Sime Darby Plantation Berhad

(5285 | SDPL MK) Plantation | Plantation

Maintain BUY

Ended the year with a bang

***Unchanged* Target Price: RM5.50**

KEY INVESTMENT HIGHLIGHTS

- **FY22 normalised earnings came in within expectation at RM2,418.0m lifted by higher realised CPO price**
- **FFB production slightly fell by -10%yoy to 8.2m Mt**
- **Downstream segment booked higher earnings, remains supporting pillar**
- **Maintain BUY with TP of RM5.50**

Mixed performance. SDPL ended the year with stronger core profit of RM2.4b (+12.2%yoy) bolstered by higher realised CPO & PK prices and robust performance from downstream segment. Nevertheless, Sales volume tapered off due weak performance off Malaysia's FFB production as well reduced OER. Overall, the results were mixed bag, as its within our expectations but below consensus accounting for 96% and 90% of respective full year forecasts.

Upstream. The upstream segment reported FY22 PBIT of RM2.4b (-25%yoy) from RM3.2b in FY21. The drawdown seen was mainly due lower FFB output recorded at 8.2m Mt (-10%yoy) which led fell in OER of 19.99% from 20.96%. This was because there were still 2,468 harvesters needed in Malaysia's production in December. Nonetheless, year-on-year average CPO and PK realised prices continued to be high at RM4,472/Mt (+28%yoy) following a large price fluctuation in 1HCY22 with average CPO surged RM6,301.5/Mt (+56%Ytd) on Russia-Ukraine disputed paired with Indonesia export limitations.

Downstream. The downstream segment registered higher FY22 PBIT of RM861.0m, an increase of +50.5%yoy. This was mainly driven by improved results of the Asia Pacific region, where it was able to partially cushion the adverse impact on Europe and Africa regions (refineries were impacted by higher feedstock costs and utility prices).

Dividend. Final interim dividend of 6.04 sen per ordinary share (4Q21: 12.38 sen) was declared for FY22. Making the group FY22 dividend only 16.04sen/share (about 50% div. payout).

Earnings forecast. Maintain.

Recommendation. We maintain our **BUY** call with 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 26% of group profit, will assist withstand and decline in average selling price for CPO – thus, lowering the volatility of earnings.

RETURN STATISTICS	
Price @ 17th Feb 2023 (RM)	4.35
Expected share price return (%)	26.33
Expected dividend yield (%)	3.45
Expected total return (%)	29.77

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.2	-0.7
3 months	-6.5	-1.0
12 months	-11.2	-3.6

KEY STATISTICS	
FBM KLCI	1,476.90
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	6915.72
Estimated free float (%)	23.64
Market Capitalisation (RM'm)	30,083.36
52-wk price range (RM)	RM3.82 - RM5.46
Beta vs FBM KLCI (x)	1.59
Monthly velocity (%)	-
Monthly volatility (%)	30.63
3-mth average daily volume (m)	3.14
3-mth average daily value (RM'm)	13.76
Top Shareholders (%)	
ASNB	53.73
EPF Board	12.71
KWAP	6.69

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INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	FY21	FY22	FY23F	FY24F	FY25F
Revenue	**18,695.5**	**21,030.0**	**15,284.1**	**14,116.3**	**13,352.0**
EBIT	3,641.7	3,563.0	3209.7	2964.4	2803.9
PBT	3,639.1	3,492.0	2,945.3	2,682.1	2,536.8
PATANCI	2,254.6	2,542.0	1,727.4	1,519.4	1,352.6
Normalised PATANCI	**2,156.0**	**2,418.0**	**1,727.4**	**1,519.4**	**1,352.6**
Normalised EPS (sen)	31.2	35.0	25.0	22.0	19.6
Normalised EPS Growth (%)	>100	12.2	-28.6	-12.0	-11.0
PER (x)	14.0	12.4	17.4	19.8	22.2
Dividend Per Share (sen)	20.3	16.0	15.0	13.0	12.0
Dividend yield (%)	4.7	3.7	3.4	3.0	2.8

Source: Company, MIDFR

SIME DARBY PLANTATION BHD: 4QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% Ytd
Revenue	**5,550.0**	**5,392.0**	**5,670.0**	**5.2**	**2.2**	**21,030.0**	**18,695.0**	**12.5**
EBITDA	1,401.0	963.0	1,165.0	21.0	-16.8	4,936.0	4,970.1	-0.7
EBIT	1,056.0	618.0	807.0	30.6	-23.6	3,563.0	3,639.1	-2.1
PBT	1,056.0	585.0	743.0	27.0	-29.6	3,492.0	3,600.0	-3.0
PATANCI	468.0	396.0	562.0	41.9	20.1	2,542.0	2,254.6	12.7
Normalized PATANCI	**388.0**	**513.0**	**566.0**	**10.3**	**45.9**	**2,418.0**	**2,156.0**	**12.2**
Normalized EPS (sen)	5.6	7.4	8.2	10.3	45.9	35.0	31.2	12.2
				+/- ppts				+/- ppts
EBITDA margin (%)	25.2	17.9	20.5	-4.7	-4.7	23.5	26.6	-3.1
EBIT margin (%)	19.0	11.5	14.2	2.8	-4.8	16.9	19.5	-2.5
Normalized PATAMI margin (%)	7.0	9.5	10.0	0.5	3.0	11.5	11.5	0.0
Effective tax rate (%)	49.1	26.3	17.9	-8.4	-31.2	23.2	30.8	-7.6

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