

27 May 2015 | 1QFY15 Results Review

## UMW Holdings Berhad

*Underperformance on lower Toyota sales volume*

**Maintain NEUTRAL**

**Reduce Target Price (TP): RM9.73  
(From RM12.00)**

### INVESTMENT HIGHLIGHTS

- **Results declined -19.9%yoy to RM173.4m and were below our and consensus forecasts at 17.9% and 19.1% respectively**
- **Lower sequential and year-on-year sales volume for Toyota contributed to the decline in Auto division**
- **Weak turnout across most divisions except for Equipment led to underperformance**
- **Maintain our NEUTRAL stance on UMW with a reduced TP of RM9.73 amidst challenging operating outlook and tight competition in the Auto division**

**Underperformed.** UMW posted a mixed set of 1Q15 results – even though its core earnings grew +6.1%qoq, it eased -19.9%yoy to RM173.4m after accounting for forex gain, derivative losses and provision on inventory write-down. Poor year-on-year performance resulted from weaker earnings contributions from Auto, O&G, Manufacturing & Engineering (M&E), and Other divisions, which offset gains from the Equipment division. Overall, its 1Q15 results were below our and consensus’ expectations at 17.9% and 19.1% respectively.

**Falling sales volume.** Sales figures for Toyota vehicles declined -40.7%qoq and -32.8%yoy to 16k units as new Camry variants launched in April faced stiff competition from its peers. Lower sales volume and aggressive promotional cycle before GST implementation led to thinner earnings contributions from the Auto division, as it eased -25.4%qoq and -42.6%yoy to RM233.5m.

**Weaknesses abound across most divisions.** The Equipment division remained the sole performer for 1Q15 as it registered earnings growth of +26.2%qoq and +154.0%yoy to RM99.3m. Earnings’ decline in its O&G division was due to discounts on time charter rates and contract termination with Frontier Oil Corporation, whilst its M&E division shed weight on lower sales by auto component manufacturers, worsened by the weaker Ringgit.

**Maintain NEUTRAL with a downgraded TP of RM9.73.** We maintain our NEUTRAL call on UMW with a reduced TP of RM9.73, which implies FY15 PE of 14.6x, easing to 14.5x in FY16. We revise our earnings for FY15 and FY16 downwards by -13% and -18% as the outlook for the stock remains challenging amidst poor prospects in the O&G industry and stiff competition within the Auto industry.

### RETURN STATS

Price (14 May 15)	10.70
Target Price	9.73
Expected Share Price Return	-9.1%
Expected Dividend Yield	3.4%
<b>Expected Total Return</b>	<b>-5.6%</b>

### STOCK INFO

KLCI	1,807.55
Bursa / Bloomberg	4588 / UMWK MK
Board / Sector	Main / Auto
Syariah Compliant	Yes
Issued shares (mil)	1,168.3
Par Value (RM)	0.50
Market cap. (RM'm)	12,500.7
Price over NTA	1.91x
52-wk price Range	RM10.00- RM12.68
Beta (against KLCI)	1.04x
3-mth Avg Daily Vol	1.26m
3-mth Avg Daily Value	RM13.6m
Major Shareholders	
Amanah Saham Bumiputera	36.4%
EPF	16.3%
PNB	9.1%

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INVESTMENT BANK

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## Investment Statistics

FYE Dec	2012	2013	2014	2015F	2016F
Revenue	15,817	13,951	14,959	14,351	14,037
Pre-tax profit	2,020	1,436	1,621	1,375	1,359
Net profit	994	653	658	780	781
Basic EPS (sen)	85.1	55.9	56.3	66.8	66.9
Basic EPS growth (%)	104.6	-34.3	0.7	18.6	0.1
PER (x) @ RM10.70	12.7	19.4	19.2	16.0	15.9
Net DPS (sen)	50.0	44.0	41.0	36.7	36.8
Net dividend yield (%) @ RM10.70	4.6	4.1	3.8	3.4	3.4

