

27 August 2015 | 2QFY15 Results Review

UMW Holdings Berhad

Disappointing performance across the board

Maintain NEUTRAL

Revised Target Price (TP): RM8.60
(Previously RM9.73)

INVESTMENT HIGHLIGHTS


- 1HFY15's earnings declined -38.1%yoy to RM233.6m; lagged behind ours and consensus expectations
- Weak showings across most divisions led by underperformance of oil and gas (O&G) business
- Maintain our NEUTRAL stance on UMW with a lower TP of RM8.60 due to challenging operating outlook

Below expectations. UMW posted a poor set of 1H15 results with its earnings fell -38.1%yoy to RM233.6m. The figure was well below ours and consensus' expectations at 30% and 31% of full year estimates respectively. This could be attributable to the weak performance across its main divisions evidenced by falling revenue and margin compression.

Weaker contribution from Auto and O&G divisions.

Lacklustre performance in 1H15 could be attributed to the weak performance of its two main divisions. The decline in revenue and PBT for auto division could be due to intense competition and slowdown in the local auto industry on the back of subdued consumer confidence. Meanwhile lower time charter rates and utilisation of some of its assets led to the underperformance of O&G division. PBT margins for these two divisions contracted by -4.2ppts and -18.5ppts respectively, which lead to -4.1ppts margin compression at Group level.

Outlook. We believe the headwinds faced by the two divisions will persist in the near to medium term. We concurred with Management's view of which time charter rates (for O&G division) will be under pressure in a highly competitive environment where rig supply far outnumbered demand. For auto division, unfavourable exchange rates and aggressive promotion to stimulate lacklustre vehicle sales should pressure margins.

Maintain NEUTRAL with a revised TP of RM8.60. Amidst poor outlook of the O&G industry due to depressed oil prices as well as stiff competition within the auto industry, we are revising our FY15/16 forecasts downward by c.-33%/-35% after imputing weaker contribution from these two divisions. Our TP of RM8.60 implies FY15 PE of 19.2x and FY16 PE of 19.8x. 

RETURN STATS	
Price (26 August 15)	8.49
Target Price	8.60
Expected Share Price Return	1.3%
Expected Dividend Yield	2.8%
Expected Total Return	4.1%

STOCK INFO	
KLCI	1,580.37
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)	9,918.8
Price over NTA	1.51x
52-wk price Range	RM8.27- RM12.68
Beta (against KLCI)	1.02x
3-mth Avg Daily Vol	1.03m
3-mth Avg Daily Value	RM10.4m
Major Shareholders	
Amanah Saham Bumiputera	40.2%
EPF	16.8%
PNB	5.7%

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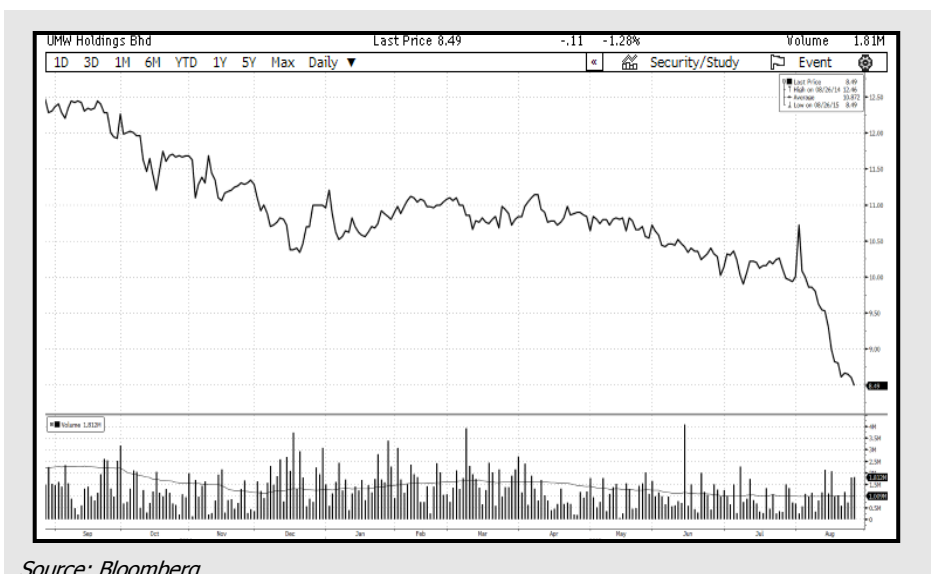
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Investment Statistics

