



UWC Berhad

Recovery propelled by front-end semiconductors

Bloomberg: UWC MK | Stock Code: 5292

Valuation / Recommendation

Results were below expectations, achieving 13.5% and 6.3% of our full year revenue and profit forecasts for FY24 respectively due to lower revenue caused by the cyclical downturn of the semiconductor market.

We revise our revenue and earnings estimate for FY24F by -3.6% and -9.5% in line with the slowdown of the overall semiconductor industry.

We maintain a HOLD recommendation on UWC with a TP of RM3.28 based on FY25F EPS 8.4 sen and a PE of 39x. We like the stock for its attractive growth prospects, well-positioned to leverage on the growing semiconductor industry which is forecasted by the World Semiconductor Trade Statistics to grow by 13.1% in 2024.

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 new and existing customers. The company has also secured several 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 December 2023 (76.9% semiconductor industry, 23.1% life science and medical industry, 5.9% others). To note, total orders from front-end semiconductors represent 10% of total order book.

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. Bulk of the space will be utilised for the semiconductor segment, catered for customers from the front-end. 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 has also recently completed the construction of its new fabrication site in Kamunting, Taiping, and is looking to acquire more land in the area. UWC aims to centralise fabrication in Taiping, with the Batu Kawan site specialising in high-end assembly projects.

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	323.9	417.4
EBITDA (RM m)	126.6	154.5	87.0	104.0	111.3
PATMI (RM m)	91.5	106.9	55.5	65.8	93.1
EBITDA Margin (%)	44.4	44.7	32.0	32.1	26.7
EPS (sen)	8.3	9.7	5.0	6.0	8.4
EPS Growth (%)	58.5	16.8	-48.1	18.4	41.5
BV Per Share (sen)	27.7	36.1	38.3	43.8	50.0
PE (x)	39.7	34.0	65.5	55.3	39.1
Dividend Yield (%)	0.5	0.9	0.9	0.5	0.6
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA	25.5	23.4	12.0	11.6	13.8
ROE	30.0	26.9	13.2	13.6	16.9

Main Market
Technology
HOLD
TP: RM3.28
Last Closing Price: RM3.51
Initiated Price: RM3.25

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 Information

KLCI (pts)	1,450.8
Expected Share Return (%)	-6.6
Expected Dividend Yield (%)	0.6
Expected Total Return (%)	-6.0

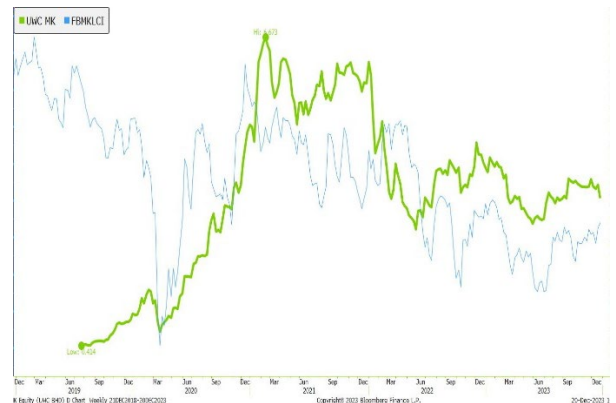
Price Performance	1M	3M	12M
Absolute (%)	-5.8%	-9.1%	-15.8%
Relative to FBMKLCI (%)	-5.3%	-9.6%	-15.3%

Stock Return Information

Market Cap (RM m)	3,745.7
Issued Shares (m)	1,101.7
52W High (RM)	4.33
52W Low (RM)	2.70
Estimated Free Float (%)	19.6
Beta vs FBM KLCI	1.33
3-month Average Vol. (m)	15.94

Top 3 Shareholders

UWC Capital Sdn Bhd	50.23
EPF	7.69
Ng Chai Eng	7.54



Source: Mercury Securities, Bloomberg



Quarter Results & Peer Comparisons

Quarter Results Comparison (RM m)

