UMW Holdings Berhad

(9679 | UMWH MK) Main | Industrial Products & Services

***Maintain* BUY**

A record breaking 2022

***Unchanged* Target Price: RM5.00**

DEVELOPMENT

- Based on preliminary indications, UMW Group announced record sales for 2022.
- We are positive on this latest development.
- Signals potential upside to our numbers.

OUR VIEW

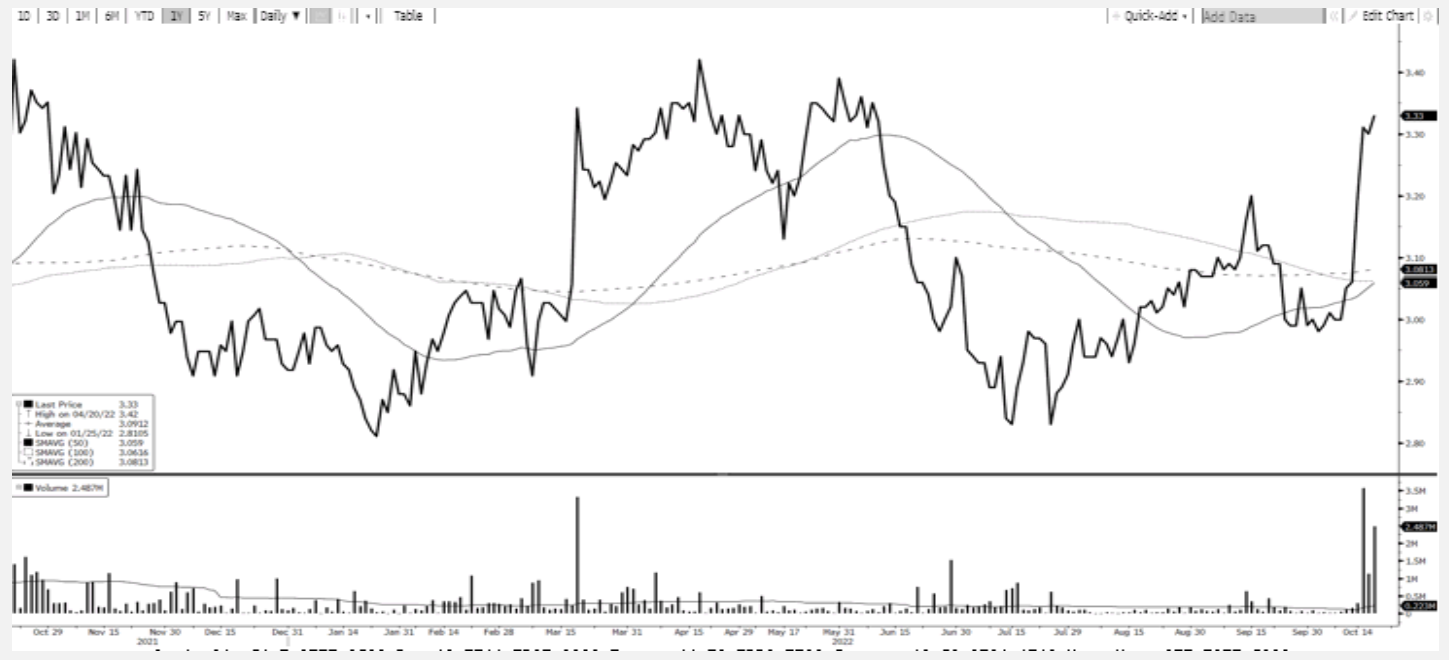
- **Strong outperformance in 2022.** Based on preliminary indications, the UMW group registered record monthly sales of 41,664 units in December 2022. Perodua registered 31,224 sales (+4.9%yoy) in December, bringing full year 2022 sales to 282,019 units (+42%yoy), while UMW Toyota (UMWT) delivered 10,440 units (+35%yoy), which brought its 2022 sales to 101,035 units (+14%yoy). These numbers are 11% and 12% ahead of our 2022 projections.
- **Large order backlog**. UMW's order backlog remains solid. As of December 2022, UMWT had >60K of backlog orders, equivalent to 7-8 months of its monthly TIV. Meanwhile, Perodua had >200K backlog orders, equivalent to ~9 months of its monthly TIV. Around half of the backlog comprise of post-SST holiday bookings and remained largely unchanged vs. levels in the prior 3-4 months despite a pickup in deliveries, signalling still strong underlying demand. The strong order backlog should provide good revenue visibility moving into FY23.
- **New models slated for 2023**. UMW also indicated of potential 2023 introduction of: (1) A second hybrid model after the Corolla Cross hybrid, (2) A battery electric vehicle (BEV) – we believe this could be the BZ4x crossover BEV. Another model that is overdue for a replacement is the group's bread-and-butter Vios model (B-segment sedan), which is one of the group's largest volume driver accounting for around a third of UMWT TIV, on our estimate. The new generation Vios has already been launched in Thailand and Indonesia throughout 2022 and we would expect the local market to follow suit. Perodua meanwhile, is expected to introduce the 2nd generation Axia this year – the Axia is Perodua's 3rd largest volume driver accounting for ~20% of Perodua TIV.
- **We maintain our BUY call on UMW** with unchanged SOP-derived **TP of RM5.00.** UMW has been a sector laggard, currently trading at a deep 30% discount to historical mean. We like UMW: (1) As a proxy to the sector recovery – 52% market share via Perodua and Toyota, (2) The stronger Ringgit provides tailwind for the group, particularly UMWT operations which imports kits and CBUs in USD – every 1% change in the USD impacts FY23F earnings by 3.7%, (3) A re-acceleration of new launches, (4) Strong order backlog underpins 2023 prospects, (5) UMW Aerospace as an indirect play into air travel recovery, (6) A more aggressive stance on dividend payout capitalising on its strong net cash position of RM1.1b (26% of market cap).

INVESTMENT STATISTICS

Annual Standardized Year end 31 December	2019A	2020A	2021A	2022E	2023F
Revenue	11,739.1	9,554.6	11,060.8	12,629.4	12,242.4
Operating Profit	332.6	257.7	274.2	649.0	522.7
Profit Before Tax	754.8	400.7	482.8	852.1	772.5
Reported Earnings	454.4	204.6	268.2	393.5	397.4
Core Earnings	266.3	240.9	196.8	393.5	397.4
Core EPS	22.8	20.6	16.8	33.7	34.0
DPS	6.0	4.0	5.8	13.5	13.6
Dividend Yield (%)	1.6	1.1	1.5	3.5	3.6

Source: Company, MIDFR

SHARE PRICE CHART



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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology