

25 September 2020

United Malacca Berhad

A Better Year in FY21

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1QFY21 CNP of RM1.2m beat our CNL estimate of RM8.4m, but is deemed within consensus' estimate at 15%. FFB output of 97.6k MT (+13% YoY) is within expectation at 26%, while absence of DPS is also as expected. We now expect UMCCA to turn profitable in FY21 on our higher CY20-21 CPO price forecast (RM2,500-2,600/MT). 2QFY21 earnings should register significant sequential improvements on: (i) higher CPO price (MPOB QTD2QFY21: +20% QoQ), and (ii) higher FFB output which is in-line with peak production period. Lift FY21-22E earnings to RM10.4-19.4m on higher CY20-21 CPO price forecasts (RM2,500-RM2,600/MT). Maintain MP but with a higher TP of RM4.85 (from RM4.80) based on FY21E PBV of 0.75x (-0.5SD).

1QFY21 above expectations. 1QFY21 CNP of RM1.2m beat our CNL estimate of RM8.4m mainly due to higher-than-expected CPO price, but is deemed within consensus' estimate at 15%. Both 1QFY21 FFB output of 97.6k MT (+13% YoY) at 26% of our full-year estimate, and absence of dividend were as expected.

Results' highlight. YoY, 1QFY21 returned to the black, registering CNP of RM1.2m (vs. CNL of RM18.6m in 1QFY20), mainly due to: (i) higher CPO/PK prices (+20%/+22%), and (ii) higher FFB output (+13%). **QoQ,** 1QFY21 CNP plunged (-71%) to RM1.2m mainly due to lower CPO/PK prices (-7%/-7%)

Expecting a turnaround for FY21. We highlighted earlier in our report dated (24-Jun-20) that while 1QFY21 earnings should more or less break even on lower CPO prices (MPOB 1QFY21: -7% QoQ), the company would need more time to turn profitable. However, we had not factored in CPO prices remaining at elevated levels (spot price: RM2,933/MT) throughout 2QFY21. We now expect UMCCA to turn profitable in FY21, premised on our higher CY20-21 CPO price forecasts of RM2,500-2,600/MT. Meanwhile, we believe 2QFY21 earnings should register significant sequential improvements on: (i) higher CPO price (MPOB QTD2QFY21: +20% QoQ), and (ii) higher FFB output which is in-line with peak production period.

Earnings revision. Lift FY21E earnings to RM10.4m (from CNL of RM8.4m) and FY22E earnings to RM19.4m (+565%; from a low base) on higher CY20-21 CPO price forecasts of (RM2,500-RM2,600/MT).

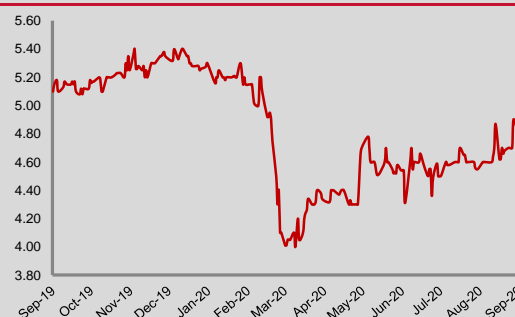
Maintain MARKET PERFORM but with higher Target Price of RM4.85 (from RM4.80) based on FY21E PBV of 0.75x. The Fwd. PBV is based on -0.5SD from the historical mean which is in-line with peers. At current price, UMCCA is fairly valued - trading at Fwd. PBV of 0.73x, warranting a MARKET PERFORM call.

Risks to our call are stronger/weaker-than-expected CPO prices and higher/lower-than-expected production costs.

MARKET PERFORM ↔

Price : **RM4.70**
Target Price : **RM4.85** ↑

Share Price Performance



KLCI	1,500.80
YTD KLCI chg	-5.5%
YTD stock price chg	-12.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK Equity
Market Cap (RM m)	985.9
Shares Outstanding	209.8
52-week range (H)	5.45
52-week range (L)	4.00
3-mth avg daily vol:	15,400
Free Float	72%
Beta	0.7

Major Shareholders

Oversea Chinese Bank	20.3%
HSBC	8.3%
Prosper Palm Oil Mill Sdn Bhd	7.6%

Summary Earnings Table

FYE Apr (RM m)	2020A	2021E	2022E
Turnover	294.0	312.8	329.3
EBIT	19.5	26.8	34.7
PBT	8.4	16.4	27.9
Net Profit (NP)	15.8	10.4	19.4
Core NP (CNP)	-24.7	10.4	19.4
Consensus (CNP)	n.a.	8.2	26.9
Earnings Revision	n.a.	n.m.	+565%
Core EPS (sen)	-11.8	5.0	9.3
Core EPS grwth (%)	-20.3	-142.0	87.3
NDPS (sen)	8.0	8.0	8.0
BV/Share (RM)	6.47	6.44	6.45
Core PER (x)	-39.8	94.8	50.6
Price/BV (x)	0.73	0.73	0.73
Net Gearing (x)	0.1	0.1	0.1
Net Dvd. Yield (%)	1.7	1.7	1.7

