

27 March 2024

United Malacca

Positive Indonesian Tailwind

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UMCCA's 9MFY24 results beat expectations on strong profits from its maturing Indonesian operation. Its soaring Indonesia operation helped group-wide FFB harvest to stay flattish while operating cost also eased. We raise our FY24-25F net profit forecasts by 13% each, lift our TP by 20% to RM6.00 (from RM5.00), and upgrade UMCCA to **OUTPERFORM** from **MARKET PERFORM**.

Its 9MFY24 core net profit (excluding forex loss of RM6.7m and RM1.5m in fair value gains) beat expectations at 89% and 90% of our full-year forecast and the full-year consensus estimate, respectively. The variance against our forecast was due largely to continual improvement of its Indonesia operation where its 9MFY24 FFB output rose 69% YoY thanks to an 11% expansion in matured area coupled with a 52% jump in FFB yield as its Kalimantan estates grew into more productive age profile.

Its 3QFY24 core net profit rose 19% QoQ as EBIT margin improved 16% to 20% thanks to continual improvement in its Indonesian harvest. The most productive quarter for UMCCA is usually 2Q (Aug-Oct) but flattish 3QFY24 FFB output of 0.177m MT (-0.1% QoQ, -2% YoY) was due to 10% QoQ uptick from Indonesia which offset the slightly weaker QoQ Malaysian harvest. Consequently, unit cost eased, helping to lift margins. After just breaking even in 2Q, its Indonesia operation reported PBT of RM3.3m for 3QFY24. Net debt also dipped QoQ from RM31m to RM17m or 2% net gearing. After declaring a 5.0 sen interim DPS for the first half, no dividend was declared for 3Q which is expected.

Some helpful tailwind emerging. We are expecting FY24-25F CPO price to stay firm at RM3,800 per MT as global edible oil supply and demand balance is tightening after a surplus in CY23. CY24-25F supply is expected to inch up YoY but not enough to maintain inventory as demand is expected to grow at 3%-4% YoY. Amidst a scenario of easing inventories, supportive CPO prices are likely over CY24-25. Production cost should moderate as well thanks in part to better harvest but also lower fertiliser and fuel spot prices by 20-40% YoY, helping to offset rising wages cost pressures.

Forecasts. We raise our FY24-25F net profit forecasts by 13% each largely to reflect the improving efficiencies in its Indonesia operation which should stay so moving forward. Nonetheless, we maintain our FY24-25F annual NDPS forecast of 12.0 sen.

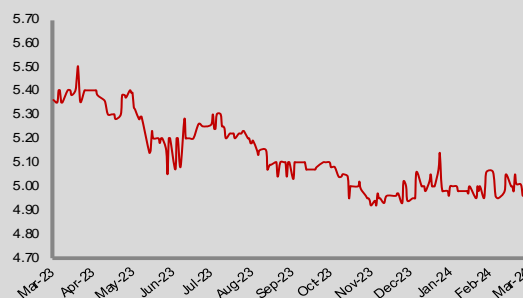
Valuations. Correspondingly, we lift our TP by 20% from RM5.00 to RM6.00 on 0.9x P/NTA based on: (i) smaller plantation groups' average of 0.9x to 1.1x over a over a medium (3-year) to long-term (15-year) commodity cycle basis, and a (ii) 10% discount against 1x P/NTA for UMCCA in view of the group's weak ROE in the past. There is no change to our TP based on its 3-star ESG rating as appraised by us (see Page 3). Maintain **MARKET PERFORM**.

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

OUTPERFORM ↑

Price : RM5.00
Target Price : RM6.00 ↑

Share Price Performance



KLCI 1,538.42
YTD KLCI chg 5.8%
YTD stock price chg -1.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK EQUITY
Market Cap (RM m)	1,048.8
Shares outstanding	209.8
52-week range (H)	5.50
52-week range (L)	4.90
3-mth avg daily vol:	23,794
Free Float	75%
Beta	0.4

Major Shareholders

Oversea-Chinese Bank	18.3%
Prosperity Capital M	13.4%
HSBC Holdings Plc	7.6%

Summary Earnings Table

FYE April (RM m)	2023A	2024F	2025F
Turnover	604.5	564.4	610.2
EBIT	74.9	70.8	103.6
PBT	82.2	62.6	95.8
Net Profit (NP)	61.3	46.4	68.9
Core NP	69.3	51.7	68.9
Consensus (CNP)	0.0	45.3	63.9
Earnings Revision	-	+13%	+13%
Core EPS (sen)	33.0	24.7	32.9
Core EPS grwth (%)	-40.2	-25.4	33.3
NDPS (sen)	12.0	12.0	12.0
NTA/Share (RM)	6.60	6.70	6.91
Core PER (x)	15.1	20.3	15.2
Price/NTA (x)	0.76	0.75	0.72
Net Gearing (x)	N Cash	-	-
Dividend Yield (%)	2.4	2.4	2.4

