

**Steven Chong**  
 (603) 7890 8888 (ext 2068)  
[stevenchong@apexsecurities.com.my](mailto:stevenchong@apexsecurities.com.my)

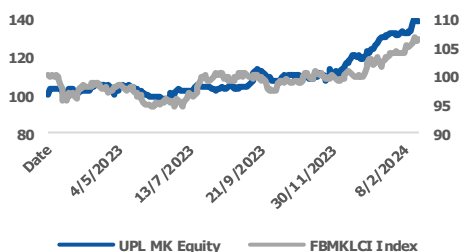
<b>Recommendation:</b>	<b>BUY</b>
<b>Current Price:</b>	<b>RM 20.92</b>
<b>Previous Target Price:</b>	<b>RM 17.66</b>
<b>Target Price:</b>	<b>↑ RM 23.57</b>
<b>Upside/Downside:</b>	<b>12.7%</b>

**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)	8,677.3
52-Week Price Range (RM)	21.2-14.48
Beta (x)	0.7
Free float (%)	31.4
3M Average Volume (m)	0.6
3M Average Value (RM' m)	10.9

<b>Top 3 Shareholders</b>	<b>(%)</b>
Maximum Vista Sdn Bhd	43.7
Employees Provident Fund Board	6.0
Perbadanan Pembangunan Pertanian N	5.1

**Share Price Performance**



	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute (%)	6.0	30.0	36.6
Relative (%)	3.1	21.6	28.5

# United Plantation Berhad

## Impressive dividend yield







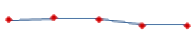
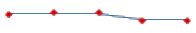

### Summary

- **The Group's FY23 net profit came above our expectations as we had underestimated the crop production recovery as well as higher-than-expected operating margin improvement**
- **Looking ahead, we anticipate further strengthening of CPO prices averaging at RM4,000/mt as CPO production remains stagnant.**
- **We upgrade our recommendation to BUY (previously HOLD) with a TP of RM23.57 (previously RM 17.66) based on forward PE multiple of 13.5x and FY24F EPS of RM1.75.**

### Results Review

- **Results review.** United Plantations' 4QFY23 earnings stood at RM201.0m, up +26.0% yoy but fell -14.7% qoq. The higher yoy recorded profit was driven by improved operating margin, higher interest income and hedging gains. Meanwhile, revenue was registered at RM544.0m, grew +4.7% yoy and +0.7% qoq.
- **Exceeded expectations.** The Group's FY23 net profit exceeded our expectations by 133% as we had underestimated the crop production recovery in 4Q23 as well as higher-than-expected operating margin improvement.
- **Operations Highlights.** Cumulatively, revenue from the plantation segment experienced a slight decline (-0.5% yoy) in FY23. This is primarily attributed to the decrease in ASP of CPO and PK in Indonesia. While the ASP of PK in Malaysia operation witnessed a downward trend, the ASP of CPO remained robust, thanks to UPL's hedging strategy. Notably, the Group's Malaysian operations achieved a higher ASP for its CPO, reaching RM4,130/mt in FY23 compared to RM3,792/mt in FY22. Moving to the downstream segment, revenue also saw a decline of -27.5% yoy, mirroring the weaknesses observed in the plantation sector during FY23.
- **Declared dividend.** The Group declared a gross special dividend of 40 sen per share and final dividend of 70 sen per share. Total dividend payout in FY23 was RM1.90, translating into gross dividend yield of 9.1%.
- **Outlook.** For 2024, we anticipate further strengthening of CPO prices averaging at RM4,000/mt as CPO production remains stagnant. Palm oil inventory is also expected to fall, fueled by festive season consumption and heightened biodiesel demand.
- **Valuation.** Following the better-than-expected FY23 result, we revised our earnings forecast for FY24F upwards by +16%. We upgrade our recommendation to **BUY** (previously HOLD) with a **TP of RM23.57** (previously RM 17.66) based on forward PE multiple of 13.5x and FY24F EPS of RM1.75.
- **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	544.0	519.8	4.7	540.2	0.7	2,514.8	2,014.2	(19.9)		Reported lower CPO and PK price
EBITDA	280.8	215.8	30.1	324.2	(13.4)	926.7	976.2	5.3		
Pre-tax profit	270.4	207.7	30.2	305.9	(11.6)	846.5	933.5	10.3		Lower operating expenses
Net profit	201.9	160.0	26.2	236.7	(14.7)	605.6	711.0	17.4		
Core net profit	201.0	159.5	26.0	235.7	(14.7)	601.7	707.8	17.6		
Core EPS (sen)	48.5	38.4	26.0	56.8	(14.7)	145.1	170.6	17.6		Supported by higher interest income and hedging gains
EBITDA margin (%)	51.6	41.5		60.0		36.9	48.5			
PBT margin (%)	49.7	39.9		56.6		33.7	46.3			
Core PATMI margin (%)	36.9	30.7		43.6		23.9	35.1			

