



# UWC Berhad

## Recovery prospects brighten

Bloomberg: UWC MK | Stock Code: 5292

Main Board  
Technology  
HOLD

TP: RM3.72  
Last Closing Price: RM3.72  
Initiated Price: RM3.25

### Valuation / Recommendation

Results were below expectations, achieving 70.9% and 50.9% of our full year revenue and profit forecasts for FY23 respectively. The deviation was due to revenue decline (qoq: -16.3%, yoy: -63.2%) from the cyclical downturn of the semiconductor industry, as well as a reduction in GP margin (34.8% in FY23 from 65.7% in FY22).

We maintain a HOLD recommendation on UWC with a TP of RM3.72 based on FY24F EPS 6.6 sen and a PE of 56.3x. We like the stock for its attractive growth prospects, well-positioned to leverage on the growing semiconductor industry which is forecasted by IDC to grow at a 5-year CAGR of 4.93% from 2021 to 2026.

### Investment Highlights

**Moving towards a higher value chain.** We think that there is room for margin improvements due to the company's strategy of moving towards a higher value chain and providing additional services and value add to its customers. The company has also secured 2 models each for front-end assembly of control boxes, EV testers, and wafer aligners.

**Flat order book.** The company has an order book of around RM120m as of Sep 2023 (69.5% semiconductor industry, 23.5% life science and medical industry, 7.0% others).

**Capacity expansion.** The company has acquired a 12.1-acre land in Batu Kawan and plans to build a new factory with a built-up area of approximately 500k sq ft, which will increase its total floor space to more than 1 million sq ft. Phase 1 (100k sq ft) of the factory is expected to complete within Q1 2024 to be utilised as a warehouse, whereas phase 2 is expected to be ready by the end of 2024. Approximately RM200m worth of capex will be allocated for this plant, equally utilised across the next 3 years.

Bulk of the space will be utilised for the semiconductor segment, catered for customers from the front-end. We think that with the completion of the 4th plant in FY24, the company is well-positioned to leverage on the growing world semiconductor market which is forecasted by IDC. A 30k sq ft mezzanine floor is also built in its 2nd existing plant to expand its current capacity, expected to house 4 to 5 CNC machines. The company is also looking to acquire more land going forward in order to expand its capacity to cater for its existing and pipeline of new customers.

**Risk factor.** (1.) Fluctuation of raw material prices (2.) Labour shortages. (3.) Slower than expected order flows.

Investment Statistics	FY21	FY22	FY23	FY24F	FY25F
Revenue	285.0	345.6	271.7	336.2	394.9
EBITDA (RM m)	126.6	154.6	86.4	117.9	148.5
EBITDA Margin (%)	44.4	44.7	31.8	35.1	37.6
PATMI (RM m)	91.5	106.9	55.0	72.7	97.4
EPS (sen)	8.3	9.7	5.0	6.6	8.8
EPS Growth (%)	58.5	16.8	-48.6	32.2	33.8
BV Per Share (sen)	27.7	36.1	38.3	42.8	49.0
PE (x)	39.7	34.0	67.3	56.3	42.1
Dividend Yield (%)	0.5	0.9	0.5	0.6	0.6
Net Gearing (%)	-22.7	-9.7	-22.4	-30.7	-39.5
ROA	25.5	23.4	11.9	13.1	15.3
ROE	30.0	26.9	13.0	15.4	18.0

#### Business Overview

UWC Bhd is an integrated engineering supporting service provider. The company provides fabrication services involving various processes of working with metal such as cutting, forming, joining and other associated processes. The company serve customers from a diverse range of industries such as, semiconductor, life-science and medical technology and heavy equipment. It also provides assembly services.

#### Stock Return Information

KLCI (pts)	1,418.8
Expected Share Return (%)	0.0
Expected Dividend Yield (%)	0.6
Expected Total Return (%)	0.6

Price Performance	1M	3M	12M
Absolute (%)	6.3	24.8	-4.4
Relative to Index (%)	8.6	21.8	-5.9

#### Stock Return Information

Market Cap (RM m)	4,098.2
Issued Shares (m)	1,101.7
52W High (RM)	4.62
52W Low (RM)	2.70
Estimated Free Float (%)	20.0
Beta vs FBM KLCI	1.29
3-month Average Vol. (m)	20.9

#### Top 3 Shareholders

UWC Capital Sdn Bhd	50.23
Ng Chai Eng	7.54
Lau Chee Kheong	7.49



Source: Mercury Securities, Bloomberg



# Quarter Results & Peer Comparisons

## Quarter Results Comparison (RM m)

FY Dec	4Q23	3Q23	qoq%	4Q22	yoy%
Revenue	40.0	47.7	-16.3	103.1	-61.2
COGS	33.5	39.9	-16.2	56.9	-41.2
Gross Profit	6.5	7.8	-16.9	46.2	-85.9
Other Income	2.3	1.7	32.6	4.4	-49.2
Selling & Distribution Expenses	0.0	0.0	-	0.0	-
Admin Expenses	0.0	0.0	-	0.0	-
Other Operating Expenses	6.9	5.9	17.0	10.9	-37.1
Operating Profit	1.9	3.7	-48.3	39.7	-95.2
Finance Costs	0.1	0.1	6.9	0.1	-6.1
(Impairment losses)/Reversal of impairment losses in trade and other receivable	-0.1	0.3	-131.3	-0.1	-15.8
Profit Before Tax	1.7	3.9	-54.9	39.6	-95.6
Tax Expense	0.2	-0.4	-151.8	9.6	-100.0
Minority Interest	-0.4	-0.4	-4.2	-0.1	-97.7
Net profit	1.9	4.7	-58.9	30.1	278.9
Core net profit	1.9	4.7	-58.9	30.1	-93.6
EPS (sen)	18	43	-58.1	273	-93.4
Core EPS (sen)	18	43	-58.1	273	-93.4

