Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Corporate Update

Maintain NEUTRAL

Unchanged Target Price **RM2.88**

Operational Remain Firm

Maintain NEUTRAL with an unchanged TP of RM2.88. We recently met with Sarawak Plantation's management to discuss its operational performance and outlook. Earnings visibility remains stable, notwithstanding recent short-lived wet weather disruptions. The FY26 outlook is well supported by an expanding harvestable area of nearly 1,000ha with cost of production is on a declining trend, reflecting improving scale and operational efficiencies, which should underpin steady and resilient operating performance going forward.

Production and yield growth. Production visibility remains strong, with FY25 output guided c. 360k tonnes and a further +20-25% growth expected in FY26 as newly matured hectarage (c.900ha in FY26 following estimated 1,000ha from mid-2025) contributes. Yield performance has improved structurally, rising from 16 Mt/ha in 2023 to an estimated >18 Mt/ha in FY26. Additionally, 9MFY25's OER averaged 19.37%, already above the Sarawak average, and is expected to edge up to 19.6% by FY26.

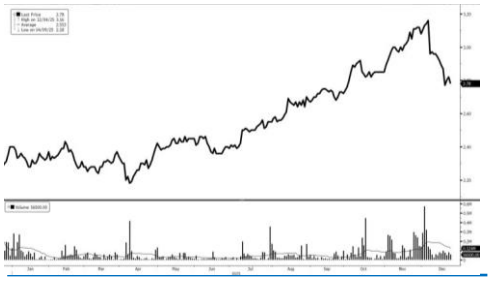
Strengthening internal production. Management expect external FFB purchases are projected to rise modestly in absolute terms but decline as a proportion of total intake, from c. <50% currently to <40% in FY26, as internal production ramps up. This is a strategic game rather than a demand issue. Greater reliance on internal FFB improves quality control, harvesting timing and OER, while reducing margin volatility. Management highlighted the stark margin gap between estate operations c. 35% and mill-based activities c.4%, reinforcing this strategy.

Cost structure and labour dynamics. Cost pressures remain manageable despite fertiliser prices averaging c. RM1,400/Mt in FY25, with a potential 5-10% increase next year, however this expected to be partially offset by a firmer ringgit. Cost of CPO production is estimated less than RM2,700/Mt in FY25E, with a meaningful reduction to <RM2,400/Mt in FY26F as volumes scale and fixed costs are diluted. Encouragingly, labour availability has largely normalised, alleviating a key operational bottleneck.

Operational expertise continues to be embedded. Operational focus has mostly tightened by the management, particularly field supervision, improved road maintenance and tighter pest management have helped stabilise yields and OER. The continuous monthly on-site operational and costing reviews have improved decision-making speed and accountability, reducing execution slippage. Overall, emphasis remains on consistent harvesting efficiency, cost discipline and estate-level productivity rather than aggressive expansion or M&A.

RETURN STATISTICS	
Price @ 22 Dec 2025 (RM)	2.78
Expected share price return (%)	+2.48
Expected dividend yield (%)	+5.40
Expected total return (%)	+7.88

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-8.9	-11.8
3months	2.2	-1.2
12 months	20.9	15.4

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	602.3	581.4	565.1
EBITDA	104.9	91.4	82.7
PBT	97.4	85.7	78.7
Core NP	75.0	66.0	60.6
EPS (sen)	26.9	23.6	21.7
DPS (sen)	0.2	0.2	0.1
Dividend Yield (%)	7.2%	5.4%	4.3%

KEY STATISTICS	
FBM KLCI	1,671.29
Issue shares (m)	279.03
Estimated free float (%)	26.43
Market Capitalisation (RM'm)	775.71
52-wk price range	RM2.18 – RM3.17
3-mth average daily volume (m)	0.10
3-mth average daily value (RM'm)	0.31
Top Shareholders (%)	
Ta Ann Holdings Bhd	28.69
State Financial Secretary	25.52
Amanah Khairat Yayasan Budaya	4.16

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Wet weather situations. Recent wet weather in Sarawak has had limited operational impact, as rainfall has been largely confined to afternoons, allowing harvesting to proceed in the mornings. While January remains a higher-risk period for flooding, no major issues have emerged so far.

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.

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	97.4	85.7	78.7
EBITDA	134.1	196.8	104.9	91.4	82.7	Operating cash flow	81.6	130.5	103.1	79.9	74.2
PBT	87.4	124.4	97.4	85.7	78.7	Investing cash flow	-48.2	-94.6	-12.7	-12.4	-11.7
PATAMI	64.4	92.0	75.0	66.0	60.6	Financing cash flow	-44.8	-45.8	-55.8	-41.9	-33.5
Core PATAMI	60.1	73.8	75.0	66.0	60.6	Net cash flow	-11.4	-9.9	34.6	25.7	29.1
EPS (sen)	21.5	26.4	26.9	23.6	21.7	Beginning cash flow	126.0	114.6	104.7	139.4	165.0
PER (x)	12.9x	10.5x	10.3x	11.8x	12.8x	Ending cash flow	114.6	104.7	139.4	165.0	194.1
DPS (sen)	0.10	0.20	0.20	0.15	0.12						
Dividend yield (%)	3.6%	7.2%	7.2%	5.4%	4.3%						

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	PBT margin	15.3%	22.6%	16.2%	14.8%	14.0%
Non-current assets	692.4	720.6	719.2	717.6	715.5	Core PATAMI margin	10.5%	13.4%	12.5%	11.3%	10.7%
Inventories	23.8	26.1	36.6	36.0	35.5						
Receivables	18.6	20.3	22.2	21.4	20.8						
Total Assets	954.7	1,030.2	1,075.8	1,098.6	1,124.3						
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	457.6	481.7	508.9						
Equity	742.6	783.7	802.8	827.0	854.1						

Source: Bloomberg, MBSBR

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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