Source: Company, Apex Securities

**Financial Highlights**
**Income Statement**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Revenue</b>	<b>2033.5</b>	<b>2514.8</b>	<b>2014.2</b>	<b>2182.9</b>	<b>2206.2</b>
<b>Gross Profit</b>	<b>1337.7</b>	<b>1605.6</b>	<b>1433.7</b>	<b>1484.3</b>	<b>1478.1</b>
<b>EBITDA</b>	<b>777.2</b>	<b>939.9</b>	<b>1014.7</b>	<b>1042.0</b>	<b>1032.7</b>
Depreciation & Amortisation	100.5	102.7	107.0	106.2	112.0
<b>EBIT</b>	<b>676.7</b>	<b>837.2</b>	<b>907.7</b>	<b>935.8</b>	<b>920.7</b>
Net Finance Income/ (Cost)	6.8	9.3	25.8	23.9	24.5
Associates & JV	0.3	13.3	10.5	10.5	10.5
<b>Pre-tax Profit</b>	<b>683.5</b>	<b>846.5</b>	<b>933.5</b>	<b>959.7</b>	<b>945.3</b>
Tax	161.2	240.9	222.5	230.3	226.9
<b>Profit After Tax</b>	<b>514.5</b>	<b>597.8</b>	<b>704.5</b>	<b>721.6</b>	<b>710.6</b>
Minority Interest	-3.9	-3.9	-3.3	-3.9	-3.9
<b>Net Profit</b>	<b>518.4</b>	<b>601.7</b>	<b>707.8</b>	<b>725.5</b>	<b>714.5</b>
Exceptionals	1.7	-7.0	-16.9	0.0	0.0
<b>Core Net Profit</b>	<b>520.1</b>	<b>594.7</b>	<b>690.9</b>	<b>725.5</b>	<b>714.5</b>

**Key Ratios**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	38.2%	37.4%	50.4%	47.7%	46.8%
EBIT margin	33.3%	33.3%	45.1%	42.9%	41.7%
PBT margin	33.6%	33.7%	46.3%	44.0%	42.8%
PAT margin	25.3%	23.8%	35.0%	33.1%	32.2%
NP margin	25.5%	23.9%	35.1%	33.2%	32.4%
Core NP margin	25.5%	23.9%	35.1%	33.2%	32.4%
ROE	19.3%	20.7%	24.7%	24.5%	23.5%
ROA	16.4%	18.1%	21.7%	21.8%	20.9%
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)	242857.0	251601.0	254389.0	268796.9	268157.8
FFB Yield	27.8	27.2	28.0	27.2	27.2
OER	21.8%	21.3%	21.9%	22.8%	22.8%
CPO (RM)	3261	3739	3963	3860	3622

**Valuations**

	FY24F
Core EPS (RM)	1.749
P/E multiple (x)	13.5
<b>Fair Value (RM)</b>	<b>23.57</b>

