

Steven Chong
 (603) 7890 8888 (ext 2068)
stevenchong@apexsecurities.com.my

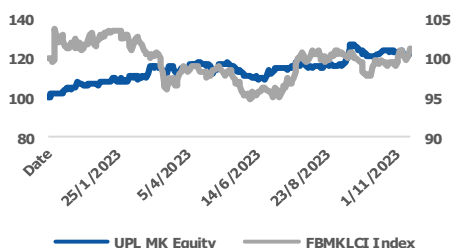
Recommendation:	HOLD
Current Price:	RM 16.82
Previous Target Price:	RM 17.40
Target Price:	RM 17.66
Upside/Downside:	5.0%

Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	2089 / UPL MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	☆☆★★★
Shares issued (m)	414.8
Market Cap (RM' m)	6,976.7
52-Week Price Range (RM)	17.46-13.99
Beta (x)	0.6
Free float (%)	30.5
3M Average Volume (m)	0.2
3M Average Value (RM' m)	3.8

Top 3 Shareholders	(%)
Maximum Vista Sdn Bhd	43.7
Employees Provident Fund Board	6.5
Perbadanan Pembangunan Pertanian N	5.6

Share Price Performance



	1M	3M	12M
Absolute (%)	-0.1	6.5	16.6
Relative (%)	-1.5	5.2	15.4

United Plantation Berhad




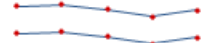

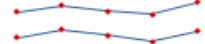



3Q23 surpassed expectation

Summary

- UPL's 9MFY23 core net profit at RM506.8m exceeded our expectations, driven by lower-than-expected operating expenses.
- Looking ahead, CPO prices are expected to stay subdued for the remainder of the year, due to an anticipated increase in supply.
- We maintain our HOLD recommendation with a revised target price of RM17.66 by pegging PE multiple of 13.5x to FY24F EPS of RM1.31.

Results Review

- **Results review.** United Plantations' 3QFY23 core earnings stood at RM159.0m, up +19.8% yoy and +48.2% qoq, thanks to lower production costs. Consequently, operating margin expanded from 45.8% in 2QFY22 to 55.8% in 3QFY23. Meanwhile, revenue was registered at RM470.1m, eased -16.9% yoy but grew +14.9% qoq.
- **Exceeded expectations.** In 9M23, cumulative net profit at RM506.8m makes up to 106% of our forecasted net profit of RM480m. The variance was mainly attributed to margin expansion driven by lower-than-expected operating expenses in 3Q23.
- **Operations Highlights.** Profit contribution from the plantation segment in 9M23 rose 1.5% yoy, due to higher average CPO price and lower windfall tax incurred. During the period, CPO price has increased from RM3,839/MT to RM3,927/MT while windfall tax has fallen by -65.6% yoy to RM19.1m. Additionally, profit from the refinery segment saw a +14.9% yoy growth, primarily driven by realisation of net hedging gains.
- **Industry Highlights.** In 3Q23, CPO price remained volatile, ranging from RM3,640/MT to a peak of RM3,805/MT. The seasonal surge in production in Malaysia and Indonesia exerted pressure on prices, as inventory level continue to build up. Furthermore, the uncertainty surrounding interest rates has heightened concerns about the economic outlook, significantly influencing the demand for palm oil.
- **Outlook.** We maintain our view that CPO prices are expected to stay subdued for the remainder of the year due to an anticipated increase in supply. However, the potential influence of drier weather and the upcoming El Niño phenomenon could serve as key catalyst in the recovery of palm oil prices for next year.
- **Valuation.** Raised our earnings forecast by 10.3% and 12.7% for FY23F and FY24F, to adjust for the better-than-expected margins. We raised our TP to RM17.66 as we roll forward to our valuation metrics to FY24. Our valuation is pegged using PE multiple of 13.5x to FY24F EPS of RM1.31. Our PE is derived after applying a 10% discount on forward PE of peers to account for the lack of liquidity.
- **Risk.** EU export ban and regulations, changing weather patterns affect FFB production, taxation and export ban in Indonesia threatens local CPO demand, shortage of labours and rising operational cost.

FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	540.2	649.6	(16.9)	470.1	14.9	1,993.8	1,470.2	(26.3)		Reported lower CPO and PK price
EBITDA	352.2	322.0	9.4	256.3	37.4	709.6	777.8	9.6		
Pre-tax profit	305.9	302.0	1.3	207.2	47.7	637.6	663.1	4.0		Lower operating expenses
Net profit	236.7	197.1	20.1	160.0	47.9	444.4	509.2	14.6		
Core net profit	235.7	196.7	19.8	159.0	48.2	441.0	506.8	14.9		
Core EPS (sen)	56.8	47.4	19.8	38.3	48.2	106.3	122.2	14.9		Supported by higher interest income and hedging gains
EBITDA margin (%)	65.2	49.6		54.5		35.6	52.9			
PBT margin (%)	56.6	46.5		44.1		32.0	45.1			
Core PATMI margin (%)	43.6	30.3		33.8		22.1	34.5			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Revenue	1340.1	2033.5	2514.8	2075.1	2175.5
Gross Profit	880.5	1337.7	1605.6	1328.1	1366.2
EBITDA	585.0	777.2	939.9	793.5	815.6
Depreciation & Amortisation	95.5	100.5	102.7	103.2	108.4
EBIT	489.6	676.7	837.2	690.3	707.2
Net Finance Income/(Cost)	16.1	6.8	9.3	11.9	13.2
Associates & JV	11.0	0.3	13.3	13.3	13.3
Pre-tax Profit	505.6	683.5	846.5	702.3	720.4
Tax	104.1	161.2	240.9	168.5	172.9
Profit After Tax	397.5	514.5	597.8	525.9	539.7
Minority Interest	-2.0	-3.9	-3.9	-3.9	-3.9
Net Profit	399.5	518.4	601.7	529.8	543.6
Exceptionals	14.0	1.7	-7.0	0.0	0.0
Core Net Profit	413.5	520.1	594.7	529.8	543.6