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Results Highlights								
<i>FYE April (RM m)</i>	3Q24	2Q24	QoQ	3Q23	YoY	9MFY24	9MFY23	YoY
Revenue	143.7	144.5	-1%	161.6	-11%	424.2	469.2	-10%
EBIT	28.5	22.5	27%	16.7	71%	57.1	74.2	-23%
Pretax Profit	26.4	20.3	30%	14.6	80%	50.6	68.8	-27%
Taxation	(7.5)	(6.9)	8%	(5.0)	50%	(16.4)	(21.2)	-23%
MI	0.1	0.4	-77%	3.0	-97%	1.2	5.1	-77%
Net Profit	19.0	13.7	38%	12.7	49%	35.4	52.7	-33%
Core Net Profit	19.3	16.2	19%	21.0	-8%	40.7	66.3	-39%
EPS (sen)	9.0	6.5	38%	6.1	49%	16.9	25.1	-33%
Core EPS (sen)	9.2	7.7	19%	10.0	-8%	19.4	31.6	-39%
NDPS (sen)	-	5.0	-	-	N.A.	5.0	5.0	0%
EBIT %	20%	16%		10%		13%	16%	
PBT %	18%	14%		9%		12%	15%	
Tax %	28%	34%		34%		32%	31%	
FFB (MT)	117,624	117,724	-0.1%	120,251	-2%	338,736	327,974	3%
Malaysia FFB (MT)	92,983	95,261	-2%	100,663	-8%	264,705	284,227	-7%
Indonesia FFB (MT)	24,641	22,463	10%	19,588	26%	74,031	43,747	69%
Weighted Avg - CPO (RM / MT)	3,631	3,671	-1%	3,927	-8%	3,645	4,345	-16%
Malaysia CPO (RM / MT)	3,703	3,758	-1%	4,061	-9%	3,747	4,499	-17%
Indonesia CPO (RM / MT)	3,359	3,303	2%	3,240	4%	3,279	3,348	-2%
Weighted Avg - PK (RM / MT)	1,931	1,912	1%	1,952	-1%	1,893	2,342	-19%
Malaysia PK (RM / MT)	2,015	2,001	1%	2,031	-1%	1,988	2,387	-17%
Indonesia PK (RM / MT)	1,616	1,537	5%	1,548	4%	1,555	2,053	-24%

Source: Company, Kenanga Research

Segmental Breakdown								
<i>FYE April (RM m)</i>	3Q24	2Q24	QoQ	3Q23	YoY	9MFY24	9MFY23	YoY
Segmental Rev:								
Plantation - Malaysia	98.5	100.7	-2%	118.7	-17%	290.0	382.0	-24%
Plantation - Indonesia	45.2	43.8	3%	42.9	5%	134.1	87.2	54%
Group Rev	143.7	144.5	-1%	161.6	-11%	424.2	469.2	-10%
Segmental Profit:								
Plantation - Malaysia	23.0	19.8	16%	28.1	-18%	47.6	88.9	-46%
Plantation - Indonesia	3.3	0.5	589%	(13.5)	-125%	3.0	(20.1)	-115%
Pretax Profit	26.4	20.3	30%	14.6	80%	50.6	68.8	-27%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	MP	6.10	6.00	-1.6%	5,472.7	Y	12/2024	33.9	36.1	21.0%	6.4%	18.0	16.9	1.0	5.6%	21.0	3.4%
HAP SENG PLANTATIONS HOLDINGS	MP	1.88	2.00	6.4%	1,503.4	Y	12/2024	12.8	13.1	13.0%	2.9%	14.7	14.3	0.7	5.1%	7.0	3.7%
IOI CORP BHD	MP	4.01	3.80	-5.2%	24,876.8	Y	06/2024	20.0	23.0	-17.9%	14.9%	20.1	17.5	2.3	12.1%	11.0	2.7%
KUALA LUMPUR KEPONG BHD	MP	22.34	23.00	3.0%	24,493.7	Y	09/2024	113.3	138.8	50.6%	22.5%	19.7	16.1	1.6	8.2%	50.0	2.2%
PPB GROUP BHD	OP	15.60	18.50	18.6%	22,192.6	Y	12/2024	115.9	137.1	44.0%	18.3%	13.5	11.4	0.8	5.8%	45.0	2.9%
SIME DARBY PLANTATION BHD	MP	4.39	4.00	-8.9%	30,360.0	Y	12/2024	16.6	18.8	30.1%	13.5%	26.5	23.3	1.7	6.6%	15.0	3.4%
TA ANN HOLDINGS BHD	MP	3.96	4.00	1.0%	1,744.2	Y	12/2024	40.9	43.5	3.5%	6.2%	9.7	9.1	1.0	10.0%	25.0	6.3%
TSH RESOURCES BHD	OP	1.13	1.30	15.0%	1,559.6	Y	12/2024	7.2	7.4	29.2%	3.7%	15.7	15.2	0.8	10.3%	3.0	2.7%
UNITED MALACCA BHD	OP	5.00	6.00	20.0%	1,048.8	Y	04/2024	24.6	32.8	-25.4%	33.3%	20.3	15.2	0.7	3.2%	12.0	2.4%
Sector Aggregat					113,251.8					19.6%	16.2%	18.9	16.3	1.2	7.4%		3.3%

Source: Bloomberg, Kenanga Research

	Criterion	Rating		
GENERAL	Earnings Sustainability & Quality	★	★	★
	Corporate Social Responsibility	★	★	★
	Management/Workforce Diversity	★	★	☆
	Accessibility & Transparency	★	★	☆
	Corruption-Free Pledge	★	★	★
	Carbon-Neutral Initiatives	★	★	☆
	SPECIFIC	Biodiversity Conservation	★	★
Sustainable Planting		★	★	★
Guest Labour Welfare		★	★	★
Supply Chain Auditing		★	★	★
Work Site Safety		★	★	★
Industrial Waste Disposal		★	★	★
OVERALL		★	★	★

- ☆ denotes half-star
- ★ -10% discount to TP
- ★★ -5% discount to TP
- ★★★ TP unchanged
- ★★★★ +5% premium to TP
- ★★★★★ +10% premium to TP

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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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