Genting Plantations Berhad

(2291 | GENP MK) Main | Plantation

A Shaky Beginning

Maintain **NEUTRAL**

Unchanged **Target Price: RM6.16**

KEY INVESTMENT HIGHLIGHTS

- **Below Expectation**
- **FFB production slightly increased to 457 Mt (+4.6%yoy)**
- **Downstream segment posted higher topline of RM210.4m (+37.8%yoy)**
- **Earnings maintained given production would catch up in 2H23**
- **Maintain to NEUTRAL with unchanged TP of RM6.16**

Earnings weaken. GenP's 1QFY23 normalized earnings narrowed by +65.5%yoy to RM41.9m inline with lower PBT achieved of RM55.6m. This was due the weaker palm product prices realized despite having a better FFB production and sales volume of refined products. Retreated in earnings was also driven by lower GP margin of 22% following increased in cost of production during the quarter which saw EBITDA margin depressed by 25.4ppt to 23.8%. The net earnings came in below ours and consensus' expectations, making up 9% and 11% of full-year estimates respectively.

Operational performance. During the quarter, FFB production marginally rose to 457 Mt (+4.6%yoy) as a result of improved weather apart from no signs of palm tree stress. FFB Production expected to pick-up and achieve +5% to 9% growth for CY23 as the sector heading towards productive months. Nonetheless, average CPO and PK realised prices remains supported at RM3,585/Mt (-25.3%yoy) and RM1,983/Mt (-51.8%yoy) level respectively, buoyed by lower palm oil production, lower inventory levels in Indonesia and Malaysia.

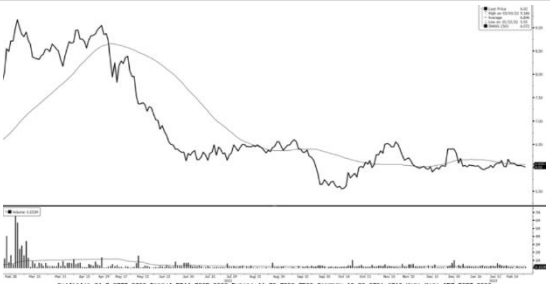
Upstream & Downstream. Tracking weaker ASP CPO realised, the plantation profit has now down to RM53.0m while margins squeezed by to 14.9% (-36.2ppt). Meanwhile, the downstream segment posted higher topline of RM210.4m (+37.8%yoy) attributable to better sales volume.

Earnings estimates. Management reiterates that, production will experience some catch-up later in 2HFY23, coming from Indonesia area as result of no DMO policy extension and favourable weather circumstances. Aside that, Premium Outlet's footfall traffic has nearly returned to pre-pandemic levels, and this segment would aid earnings stability ahead. Hence, we maintaining our forecast at this juncture.

Maintain NEUTRAL. We maintained our **NEUTRAL** call with unchanged TP of **RM6.16** based on PER of 13x which nearly 2y avg -1SD by pegging FY23F EPS of 47.4sen. During the results briefing, management indicates that the shortfall of harvesters remains negligible or below 5% of the total requirement, keeping estate productivity stable.

RETURN STATISTICS	
Price @ 24th May 2023 (RM)	6.06
Expected share price return (%)	+1.68
Expected dividend yield (%)	+4.46
Expected total return (%)	**+6.14**

SHARE PRICE CHART



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

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	2,736.9	2,524.7	2,326.4
EBITDA	679.2	527.9	530.7
Profit Before Tax	560.1	390.5	374.1
Core PATAMI	425.0	305.1	292.5
Core EPS	47.37	34.01	32.60
DPS	27.0	25.0	21.0
Dividend Yield	4.4%	4.1%	3.4%

KEY STATISTICS	
FBM KLCI	1,409.6
Issue shares (m)	897.2
Estimated free float (%)	19.3
Market Capitalisation (RM'm)	5,438.0
52-wk price range	RM6.25-RM9.47
3-mth average daily volume (m)	0.2
3-mth average daily value (RM'm)	1.4
Top Shareholders (%)	
Genting Berhad	54.4
EPF	12.6
KWAP	7.5

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Genting Plantations: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q22**	**4Q22**	**1Q23**	**QoQ**	**YoY**
Revenue	530.4	791.2	584.3	-26.2	10.1
EBITDA	261.0	123.6	138.8	12.3	-46.8
PBT	181.6	67.0	55.6	-17.1	-69.4
Tax expense	-50.1	-33.9	-14.9	-56.2	-70.3
PATAMI	116.6	55.9	38.8	-30.5	-66.7
Core PATAMI	121.4	41.0	41.9	2.4	-65.5
EBITDA margin (%)	49.2	15.6	23.8	8.1	-25.4
PBT margin (%)	34.2	8.5	9.5	1.0	-24.7
Core PATAMI margin (%)	22.9	5.2	7.2	2.0	-15.7
Effective tax rate (%)	27.6	50.6	26.8	-23.8	-0.8

