

25 May 2016

UMW Holdings

Rough Start

By Desmond Chong | cwchong@kenanga.com.my

1Q16 core PATAMI of RM16.9m (>100% QoQ; -90% YoY) came in way below estimates, making up only 5% of both our and consensus' estimates. Uninspiring earnings are attributed to: (i) Automotive segment incurring high import costs from unfavourable forex rates alongside poor sentiment driven sales, (ii) slowdown in foreign mining activities causing reduced equipment orders, and (iii) greater losses in the Oil & Gas segment due to lower utilisation of rigs. No dividend was declared as expected. We cut our FY16E/FY17E PATAMI by 43%/36% to account for lower earnings assumptions from Automotive, Oil & Gas and Equipment divisions. We maintain UNDERPERFORM with marginally higher TP of RM4.95 (from RM4.89) as we roll over our valuation base year to FY17E.

3M16 results below expectations, as the group reported 1Q16 PATAMI of RM16.9m, making up of 5% of our/consensus' estimates. The negative deviations were mainly due to lower-than-expected earnings from: (i) automotive segment incurring high import costs from unfavourable forex rates and poor Toyota sales (-37% YoY to 10,216 units in 1Q16) on poor consumer sentiment, (ii) slowdown in construction and mining activities, and (iii) losses in the oil & gas segment due to lower utilisation of rigs (i.e. lesser demand in oil by oil majors due to weak oil prices).

YoY, 3M16 revenue fell by 32% dragged by weakness across all segments. Leading the drop in terms of absolute amount were the Auto, Equipment and Oil & Gas segments. At the group's EBIT level, number was down by 94% due to low operational efficiency on ongoing high overhead costs.

QoQ, sales declined by 47% predominantly due to weaker sales in the Automotive segment (-54%). Contributing to Auto's poor results were the heavy levels of pre-emptive purchases in anticipation of the vehicle price hike in Jan 2016. In addition, more stringent lending policies also discouraged the purchase of new vehicles. However, PBT recorded breakeven at RM21.1m vis-à-vis 4Q15 LBT of RM334.3m which was dragged by provisions for impairment of assets as well as forex losses resulting from deterioration of MYR.

(Please refer to the overleaf for commentary on segmental performances)

On the Automotive segment, management has guided lower combined total sales (Perodua, UMW Toyota) of 296k units (-7k units) in FY16 (vs. our latest forecast combined total sales of 290k units [-6% to 79k in Toyota with unchanged 216k Perodua units;]) with unchanged sales volume assumptions from Perodua (216k units) but lower sales from UMW Toyota (80k units, -7k units) amidst ongoing lacklustre demand. Meanwhile, we continue to believe that margins will remain subdued, dragged by higher operating costs from marketing and high import cost on unfavourable currency fluctuations. **On the Oil & Gas segment**, we expect headwinds in the Oil & Gas segment with oil prices expected to remain soft in the medium-term. With major oil companies implementing cost-cutting measures and delaying capital expenditure, we expect continual downward pressure on the charter rates at least in the medium-term. Moreover, four rigs (Naga 2, 3, 5 and 6) are already out of charter contracts, exerting further downward pressure on the group's near-term earnings.

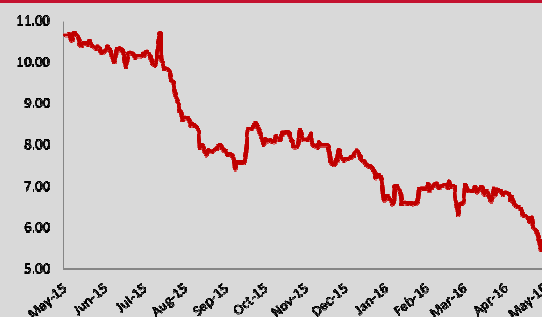
Post-results, we have reduced our FY16E/FY17E PATAMI by 43%/36% to account mainly for: (i) lower earnings from Automotive segment (mainly for lower Toyota sales per our latest revised 2016 TIV forecasts), (ii) lower equipment sales in lieu of the persistent weakness in the mining sectors, and (iii) greater losses assumptions in the Oil & Gas segment in FY16-FY17 (reduction of average rig utilisation and DCR assumptions).

Maintain UNDERPERFORM but upgrade our TP to RM4.95 (from RM4.89) as we roll over our valuation base year to FY17E, implying a 17.4x FY17E PER.

