



AmInvestment Bank

Company report

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CHIN TECK PLANTATIONS

(CTP MK, CTPB.KL)

18 Jun 2024

EV/ha still low after acquisition of Fauzi-Lim

HOLD

(Maintained)

Rationale for report: Company Update

Price	RM7.50
Fair Value	RM8.36
52-week High/Low	RM7.970/RM7.40

Key Changes

Fair value	↔
EPS	↔

YE to Aug	FY23	FY24E	FY25F	FY26F
Revenue (RMmil)	205.7	262.6	267.3	269.2
Net Profit (RMmil)	53.4	86.5	76.3	83.1
EPS (sen)	58.4	94.6	83.5	91.0
EPS growth (%)	(50.4)	62.0	(11.8)	9.0
Consensus net (RMmil)	-	-	-	-
DPS (sen)	20.0	25.0	30.0	33.0
PE (x)	12.8	7.9	9.0	8.2
EV/EBITDA (x)	4.6	2.1	1.9	1.1
Div yield (%)	2.7	3.3	4.0	4.4
ROE (%)	6.4	9.7	8.1	8.3
Net gearing (%)	na	na	na	na

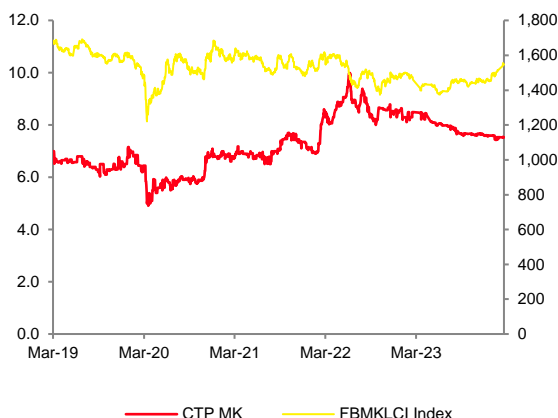
Stock and Financial Data

Shares Outstanding (million)	91.4
Market Cap (RM mil)	685.5
Book value (RM/share)	9.40
P/BV (x)	0.8
ROE (%)	6.4
Net Gearing (%)	na

Major Shareholders	Tiong Thye Company (36.7%) Gan Teng Siew Realty (8.6%)
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Free Float (%)	63.3
Avg Daily Value (RM mil)	0.1

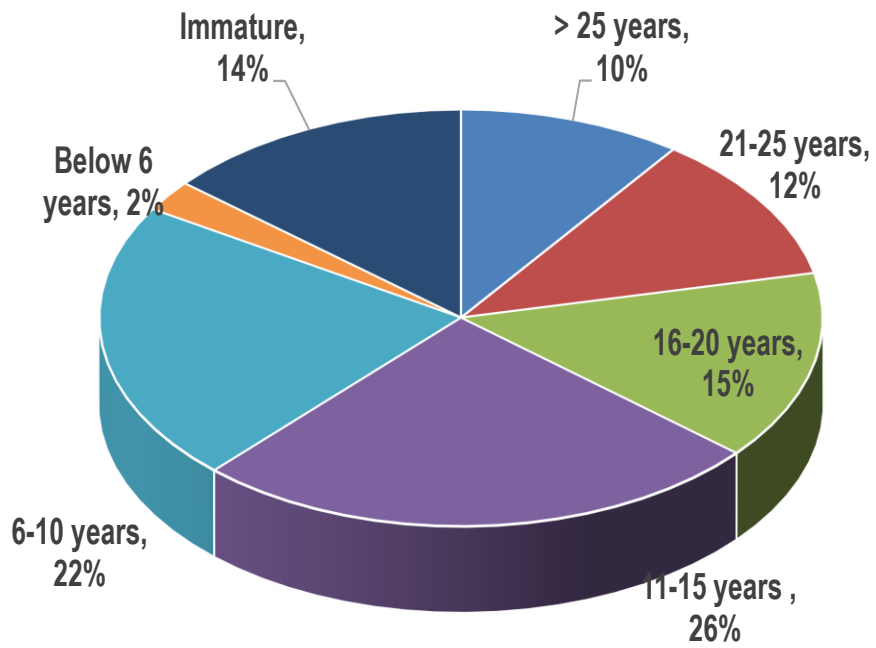
Price performance	3mth	6mth	12mth
Absolute (%)	+0.1	-0.7	-5.7
Relative (%)	-2.7	-9.6	-18.6



Investment Highlights

- We maintain HOLD on Chin Teck Plantations (CTP) with an unchanged fair value of RM8.36/share, based on FY25F PE of 10x, which is the simple average of small cap planters for the past 5 years. We attach a neutral 3-star ESG rating to CTP.
- We re-visit CTP's EV/ha (enterprise value) in this report as the group has completed the RM45mil acquisition of Fauzi-Lim Plantation. We find CTP's EV to be even lower at RM13,704/ha after the acquisition compared to RM15,593/ha prior. We estimate Hap Seng Plantation's EV at RM26,049/ha and TSH Resources at RM36,121/ha.
- CTP's low EV/ha means that the market is not imputing the value of Fauzi-Lim in its share price. We think that this could be due to the fall in CPO prices, which reduces the earnings contribution of any acquisition. It also appears that the market may be ascribing a low valuation to oil palm estates in Kelantan.
- Recall that CTP proposed to acquire Fauzi-Lim from MWE Holdings in September 2022. During that time, CPO prices traded between a low of RM3,200/tonne and a high of RM4,000/tonne. Currently, CPO prices are hovering between RM3,800/tonne and RM4,000/tonne. Also, Fauzi-Lim is small at 2,023ha and located in Gua Musang.
- On a positive note, CTP's profitability has improved after being affected by administrative expenses related to the acquisition in FY23. CTP's net profit rebounded by 49.3% YoY to RM42.1mil in 1HFY24. For FY24F, we are assuming a FFB output growth of 7.5% (FY23: 11.7%).
- In spite of CTP's low EV/ha, we are maintaining our HOLD recommendation. We believe that CTP's leverage to CPO prices would not be as high as other planters due to the group's high proportion of ageing oil palm trees. About 22% of CTP's planted areas are more than 21 years old. The group plans to replant 1,444ha in FY24E vs. 590ha in FY23.
- CTP is currently trading at a FY25F PE of 9x, which is marginally below its 2-year average of 10x.

EXHIBIT 1: AGE PROFILE OF OIL PALM TREES



Source: Company

EXHIBIT 2: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	RSPO certification	100% certification	33%	*	*				MSPO certified
2	Supply chain auditing	100% traceable	33%	*	*	*	*	*	Full traceability of FFB
3	GHG emissions	Netzero by 2050F	33%	*	*				No disclosure
	Weighted score for environmental assessment		100%	*	*	*			
	Social assessment								
1	Migrant workers welfare	Number of Workers grievances	40%	*	*				No disclosure
2	Work site safety	Zero fatalities	30%	*	*	*	*	*	Zero in FY23
3	Accident frequency rate	Below 5%	30%	*	*	*			6.6% in FY23
	Weighted score for social assessment		100%	*	*	*			
	Governance assessment								
1	Related party transactions	Value of RPTs	40%	*	*	*			RM4.9mil in FY23, mainly management fee in joint venture
2	Women in workforce	% of women	30%	*	*				7% of workforce were women in FY23
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM2.4mil in FY23
	Weighted score for governance assessment		100%	*	*	*			