Source: Company, Apex Securities

**Balance Sheet**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	299.7	537.2	579.9	539.3	552.4
Receivables	240.9	147.5	191.9	208.0	210.2
Inventories	139.3	219.5	245.9	266.5	269.4
Other current assets	463.0	342.2	168.2	168.2	168.2
<b>Total Current Assets</b>	<b>1142.8</b>	<b>1246.4</b>	<b>1186.0</b>	<b>1182.1</b>	<b>1200.2</b>
Fixed Assets	1209.9	1241.8	1250.8	1319.3	1383.7
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	800.4	830.6	826.8	826.8	826.8
<b>Total Non-current assets</b>	<b>2010.4</b>	<b>2072.4</b>	<b>2077.7</b>	<b>2146.1</b>	<b>2210.6</b>
Short-term Debt	0.0	0.2	0.0	0.0	0.0
Payables	24.2	25.6	19.2	21.4	22.1
Other Current Liabilities	270.0	183.3	167.6	167.6	167.6
<b>Total Current Liabilities</b>	<b>294.2</b>	<b>209.1</b>	<b>186.8</b>	<b>189.0</b>	<b>189.7</b>
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	173.5	204.9	209.4	209.4	209.4
<b>Total Non-current Liabilities</b>	<b>173.5</b>	<b>204.9</b>	<b>209.4</b>	<b>209.4</b>	<b>209.4</b>
Shareholder's equity	2674.8	2890.7	2850.4	2943.4	3025.4
Minority interest	10.7	14.0	17.0	17.0	17.0
<b>Equity</b>	<b>2685.5</b>	<b>2904.8</b>	<b>2867.4</b>	<b>2960.4</b>	<b>3042.4</b>

**Cash Flow**

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
<b>Pre-tax profit</b>	<b>683.5</b>	<b>846.5</b>	<b>933.5</b>	<b>959.7</b>	<b>945.3</b>
Depreciation & amortisation	100.5	102.7	107.0	106.2	112.0
Changes in working capital	-50.9	14.5	-111.6	-111.6	-4.4
Others	-202.6	-39.4	-238.0	-954.3	-255.6
<b>Operating cash flow</b>	<b>530.5</b>	<b>924.3</b>	<b>690.8</b>	<b>0.0</b>	<b>797.3</b>
Net capex	-114.4	-138.7	-109.4	-174.6	-176.5
Others	167.8	-51.7	222.3	0.0	0.0
<b>Investing cash flow</b>	<b>53.4</b>	<b>-190.4</b>	<b>112.9</b>	<b>-174.6</b>	<b>-176.5</b>
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	-398.3	-518.5	-746.6	-632.5	-632.5
Others	481.0	287.2	692.2	573.9	573.9
<b>Financing cash flow</b>	<b>82.7</b>	<b>-231.3</b>	<b>-54.4</b>	<b>-58.6</b>	<b>-58.6</b>
<b>Net cash flow</b>	<b>85.8</b>	<b>28.8</b>	<b>32.6</b>	<b>110.8</b>	<b>242.5</b>
Forex	0.0	0.0	0.0	0.0	0.0
Others	122.5	245.3	16.1	-113.0	-221.8
Beginning cash	91.7	263.2	500.5	541.5	531.7
<b>Ending cash</b>	<b>300.0</b>	<b>537.3</b>	<b>549.2</b>	<b>539.3</b>	<b>552.4</b>

**APEX SECURITIES BERHAD – CONTACT LIST**

<b>APEX SECURITIES BHD</b>	<b>DEALING TEAM</b>	<b>RESEARCH TEAM</b>
<p><b>Head Office:</b> 6th Floor, Menara Apex, Off Jalan Semenyih, Bukit Mewah 43000 Kajang, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 8736 1118</p>	<p><b>Head Office:</b> Kong Ming Ming (ext 2002) Shirley Chang (ext 2026) Norisam Bojo (ext 2027) Ahmad Mujib (ext 2028)</p>	<p><b>Mutiara Damansara Office:</b> Kenneth Leong (ext 2093) Lee Cherng Wee (ext 2067) Steven Chong (ext 2068) Jayden Tan (ext 2069)</p>
<p><b>Mutiara Damansara Office:</b> 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><b>Institutional Dealing Team:</b> Siti Nur Nadhirah (ext 2032)</p> <p><b>PJ Office:</b> 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.