

## Company Note

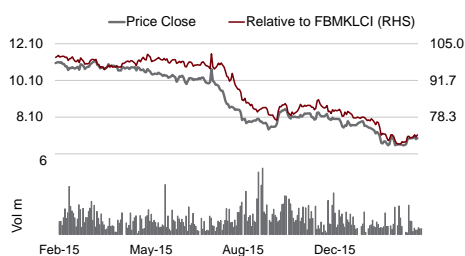
### I Malaysia

#### **HOLD** (no change)

Current price:	RM6.95
Target price:	RM6.40
Previous target:	RM8.49
Up/downside:	-8.0%
Reuters:	UMWS.KL
Bloomberg:	UMWH MK
Market cap:	US\$1,922m
	RM8,120m
Average daily turnover:	US\$1.53m
	RM6.53m
Current shares o/s	1,168m
Free float:	34.2%

#### Key changes in this note

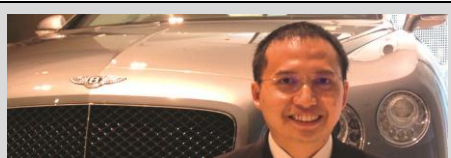
- ▶ No change.



Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	2.5	-15.3	-36.8
Relative (%)	0.5	-13.7	-28.1

#### Analyst(s)



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## UMW Holdings

### Held back by autos and O&G

- FY15 core net profit was below expectations at 78% of our full-year forecast and 71% of consensus, mainly due to weak results at its autos and O&G divisions.
- The automotive and oil & gas divisions recorded lower earnings.
- The equipment and M&E divisions recorded earnings growth.
- Maintain FY16-17 EPS forecasts and introduce FY18 numbers.
- SOP-based target price cut but by 24.6% mainly due to the much lower market capitalisation of its subsidiary UMW-OG. Maintain Hold. We prefer Berjaya Auto.

#### FY15 results below expectations

For FY15, core net profit dropped 54.2% yoy to RM298.8m with revenue lower by 3.4% yoy at RM14.42bn. FY15 core net profit came in below expectations at 78% of our full-year forecast and 71% of consensus. The weak results can be attributed mainly to the softer-than-expected performance at its automotive and oil & gas divisions. A final dividend of 10 sen per share was declared, as expected.

#### Autos affected by competition and weaker RM

For FY15, the division's revenue was lower by 0.5% yoy at RM10.71bn while PBT declined 41.8% yoy to RM858.2m. The division's revenue was affected by stiff competition in the domestic auto scene, coupled with weak consumer sentiment. Consequently, profit was affected due to higher campaign and promotion expenses, compounded by the weakening of RM against US\$.

#### Equipment segment recorded positive growth

The equipment division's revenue declined 9.2% yoy in 4Q15 to RM402.9m while PBT dropped 65.4% yoy to RM27.5m. For FY15, revenue increased 6.6% yoy to RM1.88bn, resulting in 3.1% yoy growth in PBT to RM224.9m. The positive performance was contributed mainly by the heavy equipment segment on the back of the higher demand for its equipment from businesses in Myanmar, Papua New Guinea and Vietnam.

#### Higher profit at M&E division

The manufacturing and engineering (M&E) division's revenue for FY15 declined 3.1% yoy to RM702.7m but PBT increased 10.5% yoy to RM16.3m. The lower revenue was due to weaker demand for absorbers and power steering pumps but profit was boosted by the better performance of the lubricant segment and cost-cutting measures.

#### Losses at O&G division

The oil and gas division's revenue declined 17.3% yoy to RM839.5m but the division incurred a core pre-tax loss of RM11.7m against RM284.2m pre-tax profit in FY14. The weaker profit was due to lower time charter rates and rig utilisation rates for its assets.

#### Maintain Hold

We maintain our FY16-17 EPS forecasts and introduce FY18 numbers. However, we cut our SOP-based target price, mainly due to the much lower market capitalisation of its subsidiary UMW-OG. We maintain our Hold call on the stock, due to the limited upside potential. We prefer Berjaya Auto.

