

OUR PERFORMANCE



EQUIPMENT

Equipment Division's key initiatives launched during the pandemic yielded results in 2022

UMW Equipment Division distributes leading equipment products from world-renowned brands. Its Industrial Equipment and Heavy Equipment segments serve a wide range of industries including warehousing, logistics, construction, mining, agriculture, and logging. Its other segment, Industrial Power, provides solutions and customised compression, power generation, and marine propulsion.

The COVID-19 pandemic and the repercussions of extended lockdowns prolonged a period of uncertainty. However, Equipment Division's markets rebounded in 2022. This was despite continuing challenges, evolving economic landscape and transforming business environment that prevailed globally. Additionally, the Division had to



factor in rapidly rising stakeholder expectations related to environmental and sustainability considerations.

To date, the Equipment Division has been able to maintain the largest market share for Industrial Equipment in the material handling business in Malaysia. We also have strong presence in Singapore, Vietnam and China, with extensive sales coverage. UMW is one of the largest fleet management companies with around 10,000 rental units for material handling.

Equipment Division's key initiatives launched during the pandemic yielded results in 2022 via strong product line-up, principals' support, and wide distribution networks.

The Industrial Equipment segment has embarked on lean logistics management internally and externally to deliver beyond traditional products and solutions. As for the Heavy Equipment segment, higher commodity prices are spurring growth in infrastructure development, agriculture and resource mining.



KEY PERFORMANCE HIGHLIGHTS

REVENUE

(RM million)

1,528.0

2021: 1,313.4

PROFIT BEFORE TAX (PBT)

(RM million)

152.8

2021: 107.0

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2022

The Equipment Division notably improved its performance from the previous year. In 2022, the Equipment Division's revenue improved by 16.3%, recording RM1,528.0 million, as compared to RM1,313.4 million in 2021. Its PBT rose to RM152.8 million, a 42.8% increase from 2021. This was mainly due to the economy reopening and a sharp increase in revival of delayed projects and start-up of new infrastructure projects.

The Equipment Division's growth strategy, in line with the Group's CREST@UMW aspirations, focuses on exploring ways to help customers address emerging economic and sustainability concerns. Partnerships are fostered for a more collaborative approach through consultative marketing, to identify customers' pain points in order to offer solutions.

To remain resilient when stretched by unprecedented challenges, since 2020 the Division has initiated and activated continuous improvement programmes. The purpose of these programmes is to brainstorm for new improvements, ideas and products, covering aspects such as strategy, processes, organisation and technology. In off-site workshops staff confer about pertinent issues like enhancements, increased revenue and raising productivity. By prioritising with focus, more than 30 key projects were identified and executed in 2022. Moreover, each year projects have been rapidly implemented to enhance revenue, profit and productivity.

Launching and implementing CREST@UMW during the COVID-19 pandemic facilitated the Division's growth. Working as a team has been pivotal in ensuring the Division's optimal performance, with considerable contribution from both internal and external members. To further enhance team engagement, a variety of training programmes were conducted. In embodying two (2) key CREST@UMW pillars, Customer and Excellence, prioritising excellent service and customer satisfaction remains at the centre of strategic and operational decisions.

To further affirm and deliver on its unwavering commitment to customers, on 25 October 2022 the Division officially launched its new integrated customer centre in Kota Kemuning, Shah Alam. A significant milestone, the Equipment Division Customer Centre (EDCC) is a one-stop centre for customers to explore and appreciate its products, automation solutions and services. Other than housing service centres for its heavy equipment, industrial equipment and industrial power businesses, EDCC is also a parts warehouse and an equipment service-and-repair centre.

The Equipment Division HQ will be moving to the green-rated HVM Park in Serendah, Selangor in 2023.

ACHIEVEMENTS

INDUSTRIAL EQUIPMENT

The Industrial Equipment segment steadily recovered throughout 2022, as economies around the world reopened, stimulating logistics activities. Pent-up demand also assured new orders, while back-orders were fulfilled.

A series of successful marketing campaigns was launched to maximise opportunities during the year. One of the main campaigns entailed working together with principals on existing clients' fleet management renewals. Pandemic-induced lapses in renewals and ageing fleets meant an opportunity arose to work with certain used equipment dealers or rental companies to renew fleets.

As one of the largest fleet management companies, the segment's business grew in sectors such as food & beverage, logistics, and warehousing. Being number one in the Malaysian material handling market since 1975, the segment's vast experience and long-standing reliability have earned customers' trust with customised solutions. Future trends in this field are moving towards outsourcing material handling departments, allowing customers to concentrate on their core activities.

UMW's Sustainability Roadmap was initiated to intensify ESG impact, stemming from 50 years of experience in offering battery-operated electric forklifts to the market. The Electrifying Campaign is aimed at converting internal combustion-powered trucks, to further amplify low-carbon sustainability.

Refurbishment programmes for forklifts are also offered to further enhance sustainability aspirations, and to lower carbon footprint.

In 2022, global supply chain issues impacted the business. This segment acted swiftly to counter delivery delays via refurbishing options, maintenance packages, mixed fleet rentals and used trucks to tide customers over this period.

