Corporate Update | Monday, 25 July 2022

Genting Plantations

(9598 | GENP MK) Main | Plantation

Maintain BUY

Outlook remain intact

***Revised* Target Price: RM8.00**
(from RM10.10)

KEY INVESTMENT HIGHLIGHTS

- **Production to recover**
- **Attractive avg tree palm years**
- **We tweak our FY22-FY23 earnings forecast**
- **Maintain BUY call with revised TP of RM8.00 from RM10.10**

We had virtual meeting with GenP recently and came out positive of its earnings momentum this year as well as growth prospects

Production to improve. Following more maturity age profile c. 117,329 ha and 18,084 ha coming into Malaysia/Indonesia estates this year, we anticipate group matured area to improve to 135,413 ha in 2022 resulting FFB yield to touch 17.3/mature ha in FY22. This would aid production to register at 2,342,645 mt/ha.

Attractive avg tree palm years. GenP oil palm planted area now stood at 159,318 in FY21, with matured registered at 134,313 ha and immature area around 25,005 ha. The average oil palm age profile of 11.9 years of the Group, is relatively ideal in FY21 with approximately 58% prime mature and 48% of past prime age, while the remaining is young mature 12%. We believe that this is fairly matured profile that may provide visible revenue and earnings growth moving forward.

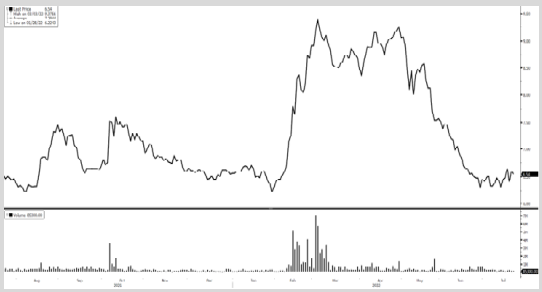
Fundamentally sound company. Looking at its 1QFY22 performance**,** GenP's revenue slightly lower on account of lower sales volume recognized from downstream manufacturing segment. However, the company managed to achieve higher ASP of CPO and PK to RM4,797/mt (+64%yoy) and RM4,114/mt (+83%yoy) during the quarter. We forecast GenP to post sustained double-digit growth in PBT of 15% over FY22 as we posit cost to remain under control with 40% fertilizer and 30% labour structure as management guided, in anticipation of higher ASP CPO able to compensate rising input cost.

Earnings estimates. We revisit our assumptions and adjust our earnings forecast for FY22-23F. We believe elevated CPO price will amplify its top-line to grow +24%yoy and -6%yoy to RM3.9b/RM3.7b, while bottom-line to increase +18% and -14% to RM547.0m/RM470.9m.

Maintain BUY. Premised on above factor, we are maintaining our **BUY** call with revised **TP of RM8.00** (from RM10.10) by pegging its FY23 EPS of 52.46sen to PER of 15x nearly -1SD of its 4-year historical forward. We changed our valuation from SOP to PE since its property sales contribution is only 3% and does not offer value accretive to the company.

RETURN STATISTICS	
Price @22nd July 2022 (RM)	6.54
Expected share price return (%)	15.02
Expected dividend yield (%)	5.4
Expected total return (%)	**+27.72**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	0.6	-1.4
3 months	1.4	-22.1
12 months	-0.8	3.1

KEY STATISTICS	
FBM KLCI	1,465.80
Syariah compliant	Yes
Issue shares (m)	897.20
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Estimated free float (%)	19.25
Market Capitalisation (RM'm)	5,867.68
52-wk price range	RM6.25 - RM9.47
Beta vs FBM KLCI (x)	0.90
Monthly velocity (%)	0.00
Monthly volatility (%)	6.33
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	2.14
Top Shareholders (%)	
Genting Bhd	54.44
EPF	12.47
KWAP	7.47

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INCOME STATEMENT

Financial year ending 31st Dec (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**2498.2**	**3130.2**	**3896.5**	**3671.9**	**3247.3**
EBITDA	425.0	942.6	872.8	741.4	528.7
EBIT	191.3	687.3	632.2	491.8	270.2
Profit before tax	323.2	670.4	771.2	621.1	390.1
Normalized PATAMI	**266.4**	**461.8**	**547.0**	**470.7**	**304.9**
Core EPS (sen)	29.69	51.48	60.97	52.46	33.98
PER (x)	22.0	12.7	10.7	12.5	19.2
EBITDA Margin	17.0%	30.1%	22.4%	20.2%	16%
EBIT Margin	7.7%	22.0%	16.2%	13.4%	8%
Normalized PATAMI Margin	10.7%	14.8%	14.0%	12.8%	9%
DPS (sen)	15.5	26.0	35.0	27.0	18.0
Dividend yield (%)	2.4%	4.0%	5.4%	4.1%	2.8%

BALANCE SHEET

Balance Sheet (RM'm)	2020	2021	2022F	2023F	2024F
Total non-current assets	5995.3	6253.8	6413.2	6588.6	6742.5
Total current assets	2445.5	2510.1	2541.4	2411.5	2174.2
Total assets	8440.8	8764.0	8954.7	9000.0	8916.7
Non-current liabilities	2669.3	2625.2	2418.2	2253.2	2067.3
Current liabilities	733.8	843.1	1007.8	989.4	947.7
Total Equity	5037.7	5295.7	5528.7	5757.4	5901.7
Total Equity & liabilities	8440.8	8764.0	8954.7	9000.0	8916.7

CASH FLOW

Cash Flow (RM'm)	2020	2021	2022F	2023F	2024F
Cash flow from operating activities CFO	449.9	951.2	728.2	755.4	626.1
Cash flow from investing activities (CFI)	-245.0	208.5	-400.0	-425.0	-412.5
Cash flow from financing activities (CFF)	-218.0	-474.3	-521.0	-407.2	-347.4
Net change in cash & cash equivalent	943.6	1630.3	1437.5	1360.7	1226.9

Source: MIDF Research

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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 *rise* 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 *fall* 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