



Genting Plantations Berhad

(2291 | GENP MK) Main | Plantation

Maintain NEUTRAL

Impacted by Low CPO Price Environment

Revised Target Price: RM5.76
(Previously RM6.16)


KEY INVESTMENT HIGHLIGHTS

- **Below Expectation**
- **FFB production expected to pick up later in 2H23**
- **Downstream profit in red due to compressed refining margin**
- **Earnings estimates; Revised downwards**
- **Maintain to NEUTRAL with a revised TP of RM5.76**

Earnings weaken. GenP's 2QFY23 core earnings fell by -68.4%yoy to RM73.4m in tandem with lower EBITDA achieved of RM191.5m (+37.9%yoy, -54.2%yoy). This was due to the softer average CPO prices realised on top of flattish FFB production amid lower utilization rate of Biodiesel and refinery subsegments. The lower earnings was also dragged by lower GP margin of 22.7% (-15.6ppt) following increased in cost of production (higher manuring cost due high locked in fertilizer contract in 2H22) during the quarter which saw EBITDA margin depressed by -16.2ppt to 23.8%. Overall, core earnings came in below our/consensus expectations, making up only 27% and 31% of full-year estimates.

Operational performance. During the quarter, FFB production relatively unchanged at 457,000 Mt (+1.0%yoy), in which well supported by Indonesia output following weak performance of Malaysia output. FFB production expected to pick-up and achieve +5% to 9% growth for CY23 as the sector heading towards peak productive months later in October and November. The slight delay in the upcoming productive months was due to slight changes in Malaysia's monsoon seasons. Average selling price on the other hand, saw double digit decline for CPO and PK, as realised prices were only at RM3,584/Mt (-27.0%yoy) and RM1,945/Mt (-44.2%yoy) level respectively, reflecting the volatility in spot selling strategies.

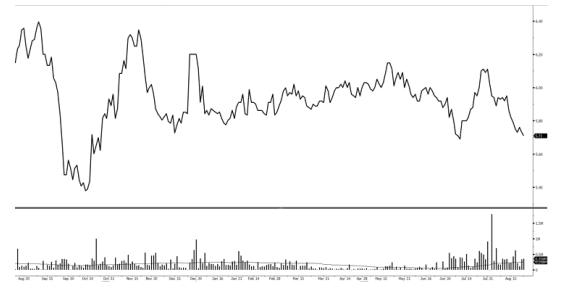
Upstream & Downstream. Tracking weaker ASP CPO realised, the plantation profit has dropped to RM113.7m while margins squeezed by -31.9ppt to 27.4%. Meanwhile, the downstream segment during the quarter turned to losses at -RM6.8m attributable to weaker refining margin on the back of elevated main input cost (Sabah's CPO price quite pricey).

Maintain NEUTRAL. After accounting for the higher cost of production and lower refining margin, we have revised down our earnings estimates for FY23E/FY24F/FY25F by -47%/-8%/+10X%. Our updated **TP is RM5.76** (from RM6.16), derived from revised PER of 23x (nearly 5y average historical mean) pegging FY23F EPS of 25.1sen. We maintained our **NEUTRAL** call given production is set to continue to expand. The management indicates that the shortfall of harvesters remains negligible or below 5% of the total requirement, keeping the production estate growth at +5%yoy growth for CY23. 

RETURN STATISTICS

Price @ 23 rd Aug 2023 (RM)	5.71
Expected share price return (%)	+0.95
Expected dividend yield (%)	+2.63
Expected total return (%)	+3.58

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.0	3.5
3 months	-5.9	-8.8
12 months	-25.6	-19.8

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	2,736.9	2,524.7	2,326.4
EBITDA	381.2	465.8	535.4
Profit Before Tax	286.6	351.0	403.2
Core PATAMI	224.0	278.6	318.8
Core EPS	25.1	31.3	35.9
DPS	15.0	15.0	15.0
Dividend Yield	2.6%	2.6%	2.6%

KEY STATISTICS

FBM KLCI	1,440.1
Issue shares (m)	897.2
Estimated free float (%)	19.4
Market Capitalisation (RM'm)	5,123.0
52-wk price range	RM6.36-RM6.68
3-mth average daily volume (m)	0.2
3-mth average daily value (RM'm)	1.4
Top Shareholders (%)	
Genting Berhad	54.4
EPF	12.4
KWAP	7.4

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Genting Plantations: 2Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	2Q22	1Q22	2Q23	QoQ%	YoY%	1H22	1H23	Ytd%
Income Statement								
Revenue	1045.8	584.3	806.0	37.9	-22.9	1576.2	1390.2	-11.8
EBITDA	418.4	138.8	191.5	38.0	-54.2	679.4	330.4	-51.4
PBT	334.1	55.6	104.3	87.7	-68.8	515.7	159.9	-69.0
Tax expense	-89.8	-14.9	-26.7	79.5	-70.3	-139.9	-41.6	-70.3
PATAMI	223.4	38.8	71.0	82.9	-68.2	340.1	109.8	-67.7
Core PATAMI	232.2	41.9	73.4	75.1	-68.4	353.6	115.3	-67.4
				-/+ppt				
EBITDA margin (%)	40.0	23.8	23.8	0.0	-16.2	43.1	23.8	-19.3
PBT margin (%)	31.9	9.5	12.9	3.4	-19.0	34.3	12.9	-21.4
Core PATAMI margin (%)	22.2	7.2	9.1	1.9	-13.1	22.4	8.3	-14.1
Effective tax rate (%)	26.9	26.8	25.6	-1.2	-1.3	27.1	26.0	-1.1

