Corporate Update

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

1QFY26 Results Review: Within Expectations

Upgrade to NEUTRAL with a revised TP of RM3.55. Post earnings results, we upgrade the stock from TRADING SELL to **NEUTRAL** with a revised TP of RM3.55 (previously RM2.91), based on a higher target PER of 11.0x (circa +1SD to its 5-year historical average), applied to FY26F EPS of 32.3 sen.

Note that SPB is purely an upstream player, and the share price is highly correlated with CPO movement c. 0.89 correlation, hence any upward trajectory in CPO prices would provide trading opportunity in the stock.Its earnings outlooks remain stable due expanding harvestable area which nearly about 1,500 ha, however cost of production remains sticky, on the back of flattish OER and dropped in FFB external purchased.

Within estimates. 1QFY26 PATAMI of RM23.1m (+2.1%yoy) came in within our and consensus expectation full year forecast, accounting for 26% and 29%, respectively. Profitability was well supported by higher operating profit circa RM21.7m as margin inched up by +2.9ppts due to decent mills purchasing strategy which reduced unit per cost in the mills.

Oil palm profitability. Earnings across the board, were mixed, as estate operations weakened to RM20.8m (-17.5%yoy), in tandem with softer FFB selling price circa <RM800/tonne and sales volume approximately -0.6yoy.

In contrast, mills profit rose to RM5.1m (+22.0%yoy), on higher FFB (+6.9%yoy) despite lower CPO output (-13.4%yoy) and reduced average CPO and PK price realized, circa RM4,034/tonne (-14.7%yoy) and PK of RM3,154/tonne (-8.6%yoy), respectively.

Oil palm operations. Operationally, FFB production improved to 79,066 tonnes (+6.9%yoy), despite lower external purchases arising from seasonal shifts, indicating that internal harvesting activities and crop evacuation operations remained largely intact during the quarter.

This also suggest the Group's internal estate crop quality and harvesting efficiency continued to improve, allowing the mills to absorb weaker 3rd-party crop contributions without materially affecting utilisation.

As a result, the quarter recorded firmer FFB yields alongside better control in estimated all-in cost of production, which in turn kept mill margins relatively supportive despite softer realised selling prices across palm products.

Earnings. Maintained.

Upgrade to NEUTRAL

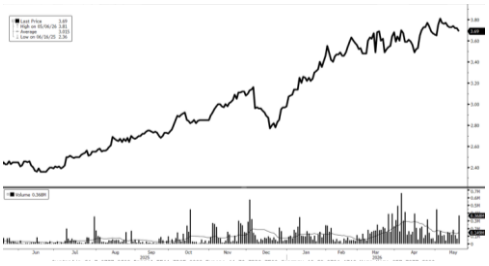
(from TRADING SELL)

Revised Target Price **RM3.55**

(from RM2.91)

RETURN STATISTICS	
Price @ 20 May 2026 (RM)	3.69
Expected share price return (%)	-3.73
Expected dividend yield (%)	+6.78
Expected total return (%)	+3.04

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.1	1.0
3 months	0.3	6.4
12 months	50.6	35.5

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	642.7	626.4	593.1
EBITDA	124.0	119.0	108.9
PBT	117.0	114.3	106.5
Core NP	90.1	88.0	82.0
EPS (sen)	32.3	31.6	29.4
DPS (sen)	25.0	20.0	20.0
Dividend Yield (%)	6.8%	5.4%	5.4%

KEY STATISTICS

FBM KLCI	1,717.69
Issue shares (m)	340.00
Estimated free float (%)	26.36
Market Capitalisation (RM'm)	1,029.63
52-wk price range	RM2.32 – RM3.87
3-mth average daily volume (m)	0.17
3-mth average daily value (RM'm)	0.62
Top Shareholders (%)	
Ta Ann Holdings Bhd	28.69
State Financial Secretary	25.52
Amanah Khairat Yayasan Budaya	4.16

