Genting Plantations Berhad

(2291 | GENP MK) Plantation | Plantation

***Maintain* NEUTRAL**

Cost pressures continued

***Revised* Target Price: RM6.16**

(Previously RM7.00)

KEY INVESTMENT HIGHLIGHTS

- **4QFY22 earnings fell short of expectations**
- **Sales volume was offset by greater average CPO and PK realised**
- **FFB production was muted during the year at 2.0m Mt**
- **Maintain NEUTRAL with revised TP of RM6.16**

Below expectation. GenP's FY22 normalized earnings surged by +6.1%yoy to RM495.2m with higher PBT achieved of RM88.9m. This was primarily fueled by the elevated palm product prices realized despite having a low FFB production and sales volume of refined products. Nevertheless, EBITDA margin compressed by -3.9 ppts to 31.8% following lower net opex recorded during the period circa RM19.7m due to increase in manuring, upkeeping and logistic costs. In conclusion, the net earnings fell short of our and consensus expectations making up 92% and 85% of full year estimates respectively.

FFB production. FFB production was muted during the year at 2.0m Mt owing to the disruption of harvesting and logistic activities due heavy rainfall across Indonesia while Malaysia's on replanting efforts. Contrarily, average selling prices for CPO and PK during CY22 jumped +19%yoy and +7%yoy to RM4,100/Mt and RM2,784 lifted by stronger prices in the first half of 2022.

Plantation & Downstream segment. During the quarter, plantation segment registered higher profit from RM929.6m to RM947.6m (+18%yoy) owing to the remarkable average CPO & PK prices realized. Meanwhile its downstream manufacturing segment profit softened by -8.8%yoy to RM50.9m due lower sales volume of refined products.

Dividend. Special & Final dividend of 15.0 sen & 4.0 sen per ordinary share was declared for FY22. Making the full year FY22 dividend (FY21: 30.0 sen) to 34.0 sen/share (about 62% div. payout).

Earnings forecast. Our FY23 and FY24 earnings forecast lowered to RM425m (-9.0%) and RM306m (-28%yoy) respectively, as we expect weaker performance in subsequent years on account of lower ASP of palm product prices anticipated amidst sticky cost of production (average cost of production for FY22 is around RM2,600/Mt as opposed RM2,200/Mt in subsequent year).

Maintain NEUTRAL call. Maintain **NEUTRAL** call with revised TP of RM6.16 (previously RM7.00) based on PER of 13x (nearly -1SD historical 2-yrs average) and FY23F EPS of 47.4 sen.

RETURN STATISTICS	
Price @ 22nd Feb 2023 (RM)	6.02
Expected share price return (%)	+2.4
Expected dividend yield (%)	+4.5
Expected total return (%)	+6.9

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	1.0	3.5
3 months	-5.9	-8.8
12 months	-25.6	-19.8

KEY STATISTICS	
FBM KLCI	1,464.00
Syariah compliant	Yes
F4BGM Index	897.20
ESG Grading Band (Star rating)	19.11
Issue shares (m)	5,401.13
Estimated free float (%)	RM5.5 - RM9.47
Market Capitalisation (RM'm)	1.16
52-wk price range (RM)	1,464.00
Beta vs FBM KLCI (x)	Yes
3-mth average daily volume (m)	0.23
3-mth average daily value (RM'm)	1.42
Top Shareholders (%)	
Genting Bhd	54.44
EPF	12.61
KWAP	7.47

MIDF RESEARCH
research@midf.com.my

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	**3,130.2**	**3,189.8**	**2,736.9**	**2,524.7**	**2,326.4**
EBITDA	1,118.5	1,014.3	679.2	527.9	530.7
EBIT	863.2	735.7	429.6	269.3	263.8
PBT	670.4	688.9	559.9	390.9	375.5
PATANCI	432.2	471.4	424.8	305.5	293.6
Normalised PATANCI	**466.5**	**471.4**	**424.8**	**305.5**	**293.6**
Normalised EPS (sen)	52.0	55.5	47.4	34.0	32.6
Normalised EPS Growth (%)	75.1	2.1	-21.0	-28.2	-4.1
PER (x)	11.6	11.5	12.7	17.7	18.5
Dividend Per Share (sen)	30.0	34.0	27.0	25.0	21.0
Dividend yield (%)	4.3	5.6	4.5	4.2	3.5

GENTING PLANTATIONS BERHAD: 4QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	**1,070.66**	**822.37**	**791.19**	**-3.79**	**-26.10**	**3,189.8**	**3,130.2**	**1.9**
EBITDA	387.5	200.1	134.8	-32.6	-65.2	1014.3	1118.5	-9.3
EBIT	319.4	129.4	66.1	-48.9	-79.3	735.7	863.2	-14.8
PBT	**247.2**	**106.1**	**67.0**	**-36.8**	**-72.9**	**688.9**	**670.4**	**2.8**
PATANCI	**161.6**	**75.5**	**55.9**	**-26.0**	**-65.4**	**471.4**	**432.2**	**9.1**
Normalised PATANCI	**161.3**	**89.4**	**52.2**	**-41.7**	**-67.7**	**495.2**	**466.5**	**6.1**
Normalised EPS (sen)	18.0	10.0	5.8	-41.7	-67.7	55.2	52.0	6.1
				+/- ppts				
EBITDA margin (%)	36.2	24.3	17.0	-7.3	-19.2	31.8	35.7	-3.9
EBIT margin (%)	29.8	15.7	8.4	-7.4	-21.5	23.1	27.6	-4.5
Normalised PATAMI margin (%)	15.1	10.9	6.6	-4.3	-8.5	15.5	14.9	0.6
Effective tax rate (%)	31.5	29.9	50.6	20.7	19.1	29.8	29.8	0.0

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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