

28 August 2019

UMW Holdings Bhd

1H19 Within Our Expectation

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1H19 core PATAMI of RM197.2m (+6% YoY) came in within our expectation at 53%, but below consensus' at 45%, of the full-year estimate. For 1Q19, UMW Toyota Motor sales registered 31,456 units (-1%), affected by the lower commercial segment sales, whereas Perodua's sales were at 121,743 units (+4%). No changes to our FY19-20E CNP and TP of RM5.45 based on 14x FY20E EPS. Maintain MP.

1H19 within our expectation. 1H19 core PATAMI of RM197.2m (+6% YoY) came in within our expectation at 53%, but below consensus expectation at 45%, of the full-year estimate. No dividend was declared for the quarter, as expected.

YoY, 1H19 core PATAMI rose 6% mainly due to higher turnover (+8%) from: (i) higher Automotive revenue (+7%) with UMW Toyota Motor sales at 31,456 units (-1%) skewed toward passenger vehicles, (ii) higher M&E segment revenue (+39%) which returned to the black from losses of RM3.4m to a profit of RM15.6m due to the ramping up of fan case production by the Aerospace sub-segment, as well as (iii) better performance of associate and joint-venture company (+27%), especially from 38%-owned Perodua, which recorded higher unit sales at 121,743 units (+4%). All these more than offset (i) higher depreciation (+71%) largely from the new Bukit Raja Plant, (ii) higher effective tax rate of 20.6% (1H18:14.7%), and (iii) lower Equipment profit contribution (-6%) on lower sales of heavy equipment (i.e Komatsu).

QoQ. 2Q19 core PATAMI rose 9% mainly from: (i) higher Automotive sales (+22%) from the stronger UMW Toyota Motor's QoQ sales of 14,658 units (+27%) boosted by the roll-out of the all-new Toyota Vios and Toyota Yaris, (ii) higher M&E segment revenue (+3%), due to the ramping up of fan case production by the Aerospace sub-segment, and (iii) better performance of associate and joint-venture company (+16%), especially from 38%-owned Perodua, which recorded higher unit sales of 61,123 units (+1%). Note that, 2Q19 sales (70% of total sales) largely came from the combination of all-new Toyota Vios (launched on 24th January 2019), all-New Toyota Yaris (launched on 19th April 2019) and supported by Toyota Hilux.

Outlook. UMW Toyota targeted higher 2019 sales at 75k units (+15%) for Toyota and Lexus models. UMW has launched the all-new Toyota Vios (RM78-88k) on 24th January 2019, all-New Toyota Yaris (RM72-84k) on 19th April 2019 and will be launching the all-New Toyota Corolla Altis and A90 Toyota GR Supra (CBU by 2H19). Elsewhere, 38%-owned Perodua is targeting higher 2019 sales of 235k units (+3.4%), from the all-new MyVi and ARUZ. For Equipment division, the group will continue to leverage on its partners (KOMATSU & TICO)'s strengths, while UMW Aerospace is expected to reach breakeven level by FY20.

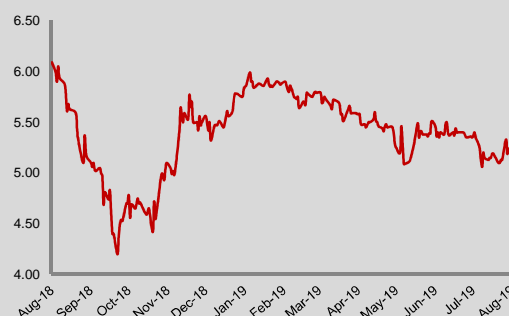
Maintain MARKET PERFORM with Target Price of RM5.45 based on 14x FY20E EPS (at -1.0SD of its 5-year historical mean PER). We expect overall Toyota unit sales to be affected by the weak commercial segment sales (c.30% of sales), but mitigated by the stronger volume-driven passenger vehicles sales.

Risks to our call include: (i) lower-than-expected car sales volume, and (ii) unfavourable forex.

MARKET PERFORM ↔

Price: RM5.04
Target Price: RM5.45 ↔

Share Price Performance



KLCI	1,590.84
YTD KLCI chg	-5.9%
YTD stock price chg	-7.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK Equity
Market Cap (RM m)	5,888.2
Shares Outstanding	1,168.3
52-week range (H)	6.08
52-week range (L)	4.20
3-mth avg daily vol:	382,440
Free Float	40%
Beta	0.6

Major Shareholders

Skim Amanah Saham Bumiputera	41.1%
Employees Provident Fund	11.2%
Yayasan Pelaburan Bumiputera	7.8%

Summary Earnings Table

FY Dec (RM m)	2018A	2019E	2020E
Turnover	11,306.3	11,987.1	12,822.2
EBIT	522.9	557.2	701.5
PBT	786.2	847.2	1,029.0
PATAMI	341.7	374.6	455.0
CNP	379.7	374.6	455.0
Consensus NP	-	438.4	492.6
Earnings Revision	-	-	-
Core EPS (sen)	32.5	32.1	38.9
C.EPS growth (%)	135.5	-1.3	21.5
NDPS (sen)	7.5	7.5	7.5
BVPS (RM)	2.85	3.09	3.41
Core PER (x)	15.5	15.7	12.9
PBV (x)	1.8	1.6	1.5
Net Gearing (x)	0.5	0.3	0.2
Net Div. Yield (%)	1.5	1.5	1.5

