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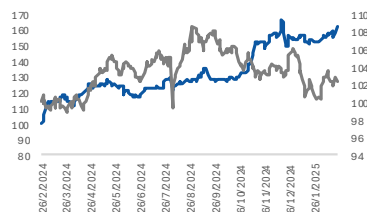
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Recommendation:	HOLD
Current Price:	RM32.50
Previous Target Price:	RM28.40
Target Price:	↑ RM29.80
Capital Upside/ Downside:	-8.3%
Dividend Yield (%):	5.0%
Total Upside/ Downside:	-3.3%

Stock information

Board	MAIN
Sector	Plantation
Bursa/ Bloomberg Code	2089/ UPL MK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	622.2
Market Cap (RM' m)	13,480.5
52-Week Price Range (RM)	22.32- 13.613
Beta (x)	0.4
Free float (%)	40.5
3M Average Volume (m)	0.7
3M Average Value (RM' m)	14.9

Top 3 Shareholders	(%)
Maximum Vista Sdn Bhd	43.7
Employees Provident Fund Board	6.0
Perbadanan Pembangunan Pertanian	4.9

Share Price Performance

	1M	3M	12M
Absolute (%)	5.0	6.1	59.8
Relative (%)	56.4	60.4	134.3

United Plantation Bhd

Weaker Downstream Margins Weigh on Earnings

Executive Summary

- UPL's 4QFY24 CNP declined -28.0% yoy and +1.2% qoq to RM185.4m, bringing FY24 CNP at RM714.5m, which deemed slightly below expectations, accounted to 95.2% of our expectation.
- Tweaked our earnings forecast upward for FY25/FY26 by +5% and +2%, respectively after raising our CPO production assumption by 8% to 267k mt.
- Re-iterate our HOLD recommendation with a higher target price of RM29.80, based on 15.7x P/E multiple pegged to FY25F EPS of RM1.90.

Results below expectations. FY24 CNP at RM714.5m came slightly below expectations, accounting to 95.2% of our CNP forecast at RM750. The shortfall was primarily due to a sharp decline in downstream margins in 4QFY24, which ultimately weighed on the bottom line.

YoY. 4QFY24 CNP dropped -28.0% yoy to RM185.4m, attributed to a weaker refinery margin as intensified competition from Indonesia and a stronger Ringgit took their toll. In contrast, quarterly revenue grew by +15.3% yoy to RM627.3m, thanks to CPO price rally in late FY24.

YTD. CNP slid marginally by -1.1% yoy to RM714.5m, dragged by margin pressure in the palm refinery segment. Revenue for the quarter, however, climbed +9.1% yoy to RM2.20bn, stem from higher realised CPO prices despite lower CPO production due to challenges from adverse weather conditions across both of its Malaysia and Indonesia estates.

Outlook. Moving forward, CPO production is set to rebound in FY25 backed by normalising weather condition, with CPO yield projected at 6.5MT/Ha for both Malaysia and Indonesia (vs FY24's Malaysia: 6.2MT/Ha; Indonesia: 4.8MT/Ha). That said, uncertainties in the global market are likely to cap any upside in CPO prices, with Trump's tariffs and the ongoing Russia-Ukraine conflict on the spotlight. Besides that, margin pressure may also persist due to rising labour costs and increased competition in downstream products in Indonesia.

Earnings Revision. Revised our earnings forecast slightly upward for FY25/FY26 by +5% and +2%, respectively, following an +8% increase in our CPO production forecast to 267k mt in FY25.

Valuation. Re-iterate our **HOLD** recommendation on UPL with a higher target price of **RM29.80 (previously 28.40)**, by pegging 15.7x P/E multiple to FY25F EPS of RM1.90 and 0% ESG factored premium/discount based on three-star ESG rating.

Risk. EU export ban and regulations, changing weather patterns, taxation and export ban in Indonesia threatens local CPO demand, shortage of labours and rising operational cost.

