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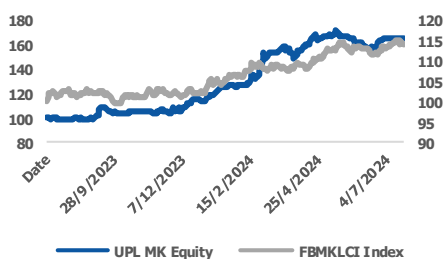
Recommendation:	HOLD
Current Price:	RM 24.98
Previous Target Price:	RM 25.87
Target Price:	↑ RM 27.21
Upside/Downside:	8.9%

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	N/A
Shares issued (m)	414.8
Market Cap (RM' m)	10,361.3
52-Week Price Range (RM)	26.52-15.04
Beta (x)	0.6
Free float (%)	33.2
3M Average Volume (m)	0.3
3M Average Value (RM' m)	7.9

Top 3 Shareholders	(%)
Maximum Vista Sdn Bhd	43.7
Employees Provident Fund Board	7.3
Perbadanan Pembangunan Pertanian N	4.9

Share Price Performance



	1M	3M	12M
Absolute (%)	4.5	-2.8	62.0
Relative (%)	2.2	-5.9	43.6

United Plantation Berhad

No Surprise


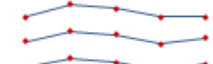
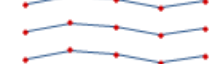

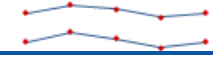


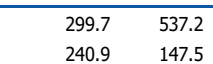
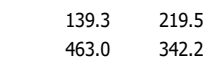
Summary

- **1HFY24 net profit were within our expectations at 40.0% of our full year forecast. We anticipate earnings to accelerate in 2H24 as UPL enters its peak production phase.**
- **Looking ahead, we anticipate further weakness in CPO prices trending towards RM3,800/mt in 2H24 as palm oil production enters the peak cycle.**
- **Maintained our HOLD recommendation with a TP of RM27.21 based on forward PE multiple of 15.2x and FY24F EPS of RM1.79.**

Results Review

- **Results review.** United Plantations' 2QFY24 PATAMI stood at RM185.5m, up +16.5% yoy and 40.0% qoq. The higher yoy recorded profit was driven by strong FFB production growth coupled with higher CPO and PK ASP. Meanwhile, revenue for the quarter was registered at RM546.1m, grew +16.2% yoy and +14.5% qoq.
- **Within expectations.** The Group's 1HFY24 core net profit RM271.1m was within our expectations at 40.0% of our full year forecast. We foresee earnings to accelerate in 2HFY24 as UPL enters its peak production phase.
- **Operations Highlights.** Cumulatively, revenue and PBT from the plantation segment rose 6.3% yoy and 28.4% yoy respectively in 1H24 driven by robust CPO production as well as higher CPO and PK ASP. During the 6-month period, ASP of both CPO and PK grew 9.0% and 15.1% respectively. In the refinery segment, revenue also saw an increase of 12.0% yoy, in line with the higher ASP. However, earnings contribution declined 27.7% due to subdued global demand.
- **Industry Highlights.** CPO price ranged from RM3,844/mt to a peak of RM4,519/mt in 2QCY24. In May 24, CPO price began to taper off in tandem with the palm oil production increase in Malaysia and Indonesia while inventory continues to expand.
- **Outlook.** We foresee palm oil price to soften in 2H24 heading towards RM3,800/tonne due to build up in inventory as palm oil production enters the peak cycle. All in, CPO price is expected to average at RM4,000/mt in 2024F. Going forward, we reckon that the implementation of the B-40 biodiesel mandate in Indonesia in 2025F could serve as a potential catalyst in driving CPO price upwards due to supply squeeze from higher palm oil consumption.
- **Valuation.** We maintained our **HOLD** recommendation with a **TP** of **RM27.21** based on forward PE multiple of 15.2x assigned to FY24F EPS of RM1.79.
- **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)	2QFY24	2QFY23	YoY (%)	1QFY24	QoQ (%)	1H24	1H23	YoY (%)	5 Quarters Trend	Comments
Revenue	546.1	470.1	16.2	476.7	14.5	930.1	1,022.8	10.0		Reported higher CPO and PK price
EBITDA	201.2	202.1	(0.4)	198.6	1.3	371.2	399.8	7.7		
Pre-tax profit	238.8	207.4	15.1	178.1	34.1	357.2	416.9	16.7		Margin from plantation segment improved due to lower manuring cost
Net profit	186.7	160.2	16.6	133.2	40.2	272.5	319.9	17.4		
Core net profit	185.5	159.2	16.5	132.5	40.0	271.1	318.1	17.3		
Core EPS (sen)	44.7	38.4	16.5	32.0	40.0	65.4	76.7	17.3		
EBITDA margin (%)	36.9	43.0		41.7		39.9	39.1			
PBT margin (%)	43.7	44.1		37.4		38.4	40.8			
Core PATMI margin (%)	34.0	33.9		27.8		29.1	31.1			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2033.5	2514.8	2014.2	2186.0	2253.2
Gross Profit	1337.7	1605.6	1433.7	1486.5	1514.2
EBITDA	777.2	939.9	1014.7	1065.2	1079.5
Depreciation & Amortisation	100.5	102.7	107.0	106.2	112.0
EBIT	676.7	837.2	907.7	959.0	967.5
Net Finance Income/ (Cost)	6.8	9.3	25.8	25.4	26.8
Associates & JV	0.3	13.3	10.5	10.5	10.5
Pre-tax Profit	683.5	846.5	933.5	984.4	994.3
Tax	161.2	240.9	222.5	236.3	238.6
Profit After Tax	514.5	597.8	704.5	740.4	747.9
Minority Interest	-3.9	-3.9	-3.3	-3.9	-3.9
Net Profit	518.4	601.7	707.8	744.3	751.8
Exceptionals	1.7	-7.0	-16.9	0.0	0.0
Core Net Profit	520.1	594.7	690.9	744.3	751.8

