



Sarawak Oil Palms Berhad

“FY21 PATMI Beats Our Estimates”

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

Valuation / Recommendation

We are downgrading our recommendation on SOP to HOLD due to the strong run-up in the price of the stock amid surging CPO prices. We currently have a target price of RM5.84 for SOP, which is a 6.2% increase from our previous target price of RM5.50. Our target price is based on PE of 13.5x FY23F EPS of 34.9 sen plus estimated net cash¹ per share of RM1.13 at end FY23.

We have increased our target price as we now expect CPO prices to remain elevated for a longer period of time due to the disruption in sunflower oil supply as a result of Russia’s invasion of Ukraine.

Investment Highlights

FY21 PATMI of RM511.2m blew past our estimates of RM382.1m. The stronger than expected PATMI came on the back of very strong realised prices of palm products sold. In 4Q21, average realised prices for palm oil products stood at RM5,468 per metric tonne (mt) versus RM3,235 per mt in 4Q20. FY21 PATMI was 150.5% higher than FY20 PATMI of RM204.1m.

FY22 PATMI forecast raised to RM325.6m from RM230.2m previously. We are raising our FY22 PATMI estimate as we now expect higher average CPO prices of RM4,500 per mt in FY22 (previous: RM3,680 per mt) after prices rose to record highs (topping RM8,000 per mt for the first time on March 1) following Russia’s invasion of Ukraine. Ukraine accounts for 46% of the world’s sunflower oil exports (source: S&P Global Commodity Insights).

FY23 PATMI forecasted to fall to RM199.3m. We expect CPO prices to fall to more normal levels with an average price of RM3,300 per mt in 2023, which will drive PATMI lower.

Risk factors. CPO prices could fall to depressed levels in the long-term in the event of overplanting in response to this period of strong prices. Labour shortages could persist resulting in higher costs and lower productivity.

Share Information	Top 3 Shareholders (%)		
Market Cap (RM bn)	3.7	Shin Yang Plantation Sdn Bhd	28.5
Issued Shares (m)	571.7	LCDA Holdings	20.2
52W High (RM)	6.48	DBS Group Holdings Ltd	11.5
52W Low (RM)	3.30		
Estimated Free Float (%)	31.0		
Beta vs FBMKLCI	1.2		
65-Day Average Vol. (‘000)	703.2		

INVESTMENT STATISTICS FY Dec	FY19	FY20	FY21	FY22F	FY23F
Revenue (RM m)	2,971.9	2,778.6	4,433.0	4,178.6	3,504.0
EBITDA (RM m)	313.2	487.7	907.5	694.7	466.8
PATMI (RM m)	89.5	204.1	511.2	325.6	199.3
EPS (sen)	15.7	35.8	89.4	56.9	34.9
EPS Growth (%)	43.1	128.1	150.2	(36.3)	(38.8)
PE (x) ²	25.7	11.1	7.2	11.4	18.6
Dividend Yield (%) ²	1.3	1.5	1.5	1.5	0.9
Net Gearing (%) / (net cash)	18.4	6.8	(0.5)	(11.2)	(20.0)
ROA (%)	2.1	4.8	11.0	6.6	3.9
ROE (%)	4.1	8.6	18.2	10.6	6.2
NA per share (RM)	3.9	4.2	4.9	5.4	5.7

Sources: Mercury Securities, Company

¹Net cash includes other investments in cash & cash equivalents

²PE and dividend yield for FY19-20 are based on the closing share price on the last trading day of 2019 and 2020

³Net gearing is calculated as: (total debt - cash and bank balances - other investments)/shareholder’s equity

**MAIN MARKET
PLANTATION**

HOLD

TP: RM5.84

Price: RM6.48

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RESULTS (RM m) FY Dec 31	4Q21	3Q21	qoq %	4Q20	yoy %
Revenue	1394.1	1301.5	7.1	839.6	66.0
EBITDA	330.1	231.1	42.8	96.6	241.7
Depn & Amortization	48.4	50.2	-	34.6	-
EBIT	281.7	180.9	55.7	62.0	354.6
Net Finance Costs	(1.5)	(4.7)	-	(3.0)	-
Profit Before Tax	279.0	175.4	59.0	47.5	487.9
Tax	(62.6)	(43.3)	-	(19.6)	-
Profit After Tax	216.4	132.1	63.9	27.8	677.7
Minority Interests	8.1	6.6	-	7.1	-
PATMI	208.3	125.5	66.0	20.7	904.7
EPS (sen)	36.4	22.0	66.0	3.6	903.9

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

FBMKLCI (pts)	1,598.10
Expected Share Return (%)	(9.9)
Expected Dividend Yield (%)	1.5
Expected Total Return (%)	(8.3)

Price Performance	1M	3M	12M
Absolute (%)	72.8	87.3	80.5
Relative to FBMKLCI (%)	67.1	80.9	78.7

SOP MK Equity (Sarawak Oil Palms Berhad)
FBMKLCI Index (FTSE Bursa Malaysia KLCI Index - Kuala Lumpur Composite Index)



Sources: Mercury Securities, Bloomberg, Company

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