

United Malacca Berhad

Another Compelling Results
TP: RM6.40 (16.6%)

Last Traded: RM5.49

BUY (ESG: ★★★★★)

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Review

- United Malacca Berhad (UMCCA) 4QFY22 results came in below ours, but within consensus' full year estimate. The deviation was mainly due to higher operating costs.
- After stripping out all exceptional items, 4QFY22 core net profit increased by more than 100% YoY to RM26.6mn on the back of 38.6% surge in revenue. The better results were mainly attributable to higher palm oil prices.
- Cumulatively, FY22 core net profit surged to RM115.3mn compared with RM21.4mn registered a year ago. FY22 FFB production was flattish at 372.6k tonnes. Malaysia operations registered a higher FFB yield of 17.45 tonnes/ha (+2.0% YoY) while Indonesia operations showed a decline of 7.8% YoY to 9.51 tonnes/ha.
- The average CPO selling price in Malaysia increased by 66.3% YoY to RM4,706/tonne while the average PK selling price also increased substantially to RM3,441/tonne (+87.6% YoY). Meanwhile, the average CPO and PK selling prices in Indonesia stood at RM3,613/tonne (+42.5% YoY) and RM2,504/tonne (+58.3% YoY), respectively.
- The group declared a 2nd interim single-tier dividend of 5 sen/share and a special single-tier dividend of 5 sen. This will bring the total dividend for FY22 to 15 sen/share, which is higher than FY21 of 10 sen/share.

Impact

- We revise downward our FY23 and FY24 earnings forecast by 4.1% and 7.7%, respectively, after updating FY22 figures and factoring in higher production costs.

Outlook

- Management expects FFB production to be higher in FY23, supported by better yields, palm tree age profile and an increase in mature area in oil palm estates in Kalimantan, Indonesia. However, the management also expects an increase in operating costs resulting from higher material and labour costs.
- The group's main priority remains on improving the FFB yield in order to enhance its cost efficiency. According to management, the group is adopting more mechanisation to mitigate the impact of a shortage of workers.

Valuation

- UMCCA's target price is adjusted lower to **RM6.40**/share (previously RM6.84/share), pegging on a P/E multiple of 20x on revised CY23 earnings. Maintain **BUY**.

Share Information

Bloomberg Code	UMR MK
Stock Code	2593
Listing	Main Market
Share Cap (mn)	209.8
Market Cap (RMmn)	1,152
52-wk Hi/Lo (RM)	6.05/4.7
12-mth Avg Daily Vol ('000 shrs)	28
Estimated Free Float (%)	32
Beta	0.3
Major Shareholders (%)	
	Prosper Trading - 36.3
	OCBC - 20.3
	Proper Palm Oil - 8.3
	HSBC - 7.6

Forecast Revision

	FY23	FY24
Forecast Revision (%)	(4.1)	(7.7)
Net profit (RMm)	99.8	51.6
Consensus	93.1	52.6
TA's / Consensus (%)	107.2	98.1
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY23	FY24
ROE (%)	7.0	3.5
Net Gearing (x)	Net Cash	Net Cash
NTA/Share (RM)	5.4	5.5
Price/NTA (x)	1.0	1.0

Scorecard

	% of FY	
vs TA	91	Below
vs Consensus	98	Within

Share Performance (%)

Price Change	UMR	FBM KLCI
1 mth	(5.5)	0.6
3 mth	5.8	5.7
6 mth	9.1	3.7
12 mth	7.8	(1.9)

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Figure 1 : Plantation Statistics

	4QFY21	3QFY22	4QFY22	% QoQ	% YoY	FY21	FY22	% YoY
Total Group								
FFB (tonne)	83,369	88,969	80,870	(9.1)	(3.0)	370,820	372,632	0.5
FFB yield (tonne/ha)	3.49	3.71	3.37	(9.2)	(3.4)	15.52	15.52	0.0
Malaysia								
Average CPO price/tonne (RM)	3,454	4,851	6,034	24.4	74.7	2,829	4,706	66.3
Average PK price/tonne (RM)	2,549	4,036	4,526	12.1	77.6	1,834	3,441	87.6
Indonesia								
Average CPO price/tonne (RM)	2,833	4,116	4,015	(2.5)	41.7	2,536	3,613	42.5
Average PK price/tonne (RM)	1,991	3,134	3,520	12.3	76.8	1,582	2,504	58.3

