Corporate Update

Sarawak Plantation Berhad

(5135 | SPLB MK) Main | Plantation

SHARIAH Compliant

Maintain BUY

Revised Target Price **RM5.36**
(from RM3.98)

2QFY26 Results Review: Within Expectations

Maintain BUY. Taking cue from latest results, we maintain our BUY call with a revised TP of RM5.36, based on revised FY27 EPS of 48.7sen, pegged to 11x PER, following earnings adjustments. Earnings growth would be driven by the maturation of c.1,000 ha in FY26-27, supporting stronger internal FFB output and estate yields, and the OER.

Together with emerging El Niño conditions that could tighten regional PO supply and support firmer CPO prices into 4Q26-1Q27, SPB stands to benefit from stronger estate margins. Importantly, its 100% Malaysian exposure insulates the group from Indonesia's regulatory risks, while its strong historical correlation of c.0.89 to CPO prices offers additional leverage to any sustained uptrend in PO prices.

Within estimates. 2QFY26 Core PATAMI of RM31.1m (+74.1%yoy) came in above our and consensus expectations, accounting >51%/48% of full year forecast. Profitability was well supported by higher operating profit circa RM41.5m as margin improved +8.4pts thanks to the due to high internal crop proportion and better mills purchasing strategy which reduced unit processing cost in the mills.

Oil palm profitability. Earnings across the board maintained robust, as estate and mill profitability strengthened to RM36.8m (+54.9%yoy) and RM6.4m (+1.0%yoy), driven by i) higher FFB processed (+6.7%yoy), ii) CPO and strong average CPO and PK price realized, circa RM4,447/tonne (+10.1%yoy) and PK of RM3,404/tonne (+7.2%yoy), respectively.

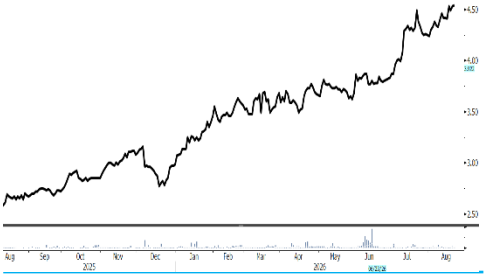
Oil palm operations. Operationally, FFB production surged to 95,125 Mt (+20.3%qoq, +12.6%yoy), derived from higher internal contribution arising from extended young mature trees, thanks to the aggressive replanting for the past couple of years. Management guided, even as of to-date internal production have not seeing any derail, despite lower rainfall recorded, in which still above 200mm.

This also suggests the Group's internal estate crop quality and harvesting efficiency continued to improve, allowing the mills to absorb lower 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 alongside elevated average CPO price realise.

Earnings. We raise our FY26-28F earnings forecasts by +23.9%/ +24.9%/ +21.2% to RM111.7m/ RM136.0m/ RM133.1m, respectively, reflecting revised CPO ASPs of RM4,400/4,350/Mt/RM4,200, circa >20% OER p.a., and lower cost of production c. RM2,400-2,600/tonne due to fertiliser carryover stock aided by stable estates yield.

RETURN STATISTICS	
Price @ 21st August 2026 (RM)	4.54
Expected share price return (%)	+18.11
Expected dividend yield (%)	+5.51
Expected total return (%)	+23.62

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.1	-1.0
3 months	19.2	20.7
12 months	71.3	57.6

INVESTMENT STATISTICS			
FYE Dec	2026E	2027F	2028F
Revenue	643.5	687.4	672.1
EBITDA	151.4	179.2	171.1
PBT	145.0	176.7	172.9
Core NP	111.7	136.0	133.1
EPS (sen)	40.0	48.7	47.7
DPS (sen)	25.0	25.0	25.0
Dividend Yield (%)	5.5%	5.5%	5.5%

KEY STATISTICS	
FBM KLCI	1,736.48
Issue shares (m)	340.00
Estimated free float (%)	21.70
Market Capitalisation (RM'm)	1,266.81
52-wk price range	RM2.64 – RM4.56
3-mth average daily volume (m)	0.16
3-mth average daily value (RM'm)	0.65
Top Shareholders (%)	
Ta Ann Holdings Bhd	29.41
State Financial Secretary	25.52
Amanah Khairat Yayasan Budaya	4.16

