

## UMW Holdings

UMWH MK / UMWS.KL

▶ **Market Cap**  
**US\$3,938m**  
RM13,202m

▶ **Avg Daily Turnover**  
**US\$4.17m**  
RM13.60m

▶ **Free Float**  
**34.2%**  
1,153 m shares

Current **RM11.30**  
Target **RM12.03**  
Prev. Target **RM12.31**  
Up/Downside **6.5%**

## 3QFY14 RESULTS NOTE

STOCK RATING	
ADD	
<b>HOLD</b>	
REDUCE	

### CIMB Analyst(s)



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### Share price info

Share price perf. (%)	1M	3M	12M
Relative	-4.7	-8.2	-11.4
Absolute	-3.4	-9.3	-9
Major shareholders			% held
Permodalan Nasional Bhd			50.1
EPF			15.7

## Driven by auto and O&G

UMW's 9M14 core net profit made up 71.8% of our full-year forecast and 75% of consensus. We deem this broadly in line, as we expect a stronger performance in 4Q14 mainly from its automotive and oil & gas divisions. A second interim dividend of 15 sen per share was declared, as expected. We make no changes to our EPS forecast. We roll over our valuation to FY16 with a revised RNAV-based target price, but our Hold recommendation remains. A faster turnaround at its equipment segment and improvements in the market value of its O&G division are potential rerating catalysts. Switch to Berjaya Auto for our top pick for the sector.

### Automotive segment the main driver ▶

UMW's core 9M14 net profit grew 6.4% yoy to RM671.7m. The automotive segment and oil & gas divisions, in particular, performed well. The automotive segment's pretax profit jumped 14% yoy to RM1.2bn in 9M14 due to the encouraging sales of Toyota vehicles, mainly driven by Vios and Altis full model change. Toyota's sales volume jumped 17.9% yoy in 9M14, resulting in a 2.3%pt increase in market share to 15.7%. We expect this division to perform strongly in 4Q14, mainly due to the Perodua Axia, which was launched at the end of September and was well received by the market, as proven by the 46% mom surge in Perodua's sales volume in October 2014.

### Equipment segment expected to perform better in 4Q14 ▶

The equipment segment's pretax profit dropped 17% yoy to RM138.6m in 9M14. This was mainly caused by the lower contributions of the overseas operations of the heavy equipment segment due to the continued drop in commodity prices in Papua New Guinea and ongoing suspension of mining activities in Myanmar up to the end of August 2014, but moderated by higher demand for Toyota forklifts in the industrial segment. However, following the lifting of sanctions on jade mining activities on 1 September 2014, we expect this division to deliver a stronger performance in 4Q14.

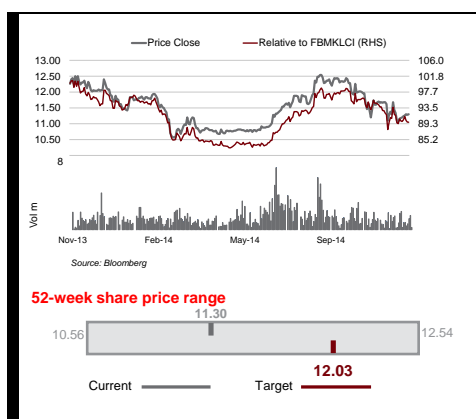
### Manufacturing and engineering sustaining turnaround ▶

The M&E segment performed much better in 9M14 compared to 9M13, by recording a RM20.1m pretax profit in 9M14 vs. a RM24.3m pretax loss in 9M13. This was mainly due to improved operating margin contributions from the lubricant business in China, and impairment of assets in 9M13.

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Results comparison									
FYE Dec (RM m)	3QFY14	3QFY13	yoy %	qoq %	3QFY14	3QFY13	yoy%	Prev.	
			chg	chg	Cum	Cum	chg	FY14F	Comments
Revenue	3,703	3,457	7.1	(6.7)	11,253	10,315	9.1	15,043	Higher revenue mainly from auto and O&G
Operating expenses	(3,319)	(3,270)	1.5	(7.4)	(10,053)	(9,318)	7.9	(13,193)	Consequently higher costs
EBIT	383.9	186.3	106.1	0.3	1,200.2	997.0	20.4	1,850.7	
EBIT margin (%)	10.4	5.4	92.4	7.4	10.7	9.7	10.4	12.3	Within expectation
Interest expense	(12.8)	(21.5)	(40.4)	(36.4)	(58.1)	(69.9)	(16.9)	(101.4)	
Associates' contrib	25.6	62.2	(58.8)	7.4	90.1	140.1	(35.7)	130.6	Lower Perodua sales
Investment income	33.5	18.6	80.2	(5.3)	99.4	54.3	83.0	90.0	
Exceptionals	2.0	(50.1)	>100.0	n.m.	(97.2)	(59.4)	>100.0	0.0	Provision for disposal of investment in India
Pretax profit	430.3	245.6	75.2	1.9	1,331.7	1,121.5	18.7	1,969.9	
Tax	(100.6)	(66.7)	50.9	(21.5)	(316.0)	(265.4)	19.0	(453.3)	Within expectation
Tax rate (%)	24.9	36.4	(31.6)	(22.7)	25.4	27.0	(5.9)	24.6	
Minority interests	(132.7)	(77.5)	71.2	(12.7)	(441.3)	(284.0)	55.4	(582.2)	
Net profit	197.0	101.5	94.2	38.8	574.5	572.1	0.4	935.4	Made up 61% of our full-year forecast
EPS (sen)	16.86	8.68	94.2	38.8	49.17	48.97	0.4	80.06	
Core net profit	195.0	151.5	28.7	(17.1)	671.7	631.5	6.4	935.4	Made up 72% of our full year forecast
Core EPS (sen)	16.69	12.97	28.7	(17.1)	57.49	54.05	6.4	80.06	

