



BIMB SECURITIES RESEARCH MARKET INSIGHT

Results Review

PP16795/03/2013(031743)

3QFY15

UMW Holdings

Hold ◀ ▶

Below

Worst Quarter Ever

Price:
Target Price:

RM8.28
(-4.71%) RM7.89

Stock Data

Bloomberg Ticker	UMWH MK	Altman Z-score	2.6
Market Cap	9,673.5	YTD price chg	-24.5%
Issued shares	1,168.3	YTD KLCIchg	-4.4%
52-week range (H)	11.44	Beta	1.0
2-week range (L)	7.41	Major Shareholders	
3-mth avg daily volume	1,760,408	ASB	40.1%
Free Float	37.3%	EPF	17.0%
Shariah Compliant	Y	PNB	5.7%
Financial Derivatives	Y		

Share Performance (%)

Absolute	1mth	3mth	12mth
vs. KLCI	2.0	(1.2)	(23.7)
	(19.8)	(8.4)	(19.8)

Consensus

Net Profit	2015	2016	2017
EPS (sen)	516.80	590.19	714.15
	0.45	0.54	0.61

Historical Price Ratio (x)

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

Financial Highlights

FYE 31 Dec	2013	2014	2015E	2016E	2017E
Turnover	13951.5	14932.5	13714.0	13904.7	14288.0
EBIT	1296.5	1432.9	1354.9	1581.1	1659.6
Pretax profit	1435.7	1621.5	1482.7	1705.1	1782.0
Net Profit	652.9	652.0	417.5	581.4	632.9
EPS (sen)	56.1	56.0	35.7	49.8	54.2
PER (x)	14.6	14.7	23.0	16.5	15.2
DPS (sen)	44.2	41.2	21.4	29.9	32.5
Div. Yield (%)	5.4%	5.0%	2.6%	3.6%	4.0%
NTA/share (RM)	5.4	5.6	5.3	6.1	3.1

Margins

EBIT margin	9.3%	9.6%	9.9%	11.4%	11.6%
Pretax margin	10.3%	10.9%	10.8%	12.3%	12.5%
Effective tax rate	24.5%	25.2%	34.0%	33.0%	33.0%
ROE	10.4%	9.9%	6.7%	8.1%	17.1%
ROA	4.5%	3.9%	2.6%	3.2%	7.3%

Growth ratios

Turnover	-12.2%	7.0%	-8.2%	1.4%	2.8%
EBIT	-30.2%	10.5%	-5.4%	16.7%	5.0%
Pretax profit	-28.2%	12.9%	-8.6%	15.0%	4.5%
Net profit	-31.3%	-0.1%	-36.0%	39.3%	8.9%

Wan Mustaqim Bin Wan Ab Aziz

wmustaqim@bimbsec.com.my

03-26918887 ext 1738

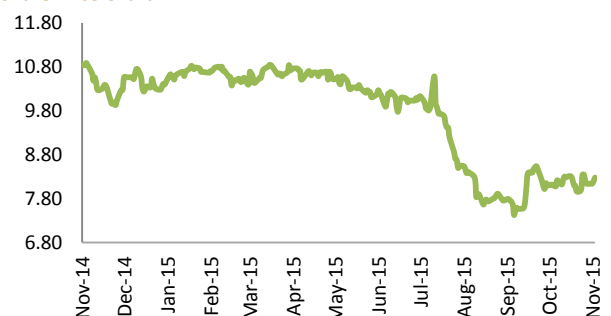
UMW's 9MFY15 net earnings of RM 247.1m came in below ours and consensus' forecasts, making up only 48% and 47% respectively. Net earnings fell 57% YTD in tandem with the lower revenue (-8.8%). The decline was impacted by the lower performance of all segments except for equipment segment that surged 42.4% YTD due to higher demand for heavy equipment. As the result of the weak global economy coupled by uncertainties within the domestic economic environment, we revised our FY15, FY16 and FY17 net earnings forecasts downwards to RM417.5m (-18.7%), RM581.4m (-20.1%) and RM632.9m (-13.1%) respectively. Hence, we revised down our target price to RM7.89 from RM9.00 previously, applying SOP computation. Maintain HOLD.

Weak performance. Revenue increased slightly by 1.4% QoQ to RM3,533.2m driven by the 34.4% QoQ increase in equipment segment due to improvements of the heavy equipment sub-segment especially from businesses in Myanmar and Papua New Guinea. However, YoY saw a 4.6% decline due to weak Toyota vehicle sales affected by stiff competition from new model launches by other players in the market. 3Q net earnings decreased by 80.2% QoQ and 93.1% YoY to RM13.5m due 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 UMW NAGA 7 which has yet to secure a contract, and iii) decrease in M&E segment due to lower sales by the auto component manufacturers especially for 4-wheeler products.

