



Sime Darby Plantation Berhad

(5285 | SDPL MK) Main | Plantation

Malaysia Upstream Activities Improved

KEY INVESTMENT HIGHLIGHTS


- **Within Expectation**
- **Upstream; improved production inline with high crop seasonality**
- **Downstream; lower profit due compressed margin amid weaker demand**
- **Earnings estimates; Maintained**
- **Maintain NEUTRAL with a TP of RM4.10**

Earnings eased further. 9MFY23's core earnings softened despite decent performance during the quarter recorded due to combination of higher average CPO price realised, high peak crops seasonality and intensive rehabilitation efforts that been taken. Conversely, profit for refining margin which came from downstream subsegment remained subdued, resulting a lower core profit to flat at RM728.0m. The results were within ours but below consensus expectations, accounting for 77% and 68% of respective full year forecasts.

Upstream. During the quarter, the group's upstream top and bottom-line now improved to RM511.0m (+11.8%qoq, +8.0%yoy) and RM547.0m (>100%qoq, >100%yoy) respectively, echoed higher profit contributions from Malaysia and Indonesia of RM228.0m (>100%yoy) and RM212.0m (+30.1%yoy), respectively. Operational front, while higher CPO volume from improved FFB production at 2.5m Mt (+20.5%qoq, +14.2%yoy) and higher OER of 21.12% help to reduced fixed cost incurred (due high locked-in fertiliser cost in late 2022). Note that, average CPO and PK realised prices fell to RM3,777/Mt (+1/1%qoq, -11.7%yoy) and RM1,721/Mt (-11.3%yoy) following the moderation of SBO prices.

Downstream. In the 3QFY23 period, the downstream's PBIT fell significantly by -37.8%yoy to RM209.0m owing to the lower sales volume and utilisation rate in differentiated and bulk segment which have eased to 843'000 Mt (-8%yoy) and 57% respectively, due to slower volume demands in the Asia Pacific operations, although this was partially mitigated by strong results in the European operations.

Earnings estimates. We tweak our earnings forecast growth by +1.9%yoy/-17.9%yoy for FY24-25 to reflect the adjustment of our FFB yield projection of 17.97Mt/ha in FY24 on the back of intensive rehabilitation efforts that been taken this year. While softer FY25 adjustment due to moderation of CPO price that we forecasted at RM3,3,400/Mt.

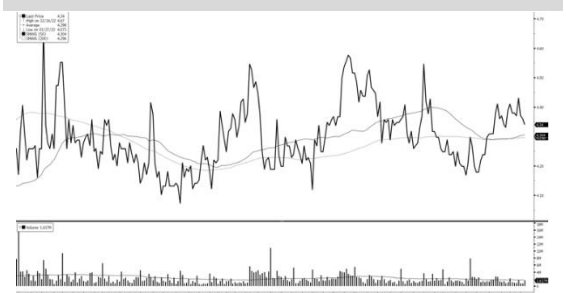
Maintain NEUTRAL. We maintain our **NEUTRAL** call with a TP of **RM4.10** based on PER of 30x which nearly 5y average mean by pegging FY23F EPS of 13.7sen. We are unconvinced on SDPL outlook, particularly in its downstream subsegment as sales volume and utilisation rate would remain slow due weaker demand in palm-based products. 

Maintain NEUTRAL**Unchanged Target Price: RM4.10**

RETURN STATISTICS

Price @ 24 th Nov 2023 (RM)	4.34
Expected share price return (%)	-5.53
Expected dividend yield (%)	+1.96
Expected total return (%)	-3.57

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.6	0.8
3 months	1.4	-1.3
12 months	0.2	2.5

INVESTMENT STATISTICS

FYE Dec	2023E	2024F	2025F
Revenue	16,543.7	16,355.4	15,329.1
EBITDA	2,950.0	3,299.1	3,231.4
Profit Before Tax	1,535.9	1,887.1	1,803.6
Core PATAMI	944.6	1,153.5	1,110.0
Core EPS	13.7	16.7	16.0
DPS	8.5	8.0	8.0
Dividend Yield	2.0	1.8	1.8

KEY STATISTICS

FBM KLCI	1,453.9
Issue shares (m)	6915.7
Estimated free float (%)	22.5
Market Capitalisation (RM'm)	30,014.2
52-wk price range	RM4.1-RM4.77
3-mth average daily volume (m)	1.73
3-mth average daily value (RM'm)	7.51
Top Shareholders (%)	
ASNB	53.47
EPF Board	14.82
KWAP	6.61

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Sime Darby Plant: 3Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd%
Income Statement								
Revenue	5,392.0	4,305.0	4,774.0	10.9	-11.5	15,360.0	13,148.0	-14.4
Operating profit	618.0	520.0	1,645.0	>100	>100	2,756.0	2,466.0	-10.5
PBIT	622.0	527.0	1,661.0	>100	>100	2,828.0	2,491.0	-11.9
PBT	585.0	481.0	1,621.0	>100	>100	2,749.0	2,357.0	-14.3
Tax expense	-154.0	-59.0	-362.0	>100	>100	-676.0	-568.0	NM
PATAMI	396.0	380.0	1,211.0	>100	>100	1,926.0	1,660.0	-13.8
Core PATAMI	365.0	253.0	369.0	45.8	1.1	1,702.0	728.0	-57.2
Core EPS (sen)	5.8	5.5	17.6	>100	>100	27.8	24.0	-13.8
					-/+ppt			
Operating profit margin (%)	11.5	12.1	34.5	22.4	23.0	17.9	18.8	0.8
PBT margin (%)	10.8	11.2	34.0	22.8	23.1	17.9	17.9	0.0
Core PATAMI margin (%)	6.8	5.9	7.7	1.9	1.0	11.1	5.5	-5.5

SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd%
Revenue								
Group Upstream	473.0	457.0	511.0	11.8	8.0	1,176.0	1,630.0	38.6
Upstream Malaysia	209.0	206.0	216.0	4.9	3.3	419.0	741.0	76.8
Upstream Indonesia	243.0	220.0	241.0	9.5	-0.8	662.0	755.0	14.0
Upstream PNG	21.0	31.0	54.0	74.2	>100	95.0	134.0	41.1
Downstream	4,894.0	3,825.0	4,225.0	10.5	-13.7	14,103.0	11,412.0	-19.1
Other operations	25.0	23.0	38.0	65.2	52.0	81.0	106.0	30.9
Recurring Operating Profit								
Group Upstream	249.0	188.0	547.0	>100	>100	1,706.0	955.0	-44.0
Upstream Malaysia	-145.0	-25.0	228.0	>100	>100	145.0	182.0	25.5
Upstream Indonesia	365.0	163.0	212.0	30.1	-41.9	624.0	480.0	-23.1
Upstream PNG	29.0	50.0	107.0	>100	>100	937.0	293.0	-68.7
Downstream	336.0	118.0	209.0	77.1	-37.8	711.0	393.0	-44.7
Other operations	19.0	18.0	13.0	-27.8	-31.6	46.0	46.0	0.0
FFB Production '000 Mt								
Group Upstream	2,148	2,036	2,453	20.5	14.2	6,133	6,312	2.9
Upstream Malaysia	899	871	1,240	42.4	37.9	2,648	2,896	9.4
Upstream Indonesia	775	678	766	13.0	-1.2	2,053	2,010	-2.1
Upstream PNG	474	487	447	-8.2	-5.7	1,432	1,406	-1.8
CPO Production '000 Mt					-/+pts			
Group Upstream	450	433	519	19.9	15.3	1,303	1,336	2.5
Upstream Malaysia	180	180	255	41.7	41.7	537	593	10.4
Upstream Indonesia	163	146	167	14.4	2.5	441	434	-1.6
Upstream PNG	107	107	97	-9.3	-9.3	325	309	-4.9
CPO Price Realised (RM/Mt)								
Average Group	4,277	3,736	3,777	1.1	-11.7	4,648	3,806	-18.1
Upstream Malaysia	4,497	4,096	3,993	-2.5	-11.2	4,439	4,068	-8.4
Upstream Indonesia	2,913	3,238	3,319	2.5	13.9	3,640	3,334	-8.4
Upstream PNG	5,845	3,889	3,965	2.0	-32.2	6,050	3,967	-34.4

Source: Sime Darby Plant., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
Revenue	18,532.7	21,029.7	16,543.7	16,355.4	15,329.1
EBITDA	4,970.5	4,935.5	2,950.0	3,299.1	3,231.4
PBT	3,600.1	3,492.2	1,535.9	1,887.1	1,803.6
PATAMI	2,254.7	2,488.1	944.6	1,153.5	1,110.0
Core PATAMI	2,456.7	2,173.1	944.6	1,153.5	1,110.0
EPS (sen)	35.5	31.4	13.7	16.7	16.0
PER (x)	12.2	13.8	31.8	26.0	27.0
DPS (sen)	20.3	16.0	8.5	8.0	8.0
Dividend yield (%)	4.7	3.7	2.0	1.8	1.8

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	17,247.8	17,800.4	18,107.8	18,394.6	18,662.1
Right-of-use assets	1,997.9	2,007.7	1,907.3	1,811.9	1,721.3
Non-current assets	23,318.3	23,908.5	24,267.0	24,428.9	24,565.8
Inventories	2,468.2	2,778.4	2,055.1	2,031.7	1,904.2
Biological assets	284.3	180.3	180.3	180.3	180.3
Trade & other receivables	2,877.8	2,602.6	2,652.0	2,621.8	2,457.3
Current assets	6,409.4	6,588.6	6,140.6	6,638.2	7,000.6
Total Assets	30,335.7	31,148.1	31,058.7	31,718.1	32,217.4
Loans & borrowings	2,232.1	2,463.8	2,463.8	2,463.8	2,463.8
Trade & other payables	2,179.7	2,444.0	1,866.1	1,844.9	1,729.1
Current liabilities	5,185.7	5,274.0	4,696.1	4,674.8	4,559.1
Loans & borrowings	4,018.6	3,632.7	3,632.7	3,632.7	3,632.7
Retirement benefits	184.1	157.8	157.8	157.8	157.8
Non-current liabilities	7,155.4	6,719.0	6,782.5	6,781.3	6,774.7
Equity	17,856.2	19,016.0	19,441.0	20,122.8	20,744.5
Liabilities & equity	30,335.7	31,148.1	31,058.7	31,718.1	32,217.4

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PAT	2,490.7	2,683.3	1,137.8	1,360.1	1,300.0
Cash flow from operations	3,482.563	3,644.432	2,438.867	2,729.328	2,832.667
Cash flow from investing	-1,243.215	-1,215.245	-1,500.000	-1,500.000	-1,500.000
Cash flow from financing	-1,884.253	-2,397.465	-712.836	-678.257	-678.257
Net cash flow	355.095	31.722	226.031	551.071	654.410
Beginning cash flow	309.029	602.563	634.993	861.024	1,412.095
Ending cash flow	602.563	634.993	861.024	1,412.095	2,066.505

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	26.8%	23.5%	17.8%	20.2%	21.1%
EBIT margin	19.6%	16.9%	9.8%	12.0%	12.2%
PBT margin	19.4%	16.6%	9.3%	11.5%	11.8%
Core PATMI margin	13.3%	10.3%	5.7%	7.1%	7.2%

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