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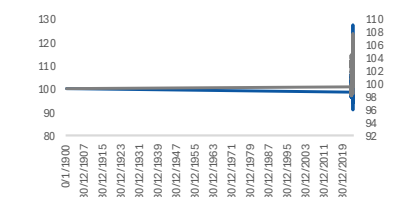
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| | |
|-------------------------------|---------------|
| Recommendation: | #NAME? |
| Current Price: | #NAME? |
| Previous Target Price: | RM 2.20 |
| Target Price: | ↑ RM 2.35 |
| Capital Upside/Downside: | #NAME? |
| Dividend Yield (%): | #### |
| Total Upside/Downside: | #NAME? |

Stock information

| | |
|---------------------------|------------|
| Board | #NAME? |
| Sector | Plantation |
| Bursa / Bloomberg Code | #NAME? |
| Syariah Compliant | #NAME? |
| ESG Rating | ★★★ |
| Shares issued (m) | #NAME? |
| Market Cap (RM ' m) | #NAME? |
| 52-Week Price Range (RM) | #NAME? |
| Beta (x) | #NAME? |
| Free float (%) | #NAME? |
| 3M Average Volume (m) | #NAME? |
| 3M Average Value (RM ' m) | #NAME? |

| | |
|---------------------------|------------|
| Top 3 Shareholders | (%) |
| #NAME? | #NAME? |
| Public Smallcap Fund | 2.0 |
| Eastspring Inv Small Cap | 1.5 |

Share Price Performance

| | 1M | 3M | 12M |
|--------------|------|------|------|
| Absolute (%) | #### | #### | #### |
| Relative (%) | #### | #### | #### |

Hap Seng Plantations Holdings Bhd

FY24 Outperformed Expectations

Executive Summary

- HAPL's 4QFY24 CNP surged +45.0% yoy and +39.6% qoq to RM60.6m, bringing FY24 CNP at RM160.4m (+61.4% yoy), which deemed above expectations, accounted to 123% and 114% of ours and consensus expectations respectively.
- FFB production hit 649k tonnes, meeting our forecast at 99.5%, while fell short of management's guidance at 92%. FY25 earnings growth to be driven by elevated CPO price supported by strong biodiesel demand from Indonesia's B40 mandate.
- Re-iterate our BUY recommendation with a higher target price of RM2.35, based on 12.1x P/E multiple pegged to FY25F EPS.

Results above expectations. FY24 CNP at RM160.4m (+61.4% yoy) came above expectations, accounting to 123% of our core net profit forecast at RM130.0m and was at 114% of consensus forecasted net profit of RM141.0m. While we expected 4QFY24 to be HAPL's strongest quarter, the actual realised CPO prices of RM4,791/mt have surpassed our expectations.

YoY. 4QFY24 CNP rose +45.0% yoy to RM60.6m mainly driven by higher ASP for both CPO and PK. Notably, PK sales volume fell -6.7% yoy to 40k tonnes as it was affected lower PKER. Meanwhile, CPO sales volume grew by 3.6% to 41k tonnes buoyed by carry-over deliveries from the previous quarter despite flattish production. Similarly, revenue for the quarter added +33.7% yoy to RM233.4m.

QoQ. CNP rose by +39.6% qoq, on the back of CPO price rallies in late FY24. Revenue for the quarter climbed +31.7% qoq to RM233.4m.

Dividend. Declared a second interim dividend of 11 sen, bringing total dividend of 12.5 sen for FY24. This represents a dividend yield of 6.4% based on current share price of RM1.94.

Outlook. FFB production reached 649k tonnes, nearly meeting our forecast at 99.5%, though it fell short of management's guidance at 92%. Looking ahead, we expect HAPL to deliver robust earnings in FY25, led by sustained high CPO prices supported by strong biodiesel demand from Indonesia's B40 mandate. Nevertheless, Malaysia's mandatory 2% EPF contributions for foreign workers, alongside the minimum wage hike to RM1,700 will further drive unit cost up.

