

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

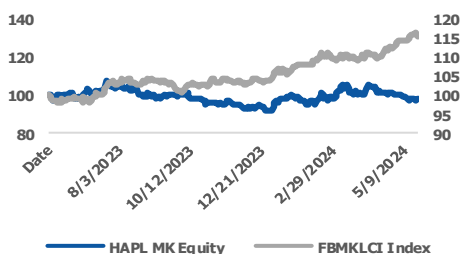
Recommendation:	HOLD
Current Price:	RM 1.79
Previous Target Price:	RM 1.93
Target Price:	↔ RM 1.93
Upside/Downside:	7.8%

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	N/A
Shares issued (m)	799.7
Market Cap (RM' m)	1,431.4
52-Week Price Range (RM)	2.06-1.72
Beta (x)	1.0
Free float (%)	25.4
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.9

Top 3 Shareholders	(%)
Hap Seng Consolidated Bhd	69.5
Public Smallcap Fund	2.0
Eastspring Inv Small Cap	1.5

Share Price Performance



	1M	3M	12M
Absolute (%)	-3.2	-3.8	-5.8
Relative (%)	-5.2	-7.6	-18.1

Hap Seng Plantations Holdings Berhad

Dampened by lower sales volume










Summary

- **1QFY24 core net profit at RM24.2m was well within our and consensus expectation.**
- **Reported flattish topline led by a decline in CPO and PK sales volumes, which offsets gains from the improved ASP of both products.**
- **We maintain our HOLD recommendation with a target price of RM1.93 by pegging PE multiple of 13.4x to FY24F EPS of RM0.14.**

Results Review

- **Results review.** HSPLANT' 1QFY24 net profit stood at RM36.5m, rose 76.6% qoq and 56.0% yoy. Meanwhile, 1QFY24 revenue registered at RM159m, decline by 8.9% qoq but flattish yoy. The tepid topline performance was primarily attributed to a decline in CPO and PK sales volumes, which offsets gains arising from the increased ASP of both products.
- **Within expectations.** Core net profit of RM24.2m (after excluding fair value gain on biological asset) was still within both our and consensus expectation at 21% and 22% respectively as FFB productions are seasonally lower in 1Q24.
- **Operations Highlights.** 1Q24 CPO and PK sales volume has fallen by 14% yoy and 16% yoy mainly dragged down by lower FFB production. On the other hand, average selling price of CPO and PK for 1QFY24 were at RM4,023/tonne (+5.9% yoy) and RM2,329/tonne (+9.4% yoy) respectively which is both higher as compared to 1QFY23.
- **Industry Highlights.** Palm oil stock remained stable in April 2024 reaching 1.7m, marking a 1.9% mom increase, after experiencing extended normalisation since November 2023. This was driven by robust palm oil production that grew 7.9% mom due to the return of harvesters after the festive season 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.** Re-iterate our **HOLD** call for HSPLANT, with a target price of **RM1.93** 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)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY22	FY23	YoY (%)	5 Quarters Trend	Comments
Revenue	159.0	159.9	(0.6)	174.6	(8.9)	814.6	667.8	(18.0)		Flattish revenue due to drop in sales volume
EBITDA	69.7	53.1	31.2	47.4	46.9	351.4	205.4	(41.5)		
Pre-tax profit	48.5	31.5	54.0	26.4	83.6	264.0	120.2	(54.4)		Net profit buoyed by fair value gain in biological asset
Net profit	36.5	23.4	56.0	20.7	76.6	210.3	91.4	(56.6)		
Core net profit	24.2	21.0	15.3	41.8	(42.1)	201.9	99.4	(50.7)		
Core EPS (sen)	3.0	2.6	15.3	5.2	(42.1)	25.2	12.4	(50.7)		
EBITDA margin (%)	43.8	33.2		27.2		43.1	30.8			
PBT margin (%)	30.5	19.7		15.1		32.4	18.0			
Core PATMI margin (%)	15.2	13.1		24.0		24.8	14.9			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	670.9	814.6	667.8	716.3	721.4
Operating Profit	271.4	271.1	117.4	146.8	149.7
EBITDA	381.4	351.4	205.4	235.0	237.2
Depreciation & Amortisation	87.7	86.5	85.9	86.0	85.3
EBIT	293.8	264.9	119.5	149.0	152.0
Net Finance Income/(Cost)	1.2	0.9	-0.7	3.4	3.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	292.6	264.0	120.2	152.4	155.3
Tax	66.2	53.7	28.9	36.6	37.3
Profit After Tax	226.3	210.3	91.4	115.8	118.1
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	226.3	210.3	91.4	115.8	118.1
Exceptionals	-23.8	10.4	8.1	0.0	0.0
Core Net Profit	202.5	220.7	99.4	115.8	118.1

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	56.9%	43.1%	30.8%	32.8%	32.9%
EBIT margin	43.8%	32.5%	17.9%	20.8%	21.1%
PBT margin	43.6%	32.4%	18.0%	21.3%	21.5%
PAT margin	33.7%	25.8%	13.7%	16.2%	16.4%
NP margin	33.7%	25.8%	13.7%	16.2%	16.4%
Core NP margin	33.7%	25.8%	13.7%	16.2%	16.4%
ROE	12.0%	10.9%	4.7%	5.8%	5.8%
ROA	9.6%	8.7%	3.8%	4.7%	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	637719	717200	722326
FFB Yield	18.3	18.2	19.7	22.0	22.0
OER	20.4%	20.4%	20.8%	22.0%	22.0%
CPO (RM)	4432	5530	3942	3900	3900

Valuations

	FY24F
Core EPS (RM)	0.14
P/E multiple (x)	13.4
Fair Value (RM)	1.95

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	121.0	166.3	135.8	191.3	242.7
Receivables	14.3	9.2	12.6	13.5	13.6
Inventories	91.1	119.5	100.9	108.2	109.0
Other current assets	432.3	393.2	443.7	443.7	443.7
Total Current Assets	658.7	688.3	693.0	756.8	809.0
Fixed Assets	1710.6	1732.2	1734.0	1719.6	1706.5
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	1719.6	1706.5
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	51.8	61.3	44.8	46.4	46.5
Other Current Liabilities	12.6	10.1	9.7	9.7	9.7
Total Current Liabilities	64.4	71.4	54.5	56.1	56.3
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	2000.5	2039.4
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	1882.9	1929.3	1952.6	2000.5	2039.4

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	292.6	264.0	120.2	152.4	155.3
Depreciation & amortisation	87.7	100.5	107.0	103.2	112.0
Changes in working capital	-0.7	-13.9	-1.3	-6.7	-0.7
Others	-102.1	-104.5	-56.1	-53.8	-64.0
Operating cash flow	277.5	246.1	169.8	195.1	202.7
Net capex	-57.8	-79.0	-78.2	-71.6	-72.1
Others	-96.5	51.8	-43.2	0.0	0.0
Investing cash flow	-154.2	-27.3	-121.4	-71.6	-72.1
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	-79.2
Others	-9.9	-9.6	-11.0	0.0	0.0
Financing cash flow	-65.9	-173.5	-79.0	-68.0	-79.2
Net cash flow	57.4	45.3	-30.6	55.5	51.3
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	191.3
Ending cash	121.0	166.3	135.8	191.3	242.7

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

RESEARCH TEAM

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

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)

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.

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.

All analyst(s) names appear in the front page, whom prepared this report, does not have any interest in the following securities covered in this report.

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.