3QFY22 Results Review (Within)| Wednesday, 30 November 2022

Sarawak Plantation Berhad

(5135 | SPLB MK) Plantation | Plantation

***Maintain* BUY**

Still on the sunny side

***Revised* Target Price: RM2.60**
(Previously RM2.70)

KEY INVESTMENT HIGHLIGHTS

- **Estate and mill profitability increased +27.0% and +11% respectively**
- **3QFY22 earnings came in within expectation**
- **FY22/FY23/24's earnings estimates were tweak lower in consideration of new lower average CPO target price**
- **Maintain BUY with revised TP of RM2.60**

Within expectation. SPLB 3QFY22 EBITDA margins were squeezed by -8.1 ppts to 21.6% from 29.7% in 3QFY21 following lower operating profit recorded at RM34.9m (-34.9%qoq, -32.7%yoy). This was primarily attributable to 1) smaller sales volume of CPO & PK 2) lower selling prices of CPO & PK, and 3) high cost of production. Nevertheless, core earnings, which comprised 76% of our full-year prediction, were in line with our estimates at RM92.0m (-3.6%yoy) after accounting for the loss on fair value adjustments of biological assets.

Oil palm profitability. Segment profit comprise estate and mill operations for the quarter increased to RM121.4m (+27.0%) and RM9.0m (+11%) respectively. However, gross profit margins were hit by increased in COGS amounted RM578.0 (+5.0%Ytd) owing to the lower FFB processed and reduced external FFB purchased.

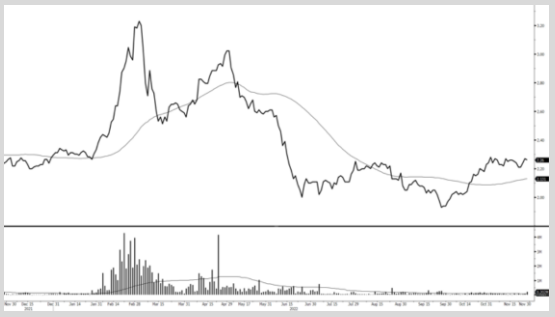
Oil palm operations. Operational wise, SPB reported FFB and CPO production of 239,699Mt (+2.0%Ytd) and 81,002Mt (-23.0%Ytd) respectively in 9MY22 dragged by wet weather impacts coupled with labor shortage. Nonetheless, ASP CPO and PK realized during the period significantly higher to RM5,445/Mt (+31.0%) and RM3,239/Mt (+34.0%) based on monthly CPO prices local delivery.

Earnings forecast. We slash our earnings estimates by -5%/-22%/-41% for FY22/FY23/FY24 based on new average CPO price RM5,000/RM3,500/RM3,000, as we lowered our assumptions on productions and NP margin (14-15%).

Recommendation. We understand most of the planters operates in higher production cost environments, but SPLB's EBITDA margin to remain stable at 19-20% in FY22-24 backed by 1) centralized mills which helps shorter FFB logistical delivery 2) lower seedling cost since SPB owns seedling innovation hub and 3) prudent fertilizer application based on the availability of window to apply 4) cost rationalization by the new management. All factors considered, we are maintaining our **BUY** recommendation. Our revised TP of **RM2.60** based on PER of 9x nearly its mean of 2-year historical avg pegged on FY23F EPS of 28.8sen, implies expected total return of +21.7%.

RETURN STATISTICS	
Price @ 29th Nov 2022 (RM)	2.26
Expected share price return (%)	+15.04
Expected dividend yield (%)	+6.64
Expected total return (%)	+21.68

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-0.7	2.7
3 months	6.8	2.4
12 months	7.3	8.2

KEY STATISTICS	
FBM KLCI	1,476.96
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	340.97
Estimated free float (%)	19.02
Market Capitalisation (RM'm)	630.61
52-wk price range (RM)	RM1.91 - RM3.38
Beta vs FBM KLCI (x)	1.05
Monthly velocity (%)	28.75
Monthly volatility (%)	38.51
3-mth average daily volume (m)	0.09
3-mth average daily value (RM'm)	0.19
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.41
STATE FINANCIAL SECRETARY	25.52
Urusharta Jamaah Sdn Bhd	5.06

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**465.7**	**790.5**	**803.1**	**560.6**	**482.0**
EBITDA	98.5	188.9	159.7	114.2	98.1
EBIT	67.2	147.7	145.6	100.4	84.7
PBT	83.1	168.4	151.1	107.0	92.0
PATANCI	61.4	127.8	115.1	80.3	70.9
Normalised PATANCI	**61.4**	**127.8**	**115.1**	**80.3**	**70.9**
Normalised EPS (sen)	22.0	45.8	41.3	28.8	25.4
Normalised EPS Growth (%)	193.6	108.1	-9.9	-30.3	-11.7
PER (x)	9.3	5.0	5.5	7.9	8.9
Dividend Per Share (sen)	10.0	20.0	20.0	15.0	12.0
Dividend yield (%)	4.4	8.1	9.6	6.6	5.3

Source: Company, MIDFR

SARAWAK PLANTATION BERHAD: 3QFY22 RESULTS SUMMARY

FYE 31st December (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	3Q21	2Q22	3Q22	% QoQ	% YoY	9MFY22	9MFY21	% YoY
Revenue	**208.8**	**207.1**	**161.8**	**-21.9**	**-22.5**	**552.8**	**546.9**	**1.1**
EBITDA	61.9	51.9	34.9	-32.7	-43.6	153.3	175.9	-12.9
EBIT	51.7	41.7	23.8	-42.9	-54.0	121.8	124.1	-1.9
PBT	52.0	42.1	24.5	-41.8	-52.9	123.1	124.6	-1.2
PATANCI	42.3	30.3	18.2	-39.9	-57.0	92.1	95.6	-3.7
Normalized PATANCI	**42.2**	**30.1**	**18.2**	**-39.6**	**-56.9**	**92.0**	**95.4**	**-3.6**
Normalised EPS (sen)	15.1	10.8	6.5	-39.6	-56.9	33.0	34.2	-3.5
				+/- ppts				+/- ppts
EBITDA margin (%)	29.7	25.0	21.6	-3.5	-8.1	27.7	32.2	-4.4
EBIT margin (%)	24.8	20.1	14.7	-5.4	-10.1	22.0	22.7	-0.7
Normalised PATAMI margin (%)	20.2	14.5	11.2	-3.3	-9.0	16.6	17.4	-0.8
Effective tax rate (%)	18.7	28.0	25.7	-2.4	7.0	25.2	23.3	1.9

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