



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

2QFY14

UMW Holdings

Neutral ◀ ▶

In line

Hit by Extraordinary Item

Price:
Target Price:

RM12.28
(-0.7%) RM12.19

Stock Data

Bloomberg Ticker	UMWH MK	Altman Z-score	3.5
Market Cap	14,346.6	YTD price chg	2.7%
Issued shares	1,168.3	YTD KLCIchg	0.3%
52-week range (H)	13.09	Beta	1.1
2-week range (L)	10.44	Major Shareholders	
3-mth avg daily volume	2,197,047	SKIM AMANAH SAHAM	38.8%
Free Float	41.4%	EPF	14.0%
Shariah Compliant	Y	YAYASAN PELABURAN	5.9%
Financial Derivatives	Y		

Share Performance (%)

	1mth	3mth	12mth
Absolute	3.4	13.5	1.9
vs. KLCI	(10.0)	13.2	(10.0)

Consensus

	2014	2015
Net Profit	944.3	1056.7
EPS (sen)	81.1	90.6

Historical Price Ratio (x)

	FY 2011	FY 2012	FY 2013
Price Earnings	16.5	19.1	18.9
Price to Book	2.1	2.7	2.8

Financial Highlights

FYE 31 Dec	2012	2013	2014E	2015E	2016E
Turnover	15890.2	14206.9	14318.7	15072.4	15971.2
EBIT	1858.7	1301.1	1757.4	1889.4	2153.3
Pretax profit	2000.5	1455.2	1921.3	2061.9	2338.5
Net Profit	951.0	681.2	985.5	1040.8	1255.8
Core Net Profit	951.0	681.2	1078.5	1040.8	1255.8
EPS (sen)	81.8	58.6	92.7	89.5	107.9
PER (x)	15.0	21.0	13.2	13.7	11.4
DPS (sen)	31.1	44.2	50.8	53.7	64.8
Div. Yield (%)	2.5%	3.6%	4.1%	4.4%	5.3%
NTA/share (RM)	4.0	5.4	5.9	6.5	8.2

Margins

	2012	2013	2014E	2015E	2016E
EBIT margin	11.7%	9.2%	12.3%	12.5%	13.5%
Pretax margin	12.6%	10.2%	13.4%	13.7%	14.6%
Effective tax rate	23.1%	25.4%	27.7%	29.9%	29.0%
ROE	19.8%	10.7%	14.2%	13.7%	13.1%
ROA	8.0%	4.6%	6.3%	6.1%	6.3%
Net Gearing (x)	5.4	6.5	6.4	10.6	5.1

Growth ratios

	2012	2013	2014E	2015E	2016E
Turnover	17.4%	-10.6%	0.8%	5.3%	6.0%
EBIT	46.0%	-30.0%	35.1%	7.5%	14.0%
Pretax profit	44.8%	-27.3%	32.0%	7.3%	13.4%
Net profit	89.4%	-28.4%	44.7%	5.6%	20.7%

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UMW's 1HFY14 net earnings of RM377.5m were below our forecast mainly due to the provision of loss amounting to RM93m from the disposal of automotive companies in India. Nonetheless if excluding the EI, net profit is actually in line with our estimates. Due to the exceptional loss, its 2Q core net earnings fell marginally by -0.2% MoM and -6.4% YoY. YTD core net earnings remain unchanged at around RM470.5m. This is due to increase revenue across all segments during the quarter. Going forward, we expect the divisions to sustain their momentum for the rest of the year. We maintain our FY14 forecasts and retain our TP at RM12.19 based on SOP valuation. This implies a 13x PER on FY15 earnings. Maintain Neutral.

Within expectations. UMW's 1HFY14 core net earnings of RM470.5m were within our full year forecast making up 47%. Its 2QFY14 revenue of RM3966.8m increased by 10.7% QoQ and 13.4% YoY mainly contributed by improved Toyota vehicles sales namely Vios and Altis models and also overall improvement in other divisions. However, PBT fell -12% QoQ due to higher operating expenses while core net profit decreased marginally by -0.2% QoQ as a result of increased in taxation by 46.7% QoQ.

Looking into the spy glass. The automotive segment is expected to sustain its performance for 2014 with the introduction of new car models such as Toyota Camry 2.OGX variant, Toyota Alphard and Previa. The manufacturing and engineering division is expected to sustain its performance due to better sales of its lubricants and automotive components such as shock absorbers and filters both locally and to China.

