Corporate Update

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Upgrade to BUY
(from NEUTRAL)

Revised Target Price **RM3.98**
(from RM3.55)

Resilient Age Profile

Upgrade to BUY; revised TP RM3.98. Post our meeting with management, we upgrade Sarawak Plantation (SPB) to BUY with a revised TP of RM3.98 (from RM3.55), based on FY27 EPS of 39.0sen, pegged to 10.2x PER following our valuation rollover and earnings adjustments. Earnings growth should be driven by the maturation of c.1,500ha over FY26-27, supporting stronger FFB output, improving estate yields and firmer OER.

Together with emerging El Niño conditions that could tighten regional PO supply and support firmer CPO prices into 3QCY26, SPB stands to benefit from stronger upstream margins. Importantly, its 100% Malaysian exposure insulates the group from Indonesia's evolving policy and regulatory risks, while its strong historical correlation of c.0.89 to CPO prices offers additional leverage to any sustained uptrend in palm oil prices.

Production and yield growth. While management lowered its FY26 FFB target to approximately 410,000 tonnes from 450,000 tonnes previously following the emergence of drier weather conditions, the revised guidance still represents a respectable +13.6%yoy growth against FY25 base year of 360,993 tonnes. Rainfall in its operating areas declined by about 40%yoy up to May 2026, temporarily slowing crop ripening. Nevertheless, yield performance remained resilient at 3.80Mt/ha in 1QFY26, continuing to outperform the Sarawak industry average. More importantly, the group continues to benefit from a favourable age profile, with a sizeable immature estate base c.30% that should underpin future production growth.

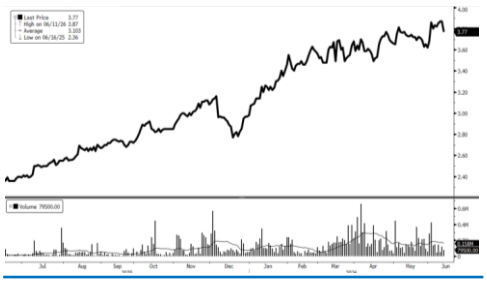
Internal crop production. FFB processed declined to 101,000 tonnes (-13.0%yoy) despite estate production increasing by +7.0%yoy. The softer mill throughput was largely attributed to lower external crop purchases following tighter procurement practices and replanting activities by two major suppliers. Encouragingly, internal estates contributed 63% of total mill intake during the quarter, versus 37% from third-party sources, reflecting stronger self-sufficiency and improving quality control over its crop base.

Fertiliser commitments. The group has secured more than 60% of its FY26 fertiliser requirements at pre-conflict related spike prices, providing meaningful protection against recent volatility in fertiliser markets. While the remaining requirement may be sourced at higher prices, management estimates the impact to be relatively manageable at approximately RM10-15/tonne of FFB. This places the group in a more favourable position than peers that remain largely exposed to spot fertiliser prices.

Cost of production. Although fertiliser and diesel prices remain elevated, the near-term cost impact is expected to be moderated by earlier procurement commitments and improving operational scale.

RETURN STATISTICS	
Price @ 15th June 2026 (RM)	3.77
Expected share price return (%)	+5.63
Expected dividend yield (%)	+5.31
Expected total return (%)	+10.94

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.8	3.7
3months	2.4	8.4
12 months	59.1	43.0

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	600.6	611.4	589.3
EBITDA	125.3	145.6	143.2
PBT	118.3	141.5	142.7
Core NP	91.1	108.9	109.8
EPS (sen)	32.7	39.0	39.4
DPS (sen)	25.0	20.0	20.0
Dividend Yield (%)	6.6%	5.3%	5.3%

KEY STATISTICS

FBM KLCI	1,691.39
Issue shares (m)	340.03
Estimated free float (%)	26.36
Market Capitalisation (RM'm)	1,051.95
52-wk price range	RM2.32 – RM3.88
3-mth average daily volume (m)	0.20
3-mth average daily value (RM'm)	0.71
Top Shareholders (%)	
Ta Ann Holdings Bhd	28.69
State Financial Secretary	25.52
Yayasan Sarawak	4.16

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Management's revised unit production cost guidance of RM2,500-2,600/tonne largely reflects conservative assumptions on weather and input costs. Over the medium term, stronger crop production drive by higher internal crop contribution and improving estate productivity should help cushion margin pressures.

Earnings. We are tweaking FY26/27 earnings estimates by +1.1%/23.7% higher, banking on expansion of matured age bracket c.+900-1000 ha, that will FFB output to stay above 400,000 tonnes and modest FFB yield of 18.5-19tonne/ha over the period.

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	600.6	611.4	589.3	PBT	124.4	142.2	118.3	141.5	142.7
EBITDA	160.5	177.8	125.3	145.6	143.2	Operating cash flow	130.5	138.6	111.4	120.6	121.7
PBT	124.4	142.2	118.3	141.5	142.7	Investing cash flow	-94.6	-99.3	-9.7	-8.2	-7.5
PATAMI	92.0	105.8	91.1	108.9	109.8	Financing cash flow	-45.8	-33.3	-69.8	-55.8	-55.8
Core PATAMI	73.8	90.4	91.1	108.9	109.8	Net cash flow	-9.9	5.9	32.0	56.6	58.3
EPS (sen)	26.4	32.4	32.7	39.0	39.4	Beginning cash flow	114.6	104.7	110.7	142.6	199.3
PER (x)	14.3x	11.6x	11.5x	9.7x	9.6x	Ending cash flow	104.7	110.7	142.6	199.3	257.6
DPS (sen)	20.0	25.0	25.0	20.0	20.0						
Dividend yield (%)	5.3%	6.6%	6.6%	5.3%	5.3%						

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%	20.9%	23.8%	24.3%
ROU assets	89.7	87.5	87.5	87.5	87.5	PBT margin	22.6%	24.9%	19.7%	23.1%	24.2%
Non-current assets	720.6	751.8	748.2	743.3	738.0	Core PATAMI margin	13.4%	15.8%	15.2%	17.8%	18.6%
Inventories	26.1	22.3	26.9	26.3	25.2						
Receivables	20.3	25.8	27.1	27.6	26.6						
Total Assets	0.0	0.0	0.0	0.0	0.0						
Long-term debt	1,030.2	1,116.8	1,151.1	1,202.7	1,253.7						
Non-current liabilities	38.0	60.6	60.6	60.6	60.6						
Borrowings	173.9	208.8	208.8	208.8	208.8						
Current liabilities	2.7	8.0	8.0	8.0	8.0						
Share capital	72.7	74.3	87.2	85.7	82.6						
Reserves	341.0	341.0	341.0	341.0	341.0						
Equity	438.4	488.4	509.8	562.9	616.9						

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