

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

Softer 9M23 Performance

KEY INVESTMENT HIGHLIGHTS

- **Below Expectations**
- **Higher oil palm profitability thanks to the higher sales volume**
- **FFB processing remain intact at +3% growth**
- **Earnings estimates were tweak lower on high estates and mill costs**
- **Maintain NEUTRAL with a TP of RM2.20**

Below expectations. After excluding the change in fair value of biological assets, gain on disposal of PPE and ROU, SPB's core PATAMI was down to RM47.0m (-45.7%ytd), which was in tandem with lower operating profit of RM64.6m (-44.6%ytd) recorded. While this was below our estimates, conversely it is within consensus forecast, accounting for 62% and 76% of full-year estimates respectively. The main deviation was attributed to the price effects of the lower average selling price realized amid high cost of production.

Oil palm profitability. During the quarter, both estate and mill operations profitability increased to RM25.8m (+1.6%yoy) and RM12.3m (+92.1%yoy), thanks to the maintained ASP CPO realized of RM3,759/Mt (-0.9%qoq, -10.2%yoy) and ASP PK realized of RM1,924/Mt (+3.1%qoq, -15.8%yoy), respectively. Additionally, both profit margins were relatively flat at 38.7% (+3.3pts) and 7.7% (+3.3pts) respectively owing to the higher CPO and PK sales volume.

Oil palm operations. Operational front, due to the replanting program and unfavorable weather situations, harvestable hectare and FFB production dropped by -1.0%yoy and -3.0%yoy respectively, making the FFB yield to flat c. 4.79Mt/Wha. Nonetheless, external purchased remains stable at nearly 120,000 Mt lifting the FFB processed to jumped by approximately +15%, as a result OER level remained decent at 19.93% (+3.0%yoy).

Earnings forecast. We trim our forecast for FY23, as we adjusted estates costs and mill costs to remain elevated for the 4Q23 pushing the net profit lower to RM61.4m (-19.1%yoy) for the whole year. In contrast, margin compression is predicted to diminish due to lower locked-in fertilizer prices in FY24-25, thus estate costs should stabilize ahead. As a result, we adjust profit for FY24-25 higher by +4.8%yoy/+56.5yoy.

Maintain NEUTRAL. We maintain our **NEUTRAL** call with a TP of **RM2.20** based on rollover valuation PER of 8.8x which nearly 2y avg mean by pegging FY24F EPS of 25.0sen. Note that SPB is purely an 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.

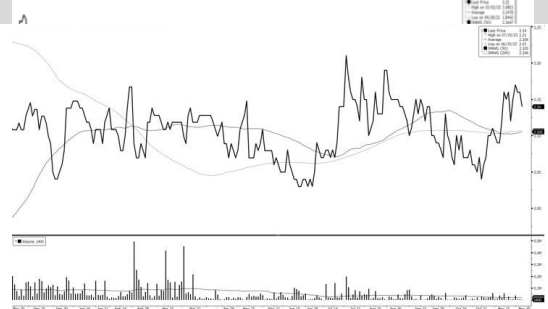
Maintain NEUTRAL

Unchanged Target Price: RM2.20

RETURN STATISTICS

Price @ 27 th Nov 2023 (RM)	2.14
Expected share price return (%)	+2.86
Expected dividend yield (%)	+5.61
Expected total return (%)	+8.46

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.4	2.9
3 months	2.4	-0.7
12 months	-5.7	-3.2

INVESTMENT STATISTICS

FYE Dec	2023A	2024F	2025F
Revenue	542.8	518.8	494.5
EBITDA	92.6	100.5	106.3
PBT	81.9	90.6	97.5
Core PATAMI	61.4	69.8	75.1
EPS (sen)	22.0	25.0	26.9
DPS (sen)	0.12	0.12	0.10
Dividend yield (%)	5.5	5.6	4.7

KEY STATISTICS

FBM KLCI	1,448.15
Issue shares (m)	340.97
Estimated free float (%)	18.00
Market Capitalisation (RM'm)	597.1
52-wk price range	RM2.02 – RM2.32
3-mth average daily volume (m)	0.02
3-mth average daily value (RM'm)	0.04
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.4
State Financial Secretary	25.5
Urusharta Jamaah Sdn Bhd	4.2

