

Steven Chong

(603) 7890 8888 (ext 2068)

stevenchong@apexsecurities.com.my

Recommendation: **HOLD**

Current Price: **RM 2.18**

Previous Target Price: **RM 2.16**

Target Price: ↓ **RM 2.15**

Upside/Downside: -1.4%

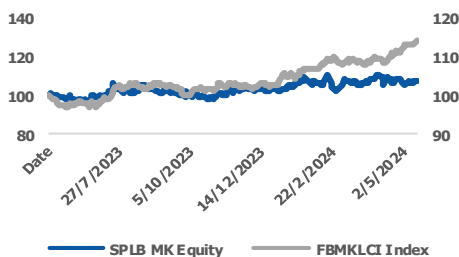
Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5135 / SPLB MK
Syariah Compliant	Yes
FTSE4Good Index	Yes
FTSE ESG Rating	☆☆☆★
Bloomberg ESG Rating	No
Shares issued (m)	279.0
Market Cap (RM' m)	608.3
52-Week Price Range (RM)	2.27-2.02
Beta (x)	0.9
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 B	4.2

Share Price Performance



	1M	3M	12M
Absolute (%)	0.9	0.9	1.9
Relative (%)	-3.0	-3.8	-10.9

Sarawak Plantation Berhad

Off to a weak start










Summary

- **1QFY24 core net profit of RM11.1m was below our and consensus expectation.**
- **Revenue was bolstered by strong volume sales coupled with steady CPO and PK ASP.**
- **Re-iterate our HOLD recommendation with a target price of RM2.15 based on 8.1x PER pegged to FY24 EPS.**

Results Review

- **Results review.** 1QFY24 net earnings stood at RM19.3m, rose +59.5% yoy and +105.5% qoq. Meanwhile, revenue registered at RM127.3m, recording growth of +14.2% yoy (-20.0% qoq). The yoy performance was mainly lifted by higher sales volume of CPO and PK.
- **Below expectations.** The Group's core net profit of RM11.1m (excluding fair value gain in biological asset) came slightly below both our and consensus expectation, only matching 15.1% and 17.6% of the full year net earnings forecasts. The variance was mainly attributed to lower-than-expected operating margin achieved during the quarter.
- **Operations Highlights.** 1Q24 FFB production climbed +18.9% yoy attributed to larger harvestable area coupled with higher external purchases. During the quarter, the Group achieved an impressive sales volume growth of +18.1% yoy for CPO and +14.2% yoy for PK. On the other hand, average selling price of CPO were flat yoy while PK selling price grew by +7.0% yoy.
- **Industry Highlights.** Palm oil stock remained stable in April 2024 reaching 1.7m, marking a +1.9% mom increase, after experiencing continuous declines since November 2023. This was driven by robust palm oil production (+7.9% mom) due to the return of harvesters coupled with weaker export demand.
- **Outlook.** CPO price may face downward pressure ranging between RM3,800-RM4,000 as we foresee a stockpile to increase by 2Q24 following a similar trend compared to last year as a result of the recovery in palm oil production.
- **Valuation.** Maintained **HOLD** recommendation, with a target price of RM2.15 based on 8.1x PER FY24F at mean from its 3-year average forward PE. While core earnings came below our expectation, we remained optimistic on SWKPLT that is currently experiencing its seasonal low production cycle and will likely see stronger growth in the 2H24.
- **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)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	127.3	111.5	14.2	159.2	(20.0)	710.9	570.7	(19.7)		Strong sales volume in CPO and PK
EBITDA	35.5	25.3	40.2	22.1	60.3	173.6	125.4	(27.8)		
Pre-tax profit	26.4	16.0	64.4	13.1	101.0	134.2	88.0	(34.4)		Net profit buoyed by fair value gain in biological asset
Net profit	19.3	12.1	59.5	9.4	105.3	97.3	65.5	(32.8)		
Core net profit	11.1	9.2	20.9	16.7	(33.4)	91.6	65.0	(29.0)		
Core EPS (sen)	4.0	3.3	20.9	6.0	(33.4)	32.8	23.3	(29.0)		
EBITDA margin (%)	27.9	22.7		13.9		24.4	22.0			
PBT margin (%)	20.7	14.4		8.2		18.9	15.4			
Core PATMI margin (%)	8.7	8.2		10.5		12.9	11.4			

Source: Company, Apex Securities

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	412	419	42.3	42.1	44.6
EBIT	167.1	131.7	83.1	93.3	123.6
Net Finance Income/ (Cost)	13	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

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)	8.1
Fair Value (RM)	2.15

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	11	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	19	13	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	412	419	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

Head Office:

5th Floor Menara UAC, 12, Jalan PJU 7/5,
Mutiara Damansara,
47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7890 8899

Petaling Jaya Office:

16th Floor, Menara Choy Fook Onn,
No.1B Jalan Yong Shook Lin,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

General Line: (603) 7620 1118

DEALING TEAM

Head Office:

Kong Ming Ming (ext 2002)
Shirley Chang (ext 2026)
Norisam Bojo (ext 2027)
Ahmad Mujib (ext 2028)

Institutional Dealing Team:

Siti Nur Nadhirah (ext 2032)

PJ Office:

General Line: (603) 7620 1118
Azfar Bin Abdul Aziz (Ext 822)

RESEARCH TEAM

Head Office:

Kenneth Leong (ext 2093)
Steven Chong (ext 2068)
Jayden Tan (ext 2069)
Chelsea Chew (ext 2070)

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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