Source: Mercury Securities, Bloomberg

## Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23F	FY24F	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Pentamaster	PENT MK	5.12	3,698.8	173.7	211.0	14.3	18.0	15.9%	25.9%	36.4	29.2
SFP Tech	SFPTECH MK	0.93	2,256.0	59.8	86.7	1.9	3.0	21.8%	57.9%	49.5	31.3
Frontken	FRCB MK	3.15	4,995.6	37.0	27.4	0.1	0.1	13.9%	41.4%	8.3	7.1
Average				90.1	108.4						

Source: Mercury Securities, Bloomberg



## Key Financial Data

<b>PROFIT &amp; LOSS (RM m) FY July</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
Net Revenue	285.0	345.6	271.7	336.2	394.9
Gross Profit	144.1	227.1	94.6	127.8	165.9
Other Operating Income	3.4	8.2	11.6	15.8	19.4
<b>EBIT</b>	<b>113.9</b>	<b>139.0</b>	<b>68.1</b>	<b>92.2</b>	<b>0.0</b>
Administrative Expenses	0.0	61.3	0.0	0.0	0.0
Other Operating Expenses	32.0	33.6	38.3	50.4	59.2
Profit from Operations	115.5	140.4	67.9	93.1	126.0
Interest Expense	0.3	0.3	0.3	0.1	0.1
<b>Profit Before Tax</b>	<b>114.8</b>	<b>139.7</b>	<b>67.9</b>	<b>93.3</b>	<b>126.1</b>
Exceptional Items	-	-	-	-	-
Taxation	23.3	33.0	14.1	20.5	27.7
<b>Profit After Tax (PATMI)</b>	<b>91.5</b>	<b>106.9</b>	<b>55.0</b>	<b>72.7</b>	<b>98.4</b>
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	91.5	106.9	55.0	72.7	98.4
<b>BALANCE SHEET (RM m) FY July</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
Cash & Equivalents	71.7	39.6	95.7	146.7	215.5
Trade & Other Receivables	86.7	173.0	74.8	113.9	123.0
Inventories	53.4	64.3	63.4	80.0	78.8
Other Current Assets	20.9	20.9	54.2	12.6	11.3
<b>Current Assets</b>	<b>232.7</b>	<b>297.8</b>	<b>288.2</b>	<b>353.2</b>	<b>428.5</b>
Property, Plant & Equipment	109.3	112.7	127.4	154.9	155.9
Other Non-Current Assets	17.3	46.9	48.3	49.2	50.3
<b>Non-Current Assets</b>	<b>126.7</b>	<b>159.6</b>	<b>175.7</b>	<b>204.1</b>	<b>206.2</b>
Trade & Other Payables	31.0	38.3	25.6	57.3	64.0
Other Current Liabilities	7.8	6.8	2.2	12.2	14.2
<b>Current Liabilities</b>	<b>40.3</b>	<b>46.2</b>	<b>27.9</b>	<b>70.8</b>	<b>79.7</b>
Other Non-Current Liabilities	13.2	13.7	12.9	14.6	14.3
<b>Non-current Liabilities</b>	<b>14.3</b>	<b>13.7</b>	<b>13.8</b>	<b>15.5</b>	<b>15.2</b>
Share Capital	116.4	119.4	120.2	120.2	120.2
Retained Profits	188.3	276.9	299.9	350.8	419.6
Other Equity	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>304.7</b>	<b>397.5</b>	<b>422.2</b>	<b>471.0</b>	<b>539.8</b>
<b>CASH FLOW (RM m) FY July</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24F</b>	<b>FY25F</b>
Profit Before Tax	114.8	139.7	67.9	93.3	126.1
Depreciation & Amortization	11.5	14.4	17.1	24.5	22.3
Other Operating Cashflow	0.4	2.9	-1.3	-0.2	-0.2
Operating Profit/(Loss) Before Working Capital	126.7	157.1	83.7	117.6	148.2
Changes in Working Capital	-33.0	-89.9	86.3	-23.4	-1.1
Others	-19.5	-33.2	-33.6	-20.6	-27.8
<b>Cashflow from Operations</b>	<b>74.2</b>	<b>34.0</b>	<b>136.4</b>	<b>73.6</b>	<b>119.3</b>
Purchase of PPE	-28.6	-18.4	-31.3	-19.5	-24.5
Other Investing Cashflow	-18.1	-26.9	-14.6	2.7	2.7
<b>Cashflow from Investing Activities</b>	<b>-46.7</b>	<b>-45.3</b>	<b>-45.9</b>	<b>-16.8</b>	<b>-21.8</b>
Dividends Paid	-11.0	-18.4	-32.1	-21.8	-29.5
Other Financing Cashflow	-2.6	-2.4	-2.3	-2.4	-2.4
<b>Cashflow from Financing Activities</b>	<b>-13.6</b>	<b>-20.8</b>	<b>-34.4</b>	<b>-24.2</b>	<b>-31.9</b>

Source: Mercury Securities, Bloomberg



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