FYE Dec	2012	2013	2014	2015F	2016F
Revenue	15,816.9	13,951.5	15,193.6	13,665.3	13,317.1
EBIT	1,848.5	1,526.1	1,663.9	1,203.6	1,163.4
Pre-tax profit	1,894.1	1,278.1	1,591.7	1,139.2	1,111.2
Net Profit	930.5	866.2	858.4	521.9	508.6
Basic EPS	79.6	74.1	73.5	44.7	43.5
PER (x)	10.7	11.5	11.6	19.0	19.5
Dividend per share (sen)	50.0	44.0	40.4	24.6	23.9
Dividend yield (%) @RM8.49	5.9	5.2	4.8	2.9	2.8

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg

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UMW Holdings Berhad's 2QFY15 Results Review

FYE Dec (RM 'm)	Quarterly Results					Cumulative	
	2Q14	1Q15	2Q15	%YoY	%QoQ	1H15	%YoY
Revenue	3,966.8	3,240.4	3,485.3	(12.1)	7.6	6,725.7	(10.9)
EBIT	382.9	283.5	176.0	(54.0)	(37.9)	459.5	(43.7)
Associate	23.8	33.4	29.5	23.9	(11.6)	63.0	(2.4)
Pre-tax profit	422.1	320.0	207.6	(50.8)	(35.1)	527.6	(41.5)
Core earnings	142.0	165.2	68.4	(51.8)	(58.6)	233.6	(38.1)
Basic EPS (sen)	12.2	14.1	5.9	(51.8)	(58.5)	20.0	(38.1)
Margins				+/- ppts	+/- ppts		+/- ppts
EBIT (%)	9.7	8.7	5.0	(4.6)	(3.7)	6.8	(4.0)
PBT (%)	10.6	9.9	6.0	(4.7)	(3.9)	7.8	(4.1)

Source: Company, MIDFR

Segmental breakdown RMm	Quarterly Results					Cumulative	
	2Q14	1Q15	2Q15	%YoY	%QoQ	1H15	%YoY
Revenue							
Motor	2,904	2,006	2,733	(5.9)	36.3	4,738	(14.8)
O&G	239	312	183	(23.2)	(41.3)	496	14.2
Equipment	454	653	354	(22.1)	(45.8)	1,007	13.3
Man. & Eng. (M&E)	189	171	165	(12.4)	(3.3)	336	(9.3)
Others	181.0	98	50	(72.3)	(48.9)	148	(49.8)
Total revenue	3,967	3,240	3,485.3	(12.1)	7.6	6,726	(10.9)
Pretax profit							
Motor	409	234	263	(35.5)	12.8	497	(39.0)
O&G	66	42	8	(87.9)	(81.2)	50	(59.5)
Equipment	55	99	34	(38.9)	(66.1)	133	41.2
Man. & Eng. (M&E)	12	2	0	(96.6)	(77.8)	2	(89.8)
Others	-120	-57	-98	>100	71.4	-155	0.6
Total pretax profit	422	320	207.6	(50.8)	(35.1)	527.6	(41.5)
Pretax margin (%)				+/- ppts	+/- ppts		+/- ppts
Motor	14.1	11.6	9.6	(4.4)	(2.0)	10.5	(4.2)
O&G	27.7	13.6	4.4	(23.4)	(9.2)	10.2	(18.5)
Equipment	12.1	15.2	9.5	(2.6)	(5.7)	13.2	2.6
Man. & Eng. (M&E)	6.3	1.1	0.2	(6.1)	(0.8)	0.7	(5.2)
Others	(66.2)	(58.1)	(194.8)	(128.7)	(136.8)	(104.3)	(52.2)
Group pretax margin	10.6	9.9	6.0	(4.7)	(3.9)	7.8	(4.1)

Source: Company, MIDFR

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(Bank Pelaburan)

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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.