Sime Darby Plantation Berhad

(5285 | SDPL MK) Plantation | Plantation

Maintain BUY

Positive momentum continues

***Unchanged* Target Price: RM6.30**

KEY INVESTMENT HIGHLIGHTS

- **2QFY22 earnings came in within expectation**
- **Upstream segment was dragged by low FFB production**
- **Downstream segment remains supporting pillar**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged TP of RM6.30**

Sales higher. SDPL's 2QFY22 normalised PATANCI came in higher on year-on-year to RM889.0m as sales increased by +26.7%yoy to RM5.06b on account of higher ASP realized from CPO and PK at RM4,465/mt (+44%yoy) and RM4,105/mt (+40%yoy). The results came in within our/consensus expectations accounting for 53% and 49% of respective full year forecasts.

Upstream. Its recurring PBIT for upstream segment was lower -22% to RM618m on the back of decline in FFB production (-15%yoy) aided by lower CPO OER of 21.26% (-0.4%yoy). The lower FFB was due to harvester shortage and dragged by unfavourable weather conditions. Nonetheless, we anticipate the FFB production as well as OER to recover ahead for Malaysia segment given the positive development on foreign labour intake which started in early August.

Downstream. In contrast, the downstream segment recorded better 2QFY22 PBIT amounted to RM243m, an increase of +66%yoy. This was driven by higher margins generated by the Asia Pacific bulk operations which benefited from RSPO premiums on CPKO sales. Following on that, the company was able to mitigate lower sales volumes in all territories.

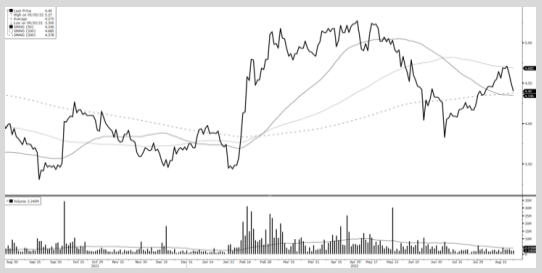
Earnings forecast. We maintain our earnings estimates for FY22/FY23 given the results came in within our expectation at 53% of full year estimate.

Dividend. A first interim DPS of 10sen was declared, implying 2.3% dividend yield.

Recommendation. We maintain our **BUY** call with TP of **RM6.30** based on unchanged 23x PER pegged on FY23F EPS of 27.5sen. We remain optimistic on SDPL outlook due to 1) FFB yield/mature of 18.5/ha ranked among the top tiers, 2) oil yield just slightly below 4.0/ha, still impressive given their large planted area, and 3) well-integrated PO producer which involved in upstream & downstream business.

RETURN STATISTICS	
Price @ 23rd Aug 2022 (RM)	4.39
Expected share price return (%)	6.18
Expected dividend yield (%)	4.62
Expected total return (%)	48.14

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	5.0	3.8
3 months	1.6	-8.8
12 months	5.8	10.8

KEY STATISTICS	
FBM KLCI	1,482.57
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	6,915.71
Estimated free float (%)	23.30
Market Capitalisation (RM'm)	30,429.14
52-wk price range (RM)	RM3.44 - RM5.46
Beta vs FBM KLCI (x)	1.47
Monthly velocity (%)	0.00
Monthly volatility (%)	31.27
3-mth average daily volume (m)	4.16
3-mth average daily value (RM'm)	18.95
Top Shareholders (%)	
ASNB	53.35
EPF Board	13.51
KWAP	6.61

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	13,081.0	18,695.5	20,754.8	18,591.6	15,751.3
EBIT	2,086.0	3,641.7	4,358.5	3,904.2	3,307.8
PBT	1,755.0	3,602.7	3,943.4	3,582.7	2,992.7
PATANCI	1,111.0	2,257.0	2,781.0	1,890.0	1,519.4
Normalised PATANCI	1,022.0	2,209.0	2,781.0	1,890.0	1,519.4
Normalised EPS (sen)	14.8	32.1	40.4	27.5	22.1
Normalised EPS Growth (%)	>100	>100	25.9	-32.0	-19.6
PER (x)	29.6	13.7	10.9	16.0	0.0
Dividend Per Share (sen)	11.6	20.3	25.0	20.3	15.1
Dividend yield (%)	2.6	4.6	5.7	4.6	3.4

Source: Company, MIDFR

SIME DARBY PLANTATION BHD: 2QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	2Q21	1Q22	2Q22	% QoQ	% YoY	2HFY22	2HFY21	% YoY
Revenue	**4,411.0**	**4,381.0**	**5,587.0**	**27.5**	**26.7**	**9,968.0**	**8,084.0**	**42.9**
EBITDA	1,268.0	1,360.0	1,448.0	6.5	14.2	1,448.0	2,374.0	-39.0
EBIT	932.0	1,029.0	1,109.0	7.8	19.0	1,109.0	1,719.0	-35.5
PBT	890.0	1,043.0	1,121.0	7.5	26.0	2,164.0	1,666.0	29.9
PATANCI	617.0	718.0	812.0	13.1	31.6	1,530.0	1179.0	29.8
Normalised PATANCI	**564.0**	**583.0**	**889.0**	**52.5**	**57.6**	**1,465.0**	**1183.0**	**23.8**
Normalised EPS (sen)	8.2	8.5	12.9	51.8	56.9	15.8	6.0	>100
				+/- ppts				+/- ppts
EBITDA margin (%)	28.7	31.0	25.9	-2.8	-2.8	14.5	29.4	-14.8
EBIT margin (%)	21.1	23.5	19.8	-3.6	-1.3	11.1	21.3	-10.1
Normalised PATAMI margin (%)	12.8	13.3	15.9	2.6	3.1	14.7	14.6	0.1
Effective tax rate (%)	24.4	25.2	23.1	-2.1	-1.3	24.1	22.9	1.2

Source: Company, MIDF

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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