Johor Plantations Group Berhad

(5323 | JPG MK) Main | Plantation

SHARIAH Compliant

Corporate Update

NON-RATED

Fair Value: **RM1.51**

Fundamentally Intact

We visited Johor Plantations Group Berhad (JPG) in Kluang and came away the visit feeling positive on the Palm Oil business outlook and its expansion plan. Key takeaways from the visit as below:

Industry outlook. JPG is well-positioned to capitalize on the current elevated CPO prices circa RM4,000-5,000/Mt, which are supported by several favorable factors. These include limited supply growth in both Malaysia and Indonesia, where production remains flat amid lower ending stocks, and solid export demand. Together, these factors have created an imbalance in palm oil supply dynamics, as Malaysia and Indonesia account for 82% of global palm oil production.

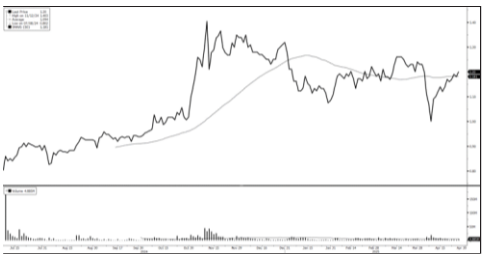
The local CPO price ended October at RM4,735/mt, a +12.7%mom increase, reflecting rising supply risks. JPG's strong financial performance in 4Q24, with a core net profit of RM92.1m (+21.9%qoq, +68.8%yoy), lifted its FY24 net profit to RM254.8m (+52.3%yoy). These results surpassed expectations, representing >100% of consensus full-year forecasts, and we expect the positive momentum to continue into 1Q25 and FY25, driven by sustained high average CPO prices realized and CPO delivery.

Competitive strengths. JPG is a long-established RSPO-certified palm oil producer committed to sustainability, with all its mills and plantations meeting RSPO standards. Operating across nearly 60,000 hectares in Johor, the company benefits from economies of scale, reducing costs in areas like fertilizers and machinery. JPG's favorable age profile, with 54.3% of its oil palms between nine and 18 years old, supports future growth in Crude Palm Oil (CPO) and Palm Kernel (PK) production without significant new investment. The company maintains a low annual replanting target of up to 4% and operates on land with a favorable topography, with 71.2% of plantations on flat or undulating terrain. JPG has consistently outperformed industry benchmarks in key performance indicators such as FFB yield, OER, and CPO selling price.

ESG policy. The oil palm industry has increasingly focused on sustainability issues, including deforestation and the treatment of migrant workers, making it crucial for plantation companies to demonstrate their commitment to ethical and transparent practices. In response, leading companies like JPG have adopted certification schemes such as RSPO, MSPO, and ISCC, with all their mills and estates certified under these standards.

RETURN STATISTICS	
Price @ 25th April 2025 (RM)	1.20
Expected share price return (%)	-3.3
Expected dividend yield (%)	+4.4
Expected total return (%)	+1.1

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.2	-2.9
3months	-3.2	12.2
12 months	-	-

INVESTMENT STATISTICS			
FYE Dec (RM'm)	2025E	2026F	2027F
Revenue	1,068.9	1,005.2	966.9
Operating Profit	475.4	425.3	397.9
PBT	386.8	338.9	312.0
PATAMI	290.1	254.2	234.0
EPS (sen)	11.6	10.2	9.4
DPS (sen)	5.3	5.3	5.3
Dividend Yield (%)	4.4%	4.4%	4.4%

KEY STATISTICS	
FBM KLCI	1,509.20
Issue shares (m)	2,500.00
Estimated free float (%)	30.25
Market Capitalisation (RM'm)	3,000.00
52-wk price range	RM0.83 – RM1.47
3-mth average daily volume (m)	5.19
3-mth average daily value (RM'm)	6.08
Top Shareholders (%)	
Kulim	64.44
EPF	8.47
KWAP	5.03

Earnings performance. Earnings to experience slower growth between FY24 and FY27F, with a compound annual growth rate (CAGR) of -2.8%. The slower growth was primarily due to a down in the average CPO selling price (ASP) as risks of imbalance of palm oil supply dynamics disappear, along with higher sales volume delivery resulting from better age profile (as of CY24; 12.9 years), which will boost the FFB yield to around 20.8Mt/mature ha. On a to-date basis, its FY24 net profit surged +52.2% to RM254.8m, aided mainly by higher sales volume of CPO and PK (as a result of favorable weather conditions), lower CPO production cost and finance cost.

