

# Company Guide

# UMW Holdings



Version 8 | Bloomberg: UMWK MK | Reuters: UMWS.KL  
Refer to important disclosures at the end of this report

AllianceDBS Research, Malaysia Equity

12 Mar 2018

## FULLY VALUED

Last Traded Price (9 Mar 2018): RM5.95 (KLCI : 1,843.92)  
Price Target 12-mth: RM4.82 (-19% downside) (Prev RM4.49)

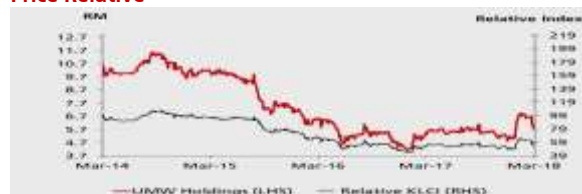
### Analyst

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### What's New

- Proposed acquisition of MBM Resources and Perodua shares from PERC
- Acquisitions raises Perodua stake to 70.6% from 38% currently; acquisitions attractively priced
- Raised FY18F-20F earnings by 9%-18%
- Maintain Fully Valued with TP RM4.82

### Price Relative



### Forecasts and Valuation

FY Dec (RMm)	2017A	2018F	2019F	2020F
Revenue	11,046	11,198	11,231	11,266
EBITDA	457	904	943	957
Pre-tax Profit	(423)	690	746	752
Net Profit	(651)	384	424	429
Net Pft (Pre Ex.)	278	384	424	429
Net Pft Gth (Pre-ex) (%)	nm	37.7	10.6	1.0
EPS (sen)	(55.7)	32.8	36.3	36.7
EPS Pre Ex. (sen)	23.8	32.8	36.3	36.7
EPS Gth Pre Ex (%)	(156)	38	11	1
Diluted EPS (sen)	23.8	32.8	36.3	36.7
Net DPS (sen)	0.0	0.0	0.0	0.0
BV Per Share (sen)	264	297	333	370
PE (X)	nm	18.1	16.4	16.2
PE Pre Ex. (X)	25.0	18.1	16.4	16.2
P/Cash Flow (X)	15.6	8.2	9.7	10.1
EV/EBITDA (X)	21.1	11.1	11.2	11.6
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	2.3	2.0	1.8	1.6
Net Debt/Equity (X)	0.4	0.4	0.4	0.5
ROAE (%)	(16.7)	11.7	11.5	10.4
Earnings Rev (%):		9	18	12
Consensus EPS (sen):		26.5	35.3	N/A
Other Broker Recs:		B: 1	S: 8	H: 6

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

### "Mb"-racing Perodua

**Positive on MBM and Perodua acquisitions but valuations remain stretched; maintain Fully Valued.** We are positive on the proposed acquisition of 50.7% stake in MBM Resources and a 10% stake in Perodua, which would raise UMW's effective stake in Perodua from 38% currently to 70.6%. This could lift FY19F earnings by 6-11%. In our view, the acquisitions are attractively priced. We raised FY18-20F earnings up by 9-18% as we made adjustments to our Perodua's earnings contribution, rolled forward our valuation base year to FY19 from FY18 previously and include the Serendah land into our valuation. Our revised SOP-based TP is RM4.82. We maintain our Fully Valued call as valuation remains stretched with the stock trading at 18x 2018 PE.

**Where we differ: Lower valuation:** FY18 will remain a year in transition as it is too early to tell whether earnings rebound from UMW's core auto businesses can be sustained. This has led to a wide divergence in consensus estimate for FY18 while our FY19F earnings are fairly similar to consensus. Where we differ is our below consensus valuation as we believe UMW's earnings recovery post demerger exercise has largely been priced in.

**Potential catalyst: Higher than expected auto sales.** Exciting launches (Toyota CH-R targeted in 1Q2018), 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 RM4.82. Our proforma TP upon completion of the proposed acquisitions and mandatory takeover offer is RM5.51.

### 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)	6,951 / 1,777
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)	2.5

ICB Industry : Consumer Goods / Automobiles & Parts



**WHAT'S NEW**

**Raising stake in Perodua**

**Acquisition of MBM Resources**

UMW Holdings has launched an offer to acquire a 50.7% stake in MBM Resources (MBMR) held by Med-Bumikar Mara Sdn Bhd (49.5%) and Central Shore Sdn Bhd (0.57%) for RM501.04m cash or RM2.56 per share. Upon acceptance of the offer, a mandatory takeover offer (MO) for the remaining 49.3% stake in MBMR will be triggered. UMW has announced that it does not intend to maintain MBMR's listing status.

MBMR is an investment holding company with diverse investments in the automotive industry. This includes the distribution and dealership of major international and local vehicle brands in Malaysia such as Perodua, Daihatsu, Hino, Mitsubishi, Volkswagen and Volvo marques, and the manufacturing of automotive parts such as wheels, airbags, seatbelts, steering wheels and noise, vibration and harshness products.

