

Steven Chong

(603) 7890 8888 (ext 2068)

stevenchong@apexsecurities.com.my

Recommendation:	HOLD
Current Price:	RM2.67
Previous Target Price:	RM2.30
Target Price:	RM2.50
Capital Upside/Downside:	-6.4%
Dividend Yield (%)	5.6%
Total Upside/Downside:	-0.7%

Stock information

Board	MAIN
Sector	Plantation
Bursa / Bloomberg Code	5135 / SPLB MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	279.0
Market Cap (RM' m)	745.0
52-Week Price Range (RM)	2.7-2.11
Beta (x)	0.6
Freefloat (%)	26.4
3M Average Volume (m)	0.0
3M Average Value (RM' m)	0.1

Top 3 Shareholders

	(%)
Ta Ann Holdings Bhd	28.7
State Financial Secretary	25.5
Amanah Khairat Yayasan Budaya Me	4.2

Share Price Performance

	1M	3M	12M
Absolute (%)	6.0	9.9	24.8
Relative (%)	1.1	5.3	28.6

Earnings Summary	FY24	FY25F	FY26F
Revenue (RM'm)	551.4	592.5	613.7
PATAMI (RM'm)	92.0	77.8	82.1
CNP (RM'm)	74.0	77.8	82.1
EPS - core (sen)	26.5	27.9	29.4
P/E(x)	10.1	9.6	9.1

Sarawak Plantation Bhd

Production Shortfall Tempers Recovery

- SPLB reported 2QFY25 CNP of RM17.7m (-3.4% QoQ, +6.5% YoY), bringing 6MFY25 CNP to RM35.9m (+46.0% yoy), which was below expectations, accounting for 42.9%/45.2% of ours and consensus forecasts respectively. The variance stemmed from weaker-than-expected CPO production as the Group scaled back third-party FFB purchases.
- FY25 FFB target reduced to 377k MT (from 400k MT), after a disappointing 1H output.
- We cut our FY25F earnings forecast by 7.1% to reflect the downward revision in FFB output guidance and elevated fertiliser costs. That said, our FY26F forecast is lifted by 4.1%, as we adjust our CPO price assumption to RM4,000/MT from RM3,900/MT.
- We re-iterate our HOLD call with a higher TP of RM2.50, after rolling forward our valuation base year to FY26. The revised TP is derived by applying a higher 8.4x P/E multiple (vs. 7.6x previously) to reflect the recent re-rating across upstream planters.

Results below expectations. The Group reported a 6MFY25 CNP of RM35.9m, which was below expectations, accounting for 42.9% and 45.2% of our projection and consensus full-year estimates respectively. The variance stemmed from weaker-than-expected CPO production as the Group scaled back third-party FFB purchases.

YoY. 2QFY25 CNP rose 6.5% YoY to RM17.7m, underpinned by higher realised CPO (+0.8% to RM4,039) and PK (+40.9% to RM3,175) prices. Plantation segment GP expanded 9.3% YoY in tandem with firmer ASP, while the milling segment's GP improved 11.4% on the back of improved OER and tighter cost controls. However, revenue eased 0.4% YoY to RM131.0m as lower CPO and PK output offset the ASP gains.

QoQ. CNP dropped 3.4% QoQ, reflecting weaker CPO (-14.6%) and PK (-8.0%) ASP. Similarly, revenue slipped 3.3% QoQ.

Outlook. We gather that management has revised its FFB production guidance down to 377k MT (from 400k MT), as 1H FY25 output came in below expectations at 39.6% of the initial full-year target. On the cost front, management guided for a higher unit cost of RM2,900/MT in FY25 (vs RM2,700/MT in FY24), largely due to the elevated fertiliser prices. We believe this could place pressure on margins, if CPO prices were to ease below the RM4,000/MT levels. That said, the Group may cushion the impact through operational efficiencies while boosting CPO output via third-party FFB purchases. Looking ahead, we expect 3QFY25 earnings to stage a sequential recovery in line with seasonal peak production trends.

Earnings Revision. We cut our FY25F earnings forecast by 7.1% to reflect the downward revision in FFB output guidance and elevated fertiliser costs. That said, our FY26F forecast is lifted by 4.1%, as we adjust our CPO price assumption to RM4,000/MT from RM3,900/MT.

Valuation. We reiterate our **HOLD** call on SPLB with a higher TP of **RM2.50** (previously RM2.30), after rolling forward our valuation base year to FY26. The revised TP is derived by applying a higher **8.4x** P/E multiple (vs. 7.6x previously) to reflect the recent re-rating across upstream planters. Our assigned multiple represents a 22% discount to the peer average of 10.8x, justified by SPLB's relatively weaker FFB yield profile, higher unit costs, and softer net margins. We ascribe a 0% ESG adjustment, in line with the Group's three-star ESG rating.