Key Ratios

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
EBITDA margin	43.7%	38.2%	37.4%	38.2%	37.5%
EBIT margin	36.5%	33.3%	33.3%	33.3%	32.5%
PBT margin	37.7%	33.6%	33.7%	33.8%	33.1%
PAT margin	29.7%	25.3%	23.8%	25.3%	24.8%
NP margin	29.8%	25.5%	23.9%	25.5%	25.0%
Core NP margin	29.8%	25.5%	23.9%	25.5%	25.0%
ROE	15.2%	19.3%	20.7%	17.5%	17.2%
ROA	20.0%	25.8%	29.0%	24.8%	24.7%
Net gearing	-4.9%	-11.2%	-18.5%	-21.7%	-22.6%

Key Assumptions

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Production ('000)	242857.0	251601.0	254389.0	262685.2	264392.1
FFB Yield	26.7	27.5	27.6	27.2	27.2
OER	22.2%	21.8%	21.3%	22.0%	22.0%
CPO (RM)	2543	3261	3739	3481	3624

Valuations

	FY24f
Core EPS (RM)	1.311
P/E multiple (x)	13.5
Fair Value (RM)	17.66

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Cash	128.5	299.7	537.2	658.4	717.2
Receivables	186.9	240.9	147.5	121.7	127.6
Inventories	134.5	139.3	219.5	181.2	189.9
Other current assets	522.5	463.0	342.2	342.2	342.2
Total Current Assets	972.4	1142.8	1246.4	1303.4	1376.9
Fixed Assets	1209.4	1209.9	1241.8	1304.6	1370.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	793.1	800.4	830.6	830.6	830.6
Total Non-current assets	2002.5	2010.4	2072.4	2135.2	2200.9
Short-term Debt	0.1	0.0	0.2	0.2	0.2
Payables	16.3	24.2	25.6	21.3	22.5
Other Current Liabilities	160.7	270.0	183.3	183.3	183.3
Total Current Liabilities	177.1	294.2	209.1	204.8	206.1
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	166.8	173.5	204.9	204.9	204.9
Total Non-current Liabilities	166.8	173.5	204.9	204.9	204.9
Shareholder's equity	2620.0	2674.8	2890.7	3014.8	3152.6
Minority interest	10.9	10.7	14.0	14.0	14.0
Equity	2630.9	2685.5	2904.8	3028.8	3166.6

Cash Flow

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Pre-tax profit	505.6	683.5	846.5	702.3	720.4
Depreciation & amortisation	95.5	100.5	102.7	103.2	108.4
Changes in working capital	-40.4	-50.9	74.4	74.4	-13.4
Others	-174.7	-202.6	-99.3	-879.8	-122.5
Operating cash flow	385.9	530.5	924.3	0.0	692.9
Net capex	-111.3	-114.4	-138.7	-166.0	-174.0
Others	43.0	167.8	-51.7	0.0	0.0
Investing cash flow	-68.3	53.4	-190.4	-166.0	-174.0
Changes in borrowings	0.0	0.0	0.0	0.0	0.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-300.7	-398.3	-518.5	-405.8	-405.8
Others	383.4	167.0	464.1	347.2	347.2
Financing cash flow	82.7	-231.3	-54.4	-58.6	-58.6
Net cash flow	85.8	28.8	32.6	110.8	242.5
Forex	0.0	0.0	0.0	0.0	0.0
Others	-17.8	179.4	241.6	47.1	-146.9
Beginning cash	60.6	91.7	263.2	500.5	621.6
Ending cash	128.6	300.0	537.3	658.4	717.2

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

Head Office:

6th Floor, Menara Apex,
Off Jalan Semenyih,
Bukit Mewah 43000 Kajang,
Selangor Darul Ehsan, Malaysia

General Line: (603) 8736 1118

Mutiara Damansara Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

Mutiara Damansara Office:

Kenneth Leong (ext 2093)
Lee Cherng Wee (ext 2067)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Aiman Kamil (ext 2071)

RESEARCH RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Total returns* are expected to exceed 10% within the next 12 months.

HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.

SELL: Total returns* are expected to be below -10% within the next 12 months.

TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.

TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.

*Capital gain + dividend yield

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.

NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

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