

# Company Guide

# UMW Holdings

Version 5 | Bloomberg: UMWK MK | Reuters: UMWS.KL

Refer to important disclosures at the end of this report

## Malaysia Equity Research

29 Nov 2016

### HOLD

Last Traded Price ( 29 Nov 2016): RM4.87 (KLCI : 1,626.93)

Price Target 12-mth: RM5.30 (9% upside) (Prev RM5.75)

Shariah Compliant: Yes

Where we differ: Our forecast are below consensus

#### Analyst

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### What's New

- 3Q16 net profit was below expectations
- Lower contribution from oil and gas segment; margins contracted
- Cut FY16-18F net profit by 24%-70%
- Maintain HOLD with lower TP of RM5.30

### Price Relative



### Forecasts and Valuation

FY Dec (RM m)	2015A	2016F	2017F	2018F
Revenue	14,442	10,148	10,842	11,533
EBITDA	646	285	556	792
Pre-tax Profit	270	45.2	330	557
Net Profit	(37.2)	56.5	188	290
Net Pft (Pre Ex.)	580	56.5	188	290
Net Pft Gth (Pre-ex) (%)	78.0	(90.2)	232.4	54.5
EPS (sen)	(3.2)	4.84	16.1	24.8
EPS Pre Ex. (sen)	49.6	4.84	16.1	24.8
EPS Gth Pre Ex (%)	78	(90)	232	54
Diluted EPS (sen)	49.6	4.84	16.1	24.8
Net DPS (sen)	20.0	2.42	8.04	12.4
BV Per Share (sen)	564	566	574	586
PE (X)	nm	100.7	30.3	19.6
PE Pre Ex. (X)	9.8	100.7	30.3	19.6
P/Cash Flow (X)	6.0	8.9	12.5	9.7
EV/EBITDA (X)	18.4	43.0	23.5	17.5
Net Div Yield (%)	4.1	0.5	1.7	2.6
P/Book Value (X)	0.9	0.9	0.8	0.8
Net Debt/Equity (X)	0.4	0.4	0.5	0.5
ROAE (%)	(0.6)	0.9	2.8	4.3
<b>Earnings Rev (%)</b>		(70)	(36)	(24)
<b>Consensus EPS (sen)</b>		10.7	25.3	28.8
<b>Other Broker Recs:</b>		B: 0	S: 13	H: 4

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P

### Dragged by oil and gas

**Cautious outlook for near-term earnings.** We cut FY16-18F earnings by 24%-70% after imputing lower auto sales due to increasingly competitive operating conditions, as well as further weakness in the oil and gas and others segments. We maintain our HOLD rating for UMW with a TP of RM5.30, based on SOP valuation. The group faces near-term earnings headwinds as its O&G business will be hurt by the sharp drop in oil prices, while the Toyota franchise wrestles with a challenging operating environment.

**Dragged by O&G segment.** The outlook for the O&G segment is looking gloomy, with six of its eight drilling rigs being warm stacked and only three with secured contracts, coupled with the fact that its short-term debt is piling up – more than its cash and operating cash flow can cover. Its average rigs utilisation rate fell from 95% in 2014 to 52% in 2015.

**Auto sales facing intense competition.** Toyota and Lexus sales volume came in at 17,605 units in 3Q16 (+1.2% q-o-q; -26.0% y-o-y). We expect the 4Q16 sales outlook to remain dim because of intense competition amid a more challenging economic environment and weak consumer sentiment. Perodua's 9M16 sales have also been low (-4.21% y-o-y), and the associate's contribution is not sufficient to overturn lower earnings from Toyota.

### Valuation:

**Maintain HOLD call.** We maintain our HOLD rating for UMW but cut our SOP-derived TP to RM5.30. In our view, a recovery in O&G earnings and Toyota profit would be re-rating catalysts.

### Key Risks to Our View:

**Sharp recovery in auto sales.** Significantly stronger Toyota vehicle unit sales could revive earnings and re-rate the stock.

