



# BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

**4QFY15**

## UMW Holdings

**SELL ▼**

**Below**

**Weak Oil Worse Year**

**Price:**  
**Target Price:**

**RM6.66**  
**(-18.7%) RM5.42**

**Stock Data**

Bloomberg Ticker	UMWH MK	Altman Z-score	1.9
Market Cap	8,061.2	YTD price chg	-12.3%
Issued shares	1,168.3	YTD KLCIchg	-1.7%
52-week range (H)	11.30	Beta	1.1
2-week range (L)	6.50	<b>Major Shareholders</b>	
3-mth avg daily volume	1,015,355	ASB	40.8%
Free Float	35.8%	EPF	17.7%
Shariah Compliant	Y	PNB	5.7%
Financial Derivatives	Y		

**Share Performance (%)**

Absolute	1mth	3mth	12mth
vs. KLCI	1.8	(15.2)	(35.5)
	(31.4)	(14.6)	(31.4)

**Consensus**

	2015	2016	2017
Net Profit	403.73	483.00	570.08
EPS (sen)	0.37	0.42	0.50

**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**

<b>FYE 31 Dec</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016E</b>	<b>2017E</b>
Turnover	13951.5	14932.5	14419.8	14147.3	14022.7
EBIT	1296.5	1432.9	472.6	529.6	585.8
Pretax profit	1435.7	1621.5	265.6	657.0	711.2
<b>Net Profit</b>	<b>652.9</b>	<b>652.0</b>	<b>(38.9)</b>	<b>395.6</b>	<b>431.9</b>
<b>Core Net Profit</b>	<b>652.9</b>	<b>652.0</b>	<b>298.8</b>	<b>395.6</b>	<b>431.9</b>
Core EPS (sen)	56.1	56.0	25.7	33.9	37.0
Core PER (x)	12.4	12.4	27.1	20.5	18.8
DPS (sen)	44.2	41.2	41.2	20.3	22.2
Div. Yield (%)	6.4%	5.9%	5.9%	2.9%	3.2%
NTA/share (RM)	5.4	5.6	5.5	6.0	6.6

**Margins**

EBIT margin	9.3%	9.6%	3.3%	3.7%	4.2%
Pretax margin	10.3%	10.9%	1.8%	4.6%	5.1%
Effective tax rate	24.5%	25.2%	97.9%	33.0%	33.0%
ROE	10.4%	9.9%	-0.6%	5.6%	5.6%
ROA	4.5%	3.9%	-0.2%	2.1%	2.1%
Net Gearing	6.8	12.4	50.2	59.5	60.3

**Growth ratios**

Turnover	-12.2%	7.0%	-3.4%	-1.9%	-0.9%
EBIT	-30.2%	10.5%	-67.0%	12.0%	10.6%
Pretax profit	-28.2%	12.9%	-83.6%	147.4%	8.2%
Net profit	-31.3%	-0.1%	-691.9%	434.5%	9.2%
Core Net Profit	-31.3%	-0.1%	-54.2%	32.4%	9.2%

Wan Mustaqim Bin Wan Ab Aziz

[wmustaqim@bimbsec.com.my](mailto:wmustaqim@bimbsec.com.my)

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UMW's FY15 registered net loss of RM38.9m or 691.9% fall attributed to the asset and goodwill impairment amounting to RM337.7m in the Oil & Gas segment provided in the 4QFY15. Thus, excluding one-time impairment cost, core net profit was at RM298.8m or fall of 54.2% still below ours and consensus expectation of 72% and 74%. On top of that, the Automotive segment also experienced decline of 41.7% in PBT due to weakening of MYR against the USD in which increased the cost of sales by 6.7% to RM14,284.8m. As the result of the lower contribution from O&G segment and higher cost of sales, we revised our FY16 and FY17 net earnings forecasts downwards to RM395.6m (-32.0%), and RM431.9m (-31.8%) respectively. Hence, we revised our target price downwards to RM5.42 from RM7.89 previously, applying SOP computation. Downgrade to SELL.

