

United Malacca Berhad (2593)

RM6.10 Offer Price Falls Short of Our Valuation

Bloomberg Ticker: UMR MK | Investment Horizon: 12 Months

Recommendation

We upgrade UMCCA to **BUY** with a higher target price of RM6.88 (from RM6.59), based on an unchanged 11x FY27F PE, broadly in line with the simple average forward PE of its pure upstream plantation peers. We advise shareholders to **reject the RM6.10 offer**, which is **11.3% below our TP**. With the offerors intending to maintain UMCCA's listing, we favour retaining the shares to benefit from Malaysia's crop recovery and Indonesia's longer-term growth.

Highlight

Conditional MGO undervalues the company. Prosper Trading's acquisition of Great Eastern's 13.4% stake raised its combined holding with associated parties to 47.7%, triggering a conditional MGO at RM6.10 per share. We view the offer as unattractive, as it provides only a 2.2% premium to the 12 October closing price, values UMCCA at 9.7x FY27F PE against our 11x target multiple, and is 11.3% below our RM6.88 TP. With the offerors intending to maintain UMCCA's listing and not invoke compulsory acquisition, we favour retaining the shares and advise shareholders to reject the offer.

Operational rebound and input-cost relief. Our higher earnings outlook reflects recovering volumes and expected input-cost relief. Management guided that fresh fruit bunch (FFB) production began recovering in September and expects momentum to continue through December 2026. Recovering Gulf oil flows should also ease fertiliser and transport costs, which together accounted for approximately 20% of FY26 group FFB production costs. These drivers support earnings growth despite our unchanged Malaysian CPO ASP assumption of RM4,650/tonne. Beyond the near-term recovery, further yield gains from UMCCA's younger Indonesian palms, which averaged 11.1 years at FY26 year-end, offer longer-term earnings upside.

Forecast

We raise FY27F and FY28F earnings by 4.5% and 3.5%, respectively, on a higher FY27F Malaysian FFB yield and lower COGS assumptions, which factor in some easing of oil-linked costs. We cut FY29F earnings by 3.2% following housekeeping revisions to our mature-hectare forecasts over FY27F-FY29F.

Investment Risk to our Call

(i) FFB shortfall from prolonged dry weather; (ii) weaker than expected CPO and PK prices; and (iii) persistent unit-cost pressure or foreign exchange losses.

BUY ↑
REJECT OFFER

Target Price: RM6.88 (+15%) ↑
Current Share Price: RM5.97

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)	1,252.3
Issued Shares (mn)	209.8
52W High (RM)	6.08
52W Low (RM)	5.54
Estimated Free Float (%)	78.1
Beta vs FBM KLCI	0.2
3-month Average Vol. (mn)	0.0
Shariah Compliant	Yes

Consensus	FY26A	FY27F	FY28F
EPS (sen)	69.0	64.3	60.7
TP (RM)	High	Mean	Low
	7.00	6.82	6.59
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 / 10

Reject Offer

Prosper Trading acquired Great Eastern's 13.4% stake for RM171.93mn (RM6.10 per share), lifting its combined holding with associated parties to 47.7% and triggering a conditional MGO for the remaining 109.8mn shares (52.3% of issued capital) at the same price.

The offer provides only a 2.2% premium to the 12 October closing price and implies 9.7x FY27F PE, below our 11x valuation multiple. With the offerors intending to retain UMCCA's listing and not invoke compulsory acquisition, we favour retaining the shares for the expected earnings recovery and advise shareholders to reject the RM6.10 offer. Completion requires another 4.92mn shares, or 2.34% of issued capital, to bring combined ownership above 50%, although higher acceptances could reduce public shareholdings and trading liquidity.

Separately, the offerors will compensate eligible holders for the MGO that should have been extended in September 2024. Qualifying holders who sold below RM6.10 between 26 September 2024 and 9 October 2026 may claim the difference, excluding additional shares purchased after 26 September 2024, with the intended claim deadline set for 17 December 2026. Compensation is funded by the offerors independently of the MGO's acceptance condition and therefore creates no compensation charge for UMCCA.

