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Recommendation:	HOLD
Current Price:	RM 2.16
Previous Target Price:	RM 2.04
Target Price:	RM 2.16 ↑
Upside/Downside:	0.0%

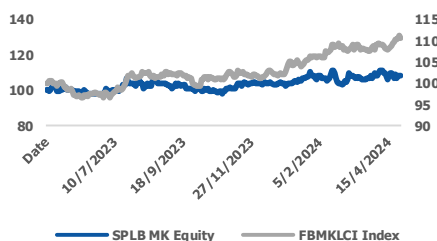
Stock information

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)	602.7
52-Week Price Range (RM)	2.27-2.02
Beta (x)	1.0
Free float (%)	16.9
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.1

Top 3 Shareholders

	(%)
Ta Ann Holdings Bhd	29.4
State Financial Secretary	25.5
Amanah Khairat Yayasan Bhd	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	-2.7	-0.5	1.4
Relative (%)	-5.9	-5.0	-9.0

Sarawak Plantations Berhad

CPO production recovery on track

Summary

- **SPB is looking to replant 4,000-ha in FY24F, thanks to the availability of own seedlings, following the establishment of two additional nursery seedling plants in late-FY22.**
- **SPB holds an optimistic FFB yield target of 18mt/ha in FY24F compared to 16.85mt/ha in FY23, owing to improved oil palm tree age.**
- **We re-iterate our HOLD recommendation with a higher TP of RM2.16 (previously RM2.04) based on forward PE multiple of 8.2x and FY24F EPS of RM0.26.**

Results Review

- **Higher replanting activities for FY24F.** SPB is looking to replant 4,000-ha for FY24f (vs 1,100-ha in FY23) which is significant higher compared to previous year. According to management, the increase in replanting area is attributed to the availability of SPB's own seedlings, following the establishment of two additional nursery seedling plants in late-FY22. While this initiative might appear to impact production, we anticipate minimal effect as the move primarily involves replacing older matured areas that is reaching the end of their economic life span.
- **Improving FFB yield ahead.** SPB holds an optimistic FFB yield target of 18mt/ha in FY24f compared to 16.85mt/ha in FY23, owing to improved oil palm tree age. We gather SPB is equipped with healthy tree age profile, with 70% of the planted area comprise prime production trees in FY23, up from 60% in FY22. Looking ahead, we opined that FFB production yield will remain robust as more planted areas reach maturity in the coming years. Management also anticipates a further improvement in FFB yield in FY25F to 20mt/ha, thanks to the younger age profile.
- **Growing matured area.** The Group's harvestable area is expected to hit the 21,000-ha mark in FY24f (vs 19,500-ha in FY23) inclusive of replanting activities and additional land area from the recovered encumbered land. To date, SPB has planted 1,700-ha out of the 4,200-ha recovered encumbered land. Management is anticipating 240-ha of planted area to reach maturity in FY24F and 600-ha in FY25f.
- **Estimated CPO price of RM4,200/tonne for FY24F.** While SPB anticipates the average CPO price for FY24f of RM4,200/tonne, we maintain a slightly bearish outlook at RM4,000/tonne amid pessimistic views over global demand situation.
- **Valuation.** Re-iterate our **HOLD** recommendation with a higher **TP of RM2.16** (previously RM2.04) based on forward PE multiple of 8.2x and FY24F EPS of 26.4 sen. Although we are optimistic over SPB's production growth, we reckon that current share price has adequately reflects SPB's growth potential.
- **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.

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	790.5	710.9	570.7	642.3	799.2
Gross Profit	211.6	205.2	133.0	154.1	191.8
EBITDA	208.3	173.6	125.4	135.4	168.2
Depreciation & Amortisation	41.2	41.9	42.3	42.1	44.6
EBIT	167.1	131.7	83.1	93.3	123.6
Net Finance Income/ (Cost)	1.3	2.5	4.3	4.3	4.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	168.4	134.2	87.4	97.6	127.9
Tax	40.1	36.9	22.6	23.4	30.7
Profit After Tax	128.3	97.3	64.9	74.2	97.2
Minority Interest	0.5	0.6	0.4	0.4	0.4
Net Profit	127.8	96.7	64.4	73.7	96.8
Exceptionals	-19.4	-6.8	0.0	0.0	0.0
Core Net Profit	108.4	89.9	64.4	73.7	96.8

31.3%

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	26.3%	24.4%	22.0%	21.1%	21.0%
EBIT margin	21.1%	18.5%	14.6%	14.5%	15.5%
PBT margin	21.3%	18.9%	15.3%	15.2%	16.0%
PAT margin	16.2%	13.7%	11.4%	11.5%	12.2%
NP margin	16.2%	13.6%	11.3%	11.5%	12.1%
Core NP margin	16.2%	13.6%	11.3%	11.5%	12.1%
ROE	19.2%	13.7%	8.7%	9.6%	12.1%
ROA	13.1%	10.2%	6.8%	7.6%	9.3%
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	328450.0	357000.0	374850.0
FFB Yield	15.7	16.4	16.8	17.0	17.5
OER	19.7%	19.8%	20.1%	20.0%	20.0%
CPO (RM)	4388	4981	3764	4000	4000

Valuations

	FY24F
Core EPS (RM)	0.264
P/E multiple (x)	8.2
Fair Value (RM)	2.16

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	113.6	126.0	114.6	103.4	157.2
Receivables	13.7	13.5	18.6	20.9	26.1
Inventories	19.5	18.2	23.8	26.8	33.3
Other current assets	132.8	99.8	105.3	105.3	105.3
Total Current Assets	279.6	257.4	262.3	256.4	321.9
Fixed Assets	263.8	262.7	261.8	277.5	288.8
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	708.1	719.4
Short-term Debt	64.8	10.3	1.1	30.0	58.0
Payables	69.4	64.9	57.4	64.7	79.6
Other Current Liabilities	45.6	42.8	21.1	21.1	21.1
Total Current Liabilities	179.9	118.0	79.6	115.8	158.6
Long-term Debt	1.9	1.3	8.0	8.0	8.0
Other non-current liabilities	128.3	125.4	124.4	124.4	124.4
Total Non-current Liabilities	130.2	126.8	132.4	132.4	132.4
Shareholder's equity	671.1	712.0	748.5	774.4	808.3
Minority interest	-6.5	-6.0	-5.9	-5.9	-5.9
Equity	664.6	706.0	742.6	768.5	802.4

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	168.4	134.2	87.4	97.6	127.9
Depreciation & amortisation	41.2	41.9	42.3	42.1	44.6
Changes in working capital	10.4	-2.9	-18.2	0.0	1.9
Others	-46.6	-40.8	-29.9	-21.9	-29.8
Operating cash flow	173.4	132.4	81.6	117.8	144.7
Net capex	-30.2	-33.1	-38.2	-57.8	-55.9
Others	-45.2	26.3	-9.8	0.0	0.0
Investing cash flow	-75.4	-6.8	-48.0	-57.8	-55.9
Changes in borrowings	-40.0	-57.2	-2.7	28.9	28.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-66.0	-113.2	-44.8	-19.0	-34.9
Others	40.0	57.2	2.7	-28.9	-28.0
Financing cash flow	-66.0	-113.2	-44.8	-19.0	-34.9
Net cash flow	31.9	12.4	-11.2	-11.4	53.8
Forex	-4.0	-3.0	-2.0	-1.0	0.0
Others	4.0	3.0	14.2	-10.2	-11.2
Beginning cash	81.7	113.6	113.6	126.0	114.6
Ending cash	113.6	126.0	114.6	103.4	157.2

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)</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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