UNDERPERFORM ↔

Price: **RM5.40**
Target Price: **RM4.95** ↑

Share Price Performance



KLCI	1,625.84
YTD KLCI chg	-3.9%
YTD stock price chg	-31.4%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMWH MK Equity
Market Cap (RM m)	6,308.8
Issued shares	1,168.3
52-week range (H)	10.90
52-week range (L)	5.39
3-mth avg daily vol:	891,288
Free Float	36%
Beta	1.1

Major Shareholders

SKIM AMANAH SAHAM	40.7%
EMPLOYEES PROVIDENT	17.8%
PERMODALAN NASIONAL	5.7%

Summary Earnings Table

FYE Dec (RM m)	2015A	2016E	2017E
Turnover	14,441.6	10,962.9	12,196.2
EBIT	135.6	290.7	489.1
PBT	269.7	448.4	697.4
Net Profit	239.7	198.5	331.8
Core Net Profit	239.7	198.5	331.8
Consensus (NP)	-	360.2	454.1
Earnings Revision	-	-43%	-36%
Core EPS (sen)	20.5	17.0	28.4
Core EPS growth (%)	-69.5%	-17.2%	67.2%
NDPS (sen)	20.0	20.0	20.0
BVPS (RM)	5.6	5.6	5.7
PER (x)	27.5	33.3	19.9
PBV (x)	1.0	1.0	1.0
Net Gearing (x)	0.8	0.6	0.8
Net Div. Yield (%)	3.5%	3.5%	3.5%



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Commentary on segmental performance

YoY, Automotive: 3M16 revenue saw a decline by 22% given the poor Toyota sales amid the lack of new attractive models as well as poor consumer sentiment arising from the rising living cost post-GST implementation. Meanwhile, PBT margin deteriorated to 5.3% (-6.3ppts) due to forex being progressively unfavorable and margins further compressed from higher A&P costs amidst stronger competition for market share.

YoY, Equipment: 3M16 sales fell by 45%, pulled by weaker demand from slowing construction and mining sectors. Recall that 3M15 experienced higher volumes of forward purchase prior to GST implementation (under Industrial segment) and large orders from Myanmar during this period due to intensive jade mining activities.

YoY, Oil & Gas: 3M16 topline of RM88m was 72% weaker YoY due to lower rigs utilisation (only 2 rigs were active in 1Q16 despite 3 rigs were contracted as compared to 4 rigs in 1Q15). PBT margin for this segment recorded -78% YoY due to operating deleverage.

Result Highlight								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE: Dec (RM 'm)	FY16	FY15	Chg	FY15	Chg	FY16	FY15	Chg
Turnover	2,199.2	4,160.9	-47.1%	3,240.4	-32.1%	2,199.2	3,240.4	-32.1%
EBIT	17.1	(359.7)	104.8%	283.5	-94.0%	17.1	283.5	-94.0%
PBT/(LBT)	21.1	(334.3)	106.3%	320.0	-93.4%	21.1	320.0	-93.4%
Taxation	(26.0)	(57.3)	54.6%	(84.0)	69.0%	(26.0)	(84.0)	69.0%
PATAMI	16.6	(286.0)	105.8%	165.2	-90.0%	16.6	165.2	-90.0%
Core PATAMI	16.9	(69.2)	124.5%	172.2	-90.2%	16.9	172.2	-90.2%
EPS (sen)	1.4	(5.9)	124.5%	14.7	-90.2%	1.4	14.7	-90.2%
DPS (sen)	-	10.0	-	-	-	-	-	-
* Note that the 1QFY16 core PATAMI of RM16.9m has been adjusted by excluding non-core items amounting to RM0.3m, which consists of: (i) reversal of impairment losses of receivables of RM8.1m, (ii) provision for write down of inventories of RM1.2m, (iii) loss on disposal of quoted or unquoted investments of RM1.2m, (iv) loss on disposal of property, plant and equipment of RM2.1m, and (v) provision for impairment losses of assets of RM3.8m.								
EBIT margin	0.8%	-8.6%		8.7%		0.8%	8.7%	
Pretax margin	1.0%	-8.0%		9.9%		1.0%	9.9%	
Core NP margin	0.8%	-1.7%		5.3%		0.8%	5.3%	
Effective tax rate	-123.4%	17.1%		-26.3%		-123.4%	-26.3%	

