



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

2QFY15

UMW Holdings

Hold ◀▶

Below

Unexpectedly Low

Price:
Target Price:

RM8.49
(6.0%) RM9.00

Stock Data

Bloomberg Ticker	UMWH MK	Altman Z-score	2.7
Market Cap	9,918.8	YTD price chg	-22.5%
Issued shares	1,168.3	YTD KLCIchg	-10.3%
52-week range (H)	12.68	Beta	1.0
2-week range (L)	8.27	Major Shareholders	
3-mth avg daily volume	1,039,053	ASB	40.2%
Free Float	37.4%	EPF	16.7%
Shariah Compliant	Y	PNB	5.7%
Financial Derivatives	Y		

Share Performance (%)

	1mth	3mth	12mth
Absolute	(17.3)	(20.7)	(29.3)
vs. KLCI	(19.7)	(11.4)	(19.7)

Consensus

	2015	2016
Net Profit	752.0	861.4
EPS (sen)	63.3	72.6

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	13,951.5	14,932.5	13,871.4	15,024.0	16,080.7
EBIT	1,296.5	1,432.9	1,408.1	1,717.4	1,805.3
Pretax profit	1,435.7	1,621.5	1,535.8	1,841.4	1,927.8
Net Profit	652.9	652.0	514.0	728.0	788.4
EPS (sen)	56.1	56.0	44.2	62.6	67.8
PER (x)	15.1	15.2	19.2	13.6	12.5
DPS (sen)	44.2	41.2	26.5	37.5	40.7
Div. Yield (%)	5.2%	4.8%	3.1%	4.4%	4.8%
NTA/share (RM)	5.4	5.6	5.5	6.5	3.1

Margins

	2013	2014	2015E	2016E	2017E
EBIT margin	9.3%	9.6%	10.2%	11.4%	11.2%
Pretax margin	10.3%	10.9%	11.1%	12.3%	12.0%
Effective tax rate	24.5%	25.2%	30.0%	30.0%	30.0%
ROE	10.4%	9.9%	8.0%	9.6%	0.0%
ROA	4.5%	3.9%	3.1%	3.9%	0.0%

Growth ratios

	2013	2014	2015E	2016E	2017E
Turnover	-12.2%	7.0%	-7.1%	8.3%	7.0%
EBIT	-30.2%	10.5%	-1.7%	22.0%	5.1%
Pretax profit	-28.2%	12.9%	-5.3%	19.9%	4.7%
Net profit	-31.3%	-0.1%	-21.2%	41.6%	8.3%

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UMW's 1HFY15 net earnings of RM233.6m came in below ours and consensus' forecasts, making up only 30% and 31% respectively. Net earnings fell 38.1% YTD in tandem with lower revenue (-10.9%). The decline was impacted by the lower performance of the Automotive, Manufacturing & Engineering (M&E) and Oil & Gas (O&G) segments. As the result of the weak global economy coupled by uncertainties within the domestic economic environment, we revised our FY15 and FY16 net earnings forecasts downwards to RM514m (-35.7%) and RM728m (-20.2%) respectively. Rolling forward to FY16, we arrived at a new target price of RM9.00 applying SOP computation. Maintain HOLD.

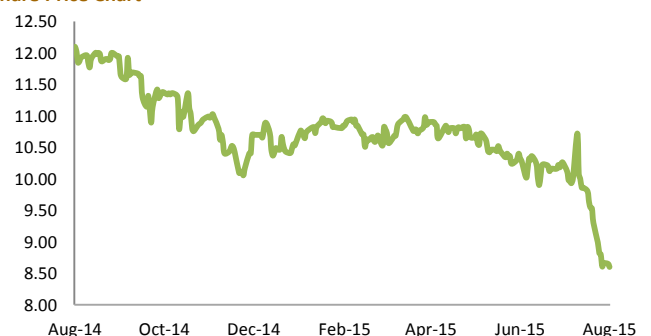
Weak performance. Revenue increased slightly by 7.6% QoQ to RM3,485.3m contributed by the automotive segment as a result of its aggressive marketing programmes. However, YoY saw a 12.1% decline due to weak Toyota vehicle sales due to stiff competition from new model launches by other players in the market. 2Q net earnings decreased by 58.6% QoQ and 51.8% YoY to RM68.4m. The lower earnings can be traced to i) decrease in Automotive segment due to lower Toyota sales, ii) lower DCR and utilisation rates as well as additional operating expenses from the new UMW NAGA 7 which has yet to secure a contract in the O&G segment, and iii) decrease in M&E segment due to lower sales by the auto component manufacturers especially for 4-wheeler products.

Dividend. The company proposed single-tier interim dividend of 10sen per share, amounting to a net dividend payable of approximately RM116.8m to be paid on 8 October 2015.