Figure 2: 4QFY22 Results Analysis (RMmn)

FYE 30 April (RMmn)	4QFY21	3QFY22	4QFY22	QOQ%	YoY %	FY21	FY22	YoY%
Turnover	106.4	147.8	147.5	(0.2)	38.6	398.1	554.0	39.2
EBIT	12.2	44.4	41.3	(7.2)	>100	39.1	156.2	>100
Net Interest Inc./ (exp.)	(1.2)	(1.2)	(1.2)	(3.1)	3.5	(6.3)	(4.9)	22.3
EI	(16.1)	(3.9)	(13.2)	>-100	nm	(8.4)	(9.4)	(11.9)
Adj. PBT	10.9	43.3	40.1	(7.4)	>100	32.8	151.3	>100
Pretax	(5.2)	39.4	26.9	(31.7)	nm	24.4	141.9	>100
Taxation	(8.0)	(9.2)	(9.3)	(1.4)	(17.3)	(14.2)	(36.3)	>-100
MI	1.4	0.1	1.2	>100	(19.4)	2.8	0.3	(89.1)
Reported net profit	(11.7)	30.2	18.7	(38.1)	nm	13.0	105.9	>100
Core net profit	4.4	34.1	31.9	(6.6)	>100	21.4	115.3	>100
Core EPS (sen)	2.1	16.3	15.2			10.2	55.0	
GDPS (sen)	7.0	0.0	10.0			10.0	15.0	
EBIT Margin (%)	11.4	30.1	28.0			9.8	28.2	
Adj. Pretax Margin (%)	10.3	29.3	27.2			8.2	27.3	
Tax Rate (%)	73.0	21.3	23.3			43.4	24.0	

Figure 3: Earnings Summary

FYE April 30	FY20	FY21	FY22	FY23F	FY24F
Revenue	294.0	398.1	554.0	504.5	449.6
EBITDA	22.2	92.3	194.4	180.9	107.1
EBITDA Margin (%)	7.5	23.2	35.1	35.9	23.8
Pretax profit	8.3	24.4	141.9	142.3	77.5
Reported net profit	16.3	13.0	105.9	99.8	51.6
Core net profit	(24.6)	21.4	115.3	99.8	51.6
Reported EPS (sen)	7.8	6.2	50.5	47.4	24.3
Core EPS (sen)	(11.7)	10.2	55.0	47.4	24.3
Core EPS Growth (%)	(47.6)	nm	>100	(13.8)	(48.7)
PER (x)	(46.8)	53.7	10.0	11.6	22.6
Gross Div (sen)	8.0	10.0	15.0	19.0	9.0
Div Yield (%)	1.5	1.8	2.7	3.5	1.6
ROE (%)	(1.9)	1.6	8.5	7.0	3.5

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

ESG Scoring & Guideline

	Environmental	Social	Governance	Average
Scoring	★★★	★★★★	★★★★	★★★★
Remark	In the final stages to review its own No Deforestation, No Peat and No Exploitation (NDPE) policy. Facing some environmental concerns raised by some Non-Governmental Organisations (NGOs) relating to JV in Sulawesi. Lack of available traceability information.	The company commits to human rights protection but does not reference the UN Declaration of Human Rights. Received zero reports of discrimination, child labour, forced labour and human rights' violations.	The group has 4 independent directors out of total 8 directors. A board comprising majority of Independent Directors would ensure more effective oversight of management. Lack of transparency/details on high-risk mills and progress tracked.	

- ★★★★★ (≥80%) : Displayed market leading capabilities in integrating ESG factors in all aspects of operations, management and future directions.
★★★★★ (60-79%) : Above adequate integration of ESG factors into most aspects of operations, management and future directions.
★★★ (40-59%) : Adequate integration of ESG factors into operations, management and future directions.
★★ (20-39%) : Have some integration of ESG factors in operations and management but are insufficient.
★ (<20%) : Minimal or no integration of ESG factors in operations and management.

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As of Wednesday, June 29, 2022, the analyst, Angeline Chin, who prepared this report, has interest in the following securities covered in this report:
(a) nil

Kaladher Govindan – Head of Research

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