Corporate Update

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Upgrade to BUY

Revised Target Price **RM2.88**
(from RM2.29)

2QFY25 Results Review
Sound Performance

Upgrade to BUY with a revised TP of RM2.88. Our TP for SPB is upgraded to RM2.88 (previously RM2.29), as we rollover our valuation-based year to FY26F EPS of 24.0sen, pegged to a PER of 12x, slightly above 5-year historical +1SD. We upgrade SPB to BUY from NEUTRAL as the share price is highly connected with CPO movement c. 0.89 correlation, hence any upward trajectory in CPO prices would provide trading opportunity in the stock.

Valuation is still attractive at high single digit, versus its peers which already low teens, this presents buying opportunity. Its earnings outlooks remain stable, driven by expanding harvestable area of nearly about 1,500 ha, while cost of production in the downward trend, as the company adopts a more stringent approach FFB purchasing strategy.

1H25 came in within estimates. After adjusting EI's, 2QFY25 core PATAMI of RM36.3m (+6.5%yoy) came in within our and street expectation full year forecast, accounting for 48% and 53%, respectively. Profitability was well supported by higher operating profit circa Rm25.9m as margin inched up by +1.5ppts due to decent purchasing strategy.

Oil palm profitability. Earnings across the board, are positive, as both segments recorded decent margins. Estate operations registered RM23.8m (+10.8%yoy) profit thanks to the elevated FFB selling price which was above RM700/Mt, while mills operation earnings jumped to RM6.5m (+29.9%yoy), driven by higher average CPO and PK price realized, circa RM4,039/Mt (+0.8%yoy) and PK of RM3,175/Mt (+40.9%yoy), respectively. PK price expected to be continued high for the rest of the year due shortage in rival coconut oil in Philippines.

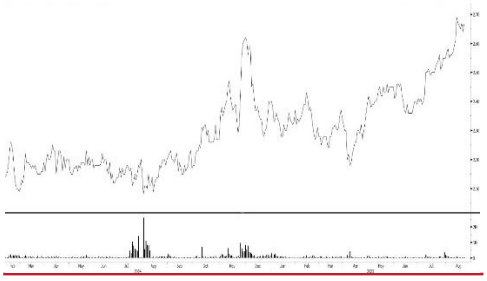
Oil palm operations. Operationally, FFB production relatively up to 84,510 Mt (+5.3%yoy), well supported by productive estate activity, as uneven weather seems normalised. CPO production on the other hand, down by -9.1%yoy, following reduced FFB external purchased, as the management prioritised higher standard of crops during the elevated CPO prices traded.

As a results, FFB yield, OER and estimated all-in cost of production remained stable at 4.32Mt/Wha, 19.87% and RM2,500/Mt bringing the estate and mill margins remain satisfactory.

Earnings. We are retaining our earnings estimate as it aligns with baseline projection. Note that, SPB is purely local company and well insulated from Indonesia's regulatory risk.

RETURN STATISTICS	
Price @ 21 Aug 2025 (RM)	2.67
Expected share price return (%)	+6.70
Expected dividend yield (%)	+5.62
Expected total return (%)	+12.32

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.0	1.5
3months	11.7	6.6
12 months	24.8	28.2

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	602.3	581.4	565.1
EBITDA	104.9	91.4	82.7
PBT	97.6	86.0	79.1
Core NP	75.1	66.2	60.9
EPS (sen)	26.9	23.7	21.8
DPS (sen)	0.2	0.2	0.1
Dividend Yield (%)	6.7%	5.6%	4.5%

KEY STATISTICS

FBM KLCI	1,592.87
Issue shares (m)	279.03
Estimated free float (%)	26.43
Market Capitalisation (RM'm)	745.02
52-wk price range	RM2.11 – RM2.70
3-mth average daily volume (m)	0.04
3-mth average daily value (RM'm)	0.10
Top Shareholders (%)	
Ta Ann Holdings Bhd	28.69
State Financial Secretary	25.52
Amanah Khairat Yayasan Budaya	4.16

Analyst
MBSB Research
research@midf.com.my
03-2173 8463

Sarawak Plantation: 2QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	2QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue	131.5	135.5	131.0	-3.3	-0.4	258.8	266.5	3.0
Operating profit	24.1	25.4	25.9	2.1	7.6	38.2	51.3	34.4
Chg in fair value biological assets	8.9	4.1	9.0	>100	0.9	19.9	13.1	-34.2
PBT	34.5	31.0	36.8	18.6	6.7	60.8	67.7	11.4
Tax Expense	-8.5	-8.1	-9.5	NM	NM	-15.6	-17.6	NM
PATAMI	25.7	22.6	26.9	18.8	4.6	44.8	49.5	10.6
Core PATAMI	16.8	18.5	17.9	-3.3	6.5	24.6	36.3	47.4
Core EPS (sen)	6.0	6.6	6.4	-3.3	6.5	8.8	13.0	47.4
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	18.3	18.7	19.8	1.1	1.5	14.7	19.2	4.5
PBT margin (%)	26.2	22.9	28.1	5.2	1.9	23.5	25.4	1.9
Core PATAMI margin (%)	12.8	13.6	13.6	0.0	0.9	9.5	13.6	4.1
Effective tax rate (%)	24.8	26.1	26.0	-0.2	1.2	25.7	26.0	0.4

