



# Sime Darby Plantation Berhad

(5285 | SDPL MK) Main | Plantation

**Maintain NEUTRAL**

## Weaker Results on Lower Downstream Contribution

**Unchanged Target Price: RM4.10**

### KEY INVESTMENT HIGHLIGHTS


- **Within Expectation**
- **Upstream; a subdued performance**
- **Downstream; lower profit due compressed margin**
- **Earnings estimates; Maintained**
- **Maintain NEUTRAL with a TP of RM4.10**

**Earnings eased further.** 1H23's core earnings weakened further on a combination of lower average CPO price realised and seasonality impacts, inexperienced newly hired harvesters, compounded by reduced refining margin which came from downstream subsegment. As a result, a dull core profit of RM511.1m (-68.8%yoy) was recorded. However, the results were within ours but below consensus expectations, accounting for 54% and 30% of respective full year forecasts.

**Upstream.** During the quarter, the group's upstream top and bottom-line now reduced to RM4.31b (+5.8%qoq, -22.9%yoy) and RM527.0m (+73.9%yoy, -54%yoy) respectively, reflected weaker profit contributions from Malaysia and PNG/SI of RM171.0m (-42%yoy) and RM50.0m (-88.8%yoy), respectively. Operational wise, FFB production remains flat at 2.1m Mt (-2%yoy), with an unchanged fixed costs (elevated fertiliser prices) dragged cost of production further, while OER relatively unchanged at 21.21% as opposed 21.26% in prior year. Note that, average CPO and PK realised prices fell to RM3,765/Mt (-28%yoy) and RM1,767/Mt (-47%yoy) following the moderation of SBO prices.

**Downstream.** In the 2QFY23 period, the downstream's PBIT fell by -54.9%yoy to RM124.0m owing to the lower utilisation rate in differentiated and bulk segment which have eased by -5%yoy and -6%yoy respectively, following low CPO availability and a rise in Indonesia's export tax and levy structure.

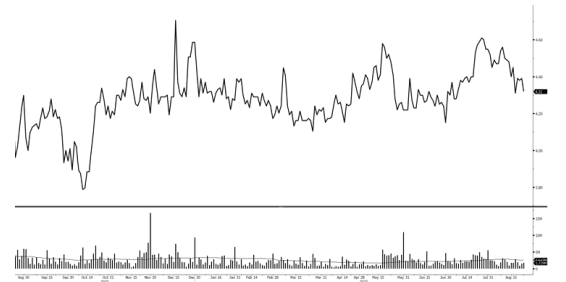
**Earnings estimates.** We maintain our earnings forecast given that the result was within our expectation.

**Maintain NEUTRAL.** We maintain our **NEUTRAL** call with a TP of **RM4.10** based on PER of 30x which nearly 5y average mean by pegging FY23F EPS of 13.7sen. We are sceptical on SDPL outlook, particularly in the eastern estate areas since production will not fully recover for a year due to a shortage of experienced harvesters. Keep in mind that Malaysia produced 43% of the group's FFB, and with that long gestation period, SDPL may not be possible to fully realise peak season months later in 2H23. 

### RETURN STATISTICS

Price @ 23 <sup>rd</sup> Aug 2023 (RM)	4.32
Expected share price return (%)	-5.09
Expected dividend yield (%)	+1.70
<b>Expected total return (%)</b>	<b>-3.39</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.5	-7.2
3 months	4.1	-4.0
12 months	5.1	8.2

### INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	11,401.3	12,960.6	13,352.0
EBITDA	2,394.3	2,721.7	2,803.9
Profit Before Tax	2,197.1	2,462.5	2,536.8
Core PATAMI	944.6	1,131.5	1,352.6
Core EPS	13.7	16.4	19.6
DPS	7.5	10.0	12.0
Dividend Yield	1.8%	2.4%	2.9%

### KEY STATISTICS

FBM KLCI	1,440.1
Issue shares (m)	6915.7
Estimated free float (%)	23.6
Market Capitalisation (RM'm)	29,875.9
52-wk price range	RM3.86-RM4.77
3-mth average daily volume (m)	2.6
3-mth average daily value (RM'm)	11.5
Top Shareholders (%)	
ASNB	53.52
EPF Board	14.65
KWAP	6.61