Earnings Summary

FYE Dec (RM m)	FY22	FY23	FY24	FY25F	FY26F
Revenue	2514.8	2014.2	2197.8	2408.8	2477.6
EBITDA	939.9	1014.7	1025.4	1135.2	1147.2
Pre-tax profit	846.5	74.4	71.2	74.1	79.7
Net profit	597.8	704.5	710.8	785.6	790.2
Core net profit	608.7	722.6	714.5	788.8	793.5
Core EPS (sen)	146.7	174.2	172.3	190.2	191.3
P/E (x)	20.3	17.1	17.3	15.7	15.6
P/B (x)	4.6	4.7	4.8	4.8	4.6
EV/EBITDA (x)	14.9	13.9	13.6	12.2	12.1
Dividend Yield (%)	5.8%	0.0%	5.0%	5.3%	5.1%
Net Gearing (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Apex Securities

Results Note

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Results Comparison

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue	627.3	544.0	15.3	547.7	14.5	2,197.8	2,014.2	9.1	Buoyed by CPO price rally
EBITDA	255.2	280.3	(9.0)	288.6	(11.6)	1,002.6	1,004.2	(0.2)	
Pre-tax profit	240.5	269.9	(10.9)	280.9	(14.4)	939.0	933.0	0.6	
Net profit	181.3	200.5	(9.6)	215.0	(15.7)	715.2	707.8	1.0	
Core net profit	185.4	257.4	(28.0)	183.2	12	714.5	722.6	(1.1)	Contribution from downstream
Core EPS (sen)	44.7	62.1	(28.0)	44.2	12	172.3	174.2	(1.1)	contracted
EBITDA margin (%)	40.7	51.5		52.7		45.6	49.9		
PBT margin (%)	38.3	49.6		51.3		42.7	46.3		
Core net profit margin (%)	29.6	47.3		33.4		32.5	35.9		

Source: Company, Apex Securities

Segmental Breakdown

FYE Dec (RM m)	4QFY24	4QFY23	yoy (%)	3QFY24	qoq (%)	12MFY24	12MFY23	yoy (%)	Comments
Revenue									
Plantations	345.6	337.3	2.5	356.5	(3.1)	1,342.6	1,289.3	4.1	
Palm Oil Refining	433.5	375.8	15.4	359.8	20.5	1,468.1	1,312.6	11.8	
Profit before tax (PBT)									
Plantations	215.4	221.7	(2.8)	224.2	(3.9)	804.8	755.5	6.5	
Palm Oil Refining	23.8	48.6	(51.0)	56.4	(57.9)	132.7	177.9	(25.4)	Competition in Indonesia led to to shrinking margin
PBT margin (%)									
Plantations	62.3%	65.7%		62.9%		59.9%	58.6%		
Palm Oil Refining	5.5%	12.9%		15.7%		9.0%	13.6%		

Source: Company, Apex Securities

Results Note

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Financial Highlights

Income Statement

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Revenue	2514.8	2014.2	2197.8	2408.8	2477.6
Gross Profit	1605.6	1433.7	1455.2	1638.0	1664.9
EBITDA	926.6	1004.2	1002.6	1135.2	1147.2
Depreciation & Amortisation	102.7	107.0	109.5	108.7	115.9
EBIT	837.2	907.7	915.9	1026.5	1031.3
Net Finance Income/ (Cost)	9.3	25.8	23.1	15.6	17.0
Associates & JV	13.3	10.5	22.7	22.7	22.7
Pre-tax Profit	846.5	933.5	939.0	1042.2	1048.3
Tax	-240.9	-222.5	-219.5	-250.1	-251.6
Profit After Tax	597.8	704.5	710.8	785.6	790.2
Minority Interest	-3.9	-3.3	-4.3	-3.3	-3.3
Net Profit	601.7	707.8	715.2	788.8	793.5
Exceptionals	-7.0	-14.8	0.6	0.0	0.0
Core Net Profit	608.7	722.6	714.5	788.8	793.5

Key Ratios

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
EPS (sen)	146.7	174.2	172.3	190.2	191.3
P/E (x)	20.3	17.1	17.3	15.7	15.6
P/B (x)	4.6	4.7	4.8	4.8	4.6
EV/EBITDA (x)	15.1	14.0	13.9	12.2	12.1
DPS (sen)	19	0.0	16	17	17
Dividend Yield (%)	5.8%	0.0%	5.0%	5.3%	5.1%
EBITDA margin (%)	36.8%	49.9%	45.6%	47.1%	46.3%
EBIT margin (%)	33.3%	45.1%	41.7%	42.6%	41.6%
PBT margin (%)	33.7%	46.3%	42.7%	43.3%	42.3%
PAT margin (%)	23.8%	35.0%	32.3%	32.6%	31.9%
NP margin (%)	23.9%	35.1%	32.5%	32.7%	32.0%
CNP margin (%)	24.2%	35.9%	32.5%	32.7%	32.0%
ROE (%)	210%	25.2%	25.4%	28.3%	27.3%
ROA (%)	18.3%	22.1%	22.0%	24.4%	23.7%
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)
P/E multiple (x)
Fair Value (RM)
ESG premium/discount
Implied Fair Value (RM)

