

25 November 2021

Genting Plantations Berhad

Recovery Ahead

By Adrian Kok | adrian.kok@kenanga.com.my

9MFY21 CNP of RM285.3m (+85% YoY) is above our (76%) and consensus' (74%) expectations, in anticipation of a stronger 4QFY21 as weaker FFB is overshadowed by higher CPO prices, lower fertilizer application, and premium outlets' recovery. Management is guiding FY22 FFB growth of 5-8% (vs. our 8%). Raise FY21E CNP by 10%. Maintain OUTPERFORM with an unchanged TP (SoP-derived) of RM8.40.

Above expectations. Genting Plantations Berhad (GENP)'s 9MFY21 core net profit (CNP) came in at RM285.3m (+85% YoY). This is deemed above both our and consensus' estimates, at 76%/74% of full-year estimates, in anticipation of earnings improvement in 4QFY21. However, 9MFY21 FFB output of 1.50m MT (+1% YoY) disappointed at 68% of our full-year estimate. Absence of DPS is as expected.

Results' highlight. YoY, 9MFY21 CNP rose (+85%) propelled by a 141% improvement in plantation segmental profit on the back of higher average CPO/PK prices (+31%/+59%) and FFB output (+1%). **QoQ,** despite 8% improvement in CPO price, 3QFY21 CNP fell (-17%) on: (i) lower PK prices (-7%), (ii) lower FFB output (-1%), and (iii) weaker property division (-89%).

FFB growth hiccup. With 10MFY21 FFB growth at -1%, our initial growth estimate of 5% is unachievable. However, FY22 FFB output is expected to recover, with management guiding growth of 5-8% (in line with our 8% estimate). While 4QFY21 FFB output could slip further, we expect sequential earnings improvement premised on: (i) higher CPO prices (MPOB-QTD4QFY21: +17% QoQ), (ii) premium outlets' recovery, and (iii) lower cost from lower fertilizer application.

Raise FY21E CNP by 10% on higher CPO prices of RM3,400/MT (from RM3,000/MT), but lower FY21E FFB production growth to -4% (from +5%).

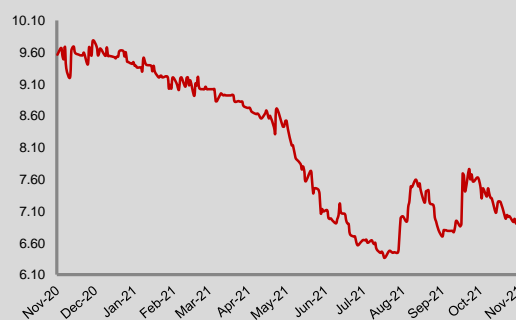
Maintain OUTPERFORM with an unchanged SoP-derived TP of RM8.40. Our TP implies FY22E PER of ~20x (-1.25SD from mean). We think aside from 4QFY21 earnings improvement, GENP offers a reopening angle play in the form of its premium outlets. Strong footfall from the eventual new Genting theme park could also be a catalyst. ESG score is at 77%.

Risks to our call include: (i) lower-than-expected CPO prices, (ii) prolonged lockdowns, and (iii) a precipitous rise in labour/fertiliser/transport and other cost.

OUTPERFORM ↔

Price : RM6.94
Target Price : RM8.40 ↔

Share Price Performance



KLCI	1,522.27
YTD KLCI chg	-6.4%
YTD stock price chg	-28.7%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GENP MK Equity
Market Cap (RM m)	6,226.6
Shares Outstanding	897.2
52-week range (H)	9.98
52-week range (L)	6.45
3-mth avg daily vol:	400,227
Free Float	18%
Beta	0.7

Major Shareholders

Genting Bhd	54.2%
Employees Provident Fund Board	13.9%
Kumpulan Wang Persaraan Diperbadankan	7.3%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	2,498	3,078	2,795
EBIT	395	585	506
PBT	323	548	482
Net Profit (NP)	254	414	365
Core NP	238	414	365
Consensus (CNP)	N.A.	388	386
Earnings Revision	N.A.	10%	0%
Core EPS (sen)	26.6	46.2	40.7
Core EPS grwth (%)	70.1	73.7	-11.9
NDPS (sen)	21.0	29.0	26.0
BV/Share (RM)	5.5	5.6	5.8
Core PER (x)	26.1	15.0	17.1
Price/BV (x)	1.3	1.2	1.2
Net Gearing (x)	0.33	0.23	0.20
Net Dvd Yield (%)	3.0	4.2	3.7



25 November 2021

Results Highlights								
FY Dec (Rm m)	3Q21	2Q21	QoQ %	3Q20	YoY%	9M21	9M20	YoY%
Revenue	732.8	790.1	-7%	645.6	14%	2,059.5	1,758.9	17%
Op Profit	188.1	193.0	-3%	78.2	140%	484.3	239.6	102%
Pretax Profit	166.3	169.9	-2%	65.8	153%	423.2	195.2	117%
Tax	(49.0)	(48.7)	1%	(14.9)	229%	(122.0)	(42.8)	185%
MI	(15.1)	(16.6)	-9%	10.5	nm	(30.7)	22.9	nm
Net Profit	102.2	104.6	-2%	61.4	67%	270.6	175.3	54%
Core Net Profit	102.1	122.4	-17%	67.7	51%	285.3	153.8	85%
FD EPS (sen)	11.4	13.6	-17%	7.5	51%	31.8	17.1	85%
Net DPS (sen)	0.0	11.0	-100%	0.0	nm	11.0	6.0	83%
EBIT	25.7%	24.4%		12.1%		23.5%	13.6%	
PBT	22.7%	21.5%		10.2%		20.5%	11.1%	
Tax	29.4%	28.7%		22.6%		28.8%	21.9%	
CPO Avg	3,502	3,250	8%	2,504	40%	3,246	2,478	31%
PK Avg	2,220	2,385	-7%	1,420	56%	2,284	1,432	59%
FFB Prod ('000 mt)	528	533	-1%	538	-2%	1,502	1,487	1%

