Corporate Update

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Downgrade to **TRADING SELL**

(from NEUTRAL)

Revised Target Price **RM2.91**

(from RM2.88)

4QFY25 Results Review: Expensive Valuation

Downgrade to TRADING SELL with a revised TP of RM2.91. Post earnings-revision, we downgrade the stock from NEUTRAL to TRADING SELL with a revised TP of RM2.91, based on a lower target PER of 9.0x (in line with its 5y historical forward average mean), applied to FY26F EPS of 32.3 sen.

While operational fundamentals remain intact, current valuations appear stretched, with the stock trading at +2SD of its historical mean and in the double-digit PER range, ahead of peers. Notably, its FY25 net asset per share stood at RM2.95, suggesting limited upside to asset backing at current levels.

4QFY25 came in above estimates. After adjusting EI's, 4QFY25 core PATAMI of RM33.7m (+23.4%yoy) came in above our and consensus expectation full year forecast, accounting for 128% and 112%, respectively. Profitability was well supported by higher operating profit circa RM41.2m as margin inched up by +3.3ppts due to decent mills purchasing strategy.

Oil palm profitability. Earnings across the board, maintained decent, as both subsegments recorded expanded margins. Estate operations registered RM37.7m (+9.7%yoy) profit well supported by higher FFB selling price circa RM828/tonne and sales volume approximately +21.6yoy.

Similarly, mills operations earnings jump to RM10.7m (>100%yoy), on higher FFB (+25.8%yoy) and CPO production (+26.9%yoy). That said, average CPO and PK price realized were mixed, circa RM4,185/tonne (-10.0%yoy) and PK of RM3,167/tonne (+2.1%yoy), respectively.

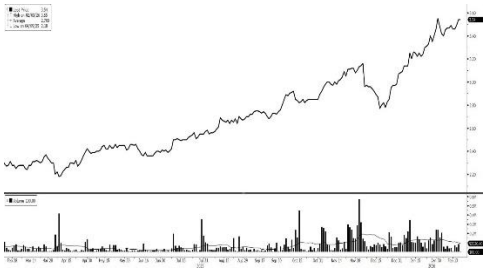
Oil palm operations. Operationally, FFB production rose to 111,511 tonnes (+25.8%yoy), despite seasonal shifts, indicating that harvesting and crop evacuation remained intact. The increase was also supported by higher purchases from external estates, with 4QFY25 marking the first quarter of external sourcing at a higher level, leading to stronger FFB throughput.

This suggests crop quality remained satisfactory, as management typically maintains strict grading standards for 3rd party FFB. As a result, this quarter saw a stronger FFB yield and eased estimated all-in cost of production, bringing the estate and mill margins remain satisfactory.

Earnings. Post We tweaking higher earnings estimate for FY26-FY28F, as the results came in above ours and streets estimates. Our revised earnings are RM90.1m/RM88.0m/RM82.0m reflecting narrower cost of production of less than RM3,000/tonne.

RETURN STATISTICS	
Price @ 26 Feb 2025 (RM)	3.60
Expected share price return (%)	-19.26
Expected dividend yield (%)	+5.56
Expected total return (%)	-13.71

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.9	4.8
3 months	18.8	6.9
12 months	52.6	38.2

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	642.5	626.1	592.8
EBITDA	123.8	118.6	108.6
PBT	117.0	114.2	106.4
Core NP	90.1	88.0	82.0
EPS (sen)	32.3	31.5	29.4
DPS (sen)	0.3	0.2	0.2
Dividend Yield (%)	6.9%	5.6%	5.6%

KEY STATISTICS

FBM KLCI	1,747.81
Issue shares (m)	279.03
Estimated free float (%)	26.36
Market Capitalisation (RM'm)	1,004.52
52-wk price range	RM2.18 – RM3.62
3-mth average daily volume (m)	0.12
3-mth average daily value (RM'm)	0.40
Top Shareholders (%)	
Ta Ann Holdings Bhd	28.69
State Financial Secretary	25.52
Amanah Khairat Yayasan Budaya	4.16

