

16 December 2020

United Malacca Berhad

1HFY21 Above Expectations

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1HFY21 CNP of RM10.1m beat our/consensus' estimate at 97%/57% due to higher-than-expected FFB output. We now expect more upside to the group's FY21 earnings – on sequential improvement in 3QFY21 as higher CPO price overshadows an expected dip in FFB output (similar to the situation in 3QFY20). Lift FY21-22E earnings by 154-107% on stronger FY21-22E FFB growth of 7-8%. Maintain MP but with a higher TP of RM5.25 (from RM4.85) based on a rolled-over CY21E PBV of 0.80x (mean).

Above expectations. 2QFY21 CNP of RM8.9m brought 1HFY21 CNP to RM10.1m (a stark contrast from CNL of RM30.7m in 1HFY20). This exceeded both our/consensus' estimates at 97%/57%. The reason for the deviation is due to higher-than-expected 1HFY21 FFB output of 200k MT (+12% YoY) at 54% of our full-year estimate (vs. 5-year average of 50%). DPS of 3.0 sen is within expectation.

Results' highlight. YoY, 1HFY21 returned to the black, registering CNP of RM10.1m (vs. CNL of RM30.7m in 1HFY20), mainly due to: (i) higher CPO/PK prices (+26%/+27%), and (ii) higher FFB output (+12%). **QoQ,** 2QFY21 CNP rose (+640%) to RM8.9m, also on the back of higher CPO/PK prices (+18%/+17%), and higher FFB output (+5%).

Expecting a strong FY21. We highlighted earlier in our report dated (25-Sep-2020) that we expect UMCCA to turn profitable in FY21. We now expect more upside to our earnings estimate. Despite an anticipated dip in FFB output for 3QFY21, we believe the group could register sequential earnings improvement as for the group, higher CPO price (MPOB QTD3QFY21: +19% QoQ) is likely to overshadow the dip in FFB output. This can be seen from the group's 3QFY20 CNP of RM1.9m (vs. CNL of RM12.1m in 2QFY20) as higher average CPO price (+26% QoQ) more than made up for the decline (-6% QoQ) in FFB output.

Earnings revision. Lift FY21-22E earnings by 154-107% (from a low base) on stronger FY21-22E FFB growth of 7-8% (vs. 3-3% previously).

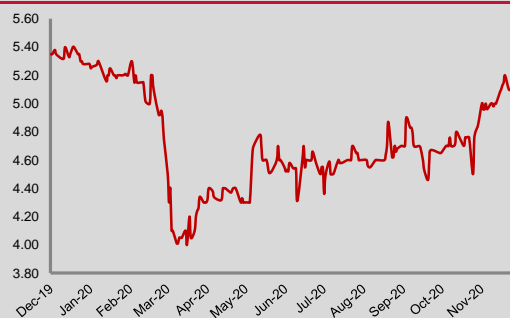
Maintain MARKET PERFORM but with higher Target Price of RM5.25 (from RM4.85) based on a rolled-over CY21E PBV of 0.80x. The Fwd. PBV is based on its historical mean which is in-line with peers (-0.5SD to mean). At current price, UMCCA is fairly valued - trading at FY22E PER of 27.1x which is at a premium to its peers' 20-24x, and similar to the valuations for integrated players, warranting a MARKET PERFORM call. The premium, however, is understandable as the group is at the cusp of an earnings recovery.

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

MARKET PERFORM ↔

Price : RM5.20
Target Price : RM5.25 ↑

Share Price Performance



KLCI	1,674.02
YTD KLCI chg	5.4%
YTD stock price chg	-2.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK Equity
Market Cap (RM m)	1,090.8
Shares Outstanding	209.8
52-week range (H)	5.45
52-week range (L)	4.00
3-mth avg daily vol:	15,228
Free Float	72%
Beta	0.7

Major Shareholders

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

Summary Earnings Table

FYE Apr (RM m)	2020A	2021E	2022E
Turnover	294.0	333.9	356.2
EBIT	19.5	47.1	60.4
PBT	8.4	36.6	54.1
Net Profit (NP)	15.8	26.3	40.2
Core NP (CNP)	-24.7	26.3	40.2
Consensus (CNP)	n.a.	17.6	35.1
Earnings Revision	n.a.	154%	107%
Core EPS (sen)	-11.8	12.6	19.2
Core EPS grwth (%)	-20.3	-206.6	52.5
NDPS (sen)	8.0	9.0	9.0
BV/Share (RM)	6.47	6.50	6.61
Core PER (x)	-44.0	41.3	27.1
Price/BV (x)	0.80	0.80	0.79
Net Gearing (x)	0.1	0.0	0.0
Net Dvd. Yield (%)	1.5	1.7	1.7



