

United Malacca Berhad

TP: RM4.78 (-8.1%)

Another Disappointing Results Performance

Last Traded: RM5.20

SELL (ESG: ★★★★★)

Angeline Chin

Tel: +603-2167 9611

angelinechin@ta.com.my

www.taonline.com.my

Review

- United Malacca Berhad's (UMCCA) 4QFY23 results came in below expectations. After stripping out exceptional items, the group recorded a core net loss of RM7.4mn in 4QFY23, compared to a core profit of RM34.2mn in the previous year. The weaker results were mainly due to lower palm oil prices and higher production costs.
- Cumulatively, FY23 core net profit plunged 50.3% YoY to RM58.5mn mainly due to lower commodity price. The average CPO price in Malaysia fell by 6.8% YoY to RM4,387/tonne while the average PK price also decreased to RM2,309/tonne (-32.9% YoY). Meanwhile, the average CPO and PK prices in Indonesia stood at RM3,386/tonne (-6.3% YoY) and RM1,952/tonne (-22.0% YoY), respectively.
- FY23 FFB production increased by 13.5% YoY to 422.9k tonnes, mainly due to higher production from Malaysia operations (+14.1% YoY) and Indonesia (+10.2% YoY). Indonesia's operations registered a higher FFB yield of 10.06 tonnes/ha (+5.8% YoY) while Malaysia's operations showed an improvement of 15.5% YoY to 20.16 tonnes/ha.
- The group declared a 2nd interim single-tier dividend of 7 sen/share. This will bring the total dividend for FY23 to 12 sen/share, which is lower than FY22 at 15 sen/share.

Impact

- We revise downward our FY24 and FY25 earnings projections by 0.7% and 0.5% respectively, after updating the FY23 figures.

Outlook

- Management expects FFB production to be higher in FY24, supported by better yields and age profile.
- Going forward, management would remain focus on improving labour productivity, mechanisation initiatives and cost efficiency, as well as increasing oil yield. Note that the increases in production costs were mainly resulted from higher material and labour costs.

Valuation

- The target price for UMCCA is adjusted lower to **RM4.78** (previously RM4.81) based on revised 16x CY24 EPS. Maintain **SELL**.

Share Information

| | |
|----------------------------------|---------------------------|
| Bloomberg Code | UMR MK |
| Stock Code | 2593 |
| Listing | Main Market |
| Share Cap (mn) | 209.8 |
| Market Cap (RMmn) | 1,091 |
| 52-wk Hi/Lo (RM) | 5.59/4.90 |
| 12-mth Avg Daily Vol ('000 shrs) | 23 |
| Estimated Free Float (%) | 63 |
| Beta | 0.3 |
| Major Shareholders (%) | |
| | OCBC- 23.3 |
| | Prosperity Capital - 13.1 |
| | Proper Palm Oil- 8.3 |

Forecast Revision

| | FY24 | FY25 |
|-----------------------------|-------------------|-------|
| Forecast Revision (%) | (0.7) | (0.5) |
| Net profit (RMmn) | 51 | 68 |
| Consensus | 63 | 69 |
| TA's / Consensus (%) | 81 | 99 |
| Previous Rating | Sell (Maintained) | |
| Consensus Target Price (RM) | 4.905 | |

Financial Indicators

| | FY24 | FY25 |
|-----------------|----------|----------|
| ROE (%) | 3.5 | 9.3 |
| Net Gearing (x) | Net Cash | Net Cash |
| NTA/Share (RM) | 5.4 | 5.6 |
| Price/NTA (x) | 1.0 | 0.9 |

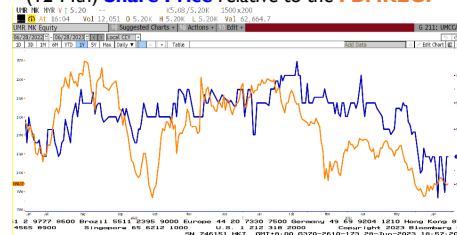
Scorecard

| | % of FY | |
|--------------|---------|-------|
| vs TA | 65 | Below |
| vs Consensus | 68 | Below |

Share Performance (%)

| Price Change | UMR | FBM KLCI |
|--------------|-------|----------|
| 1 mth | (2.3) | (1.0) |
| 3 mth | (3.7) | (1.5) |
| 6 mth | (5.5) | (6.2) |
| 12 mth | (4.4) | (4.6) |

