

# Company Guide

# UMW Holdings



Version 9 | Bloomberg: UMWK MK | Reuters: UMWS.KL  
Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

23 May 2018

## FULLY VALUED

Last Traded Price ( 22 May 2018): RM6.60 (KLCI : 1,845.03)  
Price Target 12-mth: RM5.29 (-20% downside) (Prev RM4.82)

Shariah Compliant: Yes

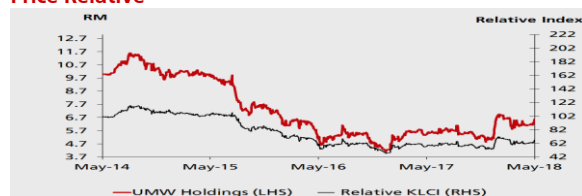
### Analyst

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### What's New

- 1QFY18 meets expectations
- Revenue down 10.4% y-o-y but PBT improved by 96.1% y-o-y boosted by better margins from auto segment
- Raise earnings by 9%-10% for FY18F-20F
- Maintain Fully Valued with higher TP RM5.29

### Price Relative



### Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	11,067	11,198	11,231	11,266
EBITDA	389	1,095	1,204	1,275
Pre-tax Profit	(539)	738	802	811
Net Profit	(641)	420	466	473
Net Pft (Pre Ex.)	165	420	466	473
Net Pft Gth (Pre-ex) (%)	(16.0)	154.9	11.1	1.4
EPS (sen)	(54.8)	35.9	39.9	40.5
EPS Pre Ex. (sen)	14.1	35.9	39.9	40.5
EPS Gth Pre Ex (%)	(16)	155	11	1
Diluted EPS (sen)	14.1	35.9	39.9	40.5
Net DPS (sen)	0.0	5.00	5.55	5.63
BV Per Share (sen)	261	292	326	361
PE (X)	nm	18.4	16.5	16.3
PE Pre Ex. (X)	46.8	18.4	16.5	16.3
P/Cash Flow (X)	6.8	7.6	7.9	7.6
EV/EBITDA (X)	26.8	9.8	9.2	8.9
Net Div Yield (%)	0.0	0.8	0.8	0.9
P/Book Value (X)	2.5	2.3	2.0	1.8
Net Debt/Equity (X)	0.4	0.4	0.4	0.4
ROAE (%)	(16.5)	13.0	12.9	11.8
Earnings Rev (%):		9	10	10
Consensus EPS (sen):		23.3	36.4	42.5
Other Broker Recs:		B: 2	S: 6	H: 8

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

## Auto segment boosts earnings

We maintain our Fully Valued call with higher TP of RM5.29.

We have raised our earnings by 9%/10%/10% for FY18F/19F/20F to account for higher contribution from Perodua. This has bumped up auto margins to 6.4%/6.7%/6.7% for FY18F/19F/20F from 5.8%/6.1%/6.1% previously. We believe auto margins should be able to improve as they benefit from the favourable exchange rate at RM3.96/USD currently vs RM4.30/USD in FY17. Following our earnings upgrade, our revised SOP-based TP is RM5.29. We maintain our Fully Valued call as valuation remains stretched with the stock trading at 18.4x 2018 PE.

**Where we differ: Better auto margins:** As we factor in better numbers from Perodua and higher auto margins, our forecast inches up higher than consensus. As FY18 is a transition year for UMWH, it is too early to tell whether the earnings rebound from UMWH's core auto businesses can be sustained. This has led to a wide divergence in consensus estimates for FY18.

**Potential catalyst: Higher than expected auto sales.** Exciting launches (Toyota CH-R), improved customer sentiment and margins will boost auto sales and earnings.

### Valuation:

**Maintain Fully Valued.** We maintain our Fully Valued rating with a higher SOP-derived TP of RM5.29. Our proforma TP upon completion of the proposed acquisitions and mandatory takeover offer is RM5.72.

### Key Risks to Our View:

**Slower auto sales; weaker margins.** Significantly slower Toyota vehicle unit sales and higher manufacturing costs could depress earnings.

### At A Glance

Issued Capital (m shrs)	1,168
Mkt. Cap (RMm/US\$m)	7,711 / 1,938
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)	3.0

ICB Industry : Consumer Goods / Automobiles & Parts



## WHAT'S NEW

### 1QFY18 meets expectations

- UMWH recorded headline net profit of RM74.1m in 1QFY18. Stripping out exceptional items of RM17.1m brings 1Q18 core net profit to RM91.1m. Exceptional items of RM17.1m comprise net loss from discontinued oil & gas operations. The result is within ours and consensus expectations.
- As for the discontinued operations which include the losses from the unlisted oil & gas business, net loss of RM17.1m narrowed from RM72.4m in 1QFY17 as more operations have ceased and scaled down in line with the exit strategy of the group. Management targets to sell the unlisted oil & gas business by end 2018.
- The group also declared 5.0 sen dividend which is above expectations.