Sarawak Plantation: 4QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue	143.6	139.7	165.4	18.4	15.2	551.4	571.6	3.7
Operating profit	31.0	27.8	41.2	48.4	32.8	100.2	120.2	20.0
Chg in fair value biological assets	-10.9	6.9	-4.7	NM	NM	18.2	15.3	-15.9
PBT	21.8	36.3	38.1	4.8	74.8	124.4	142.2	14.3
Tax Expense	-5.3	-5.0	-12.7	NM	NM	-31.5	-35.4	NM
PATAMI	16.2	31.1	25.2	-19.1	55.5	92.0	105.8	15.0
Core PATAMI	27.3	20.4	33.7	65.0	23.4	73.8	90.4	22.6
Core EPS (sen)	9.8	7.3	12.1	65.0	23.4	26.4	32.4	22.6
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	21.6	19.9	24.9	5.0	3.3	18.2	21.0	2.9
PBT margin (%)	15.2	26.0	23.0	-3.0	7.8	22.6	24.9	2.3
Core PATAMI margin (%)	19.0	14.6	20.4	5.7	1.4	13.4	15.8	2.4
Effective tax rate (%)	24.5	13.7	33.5	19.7	9.0	25.3	24.9	-0.4

Source: Company, MBSBR

Sarawak Plantation: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	4QFY24	3QFY25	4QFY25	QoQ (%)	YoY (%)	FY24	FY25	YoY (%)
Revenue								
- Estate Operations	80.6	72.6	87.9	21.1	9.0	262.4	291.9	11.3
- Mill Operations	125.7	124.7	146.4	17.4	16.5	497.9	513.4	3.1
Operating Profit								
- Estate Operations	34.3	25.6	37.7	46.9	9.7	95.3	112.2	17.7
- Mill Operations	4.1	5.4	10.7	97.4	>100	21.3	26.9	25.8
Operating Profit Margins (%)								
- Estate Operations	42.6	35.3	42.9	7.5	0.3	36.3	38.4	2.1
- Mill Operations	3.3	4.3	7.3	3.0	4.0	4.3	5.2	0.9
Operational Stats.								
FFB Production 'Mt	88,628	91,032	111,511	22.5	25.8	337,661	360,993	6.9
CPO Production 'Mt	23,220	25,750	29,475	14.5	26.9	106,038	101,826	-4.0
Avg CPO Price Realised (RM/Mt)	4,652	4,175	4,185	0.2	-10.0	4,104	4,267	4.0
Avg PK Price Realised (RM/Mt)	3,103	3,189	3,167	-0.7	2.1	2,454	3,233	31.7

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	551.4	571.6	642.5	626.1	592.8	PBT	124.4	142.2	117.0	114.2	106.4
EBITDA	196.8	208.3	123.8	118.6	108.6	Operating cash flow	130.5	138.6	117.4	100.6	93.7
PBT	124.4	142.2	117.0	114.2	106.4	Investing cash flow	-94.6	-99.3	-9.7	-8.2	-7.5
PATAMI	92.0	105.8	90.1	88.0	82.0	Financing cash flow	-45.8	-33.3	-69.8	-55.8	-55.8
Core PATAMI	73.8	90.4	90.1	88.0	82.0	Net cash flow	-9.9	5.9	37.9	36.6	30.4
EPS (sen)	26.4	32.4	32.3	31.5	29.4	Beginning cash flow	114.6	104.7	110.7	148.6	185.2
PER (x)	13.6x	11.1x	11.1x	11.4x	12.3x	Ending cash flow	104.7	110.7	148.6	185.2	215.6
DPS (sen)	0.20	0.25	0.25	0.20	0.20						
Dividend yield (%)	5.6%	6.9%	6.9%	5.6%	5.6%						

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Margins	2024A	2025A	2026E	2027F	2028F
PPE	260.0	248.2	244.6	239.6	234.3	EBITDA margin	35.7%	36.4%	19.3%	18.9%	18.3%
ROU assets	89.7	87.6	87.6	87.6	87.6	PBT margin	22.6%	24.9%	18.2%	18.2%	18.0%
Non-current assets	720.6	751.8	748.2	743.3	738.0	PATAMI margin	16.7%	18.5%	14.0%	14.0%	13.8%
Inventories	26.1	22.3	31.8	31.1	29.7	Core PATAMI margin	13.4%	15.8%	14.0%	14.0%	13.8%
Receivables	20.3	25.8	29.0	28.2	26.7						
Current assets	0.0	0.0	0.0	0.0	0.0						
Total Assets	1,030.2	1,116.8	1,163.8	1,194.1	1,216.2						
Long-term debt	38.0	60.5	60.5	60.5	60.5						
Non-current liabilities	173.9	208.8	208.8	208.8	208.8						
Borrowings	2.7	8.0	8.0	8.0	8.0						
Current liabilities	72.7	74.3	100.9	99.0	95.0						
Share capital	341.0	341.0	341.0	341.0	341.0						
Reserves	438.4	488.4	508.8	540.9	567.1						
Equity	783.7	833.7	854.1	886.2	912.4						

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 is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

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