FY Dec			QOQ%		YOY%
Revenue	45.5	40.0	13.7	92.1	-50.7
COGS	33.4	28.8	16.2	46.2	-27.7
Gross Profit	12.1	11.2	7.5	46.0	-73.8
Other Income	4.8	2.3	111.7	6.0	-20.3
Depreciation expenses	4.7	4.7	0.3	4.4	8.3
Other Operating Expenses	6.9	6.9	0.7	10.1	-31.7
Operating Profit	5.2	1.9	174.8	37.5	-86.1
Finance Income	0.8	2.9	-70.9	0.2	300.5
Finance Costs	0.1	0.1	-4.8	0.1	-16.9
(Impairment losses)/Reversal of Impairment Losses in Trade and Other Receivables	-0.3	-0.1	225.9	0.1	-425.9
Profit Before Tax	5.7	4.7	22.8	37.7	-84.9
Tax Expense	0.8	0.2	285.3	8.3	-89.9
Minority interest	0.3	0.4	-21.5	0.0	775.7
Net profit	4.6	4.0	13.2	29.4	-84.5
Core net profit	4.6	4.0	13.2	29.4	-84.5
EPS (sen)	0.4	0.4	13.2	2.7	-84.5
Core EPS	0.4	0.4	13.2	2.7	-84.5

Source: Mercury Securities, Bloomberg



Key Financial Data

PROFIT & LOSS (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Net Revenue	285.0	345.6	271.7	323.9	417.4
Gross Profit	127.0	138.3	112.9	136.1	183.7
Other Operating Income	3.4	10.7	6.7	9.7	13.4
EBIT	113.9	139.0	68.7	81.6	110.1
Other Operating Expenses	15.3	8.9	51.6	64.8	87.7
Profit from Operations	115.1	140.0	67.9	81.0	109.4
Interest Income	0.0	0.0	2.9	3.0	3.1
Interest Expense	0.3	0.3	0.3	0.3	0.3
Profit Before Tax	114.8	139.7	70.8	83.7	112.2
Exceptional Items	-	-	-	-	-
Taxation	23.3	33.0	14.0	16.7	18.0
Minority Interests	0.0	0.0	1.2	1.2	1.2
Profit After Tax (PATMI)	91.5	106.9	55.5	65.8	93.1
Preferred Dividends / Adjustments	-	-	-	-	-
Recurring Net Profit	91.5	106.9	55.5	65.8	93.1
BALANCE SHEET (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Cash & Equivalents	71.7	39.6	95.7	141.8	206.9
Trade & Other Receivables	86.7	173.0	74.8	95.8	112.6
Inventories	53.4	64.3	63.4	64.9	81.9
Other Current Assets	20.9	20.9	54.2	28.8	21.4
Current Assets	232.7	297.8	288.2	331.2	422.8
Property, Plant & Equipment	109.3	112.7	127.4	188.3	201.4
Other Non-Current Assets	17.3	46.9	48.3	49.2	49.2
Non-Current Assets	126.7	159.6	175.7	237.4	250.5
Trade & Other Payables	31.0	38.3	25.6	32.5	58.1
Other Current Liabilities	9.3	7.9	2.3	14.0	15.0
Current Liabilities	40.3	46.2	27.9	46.5	73.1
Long-Term Borrowings	1.1	0.0	0.9	0.9	0.9
Other Non-Current Liabilities	13.2	13.7	12.9	38.8	48.9
Non-Current Liabilities	14.3	13.7	13.8	39.7	49.8
Share Capital	116.4	119.4	120.2	120.2	120.2
Reserves	188.3	276.9	299.9	345.9	411.1
Other Equity	0.0	0.0	0.0	15.1	18.0
Total Equity	304.7	397.5	422.2	482.4	550.5
CASH FLOW (RM m) FY Dec	FY21	FY22	FY23	FY24F	FY25F
Profit Before Tax	114.8	139.7	70.8	83.7	112.2
Other Operating Cash Flow	12.0	17.7	14.5	18.0	-2.4
Changes in Working Capital	-33.0	-89.9	84.1	-15.5	129.1
Tax paid	-19.4	-33.0	-33.6	-16.7	-18.0
Cash Flow from Operations	74.2	33.5	136.4	69.2	220.8
Purchase of PPE	-28.6	-18.4	-31.3	-50.0	-40.0
Cash Flow from Investing	-46.7	-45.3	-43.7	-47.0	-36.9
Dividends paid	-11.0	-32.1	-32.0	-19.7	-27.9
Cash Flow from Financing	-13.6	-34.5	-34.4	-22.1	-30.3



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Source: Mercury Securities, Bloomberg



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