

UMW Holdings

UMWH MK / UMWS.KL

▶ **Market Cap**
US\$3,444m
 RM12,501m

▶ **Avg Daily Turnover**
US\$3.60m
 RM13.15m

▶ **Free Float**
34.2%
 1,168 m shares

Current **RM10.70**
 Target **RM11.04**
 Prev. Target **RM12.03**
 Up/Downside **3.2%**

1QFY15 RESULTS NOTE

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)



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Share price info

Share price perf. (%)	1M	3M	12M
Relative	3.5	0.0	4.4
Absolute	-1.8	-3.1	-0.9

Major shareholders	% held
Permodalan Nasional Bhd	50.1
EPF	15.7

Lagging torque

UMW's 1Q15 net earnings lagged behind expectations, making up 16% of our full-year forecast and 18.5% of consensus. As expected, no dividend was declared. The disappointing performance was due mainly to the auto and M&E businesses. We cut our FY15-17 EPS forecasts by 7-23% due to the expected challenging prospects for the auto business, which will consequently affect the M&E division. As a result, we reduce our RNAV-based target price but maintain our Hold call on the stock. Switch to Berjaya Auto for our top pick in the sector.

Weak performance from the auto business ▶

UMW's 1Q15 net earnings dropped 29.9% yoy to RM165.2m on the back of a 9.6% yoy decline in revenue to RM3.24bn. The disappointing results were due mainly to the weak performance of its automotive and manufacturing and engineering (M&E) segments. The auto division's sales dropped 24.5% yoy to RM2.01bn, resulting in a 42.6% yoy plunge in pretax profit to RM233.5m. The culprits were Toyota, having overachieved in 4Q14 and resulting in a low order bank in Jan 15, as well as attractive promotions and new model launches by its competitors and a stronger US\$ against RM, which affected its profitability. We expect 2015 to remain challenging for Toyota.

Equipment division benefiting from regional performance ▶

The equipment division chalked up the most encouraging results in 1Q15. Its pretax profit skyrocketed 154.0% yoy to RM99.3m while revenue jumped 50.1% yoy to RM653.0m. In the domestic market, performance improved primarily due to higher demand for equipment, parts and services in anticipation of GST implementation. For its overseas operations, the better performance was the result of the resumption of jade-mining activities in Myanmar in September 2014 and the tax incentive given by the authority for the purchase of equipment in Singapore.

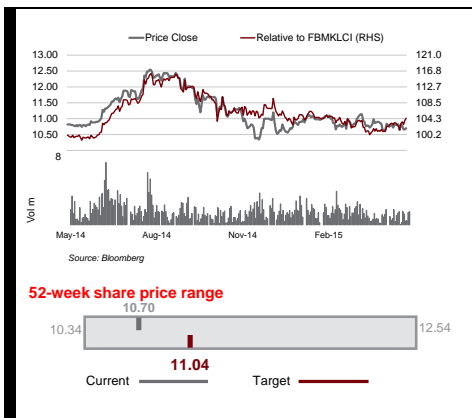
Contraction in the M&E segment ▶

The M&E division's turnover dropped 6.0% yoy to RM171.1m, with pretax profit contracting 81.3% yoy to RM1.8m. The weak performance was due to lower sales by the auto component manufacturers, especially on the 4-wheeler products, but this was mitigated by higher contributions from the lubricant business.