Risk 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.

Results Note

Friday, 22 Aug, 2025

Results Comparison

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6MFY25	6MFY24	yoy (%)	Comments
Revenue	1310	1315	(0.4)	135.5	(3.3)	266.5	258.8	3.0	YoY: Sales volume remains a drag, as lower output and reduced third-party purchases continue to weigh on topline performance.
EBITDA	45.1	43.2	4.2	40.1	12.3	85.2	78.6	8.3	
Pre-tax profit	36.6	34.3	6.7	30.8	18.7	67.4	60.5	11.3	
Net profit	26.7	25.5	4.5	22.4	18.9	49.1	44.5	10.4	
Core net profit	17.7	16.6	6.5	18.3	(3.4)	35.9	24.6	46.0	YoY: Buoyed by higher CPO and PK
Core EPS (sen)	6.3	5.9	6.5	6.6	(3.4)	12.9	8.8	46.0	
EBITDA margin (%)	34.4	32.9		29.6		32.0	30.4		
PBT margin (%)	27.9	26.1		22.7		25.3	23.4		
Core net profit margin (%)	13.5	12.6		13.5		13.5	9.5		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	2QFY25	2QFY24	yoy (%)	1QFY25	qoq (%)	6M FY25	6M FY24	yoy (%)	Comments
Revenue									
Plantation	65.9	59.1	11.6	65.6	0.6	131.5	110.1	19.5	CPO output drop due to cutback in 3rd party purchases
Mill Operations	119.9	120.4	(0.4)	122.3	(1.9)	242.2	238.3	1.6	
Others	0.2	0.2	3.7	0.4	(36.2)	0.6	0.4	38.2	
Gross Profit (GP)									
Plantation	24.8	22.7	9.3	27.5	(9.9)	52.4	35.3	48.3	Plantation margin drop due to lower CPO and PK sales volume
Mill Operations	12.6	11.4	10.8	10.4	21.6	23.0	23.7	(3.0)	
Others	(0.2)	(0.1)	90.3	(0.2)	14	(0.4)	(0.3)	53.0	
GP margin (%)									
Plantation	37.6%	38.4%		42.0%		39.8%	32.1%		Plantation margin drop due to lower CPO and PK sales volume
Mill Operations	10.5%	9.5%		8.5%		9.5%	10.0%		
Others	-94.7%	-51.6%		-59.6%		-73.2%	-66.1%		

Source: Company, Apex Securities

Results Note

Friday, 22 Aug, 2025

Financial Highlights

Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	570.7	551.4	592.5	613.7	671.1
Gross Profit	133.0	150.0	133.3	139.9	140.9
EBITDA	125.4	160.6	139.5	146.0	144.8
Depreciation & Amortisation	42.3	42.3	42.0	42.8	42.9
EBIT	83.1	118.3	97.5	103.2	101.9
Net Finance Income/ (Cost)	4.3	6.0	6.0	6.0	6.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	87.4	124.4	103.5	109.2	107.9
Tax	-22.6	-31.5	-24.8	-26.2	-25.9
Profit After Tax	64.9	92.9	78.7	83.0	82.0
Minority Interest	-0.4	-0.8	-0.8	-0.8	-0.8
Net Profit	64.4	92.0	77.8	82.1	81.2
Exceptionals	3.0	-18.0	0.0	0.0	0.0
Core Net Profit	67.4	74.0	77.8	82.1	81.2

Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	24.2	26.5	27.9	29.4	29.1
P/E (x)	11.1	10.1	9.6	9.1	9.2
P/B (x)	1.0	1.0	0.9	0.9	0.9
EV/EBITDA (x)	5.1	4.3	4.9	4.6	4.6
DPS (sen)	15.0	15.0	15.0	15.0	15.0
Dividend Yield (%)	5.6%	5.6%	5.6%	5.6%	5.6%
EBITDA margin (%)	22.0%	29.1%	23.5%	23.8%	21.6%
EBIT margin (%)	14.6%	21.5%	16.5%	16.8%	16.2%
PBT margin (%)	15.3%	22.6%	17.5%	17.8%	16.1%
PAT margin (%)	11.4%	16.8%	13.3%	13.5%	12.2%
NP margin (%)	11.3%	16.7%	13.1%	13.4%	12.1%
CNP margin (%)	11.8%	13.4%	13.1%	13.4%	12.1%
ROE (%)	9.1%	9.4%	9.9%	10.4%	10.2%
ROA (%)	7.1%	7.2%	7.5%	7.8%	7.6%
Gearing (%)	12%	5.2%	5.5%	5.5%	5.5%
Net gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Valuations

