



Sarawak Oil Palms Berhad

“3Q21 PATMI Jumped on Higher CPO Prices”

Bloomberg: SOP MK | Reuters: SOPS.KL | Stock Code: 5126

**MAIN BOARD
PLANTATIONS**
BUY
TP: RM5.50
Price: RM3.48

Valuation / Recommendation

Despite SOPB’s strong profitability in 9M21, we are reducing our FY22 EPS estimate to 40 sen from 52 sen previously due to lower FFB production attributed to labour shortages as well as the one-time higher corporate tax rate of 34% on income above RM100m.

In line with our lower profit forecast, we are reducing our target price for SOPB to RM5.50 from RM6.24 previously. However, we are maintaining our BUY recommendation on SOPB as we see a potential upside of 58.0% to its current price.

Investment Highlights

3Q21 PATMI surged 70.0% y-o-y to RM125.5m (3Q20: RM73.8m). The stronger PATMI was attributed to higher average realised palm oil product prices of RM4,490 per mt during the quarter (3Q20: RM2,845 per mt).

9M21 PATMI leaped to RM302.9m (9M20: RM183.4m). The higher PATMI was driven by an increase in average realised palm oil product prices, partially offset by lower FFB production of 10% due to labour shortages as a result of the Covid-19 pandemic.

Outlook. We expect the price of CPO and other vegetable oils to retract as supply starts to increase once the tight labour situation is elevated. We are reiterating our forecast for average CPO prices of RM3,680 per mt for FY22. However, we opine that SOPB will still generate healthy profits in our forecasted CPO price environment.

Share Information		Top 3 Shareholders (%)	
Market Cap (RM bn)	2.0	Shin Yang Plantation Sdn Bhd	28.5
Issued Shares (m)	571.7	LCDA Holdings	20.2
52W High (RM)	4.44	DBS Group Holdings Ltd	11.5
52W Low (RM)	3.30		
Estimated Free Float (%)	31.0		
Beta vs FBM KLCI	1.25		
65-Day Average Vol. ('000)	179		

INVESTMENT STATISTICS (FY Dec)	FY18	FY19	FY20	FY21F	FY22F
Revenue (RM m)	3,603.9	2,971.9	2,778.6	4,071.5	3,474.9
EBITDA (RM m)	291.9	313.2	487.7	708.9	520.3
PATMI (RM m)	62.5	89.5	204.1	382.1	230.2
EPS (sen)	11	16	36	67	40
EPS Growth (%)	(73.2)	43.1	128.1	87.1	(39.8)
PE (x)	16.5	25.7	11.1	5.2	8.6
Dividend Yield (%)	2.6	1.2	1.7	1.7	1.7
Net Gearing (%) / (net cash)	28.8	18.4	6.8	2.0	(5.9)
ROA (%)	1.5	2.1	4.8	8.4	4.9
ROE (%)	2.9	4.1	8.6	14.1	7.9
NA per share (RM)	3.8	3.9	4.2	4.8	5.1
Realized CPO prices (RM/MT)	2,287.0	2,122.0	2,729.0	4,500.0	3,680.0
Realized Palm Kernel Prices (RM/MT)	1,657.0	1,137.0	1,950.0	3,000.0	2,000.0
FFB Production ('000 MT)	1,340.5	1,342.0	1,358.0	1,400.0	1,442.0
Oil Extraction Rate (%)	20.5	20.7	19.7	19.7	19.7
Kernel Extraction Rate (%)	4.28	4.39	4.26	4.26	4.26

Sources: Mercury Securities, Company

RESULTS (RM m)	3Q21	2Q21	qoq %	3Q20	yoy %
Revenue	1,301.5	949.0	37.1	794.9	63.7
EBITDA	231.1	188.3	22.7	156.4	47.8
Depn & Amortization	50.2	38.3	-	42.3	-
EBIT	180.9	150.1	20.5	114.1	58.5
Net Finance Costs	(4.7)	(3.1)	-	(5.9)	-
Share of loss of equity-accounted joint venture, net of tax	(0.7)	(0.4)	-	(1.4)	-
Profit Before Tax	175.4	146.6	19.7	106.9	64.1
Tax	(43.3)	(38.7)	-	(29.9)	-
Profit After Tax	132.1	107.9	22.4	77.0	71.6
Minority Interests	6.6	9.6	-	3.2	-
PATMI	125.5	98.3	27.6	73.8	70.0
EPS (sen)	22.0	17.2	27.6	12.9	69.8
Diluted EPS (Sen)	21.9	17.1	27.8	12.9	69.2

Business Overview

Sarawak Oil Palms Berhad is involved primarily in the cultivation of oil palms and the operation of palm oil mills. The Group has 87,964 Ha planted with oil palm, seven palm oil mills, a refinery and fractionation plant, a kernel crushing plant, a biodiesel plant, and a phytonutrient plant in Sarawak. Production of FFB stood at 1.36 million MT in FY20. The plantation segment contributed 99.5% and 98.8% of Group revenue and PBT respectively. SOPB also has a property development segment.

Stock Return Information

FBM KLCI (pts)	1,516.42
Expected Share Return (%)	58.0
Expected Dividend Yield (%)	1.7
Expected Total Return (%)	59.7

Price Performance

	1M	3M	12M
Absolute (%)	(6.5%)	0.6%	(7.9%)
Relative to FBMKLCI (%)	(6.0%)	2.1%	0.0%



Sources: Mercury Securities, Bloomberg, Company

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