Source: Company, MIDFR

## UMW HOLDINGS: 1Q15 RESULTS SUMMARY

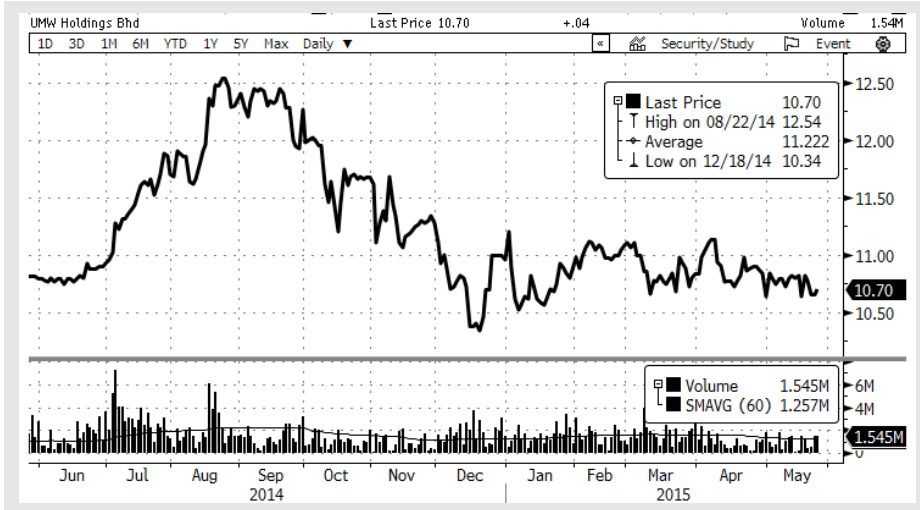
FYE Dec (RM 'm)	Quarterly Results				
	1Q14	4Q14	1Q15	%YoY	%QoQ
Revenue	3,583.4	3,706.1	3,240.4	(9.6)	(12.6)
EBIT	414.4	306.9	291.8	(29.6)	(4.9)
Associate	40.7	49.4	33.4	(17.8)	(32.3)
Pre-tax profit	479.4	289.1	320.0	(33.2)	10.7
Core earnings	216.6	163.5	173.4	(19.9)	6.1
Basic EPS (sen)	20.2	7.1	14.1	(29.9)	98.6
Margins				+/- ppts	+/- ppts
EBIT margin (%)	11.6	8.3	9.0	(2.6)	0.7
Effective tax rate (%)	(19.9)	(38.9)	(29.3)	(9.4)	9.5

Source: Group, MIDF Research

Segmental breakdown RMm	Quarterly Results				
	1Q14	4Q14	1Q15	%YoY	%QoQ
<b>Revenue</b>					
Motor	2,656	2,562	2,006	(24.5)	(21.7)
O&G	196	326	312	59.8	(4.2)
Equipment	435	444	653	50.1	47.2
Man. & Eng. (M&E)	182	174	171	(6.0)	(1.7)
Others	115	200	98	(14.2)	(50.9)
<b>Total revenue</b>	<b>3,583</b>	<b>3,706</b>	<b>3,240</b>	<b>(9.6)</b>	<b>(12.6)</b>
<b>Pretax profit</b>					
Motor	407	313	234	(42.6)	(25.4)
O&G	58	86	42	(27.2)	(50.5)
Equipment	39	79	99	154.0	26.2
Man. & Eng. (M&E)	10	(4)	2	(81.3)	(141.0)
Others	(34)	(184)	(57)	>100	(69.0)
<b>Total pretax profit</b>	<b>479</b>	<b>289</b>	<b>320</b>	<b>(33.2)</b>	<b>10.7</b>
<b>Pretax margin (%)</b>				+/- ppts	+/- ppts
Motor	15.3	12.2	11.6	(15.3)	(12.2)
O&G	29.8	26.3	13.6	(29.8)	(26.3)
Equipment	9.0	17.7	15.2	(9.0)	(17.7)
Man. & Eng. (M&E)	5.3	(2.5)	1.1	(5.3)	2.5
Others	(29.9)	(91.9)	(58.1)	29.9	91.9
<b>Group pretax margin</b>	<b>13.4</b>	<b>7.8</b>	<b>9.9</b>	<b>(13.4)</b>	<b>(7.8)</b>

Source: Group, MIDF Research

## DAILY PRICE CHART



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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.