



United Malacca Berhad

Rewards Shareholders with Special Dividend

TP: RM7.52 (+25%)

Last traded: RM6.03

Buy

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Review

- United Malacca's FY17 financial results come in above expectations. The better-than-expected results were mainly due to higher-than-expected commodity prices and lower tax expenses.
- After stripping out the unrealised forex loss of RM14.2mn and a gain from sale of equity shares of RM20.2mn, FY17 core net profit increased 68.7% YoY to RM78.6mn.
- Revenue increased 33.5% YoY to RM274.7mn mainly underpinned by higher FFB production (+8% YoY) and higher selling prices of CPO and PK.
- For FY17, Malaysia recorded higher FFB production of 2% or 6,229 tonnes. The group also benefitted from higher average selling prices of CPO at RM2,832/tonne (+28% YoY) and palm kernel at RM2,825/tonne (+67% YoY).
- Indonesia has enjoyed a full-year FFB contribution in FY17 compared with only 3 months in FY16. As of end FY17, new mature area in Indonesia came in at 1,667 ha.
- On a surprise note, the group has declared a 2nd interim single tier dividend of 12 sen/share and a special dividend of 3 sen/share. That will brings total dividend for FY17 to 23 sen/share (FY16: 16 sen), significantly higher than our forecast of 17 sen/share. The dividend translate into dividend yield of 3.8% and payout ratio of 57%.

Impact

- No change to our earnings forecasts.

Outlook

- For FY18, management expects FFB production to improve further due to improved FFB yield from the young matured palms and an additional 4,898 ha coming into maturity (Malaysia - 1,937 ha and Indonesia - 2,961 ha).

Valuation

- Maintain BUY on United Malacca with an unchanged target price of RM7.52 based on 21x CY18 EPS. We continue to like United Malacca for its young tree profile, compelling dividend payout, strong growth prospect and attractive valuations. Key risks to our call are, 1) a prolong downcycle in CPO price, 2) weakening of USD, 3) global economic slowdown, 4) lower FFB production, 5) large supply of soybean oil in the market.

Share Information

Bloomberg Code	UMR MK
Stock Code	2593
Listing	Main Market
Share Cap (mn)	209.2
Market Cap (RMmn)	1,261
Par Value	1.00
52-wk Hi/Lo (RM)	6.51/5.53
12-mth Avg Daily Vol ('000 shrs)	67
Estimated Free Float (%)	57
Beta	0.47
Major Shareholders (%)	
	OCBC- 19.8
	Aberdeen-11.01
	HSBC - 8.53
	EPF - 8.16

Forecast Revision

	FY18	FY19
Forecast Revision (%)	-	-
Net profit (RMm)	72.1	78.1
Consensus	71.0	79.1
TA's / Consensus (%)	101.6	98.7
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY18	FY19
ROE (%)	4.1	4.3
Net Gearing (%)	0.1	0.1
NTA/Share (RM)	8.2	8.3
Price/NTA (x)	0.7	0.7

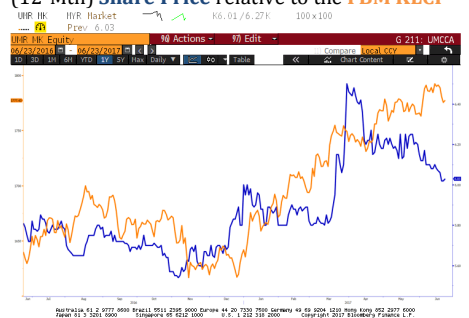
Scorecard

	% of FY	
vs TA	115	Above
vs Consensus	122	Above

Share Performance (%)

Price Change	UMR	FBM KLCI
1 mth	(3.4)	0.6
3 mth	(2.0)	1.7
6 mth	2.9	9.9
12 mth	3.8	8.4

(12-Mth) Share Price relative to the FBM KLCI



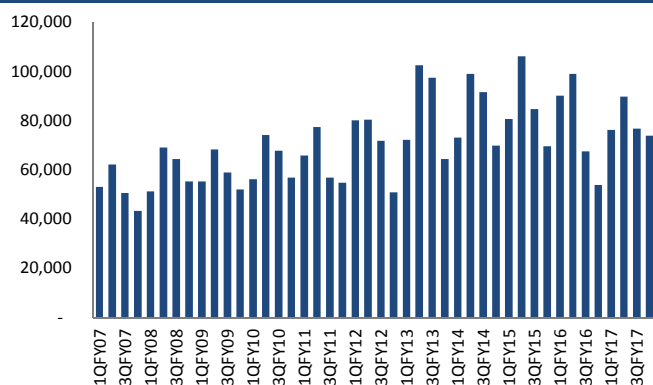
Source: Bloomberg

Figure 1: Production Statistics (Malaysia)

