



Sime Darby Plantation Berhad

(5285 | SDPL MK) Main | Plantation

Maintain NEUTRAL

Recovery in Malaysia Upstream continues

Unchanged Target Price: RM4.18
(Previously RM4.10)

KEY INVESTMENT HIGHLIGHTS


- **Within Expectation**
- **Upstream; improved production mostly in Malaysia side**
- **Downstream; profit improved but utilisation rate lower than last year**
- **Earnings estimates; Maintained**
- **Maintain NEUTRAL with a new TP of RM4.18**

Earnings eased further. FY23's core earnings decreased in tandem with the weaker performance, primarily due to lower average CPO price realised. Albeit there was a FFB recovery in Malaysia's production, the crops in Indonesia were hindered by the impact of dry weather. Conversely, profit for refining margin which came from downstream subsegment rebound, with a profit of RM169.0m (+56.5%yoy). Overall, the results were broadly within ours but below consensus expectations, accounting for 97% and 85% of respective full-year forecasts.

Upstream. During the quarter, the group's upstream top and bottom-line fallen to RM539.0m (+5.5%qoq, -39.2%yoy) and RM198.0m (-63.8%qoq, -71.8%yoy) respectively, dragged by softer profit contributions from Indonesia side of RM132.0m (-71.3%yoy). Operational front, group, and Malaysia FFB & CPO production remain solid with double digit growth, whilst Indonesia somewhat flattish on dry weather impacts. This can be seen through dropped in FFB yield from 17.66Mt/Ha to 17.58Mt/Ha. Note that, group's average CPO and PK realised prices lower to RM3,688/Mt (-2.4%qoq, -7.9%yoy) and RM1,742/Mt (-0.8%yoy).

Downstream. In the 4QFY23 period, the downstream's profit improved significantly by +56.5%yoy to RM169.0m thanks to the decent sales volume and steady utilisation rate in differentiated and bulk segment which have increased to 1,055,000 Mt (+10%yoy) and 57% respectively. Overall, European operations' strong results partially mitigated the weaker performance in the Asia Pacific market.

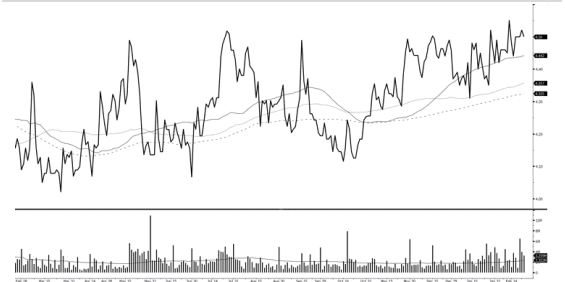
Earnings estimates. We maintain our earnings forecast growth for FY24-25 as its in-line with ours estimates. While we remain optimistic with its FFB yield projection of 17.97Mt/ha in FY24, backed by intensive rehabilitation efforts undertaken last year. We foresee its upstream activity to remain intact despite a slowdown in Indonesia's operations, anticipating the weather effects to subside in early 3Q24.

Maintain NEUTRAL. We maintain our **NEUTRAL** call with a new TP of **RM4.18** as we rollover our valuation to PER of 25.0x which nearly 5y average mean by pegging FY24F EPS of 16.7sen. We are sceptical on SDPL outlook, particularly in its downstream subsegment as sales volume and utilisation rate would remain slow due weaker demand in palm-based products which aligns with industry environment. 

RETURN STATISTICS

Price @ 22 nd Feb 2024 (RM)	4.50
Expected share price return (%)	-7.11
Expected dividend yield (%)	+1.80
Expected total return (%)	-5.31

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	3.0	-0.6
3 months	0.9	-1.5
12 months	6.0	0.4

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	1.9	1.8	1.8

KEY STATISTICS

FBM KLCI	1,545.49
Issue shares (m)	6915.7
Estimated free float (%)	22.5
Market Capitalisation (RM'm)	31,120.7
52-wk price range	RM4.0-RM4.61
3-mth average daily volume (m)	2.30
3-mth average daily value (RM'm)	10.28
Top Shareholders (%)	
ASNB	53.37
EPF Board	14.90
KWAP	6.62