Source: AmlInvestment Bank

EXHIBIT 3 : PB BAND CHART

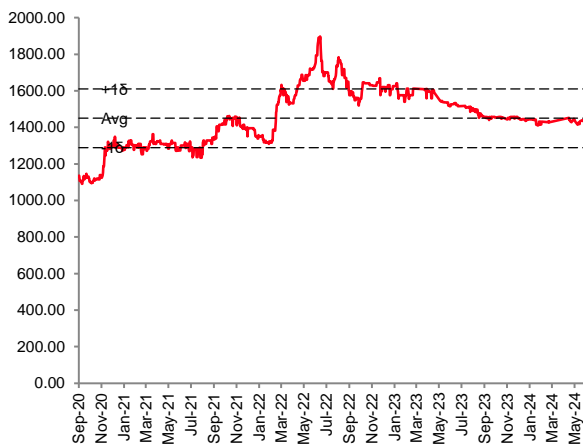


EXHIBIT 4 : PE BAND CHART

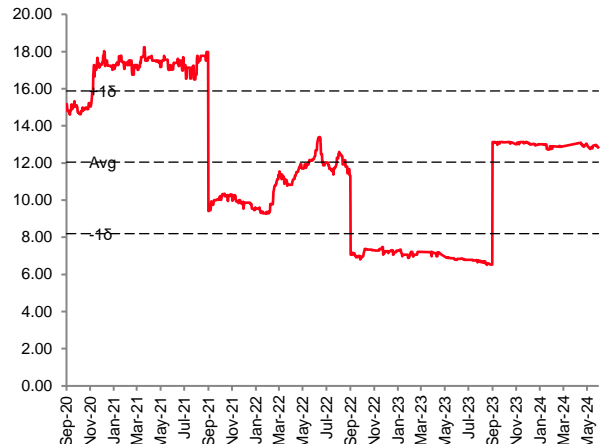


EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Aug)	2022	2023	2024E	2025F	2026F
Revenue	260.3	205.7	262.6	267.3	269.2
EBITDA	128.7	65.9	97.6	78.8	87.3
Depreciation	(7.1)	(8.4)	(8.2)	(8.8)	(9.4)
Operating income (EBIT)	121.6	57.5	89.4	70.0	78.0
Other income & associates	11.4	2.5	5.5	5.6	5.6
Net interest	6.8	9.9	18.6	24.8	25.8
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	139.9	70.0	113.5	100.3	109.4
Taxation	(32.4)	(16.6)	(27.0)	(24.1)	(26.2)
Minorities/pref dividends	0.0	0.0	0.0	0.0	0.0
Net profit	107.5	53.4	86.5	76.3	83.1
Balance Sheet (RMmil, YE 31 Aug)	2022	2023	2024E	2025F	2026F
Fixed assets	127.3	188.2	190.0	191.2	191.8
Intangible assets	-	-	-	-	-
Other long-term assets	289.3	302.5	303.5	304.5	305.6
Total non-current assets	416.6	490.7	493.5	495.7	497.4
Cash & equivalent	395.1	382.4	478.6	531.8	587.0
Stock	11.5	8.2	10.8	11.0	11.1
Debtors	16.3	10.6	13.7	13.9	14.0
Other current assets	11.3	19.4	19.4	19.4	19.4
Total current assets	434.3	420.6	522.4	576.1	631.4
Creditors	16.8	15.8	18.0	20.1	19.2
Short-term borrowings	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Total current liabilities	16.8	15.8	18.0	20.1	19.2
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	24.9	36.7	75.4	80.4	85.4
Total long-term liabilities	24.9	36.7	75.4	80.4	85.4
Shareholders' funds	809.1	858.8	922.4	971.3	1,024.3
Minority interests	-	-	-	-	-
BV/share (RM)	8.86	9.40	10.10	10.63	11.21
Cash Flow (RMmil, YE 31 Aug)	2022	2023	2024E	2025F	2026F
Pretax profit	139.9	70.0	113.5	100.3	109.4
Add:					
Adjustments for non cash items	(14.3)	(7.5)	(27.7)	(27.0)	(27.5)
Working capital	(37.9)	(16.1)	(30.5)	(22.4)	(27.3)
Cash flow from operations	87.7	46.4	55.4	50.9	54.5
Capital expenditure	(11.5)	(57.7)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	19.1	31.7	28.6	34.8	35.8
Cash flow from investing	7.6	(26.1)	18.6	24.8	25.8
Debt raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(38.4)	(18.3)	(22.8)	(27.4)	(30.1)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from financing	(38.4)	(18.3)	(22.8)	(27.4)	(30.1)
Net cash flow	56.9	2.0	51.1	48.3	50.2
Net cash/(debt) b/f	104.0	163.7	169.5	225.7	278.9
Forex	2.9	4.9	5.0	5.0	5.0
Net cash/(debt) c/f	163.7	170.6	225.7	278.9	334.1
Key Ratios (YE 31 Aug)	2022	2023	2024E	2025F	2026F
Revenue growth (%)	42.5	-21.0	27.6	1.8	0.7
EBITDA growth (%)	55.6	-48.8	48.1	-19.3	10.8
Pretax margins (%)	53.7	34.0	43.2	37.5	40.6
Net profit margins (%)	41.3	25.9	32.9	28.5	30.9
Interest cover (x)	na	na	na	na	na
Effective tax rate (%)	23.1	23.8	23.8	24.0	24.0
Net dividend payout (%)	35.7	34.2	26.4	35.9	36.3
Trade debtors turnover (days)	23	19	19	19	19
Stock turnover (days)	16	15	15	15	15
Trade creditors turnover (days)	53	50	50	50	50

Source: Company, AmlInvestment Bank estimates

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