Source: Company, Kenanga Research

Segmental Breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM'm)	FY16	FY15	Chg	FY15	Chg	FY16	FY15	Chg
Revenue								
Automotive	1,556.0	3,375.9	-53.9%	2,005.5	-22.4%	1,556.0	2,005.5	-22.4%
Equipment	358.0	402.9	-11.1%	653.0	-45.2%	358.0	653.0	-45.2%
O&G	87.7	131.0	-33.0%	312.5	-71.9%	87.7	312.5	-71.9%
M&E	145.4	182.4	-20.3%	171.1	-15.0%	145.4	171.1	-15.0%
Other segment	52.1	68.8	-24.3%	98.3	-47.0%	52.1	98.3	-47.0%
Segment PBT								
Automotive	82.7	247.9	-66.6%	233.5	-64.6%	82.7	233.5	-64.6%
Equipment	39.2	27.5	42.5%	99.3	-60.5%	39.2	99.3	-60.5%
O&G	(68.4)	(411.3)	83.4%	42.5	-261.1%	(68.4)	42.5	-261.1%
M&E	6.6	13.4	-50.8%	1.8	265.6%	6.6	1.8	265.6%
Other segment	(39.1)	(211.8)	81.5%	(57.1)	31.5%	(39.1)	(57.1)	31.5%
Segment PBT margin								
Automotive	5.3%	7.3%		11.6%		5.3%	11.6%	
Equipment	11.0%	6.8%		15.2%		11.0%	15.2%	
O&G	-78.0%	-314.1%		13.6%		-78.0%	13.6%	
M&E	4.5%	7.3%		1.1%		4.5%	1.1%	
Other segment	-75.0%	-307.7%		-58.1%		-75.0%	-58.1%	

Source: Company, Kenanga Research

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Sum-of-Parts Valuation of UMW

Sum-of-Parts Valuation of UMW		FY17	
Segment	(x)	Value (RMm)	Remarks
Others business	12.0	4,979.5	Based on 12.0x FY17 PER (excluding UMWOG contribution)
UMWOG	0.5	798.9	Based on 0.5x FY17 PBV with effective stake of 55.73%
Total value		5,778.5	
No. of shares		1,168.3	
Fair value		4.95	

Source: Kenanga Research

Income Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	13,951	14,932	14,442	10,963	12,196
EBITDA	1,296	1,433	136	291	489
Depreciation	-325	-379	-511	-650	-751
Interest Inc/(Exp)	-99	-85	-127	-146	-146
Associate	158	140	134	176	220
PBT	1,436	1,621	270	448	697
Taxation	-350	-394	-262	-66	-118
Minority Interest	-431	-561	-39	-177	-240
Core PATAMI	852	786	240	198	332

Balance Sheet

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
F. Assets	3,899	5,646	8,103	9,275	10,345
Int. Assets	38	38	25	25	25
Other F.Assets	2,131	2,221	2,430	2,430	2,430
Inventories	1,754	1,835	1,890	1,386	1,544
Receivables	1,210	1,326	1,833	1,458	1,623
Other C. Assets	674	815	1,210	1,210	1,210
Cash	2,558	3,376	2,734	1,817	717
Total Assets	14,595	16,439	18,225	17,601	17,894
Payables	2,070	2,119	2,241	1,652	1,847
ST Borrowings	1,389	2,178	3,725	3,725	3,725
Other ST Liability	235	415	372	372	372
LT Borrowings	1,524	1,914	2,290	2,290	2,290
Other LT Liability	445	371	214	214	214
Net Assets	8,933	9,443	9,384	9,349	9,447
S.holders' Equity	6,290	1,914	6,584	6,549	6,647
Minority Interests	2,642	371	2,799	2,799	2,799
Total Equity	8,933	9,443	9,384	9,349	9,447

Cashflow Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Operating CF	948	1,378	949	1,108	881
Investing CF	-798	-328	-1,740	-1,646	-1,602
Financing CF	-811	204	517	-380	-380
Change In Cash	-661	1,254	-274	-917	-1,100
Free CF	-52	-808	-1,331	-713	-941

