

25 June 2021

United Malacca Berhad

Disappoints On Lower FFB Output

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FY21 CNP of RM28.4m is below our (84%), but within consensus' (97%), expectation, due to lower-than-expected FFB output (91%). We expect earnings improvement in 1QFY22 (on higher FFB output, normalisation of tax expense, but flat CPO prices). Reduce FY22E CNP by 25% and introduce FY23E CNP of RM41.7m. Maintain MP with lower TP of RM5.20 @ FY22E PBV of 0.80x (mean). ESG score is 55%.

Below our expectation. 4QFY21 CNP of RM7.6m brought FY21 CNP to RM28.4m which is below our (84%), but within consensus' (97%), estimate. The negative deviation from our estimate is due to lower-than-expected FFB output of 371k MT (+2% YoY) coming in at 91% of our estimate. FY21 DPS of 10.0 sen is close to our estimate (9.0 sen).

Results' highlight. YoY, FY21 registered CNP of RM28.4m (vs. CNL of RM24.2m in FY20), mainly due to: (i) higher CPO/PK prices (+25%/+40%), and (ii) higher FFB output (+2%). QoQ, despite higher CPO/PK prices (+12%/+10%), 4QFY21 CNP fell (-28%) due to: (i) lower FFB output (-4%), and higher tax expense (+139%).

Stronger 1QFY22 on the cards. We expect stronger FFB growth in FY22 which should be driven by recovery in production, alongside: (i) 300 Ha maturing area in Indonesia, (ii) higher yield in Indonesia as age profile improves. Looking ahead into 1QFY22, we believe the group could register sequential earnings improvement on normalisation of tax expenses and higher FFB output, but flat CPO price. While MPOB's QTD-1QFY22 CPO price is 3% QoQ higher at the moment, the recent plunge in prices will drag the average lower by the end of the quarter. Meanwhile, based on Bursa announcements, its Malaysia FFB output has started to pick up in March 2021 and continued to be on an uptrend in May 2021.

Reduce FY22E CNP by 25% on lower FFB output (-11%) and introduce FY23E CNP of RM41.7m.

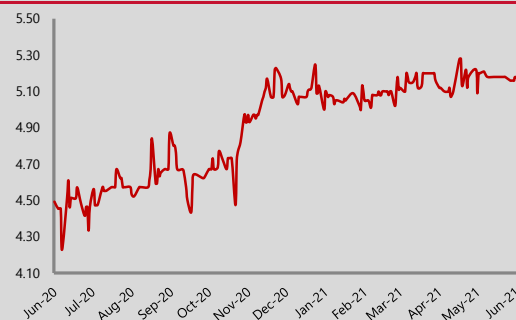
Maintain MARKET PERFORM with a lower Target Price of RM5.20 (from RM5.30) based on rolled-over FY22E PBV of 0.8x. The Fwd. PBV reflects mean valuation, in line with peers (-0.5SD to mean). At current price, it implies FY22E PER of 26.8x (vs. peers' 16-18x) which we think is already generous. ESG score is 55%

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

MARKET PERFORM ↔

Price : RM5.18
Target Price : RM5.20 ↓

Share Price Performance



KLCI	1,555.71
YTD KLCI chg	-4.4%
YTD stock price chg	1.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK Equity
Market Cap (RM m)	1,086.6
Shares Outstanding	209.8
52-week range (H)	5.30
52-week range (L)	4.31
3-mth avg daily vol:	11,282
Free Float	72%
Beta	0.7

Major Shareholders

Oversea Chinese Bank	20.3%
Prosper Palm Oil Mill Sdn Bhd	7.9%
HSBC	7.6%

Summary Earnings Table

FYE Apr (RM m)	2021A	2022E	2023E
Turnover	398.1	408.5	428.0
EBIT	31.8	68.0	67.0
PBT	25.0	57.5	59.0
Net Profit (NP)	13.2	40.5	41.7
Core NP (CNP)	28.4	40.5	41.7
Consensus (CNP)	n.a.	46.2	-
Earnings Revision	n.a.	-25%	NEW
Core EPS (sen)	13.5	19.3	19.9
Core EPS grwth (%)	-217.4	42.9	2.9
NDPS (sen)	10.0	10.0	10.0
BV/Share (RM)	6.40	6.49	6.59
Core PER (x)	38.3	26.8	26.0
Price/BV (x)	0.81	0.80	0.79
Net Gearing (x)	0.1	0.1	0.1
Net Dvd. Yield (%)	1.9	1.9	1.9