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	38.2%	37.4%	50.4%	48.7%	47.9%
EBIT margin	33.3%	33.3%	45.1%	43.9%	42.9%
PBT margin	33.6%	33.7%	46.3%	45.0%	44.1%
PAT margin	25.3%	23.8%	35.0%	33.9%	33.2%
NP margin	25.5%	23.9%	35.1%	34.0%	33.4%
Core NP margin	25.5%	23.9%	35.1%	34.0%	33.4%
ROE	19.3%	20.7%	24.7%	25.1%	24.4%
ROA	16.4%	18.1%	21.7%	22.1%	21.6%
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	3880	3881

Valuations

	FY24F
Core EPS (RM)	1.794
P/E multiple (x)	15.2
Fair Value (RM)	27.21

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	299.7	537.2	579.9	571.2	602.1
Receivables	240.9	147.5	191.9	208.3	214.7
Inventories	139.3	219.5	245.9	266.9	275.1
Other current assets	463.0	342.2	168.2	168.2	168.2
Total Current Assets	1142.8	1246.4	1186.0	1214.6	1260.1
Fixed Assets	1209.9	1241.8	1250.8	1319.5	1387.7
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
Total Non-current assets	2010.4	2072.4	2077.7	2146.3	2214.6
Short-term Debt	0.0	0.2	0.0	0.0	0.0
Payables	24.2	25.6	19.2	21.1	22.1
Other Current Liabilities	270.0	183.3	167.6	167.6	167.6
Total Current Liabilities	294.2	209.1	186.8	188.7	189.7
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
Total Non-current Liabilities	173.5	204.9	209.4	209.4	209.4
Shareholder's equity	2674.8	2890.7	2850.4	2945.8	3058.6
Minority interest	10.7	14.0	17.0	17.0	17.0
Equity	2685.5	2904.8	2867.4	2962.8	3075.6

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	683.5	846.5	933.5	984.4	994.3
Depreciation & amortisation	100.5	102.7	107.0	106.2	112.0
Changes in working capital	-50.9	14.5	-112.6	-112.6	-13.6
Others	-202.6	-39.4	-237.0	-162.9	-242.5
Operating cash flow	530.5	924.3	690.8	815.0	850.2
Net capex	-114.4	-138.7	-109.4	-174.9	-180.3
Others	167.8	-51.7	222.3	0.0	0.0
Investing cash flow	53.4	-190.4	112.9	-174.9	-180.3
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	-648.9	-639.0
Others	-14.2	21.9	-16.0	0.0	0.0
Financing cash flow	-412.5	-496.6	-762.6	-648.9	-639.0
Net cash flow	171.4	237.3	41.1	-8.7	30.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	36.8	36.8	7.6	0.0	0.0
Beginning cash	91.7	263.2	500.5	579.9	571.2
Ending cash	300.0	537.3	549.2	571.2	602.1

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

DEALING TEAM

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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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