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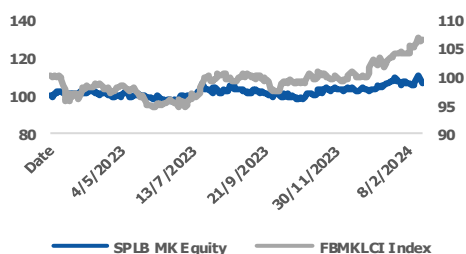
Recommendation:	HOLD
Current Price:	RM 2.12
Previous Target Price:	RM 2.04
Target Price:	↔ RM 2.04
Upside/Downside:	-3.8%

Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5135 / SPLB MK
Syariah Compliant	Yes
FTSE4Good Index	No
FTSE ESG Rating	☆☆☆☆★
Bloomberg ESG Rating	No
Shares issued (m)	279.0
Market Cap (RM' m)	591.5
52-Week Price Range (RM)	2.27-2.02
Beta (x)	1.0
Free float (%)	17.8
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.2

Top 3 Shareholders	(%)
Ta Ann Holdings Bhd	29.4
STATE FINANCIAL SECRETARY	25.5
YAYASAN SARAWAK	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	-3.2	-0.9	-0.9
Relative (%)	-5.8	-7.3	-6.8

Sarawak Plantation Berhad

Eyeing for CPO price recovery










Summary

- **FY23 core net profit of RM57.1m was well within our expectations but slightly below consensus estimates.**
- **As a pure planter, we expect the company to reap the rewards of the recovery in CPO prices.**
- **We maintained a HOLD recommendation with an unchanged target price of RM2.04 by pegging PE multiple of 8.1x to FY24F EPS of RM0.25.**

Results Review

- **Results review.** 4QFY23 revenue and net profit both stood at RM159.2m (+0.7% yoy; -7.8% qoq) and RM8.8m (+75.6% yoy; -68.0% qoq) respectively. The yoy performance was mainly lifted by higher sales volume of CPO and PK offsetting the impact of lower ASP.
- **Within expectations.** FY23 core net profit of RM57.1m was well within our expectations but slightly below consensus estimates matching at 93%.
- **Operations Highlights.** Despite FFB production was down by -2.0% yoy in 4QFY23, CPO and PK production were higher by 5.3% yoy and 5.2% yoy, which indicates an improvement in OER as well as higher external purchases. During the quarter, the Group achieved an impressive sales volume growth of +6.6% yoy for CPO and +8.7% yoy for PK. On the other hand, average selling price of CPO and PK were down -5.9% yoy and -4.0% yoy respectively.
- **Industry Highlights.** CPO price has begun to find its footing towards the end of the year 2023 as production and stocks continues to fell owing to the monsoon season. Since then, average CPO price began to recovery in January 2024, rising by +3.5% mom, led by the ongoing drawdown in inventory.
- **Outlook.** While the passing of Taib Mahmud has taken a toll on the SWKPLT share price, we remained optimistic on the performance of the company. As a pure planter, we expect the company to reap the rewards of the rebounding CPO prices, thereby boosting its earnings in the upcoming quarters. Additionally, the effects of weather conditions and the demand for biodiesel mandates may serve as pleasant surprises, further enhancing the CPO price.
- **Valuation.** We tweak up our earnings forecast for FY24F higher by 9.5%, in view of higher FFB production forecast. Meanwhile, we introduce our earnings forecast for FY25F with a yoy growth of 1.6%. Maintained a **HOLD** recommendation, with a target price of RM2.04 based on 8.1x 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)	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	159.2	158.1	0.7	172.6	(7.8)	710.9	570.7	(19.7)		Strong sales volume in CPO and PK outpacing the decline in ASP
EBITDA	22.1	20.5	8.0	46.1	(52.0)	173.6	136.1	(21.6)		
Pre-tax profit	12.5	12.6	(1.0)	36.5	(65.7)	97.3	87.4	(10.2)		
Net profit	8.8	6.7	30.2	27.2	(67.8)	96.7	64.9	(32.9)		
Core net profit	8.7	5.0	75.6	27.3	(68.0)	89.9	57.1	(36.5)		
Core EPS (sen)	3.1	1.8	75.6	9.8	(68.0)	32.8	20.5	(37.5)		
EBITDA margin (%)	13.9	13.0		26.7		24.4	23.9			
PBT margin (%)	7.9	8.0		21.1		13.7	15.3			
Core PATMI margin (%)	5.5	3.1		15.8		12.6	10.0			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	790.5	710.9	570.7	595.1	606.9
Gross Profit	211.6	205.2	133.0	148.8	151.7
EBITDA	208.3	173.6	136.1	132.0	133.5
Depreciation & Amortisation	412	419	53.0	412	413
EBIT	167.1	131.7	83.1	90.7	92.2
Net Finance Income/ (Cost)	13	2.5	4.3	2.5	2.5
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	168.4	134.2	87.4	93.2	94.7
Tax	40.1	36.9	22.6	22.4	22.7
Profit After Tax	128.3	97.3	64.9	70.8	71.9
Minority Interest	0.5	0.6	0.4	0.6	0.6
Net Profit	127.8	96.7	64.4	70.2	71.3
Exceptionals	-19.4	-6.8	-7.3	0.0	0.0
Core Net Profit	108.4	89.9	57.1	70.2	71.3