**Sime Darby Plant: 2Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly							
	2Q22	1Q23	2Q23	QoQ%	YoY%	1H22	1H23	Ytd%
<b>Income Statement</b>								
Revenue	5,587.0	4,069.0	4,305.0	5.8	-22.9	9,968.0	8,374.0	-16.0
Operating profit	1,109.0	301.0	520.0	72.8	-53.1	2,138.0	821.0	-61.6
PBIT	1,146.0	303.0	527.0	73.9	-54.0	2,206.0	830.0	-62.4
PBT	1,121.0	255.0	481.0	88.6	-57.1	2,164.0	736.0	-66.0
Tax expense	-259.0	-147.0	-59.0	NM	NM	-522.0	-206.0	NM
PATAMI	888.0	100.0	411.0	>100	-53.7	1,637.0	511.0	-68.8
Core PATAMI	888.3	100.0	411.1	>100	-53.7	1,637.2	511.1	-68.8
Core EPS (sen)	14.3	1.6	6.6	>100	-53.6	23.7	7.4	-68.8
				-/+ppt				
Operating profit margin (%)	19.8	7.4	12.1	4.7	-7.8	21.4	9.8	-11.6
PBT margin (%)	20.1	6.3	11.2	4.9	-8.9	21.7	8.8	-12.9
Core PATAMI margin (%)	15.9	2.5	9.5	7.1	-6.4	16.4	6.1	-10.3

**SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED**

FYE Dec (RM'm)	Quarterly							
	2Q22	1Q23	2Q23	QoQ%	YoY%	1H22	1H23	Ytd%
<b>Revenue</b>								
Group Upstream	5,587.0	4,069.0	4,305.0	5.8	-22.9	9,968.0	8,374.0	-16.0
Upstream Malaysia	112.0	319.0	206.0	-35.4	83.9	210.0	525.0	>100
Upstream Indonesia	207.0	294.0	220.0	-25.2	6.3	419.0	514.0	22.7
Upstream PNG	29.0	49.0	31.0	-36.7	6.9	74.0	80.0	8.1
Downstream	5,221.0	3,362.0	3,825.0	13.8	-26.7	9,209.0	7,187.0	-22.0
Other operations	18.0	45.0	23.0	-48.9	27.8	56.0	68.0	21.4
<b>Operating Profit</b>								
Group Upstream	1,109.0	301.0	520.0	72.8	-53.1	2,138.0	821.0	-61.6
Upstream Malaysia	295.0	-21.0	171.0	>100	-42.0	566.0	150.0	-73.5
Upstream Indonesia	106.0	105.0	163.0	55.2	53.8	259.0	268.0	3.5
Upstream PNG	446.0	136.0	50.0	-63.2	-88.8	908.0	186.0	-79.5
Downstream	243.0	66.0	118.0	78.8	-51.4	375.0	184.0	-50.9
Other operations	19.0	15.0	18.0	20.0	-5.3	30.0	33.0	10.0
<b>PBIT</b>								
Group Upstream	1,146.0	303.0	527.0	73.9	-54.0	2,206.0	830.0	-62.4
Upstream Malaysia	295.0	-21.0	171.0	>100	-42.0	566.0	150.0	-73.5
Upstream Indonesia	106.0	105.0	163.0	55.2	53.8	259.0	268.0	3.5
Upstream PNG	446.0	136.0	50.0	-63.2	-88.8	908.0	186.0	-79.5
Downstream	275.0	68.0	124.0	82.4	-54.9	436.0	192.0	-56.0
Other operations	24.0	15.0	19.0	26.7	-20.8	37.0	34.0	-8.1
<b>PBIT Margin %</b>				-/+ppt				
Group Upstream	20.5	7.4	12.2	4.8	-8.3	22.1	9.9	-12.2
Upstream Malaysia	263.4	-6.6	83.0	89.6	-180.4	269.5	28.6	-241.0
Upstream Indonesia	51.2	35.7	74.1	38.4	22.9	61.8	52.1	-9.7
Upstream PNG	1537.9	277.6	161.3	-116.3	-1376.6	1227.0	232.5	-994.5
Downstream	5.3	2.0	3.2	1.2	-2.0	4.7	2.7	-2.1
Other operations	133.3	33.3	82.6	49.3	-50.7	66.1	50.0	-16.1
<b>CPO Price Realised (RM/Mt)</b>								
Average Group	5,213	3,887	3,765	-3.1	-27.8			

