Genting Plantations Berhad

(2291 | GENP MK) Plantation | Plantation

***Maintain* BUY**

Earnings tracking stronger ASP of CPO & PK

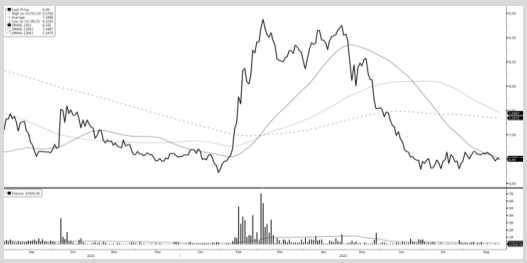
***Unchanged* Target Price: RM8.00**

KEY INVESTMENT HIGHLIGHTS

- **1HFY22 earnings above expectation**
- **Higher sales tracking stronger ASP of CPO & PK realized**
- **Earnings FY22 forecast upgraded**
- **Maintain BUY with unchanged TP of RM8.00**

RETURN STATISTICS	
Price @ 24th Aug 2022 (RM)	6.49
Expected share price return (%)	+23.27
Expected dividend yield (%)	+5.40
Expected total return (%)	+28.67

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.8	-1.1
3 months	0.6	-17.4
12 months	-9.3	-4.2

KEY STATISTICS	
FBM KLCI	1,467.26
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	897.20
Estimated free float (%)	19.21
Market Capitalisation (RM'm)	5,822.82
52-wk price range (RM)	RM6.25 - RM9.47
Beta vs FBM KLCI (x)	0.93
Monthly velocity (%)	1.44
Monthly volatility (%)	34.30
3-mth average daily volume (m)	0.22
3-mth average daily value (RM'm)	1.49
Top Shareholders (%)	
Genting Bhd	54.44
EPF	12.50
KWAP	7.47

Above expectation. GenP's 1HFY22 normalized earnings surged by +87%yoy to RM353.6m with higher PBT achieved of RM515.7m. This was primarily fueled by the stronger palm product prices realized despite having a low FFB production and sales volume of refined products. Improvement in earnings was also driven by lower net opex ratio following GenP effective cost management during the quarter which saw EBITDA margin rose 11ppt-yoy. The net earnings came in above our expectations making up 62% of full-year estimate however within consensus estimates at 54%.

FFB production. On year-to-date basis, FFB production declined by -4%yoy to 930,000/mt impacted by mixed weather pattern in Northern and Southern Peninsular, wet weather conditions in Sabah as well as continued high rainfall in Central Kalimantan. This has resulted disruption in harvesting activities and FFB & CPO evacuation process.

Plantation & Downstream segment. The 2QFY22 plantation profit continue increased by +48%yoy to RM369.0m backed by higher ASP of CPO RM4,907/mt (+51%yoy) and PK RM3,484/mt (+46%yoy) realized. Meanwhile its downstream manufacturing segment profit jumped +100%yoy higher to RM23.6m as management limiting it sales to contract with higher margin contracts only.

Earnings forecast. We maintain our forward year earnings while tweaking our FY22 bottom-line higher to RM612.3m, as we revisit our total production, assumptions on margins, blended cost to be more reflective of forward anticipations.

Dividend. A first interim DPS of 15sen was declared, implying 2.3% dividend yield.

Maintain BUY. We are maintaining our **BUY** call with **TP** of **RM8.00** by pegging its FY23 EPS of 52.7sen to PER of 15x.

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	**2,498.2**	**3,130.2**	**3,559.6**	**3,171.8**	**2,744.1**
EBITDA	425.0	942.6	965.0	742.1	525.7
EBIT	191.3	687.3	724.4	492.5	267.1
PBT	323.2	670.4	864.3	624.1	390.6
PATANCI	254.4	508.7	612.3	473.0	305.3
Normalised PATANCI	**266.4**	**461.8**	**612.3**	**473.0**	**305.3**
Normalised EPS (sen)	29.7	51.5	68.3	52.7	34.0
Normalised EPS Growth (%)	87.9	73.4	32.6	-22.8	-35.5
PER (x)	21.9	12.6	9.5	12.3	19.1
Dividend Per Share (sen)	15.5	26.0	35.0	27.0	18.0
Dividend yield (%)	2.4	4.0	5.4	4.2	2.8

GENTING PLANTATIONS BERHAD: 2QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	2Q21	1Q22	2Q22	% QoQ	% YoY	2HFY22	2HFY21	% YoY
Revenue	**790.1**	**530.4**	**1,045.8**	**97.2**	**32.4**	**1,576.2**	**1,326.7**	**18.8**
EBITDA	267.7	261.0	418.4	60.3	56.3	679.4	430.2	57.9
EBIT	206.1	191.4	348.7	82.2	69.2	540.1	307.5	75.7
PBT	169.9	181.6	334.1	84.0	96.6	515.7	256.9	>100
PATANCI	104.6	116.6	223.4	91.6	>100	340.1	168.4	>100
Normalised PATANCI	**121.5**	**121.4**	**232.2**	**91.3**	**91.1**	**353.6**	**188.7**	**87.4**
Normalised EPS (sen)	13.5	13.5	25.9	91.3	91.1	39.4	21.0	87.4
				+/- ppts				
EBITDA margin (%)	33.9	49.2	40.0	-9.2	6.1	43.1	32.4	10.7
EBIT margin (%)	26.1	36.1	33.3	-2.7	7.3	34.3	23.2	11.1
Normalised PATAMI margin (%)	15.4	22.9	22.2	-0.7	6.8	22.4	14.2	8.2
Effective tax rate (%)	28.7	27.6	26.9	-0.7	-1.8	27.1	28.4	-1.3

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 *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