At RM2.56 per share, the offer values MBMR at RM1bn (based on 100% equity value). This represents a premium of 13.3% over the 5-day volume weighted average market price for the five-day period ended March 5, 2018.

**Salient terms of the proposed offer for MBMR**

- Offer shall remain open for acceptance until 28 March 2018.
- The unaudited consolidated adjusted net tangible assets for MBM Resources as at 31 March 2018 does not deteriorate by RM50m or more compared to the unaudited consolidated adjusted net tangible assets as at 31 December 2017. This is to take into account the losses in the auto parts manufacturing business which was RM4.3m in FY17.
- UMWH to perform due diligence on MBMR.
- UMWH must obtain approval from its shareholders for the acquisition of MBMR.

**Acquisition of Perodua shares**

Concurrently, UMW also announced that it has made a conditional offer to PNB Equity Resources Corporation Sdn Bhd (PERC) for its 14m shares in Perodua which represents 10% equity in Perodua for RM417.5m or RM29.80 per share, to be satisfied via issuance of 49.3m new UMWH shares at issue price RM6.09 and cash of RM117.5m.

**Salient terms of the proposed offer for Perodua**

- Offer shall remain open for acceptance until 28 March 2018.
- Given that PNB is a major shareholder of UMWH, the proposed acquisition of Perodua from PERC is deemed a

related party transaction which requires the approval of non-interested shareholders of UMWH.

- PERC to obtain consent of other share 93ers of Perodua for the proposed Perodua acquisition.
- The proposed MBMR acquisition and the proposed Perodua acquisition are not inter-conditional.

**Fair pricing**

Based on our FY18 earnings estimate for Perodua, the proposed acquisition of 10% stake in Perodua from PERC is valued at 13.4x PE. We deem this pricing as fair when compared to other auto players such as BAuto which trades at 14.8x PE.

MBMR effectively owns an effective 22.6% stake in Perodua. Assuming similar valuation as the proposed acquisition of 10% stake in Perodua from PERC, MBMR's 22.6% stake in Perodua is worth RM943.6m which implies that the other MBMR businesses are merely valued at RM57m. MBMR's other businesses such as the alloy wheel manufacturing (which also supplies to Perodua), is currently loss making but expect to breakeven by FY19. However, the offer price of RM2.56 per share is 30% below the net assets per share of RM3.68.

**Impact of acquisition**

- The acquisition of MBMR and 10% stake in Perodua from PERC will raise UMWH's current stake in Perodua from 38.0% to 59.5%. This will be raised to 70.6% in the event UMWH manages to acquire the remaining 49.3% in MBMR via a MO.
- These acquisitions will strengthen UMWH's exposure in the Perodua marque as well as leverage on MBMR's multi-brand dealerships and auto parts manufacturing business.
- While no timeline has been provided, we expect the proposed acquisitions and MO will take several months and likely to be completed in 2H18.
- The aggregate purchase consideration is estimated at RM1,405.7m comprising RM501.04m for the initial 50.7% stake in MBMR, RM487.2m for remaining 49.3% in MBMR via MO and RM417.5m for PERC's 10% stake in Perodua. Given UMWH's existing net debt to total equity ratio of 38%, we expect the entire exercise will require to be funded by a combination of debt and equity.
- Assuming a debt-equity structure of 50:50, the proposed acquisitions will lead to EPS accretion of 7% for FY19. In the event of a successful MO at the same price, additional 4% will be accreted. We append below a scenario analysis of the earnings accretion under various equity funding assumptions (30% to 70%).

**Change in earnings to reflect discontinued operations**

We have raised our earnings by 9%-18% for FY18F-20F to reflect some adjustments to our Perodua's earnings contribution. We had already assumed better margins for the auto business in FY18F onwards to capture the strengthening of Ringgit. As for the proposed acquisitions, we believe it is still too early to factor in any earnings accretion pending acceptance of the offers by MBMR and PERC. In particular, we remain doubtful whether the offer price for MBMR is attractive enough to induce acceptance of UMW's offer.

**Valuation**

We maintain our Fully Valued with a higher TP of RM4.82. We raised our TP following our earnings upgrade and rolled forward our valuation base year to FY19 from FY18 previously. We have also included the Serendah land into our valuation at 50% discount to market value. We believe valuations are still stretched at 18x 2018 PE. Even if we factor in the earnings accretion from the proposed acquisitions and MO, current share price remain 8% above our proforma TP of RM5.51.