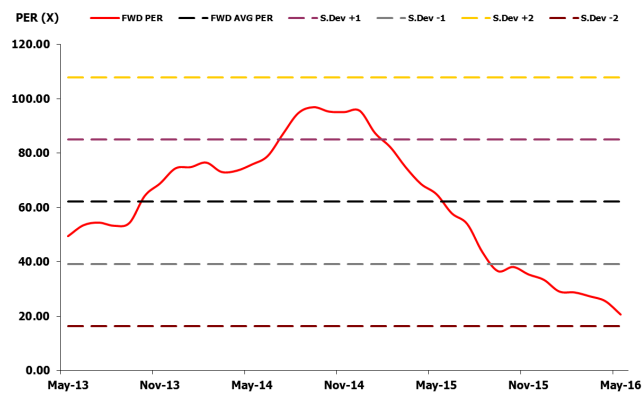
Source: Kenanga Research

Financial Data & Ratios

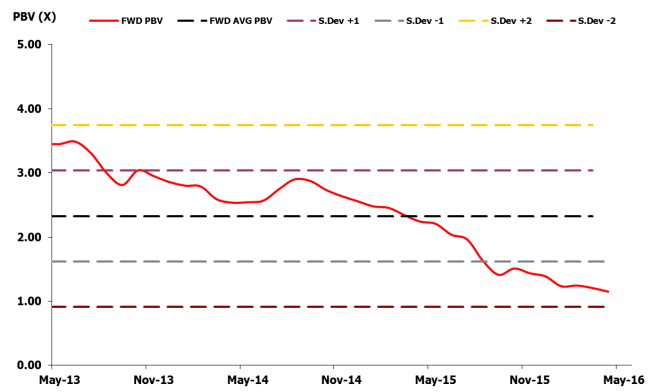
FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Growth (%)					
Turnover	-11.8%	7.0%	-3.3%	-24.1%	11.2%
EBITDA	-11.8%	7.0%	-3.3%	-24.1%	11.2%
Operating Profit	-31.7%	10.5%	-90.5%	114.4%	68.2%
PBT	-28.9%	12.9%	-83.4%	66.3%	55.5%
Core Net Profit	-14.5%	-7.8%	-69.5%	-17.2%	67.2%
Profitability (%)					
Operating Margin	9.3%	9.6%	0.9%	2.7%	4.0%
PBT Margin	10.3%	10.9%	1.9%	4.1%	5.7%
Core Net Margin	6.1%	5.3%	1.7%	1.8%	2.7%
ROA	5.0%	5.0%	4.2%	-0.2%	1.1%
ROE	11.7%	10.1%	-0.6%	3.0%	5.0%
DuPont Analysis					
Net Margin (%)	6.1%	5.3%	1.7%	1.8%	2.7%
Assets Turnover (x)	1.0	0.9	0.8	0.6	0.7
Leverage Factor (x)	2.3	2.5	2.8	2.7	2.7
ROE (%)	11.7%	10.1%	-0.6%	3.0%	5.0%
Leverage					
Debt/Asset (x)	0.2	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.5	0.6	0.9	0.9	0.9
Net (Cash)/Debt	(431)	(819)	(3,281)	(4,198)	(5,298)
Net Debt/Equity (x)	(0.1)	(0.1)	(0.5)	(0.6)	(0.8)
Valuations					
Core EPS (sen)	73.0	67.3	20.5	17.0	28.4
NDPS (sen)	44.0	41.0	20.0	20.0	20.0
BV/sh (RM)	5.4	5.6	5.6	5.6	5.7
PER (x)	7.7	8.4	27.5	33.3	19.9
Div. Yield (%)	7.8%	7.3%	3.5%	3.5%	3.5%
PBV (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	5.8	3.2	3.9	4.7	2.6

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Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Malaysian Automotive Peers Comparison

NAME	Price @ 24/05/16 (RM)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Hist. ROE (%)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating
			Actual	1 Yr Fwd	2 Yr Fwd			Actual	1 Yr Fwd	2 Yr Fwd				
BERJAYA AUTO BHD	2.30	2,621.3	12.3	14.3	11.9	4.7%	43.5%	215.4	185.2	222.8	-14.0%	20.3%	2.41	OP
DRB-HICOM BHD	0.90	1,739.9	8.6	39.1	18.4	6.7%	6.3%	202.8	44.4	94.4	-78.1%	112.6%	0.80	UP
MBM RESOURCES BERHAD	2.15	840.0	10.0	11.7	9.1	5.1%	5.0%	83.5	89.9	111.6	7.7%	24.1%	2.28	MP
TAN CHONG MOTOR HOLDINGS BHD	1.98	1,292.5	22.5	25.4	19.4	2.5%	2.0%	57.1	65.6	75.5	15.0%	15.1%	1.76	UP
UMW HOLDINGS BHD	5.40	6,308.8	26.5	31.8	19.0	3.7%	4.0%	239.7	198.5	331.8	-17.2%	67.2%	4.95	UP

