

24 September 2021

# United Malacca Berhad

## Above Expectations

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**1QFY22 CNP of RM18.4m is above both our and consensus' expectations at 45% each due to higher CPO prices. FFB output at 25% and absence of DPS are as expected. Looking ahead, we anticipate sequential earnings improvement in 2QFY22 (higher FFB output and CPO prices). Raise FY22-23E CNP by 56-12% on higher CPO prices. Maintain MP with a higher TP of RM5.25 @ FY22E PBV of 0.80x (mean). ESG score is 55%.**

**Above our expectation.** 1QFY22 registered Core Net Profit (CNP) of RM18.4m (+141% QoQ; +15x) which is deemed above both our and consensus' estimates at 45% each mainly due to higher CPO prices. FFB output of 99k MT (+1% YoY) coming in at 25% of our estimate and absence of dividends are within expectations.

**Results' highlight. YoY,** 1QFY22 registered CNP of RM18.4m (+15x; from a low base) mainly due to: (i) higher CPO/PK prices (+62%/+91%), and (ii) higher FFB output (+1%). **QoQ,** 1QFY22 CNP rose (+141%) on the back of: (i) higher CPO prices (+9%), (ii) higher FFB output (+19%), and lower taxation (-29%).

**Sequential boost expected** with higher CPO price and seasonal production improvements (peak crop). MPOB's QTD-2QFY22 CPO price is 9% QoQ higher. Historically over the past five years, 1QFY22 FFB output accounted for ~26% of full-year production. Based on Bursa announcements, its Malaysia FFB output has started to pick up in August 2021 (+8% QoQ) and we expect the trend to continue. We are keeping our FY22 FFB growth of ~7%.

**Raise FY22-23E earnings by 56-12%** on higher CPO price of RM3,700-3,200/MT from (~RM3,000/MT previously).

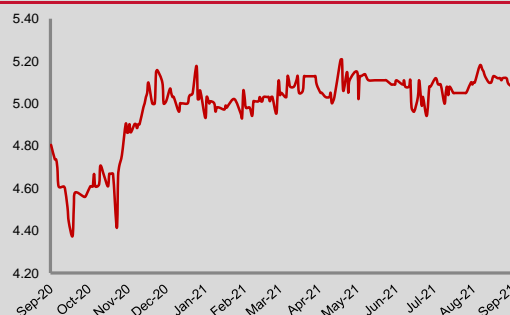
**Maintain MARKET PERFORM with a higher TP of RM5.25** (from RM5.20) based on FY22E PBV of 0.8x. The Fwd. PBV reflects mean valuation, while at current price, it implies FY22E PER of 26.0x (vs. peers' 16-18x) which we think is already generous. ESG score is 55%.

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

# MARKET PERFORM ↔

Price : **RM5.02**  
Target Price : **RM5.25** ↑

### Share Price Performance



KLCI	1,539.34
YTD KLCI chg	-5.4%
YTD stock price chg	-1.6%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK Equity
Market Cap (RM m)	1,053.0
Shares Outstanding	209.8
52-week range (H)	5.30
52-week range (L)	4.43
3-mth avg daily vol:	20,398
Free Float	32%
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)	2021A	2022E	2023E
Turnover	398.1	442.1	435.1
EBIT	31.8	98.4	73.5
PBT	25.0	87.8	66.0
<b>Net Profit (NP)</b>	<b>13.2</b>	<b>63.3</b>	<b>46.9</b>
<b>Core NP (CNP)</b>	<b>28.4</b>	<b>63.3</b>	<b>46.9</b>
Consensus (CNP)	n.a.	40.4	36.2
Earnings Revision	n.a.	56%	12%
Core EPS (sen)	13.5	30.2	22.4
Core EPS grwth (%)	-217.4	123.1	-25.9
NDPS (sen)	10.0	15.0	15.0
BV/Share (RM)	6.40	6.55	6.62
Core PER (x)	37.1	16.6	22.4
Price/BV (x)	0.78	0.77	0.76
Net Gearing (x)	0.1	0.1	0.1
Net Dvd. Yield (%)	2.0	3.0	3.0

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<b>Results Highlights</b>								
<b>FYE Apr (RM m)</b>	<b>1Q22</b>	<b>4Q21</b>	<b>QoQ</b>	<b>1Q21</b>	<b>YoY</b>	<b>3M21</b>	<b>3M20</b>	<b>YoY</b>
<b>Revenue</b>	<b>114.9</b>	<b>106.4</b>	<b>8%</b>	<b>86.8</b>	<b>32%</b>	<b>114.9</b>	<b>86.8</b>	<b>32%</b>
<b>EBIT</b>	<b>28.6</b>	<b>(3.3)</b>	<b>nm</b>	<b>4.0</b>	<b>622%</b>	<b>28.6</b>	<b>4.0</b>	<b>622%</b>
Pretax Profit	27.3	(4.6)	nm	1.9	1330%	27.3	1.9	1330%
Taxation	(6.0)	(8.4)	-29%	0.8	nm	(6.0)	0.8	nm
MI	(0.4)	1.5	nm	0.8	nm	(0.4)	0.8	nm
<b>Net Profit</b>	<b>20.8</b>	<b>(11.5)</b>	<b>nm</b>	<b>3.6</b>	<b>487%</b>	<b>20.8</b>	<b>3.6</b>	<b>487%</b>
<b>Core Net Profit</b>	<b>18.4</b>	<b>7.6</b>	<b>141%</b>	<b>1.2</b>	<b>1431%</b>	<b>18.4</b>	<b>1.2</b>	<b>1431%</b>
EPS (sen)	9.9	(5.5)	-281%	1.7	487%	9.9	1.7	487%
Net Dividend (Sen)	0.0	7.0	-100%	0.0	nm	0.0	0.0	nm
EBIT margin	25%	-3%		5%		25%	5%	
PBT margin	24%	-4%		2%		24%	2%	
Effective tax rate	22%	-185%		-44%		22%	-44%	
CPO (RM / mt)	3,776	3,454	9%	2,328	62%	3,776	2,328	62%
Palm Kernel (RM / mt)	2,542	2,549	0%	1,334	91%	2,542	1,334	91%
FFB Volume (mt)	99,021	83,369	19%	97,641	1%	99,021	97,641	1%