**Sensitivity analysis on proposed acquisition – 50.7% in MBM Resources**

Acquisition of MBM (assumes UMW gets 50.7% in MBM)	RM m	RM m	RM m	RM m	RM m
Debt:Equity Ratio	30:70	40:60	50:50	60:40	70:30
Purchase Price	501.00	501.00	501.00	501.00	501.00
Debt funding	150.30	200.40	250.50	300.60	350.70
Share issuance	350.70	300.60	250.50	200.40	150.30

Acquisition of 10% of Perodua from PERC	RM m	RM m	RM m	RM m	RM m
Purchase Price	417.50	417.50	417.50	417.50	417.50
Cash	117.50	117.50	117.50	117.50	117.50
Share issuance	300.00	300.00	300.00	300.00	300.00

Net gearing	0.27X	0.29X	0.32X	0.34X	0.37X
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Current UMW Net Profit for FY19F	424.32	424.32	424.32	424.32	424.32
Interest cost (Interest rate at 8%)	(21.42)	(25.43)	(29.44)	(33.45)	(37.46)
Earnings from MBM for FY19F*	57.46	57.46	57.46	57.46	57.46
Earnings from 10% Perodua Stake from PERC for FY19F	34.72	34.72	34.72	34.72	34.72
Net Profit Post Acquisition FY19F	495.08	491.07	487.07	483.06	479.05
Additional num of shares (m, shares)**	106.85	98.62	90.39	82.17	73.94
Num of shares post acquisition (m, shares)	1,275.14	1,266.91	1,258.68	1,250.46	1,242.23
<b>EPS (sen)</b>	<b>38.83</b>	<b>38.76</b>	<b>38.70</b>	<b>38.63</b>	<b>38.56</b>
<i>change to eps</i>	<b>7%</b>	<b>7%</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>

**Sensitivity analysis on proposed acquisition – 100% in MBM Resources**

Acquisition of MBM (assumes UMW gets 100% in MBM)	RM m	RM m	RM m	RM m	RM m
Debt:Equity Ratio	30:70	40:60	50:50	60:40	70:30
Purchase Price	1,000.60	1,000.60	1,000.60	1,000.60	1,000.60
Debt funding	300.18	400.24	500.30	600.36	700.42
Share issuance	700.42	600.36	500.30	400.24	300.18

Acquisition of 10% of Perodua from PERC	RM m	RM m	RM m	RM m	RM m
Purchase Price	417.50	417.50	417.50	417.50	417.50
Cash	117.50	117.50	117.50	117.50	117.50
Share issuance	300.00	300.00	300.00	300.00	300.00

Net gearing	0.21X	0.26X	0.30X	0.35X	0.40X
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Current UMW Net Profit for FY19F	424.32	424.32	424.32	424.32	424.32
Interest cost (Interest rate at 8%)	(33.41)	(41.42)	(49.42)	(57.43)	(65.43)
Earnings from MBM for FY19F*	113.33	113.33	113.33	113.33	113.33
Earnings from 10% Perodua Stake from PERC for FY19F	34.72	34.72	34.72	34.72	34.72
Net Profit Post Acquisition FY19F	538.96	530.96	522.95	514.95	506.94
Additional num of shares (m, shares)**	164.27	147.84	131.41	114.98	98.55
Num of shares post acquisition (m, shares)	1,332.56	1,316.13	1,299.70	1,283.27	1,266.84
<b>EPS (sen)</b>	<b>40.45</b>	<b>40.34</b>	<b>40.24</b>	<b>40.13</b>	<b>40.02</b>
<i>change to eps</i>	<b>11%</b>	<b>11%</b>	<b>11%</b>	<b>10%</b>	<b>10%</b>

\* MBMR FY19F net profit based on consensus estimates

\*\* New UMW share issuance at RM6.09/ share

Source of all data: Company, AllianceDBS

**UMW Holdings****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	1,715.36	1.47
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>5,635.72</b>	<b>4.82</b>

Source of all data: AllianceDBS

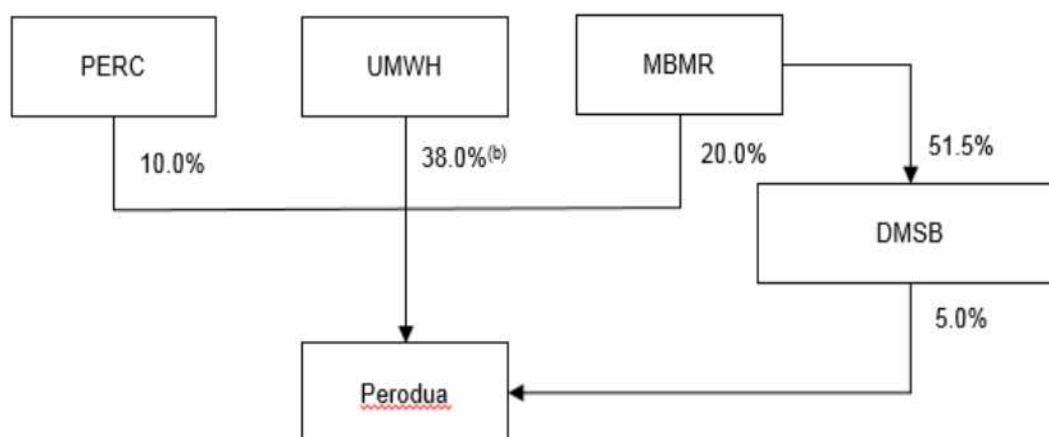
**Proforma SOP Valuation Post Acquisition – Assuming 100% stake in MBM Resources**