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Stock Ratings are defined as follows:**Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

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*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Chan Ken Yew
Head of Research

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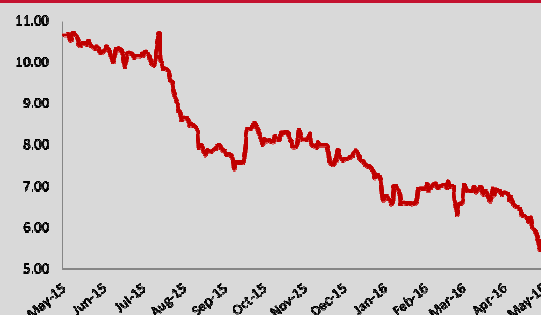
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Core EPS (sen)	20.5	17.0	28.4
Core EPS growth (%)	-69.5%	-17.2%	67.2%
NDPS (sen)	20.0	20.0	20.0
BVPS (RM)	5.6	5.6	5.7
PER (x)	27.5	33.3	19.9
PBV (x)	1.0	1.0	1.0
Net Gearing (x)	0.8	0.6	0.8
Net Div. Yield (%)	3.5%	3.5%	3.5%



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	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE: Dec (RM 'm)	FY16	FY15	Chg	FY15	Chg	FY16	FY15	Chg
Turnover	2,199.2	4,160.9	-47.1%	3,240.4	-32.1%	2,199.2	3,240.4	-32.1%
EBIT	17.1	(359.7)	104.8%	283.5	-94.0%	17.1	283.5	-94.0%
PBT/(LBT)	21.1	(334.3)	106.3%	320.0	-93.4%	21.1	320.0	-93.4%
Taxation	(26.0)	(57.3)	54.6%	(84.0)	69.0%	(26.0)	(84.0)	69.0%
PATAMI	16.6	(286.0)	105.8%	165.2	-90.0%	16.6	165.2	-90.0%
Core PATAMI	16.9	(69.2)	124.5%	172.2	-90.2%	16.9	172.2	-90.2%
EPS (sen)	1.4	(5.9)	124.5%	14.7	-90.2%	1.4	14.7	-90.2%
DPS (sen)	-	10.0	-	-	-	-	-	-
* Note that the 1QFY16 core PATAMI of RM16.9m has been adjusted by excluding non-core items amounting to RM0.3m, which consists of: (i) reversal of impairment losses of receivables of RM8.1m, (ii) provision for write down of inventories of RM1.2m, (iii) loss on disposal of quoted or unquoted investments of RM1.2m, (iv) loss on disposal of property, plant and equipment of RM2.1m, and (v) provision for impairment losses of assets of RM3.8m.								
EBIT margin	0.8%	-8.6%		8.7%		0.8%	8.7%	
Pretax margin	1.0%	-8.0%		9.9%		1.0%	9.9%	
Core NP margin	0.8%	-1.7%		5.3%		0.8%	5.3%	
Effective tax rate	-123.4%	17.1%		-26.3%		-123.4%	-26.3%	

