

19 July 2016 | Plantation Sector Company Focus

## United Malacca Berhad

*Immediate earnings contribution from Indonesia*

**NON-RATED**

**Fair Value: RM6.60**

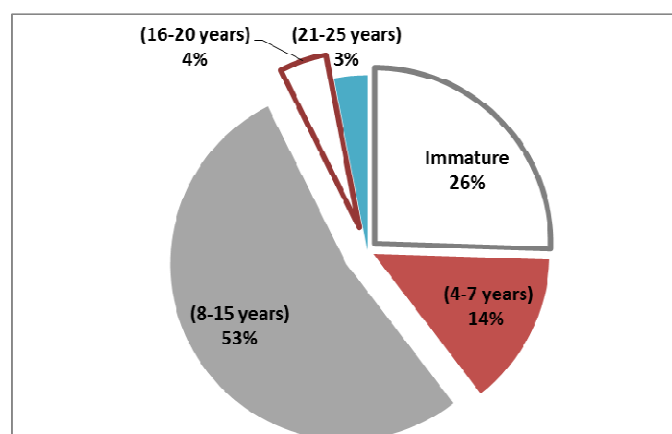
### INVESTMENT HIGHLIGHTS

- **More than 100 years of history**
- **Young tree age profile**
- **Recent expansion into Indonesia already contributed RM1.2m to earnings in 4QFY16**
- **Expect FY17 core earnings of RM68.0m**
- **Fair value of RM6.60 based on 20.3x FY17F EPS.**

**More than 100 years of history.** United Malacca Berhad (UMCCA) was founded by the late Tun Tan Cheng Lock in 1910. Throughout the years, UMCCA has expanded into a mid-cap pure oil palm planter with total landbank of 48,695 ha. Out of this, 24,585 ha (or 50.5%) is located in Central Kalimantan, Indonesia and 24,110 ha (or 49.5%) in Malaysia.

**Young tree age profile.** Average tree age is estimated to be 8.7 years old where 53% of palm trees are in mature stage (8-15 years). More importantly, 40% of the planted areas are still below 7 years old. This suggests good FFB production going forward as the young trees mature.

**Figure 2: Tree age profile**



Source: Company, MIDF Research

**Recent expansion into Indonesia already contributed RM1.2m to earnings in 4QFY16.** In Jan-2016, UMCCA had completed the acquisition of an 83% effective stake in PT Lifere Agro Kapuas (LAK) for USD66.4m cash. Note that LAK owns 24,585 ha of plantation land with 10,366 ha planted, of which 5,231 ha classified as "inti" (own area) and the remainder 5,135 ha classified as "plasma" (allocated to local smallholders). In 4QFY16 result announced in June, we gather that LAK already contributes RM1.2m of PBT from its 5,231 ha of inti landbank which already bearing fruits at average age of 3.5 years old.

RETURN STATS	
Price (18 July 2016)	RM5.76
Fair Value	RM6.60
Expected Share Price Return	+14.7%
Expected Dividend Yield	+2.8%
<b>Expected Total Return</b>	<b>+17.5%</b>


STOCK INFO	
KLCI	1,670.84
Bursa / Bloomberg	2593 / UMR MK
Board / Sector	Main/ Plantations
Syariah Compliant	Yes
Issued shares (mil)	209.22
Par Value (RM)	1.00
Market cap. (RM'm)	1,205.11
Price over NA	0.71
52-wk price Range	RM5.35 - RM6.23
Beta (against KLCI)	0.50
3-mth Avg Daily Vol	0.01m
3-mth Avg Daily Value	RM0.09m
Major Shareholders	
OCBC	20.31%
Aberdeen Asset Management	14.18%
HSBC	8.53%
EPF	6.24%