Division	Stake	Valuation	Value (RM m)	Per share
Automotive				
Toyota	51.0%	PE 13x	1,829.37	1.41
Perodua	70.6%	PE 13x	3,186.96	2.45
Equipment	100.0%	PE 12x	1,474.20	1.13
Manufacturing & engineering	100.0%	PE 12x	345.63	0.27
Serendah Land		50% discount to market value	271.16	0.21
MBM – other business			57.0	0.04
<b>Total</b>			<b>7,107.32</b>	<b>5.51</b>

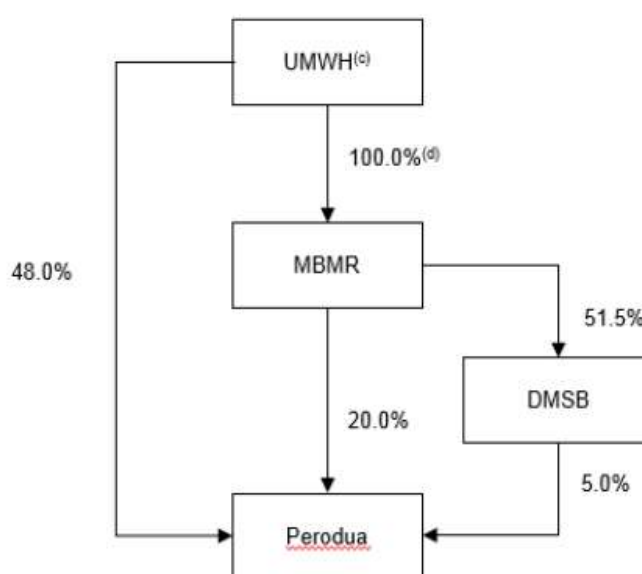
Source of all data: AllianceDBS

**Group Structure Before and After Proposals**

**As at 6 March 2018<sup>(a)</sup>**



**After the Proposals**



Notes:

- a) Being the latest practicable date prior to the date of this Announcement.
- b) Held through UMWC, a wholly-owned subsidiary of UMWH.
- c) UMWH reserves the rights to nominate another affiliate(s) to undertake the Proposed MBMR Acquisition and the Proposed Perodua Acquisition.
- d) 100% ownership of MBMR is dependent on the outcome of the Proposed MO.

Source of all data: Company, AllianceDBS

**UMW Holdings**

**CRITICAL DATA POINTS TO WATCH**

**Toyota sales volume to sustain.** UMW’s assembly and distribution operation for Toyota and Lexus cars contributed 81.6% of group revenue in FY17. UMW 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’s 19.0% market share. Overall, we expect Toyota sales volume to improve marginally in FY18F-20F, backed by attractive launches. New launches for FY18 includes the highly anticipated Toyota CH-R targeted for 1Q18.

**Resilient Perodua volumes.** UMW has a 38% stake in Perodua. Perodua has done well in the past few quarters with impressive sales of new models. Perodua’s market share of 35.4% 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 208k/210k units for FY18F/19F.

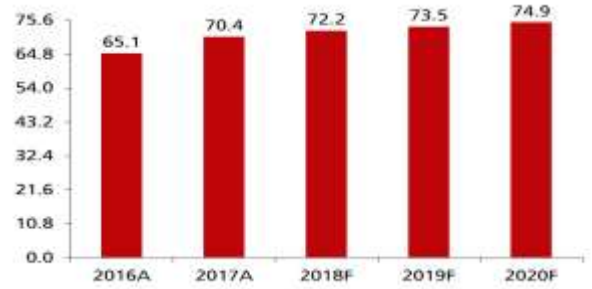
**Expansion of manufacturing plant.** UMW Toyota is in the midst of expanding its manufacturing plant located in Bukit Raja Industrial Estate, Klang. The plant is expected to start operations in early 2019 with an annual capacity of 50k units. The investment comes up to RM2bn. This plant will focus more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

**Margins to improve.** We believe auto margins should improve going forward as we see the Ringgit strengthening against USD at RM3.91/USD currently vs RM4.30/USD in FY17. However, the group has to manage the promotions during festive season as these too can pressure margins.