Source: Company, Kenanga Research

Segmental Breakdown								
	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM'm)	FY16	FY15	Chg	FY15	Chg	FY16	FY15	Chg
Revenue								
Automotive	1,556.0	3,375.9	-53.9%	2,005.5	-22.4%	1,556.0	2,005.5	-22.4%
Equipment	358.0	402.9	-11.1%	653.0	-45.2%	358.0	653.0	-45.2%
O&G	87.7	131.0	-33.0%	312.5	-71.9%	87.7	312.5	-71.9%
M&E	145.4	182.4	-20.3%	171.1	-15.0%	145.4	171.1	-15.0%
Other segment	52.1	68.8	-24.3%	98.3	-47.0%	52.1	98.3	-47.0%
Segment PBT								
Automotive	82.7	247.9	-66.6%	233.5	-64.6%	82.7	233.5	-64.6%
Equipment	39.2	27.5	42.5%	99.3	-60.5%	39.2	99.3	-60.5%
O&G	(68.4)	(411.3)	83.4%	42.5	-261.1%	(68.4)	42.5	-261.1%
M&E	6.6	13.4	-50.8%	1.8	265.6%	6.6	1.8	265.6%
Other segment	(39.1)	(211.8)	81.5%	(57.1)	31.5%	(39.1)	(57.1)	31.5%
Segment PBT margin								
Automotive	5.3%	7.3%		11.6%		5.3%	11.6%	
Equipment	11.0%	6.8%		15.2%		11.0%	15.2%	
O&G	-78.0%	-314.1%		13.6%		-78.0%	13.6%	
M&E	4.5%	7.3%		1.1%		4.5%	1.1%	
Other segment	-75.0%	-307.7%		-58.1%		-75.0%	-58.1%	

Source: Company, Kenanga Research

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Sum-of-Parts Valuation of UMW

Sum-of-Parts Valuation of UMW		FY17	
Segment	(x)	Value (RMm)	Remarks
Others business	12.0	4,979.5	Based on 12.0x FY17 PER (excluding UMWOG contribution)
UMWOG	0.5	798.9	Based on 0.5x FY17 PBV with effective stake of 55.73%
Total value		5,778.5	
No. of shares		1,168.3	
Fair value		4.95	

Source: Kenanga Research

Income Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Revenue	13,951	14,932	14,442	10,963	12,196
EBITDA	1,296	1,433	136	291	489
Depreciation	-325	-379	-511	-650	-751
Interest Inc/(Exp)	-99	-85	-127	-146	-146
Associate	158	140	134	176	220
PBT	1,436	1,621	270	448	697
Taxation	-350	-394	-262	-66	-118
Minority Interest	-431	-561	-39	-177	-240
Core PATAMI	852	786	240	198	332

Balance Sheet

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
F. Assets	3,899	5,646	8,103	9,275	10,345
Int. Assets	38	38	25	25	25
Other F.Assets	2,131	2,221	2,430	2,430	2,430
Inventories	1,754	1,835	1,890	1,386	1,544
Receivables	1,210	1,326	1,833	1,458	1,623
Other C. Assets	674	815	1,210	1,210	1,210
Cash	2,558	3,376	2,734	1,817	717
Total Assets	14,595	16,439	18,225	17,601	17,894
Payables	2,070	2,119	2,241	1,652	1,847
ST Borrowings	1,389	2,178	3,725	3,725	3,725
Other ST Liability	235	415	372	372	372
LT Borrowings	1,524	1,914	2,290	2,290	2,290
Other LT Liability	445	371	214	214	214
Net Assets	8,933	9,443	9,384	9,349	9,447
S.holders' Equity	6,290	1,914	6,584	6,549	6,647
Minority Interests	2,642	371	2,799	2,799	2,799
Total Equity	8,933	9,443	9,384	9,349	9,447

Cashflow Statement

FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Operating CF	948	1,378	949	1,108	881
Investing CF	-798	-328	-1,740	-1,646	-1,602
Financing CF	-811	204	517	-380	-380
Change In Cash	-661	1,254	-274	-917	-1,100
Free CF	-52	-808	-1,331	-713	-941

