

08 May 2024

Sime Darby Plantation

Another LSS Project In the Pipeline

By Clement Chua | clement.chua@kenanga.com.my

SIMEPLT and its principal shareholder, Permodalan Nasional Bhd (PNB), are aiming to develop Tali Ayer estate in Perak into a green industrial park. The 1,000-acre (405-Ha) industrial park will include a 660-acre solar farm to draw green electrical and electronic (E&E) investments. The impact on SIMEPLT is expected to be minimal for the next 12-24 months; hence, FY24-25F CEPS, TP of RM4.00 and MARKET PERFORM are maintained.

Kerian Integrated Green Industrial Park (KIGIP). Details of the project are still scant. Located in north Perak and yet just 40-minute drive from Batu Kawan Industrial Park (BKIP) and 60-minute from Bayan Lepas Industrial Park, KIGIP was first mooted in the 2024 Budget. The aim is to draw green E&E investments and ease current and prospective labour, land and even water limitations in the state of Penang. Although Deputy Investment, Trade and Industry Minister (YB Tuan Liew Chin Tong) alluded to possible acquisition of the land from SIMEPLT during a March 2024 Parliament question time, SIMEPLT and PNB appear to be spearheading the development now but details are not available at this juncture.

SIMEPLT is not new to renewable energy. To date the group already operates 16 biogas plants across Malaysia, Indonesia and Papua New Guinea. SIMEPLT also owns a 15MW solar installation at Bukit Selarong estate in Kedah not to mention numerous rooftop solar installations within the group operations. SIMEPLT is also a landlord to 16 solar operators, 5 of which operate solar farms under the country's Large Scale Solar or LSS4 scheme. Thus far, most of the land SIMEPLT has employed to generate solar-related returns are in areas either not suitable for oil palm and/or on old rubber estates.

Impact on FY24-25F earnings is minimal as KIGIP is still in early stages of planning. Based on current land rental of RM5k-7k per acre for solar installation, a 660-acre site could earn RM3m-RM5m a year which is negligible to the group. However, SIMEPLT and/or PNB may develop the estimated - depending on terrain and infrastructure allowances - 200-300MW solar farm to sell electricity for better contribution instead. Development earnings can also be expected but not likely over the next 12-24 months.

Towards 2050 Net Zero Commitment. Aside from prospective solar and land development profit, the solar farm is also expected to help SIMEPLT achieve its net zero goal by 2050.

Forecasts. Maintained FY24-25F CNP.

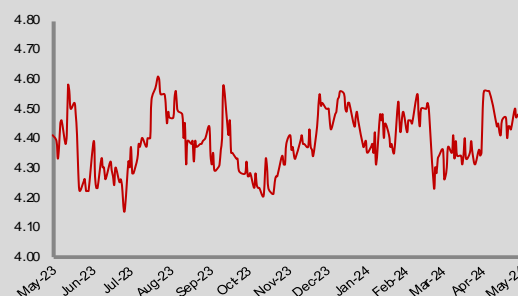
Maintain MARKET PERFORM and TP of RM4.00. SIMEPLT offers defensive land-rich NTA, improving gearing with firm CPO prices. However, SIMEPLT looks expensive for now, trading at 1.8x FY25F Price/NTA with no ESG premium in view of its average 3-star scoring.

Risks to our call include: (i) weather impact on edible oil supply, (ii) favourable commodity prices fluctuations, and (iii) easing of cost inflation.

MARKET PERFORM ↔

Price : RM4.48
Target Price : RM4.00 ↔

Share Price Performance



KLCI 1,605.68
YTD KLCI chg 10.4%
YTD stock price chg 0.4%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker SDPL MK EQUITY
Market Cap (RM m) 30,982.4
Shares Outstanding 6,915.7
52-week range (H) 4.61
52-week range (L) 4.05
3-mth avg. daily vol. 2,821,578
Beta 22%

Major Shareholders

Amanah Saham Nasional 53.3%
Employee Provident Fund Board 15.3%
Kumpulan Wang Persaraan 6.6%

Summary Earnings Table

FYE Dec (RM m)	2023A	2024F	2025F
Turnover	18,428	19,374	18,910
EBIT	2,927	1,800	1,974
PBT	2,752	1,756	1,926
Net Profit (NP)	1,860	1,148	1,303
Core NP	882	1,148	1,303
Consensus (CNP)	-	1,451	1,480
Earnings Revision	-	-	-
Core EPS (sen)	12.8	16.6	18.8
Core EPS Growth (%)	-56.9	30.1	13.5
NDPS (sen)	16.0	15.0	15.0
NTA/Share (RM)	2.51	2.53	2.57
Core PER (x)	35.9	27.6	24.3
Price/NTA (x)	1.8	1.8	1.8
Net Gearing (x)	0.2	0.2	0.2
Dividend Yield (%)	3.5	3.3	3.3

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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. 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.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.						
PLANTATION																									
GENTING PLANTATIONS BHD	MP	6.06	6.00	-1.0%	5,436.8	Y	12/2024	33.9	36.1	21.0%	6.4%	17.9	16.8	1.0	5.6%	21.0	3.5%								
HAP SENG PLANTATIONS HOLDINGS	MP	1.83	2.00	9.3%	1,463.4	Y	12/2024	12.8	13.1	13.0%	2.9%	14.3	13.9	0.7	5.1%	7.0	3.8%								
IOI CORP BHD	MP	4.08	3.80	-6.9%	25,311.1	Y	06/2024	20.0	23.0	-17.9%	14.9%	20.4	17.8	2.3	12.1%	11.0	2.7%								
KUALA LUMPUR KEPONG BHD	MP	23.12	23.00	-0.5%	25,348.9	Y	09/2024	113.3	138.8	50.6%	22.5%	20.4	16.7	1.6	8.2%	50.0	2.2%								
PPB GROUP BHD	OP	15.90	18.50	16.4%	22,619.3	Y	12/2024	115.9	137.1	44.0%	18.3%	13.7	11.6	0.8	5.8%	45.0	2.8%								
SIME DARBY PLANTATION BHD	MP	4.48	4.00	-10.7%	30,982.4	Y	12/2024	16.6	18.8	30.1%	13.5%	27.0	23.8	1.8	6.6%	15.0	3.3%								
TA ANN HOLDINGS BHD	MP	3.88	4.00	3.1%	1,709.0	Y	12/2024	40.9	43.5	3.5%	6.2%	9.5	8.9	0.9	10.0%	25.0	6.4%								
TSH RESOURCES BHD	OP	1.14	1.30	14.0%	1,573.4	Y	12/2024	7.2	7.4	29.2%	3.7%	15.9	15.3	0.8	10.3%	3.0	2.6%								
UNITED MALACCA BHD	OP	5.05	6.00	18.8%	1,059.3	Y	04/2024	24.6	32.8	-25.4%	33.3%	20.5	15.4	0.7	3.2%	12.0	2.4%								
Sector Aggregate					115,503.7													19.6%	16.2%	19.3	16.6	1.2	7.4%		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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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