### At A Glance

Issued Capital (m shrs)	1,168
Mkt. Cap (RMm/US\$m)	5,690 / 1,278
Major Shareholders (%)	
Skim Amanah Saham Bumiputera	43.4
Permodalan Nasional Bhd	12.6
Employees Provident Fund	6.7
Free Float (%)	37.3
3m Avg. Daily Val (US\$m)	0.61

ICB Industry : Consumer Goods / Automobiles & Parts

**WHAT'S NEW****Hit by oil and gas and others****Below expectations**

- UMW recorded a net loss of RM128.9m in 3Q16. This brings 9MFY16 net loss to RM124.4m which is below expectations. This is largely due to the weaker auto, oil and gas and others segments.

**Lower contribution from segments**

- Auto pretax profit improved to RM133.5m (+0.1% q-o-q; +17.7% y-o-y), as a result of better performance from the new model, Perodua Bezza. The intense competition among other players affected Toyota and Lexus sales volume which came in at 17,605 units in 3Q16 (+1.2% q-o-q; -26.0% y-o-y). The auto segment recorded better numbers q-o-q from higher sales volume of export units.
- The oil and gas (listed) segment recorded a pre-tax loss that widened to RM133.0m in 3Q16 from RM64.0m in 2Q16 due to fewer income-generating assets in operation, coupled with the continued pressure on charter rates.
- As for the oil and gas (unlisted) segment, losses came in at RM36.1m which is an improvement from RM45.3m loss in 2Q16. This is from lower operating costs from the onshore drilling operations in Oman.
- The equipment segment recorded lower revenue (-28% y-o-y to RM351.2m) due to the slowdown in the construction and mining sectors and the restriction imposed on the importation of heavy equipment into the country by the government in

Myanmar. In line with the lower revenue, profit before tax declined (-48% y-o-y to RM33.5).

**Cut FY16-18F net profit by 70%/36%/24%**

- We cut our FY16/17/18F net profit by 70%/36%/24% to incorporate lower auto sales and larger losses for the oil and gas and others segments.

**Outlook****Near-term earnings under pressure**

- 9M16 numbers for auto sales were weak, with total industry vehicle (TIV) of 418,341 units (-13.8% y-o-y). This could be the trend for auto sales in the near term given the weak consumer sentiment and tough economic conditions. The Malaysian Automotive Association expects the TIV for FY16 to decline by 13% to 580,000 units.
- Attractive launches such as Perodua Bezza and Toyota Sienta MPV could help push up sales volume in 4Q16.
- There could be further weakness in the oil and gas operations as all of its eight drilling rigs are being warmed stacked. This is due to non-extension of previous contracts and postponement of some drilling works. This is made worse by the decline in charter rates and oversupply of jack-up rigs which will pressure earnings for the oil and gas segment.

**Valuation**

We maintain our HOLD rating for UMW but cut our SOP-derived TP to RM5.30.

**Quarterly / Interim Income Statement (RMm)**

FY Dec	3Q2015	2Q2016	3Q2016	% chg yoy	% chg qoq
Revenue	3,533	2,847	2,857	(19.1)	0.4
Cost of Goods Sold	(3,631)	(2,829)	(3,020)	(16.8)	6.8
<b>Gross Profit</b>	<b>(97.4)</b>	<b>18.2</b>	<b>(163)</b>	<b>(67.7)</b>	<b>nm</b>
Other Oper. (Exp)/Inc	164	22.9	27.4	(83.4)	19.5
<b>Operating Profit</b>	<b>66.8</b>	<b>41.1</b>	<b>(136)</b>	<b>nm</b>	<b>nm</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	(0.3)	26.5	40.9	nm	54.0
Net Interest (Exp)/Inc	5.75	(22.8)	(26.5)	nm	(16.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>72.2</b>	<b>44.8</b>	<b>(122)</b>	<b>nm</b>	<b>nm</b>
Tax	(44.3)	(48.5)	(41.3)	(6.9)	(15.0)
Minority Interest	(14.4)	(8.4)	34.1	nm	(505.3)
<b>Net Profit</b>	<b>13.5</b>	<b>(12.1)</b>	<b>(129)</b>	<b>nm</b>	<b>(962.3)</b>
Net profit bef Except.	(73.7)	(12.1)	(129)	(74.8)	(962.3)
EBITDA	66.8	41.1	(136)	nm	nm
<b>Margins (%)</b>					
Gross Margins	(2.8)	0.6	(5.7)		
Opg Profit Margins	1.9	1.4	(4.8)		
Net Profit Margins	0.4	(0.4)	(4.5)		