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Results Highlights								
FYE Apr (RM m)	4Q21	3Q21	QoQ	4Q20	YoY	FY21	FY20	YoY
Revenue	106.4	107.0	-1%	86.2	23%	398.1	294.0	35%
EBIT	(3.3)	19.4	nm	(69.5)	-95%	31.8	19.6	62%
Pretax Profit	(4.6)	17.8	-126%	(72.1)	-94%	25.0	8.3	202%
Taxation	(8.4)	(3.5)	139%	10.4	-181%	(14.7)	6.3	nm
MI	1.5	(0.5)	-367%	0.9	60%	2.8	1.8	62%
Net Profit	(11.5)	13.7	nm	(60.8)	-81%	13.2	16.3	-19%
Core Net Profit	7.6	10.7	-28%	4.6	65%	28.4	(24.2)	nm
EPS (sen)	(5.5)	6.5	nm	(29.0)	-81%	6.3	7.9	-20%
Net Dividend (Sen)	7.0	0.0	nm	6.0	17%	10.0	8.0	25%
EBIT margin	-3%	18%		-81%		8%	7%	
PBT margin	-4%	17%		-84%		6%	3%	
Effective tax rate	-185%	20%		14%		59%	-76%	
CPO (RM / mt)	3,454	3,092	12%	2,496	38%	2,829	2,259	25%
Palm Kernel (RM / mt)	2,549	2,322	10%	1,437	77%	1,834	1,310	40%
FFB Volume (mt)	83,369	87,262	-4%	98,115	-15%	370,820	362,096	2%

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Apr (RM m)	4Q21	3Q21	QoQ	4Q20	YoY	FY21	FY20	YoY
Segmental Rev:								
Plantation	119.6	121.1	-1%	94.8	26%	453.0	328.9	38%
(Internal Sales)	(13.3)	(14.1)	-6%	(8.7)	53%	(55.0)	(35.0)	57%
Group Rev	106.4	107.0	-1%	86.2	23%	398.1	294.0	35%
Profit Before Tax:								
Plantation - Malaysia	15.6	10.0	57%	(2.0)	-866%	45.0	(19.7)	-329%
Plantation - Indonesia	(0.9)	3.8	nm	(2.6)	-64%	(4.7)	(5.4)	-13%
Investment Holding	(3.2)	4.0	nm	(10.7)	-70%	0.8	(13.6)	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	0.0	nm	0.0	103.2	-100%
Impairment losses on bearer plants	0.0	0.0	nm	(56.8)	-100%	0.0	(56.8)	nm
Others	(16.0)	0.0	nm	0.0	m	(16.0)	0.5	nm
Segmental Group PBT	(4.6)	17.8	-126%	(72.1)	-94%	25.0	8.3	202%

* Adjustments not available

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.		
	(RM)	(RM'm)															
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.29	4,706.1	Y	12/2021	5.5%	1.7%	18.3%	12.2%	91.3	23.3	18.4	1.1	1.1	6.7%	1.6%	1.30	MP
GENTING PLANTATIONS BHD	7.09	6,361.1	Y	12/2021	-1.7%	5.5%	31.2%	9.1%	26.7	20.3	18.6	1.3	1.3	6.3%	2.7%	8.65	MP
HAP SENG PLANTATIONS HLDGS	1.84	1,471.4	Y	12/2021	8.4%	4.2%	39.2%	6.5%	21.2	15.3	14.3	0.9	0.8	5.6%	3.8%	2.15	OP
IJM PLANTATIONS BHD	3.08	2,712.2	N	03/2022	3.6%	3.7%	-2.8%	9.1%	22.1	22.7	20.8	1.9	1.8	8.1%	1.9%	3.10	Accept Offer
IOI CORP BHD	3.83	23,947.5	Y	06/2021	24.2%	6.2%	23.8%	5.6%	31.6	28.5	21.8	2.6	2.4	10.8%	2.2%	4.20	MP
KUALA LUMPUR KEPONG BHD	20.74	22,368.2	Y	09/2021	14.1%	2.5%	53.7%	3.5%	29.4	19.1	18.5	2.0	1.9	10.4%	2.7%	25.10	OP
PPB GROUP BERHAD	18.40	26,175.8	Y	12/2021	18.4%	11.1%	3.3%	7.9%	20.0	19.4	17.9	1.2	1.1	6.0%	2.2%	19.80	MP
SIME DARBY PLANTATION BHD	4.14	28,631.1	Y	12/2021	17.2%	5.0%	102.3%	4.7%	34.0	16.8	16.0	2.1	2.0	12.2%	3.9%	5.65	OP
TA ANN HOLDINGS BERHAD	2.62	1,154.0	Y	12/2021	6.2%	3.2%	60.7%	6.9%	18.1	11.3	10.6	0.8	0.8	6.9%	3.8%	3.05	MP
TSH RESOURCES BHD	1.04	1,435.4	Y	12/2021	19.8%	1.4%	7.5%	11.3%	19.9	18.5	16.6	0.9	0.9	7.8%	2.4%	0.970	UP
UNITED MALACCA BHD	5.18	1,086.6	Y	04/2022	2.6%	4.8%	42.9%	2.9%	38.3	26.8	26.0	0.8	0.8	3.1%	1.9%	5.20	MP
Simple Average					10.8%	4.5%	34.5%	7.2%	32.1	20.2	18.2	1.4	1.4	7.6%	2.6%		

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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