Earnings Revision. We tweaked our earnings forecast for FY25F upward by +14.8% after revising our CPO assumption from RM4,200 to RM 4,400.

Valuation. Re-iterate our **BUY** recommendation with a higher target price of **RM2.35** (previously RM2.20), by pegging 12.1x P/E multiple to FY25F EPS of 19.9 sen and 0% ESG factored premium/discount based on three-star ESG rating.

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, increased competition from alternative vegetable oils

Earnings Summary

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|--------------------|----------|----------|----------|----------|----------|
| Revenue | 667.8 | 752.4 | 800.3 | 773.5 | 768.1 |
| EBITDA | 205.4 | 352.0 | 294.7 | 287.4 | 285.6 |
| Pre-tax profit | 120.2 | 267.8 | 209.3 | 204.8 | 202.6 |
| Net profit | 91.4 | 204.6 | 159.1 | 155.7 | 154.0 |
| Core net profit | 99.4 | 160.4 | 159.1 | 155.7 | 154.0 |
| Core EPS (sen) | 12.4 | 20.1 | 19.9 | 19.5 | 19.3 |
| P/E (x) | 15.6 | 9.7 | 9.8 | 10.0 | 10.1 |
| P/B (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA (x) | 8.2 | 4.7 | 6.0 | 6.6 | 7.0 |
| Dividend Yield (%) | 3.5% | 6.4% | 6.2% | 6.0% | 6.0% |
| Net Gearing (%) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

Source: Company, Apex Securities

Results Comparison

| FYE Dec (RM m) | 4QFY24 | 4QFY23 | yoy (%) | 3QFY24 | qoq (%) | 12M FY24 | 12M FY23 | yoy (%) | Comments |
|----------------------------|--------|--------|---------|--------|---------|----------|----------|---------|---|
| Revenue | 233.4 | 174.6 | 33.7 | 177.3 | 31.7 | 752.4 | 667.8 | 12.7 | Improved yoy sales volume and CPO price |
| EBITDA | 132.4 | 46.4 | 185.1 | 92.3 | 43.4 | 352.0 | 204.4 | 72.2 | |
| Pre-tax profit | 111.1 | 26.4 | 321.1 | 71.4 | 55.6 | 267.8 | 120.2 | 122.7 | |
| Net profit | 85.0 | 20.7 | 311.1 | 55.4 | 53.4 | 204.6 | 91.4 | 124.0 | |
| Core net profit | 60.6 | 41.8 | 45.0 | 43.4 | 39.6 | 160.4 | 99.4 | 61.4 | |
| Core EPS (sen) | 7.6 | 5.2 | 45.0 | 5.4 | 39.6 | 20.1 | 12.4 | 61.4 | Margins expansion (yoy) on favourable CPO price |
| EBITDA margin (%) | 56.7 | 26.6 | | 52.1 | | 46.8 | 30.6 | | |
| PBT margin (%) | 47.6 | 15.1 | | 40.3 | | 35.6 | 18.0 | | |
| Core net profit margin (%) | 26.0 | 24.0 | | 24.5 | | 21.3 | 14.9 | | |

Source: Company, Apex Securities

Results Note

Thursday, 27 Feb, 2025

Financial Highlights

Income Statement

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|-----------------------------|-------|-------|-------|-------|-------|
| Revenue | 667.8 | 752.4 | 800.3 | 773.5 | 768.1 |
| Operating Profit | 117.4 | 211.6 | 153.2 | 144.4 | 141.2 |
| EBITDA | 205.4 | 352.0 | 294.7 | 287.4 | 285.6 |
| Depreciation & Amortisation | 85.9 | 85.1 | 84.5 | 84.3 | 84.0 |
| EBIT | 119.5 | 266.9 | 210.2 | 203.1 | 201.7 |
| Net Finance Income/ (Cost) | -0.7 | -0.9 | -0.9 | 17 | 10 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | 120.2 | 267.8 | 209.3 | 204.8 | 202.6 |
| Tax | 28.9 | 63.1 | 50.2 | 49.2 | 48.6 |
| Profit After Tax | 91.4 | 204.6 | 159.1 | 155.7 | 154.0 |
| Minority Interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 91.4 | 204.6 | 159.1 | 155.7 | 154.0 |
| Exceptionals | 8.1 | -44.2 | 0.0 | 0.0 | 0.0 |
| Core Net Profit | 99.4 | 160.4 | 159.1 | 155.7 | 154.0 |

