APEX SECURITIES 鼎峰证券有限公司

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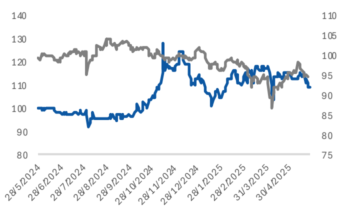
Recommendation:		HOLD
Current Price:		RM 1.83
Previous Target Price:		RM 2.00
Target Price:	↔	RM 2.00
Capital Upside/Downside:		9.3%
Dividend Yield (%):		6.8%
Total Upside/Downside		**16.1%**

Stock information	
Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5138 / HAPL MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	799.7
Market Cap (RM' m)	1,463.4
52-Week Price Range (RM)	2.3-1.63
Beta (x)	0.7
Free float (%)	25.4
3M Average Volume (m)	0.6
3M Average Value (RM' m)	1.2

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 (%)	-5.2	-9.0	2.2
Relative (%)	-5.5	-6.1	8.2

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	752.4	800.3	773.5
PATAMI (RM'm)	204.6	159.1	155.7
CNP (RM'm)	160.4	159.1	155.7
EPS - core (sen)	20.1	19.9	19.5
P/E (x)	9.1	9.2	9.4

Hap Seng Plantations Holdings Bhd

1QFY25 Lifted by Higher Prices

- **HAPL's 1QFY25 CNP surged +61.6% yoy, but fell -35.4% qoq to RM39.2m, came broadly in line with our expectations, representing 24.6% and 24.8% of our and consensus forecasts, respectively.**
- **FFB production hit 132k tonnes, meeting our forecast at 19.6%. We expect output to improve in the coming quarters on recovery from adverse weather conditions.**
- **Re-iterate our BUY recommendation with unchanged target price of RM2.00, based on 10.2x P/E multiple pegged to FY25F EPS.**

Results within expectations. 1QFY25 CNP at RM39.2m (excluding FV loss on biological assets of RM16.7m) came within expectations, accounting for 24.6%/24.8% of both ours and consensus CNP forecast.

YoY. CNP rose 61.6% yoy, driven by higher CPO and PK ASPs (RM4,866 and RM3,741 vs. RM4,023 and RM2,329 in 1QFY24). Similarly, revenue also climbed by +12.8% to RM179.4m despite an -11.3% yoy decline in FFB production.

QoQ. CNP shed -35.4% qoq as wet weather in Sabah impacting FFB output. Revenue for the quarter fell -23.1% qoq on lower CPO and PK sales volume.

Dividend. No dividend was declared during the quarter, as expected. However, we anticipate a DPS of 12 sen for FY25, based on a 60% payout ratio. This translates into a respectable dividend yield of 6.5% in FY25 at current share price of RM1.83.

Outlook. FFB output stood at 132k tonnes, accounting for only 19.6% of our full-year forecast. Nonetheless, we anticipate FFB production to gain momentum in the coming quarters as it gradually recovers from the impact of adverse weather conditions. On the other hand, we expect CPO prices to come under pressure, likely ranging between RM3,800 and RM4,000, as stockpiles are projected to build up in 2Q25 amid a recovery in palm oil production. As such, we expect the Group's 2QFY25 earnings to be lacklustre on a sequential basis due to the softer CPO price outlook.

Earnings Revision. Given that the reported earnings are deemed within expectations, we kept our forecast unchanged.