(12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

Figure 1 : Plantation Statistics

| | 4QFY22 | 3QFY23 | 4QFY23 | % QoQ | % YoY | FY22 | FY23 | % YoY |
|------------------------------|--------|---------|--------|--------|--------|---------|---------|--------|
| Total Group | | | | | | | | |
| FFB (tonne) | 80,870 | 120,251 | 94,949 | (21.0) | 17.4 | 372,632 | 422,923 | 13.5 |
| FFB yield (tonne/ha) | 3.37 | 5.03 | 3.97 | (21.1) | 17.8 | 15.52 | 17.60 | 13.4 |
| Malaysia | | | | | | | | |
| Average CPO price/tonne (RM) | 6,034 | 4,061 | 3,999 | (1.5) | (33.7) | 4,706 | 4,387 | (6.8) |
| Average PK price/tonne (RM) | 4,526 | 2,031 | 2,035 | 0.2 | (55.0) | 3,441 | 2,309 | (32.9) |
| Indonesia | | | | | | | | |
| Average CPO price/tonne (RM) | 4,015 | 3,240 | 3,492 | 7.8 | (13.0) | 3,613 | 3,386 | (6.3) |
| Average PK price/tonne (RM) | 3,520 | 1,548 | 1,698 | 9.7 | (51.8) | 2,504 | 1,952 | (22.0) |

Figure 2: 4QFY23 Results Analysis (RMmn)

| FYE 30 April (RMmn) | 4QFY22 | 3QFY23 | 4QFY23 | QOQ% | YoY % | FY22 | FY23 | YoY% |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Turnover | 147.5 | 161.6 | 135.3 | (16.3) | (8.2) | 554.0 | 604.5 | 9.1 |
| EBIT | 43.5 | 24.1 | (2.8) | nm | nm | 158.4 | 82.7 | (47.8) |
| Net Interest Inc./ (exp.) | (1.2) | (1.4) | (1.6) | (20.0) | (36.5) | (4.9) | (5.2) | (4.8) |
| EI | (13.2) | (8.1) | 15.1 | nm | nm | (9.4) | 1.9 | nm |
| Adj. PBT | 42.3 | 22.8 | (4.5) | nm | nm | 153.5 | 77.6 | (49.5) |
| Pretax | 29.1 | 14.6 | 10.6 | (27.4) | (63.5) | 144.1 | 79.5 | (44.9) |
| Taxation | (8.8) | (5.0) | (3.9) | 21.4 | 55.7 | (35.8) | (25.1) | 29.9 |
| MI | 0.7 | 3.0 | 0.9 | (69.5) | 33.6 | (0.2) | 6.0 | nm |
| Reported net profit | 21.0 | 12.7 | 7.7 | (39.8) | (63.6) | 108.2 | 60.4 | (44.2) |
| Core net profit | 34.2 | 20.8 | (7.4) | nm | nm | 117.6 | 58.5 | (50.3) |
| Core EPS (sen) | 16.3 | 9.9 | (3.6) | | | 56.2 | 27.9 | |
| GDPS (sen) | 10.0 | 0.0 | 7.0 | | | 15.0 | 12.0 | |
| EBIT Margin (%) | 29.5 | 14.9 | (2.1) | | | 28.6 | 13.7 | |
| Adj. Pretax Margin (%) | 28.7 | 14.1 | (3.3) | | | 27.7 | 12.8 | |
| Tax Rate (%) | 20.9 | 21.9 | (87.6) | | | 23.3 | 32.3 | |

Figure 3: Earnings Summary

| FYE April 30 | FY21 | FY22 | FY23 | FY24F | FY25F |
|---------------------|-------|-------|--------|--------|-------|
| Revenue | 398.1 | 554.0 | 604.5 | 495.3 | 521.1 |
| EBITDA | 92.3 | 207.4 | 237.0 | 139.7 | 161.4 |
| EBITDA Margin (%) | 23.2 | 37.4 | 39.2 | 28.2 | 31.0 |
| Pretax profit | 24.4 | 144.1 | 79.5 | 87.5 | 114.0 |
| Reported net profit | 13.0 | 108.2 | 60.4 | 51.2 | 69.1 |
| Core net profit | 21.4 | 117.6 | 58.5 | 51.2 | 68.1 |
| Reported EPS (sen) | 6.2 | 51.7 | 28.9 | 24.5 | 33.0 |
| Core EPS (sen) | 10.2 | 56.2 | 27.9 | 24.5 | 32.6 |
| Core EPS Growth (%) | nm | 449.4 | (50.3) | (12.4) | 33.1 |
| PER (x) | 50.8 | 9.3 | 18.6 | 21.2 | 16.0 |
| Gross Div (sen) | 10.0 | 15.0 | 12.0 | 7.0 | 10.0 |
| Div Yield (%) | 1.9 | 2.9 | 2.3 | 1.3 | 1.9 |
| ROE (%) | 1.6 | 8.7 | 4.1 | 3.5 | 9.3 |

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

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.

Disclaimer

The information in this report has been obtained from sources believed to be reliable. Its accuracy and/ or completeness is not guaranteed and opinions are subject to change without notice. This report is for information only and not to be construed as a solicitation for contracts. We accept no liability for any direct or indirect loss arising from the use of this document. We, our associates, directors, employees may have an interest in the securities and/or companies mentioned herein.

As of Friday, June 30, 2023, 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

TA SECURITIES HOLDINGS BERHAD (14948-M)
A Participating Organisation of Bursa Malaysia Securities Berhad

Menara TA One | 22 Jalan P. Ramlee | 50250 Kuala Lumpur | Malaysia | Tel: 603 – 2072 1277 | Fax: 603 – 2032 5048
www.ta.com.my