

PP14767/09/2012(030761)

## UMW Holdings Berhad

### “Toyota Records Lower Sales Volume in 2015”

UMW Toyota posted lower sales volume of 95,861 units in 2015 against 103,636 units sold in 2014, down by 8% y-o-y. Its volume selling model, Toyota Vios, contributed 35% to the total sales volume in 2015. Nonetheless, 2016 will see huge challenges for Toyota due to the hike in prices in higher range models of between 3.13%-8.63% as compared to Honda. The latter price increase will be in the range of 2.77%-2.85%. Hence, UMW is a HOLD with target price of RM7.70

- Sold 95,861 units in 2015.** According to STARBIZ, UMW Toyota Motor sold 95,861 units vehicles in 2015 representing 8% decline in their sales volume as compared against 2014 volume of 103,636 units. The group explained the weaker sales volume in 2015 was attributable to the effect of GST implementation as well as the economic slowdown. Breakdown by brand, Toyota sales made up 98% (93,760 units) of the group's total vehicles sales and the rest were contributed by Lexus model. Toyota Vios was the largest contributor to the sales volume in 2015 with 34,000 units (35%) sold followed by Hilux model with 24,000 units (25%) and Corolla Altis with 8,000 units (8%).
- Drive by 4Q15 sales.** We are not surprise on the sales volume achievement in 2015 which surpassed the group sales target of 90,000 units (including Lexus) due to the uplift in demand especially in 4Q15 as Toyota had announced car price hike effective January 2016 by then. As a result, Toyota sales volume had surged creditably in October 2015 (+14% y-o-y), November 2015 (+15% y-o-y) and December (+19% y-o-y) respectively.

Friday, January 08, 2016

HOLD (TP: RM7.70)

Current Price (RM)	RM7.53
New Target Price (RM)	RM7.70
Previous Target Price (RM)	RM7.80
Previous Recommend.	HOLD
Upside To Target Price	2%
Dividend Yield (FY16)	5%

#### Stock Code

Bloomberg	UMWH MK
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#### Stock & Market Data

Listing	MAIN MARKET
Sector	Automotive
Shariah Compliance	Yes
Issued Shares (mn)	1,168
Market Cap (RM mn)	8,774
YTD Chg In Share Price	-5%
Beta (x)	1.05
52-week Hi/Lo (RM)	11.30   7.41
3M Average Volume (shrs)	1.36mn
Estimated Free Float	32%

#### Major Shareholders

Skim ASB	40%
EPF	16%
PNB	6%

- Concern on the hike in prices.** The group has disclosed Toyota's new price list for 2016 with all the model and variant will see upsurge in their price except for Camry Hybrid, ranging from 3.13% to 8.63%. Toyota Hilux will suffer the most hike in new pricing with the increase of between RM6,026-RM6,592 (5.82%-8.63%) while its volume selling model, Toyota Vios pricing will be upped between RM3,035-RM3,230 (3.20%-4.32%). We expect Toyota sales volume to remain weaker in 2016 due to the challenging outlook on automotive industry largely hampered by softer consumer sentiment in tandem with rising cost of living and lack of purchasing power due to weaker Ringgit performance. Moreover, we foresee Toyota will face greater challenges by its strong rivalry, Honda, which announced a minimal hike in new prices, ranging between 2.77%-2.85%. On the other side of view, we reckon the hike in car prices is a temporary setback especially for imported parts and component (CKD) units as well as CBU units which largely denominated in USD as the readjustment of the selling price will be implemented gradually when the Ringgit starts reversing its declining trend.
- Earnings outlook.** At this stage, we expect FY15 earnings to be lower by 29% y-o-y impacted by sluggish Toyota sales performance. This will also be weighed by weaker contribution from the oil and gas division. Nonetheless, FY16 earnings are projected to increase by 39% y-o-y lifted by i) solid auto performance on higher associates contribution from Perodua sales volume and ii) stronger contribution from equipment division.
- Valuation & recommendation.** We value UMW at RM7.70, pegged to PER of 14x (25% discount to average last 3-years PER of 19x) and the stock is a **HOLD**. Re-rating catalyst may come from i) appreciation of Ringgit against USD in the near term and ii) better-than-expected hire purchase financing environment going forward.

Table 1: Peers Comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
UMW Holdings	Dec	7.53	45	54	18.1	15.1	1.4	1.4	8	5	7.70	Hold
Tan Chong	Dec	2.60	11	16	25.2	16.5	0.6	0.6	2	2	2.47	Hold
MBM Resources	Dec	2.23	32	36	8.5	7.5	0.7	0.6	8	3	3.20	Buy
Berjaya Auto	Apr	2.12	20	22	10.0	9.4	4.2	3.6	52	5	2.42	Buy
APM Automotive	Dec	3.98	49	49	8.3	8.3	0.7	NA	8	5	NR	NR
Average					14.0	11.4	1.5	1.6	15	4		