	4QFY16	3QFY17	4QFY17	% QoQ	% YoY	FY16	FY17	% YoY
FFB (tonnes)	53,883	76,804	73,889	(3.8)	37.1	310,563	316,836	2.0
CPO (tonnes)	11,822	13,852	12,406	(10.4)	4.9	66,524	60,024	(9.8)
PK (tonnes)	3,031	3,194	3,271	2.4	7.9	16,567	14,585	(12.0)

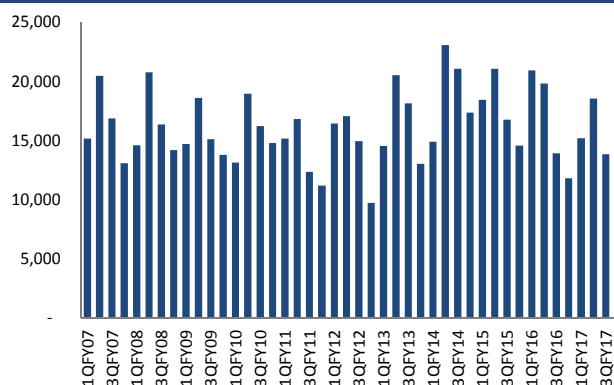
Source: Bursa Announcements, TA Research

Figure 2: FFB Production (in tonnes)



Source: Bursa Announcements, TA Research

Figure 3: CPO Production (in tonnes)



Source: Bursa Announcements, TA Research

4QFY17 Results Analysis (RMmn)

FYE 30 April (RMmn)	4QFY16	3QFY17	4QFY17	QOQ%	YoY %	FY16	FY17	YoY%
Turnover	47.9	75.8	70.3	(7.2)	46.7	205.7	274.7	33.5
EBIT	18.6	27.4	28.0	2.1	50.6	56.4	95.8	69.9
Net Interest Inc./ (exp.)	(0.7)	(0.7)	(0.8)	(17.9)	(22.4)	0.9	(2.9)	nm
EI	5.6	12.7	0.9	(92.7)	(83.6)	13.0	6.0	(54.1)
Pretax	23.6	39.4	28.1	(28.7)	19.3	70.2	98.9	40.8
Taxation	(3.2)	(5.6)	1.9	nm	nm	(10.5)	(13.0)	-
MI	(0.2)	(0.2)	(1.1)	>-100	>-100	(0.2)	(1.3)	>-100
Reported net profit	20.2	33.7	29.0	(13.9)	43.4	59.6	84.6	41.9
Core net profit	14.6	21.0	28.1	33.8	92.5	46.6	78.6	68.7
Core EPS (sen)	7.0	10.1	13.5			22.5	37.6	
GDPS (sen)	8.0	0.0	15.0			16.0	23.0	
EBIT Margin (%)	38.8	36.2	39.9			27.4	34.9	
Pretax Margin (%)	49.2	52.1	40.0			34.1	36.0	
Tax Rate (%)	13.4	14.3	(6.9)			14.9	13.1	

Earnings Summary (RMmn)

FYE April 30	FY15	FY16	FY17E	FY18F	FY19F	
Revenue	213.2	205.7	274.7	284.9	308.1	
EBITDA	92.5	88.5	110.2	115.2	127.9	
EBITDA Margin (%)	43.4	43.0	40.1	40.4	41.5	
Pretax profit	58.4	70.2	98.9	94.4	104.1	
Reported net profit	47.2	59.6	84.6	72.1	78.1	
Core net profit	47.2	46.6	78.6	72.1	78.1	
Reported EPS (sen)	22.8	28.5	40.3	34.1	36.7	
Core EPS (sen)	22.8	22.3	37.4	34.1	36.7	
Core EPS Growth (%)		(27.1)	(2.1)	67.9	(8.9)	7.5
PER (x)	26.5	27.0	16.1	17.7	16.5	
Gross Div (sen)	16.0	16.0	23.0	17.0	18.0	
Div Yield (%)	2.7	2.7	3.8	2.8	3.0	
ROE (%)	2.8	3.5	4.9	4.1	4.3	

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Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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