Genting Plantations Berhad

(2291 | GENP MK) Main | Plantation

Maintain BUY

Decent Results

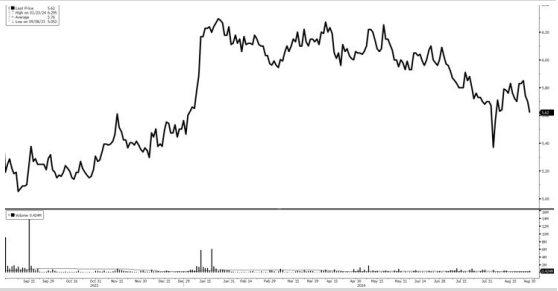
Unchanged Target Price: RM6.10

KEY INVESTMENT HIGHLIGHTS

- **Higher CPO selling price in line with industry average**
- **Downstream profit reversed to black**
- **Earnings estimates; maintain**
- **Maintain BUY with an unchanged TP of RM6.10**

RETURN STATISTICS	
Price @ 27th Nov 2024 (RM)	5.50
Expected share price return (%)	+11.3
Expected dividend yield (%)	+3.6
Expected total return (%)	**+14.9**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.4	-4.4
3 months	-6.3	-10.2
12 months	0.1	-13.1

INVESTMENT STATISTICS

FYE Mar	2024E	2025E	2026F
Revenue	2,911.9	2,866.2	2,895.5
EBITDA	483.0	540.9	573.9
Profit Before Tax	410.7	466.6	513.3
PATAMI	281.8	322.5	353.5
EPS	31.4	35.9	39.4
DPS	21.0	20.0	20.0
Dividend Yield	3.8%	3.6%	3.6%

KEY STATISTICS	
FBM KLCI	1,604.25
Issue shares (m)	895.63
Estimated free float (%)	18.14
Market Capitalisation (RM'm)	4,934.59
52-wk price range	RM5.03-RM6.38
3-mth average daily volume (m)	0.31
3-mth average daily value (RM'm)	1.80
Top Shareholders (%)	
Genting Berhad	54.44
EPF	13.56
KWAP	7.48

Seasonally high earnings cycle. The 3QFY24 PATAMI came in at RM83.1m (+3.1%yoy), brings the 9MFY24 to RM211.0m (+10.9%yoy), driven by higher CPO and PK selling price despite there was a slower FFB production during the quarter mostly due to low cropping trend. Overall earnings were within our and consensus estimates, making up about 75% and 77% of respective full-year estimates.

Upstream & Downstream. Profit for upstream was flat RM116.1m, while the downstream reversed to black at RM0.5m, respectively. Margins for upstream division flattish to 18.9% (-0.3 ppt), following lower FFB output recorded in the quarter, as the fixed cost maintained. This resulting cost of production to hover around RM2,600-2,700/Mt. Surprisingly, demand for derivative products improved, making the utilisation rates for both refinery and biodiesel plant surged to 25-30%. This led to margins expansion due to healthy refining margin it was able to fetch.

Operational performance. FFB production experienced a decline of -6%qoq, mainly due to the impact of biological tree rest. However, production in Indonesia remained strong, thanks to the favourable age profile and expanded harvesting areas. Meanwhile, production in Malaysia remained subdued due to large-scale replanting activities, covering approximately 3,500 ha and a wet weather spell that made the FFB evacuation process more challenging. Average selling prices on the other hand, were slightly higher at RM3,725/Mt (3Q23; RM3,409/Mt) and RM2,590/Mt respectively, for CPO and PK.

Outlook. The production of FFB is expected to decrease year-on-year due to the adverse effects of weather conditions and biological tree rest. However, the expansion and progression of existing mature areas into higher-yielding brackets in Indonesia may help mitigate some of this decline. Additionally, the ongoing replanting activities in Malaysia could have a moderating effect on the Group's overall production growth. Meanwhile, the downstream outlook remains challenging, given the intense competition from Indonesian counterparts following recent changes in Indonesian export levies and the overcapacity of refineries in Indonesia.

Recommendation. Maintain **BUY** call with an unchanged TP of **RM6.10**, derived from PER of 16.9x (nearly 2y average historical +1SD) pegging to FY25F EPS of 35.9sen.

