

28 June 2024

## United Malacca Indonesian Estates Drive Growth

By Teh Kian Yeong | [tehky@kenanga.com.my](mailto:tehky@kenanga.com.my)

UMCCA's FY24 results beat expectations on a bumper 4QFY24. Its FY24 core net profit eased 3% YoY as higher production was offset by lower CPO prices. Its FY25 earnings outlook is positive underpinned by firm CPO prices, easier cost and growing Indonesian FFB harvest. We raise our FY25F core net profit forecasts by 3% and maintain our TP of RM6.00 and **OUTPERFORM** call.

Its FY24 core net profit (excluding forex loss of RM13.4m and RM3.4m in fair value gains) beat our forecast by 17%, and 18% above consensus estimate. The variance against our forecast came largely from its FFB production holding up better in 4QFY24 despite being a seasonally low period, coupled with lower cost. It declared a final dividend of 7 sen. Together with an interim DPS of 5 sen, this bring full year FY24 DPS to 12 sen, which is as expected.

**YoY**, its FY24 turnover eased 1% as a 4% increase in FFB production was offset by a 12% decline in average CPO price realised. Similarly, its FY24 core net profit eased by 3%.

**QoQ**, its 4QFY24 top line rose 19% as a 10% increase in average CPO price realized more than offset a 12% decline in FFB production. However, its 4QFY24 core net profit only rose 3% on weak economies of scale during a seasonally low harvesting period.

**Supportive Indonesian tailwind to continue.** UMCCA should enjoy firm FY25-26F CPO prices of around RM3,800 per MT as global edible oil supply and demand balance stays tight despite production surplus last year. Edible oil supply is expected to continue inching up over CY24-25 but not likely to grow as fast as demand is rising, hence CY24-25 inventory levels are likely to dip below the level recorded in CY23. Amidst a tighter (even if still manageable) inventory level, supportive CPO prices are likely for UMCCA for FY25-26. Production costs have moderated and should stay contained over FY24-25 as lower fertilizer and fuel costs together with rising palm kernel prices should mitigate any increase in labour costs.

**Forecasts.** We raise our FY25F core net profit by 3% to RM70.9m and introduce FY26F core net profit of RM79.0m to reflect the improving productivity of its Indonesia operation which should continue to grow over the next 2-3 years. Nonetheless, we maintain our FY24-25F annual NDPS forecast of 12 sen.

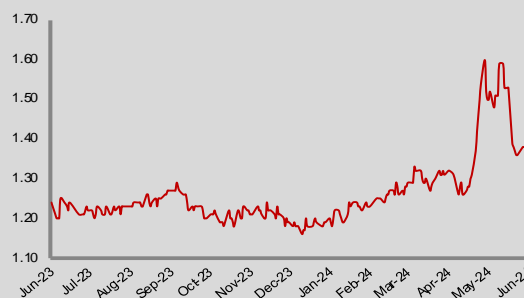
**Valuations.** We also keep our TP of RM6.00 based on 0.9x P/NTA. Our valuation basis for UMCCA is in line with the historical P/NTA range of 0.9x to 1.1x for smaller planters, which is also at a 10% discount to its NTA to reflect its historically weak ROE. There is no change to our TP based on its 3-star ESG rating as appraised by us (see Page 3). Maintain **OUTPERFORM** as we see value in the current level.

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

## OUTPERFORM ↔

Price : RM5.05  
Target Price : RM6.00 ↔

### Share Price Performance



KLCI 1,584.94  
YTD KLCI chg 9.0%  
YTD stock price chg -0.2%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	UMR MK EQUITY
Market Cap (RM m)	1,059.3
Shares outstanding	209.8
52-week range (H)	5.30
52-week range (L)	4.90
3-mth avg daily vol:	19,641
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)	2024A	2025F	2026F
Turnover	595.6	610.2	646.9
EBIT	93.3	118.1	128.7
PBT	74.7	99.9	113.9
<b>Net Profit (NP)</b>	<b>50.7</b>	<b>70.9</b>	<b>79.0</b>
<b>Core NP</b>	<b>60.6</b>	<b>70.9</b>	<b>79.0</b>
Consensus (CNP)	51.2	68.5	-
Earnings Revision	-	+3%	NEW
Core EPS (sen)	28.9	33.8	37.7
Core EPS grwth (%)	-12.6	17.1	11.4
NDPS (sen)	12.0	12.0	12.0
NTA/Share (RM)	6.72	6.94	7.20
Core PER (x)	17.5	14.9	13.4
Price/NTA (x)	0.75	0.73	0.70
Net Gearing (x)	0.0	0.0	0.0
Dividend Yield (%)	2.4	2.4	2.4