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	26.3%	24.4%	23.9%	22.2%	22.0%
EBIT margin	21.1%	18.5%	14.6%	15.2%	15.2%
PBT margin	21.3%	18.9%	15.3%	15.7%	15.6%
PAT margin	16.2%	13.7%	11.4%	11.9%	11.9%
NP margin	16.2%	13.6%	11.3%	11.8%	11.7%
Core NP margin	16.2%	13.6%	11.3%	11.8%	11.7%
ROE	19.2%	13.7%	8.7%	9.4%	9.5%
ROA	13.1%	10.2%	6.7%	13.1%	13.1%
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)	319999.0	328450.0	318674.4	379142.6	386725.5
FFB Yield	15.7	16.4	15.4	18.0	18.0
OER	19.7%	19.8%	19.8%	21.0%	21.0%
CPO (RM)	4388	4981	3400	3400	3400

Valuations

	FY24f
Core EPS (RM)	0.252
P/E multiple (x)	8.1
Fair Value (RM)	2.04

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	113.6	126.0	114.6	169.1	169.1
Receivables	13.7	13.5	18.6	11.3	11.3
Inventories	19.5	18.2	23.8	15.2	15.2
Other current assets	132.8	99.8	106.6	99.8	99.8
Total Current Assets	279.6	257.4	263.6	295.3	295.3
Fixed Assets	263.8	262.7	261.8	260.2	260.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	431.2	430.6	430.6	430.6	430.6
Total Non-current assets	695.0	693.3	692.4	690.8	690.8
Short-term Debt	64.8	10.3	1.1	50.5	50.5
Payables	69.4	64.9	58.7	56.4	56.4
Other Current Liabilities	45.6	42.8	21.1	42.8	42.8
Total Current Liabilities	179.9	118.0	80.9	149.7	149.7
Long-term Debt	19	13	8.0	13	13
Other non-current liabilities	128.3	125.4	124.4	125.4	125.4
Total Non-current Liabilities	130.2	126.8	132.4	126.8	126.8
Shareholder's equity	671.1	712.0	748.5	755.6	755.6
Minority interest	-6.5	-6.0	-5.9	-6.0	-6.0
Equity	664.6	706.0	742.6	749.6	749.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	168.4	134.2	87.4	93.2	94.7
Depreciation & amortisation	412	419	53.0	412	413
Changes in working capital	10.4	-2.9	-16.9	-10.8	7.4
Others	-46.6	-40.8	-42.2	-4.8	-30.1
Operating cash flow	173.4	132.4	81.3	118.9	113.2
Net capex	-30.2	-33.1	-26.1	-41.7	-36.4
Others	-45.5	26.3	-21.8	0.0	0.0
Investing cash flow	-75.8	-6.8	-47.8	-41.7	-36.4
Changes in borrowings	-40.0	-57.2	-2.7	20.8	-18.2
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-27.9	-55.8	-41.9	-22.7	-62.5
Others	-27.9	-55.8	-0.3	-20.8	18.2
Financing cash flow	-66.0	-113.2	-44.9	-22.7	-62.5
Net cash flow	31.6	12.4	-11.4	54.5	14.4
Forex	0.0	0.0	0.0	0.0	10
Others	0.0	0.0	0.0	0.0	-10
Beginning cash	82.0	113.6	126.0	114.6	169.1
Ending cash	113.6	126.0	114.6	169.1	183.4

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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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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