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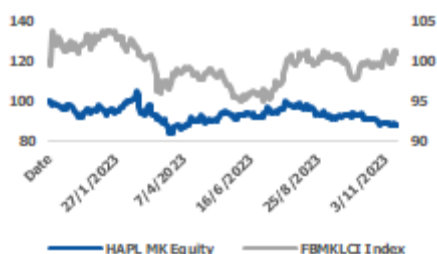
Recommendation:	HOLD
Current Price:	RM 1.81
Previous Target Price:	RM 1.80
Target Price:	↔ RM 1.80
Upside/Downside:	-0.6%

Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5138 / HAPL MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	N/A
Bloomberg ESG Rating	☆☆★★
Shares issued (m)	799.7
Market Cap (RM' m)	1,447.4
52-Week Price Range (RM)	2.16-1.68
Beta (x)	0.9
Free float (%)	25.7
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.4

Top 3 Shareholders	(%)
HAP Seng Consolidated Bhd	69.5
Employees Provident Fund Board	1.7
PUBLIC SMALLCAP FUND	1.0

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.6	-6.7	-12.1
Relative (%)	-2.7	-7.4	-12.6

Hap Seng Plantations Holdings Berhad

3Q23 within expectation










Summary

- **HSPLANT's 3QFY23 core net profit at RM22.8m within our expectations as higher FFB production was offset by the decline in CPO and PK average selling price.**
- **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 target price of RM1.80 by pegging PE multiple of 12.8x to FY24f EPS of RM0.14.**

Results Review

- **Results review.** HSPLANT recorded core net profit of RM22.8m (-41.4% yoy) after excluding gain from fair value adjustments of biological assets of RM15m in 3QFY23. Meanwhile, revenue registered at RM164.6m, shedding -9.6% yoy as higher FFB production was offset by the decline in CPO and PK average selling price.
- **Within expectations.** 9MFY23 net profit of RM70.7m was well within both our and consensus expectations, which accounted for 67% of our full year estimates and 76% of consensus estimates.
- **Operations Highlights.** 3QFY23's CPO and PK production were higher by 17% yoy and 21% yoy mainly attributable to higher FFB production resulting from seasonal yield trends and changes in cropping patterns. On the other hand, average selling price of CPO and PK for 3QFY23 were at RM3,924/tonne (-24.8% yoy) and RM2,142/tonne (-15.8% yoy) respectively which is both substantially lower as compared to 2QFY23.
- **Industry Highlights.** In 3Q23, CPO price remained volatile, ranging from RM3,640/MT to a peak of RM3,805/MT. During the quarter, Malaysia palm oil inventories surged by +25.8% qoq to 6.17mt. The rise was attributed to increase in palm oil production (+25.2% qoq) that outpaced growth in palm oil exports (+13% qoq).
- **Outlook.** We re-iterate our view that CPO prices are expected to stay subdued for the remainder of the year due to an anticipated increase in supply. Moving forward, CPO prices are expected to be influenced by the seasonally high production of palm oil in tandem with the cropping season of FFB as well as competition from rival edible oils such as soybean oil and sunflower oil.
- **Valuation.** Maintained our earnings forecast for FY23F with a slight adjustment to FY24F (+5.6%), to account for possible recovery in CPO price. Maintained a HOLD call for Hap Seng Plantation, with a target price of RM1.80 based on 12.8x PER FY24F at mean from its 3-year average forward PE.
- **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.

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY23	3QFY22	YoY (%)	2QFY23	QoQ (%)	9MFY22	9MFY23	YoY (%)	5 Quarters Trend	Comments
Revenue	164.6	182.0	(9.6)	168.8	(2.5)	671.0	493.3	(26.5)		Higher production offset by lower CPO and PK ASP
EBITDA	70.4	38.7	82.0	34.5	104.3	300.0	158.0	(47.3)		
Pre-tax profit	49.2	17.2	185.4	13.2	273.1	236.3	93.9	(60.3)		Buoyed by FV gain in biological asset
Net profit	37.8	22.9	65.4	9.4	301.7	191.4	70.7	(63.1)		
Core net profit	22.8	38.9	(41.4)	13.7	66.4	188.7	57.6	(69.5)		
Core EPS (sen)	2.9	4.9	(41.4)	1.7	66.4	23.6	7.2	(69.5)		
EBITDA margin (%)	42.8	21.3		20.4		44.7	32.0			
PBT margin (%)	29.9	9.5		7.8		35.2	19.0			
Core PATMI margin (%)	13.9	21.4		8.1		28.1	11.7			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Revenue	467.6	670.9	814.6	631.7	653.0
Gross Profit	156.3	355.6	378.0	252.7	261.2
EBITDA	208.0	382.5	353.7	222.6	226.4
Depreciation & Amortisation	87.7	86.5	84.7	85.8	84.6
EBIT	120.3	296.0	269.0	136.9	141.7
Net Finance Income/(Cost)	1.6	1.2	0.9	3.4	3.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	118.7	294.8	268.1	140.3	145.1
Tax	18.1	66.2	53.7	33.7	34.8
Profit After Tax	91.8	204.7	224.8	106.6	110.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	91.8	204.7	224.8	106.6	110.3
Exceptionals	0.0	0.0	0.0	0.0	0.0
Core Net Profit	91.8	204.7	224.8	106.6	110.3

