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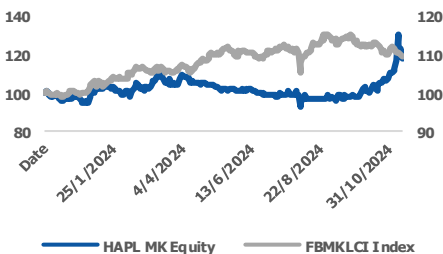
Recommendation:	HOLD
Current Price:	RM 2.07
Previous Target Price:	RM 2.20
Target Price:	↔ RM 2.20
Upside/Downside:	6.3%

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)	1,655.3
52-Week Price Range (RM)	2.3-1.63
Beta (x)	0.5
Free float (%)	25.4
3M Average Volume (m)	0.6
3M Average Value (RM' m)	1.1

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 (%)	15.0	21.8	14.4
Relative (%)	18.4	25.2	4.3

Hap Seng Plantations Holdings Berhad

Another outstanding performance

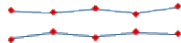








Summary

- Hap Seng Plantations recorded CNP of RM43.4m (+35.2% qoq, +86.7% yoy) in 3QFY24, bringing 9MF24 CNP to RM99.8m (+72.5% yoy), which was within our expectations at 73% but exceeded consensus forecast at 89%.
- Given that reported CNP came in-line with expectations, we kept our earnings forecast unchanged.
- Maintained our HOLD recommendation with a TP of RM2.20 based on forward PE multiple of 12.9x and FY25F EPS of 17.0 sen.

Results Review

- **Results review.** 3QFY24 CNP (excluding FV loss on biological assets: RM12.0m) stood at RM43.4m (+35.2% qoq and +86.7% yoy) thanks to lower production costs in tandem with reduced fertiliser costs. Meanwhile, 3QFY24 revenue registered at RM177.3m (-3.0% qoq, +7.7% yoy). The robust topline performance was primarily driven by higher CPO and PK prices as well as better sales output.
- **Results within expectation.** 9MFY24 CNP of RM99.8m came within our expectation at 73% but far exceeded consensus forecast at 89%. We foresee earnings to accelerate in 4QFY24, anchored by the strong upswing in CPO prices.
- **Operations Highlights.** 3QFY24 CPO and PK output rose by +9.2% yoy and +5.1% yoy in tandem with peak seasonal production cycle. Meanwhile, average selling price of CPO and PK for 3QFY24 were at RM4,098/tonne (+4.4% yoy) and RM2,731/tonne (+27.4% yoy) respectively which is both higher as compared to 3QFY23.
- **Industry Highlights.** Malaysia palm oil inventory registered at 1.88m tonnes, dropping -6.4% mom from 2.01m tonnes in Sep 24. The decline in stock was led by increased export demand from China, India, and the EU. We opined that the steep fall of palm oil inventory in Oct 24 is a positive surprise to the sector and would support CPO prices in the near-term.
- **Outlook.** YTD (Oct 24) FFB production of 532k is on track with our estimation at 82%, but slightly shy of the Group's guidance at 76%. Moving forward, we foresee HAPL to record stellar earnings in 4QFY24 as CPO prices are expected to remain elevated until 1QFY25.
- **Valuation.** No changes to our earnings forecast. Re-iterate our **HOLD** recommendation at **FV: RM2.20** based on 12.9x PE pegged to FY25 EPS of 17.0 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)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	177.3	164.6	7.7	182.8	(3.0)	493.3	519.1	5.2		Robust revenue due increase in sales volume and ASP
EBITDA	92.3	70.4	31.1	57.6	60.3	158.0	219.6	39.0		
Pre-tax profit	71.4	49.2	45.2	36.8	94.1	93.9	156.7	66.9		
Net profit	55.4	37.8	46.5	27.7	100.4	70.7	119.6	69.2		
Core net profit	43.4	23.3	86.7	32.1	35.2	57.8	99.8	72.5		Margin boosted by lower fertiliser costs
Core EPS (sen)	5.4	2.9	86.7	4.0	35.2	7.2	12.5	72.5		
EBITDA margin (%)	52.1	42.8		31.5		32.0	42.3			
PBT margin (%)	40.3	29.9		20.1		19.0	30.2			
Core PATMI margin (%)	24.5	14.1		17.6		11.7	19.2			