Source: Bloomberg, M&amp;A Securities

Table 2: Financial Forecast

YE: Dec (RM million)	FY12	FY13	FY14	FY15F	FY16F
Revenue	15,890	13,952	14,959	13,273	14,335
EBITDA	2,149	1,622	1,806	1,460	1,648
EBIT	1,859	1,297	1,427	863	932
Finance cost	(24)	(99)	(82)	(93)	(100)
PBT	2,001	1,436	1,621	796	860
Net Profit	951	653	658	465	645
EPS (sen)	81	56	56	40	55
PBT margin	13%	10%	11%	6%	6%
Net profit margin	6%	5%	4%	4%	5%
PER (x)	14.0	20.2	19.6	20.8	15.0
P/BV (x)	2.9	2.6	2.0	1.5	1.4
DPS (sen)	50	44	41	45	45
Dividend yield	4%	4%	4%	5%	5%

Source: Bursa Malaysia, M&amp;A Securities

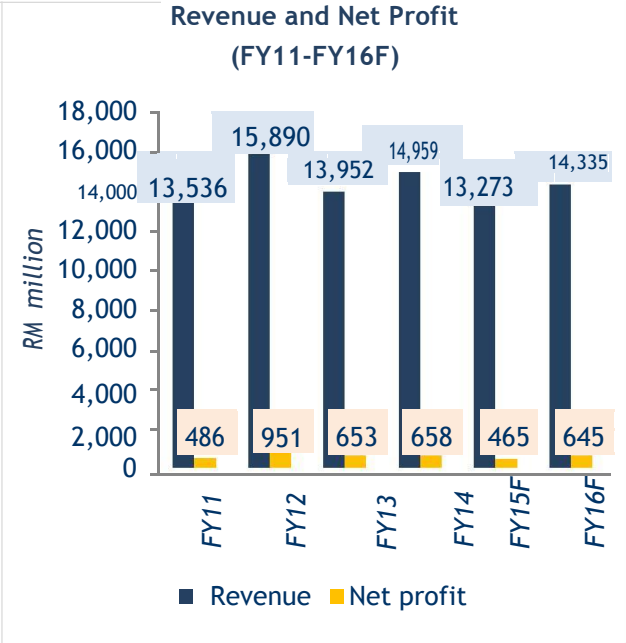
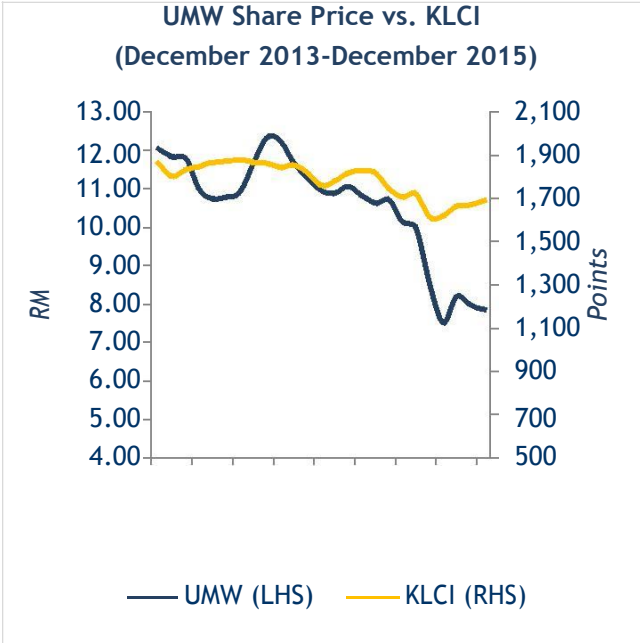
Table 3: B-Segment's New Price Comparison Between Toyota and Honda

Toyota Model	2015 Price (RM)	2016 Price (RM)	Difference	Change (%)
Vios 1.5J (MT)	74,750	77,980	3,230	4.32%
Vios 1.5J (AT)	78,649	81,880	3,231	4.11%
Vios 1.5E	84,367	87,580	3,213	3.81%
Vios 1.5G	90,114	93,380	3,266	3.62%
Vios TRD Sportivo	94,945	97,980	3,035	3.20%

Source: Paultan.org, M&amp;A Securities

Honda Model	2015 Price (RM)	2016 Price (RM)	Difference	Change (%)
Jazz 1.5S	71,775	73,800	2,025	2.82%
Jazz 1.5E	78,757	81,000	2,243	2.85%
Jazz 1.5V	86,986	89,400	2,414	2.78%
City 1.5S	74,008	76,100	2,092	2.83%
City 1.5+	77,124	79,300	2,176	2.82%
City 1.5E	82,270	84,600	2,330	2.83%
City 1.5V	89,468	92,000	2,532	2.83%

Source: Paultan.org, M&amp;A Securities



Source: Bloomberg, M&A Securities

**STOCK RECOMMENDATIONS**

**BUY** Share price is expected to be  $\geq +10\%$  over the next 12 months.  
**TRADING BUY** Share price is expected to be  $\geq +10\%$  within 3-months due to positive newsflow.  
**HOLD** Share price is expected to be between  $-10\%$  and  $+10\%$  over the next 12 months.  
**SELL** Share price is expected to be  $\geq -10\%$  over the next 12 months.

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT** The sector is expected to outperform the FBM KLCI over the next 12 months.  
**NEUTRAL** The sector is expected to perform in line with the FBM KLCI over the next 12 months.  
**UNDERWEIGHT** The sector is expected to underperform the FBM KLCI over the next 12 months.