Source of all data: Company, AllianceDBS

**CRITICAL DATA POINTS TO WATCH**

**Earnings Drivers:**

**Expect lower Toyota sales volume this year.** UMW’s assembly and distribution operation for Toyota and Lexus cars contributed 79.2% of group revenue in 3Q16. UMW recorded better sales in 3Q16 with 17,605 units (+1.2% q-o-q; -26.0% y-o-y) from higher sales volume of export units. 3Q16 Toyota’s market share came in at 12.3%, making it the second bestselling non-national car marque, after Honda’s 16.5% market share. Overall, we expect Toyota sales volume to decline in FY16, and improve marginally in FY17-18F.

**Expansion in manufacturing plant.** UMW Toyota is in the midst of expanding its manufacturing plant located in Bukit Raja Industrial Estate, Klang. The plant is expected to start operations in early 2019 with an annual capacity of 50k units. The investment comes up to RM2bn. This plant will focus more on the production of passenger vehicles namely the Vios and Camry.

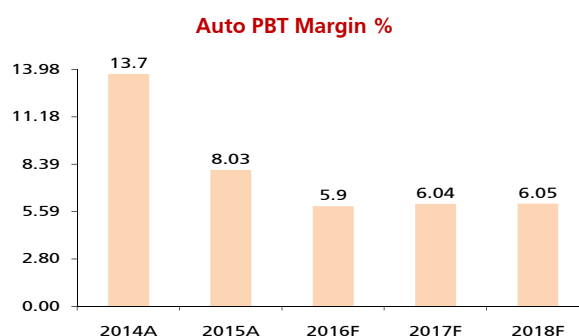
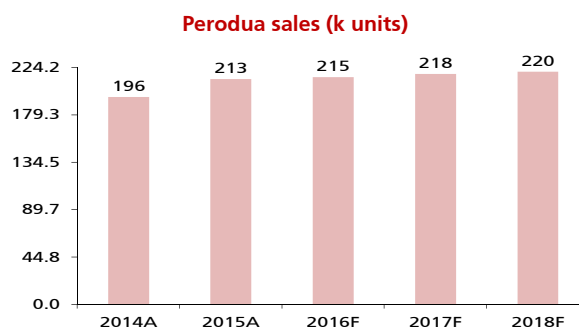
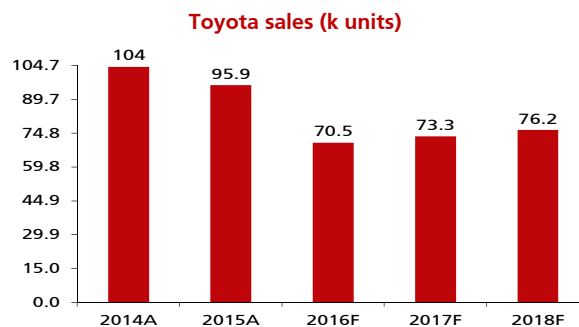
**Promotions and new launches will help lift sales volumes.**

Recently launched by Toyota are the Toyota Alphard and Velfire (new generation models) which sell at RM408k–RM506k and RM345k respectively. Other new launches include the new Sienta (August 2016), New Toyota Innova MPV in 4Q16 and an updated Vios and Camry. UMW Toyota has also extended the warranty coverage from 3 years/100,000 km to 5 years with unlimited mileage for all Toyota (except Hilux and Hiace) and Lexus models. This should help sales volume and capture market share.