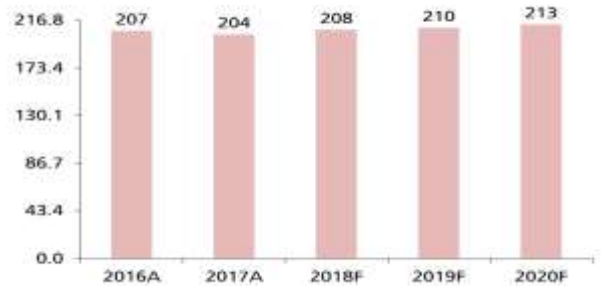
**New aerospace venture.** UMW has entered into an agreement with Rolls Royce to manufacture and assemble fan cases for the Trent 1000 engines. This potential new earnings stream is conceptually positive and allows the group to reduce its dependence on the auto businesses. We expect the business to contribute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

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

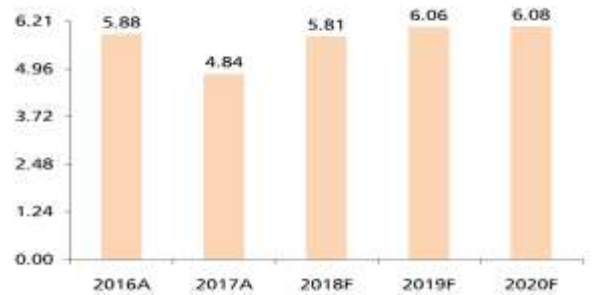
**Toyota sales (k units)**



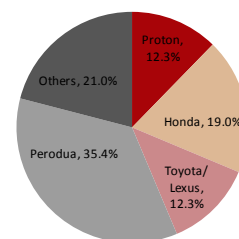
**Perodua sales (k units)**



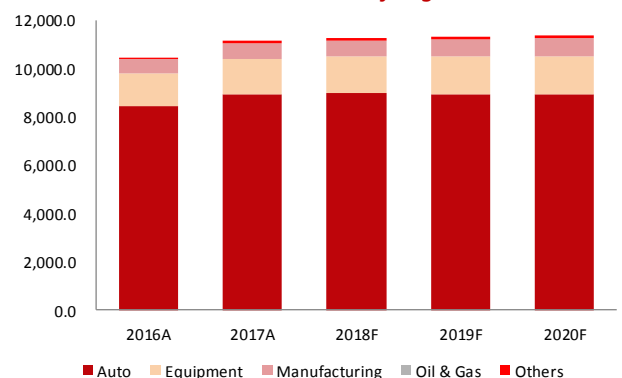
**Auto PBT Margin %**



**Market Share for FY17**

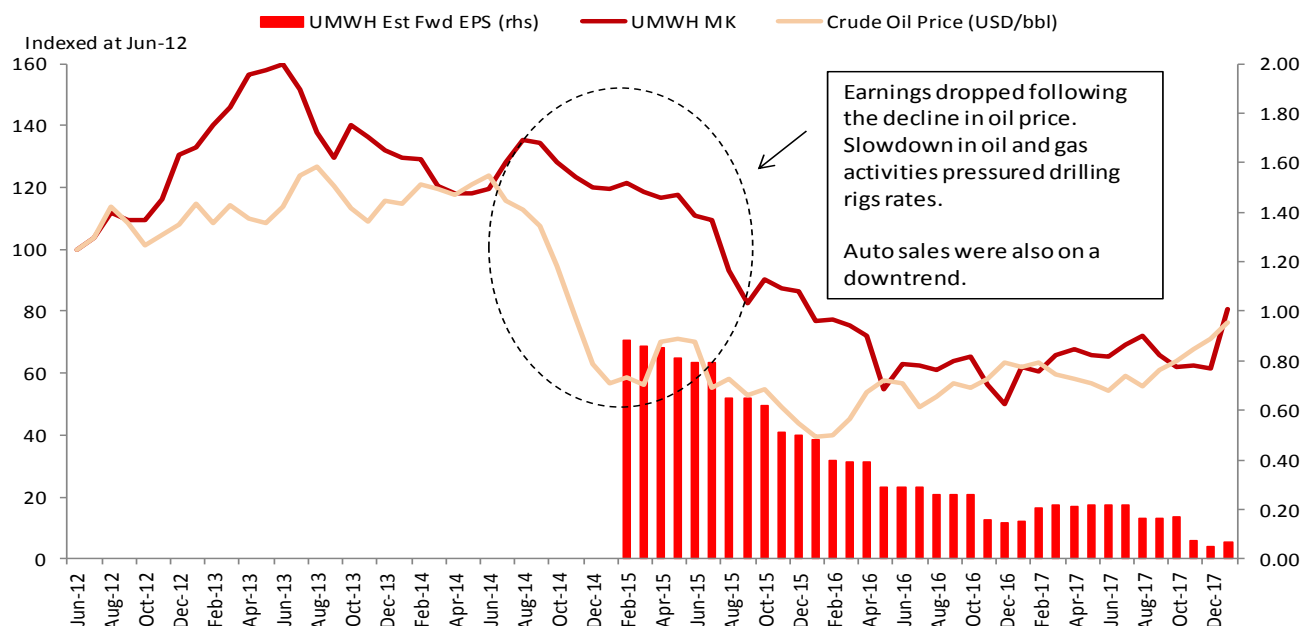


**Revenue Breakdown by Segment**



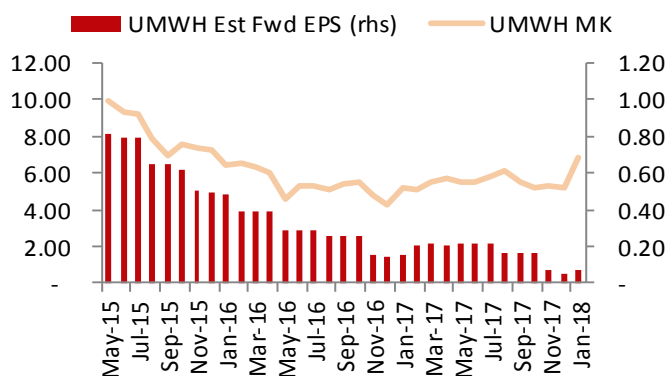
Source: Company, AllianceDBS

Appendix 1: Factors driving historical share price performance



\*UMWH forward EPS is based on consensus  
Source: Company, AllianceDBS, Bloomberg

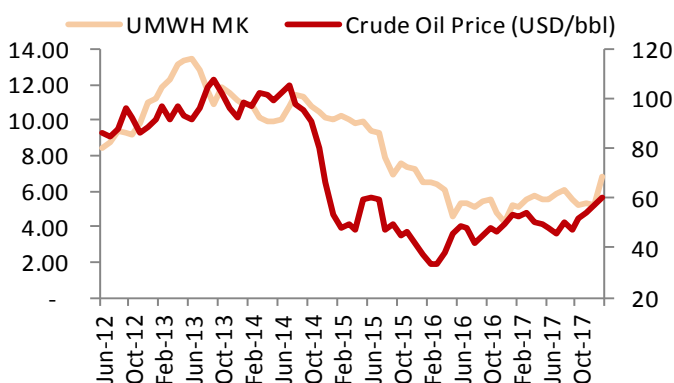