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Result Highlight

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
Turnover	2,966.0	2,774.8	7%	2,919.1	2%	5,740.8	5,334.5	8%
Associates and JV	76.1	65.6	16%	55.7	37%	141.8	112.0	27%
EBIT/LBIT	222.4	159.9	39%	322.1	-31%	382.3	490.3	-22%
PBT/(LBT)	179.1	140.7	27%	317.7	-44%	319.8	472.0	-32%
Taxation and Zakat	(36.3)	(29.5)	-23%	(39.6)	8%	(65.8)	(69.2)	5%
PATAMI	84.2	86.5	-3%	124.4	-32%	170.7	198.5	-14%
Core PATAMI	102.9	94.3	9%	(39.1)	363%	197.2	186.5	6%
Core EPS (sen)	8.8	8.1	9%	(3.4)	363%	16.9	16.0	6%
DPS (sen)	-	-	-	-	-	-	-	-
EBIT/(LBIT) margin	7.5%	5.8%		11.0%		6.7%	9.2%	
PBT/(LBT) margin	6.0%	5.1%		10.9%		5.6%	8.8%	
Core NP/ (NL) margin	3.5%	3.4%		-1.3%		3.4%	3.5%	
Effective tax rate	20.3%	20.9%		12.5%		20.6%	14.7%	

Source: Company, Kenanga Research

Segmental Breakdown

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM'm)	FY19	FY19	Chg	FY18	Chg	FY19	FY18	Chg
Revenue	2,966.0	2,774.8	6.9%	2,919.1	1.6%	5,740.8	5,334.5	7.6%
Automotive	2,386.4	2,162.5	10.4%	2,382.7	0.2%	4,549.0	4,259.7	6.8%
Equipment	343.6	382.8	-10.2%	365.9	-6.1%	726.5	739.0	-1.7%
M&E	244.5	237.1	3.1%	178.3	37.1%	481.6	346.8	38.9%
Others	(8.5)	(7.7)	N.M	(7.8)	-9.5%	(16.2)	(10.9)	N.M
Segment PBT/(LBT)	179.1	140.7	27.3%	317.7	-43.6%	319.8	472.0	-32.2%
Automotive	151.1	124.2	21.6%	142.4	6.1%	275.3	268.4	2.6%
Equipment	35.5	42.2	-15.9%	37.8	-6.2%	77.6	82.7	-6.2%
M&E	13.2	2.3	468.2%	(0.5)	>100%	15.6	(3.4)	>100%
Others	(20.7)	(28.0)	N.M	137.9	N.M	(48.7)	(41.8)	N.M
Segment Margin								
Automotive	6.3%	5.7%		6.0%		6.1%	6.3%	
Equipment	10.3%	11.0%		10.3%		10.7%	11.2%	
M&E	5.4%	1.0%		-0.3%		3.2%	-1.0%	
Others	N.M	N.M		N.M		N.M	N.M	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliance	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%) 1-Yr. Fwd.	Target Price (RM)	Rating	
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.					
STOCKS UNDER COVERAGE																			
BERMAZ AUTO BHD	2.31	2,683.3	Y	04/2020	2.9%	0.5%	0.7%	2.0%	10.1	10.0	9.8	4.7	4.4	45.1%	8.5%	3.00	OP		
DRB-HICOM BHD	2.57	4,968.4	Y	12/2019	-33.3%	63.8%	-4.8%	77.1%	27.2	28.5	16.1	0.7	0.7	2.6%	1.2%	2.60	UP		
MBM RESOURCES BERHAD	4.17	1,630.0	Y	12/2019	-3.7%	0.3%	13.0%	2.5%	9.8	8.7	8.5	1.0	0.9	11.4%	2.9%	4.40	MP		
SIME DARBY BERHAD	2.11	14,349.8	Y	06/2019	4.1%	4.4%	-9.4%	15.4%	15.1	16.7	14.4	1.0	1.0	5.8%	4.7%	2.20	MP		
TAN CHONG MOTOR HOLDINGS BHD	1.47	959.4	Y	12/2019	-13.1%	1.0%	-26.1%	13.4%	9.1	12.3	10.9	0.4	0.3	2.8%	2.7%	1.40	MP		
UMW HOLDINGS BHD	5.04	5,888.2	Y	12/2019	6.0%	7.0%	-1.3%	21.5%	15.5	15.7	12.9	1.8	1.6	10.8%	1.5%	5.45	MP		
Simple Average					-8.6%	14.0%	-5.3%	22.1%	14.3	15.3	12.0	1.6	1.5	13.5%	4.0%				
CONSENSUS NUMBERS																			
APM AUTOMOTIVE HOLDINGS BHD	2.40	469.3	Y	12/2019	-1.1%	3.7%	2.9%	4.7%	12.2	11.9	11.3	0.4	0.4	3.0	0.1	2.63	SELL		
PECCA GROUP BHD	1.13	207.2	Y	06/2020	2.1%	5.0%	8.3%	5.0%	12.5	11.5	11.0	1.2	1.2	10.6	0.1	1.31	BUY		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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