Sarawak Plantation: 1QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue	135.5	165.4	105.2	-36.4	-22.4	135.5	105.2	-22.4
Operating profit	25.4	41.2	22.8	-44.7	-10.2	25.4	22.8	-10.2
Chg in fair value biological assets	4.1	-4.7	7.6	>100	86.1	4.1	7.6	86.1
PBT	31.0	38.1	32.1	-15.7	3.6	31.0	32.1	3.6
Tax Expense	-8.1	-12.7	-8.8	NM	NM	-8.1	-8.8	NM
PATAMI	22.6	25.2	23.1	-8.3	2.1	22.6	23.1	2.1
Core PATAMI	18.5	33.7	15.3	-54.5	-16.9	18.5	15.3	-16.9
Core EPS (sen)	6.6	12.1	5.5	-54.5	-16.9	6.6	5.5	-16.9
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	18.7	24.9	21.7	-3.2	2.9	18.7	21.7	2.9
PBT margin (%)	22.9	23.0	30.5	7.5	7.7	22.9	30.5	7.7
Core PATAMI margin (%)	13.6	20.4	14.6	-5.8	1.0	13.6	14.6	1.0
Effective tax rate (%)	26.1	33.5	27.3	-6.2	1.2	26.1	27.3	1.2

Source: Company, MBSBR

Sarawak Plantation: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1QFY25	4QFY25	1QFY26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue								
- Estate Operations	65.6	87.9	60.3	-31.4	-8.1	65.6	60.3	-8.1
- Mill Operations	122.3	146.4	93.5	-36.1	-23.5	122.3	93.5	-23.5
Operating Profit								
- Estate Operations	25.2	37.7	20.8	-44.9	-17.5	25.2	20.8	-17.5
- Mill Operations	4.2	10.7	5.1	-51.9	22.0	4.2	5.1	22.0
Operating Profit Margins (%)								
- Estate Operations	38.4	42.9	34.4	-8.4	-3.9	38.4	34.4	-3.9
- Mill Operations	3.5	7.3	5.5	-1.8	2.1	3.5	5.5	2.1
Operational Stats.								
FFB Production 'Mt	73,940	111,511	79,066	-29.1	6.9	73,940	79,066	6.9
CPO Production 'Mt	22,106	29,475	19,129	-35.1	-13.5	22,106	19,129	-13.5
Avg CPO Price Realised (RM/Mt)	4,728	4,185	4,034	-3.6	-14.7	4,728	4,034	-14.7
Avg PK Price Realised (RM/Mt)	3,451	3,167	3,154	-0.4	-8.6	3,451	3,154	-8.6

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	114.3	106.5
EBITDA	160.5	177.8	124.0	119.0	108.9	Operating cash flow	130.5	138.6	112.9	100.7	94.0
PBT	124.4	142.2	117.0	114.3	106.5	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	33.5	36.8	30.6
EPS (sen)	26.4	32.4	32.3	31.6	29.4	Beginning cash flow	114.6	104.7	110.7	144.1	180.9
PER (x)	14.0x	11.4x	11.4x	11.7x	12.6x	Ending cash flow	104.7	110.7	144.1	180.9	211.5
DPS (sen)	0.20	0.25	0.25	0.20	0.20						
Dividend yield (%)	5.4%	6.8%	6.8%	5.4%	5.4%						

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	29.1%	31.1%	19.3%	19.0%	18.4%
ROU assets	89.7	87.5	87.5	87.5	87.5	PBT margin	22.6%	24.9%	18.2%	18.3%	18.0%
Non-current assets	720.6	751.8	748.2	743.3	738.0	PATAMI margin	16.7%	18.5%	14.0%	14.1%	13.8%
Inventories	26.1	22.3	29.3	28.7	27.4	Core PATAMI margin	13.4%	15.8%	14.0%	14.1%	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	1,156.9	1,187.4	1,209.9						
Long-term debt	38.0	60.6	60.6	60.6	60.6						
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	94.0	92.3	88.6						
Share capital	341.0	341.0	341.0	341.0	341.0						
Reserves	438.4	488.4	508.7	541.0	567.2						
Equity	783.7	833.7	854.1	886.3	912.5						

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