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**Recommendation: Not-Rated**

**Current Price:** RM 4.97  
**Previous Target Price:** RM 5.00  
**Target Price:** ↔ RM 5.00  
**Upside/Downside:** 0.6%

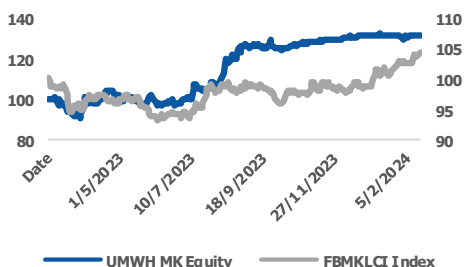
**Stock information**

Board	MAIN
Sector	Automotive
Bursa / Bloomberg Code	4588 / UMWK 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)	5,806.4
52-Week Price Range (RM)	5.01-3.5
Beta (x)	0.8
Free float (%)	N/A
3M Average Volume (m)	1.5
3M Average Value (RM' m)	7.6

**Top 3 Shareholders (%)**

SIME DARBY ENTERPRISE SDN	98.9
Amanah Saham Nasional Bhd	8.7
Yayasan Pelaburan Bumiputra	4.1

**Share Price Performance**



	1M	3M	12M
Absolute (%)	-0.2	1.4	27.1
Relative (%)	-4.4	-4.4	20.7

## UMW Holdings Berhad

### Cease Coverage

#### Summary

- We attended Sime Darby's 2QFY24 briefing post-acquisition of UMW and maintained a more positive view on the merger.
- Toyota sales target for 2024 was slashed due to softer TIV outlook.
- We are ceasing coverage with a target price of RM5.00 by pegging PE multiple of 13.7x to FY24f EPS of RM0.36.

#### Company Update

- **Post-acquisition update on UMW.** UMW was effectively delisted following the completion of acquisition of 98.88% stake by Sime Darby on 19 February 2024. The latter's management anticipates to attain full ownership of UMW by end-March 2024.
- **Operations Highlights.** Current backlog order for Toyota and Perodua remained robust, standing at 28,000 units and 120,000 units respectively. Nevertheless, management projected a more restrained outlook for Toyota sales, aiming for 95,000 units in 2024, slightly below the previous year's figure of 108,000 units. The adjusted sales target reflects a more cautious approach, after taking into account a softer TIV outlook going forward.
- **Divestment of Komatsu.** Regarding Sime Darby's heavy equipment business, management has expressed readiness to divest from Komatsu if the opportunity arises, particularly in view of their current dealership with Caterpillar. While each brand has distinct regional focuses in heavy equipment sales, management acknowledged there remains the potential for brand cannibalism between these competing entities.
- **Ceasing coverage.** We are ceasing coverage on UMW as it was fully privatised. As such, we are reclassifying our recommendation on the stock to **NOT RATED** from HOLD. Our previous target price for the stock was RM5.00, based on 13.7x FY24F PE.

**Financial Highlights**
**Income Statement**

<b>FYE Dec (RM m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
<b>Revenue</b>	<b>9554.6</b>	<b>11060.8</b>	<b>15814.4</b>	<b>15899.9</b>	<b>15507.1</b>
<b>Gross Profit</b>	<b>1499.8</b>	<b>1639.5</b>	<b>2216.3</b>	<b>2496.3</b>	<b>2202.0</b>
<b>EBITDA</b>	<b>835.8</b>	<b>885.8</b>	<b>1281.0</b>	<b>1616.5</b>	<b>1435.4</b>
Depreciation & Amortisation	374.1	343.5	340.6	362.1	474.4
<b>EBIT</b>	<b>461.8</b>	<b>542.2</b>	<b>940.4</b>	<b>1254.3</b>	<b>961.0</b>
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
<b>Pre-tax Profit</b>	<b>400.7</b>	<b>482.8</b>	<b>896.5</b>	<b>1210.3</b>	<b>904.8</b>
Tax	77.7	-32.9	218.6	290.5	217.2
<b>Profit After Tax</b>	<b>478.4</b>	<b>449.9</b>	<b>1115.1</b>	<b>1500.8</b>	<b>1122.0</b>
Minority Interest	48.5	177.6	193.0	193.0	193.0
<b>Net Profit</b>	<b>429.9</b>	<b>272.3</b>	<b>922.1</b>	<b>1307.9</b>	<b>929.0</b>
Exceptionals	0.0	0.0	0.0	-218.1	0.0
<b>Core Net Profit</b>	<b>429.9</b>	<b>272.3</b>	<b>922.1</b>	<b>1089.8</b>	<b>929.0</b>

**Key Ratios**

<b>FYE Dec (RM m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
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**

<b>FYE Dec (RM m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
<b>Unit Sold:</b>					
Toyota/Lexus	59320.0	72394.0	101035.0	909315	772918
Perodua	220154.0	1902910	282019.0	296120.0	293158.8
Capex as % sales	13.8%	9.1%	6.0%	7.6%	6.8%

**Valuations**

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

Source: Company, Apex Securities

**Balance Sheet**

<b>FYE Dec (RM m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
<b>Cash</b>	<b>2050.9</b>	<b>2941.4</b>	<b>2808.1</b>	<b>2482.3</b>	<b>2317.5</b>
Receivables	1187.7	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
<b>Total Current Assets</b>	<b>5991.8</b>	<b>6380.0</b>	<b>6365.4</b>	<b>6057.3</b>	<b>5811.1</b>
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
<b>Total Non-current assets</b>	<b>5455.4</b>	<b>5792.7</b>	<b>6051.7</b>	<b>6890.6</b>	<b>7466.6</b>
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
<b>Total Current Liabilities</b>	<b>4738.5</b>	<b>5114.8</b>	<b>4942.0</b>	<b>4890.4</b>	<b>4867.5</b>
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
<b>Total Non-current Liabilities</b>	<b>291.5</b>	<b>295.4</b>	<b>335.1</b>	<b>335.1</b>	<b>335.1</b>
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
<b>Equity</b>	<b>6417.2</b>	<b>6762.5</b>	<b>7140.0</b>	<b>7722.4</b>	<b>8075.0</b>

**Cash Flow**

<b>FYE Dec (RM m)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23F</b>	<b>FY24F</b>
<b>Pre-tax profit</b>	<b>400.7</b>	<b>482.8</b>	<b>896.5</b>	<b>1210.3</b>	<b>904.8</b>
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
<b>Operating cash flow</b>	<b>946.3</b>	<b>261.4</b>	<b>1195.3</b>	<b>949.9</b>	<b>957.8</b>
Net capex	-1320.2	-1008.1	-947.8	-1201.0	-1050.4
Others	1209.7	1392.9	1007.4	0.0	0.0
<b>Investing cash flow</b>	<b>-110.5</b>	<b>384.8</b>	<b>59.6</b>	<b>-1201.0</b>	<b>-1050.4</b>
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
<b>Financing cash flow</b>	<b>-237.5</b>	<b>39.4</b>	<b>-1534.6</b>	<b>-74.6</b>	<b>-72.2</b>
<b>Net cash flow</b>	<b>598.3</b>	<b>685.6</b>	<b>-279.7</b>	<b>-325.8</b>	<b>-164.8</b>
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
<b>Ending cash</b>	<b>2050.9</b>	<b>2941.4</b>	<b>2808.1</b>	<b>2482.3</b>	<b>2317.5</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

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**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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