Valuations	FY26F
Core EPS (RM)	0.294
P/E multiple (x)	8.4
Fair Value (RM)	2.50
ESG premium/discount	0.0%
Implied Fair Value (RM)	2.50

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	114.6	104.7	109.9	115.4	127.0
Receivables	18.6	16.6	17.9	18.5	20.2
Inventories	23.8	26.1	28.0	29.0	31.7
Other current assets	105.3	162.2	162.2	162.2	162.2
Total Current Assets	262.3	309.6	317.9	325.1	341.2
Fixed Assets	261.8	260.0	265.4	265.6	263.0
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	726.0	726.1	723.5
Short-term Debt	1.1	2.7	0.0	0.0	0.0
Payables	57.4	65.7	74.8	77.1	85.7
Other Current Liabilities	21.1	4.3	4.2	4.2	4.2
Total Current Liabilities	79.6	72.7	79.0	81.3	89.9
Long-term Debt	8.0	38.0	43.3	43.6	43.8
Other non-current liabilities	124.4	135.9	133.6	133.6	133.6
Total Non-current Liabilities	132.4	173.9	176.8	177.1	177.4
Shareholder's equity	748.5	779.4	783.8	788.5	793.2
Minority interest	-5.9	4.3	4.3	4.3	4.3
Equity	742.6	783.7	788.1	792.8	797.5

Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Pre-tax profit	87.4	124.4	103.5	109.2	107.9
Depreciation & amortisation	42.3	42.3	42.0	42.8	42.9
Changes in working capital	-18.2	8.0	5.9	0.7	4.1
Others	-29.9	-44.1	-26.4	-27.0	-26.7
Operating cash flow	81.6	130.5	125.0	125.7	128.2
Net capex	-38.2	-61.7	-47.4	-43.0	-40.3
Others	-9.8	-32.7	0.0	0.0	0.0
Investing cash flow	-48.0	-94.4	-47.4	-43.0	-40.3
Changes in borrowings	-2.7	24.3	0.2	0.3	0.3
Issuance of shares	0.0	0.0	0.0	0.0	0.0
Dividends paid	-41.9	-69.8	-73.4	-77.4	-76.6
Others	-0.3	-0.4	0.0	0.0	0.0
Financing cash flow	-44.8	-45.8	-73.1	-77.2	-76.3
Net cash flow	-11.2	-9.7	4.5	5.5	11.6
Forex	-3.0	-2.0	-1.0	0.0	0.0
Others	2.5	1.8	1.7	0.0	0.0
Beginning cash	126.3	114.6	104.7	109.9	115.4
Ending cash	114.6	104.7	109.9	115.4	127.0

Results Note

Friday, 22 Aug, 2025

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	In FY24, Scope 1 and Scope 2 emissions were reduced by -7% and -13% respectively, while Scope 3 emissions saw a -7% yoy decline. Emission intensity at palm oil mills improved to 0.45 tCO ₂ e per MT of CPO produced, representing a -13% yoy reduction.
Waste & Effluent	★★★	Waste management showed marked progress with landfilled waste reduced by 33% to 2,272 MT, while recycled waste up by +17% yoy to 5,010 MT.
Energy	★★★	Total energy consumption rose to 14.43m GJ, a +7% yoy increase from the previous year. However, the share of renewable energy declined slightly to 41%, compared to 45% previously.
Water	★★★	Water withdrawal increased marginally to 33.8m m ³ , yet water use efficiency improved, with intensity down -2% yoy to 1.06 m ³ per MT of FFB processed.
Compliance	★★	Complied with MSPO but not RSPO certified

Social

Diversity	★★★	The workforce remains diverse, with women making up 25% of the total headcount and 22% of management roles, reflecting an increase in leadership diversity.
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	There were 5 workplace fatalities in FY24, down from 7 in the previous year, while the LTIFR improved to 0.36, a -23% yoy reduction.
Labour Practices	★★★	The Group continued aligning pay scales with market rates under the National Wages Consultative Council Act and provided an average of 19.5 training hours per employee.

Governance

CSR Strategy	★★★	Community investment rose significantly to RM5.8m in FY24, benefiting over 46,000 individuals through various outreach and empowerment programs.
Management	★★	Average board members age above 62, 1/6 female board composition, 4/6 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 + 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

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.

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.

As of **Friday, 22 Aug, 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.