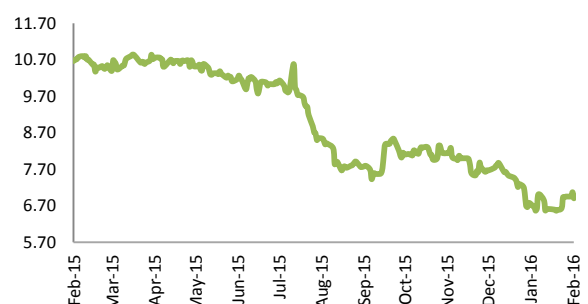
**4QFY15.** Excluding the impairment cost, 4Q registered an increase of 38.2% QoQ, however, YoY was 37.9% lower due to lower contribution of 95% from O&G segment. The weakening ringgit had also resulted in a higher operating expenses of RM994.6m for current quarter. However, the revenue soared 17.8% QoQ and 12.3% YoY contributed by Automotive segment in which registered higher revenue (+30.0% QoQ) and (+31.0% YoY) due to positive response towards aggressive year-end sales campaigns coupled with the anticipated vehicle price increase in 2016. Toyota sold 31,663 units in 4QFY15 compared with 27,405 units in 4Q14 (+15.5%) and 23,301 units in 3Q15 (+35.9%).

**Prospects.** Operations in China continued to perform well due to better performance from the Repsol sales network and increase in sales to FAW VW and Audi. Whilst, the loss-making auto components manufacturing companies in India were fully divested on 20th November 2015.

**Dividend.** UMW announced second interim dividend of 10sen/share to be paid on 23rd March 2016, making it totalled of 20sen/share or dividend yield of 3% with payout ratio of 77.9%.

**View and Valuation.** As the result of the lower contribution from O&G segment and higher cost of sales, we revised our FY16 and FY17 net earnings forecasts downwards to RM395.6m (-32.0%), and RM431.9m (-32.0%) respectively. Hence, our target price is reduced to RM5.42 from RM7.89 previously, applying SOP computation. Downgrade to SELL from HOLD.

Share Price Chart



## Quarterly figures

FY 31 Dec (RMm)	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	QoQ Chg	YoYChg	FY14	FY15	YTD Chg
Revenue	3706.1	3240.4	3485.3	3533.2	4160.9	17.8%	12.3%	14958.9	14419.8	-3.6%
EBIT	232.1	246.8	178.5	(162.6)	(127.8)	-21.4%	-359.9%	1371.8	134.9	-90.2%
<b>Pretax profit</b>	<b>289.1</b>	<b>320.0</b>	<b>207.6</b>	<b>72.2</b>	<b>(334.3)</b>	-406.5%	-623.4%	<b>1620.8</b>	<b>265.6</b>	-83.6%
Taxation	(93.1)	(84.0)	(74.3)	(44.3)	(57.3)	29.3%	-38.5%	(409.1)	(259.9)	-36.5%
Minority Interest	(112.8)	(70.9)	(64.9)	(14.4)	105.5	119.9%	218.3%	(554.1)	(44.6)	-91.9%
<b>Net Profit</b>	<b>83.2</b>	<b>165.2</b>	<b>68.4</b>	<b>13.5</b>	<b>(286.0)</b>	-299.6%	-443.9%	<b>657.7</b>	<b>(38.9)</b>	-691.9%
<b>Core Net Profit</b>	<b>83.2</b>	<b>165.2</b>	<b>68.4</b>	<b>13.5</b>	<b>51.7</b>	38.2%	-37.9%	<b>657.7</b>	<b>298.8</b>	-54.2%
Core EPS (sen)	7.1	14.1	5.9	1.2	4.4	3.3%	-37.9%	56.3	25.6	-54.6%
Net Gearing (x)	10.9	26.2	28.2	48.5	50.2	1.7%	362.9%	10.9	50.2	362.9%
EBIT margin (%)	6.3%	7.6%	5.1%	-4.6%	-3.1%	0.0%	-149.0%	9.2%	0.9%	-89.8%
PBT margin (%)	7.8%	9.9%	6.0%	2.0%	-8.0%	-0.1%	-203.0%	10.8%	1.8%	-83.0%
Net profit margin	2.2%	5.1%	2.0%	0.4%	-6.9%	-0.1%	-406.3%	4.4%	-0.3%	-106.2%
Effective tax rate	32.2%	26.3%	35.8%	61.4%	17.1%	-0.4%	-46.8%	25.2%	97.9%	287.7%

