



Sime Darby Plantation Berhad

(5285 | SDPL MK) Main | Plantation

Prospects Remain Favorable

KEY INVESTMENT HIGHLIGHTS


- **Within expectation**
- **Upstream; improved production mostly in Malaysia side**
- **Downstream; recovery in PPO demand**
- **Earnings estimates; Maintained**
- **Maintain NEUTRAL with an unchanged TP of RM4.18**

Earnings eased further. 1QFY24's core earnings surged 1.2x to RM229.0m with margins expanding to 9.0% (+1.6pts), attributed to higher operating profit in Malaysia's upstream subsegment due to recovery in FFB and CPO production amid elevated average CPO prices realised. The optimism, however, was offset by the situation in Indonesia and PNG area, where crops were impacted by dry weather and flooding due to EL-Nino and heavy rainfall earlier the year. Conversely, refinery profit continues its uptick, rising to RM135.0m (>100%yoy) on recovery demand of PPO products. Overall, the results were broadly within ours but below consensus expectations, accounting for 20% and 15% of respective full-year forecasts.

Upstream. The group's upstream top and bottom-line posted mixed results, with sales falling to RM440.0m (-18.4%qoq, -33.5%yoy) while profit jumped to RM265.0m (+33.8%qoq, +20.5%yoy), respectively, following higher profit contributions from Malaysia side. Operationally, Malaysia's FFB & CPO production continued its recovery, albeit with single digit growth, this, however, still managed to boost the group's FFB and CPO production to grow by +8.6%yoy and 9.4%yoy, respectively. Note that, group's average CPO and PK realised prices stabilised at RM3,880/Mt (-0.2%yoy) and RM1,940/Mt (+8.1%yoy).

Downstream. The downstream's profit improved significantly rose more >100%yoy to RM135.0m thanks to the decent sales volume and steady utilisation rate in differentiated and trading segment. Profit from differentiated (Oleo based) strengthened, driven by improved margins in European operations on the back of higher selling prices and lower costs.

Earnings estimates. Maintained.

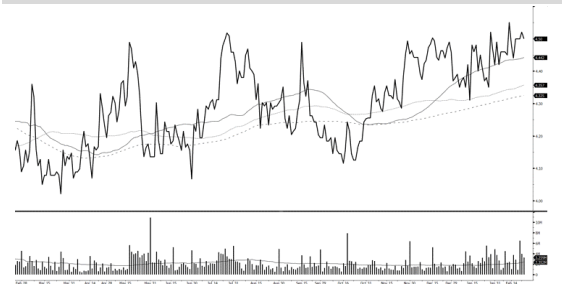
Maintain NEUTRAL. We maintain our **NEUTRAL** call with an unchanged TP of **RM4.18** pegged to PER of 25.0x which nearly 5y average mean based on FY24F EPS of 16.7sen. We remain optimistic with its upstream subsegment where recovery in Group's FFB yield projected to touch 19.00Mt/ha level in FY24, thanks to the intensive rehabilitation efforts undertaken last year in Malaysia side. Additionally, downstream prospects look promising on reversal of PPO products demand, in Europe and Asia Pacific regions. 

Maintain NEUTRAL**Unchanged Target Price: RM4.18**

RETURN STATISTICS

Price @ 31 st May 2024 (RM)	4.25
Expected share price return (%)	-1.70
Expected dividend yield (%)	+1.9
Expected total return (%)	+0.2

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	2024E	2025F	2026F
Revenue	16,610.3	15,697.4	14,941.5
Operating Profit	1,961.6	2,006.2	2,096.0
Profit Before Tax	1,890.2	1,933.2	2,022.9
Core PATAMI	1,155.6	1,198.6	1,260.0
Core EPS	16.7	17.3	18.2
DPS	8.0	8.0	8.0
Dividend Yield	1.9	1.9	1.9

KEY STATISTICS

FBM KLCI	1,596.7
Issue shares (m)	6915.7
Estimated free float (%)	22.5
Market Capitalisation (RM'm)	29,391.7
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.: 1QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
Revenue	4,069.0	5,280.0	4,342.0	-17.8	6.7	4,069.0	4,342.0	6.7
Operating profit	301.0	421.0	390.0	-7.4	29.6	301.0	390.0	29.6
Associates & JVs	2.0	15.0	-14.0	NM	NM	2.0	-14.0	NM
PBT	255.0	395.0	346.0	-12.4	35.7	255.0	346.0	35.7
Tax expense	-147.0	-151.0	-93.0	-38.4	-36.7	-147.0	-93.0	NM
PATAMI	69.0	200.0	211.0	5.5	>100	69.0	211.0	>100
Core PATAMI	106.0	181.0	229.0	26.5	>100	106.0	229.0	>100
Core EPS (sen)	1.5	2.6	3.3	27	>100	1.5	3.3	>100
				-/+ppt				
Operating profit margin (%)	7.4	8.0	9.0	1.0	1.6	7.4	9.0	1.6
PBT margin (%)	6.3	7.5	8.0	0.5	1.7	6.3	8.0	1.7
Core PATAMI margin (%)	2.6	3.4	5.3	1.8	2.7	2.6	5.3	2.7

