4QFY22 Results Review (Below)| Wednesday, 22 February 2023

SARAWAK PLANTATION BERHAD

(5135 | SPLB MK) Plantation | Plantation

***Maintain* BUY**

***Unchanged* Target Price: RM2.60**

Production underperformed

KEY INVESTMENT HIGHLIGHTS

- **Estate and mill profitability eased -5.4% and -8.4% respectively**
- **4QFY23 earnings came in below expectation**
- **We maintain our forecast at this juncture pending management guidance**
- **Maintain BUY with unchanged TP of RM2.60**

Below expectation. Sarawak Plantation FY22 normalised earnings margin contracted by -2.5 ppts to 13.7% from 16.2% following lower operating profit recorded at RM141.4m (-5.1%yoy). This was primarily attributable to 1) smaller sales volume of CPO & PK 2) lower FFB processed CPO production, and 3) higher cost of production. As a result, core earnings came in below our and consensus expectations accounted for about 88% and 84% of full year FY22.

Oil palm profitability. Segment profit comprise estate and mill operations for the quarter decreased to RM142.9m (-5.4%) and RM15.2m (-8.4%) respectively. In addition, estate profit margins were hit by -10 ppt to +46% owing to the lower FFB processed and reduced external FFB purchased. Aside note, external FFB purchased making up significant contribution to the total FFB processed c. +50%.

Oil palm operations. Operational front, SPB reported FFB and CPO production mixed performance of 328,450Mt (+2.6%Ytd) and 114,734Mt (-19.6%Ytd) respectively in FY22 dragged by low cycle impacts combined with labor shortage. Nonetheless, ASP for CPO and PK realized during the period slightly higher to RM4,981/Mt (+13.5%) and RM2,846/Mt (+4.3%) based on monthly CPO prices local delivery.

Earnings forecast. We maintain our forecast at this juncture pending management guidance.

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 FY23-24 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 maintain 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 +21.6%.

RETURN STATISTICS	
Price @ 21st February 2023 (RM)	2.22
Expected share price return (%)	+17.12
Expected dividend yield (%)	+4.50
Expected total return (%)	**+21.62**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.7	5.6
3 months	5.2	-1.8
12 months	-27.5	-22.4

KEY STATISTICS	
FBM KLCI	1,474.01
Syariah compliant	Yes
Issue shares (m)	Yes
F4BGM Index	☆
ESG Grading Band (Star rating)	279.03
Estimated free float (%)	18.92
Market Capitalisation (RM'm)	619.45
52-wk price range	RM1.91 - RM3.38
Beta vs FBM KLCI (x)	1.11
3-mth average daily volume (m)	0.08
3-mth average daily value (RM'm)	0.17
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.41
STATE FINANCIAL SECRETARY	25.52
Urusharta Jamaah Sdn Bhd	5.06

MIDF RESEARCH
research@midf.com.my

INVESTMENT STATISTICS

Financial year ending 31st December (in RM'm, unless otherwise stated)	2021	2022	2023F	2024F	2025F
Revenue	**790.5**	**710.9**	**560.6**	**482.0**	**382.7**
EBITDA	188.9	173.8	114.2	98.1	71.4
EBIT	147.7	131.9	100.4	84.7	57.7
PBT	168.4	**134.2**	107.0	92.0	62.3
PATANCI	127.8	97.3	80.3	70.9	48.0
Normalised PATANCI	**127.8**	**97.2**	**80.3**	**70.9**	**48.0**
Normalised EPS (sen)	45.8	34.8	28.8	25.4	17.2
Normalised EPS Growth (%)	108.1	-24.0	-17.2	-11.8	-32.3
PER (x)	5.0	5.5	7.7	8.7	12.9
Dividend Per Share (sen)	20.0	15.0	10.0	10.0	10.0
Dividend yield (%)	8.1	6.8	4.5	4.5	4.5

Source: Company, MIDFR

SARAWAK PLANTATION BERHAD: 4QFY22 RESULTS SUMMARY

FYE 31st December (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	**243.6**	**161.8**	**158.1**	**-2.3**	**-35.1**	**710.9**	**790.5**	**-10.1**
EBITDA	54.7	34.9	20.5	-41.3	-62.5	173.8	230.6	-24.6
EBIT	43.5	23.8	10.1	-57.4	-76.7	131.9	167.5	-21.3
PBT	**43.8**	**24.5**	**11.1**	**-54.6**	**-74.6**	**134.2**	**168.4**	**-20.3**
PATANCI	**32.5**	**18.3**	**5.1**	**-71.9**	**-84.2**	97.3	128.1	**-24.1**
Normalized PATANCI	**32.3**	**18.3**	**5.1**	**-71.9**	**-84.1**	**97.2**	**127.7**	**-23.9**
Normalised EPS (sen)	11.6	6.5	1.8	-71.9	-84.1	34.8	45.8	-23.9
				+/- ppts				+/- ppts
EBITDA margin (%)	22.4	21.6	13.0	-8.6	-9.5	24.4	29.2	-4.7
EBIT margin (%)	17.8	14.7	6.4	-8.3	-11.4	18.6	21.2	-2.6
Normalised PATAMI margin (%)	13.3	11.3	3.2	-8.0	-10.0	13.7	16.2	-2.5
Effective tax rate (%)	25.4	25.7	53.1	27.4	27.7	27.5	23.8	3.7

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