SOURCE: CIMB, COMPANY REPORTS



### Financial Summary

	Dec-12A	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue (RMm)	15,864	14,207	15,043	15,654	16,355
Operating EBITDA (RMm)	2,155	1,616	2,177	2,265	2,370
Net Profit (RMm)	994	681	934	1,050	1,144
Core EPS (RM)	0.91	0.59	0.81	0.91	0.99
Core EPS Growth	4.6%	(34.8%)	37.2%	12.4%	8.9%
FD Core P/E (x)	12.48	19.13	13.95	12.41	11.40
DPS (RM)	0.50	0.44	0.60	0.68	0.74
Dividend Yield	4.44%	3.89%	5.35%	6.01%	6.55%
EV/EBITDA (x)	6.87	9.97	7.07	6.76	6.43
P/FCFE (x)	20.99	15.60	13.41	29.27	23.96
Net Gearing	5.39%	5.30%	3.22%	(0.02%)	(3.59%)
P/BV (x)	2.71	2.05	1.98	1.91	1.84
ROE	23.0%	12.2%	14.4%	15.7%	16.5%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.03	1.03	1.02

SOURCE: CIMB, COMPANY REPORTS

### Figure 1: Segmental reporting

	3QFY14 Cum			3QFY13 Cum			revenue chg	PBT chg	Net profit chg
	Revenue	PBT	Net profit	Revenue	PBT	Net profit			
Automotive	8,204	1,159.1	529.3	7,397	1,021.1	493.1	11%	14%	7%
Equipment	1,323.4	138.6	119.8	1,334.4	166.6	132.3	-1%	-17%	-9%
Oil & Gas	688.7	200.4	99.3	530.6	150.9	139.4	30%	33%	-29%
Manufacturing & Engineering	551.0	20.1	8.5	553.9	(24.3)	(30.0)	-1%	-183%	-129%
Others	544.7	(186.4)	(182.4)	563.8	(192.7)	(162.7)	-3%	-3%	12%
Inter-segment elim/exceptionals	(59.3)			(64.4)	0.0	0.0	-8%	n.m	n.m
Total	11,253	1,331.7	574.5	10,315	1,121.5	572.1	9%	19%	0%

SOURCES: CIMB, COMPANY REPORTS

### Figure 2: Segmental profitability

	3QFY14 Cum			3QFY13 Cum			3QFY14 Cum		3QFY13 Cum	
	Revenue	PBT	Net profit	Revenue	PBT	Net profit	PBT margin	Net profit margin	PBT margin	Net margin
Automotive	8,204	1,159.1	529.3	7,397	1,021.1	493.1	14.1%	6.5%	13.8%	6.7%
Equipment	1,323.4	138.6	119.8	1,334.4	166.6	132.3	10.5%	9.1%	12.5%	9.9%
Oil & Gas	688.7	200.4	99.3	530.6	150.9	139.4	29.1%	14.4%	28.4%	26.3%
Manufacturing & Engineering	551.0	20.1	8.5	553.9	(24.3)	(30.0)	3.6%	1.6%	-4.4%	-5.4%
Others	544.7	(186.4)	(182.4)	563.8	(192.7)	(162.7)	-34.2%	-33.5%	-34.2%	-28.9%
Inter-segment elim/exceptionals	(59.3)	0.0	0.0	(64.4)	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	11,253	1,331.7	574.5	10,315	1,121.5	572.1	11.8%	5.1%	10.9%	5.5%

SOURCES: CIMB, COMPANY REPORTS

### Figure 3: RNAV table

RNAV table	FY16 Net profit (RM'm)	target P/E	RNAV (RM'm)
Automotive	761.17	11.00	8,372.82
Oil & gas	55% of UMW-OG market cap		3,828.88
Equipment & manufacturing	185.09	10.00	1,850.89
Others			0.00
Total RNAV			14,052.59
No of shares ('m)			1,168.29
RNAV/share (RM)			12.03

