

Outthink. Outperform.

## Dragged down by UMW-OG

UMW reported a headline loss in 4Q15 mainly dragged down by its O&G segment. FY15 core net profit came in below our and street expectations. We lowered FY16 and 17E EPS by 24% and 12% respectively. We have lowered our SOTP target price to RM6.95. Maintain HOLD.

### 2015 earnings came in below our expectation

In 4Q15, UMW reported a headline loss of RM286m, dragged down by provision made for its O&G asset amounting to RM338m. Stripping that off, the group achieved RM52m core net profit, taking FY15 core net profit to RM172m (-74% yoy). This came in below our and street expectations. UMW declared dividend of 10 sen, taking full year dividend to 20 sen (2014: 41 sen).

### Dragged down by O&G segment

Revenue in 4Q15 (-9.6% yoy to RM4.2bn) was dragged down by its O&G segment (-69% yoy), offsetting the 32% growth in the auto segment. Sales of Toyota grew by 15.5% yoy during the quarter while sales volume of Perodua was flat at 0.9% yoy. However, earnings from the motor segment fell by 22% yoy on unfavourable forex. The O&G division recorded a loss on the back of the current depressed oil price, deterioration in time charter rates and low utilisation of assets.

### Maintain HOLD but with a lower PT of RM6.95

We lowered our FY16E and FY17E EPS by 24.2% and 12.5% respectively after imputing the losses from UMW-OG. Given the cut in earnings, we have also lowered our SOTP-based target price to RM6.95 (from RM7.80 previously). Maintain HOLD. The stock is supported by 2.9% dividend yield.

Key downside risks to our recommendation include: i) further deterioration in consumer spending, (ii) intensified competition from other Japanese, Korean and European marqueses. Upside risks include; i) higher-than-expected sales volume growth for Toyota and Perodua, (ii) sharp rebound in oil prices, which will lead to improvement in its O&G segment.

### Earnings & Valuation Summary

FYE 31 Dec	2014	2015	2016E	2017E	2018E
Revenue (RMm)	14,932.5	14,419.8	14,272.1	15,080.7	15,785.5
EBITDA (RMm)	1,307.3	1,111.5	1,513.7	1,792.3	1,867.9
Pretax profit (RMm)	1,621.5	265.6	1,155.5	1,394.8	1,201.1
Net profit (RMm)	658.3	(38.9)	463.6	620.2	607.4
EPS (sen)	56.3	(3.3)	39.7	53.1	52.0
PER (x)	12.3	(208.6)	17.5	13.1	13.4
Core net profit (RMm)	672.6	172.1	463.6	620.2	607.4
Core EPS (sen)	57.6	14.7	39.7	53.1	52.0
Core EPS growth (%)	(21.1)	(74.4)	169.4	33.8	(2.1)
Core PER (x)	12.1	47.2	17.5	13.1	13.4
Net DPS (sen)	41.0	20.0	20.0	30.0	30.0
Dividend Yield (%)	5.9	2.9	2.9	4.3	4.3
EV/EBITDA (x)	6.8	8.0	5.7	4.7	4.3
Chg in EPS (%)			-24.2	-12.5	n.a
Affin/Consensus (x)			0.9	0.9	n.a

Source: Company, Affin Hwang estimates

## Results Note

# UMW Holdings

UMW MK  
Sector: Auto & Autoparts

RM6.95 @ 25 February 2016

**HOLD (maintain)**

Upside -

**Price Target: RM6.95**

Previous Target: RM7.80



## Price Performance

	1M	3M	12M
Absolute	+2.5%	-15.2%	-36.8%
Rel to KLCI	+0.5%	-13.9%	-30.8%

## Stock Data

Issued shares (m)	1168.3
Mkt cap (RMm)/(US\$m)	8119.6/1923.5
Avg daily vol - 6mth (m)	1.4
52-wk range (RM)	6.5-11.30
Est free float	32.6%
BV per share (RM)	5.83
P/BV (x)	1.19
Net cash/ (debt) (RMm) (4Q15)	(161.8)
ROE (2016F)	6.5%
Derivatives	Nil
Shariah Compliant	Yes

## Key Shareholders

Skim Amanah Saham Bumiputera	40.8%
EPF	17.6%
Permodalan Nasional Bhd	5.7%

Source: Affin Hwang, Bloomberg

Sharifah Farah  
(603) 2146 7538  
[farah.jamalulil@affinhwang.com](mailto:farah.jamalulil@affinhwang.com)

Out think. Out perform.

