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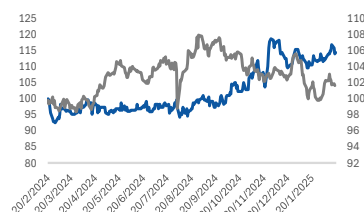
<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 2.36
Previous Target Price:	RM 2.50
Target Price:	↑ RM 2.90
Capital Upside/Downside:	22.9%
Dividend Yield (%):	6.4%
<b>Total Upside/Downside:</b>	<b>29.2%</b>

**Stock information**

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5135 / SPLB MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	279.0
Market Cap (RM' m)	658.5
52-Week Price Range (RM)	2.67-2.04
Beta (x)	0.5
Free float (%)	16.9
3M Average Volume (m)	0.1
3M Average Value (RM' m)	0.4

**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 (%)	1.7	3.1	4.9
Relative (%)	1.9	3.8	3.2

# Sarawak Plantation Bhd

## Stellar performance ahead

### Executive Summary

- **SPB's 4QFY24 CNP rose +43.2% yoy and -0.6% qoq to RM27.2m, bringing FY24 CNP at RM74.0m, which deemed above expectations, accounted to 107% of ours and consensus expectations respectively.**
- **Anticipate strong earnings performance in FY25 with FFB and CPO production to hit the 400k mt (+18.5% yoy) and 125k mt (+17.9% yoy) as SPB's palm estate is entering its high yielding age.**
- **Re-iterate our BUY recommendation with a higher target price of RM2.90, based on 8.9x P/E multiple pegged to FY26F EPS of 32.5 sen.**

**Results above expectations.** The Group's FY24 CNP of RM74.0m was slightly above expectation, meeting 107% of ours and consensus estimates. The variance was mainly due to lower-than-expected operating expenses, resulting in a higher GP margin of 27% (vs our estimate of 24%). We note that CPO production declined due to lower third-party FFB purchases, however, this led to margin improvement from reduced material input costs.

**YoY.** 4QFY24 CNP increased +3.5% yoy to RM27.2m, lifted by stronger operating margin in tandem with the higher realised CPO price. On the other hand, revenue for the quarter was down -9.8% yoy to RM143.6m due to decline in CPO production from lower third party FFB purchases.

**QoQ.** CNP rose by +24.7% qoq, on the back of strong uptick in CPO price. Revenue for the quarter, however, slid -3.7% qoq.

**Outlook.** We gather that FFB and CPO production is projected to hit the 400k mt (+18.5% yoy) and 125k mt mark (+17.9% yoy) for FY25 as SPB's palm estate is entering its high yielding age. As a result, we anticipate the Group to deliver another strong earnings performance in FY25, further boosted by the elevated CPO prices, which are projected to reach RM4,600.

**Earnings Revision.** We have revised our earnings forecast for FY25-FY26F upward by +18.1% and +6%, respectively, to reflect the strong CPO production guidance.

**Valuation.** Re-iterate our **BUY** recommendation on SPB with a higher target price of **RM2.90 (previously: RM2.50)**, by pegging 8.9x P/E multiple to FY26F EPS of 32.5 sen and 0% ESG factored premium/discount based on three-star ESG rating.

**Risk** Subject to export duty and regulations, changing weather patterns, DMO quota in Indonesia may affect CPO supply, shortage of labours and rising operational cost.

**Earnings Summary**

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	570.7	551.4	607.8	650.4	723.4
EBITDA	125.4	160.6	154.4	164.9	179.9
Pre-tax profit	87.4	124.4	118.4	120.6	135.3
Net profit	64.9	92.9	90.0	91.7	102.9
Core net profit	67.4	74.0	89.2	90.8	102.0
Core EPS (sen)	24.2	26.5	32.0	32.5	36.6
P/E (x)	9.8	8.9	7.4	7.3	6.5
P/B (x)	0.9	0.8	0.8	0.8	0.8
EV/EBITDA (x)	6.0	4.5	4.7	4.4	4.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

