

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

Oil Palm Profitability Eased

KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Oil Palm profitability eased**
- **FFB processing has now stable**
- **Earnings estimates maintain**
- **Maintain NEUTRAL with a TP of RM2.20**

Within expectations. Sarawak Plantation Berhad (SPB) core PATAMI narrowed to RM21.6m (+43.9%mom, -29.7%yoy) during the quarter, in tandem with higher PBT margin of 22.4% (-46.7ppt qoq) recorded. For the 1HFY23, core earnings of RM36.6m were inline with ours and consensus estimates, making up 48% and 49% of the full year forecast respectively, dragged by consolidation in CPO prices, amid low seasonality environments.

Oil palm profitability. The segment profit decreased to RM20.0m (+33.7%mom, -64.4%yoy), due to the lower ASP CPO realized of RM3,793/Mt (-3.8%qoq, -1.8%yoy) and ASP PK realized of RM1,867/Mt (-3.1%qoq, -4.0%yoy), respectively. Apart from that, estate profit margins were squeezed by -30ppt to 25.1% following reduced harvestable area due replanting activities and lower FFB production recorded.

Oil palm operations. Operational wise, due to replanting program and low seasonality circumstances, harvestable hectare and FFB production dropped by -4%yoy and 12%yoy respectively, resulting the FFB yield to be around 3.64Mt/Wha. Nonetheless, external purchased remains stable at nearly 80,000 Mt pushing the FFB processing to stay above 134,000 Mt, as a result OER level remained decent at 20.48% (+3.0%yoy).

Earnings forecast. We are maintaining our forecast, as we expect weaker performance (margin compression) in subsequent quarters and year on account of slower production output anticipated amidst sticky cost of production (average cost of production now for planters hinged on the high side for FY23 which around RM2,600/Mt to RM3,000/Mt).

Maintain NEUTRAL. We maintain our **NEUTRAL** call with a TP of **RM2.20** based on PER of 8.1x which nearly 2y avg mean by pegging FY23F EPS of 27.2sen. Note that SPB is purely upstream player, and the share price is highly connected with CPO movement c. 0.89 correlation, hence any upward trajectory in CPO prices would provide trading opportunity in the stock, however fundamental wise remains the same.



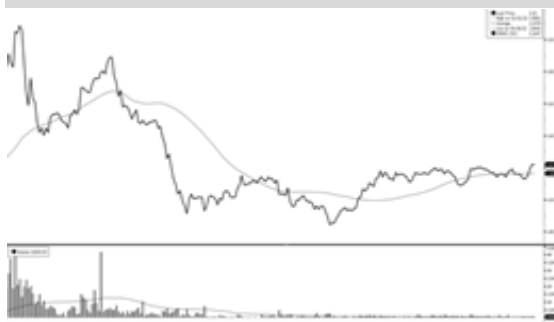
Maintain NEUTRAL

Unchanged Target Price: RM2.20

RETURN STATISTICS

Price @ 22 nd Aug 2023 (RM)	2.19
Expected share price return (%)	+0.46
Expected dividend yield (%)	+5.50
Expected total return (%)	+5.96

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.8	-3.4
3 months	5.3	2.4
12 months	-6.2	-4.2

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	532.1	457.7	382.7
EBITDA	111.8	96.2	71.4
PBT	101.2	86.4	62.3
Core PATAMI	75.9	66.6	48.0
EPS (sen)	27.2	23.9	17.2
DPS (sen)	0.1	0.1	0.1
Dividend yield (%)	5.5	5.5	4.6

KEY STATISTICS

FBM KLCI	1,451.53
Issue shares (m)	279.03
Estimated free float (%)	18.92
Market Capitalisation (RM'm)	599.0
52-wk price range	RM1.91 – RM3.38
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.17
Top Shareholders (%)	
Ta Ann Holdings Bhd	27.4
STATE FINANCIAL	19.5
Urusharta Jamaah Sdn Bhd	11.1