Financial Summary	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue (RMm)	14,959	14,420	14,362	14,085	14,608
Operating EBITDA (RMm)	1,817	135	1,435	1,543	1,412
Net Profit (RMm)	657.7	(38.9)	495.9	581.4	497.9
Core EPS (RM)	0.57	(0.03)	0.43	0.50	0.43
Core EPS Growth	(3%)	(106%)	NA	17%	(14%)
FD Core P/E (x)	12.19	NA	16.16	13.79	16.10
DPS (RM)	0.42	0.25	0.32	0.38	0.32
Dividend Yield	6.11%	3.58%	4.61%	5.40%	4.63%
EV/EBITDA (x)	6.52	90.72	6.28	5.68	6.15
P/FCFE (x)	6.5	49.1	12.0	281.8	NA
Net Gearing	10.4%	35.7%	(16.6%)	(19.0%)	(19.5%)
P/BV (x)	1.22	1.25	1.17	1.16	1.14
ROE	10.2%	(0.6%)	7.5%	8.4%	7.1%
% Change In Core EPS Estimates			0%	0%	
CIMB/consensus EPS (x)			1.02	1.02	

SOURCE: COMPANY DATA, CIMB FORECASTS

**Figure 1: Results comparison**

FYE Dec (RM m)	4QFY15	4QFY14	yoy % chg	qoq % chg	4QFY15 Cum	4QFY14 Cum	yoy% chg	Prev. FY15F	Comments
Revenue	4,160.9	3,679.7	13.1	17.8	14,419.8	14,932.5	(3.4)	13,426.5	Lower revenue from auto and M&E divisions
Operating expenses	(4,520.6)	(3,447.1)	31.1	30.4	(14,284.8)	(13,499.6)	5.8	(12,645.4)	
EBIT	(359.7)	232.7	(254.6)	(638.3)	134.9	1,432.9	(90.6)	781.1	Lower profit from auto, O&G, and M&E divisions
EBIT margin (%)	(8.6)	6.3	(236.7)	(557.1)	0.9	9.6	(90.2)	5.8	
Interest expense	(41.9)	(27.0)	54.9	69.2	(126.6)	(85.1)	48.7	(146.3)	
Associates' contrib	35.8	49.5	(27.8)	(11,168.4)	130.1	139.6	(6.8)	125.0	
Investment income	31.5	34.6	(8.8)	3.4	127.2	134.1	(5.1)	119.5	
Exceptionals	(337.7)	0.0	<i>n.m.</i>	<i>n.m.</i>	(337.7)		<i>n.m.</i>		Impairment of assets and goodwill in the oil & gas division
Pretax profit	(334.3)	289.8	(215.4)	(562.7)	265.6	1,621.5	(83.6)	854.3	Lower profit from auto, O&G, and M&E divisions
Tax	(57.3)	(92.5)	(38.0)	29.3	(259.9)	(408.5)	(36.4)	(397.4)	Higher tax rate as certain expenses not allowed
Tax rate (%)	(15.5)	38.5	(140.2)	(125.4)	191.8	27.6	595.8	54.5	for tax purpose
Minority interets	(105.5)	119.8	(188.1)	(833.4)	44.6	561.0	(92.0)	(276.1)	
Net profit	(286.0)	77.5	(469.2)	(2,215.2)	(38.9)	652.0	(106.0)	385.1	
EPS (sen)	(24.48)	6.63	(469.2)	(2,210.3)	(3.33)	55.81	(106.0)	32.96	
Core net profit	51.7	77.5	(33.3)	282.0	298.8	652.0	(54.2)	385.1	Below, 78% of our full year forecast
Core EPS (sen)	4.42	6.63	(33.3)	282.0	25.57	55.81	(54.2)	32.96	

SOURCES: CIMB, COMPANY REPORTS

**Figure 2: SOP table**

	FY17 Net profit (RM'm)	target P/E	RNAV (RM'm)
Automotive	385.95	11.00	4,245.40
Oil & gas	55% of UMW-OG market cap		1,141.80
Equipment & manufacturing	228.45	10.00	2,284.52
Others			(200.00)
Total RNAV			7,471.72
No of shares ('m)			1,168.29
RNAV/share (RM)			6.40

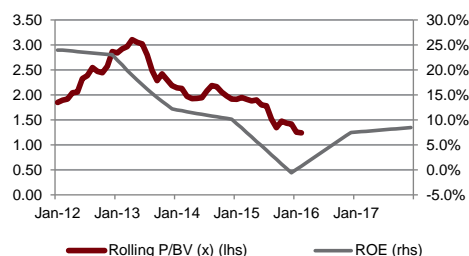
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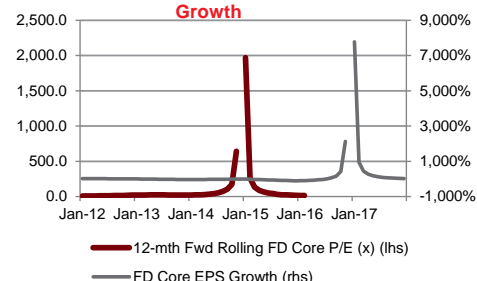
### Share price info

Share px perf. (%)	1M	3M	12M
Relative	0.5	-13.7	-28.1
Absolute	2.5	-15.3	-36.8
Major shareholders		% held	
Permodalan Nasional Bhd			50.1
EPF			15.7