SEGMENTAL BREAKDOWN & AVERAGE PRICE REALISED

FYE Dec (RM'm)	Quarterly				
Revenue	**1Q22**	**4Q22**	**1Q23**	**QoQ**	**YoY**
Plantation	360.5	356.7	356.6	*0.0%*	*-1.1%*
Downstream	152.7	419.5	210.4	*-49.8%*	*37.8%*
Property	16.5	14.7	22.4	*51.6%*	*35.1%*
Agtech	0.6	0.2	0.9	*>100%*	*37.1%*
Segment Profit					
Plantation	184.1	63.6	53.0	*-16.7%*	*-71.2%*
Downstream	0.6	12.6	7.8	*-38.6%*	*>100%*
Property	10.9	18.1	19.5	*7.7%*	*78.7%*
Agtech	(0.5)	(10.7)	(4.9)	*-54.1%*	*>100%*
Segment Margin %					
Plantation	*51.1*	*17.8*	*14.9*	*-3.0*	*-36.2*
Downstream	*0.4*	*3.0*	*3.7*	*0.7*	*3.3*
Property	*66.0*	*122.9*	*87.3*	*-35.6*	*21.3*
Agtech	*NM*	*NM*	*NM*	*NM*	*NM*
Avg Price realised (RM/Mt)					
CPO	4,797	3,620	3,585	*-1.0%*	*-25.3%*
PK	4,114	2,019	1,983	*-1.8%*	*-51.8%*
FFB	437	530	457	*-13.8%*	*4.6%*

Source: Genting Plantations., MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	2024F	2025F
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
PBT	670.4	688.9	559.9	390.9	375.5
PATAMI	432.2	471.4	424.8	305.5	293.6
Core PATAMI	**466.5**	**471.4**	**424.8**	**305.5**	**293.6**
EPS (sen)	52.0	52.5	47.3	34.1	32.7
PER (x)	11.7x	11.5x	12.8x	17.8x	18.5x
DPS (sen)	30.0	34.0	27.0	25.0	21.0
Dividend yield (%)	5.0%	5.6%	4.5%	4.1%	3.5%

Balance Sheet (RM'm)	2021A	2022A	2023E	2024F	2025F
PPE	4,365.3	4,524.7	4,700.0	4,853.9	5,005.8
Land held for property development	365.4	365.4	365.4	365.4	365.4
Investment properties	21.9	21.9	21.9	21.9	21.9
Non-current assets	6,253.8	6,413.2	6,588.6	6,742.5	6,894.4
Property development costs	11.5	11.5	11.5	11.5	11.5
Inventories	180.2	204.4	169.5	164.5	147.9
Trade & other receivables	634.3	677.0	554.6	511.6	471.4
Current assets	2,510.1	2,434.7	2,193.7	1,922.7	1,659.8
Total Assets	**8,764.0**	**8,847.9**	**8,782.2**	**8,665.2**	**8,554.2**
Trade and other payables	431.0	488.9	405.4	393.4	353.8
Amount due to ultimate holding company	2.9	2.9	2.9	2.9	2.9
Current liabilities	843.1	901.0	817.5	805.5	765.9
Borrowings	2,171.9	1,964.9	1,800.0	1,614.1	1,438.6
Lease liabilities	7.8	7.8	7.8	7.8	7.8
Non-current liabilities	2,625.2	2,418.2	2,253.2	2,067.3	1,891.9
Equity	5,295.7	5,528.8	5,711.5	5,792.4	5,896.5
Liabilities & equity	**8,764.0**	**8,847.9**	**8,782.2**	**8,665.2**	**8,554.2**

Cash Flow (RM'm)	2021A	2022A	2023E	2024F	2025F
PBT	670.4	758.5	560.1	390.5	374.1
Cash flow from operations	951.22	769.66	748.50	599.74	576.52
Cash flow from investing	208.49	-400.00	-425.00	-412.50	-418.75
Cash flow from financing	-474.33	-512.03	-407.17	-410.25	-363.85
Net cash flow	685.380	-142.4	-83.7	-223.0	-206.1
Net cash/(debt) b/f	943.6	1,630.3	1,488.0	1,404.3	1,181.3
Net cash/(debt) c/f	1,630.3	1,488	1,404	1,181	975

Profitability Margins	2021A	2022A	2023E	2024F	2025F
EBITDA margin	35.7%	31.8%	24.8%	20.9%	22.8%
PBT margin	13.8%	14.8%	20.5%	15.5%	16.1%
Core PATMI margin	14.9%	14.8%	15.5%	12.1%	12.6%
Effective tax rate	29.8%	29.1%	24.1%	21.8%	21.8%

Source: Bloomberg, 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