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Sime Darby Plant: 4QFY23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly							
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd%
Income Statement								
Revenue	5,670.0	4,774.0	5,280.0	10.6	-6.9	21,030.0	18,428.0	-12.4
Operating profit	807.0	1,645.0	421.0	-74.4	-47.8	3,563.0	2,887.0	-19.0
PBIT	787.0	1,661.0	436.0	-73.8	-44.6	3,615.0	2,927.0	-19.0
PBT	743.0	1,621.0	395.0	-75.6	-46.8	3,492.0	2,752.0	-21.2
Tax expense	-133.0	-362.0	-151.0	-58.3	13.5	-809.0	-719.0	NM
PATAMI	562.0	1,211.0	200.0	-83.5	-64.4	2,488.0	1,860.0	-25.2
Core PATAMI	471.0	369.0	181.0	-50.9	-61.6	2,173.0	909.0	-58.2
Core EPS (sen)	6.8	5.4	2.6	-51	-62	31.4	13.1	-58
				-/+ppt				
Operating profit margin (%)	14.2	34.5	8.0	-26.5	-6.3	16.9	15.7	-1.3
PBT margin (%)	13.1	34.0	7.5	-26.5	-5.6	16.6	14.9	-1.7
Core PATAMI margin (%)	8.3	7.7	3.4	-4.3	-4.9	10.3	4.9	-5.4

SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly							
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	Ytd%
Revenue								
Group Upstream	887.0	511.0	539.0	5.5	-39.2	2,063.0	2,169.0	5.1
Upstream Malaysia	373.0	216.0	183.0	-15.3	-50.9	792.0	924.0	16.7
Upstream Indonesia	485.0	241.0	294.0	22.0	-39.4	1,147.0	1,049.0	-8.5
Upstream PNG	29.0	54.0	62.0	14.8	>100	124.0	196.0	58.1
Downstream	4,763.0	4,225.0	4,725.0	11.8	-0.8	18,866.0	16,137.0	-14.5
Other operations	20.0	38.0	16.0	-57.9	-20.0	101.0	122.0	20.8
Recurring Operating Profit								
Group Upstream	702.0	547.0	198.0	-63.8	-71.8	2,408.0	1,153.0	-52.1
Upstream Malaysia	62.0	228.0	93.0	-59.2	50.0	207.0	275.0	32.9
Upstream Indonesia	460.0	212.0	132.0	-37.7	-71.3	1,084.0	612.0	-43.5
Upstream PNG	180.0	107.0	-27.0	NM	NM	1,117.0	266.0	-76.2
Downstream	108.0	209.0	169.0	-19.1	56.5	819.0	562.0	-31.4
Other operations	-1.0	13.0	-1.0	NM	NM	45.0	45.0	0.0
FFB Production '000 Mt								
Group Upstream	2,074	2,453	2,393	-2.4	15.4	8,207	8,705	6.1
Upstream Malaysia	865	1,240	1,253	1.0	44.9	3,513	4,149	18.1
Upstream Indonesia	728	766	675	-11.9	-7.3	2,781	2,685	-3.5
Upstream PNG	481	447	465	4.0	-3.3	1,913	1,871	-2.2
CPO Production '000 Mt				-/+pts				
Group Upstream	434	519	510	-1.7	17.5	1,737	1,846	6.3
Upstream Malaysia	171	255	259	1.6	51.5	708	852	20.3
Upstream Indonesia	154	167	147	-12.0	-4.5	595	581	-2.4
Upstream PNG	109	97	104	7.2	-4.6	434	413	-4.8
CPO Price Realised (RM/Mt)								
Average Group	4,005	3,777	3,688	-2.4	-7.9	4,456	3,772	-15.4
Upstream Malaysia	4,560	3,993	3,895	-2.5	-14.6	4,472	4,012	-10.3
Upstream Indonesia	3,410	3,319	3,315	-0.1	-2.8	3,558	3,328	-6.5
Upstream PNG	4,138	3,965	3,796	-4.3	-8.3	5,534	3,927	-29.0

Source: Sime Darby Plant., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	21,029.7	16,543.7	16,355.4	15,329.1	15,329.1
EBITDA	4,935.5	2,950.0	3,299.1	3,231.4	3,231.4
PBT	3,492.2	1,535.9	1,887.1	1,803.6	1,803.6
PATAMI	2,488.1	944.6	1,153.5	1,110.0	1,110.0
Core PATAMI	2,173.1	944.6	1,153.5	1,110.0	1,110.0
EPS (sen)	31.4	13.7	16.7	16.0	16.0
PER (x)	12.7	14.3	32.9	27.0	28.0
DPS (sen)	16.0	8.5	8.0	8.0	8.0
Dividend yield (%)	4.5	3.6	1.9	1.8	1.8

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

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

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