



Genting Plantations Berhad

(2291 | GENP MK) Main | Plantation

Performance Remains Intact

KEY INVESTMENT HIGHLIGHTS


- Higher CPO selling price in line with industry average
- Downstream profit reversed to black
- Earnings estimates; maintain
- Upgrade to BUY with an unchanged TP of RM6.10

Seasonally low earnings cycle. After inclusion EIs of RM6.5m, GenP's core PATAMI came in at RM66.2m (-14.5%yoy), on higher tax expense of -RM32.2m due to expenses not deductible for tax purposes. While, this was largely considered within our/consensus estimates, making up about 40.3% and 37.2% of full-year estimates, given that the weakness in 2Q was in line with low crop seasonality factors, and we do anticipate earnings to play some catch up later in 2HFY24.

Upstream & Downstream. Profit for both upstream and downstream remain intact at RM115.5m (+1.6%yoy) and RM3.4m (>100%yoy), respectively. Margins for upstream division contracted by -9.0pts yoy to 20.4%, following flattish FFB output recorded in the quarter. Meanwhile the fixed cost was maintained, resulting in the margins squeezed by the cost of production at circa RM2,800/Mt. This was, however, moderated by higher downstream profit contribution, as the segment margins expanded to 1.0% (+5.5pts yoy), despite lower sales volume and low utilisation rate reported.

Operational performance. FFB production of 484,000 Mt (-2.6%yoy) was relatively comparable to prior year, which was well supported by Indonesia output due to favourable age profile and expanded harvesting area. Whilst Malaysia production remain muted due to ongoing big scale replanting activities carried away c. 200 ha and dry weather spell – biological stress in palm trees from Jan to April. Average selling prices on the other hand, were slightly higher at RM3,797/Mt (2QFY23; RM3,584/Mt) and RM2,299/Mt respectively, for CPO and PK.

Outlook. The FFB production anticipated to pick up in 2H24, underpinned by additional and progression of existing mature areas into higher yielding brackets in Indonesia. Nevertheless, the ongoing replanting activities in Malaysia may have a moderating effect on the Group's production growth. Meanwhile, downstream was facing stiffer competition from its Indonesian counterparts, which enjoy competitive pricing for feedstock due to price differential arising from the imposition of export levy.

Recommendation. We tactically upgrade GenP to **BUY** call from NEUTRAL call following the softened share price which we believe lead to buying opportunities, due to the relatively cheaper valuation. Our unchanged TP of **RM6.10**, derived from PER of 16.9x (nearly 2y average historical +1SD) pegging to FY25F EPS of 35.9sen. 

Upgrade to BUY

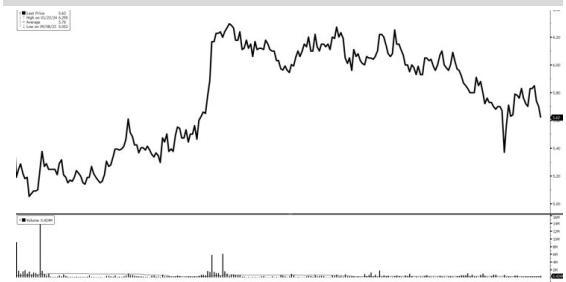
(Previously NEUTRAL)

Unchanged Target Price: RM6.10

RETURN STATISTICS

Price @ 28 th Aug 2024 (RM)	5.62
Expected share price return (%)	+8.5
Expected dividend yield (%)	+3.7
Expected total return (%)	+12.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.4	-4.4
3 months	-6.3	-10.2
12 months	0.1	-13.1

INVESTMENT STATISTICS

FYE Mar	2024E	2025E	2026F
Revenue	2,911.9	2,866.2	2,895.5
EBITDA	483.0	540.9	573.9
Profit Before Tax	410.7	466.6	513.3
Core PATAMI	281.8	322.5	353.5
Core EPS	31.4	35.9	39.4
DPS	21.0	20.0	20.0
Dividend Yield	3.7%	3.6%	3.6%

KEY STATISTICS

FBM KLCI	1,675.24
Issue shares (m)	895.63
Estimated free float (%)	18.14
Market Capitalisation (RM'm)	5,042.05
52-wk price range	RM5.03-RM6.38
3-mth average daily volume (m)	0.31
3-mth average daily value (RM'm)	1.80
Top Shareholders (%)	
Genting Berhad	54.44
EPF	13.56
KWAP	7.48

