Corporate Update | Wednesday, 09 November 2022

SIME Darby Plantation Berhad

(5285 | SDPL MK) Main | Plantation

***Maintain* BUY**

New refinery for downstream arm

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

KEY INVESTMENT HIGHLIGHTS

- **Sime Plant announced plans to build a new specialty oils and fats refinery in Sumatera through its downstream division, Sime Darby Oils (SDO)**
- **This investment is intended to add value to Sime Plant's long-term plan and provide synergistic earnings growth for its upstream business**
- **Maintain our FY22-FY23 earnings forecast**
- **Maintain BUY call with TP of RM6.30**

Expanding downstream coffers. Sime Plant announced plans to build a new specialty oils and fats refinery in Sumatera through its downstream division, Sime Darby Oils (SDO). A new refinery with a built-up area of 16 acres and a location in the Sei Mangkei Special Economic Zone in North Sumatera's Simalungun region was given approximately US$150m or RM711.18m in funding. The anticipated start-up date for the refinery is 2024.

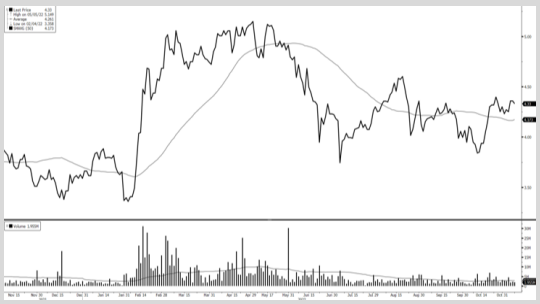
The fourth downstream asset. To recap, SDO has long invested in the Indonesian market because the country is home to almost 34%, or 256,169 acres, of its landbank. To-date the company downstream assets comprises 1 refinery in Pulau Laut, 2 kernel Crushing units in Rantau, South Kalimantan and Pemantang, Central Kalimantan. Being the first refinery and fourth asset in Sumatera region, it would be equipped with cutting-edge technologies with a focus on specialty oils and fats for the export market. The management projects that more than 450,000 Mt of palm lauric-based goods can be produced annually.

Our thoughts. Operationally, Sime Plant's Indonesia FFB production (which accounts for about 29% of the total group FFB) has been productive over the past two years, and we anticipate this expansion in downstream segment to cater higher production coming from immature and young mature cultivation of 32,610 ha (17%) and 55,629 ha (29%) 191,825 ha in upcoming 3-4years. This investment is intended to add value to Sime Plant's long-term plan and provide synergistic earnings growth for its upstream business. As to-date, downstream profit contribution is around 17% to the total group and has improved +48%yoy. It is still preliminary stage to assess the contribution hence, we make no changes to our earnings forecast for now.

Maintain BUY. We continue like Sime Plant. founded on its integrated operation, where the manufacturing segment, which accounts for roughly 17% of group profit, will assist withstand and decline in average selling price for CPO – hence, lowering the volatility of earnings. We are maintaining our **BUY** call with **TP of RM6.30** by pegging its FY23 EPS of 27.5sen to PER of 23x nearly mean of its 2-year historical average.

RETURN STATISTICS	
Price @ 8th November 2022 (RM)	4.33
Expected share price return (%)	45.5
Expected dividend yield (%)	4.7
Expected total return (%)	**+50.2**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	7.2	4.5
3 months	5.9	0.8
12 months	6.7	13.6

KEY STATISTICS	
FBM KLCI	1,441.35
Syariah compliant	Yes
Issue shares (m)	6915.71
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Estimated free float (%)	22.23
Market Capitalisation (RM'm)	29,945.04
52-wk price range	RM3.46 - RM5.46
Beta vs FBM KLCI (x)	1.50
Monthly volatility (%)	30.63
3-mth average daily volume (m)	2.86
3-mth average daily value (RM'm)	12.36
Top Shareholders (%)	
ASNB	53.35
EPF Board	13.51
KWAP	6.61

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INCOME STATEMENT

Financial year ending 31st June (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
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
Normalized PATANCI	**1,022.0**	**2,209.0**	**2,781.0**	**1,890.0**	**1,519.4**
Normalized EPS (sen)	14.8	32.1	40.4	27.5	22.1
Normalized EPS Growth (%)	324.1	116.1	25.9	-32.0	-19.6
PER (x)	29.2	13.5	10.7	15.8	19.6
DPS (sen)	11.6	20.3	25.0	20.3	15.1
Dividend yield (%)	2.7	4.7	5.8	4.7	3.5

Source: MIDFR, Company

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(Bank Pelaburan)

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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