Outlook

Malaysia's recovery narrows the FY27 crop gap.

Management guided that FFB production began recovering in September and expects momentum through December 2026, consistent with the usual September–October harvest peak. Our revised FY27F Malaysian forecast of 356.4k tonnes requires 283.6k tonnes over the remaining three quarters, which is 1.1% below the comparable FY26 period.

High stocks cap near-term CPO upside. Malaysian palm-oil stocks rose 24.5% MoM to 3.51mn tonnes in September, their sixth consecutive increase and an all-time high. CPO production increased 16.5% to 2.12mn tonnes, while exports fell 12.1% to 1.12mn tonnes. If exports remain weak through the seasonal harvest peak, UMCCA's FFB production recovery may come without higher CPO prices. We therefore retain our FY27F Malaysian CPO ASP assumption of RM4,650/tonne.

Oil-flow recovery could ease costs while B50 cushions CPO. US-protected tanker passages and pipelines bypassing Hormuz have helped Gulf oil exports recover towards pre-war levels. With US Strategic Petroleum Reserve stocks at their lowest since October 1982, we expect Washington to continue prioritising oil supplies and lower fuel prices ahead of the 3 November midterms. A sustained shipping recovery should ease fertiliser and FFB transport costs, which together accounted for ~20% of UMCCA's FY26 group FFB production costs. Cheaper crude could weaken biofuel-linked CPO support, but Indonesia's B50 mandate should absorb more palm oil following the end-September deadline for clearing B40 fuel. Black Sea attacks on merchant vessels also threaten sunflower-oil shipments, with exporters expecting Russian October–March shipments of 250–300k tonnes monthly, against around 400k tonnes a year earlier. A drawdown in Malaysian stocks or further disruption to sunflower-oil shipments could therefore support higher CPO prices from late FY27.

Super El Niño could align firmer prices with Indonesian growth. NOAA's October forecast puts the probability of a very strong October–December El Niño at approximately 100% and historic intensity at 83%, up from 98% and 75% respectively in September. Prolonged dryness could reduce palm yields after a six-to-nine-month lag, tightening supply from late FY27 into FY28. Malaysian Palm Oil Council forecasts 2027 vegetable-oil consumption to grow by 6.1mn tonnes, against only 3.1mn tonnes of additional production. Further yield gains from UMCCA's younger Indonesian palms, which averaged 11.1 years at FY26 year-end, could partly offset Malaysian crop weakness and lift Indonesia's earnings contribution as CPO prices firm into FY28.

Rupiah weakness remains a risk. Indonesian plantation profit rose to RM20.0mn in 1QFY27 from RM3.6mn in 1QFY26, while group net FX losses increased to RM1.4mn from RM0.1mn, mainly from rupiah depreciation. Although lower US Treasury yields provided some support in early October, policy uncertainty following President Prabowo's cabinet changes leaves us cautious on a sustained recovery. We expect a 5% weaker IDR against the MYR would reduce earnings by 1-2% over FY27F-FY29F.

Key Assumption

Operating Statistics	Actual		Before			After		
	FY25A	FY26A	FY27F	FY28F	FY29F	FY27F	FY28F	FY29F
Malaysia operation's FFB production (tonnes)	345,946	394,552	346,122	353,333	445,200	356,433	341,740	422,390
Indonesia operation's FFB production (tonnes)	108,915	121,904	141,853	145,521	161,785	130,221	131,044	142,916
Malaysia FFB yield (MT/Ha)	19.5	21.6	18.0	17.5	21.0	18.8	17.5	21.0
Indonesia FFB yield (MT/Ha)	15.2	16.8	17.4	17.0	18.0	17.4	17.0	18.0
Malaysia operation's CPO average selling price (RM/Tonne)	4,366	4,173	4,650	4,750	4,300	4,650	4,750	4,300
Indonesia operation's CPO average selling price (RM/Tonne)	3,843	3,522	3,680	3,750	3,600	3,680	3,750	3,600
GP Margin	24.2%	28.3%	25.0%	24.2%	24.2%	25.3%	25.0%	24.2%