### Core business improving

- Auto segment revenue came in at RM1,877.1m (-14% y-o-y; -22% q-o-q). This is in line with lower sales volume for Toyota (-23.1% y-o-y; -37.2% q-o-q). Perodua on the other hand managed to secure better volumes of 55,568 units (+10.6% y-o-y; +4.2% q-o-q) backed by strong demand of the new Myvi which was launched in Nov 17.
- Despite lower revenue, PBT managed to improve y-o-y to RM125.94m (+45% y-o-y) in 1Q18. This is mainly contributed by the better performance from associates. A further boost was foreign exchange gains from the strengthening of the Ringgit against USD.
- The equipment segment recorded revenue of RM373.0m (+9% y-o-y; -6% q-o-q) due to higher export sales of Komatsu equipment as well as a major order via renewal of the entire fleet of old equipment. Profit before tax improved to RM44.9m (+14% y-o-y; +46% q-o-q) in line with higher revenue. PBT q-o-q improved despite lower revenue as 4Q17 had some provision for slow-moving inventory for heavy equipment operations.
- Manufacturing and engineering segment however posted a net loss of RM2.9m in 1Q18 as earnings were dragged by the start-up operating expense incurred by the aerospace business.

## Outlook

### Earnings to come from core business

- YTD Mar 2018 industry numbers for auto sales were down y-o-y with a total industry volume (TIV) of 135,140 units (-4.0% y-o-y). The Malaysian Automotive Association expects the TIV for FY18 to improve by a mere 2.3% y-o-y to 590,000 units.
- New launches by UMW such as the Toyota Camry, Corolla Altis, Hilux, Fortuner and Innova which were introduced in September 2017 will help support volume in the coming

quarters. They also introduced the all-new Toyota Harrier, 2 new variants for Toyota Hilux and upgraded accessories for Toyota Sienta and upgraded 2018 Alphard and Toyota Velfire in 1Q18. The all new Toyota CH-R has also been delivered to the first 13 customers on 22 March.

- The aerospace business with Rolls-Royce is progressing as schedules with delivery of the first fan case in 4Q17. Going forward, it expects to deliver 80 units and 160 units for FY18F and FY19F respectively.

### Zero rated GST to boost sales volume

- The newly formed government has announced that Goods and Services Tax (GST) will be zero rated from 1 June 2018 onwards. Following this announcement, Toyota has announced that car prices will be cheaper by c.5.6%. Perodua has introduced GST rebates of up to RM3,572 for buyers from May 18 till May 31. This will be a short term catalyst to auto sales in the coming months. Once Sales and Service Tax (SST) is introduced in next 2-3 months to replace GST, we expect sales to come down as car prices will inch up higher.

### Offer period for takeover extended

- The offer period for the proposed takeover of MBM-Resources (MBMR) has been extended to 31 October 2018. This is to enable parties to deliberate on the offers. We understand that 52.07% of Med-Bumikar Mara Sdn Bhd shareholders have voted to sell its 50.07% stake in MBM-Resources. They have also recommended that the board set up a task force committee to negotiate with UMWH, acting in the best interest of the company.
- We expect that the acquisition of MBMR together with the additional 10% stake in Perodua from PERC will lead to EPS accretion of 7% in FY19 under the full cash scenario. Assuming full shares scenario, the proposed acquisition will add 10% to FY19 EPS.

### Increase earnings by c.9%-10% for FY18F-20F

We have increased our earnings by 9%/10%/10% for FY18F/19F/20F to account for higher contribution from Perodua. This results in higher auto margins of 6.4%/6.7%/6.7% for FY18F/19F/20F from 5.8%/6.1%/6.1% previously.

### Valuation

We maintain our FULLY VALUED call with higher SOP-based TP of RM5.29. Despite anticipated earnings recovery in FY2018, valuation remains stretched as the stock is currently trading at 18.4x 2018 PE.

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

FY Dec	1Q2017	4Q2017	1Q2018	% chg yoy	% chg qoq
Revenue	2,695	2,955	2,415	(10.4)	(18.3)
Other Oper. (Exp)/Inc	(2,598)	(2,939)	(2,324)	(10.6)	(20.9)
<b>Operating Profit</b>	<b>97.3</b>	<b>16.1</b>	<b>91.7</b>	<b>(5.8)</b>	<b>469.3</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	nm	nm
Associates & JV Inc	41.3	58.3	57.6	39.6	(1.2)
Net Interest (Exp)/Inc	0.31	(56.8)	(2.0)	nm	96.5
Exceptional Gain/(Loss)	(72.4)	(382)	(17.1)	76.4	(95.5)
<b>Pre-tax Profit</b>	<b>66.4</b>	<b>(365)</b>	<b>130</b>	<b>96.1</b>	<b>nm</b>
Tax	(24.6)	(33.0)	(29.6)	20.2	(10.4)
Minority Interest	(21.6)	(34.7)	(26.6)	(22.8)	(23.6)
<b>Net Profit</b>	<b>20.2</b>	<b>(433)</b>	<b>74.1</b>	<b>267.4</b>	<b>(117.1)</b>
Net profit bef Except.	92.6	204	91.2	(1.6)	(55.3)
EBITDA	209	80.7	142	(32.0)	76.4
<b>Margins (%)</b>					
Opg Profit Margins	3.6	0.5	3.8		
Net Profit Margins	0.7	(14.6)	3.1		

