



Kuala Lumpur Kepong Berhad

(2445 | KLK MK) Main | Plantation

Maintain BUY

Acquiring Boustead Plantations Berhad

Unchanged Target Price: RM24.60

KEY INVESTMENT HIGHLIGHTS


- **Acquiring Boustead Plantations**
- **Synergistic acquisition leads toward value accretive expansion**
- **No change to our earnings forecast**
- **Maintain BUY with unchanged TP of RM24.60**

Acquiring Boustead Plantations. Details of the announcement; 1) KLK has made an offer to acquire approx. 33% equity stake in Boustead Plantations (BPLANT) for cash consideration of RM1.146b or RM1.55 per sale share from Boustead Holdings Berhad (BHB) and Lembaga Tabung Angkatan Tentera (LTAT), 2) On the unconditional date, a consortium @joint offerors of KLK,BHB and LTAT will be obliged to extend a mandatory take-over offer to acquire all the remaining BPlant Shares not already owned by the Joint Offerors for a cash offer price of RM1.55 per BPlant Share. Under this proposed strategic acquisition, upon completion, KLK's shareholding will go up from nil to 33% and 1 share, while BHB and LTAT will retain their existing 35% shareholding.

Synergistic acquisition leads toward value accretive expansion. With a total area under cultivation of 72,207ha, BPLANT is a local pure planter that runs 42 palm oil estates and 10 mills in peninsular and east Malaysia. Of the total area under cultivation, 60,851ha (84.3%) is made up of mature areas, while 11,356ha (15.7%) is made up of immature areas, with a weighted average age profile of roughly 16.4 years. A little over 32.3% of their total plants were planted on the peninsular; the remaining 53.5% and 14.2% were planted in Sabah and Sarawak, respectively. BPLANT has 10 palm oil mills of which c. 3 mills are situated in peninsular while 5 in Sabah and 2 in Sarawak.

We believe that KLK's offer is consistent with its long-term strategy to increase its interest in the upstream business. We believe that the proposed acquisition will bring KLK Group's plantation landbank in Malaysia up to about 189,070 ha, including a new mature area of 159,070 ha and an immature area of 30,070 ha. Thus, this will help increase its CPO production by almost 800k more. This will increase the Group's profitability and shareholders' value going forward.

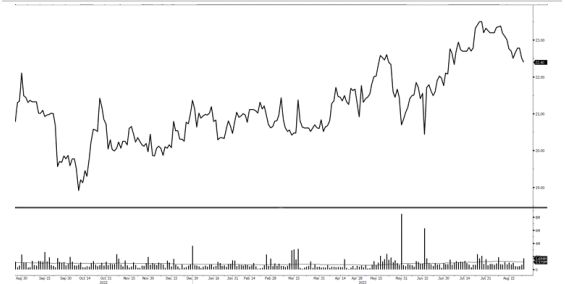
The deal comes to an approximate Enterprise Value to planted hectare of RM56,009k/ha on the planted of 72,291 Ha, which we found fair and lower than average EV/Planted of RM56,448/ha.

Maintain Buy. No change to our earnings forecast, pending finalization of this acquisition. Maintain **BUY** with unchanged **TP of RM24.60** based on our PER of 32.0x on FY24F EPS of 76.9sen. 

RETURN STATISTICS

Price @ 24 th Aug 2023 (RM)	22.36
Expected share price return (%)	+16.10
Expected dividend yield (%)	+2.00
Expected total return (%)	+18.00

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-4.3	-4.8
3 months	2.0	-0.2
12 months	2.9	6.6

INVESTMENT STATISTICS

FYE Sep	2023E	2024F	2025F
Revenue	21,051.7	20,059	19,429
Operating Profit	2,516.0	1,903	1,906
Profit Before Tax	1,717.9	1,176	1,074
Core PATAMI	1,187	829	726
Core EPS	219.2	76.9	67.3
DPS	61.0	42.0	37.0
Dividend Yield	2.9%	2.0%	1.7%

KEY STATISTICS

FBM KLCI	1,444.7
Issue shares (m)	1,078.16
Estimated free float (%)	32.9
Market Capitalisation (RM'm)	24,157.0
52-wk price range	RM19.4-RM23.9
3-mth average daily volume (m)	1.2
3-mth average daily value (RM'm)	26.3
Top Shareholders (%)	
Batu Kawan Bhd	47.7
EPF	10.9
Amanah Saham Nasional	5.7

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	19,916	27,149.5	21,051.7	20,059	19,429
EBITDA	3,520	4,316.1	2,516.0	1,903	1,906
PBT	2,976	3,219.5	1,717.9	1,176	1,074
PATAMI	2,258	2,166.3	1,186.8	829	726
Core PATAMI	1,706	2,364	1,187	829	726
EPS (sen)	158.3	219.3	219.2	76.9	67.3
PER (x)	13.4	9.7	9.7	27.6	31.5
DPS (sen)	100.0	100.0	61.0	42.0	37.0
Dividend yield (%)	4.7%	4.7%	2.9%	2.0%	1.7%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	11,014.9	12,123.3	12,251.3	12,372.6	12,487.7
Right-of-use assets	1,316.6	1,338.5	1,337.2	1,335.8	1,334.6
Associates	1,777.894	2,366.997	2,519.497	2,685.122	2,701.122
Non-current assets	18,054.6	19,733.7	19,499.9	19,727.1	19,830.7
Inventories	2,991.026	4,024.163	3,120.338	2,973.195	2,879.798
Biological assets	210.218	209.344	209.344	209.344	209.344
Trade receivables	1,965.410	1,911.690	1,482.325	1,412.425	1,368.056
Current assets	10,022.8	10,504.8	9,206.0	9,150.4	9,342.4
Total Assets	28,077.4	30,238.5	28,705.9	28,877.5	29,173.1
Loans & borrowings	3,152.5	2,173.4	2,173.4	2,173.4	2,173.427
Trade & other payables	879.7	1,000.5	775.8	739.2	715.996
Current liabilities	6,500.1	5,148.1	4,986.5	4,894.7	4,836.5
Deferred income	98.5	90.1	90.1	90.1	90.1
Lease liabilities	133.5	158.3	158.3	158.3	158.3
Non-current liabilities	7,370.3	9,038.6	9,038.6	9,038.6	9,038.6
Equity	14,207.0	16,051.8	14,677.3	14,940.6	15,294.5
Liabilities & equity	28,077.4	30,238.5	28,705.9	28,877.5	29,173.1

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	2,976.4	3,219.5	1,717.9	1,175.6	1,073.8
Cash flow from operations	1,156.6	2,672.7	3,762.4	1,699.6	1,652.0
Cash flow from investing	-1,868.1	-2,461.8	-2,461.8	-850.0	-850.0
Cash flow from financing	943.4	-738.4	-1,077.9	-657.5	-452.7
Net cash flow	231.9	-527.5	222.7	192.1	349.3
Net cash/(debt) b/f	2,823.8	3,082.7	2,614.9	2,837.6	3,029.6
Net cash/(debt) c/f	3,082.7	2,614.9	2,837.6	3,029.6	3,378.9

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin (%)	17.7	15.9	12.0	9.5	9.8
PBT margin (%)	14.9	11.9	8.2	5.9	5.5
Core PATAMI margin (%)	8.6	8.7	5.6	4.1	3.7

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related BNM and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such BNM mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology