

Steven Chong

(603) 7890 8888 (ext 2068)

stevenchong@apexsecurities.com.my

Recommendation: HOLD

Current Price: RM 2.32

Previous Target Price: RM 2.60

Target Price: ↓ RM 2.50

Upside/Downside: 7.8%

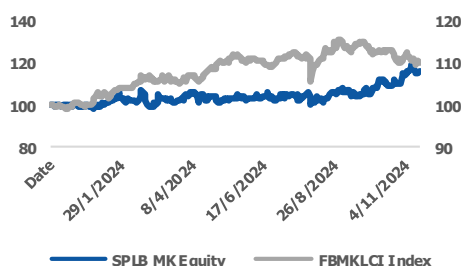
Stock information

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)	647.4
52-Week Price Range (RM)	2.48-2.04
Beta (x)	0.4
Free float (%)	16.9
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.2

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 (%)	2.7	6.4	6.9
Relative (%)	4.5	9.5	-2.2

Sarawak Plantation Berhad

Dragged by lower CPO production

Summary

- Sarawak Plantation recorded CNP of RM21.8m (-20.0% yoy, +58.2% qoq) in 3QFY24, bringing 9MFY24 CNP to RM46.7m (-3.4% yoy), which was below ours and consensus' expectations, accounting for 64% and 68% of forecasts respectively.
- Trimmed our earnings forecast for FY24-FY26 by -5.0%/-20%/-15% respectively to account for weaker projected CPO sales following the decline in production.
- Maintained our **HOLD** recommendation, with a lower target price of RM2.50 based on 9.3x PER pegged to FY25F EPS of 27.1 sen.










Results Review

- **Results review.** Sarawak Plantations' 3QFY24 CNP stood at RM21.8m (-20.0% yoy but grew +58.2% qoq) after excluding FV gain on biological assets of RM9.2m. The weaker yoy CNP was due to lower CPO output from cutback on third party FFB purchases. Similarly, revenue recorded at RM149.1m, (-13.7% yoy and +13.4% qoq) despite higher realised CPO and PK selling prices.
- **Results below expectation.** The Group's 9MFY24 core net profit of RM46.7m was below expectation, meeting only 64% and 68% of ours and consensus estimates. That said, we expect earnings to regain momentum moving into 4QFY24, led by the surge in CPO ASP.
- **Operations Highlights.** 3Q24 FFB production climbed +3.7% yoy but CPO and PKO production dropped to 29k mt (-23.5% yoy) and 6.5k mt (-28.5% yoy) respectively due to significant decline in third-party FFB purchases to 71k mt (-63.7% yoy). We gather that the rise in FFB prices has resulted in higher production costs for the Group's mill, prompting a reduction in purchases to protect margins. Meanwhile, average selling price of CPO grew to RM3,945/mt (vs RM3,759, +4.9% yoy) while PK selling price rose to RM2,462/mt (vs RM1,924/mt, +28.0% yoy).
- **Declared second interim dividend of 15.0 sen per share.** We believe this will be the final dividend declared by the Group for FY24. Total dividend for FY24 could end up at 20.0 sen per share, which translates into a decent dividend yield of 6.6% based on current share price of RM2.32.
- **Outlook.** We slash our CPO output forecast to 110k mt (-11.6% from our previous estimate) for FY24, after taking into account the lower-than expected FFB input. We expect the Group to achieve record earnings in 4QFY24, driven by the strong increase in CPO prices, which are expected to reach c.RM4,900.
- **Valuation.** Trimmed our earnings forecast for FY24-FY26 by -5.0%/-20%/-15% respectively to account for weaker projected CPO sales volume in tandem with decline in output. Maintained a **HOLD** recommendation, with a lower **target price of RM2.50** (previously: RM2.60) based on 9.3x PER (+1 STD from 3-year average forward PE) pegged to FY25F EPS of 27.1 sen.
- **Risk.** EU export ban and regulations, changing weather patterns, taxation and export ban in Indonesia threatens local CPO demand and shortage of labours.