Management shared that JPG registered FFB output growth of 9% for 2024, and it expects such growth momentum to sustain into 2025 (mid-single-digit growth). Cost of production on the hand, JPG registered ex-mill CPO production cost of RM2,000/mt in 4Q24, bringing FY24 CPO production cost to - RM2,200/mt – RM2,100/Mt. Management expects CPO production cost to stabilize at - RM2,100/mt to RM2,000/Mt for FY25-26, which is inline with our estimates, following a reduction of fertilizer costs that the will be imputed (generally accounts 15%-20% of cost of production), due to softened components fertilizer price that have been seen in the past months. As a result, operating profit margins should be stabilized above 30%, over FY25-27F, with the PAT margin ranging 24%-27% in the same period.

Key business risks. JPG's business risks are subject to various factors that can affect oil palm yield, including the age profile of the oil palms, the quality of planting materials, disease or pest outbreaks, weather conditions, and the terrain and soil characteristics of its plantations. Additionally, the availability of labor and the social dynamics of local communities surrounding the estates also play a role in influencing estates and mills production efficiency. Another key risk is JPG's ability to acquire new plantation land to expand its FFB production capacity or maintain the right to use the plantation estates it rents. It is important to note that 24% of the FFB processed by JPG comes from third-party suppliers, which adds another layer of dependence on external sources.

The fair value is estimated to be between RM1.16/share to RM1.51/share. From a valuation standpoint, we believe that United Plantation, Hap Seng Plant, Kim Long Resources, TSH, United Malacca are the closest peers to JPG due to similarities in their business models as well as the total planted area. These peer and JPG's planted area relatively the same circa 40,000 - 50,000 Ha. It is important to note that JPG is the second highest CPO yields after UP, which is the most important single indicator of performance for a plantation company. The sector 5-year historical mean price-to-earnings (PE) ratio is about 15x, and it is currently trading at 10.5x, which is -0.5 standard deviations below its 5-year mean. Considering all the factors mentioned, we believe a reasonable price-to-earnings ratio (PER) for JPG would fall between 10x to 13x. Based on the FY25E profit forecast of RM290.1m or EPS of 11.6 sen, we anticipate its fair value to range between RM1.16 and RM1.51.