Source: Company, MBSBR

Sarawak Plantation: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2QFY24	1QFY25	2QFY25	QoQ (%)	YoY (%)	1H24	1H25	YoY (%)
Revenue								
- Estate Operations	59.1	65.6	65.9	0.6	11.6	110.1	131.5	19.5
- Mill Operations	120.4	122.3	119.9	-1.9	-0.4	238.3	242.2	1.6
Operating Profit								
- Estate Operations	21.4	25.2	23.8	-5.5	10.8	33.0	48.9	48.1
- Mill Operations	5.0	4.2	6.5	54.2	29.9	11.0	10.7	-2.8
Operating Profit Margins (%)								
- Estate Operations	36.3	38.4	36.0	-2.3	-0.2	30.0	37.2	7.2
- Mill Operations	4.2	3.5	5.4	2.0	1.3	4.6	4.4	-0.2
Operational Stats.								
FFB Production 'Mt	80,267	73,940	84,510	14.3	5.3	149,938	158,450	5.7
CPO Production 'Mt	26,962	22,106	24,495	10.8	-9.1	53,566	46,601	-13.0
Avg CPO Price Realised (RM/Mt)	4,007	4,728	4,039	-14.6	0.8	3,952	4,368	10.5
Avg PK Price Realised (RM/Mt)	2,253	3,451	3,175	-8.0	40.9	2,156	3,305	53.3

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F	Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	570.7	551.4	602.3	581.4	565.1	PBT	87.4	124.4	97.6	86.0	79.1
EBITDA	134.1	196.8	104.9	91.4	82.7	Operating cash flow	42.3	42.0	14.0	14.0	13.9
PBT	87.4	124.4	97.6	86.0	79.1	Investing cash flow	-19.4	5.7	14.1	-0.1	-0.3
PATAMI	64.4	92.0	75.1	66.2	60.9	Financing cash flow	81.6	130.5	103.2	80.2	74.5
Core PATAMI	60.1	73.8	75.1	66.2	60.9	Net cash flow	-14.4	-10.0	-12.7	-12.4	-11.7
EPS (sen)	21.5	26.4	26.9	23.7	21.8	Beginning cash flow	-48.2	-94.6	-12.7	-12.4	-11.7
PER (x)	12.4x	10.1x	9.9x	11.2x	12.2x	Ending cash flow	-41.9	-69.8	-50.2	-41.9	-33.5
DPS (sen)	0.10	0.20	0.18	0.15	0.12						
Dividend yield (%)	3.7%	7.5%	6.7%	5.6%	4.5%						

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F	Margins	2023A	2024A	2025E	2026F	2027F
PPE	261.8	260.0	258.7	257.1	254.9	EBITDA margin	23.5%	35.7%	17.4%	15.7%	14.6%
ROU assets	91.8	89.7	89.7	89.7	89.7	EBIT margin	15.3%	22.6%	16.2%	14.8%	14.0%
Non-current assets	692.4	720.6	719.2	717.6	715.5	PBT margin	11.3%	16.7%	12.5%	11.4%	10.8%
Inventories	23.8	26.1	36.6	36.0	35.5	Core PATAMI margin	10.5%	13.4%	12.5%	11.4%	10.8%
Receivables	18.6	20.3	22.2	21.4	20.8						
Current assets	0.0	0.0	0.0	0.0	0.0						
Total Assets	**954.7**	**1,030.2**	**1,081.5**	**1,104.6**	**1,130.6**						
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	99.1	97.7	96.3						
Share capital	341.0	341.0	341.0	341.0	341.0						
Reserves	407.6	438.4	463.3	487.7	515.1						
Equity	**742.6**	**783.7**	**808.5**	**832.9**	**860.4**						

Source: Bloomberg, MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MBSB Investment Bank Berhad (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 197501002077 (24878-X).

It is for distribution only under such circumstances as may be permitted by applicable law. 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 we believe are reliable. MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) 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. This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD). The directors, employees and representatives of MBSB INVESTMENT BANK BERHAD (formerly known as MIDF AMANAH INVESTMENT BANK BERHAD) may have an interest in any of the securities mentioned and may benefit from the information herein. Members of the MBSB Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

MBSB INVESTMENT BANK (formerly known MIDF 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