Source of all data: Company, AllianceDBS

**SOP valuation**

Division	Stake	Valuation	Value (RM m)	Per share
Automotive				
Toyota	51.0%	PE 13x	1,829.37	1.57
Perodua	38.0%	PE 13x	2,263.09	1.94
Equipment	100.0%	PE 12x	1,474.20	1.26
Manufacturing & engineering	100.0%	PE 12x	345.63	0.30
Serendah Land		50% discount to market value	271.16	0.23
<b>Total</b>			<b>6,183.45</b>	<b>5.29</b>

Source of all data: AllianceDBS

**Proforma SOP Valuation Post Acquisition – Assuming 100% stake in MBM Resources**

Division	Stake	Valuation	Value (RM m)	Per share
Automotive				
Toyota	51.0%	PE 13x	1,829.37	1.28
Perodua	70.6%	PE 13x	4,204.58	2.94
Equipment	100.0%	PE 12x	1,474.20	1.03
Manufacturing & engineering	100.0%	PE 12x	345.63	0.24
Serendah Land		50% discount to market value	271.16	0.19
MBM – other business			57.00	0.04
<b>Total</b>			<b>8,124.94</b>	<b>5.72</b>

Source of all data: AllianceDBS

**UMW Holdings**

**CRITICAL DATA POINTS TO WATCH**

**Toyota sales volume to sustain.** UMWH’s assembly and distribution operations for Toyota and Lexus cars contributed 81.6% of group revenue in FY17. UMWH recorded sales of 70,445 units (+8.0% y-o-y) in FY17 backed by new launches in 4Q17 such as the Toyota Camry, Corolla Altis, Hilux, Fortuner, Innova and the Toyota Harrier. FY17 Toyota’s market share came in at 12.3%, making it the second bestselling non-national car marque after Honda with a 19.0% market share. Overall, we expect Toyota sales volume to improve marginally in FY18F-20F, backed by attractive launches. New launches for FY18 include the highly anticipated Toyota CH-R.

**Resilient Perodua volume.** UMWH has a 38% stake in Perodua, which has done well in the past few quarters with impressive sales of new models. Perodua’s 35.4% market share in FY17 was above Proton’s 12.3%. Perodua is attracting buyers by offering a solid value proposition with reasonable pricing for the Myvi (RM44k) and Axia (RM33k). The new Perodua Myvi (selling at RM44k-RM55k) has 48k bookings and has delivered 20k units since its launch in early November 2017. We forecast Perodua’s sales at 209k/213k units for FY18F/19F.

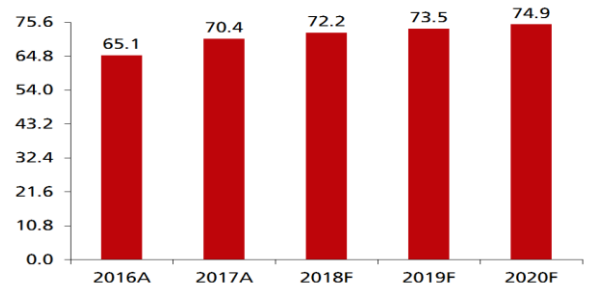
**Expansion of manufacturing plant.** UMWH Toyota is in the midst of expanding its manufacturing plant located in Bukit Raja Industrial Estate, Klang. The plant is expected to start operations in early 2019 with an annual capacity of 50k units. With an investment of up to RM2bn, this plant will focus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

**Margins to improve.** We believe auto margins should improve going forward as we see the Ringgit strengthening against USD at RM3.96/USD currently vs RM4.30/USD in FY17. However, the group has to manage promotions during festive seasons as these can pressure margins.

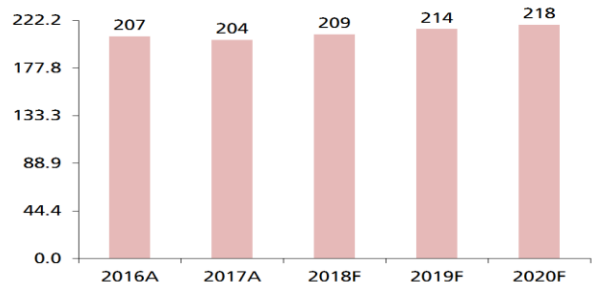
**New aerospace venture.** UMWH has entered into an agreement with Rolls Royce to manufacture and assemble fan cases for Trent 1000 engines. This potential new earnings stream is conceptually positive and allows the group to reduce its dependence on the auto businesses. We expect the business to contribute materially in FY18F. It recently completed the Rolls-Royce plant in Serendah, Selangor. The group has allocated RM750m capex for the next 2.5 years. It expects to deliver 80 units and 160 units for FY18F and FY19F respectively.