Key Financial Metrics

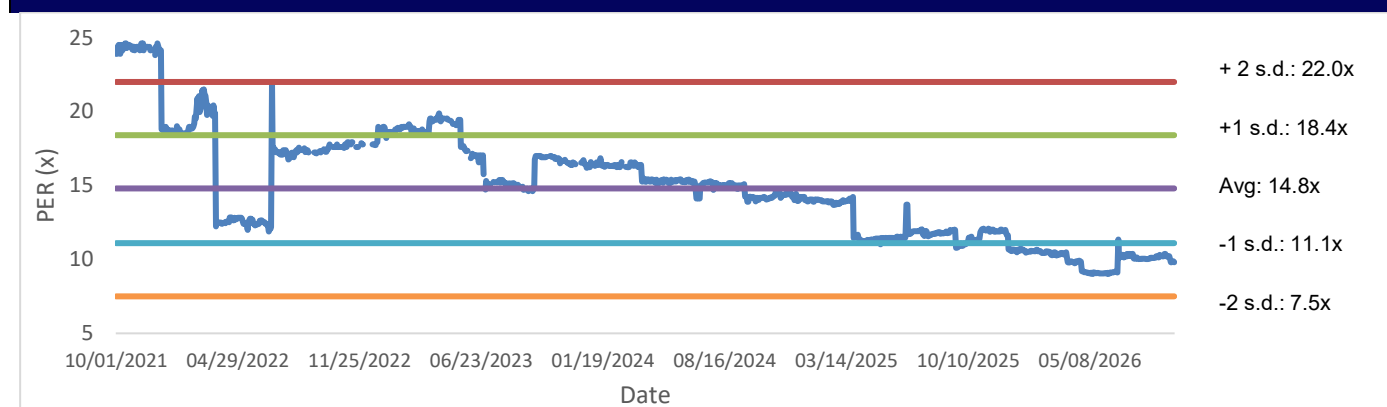
FYE 30 Apr	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	711.2	813.4	849.1	826.2	861.8
EBITDA (RM'mn)	206.0	251.4	239.1	230.7	228.7
Pretax profit (RM'mn)	130.9	185.0	177.9	170.2	168.9
Net profit (RM'mn)	96.4	144.7	131.3	124.8	123.8
EPS (sen)	46.0	69.0	62.6	59.5	59.1
PER (x)	13.0	8.7	9.5	10.0	10.1
Core net profit (RM'mn)	117.2	152.4	131.3	124.8	123.8
Core EPS (sen)	55.9	72.7	62.6	59.5	59.1
Core EPS growth (%)	89.3	30.1	(13.9)	(5.0)	(0.7)
Core PER (x)	10.7	8.2	9.5	10.0	10.1
Net DPS (sen)	18.0	20.0	18.0	18.0	18.0
Dividend Yield (%)	3.0	3.4	3.0	3.0	3.0
ROE (%)	6.4	9.3	7.9	7.2	6.8
P/BV (x)	0.8	0.8	0.8	0.7	0.7

Peer Comparison

Name	Last Price	Market Cap (RM'mn)	FYE	Earnings Growth		P/E (x)			Div. Yield	ROE
				1-yr Fwd	2-yr Fwd	Hist.	1-yr Fwd	2-yr Fwd	1-yr Fwd	Hist.
Domestic Pure Upstream Plantation Peers										
TH Plantations Bhd	0.52	459.6	12/2025	-24.6	6.3	6.9	8.3	7.8	6.0	10.7
Kim Loong Resources Bhd	2.66	2,621.5	01/2026	4.0	13.2	14.5	15.6	13.6	5.6	18.8
Simple Avg				-10.3	9.8	10.7	12.0	10.7	5.8	14.8
United Malacca Bhd	5.97	1,252.3	04/2026	-13.9	-5.0	8.2	9.5	10.0	3.0	9.3