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<b>Results Highlights</b>								
<i>FYE April (RM m)</i>	<b>4Q24</b>	<b>3Q24</b>	<b>QoQ</b>	<b>4Q23</b>	<b>YoY</b>	<b>FY24</b>	<b>FY23</b>	<b>YoY</b>
<b>Revenue</b>	<b>171.5</b>	<b>143.7</b>	<b>19%</b>	<b>135.3</b>	<b>27%</b>	<b>595.6</b>	<b>604.5</b>	<b>-1%</b>
Gross Profit	35.7	33.6	6%	7.9	349%	112.3	108.9	3%
<b>EBIT</b>	<b>30.8</b>	<b>28.8</b>	<b>7%</b>	<b>8.3</b>	<b>272%</b>	<b>93.3</b>	<b>91.1</b>	<b>2%</b>
Interest expense	(2.1)	(2.2)	-4%	(2.2)	-4%	(8.6)	-7.5	14%
EI	(4.6)	(0.3)	1391%	7.3	-163%	(9.9)	(1.4)	613%
<b>Pretax Profit</b>	<b>24.2</b>	<b>26.4</b>	<b>-8%</b>	<b>13.4</b>	<b>80%</b>	<b>74.7</b>	<b>82.2</b>	<b>-9%</b>
Taxation	(10.4)	(7.5)	38%	(5.5)	87%	(26.7)	(26.7)	0%
MI	1.5	0.1	1688%	0.7	103%	2.7	5.8	-54%
<b>Net Profit</b>	<b>15.3</b>	<b>19.0</b>	<b>-19%</b>	<b>8.6</b>	<b>78%</b>	<b>50.7</b>	<b>61.3</b>	<b>-17%</b>
<b>Core Net Profit</b>	<b>19.9</b>	<b>19.3</b>	<b>3%</b>	<b>1.3</b>	<b>1409%</b>	<b>60.6</b>	<b>62.7</b>	<b>-3%</b>
EPS (sen)	7.3	9.0	-19%	4.1	78%	24.2	29.2	-17%
<b>Core EPS (sen)</b>	<b>9.5</b>	<b>9.2</b>	<b>3%</b>	<b>0.6</b>	<b>1409%</b>	<b>28.9</b>	<b>29.9</b>	<b>-3%</b>
NDPS (sen)	7.0	-	N.A.	7.0	-	12.0	12.0	-
GP %	21%	23%		6%		19%	18%	
EBIT %	18%	20%		6%		16%	15%	
PBT %	14%	18%		10%		13%	14%	
Tax %	43%	28%		41%		36%	32%	
<b>FFB (MT)</b>	<b>103,214</b>	<b>117,623</b>	<b>-12.3%</b>	<b>94,949</b>	<b>9%</b>	<b>441,950</b>	<b>422,923</b>	<b>4%</b>
Malaysia FFB (MT)	83,379	92,982	-10%	77,598	7%	348,084	361,825	-4%
Indonesia FFB (MT)	19,835	24,641	-20%	17,351	14%	93,866	61,098	54%
<b>Weighted Avg - CPO (RM / MT)</b>	<b>3,994</b>	<b>3,631</b>	<b>10%</b>	<b>3,906</b>	<b>2%</b>	<b>3,738</b>	<b>4,242</b>	<b>-12%</b>
Malaysia CPO (RM / MT)	4,068	3,703	10%	3,999	2%	3,830	4,387	-13%
Indonesia CPO (RM / MT)	3,684	3,359	10%	3,492	5%	3,398	3,386	0%
<b>Weighted Avg - PK (RM / MT)</b>	<b>2,258</b>	<b>1,931</b>	<b>17%</b>	<b>1,973</b>	<b>14%</b>	<b>1,978</b>	<b>2,257</b>	<b>-12%</b>
Malaysia PK (RM / MT)	2,347	2,015	16%	2,035	15%	2,076	2,309	-10%
Indonesia PK (RM / MT)	1,882	1,616	16%	1,698	11%	1,615	1,952	-17%