Key Ratios

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
EBITDA margin	44.5%	57.0%	43.4%	35.2%	34.7%
EBIT margin	25.7%	44.1%	33.0%	21.7%	21.7%
PBT margin	25.4%	43.9%	32.9%	22.2%	22.2%
PAT margin	19.6%	30.5%	27.6%	16.9%	16.9%
NP margin	19.6%	30.5%	27.6%	16.9%	16.9%
Core NP margin	19.6%	30.5%	27.6%	16.9%	16.9%
ROE	5.4%	10.9%	11.7%	5.7%	5.8%
ROA	5.1%	12.0%	13.0%	6.2%	6.5%
Net gearing	-3.7%	-6.4%	-8.6%	-8.3%	-10.8%

Key Assumptions

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Production ('000)	637131	593279	583943	712096	719217
FFB Yield	19.7	18.3	18.2	22.0	22.0
OER	20.6%	20.4%	20.4%	20.8%	20.8%
CPO (RM)	2788	4432	5530	3600	3700

Valuations

	FY24f
Core EPS (RM)	0.14
P/E multiple (x)	13.0
Fair Value (RM)	1.79

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Cash	63.7	121.0	166.3	154.7	205.1
Receivables	31.9	14.3	9.2	7.1	7.4
Inventories	54.3	91.1	119.5	92.7	95.8
Other current assets	230.6	432.3	393.2	393.2	393.2
Total Current Assets	380.4	658.7	688.3	647.7	701.5
Fixed Assets	1801.5	1710.6	1732.2	1709.6	1690.3
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Total Non-current assets	1801.5	1710.6	1732.2	1709.6	1690.3
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	33.2	51.8	61.3	55.6	57.4
Other Current Liabilities	15.0	12.6	10.1	10.1	10.1
Total Current Liabilities	48.3	64.4	71.4	65.6	67.5
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	418.8	422.1	419.9	419.9	419.9
Total Non-current Liabilities	418.8	422.1	419.9	419.9	419.9
Shareholder's equity	1714.8	1882.9	1929.3	1871.9	1904.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	1714.8	1882.9	1929.3	1871.9	1904.5

Cash Flow

FYE Dec (RM m)	FY20	FY21	FY22	FY23F	FY24F
Pre-tax profit	118.7	294.8	268.1	140.3	145.1
Depreciation & amortisation	87.7	100.5	102.7	103.2	108.4
Changes in working capital	-10.7	-0.7	-13.9	23.2	-1.5
Others	-58.9	-117.1	-110.8	-51.1	-58.6
Operating cash flow	136.8	277.5	246.1	215.5	193.4
Net capex	-54.7	-57.8	-79.0	-63.2	-65.3
Others	-30.3	-96.5	51.8	0.0	0.0
Investing cash flow	-85.0	-154.2	-27.3	-63.2	-65.3
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	-28.0	-56.0	-163.9	-163.9	-77.7
Others	-9.5	-9.9	-9.6	0.0	0.0
Financing cash flow	-37.5	-65.9	-173.5	-163.9	-77.7
Net cash flow	14.3	57.4	45.3	-11.6	50.4
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	49.2	63.6	120.9	166.2	154.7
Ending cash	63.6	120.9	166.2	154.7	205.1

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head Office: 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p>	<p>Mutiara Damansara Office: Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069) Aiman Kamil (ext 2071)</p>
<p>Mutiara Damansara Office: 5th Floor Menara UAC, 12, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7890 8899</p>	<p>Institutional Dealing Team: Siti Nur Nadhirah (ext 2032)</p> <p>PJ Office: General Line: (603) 7620 1118 Azfar Bin Abdul Aziz (Ext 822)</p>	

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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