# Results Note

Friday, 21 Feb, 2025

## Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	143.6	159.2	(9.8)	149.1	(3.7)	551.4	570.7	(3.4)	While CPO production was down due to cutback in third party
EBITDA	9.6	22.1	(56.7)	50.9	(81.2)	139.4	125.4	11.2	purchases, margin improved due to reduced material input
Pre-tax profit	21.8	12.5	74.2	41.8	(47.8)	124.4	87.4	42.2	costs
Net profit	16.2	8.7	85.4	31.1	(47.9)	92.0	64.4	42.8	
Core net profit	27.2	19.0	43.2	21.8	24.7	74.0	67.4	9.7	
Core EPS (sen)	9.8	6.8	43.2	7.8	24.7	26.5	24.2	9.7	
EBITDA margin (%)	6.7	13.9		34.1		25.3	22.0		
PBT margin (%)	15.2	7.9		28.0		22.6	15.3		
Core net profit margin (%)	19.0	12.0		14.7		13.4	11.8		

Source: Company, Apex Securities

## Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
<b>Revenue</b>									
Plantation	80.6	60.4	33.3	71.8	12.3	262.4	222.6	17.9	Boosted by higher CPO price
Mill Operations	125.7	146.8	(14.4)	133.9	(6.2)	497.9	527.6	(5.6)	
Others	0.3	0.2	38.8	0.3	15.6	1.0	0.9	8.4	
<b>Gross Profit (GP)</b>									
Plantation	37.8	20.9	81.0	29.4	28.5	102.6	71.5	43.4	
Mill Operations	10.5	16.2	(35.3)	13.3	(21.3)	47.6	61.5	(22.7)	
Others	(0.2)	(0.1)	47.3	(0.4)	(50.9)	(0.9)	(0.5)	59.9	
<b>GP margin (%)</b>									
Plantation	46.9%	34.6%		41.0%		39.1%	32.1%		GP margin improved due to cutback in third party purchases
Mill Operations	8.3%	11.0%		10.0%		9.6%	11.7%		
Others	-65.0%	-61.2%		-152.9%		-88.6%	-60.1%		

Source: Company, Apex Securities

# Results Note

Friday, 21 Feb, 2025

## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	570.7	551.4	607.8	650.4	723.4
Gross Profit	133.0	150.0	148.9	159.4	177.2
EBITDA	125.4	160.6	154.4	164.9	179.9
Depreciation & Amortisation	42.3	42.3	42.0	44.0	44.3
EBIT	83.1	118.3	112.4	120.9	135.7
Net Finance Income/ (Cost)	4.3	6.0	6.0	-0.3	-0.3
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	87.4	124.4	118.4	120.6	135.3
Tax	22.6	31.5	28.4	28.9	32.5
Profit After Tax	64.9	92.9	90.0	91.7	102.9
Minority Interest	0.4	0.8	0.8	0.8	0.8
Net Profit	64.4	92.0	89.2	90.8	102.0
Exceptionals	3.0	-18.0	0.0	0.0	0.0
Core Net Profit	67.4	74.0	89.2	90.8	102.0

### Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	24.2	26.5	32.0	32.5	36.6
P/E (x)	9.8	8.9	7.4	7.3	6.5
P/B (x)	0.9	0.8	0.8	0.8	0.8
EV/EBITDA (x)	6.0	4.5	4.7	4.4	4.1
DPS (sen)	4.0	4.0	6.0	6.0	6.0
Dividend Yield (%)	1.7%	1.7%	2.5%	2.5%	2.5%
EBITDA margin (%)	22.0%	29.1%	25.4%	25.4%	24.9%
EBIT margin (%)	14.6%	21.5%	18.5%	18.6%	18.8%
PBT margin (%)	15.3%	22.6%	19.5%	18.5%	18.7%
PAT margin (%)	11.4%	16.8%	14.8%	14.1%	14.2%
NP margin (%)	11.3%	16.7%	14.7%	14.0%	14.1%
CNP margin (%)	11.8%	13.4%	14.7%	14.0%	14.1%
ROE (%)	9.1%	9.4%	11.3%	11.4%	12.8%
ROA (%)	7.1%	7.2%	8.5%	8.6%	9.5%
Gearing (%)	1.2%	5.2%	5.5%	5.5%	5.5%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations	FY26F
Core EPS (RM)	0.325
P/E multiple (x)	8.9
Fair Value (RM)	2.90
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.90

