

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

Performance Largely In-Line with Seasonal Factors

KEY INVESTMENT HIGHLIGHTS

- **Earnings was lowered mostly due to seasonal factors**
- **Oil palm profitability/margins remain decent**
- **Estate activities continue intact**
- **Earnings estimates; maintain**
- **Maintain NEUTRAL with an unchanged TP of RM2.20**

Within expectations. After excluding the change in fair value of biological assets and PPE written off, SPB's core PATAMI came in only at RM7.9m (-14.1%yoy), despite a higher operating profit of RM14.1m (+3.7%yoy) recorded. While this is largely considered within our estimates, accounting for about 11% of full-year estimates, it's worth noting that 1Q always the weakest results among the quarters due to low crop cyclicity. Notably, CPO production and sales volume were also down by -25.1% and -24.7% respectively, due to aforementioned factors.

Oil palm profitability. Profitability for both estate and mill operations increased by double-digit growth to RM11.6m (+14.5%yoy) and RM6.0m (+25.1%yoy), due to the elevated average selling price CPO and PK realized of RM3,898/Mt (-1.1%yoy) and RM2,062/Mt (+7.0%yoy), respectively. Profit margins wise, both seemed to have improved slightly, reaching 22.8% (+1.1pts) and 5.1% (+0.4pts) respectively, owing to the lowered all-in cost of production at approximately RM2,907/Mt (vs 1Q23: RM3,238/Mt).

Oil palm operations. On the operational front, thanks to the dry weather conditions, harvestable hectareage and FFB production jumped by +10.7%yoy and +16.9%yoy respectively, supporting the FFB yield to be around 3.31Mt/Wha. Additionally, external purchased remained a significant contributor, lifting the FFB processed to surge by +18.9%. As a result, OER level remained decent at 19.77%. Overall, despite the dry weather spell, operational stats for the quarter were better than expected. The mild El Niño did not really have an adverse effect on the palm trees, so yield and estate activity were mostly unaffected.

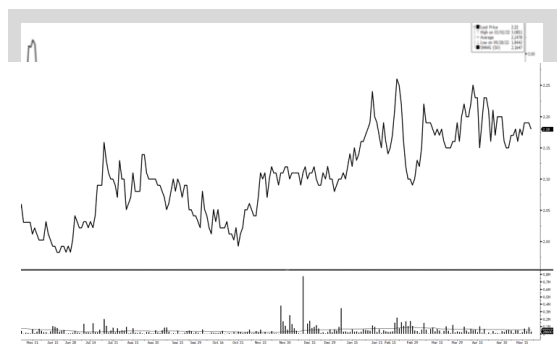
Earnings forecast. We are retaining our earnings estimate as it aligns with the baseline projection.

Maintain NEUTRAL. We maintain our **NEUTRAL** call with a TP of **RM2.20** by pegging FY24F EPS of 25.0sen based on valuation PER of 8.8x - nearly 2y average mean. Note that SPB is purely 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 @ 21 st May 2024 (RM)	2.18
Expected share price return (%)	+0.9
Expected dividend yield (%)	+4.6
Expected total return (%)	+5.5



Price performance (%)	Absolute	Relative
1 month	0.9	-3.0
3 months	-0.5	-3.8
12 months	1.9	-10.9

INVESTMENT STATISTICS

FYE Dec	2024E	2025F	2026F
Revenue	517.5	491.3	464.2
EBITDA	99.1	103.2	101.8
PBT	90.5	96.4	96.7
Core PATAMI	69.7	74.2	74.5
EPS (sen)	25.0	26.6	26.7
DPS (sen)	0.10	0.10	0.10
Dividend yield (%)	4.6	4.6	4.6

KEY STATISTICS

FBM KLCI	1,622.09
Issue shares (m)	340.97
Estimated free float (%)	16.94
Market Capitalisation (RM'm)	608.29
52-wk price range	RM2.02 – RM2.27
3-mth average daily volume (m)	0.05
3-mth average daily value (RM'm)	0.11
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.41
State Financial Secretary	25.52
Urusharta Jamaah Sdn Bhd	4.16