**Unlocking value from Serendah Land.** UMWH has 830 acres of land remaining in Serendah, excluding the aerospace plant. They have plans to lease or dispose the land to other manufacturing players to create a high value manufacturing park. However, future plans may take time to realise as management guided that it may take 15-20 years to fully dispose the land. Based on market value of RM15/sqft for industrial land in the vicinity, UMWH’s Serendah land is estimated to be worth RM542m vs its cost of RM74m.

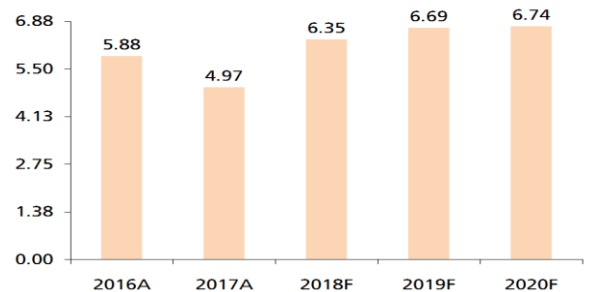
**Toyota sales (k units)**



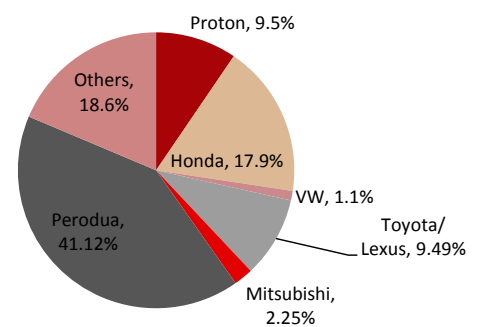
**Perodua sales (k units)**



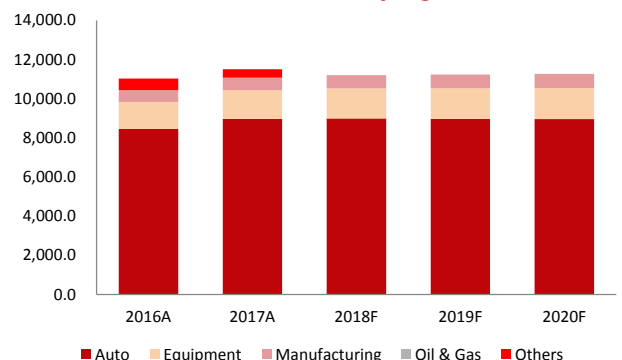
**Auto PBT Margin %**



**Market share 1Q18**

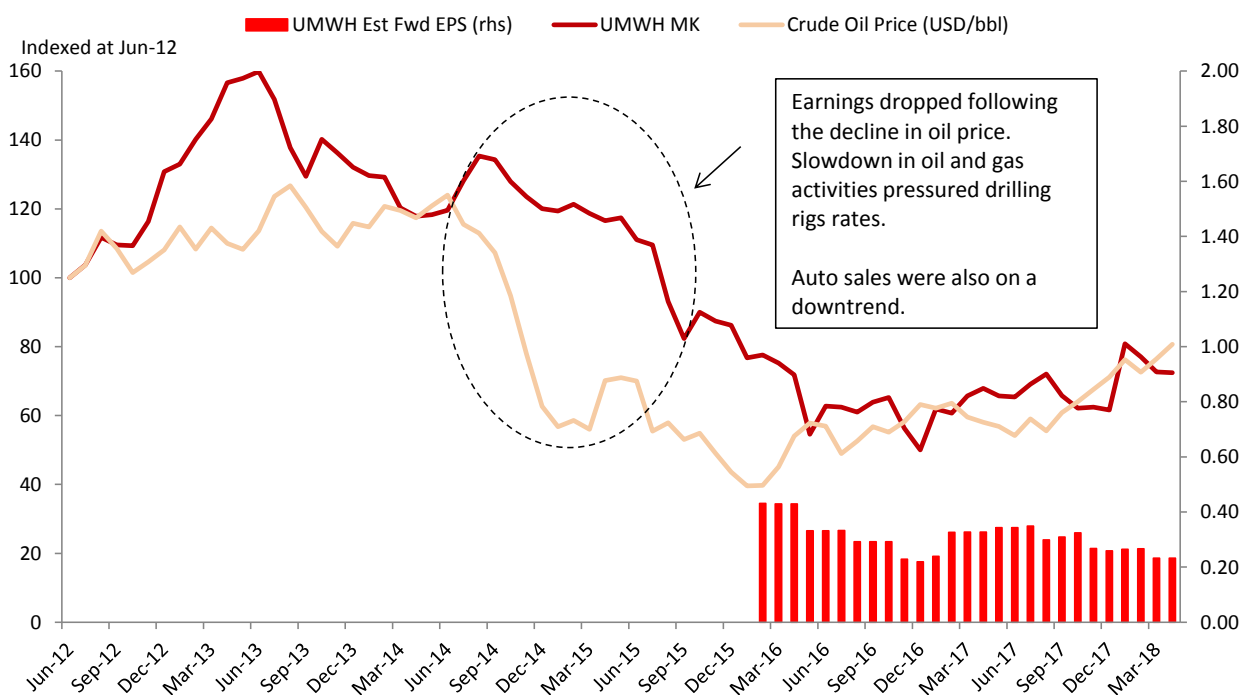


**Revenue breakdown by segment**



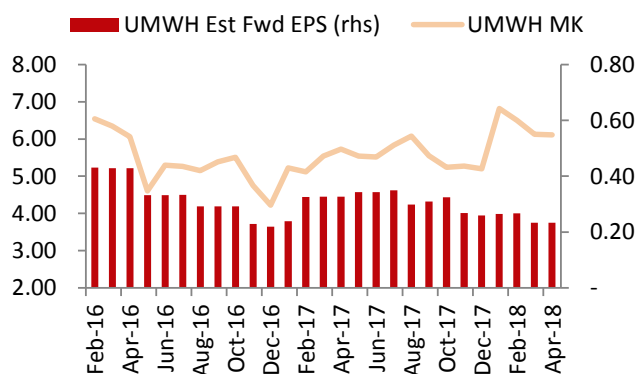
Source: Company, AllianceDBS

Appendix 1: Factors driving historical share price performance



\*UMWH forward EPS is based on consensus  
 Source: Company, AllianceDBS, Bloomberg Finance L.P

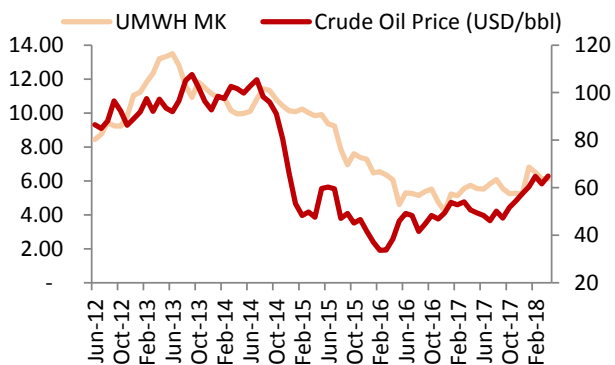
UMWH's share price versus forward EPS



Remarks

In the past, share price has a high correlation of 0.76 with forward EPS. This shows that share price is driven by earnings delivery, which is backed by sales volume from Toyota and Perodua as the auto segment contributes c.80% of total earnings. However, since Dec 17 correlation has dropped to 0.20. This shows share price has run ahead of its fundamentals. The market price may also be pricing in potential earnings accretion from the acquisition of MBMR which is not reflected in earnings yet.

UMWH's share price versus crude oil price



Source: Company, AllianceDBS, Bloomberg Finance L.P

Remarks

From Jun 2012 to Dec 2016, UMWH's share price had a high correlation of 0.77 with the crude oil price trend, as it owns 55% of UMW Oil and Gas. However, post announcement on the demerger of its listed oil & gas business, the correlation between UMWH's share price and crude oil price trend dropped to 0.46 from Jan 2017 to April 2018.

**UMW Holdings**

**Balance Sheet:**

**Lighter without oil & gas.** Net debt to total equity stood at 0.38x as at end-FY17. Total debt amounted to RM2.8bn and was mostly denominated in USD. Capex was RM935m in FY17. As the demerger from UMW Oil & Gas is now completed, net gearing has improved significantly as borrowings from the listed oil & gas unit are expunged.

**Share Price Drivers:**

**Stronger auto sales and margins.** The stock price has fallen along with slower auto sales and a more competitive auto industry. A recovery in Toyota unit sales and margins would be a key earnings and share price driver.

