

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

Recommendation:	HOLD
Current Price:	RM 29.64
Previous Target Price:	RM 27.45
Target Price:	↑ RM 28.40
Upside/Downside:	-4.2%

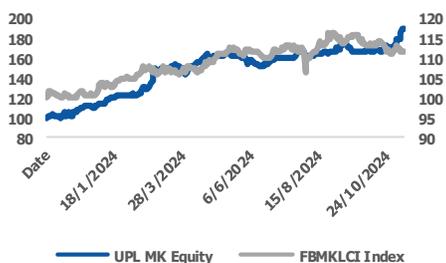
Stock information

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)	12,294.2
52-Week Price Range (RM)	29.98-15.64
Beta (x)	0.5
Free float (%)	40.5
3M Average Volume (m)	0.5
3M Average Value (RM' m)	12.0

Top 3 Shareholders (%)

Maximum Vista Sdn Bhd	43.7
Employees Provident Fund Board	5.7
Perbadanan Pembangunan Pertanian N	4.9

Share Price Performance



	1M	3M	12M
Absolute (%)	14.1	16.7	86.6
Relative (%)	15.9	16.8	68.1

United Plantation Berhad

In-line with expectations

Summary

- **UPL recorded CNP of RM183.2m (-27.9% yoy, -1.2% qoq), bringing 9MFY24 CNP to RM529.2m (+13.9% yoy) which was within expectations, constituting 70% of our full-year forecast.**
- **Raised our FY24F/FY25F CNP higher by +2.5%/+5.3% as we revised upward our FY24F/FY25F CPO ASP assumption from RM4,000/RM3,900 to RM4,100/RM4,200.**
- **Maintained our HOLD recommendation with a higher TP of RM28.40 (previously RM27.45) based on forward PE multiple of 15.7x and FY25F EPS of RM1.81.**

Results Review

- **Results review.** United Plantations' 3QFY24 CNP after excluding one-off adjustment of RM31.8m (forex gain: RM6.8m; FV gains on contracts: RM36.8m; and realised losses on futures contract: RM12.1m) stood at RM183.2m, fell -27.9% yoy on. Revenue registered at RM547.7m, grew +1.4% yoy and +0.3% qoq.
- **Within expectations.** The Group's 9MFY4 CNP at RM529.2m was within our expectations at 70% of our full year forecast of RM744.3m. We foresee earnings to accelerate in 4Q24 given the strong upswing in CPO prices.
- **Operations Highlights.** Cumulatively, revenue from the plantation segment remained unchanged, with a modest increase of +0.7% yoy despite recording higher CPO and PK average selling prices. This was mainly due to the impact of the dry weather spell on CPO production, as reflected in the -10.6% yoy decline in production in 3QFY24. Meanwhile, revenue from the refinery segment saw an increase of +10.4% yoy, in line with the higher ASP but earnings contribution has decline -11.8% yoy, dragged by tepid global demand.
- **Industry Highlights.** Looking ahead, expect CPO to remain elevated until 1Q25 on the back of seasonally higher demand for palm oil towards year-end. While CPO prices are likely to stay high in the coming months, we believe this may not be sustainable as production from Indonesia is expected to normalise next year in absence of the influence of El Nino.
- **Declared interim and special dividend of 60 sen per share.** We are anticipating a dividend payout of 90 sen per share in next quarter, bringing, total dividend for FY24 to RM1.50 per share, which implies a decent dividend yield of 5.2% based on the current share price of RM29.64.
- **Valuation.** Revised our CNP forecast for FY24/25 higher by +2.5%/+5.3% as we adjust our full-year CPO ASP assumptions from RM4,000/RM3,900 to RM4,100/RM4,200. We maintained our **HOLD** recommendation with a higher **TP of RM28.40** (previously RM27.45) based on forward PE multiple of 15.7x and FY25F EPS of RM1.81.
- **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)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9M23	9M24	YoY (%)	5 Quarters Trend	Comments
Revenue	547.7	540.2	1.4	546.1	0.3	1,470.2	1,570.5	6.8		Reported higher CPO and PK price
EBITDA	290.2	324.2	(10.5)	286.4	1.3	695.4	775.5	11.5		
Pre-tax profit	280.9	305.9	(8.2)	239.2	17.4	663.1	698.5	5.3		Margin from plantation segment improved due to lower manuring cost
Net profit	215.0	235.7	(8.8)	185.9	15.6	506.8	533.8	5.3		
Core net profit	183.2	254.1	(27.9)	185.4	(1.2)	464.7	529.2	13.9		
Core EPS (sen)	44.2	61.3	(27.9)	44.7	(1.2)	112.0	127.6	13.9		
EBITDA margin (%)	53.0	60.0		52.4		47.3	49.4			
PBT margin (%)	51.3	56.6		43.8		45.1	44.5			
Core PATMI margin (%)	33.4	47.0		33.9		31.6	33.7			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Revenue	2033.5	2514.8	2014.2	2205.6	2313.0
Gross Profit	1337.7	1605.6	1433.7	1499.8	1554.4
EBITDA	777.2	939.9	1014.7	1073.8	1105.4
Depreciation & Amortisation	100.5	102.7	107.0	106.2	112.2
EBIT	676.7	837.2	907.7	967.6	993.2
Net Finance Income/ (Cost)	6.8	9.3	25.8	25.2	26.1
Associates & JV	0.3	13.3	10.5	10.5	10.5
Pre-tax Profit	683.5	846.5	933.5	992.8	1019.3
Tax	161.2	240.9	222.5	238.3	244.6
Profit After Tax	514.5	597.8	704.5	746.7	766.9
Minority Interest	-3.9	-3.9	-3.3	-3.9	-3.9
Net Profit	518.4	601.7	707.8	750.6	770.8
Exceptionals	1.7	-7.0	-16.9	0.0	0.0
Core Net Profit	520.1	594.7	690.9	750.6	770.8