SOURCES: CIMB, COMPANY REPORTS

### Profit & Loss

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
<b>Total Net Revenues</b>	<b>14,207</b>	<b>15,043</b>	<b>15,654</b>	<b>16,355</b>
<b>Gross Profit</b>	<b>1,616</b>	<b>2,177</b>	<b>2,265</b>	<b>2,370</b>
<b>Operating EBITDA</b>	<b>1,616</b>	<b>2,177</b>	<b>2,265</b>	<b>2,370</b>
Depreciation And Amortisation	(315)	(326)	(355)	(382)
<b>Operating EBIT</b>	<b>1,301</b>	<b>1,851</b>	<b>1,910</b>	<b>1,989</b>
Financial Income/(Expense)	(20)	(11)	(5)	5
Pretax Income/(Loss) from Assoc.	174	131	282	349
Non-Operating Income/(Expense)	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>1,455</b>	<b>1,970</b>	<b>2,187</b>	<b>2,343</b>
Exceptional Items	0			
<b>Pre-tax Profit</b>	<b>1,455</b>	<b>1,970</b>	<b>2,187</b>	<b>2,343</b>
Taxation	(369)	(453)	(547)	(586)
Exceptional Income - post-tax				
<b>Profit After Tax</b>	<b>1,086</b>	<b>1,517</b>	<b>1,640</b>	<b>1,756</b>
Minority Interests	(405)	(582)	(590)	(612)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
<b>Net Profit</b>	<b>681</b>	<b>934</b>	<b>1,050</b>	<b>1,144</b>
Recurring Net Profit	681	934	1,050	1,144
<b>Fully Diluted Recurring Net Profit</b>	<b>681</b>	<b>934</b>	<b>1,050</b>	<b>1,144</b>

### Balance Sheet

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Total Cash And Equivalents	2,544	2,445	2,460	2,564
Total Debtors	2,104	1,302	1,354	1,415
Inventories	1,752	1,638	1,705	1,781
Total Other Current Assets	2,331	2,226	2,090	1,988
<b>Total Current Assets</b>	<b>8,731</b>	<b>7,611</b>	<b>7,609</b>	<b>7,748</b>
Fixed Assets	3,893	4,267	4,612	4,930
Total Investments	2,143	2,262	2,381	2,500
Intangible Assets	39	39	39	39
Total Other Non-Current Assets	0	0	0	0
<b>Total Non-current Assets</b>	<b>6,075</b>	<b>6,568</b>	<b>7,031</b>	<b>7,468</b>
Short-term Debt	1,417	1,282	1,160	1,050
Current Portion of Long-Term Debt				
Total Creditors	2,220	1,890	1,966	2,054
Other Current Liabilities	418	727	937	1,146
<b>Total Current Liabilities</b>	<b>4,055</b>	<b>3,899</b>	<b>4,063</b>	<b>4,251</b>
Total Long-term Debt	1,602	1,442	1,298	1,168
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	138	138	138	138
<b>Total Non-current Liabilities</b>	<b>1,741</b>	<b>1,580</b>	<b>1,436</b>	<b>1,306</b>
Total Provisions	34	34	34	34
<b>Total Liabilities</b>	<b>5,830</b>	<b>5,513</b>	<b>5,533</b>	<b>5,591</b>
Shareholders' Equity	6,363	6,584	6,824	7,079
Minority Interests	2,614	2,082	2,283	2,546
<b>Total Equity</b>	<b>8,977</b>	<b>8,665</b>	<b>9,107</b>	<b>9,625</b>