Source: Company, Kenanga Research

Segmental Breakdown								
FY Dec (RM m)	3Q21	2Q21	QoQ %	3Q20	YoY%	9M21	9M20	YoY%
Segmental Revenue								
- Plantation	332.4	333.6	0%	227.3	46%	928.9	633.2	47%
- Downstream Mfg.	383.9	425.7	-10%	399.6	-4%	1,059.4	1,078.0	-2%
- Property	16.5	30.7	-46%	18.6	-11%	71.1	47.5	50%
- Biotech & Others	0.1	0.1	-2%	0.1	-61%	0.1	0.3	-61%
Total Group	732.8	790.1	-7%	645.6	14%	2,059.5	1,758.9	17%
Segmental Profit	3Q21	2Q21	QoQ %	3Q20	YoY%	9M21	9M20	YoY%
- Plantation	174.6	171.9	2%	66.8	161%	445.1	184.4	141%
- Downstream Mfg.	7.9	4.1	91%	9.1	-13%	3.2	19.4	-83%
- Property	1.3	12.0	-89%	11.9	-89%	23.8	35.5	-33%
- Biotech & Others	2.2	1.7	28%	(3.1)	nm	8.3	8.0	3%
Total Op Profit (pre-adj)	185.9	189.7	-2%	84.6	120%	480.4	247.3	94%

Source: Company, Kenanga Research

Sum-of-Parts Valuation					
Segment	Valuation	Note	Fair Value (RM'm)	PER	Earnings (RM'm)
Plantations	18x FY22 PER	Peer average	5,444	18	302.4
Downstream	16x FY22 PER	Smaller planters' valuations	224	16	14.0
Properties	RNAV (35% discount)	Mainly in Johor and Kedah	2,055	N.A.	N.A.
Premium Outlets	25x FY22 PER	Average retail sub-sector PER	649	25	26.0
Sum-Of-Parts (RM m)			8,372		
Conglomerate discount (%)			10%		
Adj. Sum-Of-Parts (RM m)			7,535		
No of shares (m)			897		
TP (RM)			8.40		

Source: Company, Kenanga Research

25 November 2021

Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
	(RM)	(RM'm)			1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.49	5,435.7	Y	12/2021	17.4%	-2.9%	30.7%	1.9%	22.0	16.8	16.5	1.3	1.2	7.5%	3.7%	1.45	MP
GENTING PLANTATIONS BHD	6.94	6,226.6	Y	12/2021	23.2%	-9.2%	73.7%	-11.9%	26.1	15.0	17.1	1.3	1.2	8.3%	4.2%	8.40	OP
HAP SENG PLANTATIONS HLDGS	2.05	1,639.4	Y	12/2021	60.8%	-20.6%	174.3%	-36.2%	23.7	8.6	13.5	1.0	0.9	10.8%	6.8%	2.30	OP
IJM PLANTATIONS BHD	3.10	2,729.8	N	03/2022	34.6%	-13.0%	147.9%	-42.4%	22.2	9.0	15.6	1.9	1.7	19.9%	4.7%	N.A.	Not Rated
IOI CORPORATION BHD	3.77	23,452.4	Y	06/2022	13.5%	-8.4%	20.6%	-14.1%	28.1	18.2	21.2	2.3	2.2	12.4%	2.5%	4.05	MP
KUALA LUMPUR KEPONG BHD	20.80	22,420.0	Y	09/2022	-5.2%	-3.2%	-15.0%	-7.4%	13.4	15.7	17.0	1.9	1.8	11.7%	2.6%	26.50	OP
PPB GROUP BERHAD	17.32	24,639.4	Y	12/2021	18.4%	11.1%	3.7%	7.9%	18.8	18.2	16.8	1.1	1.1	6.1%	2.3%	19.40	MP
SIME DARBY PLANTATION BHD	3.88	26,833.0	Y	12/2021	39.5%	-8.0%	194.3%	-35.7%	32.2	11.0	17.1	2.0	1.8	17.2%	5.4%	4.10	MP
TA ANN HOLDINGS BERHAD	3.37	1,484.4	Y	12/2021	44.8%	-19.0%	305.4%	-42.8%	23.4	5.8	10.1	1.1	1.0	17.4%	8.9%	3.25	MP
TSH RESOURCES BHD	1.13	1,559.6	Y	12/2021	80.6%	-18.9%	162.2%	-46.4%	21.6	8.3	15.4	1.0	0.9	12.4%	3.5%	1.17	MP
UNITED MALACCA BHD	5.20	1,090.8	Y	04/2022	11.1%	-1.6%	123.1%	-25.9%	38.4	17.2	23.2	0.8	0.8	4.8%	2.9%	5.25	MP
Simple Average					30.8%	-8.5%	111.0%	-23.0%	24.5	13.1	16.7	1.4	1.3	11.7%	4.3%		

Source: Bloomberg, Kenanga Research

25 November 2021

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

