

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

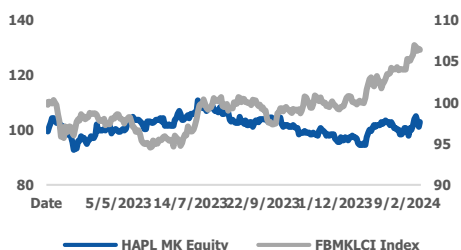
Recommendation:	HOLD
Current Price:	RM 1.85
Previous Target Price:	RM 1.80
Target Price:	RM 1.93
Upside/Downside:	4.3%

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)	1,479.4
52-Week Price Range (RM)	2.06-1.68
Beta (x)	1.0
Free float (%)	25.7
3M Average Volume (m)	0.4
3M Average Value (RM' m)	0.7

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 (%)	0.0	3.4	-2.6
Relative (%)	-3.4	-4.0	-9.2

Hap Seng Plantations Holdings Berhad

Slightly below expectations










Summary

- **FY23 core net profit of RM99.4m was slightly below our expectations at 93%, but surpassed consensus estimates by 120%.**
- **We anticipate potential recovery of CPO prices in the near-term as CPO production remains stagnant, while palm oil stocks are projected to shrink.**
- **Maintained our HOLD recommendation on Hap Seng Plantation, with a higher target price of RM1.93 (previously RM1.80) based on 13.4x PER FY24F at +1 std from its 3-year average forward PE.**

Results Review

- **Results review.** HSPLANT recorded core net profit of RM41.8m (+30.6% yoy) after excluding gain from fair value adjustments of biological assets in 4QFY23. During the quarter, revenue stood at RM174.6m, up +21.6% yoy underpinned by robust growth in FFB production and sales volume in CPO and PK.
- **Slightly below expectations.** FY23 core net profit of RM99.4m was slightly below our expectation at 93% but, surpassed consensus estimates by 120%. The variance was due to weaker-than-expected margins.
- **Operations Highlights.** 4Q23's CPO and PK production were up by +12.9% yoy and +15.1% yoy mainly attributable to higher FFB production. On the other hand, average selling price of CPO and PK for 4QFY23 were at RM3,798/tonne (-5.5% yoy) and RM2,128/tonne (-5.2% yoy) respectively which is both lower as compared to 4QFY22.
- **Industry Highlights.** In 4Q23, Malaysia's palm oil production shown a modest growth of +1.3% qoq due to the impact of the monsoon season. Concurrently, palm oil inventories climbed +16.0% qoq to 7.14m tonnes, despite an uptick in palm oil exports by +16.2% qoq, indicating a decline in domestic consumption during the period.
- **Outlook.** We anticipate potential recovery of CPO prices in the near-term as CPO production remains stagnant, while palm oil stocks are projected to shrink. Fall in inventory is supported by increased demand for palm oil, fueled by festive season consumption and heightened biodiesel demand.
- **Valuation.** We tweak our earnings forecast for FY24F higher by +4.3% yoy as we revised upwards our CPO price assumption to RM3,900/mt from RM3,800/mt. Meanwhile, we introduce our earnings forecast for FY25F at RM117.3m (+1.9% yoy). We maintained a **HOLD** call for HSPLANT, with a higher target price of **RM1.93** (previously RM1.80), based on 13.4x PER FY24F at +1 std 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)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	174.6	143.6	21.6	164.6	6.1	814.6	667.8	(18.0)		Revenue boosted by higher CPO and PK sales
EBITDA	47.4	51.4	(7.7)	70.4	(32.6)	351.4	205.4	(41.5)		
Pre-tax profit	26.4	27.7	(4.7)	49.2	(46.3)	264.0	120.2	(54.4)		Higher net profit from reduced tax expenses after excluding Cukai Makmur
Net profit	20.7	18.9	9.6	37.8	(45.3)	210.3	91.4	(56.6)		
Core net profit	41.8	32.0	30.6	22.8	83.2	201.9	99.4	(50.7)		
Core EPS (sen)	5.2	4.0	30.6	2.9	83.2	25.2	12.4	(50.7)		
EBITDA margin (%)	27.2	35.8		42.8		43.1	30.8			
PBT margin (%)	15.1	19.3		29.9		32.4	18.0			
Core PATMI margin (%)	24.0	22.3		13.9		24.8	14.9			