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Results Highlights								
FYE Apr (RM m)	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Revenue	97.9	86.8	13%	77.0	27%	184.7	120.3	54%
EBIT	11.6	4.0	194%	38.8	-70%	15.6	82.0	-81%
Pretax Profit	9.9	1.9	420%	35.6	-72%	11.8	76.0	-84%
Taxation	(3.6)	0.8	nm	0.6	-662%	(2.7)	(3.5)	-21%
MI	1.1	0.8	36%	0.6	76%	1.9	1.4	40%
Net Profit	7.4	3.6	109%	36.9	-80%	11.0	73.8	-85%
Core Net Profit	8.9	1.2	640%	(12.1)	nm	10.1	(30.7)	nm
EPS (sen)	3.5	1.7	109%	17.6	-80%	5.2	35.2	-85%
Net Dividend (Sen)	3.0	0.0	nm	2.0	50%	3.0	2.0	50%
EBIT margin	12%	5%		50%		8%	68%	
PBT margin	10%	2%		46%		6%	63%	
Effective tax rate	36%	-44%		-2%		23%	5%	
CPO (RM / mt)	2,745	2,328	18%	2,057	33%	2,530	2,010	26%
Palm Kernel (RM / mt)	1,559	1,334	17%	1,167	34%	1,446	1,137	27%
FFB Volume (mt)	102,548	97,641	5%	91,707	12%	200,189	178,155	12%

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Apr (RM m)	2Q21	1Q21	QoQ	2Q20	YoY	1H21	1H20	YoY
Segmental Rev:								
Plantation	113.9	98.4	16%	85.8	33%	212.3	139.0	53%
(Internal Sales)	(15.9)	(11.7)	37%	(8.8)	82%	(27.6)	(18.7)	48%
Group Rev	97.9	86.8	13%	77.0	27%	184.7	120.3	54%
Profit Before Tax:								
Plantation - Malaysia	13.6	5.8	134%	(7.2)	nm	19.4	(14.6)	nm
Plantation - Indonesia	(1.9)	(5.7)	-67%	(2.8)	-31%	(7.6)	(8.1)	-6%
Investment Holding	(1.8)	1.8	nm	(3.7)	-50%	(0.0)	(4.7)	-99%
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	49.3	-100%	0.0	103.2	-100%
Impairment losses on bearer plants	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Others	0.0	0.0	nm	0.0	nm	0.0	0.2	-100%
Segmental Group PBT	9.9	1.9	420%	35.6	-72%	11.8	76.0	-84%

Source: Company, Kenanga Research

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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	2.4%	8.2%	292.0%	26.8%	82.8	21.1	16.7	1.0	1.0	4.8%	1.7%	1.30	Accept Offer
GENTING PLANTATIONS BHD	9.99	8,963.0	Y	12/2020	-3.8%	12.6%	57.3%	39.8%	63.9	40.7	29.1	2.2	2.1	5.2%	1.4%	10.00	MP
HAP SENG PLANTATIONS HLDGS	1.78	1,423.4	Y	12/2020	4.0%	7.3%	194.0%	26.2%	67.7	23.0	18.3	0.9	0.8	4.9%	2.8%	2.15	OP
IJM PLANTATIONS BHD	1.86	1,637.9	N	03/2021	11.0%	7.1%	99.7%	13.2%	47.0	23.5	20.8	1.4	1.3	5.8%	1.7%	1.70	UP
IOI CORP BHD	4.47	28,010.4	Y	06/2021	15.1%	7.4%	18.8%	6.5%	36.9	33.3	26.4	3.0	2.8	10.4%	1.9%	4.95	OP
KUALA LUMPUR KEPONG BHD	23.88	25,754.1	Y	09/2021	9.4%	3.5%	23.1%	5.4%	33.9	27.5	26.1	2.3	2.3	8.4%	2.3%	26.00	OP
PPB GROUP BERHAD	18.50	26,318.1	Y	12/2020	-2.3%	14.7%	-1.3%	12.2%	22.8	23.1	20.6	1.2	1.2	5.3%	1.7%	18.90	MP
SIME DARBY PLANTATION BHD	5.15	35,455.6	Y	12/2020	10.9%	4.9%	304.5%	40.2%	220.3	54.5	38.8	2.6	2.6	4.8%	1.2%	5.15	MP
TA ANN HOLDINGS BERHAD	3.11	1,369.8	Y	12/2020	14.7%	5.1%	57.7%	7.9%	20.0	12.7	11.8	1.0	0.9	7.4%	3.2%	3.45	OP
TSH RESOURCES BHD	1.15	1,587.2	Y	12/2020	16.5%	1.9%	77.4%	-8.4%	39.2	22.1	24.1	1.0	1.0	5.0%	1.3%	1.10	MP
UNITED MALACCA BHD	5.20	1,090.8	Y	04/2021	13.6%	6.7%	93.8%	52.5%	N.A.	41.3	27.1	0.8	0.8	2.0%	1.7%	5.25	MP
Simple Average					8.3%	7.2%	110.6%	20.2%	63.5	29.4	23.6	1.6	1.5	5.8%	1.9%		

Source: Bloomberg, Kenanga Research

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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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