UMWH's share price versus forward EPS



Remarks

The share price has a high correlation of 0.92 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.

UMWH's share price versus crude oil price



Source: Company, AllianceDBS, Bloomberg

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 UMW's share price and crude oil price trend dropped to 0.20 from Jan 2017 to Jan 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 the more competitive auto industry. A recovery in Toyota unit sales and margins would be a key earnings and share price driver.

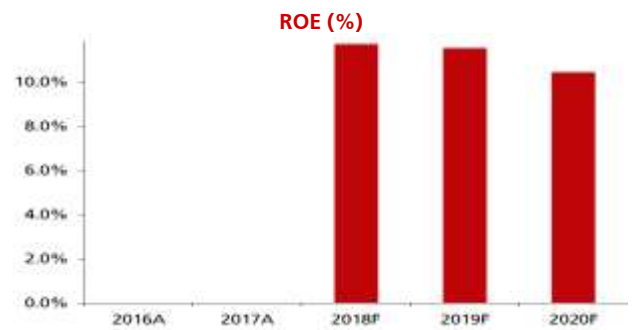
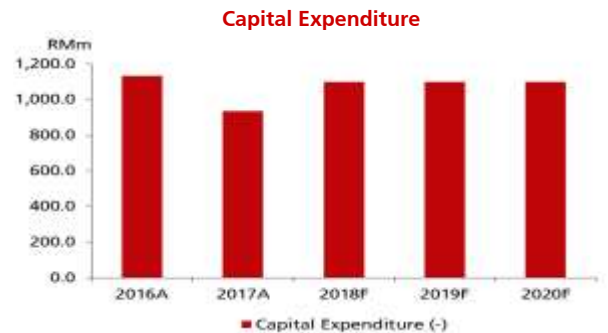
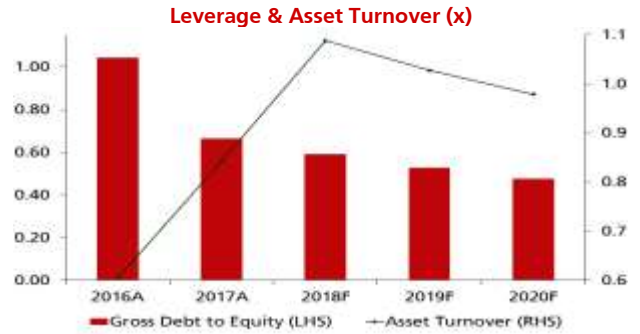
**Key Risks:**

**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 imported cost (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. This includes marketing, sales services and auto parts trading. They are 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	208	210	213
Auto PBT Margin %	5.88	4.84	5.81	6.06	6.08

