

United Malacca Berhad (2593)

Yield Holds, Costs Bite

Bloomberg Ticker: UMR MK | Investment Horizon: 12 Months

Recommendation

We reiterate our HOLD call with an unchanged target price of RM6.40, based on an unchanged FY27F PE of 11x, broadly in line with the simple average forward PE of its pure upstream plantation peers, reflecting the similar earnings profile and exposure to CPO price cycles.

Results Review

UMCCA's FY26 core PATAMI of RM152.4mn came in within expectations, at 95% of our full-year forecast, and 93% of consensus full-year forecast. The group declared a second interim DPS of 7 sen and a special DPS of 6 sen, bringing total FY26 DPS to 20 sen, it came above our 18 sen dividend forecast. Looking ahead, we forecast a lower DPS in FY27F–FY29F, as we do not expect any special dividend amid softer average CPO prices.

YoY, FY26 revenue rose 14% to RM813.4mn, underpinned by a robust 14% expansion in group FFB production to 516,456 tonnes, with both Malaysian (+14% YoY) and Indonesian estates (+12% YoY) delivering material yield improvements to 21.58 t/ha and 16.78 t/ha respectively (FY25: 19.50 and 15.17). Group EBITDA expanded 22% YoY, reflecting positive operating leverage from volume growth, lower unit cost across the full year, and improved oil-mill performance, which more than offset softer realised CPO ASPs in both geographies (Malaysia: –4% YoY to RM4,173/tonne; Indonesia: –8% YoY to RM3,522/tonne). Core PATAMI accordingly surged 30% YoY to RM146.8mn, with favourable product mix and one-off RM5.6mn impairment of bearer plants.

QoQ basis, 4QFY26 core PATAMI declined 22% to RM22.2mn, dragged by (i) a sharp 22% QoQ contraction in Malaysian FFB production to 77,328 tonnes (4.23 t/ha versus 5.45 t/ha), reflecting the tail end of the cropping cycle, (ii) higher unit cost of production in the Malaysian operations, and (iii) an elevated effective tax rate of 31% in 4QFY26 (3QFY26: 21.6%).

Outlook

We maintain a cautious stance on UMCCA heading into FY27F. While management guides for FFB production to hold broadly stable, supported by (i) a more favourable age profile across the planted estates, (ii) ongoing mechanisation and labour-productivity initiatives, (iii) continued oil-yield improvement programmes, and (iv) potential demand tailwind from the Indonesian B50 and Malaysia B20 biodiesel programme, near-term earnings visibility is clouded by weather risk, with El Niño conditions expected to develop between June and July 2026 and potentially persisting into early 2027. Our key concerns are (i) the durability of Malaysian unit cost normalisation amid persistent labour and fertiliser cost pressures, (ii) further depreciation of the Indonesian Rupiah, which has continued to generate translation drag on the investment-holding line (FY26: –RM20.9mn), and (iii) limited visibility on CPO price direction into the seasonally weaker 1QFY27.

Forecast

We keep our FY27F–FY28F forecast number unchanged, and introduce our FY29F numbers.

Investment Risk to our Call

(i) Adverse weather risk, (ii) CPO and PK prices volatility risk, and (iii) Manpower shortage risk.

HOLD ↔

Target Price: RM6.40 (+8%) ↔

Current Share Price: RM5.90

Main Market
Plantation

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Company Overview

United Malacca Berhad (UMCCA) is a pure upstream palm oil producer with milling operations in both Malaysia and Indonesia.