Results comparison

FYE Dec (RM m)	1QFY15	1QFY14	yoy %	qoq %	1QFY15	1QFY14	yoy%	Prev.	
			chg	chg	Cum	Cum			FY15F Comments
Revenue	3,240.4	3,583.4	(9.6)	(12.6)	3,240.4	3,583.4	(9.6)	15,654.2	Lower revenue from the auto and M&E businesses
Operating expenses	(2,956.9)	(3,150.1)	(6.1)	(15.0)	(2,956.9)	(3,150.1)	(6.1)	(13,744.2)	
EBIT	283.5	433.3	(34.6)	25.1	283.5	433.3	(34.6)	1,910.0	Lower profit from auto, O&G, and M&E divisions
EBIT margin (%)	8.7	12.1	(27.7)	43.1	8.7	12.1	(27.7)	12.2	
Interest expense	(32.2)	(25.2)	27.8	34.5	(32.2)	(25.2)	27.8	(146.3)	
Associates' contrib	33.4	40.7	(17.8)	(32.3)	33.4	40.7	(17.8)	281.9	
Investment income	35.3	30.5	15.5	(5.0)	35.3	30.5	15.5	121.5	
Exceptionals			n.m.	n.m.	0.0		n.m.		None expected
Pretax profit	320.0	479.4	(33.2)	10.7	320.0	479.4	(33.2)	2,167.1	
Tax	(84.0)	(87.3)	(3.8)	(9.8)	(84.0)	(87.3)	(3.8)	(541.8)	Higher tax rate as certain expenses not allowed
Tax rate (%)	29.3	19.9	47.3	(24.6)	29.3	19.9	47.3	28.7	for tax purpose
Minority interests	70.9	156.5	(54.7)	(37.2)	70.9	156.5	(54.7)	589.5	
Net profit	165.2	235.5	(29.9)	98.6	165.2	235.5	(29.9)	1,035.8	Below, at 16% of our full year forecast
EPS (sen)	14.14	20.16	(29.9)	98.6	14.14	20.16	(29.9)	88.66	
Core net profit	165.2	235.5	(29.9)	92.4	165.2	235.5	(29.9)	1,035.8	Below, at 16% of our full year forecast
Core EPS (sen)	14.14	20.16	(29.9)	92.4	14.14	20.16	(29.9)	88.66	

SOURCE: CIMB, COMPANY REPORTS



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	14,207	14,959	14,023	14,951	14,696
Operating EBITDA (RMm)	1,616	1,817	1,957	2,262	2,319
Net Profit (RMm)	681	658	799	1,057	1,151
Core EPS (RM)	0.59	0.57	0.69	0.92	1.00
Core EPS Growth	(34.8%)	(3.5%)	21.4%	32.3%	8.9%
FD Core P/E (x)	18.12	18.76	15.45	11.68	10.72
DPS (RM)	0.44	0.42	0.52	0.68	0.74
Dividend Yield	4.11%	3.97%	4.82%	6.38%	6.95%
EV/EBITDA (x)	9.55	8.90	6.97	5.57	5.21
P/FCFE (x)	14.77	9.94	6.21	8.85	17.80
Net Gearing	5.3%	10.4%	(10.9%)	(23.8%)	(28.4%)
P/BV (x)	1.94	1.87	1.81	1.75	1.69
ROE	12.2%	10.2%	11.9%	15.2%	16.0%
% Change In Core EPS Estimates			(22.8%)	(10.4%)	(7.1%)
CIMB/consensus EPS (x)			0.90	1.09	1.17

SOURCE: CIMB, COMPANY REPORTS

Figure 1: Segmental results (RM m)

	1QFY15			1QFY14			revenue	PBT	Net profit
	Revenue	PBT	Net profit	Revenue	PBT	Net profit	chg	chg	chg
Automotive	2,006	233.5	116.7	2,656	406.6	192.3	-24.5%	-42.6%	-39.3%
Equipment	653.0	99.3	78.7	434.9	39.1	38.7	50.1%	154.0%	103.4%
Oil & Gas	312.5	42.5	17.9	195.6	58.3	29.6	59.8%	-27.2%	-39.5%
Manufacturing & Engineering	171.1	1.8	1.3	181.9	9.6	4.3	-6.0%	-81.3%	-69.4%
Others	115.9	(57.1)	(49.5)	130.7	(34.2)	(29.3)	-11.4%	66.8%	68.6%
Inter-segment elim/exceptionals	(17.6)			(16.2)			8.8%	n.m	n.m
Total	3,240	320.0	165.2	3,583	479.4	235.5	-9.6%	-33.2%	-29.9%

SOURCES: CIMB, COMPANY REPORTS

Figure 2: Segmental profitability (RM m)

