

29 June 2022

United Malacca Berhad

FY22 Buoyed by Strong CPO Prices

By Teh Kian Yeong | tehy@kenanga.com.my

FY22 Core Net Profit (CNP) of RM113m came within our (1%) and consensus' (-4%) estimates on firm 4QFY22 profits. QoQ and YoY, higher 4QFY22 palm oil prices helped offset lower fruit output but we suspect higher cost is starting to bite. Full-year's earnings also did better on higher prices as FFB output was flat YoY. Moving forward, CPO prices should ease but tight global edible oil market is likely to keep prices firm for FY23. We adjusted FY23E Core EPS (CEPS) by <1% to 51.3 sen and introduce FY24 CEPS of 43.9 sen. We are maintaining our TP at RM5.90 on FY23 CEPS against 12x PER due to smaller capitalisation, historically higher cost and weaker ROE. Our MARKET PERFORM recommendation is also maintained.

Above expectations. 4QFY22 reported CNP of RM28m (-11% QoQ, +>100% YoY) thanks to record CPO prices. This helped lifted full-year's CNP to RM113m (+303% YoY) on average CPO price of RM6,034 per MT (+24% QoQ, +75% YoY) in 4QFY22 and RM4,706 (+66% YoY) for the full-year. Historically, UMCCA enjoys peak FFB harvest during the 2Q with 4Q as the weakest. As expected, 4QFY22 FFB output declined sequentially to 80,870 MT (-9% QoQ, -3% YoY) but full-year's output remained flat at 372,632 MT (+0.5%YoY). In line with the stronger earning, FY22 cashflow was robust. The Group's financial position strengthened, from a net debt of RM6m (0.5% net gearing) in 3QFY22 to net cash of RM8m as of end-April 2022. A final dividend of 5.0 sen was also declared as well as a special dividend of also 5.0 sen, which brings the cumulative FY22 dividend to 15.0 sen

Outlook: We expect CPO prices to ease over the next 6-12 months but staying relatively firm for the rest of 2022 and 2023. Edible oils are expected to face some downward pricing pressures on the back of recovering supply from 2H 2022 and into 2023. However, the supply recovery looks fragile. The pending 2H seasonal supply improvement can only prevent the situation from getting worst and a good season is required for supply to recover in 2023. Meanwhile, global edible oils and fats demand is expected to recover as well. Although demand did not contract but continue growing, Covid-19 did dampen YoY growth. With the world settling into a new post Covid-19 normal, YoY growth should revert from about 1% p.a. since 2020 to around 3% from 2023 onwards. Lastly, firm fossil fuel prices are supportive of biofuel usage which in turn underpins demand for edible oils. Average CPO price of RM4,000 per MT is expected for FY23 and RM3,800 for FY24.

Accordingly, we are adjusting up FY23 CEPS marginally from 51.2 sen to 51.3 sen and introducing FY24 CEPS at 43.9 sen. Maintain 15 sen NDPS for FY23 and FY24. Though we did not expect a special dividend in 4Q FY22, we did expect a 15.0 sen dividend for FY22.

We maintain our TP for UMCCA of RM5.90 along with a MARKET PERFORM recommendation. Our TP is based on FY23 CEPS of 51.3 sen at 12x PER, which is slightly lower than comparably sized plantation groups (market cap of RM1-3b) as UMCCA's ROE is weaker than peers due to higher operating cost and challenges to fully develop its landbank in Indonesia.

Risks to our call include: (i) adverse weather (ii) softer CPO prices and (iii) rising cost of labour, fertiliser and fuel.

MARKET PERFORM ↔

Price : RM5.49
Target Price : RM5.90 ↔

Share Price Performance



KLCI 1,454.74
YTD KLCI chg -7.2%
YTD stock price chg 6.4%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker UMR MK Equity
Market Cap (RM m) 1,151.6
Shares outstanding 209.8
52-week range (H) 6.05
52-week range (L) 4.70
3-mth avg daily vol: 31,803
Free Float 32%
Beta 0.6

Major Shareholders

Prosper Trading Sdn 36.3%
Oversea Chinese Bank 20.3%
Prosper Palm Oil Mil 8.3%

Summary Earnings Table

FYE April (RM m)	2022A	2023E	2024E
Turnover	554.0	564.3	557.3
EBIT	147.6	147.7	122.5
PBT	141.9	145.0	124.6
Net Profit (NP)	105.9	107.6	92.1
Core NP	113.7	107.6	92.1
Consensus (CNP)	117.7	0.0	0.0
Earnings Revision	1%	-	-
Core EPS (sen)	54.2	51.3	43.9
Core EPS grwth (%)	303.4	-5.4	-14.4
NDPS (sen)	15.0	15.0	15.0
NTA/Share (RM)	6.72	7.08	7.37
Core PER (x)	10.1	10.7	12.5
Price/NTA (x)	0.82	0.78	0.74
Net Gearing (x)	Cash	Cash	Cash
Dividend Yield (%)	2.7	2.7	2.7

