



AmInvestment Bank

Company report

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GENT PLANTATIONS

(GENP MK, ASIA.KL)

PLANTATION

25 Nov 2021

FFB output to recover in FY22F

HOLD

(Maintained)

Rationale for report: Company results

Price **RM6.94**
Fair Value **RM8.00**
52-week High/Low **RM9.981/RM6.45**

Key Changes

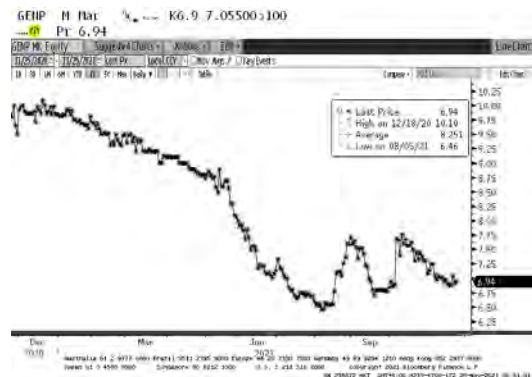
Fair value
EPS

YE to Dec	FY20	FY21E	FY22F	FY23F
Revenue (RM mil)	2,498.2	3,018.2	3,148.4	3,350.6
Net Profit (RM mil)	254.3	374.6	317.3	326.3
EPS (sen)	28.3	41.7	35.4	36.4
EPS growth (%)	79.0	47.3	(15.3)	2.8
Consensus net (RM mil)		355.3	376.4	363.1
DPS (sen)	21.0	22.0	20.0	21.0
PE (x)	24.5	16.6	19.6	19.1
EV/EBITDA (x)	13.3	9.8	9.9	9.4
Div yield (%)	3.0	3.2	2.9	3.0
ROE (%)	5.2	7.5	6.1	6.2
Net gearing (%)	33.2	30.0	27.2	24.5

Stock and Financial Data

Shares Outstanding (million)	897.2
Market Cap (RM mil)	6,235.5
Book value (RM/share)	5.48
P/BV (x)	1.3
ROE (%)	5.2
Net Gearing (%)	33.2
Major Shareholders	Genting Bhd (55.4%) EPF (12.2%)
Free Float (%)	44.6
Avg Daily Value (RM mil)	2.9

Price performance	3mth	6mth	12mth
Absolute (%)	-0.3	-15.9	-28.3
Relative (%)	-2.0	-13.2	-25.6



Investment Highlights

- We maintain **HOLD** on Genting Plantations (GenP) with a lower fair value of RM8.00/share vs. RM8.30/share previously. We have reduced GenP's FY22F net profit by 6.6% to account for a higher effective tax rate of 30% resulting from the prosperity tax in Malaysia.
- Our fair value for GenP is based on a FY23F PE of 22.0x. We have used GenP's FY23F net profit to arrive at its fair value instead of FY22F as GenP's effective tax rate is expected to normalise to 28% in FY23F vs. 30% in FY22F. We ascribe a three-star ESG rating to GenP.
- GenP's 9MFY21 core results were 8.4% above our forecast but within consensus estimates. We have raised GenP's FY21E net profit by 10.6% to account for a higher plantation EBITDA margin of 38.0% vs. 35.0% previously.
- GenP's core net profit (ex-unrealised forex gains of RM2.6mil) climbed by 74.2% YoY to RM267.9mil in 9MFY21 on the back of a 36.7% surge in plantation EBITDA.
- The plantation division benefited from higher palm product prices. Average CPO price realised improved by 31.0% to RM3,246/tonne in 9MFY21 from RM2,478/tonne in 9MFY20. FFB production growth was an unexciting 1.0% YoY in 9MFY21. All-in cost of production was RM1,895/tonne in 9MFY21 compared with RM2,010/tonne in 9MFY20.
- Downstream EBITDA (biodiesel and palm refining) rose by 55.9% YoY to RM43.5mil in 9MFY21 mainly due to higher selling prices of refined palm products. On a negative note, sales volume of biodiesel products was weak in 9MFY21 as fossil fuel is cheaper than palm biodiesel. Average utilisation rate of the biodiesel plant was 20% in 9MFY21.
- Share of net profit in associates (mainly premium outlets) fell by 61.5% YoY to RM8.7mil in 9MFY21 as the ban on inter-state travelling had affected the number of visitors.
- Comparing 3QFY21 against 2QFY21, GenP's core net profit inched down by 3.2% to RM101.8mil due to lower property earnings. Average CPO price realised was RM3,502/tonne in 3QFY21 vs. RM3,250/tonne in 2QFY21. FFB production slid by 0.9% QoQ in 3QFY21.
- GenP expects its FFB production to grow between 5% and 8% in FY22F vs. 0% in FY21E. The group also plans to replant about 4,000ha of ageing oil palm trees in FY22F, which is the same as FY21E. GenP is currently in the midst of procuring its fertiliser supply for FY22F.