Prospect. Given the stiff current economic environment, UMW automotive segment is anticipated to face a pro-long challenging period with aggressive promotions and new launches to secure market share. O&G segment is also expected to be adversely affected by the continued drop in oil prices while M&E segment outlook remains uncertain and challenging. Equipment segment however, is expected to remain resilient despite the current challenging market conditions.

View and Valuation. Given the challenging economic climate, intense competition and slower consumer spending, we revised our FY15 and FY16 net earnings estimates to RM514m and RM728m respectively. Rolling forward to FY16, our target price is adjusted to RM9.00 based on SOP valuation, implying a 14x PER. Maintain HOLD.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	QoQ Chg	YoYChg	1HFY14	1HFY15	YTD Chg
Revenue	3,966.8	3,702.5	3,706.1	3,240.4	3,485.3	7.60%	-12.10%	7,550.2	6,725.7	-10.90%
EBIT	400.9	298.9	232.1	246.8	178.5	-27.70%	-55.50%	840.9	425.3	-49.40%
Pretax profit	422.1	430.3	289.1	320.0	207.6	-35.10%	-50.80%	901.4	527.6	-41.50%
Taxation	(128.1)	(100.6)	(93.1)	(84.0)	(74.3)	-11.60%	-42.00%	(215.4)	(158.3)	-26.50%
Minority Interest	(152.0)	(132.7)	(112.8)	(70.9)	(64.9)	-8.40%	-57.30%	(308.6)	(135.8)	-56.00%
Net Profit	142.0	197.0	83.2	165.2	68.4	-58.60%	-51.80%	377.5	233.6	-38.10%
EPS (sen)	12.2	16.9	7.1	14.1	5.9	-58.2%	-51.6%	32.3	20.0	-38.1%
Net Gearing (x)	6.0	11.7	10.9	26.2	28.2	7.6%	370.0%	6.0	28.2	370.0%
EBIT margin (%)	10.10%	8.10%	6.30%	7.60%	5.10%	-32.9%	-49.5%	11.10%	6.30%	-43.2%
PBT margin (%)	10.60%	11.60%	7.80%	9.90%	6.00%	-39.4%	-43.4%	11.90%	7.80%	-34.5%
Net profit margin (%)	3.60%	5.30%	2.20%	5.10%	2.00%	-60.8%	-44.4%	5.00%	3.50%	-30.0%
Effective tax rate (%)	30.30%	23.40%	32.20%	26.30%	35.80%	36.1%	18.2%	23.90%	30.00%	25.5%

Source: BIMB Securities

Quarterly segmental figures

FY 31 Dec (RMm)	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	QoQ Chg	YoYChg	1HFY14	1HFY15	YTD Chg
Revenue										
Automotive	2,904.4	2,643.4	2,573.5	2,005.5	2,732.7	36.3%	-5.9%	5,560.9	4,738.2	-14.8%
Equipment	453.8	434.8	445.6	653.0	353.6	-45.8%	-22.1%	888.7	1,006.6	13.3%
O&G	238.8	254.3	327.7	312.5	183.4	-41.3%	-23.2%	434.3	495.9	14.2%
Manufacturing &	188.9	180.2	173.3	171.1	165.4	-3.3%	-12.4%	370.8	336.5	-9.3%
Others	204.9	209.1	207.0	115.9	69.5	-40.0%	-66.1%	335.6	185.4	-44.8%
Elimination	(23.9)	(19.2)	(20.9)	(17.6)	(19.3)	9.8%	-19.1%	(40.1)	(36.9)	-7.9%
Total	3,966.8	3,702.5	3,706.1	3,240.4	3,485.3	7.6%	-12.1%	7,550.2	6,725.7	-10.9%
PBT										
Automotive	408.5	343.9	313.1	233.5	263.4	13.0%	-36.0%	815.1	496.9	-39.0%
Equipment	55.1	44.4	78.7	99.3	33.7	-66.0%	-39.0%	94.2	133.0	41.2%
O&G	66.2	75.8	85.8	42.5	8.0	-81.0%	-88.0%	124.5	50.5	-59.5%
Manufacturing &	11.9	(1.5)	(4.4)	1.8	0.4	-78.0%	-97.0%	21.5	2.2	-89.8%
Others	(119.7)	(32.4)	(184.1)	(57.1)	(97.8)	71.0%	-18.0%	(154.0)	(154.9)	0.6%
Elimination	0.0	0.0	0.0	0.0	0.0	n.a	n.a	0.0	0.0	n.a
Total	422.1	430.3	289.1	320.0	207.6	-35.0%	-51.0%	901.4	527.6	-41.5%

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

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

SECTOR RECOMMENDATION

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