Sime Darby Plantation Berhad

(5285 | SDPL MK) Plantation | Plantation

Maintain BUY

Outlook remain steadfast

***Revised* Target Price: RM5.50**

(Previously RM6.30)

KEY INVESTMENT HIGHLIGHTS

- **3QFY22 earnings came in within expectation**
- **Upstream segment was dragged by low FFB production**
- **Downstream segment remains supporting pillar**
- **Earnings forecast tweaked**
- **Maintain BUY with revised TP of RM5.50**

Mixed performance. SDPL posted a lower core profit of RM513.0m (-42.3%qoq, -19.8%yoy) on mixed of bag performance coming from PBIT upstream and downstream segment. In contrast, sales expanded by +6.5%yoy to RM5.39b thanks to the better contribution from downstream(>100%yoy) as well higher CPO ASP realized of RM4,277/mt (+13%yoy). Overall, the results came in within our and consensus expectations' accounting for 72% and 74% of respective full year forecasts.

Upstream. Its recurring PBIT for upstream segment was lower -73% to RM249m on the back of declined in PK ASP realized of RM1,940/Mt (-15%), FFB production (-8%yoy) and narrower CPO OER of 20.88% (-0.7%yoy). The lower FFB was due to harvester shortage compounded 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.

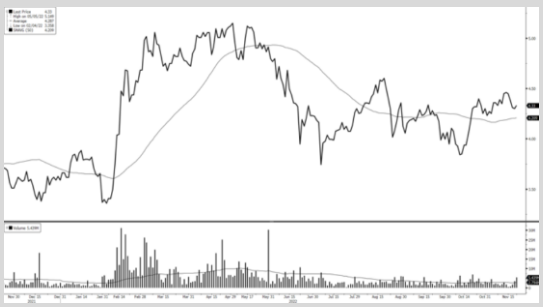
Downstream. In contrast, the downstream segment recorded better 3QFY22 PBIT amounted to RM337m, an increase of >100%yoy. This was driven by higher margins generated by the Asia Pacific bulk operations which benefited from RSPO premiums on CPKO sales. Following on that, the company was able to mitigate lower sales volumes in all territories.

Earnings forecast. In consideration of to-date avg CPO price of RM5,269/t and current volatility of CPO prices, we slash our earnings estimates by -10%/-9% for FY22/FY23 based on new avg CPO price RM5,000/RM3,500, lowered assumption in productions and margin.

Recommendation. We maintain our **BUY** call with new TP of **RM5.50** based on 22x PER pegged on FY23F EPS of 25 sen. We remain bullish on SDPL outlook due to 1) FFB yield/mature of 18.5/ha, which ranks among the top tiers, 2) fairly prime of palm trees age profile of 12.2 years, still impressive given their large planted area, and 3) well-integrated operation, where the manufacturing segment, which accounts for roughly 28% of group profit, will assist withstand and decline in average selling price for CPO – thus, lowering the volatility of earnings.

RETURN STATISTICS	
Price @ 22nd Nov 2022 (RM)	4.33
Expected share price return (%)	26.9
Expected dividend yield (%)	3.4
Expected total return (%)	30.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.0	-1.7
3 months	5.9	1.2
12 months	11.3	17.6

KEY STATISTICS	
FBM KLCI	1,441.29
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	6915.71
Estimated free float (%)	23.20
Market Capitalisation (RM'm)	29,945.04
52-wk price range (RM)	RM3.46 - RM5.46
Beta vs FBM KLCI (x)	1.50
Monthly velocity (%)	-
Monthly volatility (%)	30.63
3-mth average daily volume (m)	2.78
3-mth average daily value (RM'm)	11.89
Top Shareholders (%)	
ASNB	53.35
EPF Board	13.59
KWAP	6.63

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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**	**20,754.80**	**15,284.1**	**14,116.3**
EBIT	2,086.0	3,641.7	4358.5	3209.7	2964.4
PBT	1,755.0	3,602.7	3,943.4	2,945.3	2,682.1
PATANCI	1,111.0	2,257.0	2,493.4	1,727.4	1,519.4
Normalised PATANCI	**1,022.0**	**2,209.0**	**2,493.4**	**1,727.4**	**1,519.4**
Normalised EPS (sen)	14.8	31.9	36.1	25.0	22.0
Normalised EPS Growth (%)	>100	>100	12.9	-30.7	-12.0
PER (x)	29.3	13.6	12.0	17.3	19.7
Dividend Per Share (sen)	11.6	20.3	23.0	15.0	13.0
Dividend yield (%)	2.7	4.7	5.3	3.5	3.0

Source: Company, MIDFR

SIME DARBY PLANTATION BHD: 3QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	3Q21	2Q22	3Q22	% QoQ	% YoY	9MFY22	9MFY21	% YoY
Revenue	**5,061.0**	**5,587.0**	**5,392.0**	**-3.5**	**6.5**	**15,360.0**	**13,145.0**	**42.9**
EBITDA	1,226.0	1,448.0	963.0	-33.5	-21.5	3,771.0	3,554.0	6.1
EBIT	895.0	1,109.0	618.0	-44.3	-30.9	2,756.0	2,568.0	7.3
PBT	878.0	1,121.0	585.0	-47.8	-33.4	2,749.0	2,544.0	8.1
PATANCI	610.0	812.0	396.0	-51.2	-35.1	1,961.0	1,789.0	9.6
Normalized PATANCI	**640.0**	**889.0**	**513.0**	**-42.3**	**-19.8**	**2,013.0**	**1,687.0**	**19.3**
Normalized EPS (sen)	9.3	12.9	7.4	-42.3	-19.8	29.1	24.5	18.8
				+/- ppts				+/- ppts
EBITDA margin (%)	24.2	25.9	17.9	-6.4	-6.4	24.6	27.0	-2.5
EBIT margin (%)	17.7	19.8	11.5	-8.4	-6.2	17.9	19.5	-1.6
Normalised PATAMI margin (%)	12.6	15.9	9.5	-6.4	-3.1	13.1	12.8	0.3
Effective tax rate (%)	23.7	23.1	26.3	3.2	2.6	24.6	23.2	1.4

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