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Genting Plantations: 3QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
Income Statement	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**YoY%**
Revenue	775.8	757.2	718.5	-5.1	-7.4	2,166.0	2,081.5	-3.9
Operating Profit	139.6	128.3	153.9	19.9	10.3	331.1	357.9	8.1
Finance Cost	-18.9	-20.5	-23.0	NM	NM	-54.1	-62.2	NM
PBT	123.7	110.5	127.5	15.4	3.1	283.6	298.7	5.3
Tax expense	-36.8	-32.2	-36.0	NM	NM	-78.4	-89.2	NM
PATAMI	80.5	85.1	83.1	-2.4	3.1	190.3	211.0	10.9
EPS (sen)	9.0	9.5	9.3	-2.4	3.1	21.2	23.5	10.9
				-/+ppt				
OP margin (%)	18.0	17.0	21.4	4.5	3.4	15.3	17.2	1.9
PBT margin (%)	15.9	14.6	17.7	3.2	1.8	13.1	14.4	1.3
Core PATAMI margin (%)	10.0	11.6	15.0	3.3	5.0	9.0	11.7	2.7

*NM *Not Meaningful*

SEGMENTAL BREAKDOWN & AVERAGE PRICE REALISED

FYE Dec (RM'm)	Quarterly					Cumulative		
Revenue	**3QFY23**	**2QFY24**	**3QFY24**	**QoQ%**	**YoY%**	**9MFY23**	**9MFY24**	**YoY%**
Plantation	625.9	565.1	614.0	8.6	-1.9	1,688.4	1,704.0	0.9
Downstream	270.7	324.2	239.8	-26.0	-11.4	852.1	748.4	-12.2
Property	29.4	22.3	32.2	44.6	9.5	71.0	88.9	25.1
Agtech	4.2	4.9	6.0	22.6	41.7	10.9	14.2	30.0
Segment Profit								
Plantation	130.0	115.5	116.1	0.5	-10.7	296.7	296.0	-0.2
Downstream	-6.3	3.4	0.5	-84.0	>100	-5.3	1.3	>100
Property	19.2	14.4	17.9	23.8	-7.2	56.3	52.8	-6.3
Agtech	-2.2	-3.6	-3.5	NM	NM	-10.7	-12.1	NM
Segment Margin %								
Plantation	20.8	20.4	18.9	-0.1	-0.3	17.6	17.4	0.0
Downstream	-2.3	1.0	0.2	-0.8	3.4	-0.6	0.2	0.0
Property	65.4	64.7	55.4	-0.1	-0.7	79.3	59.4	0.0
Agtech	-53.2	-73.3	-58.9	NM	NM	-97.7	-85.5	NM

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	3,189.8	2,966.5	2,911.9	2,866.2	2,895.5
Operating Profit	744.6	448.2	483.0	540.9	573.9
PBT	688.9	384.1	410.7	466.6	513.3
PATAMI	471.4	253.5	281.8	322.5	353.5
Core PATAMI	483.6	258.3	281.8	322.5	353.5
EPS (sen)	52.5	28.3	31.4	35.9	39.4
PER (x)	10.5x	19.5x	17.5x	15.3x	14.0x
DPS (sen)	34.0	21.0	21.0	20.0	20.0
Dividend yield (%)	6.2%	3.8%	3.8%	3.6%	3.6%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	4,389.6	4,628.7	4,751.0	4,865.9	4,973.9
ROU assets	960.3	986.6	984.8	982.8	980.7
Non-current assets	6,328.7	6,680.1	6,800.6	6,913.5	7,019.4
Inventories	270.4	193.0	189.5	186.5	188.4
Receivables	541.5	519.6	510.1	502.1	507.2
Current assets	2,463.1	1,887.0	1,841.2	1,857.2	1,926.5
Total Assets	8,791.8	8,567.1	8,641.9	8,770.7	8,946.0
Long-term debt	1,831.6	1,554.3	1,554.3	1,554.3	1,554.3
Non-current liabilities	2,338.2	2,127.6	2,127.6	2,127.6	2,127.6
Payables	539.5	465.3	456.7	449.6	454.2
Current liabilities	1,144.5	1,004.6	996.1	988.9	993.5
Share capital	1,724.0	1,724.0	1,724.0	1,724.0	1,724.0
Reserves	3,486.9	3,611.9	4,252.8	4,863.8	5,440.8
Equity	5,309.2	5,434.9	5,518.2	5,654.2	5,824.9

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	688.9	384.1	410.7	466.6	513.3
Cash flow from operations	958.3	656.1	567.1	616.4	649.6
Cash flow from investing	-397.4	-408.6	-410.0	-410.0	-410.0
Cash flow from financing	-615.8	-776.3	-188.4	-179.4	-179.4
Net cash flow	-54.9	-528.8	-31.3	26.9	60.1
Net cash/(debt) b/f	1,630.3	1,575.8	1,048.6	1,017.3	1,044.2
Net cash/(debt) c/f	1,575.8	1,048.6	1,017.3	1,044.2	1,104.3

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	23.3%	15.1%	16.6%	18.9%	19.8%
PBT margin	21.6%	12.9%	14.1%	16.3%	17.7%
Core PATMI margin	15.2%	8.7%	9.7%	11.3%	12.2%

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