**Segmental Breakdown**

FY Dec	2016A	2017A	2018F	2019F	2020F
<b>Revenues (RMm)</b>					
Auto	8,451	8,954	8,990	8,973	8,956
Equipment	1,383	1,457	1,529	1,560	1,591
Manufacturing	601	646	678	698	719
O&G	0.0	0.0	0.0	0.0	0.0
Others	1.57	(9.5)	0.0	0.0	0.0
<b>Total</b>	<b>10,437</b>	<b>11,046</b>	<b>11,198</b>	<b>11,231</b>	<b>11,266</b>
<b>PBT (RMm)</b>					
Auto	497	434	522	544	545
Equipment	146	141	161	164	167
Manufacturing	24.6	(16.3)	6.78	38.4	39.6
O&G	(1,916)	0.0	0.0	0.0	0.0
Others	(881)	(305)	0.0	0.0	0.0
<b>Total</b>	<b>(2,130)</b>	<b>253</b>	<b>690</b>	<b>746</b>	<b>752</b>
<b>PBT Margins (%)</b>					
Auto	5.9	4.8	5.8	6.1	6.1
Equipment	10.5	9.7	10.5	10.5	10.5
Manufacturing	4.1	(2.5)	1.0	5.5	5.5
O&G	N/A	N/A	N/A	N/A	N/A
Others	(56,273.1)	3,205.9	N/A	N/A	N/A
<b>Total</b>	<b>(20.4)</b>	<b>2.3</b>	<b>6.2</b>	<b>6.6</b>	<b>6.7</b>

**Income Statement (RMm)**

FY Dec	2016A	2017A	2018F	2019F	2020F
Revenue	10,437	11,046	11,198	11,231	11,266
Cost of Goods Sold	(8,552)	(8,615)	(8,733)	(8,759)	(8,787)
<b>Gross Profit</b>	<b>1,885</b>	<b>2,431</b>	<b>2,464</b>	<b>2,472</b>	<b>2,480</b>
Other Opng (Exp)/Inc	(2,412)	(2,430)	(2,463)	(2,471)	(2,478)
<b>Operating Profit</b>	<b>(457)</b>	<b>120</b>	<b>585</b>	<b>640</b>	<b>669</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	184	172	144	163	166
Net Interest (Exp)/Inc	30.6	(39.3)	(39.3)	(56.8)	(83.2)
Exceptional Gain/(Loss)	(1,161)	(676)	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>(1,404)</b>	<b>(423)</b>	<b>690</b>	<b>746</b>	<b>752</b>
Tax	(134)	(122)	(172)	(187)	(188)
Minority Interest	(121)	(106)	(134)	(135)	(135)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>(1,658)</b>	<b>(651)</b>	<b>384</b>	<b>424</b>	<b>429</b>
Net Profit before Except.	(497)	278	384	424	429
EBITDA	113	457	904	943	957
<b>Growth</b>					
Revenue Gth (%)	(27.7)	5.8	1.4	0.3	0.3
EBITDA Gth (%)	(84.0)	304.7	98.0	4.3	1.5
Opg Profit Gth (%)	(337.3)	(126.4)	385.8	9.4	4.6
Net Profit Gth (Pre-ex) (%)	nm	nm	37.7	10.6	1.0
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	18.1	22.0	22.0	22.0	22.0
Opg Profit Margin (%)	(4.4)	1.1	5.2	5.7	5.9
Net Profit Margin (%)	(15.9)	(5.9)	3.4	3.8	3.8
ROAE (%)	(29.3)	(16.7)	11.7	11.5	10.4
ROA (%)	(9.6)	(5.0)	3.7	3.9	3.7
ROCE (%)	(3.1)	1.1	5.9	6.0	5.9
Div Payout Ratio (%)	N/A	N/A	0.0	0.0	0.0
Net Interest Cover (x)	NM	3.1	14.9	11.3	8.0

Source: Company, AllianceDBS

## UMW Holdings

## Quarterly / Interim Income Statement (RMm)

FY Dec	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017
Revenue	2,938	2,804	2,786	2,671	2,955
Other Oper. (Exp)/Inc	(3,554)	(2,784)	(2,821)	(2,682)	(2,939)
<b>Operating Profit</b>	<b>(616)</b>	<b>19.7</b>	<b>(35.3)</b>	<b>(10.8)</b>	<b>16.1</b>
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	71.9	40.1	28.0	29.7	58.3
Net Interest (Exp)/Inc	1.48	(45.4)	(4.0)	1.13	(56.8)
Exceptional Gain/(Loss)	(938)	0.0	0.0	0.0	(382)
<b>Pre-tax Profit</b>	<b>(1,480)</b>	<b>14.4</b>	<b>(11.2)</b>	<b>19.9</b>	<b>(365)</b>
Tax	(24.0)	(25.0)	(35.2)	(29.8)	(33.0)
Minority Interest	(29.4)	30.7	(7.5)	(19.5)	(34.7)
<b>Net Profit</b>	<b>(1,534)</b>	<b>20.2</b>	<b>(54.0)</b>	<b>(29.4)</b>	<b>(433)</b>
Net profit bef Except.	(596)	20.2	(54.0)	(29.4)	204
EBITDA	(475)	19.7	(35.3)	37.3	80.7