### P/BV vs ROE



### 12-mth Fwd FD Core P/E vs FD Core EPS Growth



### Profit & Loss

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
<b>Total Net Revenues</b>	<b>14,959</b>	<b>14,420</b>	<b>14,362</b>	<b>14,085</b>	<b>14,608</b>
<b>Gross Profit</b>	<b>1,817</b>	<b>135</b>	<b>1,435</b>	<b>1,543</b>	<b>1,412</b>
<b>Operating EBITDA</b>	<b>1,817</b>	<b>135</b>	<b>1,435</b>	<b>1,543</b>	<b>1,412</b>
Depreciation And Amortisation	(390)	0	(497)	(506)	(511)
<b>Operating EBIT</b>	<b>1,427</b>	<b>135</b>	<b>938</b>	<b>1,037</b>	<b>901</b>
Financial Income/(Expense)	55	1	29	62	70
Pretax Income/(Loss) from Assoc.	140	130	120	150	150
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>1,621</b>	<b>266</b>	<b>1,086</b>	<b>1,249</b>	<b>1,121</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>1,621</b>	<b>266</b>	<b>1,086</b>	<b>1,249</b>	<b>1,121</b>
Taxation	(409)	(260)	(380)	(437)	(392)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>1,212</b>	<b>6</b>	<b>706</b>	<b>812</b>	<b>728</b>
Minority Interests	(554)	(45)	(210)	(231)	(231)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>658</b>	<b>(39)</b>	<b>496</b>	<b>581</b>	<b>498</b>
Recurring Net Profit	658	(39)	496	581	498
<b>Fully Diluted Recurring Net Profit</b>	<b>658</b>	<b>(39)</b>	<b>496</b>	<b>581</b>	<b>498</b>

### Cash Flow

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
<b>EBITDA</b>	<b>1,817</b>	<b>135</b>	<b>1,435</b>	<b>1,543</b>	<b>1,412</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(205)		(65)	19	(37)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(90)	637	(32)	(32)	(32)
Net Interest (Paid)/Received	(76)	(121)	(189)	(176)	(165)
Tax Paid	(409)	(275)	(299)	(380)	(437)
<b>Cashflow From Operations</b>	<b>1,036</b>	<b>375</b>	<b>849</b>	<b>974</b>	<b>742</b>
Capex	(2,176)	(2,169)	(700)	(700)	(700)
Disposals Of FAs/subsidiaries	0	44	0	0	0
Acq. Of Subsidiaries/investments	1,199	(3)	900	100	100
Other Investing Cashflow	0	224	0	0	0
<b>Cash Flow From Investing</b>	<b>(978)</b>	<b>(1,904)</b>	<b>200</b>	<b>(600)</b>	<b>(600)</b>
Debt Raised/(repaid)	1,183	1,692	(384)	(346)	(311)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(947)	(806)	(392)	(465)	(402)
Preferred Dividends					
Other Financing Cashflow	82		135	122	878
<b>Cash Flow From Financing</b>	<b>318</b>	<b>886</b>	<b>(641)</b>	<b>(689)</b>	<b>165</b>
Total Cash Generated	376	(643)	408	(315)	307
<b>Free Cashflow To Equity</b>	<b>1,242</b>	<b>163</b>	<b>665</b>	<b>28</b>	<b>(169)</b>
<b>Free Cashflow To Firm</b>	<b>141</b>	<b>(1,408)</b>	<b>1,181</b>	<b>493</b>	<b>249</b>

## BY THE NUMBERS

### Balance Sheet

(RMm)	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Total Cash And Equivalents	3,376	2,728	5,100	5,000	4,762
Total Debtors	1,925	1,739	1,243	1,219	1,264
Inventories	1,835	1,892	1,564	1,534	1,591
Total Other Current Assets	1,188	1,210	1,298	1,305	1,212
<b>Total Current Assets</b>	<b>8,324</b>	<b>7,569</b>	<b>9,204</b>	<b>9,058</b>	<b>8,829</b>
Fixed Assets	5,649	8,133	6,075	6,269	6,457
Total Investments	2,428	1,975	391	48	48
Intangible Assets	38	38	38	38	38
Total Other Non-Current Assets	0	365	0	0	0
<b>Total Non-current Assets</b>	<b>8,116</b>	<b>10,512</b>	<b>6,503</b>	<b>6,355</b>	<b>6,544</b>
Short-term Debt	2,269	3,238	1,856	1,679	1,520
Current Portion of Long-Term Debt					
Total Creditors	2,119	2,230	1,804	1,769	1,835
Other Current Liabilities	324	223	728	679	788
<b>Total Current Liabilities</b>	<b>4,712</b>	<b>5,692</b>	<b>4,387</b>	<b>4,127</b>	<b>4,144</b>
Total Long-term Debt	2,088	2,783	1,692	1,522	1,370
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	165	318	230	247	247
<b>Total Non-current Liabilities</b>	<b>2,253</b>	<b>3,100</b>	<b>1,921</b>	<b>1,769</b>	<b>1,617</b>
Total Provisions	31	65	31	31	31
<b>Total Liabilities</b>	<b>6,997</b>	<b>8,857</b>	<b>6,339</b>	<b>5,928</b>	<b>5,792</b>
Shareholders' Equity	6,590	6,397	6,823	6,939	7,035
Minority Interests	2,853	2,827	2,546	2,546	2,546
<b>Total Equity</b>	<b>9,443</b>	<b>9,224</b>	<b>9,369</b>	<b>9,485</b>	<b>9,581</b>

