

11 August 2022

Boustead Plantations Bhd

DoU with PPKKL

Boustead Plantations announced the signing of a Document of Understanding (DoU), via subsidiary Boustead Agro Plantations Sdn Bhd, with Pertubuhan Peladang Kawasan Hulu Langat (PPKKL) to cooperate in the development of a commercial crop project, namely the planting of chilli and ginger. It represents the group's first venture into other crops as well as being a potential ESG venture via cooperation with a government body and local community. We make no adjustments to our estimates and maintain **OUTPERFORM** with a TP of RM1.00. We make no adjustments based on its 3-star ESG rating as appraised by us.

A technical cooperation. Boustead Plantations, under their "Reinventing Boustead" framework, has outlined the integration of sustainability as well as ESG principles into its business. Currently, the group is involved in the upstream and midstream of CPO production, cultivating palm oil and refining CPO for commercial sale. This DoU represents their first venture into other commercial crops via a technical cooperation with members of PPKKL.

The DoU entails the development of a commercial crop project, namely chilli and ginger, seemingly on the group's existing land. The project aims to assist the government in addressing issues with food security as well as developing technologically integrated farming practices such as smart fertiliser application via the integration of Internet of Things.

Background on PPKKL. Lembaga Pertubuhan Peladang, of which PPKKL is a branch of, is a government institution established to improve farmers' economic and social standing via improving the skills and knowledge of members and presenting a more integrated community. Established under the *Akta Pertubuhan Peladang 1973 (Akta 109)*, PPKKL's role in this is to provide technical expertise as well as guidance and training to ensure the success of the venture.

Overall, we think the DoU will have minimal impact on the group. The land utilised by the project is expected to be a small portion of the group's land bank in the area and the project seems to be more of an early step towards achieving goals under their ESG framework via engaging with local communities through the training and guidance. We do not expect any major effects on earnings as investment into the project is expected to be minimal. While the collaboration with PPKKL is an encouraging step towards their long-term sustainability goals, the project seems to be the group's experimenting with other crops rather than an indicator of a major change.

We maintain our **OUTPERFORM** rating with a TP of RM1.00 based on an FY23E PER of 13x, a 20% discount to the 16x FY23E PER we ascribe to its larger and more integrated peers. We continue to like the stock for its generous estimated dividend yield of 17.4% for FY22 and 9.9% for FY23.

Risks to our call include: (i) lower-than-expected CPO prices, and (ii) higher-than-expected rise in costs.

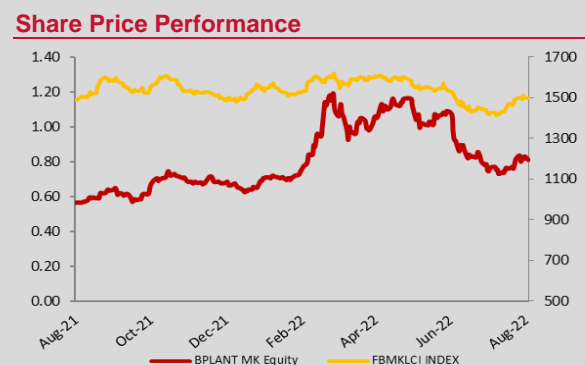
OUTPERFORM ↔

Price:	RM0.805
Target Price:	RM1.00 ↔
Expected Capital Gain:	RM0.195 +24.2%
Expected Divd. Yield:	RM0.14 +17.4%
Expected Total Gain:	RM0.32 +41.6%

KLCI Index	1,492.33
Stock Information	
Bloomberg Ticker	BPLANT MK Equity
Bursa Code	5254
Listing Market	Main Market
Shariah Compliant	Yes
Shares Outstanding	2,240.0
Market Cap (RM m)	1,803.2
Par value per share (RM)	#N/A N/A
52-week range (H)	1.25
52-week range (L)	0.56
Free Float	29%
Beta	1.4
3-mth avg daily vol:	3,436,860

Major Shareholders	
Boustead Holdings Bhd	57.4%
Lembaga Tabung Angkatan Tentera	10.6%
UBS	1.0%

Summary Earnings Table			
FY Dec (RM m)	2021A	2022E	2023E
Turnover	1,050.0	1,372.1	992.4
EBIT	390.6	537.4	243.1
PBT	344.8	886.2	235.9
Net Profit	242.5	652.6	169.8
Core Net Profit	242.5	327.6	169.8
Consensus (NP)	-	316.0	121.0
Earnings Revision	-	-	-
Core EPS (sen)	10.8	14.6	7.6
Core EPS growth (%)	605.2	35.1	-48.2
NDPS (sen)	8.4	14.0	8.0
Price to NTA (x)	0.7	0.6	0.6
PER (x)	7.4	5.5	10.6
PBV (x)	0.7	0.6	0.6
Net Gearing (%)	35.7	17.1	19.2
Net Div. Yield (%)	10.4	17.4	9.9