## Growth

Revenue Gth (%)	2.8	(4.6)	(0.6)	(4.1)	10.6
EBITDA Gth (%)	(375.1)	nm	nm	nm	116.4
Opg Profit Gth (%)	516.4	(103.2)	(279.0)	(69.3)	(248.5)
Net Profit Gth (Pre-ex) (%)	542.7	(103.4)	(367.7)	(45.6)	(793.9)

## Margins

Opg Profit Margins (%)	(21.0)	0.7	(1.3)	(0.4)	0.5
Net Profit Margins (%)	(52.2)	0.7	(1.9)	(1.1)	(14.6)

## Balance Sheet (RMm)

FY Dec	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	7,679	2.66	783	1,580	2,391
Invt in Associates & JVs	2,008	1,708	1,852	2,016	2,181
Other LT Assets	791	3,109	3,109	3,109	3,109
Cash & ST Invt	1,857	1,163	908	523	112
Inventory	1,931	1,343	1,361	1,365	1,369
Debtors	988	880	892	895	898
Other Current Assets	1,008	1,735	1,735	1,735	1,735
<b>Total Assets</b>	<b>16,263</b>	<b>9,942</b>	<b>10,642</b>	<b>11,223</b>	<b>11,797</b>
ST Debt	2,639	692	692	692	692
Creditor	1,879	2,662	2,699	2,707	2,715
Other Current Liab	234	147	293	307	308
LT Debt	4,520	2,076	2,076	2,076	2,076
Other LT Liabilities	127	190	190	190	190
Shareholder's Equity	4,719	3,082	3,466	3,890	4,319
Minority Interests	2,146	1,093	1,227	1,362	1,497
<b>Total Cap. &amp; Liab.</b>	<b>16,263</b>	<b>9,942</b>	<b>10,642</b>	<b>11,223</b>	<b>11,797</b>
Non-Cash Wkg. Capital	1,815	1,149	997	982	979
Net Cash/(Debt)	(5,301)	(1,604)	(1,860)	(2,244)	(2,655)
Debtors Turn (avg days)	49.3	30.9	28.9	29.0	29.0
Creditors Turn (avg days)	94.2	100.1	116.3	116.7	116.4
Inventory Turn (avg days)	87.4	72.2	58.6	58.8	58.7
Asset Turnover (x)	0.6	0.8	1.1	1.0	1.0
Current Ratio (x)	1.2	1.5	1.3	1.2	1.1
Quick Ratio (x)	0.6	0.6	0.5	0.4	0.3
Net Debt/Equity (X)	0.8	0.4	0.4	0.4	0.5
Net Debt/Equity ex MI (X)	1.1	0.5	0.5	0.6	0.6
Capex to Debt (%)	15.8	33.8	39.7	39.7	39.7
Z-Score (X)	1.2	1.3	1.4	1.4	1.4

Source: Company, AllianceDBS

**Cash Flow Statement (RMm)**

FY Dec	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	(2,130)	253	690	746	752
Dep. & Amort.	552	336	319	304	288
Tax Paid	(210)	(133)	(26.6)	(172)	(187)
Assoc. & JV Inc/(loss)	(156)	(172)	(144)	(163)	(166)
Chg in Wkg.Cap.	201	529	6.01	1.34	1.39
Other Operating CF	2,034	(368)	0.0	0.0	0.0
<b>Net Operating CF</b>	<b>291</b>	<b>446</b>	<b>845</b>	<b>715</b>	<b>689</b>
Capital Exp.(net)	(1,134)	(935)	(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	98.0	0.0	0.0	0.0
Other Investing CF	86.5	(844)	0.0	0.0	0.0
<b>Net Investing CF</b>	<b>(772)</b>	<b>(1,980)</b>	<b>(1,100)</b>	<b>(1,100)</b>	<b>(1,100)</b>
Div Paid	0.0	(75.9)	0.0	0.0	0.0
Chg in Gross Debt	1,014	176	0.0	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(1,405)	0.0	0.0	0.0	0.0
<b>Net Financing CF</b>	<b>(391)</b>	<b>100</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Currency Adjustments	(141)	421	0.0	0.0	0.0
Chg in Cash	(1,014)	(1,014)	(255)	(385)	(411)
Opg CFPS (sen)	7.70	(7.1)	71.8	61.1	58.8
Free CFPS (sen)	(72.2)	(41.9)	(21.9)	(32.9)	(35.2)

Source: Company, AllianceDBS

**Target Price & Ratings History**

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	13 Mar 17	5.57	4.90	HOLD
2:	14 Mar 17	5.60	4.90	HOLD
3:	11 Apr 17	5.59	4.90	HOLD
4:	24 May 17	5.47	4.99	HOLD
5:	29 Nov 17	5.23	4.49	FULLY VALUED
6:	28 Feb 18	6.50	4.49	FULLY VALUED
7:	01 Mar 18	6.02	4.49	FULLY VALUED

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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