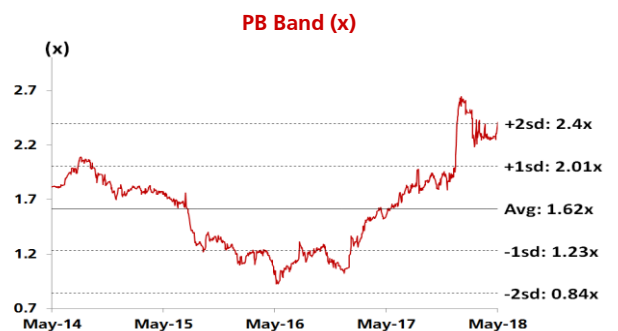
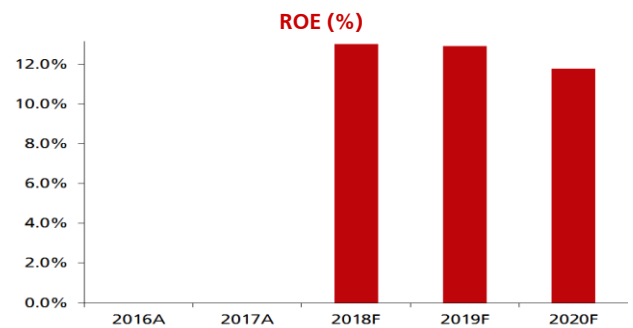
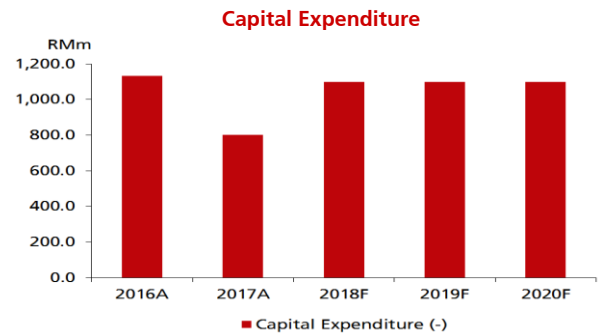
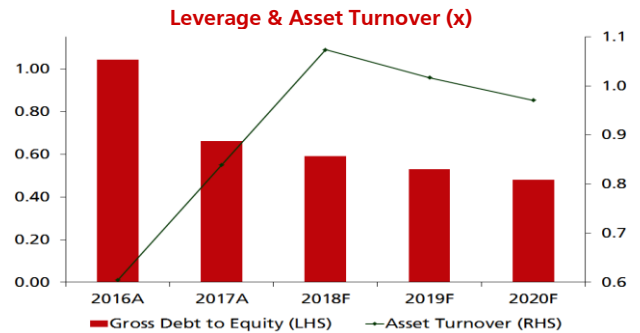
**Key Risks:**

**Slower auto sales; weaker margins.** Significantly slower Toyota vehicle unit sales and higher manufacturing costs could depress earnings.

**Ringgit depreciation.** The increase in car prices will help manufacturers cover part of the increase in import costs (arising from the ringgit's depreciation). However, further weakening of the ringgit would be a risk for manufacturers.

**Company Background**

UMWH is the sole assembler and distributor of Toyota and Lexus vehicles in Malaysia. Its role includes marketing, sales services and auto parts trading. It is also the single largest shareholder in Perodua with a 38% stake. Its other business segments are Equipment (trading of industrial heavy equipment) and Manufacturing & Engineering (trading of lubricants).



Source: Company, AllianceDBS

**Key Assumptions**

FY Dec	2016A	2017A	2018F	2019F	2020F
Toyota sales (k units)	65.1	70.5	72.2	73.5	74.9
Perodua sales (k units)	207	204	209	214	218
Auto PBT Margin %	5.88	4.97	6.35	6.69	6.74

**Segmental Breakdown**

FY Dec	2016A	2017A	2018F	2019F	2020F
<b>Revenues (RMm)</b>					
Auto	8,451	8,972	8,990	8,973	8,956
Equipment	1,383	1,459	1,529	1,560	1,591
Manufacturing	601	645	678	698	719
O&G	0.0	0.0	0.0	0.0	0.0
Others	0.57	(9.5)	0.0	0.0	0.0
<b>Total</b>	<b>10,436</b>	<b>11,067</b>	<b>11,198</b>	<b>11,231</b>	<b>11,266</b>
<b>PBT (RMm)</b>					
Auto	497	446	571	600	604
Equipment	146	142	161	164	167
Manufacturing	24.6	(17.7)	6.78	38.4	39.6
O&G	(1,848)	0.0	0.0	0.0	0.0
Others	899	(304)	0.0	0.0	0.0
<b>Total</b>	<b>(282)</b>	<b>267</b>	<b>738</b>	<b>802</b>	<b>811</b>
<b>PBT Margins (%)</b>					
Auto	5.9	5.0	6.4	6.7	6.7
Equipment	10.5	9.7	10.5	10.5	10.5
Manufacturing	4.1	(2.7)	1.0	5.5	5.5
O&G	N/A	N/A	N/A	N/A	N/A
Others	158,809.5	3,189.2	N/A	N/A	N/A
<b>Total</b>	<b>(2.7)</b>	<b>2.4</b>	<b>6.6</b>	<b>7.1</b>	<b>7.2</b>