Source: Company, Apex Securities

Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	670.9	814.6	667.8	711.2	716.3
Operating Profit	271.4	271.1	117.4	145.8	148.6
EBITDA	383.7	355.5	205.4	234.0	236.2
Depreciation & Amortisation	87.7	86.5	85.9	86.0	85.3
EBIT	296.0	269.0	119.5	148.0	150.9
Net Finance Income/ (Cost)	12	0.9	-0.7	3.4	3.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	294.8	268.1	120.2	151.4	154.3
Tax	66.2	53.7	28.9	36.3	37.0
Profit After Tax	228.6	214.4	91.4	115.0	117.3
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	228.6	214.4	91.4	115.0	117.3
Exceptionals	-23.8	10.4	8.1	0.0	0.0
Core Net Profit	204.7	224.8	99.4	115.0	117.3

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	57.2%	43.6%	30.8%	32.9%	33.0%
EBIT margin	44.1%	33.0%	17.9%	20.8%	21.1%
PBT margin	43.9%	32.9%	18.0%	21.3%	21.5%
PAT margin	34.1%	26.3%	13.7%	16.2%	16.4%
NP margin	34.1%	26.3%	13.7%	16.2%	16.4%
Core NP margin	34.1%	26.3%	13.7%	16.2%	16.4%
ROE	12.1%	11.1%	4.7%	5.8%	5.8%
ROA	9.6%	8.9%	3.8%	4.6%	4.7%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Key Assumptions

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Production ('000)	593279	583943	637718	712096	717222
FFB Yield	18.3	18.2	19.8	22.0	22.0
OER	20.4%	20.4%	23.1%	22.0%	22.0%
CPO (RM)	4432	5530	4000	3900	3900

Valuations

	FY24F
Core EPS (RM)	0.14
P/E multiple (x)	13.4
Fair Value (RM)	1.93

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	121.0	166.3	135.8	191.6	243.1
Receivables	14.3	9.2	12.6	13.4	13.5
Inventories	91.1	119.5	100.9	107.5	108.2
Other current assets	432.3	393.2	443.7	443.7	443.7
Total Current Assets	658.7	688.3	693.0	756.2	808.6
Fixed Assets	1710.6	1732.2	1734.0	1719.1	1705.5
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	1710.6	1732.2	1734.0	1719.1	1705.5
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	51.8	61.3	44.8	46.0	46.2
Other Current Liabilities	12.6	10.1	9.7	9.7	9.7
Total Current Liabilities	64.4	71.4	54.5	55.7	55.9
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	422.1	419.9	419.9	419.9	419.9
Total Non-current Liabilities	422.1	419.9	419.9	419.9	419.9
Shareholder's equity	1882.9	1929.3	1952.6	1999.7	2038.3
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	1882.9	1929.3	1952.6	1999.7	2038.3

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	294.8	268.1	120.2	151.4	154.3
Depreciation & amortisation	87.7	100.5	102.7	103.2	108.4
Changes in working capital	-0.7	-13.9	-13	-6.2	-0.7
Others	-104.3	-108.6	-51.9	-53.5	-60.2
Operating cash flow	277.5	246.1	169.8	194.9	201.8
Net capex	-57.8	-79.0	-78.2	-71.1	-71.6
Others	-96.5	51.8	-43.2	0.0	0.0
Investing cash flow	-154.2	-27.3	-121.4	-71.1	-71.6
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	-56.0	-163.9	-68.0	-68.0	-78.6
Others	-9.9	-9.6	-11.0	0.0	0.0
Financing cash flow	-65.9	-173.5	-79.0	-68.0	-78.6
Net cash flow	57.4	45.3	-30.6	55.8	51.6
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	63.7	121.0	166.3	135.8	191.6
Ending cash	121.0	166.3	135.8	191.6	243.1

Source: Company, Apex Securities

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.

DISCLAIMER

Disclaimer: The report is for internal and private circulation only and shall not be reproduced either in part or otherwise without the prior written consent of Apex Securities Berhad. The opinions and information contained herein are based on available data believed to be reliable. It is not to be construed as an offer, invitation or solicitation to buy or sell the securities covered by this report.

Opinions, estimates and projections in this report constitute the current judgment of the author. They do not necessarily reflect the opinion of Apex Securities Berhad and are subject to change without notice. Apex Securities Berhad has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Apex Securities Berhad does not warrant the accuracy of anything stated herein in any manner whatsoever and no reliance upon such statement by anyone shall give rise to any claim whatsoever against Apex Securities Berhad. Apex Securities Berhad may from time to time have an interest in the company mentioned by this report. This report may not be reproduced, copied or circulated without the prior written approval of Apex Securities Berhad.