Stock Information

Market Cap (RM'mn)	1,237.6
Issued Shares (mn)	209.8
52W High (RM)	6.03
52W Low (RM)	5.07
Estimated Free Float (%)	75.1
Beta vs FBM KLCI	0.1
3-month Average Vol. (mn)	0.0
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	46.2	77.7	64.7
TP (RM)	High	Mean	Low
	7.84	6.97	6.40
Ratings	Buy	Hold	Sell
	3	1	0

Category	Score	Materiality	Weighted Score
Environmental	33	30%	1.9
Social	32	35%	2.3
Governance	35	35%	2.4
Total	100	100%	6.6

Results Summary

FYE 30 Apr	4QFY25	3QFY26	4QFY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Revenue	182.5	180.9	200.4	10.9	9.8	711.2	813.4	14.4
Gross Profit	42.7	53.1	45.9	-13.6	7.7	172.2	230.2	33.7
EBITDA	47.5	52.4	46.3	-11.8	-2.6	206.5	251.4	21.7
Depreciation	-16.9	-16.1	-16.0	-1.0	-5.6	-68.5	-65.0	-5.1
EBIT	30.6	36.3	30.3	-16.5	-0.9	138.1	186.4	35.0
Pretax Profit	29.3	36.2	30.3	-16.3	3.6	131.5	185.0	40.7
Taxation	-5.3	-7.8	-9.4	20.2	77.5	-35.9	-42.7	18.8
Net Profit	24.0	28.4	20.9	-26.3	-12.8	95.5	142.4	49.0
Core PATAMI	33.0	35.8	27.8	-22.4	-15.7	117.7	152.4	29.5
Margin (%)								
GP	23.4	29.4	22.9			24.2	28.3	
EBITDA	26.0	29.0	23.1			29.0	30.9	
Pretax	16.0	20.0	15.1			18.5	22.7	
Core PATAMI	18.1	19.8	13.9			27.3	23.1	
Avg Price for MYS Operation (RM)								
Average CPO price/tonne	4,563	4,073	4,266	4.8	-6.5	4,396	4,178	-5.0
Average PK price/tonne	3,620	3,212	3,587	11.7	-0.9	3,104	3,383	9.0
Avg Price for Indonesia Operation (RM)								
Average CPO price/tonne	3,951	3,414	3,465	1.5	-12.3	3,843	3,522	-8.4
Average PK price/tonne	3,264	2,799	3,295	17.8	0.9	2,780	3,130	12.6
FFB Production (tonne)								
Malaysia	80,610	99,505	77,328	-22.3	-4.1	345,946	394,552	14.1
Indonesia	30,070	31,144	31,764	2.0	5.6	108,915	121,904	11.9

Key Assumption

Revenue Growth	Actual		Before			After		
	FY25A	FY26A	FY27F	FY28F	FY29F	FY27F	FY28F	FY29F
Malaysia operation's FFB production (tonnes)	374,573	394,552	403,809	424,000	New	403,809	424,000	445,200
Indonesia operation's FFB production (tonnes)	108,915	121,904	134,515	145,521	New	134,515	145,521	161,785
Malaysia FFB yield (MT/Ha)	19.5	21.6	21.0	21.0	New	21.0	21.0	21.0
Indonesia FFB yield (MT/Ha)	15.2	16.8	16.5	17.0	New	16.5	17.0	18.0
Malaysia operation's CPO average selling price (RM/Tonne)	4,366	4,173	4,120	4,150	New	4,120	4,150	4,100
Indonesia operation's CPO average selling price (RM/Tonne)	3,843	3,522	3,680	3,700	New	3,680	3,700	3,700

Key Financial Metrics

FYE 30 Apr	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	711.2	813.4	821.2	839.3	874.2
EBITDA (RM'mn)	206.1	251.4	234.0	229.2	235.2
Pretax profit (RM'mn)	130.9	185.0	165.1	161.3	168.2
Net profit (RM'mn)	96.4	144.7	121.6	118.0	123.1
EPS (sen)	46.0	69.0	58.0	56.3	58.7
PER (x)	12.8	8.5	10.2	10.5	10.0
Core net profit (RM'mn)	117.2	152.4	121.6	118.0	123.1
Core EPS (sen)	55.9	72.7	58.0	56.3	58.7
Core EPS growth (%)	89.3	30.1	(20.2)	(2.9)	4.3
Core PER (x)	10.5	8.1	10.2	10.5	10.0
Net DPS (sen)	12.0	20.0	18.0	18.0	18.0
Dividend Yield (%)	2.0	3.4	3.1	3.1	3.1
ROE (%)	6.3	9.3	7.4	6.9	6.8
P/BV (x)	0.8	0.8	0.8	0.7	0.7