The Industrial Power segment ventured into the renewable energy sector after securing the distributorship of Innio Jenbacher biogas engine generator. The green technology product generates electricity by consuming palm oil mill effluent gas as fuel, thus reducing carbon emission.



HEAVY EQUIPMENT

In tandem with the resumption of infrastructure projects such as the Pan-Borneo Highway connecting Sabah and Sarawak with Brunei and Kalimantan, Sabah-Sarawak Link Road, Sarawak Coastal Road Network and Sarawak's Second Trunk Road, the demand for high-quality equipment within the segment increased significantly.

Demand attributed to rising commodity prices helped secure several heavy equipment purchases, mainly in Sabah and Sarawak, with some in Peninsular Malaysia. Iron ore prices remained stable, while coal prices escalated due to hostilities in Ukraine. This also led to increases in demand and delivery for all-weather Articulated Dump Trucks (ADT). Favourable crude palm oil (CPO) prices, especially in 2021, resulted in considerable palm tree-planting in 2022, as farmers with foresight planned ahead.

Support from principals such as Komatsu was significant, with the introduction of new hydraulic excavators like the 13-ton model that caters for the agriculture sector. The Heavy Equipment segment was also able to compete effectively, owing to the introduction of 2-line models of 20-ton hydraulic excavators. These allowed customers a choice of machines, suited to specific job applications.

Further customer-centric initiatives were implemented, such as extended warranty of up to five years or 10,000 service metre readings. Parts and service packages provided peace of mind to customers during the extended warranty period. In collaboration with financial institutions, qualified customers' take-up of the Equipment's Deferred Payment Scheme (DPS) was encouraging, with lower capital outlay and a 6-month moratorium on payments.

This segment also introduced a Remanufacturing (REMAN) programme to refurbish large dump trucks from Papua New Guinea (PNG). This programme helped lower costs for customers, as they received virtually brand-new trucks in return.

AWARDS

Heavy Equipment

- Komatsu HD785 Dump Truck REMAN Sales Promotion, Papua New Guinea
- HR Development Award, Myanmar
- Komatsu HM400 Articulated Dump Truck (ADT) Sales Promotion Award, Malaysia
- New Customer Expansion Sales Promotion Award, Singapore



CHALLENGES

Equipment Division's businesses are very dynamic and continually evolving. Despite the pandemic, the many issues and new challenges that constantly arose were viewed positively. Daily enhancements and ways of doing better than before, underpinned by the Kaizen concept, drive the Division's teams to improve, propelling them forward in transformative times.

Overall, the Industrial Equipment segment was beset with supply chain disruptions that led to longer delivery times. Nevertheless, loan units comprising refurbished units and mixed fleet rentals assisted in addressing this global issue.

Among the key challenges for the Heavy Equipment segment in 2022 were stock replenishment delays. These were due to logistics issues linked to delivery of machines from Europe. Fortunately, the Komatsu and Toyota Industries Corporation (**TICO**) production factories are spread around the world, thus making these issues more manageable.

Continued political instability in Myanmar, especially in the first half of 2022, impacted this segment's operating company based there. The political unrest significantly affected the country's overall business environment, impairing performance.

Shortage of manpower and of skilled technical workers further impeded some of the segment's customers' full use of recently purchased machinery. To deal with this issue, assistance was offered through contract options for machinery maintenance.

On the other hand, the second-hand machine market, including refurbished units, is growing. This is expected to reduce the growth potential of new heavy equipment demand in the market.

OUTLOOK

The Equipment Division performed better than anticipated in 2022, yet it envisions the year ahead only with cautious optimism. In 2023, Malaysia's economy is expected to grow moderately by between 4% and 5%. With expected global growth and demand both slowing, growth challenges in Malaysia are predicted to be protracted. The prolonged effects of inflation and gradual rising interest rates in 2023 will be key factors affecting Malaysia's economic growth outlook. Bank Negara Malaysia forecasts that headline inflation is expected to range between 2.8% and 3.3%.

Impact from deglobalisation, arising from geopolitical tensions and the cost of transitioning towards more green economies will further prolong inflationary trends. Other adverse factors to consider include continued supply chain disruptions because of the drawn-out Russia-Ukraine conflict, along with the continuing fragmentation of US-China relations. Foreign exchange volatility and the risks of emergent strains of COVID-19 will need close monitoring. Furthermore, rising raw material prices will result in higher costs, warranting cost optimisation in 2023 as pent-up demand from 2022 wanes.

However, according to the Ministry of Finance (**MoF**) Economic Outlook 2023 report released in February 2023, the construction sector is expected to perform strongly this year.

In 2023, the Heavy Equipment segment will introduce Komatsu's 35-ton model hybrid excavator.

To remain resilient, the Equipment Division continuously tracks aspects such as productivity, returns on assets and returns to shareholders. This is in keeping with the Group's tracking and ratio comparison to constantly gauge yield against its own indices.

Digitalisation and automation efforts will continue, in line with available technological advances and customer needs. With more automated, autonomous and environment-friendly facilities installed, the Division will continue to work closely with principals and partners to deliver innovative products and solutions.