

30 May 2024

Genting Plantations

Buoyed by Higher CPO Prices, Lower Cost

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GENP's 1QFY24 results met expectations. Its 1QFY24 core net profit grew 18% YoY thanks to firmer CPO prices and lower production cost, while FFB production was flattish. Its FFB production should improve in 2H. We maintain our forecasts, TP of RM6.00 and our MARKET PERFORM call.

Its 1QFY23 core net profit of RM41m (excluding net exceptional gain of RM1.7m due mostly to forex gain of RM2.8m and disposal loss of RM1m) came in at only 14% and 13% of our full-year forecast and the full-year consensus estimate, respectively. However, we consider the results within expectations as we expect FFB production to pick up, especially during 2H.

YoY, its 1QFY24 core net profit grew 18% thanks mainly to firmer CPO prices, lower production cost and slightly better property profits partially offset by downstream losses, while its FFB production was flattish.

QoQ, its revenue dropped 24% mainly from seasonally lower FFB output (-21%) and weaker downstream sales, partially cushioned by higher CPO prices (+7%). Its core net profit fell by a sharper 36%, weighed down by loss of operating scale despite a 7% rise in PK prices (that set off against its CPO production cost).

Outlook. We believe firm CPO prices should hold through CY24-25 on the back of tightening edible oil inventory till possibly mid-CY25 as production is trying to catch up with trend line demand growth of 3%-4% YoY. As such, edible oil prices, notably CPO may swing unexpectedly from negatives news on the weather, shipping or geopolitical fronts. We are holding our CPO price forecasts at RM3,800 per MT over CY24-25 but as half its harvest sells at lower Indonesian prices, GENP's average CPO should hover closer to RM3,500-3,600 per MT over FY24-25.

Meanwhile, fertiliser prices are about 30% lower than a year ago while energy costs are 10% down YoY. PK prices which have been weak since mid-2022 may have bottomed as GENP already reported higher 1QFY24 PK prices and better PK sales proceed will go towards containing CPO cost further. Although FFB production was slightly soft in 1QFY24, the overall output trend is normalising both in Malaysia and Indonesia. The group's Indonesian palm trees are also entering more productive age bracket, which is supportive of annual output growth of 3%-5% over FY24-25.

Its property earnings will be underpinned by the recent launch of industrial properties in Batu Pahat as well as the pending opening of the Premium Outlet in Jakarta due in early-FY25. The demand for Kulai properties, a growing suburb of Johor Bahru, is also supportive of better property prospects ahead.

Forecasts. No change.

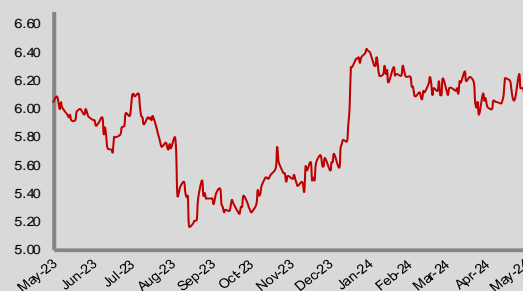
Valuations. We also maintain our TP of RM6.00 based 1.0x PBV which is in line with the plantation sector 1-2x PBV range. There is no ESG adjustment to our TP based on a 3-star rating as appraised by us (see Page 3). Maintain **MARKET PERFORM**.

Risks to our call include: (i) Western hostility towards palm oil on sustainability and bio-diversity issues; (ii) impact of weather and labour shortages on production, (iii) weak CPO and PK prices, and (iv) cost inflation particularly fertilisers.

MARKET PERFORM ↔

Price : **RM6.00**
Target Price : **RM6.00** ↔

Share Price Performance



KLCI 1,605.35
YTD KLCI chg 10.4%
YTD stock price chg 7.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	GENP MK EQUITY
Market Cap (RM m)	5,383.0
Shares Outstanding	897.2
52-week range (H)	6.39
52-week range (L)	5.04
3-mth avg. daily vol.	361,356
Free Float	19%
Beta	0.9

Major Shareholders

Genting Berhad	54.4%
Employees Provident Fund Board	13.0%
Kumpulan Wang Persaraan	7.5%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	2,966.5	3,495.8	3,506.3
EBIT	456.4	568.7	564.0
PBT	384.1	457.2	471.2
Net Profit	253.5	304.5	320.6
Core NP (CNP)	251.7	304.5	323.8
Consensus	-	315	303
Earnings Revision	-	-	-
Core EPS (sen)	28.1	33.9	36.1
Core EPS Growth (%)	-46.4	21.0	6.3
NDPS (sen)	21.0	18.0	18.0
NTA/Share (RM)	5.95	6.02	6.19
Core PER (x)	21.4	17.7	16.6
Price/NTA (x)	1.0	1.0	1.0
Net Gearing (x)	0.19	0.20	0.19
Dividend Yield (%)	3.5	3.0	3.0

