



# BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

**1QFY15**

## UMW Holdings

**Hold** ◀ ▶

**Below**

**Sluggish start**

**Price:**  
**Target Price:**

**RM10.70**  
**(-4.1%) RM10.26**

**Stock Data**

Bloomberg Ticker	UMWH MK	Altman Z-score	2.9
Market Cap	12,500.7	YTD price chg	-2.4%
Issued shares	1,168.3	YTD KLCIchg	0.2%
52-week range (H)	12.68	Beta	1.0
2-week range (L)	10.00	<b>Major Shareholders</b>	
3-mth avg daily volume	1,258,966	ASB	36.4%
Free Float	38.3%	EPF	16.3%
Shariah Compliant	Y	PNB	9.1%
Financial Derivatives	Y		

**Share Performance (%)**

	1mth	3mth	12mth
Absolute	(1.8)	(1.7)	2.7
vs. KLCI	4.6	0.0	4.6

**Consensus**

	2015	2016
Net Profit	906.2	988.2
EPS (sen)	77.2	75.0

**Historical Price Ratio (x)**

	FY 2012	FY 2013	FY 2014
Price Earnings	19.1	18.9	20.1
Price to Book	2.7	2.8	2.1

**Financial Highlights**

FYE 31 Dec	2013	2014	2015E	2016E	2017E
Turnover	13951.5	14932.5	14183.9	14798.6	15538.4
EBIT	1296.5	1432.9	1965.4	1981.3	2013.0
Pretax profit	1435.7	1621.5	2093.2	2105.3	2135.5
<b>Net Profit</b>	<b>652.9</b>	<b>652.0</b>	<b>799.5</b>	<b>912.7</b>	<b>933.8</b>
EPS (sen)	56.1	56.0	68.7	78.4	80.3
PER (x)	19.1	19.1	15.6	13.7	13.4
DPS (sen)	44.2	44.2	41.2	47.1	48.2
Div. Yield (%)	4.1%	4.1%	3.8%	4.4%	4.5%
NTA/share (RM)	5.4	5.6	5.9	7.1	3.1

**Margins**

EBIT margin	9.3%	9.6%	13.9%	13.4%	13.0%
Pretax margin	10.3%	10.9%	14.8%	14.2%	13.7%
Effective tax rate	24.5%	25.2%	35.0%	30.0%	30.0%
ROE	10.4%	9.9%	11.7%	11.0%	0.0%
ROA	4.5%	3.9%	4.7%	4.7%	0.0%

**Growth ratios**

Turnover	-12.2%	7.0%	-5.0%	4.3%	5.0%
EBIT	-30.2%	10.5%	37.2%	0.8%	1.6%
Pretax profit	-28.2%	12.9%	29.1%	0.6%	1.4%
Net profit	-31.3%	-0.1%	22.6%	14.1%	2.3%

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UMW's 1QFY15 net earnings of RM165.2m was below ours and consensus's full year forecasts making only 17.3% and 18.2% respectively. Net earnings decreased 29.9% YTD coming from a decreased in group revenue of 9.6% (RM3240.4m). Top-line and bottom-line were impacted by the lower performance of the Automotive and Manufacturing & Engineering segments. Intense competition in the Automotive industry as well as challenging environment in the Group's other divisions have led us to revise our FY15 and FY16 net earnings forecasts to RM799.5m (-16.4%) and RM912.7m (-20.9%) respectively. Applying SOP computation based on PER of 14x FY15 earnings, we derived a new target price of RM10.26. Maintain HOLD.

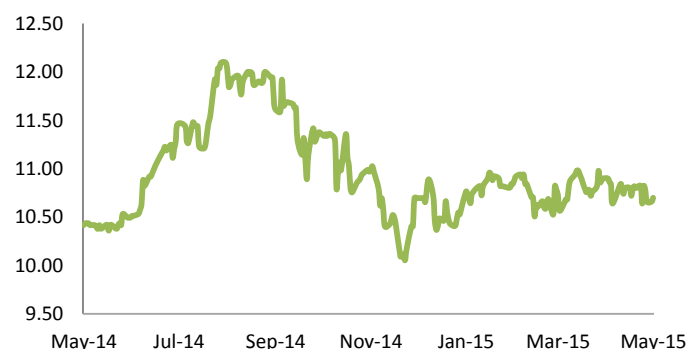
**QoQ.** Revenue decreased by 12.6% QoQ to RM3240.4m from RM3,706.1m. Despite the decline in revenue, net profit increased by 98.6% to RM165.2m from RM83.2m. The increase in net earnings were due to better performance from the Equipment segment and lower net foreign exchange/fair value loss as well as lower asset impairment compared to the previous quarter.