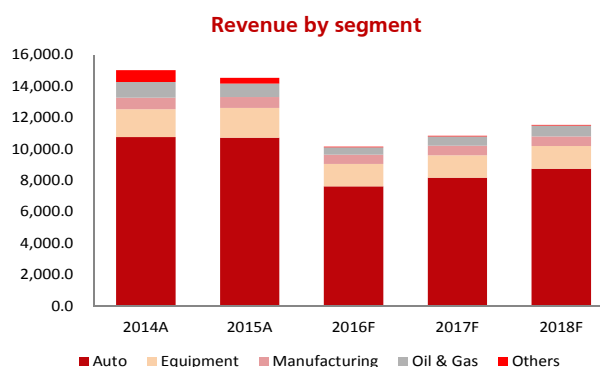
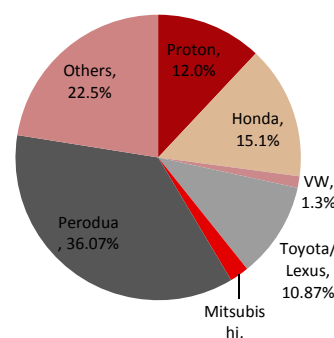
**Margins under pressure.** Although the promotions and added features would help to support sales volumes for the rest of the year, it could also result in weaker margins for the auto division. Pretax profit margins for the division have fallen for five consecutive years. Margins have also been weighed down by higher costs (for imported materials) arising from the weaker ringgit.

**Resilient Perodua volumes.** UMW has a 38% stake in Perodua. Perodua has been doing well in the past few quarters with impressive sales of new models. Perodua’s market share of 37.5% in 3Q16 was above Proton’s 10.1% market share. Perodua is attracting buyers amid the slower economy, by offering a solid value proposition at reasonable pricing for Myvi (RM44k) and Axia (RM33k). The recently launched sedan Perodua Bezza (selling at RM37k-RM51k) has 20,000 bookings since its launch on 21 July 2016. Although the Perodua Bezza might boost sales, it may cause some cannibalism effect on the Myvi. We forecast Perodua sales at 215k/218k/220k units for FY16F/17F/18F.

**Challenging outlook for O&G segment.** UMW has a 55.2% stake in UMWOG. The O&G segment accounted for 1.7% of group revenue in 3Q16. Out of its eight NAGA rigs, three are secured with contracts. NAGA 2 to work for Ophir field (min 50



**Market Share YTD 2016**



Source: Company, AllianceDBS

**UMW Holdings**

days), NAGA 6 to work for Petronas Carigali (two years) and lastly NAGA 8 to work for Hess (18 months with a 12-month extension). In view of the prolonged contract drought for its drilling rigs, we forecast losses in FY16/17F.

**New aerospace venture.** UMW has entered into an agreement with Rolls Royce to manufacture and assemble fan cases for the Trent 1000 engines. This potential new earnings stream is conceptually positive and allows the group to reduce its dependence on the auto and O&G businesses. We do not expect the business to contribute materially in the near term. It has recently earmarked 12ha of land in Serendah, Selangor for a proposed Aerospace Hard Metal Manufacturing Park. The group has allocated RM750m CAPEX for the next 2.5 years. The earthworks on the site is progressing as planned and the group is currently on course to deliver its first unit of Trent 1000 fan case aero engines upon receipt of first purchase order targeted for October 2017.

**Balance Sheet:**

**O&G business has USD debt exposure.** Net gearing stood at 0.36x as at end-3Q16. Total debt amounted to RM5.3bn, mostly denominated in USD (including USD848.8m at UMWOG). Capex was RM688m in 9MFY16 with RM38m for the O&G segment. The group has RM2.1bn consolidated cash and deposits, and net asset per share is RM5.35 as at end-3Q16.