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Results Highlights								
<i>FYE Dec (RM m)</i>	1Q24	4Q23	QoQ	1Q23	YoY	3MFY24	3MFY23	YoY
Revenue	605.8	800.5	-24%	584.3	4%	605.8	584.3	4%
Gross Profit	145.6	219.6	-34%	129.5	13%	145.6	129.5	13%
EBIT	98.4	118.6	-17%	68.9	43%	98.4	68.9	43%
Interest expenses	(25.7)	(26.1)	-1.5%	(27.1)	-5%	(25.7)	(27.1)	-5%
Associates & JVs	10.9	9.5	14%	10.0	9%	10.9	10.0	9%
El (to be excluded fr N. Profit)	1.7	(1.5)	-203%	3.8	-59%	1.6	3.8	-59%
Pretax Profit	60.8	100.5	-40%	55.6	9%	60.8	55.6	9%
Taxation	(21.1)	(40.0)	-47%	(14.9)	42%	(21.1)	(14.9)	42%
MI	3.1	2.6	19%	(1.9)	-265%	3.1	(1.9)	-265%
Net Profit	42.8	63.2	-32%	38.8	10%	42.8	38.8	10%
El (excl. from net profit)	(1.7)	1.5	-209%	(3.8)	-56%	(1.7)	(3.8)	-56%
Core Net Profit	41.1	64.7	-36%	35.0	18%	41.3	35.0	18%
Core EPS (sen)	4.6	7.2	-36%	3.9	18%	4.6	3.9	18%
DPS (sen)	-	13.0	-	-	-	-	-	-
GP %	24%	27%		22%		24%	22%	
EBIT %	16%	15%		12%		16%	12%	
PBT %	10%	13%		10%		10%	10%	
Tax %	35%	40%		27%		35%	27%	
CPO Price (RM / MT)	3,643	3,395	7%	3,585	2%	3,643	3,585	2%
PK Price (RM / MT)	2,011	1,841	9%	1,983	1.4%	2,011	1,983	1.4%
FFB Production (000 MT)	456.7	576.9	-21%	456.5	0.04%	456.7	456.5	0.04%

Source: Company, Kenanga Research

Segmental Breakdown								
<i>FY Dec (RM m)</i>	1Q24	4Q23	QoQ	1Q23	YoY	3MFY24	3MFY23	YoY
Segmental Revenue								
- Plantation	385.9	504.5	-23%	350.6	10%	385.9	350.6	10%
- Downstream Mfg.	184.5	264.8	-30%	210.4	-12%	184.5	210.4	-12%
- Property	34.3	31.0	11%	22.4	54%	34.3	22.4	54%
- Biotech & Others	1.1	0.2	527%	0.9	25%	1.1	0.9	25%
Total Group	605.8	800.5	-24%	584.3	4%	605.8	584.3	4%
Segmental PBT								
- Plantation	64.3	106.0	-39%	53.0	21%	64.3	53.0	21%
- Downstream Mfg.	(2.7)	(1.2)	123%	7.8	-135%	(2.7)	7.8	-135%
- Property	20.5	22.1	-7%	19.5	5%	20.5	19.5	5%
- Biotech & Others	(2.7)	(8.3)	-67%	(7.7)	-64%	(2.7)	(7.7)	-64%
- Net interest expense	(18.6)	(18.1)	3%	(17.0)	9%	(18.6)	(17.0)	9%
Total PBT	60.8	100.5	-40%	55.6	9%	60.8	55.6	9%

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld	
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	
PLANTATION																		
GENTING PLANTATIONS BHD	MP	6.00	6.00	0.0%	5,383.0	Y	12/2024	33.9	36.1	21.0%	6.4%	17.7	16.6	1.0	5.6%	21.0	3.5%	
HAP SENG PLANTATIONS HLDGS	MP	1.79	2.00	11.7%	1,431.4	Y	12/2024	12.8	13.1	13.0%	2.9%	14.0	13.6	0.7	5.1%	7.0	3.9%	
IOI CORP BHD	MP	3.87	4.10	5.9%	24,008.3	Y	06/2024	18.9	21.2	-22.3%	12.0%	20.4	18.3	2.2	11.6%	11.0	2.8%	
KUALA LUMPUR KEPONG BHD	MP	21.36	21.00	-1.7%	23,419.2	Y	09/2024	90.0	125.7	8.7%	39.7%	23.7	17.0	1.6	6.7%	50.0	2.3%	
PPB GROUP BHD	OP	14.80	18.50	25.0%	21,054.5	Y	12/2024	115.9	137.1	44.0%	18.3%	12.8	10.8	0.7	5.8%	45.0	3.0%	
SIME DARBY PLANTATION BHD	MP	4.24	4.00	-5.7%	29,322.6	Y	12/2024	16.6	18.8	30.1%	13.5%	25.6	22.5	1.7	6.6%	15.0	3.5%	
TA ANN HOLDINGS BHD	MP	3.96	4.00	1.0%	1,744.2	Y	12/2024	40.9	43.5	3.5%	6.2%	9.7	9.1	1.0	10.0%	25.0	6.3%	
TSH RESOURCES BHD	OP	1.09	1.30	19.3%	1,504.4	Y	12/2024	6.9	7.4	-1.8%	6.3%	15.7	14.8	0.7	9.2%	2.0	1.8%	
UNITED MALACCA BHD	OP	5.07	6.00	18.3%	1,063.5	Y	04/2024	24.6	32.8	-25.4%	33.3%	20.6	15.4	0.7	3.2%	12.0	2.4%	
Simple Average					108,931.2													3.3%

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

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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.**

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