Fig 1: Results Comparison

FYE 31 Dec (RMm)	4Q15	QoQ % chg	YoY % chg	2015	YoY % chg	Comment
Revenue	4160.9	(12.6)	(9.6)	14,419.8	(3.6)	Growth in the auto segment being offset by depressed O&G segment on cheap oil price
Op costs	(4520.6)	(14.5)	(4.8)	(14,379.8)	6.5	
EBIT	(22.0)	15.5	(41.1)	346.0	(76.1)	
<i>EBIT margin (%)</i>	(0.5)	2.1	(4.5)	2.4	(7.3)	
Int expense	(41.9)	34.5	27.8	(126.6)	46.2	
Int and other income	31.5	(5.0)	15.5	127.2	(6.9)	
Associates	35.8	(32.3)	9.5	130.1	(6.8)	
EI	(337.7)	(172.6)	(135.6)	(211.0)	nm	Provision made on O&G asset
<b>Pretax profit</b>	(334.3)	10.7	(33.2)	265.6	(83.6)	Impacted by losses from O&G and motor division – unfavorable forex
Tax	(57.3)	(9.8)	(3.8)	(259.9)	(36.5)	
<i>Tax rate (%)</i>	(17.1)	(6.0)	8.0	97.9	72.6	
MI	105.5	(37.2)	(53.6)	(44.6)	0.0	
<b>Net profit</b>	(286.0)	98.6	(31.0)	(38.9)	(106.0)	
EPS (sen)	(24.5)	98.6	(31.0)	(3.3)	(106.0)	
<b>Core net profit</b>	51.7	119.1	(40.4)	172.1	(74.1)	Below Affin and street estimates

Source: Affin Hwang, Company data

**Equity Rating Structure and Definitions**


---

<b>BUY</b>	Total return is expected to exceed +10% over a 12-month period
<b>HOLD</b>	Total return is expected to be between -5% and +10% over a 12-month period
<b>SELL</b>	Total return is expected to be below -5% over a 12-month period
<b>NOT RATED</b>	Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

*The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.*

<b>OVERWEIGHT</b>	Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months
<b>NEUTRAL</b>	Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months
<b>UNDERWEIGHT</b>	Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

---

This report is intended for information purposes only and has been prepared by Affin Hwang Investment Bank Berhad (14389-U) (formerly known as HwangDBS Investment Bank Berhad) ("the Company") based on sources believed to be reliable. However, such sources have not been independently verified by the Company, and as such the Company does not give any guarantee, representation or warranty (express or implied) as to the adequacy, accuracy, reliability or completeness of the information and/or opinion provided or rendered in this report. Facts, information, views and/or opinion presented in this report have not been reviewed by, may not reflect information known to, and may present a differing view expressed by other business units within the Company, including investment banking personnel. Reports issued by the Company, are prepared in accordance with the Company's policies for managing conflicts of interest arising as a result of publication and distribution of investment research reports. Under no circumstances shall the Company, its associates and/or any person related to it be liable in any manner whatsoever for any consequences (including but are not limited to any direct, indirect or consequential losses, loss of profit and damages) arising from the use of or reliance on the information and/or opinion provided or rendered in this report. Any opinions or estimates in this report are that of the Company, as of this date and subject to change without prior notice. Under no circumstances shall this report be construed as an offer to sell or a solicitation of an offer to buy any securities. The Company and/or any of its directors and/or employees may have an interest in the securities mentioned therein. The Company may also make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

Comments and recommendations stated here rely on the individual opinions of the ones providing these comments and recommendations. These opinions may not fit to your financial status, risk and return preferences and hence an independent evaluation is essential. Investors are advised to independently evaluate particular investments and strategies and to seek independent financial, legal and other advice on the information and/or opinion contained in this report before investing or participating in any of the securities or investment strategies or transactions discussed in this report.

Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

The Company's research, or any portion thereof may not be reprinted, sold or redistributed without the consent of the Company.

The Company, is a participant of the Capital Market Development Fund-Bursa Research Scheme, and will receive compensation for the participation.

This report is printed and published by:  
 Affin Hwang Investment Bank Berhad (14389-U)  
 (formerly known as HwangDBS Investment Bank Berhad)  
 A Participating Organisation of Bursa Malaysia Securities Bhd  
 Chulan Tower Branch,  
 3rd Floor, Chulan Tower,  
 No 3, Jalan Conlay,  
 50450 Kuala Lumpur.  
 www.affinhwang.com  
 Email : [affin.research@affinhwang.com](mailto:affin.research@affinhwang.com)  
 Tel : + 603 2143 8668  
 Fax : + 603 2145 3005