**Share Price Drivers:**

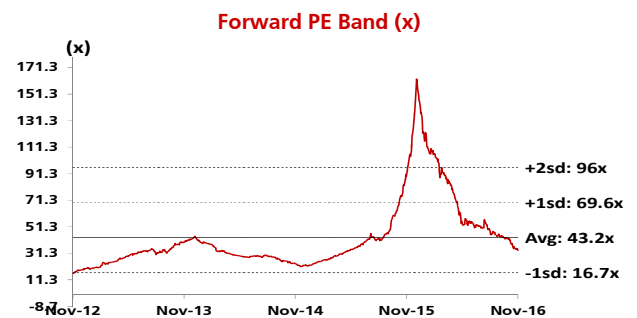
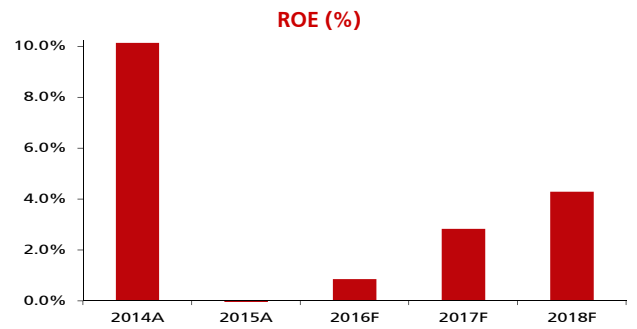
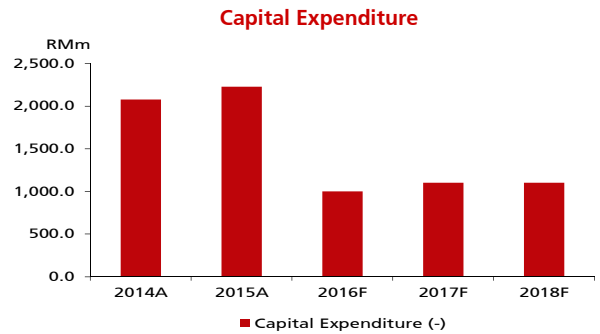
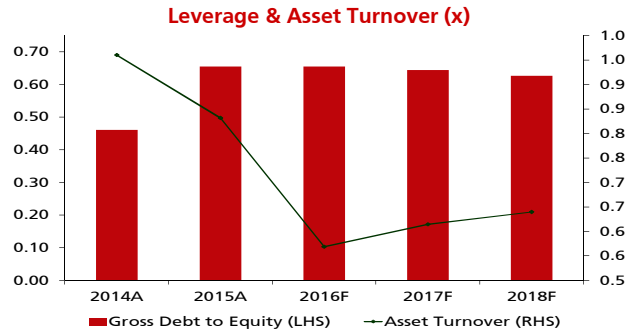
**Stronger auto sales and margins; reversal in crude oil prices.** The stock price has fallen along with slower auto sales and the more competitive auto industry. A recovery in Toyota unit sales and margins would be a key earnings and share price driver. The stock also took a hit following the sharp drop in crude oil prices in late 2014, as the group's O&G profits tumbled along with oil prices. A reversal in crude oil prices will likely to boost UMW's share price.

**Key Risks:**

**Sharp recovery in auto sales.** Significantly stronger Toyota vehicle unit sales could revive earnings and re-rate the stock.  
**Higher cost.** The increase in car prices will help manufacturers cover part of the increase in imported cost (arising from the ringgit's depreciation). However, further weakening of the ringgit would be a risk for manufacturers.

**Company Background**

UMW is the sole assembler and distributor of Toyota and Lexus vehicles. This includes marketing, sales services and auto parts trading. Its other business segments are Oil & Gas (owns jack-up drilling rigs and onshore rigs), Equipment (trading of industrial heavy equipment) and Manufacturing & Engineering (trading of lubricants).



Source: Company, AllianceDBS

**Key Assumptions**

FY Dec	2014A	2015A	2016F	2017F	2018F
Toyota sales (k units)	104	95.9	70.5	73.3	76.3
Perodua sales (k units)	196	213	215	218	220
Auto PBT Margin %	13.7	8.03	5.90	6.04	6.05

**Segmental Breakdown**

FY Dec	2014A	2015A	2016F	2017F	2018F
<b>Revenues (RMm)</b>					
Auto	10,766	10,722	7,630	8,171	8,752
Equipment	1,767	1,883	1,412	1,426	1,440
Manufacturing	725	707	601	607	613
O&G	1,015	840	468	599	690
Others	659	290	36.6	37.4	38.1
<b>Total</b>	<b>14,932</b>	<b>14,442</b>	<b>10,148</b>	<b>10,842</b>	<b>11,533</b>
<b>PBT (RMm)</b>					
Auto	1,475	861	450	493	529
Equipment	218	226	155	160	164
Manufacturing	14.8	16.8	30.1	33.4	35.0
O&G	284	(348)	(281)	(186)	(71.9)
Others	(371)	(486)	(309)	(170)	(99.5)
<b>Total</b>	<b>1,621</b>	<b>270</b>	<b>45.2</b>	<b>330</b>	<b>557</b>
<b>PBT Margins (%)</b>					
Auto	13.7	8.0	5.9	6.0	6.0
Equipment	12.3	12.0	11.0	11.2	11.4
Manufacturing	2.0	2.4	5.0	5.5	5.7
O&G	28.0	(41.5)	(60.1)	(31.0)	(10.4)
Others	(56.3)	(167.8)	(844.0)	(456.1)	(261.0)
<b>Total</b>	<b>10.9</b>	<b>1.9</b>	<b>0.4</b>	<b>3.0</b>	<b>4.8</b>