	1 mth	3 mths	12 mths
Absolute (%)	5.2%	-22.6%	42.5%
Relative (%)	0.6%	-18.6%	42.8%

By **Teh Kian Yeong**
tehy@kenanga.com.my
+603-2172-2629

11 August 2022

Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					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.				
PLANTATION																		
BOUSTEAD PLANTATIONS BHD	0.805	1,803.2	Y	12/2022	30.7%	-27.7%	35.1%	-48.2%	7.4	5.5	10.6	0.7	0.6	24.4%	17.4%	1.00	OP	
FGV HOLDINGS BHD	1.51	5,508.7	Y	12/2022	10.9%	-6.1%	-2.2%	-20.9%	4.7	4.8	6.1	1.0	0.9	19.5%	5.3%	2.30	MP	
GENTING PLANTATIONS BHD	6.60	5,921.5	Y	12/2022	23.0%	-5.4%	32.1%	-6.2%	14.7	11.1	11.9	1.2	1.1	10.4%	4.2%	9.50	OP	
HAP SENG PLANTATIONS HOLDINGS	2.27	1,815.3	Y	12/2022	32.0%	-14.7%	15.0%	-17.2%	9.1	7.9	9.5	1.0	0.9	13.1%	7.9%	3.30	OP	
IOI CORP BHD	4.11	25,532.8	Y	06/2022	46.7%	-15.7%	64.6%	-17.5%	23.9	14.5	17.6	2.5	2.3	15.8%	3.2%	4.65	MP	
KUALA LUMPUR KEPONG BHD	22.50	24,258.5	Y	09/2022	26.1%	-2.8%	23.4%	-3.3%	14.4	11.7	12.1	2.0	1.8	17.3%	2.4%	30.00	OP	
PPB GROUP BHD	16.40	23,330.6	Y	12/2022	12.0%	5.2%	-7.7%	7.9%	15.6	16.9	15.6	1.0	0.9	5.7%	2.4%	15.00	UP	
SIME DARBY PLANTATION BHD	4.52	31,259.0	Y	12/2022	19.9%	-13.2%	39.1%	-23.0%	15.5	11.1	14.5	2.1	1.9	17.4%	5.3%	5.25	MP	
TA ANN HOLDINGS BHD	3.80	1,673.8	Y	12/2022	17.7%	-6.5%	-7.4%	-3.7%	5.8	6.3	6.6	1.1	1.0	16.3%	7.9%	6.00	MP	
TSH RESOURCES BHD	1.07	1,476.8	Y	12/2022	38.4%	-8.9%	11.5%	5.2%	6.8	6.1	5.8	0.9	0.6	34.8%	3.7%	1.90	OP	
UNITED MALACCA BHD	5.40	1,132.8	Y	04/2023	1.9%	-1.2%	-5.4%	-14.4%	10.0	10.5	12.3	0.8	0.8	7.6%	2.8%	5.90	MP	
Simple Average					22.9%	-6.9%	16.3%	-9.3%	12.1	10.1	11.2	1.4	1.2	15.8%	4.5%			

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Corporate Social Responsibility	★	★	★		
	Management/Workforce Diversity	★	★	★		
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★	☆	
	SPECIFIC	Biodiversity Conservation	★	★	☆	
Sustainable Planting		★	★	★		
Guest Labour Welfare		★	★	★		
Supply Chain Auditing		★	★	☆		
Occupational Health & Safety		★	★	★	☆	
Waste Disposal & Pollution Control		★	★	★	☆	
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★★ +5% premium to TP
 ★★★★★★ +10% premium to TP

11 August 2022

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%

**** The Expected Total Return might contain rounding discrepancy**

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

This report has been prepared by Kenanga Investment Bank Berhad pursuant to the Research Incentive Program under Bursa Research Incentive Scheme ("Bursa RISE") administered by Bursa Malaysia Berhad. This report has been produced independent of any influence from Bursa Malaysia Berhad or the subject company. Bursa Malaysia Berhad and its group of companies disclaim any and all liability, howsoever arising, out of or in relation to the administration of Bursa Research Incentive Program and/or this report.

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

The reports will be made available on <https://www.bursamarketplace.com/>