Source: Company, Kenanga Research

<b>Segmental Breakdown</b>								
<i>FYE April (RM m)</i>	<b>4Q24</b>	<b>3Q24</b>	<b>QoQ</b>	<b>4Q23</b>	<b>YoY</b>	<b>FY24</b>	<b>FY23</b>	<b>YoY</b>
<b>Segmental Rev:</b>								
Plantation - Malaysia	110.1	98.5	12%	103.4	7%	400.1	485.4	-18%
Plantation - Indonesia	61.4	45.2	36%	31.9	92%	195.5	119.1	64%
<b>Group Rev</b>	<b>171.5</b>	<b>143.7</b>	<b>19%</b>	<b>135.3</b>	<b>27%</b>	<b>595.6</b>	<b>604.5</b>	<b>-1%</b>
<b>Segmental Profit:</b>								
Plantation - Malaysia	25.5	23.0	11%	3.0	762%	78.8	91.3	-14%
Plantation - Indonesia	5.6	3.5	63%	(2.6)	-316%	10.8	(13.2)	-182%
Investments	(6.9)	(0.1)	5285%	11.0	-163%	(14.9)	2.0	-842%
Others	-	-	-	2.1	N.A.	-	2.1	N.A.
<b>Pretax Profit</b>	<b>24.2</b>	<b>26.4</b>	<b>-8%</b>	<b>13.4</b>	<b>80%</b>	<b>74.7</b>	<b>82.2</b>	<b>-9%</b>

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.				
<b>PLANTATION</b>																	
GENTING PLANTATIONS BHD	MP	5.96	6.00	0.7%	5,347.1	Y	12/2024	33.9	36.1	21.0%	6.4%	17.6	16.5	1.0	5.6%	21.0	3.5%
HAP SENG PLANTATIONS HOLDINGS	MP	1.75	2.00	14.3%	1,399.4	Y	12/2024	12.8	13.1	13.0%	2.8%	13.7	13.3	0.7	5.2%	8.0	4.6%
IOI CORP BHD	MP	3.69	3.80	3.0%	22,891.6	Y	06/2024	18.9	21.2	-22.3%	12.0%	19.5	17.4	2.1	11.6%	11.0	3.0%
KUALA LUMPUR KEPONG BHD	MP	20.52	21.00	2.3%	22,498.2	Y	09/2024	90.0	125.7	8.7%	39.7%	22.8	16.3	1.5	6.7%	50.0	2.4%
PPB GROUP BHD	OP	14.32	17.50	22.2%	20,371.6	Y	12/2024	111.1	132.5	38.1%	19.3%	12.9	10.8	0.7	5.6%	45.0	3.1%
SIME DARBY PLANTATION BHD	MP	4.20	4.00	-4.8%	29,046.0	Y	12/2024	16.1	18.9	25.9%	17.7%	26.2	22.2	1.6	6.2%	15.0	3.6%
TA ANN HOLDINGS BHD	MP	3.80	4.00	5.3%	1,673.8	Y	12/2024	40.9	43.5	3.5%	6.2%	9.3	8.7	0.9	10.0%	25.0	6.6%
TSH RESOURCES BHD	OP	1.14	1.30	14.0%	1,573.4	Y	12/2024	6.9	7.4	-1.8%	6.3%	16.5	15.5	0.7	9.2%	2.0	1.8%
UNITED MALACCA BHD	OP	5.05	6.00	18.8%	1,059.3	Y	04/2025	33.8	37.7	17.0%	11.4%	14.9	13.4	0.7	4.8%	12.0	2.4%
<b>Sector Aggregat</b>					<b>105,860</b>					<b>9.5%</b>	<b>19.2%</b>	<b>18.9</b>	<b>15.9</b>	<b>1.1</b>	<b>7.2%</b>		<b>3.4%</b>

Source: Bloomberg, Kenanga Research

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

☆ 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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**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](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)