### Key Ratios

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
Revenue Growth	5.29%	(3.60%)	(0.40%)	(1.92%)	3.71%
Operating EBITDA Growth	12%	(93%)	963%	8%	(8%)
Operating EBITDA Margin	12.1%	0.9%	10.0%	11.0%	9.7%
Net Cash Per Share (RM)	(0.85)	(2.85)	1.35	1.56	1.62
BVPS (RM)	5.71	5.55	5.92	6.02	6.10
Gross Interest Cover	17.39	1.07	7.12	8.73	8.40
Effective Tax Rate	25.2%	97.9%	35.0%	35.0%	35.0%
Net Dividend Payout Ratio	47%	106%	46%	46%	45%
Accounts Receivables Days	31.17	32.90	27.85	23.41	22.76
Inventory Days	49.80	47.61	48.92	45.08	43.22
Accounts Payables Days	36.15	31.12	31.81	31.20	29.91
ROIC (%)	14.3%	1.2%	6.4%	10.1%	8.5%
ROCE (%)	12.1%	1.8%	7.8%	9.5%	8.5%
Return On Average Assets	10.1%	1.5%	6.3%	7.7%	6.9%

### Key Drivers

	Dec-14A	Dec-15A	Dec-16F	Dec-17F	Dec-18F
ASP (% chg, main prod./serv.)	0.0%	0.0%	0.0%	0.0%	1.5%
Unit sales grth (% , main prod./serv.)	6.4%	-5.7%	3.7%	4.3%	-100.0%
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod/serv)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% ,tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , tertiary prod/serv)	N/A	N/A	N/A	N/A	N/A

SOURCE: CIMB RESEARCH, COMPANY DATA

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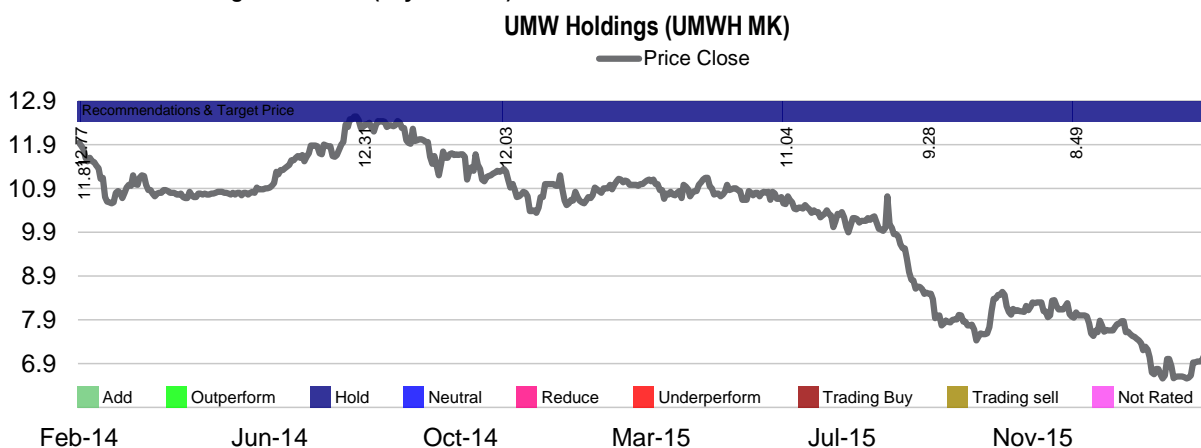
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	Rating Distribution (%)	Investment Banking clients (%)
Add	58.8%	9.3%
Hold	31.5%	4.0%
Reduce	8.5%	0.7%

**Spitzer Chart for stock being researched ( 2 year data )**



## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2015, Anti-Corruption Progress Indicator 2015.

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