Key Ratios

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
EBITDA margin	38.2%	37.4%	50.4%	48.7%	47.8%
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%	33.3%
Core NP margin	25.5%	23.9%	35.1%	34.0%	33.3%
ROE	19.3%	20.7%	24.7%	25.3%	25.0%
ROA	16.4%	18.1%	21.7%	22.3%	22.2%
Net gearing	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	3960	4142

Valuations

	FY24F
Core EPS (RM)	1.810
P/E multiple (x)	15.7
Fair Value (RM)	28.40

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Cash	299.7	537.2	579.9	566.4	587.1
Receivables	240.9	147.5	191.9	210.1	220.4
Inventories	139.3	219.5	245.9	269.3	282.4
Other current assets	463.0	342.2	168.2	168.2	168.2
Total Current Assets	1142.8	1246.4	1186.0	1214.0	1258.1
Fixed Assets	1209.9	1241.8	1250.8	1321.1	1394.0
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	2147.9	2220.8
Short-term Debt	0.0	0.2	0.0	0.0	0.0
Payables	24.2	25.6	19.2	21.3	22.6
Other Current Liabilities	270.0	183.3	167.6	167.6	167.6
Total Current Liabilities	294.2	209.1	186.8	188.9	190.2
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	2946.7	3062.3
Minority interest	10.7	14.0	17.0	17.0	17.0
Equity	2685.5	2904.8	2867.4	2963.6	3079.3

Cash Flow

FYE Dec (RM m)	FY21	FY22	FY23	FY24F	FY25F
Pre-tax profit	683.5	846.5	933.5	992.8	1019.3
Depreciation & amortisation	100.5	102.7	107.0	106.2	112.2
Changes in working capital	-50.9	14.5	-116.7	-116.7	-22.0
Others	-202.6	-39.4	-233.0	-164.9	-248.5
Operating cash flow	530.5	924.3	690.8	817.3	860.9
Net capex	-114.4	-138.7	-109.4	-176.4	-185.0
Others	167.8	-51.7	222.3	0.0	0.0
Investing cash flow	53.4	-190.4	112.9	-176.4	-185.0
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	-654.4	-655.2
Others	-14.2	21.9	-16.0	0.0	0.0
Financing cash flow	-412.5	-496.6	-762.6	-654.4	-655.2
Net cash flow	171.4	237.3	41.1	-13.5	20.7
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	566.4
Ending cash	300.0	537.3	549.2	566.4	587.1

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) Ong Tze Hern (ext 2113) Samuel Woo (ext 2121) Muhammad Subaiyil Amir (ext 2112)</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

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.