Sarawak Plantation: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
	2Q22	1Q23	2Q23	QoQ	YoY
Income Statement					
Revenue	207.1	111.5	127.4	14.3%	-38.5%
EBITDA	51.9	28.2	31.8	13.0%	-38.6%
EBIT	41.7	17.9	21.5	20.0%	-48.4%
Finance cost	-0.1	-0.1	-0.1	10.7%	-35.4%
Finance Income	0.7	1.1	1.0	-4.6%	47.8%
PBT	42.1	16.0	22.4	39.8%	-46.7%
Tax expense	-11.8	-4.0	-5.7	43.1%	-52.1%
PATAMI	30.5	12.1	16.9	39.6%	-44.5%
Core PATAMI	30.7	15.0	21.6	43.9%	-29.7%
Core EPS	11.0	5.4	7.7	43.9%	-29.7%
				+/- ppt	
EBITDA margin (%)	25.0	25.3	28.6	3.4	3.6
PBT margin (%)	20.3	14.4	17.6	3.2	-2.7
Core PATAMI margin (%)	14.8	13.4	16.9	3.5	2.1
Effective tax rate (%)	28.0	24.6	25.2	0.6	-2.8

SEGMENTAL BREAKDOWN & OPERATIONAL STATISTICS

FYE Dec (RM'm)	Quarterly				
	2Q22	1Q23	2Q23	QoQ	YoY
Revenue					
Estate Operations	99.3	46.8	48.7	4.1%	-50.9%
Mill Operations	186.0	103.0	118.3	14.8%	-36.4%
Segment Profit					
Estate Operations	55.2	10.1	12.3	20.9%	-77.8%
Mill Operations	0.9	4.8	7.7	60.5%	>100%
Segment margin %					
Estate Operations	55.60	21.64	25.14	3.50	-30.45
Mill Operations	0.49	4.67	6.54	1.86	6.05
Operational Stats.					
Avg CPO Price realised (RM/Mt)	3,861	3,942	3,793	-3.8%	-1.8%
Avg PK Prices realised (RM/Mt)	1,945	1,927	1,867	-3.1%	-4.0%

Source: Sarawak Plantation, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue*	790.5	710.9	532.1	457.7	382.7
EBITDA	188.9	160.8	111.8	96.2	71.4
PBT	168.4	134.2	101.2	86.4	62.3
PATAMI	127.8	96.7	75.9	66.6	48.0
Core PATAMI	127.8	96.7	75.9	66.6	48.0
EPS (sen)	45.8	34.7	27.2	23.9	17.2
PER (x)	5.0x	6.3x	8.0x	9.2x	12.7x
DPS (sen)	0.2	0.2	0.2	0.1	0.1
Dividend yield (%)	8.1%	6.8%	5.5%	5.5%	4.6%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	263.8	262.7	258.1	255.3	252.9
Bearer plants	330.6	330.2	330.2	330.2	330.2
Right-of-use assets	95.1	95.2	95.2	95.2	95.2
Non-current assets	695.0	693.3	688.7	685.9	683.5
Biological assets	64.0	56.8	56.8	56.8	56.8
Inventories	19.5	18.2	13.6	11.7	10.1
Trade and other receivables	13.7	13.5	9.2	8.0	6.6
Current assets	279.6	257.4	279.5	308.7	325.3
Total Assets	974.7	950.7	968.3	994.5	1,008.9
Trade and other payables	69.4	64.9	48.5	41.7	35.9
Loans and Borrowings	64.8	10.3	10.3	10.3	10.3
Current liabilities	179.9	118.0	101.5	94.7	89.0
Deferred tax liabilities	126.0	123.0	123.0	123.0	123.0
Loans and Borrowings	1.9	1.3	1.3	1.3	1.3
Non-current liabilities	130.2	126.8	126.8	126.8	126.8
Equity	664.6	706.0	740.0	773.0	793.1
Total Liabilities & equity	974.7	950.7	968.3	994.5	1,008.9

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	168.4	134.2	101.2	86.4	62.3
Cash flow from operations	173.36	132.35	82.30	76.86	58.90
Cash flow from investing	(75.76)	(6.84)	(9.55)	(11.06)	(11.41)
Cash flow from financing	(66.02)	(113.14)	(41.85)	(33.48)	(27.90)
Net cash flow	31.6	12.4	30.9	32.3	19.6
Net cash/(debt) b/f	82.0	113.6	126.0	156.9	189.2
Net cash/(debt) c/f	113.6	125.985	156.9	189.2	208.8

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	23.9%	22.6%	21.0%	21.0%	18.7%
EBIT margin	18.7%	16.7%	18.4%	18%	15%
PBT margin	21.3%	18.9%	19.0%	18.9%	16.3%
Core PATMI margin	16.2%	13.6%	14.3%	15%	13%

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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