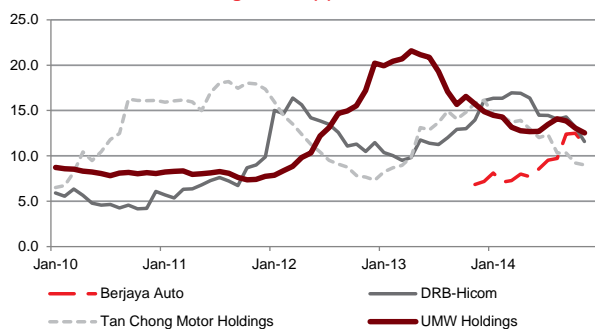
### Cash Flow

(RMm)	Dec-13A	Dec-14F	Dec-15F	Dec-16F
EBITDA	1,616	2,177	2,265	2,370
Cash Flow from Inv. & Assoc.				
Change In Working Capital	(414)	586	(43)	(49)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(82)	2	(15)	(32)
Net Interest (Paid)/Received	(102)	(309)	(224)	(140)
Tax Paid	(381)	(369)	(453)	(547)
<b>Cash Flow From Operations</b>	<b>638</b>	<b>2,086</b>	<b>1,530</b>	<b>1,602</b>
Capex	(950)	(700)	(700)	(700)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	(119)	(119)	(119)	(119)
Other Investing Cashflow	957	0	0	0
<b>Cash Flow From Investing</b>	<b>(111)</b>	<b>(819)</b>	<b>(819)</b>	<b>(819)</b>
Debt Raised/(repaid)	308	(296)	(266)	(239)
Proceeds From Issue Of Shares	1	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(1,052)	(706)	(803)	(883)
Preferred Dividends				
Other Financing Cashflow	102	102	93	85
<b>Cash Flow From Financing</b>	<b>(641)</b>	<b>(899)</b>	<b>(976)</b>	<b>(1,037)</b>
Total Cash Generated	(113)	368	(264)	(253)
<b>Free Cashflow To Equity</b>	<b>836</b>	<b>972</b>	<b>445</b>	<b>544</b>
<b>Free Cashflow To Firm</b>	<b>629</b>	<b>1,369</b>	<b>803</b>	<b>866</b>

### Key Ratios

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
Revenue Growth	(10.4%)	5.9%	4.1%	4.5%
Operating EBITDA Growth	(25.0%)	34.7%	4.0%	4.6%
Operating EBITDA Margin	11.4%	14.5%	14.5%	14.5%
Net Cash Per Share (RM)	(0.41)	(0.24)	0.00	0.30
BVPS (RM)	5.52	5.71	5.92	6.14
Gross Interest Cover	12.75	18.25	20.92	24.14
Effective Tax Rate	25.4%	23.0%	25.0%	25.0%
Net Dividend Payout Ratio	36.7%	51.5%	50.8%	51.5%
Accounts Receivables Days	29.63	26.50	22.73	22.74
Inventory Days	50.42	48.09	45.57	45.61
Accounts Payables Days	39.39	34.97	31.53	31.57
ROIC (%)	21.2%	18.6%	20.9%	21.6%
ROCE (%)	13.1%	16.5%	17.3%	17.7%

### 12-month Forward Rolling FD P/E (x)



### Key Drivers

	Dec-13A	Dec-14F	Dec-15F	Dec-16F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	-9.1%	6.4%	4.4%	4.1%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A

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<b>Score Range:</b>	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
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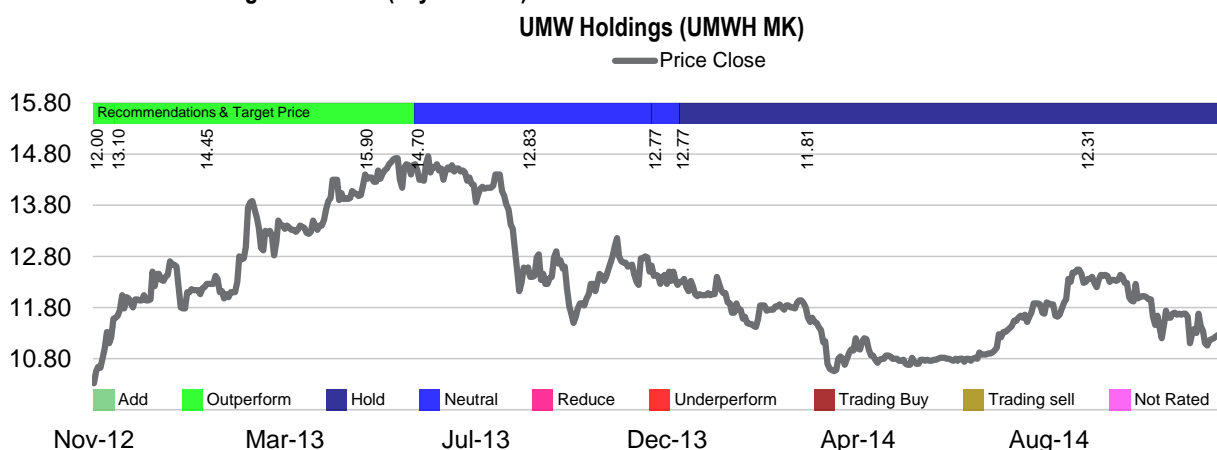
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Distribution of stock ratings and investment banking clients for quarter ended on 30 September 2014		
1552 companies under coverage for quarter ended on 30 September 2014		
	Rating Distribution (%)	Investment Banking clients (%)
Add	54.9%	5.0%
Hold	29.5%	2.3%
Reduce	15.6%	1.0%

**Spitzer Chart for stock being researched ( 2 year data )**



**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2014.**

**AAV** – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good, **BAY** – Very Good, **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENDEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA** – Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

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**Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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