8.0		14.4		8.5	10.1			
PBT margin (%)	6.7	5.7		10.6		5.9	7.7			
Core PATMI margin (%)	3.6	2.5		1.9		2.7	2.9			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Revenue	9554.6	11060.8	15814.4	15899.9	15507.1
Gross Profit	1499.8	1639.5	2216.3	2496.3	2202.0
EBITDA	835.8	885.8	1281.0	1616.5	1435.4
Depreciation & Amortisation	374.1	343.5	340.6	362.1	474.4
EBIT	461.8	542.2	940.4	1254.3	961.0
Net Finance Income/(Cost)	-115.5	-108.2	-114.1	-114.1	-114.1
Associates & JV	204.1	268.0	334.9	345.0	355.3
Pre-tax Profit	400.7	482.8	896.5	1210.3	904.8
Tax	77.7	-32.9	218.6	290.5	217.2
Profit After Tax	478.4	449.9	1115.1	1500.8	1122.0
Minority Interest	48.5	177.6	193.0	193.0	193.0
Net Profit	429.9	272.3	922.1	1307.9	929.0
Exceptionals	0.0	0.0	0.0	-218.1	0.0
Core Net Profit	429.9	272.3	922.1	1526.0	929.0

Key Ratios

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
EBITDA margin	8.7%	8.0%	8.1%	10.2%	9.3%
EBIT margin	4.8%	4.9%	5.9%	7.9%	6.2%
PBT margin	4.2%	4.4%	5.7%	7.6%	5.8%
PAT margin	5.0%	4.1%	7.1%	9.4%	7.2%
NP margin	4.5%	2.5%	5.8%	8.2%	6.0%
Core NP margin	4.5%	2.5%	5.8%	8.2%	6.0%
ROE	6.7%	4.0%	12.9%	16.9%	11.5%
ROA	7.9%	4.7%	15.2%	19.0%	12.4%
Net gearing	9.5%	0.0%	-14.3%	-9.0%	-6.6%

Key Assumptions

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Unit Sold:					
Toyota/Lexus	59320.0	72394.0	101035.0	90931.5	77291.8
Perodua	220154.0	190291.0	282019.0	296120.0	293158.8
Capex as % sales	13.8%	9.1%	6.0%	7.6%	6.8%

Valuations

	FY24f
Core EPS (RM)	0.364
P/E multiple (x)	13.7
Fair Value (RM)	5.00

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Cash	2050.9	2941.4	2808.1	2482.3	2317.5
Receivables	187.7	1051.7	1231.5	1238.2	1207.6
Inventories	1439.3	1752.2	2045.7	2056.8	2006.0
Other current assets	1313.9	634.8	280.0	280.0	280.0
Total Current Assets	5991.8	6380.0	6365.4	6057.3	5811.1
Fixed Assets	2463.0	2545.0	2706.2	3545.0	4121.0
Intangibles	0.0	0.0	0.8	0.8	0.8
Other non-current assets	2992.4	3247.7	3344.7	3344.7	3344.7
Total Non-current assets	5455.4	5792.7	6051.7	6890.6	7466.6
Short-term Debt	2466.0	2733.1	1552.3	1552.3	1552.3
Payables	2156.2	2248.8	3292.8	3241.2	3218.3
Other Current Liabilities	116.2	132.9	96.9	96.9	96.9
Total Current Liabilities	4738.5	5114.8	4942.0	4890.4	4867.5
Long-term Debt	196.0	208.8	235.0	235.0	235.0
Other non-current liabilities	95.5	86.6	100.2	100.2	100.2
Total Non-current Liabilities	291.5	295.4	335.1	335.1	335.1
Shareholder's equity	6417.2	6762.5	7140.0	7722.4	8075.0
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	6417.2	6762.5	7140.0	7722.4	8075.0

Cash Flow

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Pre-tax profit	400.7	482.8	896.5	1210.3	904.8
Depreciation & amortisation	374.1	343.5	340.6	362.1	474.4
Changes in working capital	491.3	-84.3	570.6	-69.3	58.5
Others	-319.8	-480.6	-612.4	-553.3	-480.0
Operating cash flow	946.3	261.4	1195.3	949.9	957.8
Net capex	-1320.2	-1008.1	-947.8	-1201.0	-1050.4
Others	1209.7	1392.9	1007.4	0.0	0.0
Investing cash flow	-110.5	384.8	59.6	-1201.0	-1050.4
Changes in borrowings	-74.0	232.4	-1206.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-140.2	-146.2	-225.8	0.0	0.0
Others	-23.4	-46.7	-102.8	-74.6	-72.2
Financing cash flow	-237.5	39.4	-1534.6	-74.6	-72.2
Net cash flow	598.3	685.6	-279.7	-325.8	-164.8
Forex	-3.3	8.2	11.7	11.7	11.7
Others	44.4	241.1	375.9	375.9	375.9
Beginning cash	1411.5	2006.5	2700.3	2420.6	2094.8
Ending cash	2050.9	2941.4	2808.1	2482.3	2317.5

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

6th Floor, Menara Apex,
Off Jalan Semenyih,
Bukit Mewah 43000 Kajang,
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

Mutiara Damansara Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Aiman Kamil (ext 2071)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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