**Income Statement (RMm)**

FY Dec	2014A	2015A	2016F	2017F	2018F
Revenue	14,932	14,442	10,148	10,842	11,533
Cost of Goods Sold	(10,860)	(10,851)	(7,625)	(8,146)	(8,666)
<b>Gross Profit</b>	<b>4,072</b>	<b>3,591</b>	<b>2,523</b>	<b>2,696</b>	<b>2,868</b>
Other Opng (Exp)/Inc	(2,853)	(3,598)	(2,528)	(2,701)	(2,874)
<b>Operating Profit</b>	<b>1,433</b>	<b>136</b>	<b>(74.4)</b>	<b>214</b>	<b>467</b>
Other Non Opng (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	140	134	120	134	139
Net Interest (Exp)/Inc	48.9	(0.4)	(0.4)	(18.4)	(48.7)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1,621</b>	<b>270</b>	<b>45.2</b>	<b>330</b>	<b>557</b>
Tax	(408)	(267)	(11.3)	(82.5)	(139)
Minority Interest	(561)	(39.4)	22.6	(59.8)	(128)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>652</b>	<b>(37.2)</b>	<b>56.5</b>	<b>188</b>	<b>290</b>
Net Profit before Except.	326	580	56.5	188	290
EBITDA	1,812	646	285	556	792
<b>Growth</b>					
Revenue Gth (%)	7.0	(3.3)	(29.7)	6.8	6.4
EBITDA Gth (%)	11.7	(64.3)	(55.8)	94.9	42.3
Opg Profit Gth (%)	10.5	(90.5)	nm	nm	117.8
Net Profit Gth (Pre-ex) (%)	(56.1)	78.0	(90.2)	232.4	54.5
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	27.3	24.9	24.9	24.9	24.9
Opg Profit Margin (%)	9.6	0.9	(0.7)	2.0	4.0
Net Profit Margin (%)	4.4	(0.3)	0.6	1.7	2.5
ROAE (%)	10.1	(0.6)	0.9	2.8	4.3
ROA (%)	4.2	(0.2)	0.3	1.1	1.6
ROCE (%)	8.3	0.0	(0.4)	1.0	2.2
Div Payout Ratio (%)	73.5	N/A	50.0	50.0	50.0
Net Interest Cover (x)	NM	336.5	(184.6)	11.6	9.6

Source: Company, AllianceDBS

## UMW Holdings

### Quarterly / Interim Income Statement (RMm)

FY Dec	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Revenue	3,533	4,161	2,199	2,847	2,857
Cost of Goods Sold	(3,631)	(4,546)	(2,203)	(2,829)	(3,020)
<b>Gross Profit</b>	<b>(97.4)</b>	<b>(385)</b>	<b>(3.5)</b>	<b>18.2</b>	<b>(163)</b>
Other Oper. (Exp)/Inc	164	25.2	20.6	22.9	27.4
<b>Operating Profit</b>	<b>66.8</b>	<b>(360)</b>	<b>17.2</b>	<b>41.1</b>	<b>(136)</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	(0.3)	35.8	22.1	26.5	40.9
Net Interest (Exp)/Inc	5.75	(10.3)	(18.1)	(22.8)	(26.5)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>72.2</b>	<b>(334)</b>	<b>21.1</b>	<b>44.8</b>	<b>(122)</b>
Tax	(44.3)	(57.3)	(26.0)	(48.5)	(41.3)
Minority Interest	(14.4)	106	21.5	(8.4)	34.1
<b>Net Profit</b>	<b>13.5</b>	<b>(286)</b>	<b>16.6</b>	<b>(12.1)</b>	<b>(129)</b>
Net profit bef Except.	(73.7)	(44.7)	16.6	(12.1)	(129)
EBITDA	66.8	(360)	17.2	41.1	(136)