SEGMENTAL BREAKDOWN & AVERAGE PRICE REALISED

FYE Dec (RM'm)	Quarterly							
	2Q22	1Q22	2Q23	QoQ	YoY%	1H22	1H23	Ytd%
Revenue								
Plantation	511.4	350.6	414.4	18.2%	-19.0%	871.9	765.0	-12.3%
Downstream	501.2	210.4	371.0	76.3%	-26.0%	654.0	581.4	-11.1%
Property	33.2	22.4	19.2	-14.0%	-42.0%	49.7	41.6	-16.3%
Agtech	6.4	0.9	1.3	44.5%	-80.2%	7.0	2.1	-69.6%
Segment Profit								
Plantation	303.4	53.0	113.7	>100%	-62.5%	487.5	166.7	-65.8%
Downstream	-563.0	7.8	-6.8	<100%	-100%	21.0	1.0	-95.2%
Property	22.6	19.5	17.5	-10.2%	-22.3%	33.5	37.1	10.7%
Agtech	-1.2	-4.9	-3.5	NM	NM	-1.7	-8.4	NM
Segment Margin %								
Plantation	59.3	15.1	27.4	12.3	-31.9	55.9	21.8	-34.1
Downstream	-112.3	3.7	-1.8	0.7	110.5	3.2	0.2	-3.0
Property	68.0	87.3	91.1	-35.6	23.1	67.3	89.1	21.7
Agtech	NM	NM	NM	NM	NM	NM	NM	NM
Avg Price realised (RM/Mt)								
CPO	4,907	3,585	3,584	0.0%	-27.0%	4,860	3,584	-26.3%
PK	3,484	1,983	1,945	-1.9%	-44.2%	3,777	1,963	-48.0%
FFB	493	457	497	8.8%	0.8%	930	954	2.6%

Source: Genting Plantations., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	3,130.2	3,189.8	2,736.9	2,524.7	2,326.4
EBITDA	942.6	976.2	381.2	465.8	535.4
PBT	670.4	688.9	286.6	351.0	403.2
PATAMI	432.2	471.4	224.0	278.6	318.8
Core PATAMI	385.4	457.1	224.0	278.6	318.8
EPS (sen)	43.0	50.9	25.1	31.3	35.9
PER (x)	13.3	11.2	22.8	18.2	15.9
DPS (sen)	30.0	34.0	15.0	15.0	15.0
Dividend yield (%)	4.6%	6.0%	2.6%	2.6%	2.6%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	4,365.3	4,389.6	4,572.1	4,717.6	4,869.1
Land held for property development	365.4	372.7	372.7	372.7	372.7
Investment properties	21.9	18.4	18.4	18.4	18.4
Non-current assets	6,253.8	6,328.7	6,511.2	6,656.7	6,808.2
Property development costs	11.5	8.1	8.1	8.1	8.1
Inventories	180.2	270.4	194.0	169.6	147.5
Trade & other receivables	634.3	541.5	554.6	511.6	471.4
Current assets	2,510.1	2,463.1	2,267.5	2,054.8	1,893.8
Total Assets	8,764.0	8,791.8	8,778.7	8,711.5	8,702.0
Trade and other payables	431.0	539.5	464.1	405.6	352.8
Amount due to ultimate holding company	2.9	1.8	1.8	1.8	1.8
Current liabilities	843.1	1,144.5	1,069.1	1,010.6	957.8
Borrowings	2,287.1	2,171.9	1,831.6	1,697.7	1,542.4
Lease liabilities	9.7	7.8	6.5	6.5	6.5
Non-current liabilities	2,625.2	2,338.2	2,204.2	2,049.0	1,904.4
Equity	5,295.7	5,309.2	5,505.4	5,651.9	5,839.8
Liabilities & equity	8,764.0	8,791.8	8,778.7	8,711.5	8,702.0

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	670.4	688.9	287.8	354.3	408.1
Cash flow from operations	951.2	958.3	455.3	541.5	591.4
Cash flow from investing	208.5	(397.4)	(425.0)	(397.0)	(411.0)
Cash flow from financing	(474.3)	(615.8)	(268.5)	(289.8)	(279.2)
Net cash flow	(474.3)	(615.8)	(268.5)	(289.8)	(279.2)
Net cash/(debt) b/f	943.6	1,630.3	1,575.8	1,337.6	1,192.3
Net cash/(debt) c/f	1,630.3	1,575.8	1,337.6	1,192.3	1,093.6

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	30.1%	30.6%	13.9%	18.4%	23.0%
PBT margin	21%	22%	10.5%	14.0%	17.5%
Core PATMI margin	12.3%	14.3%	8.2%	11.1%	13.9%
Effective tax rate	29.8%	29.8%	21.9%	20.7%	21.0%

Source: Bloomberg, MIDFR

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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