*NM *Not Meaningful***SEGMENTAL BREAKDOWN & AVERAGE CPO PRICE REALISED**

FYE Dec (RM'm)	Quarterly					Cumulative		
Revenue	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
Group Upstream	662.0	539.0	440.0	-18.4	-33.5	662.0	440.0	-33.5
Upstream Malaysia	319.0	183.0	173.0	-5.5	-45.8	319.0	173.0	-45.8
Upstream Indonesia	294.0	294.0	206.0	-29.9	-29.9	294.0	206.0	-29.9
Upstream PNG	49.0	62.0	61.0	-1.6	24.5	49.0	61.0	24.5
Downstream	3,362.0	4,725.0	3,870.0	-18.1	15.1	3,362.0	3,870.0	15.1
Other operations	45.0	16.0	32.0	100.0	-28.9	45.0	32.0	-28.9
Recurring Operating Profit								
Group Upstream	220.0	198.0	265.0	33.8	20.5	220.0	265.0	20.5
Upstream Malaysia	-21.0	93.0	118.0	26.9	>100	-21.0	118.0	>100
Upstream Indonesia	105.0	132.0	84.0	-36.4	-20.0	105.0	84.0	-20.0
Upstream PNG	136.0	-27.0	63.0	>100	-53.7	136.0	63.0	-53.7
Downstream	66.0	169.0	135.0	-20.1	>100	66.0	135.0	>100
Other operations	15.0	-1.0	0.0	NM	NM	15.0	0.0	NM
FFB Production '000 Mt								
Group Upstream	1,823	2,393	1,979	-17.3	8.6	1,823	1,979	8.6
Upstream Malaysia	785	1,253	1,042	-16.8	32.7	785	1,042	32.7
Upstream Indonesia	566	675	507	-24.9	-10.4	566	507	-10.4
Upstream PNG	472	465	430	-7.5	-8.9	472	430	-8.9
CPO Production '000 Mt				-/+pts				
Group Upstream	384	510	420	-17.6	9.4	384	420	9.4
Upstream Malaysia	158	259	215	-17.0	36.1	158	215	36.1
Upstream Indonesia	121	147	110	-25.2	-9.1	121	110	-9.1
Upstream PNG	105	104	95	-8.7	-9.5	105	95	-9.5
CPO Price Realised (RM/Mt)								
Average Group	3,887	3,688	3,880	5.2	-0.2	3,887	3,880	-0.2
Upstream Malaysia	4,148	3,895	3,982	2.2	-4.0	4,148	3,982	-4.0
Upstream Indonesia	3,455	3,315	3,656	10.3	5.8	3,455	3,656	5.8
Upstream PNG	4,034	3,796	3,924	3.4	-2.7	4,034	3,924	-2.7

Source: Sime Darby Plant., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	21,029.7	18,427.9	16,610.3	15,697.4	14,941.5
Operating Profit / EBIT	3,562.9	2,887.4	1,961.6	2,006.2	2,096.0
PBT	3,492.2	2,752.5	1,890.2	1,933.2	2,022.9
PATAMI	2,488.1	1,860.0	1,155.6	1,198.6	1,260.0
Core PATAMI	2,173.1	909.0	1,155.6	1,198.6	1,260.0
Core EPS (sen)	31.4	13.1	16.7	17.3	18.2
PER (x)	13.5	32.3	25.4	24.5	23.3
DPS (sen)	16.0	15.0	8.0	8.0	8.0
Dividend yield (%)	3.8	3.5	1.9	1.9	1.9

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	17,800.4	19,145.3	19,362.6	19,565.3	19,754.4
Right-of-use assets	2,007.7	2,060.5	1,957.4	1,859.6	1,766.6
Non-current assets	23,908.5	25,511.7	25,753.5	25,818.3	25,876.8
Inventories	2,778.4	2,663.9	2,063.4	1,950.0	1,856.1
Biological assets	180.3	175.3	175.3	175.3	175.3
Trade & other receivables	2,602.6	2,207.5	2,662.7	2,516.3	2,395.1
Current assets	6,588.6	6,208.9	6,189.0	6,730.4	7,361.5
Total Assets	31,148.1	31,886.5	32,108.3	32,714.5	33,404.1
Loans & borrowings	2,463.8	1,700.6	1,700.6	1,700.6	1,700.6
Trade & other payables	2,444.0	2,385.8	1,873.6	1,770.7	1,685.4
Current liabilities	5,274.0	4,790.5	4,278.3	4,175.4	4,090.1
Loans & borrowings	3,632.7	3,581.7	3,581.7	3,581.7	3,581.7
Lease liabilities	42.7	56.7	106.6	100.7	95.9
Non-current liabilities	6,719.0	6,677.3	6,727.2	6,721.3	6,716.5
Liabilities & equity	31,148.1	31,886.5	32,108.3	32,714.5	33,404.1

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PAT	2,683.3	2,033.4	1,362.4	1,393.3	1,457.9
Cash flow from operations	3,644.4	3,075.0	2,303.7	2,979.4	3,024.4
Cash flow from investing	-1,215.2	-629.8	-1,500.0	-1,500.0	-1,500.0
Cash flow from financing	-2,397.5	-2,244.1	-678.3	-678.3	-678.3
Net cash flow	31.7	201.1	125.5	801.2	846.2
Beginning cash flow	602.6	635.0	830.4	955.8	1,757.0
Ending cash flow	635.0	830.4	955.8	1,757.0	2,603.2

Profitability Margins	2022A	2023A	2024E	2025F	2026F
Operating Profit / EBIT margin	16.9%	15.7%	11.7%	12.6%	13.9%
PBT margin	16.6%	14.9%	11.2%	12.2%	13.4%
Core PATMI margin	10.3%	4.9%	6.9%	7.5%	8.3%

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