Monday, November 25, 2024

Company Results

Figure 1: Results Comparison

FYE Dec (RM m)	3QFY24	3QFY23	YoY (%)	2QFY24	QoQ (%)	9MFY23	9MFY24	YoY (%)	5 Quarters Trend	Comments
Revenue	149.1	172.6	(13.7)	131.5	13.4	411.5	407.9	(0.9)		Dragged by lower CPO, PK and FFB sales as cutback in 3rd party purchase hampered production
EBITDA	50.9	46.1	10.4	43.4	17.2	103.3	129.8	25.7		
Pre-tax profit	41.8	36.5	14.4	34.5	21.2	74.9	102.6	36.9		
Net profit	31.2	27.2	14.6	25.9	20.5	56.1	76.4	36.3		
Core net profit	21.8	27.3	(20.0)	13.8	58.2	48.4	46.7	(3.4)		
Core EPS (sen)	7.8	9.8	(20.0)	4.9	58.2	17.3	16.8	(3.4)		
EBITDA margin (%)	34.1	26.7		33.0		25.1	31.8			
PBT margin (%)	28.0	21.1		26.2		18.2	25.2			
Core PATMI margin (%)	14.7	15.8		10.5		11.8	11.5			

Financial Highlights

Income Statement

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	710.9	570.7	556.0	598.1	665.8
Gross Profit	205.2	133.0	136.2	146.5	163.1
EBITDA	173.6	125.4	129.7	139.0	152.2
Depreciation & Amortisation	41.9	42.3	42.1	43.4	43.1
EBIT	131.7	83.1	87.6	95.6	109.1
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	91.9	99.9	113.4
Tax	36.9	22.6	22.1	24.0	27.2
Profit After Tax	97.3	64.9	69.9	76.0	86.2
Minority Interest	0.6	0.4	0.4	0.4	0.4
Net Profit	96.7	64.4	69.4	75.5	85.7
Exceptionals	-6.8	0.0	0.0	0.0	0.0
Core Net Profit	89.9	64.4	69.4	75.5	85.7

Key Ratios

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
P/E (x)	7.2	10.0	9.3	8.6	7.6
EBITDA margin	24.4%	22.0%	23.3%	23.2%	22.9%
EBIT margin	18.5%	14.6%	15.8%	16.0%	16.4%
PBT margin	18.9%	15.3%	16.5%	16.7%	17.0%
PAT margin	13.7%	11.4%	12.6%	12.7%	12.9%
NP margin	13.6%	11.3%	12.5%	12.6%	12.9%
Core NP margin	13.6%	11.3%	12.5%	12.6%	12.9%
ROE	13.7%	8.7%	9.1%	9.5%	10.4%
ROA	10.2%	6.8%	7.3%	7.5%	8.4%
Net gearing	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY25F
Core EPS (RM)	0.271
P/E multiple (x)	9.3
Fair Value (RM)	2.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash	126.0	114.6	103.4	153.2	167.9
Receivables	13.5	18.6	18.1	19.5	21.7
Inventories	18.2	23.8	23.2	24.9	27.7
Other current assets	99.8	105.3	105.3	105.3	105.3
Total Current Assets	257.4	262.3	250.0	302.9	322.6
Fixed Assets	262.7	261.8	269.7	268.2	265.0
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	700.3	698.8	695.6
Short-term Debt	10.3	1.1	26.1	47.1	27.1
Payables	64.9	57.4	55.2	59.2	65.6
Other Current Liabilities	42.8	21.1	21.1	21.1	21.1
Total Current Liabilities	118.0	79.6	102.4	127.3	113.8
Long-term Debt	13	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	772.9	799.4	829.4
Minority interest	-6.0	-5.9	-5.9	-5.9	-5.9
Equity	706.0	742.6	767.0	793.5	823.5

Cash Flow

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Pre-tax profit	134.2	87.4	91.9	99.9	113.4
Depreciation & amortisation	41.9	42.3	42.1	43.4	43.1
Changes in working capital	-2.9	-18.2	-12	0.9	14
Others	-40.8	-29.9	-22.5	-24.4	-27.6
Operating cash flow	132.4	81.6	110.4	119.8	130.2
Net capex	-33.1	-38.2	-50.0	-41.9	-39.9
Others	26.3	-9.8	0.0	0.0	0.0
Investing cash flow	-6.8	-48.0	-50.0	-41.9	-39.9
Changes in borrowings	-57.2	-2.7	25.0	20.9	-20.0
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-55.8	-41.9	-45.1	-49.1	-55.7
Others	-0.2	-0.3	0.0	0.0	0.0
Financing cash flow	-113.2	-44.8	-20.1	-28.1	-75.7
Net cash flow	12.4	-11.2	-11.4	49.8	14.6
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	153.2
Ending cash	126.0	114.6	103.4	153.2	167.9

APEX SECURITIES BERHAD – CONTACT LIST

APEX SECURITIES BHD

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

DEALING TEAM

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)

Institutional Dealing Team:

Low Jin Wu (ext 2109)

PJ Office:

General Line: (603) 7620 1118

RESEARCH TEAM

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)
Amir Hamdan (ext 2112)

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.