Financial Exhibits

Income statement

FYE 30 Apr (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	711.2	813.4	821.2	839.3	874.2
Operating expenses	(34.5)	(43.8)	(35.3)	(36.9)	(38.5)
EBITDA	206.1	251.4	234.0	229.2	235.2
Depreciation	(68.6)	(65.0)	(64.0)	(63.0)	(62.1)
EBIT	137.5	186.4	170.0	166.2	173.1
Net int income/(expense)	(6.6)	(1.3)	(4.8)	(4.8)	(4.8)
Exceptional gains /(losses)	20.8	7.7	0.0	0.0	0.0
Associates' contribution	0.1	0.0	0.0	0.0	0.0
Pretax profit	130.9	185.0	165.1	161.3	168.2
Tax	(35.9)	(42.7)	(45.4)	(45.2)	(47.1)
Minority interest	(1.5)	(2.3)	(1.9)	(1.9)	(1.9)
Net profit	96.4	144.7	121.6	118.0	123.1
Core net profit	117.2	152.4	121.6	118.0	123.1

Balance Sheet Statement

FYE 30 Apr (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	625.7	583.5	605.6	597.1	589.4
Other long term assets	840.5	811.4	813.5	801.9	790.5
Total non-current assets	1,466.2	1,394.9	1,419.1	1,399.0	1,379.9
Cash and equivalents	99.7	86.5	152.9	229.5	307.7
Inventories	51.8	46.5	49.1	50.7	52.8
Receivables	103.0	79.4	79.1	80.9	84.2
Other current assets	132.3	217.2	209.2	228.3	247.9
Total current assets	386.9	429.5	490.3	589.3	692.6
Payables	65.2	13.8	16.9	17.4	18.2
Short term borrowings	60.4	69.2	69.2	69.2	69.2
Other current liabilities	6.5	0.8	0.8	0.8	0.8
Total current liabilities	132.2	83.9	86.9	87.5	88.2
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	194.3	181.5	181.5	181.5	181.5
Total long term liab.	194.3	181.5	181.5	181.5	181.5
Shareholders' Funds	1,526.7	1,559.0	1,641.0	1,719.4	1,802.8
Minority Interest	23.8	-1.6	-1.6	-1.6	-1.6

Cash Flow Statement

FYE 30 Apr (RMmn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	130.9	185.0	165.1	161.3	168.2
Depreciation & amortisation	68.6	65.0	64.0	63.0	62.1
Working capital changes	0.6	25.0	0.7	(2.8)	(4.7)
Others	(8.4)	(34.8)	(45.4)	(45.2)	(47.1)
C/F from operation	191.6	240.2	184.5	176.4	178.5
Capex	(41.3)	(81.7)	(42.0)	(43.0)	(43.0)
Others	(60.6)	(83.1)	0.0	0.0	0.0
C/F from investing	(101.9)	(164.8)	(42.0)	(43.0)	(43.0)
Debt raised/(repaid)	(29.8)	0.0	0.0	0.0	0.0
Dividends paid	(25.2)	(42.0)	(37.8)	(37.8)	(37.8)
Others	(5.1)	(59.7)	0.0	0.0	0.0
C/F from financing	(60.1)	(101.7)	(37.8)	(37.8)	(37.8)
Net change in cash flow	29.6	(26.2)	104.7	95.7	97.8
Free Cash Flow	150.3	158.6	142.5	133.4	135.5



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TRADING SELL: Total stock return expected to below -10% over a 6-month period

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