Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Maintain **NEUTRAL**

Revised Target Price **RM2.29** (from RM2.15)

Corporate Update

4QFY24 Results Review
Decent Set of Results

Maintain NEUTRAL with revised TP of RM2.29. As FY24 result came in above expectation, we revise our FY25-26F earnings forecasts upward by +22% and -1%, respectively, to reflect higher OER, improved harvestable area and low cost of production. Our TP is raised to RM2.29, based on PER of 8.5x - nearly historical 5y average mean by pegging FY25F EPS of 26.9sen. Earnings outlooks remain stable due expanding harvestable area which nearly about 1,500 ha, lowered cost of production due stabilized fertilizers cost, and elevated CPO price movements.

Above expectations. Sarawak Plant. registered 4QFY24's revenue of RM143.6m (-3.7%qoq; -9.8%yoy) and core PATANCI of RM27.3m (+24.9%qoq, +25%yoy). This brought 12MFY24 core PATANCI to RM73.8m (+7.2%yoy), exceeding both our/consensus full-year FY24 forecasts, at 120% and 107%, respectively. Overall earnings were better due to higher average CPO selling price on top of the higher harvestable area of 1,500 ha.

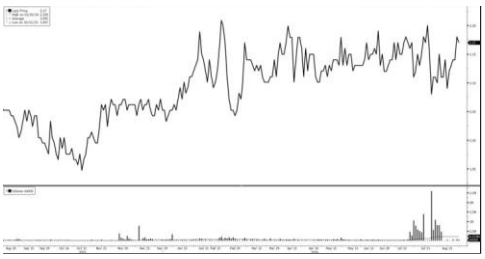
Oil palm profitability. Estate earnings increased to RM42.06, reflecting an +8.8%yoy growth, in line with higher revenue and decent FFB production recorded. However, profitability for the mills declined marginally by –2.3%yoy to RM3.3m. Despite the elevated average selling prices of CPO and PK, which rose to RM4,652/Mt (+28.1%yoy) and RM3,103/Mt (+66.1%yoy) respectively, profitability was impacted. This was primarily due to a lower OER of 19.18% and externally purchased FFB supplied, as the estates' activities and FFB evacuation process was disrupted by adverse weather conditions that impacting the quality of the crops.

Oil palm operations. On the operational front, the harvestable hectarage and FFB production grew by +9.0%yoy and +6.0%yoy respectively, supporting the FFB yield to be around 15.9Mt/Wha. Cost of production on the hand, remains healthy circa RM2,600/Mt level, which was relative the same versus prior year.

Earnings Forecast. We are tweaking our earnings forecasts by +21.9%yoy/-0.3%yoy/+0.7%yoy for FY25E-27F, after considering expanding harvestable area, higher FFB production as well elevated CPO price projections. We think the worst is over and estate activity is expected to be on recovery mode in absence of adverse weather conditions for this (La Nina and EL-Nino).

RETURN STATISTICS	
Price @ 21st Feb 2025 (RM)	2.36
Expected share price return (%)	-2.8
Expected dividend yield (%)	+6.4
Expected total return (%)	+3.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.0	-5.3
3months	-10.7	1.1
12 months	37.3	30.6

INVESTMENT STATISTICS			
FYE SEPT (RM'm)	2025E	2026F	2027F
Revenue	602.3	581.4	565.1
EBITDA	105.8	93.5	85.6
PBT	97.8	87.0	80.6
Core PATANCI	75.3	67.0	62.1
Core EPS (sen)	27.0	24.0	22.2
DPS (sen)	15	10	10
Dividend Yield (%)	6.4	4.2	4.2

KEY STATISTICS	
FBM KLCI	1,577.67
Issue shares (m)	340.97
Estimated free float (%)	16.94
Market Capitalisation (RM'm)	658.52
52-wk price range	RM2.04 – RM2.27
3-mth average daily volume (m)	0.21
3-mth average daily value (RM'm)	0.45
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.41
State Financial Secretary	25.52
Urusharta Jamaah Sdn Bhd	4.16

Analyst

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Sarawak Plantation: 4QFY24 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY23	3QFY24	4QFY24	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue	159.2	149.1	143.6	-3.7	-9.8	570.7	551.4	-3.4
Operating profit (EBIT)	22.9	31.0	31.0	-0.1	35.1	87.5	100.2	14.5
Chg in fair value of biological assets	-3.0	9.2	-10.9	NM	NM	4.4	18.2	>100
PBT	21.2	41.8	21.8	-47.8	2.6	96.2	124.4	29.3
PATANCI	17.5	31.1	16.2	-47.9	-7.3	73.2	92.0	25.8
Core PATANCI	21.8	21.8	27.3	24.9	25.0	68.8	73.8	7.2
Core EPS (sen)	7.8	7.8	9.8	24.9	25.0	24.7	26.4	7.2
Growth & Margin (%)				+/- ppts				+/- ppts
Operating Profit Margin	14.4	20.8	21.6	0.8	7.2	15.3	18.2	2.8
PBT Margin	13.3	28.0	15.2	-12.8	1.8	16.9	22.6	5.7
Core PATANCI Margin	13.7	14.7	19.0	4.3	5.3	12.1	13.4	1.3