	1QFY15			1QFY14			1QFY15 Cum		1QFY14 Cum	
	Revenue	PBT	Net profit	Revenue	PBT	Net profit	PBT margin	Net profit margin	PBT margin	Net margin
Automotive	2,006	233.5	116.7	2,656	406.6	192.3	11.6%	5.8%	15.3%	7.2%
Equipment	653.0	99.3	78.7	434.9	39.1	38.7	15.2%	12.1%	9.0%	8.9%
Oil & Gas	312.5	42.5	17.9	195.6	58.3	29.6	13.6%	5.7%	29.8%	15.1%
Manufacturing & Engineering	171.1	1.8	1.3	181.9	9.6	4.3	1.1%	0.8%	5.3%	2.3%
Others	115.9	(57.1)	(49.5)	130.7	(34.2)	(29.3)	-49.3%	-42.7%	-26.2%	-22.4%
Inter-segment elim/exceptionals	(17.6)	0.0	0.0	(16.2)	0.0	0.0	0.0%	0.0%	0.0%	0.0%
Total	3,240	320.0	165.2	3,583	479.4	235.5	9.9%	5.1%	13.4%	6.6%

SOURCES: CIMB, COMPANY REPORTS

Figure 3: RNAV table

	FY16 Net profit	target	RNAV
	(RM'm)	P/E	(RM'm)
Automotive	657.71	12.00	7,892.46
Oil & gas	55% of UMW-OG market cap		2,475.00
Equipment & manufacturing	268.30	10.00	2,683.01
Others			(150.00)
Total RNAV			12,900.47
No of shares (m)			1,168.29
RNAV/share (RM)			11.04

SOURCES: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	14,959	14,023	14,951	14,696
Gross Profit	1,817	1,957	2,262	2,319
Operating EBITDA	1,817	1,957	2,262	2,319
Depreciation And Amortisation	(390)	(477)	(496)	(505)
Operating EBIT	1,427	1,480	1,766	1,814
Financial Income/(Expense)	55	(27)	42	88
Pretax Income/(Loss) from Assoc.	140	140	150	160
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	1,621	1,593	1,958	2,061
Exceptional Items				
Pre-tax Profit	1,621	1,593	1,958	2,061
Taxation	(409)	(398)	(490)	(515)
Exceptional Income - post-tax				
Profit After Tax	1,212	1,195	1,469	1,546
Minority Interests	(554)	(396)	(412)	(395)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	658	799	1,057	1,151
Recurring Net Profit	658	799	1,057	1,151
Fully Diluted Recurring Net Profit	658	799	1,057	1,151

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	3,376	4,924	5,833	6,004
Total Debtors	1,925	1,213	1,293	1,271
Inventories	1,835	1,527	1,628	1,600
Total Other Current Assets	1,188	1,188	1,188	1,188
Total Current Assets	8,324	8,852	9,943	10,064
Fixed Assets	5,649	5,872	6,076	6,271
Total Investments	2,428	1,219	380	38
Intangible Assets	38	38	38	38
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	8,116	7,129	6,494	6,346
Short-term Debt	2,269	2,052	1,856	1,679
Current Portion of Long-Term Debt				
Total Creditors	2,119	1,761	1,878	1,846
Other Current Liabilities	324	934	1,143	1,221
Total Current Liabilities	4,712	4,747	4,877	4,746
Total Long-term Debt	2,088	1,880	1,692	1,522
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	165	212	230	247
Total Non-current Liabilities	2,253	2,092	1,921	1,769
Total Provisions	31	31	31	31
Total Liabilities	6,997	6,869	6,829	6,546
Shareholders' Equity	6,590	6,829	7,062	7,318
Minority Interests	2,853	2,283	2,546	2,546
Total Equity	9,443	9,112	9,608	9,864