Valuation. Re-iterate our **HOLD** recommendation with unchanged target price of **RM2.00**, by pegging 10.0x P/E multiple to FY25F EPS 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

Results Comparison

FYE Dec (RM m)	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Revenue	179.4	159.0	*12.8*	233.4	*(23.1)*	179.4	159.0	*12.8*	*YoY buoyed by higher CPO and PK price*
EBITDA	50.8	69.5	*(26.9)*	132.0	*(61.5)*	50.8	69.5	*(26.9)*	*lower CPO and PK sales volume*
Pre-tax profit	29.5	48.3	*(39.0)*	110.8	*(73.4)*	29.5	48.3	*(39.0)*	*dragged qoq performance*
Net profit	22.2	36.3	*(38.8)*	84.6	*(73.7)*	22.2	36.3	*(38.8)*	
Core net profit	38.9	24.0	*62.0*	60.3	*(35.4)*	38.9	24.0	*62.0*	
Core EPS (sen)	4.9	3.0	*62.0*	7.5	*(35.4)*	4.9	3.0	*62.0*	
EBITDA margin (%)	28.3	43.7		56.6		28.3	43.7		
PBT margin (%)	16.4	30.3		47.5		16.4	30.3		
Core net profit margin (%)	21.7	15.1		25.8		21.7	15.1		

Source: Company, Apex Securities

Operational Statistic

FYE Dec	1QFY25	1QFY24	yoy (%)	4QFY24	qoq (%)	3MFY25	3MFY24	yoy (%)	Comments
Sales Volume									
CPO (tonnes)	31,355.0	34,202.0	*(8.3)*	41,292.0	*(24.1)*	31,355.0	34,202.0	*(8.3)*	*Affected by lower FFB output*
PK (tonnes)	6,480.0	8,024.0	*(19.2)*	8,946.0	*(27.6)*	6,480.0	8,024.0	*(19.2)*	*due to wet weather*
ASP									
CPO (RM/mt)	4,866.0	4,023.0	*21.0*	4,791.0	*1.6*	4,866.0	4,023.0	*21.0*	
PK (RM/mt)	3,741.0	2,329.0	*60.6*	3,528.0	*6.0*	3,741.0	2,329.0	*60.6*	

Source: Company, Apex Securities

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	1.7	1.0
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)	14.7	9.1	9.2	9.4	9.5
P/B (x)	0.7	0.7	0.7	0.6	0.6
EV/EBITDA (x)	6.5	3.8	4.2	3.9	3.6
DPS (sen)	6.8	12.5	11.9	11.7	11.6
Dividend Yield (%)	3.7%	6.8%	6.5%	6.4%	6.3%
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	FY25F
Core EPS (RM)	0.199
P/E multiple (x)	10.2
Fair Value (RM)	**2.00**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**2.00**

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	-1.3	-51.0	-0.3	4.4	1.0
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	-11.0	-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 FY2024, primarily due to lower emissions from land use change and continued utilisation of biogas facilities. The Group continues to pursue RSPO certification, with 81% of estates certified and full certification targeted by 2025.
Waste & Effluent	★★★	Continued strong waste management practices in FY2024, with nearly all of the 332,341 MT of waste recycled (primarily oil palm biomass for energy and soil enhancement). The Group actively engages smallholders in sustainable practices.
Energy	★★★	Total energy use in mill operations remained significant, with ~85% derived from renewable sources (biogas, biomass, biodiesel), showing continued reliance on sustainable energy generation
Water	★★★	Water usage efficiency improved further to 1.21 m^3/MT FFB in FY2024 (from 1.28 in FY2023 and 1.88 in FY2022), driven by optimisation in mill processes
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★	Low female executive staff ranging at 16.7%.
Human Rights	★★★	Maintained strict prohibition on child labour with regular internal checks; no reported violations in FY2024
Occupational Safety and Health	★★★	No fatalities in FY2024; sustained focus on safety, training, and health protocols with support from DOSH. LTAR remained low
Labour Practices	★★★	Workers compensated via base wage plus productivity-linked variable components. Fair practices observed in wage and employment terms

Governance

CSR Strategy	★★★	Ongoing collaboration with Humana Child Aid Society to support access to education for children in remote plantation areas. Community engagement continues to be a priority.
Management	★★	Average board members age @ 69, 2/10 female board composition, 5/10 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 + dividend yield

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

As of **Wednesday, 28 May, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.