



# Genting Plantations Berhad

(2291 | GENP MK) Main | Plantation

**Maintain NEUTRAL**

## Downstream Division to Remain Stable

**Unchanged Target Price: RM6.10**

### KEY INVESTMENT HIGHLIGHTS


- **Lower contribution due to subdued demand**
- **Utilization rates has restored gradually in the past 2-months**
- **No change to our earnings forecast**
- **Maintain NEUTRAL call with an unchanged TP of RM6.10**

**Site Visit to Genting Plantations downstream arm.** We visited Genting Plantation's manufacturing facilities in Sabah recently and reaffirmed our view of the stable prospect for its operation divisions in the near term. Summary of the visit as below:

**Operation.** Notably, GenP has 2 manufacturing arms; a refinery and biodiesel plants, located in Lahad Datu, Sabah. The PO refinery is equipped with an annual capacity of 600,000 Mt and established through a collaboration with Musim Mas Group, where GenP holds a significant 72% shareholding while MusimMas c. 28%. Its primary feedstock is CPO, mainly sourced from its own 6 mills, which in turn, receive their FFB from 14 block estates covering c. 47,554 ha in the Sabah region.

Note that the utilization rate for the refinery in FY23 was less than 30%, which we believe was comparable to its peers. The demand for RBD Palm Olein & Stearin, PFAD were softer due to major importing countries particularly China refiners opting for CPO instead of these PPO products. This shift was primarily attributed to the relatively small spread between the prices of RBDPO and RBDPS against CPO, ranging from USD120-140. As a result, it was not economical for outside refiners to import more PPO; instead, it was more cost-effective to refine it themselves. Broadly, the drop in demand was in line with a weakening trend in the sector's PPO exports, which experienced a 4.0% decline in CY23.

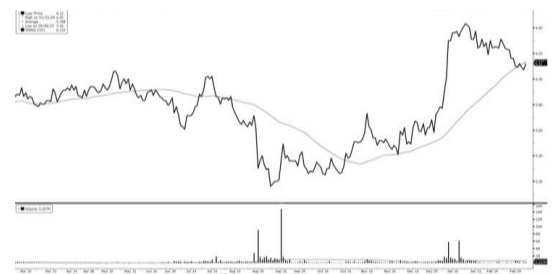
Moving onwards, the utilization rate for this year is anticipated to increase to 35-40%, this is in line with the recovery global economic activity, which has translated in a past 2 months UR. Meanwhile, its Biodiesel demand remain flattish as the Malaysian market embedded B20 blended policy, but most areas in the nation currently still implementing 10% blending rate.

**Recommendation.** We maintain our call and earnings at this juncture, as we deem an improvement in downstream arms will not yet bring noticeable impact to its earnings. We believe GenP's upstream division remains its core strength, and the share price potentially benefited from the CPO upward trajectory in 2QCY24 in light of anticipated Mild El-Nino that could reach RM4,400 level. Maintain **NEUTRAL** call with unchanged **TP of RM6.10** derived from PER of 19.5x (nearly 5y average historical mean) pegging on FY24F EPS of 31.3sen. 

### RETURN STATISTICS

Price @ 7 Mar 2024 (RM)	6.13
Expected share price return (%)	-0.5
Expected dividend yield (%)	+2.5
<b>Expected total return (%)</b>	<b>+2.0</b>

### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.1	-3.4
3 months	7.7	3.0
12 months	1.4	-3.6

### INVESTMENT STATISTICS

FYE Sep	2023A	2024F	2025F
Revenue	2,966.5	2,524.7	2,326.4
EBITDA	435.7	465.8	535.4
Profit Before Tax	384.1	354.3	408.1
Core PATAMI	253.5	281.1	322.5
Core EPS	25.1	31.3	35.9
DPS	21.0	15.0	15.0
Dividend Yield	3.4%	2.4%	2.4%

### KEY STATISTICS

FBM KLCI	1,535.8
Issue shares (m)	897.2
Estimated free float (%)	18.5
Market Capitalisation (RM'm)	5,490.6
52-wk price range	RM5.11-RM6.48
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	3.7
Top Shareholders (%)	
Progressive Holdings Sdn Bhd	54.4
EPF	13.2
Amanah Saham Nasional	7.5

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
Revenue	3,130.2	3,189.8	2,966.5	2,524.7	2,326.4
EBITDA	942.6	976.2	435.7	465.8	535.4
PBT	670.4	688.9	384.1	354.3	408.1
PATAMI	432.2	471.4	253.5	281.1	322.5
Core PATAMI	385.4	457.1	253.5	281.1	322.5
EPS (sen)	43.0	50.9	25.1	31.3	35.9
PER (x)	14.3	12.0	21.7	19.6	17.1
DPS (sen)	30.0	34.0	21.0	15.0	15.0
Dividend yield (%)	4.2	5.5	3.4	2.4	2.4
<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
PPE	4,365.3	4,389.6	4,628.7	4,717.6	4,869.1
Land held for property development	365.4	372.7	397.0	372.7	372.7
Investment properties	21.9	18.4	16.6	18.4	18.4
Non-current assets	6,253.8	6,328.7	6,680.1	6,656.7	6,808.2
Property development costs	11.5	8.1	23.1	23.1	23.1
Inventories	180.2	270.4	193.0	169.6	147.5
Trade & other receivables	634.3	541.5	519.6	511.6	471.4
Current assets	2,510.1	2,463.1	1,887.0	2,054.8	1,893.8
Total Assets	8,764.0	8,791.8	8,567.1	8,711.5	8,702.0
Trade and other payables	431.0	539.5	465.3	405.6	352.8
Amount due to ultimate holding company	2.9	1.8	4.1	4.1	4.1
Current liabilities	843.1	1,144.5	1,004.6	944.9	892.1
Borrowings	2,171.9	1,831.6	1,554.3	1,213.7	857.0
Lease liabilities	9.7	7.8	10.8	10.8	10.8
Non-current liabilities	2,625.2	2,338.2	2,127.6	1,787.0	1,430.93
Equity	5,295.7	5,309.2	5,434.9	5,651.9	5,839.8
<b>Liabilities &amp; equity</b>	<b>8,764.0</b>	<b>8,791.8</b>	<b>8,567.1</b>	<b>8,711.5</b>	<b>8,702.0</b>
<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
PBT	670.4	688.9	384.1	354.3	408.1
Cash flow from operations	951.2	958.3	656.1	541.5	591.4
Cash flow from investing	208.5	(397.4)	(408.6)	(397.0)	(404.6)
Cash flow from financing	(474.3)	(615.8)	(776.3)	(475.2)	(491.3)
Net cash flow	685.4	(54.9)	(528.8)	(145.3)	(98.7)
Net cash/(debt) b/f	943.6	1,630.3	1,575.8	1,048.6	1,192.3
Net cash/(debt) c/f	1,630.3	1,575.8	1,048.6	1,192.3	1,093.6
<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>
EBITDA margin	30.1%	30.6%	14.7%	18.4%	23.0%
PBT margin	21.4%	21.6%	12.9%	14.0%	17.5%
Core PATMI margin	12.3%	14.3%	8.5%	11.1%	13.9%
Effective tax rate	29.8%	29.8%	30.8%	20.7%	21.0%

Source: Bloomberg, 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 BNM 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 loss, 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 BNM 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 <i>rise</i> 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 <i>fall</i> 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