### Growth

Revenue Gth (%)	1.4	17.8	(47.1)	29.4	0.4
EBITDA Gth (%)	(62.0)	nm	nm	139.5	nm
Opg Profit Gth (%)	(62.0)	nm	nm	139.5	nm
Net Profit Gth (Pre-ex) (%)	nm	39.4	nm	nm	(962.3)

### Margins

Gross Margins (%)	(2.8)	(9.2)	(0.2)	0.6	(5.7)
Opg Profit Margins (%)	1.9	(8.6)	0.8	1.4	(4.8)
Net Profit Margins (%)	0.4	(6.9)	0.8	(0.4)	(4.5)

### Balance Sheet (RMm)

FY Dec	2014A	2015A	2016F	2017F	2018F
Net Fixed Assets	5,670	8,103	8,743	9,501	10,276
Invt in Associates & JVs	1,857	1,979	2,099	2,233	2,372
Other LT Assets	399	476	476	476	476
Cash & ST Invt	3,371	2,734	2,345	1,606	950
Inventory	1,830	1,890	1,328	1,419	1,509
Debtors	2,079	1,833	1,288	1,376	1,464
Other Current Assets	1,314	1,210	1,210	1,210	1,210
<b>Total Assets</b>	<b>16,520</b>	<b>18,225</b>	<b>17,489</b>	<b>17,822</b>	<b>18,258</b>
ST Debt	2,387	3,725	3,725	3,725	3,725
Creditor	2,217	2,241	1,575	1,682	1,790
Other Current Liab	466	372	296	367	424
LT Debt	1,959	2,420	2,420	2,420	2,420
Other LT Liabilities	57.8	83.5	83.5	83.5	83.5
Shareholder's Equity	6,580	6,584	6,613	6,707	6,852
Minority Interests	2,853	2,799	2,777	2,837	2,964
<b>Total Cap. &amp; Liab.</b>	<b>16,520</b>	<b>18,225</b>	<b>17,489</b>	<b>17,822</b>	<b>18,258</b>
Non-Cash Wkg. Capital	2,540	2,320	1,955	1,955	1,969
Net Cash/(Debt)	(975)	(3,411)	(3,800)	(4,539)	(5,195)
Debtors Turn (avg days)	48.1	49.4	56.1	44.9	44.9
Creditors Turn (avg days)	74.6	78.7	95.9	76.2	76.0
Inventory Turn (avg days)	62.4	65.7	80.8	64.2	64.1
Asset Turnover (x)	1.0	0.8	0.6	0.6	0.6
Current Ratio (x)	1.7	1.2	1.1	1.0	0.9
Quick Ratio (x)	1.1	0.7	0.6	0.5	0.4
Net Debt/Equity (X)	0.1	0.4	0.4	0.5	0.5
Net Debt/Equity ex MI (X)	0.1	0.5	0.6	0.7	0.8
Capex to Debt (%)	47.8	36.3	16.3	17.9	17.9
Z-Score (X)	2.3	1.6	1.4	1.4	1.4