Source: Company, Apex Securities

Balance Sheet

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Cash	537.2	579.9	484.5	333.7	360.6
Receivables	147.5	191.9	304.7	333.9	343.5
Inventories	219.5	245.9	228.5	250.4	257.6
Other current assets	342.2	168.2	116.0	116.0	116.0
Total Current Assets	1246.4	1186.0	1133.7	1034.0	1077.6
Fixed Assets	1241.8	1250.8	1261.5	1345.5	1427.8
Intangibles	0.0	0.0	0.0	0.0	0.0
Other non-current assets	830.6	826.8	848.1	848.1	848.1
Total Non-current assets	2072.4	2077.7	2109.6	2193.6	2275.9
Short-term Debt	0.2	0.0	0.0	0.0	0.0
Payables	25.6	19.2	141.9	152.5	159.3
Other Current Liabilities	183.3	167.6	80.3	80.3	80.3
Total Current Liabilities	209.1	186.8	222.2	232.7	239.6
Long-term Debt	0.0	0.0	0.0	0.0	0.0
Other non-current liabilities	204.9	209.4	203.8	203.8	203.8
Total Non-current Liabilities	204.9	209.4	203.8	203.8	203.8
Shareholder's equity	2890.7	2850.4	2799.8	2773.6	2892.6
Minority interest	14.0	17.0	17.5	17.5	17.5
Equity	2904.8	2867.4	2817.2	2791.0	2910.0

Cash Flow

FYE Dec	FY22	FY23	FY24	FY25F	FY26F
Pre-tax profit	846.5	933.5	939.0	1042.2	1048.3
Depreciation & amortisation	102.7	107.0	109.5	108.7	115.9
Changes in working capital	14.5	-77.2	-13.2	-13.2	-9.8
Others	-39.4	-272.4	-346.7	-280.8	-254.8
Operating cash flow	924.3	690.8	688.6	856.8	899.5
Net capex	-138.7	-109.4	-125.3	-192.7	-198.2
Others	-51.7	222.3	13.2	0.0	0.0
Investing cash flow	-190.4	112.9	-112.0	-192.7	-198.2
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	-518.5	-746.6	-705.1	-815.0	-674.4
Others	21.9	-16.0	-7.2	0.0	0.0
Financing cash flow	-496.6	-762.6	-712.3	-815.0	-674.4
Net cash flow	237.3	41.1	-135.8	-150.9	26.9
Forex	0.0	0.0	0.0	0.0	0.0
Others	36.8	38.6	0.0	0.0	0.0
Beginning cash	263.2	500.5	541.5	484.5	333.7
Ending cash	537.3	580.2	405.8	333.7	360.6

Results Note

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ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★★	UP has achieved a 63% reduction in GHG emissions per kilogram of palm oil produced from 2004 to 2023, accounting for indirect land use change (iLUC), nature conservation, and scope 1, 2, and 3 emissions. In FY23, new investments were made to further expand the light railway network, which consumes only 1/10th of the fossil fuels compared to tractor or lorry transportation for moving Fresh Fruit Bunches from the fields to its four mills in Malaysia.
Waste & Effluent	★★★★	In FY23, a total of 789,113 MT of biomass residues were generated through UP's various field and mill operations in Malaysia. Almost all of the total biomass generated (99.6%) or 785,934 MT were utilised as organic mulch in the nurseries and fields or as fuel source, thereby enriching our soils and displacing the use of fossil fuels whilst enhancing the value the biomass generated.
Energy	★★★	In FY23, a total of 7,585 MWh of green electricity was generated from the UIE biogas plant and sold to the grid, which represents an increase of 14% yoy compared to FY22
Water	★★★	Mill water consumption rose from 1.5MT/FFB processed to 1.7 MT/FFB processed in FY23.
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	47% of total employees age below 50, 37% are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	Lost Time Injury Frequency Rate increased in FY23 due to new inexperienced guest workers who have recently joined the Group.
Labour Practices	★★★	All recruitment is guided by Ethical Recruitment Procedures, which are regularly witnessed and assessed by Dignity in Work for All as well as other NGOs and Human Rights Activists, and includes the Employer Pays Principle stating that no Guest Worker should pay for a job in UP.

Governance

CSR Strategy	★★★	Actively engaged in the Indonesian government's Plasma Scheme, which aims to support smallholders in becoming independent plantation growers. In FY23, 1,377.08 hectares of Plasma were developed for 853 smallholders under the scheme.
Management	★★	1/9 female board composition, 4/9 Independent Directors
Stakeholders	★★	Lack of analyst briefing, 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.