Sarawak Plantation: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	1Q23	4Q23	1Q24	QoQ%	YoY%	3M23	3M24	Ytd%
Income Statement								
Revenue	111.5	159.2	127.3	-20.0	14.2	111.5	127.3	14.2
Operating profit	13.6	22.9	14.1	-38.6	3.7	13.6	14.1	3.7
Chg in fair value of biological assets	1.5	-3.0	10.9	>100	>100	1.5	10.9	>100
PBT	16.0	21.2	26.4	24.1	64.4	16.0	26.4	64.4
PATAMI	12.0	17.5	19.1	9.2	58.6	12.0	19.1	58.6
Core PATAMI	9.2	21.8	7.9	-63.9	-14.1	9.2	7.9	-14.1
Core EPS (sen)	3.3	7.8	2.8	-63.9	-14.1	3.3	2.8	-14.1
				-/+pts				
Operating profit margin (%)	12.2	14.4	11.1	-3.3	-1.1	12.2	11.1	-1.1
PBT margin (%)	14.4	13.3	20.7	7.4	6.3	14.4	20.7	6.3
Core PATAMI margin (%)	8.2	13.7	6.2	-7.5	-2.0	8.2	6.2	-2.0

SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cumulative		
	1Q23	4Q23	1Q24	QoQ%	YoY%	3M23	3M24	Ytd%
Revenue								
Estate Operations	46.8	60.4	51.0	-15.7	8.9	46.8	51.0	8.9
Mill Operations	103.0	146.8	117.9	-19.7	14.4	103.0	117.9	14.4
Segment Profit								
Estate Operations	10.1	20.4	11.6	-43.3	14.5	10.1	11.6	14.5
Mill Operations	4.8	8.1	6.0	-26.0	25.1	4.8	6.0	25.1
Segment margin %								
Estate Operations	21.6	33.8	22.8	-11.1	1.1	21.6	22.8	1.1
Mill Operations	4.7	5.5	5.1	-0.4	0.4	4.7	5.1	0.4
Operational Stats.								
Avg CPO Price realised (RM/Mt)	3,942	3,632	3,898	7.3	-1.1	3,942	3,898	-1.1
Avg PK Price realised (RM/Mt)	1,927	1,868	2,062	10.4	7.0	1,927	2,062	7.0

Source: Sarawak Plant., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue*	710.9	570.7	517.5	491.3	464.2
EBITDA	194.3	134.1	99.1	103.2	101.8
PBT	134.2	87.4	90.5	96.4	96.7
PATAMI	96.7	64.4	69.7	74.2	74.5
Core PATAMI	103.5	68.8	69.7	74.2	74.5
EPS (sen)	37.1	24.7	25.0	26.6	26.7
PER (x)	5.9x	8.8x	8.7x	8.2x	8.2x
DPS (sen)	0.15	0.10	0.10	0.10	0.10
Dividend yield (%)	6.9%	4.6%	4.6%	4.6%	4.6%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	262.7	261.8	260.3	259.8	259.3
ROU assets	95.2	91.8	91.8	91.8	91.8
Non-current assets	693.3	692.4	690.9	690.4	689.9
Inventories	18.2	23.8	22.8	21.1	19.7
Receivables	12.5	18.6	16.9	16.0	15.1
Current assets	257.4	262.3	303.1	346.0	389.7
Total Assets	950.7	954.7	994.1	1,036.4	1,079.6
Long-term debt	1.3	8.0	8.0	8.0	8.0
Non-current liabilities	126.8	132.4	132.4	132.4	132.4
Borrowings	10.3	1.1	1.1	1.1	1.1
Current liabilities	118.0	79.6	77.2	73.3	69.9
Share capital	341.0	341.0	341.0	341.0	341.0
Reserves	371.0	407.6	449.4	495.7	542.3
Equity	706.0	742.6	784.5	830.7	877.3

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	134.2	87.4	90.5	96.4	96.7
Depreciation & amortisation	41.9	42.3	14.1	14.1	14.0
Changes in working capital	-7.8	-19.4	0.3	-1.5	-1.1
Operating cash flow	132.4	81.6	84.2	86.8	87.4
Capital expenditure	-13.6	-14.4	-12.7	-13.6	-13.5
Investing cash flow	-6.8	-48.2	-12.7	-13.6	-13.5
Dividends paid	-55.8	-41.9	-27.9	-27.9	-27.9
Financing cash flow	-113.2	-44.8	-27.9	-27.9	-27.9
Net cash flow	12.4	-11.4	43.6	45.3	46.0
Beginning cash flow	113.6	126.0	114.6	158.2	203.5
Ending cash flow	126.0	114.6	158.2	203.5	249.5

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin	27.3%	23.5%	19.2%	21.0%	21.9%
PBT margin	18.9%	15.3%	17.5%	19.6%	20.8%
Core PATMI margin	14.6%	12.1%	13.5%	15.1%	16.0%

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