Genting Plantations: 2Q24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	2Q23	1Q24	2Q24	QoQ%	YoY%	1H23	1H24	Ytd%
Income Statement								
Revenue	806.0	584.3	757.2	29.6	-6.1	1,390.2	1,363.0	-2.0
Operating Profit	118.8	72.7	128.3	76.6	8.0	191.5	203.9	6.5
Finance Cost	-25.9	-27.1	-26.8	NM	NM	-53.0	-52.5	NM
PBT	104.3	55.6	110.5	98.8	5.9	159.9	171.2	7.1
Tax expense	-26.7	-14.9	-32.2	NM	NM	-41.6	-53.2	NM
PATAMI	71.0	38.8	65.2	68.1	-8.1	109.8	108.1	-1.6
Core PATAMI	77.4	35.7	66.2	85.2	-14.5	113.2	114.6	1.3
Core EPS (sen)	8.6	4.0	7.4	85.2	-14.5	12.6	12.8	1.3
				-/+ppt				
OP margin (%)	14.7	12.4	17.0	4.5	2.2	13.8	15.0	1.2
PBT margin (%)	12.9	9.5	14.6	5.1	1.6	11.5	12.6	1.1
Core PATAMI margin (%)	9.6	6.1	8.7	2.6	-0.9	8.1	8.4	0.3

*NM *Not Meaningful*

SEGMENTAL BREAKDOWN & AVERAGE PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cumulative		
	2Q23	1Q24	2Q24	QoQ%	YoY%	1H23	1H24	Ytd%
Revenue								
Plantation	571.1	491.3	565.1	15.0	-1.1	1,062.5	1,090.0	2.6
Downstream	371.0	210.4	324.2	54.1	-12.6	581.4	508.6	-12.5
Property	19.2	22.4	22.3	-0.3	15.9	41.6	56.6	36.2
Agtech	4.1	2.7	4.9	83.7	20.1	6.7	8.2	22.6
Segment Profit								
Plantation	113.7	53.0	115.5	>100	1.6	166.7	179.8	7.9
Downstream	-6.8	7.8	3.4	-56.2	>100	1.0	0.7	-28.3
Property	17.5	19.5	14.4	-26.1	-17.7	37.1	34.9	-5.8
Agtech	-3.5	-4.9	-3.6	NM	NM	-8.4	-8.6	NM
Segment Margin %								
Plantation	19.9	10.8	20.4	0.9	-9.1	15.7	16.5	0.0
Downstream	-1.8	3.7	1.0	-0.7	5.5	0.2	0.1	0.0
Property	91.1	87.3	64.7	-0.3	-3.9	89.1	61.6	0.0
Agtech	-87.1	-184.7	-73.3	NM	NM	-125.7	-104.9	NM
Operational Stats.								
FFB Production Mt '000	497	457	484	5.9	-2.6	954	941	-1.4
Avg CPO Price Realised (RM/tonne)	3,584	3,643	3,797	4.2	5.9	3,584	3,721	3.8
Avg PK Price Realised (RM/tonne)	1,945	2,011	2,299	14.3	18.2	1,963	2,154	9.7

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	3,189.8	2,966.5	2,911.9	2,866.2	2,895.5
Operating Profit	744.6	448.2	483.0	540.9	573.9
PBT	688.9	384.1	410.7	466.6	513.3
PATAMI	471.4	253.5	281.8	322.5	353.5
Core PATAMI	483.6	258.3	281.8	322.5	353.5
EPS (sen)	52.5	28.3	31.4	35.9	39.4
PER (x)	10.7x	19.9x	17.9x	15.6x	14.3x
DPS (sen)	34.0	21.0	21.0	20.0	20.0
Dividend yield (%)	6.0%	3.7%	3.7%	3.6%	3.6%
Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	4,389.6	4,628.7	4,751.0	4,865.9	4,973.9
ROU assets	960.3	986.6	984.8	982.8	980.7
Non-current assets	6,328.7	6,680.1	6,800.6	6,913.5	7,019.4
Inventories	270.4	193.0	189.5	186.5	188.4
Receivables	541.5	519.6	510.1	502.1	507.2
Current assets	2,463.1	1,887.0	1,841.2	1,857.2	1,926.5
Total Assets	8,791.8	8,567.1	8,641.9	8,770.7	8,946.0
Long-term debt	1,831.6	1,554.3	1,554.3	1,554.3	1,554.3
Non-current liabilities	2,338.2	2,127.6	2,127.6	2,127.6	2,127.6
Payables	539.5	465.3	456.7	449.6	454.2
Current liabilities	1,144.5	1,004.6	996.1	988.9	993.5
Share capital	1,724.0	1,724.0	1,724.0	1,724.0	1,724.0
Reserves	3,486.9	3,611.9	4,252.8	4,863.8	5,440.8
Equity	5,309.2	5,434.9	5,518.2	5,654.2	5,824.9
Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	688.9	384.1	410.7	466.6	513.3
Cash flow from operations	958.3	656.1	567.1	616.4	649.6
Cash flow from investing	-397.4	-408.6	-410.0	-410.0	-410.0
Cash flow from financing	-615.8	-776.3	-188.4	-179.4	-179.4
Net cash flow	-54.9	-528.8	-31.3	26.9	60.1
Net cash/(debt) b/f	1,630.3	1,575.8	1,048.6	1,017.3	1,044.2
Net cash/(debt) c/f	1,575.8	1,048.6	1,017.3	1,044.2	1,104.3
Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	23.3%	15.1%	16.6%	18.9%	19.8%
PBT margin	21.6%	12.9%	14.1%	16.3%	17.7%
Core PATMI margin	15.2%	8.7%	9.7%	11.3%	12.2%

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