Source: Company, Apex Securities

Financial Highlights
Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	814.6	667.8	669.6	688.8	683.8
Operating Profit	271.1	117.4	169.3	174.1	171.0
EBITDA	351.4	205.4	257.6	261.5	257.6
Depreciation & Amortisation	86.5	85.9	86.0	85.1	84.3
EBIT	264.9	119.5	171.6	176.4	173.4
Net Finance Income/ (Cost)	0.9	-0.7	-0.5	1.8	1.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	264.0	120.2	171.0	178.2	174.7
Tax	53.7	28.9	41.0	42.8	41.9
Profit After Tax	210.3	91.4	130.0	135.5	132.8
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Profit	210.3	91.4	130.0	135.5	132.8
Exceptionals	10.4	8.1	0.0	0.0	0.0
Core Net Profit	220.7	99.4	130.0	135.5	132.8

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	7.5	16.6	12.7	12.2	12.5
EBITDA margin	43.1%	30.8%	38.5%	38.0%	37.7%
EBIT margin	32.5%	17.9%	25.6%	25.6%	25.4%
PBT margin	32.4%	18.0%	25.5%	25.9%	25.6%
PAT margin	25.8%	13.7%	19.4%	19.7%	19.4%
NP margin	25.8%	13.7%	19.4%	19.7%	19.4%
Core NP margin	25.8%	13.7%	19.4%	19.7%	19.4%
ROE	10.9%	4.7%	6.5%	6.6%	6.3%
ROA	8.7%	3.8%	5.2%	5.3%	5.2%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

	FY25F
Core EPS (RM)	0.17
P/E multiple (x)	12.9
Fair Value (RM)	2.20

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	166.3	135.8	212.4	273.1	329.9
Receivables	9.2	12.6	12.7	13.0	12.9
Inventories	19.5	100.9	101.2	104.1	103.3
Other current assets	393.2	443.7	443.7	443.7	443.7
Total Current Assets	688.3	693.0	770.0	834.0	889.9
Fixed Assets	1732.2	1734.0	1715.0	1698.8	1682.9
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	1732.2	1734.0	1715.0	1698.8	1682.9
Short-term Debt	0.0	0.0	0.0	0.0	0.0
Payables	61.3	44.8	40.7	41.9	41.7
Other Current Liabilities	10.1	9.7	9.7	9.7	9.7
Total Current Liabilities	71.4	54.5	50.4	51.6	51.5
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	419.9	419.9	419.9	419.9	419.9
Total Non-current Liabilities	419.9	419.9	419.9	419.9	419.9
Shareholder's equity	1929.3	1952.6	2014.7	2061.3	2101.5
Minority interest	0.0	0.0	0.0	0.0	0.0
Equity	1929.3	1952.6	2014.7	2061.3	2101.5

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	264.0	120.2	171.0	178.2	174.7
Depreciation & amortisation	86.5	85.9	86.0	85.1	84.3
Changes in working capital	-13.9	-13	-4.4	-2.1	0.7
Others	-90.5	-35.1	-41.0	-42.8	-41.9
Operating cash flow	246.1	169.8	211.6	218.4	217.8
Net capex	-79.0	-78.2	-67.0	-68.9	-68.4
Others	51.8	-43.2	0.0	0.0	0.0
Investing cash flow	-27.3	-121.4	-67.0	-68.9	-68.4
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	-163.9	-68.0	-68.0	-88.9	-92.6
Others	-9.6	-110	0.0	0.0	0.0
Financing cash flow	-173.5	-79.0	-68.0	-88.9	-92.6
Net cash flow	45.3	-30.6	76.7	60.7	56.8
Forex	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	121.0	166.3	135.8	212.4	273.1
Ending cash	166.3	135.8	212.4	273.1	329.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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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

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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