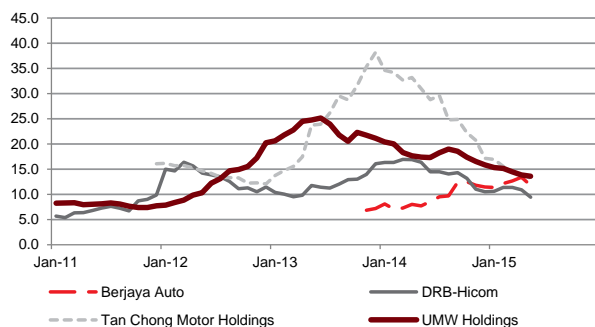
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	1,817	1,957	2,262	2,319
Cash Flow from Inv. & Assoc.				
Change in Working Capital	(205)	662	(65)	18
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(90)	(15)	(32)	(32)
Net Interest (Paid)/Received	(76)	(279)	(189)	(176)
Tax Paid	(409)	(409)	(398)	(490)
Cashflow From Operations	1,036	1,915	1,578	1,639
Capex	(2,176)	(700)	(700)	(700)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/Investments	1,199	1,199	900	100
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	(978)	499	200	(600)
Debt Raised/(repaid)	1,183	(427)	(384)	(346)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(947)	(611)	(815)	(895)
Preferred Dividends				
Other Financing Cashflow	82	148	135	122
Cash Flow From Financing	318	(890)	(1,064)	(1,119)
Total Cash Generated	376	1,524	714	(80)
Free Cashflow To Equity	1,242	1,987	1,394	693
Free Cashflow To Firm	141	2,560	1,910	1,158

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	5.3%	(6.3%)	6.6%	(1.7%)
Operating EBITDA Growth	12.4%	7.7%	15.6%	2.5%
Operating EBITDA Margin	12.1%	14.0%	15.1%	15.8%
Net Cash Per Share (RM)	(0.85)	0.86	1.98	2.43
BVPS (RM)	5.71	5.92	6.12	6.35
Gross Interest Cover	17.39	10.12	13.40	15.26
Effective Tax Rate	25.2%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	47.3%	51.8%	53.3%	53.7%
Accounts Receivables Days	31.17	28.85	22.52	23.38
Inventory Days	49.80	50.85	45.51	47.60
Accounts Payables Days	36.15	35.21	31.49	32.94
ROIC (%)	14.3%	13.5%	18.5%	18.9%
ROCE (%)	12.1%	11.9%	14.8%	15.4%
Return On Average Assets	10.1%	10.0%	11.9%	12.2%

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



Key Drivers

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%
Unit sales grth (% , main prod./serv.)	6.4%	-2.6%	4.2%	4.3%
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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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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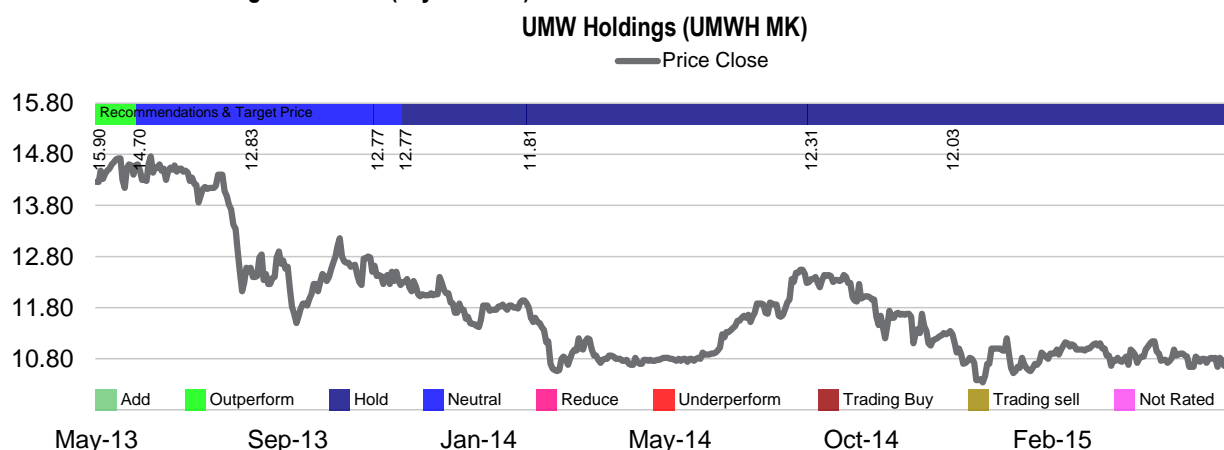
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Distribution of stock ratings and investment banking clients for quarter ended on 31 March 2015		
1420 companies under coverage for quarter ended on 31 March 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	55.4%	6.6%
Hold	31.3%	3.8%
Reduce	13.2%	1.3%

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, **CENTEL** – 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.

CIMB Recommendation Framework

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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