Source: Sime Darby Plant., MIDFR

## FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	18,695.5	21,030.0	11,401.3	12,960.6	13,352.0
EBITDA	4,970.5	4,932.5	2,394.3	2,721.7	2,803.9
PBT	3,600.1	3,492.2	2,197.1	2,462.5	2,536.8
PATAMI	2,254.6	2,542.0	1,288.6	1,395.0	1,352.6
Core PATAMI	2,156.0	2,418.0	944.6	1,131.5	1,352.6
EPS (sen)	31.2	35.0	13.7	16.4	19.6
PER (x)	13.1x	11.7x	29.9x	25.0x	20.9x
DPS (sen)	20.3	16.0	7.5	10.0	12.0
Dividend yield (%)	5.0%	3.9%	1.8%	2.4%	2.9%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	17,247.8	17,800.4	17,680.4	17,590.4	17,510.4
Right-of-use assets	1,997.9	2,007.7	2,007.7	2,007.7	2,007.7
Biological assets	2,823.5	2,946.6	2,946.4	2,946.2	2,946.0
<b>Non-current assets</b>	<b>23,318.3</b>	<b>23,908.5</b>	<b>23,651.5</b>	<b>23,351.5</b>	<b>23,011.5</b>
Biological assets	2,468.2	2,778.4	2,708.4	2,728.4	2,818.4
Inventories	284.3	180.3	180.3	180.3	180.3
Trade & other receivables	2,877.8	2,602.6	2,403.1	2,332.0	2,190.4
<b>Current assets</b>	<b>6,409.4</b>	<b>6,588.6</b>	<b>6,845.6</b>	<b>7,145.6</b>	<b>7,485.6</b>
<b>Total Assets</b>	<b>30,335.7</b>	<b>31,148.1</b>	<b>31,218.1</b>	<b>31,338.1</b>	<b>31,488.1</b>
Loans & borrowings	2,179.7	2,444.0	2,384.0	2,344.0	2,254.0
Trade & other payables	2,232.1	2,463.8	2,463.8	2,463.8	2,463.8
<b>Current liabilities</b>	<b>5,185.7</b>	<b>5,274.0</b>	<b>5,184.0</b>	<b>5,114.0</b>	<b>5,064.0</b>
Loans & borrowings	4,018.6	3,632.7	3,632.7	3,632.7	3,632.7
Retirement benefits	155.1	147.4	147.2	147.0	146.8
<b>Non-current liabilities</b>	<b>7,155.4</b>	<b>6,719.0</b>	<b>6,718.8</b>	<b>6,718.6</b>	<b>6,718.4</b>
<b>Equity</b>	<b>17,856.2</b>	<b>19,016.0</b>	<b>19,071.0</b>	<b>18,997.0</b>	<b>18,962.0</b>
<b>Liabilities &amp; equity</b>	<b>30,335.7</b>	<b>31,148.1</b>	<b>31,218.1</b>	<b>31,338.1</b>	<b>31,488.1</b>

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	3,600.1	3,492.2	2,197.1	2,462.5	2,536.8
Cash flow from operations	3482.6	3644.4	3519.4	3424.4	3355.4
Cash flow from investing	-1243.2	-1215.2	-1162.2	-1107.2	-1054.2
Cash flow from financing	-1884.3	-2397.5	-2317.5	-2262.5	-2249.5
Net cash flow	355.1	31.7	39.7	54.7	51.7
Beginning cash flow	309.0	602.6	635.0	674.7	729.4
Ending cash flow	602.6	635.0	674.7	729.4	781.2

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	29.5%	49.0%	25.3%	23.8%	22.8%
EBIT margin	20.2%	41.3%	17.4%	15.4%	14.2%
PBT margin	21.4%	42.7%	16.6%	14.8%	13.3%
Core PATMI margin	15.5%	14.3%	10.5%	9.4%	8.6%

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