Source: Company, AllianceDBS

### Cash Flow Statement (RMm)

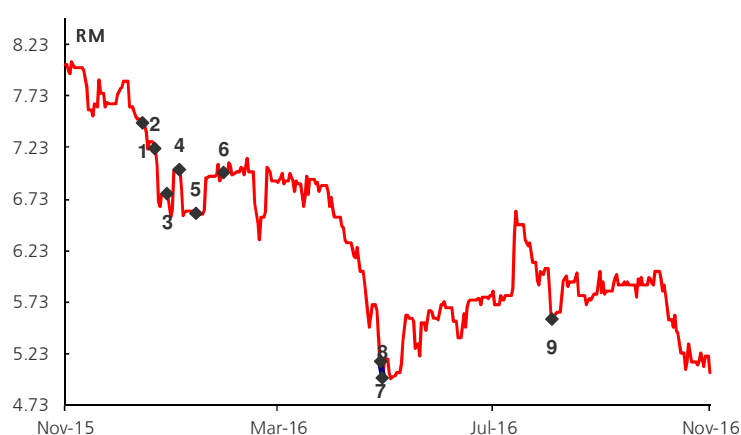
FY Dec	2014A	2015A	2016F	2017F	2018F
Pre-Tax Profit	1,621	270	45.2	330	557
Dep. & Amort.	379	511	360	342	325
Tax Paid	(418)	(274)	(87.0)	(11.3)	(82.5)
Assoc. & JV Inc/(loss)	(140)	(134)	(120)	(134)	(139)
Chg in Wkg.Cap.	(149)	67.9	441	(71.2)	(71.0)
Other Operating CF	71.8	509	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>1,365</b>	<b>949</b>	<b>639</b>	<b>455</b>	<b>590</b>
Capital Exp.(net)	(2,079)	(2,229)	(1,000)	(1,100)	(1,100)
Other Invt.(net)	(4.7)	(30.2)	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	122	100	0.0	0.0	0.0
Other Investing CF	1,647	418	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(315)</b>	<b>(1,740)</b>	<b>(1,000)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Div Paid	(479)	(234)	(28.3)	(93.9)	(145)
Chg in Gross Debt	1,280	1,799	0.0	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(597)	(1,048)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>204</b>	<b>517</b>	<b>(28.3)</b>	<b>(93.9)</b>	<b>(145)</b>
Currency Adjustments	6.44	64.6	0.0	0.0	0.0
Chg in Cash	1,260	(209)	(390)	(739)	(656)
Opg CFPS (sen)	130	75.4	16.9	45.1	56.5
Free CFPS (sen)	(61.1)	(110)	(30.9)	(55.2)	(43.7)

Source: Company, AllianceDBS

### SOP Valuations

Division	Stake	Valuation	Value (RM m)	Per share
Automotive				
Toyota	51.0%	PE 12x	1,575.28	1.35
Perodua	38.0%	PE 12x	1,799.68	1.54
O&G	55.2%	0.6x book value	941.38	0.81
Equipment	100.0%	PE 10x	1,197.89	1.03
Manufacturing & engineering	100.0%	PE 10x	250.54	0.21
Others	100.0%	0.5x book value	430.80	0.37
<b>Total</b>			<b>6,195.58</b>	<b>5.30</b>

### Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Jan 16	7.47	7.40	HOLD
2:	18 Jan 16	7.22	7.40	HOLD
3:	25 Jan 16	6.78	7.40	HOLD
4:	01 Feb 16	7.01	7.40	HOLD
5:	10 Feb 16	6.59	7.40	HOLD
6:	26 Feb 16	6.98	6.40	HOLD
7:	25 May 16	5.15	5.60	HOLD
8:	26 May 16	5.00	5.60	HOLD
9:	30 Aug 16	5.57	5.75	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: AllianceDBS

Analyst: Siti Ruzanna MOHD FARUK

**DISCLOSURE**

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**Stock rating definitions**

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

**Commonly used abbreviations**

Adex = advertising expenditure	EPS = earnings per share	PBT = profit before tax
bn = billion	EV = enterprise value	P/B = price / book ratio
BV = book value	FCF = free cash flow	P/E = price / earnings ratio
CF = cash flow	FV = fair value	PEG = P/E ratio to growth ratio
CAGR = compounded annual growth rate	FY = financial year	q-o-q = quarter-on-quarter
Capex = capital expenditure	m = million	RM = Ringgit
CY = calendar year	M-o-m = month-on-month	ROA = return on assets
Div yld = dividend yield	NAV = net assets value	ROE = return on equity
DCF = discounted cash flow	NM = not meaningful	TP = target price
DDM = dividend discount model	NTA = net tangible assets	trn = trillion
DPS = dividend per share	NR = not rated	WACC = weighted average cost of capital
EBIT = earnings before interest & tax	p.a. = per annum	y-o-y = year-on-year
EBITDA = EBIT before depreciation and amortisation	PAT = profit after tax	YTD = year-to-date



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Wong Ming Tek, Executive Director

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