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Results Highlights								
<i>FYE April (RM m)</i>	4Q22	3Q22	QoQ	4Q21	YoY	FY22	FY21	YoY
Revenue	147.5	147.8	0%	106.4	39%	554.0	398.1	39%
EBIT	28.3	40.8	-31%	(3.9)	-829%	147.6	31.2	373%
Pretax Profit	26.9	39.4	-32%	(5.2)	-619%	141.9	24.4	481%
Taxation	(9.3)	(9.2)	1%	(8.0)	17%	-36.3	(14.2)	155%
MI	1.2	0.1	2018%	1.4	-19%	0.3	2.8	-89%
Net Profit	18.7	30.2	-38%	(11.7)	-260%	105.9	13.0	714%
Core Net Profit	28.4	31.9	-11%	7.5	280%	113.5	28.2	303%
Core EPS (sen)	13.5	15.2	-11%	3.6	280%	54.1	13.4	303%
NDPS (sen)	10.0	0.0	n.a.	7.0	n.a.	15.0	10.0	50%
EBIT %	19%	28%		-4%		27%	8%	
PBT %	18%	27%		-5%		26%	6%	
Tax %	35%	23%		-154%		26%	58%	
FFB (MT)	80,870	88,969	-9%	83,369	-3%	372,632	370,820	0%
CPO (RM / MT)	6,034	4,851	24%	3,454	75%	4,706	2,829	66%
PK (RM / MT)	4,526	4,036	12%	2,549	78%	3,441	1,834	88%

Source: Company, Kenanga Research

Segmental Breakdown								
<i>FYE April (RM m)</i>	4Q22	3Q22	QoQ	4Q21	YoY	FY22	FY21	YoY
Segmental Rev:								
Plantation	173.3	164.3	5%	119.6	45%	625.9	453.0	38%
Internal sales	(25.8)	(16.5)	57%	(13.3)	94%	(71.9)	(55.0)	31%
Group Rev	147.5	147.8	0%	106.4	39%	554.0	398.1	39%
Segmental Profit:								
Plantation - Malaysia	42.7	37.0	15%	15.582	174%	146.9	45.0	227%
Plantation - Indonesia	(1.2)	3.6	-135%	(0.920)	35%	7.1	(4.7)	-252%
Investment	3.1	(1.2)	-369%	(3.184)	-199%	5.5	0.8	582%
Others	(17.7)	-	N.A.	(16.0)	10%	(17.7)	(16.0)	10%
Pretax Profit	26.9	39.4	-32%	(4.6)	-690%	141.9	25.0	467%

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)
					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.			
PLANTATION																	
BOUSTEAD PLANTATIONS BHD	0.855	1,915.2	Y	12/2022	30.7%	-27.7%	35.1%	-48.2%	7.9	5.9	11.3	0.7	0.6	24.4%	16.4%	1.00	
FGV HOLDINGS BHD	1.50	5,472.2	Y	12/2022	10.9%	-6.1%	-2.2%	-20.9%	22.2	10.6	15.3	1.3	1.2	19.5%	5.7%	2.30	
GENTING PLANTATIONS BHD	6.48	5,813.8	Y	12/2022	23.0%	-5.4%	32.1%	-6.2%	24.4	14.0	15.9	1.2	1.1	10.4%	4.5%	9.50	
HAP SENG PLANTATIONS HOLDINGS	2.38	1,903.3	Y	12/2022	32.0%	-14.7%	15.0%	-17.2%	27.5	10.0	15.7	1.1	1.1	13.1%	5.9%	3.30	
IOI CORP BHD	3.89	24,168.5	Y	06/2022	46.7%	-15.7%	64.6%	-17.5%	29.0	18.8	21.8	2.4	2.2	15.8%	2.4%	4.65	
KUALA LUMPUR KEPONG BHD	22.56	24,323.2	Y	09/2022	26.1%	-2.8%	23.4%	-3.3%	14.5	17.0	18.4	2.1	2.0	17.3%	2.4%	30.00	
PPB GROUP BHD	16.10	22,903.9	Y	12/2022	12.0%	5.2%	-7.7%	7.9%	17.5	16.9	16.0	1.0	1.0	5.7%	2.5%	15.00	
SIME DARBY PLANTATION BHD	4.43	30,636.6	Y	12/2022	19.9%	-13.2%	39.1%	-23.0%	36.8	12.6	19.5	2.2	2.1	17.4%	4.7%	5.25	
TA ANN HOLDINGS BHD	4.29	1,889.6	Y	12/2022	17.7%	-6.5%	-7.4%	-3.7%	29.8	7.4	12.9	1.3	1.2	16.3%	7.0%	6.00	
TSH RESOURCES BHD	1.13	1,559.6	Y	12/2022	38.4%	-8.9%	9.9%	1.0%	21.6	8.3	15.4	1.0	0.9	13.7%	3.5%	1.90	
UNITED MALACCA BHD	5.49	1,151.6	Y	04/2023	1.9%	-1.2%	-5.4%	-14.4%	40.6	18.2	24.5	0.9	0.8	7.6%	2.7%	5.90	
Simple Average					22.9%	-6.9%	16.1%	-9.7%	26.4	13.4	17.6	1.5	1.4	13.7%	4.1%		

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my