**Income Statement (RMm)**

FY Dec	2016A	2017A	2018F	2019F	2020F
Revenue	10,437	11,067	11,198	11,231	11,266
Cost of Goods Sold	(8,417)	(8,965)	(9,072)	(9,099)	(9,127)
<b>Gross Profit</b>	<b>2,019</b>	<b>2,101</b>	<b>2,126</b>	<b>2,132</b>	<b>2,139</b>
Other Opng (Exp)/Inc	(2,603)	(2,106)	(2,131)	(2,137)	(2,144)
<b>Operating Profit</b>	<b>(485)</b>	<b>124</b>	<b>585</b>	<b>632</b>	<b>648</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	184	182	193	219	225
Net Interest (Exp)/Inc	18.8	(39.1)	(39.1)	(48.7)	(61.9)
Exceptional Gain/(Loss)	(1,854)	(805)	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>(2,136)</b>	<b>(539)</b>	<b>738</b>	<b>802</b>	<b>811</b>
Tax	(134)	(122)	(185)	(201)	(203)
Minority Interest	612	19.8	(134)	(135)	(135)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>(1,658)</b>	<b>(641)</b>	<b>420</b>	<b>466</b>	<b>473</b>
Net Profit before Except.	196	165	420	466	473
EBITDA	(255)	389	1,095	1,204	1,275
<b>Growth</b>					
Revenue Gth (%)	(27.7)	6.0	1.2	0.3	0.3
EBITDA Gth (%)	nm	nm	181.5	9.9	5.9
Opg Profit Gth (%)	(351.8)	(125.5)	372.8	8.0	2.5
Net Profit Gth (Pre-ex) (%)	897.2	(16.0)	154.9	11.1	1.4
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	19.3	19.0	19.0	19.0	19.0
Opg Profit Margin (%)	(4.6)	1.1	5.2	5.6	5.7
Net Profit Margin (%)	(15.9)	(5.8)	3.8	4.2	4.2
ROAE (%)	(29.3)	(16.5)	13.0	12.9	11.8
ROA (%)	(9.6)	(4.9)	4.0	4.2	4.1
ROCE (%)	(3.3)	1.2	5.9	6.0	5.8
Div Payout Ratio (%)	N/A	N/A	13.9	13.9	13.9
Net Interest Cover (x)	NM	3.2	14.9	13.0	10.5

Source: Company, AllianceDBS

## UMW Holdings

### Quarterly / Interim Income Statement (RMm)

FY Dec	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018
Revenue	2,695	2,786	2,671	2,955	2,415
Other Oper. (Exp)/Inc	(2,598)	(2,821)	(2,682)	(2,939)	(2,324)
<b>Operating Profit</b>	<b>97.3</b>	<b>(35.3)</b>	<b>(10.8)</b>	<b>16.1</b>	<b>91.7</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	41.3	28.0	29.7	58.3	57.6
Net Interest (Exp)/Inc	0.31	(4.0)	1.13	(56.8)	(2.0)
Exceptional Gain/(Loss)	(72.4)	0.0	0.0	(382)	(17.1)
<b>Pre-tax Profit</b>	<b>66.4</b>	<b>(11.2)</b>	<b>19.9</b>	<b>(365)</b>	<b>130</b>
Tax	(24.6)	(35.2)	(29.8)	(33.0)	(29.6)
Minority Interest	(21.6)	(7.5)	(19.5)	(34.7)	(26.6)
<b>Net Profit</b>	<b>20.2</b>	<b>(54.0)</b>	<b>(29.4)</b>	<b>(433)</b>	<b>74.1</b>
Net profit bef Except.	92.6	(54.0)	(29.4)	204	91.2
EBITDA	209	(35.3)	37.3	80.7	142

### Growth

Revenue Gth (%)	(8.3)	3.4	(4.1)	10.6	(18.3)
EBITDA Gth (%)	nm	nm	nm	116.4	76.4
Opg Profit Gth (%)	(115.8)	(136.3)	(69.3)	(248.5)	469.3
Net Profit Gth (Pre-ex) (%)	(115.5)	(158.3)	(45.6)	(793.9)	(55.3)

### Margins

Opg Profit Margins (%)	3.6	(1.3)	(0.4)	0.5	3.8
Net Profit Margins (%)	0.7	(1.9)	(1.1)	(14.6)	3.1