Source: Company, MIDFR

Sarawak Plantation: Breakdown by operating segment

FYE Dec (RM'm)	Quarterly results					Cumulative results		
	4QFY24	3QFY24	4QFY23	QoQ (%)	YoY (%)	FY23	FY24	YoY (%)
Revenue (RM'm):								
Estate Operations	60.4	71.8	80.6	12.3	33.3	222.6	262.4	17.9
Mill Operations	146.8	133.9	125.7	-6.2	-14.4	527.6	497.9	-5.6
Segment Profit (RM'm):								
Estate Operations	20.4	28.0	34.3	22.6	67.9	68.6	95.3	39.0
Mill Operations	8.1	6.2	4.1	-32.8	-49.2	33.0	21.3	-35.2
Segment profit margin (%):				+/- ppts				+/- ppts
Estate Operations	33.8	39.0	42.6	3.6	8.8	30.8	36.3	5.5
Mill Operations	5.5	4.6	3.3	-1.3	-2.3	6.2	4.3	-2.0
Operational Stats.								
FFB Production (Mt)	90,625	99,095	88,628	-10.6	-2.2	318,774	337,661	5.9
CPO Production (Mt)	35,520	29,253	23,220	-20.6	-34.6	124,058	106,038	-14.5
Avg CPO Price Realised (RM/Mt)	3,632	3,945	4,652	17.9	28.1	3,764	4,104	9.0
Avg PK Price Realised (RM/Mt)	1,868	2,462	3,103	26.0	66.1	1,896	2,454	29.4

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025F	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	570.7	551.4	602.3	581.4	565.1	PBT	87.4	124.4	97.8	87.0	80.6
EBITDA	134.1	196.8	105.8	93.5	85.6	Operating cash flow	81.6	130.5	84.9	80.9	75.8
PBT	87.4	124.4	97.8	87.0	80.6	Investing cash flow	-48.2	-94.6	-12.7	-12.4	-11.7
PATANCI	64.4	92.0	75.3	67.0	62.1	Financing cash flow	-44.8	-45.8	-41.9	-27.9	-27.9
Core PATANCI	60.1	73.8	75.3	67.0	62.1	Net cash flow	-11.4	-9.8	30.4	40.7	36.2
EPS (sen)	21.5	26.4	27.0	24.0	22.2	Beginning cash flow	126.0	114.6	104.8	135.2	175.8
PER (x)	11.0x	8.9x	8.7x	9.8x	10.6x	Ending cash flow	114.6	104.8	135.2	175.8	212.1
DPS (sen)	0.10	0.20	0.15	0.10	0.10						
Dividend yield (%)	4.2%	8.5%	6.4%	4.2%	4.2%						

Balance Sheet (RM'm)	2023A	2024A	2025F	2026F	2027F	Margins	2023A	2024A	2025F	2026F	2027F
PPE	261.8	260.0	258.7	257.1	254.9	EBITDA margin	23.5%	35.7%	17.6%	16.1%	15.2%
ROU assets	91.8	89.7	89.7	89.7	89.7	PBT margin	15.3%	22.6%	16.2%	15.0%	14.3%
Non-current assets	692.4	720.6	719.2	717.6	715.5	PATANCI margin	11.3%	16.7%	12.5%	11.5%	11.0%
Inventories	23.8	26.1	27.0	26.6	26.1	Core PATANCI margin	10.5%	13.4%	12.5%	11.5%	11.0%
Receivables	18.6	16.6	19.6	19.0	18.4						
Current assets	0.0	0.0	-8.5	-8.5	-8.5						
Total Assets	954.7	1,030.2	1,054.7	1,092.6	1,125.7						
Long-term debt	8.0	38.0	38.0	38.0	38.0						
Non-current liabilities	132.4	173.9	173.9	173.9	173.9						
Borrowings	1.1	2.7	2.7	2.7	2.7						
Current liabilities	79.6	72.7	72.2	71.1	70.0						
Share capital	341.0	341.0	341.0	341.0	341.0						
Reserves	407.6	438.4	463.3	502.4	536.5						
Equity	742.6	783.7	808.5	847.6	881.8						

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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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