25 September 2020

Results Highlights								
FYE Apr (RM m)	1Q21	4Q20	QoQ	1Q20	YoY	3M21	3M20	YoY
Revenue	86.8	86.2	1%	43.3	100%	86.8	43.3	100%
EBIT	4.0	(69.6)	nm	43.2	-91%	4.0	43.2	-91%
Pretax Profit	1.9	(71.9)	nm	40.3	-95%	1.9	40.3	-95%
Taxation	0.8	9.8	-91%	(4.1)	nm	0.8	(4.1)	nm
MI	0.8	0.9	-7%	0.7	10%	0.8	0.7	10%
Net Profit	3.6	(61.3)	nm	36.9	-90%	3.6	36.9	-90%
Core Net Profit	1.2	4.1	-71%	(18.6)	nm	1.2	(18.6)	nm
EPS (sen)	1.7	(29.2)	nm	17.6	-90%	1.7	17.6	-90%
Net Dividend (Sen)	0.0	6.0	-100%	0.0	nm	0.0	0.0	nm
EBIT margin	5%	-81%		100%		5%	100%	
PBT margin	2%	-83%		93%		2%	93%	
Effective tax rate	-44%	14%		10%		-44%	10%	
CPO (RM / mt)	2,328	2,496	-7%	1,946	20%	2,328	1,946	20%
Palm Kernel (RM / mt)	1,334	1,437	-7%	1,094	22%	1,334	1,094	22%
FFB Volume (mt)	97,641	98,115	0%	86,448	13%	97,641	86,448	13%

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Apr (RM m)	1Q21	4Q20	QoQ	1Q20	YoY	3M21	3M20	YoY
Segmental Rev:								
Plantation	98.4	94.8	4%	53.2	85%	98.4	53.2	85%
(Internal Sales)	(11.7)	(8.7)	35%	(9.9)	18%	(11.7)	(9.9)	18%
Group Rev	86.8	86.2	1%	43.3	100%	86.8	43.3	100%
Profit Before Tax:								
Plantation - Malaysia	5.8	(2.0)	nm	(7.3)	nm	5.8	(7.3)	nm
Plantation - Indonesia	(5.7)	(2.6)	120%	(5.3)	7%	(5.7)	(5.3)	7%
Investment Holding	1.8	(10.5)	nm	(1.1)	nm	1.8	(1.1)	nm
Associates	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Gains on disposal of NCA held for sale	0.0	0.0	nm	53.9	-100%	0.0	53.9	-100%
Impairment losses on bearer plants	0.0	(56.8)	-100%	0.0	nm	0.0	0.0	nm
Others	0.0	0.0	nm	0.2	-100%	0.0	0.2	-100%
Segmental Group PBT	1.9	(71.9)	nm	40.3	-95%	1.9	40.3	-95%

Source: Company, Kenanga Research

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25 September 2020

Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.17	4,268.3	Y	12/2020	1.3%	8.7%	77.3%	97.5%	82.8	46.7	23.7	1.0	1.0	2.2%	1.7%	1.15	MP
GENTING PLANTATIONS BHD	9.85	8,837.4	Y	12/2020	-7.2%	10.5%	41.8%	33.6%	63.0	44.5	33.3	2.1	2.1	4.7%	1.2%	8.95	UP
HAP SENG PLANTATIONS HLDGS	1.68	1,343.5	Y	12/2020	-4.5%	9.8%	128.3%	36.0%	63.9	28.0	20.6	0.8	0.8	4.1%	2.4%	1.95	OP
IJM PLANTATIONS BHD	1.74	1,532.2	N	03/2021	7.4%	7.8%	53.5%	21.5%	44.0	28.7	23.6	1.3	1.3	4.4%	1.4%	1.70	MP
IOI CORP BHD	4.48	28,075.3	Y	06/2021	9.1%	7.6%	13.1%	7.8%	37.0	33.4	27.4	3.0	2.9	9.9%	1.8%	4.40	MP
KUALA LUMPUR KEPONG BHD	22.78	24,567.7	Y	09/2020	0.0%	6.3%	23.0%	12.4%	39.3	31.9	28.4	2.3	2.3	7.2%	2.2%	24.00	MP
PPB GROUP BERHAD	18.88	26,858.7	Y	12/2020	-2.3%	14.7%	-2.9%	12.3%	25.0	23.3	24.0	1.2	1.2	5.2%	1.7%	18.50	MP
SIME DARBY PLANTATION BHD	5.05	34,767.1	Y	12/2020	2.9%	5.4%	242.9%	35.1%	216.0	63.0	46.6	2.6	2.6	4.1%	1.0%	5.10	MP
TA ANN HOLDINGS BERHAD	2.72	1,198.1	Y	12/2020	9.1%	5.2%	43.4%	9.0%	17.5	12.2	11.2	0.8	0.8	6.8%	2.6%	3.15	OP
TSH RESOURCES BHD	0.980	1,352.6	Y	12/2020	12.5%	1.9%	56.2%	-8.2%	33.4	21.4	23.3	0.9	0.9	4.4%	1.5%	1.10	OP
UNITED MALACCA BHD	4.70	985.9	Y	04/2021	6.4%	5.3%	238.1%	87.3%	N.A.	94.8	50.6	0.7	0.7	0.8%	1.7%	4.85	MP
Simple Average					3.2%	7.6%	83.2%	31.3%	62.2	38.9	28.4	1.5	1.5	4.9%	1.7%		

Source: Bloomberg, Kenanga Research

25 September 2020

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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