EXHIBIT 1: EARNINGS SUMMARY

YE 31 Dec (RM mil)	9MFY20	9MFY21	% YoY	2QFY21	3QFY21	% QoQ
Turnover	1,758.9	2,059.5	17.1	790.1	732.8	(7.3)
EBITDA	378.6	636.3	68.1	251.4	248.6	(1.1)
Interest Income	14.9	12.7		3.7	3.6	
Interest expense	(66.9)	(69.9)	4.5	(23.6)	(23.2)	(1.7)
Depreciation	(175.5)	(167.2)	(4.7)	(61.6)	(64.5)	4.7
Associates	22.6	8.7	(61.5)	0.5	1.4	
Pre-exceptional Profit	173.7	420.6	142.1	170.4	165.9	(2.7)
Exceptionals/forex loss	21.5	2.6		(0.8)	0.5	
Pretax Profit	195.2	423.2	116.8	169.6	166.3	(1.9)
Taxation	(42.8)	(122.0)		(48.7)	(49.0)	
Minorities	22.9	(30.7)		(16.6)	(15.1)	
Net Profit	175.3	270.6	54.3	104.3	102.2	(2.0)
ex-forex	153.8	267.9	74.2	105.1	101.8	(3.2)
EPS (sen)	19.5	30.2	54.4	11.7	11.4	(2.3)
Gross DPS (sen)	6.0	11.0		11.0	-	
NTA/Share (RM)	5.27	5.50		5.48	5.50	
EBITDA margin (%)	21.5	30.9		31.8	33.9	
Pretax margin (%)	11.1	20.5		21.5	22.7	