FINANCIAL HIGHLIGHTS

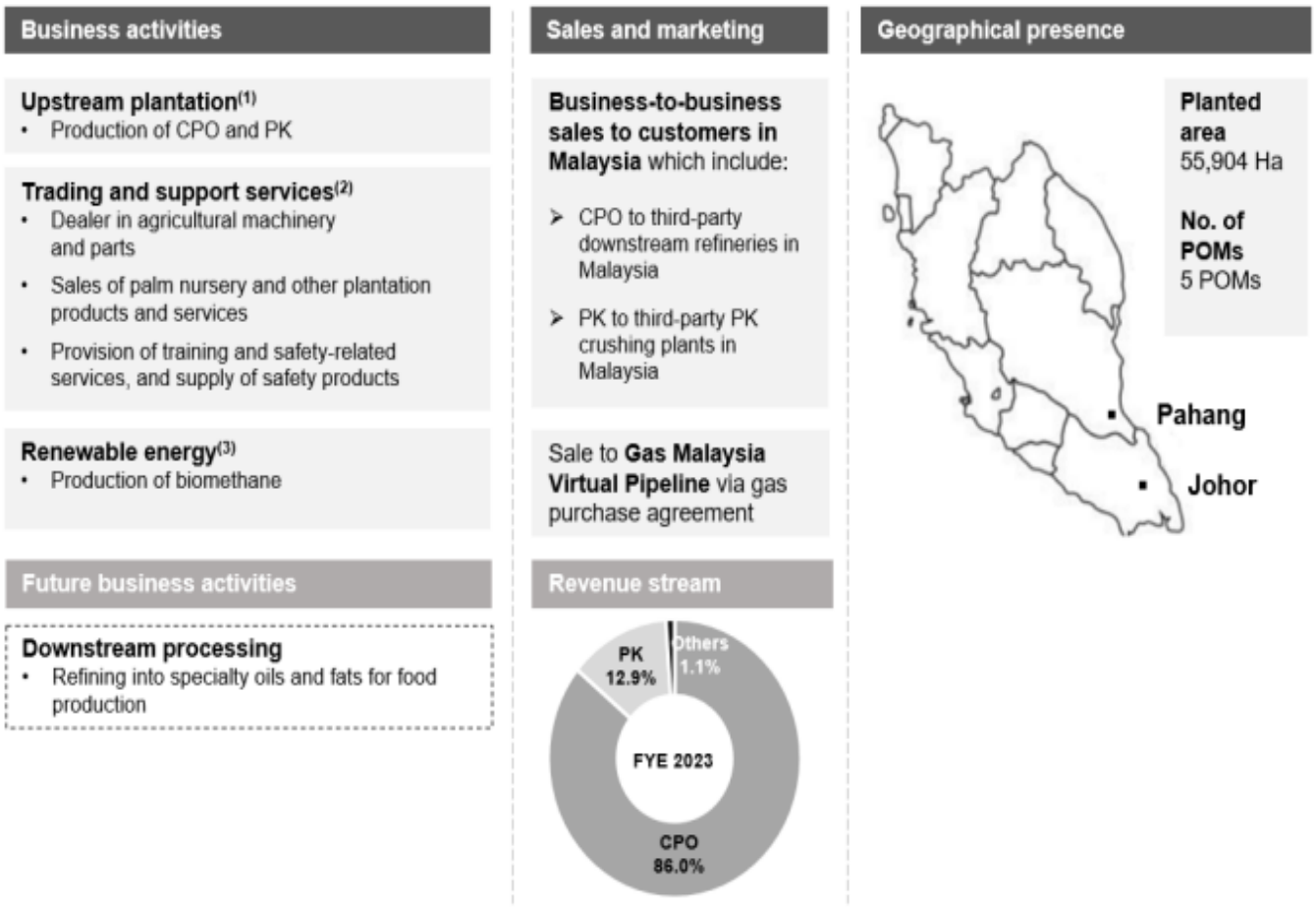
FYE Dec (RM'm)	2023A	2024A	2025F	2026F	2027F
Revenue	1,253.4	1,524.9	1,068.9	1,005.2	966.9
Operating profit	274.7	412.7	475.4	425.3	397.9
PBT	186.9	346.2	386.8	338.9	312.0
Tax expense	-19.4	-87.0	-96.7	-84.7	-78.0
PATAMI	167.3	254.8	290.1	254.2	234.0
EPS	6.7	10.2	11.6	10.2	9.4
OP margin	21.9%	27.1%	44.5%	42.3%	41.2%
PBT margin	14.9%	22.7%	36.2%	33.7%	32.3%
PATAMI margin	13.3%	16.7%	27.1%	25.3%	24.2%

Source: Company, MIDFR

COMPANY BACKGROUND

The company, originally established as Yule Catto Plantations Sdn Bhd on March 21, 1978, has undergone several name changes, becoming Mahamurni Plantations Sdn Bhd and Johor Plantations Sdn Bhd before rebranding to Johor Plantations Group Berhad (JPG) on November 27, 2023. Based in Johor, Malaysia, the palm oil company plans to expand into the downstream business as part of its IPO. The company owns and manages 23 estates - 22 in Johor and 1 in Pahang - covering 59,781 hectares, with 55,904 hectares planted with oil palms, representing about 93.5% of the total land area. It rents the Malay Reserved Estates and Kuala Kabong Estate from JCorp, as well as 404 hectares of the REM Estate, with 229 hectares leased from Johor Land and 175 hectares from Kulim. The company also manages three third-party plantation estates (1,549 hectares) for management fees and purchases all Fresh Fruit Bunches (FFB) from these estates. With five strategically located palm oil mills (POMs), the company processes FFB into Crude Palm Oil (CPO) and Palm Kernel (PK), selling CPO to refineries and PK to crushing plants in Malaysia. Additionally, the company is involved in trading and support services as well as generating and supplying renewable energy.

Figure 1: Illustration of JPG's Business Model



Source: prospectus

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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