

Steven Chong

(603) 7890 8888 (ext 2068)

stevenchong@apexsecurities.com.my

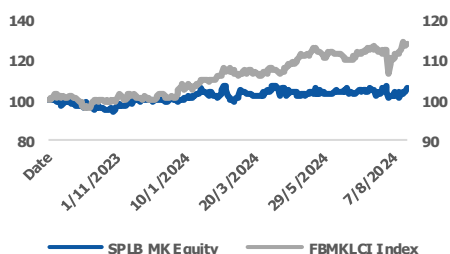
Recommendation:	HOLD
Current Price:	RM 2.17
Previous Target Price:	RM 2.15
Target Price:	RM 2.24
Upside/Downside:	3.3%

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)	605.5
52-Week Price Range (RM)	2.27-2.04
Beta (x)	0.7
Free float (%)	16.9
3M Average Volume (m)	0.2
3M Average Value (RM' m)	0.5

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	-0.5	0.5
Relative (%)	-0.5	-1.5	-11.3

Sarawak Plantation Berhad

Within expectations



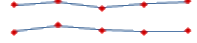





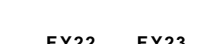
Summary

- Sarawak Plantation recorded CNP of RM13.8m (+15.8% yoy, +24.5% qoq) in 2QFY24, bringing 1HFY24 CNP to RM24.9m (+8.4% yoy), which was within ours and consensus' expectations, accounting for 34% and 36% of forecasts respectively.
- Looking ahead, we expect earnings to recover lost ground in view of upcoming seasonal production upcycle.
- We kept our earnings forecast unchanged with recommendation to HOLD. Our TP of RM2.24 is based on 7.9x PE with rolled over FY25 EPS of 28.3 sen.

Results Review

- **Results review.** Sarawak Plantations' 2QFY24 core net earnings stood at RM13.8m, grew +24.5% qoq and +15.8% yoy. The improved yoy CNP was thanks to savings in production cost from higher FFB production and softer fertiliser costs. Meanwhile, revenue recorded at RM131.5m, (+3.3% qoq and +3.2% yoy) was driven by higher selling price of CPO, PK and FFB.
- **Results within expectation.** 1HFY24 core net profit of RM24.9m (excluding fair value gain in biological asset: RM19.9m) is deemed within expectation, meeting 34% and 36% of ours and consensus estimates. Looking ahead, we expect earnings to regain lost ground with the upcoming seasonal upcycle.
- **Operations Highlights.** 2Q24 FFB production climbed +16.0% yoy but CPO and PKO production has dropped to 27k mt (-2.0% yoy) and 5.9k mt (-2.7% yoy) respectively as extraction rate for both products declined. On the other hand, average selling price of CPO grew to RM4,007/mt (vs RM3,793, +5.6% yoy) while PK selling price rose to RM2,253/mt (vs RM1,867/mt, +20.7% yoy).
- **Industry Highlights.** Malaysia's palm oil inventory slide by -5.4% mom in July, due to strong consumption from export market which surged by +39.9% mom. CPO production growth in July 2024 registered a whopping jump of +14% mom to 1.8m tonnes, compared to -5.2% mom in June 2024 at 1.6m tonnes.
- **Outlook.** We set our FFB production forecast to 378k mt for FY24, which is below management guidance of 400k mt as we deemed it to be too optimistic. We foresee stronger earnings growth potential in FY25-26 underpinned by i) higher harvestable area stem from the continuous recovery of encumbered land (500 ha p.a.), and ii) improving FFB yield due to better average tree age profile.
- **Valuation.** Maintain our **HOLD** recommendation, with higher target price of RM2.24 based on 7.9x PER (mean of 3-year average forward PE) to rolled over FY25F EPS of 28.3 sen.
- **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 (%)	1HFY23	1HFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	131.5	127.4	3.2	127.3	3.3	238.8	258.8	8.4		Higher CPO and PK price realised
EBITDA	43.4	31.8	36.3	35.5	22.3	57.2	78.9	38.0		
Pre-tax profit	34.5	22.4	53.8	26.4	30.7	38.4	60.8	58.2		CNP buoyed by lower production cost
Net profit	25.9	16.8	54.7	19.3	34.5	28.8	45.2	56.7		
Core net profit	13.8	11.9	15.8	11.1	24.5	21.1	24.9	18.0		
Core EPS (sen)	4.9	4.3	15.8	4.0	24.5	7.6	8.9	18.0		
EBITDA margin (%)	33.0	25.0		27.9		23.9	30.5			
PBT margin (%)	26.2	17.6		20.7		16.1	23.5			
Core PATMI margin (%)	10.5	9.4		8.7		8.8	9.6			