Sarawak Plantation: 3QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cummulative		
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd%
Income Statement								
Revenue	161.8	127.4	172.6	35.6	6.7	552.8	411.5	-25.6
Operating profit	25.5	16.8	34.1	>100	33.7	116.5	64.6	-44.6
Chg in fair value of biological assets	-1.7	4.6	1.2	-73.5	>100	5.1	7.3	42.8
PBT	24.5	22.4	36.5	62.9	49.1	123.1	74.9	-39.1
PATAMI	18.3	16.6	27.1	63.8	48.5	91.6	55.7	-39.2
Core PATAMI	20.2	11.9	25.9	>100	28.2	86.5	47.0	-45.7
Core EPS (sen)	7.2	4.3	9.3	>100	28.2	31.0	16.8	-45.7
				-/+pts				
Operating profit margin (%)	15.8	13.2	19.8	6.5	4.0	21.1	15.7	-5.4
PBT margin (%)	15.1	17.6	21.1	3.5	6.0	22.3	18.2	-4.1
Core PATAMI margin (%)	12.5	9.4	15.0	5.6	2.5	15.6	11.4	-4.2

SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cummulative		
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd%
Revenue								
Estate Operations	71.7	95.5	66.6	-30.2	-7.0	247.4	162.2	-34.4
Mill Operations	146.3	221.3	159.5	-27.9	9.0	499.8	380.8	-23.8
Segment Profit								
Estate Operations	25.4	22.4	25.8	15.1	1.6	121.4	48.2	-60.3
Mill Operations	6.4	12.6	12.3	-2.3	92.1	9.0	24.8	>100
Segment margin %								
Estate Operations	35.4	23.4	38.7	15.2	3.3	49.1	29.7	-19.4
Mill Operations	4.4	5.7	7.7	2.0	3.3	1.8	6.5	4.7
Operational Stats.								
Avg CPO Price realised (RM/Mt)	4,186	3,793	3,759	-0.9	-10.2	5,445	3,818	-29.9
Avg PK Price realised (RM/Mt)	2,286	1,867	1,924	3.1	-15.8	3,239	1,907	-41.1

Source: Sarawak Plant., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue*	790.5	710.9	542.8	518.8	494.5
EBITDA	188.9	160.8	92.6	100.5	106.3
PBT	168.4	134.2	81.9	90.6	97.5
PATAMI	127.8	96.7	61.4	69.8	75.1
Core PATAMI	127.8	96.7	61.4	69.8	75.1
EPS (sen)	45.8	34.7	22.0	25.0	26.9
PER (x)	4.7x	6.2x	9.7x	8.6x	8.0x
DPS (sen)	0.20	0.15	0.12	0.12	0.10
Dividend yield (%)	9.3%	7.0%	5.6%	5.6%	4.7%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	263.8	262.7	258.1	255.3	252.9
ROU assets	95.1	95.2	95.2	95.2	95.2
Non-current assets	695.0	693.3	688.7	685.9	683.5
Inventories	19.5	18.2	14.6	13.6	12.6
Receivables	13.7	13.5	9.4	9.0	8.6
Current assets	279.6	257.4	276.9	312.4	358.4
Total Assets	974.7	950.7	965.6	998.3	1,042.0
Long-term debt	1.9	1.3	1.3	1.3	1.3
Non-current liabilities	130.2	126.8	126.8	126.8	126.8
Borrowings	64.8	10.3	10.3	10.3	10.3
Current liabilities	179.9	118.0	105.0	101.3	97.8
Share capital	341.0	341.0	341.0	341.0	341.0
Reserves	330.1	371.0	399.0	435.3	482.5
Equity	664.6	706.0	733.9	770.2	817.4

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	168.4	134.2	81.9	90.6	97.5
Depreciation & amortisation	41.2	41.9	14.1	13.9	13.8
Changes in working capital	10.7	-8.1	-5.4	-2.2	-2.1
Operating cash flow	173.4	132.3	70.1	81.5	86.8
Capital expenditure	-10.0	-13.6	-9.5	-11.1	-11.4
Investing cash flow	-75.8	-6.8	-9.5	-11.1	-11.4
Dividends paid	-27.9	-55.8	-33.5	-33.5	-27.9
Financing cash flow	-66.0	-113.1	-33.5	-33.5	-27.9
Net cash flow	31.6	12.4	27.1	36.9	47.5
Beginning cash flow	82.0	113.6	126.0	153.1	190.0
Ending cash flow	113.6	126.0	153.1	190.0	237.5

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	23.9%	22.6%	17.1%	19.4%	21.5%
EBIT margin	21.3%	18.9%	15.1%	17.5%	19.7%
PBT margin	16.2%	13.6%	11.3%	13.5%	15.2%
Core PATMI margin	16.2%	13.6%	11.3%	13.5%	15.2%

Source: Company, 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