

# United Malacca Berhad

**TP: RM4.01** (-21.4%)

*Earnings Below Expectations*
*Last Traded: RM5.10*
**SELL (ESG: ★★★★★)**

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## Review

- United Malacca Berhad's (UMCCA) IQFY24 results came in below expectations. After stripping out exceptional items, the core net profit decreased by 79.9% YoY to RM5.1mn on the back of an 18.8% fall in revenue. The weaker results were mainly due to lower palm oil prices and higher production costs. Higher FFB production was insufficient to offset losses in palm oil prices.
- For IQFY24, the average CPO price in Malaysia fell by 32.6% YoY to RM3,781/tonne while the average PK price also decreased to RM1,944/tonne (-33.6% YoY). Meanwhile, the average CPO and PK prices in Indonesia stood at RM3,179/tonne (-24.8% YoY) and RM1,525/tonne (-56.9% YoY), respectively.
- IQFY24 FFB production increased by 12.2% YoY to 103.4k tonnes mainly due to higher production from Indonesia operations (>100% YoY). Malaysia, on the other hand, registered a 6.3% drop in production. Indonesia's operations registered a higher FFB yield of 3.98 tonnes/ha (>100% YoY) while Malaysia's operations showed a drop of 6.0% YoY to 4.23 tonnes/ha.
- No dividend was declared for the quarter under review.

## Impact

- We revise downward our FY24 and FY25 earnings projections by 40.7% and 6.8% respectively, after imputing lower margins and higher interest costs.

## Outlook

- Management expects the FFB production to be higher in FY24, supported by better oil palm age profile and crop recovery in Indonesia operations.
- Going forward, management would remain focus on improving labour productivity, mechanisation initiatives and cost efficiency, as well as increasing oil yield.

## Valuation

- The target price for UMCCA is adjusted lower to **RM4.01** (previously RM4.78) 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)	1,070
52-wk Hi/Lo (RM)	5.59/4.90
12-mth Avg Daily Vol ('000 shrs)	23
Estimated Free Float (%)	75
Beta	0.3
Major Shareholders (%)	
	OCBC- 18.3
	Prosperity Capital - 13.1
	Proper Palm Oil- 7.6

## Forecast Revision

	FY24	FY25
Forecast Revision (%)	(40.7)	(6.8)
Net profit (RMm)	30	64
Consensus	57	72
TA's / Consensus (%)	53	88
Previous Rating	Sell (Maintained)	
Consensus Target Price (RM)	4.89	

## Financial Indicators

	FY24	FY25
ROE (%)	2.1	8.8
Net Gearing (x)	Net Cash	Net Cash
NTA/Share (RM)	5.3	5.5
Price/NTA (x)	1.0	0.9

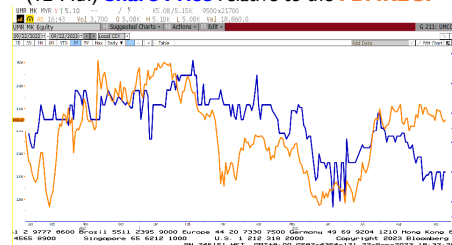
## Scorecard

	% of FY	
vs TA	9	Below
vs Consensus	9	Below

## Share Performance (%)

Price Change	UMR	FBM KLCI
1 mth	(1.9)	(0.1)
3 mth	(1.9)	4.0
6 mth	(4.9)	2.7
12 mth	(6.1)	0.8

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

**Figure 1 : Plantation Statistics**

	1QFY23	4QFY23	1QFY24	% QoQ	% YoY
<b>Total Group</b>					
FFB (tonne)	92,135	94,949	103,388	8.9	12.2
FFB yield (tonne/ha)	3.81	3.97	4.16	4.8	9.2
<b>Malaysia</b>					
Average CPO price/tonne (RM)	5,606	3,999	3,781	(5.5)	(32.6)
Average PK price/tonne (RM)	2,926	2,035	1,944	(4.5)	(33.6)
<b>Indonesia</b>					
Average CPO price/tonne (RM)	4,225	3,492	3,179	(9.0)	(24.8)
Average PK price/tonne (RM)	3,535	1,698	1,525	(10.2)	(56.9)

**Figure 2: 1QFY24 Results Analysis (RMmn)**

FYE 30 April (RMmn)	1QFY23	4QFY23	1QFY24	QOQ%	YoY %
Turnover	167.4	135.3	136.0	0.5	(18.8)
EBIT	34.2	0.7	8.2	>100	(76.1)
Net Interest Inc./ (exp.)	(1.1)	(1.6)	(1.8)	(8.6)	(62.0)
EI	(1.3)	11.6	(2.5)	nm	(94.6)
Adj. PBT	33.1	(0.9)	6.4	nm	(80.7)
Pretax	31.8	10.6	3.9	(63.0)	(87.6)
Taxation	(8.3)	(3.9)	(2.0)	49.5	76.1
MI	0.8	0.9	0.7	(22.3)	(10.0)
Reported net profit	24.3	7.7	2.7	(65.0)	(89.0)
Core net profit	25.6	(3.9)	5.1	nm	(79.9)
Core EPS (sen)	12.2	(1.9)	2.4		
GDPS (sen)	0.0	7.0	0.0		
EBIT Margin (%)	20.4	0.5	6.0		
Adj. Pretax Margin (%)	19.7	(0.7)	4.7		
Tax Rate (%)	25.1	(427.0)	30.9		

**Figure 3: Earnings Summary**

FYE April 30	FY21	FY22	FY23	FY24F	FY25F
Revenue	398.1	554.0	604.5	495.3	534.1
EBITDA	92.3	207.4	237.0	104.9	145.9
EBITDA Margin (%)	23.2	37.4	39.2	21.2	27.3
Pretax profit	24.4	144.1	79.5	52.1	96.7
Reported net profit	13.0	108.2	60.4	30.4	63.7
Core net profit	21.4	117.6	54.9	30.4	63.7
Reported EPS (sen)	6.2	51.7	28.9	14.5	30.4
Core EPS (sen)	10.2	56.2	26.2	14.5	30.4
Core EPS Growth (%)	(187.2)	449.4	(53.3)	(44.6)	109.5
PER (x)	49.9	9.1	19.4	35.1	16.8
Gross Div (sen)	10.0	15.0	12.0	4.0	9.0
Div Yield (%)	2.0	2.9	2.4	0.8	1.8
ROE (%)	1.6	8.7	3.9	2.1	8.8

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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
<b>Scoring</b>	★★★	★★★★	★★★★	★★★★
<b>Remark</b>	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 Monday, September 25, 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**

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