Key Ratios

| FYE Dec | FY23 | FY24 | FY25F | FY26F | FY27F |
|--------------------|----------|----------|----------|----------|----------|
| EPS (sen) | 12.4 | 20.1 | 19.9 | 19.5 | 19.3 |
| P/E (x) | 15.6 | 9.7 | 9.8 | 10.0 | 10.1 |
| P/B (x) | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 |
| EV/EBITDA (x) | 8.2 | 4.7 | 6.0 | 6.6 | 7.0 |
| DPS (sen) | 6.8 | 12.5 | 11.9 | 11.7 | 11.6 |
| Dividend Yield (%) | 3.5% | 6.4% | 6.2% | 6.0% | 6.0% |
| EBITDA margin (%) | 30.8% | 46.8% | 36.8% | 37.2% | 37.2% |
| EBIT margin (%) | 17.9% | 35.5% | 26.3% | 26.3% | 26.3% |
| PBT margin (%) | 18.0% | 35.6% | 26.1% | 26.5% | 26.4% |
| PAT margin (%) | 13.7% | 27.2% | 19.9% | 20.1% | 20.0% |
| NP margin (%) | 13.7% | 27.2% | 19.9% | 20.1% | 20.0% |
| CNP margin (%) | 14.9% | 21.3% | 19.9% | 20.1% | 20.0% |
| ROE (%) | 5.1% | 7.6% | 7.2% | 6.7% | 6.4% |
| ROA (%) | 4.1% | 6.2% | 5.9% | 5.5% | 5.3% |
| Gearing (%) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Net gearing (%) | Net Cash | Net Cash | Net Cash | Net Cash | Net Cash |

Valuations

| Valuations | FY26F |
|-------------------------|-------|
| Core EPS (RM) | 0.195 |
| P/E multiple (x) | 12.1 |
| Fair Value (RM) | 2.35 |
| ESG premium/discount | 0.0% |
| Implied Fair Value (RM) | 2.35 |

Source: Company, Apex Securities

Balance Sheet

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|-------------------------------|--------|--------|--------|--------|--------|
| Cash | 135.8 | 116.5 | 225.3 | 338.4 | 447.8 |
| Receivables | 12.6 | 72.8 | 77.5 | 74.9 | 74.3 |
| Inventories | 100.9 | 101.8 | 108.2 | 104.6 | 103.9 |
| Other current assets | 443.7 | 582.5 | 582.5 | 582.5 | 582.5 |
| Total Current Assets | 693.0 | 873.6 | 993.6 | 1100.4 | 1208.6 |
| Fixed Assets | 1734.0 | 1722.1 | 1717.6 | 1710.6 | 1703.5 |
| 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 | 1734.0 | 1722.1 | 1717.6 | 1710.6 | 1703.5 |
| Short-term Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Payables | 44.8 | 54.8 | 65.6 | 63.7 | 63.5 |
| Other Current Liabilities | 9.7 | 13.0 | 13.0 | 13.0 | 13.0 |
| Total Current Liabilities | 54.5 | 67.8 | 78.5 | 76.7 | 76.5 |
| Long-term Debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-current liabilities | 419.9 | 425.0 | 425.0 | 425.0 | 425.0 |
| Total Non-current Liabilities | 419.9 | 425.0 | 425.0 | 425.0 | 425.0 |
| Shareholder's equity | 1952.6 | 2102.9 | 2207.6 | 2309.3 | 2410.6 |
| Minority interest | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equity | 1952.6 | 2102.9 | 2207.6 | 2309.3 | 2410.6 |