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
<b>FYE Apr (RM m)</b>	<b>1Q22</b>	<b>4Q21</b>	<b>QoQ</b>	<b>1Q21</b>	<b>YoY</b>	<b>3M21</b>	<b>3M20</b>	<b>YoY</b>
<b>Segmental Rev:</b>								
Plantation	129.2	119.6	8%	98.4	31%	129.2	98.4	31%
(Internal Sales)	(14.4)	(13.3)	8%	(11.7)	23%	(14.4)	(11.7)	23%
<b>Group Rev</b>	<b>114.9</b>	<b>106.4</b>	<b>8%</b>	<b>86.8</b>	<b>32%</b>	<b>114.9</b>	<b>86.8</b>	<b>32%</b>
<b>Profit Before Tax:</b>								
Plantation - Malaysia	24.1	15.6	55%	5.8	315%	24.1	5.8	315%
Plantation - Indonesia	0.8	(0.9)	nm	(5.7)	nm	0.8	(5.7)	nm
Investment Holding	2.3	(3.2)	-171%	1.8	27%	2.3	1.8	27%
Associates	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Gains on disp. of NCA HFS	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Impairment bearer plants	0.0	0.0	nm	0.0	nm	0.0	0.0	nm
Others	0.0	(16.0)	-100%	0.0	nm	0.0	0.0	nm
<b>Segmental Group PBT</b>	<b>27.3</b>	<b>(4.6)</b>	<b>nm</b>	<b>1.9</b>	<b>1330%</b>	<b>27.3</b>	<b>1.9</b>	<b>1330%</b>

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.		
<b>STOCKS UNDER COVERAGE</b>																	
FGV HOLDINGS BHD	1.33	4,852.0	Y	12/2021	17.4%	-2.9%	30.7%	1.9%	19.6	15.0	14.8	1.1	1.1	7.5%	4.1%	1.45	MP
GENTING PLANTATIONS BHD	6.80	6,100.9	Y	12/2021	11.8%	-4.9%	57.8%	-3.1%	25.6	16.2	16.7	1.2	1.2	7.5%	3.8%	8.40	OP
HAP SENG PLANTATIONS HLDGS	2.01	1,607.4	Y	12/2021	45.7%	-10.7%	117.5%	-18.3%	23.2	10.7	13.0	0.9	0.9	8.6%	5.5%	2.30	OP
IJM PLANTATIONS BHD	3.09	2,721.0	N	03/2022	16.5%	-3.7%	53.3%	-20.6%	22.2	14.5	18.2	1.9	1.8	12.6%	2.9%	3.10	Accept Offer
IOI CORP BHD	3.77	23,479.7	Y	06/2022	5.1%	-5.8%	11.6%	-10.6%	28.1	19.7	22.0	2.3	2.2	11.5%	2.4%	4.05	MP
KUALA LUMPUR KEPONG BHD	20.18	21,751.8	Y	09/2021	22.4%	-2.3%	83.0%	-8.5%	28.6	15.6	17.1	2.0	1.9	12.2%	2.7%	23.60	OP
PPB GROUP BERHAD	18.30	26,033.6	Y	12/2021	18.4%	11.1%	3.7%	7.9%	19.9	19.2	17.8	1.2	1.1	6.1%	2.2%	19.40	MP
SIME DARBY PLANTATION BHD	3.67	25,380.7	Y	12/2021	30.9%	-6.0%	165.3%	-20.2%	30.1	11.4	14.3	1.9	1.7	15.8%	5.2%	4.60	OP
TA ANN HOLDINGS BERHAD	2.89	1,272.9	Y	12/2021	33.1%	-12.6%	178.1%	-25.6%	20.1	7.2	9.7	0.9	0.8	12.0%	5.5%	2.85	MP
TSH RESOURCES BHD	1.09	1,504.4	Y	12/2021	64.2%	-10.8%	92.2%	-27.1%	20.9	10.9	14.9	1.0	0.9	9.2%	2.8%	1.17	MP
UNITED MALACCA BHD	5.02	1,053.0	Y	04/2022	11.1%	-1.6%	123.1%	-25.9%	37.1	16.6	22.4	0.8	0.8	4.8%	3.0%	5.25	MP
<b>Simple Average</b>					<b>25.1%</b>	<b>-4.6%</b>	<b>83.3%</b>	<b>-13.6%</b>	<b>25.0</b>	<b>14.3</b>	<b>16.5</b>	<b>1.4</b>	<b>1.3</b>	<b>9.8%</b>	<b>3.6%</b>		

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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