Effective Tax Rate. The effective tax rates for the 3QFY15 and 9MFY15 of 61.4% and 33.8%, respectively, were higher than the statutory tax rate of 25.0% primarily because i) certain expenses are not allowable for tax purposes, ii) corporate income tax for some foreign operations is calculated based on a certain percentage of the contract value invoiced instead of net income, and iii) some subsidiaries are in a loss position.

View and Valuation. Given the challenging economic climate, intense competition and slower consumer spending, we revised our FY15, FY16 and FY17 net earnings forecasts downwards to RM417.5m (-18.7%), RM581.4m (-20.1%) and RM632.9m (-13.1%) respectively. Hence, we revised down our target price to RM7.89 from RM9.00 previously, applying SOP computation. Maintain HOLD.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	QoQ Chg	YoYChg	9MFY14	9MFY15	YTD Chg
Revenue	3702.5	3706.1	3240.4	3485.3	3533.2	1.4%	-4.6%	11252.8	10258.8	-8.8%
EBIT	298.9	232.1	246.8	178.5	(162.6)	-191.1%	-154.4%	1139.7	262.7	-76.9%
Pretax profit	430.3	289.1	320.0	207.6	72.2	-65.2%	-83.2%	1331.7	599.9	-55.0%
Taxation	(100.6)	(93.1)	(84.0)	(74.3)	(44.3)	-40.3%	-55.9%	(316.0)	(202.6)	-35.9%
Minority Interest	(132.7)	(112.8)	(70.9)	(64.9)	(14.4)	-77.8%	-89.2%	(441.3)	(150.2)	-66.0%
Net Profit	197.0	83.2	165.2	68.4	13.5	-80.2%	-93.1%	574.5	247.1	-57.0%
EPS (sen)	16.9	7.1	14.1	5.9	1.2			49.2	21.2	
Net Gearing (x)	11.7	10.9	26.2	28.2	48.5			11.7	48.5	
EBIT margin (%)	8.1%	6.3%	7.6%	5.1%	-4.6%			10.1%	2.6%	
PBT margin (%)	11.6%	7.8%	9.9%	6.0%	2.0%			11.8%	5.8%	
Net profit margin (%)	5.3%	2.2%	5.1%	2.0%	0.4%			5.1%	2.4%	
Effective tax rate (%)	23.4%	32.2%	26.3%	35.8%	61.4%			23.7%	33.8%	

Source: BIMB Securities

Quarterly segmental figures

FY 31 Dec (RMm)	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	QoQ Chg	YoYChg	9MFY14	9MFY15	YTD Chg
Revenue										
Automotive	2643.4	2573.5	2005.5	2732.7	2596.1	-5.0%	-1.8%	8204.2	7334.4	-10.6%
Equipment	434.8	445.6	653.0	353.6	474.8	34.3%	9.2%	1323.4	1481.4	11.9%
O&G	254.3	327.7	312.5	183.4	212.7	16.0%	-16.4%	688.7	708.6	2.9%
M&E	180.2	173.3	171.1	165.4	183.8	11.1%	2.0%	551.0	520.3	-5.6%
Others	209.1	207.0	115.9	69.5	82.6	18.9%	-60.5%	544.7	268.0	-50.8%
Elimination	-19.2	-20.9	-17.6	-19.3	-16.9	-12.5%	-12.2%	-59.3	-53.8	-9.3%
Total	3702.5	3706.1	3240.4	3485.3	3533.2	1.4%	-4.6%	11252.8	10258.8	-8.8%
PBT										
Automotive	343.9	313.1	233.5	263.4	113.4	-56.9%	-67.0%	1159.1	610.3	-47.3%
Equipment	44.4	78.7	99.3	33.7	64.4	91.2%	45.0%	138.6	197.4	42.4%
O&G	75.8	85.8	42.5	8.0	11.5	43.3%	-84.9%	200.4	61.9	-69.1%
M&E	-1.5	-4.4	1.8	0.4	0.8	88.0%	-150.7%	20.1	3.0	-85.3%
Others	-32.4	-184.1	-57.1	-97.8	-117.7	20.4%	263.1%	-186.4	-272.6	46.3%
Elimination	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	-757.2	-352.8	-53.4%
Total	430.3	289.1	320.0	207.6	72.2	-65.2%	-83.2%	574.5	247.1	-57.0%

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

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BIMB SECURITIES SDN BHD (290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara Multi Purpose, Capital Square,

No. 8 Jalan Munshi Abdullah,

50100 Kuala Lumpur

Tel: 03-2691 8887, Fax: 03-2691 1262

<http://www.bimbsec.com.my>

Kenny Yee

Head of Research