Cash Flow

| FYE Dec (RM m) | FY23 | FY24 | FY25F | FY26F | FY27F |
|-----------------------------|--------|--------|-------|-------|-------|
| Pre-tax profit | 120.2 | 267.8 | 209.3 | 204.8 | 202.6 |
| Depreciation & amortisation | 85.9 | 85.1 | 84.5 | 84.3 | 84.0 |
| Changes in working capital | -13 | -510 | -0.3 | 4.4 | 10 |
| Others | -35.1 | -92.4 | -50.2 | -49.2 | -48.6 |
| Operating cash flow | 169.8 | 209.5 | 243.2 | 244.3 | 239.0 |
| Net capex | -78.2 | -67.1 | -80.0 | -77.4 | -76.8 |
| Others | -43.2 | -96.5 | 0.0 | 0.0 | 0.0 |
| Investing cash flow | -121.4 | -163.6 | -80.0 | -77.4 | -76.8 |
| 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 | -68.0 | -54.4 | -54.4 | -53.9 | -52.8 |
| Others | -110 | -10.8 | 0.0 | 0.0 | 0.0 |
| Financing cash flow | -79.0 | -65.2 | -54.4 | -53.9 | -52.8 |
| Net cash flow | -30.6 | -19.2 | 108.8 | 113.1 | 109.4 |
| Forex | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Beginning cash | 166.3 | 135.8 | 116.5 | 225.3 | 338.4 |
| Ending cash | 135.8 | 116.5 | 225.3 | 338.4 | 447.8 |

ESG Matrix Framework:

Environment

| Parameters | Rating | Comments |
|------------------|--------|---|
| Climate | ★★★ | Net carbon emissions per tonne of CPO reduced by 10% yoy in FY23. The significant reduction was attributed to the commissioning of a new biogas facility at BPOM and reduction in the emissions from land use change due to reclassification of more oil palm planted areas as planting on non-forested land. |
| Waste & Effluent | ★★★ | Generated 331,243 MT of waste and managed to recycle 331,084 MT of recyclable wastes in FY23. Most of the recycled wastes consist of oil palm biomass recycled for energy generation and soil nutrient enhancement purposed. |
| Energy | ★★★ | Mill operation consumed 1.856 bn MJ of energy derived from renewable and non-renewable energy. REgenerated from biogas plant, burning of biomass and utilisation of biodiesel constitute 85% of the overall energy consumption. |
| Water | ★★★ | In FY23, the total amount of water used for FFB processing in mills has decreased to 1.28 m3 / MT FFB (FY2022: 1.88 m3 / MT FFB). |
| Compliance | ★★★ | In compliance with local and international environmental regulations |

Social

| | | |
|--------------------------------|-----|--|
| Diversity | ★★ | Low female executive and non-executive staff ranging from 27% to 32%. |
| Human Rights | ★★★ | Do not allow children or young person under the age of 18 to work in estates. The Group conduct regular spot checks, and for the reporting period there were no reported incident of child labour. |
| Occupational Safety and Health | ★★★ | No fatality was recorded in FY23 while the Lost Time Accident Rate (LTAR) decreased by 14% from 0.56 per 200,000 hour worked in FY2021 to 0.48 per 200,000 hour worked in FY23. |
| Labour Practices | ★★★ | Base wage + additional daily rate based on tonnage of harvest, maturity of the field worked, and specific work tasks. |

Governance

| | | |
|--------------|-----|--|
| CSR Strategy | ★★★ | Collaborated with Humana Child Aid Society, a social non-governmental organisation that provides education to thousands of children living in plantations and other remote areas of Sabah, where schools are inaccessible. |
| Management | ★★ | Average board members age @ 69, 2/10 female board composition, 4/10 Independent Directors |
| Stakeholders | ★★★ | 4x analyst briefings per annum, 1x AGM per annum |

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.