**Dividend.** No interim dividend was declared during the quarter.

**Prospect.** The group anticipate that the Automotive industry will face more intense competition with new model launches from other competitors in 2015. Intense competition is also to be expected in the Manufacturing & Engineering Division. As for the oil and gas division, due to the significant drop in oil prices the drilling services segment is expected to face challenges in securing favourable day rates as well as lower rig utilization rates. Softening in the oil and gas industry would undoubtedly impact the Oilfield Services segment revenue and profit contributions. The equipment division is expected to remain challenging should commodity prices continue to be at the current low level.

**View and Valuation.** Given the challenging economic climate, we have revised our FY15 and FY16 net earnings estimates to RM799.5m and RM912.7m respectively. Based on SOP valuation which implies a 14x PER on FY15 earnings, we derived a new target price of RM10.26. Maintained **Hold**.

**Share Price Chart**



## Quarterly figures

FY 31 Dec (RMm)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	QoQ Chg	YoYChg	1QFY14	1QFY15	YTD Chg
Revenue	3583.4	3966.8	3702.5	3706.1	3240.4	-12.6%	-9.6%	3583.4	3240.4	-9.6%
EBIT	439.9	400.9	298.9	232.1	246.8	6.3%	-43.9%	439.9	246.8	-43.9%
<b>Pretax profit</b>	<b>479.4</b>	<b>422.1</b>	<b>430.3</b>	<b>289.1</b>	<b>320.0</b>	10.7%	-33.2%	<b>479.4</b>	<b>320.0</b>	<b>-33.2%</b>
Taxation	-87.3	-128.1	-100.6	-93.1	-84.0	-9.8%	-3.8%	-87.3	-84.0	-3.8%
Minority Interest	-156.5	-152.0	-132.7	-112.8	-70.9	-37.2%	-54.7%	-156.5	-70.9	-54.7%
<b>Net Profit</b>	<b>235.5</b>	<b>142.0</b>	<b>197.0</b>	<b>83.2</b>	<b>165.2</b>	98.6%	-29.9%	<b>235.5</b>	<b>165.2</b>	<b>-29.9%</b>
EPS (sen)	20.2	12.2	16.9	7.1	14.1			20.2	14.1	
Net Gearing (x)	5.1	6.0	11.7	10.9	26.2			5.1	26.2	
EBIT margin (%)	12.3%	10.1%	8.1%	6.3%	7.6%			12.3%	7.6%	
PBT margin (%)	13.4%	10.6%	11.6%	7.8%	9.9%			13.4%	9.9%	
Net profit margin	6.6%	3.6%	5.3%	2.2%	5.1%			6.6%	5.1%	
Effective tax rate (%)	18.2%	30.3%	23.4%	32.2%	26.3%			18.2%	26.3%	

Source: BIMB Securities

## Quarterly segmental figures

FY 31 Dec (RMm)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	QoQChg	YoYChg	1QFY14	1QFY15	YTD Chg
<b>Revenue</b>										
Automotive	2656.4	2904.4	2643.4	2573.5	2005.5	-22.1%	-24.5%	2656.4	2005.5	-24.5%
Equipment	434.9	453.8	434.8	445.6	653.0	46.5%	50.1%	434.9	653.0	50.1%
O&G	195.6	238.8	254.3	327.7	312.5	-4.6%	59.8%	195.6	312.5	59.8%
Manufacturing &	181.9	188.9	180.2	173.3	171.1	-1.3%	-6.0%	181.9	171.1	-6.0%
Others	130.7	204.9	209.1	207.0	115.9	-44.0%	-11.4%	130.7	115.9	-11.4%
Elimination	-16.2	-23.9	-19.2	-20.9	-17.6	-15.8%	8.8%	-16.2	-17.6	8.8%
<b>Total</b>	<b>3583.4</b>	<b>3966.8</b>	<b>3702.5</b>	<b>3706.1</b>	<b>3706.1</b>	0.0%	3.4%	<b>3583.4</b>	<b>3240.4</b>	<b>-9.6%</b>
<b>PBT</b>										
Automotive	406.6	408.5	343.9	313.1	233.5	-25%	-43%	406.6	233.5	-42.6%
Equipment	39.1	55.1	44.4	78.7	99.3	26%	154%	39.1	99.3	154.0%
O&G	58.3	66.2	75.8	85.8	42.5	-51%	-27%	58.3	42.5	-27.2%
Manufacturing &	9.6	11.9	-1.5	-4.4	1.8	-141%	-81%	9.6	1.8	-81.3%
Others	-34.2	-119.7	-32.4	-184.1	-57.1	-69%	67%	-34.2	-57.1	66.8%
Elimination	0.0	0.0	0.0	0.0	0.0	n.a	n.a	0.0	0.0	n.a
<b>Total</b>	<b>479.4</b>	<b>422.1</b>	<b>430.3</b>	<b>289.1</b>	<b>320.0</b>	11%	-33%	<b>479.4</b>	<b>320.0</b>	<b>-33.2%</b>

Source: BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

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

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	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
<b>UNDERWEIGHT</b>	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**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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