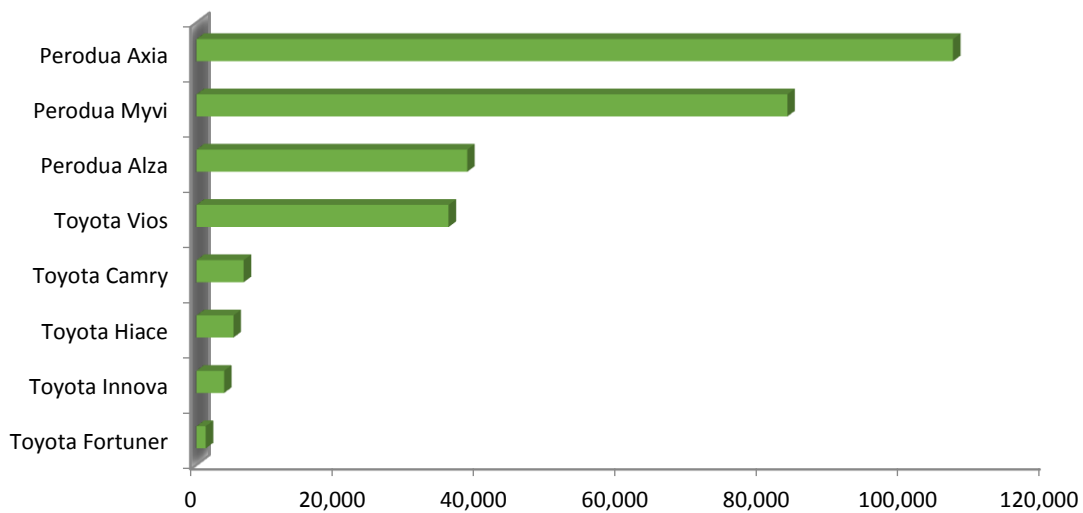
Source: Company/ BIMB Securities

## Segmental Breakdown

	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	QoQ Chg	YoYChg	FY14	FY15	YTD Chg
<b>Revenue</b>										
Automotive	2,573.5	2,005.5	2,732.7	2,596.1	3,375.9	30.0%	31.2%	10777.7	10710.2	-0.6%
Equipment	445.6	653.0	353.6	474.8	402.9	-15.1%	-9.6%	1769.1	1884.3	6.5%
O&G	327.7	312.5	183.4	212.7	131.0	-38.4%	-60.0%	1016.3	839.5	-17.4%
M&E	173.3	171.1	165.4	183.8	182.4	-0.8%	5.3%	724.3	702.7	-3.0%
Others	207.0	115.9	69.5	82.6	94.8	14.6%	-54.2%	751.7	362.8	-51.7%
Elimination	(20.9)	(17.6)	(19.3)	(16.9)	(25.9)	53.5%	24.1%	(80.2)	(79.7)	-0.6%
<b>Total</b>	<b>3,706.1</b>	<b>3,240.4</b>	<b>3,485.3</b>	<b>3,533.2</b>	<b>4,160.9</b>	17.8%	12.3%	<b>14958.9</b>	<b>14419.8</b>	-3.6%
<b>PBT</b>										
Automotive	313.1	233.5	263.4	113.4	247.9	118.6%	-20.8%	1472.2	858.2	-41.7%
Equipment	78.7	99.3	33.7	64.4	27.5	-57.2%	-65.0%	217.3	224.9	3.5%
O&G	85.8	42.5	8.0	11.5	(411.3)	3690.9%	-579.4%	286.2	(349.4)	-222.1%
M&E	(4.4)	1.8	0.4	0.8	13.4	1680.3%	-404.1%	15.7	16.3	4.4%
Others	(184.1)	(57.1)	(97.8)	(117.7)	(211.8)	79.8%	15.0%	(370.5)	(484.4)	30.8%
Elimination	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	0.0	0.0	n.a.
<b>Total</b>	<b>289.1</b>	<b>320.0</b>	<b>207.6</b>	<b>72.2</b>	<b>(334.3)</b>	-107.8%	-101.9%	<b>1620.8</b>	<b>265.6</b>	-83.6%

Source: Company/ BIMB Securities

2015 UMW Vehicles Ranking by Volume Sold (Units)



Source: MAA/ BIMB Securities

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

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

**SECTOR RECOMMENDATION**

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