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	710.9	570.7	626.6	677.1	722.8
Gross Profit	205.2	133.0	150.4	162.5	173.5
EBITDA	173.6	125.4	133.1	144.5	153.0
Depreciation & Amortisation	41.9	42.3	42.1	44.4	44.9
EBIT	131.7	83.1	91.0	100.1	108.1
Net Finance Income/ (Cost)	2.5	4.3	4.3	4.3	4.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	134.2	87.4	95.3	104.4	112.5
Tax	36.9	22.6	22.9	25.0	27.0
Profit After Tax	97.3	64.9	72.4	79.3	85.5
Minority Interest	0.6	0.4	0.4	0.4	0.4
Net Profit	96.7	64.4	72.0	78.9	85.1
Exceptionals	-6.8	0.0	0.0	0.0	0.0
Core Net Profit	89.9	64.4	72.0	78.9	85.1

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
EBITDA margin	24.4%	22.0%	21.2%	21.3%	21.2%
EBIT margin	18.5%	14.6%	14.5%	14.8%	15.0%
PBT margin	18.9%	15.3%	15.2%	15.4%	15.6%
PAT margin	13.7%	11.4%	11.6%	11.7%	11.8%
NP margin	13.6%	11.3%	11.5%	11.7%	11.8%
Core NP margin	13.6%	11.3%	11.5%	11.7%	11.8%
ROE	13.7%	8.7%	9.4%	9.9%	10.3%
ROA	10.2%	6.8%	7.5%	7.8%	8.3%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY25F
Core EPS (RM)	0.283
P/E multiple (x)	7.9
Fair Value (RM)	2.24

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	126.0	114.6	103.4	152.9	163.6
Receivables	13.5	18.6	20.4	22.1	23.6
Inventories	18.2	23.8	26.1	28.2	30.1
Other current assets	99.8	105.3	105.3	105.3	105.3
Total Current Assets	257.4	262.3	255.2	308.5	322.6
Fixed Assets	262.7	261.8	276.1	279.0	277.5
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	430.6	430.6	430.6	430.6	430.6
Total Non-current assets	693.3	692.4	706.7	709.7	708.1
Short-term Debt	10.3	11	29.3	53.0	31.3
Payables	64.9	57.4	63.1	68.0	72.4
Other Current Liabilities	42.8	21.1	21.1	21.1	21.1
Total Current Liabilities	118.0	79.6	113.5	142.1	124.8
Long-term Debt	1.3	8.0	8.0	8.0	8.0
Other non-current liabilities	125.4	124.4	124.4	124.4	124.4
Total Non-current Liabilities	126.8	132.4	132.4	132.4	132.4
Shareholder's equity	712.0	748.5	773.8	801.4	831.3
Minority interest	-6.0	-5.9	-5.9	-5.9	-5.9
Equity	706.0	742.6	767.9	795.5	825.4

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	134.2	87.4	95.3	104.4	112.5
Depreciation & amortisation	41.9	42.3	42.1	44.4	44.9
Changes in working capital	-2.9	-18.2	1.5	1.1	1.0
Others	-40.8	-29.9	-23.3	-25.5	-27.4
Operating cash flow	132.4	81.6	115.6	124.4	131.0
Net capex	-33.1	-38.2	-56.4	-47.4	-43.4
Others	26.3	-9.8	0.0	0.0	0.0
Investing cash flow	-6.8	-48.0	-56.4	-47.4	-43.4
Changes in borrowings	-57.2	-2.7	28.2	23.7	-21.7
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-55.8	-41.9	-46.8	-51.2	-55.2
Others	-0.2	-0.3	0.0	0.0	0.0
Financing cash flow	-113.2	-44.8	-18.6	-27.6	-76.9
Net cash flow	12.4	-11.2	-11.4	49.5	10.7
Forex	-3.0	-2.0	-1.0	0.0	1.0
Others	3.0	1.8	1.2	0.0	-1.0
Beginning cash	113.6	126.0	114.6	103.4	152.9
Ending cash	126.0	114.6	103.4	152.9	163.6

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD	DEALING TEAM	RESEARCH TEAM
<p>Head 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>Petaling Jaya Office: 16th Floor, Menara Choy Fook Onn, No.1B Jalan Yong Shook Lin, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia</p> <p>General Line: (603) 7620 1118</p>	<p>Head Office: Kong Ming Ming (ext 2002) Lee Chen Ming (ext 2029) Shirley Chang (ext 2026) Ahmad Mujib (ext 2028) Azfar Bin Abdul Aziz (ext 2031) Aizzat Bin Mohd Daud (ext 2030)</p> <p>Institutional Dealing Team: Low Jin Wu (ext 2109)</p> <p>PJ Office: General Line: (603) 7620 1118</p>	<p>Head Office: Kenneth Leong (ext 2093) Steven Chong (ext 2068) Jayden Tan (ext 2069) Chelsea Chew (ext 2070) Tan Sue Wen (ext 2095)</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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