Source: Bursa Announcement

EXHIBIT 2 : ESG RATING

Overall	★	★	★		
RSPO certification	★	★	★		
Supply chain auditing	★	★	★		
Migrant workers welfare	★	★	★		
Forest fires	★	★	★		
Work site safety	★	★	★		
Corporate social responsibility	★	★	★	★	
Corruption free pledge	★	★	★	★	
Accessibility and transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	2019	2020	2021E	2022F	2023F
Revenue	2,266.4	2,498.2	3,018.2	3,148.4	3,350.6
EBITDA	412.7	563.9	777.2	756.1	781.7
Depreciation	(230.6)	(233.7)	(251.0)	(271.7)	(292.4)
Operating income (EBIT)	182.2	330.2	526.1	484.4	489.3
Other income & associates	69.0	57.5	43.4	46.7	50.6
Net interest	(71.9)	(71.5)	(74.5)	(82.7)	(91.8)
Exceptional items	6.2	7.0	0.0	0.0	0.0
Pretax profit	185.5	323.2	495.1	448.4	448.2
Taxation	(55.0)	(72.0)	(123.8)	(134.5)	(125.5)
Minorities/pref dividends	11.7	3.1	3.3	3.4	3.6
Net profit	142.1	254.3	374.6	317.3	326.3
Core net profit	135.8	247.3	374.6	317.3	326.3
Balance Sheet (RMmil, YE 31 Dec)	2019	2020	2021E	2022F	2023F
Fixed assets	4,365.5	4,267.6	4,296.6	4,304.9	4,292.5
Intangible assets	111.5	91.5	91.5	91.5	91.5
Other long-term assets	1,489.9	1,636.2	1,627.4	1,627.4	1,632.4
Total non-current assets	5,967.0	5,995.3	6,015.5	6,023.8	6,016.4
Cash & equivalent	955.1	958.9	1,290.4	1,647.7	2,034.9
Stock	253.8	156.4	388.6	405.4	431.4
Debtors	613.2	665.1	669.8	698.7	743.6
Other current assets	671.1	665.2	667.3	669.6	672.1
Total current assets	2,493.2	2,445.5	3,016.1	3,421.4	3,882.1
Creditors	415.1	422.0	611.9	638.3	679.3
Short-term borrowings	485.5	303.7	303.7	303.7	303.7
Other current liabilities	7.3	8.1	6.2	6.2	6.2
Total current liabilities	907.8	733.8	921.8	948.2	989.2
Long-term borrowings	2,103.5	2,287.1	2,515.8	2,767.4	3,044.2
Other long-term liabilities	389.3	382.2	382.3	383.6	384.9
Total long-term liabilities	2,492.8	2,669.3	2,898.2	3,151.0	3,429.1
Shareholders' funds	4,873.1	4,914.9	5,092.1	5,230.0	5,367.9
Minority interests	186.5	122.7	119.4	116.0	112.4
BV/share (RM)	5.43	5.48	5.68	5.83	5.98
Cash Flow (RMmil, YE 31 Dec)	2019	2020	2021E	2022F	2023F
Pretax profit	185.5	323.2	495.1	448.4	448.2
Depreciation	230.6	233.7	251.0	271.7	292.4
Net change in working capital	(129.6)	(110.6)	(173.6)	(154.8)	(156.6)
Others	8.6	3.6	(16.8)	(14.1)	(47.3)
Cash flow from operations	295.1	449.8	555.6	551.1	536.6
Capital expenditure	(362.0)	(279.8)	(277.0)	(276.0)	(275.0)
Net investments & sale of fixed assets	(249.7)	0.0	0.0	0.0	0.0
Others	33.4	34.8	30.8	31.1	31.3
Cash flow from investing	(578.3)	(245.0)	(246.2)	(244.9)	(243.7)
Debt raised/(repaid)	(182.1)	28.5	228.7	251.6	276.7
Equity raised/(repaid)	710.1	0.0	0.0	0.0	0.0
Dividends paid	(107.4)	(141.2)	(191.4)	(200.4)	(182.4)
Others	(134.0)	(105.3)	0.0	0.0	0.0
Cash flow from financing	286.7	(218.0)	37.3	51.2	94.3
Net cash flow	3.4	(13.2)	346.8	357.4	387.2
Net cash/(debt) b/f	949.9	955.1	943.6	1,290.4	1,647.7
Forex	1.8	1.6	0.0	0.0	0.0
Net cash/(debt) c/f	955.1	943.6	1,290.4	1,647.7	2,034.9
Key Ratios (YE 31 Dec)	2019	2020	2021E	2022F	2023F
Revenue growth (%)	19.1	10.2	20.8	4.3	6.4
EBITDA growth (%)	32.7	36.6	37.8	-2.7	3.4
Pretax margins (%)	8.2	12.9	16.4	14.2	13.4
Net profit margins (%)	6.3	10.2	12.4	10.1	9.7
Interest cover (x)	na	na	na	na	na
Effective tax rate (%)	29.7	22.3	25.0	30.0	28.0
Net dividend payout (%)	82.1	74.1	52.7	56.5	57.7
Debtors turnover (days)	99	97	81	81	81
Stock turnover (days)	41	23	47	47	47
Creditors turnover (days)	67	62	74	74	74

Source: Company, AmInvestment Bank estimates

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