Source: Bloomberg estimates, Tradeview Research (As of 12th October 2026)

United Malacca Berhad's Rolling PER (x) over the past 5 years



Sensitivity Analysis

Case 1: Changes in IDR/MYR against PE to derive target price

IDR/MYR in FY27F: RM0.2484 per 1,000 IDR

Changes in IDR/MYR (%) / PE (x)	-10%	-5%	Base	+5%	+10%
9.0x	5.47	5.55	5.63	5.71	5.79
10.0x	6.08	6.17	6.26	6.35	6.44
11.0x	6.69	6.79	6.88	6.98	7.08
12.0x	7.30	7.40	7.51	7.62	7.72
13.0x	7.91	8.02	8.14	8.25	8.37

Financial Exhibits

Income statement

FYE 30 Apr (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	711.2	813.4	849.1	826.2	861.8
Operating expenses	(34.5)	(43.8)	(36.5)	(36.4)	(37.9)
EBITDA	206.0	251.4	239.1	230.7	228.7
Depreciation	(68.6)	(65.0)	(61.2)	(60.5)	(59.7)
EBIT	137.5	186.4	177.9	170.2	168.9
Net int income/(expense)	(6.6)	(1.5)	0.0	0.0	0.0
Exceptional gains /(losses)	20.8	7.7	0.0	0.0	0.0
Associates' contribution	0.1	0.2	0.0	0.0	0.0
Pretax profit	130.9	185.0	177.9	170.2	168.9
Tax	(35.9)	(42.7)	(48.9)	(47.7)	(47.3)
Minority interest	1.5	2.3	2.3	2.2	2.2
Net profit	96.4	144.7	131.3	124.8	123.8
Core net profit	117.2	152.4	131.3	124.8	123.8

Balance Sheet Statement

FYE 30 Apr (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	625.7	583.5	576.8	570.7	565.0
Other long term assets	840.5	811.4	798.8	787.5	776.4
Total non-current assets	1,466.2	1,394.9	1,375.6	1,358.2	1,341.5
Cash and equivalents	99.7	86.5	141.5	246.7	342.1
Inventories	51.8	46.5	50.6	49.4	52.2
Receivables	103.0	76.5	78.8	76.7	80.0
Other current assets	132.3	217.2	217.2	217.2	217.2
Total current assets	386.9	426.6	488.1	589.9	691.5
Payables	65.2	66.4	17.4	17.0	17.9
Short term borrowings	60.4	0.0	0.0	0.0	0.0
Other current liabilities	6.5	14.6	14.6	14.6	14.6
Total current liabilities	132.2	81.0	32.0	31.6	32.6
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	1,502.9	1,560.6	1,654.2	1,741.2	1,827.2
Minority Interest	23.8	-1.6	-3.9	-6.1	-8.3

Cash Flow Statement

FYE 30 Apr (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	130.9	185.0	177.9	170.2	168.9
Depreciation & amortisation	68.6	65.0	61.2	60.5	59.7
Working capital changes	0.6	25.2	(55.4)	2.9	(5.2)
Others	(8.4)	(35.0)	(48.9)	(47.7)	(47.3)
C/F from operation	191.6	240.3	134.8	185.9	176.2
Capex	(41.3)	(40.4)	(42.0)	(43.0)	(43.0)
Others	(60.6)	(124.4)	0.0	0.0	0.0
C/F from investing	(101.9)	(164.8)	(42.0)	(43.0)	(43.0)
Debt raised/(repaid)	(34.1)	(58.9)	0.0	0.0	0.0
Dividends paid	(25.2)	(42.0)	(37.8)	(37.8)	(37.8)
Others	(0.9)	(0.9)	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)	55.1	105.2	95.5
Free Cash Flow	150.3	199.9	92.8	142.9	133.2



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HOLD: Total stock return to be between -15% and +15% over a 12-month period

SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

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

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period