Sarawak Plantation: 2QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue	131.0	105.2	147.3	40.0	12.5	266.5	252.5	-5.3
Operating profit	25.9	22.8	41.5	82.3	60.2	51.3	64.3	25.4
Chg in fair value biological assets	9.0	7.6	8.1	6.4	-10.6	13.1	15.6	19.5
PBT	36.8	32.1	51.8	61.2	40.8	67.7	83.9	23.8
Tax Expense	-9.5	-8.8	-12.4	NM	NM	-17.6	-21.1	NM
PATAMI	26.9	23.1	39.1	69.1	45.3	49.5	62.1	25.6
Core PATAMI	17.9	15.3	31.1	>100	74.1	36.3	46.4	27.8
Core EPS (sen)	6.4	5.5	11.1	>100	74.1	13.0	16.6	27.8
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	19.8	21.7	28.2	6.5	8.4	19.2	25.5	6.2
PBT margin (%)	28.1	30.5	35.1	4.6	7.1	25.4	33.2	7.8
Core PATAMI margin (%)	13.6	14.6	21.1	6.5	7.5	13.6	18.4	4.8
Effective tax rate (%)	26.0	27.3	23.9	-3.4	-2.1	26.0	25.2	-0.8

Source: Company, MBSBR

Sarawak Plantation: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	2Q25	1Q26	2Q26	QoQ (%)	YoY (%)	1H25	1H26	YoY (%)
Revenue								
- Estate Operations	65.9	60.3	82.5	36.8	25.1	131.5	142.7	8.5
- Mill Operations	119.9	93.5	133.6	42.8	11.4	242.2	227.1	-6.2
Operating Profit								
- Estate Operations	23.8	20.8	36.8	77.4	54.9	48.9	57.6	17.7
- Mill Operations	6.5	5.1	8.5	65.4	30.9	10.7	13.7	27.4
Operating Profit Margins (%)								
- Estate Operations	36.0	34.4	44.6	10.2	8.6	37.2	40.3	3.1
- Mill Operations	5.4	5.5	6.4	0.9	1.0	4.4	6.0	1.6
Operational Stats.								
FFB Production 'Mt	84,510	79,066	95,125	20.3	12.6	158,450	174,191	9.9
CPO Production 'Mt	24,495	19,129	25,968	35.8	6.0	46,601	45,096	-3.2
Avg CPO Price Realised (RM/Mt)	4,039	4,034	4,447	10.2	10.1	4,368	4,270	-2.2
Avg PK Price Realised (RM/Mt)	3,175	3,154	3,404	7.9	7.2	3,305	3,289	-0.5

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	643.5	687.4	672.1	PBT	124.4	142.2	145.0	176.7	172.9
EBITDA	160.5	177.8	151.4	179.2	171.1	Operating cash flow	130.5	138.6	131.7	148.8	145.9
PBT	124.4	142.2	145.0	176.7	172.9	Investing cash flow	-94.6	-99.3	-9.7	-8.2	-7.5
PATAMI	92.0	105.8	111.7	136.0	133.1	Financing cash flow	-45.8	-33.3	-69.8	-69.8	-69.8
Core PATAMI	73.8	90.4	111.7	136.0	133.1	Net cash flow	-9.9	5.9	52.3	70.9	68.6
EPS (sen)	26.4	32.4	40.0	48.7	47.7	Beginning cash flow	114.6	104.7	110.7	162.9	233.8
PER (x)	14.0x	11.4x	11.3x	9.3x	9.5x	Ending cash flow	104.7	110.7	162.9	233.8	302.5
DPS (sen)	20.0	25.0	25.0	25.0	25.0						
Dividend yield (%)	4.4%	5.5%	5.5%	5.5%	5.5%						

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%	23.5%	26.1%	25.5%
ROU assets	89.7	87.5	87.5	87.5	87.5	PBT margin	22.6%	24.9%	22.5%	25.7%	25.7%
Non-current assets	720.6	751.8	748.2	743.3	738.0	PATAMI margin	16.7%	18.5%	17.4%	19.8%	19.8%
Inventories	26.1	22.3	27.8	28.7	28.3	Core PATAMI margin	13.4%	15.8%	17.4%	19.8%	19.8%
Receivables	20.3	25.8	29.0	31.0	30.3						
Current assets	0.0	0.0	0.0	0.0	0.0						
Total Assets	1,030.2	1,116.8	1,174.3	1,243.1	1,305.3						
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	89.8	92.4	91.2						
Share capital	341.0	341.0	341.0	341.0	341.0						
Reserves	438.4	488.4	530.3	596.6	659.9						
Equity	783.7	833.7	875.6	941.9	1,005.3						

Source: Bloomberg, MBSBR

MBSB RESEARCH is part of MBSB Investment Bank Berhad 197501002077 (24878-X)

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MBSB 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