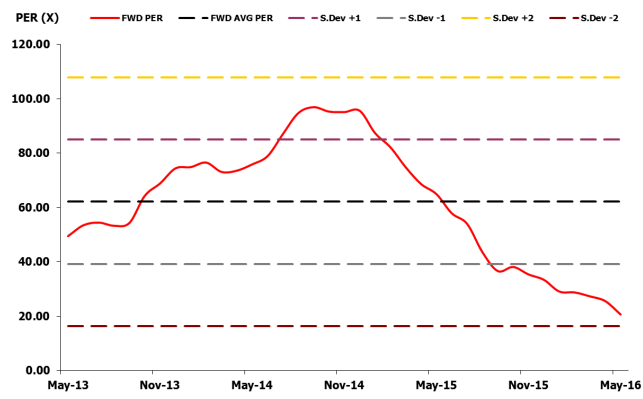
Source: Kenanga Research

Financial Data & Ratios

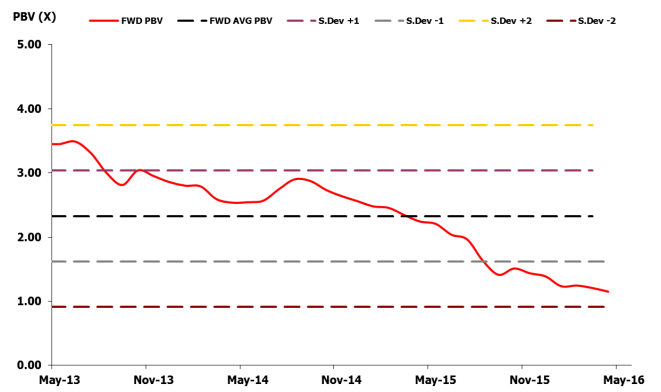
FY Dec (RM m)	2013A	2014A	2015A	2016E	2017E
Growth (%)					
Turnover	-11.8%	7.0%	-3.3%	-24.1%	11.2%
EBITDA	-11.8%	7.0%	-3.3%	-24.1%	11.2%
Operating Profit	-31.7%	10.5%	-90.5%	114.4%	68.2%
PBT	-28.9%	12.9%	-83.4%	66.3%	55.5%
Core Net Profit	-14.5%	-7.8%	-69.5%	-17.2%	67.2%
Profitability (%)					
Operating Margin	9.3%	9.6%	0.9%	2.7%	4.0%
PBT Margin	10.3%	10.9%	1.9%	4.1%	5.7%
Core Net Margin	6.1%	5.3%	1.7%	1.8%	2.7%
ROA	5.0%	5.0%	4.2%	-0.2%	1.1%
ROE	11.7%	10.1%	-0.6%	3.0%	5.0%
DuPont Analysis					
Net Margin (%)	6.1%	5.3%	1.7%	1.8%	2.7%
Assets Turnover (x)	1.0	0.9	0.8	0.6	0.7
Leverage Factor (x)	2.3	2.5	2.8	2.7	2.7
ROE (%)	11.7%	10.1%	-0.6%	3.0%	5.0%
Leverage					
Debt/Asset (x)	0.2	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.5	0.6	0.9	0.9	0.9
Net (Cash)/Debt	(431)	(819)	(3,281)	(4,198)	(5,298)
Net Debt/Equity (x)	(0.1)	(0.1)	(0.5)	(0.6)	(0.8)
Valuations					
Core EPS (sen)	73.0	67.3	20.5	17.0	28.4
NDPS (sen)	44.0	41.0	20.0	20.0	20.0
BV/sh (RM)	5.4	5.6	5.6	5.6	5.7
PER (x)	7.7	8.4	27.5	33.3	19.9
Div. Yield (%)	7.8%	7.3%	3.5%	3.5%	3.5%
PBV (x)	1.0	1.0	1.0	1.0	1.0
EV/EBITDA (x)	5.8	3.2	3.9	4.7	2.6

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Fwd PER Band



Fwd PBV Band



Source: Bloomberg, Kenanga Research

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Malaysian Automotive Peers Comparison

NAME	Price @ 24/05/16 (RM)	Mkt Cap (RMm)	PER (x)			Est. Div. Yld. (%)	Hist. ROE (%)	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating
			Actual	1 Yr Fwd	2 Yr Fwd			Actual	1 Yr Fwd	2 Yr Fwd				
BERJAYA AUTO BHD	2.30	2,621.3	12.3	14.3	11.9	4.7%	43.5%	215.4	185.2	222.8	-14.0%	20.3%	2.41	OP
DRB-HICOM BHD	0.90	1,739.9	8.6	39.1	18.4	6.7%	6.3%	202.8	44.4	94.4	-78.1%	112.6%	0.80	UP
MBM RESOURCES BERHAD	2.15	840.0	10.0	11.7	9.1	5.1%	5.0%	83.5	89.9	111.6	7.7%	24.1%	2.28	MP
TAN CHONG MOTOR HOLDINGS BHD	1.98	1,292.5	22.5	25.4	19.4	2.5%	2.0%	57.1	65.6	75.5	15.0%	15.1%	1.76	UP
UMW HOLDINGS BHD	5.40	6,308.8	26.5	31.8	19.0	3.7%	4.0%	239.7	198.5	331.8	-17.2%	67.2%	4.95	UP

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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