### Balance Sheet (RMm)

FY Dec	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	7,679	2,658	3,248	3,776	4,249
Invt in Associates & JVs	2,008	1,713	1,906	2,125	2,350
Other LT Assets	815	462	462	462	462
Cash & ST Invt	1,857	1,170	1,029	836	684
Inventory	1,931	1,411	1,427	1,432	1,436
Debtors	988	1,021	1,033	1,036	1,040
Other Current Assets	1,008	1,660	1,660	1,660	1,660
<b>Total Assets</b>	<b>16,286</b>	<b>10,096</b>	<b>10,767</b>	<b>11,328</b>	<b>11,881</b>
ST Debt	2,639	692	692	692	692
Creditor	1,879	2,796	2,829	2,837	2,846
Other Current Liab	234	165	308	324	326
LT Debt	4,520	2,070	2,070	2,070	2,070
Other LT Liabilities	151	195	195	195	195
Shareholder's Equity	4,719	3,047	3,409	3,810	4,218
Minority Interests	2,146	1,131	1,265	1,400	1,535
<b>Total Cap. &amp; Liab.</b>	<b>16,286</b>	<b>10,096</b>	<b>10,767</b>	<b>11,328</b>	<b>11,881</b>
Non-Cash Wkg. Capital	1,815	1,131	984	967	964
Net Cash/(Debt)	(5,301)	(1,592)	(1,732)	(1,926)	(2,078)
Debtors Turn (avg days)	49.3	33.1	33.5	33.6	33.6
Creditors Turn (avg days)	91.8	98.0	119.9	121.3	122.0
Inventory Turn (avg days)	85.2	70.1	60.5	61.2	61.6
Asset Turnover (x)	0.6	0.8	1.1	1.0	1.0
Current Ratio (x)	1.2	1.4	1.3	1.3	1.2
Quick Ratio (x)	0.6	0.6	0.5	0.5	0.4
Net Debt/Equity (X)	0.8	0.4	0.4	0.4	0.4
Net Debt/Equity ex MI (X)	1.1	0.5	0.5	0.5	0.5
Capex to Debt (%)	15.8	29.0	39.8	39.8	39.8
Z-Score (X)	1.3	2.3	2.3	2.3	2.2

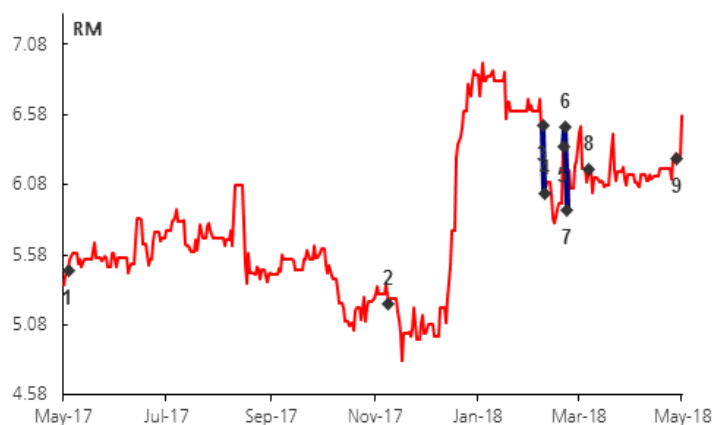
Source: Company, AllianceDBS



**Cash Flow Statement (RMm)**

FY Dec	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	(2,130)	267	738	802	811
Dep. & Amort.	552	406	510	572	627
Tax Paid	(210)	(132)	(41.9)	(185)	(201)
Assoc. & JV Inc/(loss)	(156)	(151)	(193)	(219)	(225)
Chg in Wkg.Cap.	201	1,099	4.30	1.11	1.15
Other Operating CF	2,034	(359)	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>291</b>	<b>1,129</b>	<b>1,018</b>	<b>971</b>	<b>1,014</b>
Capital Exp.(net)	(1,134)	(801)	(1,100)	(1,100)	(1,100)
Other Invts.(net)	196	(299)	0.0	0.0	0.0
Invts in Assoc. & JV	(4.2)	0.0	0.0	0.0	0.0
Div from Assoc & JV	83.8	97.9	0.0	0.0	0.0
Other Investing CF	86.5	(849)	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(772)</b>	<b>(1,851)</b>	<b>(1,100)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Div Paid	0.0	0.0	(58.4)	(64.9)	(65.8)
Chg in Gross Debt	1,014	195	0.0	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(1,405)	(75.9)	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(391)</b>	<b>119</b>	<b>(58.4)</b>	<b>(64.9)</b>	<b>(65.8)</b>
Currency Adjustments	(141)	177	0.0	0.0	0.0
Chg in Cash	(1,014)	(426)	(140)	(193)	(152)
Opg CFPS (sen)	7.70	2.57	86.8	83.1	86.7
Free CFPS (sen)	(72.2)	28.1	(7.0)	(11.0)	(7.4)

Source: Company, AllianceDBS

**Target Price & Ratings History**

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

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	24 May 17	5.47	4.99	HOLD
2:	29 Nov 17	5.23	4.49	FULLY VALUED
3:	28 Feb 18	6.50	4.49	FULLY VALUED
4:	01 Mar 18	6.02	4.49	FULLY VALUED
5:	12 Mar 18	6.35	4.82	FULLY VALUED
6:	13 Mar 18	6.49	4.82	FULLY VALUED
7:	14 Mar 18	5.90	4.82	FULLY VALUED
8:	27 Mar 18	6.19	4.82	FULLY VALUED
9:	18 May 18	6.27	4.82	FULLY VALUED

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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