## INVESTMENT STATISTICS

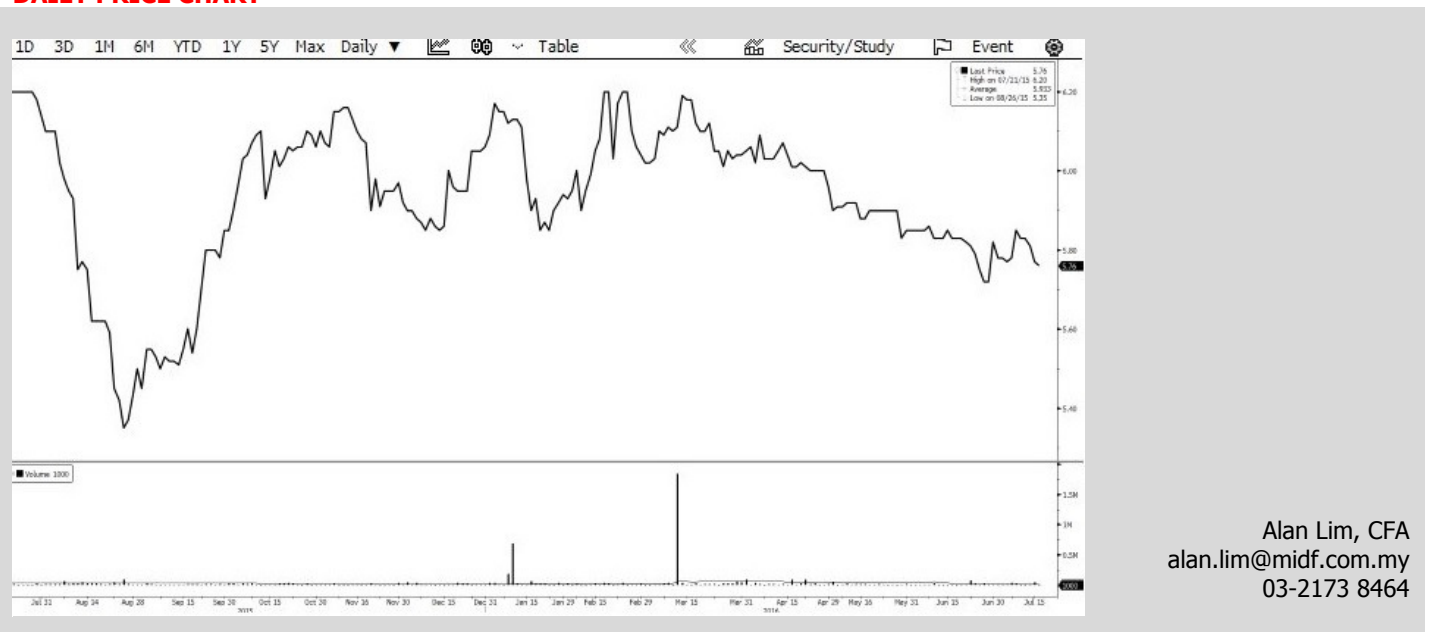
FYE Apr (RM m)	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	244.3	213.2	205.7	220.6	231.7
EBIT	84.1	58.4	71.5	92.7	92.6
PBT	84.1	58.4	70.2	91.5	91.4
Net Income	70.2	47.2	59.6	68.0	68.2
Core Net Income	63.7	47.6	42.1	68.0	68.2
EPS (sen)	34.13	22.77	28.51	32.53	32.62
Core EPS (sen)	30.98	22.99	20.13	32.53	32.62
DPS (sen)	26.00	16.00	16.00	16.26	16.31
Net Dividend Yield	4.5%	2.8%	2.8%	2.8%	2.8%
PER	16.9	25.3	20.2	17.7	17.7
Core PER	18.6	25.1	28.6	17.7	17.7
NTA/share (RM)	8.06	8.02	7.76	8.34	8.50
P/NTA	0.71	0.72	0.74	0.69	0.68
ROE (%)	4.2%	2.8%	3.5%	3.9%	3.8%

Source: Company, MIDF Research Forecast

**Expect FY17 core earnings of RM68.0m.** Key assumptions for our earnings forecast is CPO price of RM2,450/M and FFB volume of 319,880 MT. FY15. The higher CPO prices coupled with expected FFB production growth of 5% are expected to boost the company's earnings in FY17.

**Non-rated with FV of RM6.60.** We derive fair value for UMCCA at RM6.60, pegging PER of 20.3x to FY17 EPS of 32.53 sen. The 20.3x Forward PER is close to its mean valuation. We like the immediate earnings contribution from the recent acquisition in Central Kalimantan, Indonesia. The young age profile (estimated 8.3 years old) should bode well for long term FFB growth prospect. 

## DAILY PRICE CHART



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#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.