Dividend. UMW declared an interim single-tier dividend of 10 sen per share amounting to RM116.8m and to be paid on 8th October 2014.

Valuation. We maintain our FY14 and FY15 forecasts at RM985.5m and RM1040.8m respectively. We have adopted the SOP valuation rolled over to FY15 earnings and obtained a TP of RM12.19. This implies a 13x PER on FY15 earnings. Maintain Neutral recommendation.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	QoQ Chg	YoY Chg	YTD 13	YTD	YTD Chg
Revenue	3499.2	3456.6	3891.8	3583.4	3966.8	10.7%	13.4%	6858.5	7550.2	10.1%
EBIT	334.4	120.7	344.6	439.9	400.9	-8.9%	19.9%	721.1	840.9	16.6%
Pretax profit	443.2	245.6	333.7	479.4	422.1	-12.0%	-4.8%	875.9	901.4	2.9%
Taxation	-101.2	-66.7	-104.0	-87.3	-128.1	46.7%	26.6%	-198.7	-215.4	8.4%
Minority Interest	-91.0	-77.5	-120.6	-156.5	-152.0	-2.9%	67.0%	-206.5	-308.6	49.4%
Net Profit	251.0	101.5	109.1	235.5	142.0	-39.7%	-43.4%	470.7	377.5	-19.8%
Core Net Profit	251.0	101.5	109.1	235.5	235.0	-0.2%	-6.4%	470.7	470.5	0.0%
EPS (sen)	21.5	8.7	9.3	20.2	12.2			40.3	32.3	
Net Gearing (x)	32.3	27.0	6.5	5.1	6.0			32.3	6.0	
EBIT margin (%)	9.6%	3.5%	8.9%	12.3%	10.1%			10.5%	11.1%	
PBT margin (%)	12.7%	7.1%	8.6%	13.4%	10.6%			12.8%	11.9%	
Net profit margin	7.2%	2.9%	2.8%	6.6%	3.6%			6.9%	5.0%	
Effective tax rate (%)	22.8%	27.1%	31.2%	18.2%	30.3%			22.7%	23.9%	

Source: BIMB Securities

Quarterly segmental figures

FY 31 Dec (RMm)	2QFY13	3QFY13	4QFY13	1QFY13	2QFY14	QoQ Chg	YoY Chg	YTD 13	YTD 14	YTD Chg
Revenue										
Automotive	2571.4	2433.3	2866.9	2656.4	2904.4	9.3%	13.0%	4963.5	5560.9	12.0%
Equipment	444.2	410.8	371.1	434.9	453.8	4.3%	2.1%	923.6	888.7	-3.8%
O&G	146.5	205.3	206.1	195.6	238.8	22.1%	62.9%	325.3	434.3	33.5%
Manufacturing &	187.9	188.9	184.0	181.9	188.9	3.8%	0.5%	365.0	370.8	1.6%
Others	176.1	233.9	284.5	130.7	204.9	56.7%	16.3%	329.9	335.6	1.7%
Elimination	-26.9	-15.7	-20.9	-16.2	-23.9	47.6%	-11.3%	-48.7	-40.1	-17.8%
Total	3499.2	3456.6	3891.8	3583.4	3966.8	10.7%	13.4%	6858.5	7550.2	10.1%
PBT										
Automotive	358.1	294.9	390.9	406.6	408.5	0%	14%	726.2	815.1	12.2%
Equipment	51.9	55.6	24.5	39.1	55.1	41%	6%	111.0	94.2	-15.1%
O&G	72.9	54.5	54.5	58.3	66.2	14%	-9%	96.4	124.5	29.2%
Manufacturing &	-2.5	-31.1	-11.6	9.6	11.9	24%	-570%	6.9	21.5	214.5%
Others	-37.2	-128.2	-124.7	-34.2	-119.7	250%	222%	-64.5	-154.0	138.6%
Elimination	0.0	0.0	0.0	0.0	0.0	n.a	n.a	0.0	0.0	n.a
Total	443.2	245.6	333.7	479.4	422.1	-12%	-5%	875.9	901.4	2.9%

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
NEUTRAL	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

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