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	114.6	104.7	101.8	107.5	117.4
Receivables	18.6	16.6	18.3	19.6	21.8
Inventories	23.8	26.1	28.7	30.7	34.2
Other current assets	105.3	162.2	162.2	162.2	162.2
Total Current Assets	262.3	309.6	311.0	320.0	335.6
Fixed Assets	261.8	260.0	272.7	274.2	273.4
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	430.6	460.6	460.6	460.6	460.6
Total Non-current assets	692.4	720.6	733.3	734.8	734.0
Short-term Debt	1.1	2.7	0.0	0.0	0.0
Payables	57.4	65.7	74.8	79.8	88.4
Other Current Liabilities	21.1	4.3	4.2	4.2	4.2
Total Current Liabilities	79.6	72.7	79.0	84.1	92.6
Long-term Debt	8.0	38.0	43.3	43.6	43.9
Other non-current liabilities	124.4	135.9	133.6	133.6	133.6
Total Non-current Liabilities	132.4	173.9	176.9	177.2	177.5
Shareholder's equity	748.5	779.4	784.5	789.7	795.5
Minority interest	-5.9	4.3	4.3	4.3	4.3
Equity	742.6	783.7	788.8	794.0	799.8

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	87.4	124.4	118.4	120.6	135.3
Depreciation & amortisation	42.3	42.3	42.0	44.0	44.3
Changes in working capital	-18.2	8.0	4.7	1.7	2.9
Others	-29.9	-44.1	-30.3	-29.8	-33.3
Operating cash flow	81.6	130.5	134.9	136.6	149.1
Net capex	-38.2	-61.7	-54.7	-45.5	-43.4
Others	-9.8	-32.7	0.0	0.0	0.0
Investing cash flow	-48.0	-94.4	-54.7	-45.5	-43.4
Changes in borrowings	-2.7	24.3	0.3	0.3	0.3
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-41.9	-69.8	-84.1	-85.6	-96.2
Others	-0.3	-0.4	0.0	0.0	0.0
Financing cash flow	-44.8	-45.8	-83.8	-85.3	-95.9
Net cash flow	-11.2	-9.7	-3.6	5.7	9.9
Forex	-3.0	-2.0	-1.0	0.0	1.0
Others	2.5	1.8	1.7	0.0	-1.0
Beginning cash	126.3	114.6	104.7	101.8	107.5
Ending cash	114.6	104.7	101.8	107.5	117.4

**ESG Matrix Framework:****Environment**

Parameters	Rating	Comments
Climate	★★★	Installation of clean air filtration system is in progress at both Niah Palm Oil Mill and Mukah Palm Oil Mill to reduce black smoke emission and improves air quality
Waste & Effluent	★★★★	Co2 emissions reduced from 3.0m kg in FY21 to 2.5m kg in FY23
Energy	★★★★	In FY23, energy consumption amounted to 47,575 MWh. Renewable energy source now constitutes 25% of the overall energy consumption portfolio.
Water	★★★★	Adopted various water conservation practices, such as managing biomass during replanting, constructing terracing and silt pits and establishing leguminous cover crops and mulching to retain moisture and enhance soil conditions. Total water consumption for FY23 stood at 117 Megalitre.
Compliance	★★	Complied with MSPO but not RSPO certified

**Social**

Diversity	★★★★	79% of average executive age below 50, 20% of employees are female
Human Rights	★★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	Lost time incident rate of 1.03, zero workplace fatalities in FY23
Labour Practices	★★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

**Governance**

CSR Strategy	★★★★	For 2023, the Group spent a total of RM594,989 in community investment, benefiting 333 community members
Management	★★	Average board members age above 68, 1/6 female board composition, 3/6 Independent Directors
Stakeholders	★★★★	1x AGM per annum but responsive to enquiries on request

**Overall ESG Scoring:** ★★★**Recommendation Framework:****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.**ESG Rating Framework:**

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.