



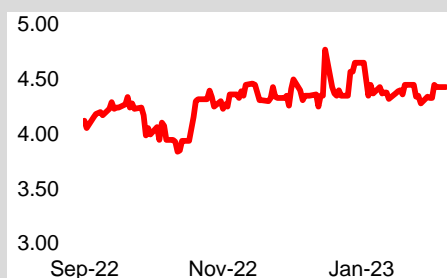
DESCRIPTION

One of the world's leading integrated palm oil plantation players

12-mth Target Price RM4.60
Current price RM4.43
Expected Return +3.8%

Market Main
Sector Plantations
Bursa Code 5285
Bloomberg Ticker SDPL MK
Shariah-compliant Yes

KEY STOCK DATA



52 Week Range (RM) 3.53 – 5.46
3-Month Average Vol ('000) 3,115.8

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-1.6	4.2	4.0
Relative Returns	0.7	-2.0	0.1

KEY STOCK DATA

Market Capitalisation (RMm) 30,637.0
No. of Shares (m) 6,915.7

MAJOR SHAREHOLDERS

	%
Skim Amanah Saham Bumiputera	45.4
Employees Provident Fund	14.1
Kumpulan Wang Persaraan	6.7

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Cleared of Forced Labour Charges

Sime Darby Plantation announced that the United States Customs and Border Protection (USCBP) has modified its forced labour finding against the Group, effectively, allowing the export of palm oil to the US. It is also seen as a recognition of the Group's 2-year efforts to review, revise and upgrade its protocols for recruiting, managing and working with its workers. Although this has limited impact on its bottomline, the modification by the USCBP should help improve its creditability in view of the heightening concerns over the corporate ESG rating. Maintain **Neutral** with an unchanged TP of RM4.60 based on 18x FY23 EPS.

§ **A number of key measures were introduced.** Firstly, the reimbursement of recruitment fees that have been paid by current and eligible former workers to secure employment with the Group. PricewaterhouseCoopers was also appointed to independently validate each remediation payment.

Secondly, the introduction of stricter expectations within the Group's enhanced Migrant Worker Responsible Recruitment Procedure, which ensures the appointed recruitment agents are contractually accountable for compliance to ethical and transparent recruitment standards as well as its own policies and standards.

Thirdly, a commitment to conduct regular due diligence on contractors to ensure they strictly adhere to Sime Darby Plantation's Contractor Vendor Management policies and guidelines. In addition, a creation of social dialogue platforms where workers elect representatives from every nationality to meet with estate management fortnightly. The setting up of three dedicated helplines, two of which are independently administered, for workers and contractors to raise grievances.

The introduction of controls for monitoring working hours through a process automation system to track the clock-in and clock-out time of workers to ensure maximum working hours are not breached.

The development of a dedicated mobile application for workers to request repairs to their on-site accommodation.

Finally, the implementation of an ESG (environmental, social and governance) scorecard in each operating unit, which carries as much weight as the operational scorecard.

§ **Palm oil exports resume.** It is worth noting that the US market accounted for less than 5% of Sime Darby Plantation's group revenue in FY21. Despite not being a major export market, the ban has triggered concerns over its ESG image in view of the heightening attention over the ESG rating. When the ban is lifted by the USCBP, we believe that Cargill would resume buying from the Malaysian unit. To recap, Cargill withdrew Sime Darby Plantation's Malaysian unit as a supplier in Feb 2022 following the ban.

KEY FINANCIAL SUMMARY

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	13,081.1	18,695.5	22,803.2	19,278.0	18,772.5	9.5%
Gross Profit	1,282.6	3,373.6	3,192.4	2,583.2	2,515.5	18.3%
Pre-tax Profit	1,754.2	3,602.6	3,004.8	2,396.1	2,375.7	7.9%
Core Net Profit	894.0	2,337.0	2,215.1	1,766.4	1,751.4	18.3%
EPS (Sen)	12.9	33.8	32.0	25.5	25.3	18.3%
P/E (x)	34.3	13.1	13.8	17.3	17.5	
DPS (Sen)	11.6	20.3	16.5	13.2	13.1	
Dividend Yield (%)	2.6	4.6	3.7	3.0	2.9	

Source: Company, PublicInvest Research estimates

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Revenue	13,081.1	18,695.5	22,803.2	19,278.0	18,772.5
Gross Profit	1,282.6	3,373.6	3,192.4	2,583.2	2,515.5
EBITDA	3,077.9	5,005.3	4,630.5	4,080.9	4,077.8
Net Finance Income/ (cost)	-99.1	-73.8	-232.4	-226.8	-179.5
Others	-6.7	34.7	34.7	34.7	34.7
Pre-tax Profit	1,754.2	3,602.6	3,004.8	2,396.1	2,375.7
Income Tax	-465.5	-1,109.4	-721.1	-575.1	-570.2
Effective Tax Rate (%)	26.5	30.8	24.0	24.0	24.0
Core Net Profit	894.0	2,337.0	2,215.1	1,766.4	1,751.4
Growth					
Revenue	8.4	42.9	22.0	-15.5	-2.6
Gross Profit	211.9	163.0	-5.4	-19.1	-2.6
Core Net Profit	369.0	93.5	-8.4	-20.3	-0.9

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Fixed Assets	17,283.4	17,211.4	17,399.7	17,341.7	17,219.2
Other Long-term Assets	6,193.4	6,055.4	6,055.4	6,055.4	6,055.4
Cash At Bank	309.0	589.4	774.0	2,351.4	3,464.1
Other Current Assets	4,534.9	6,482.0	7,663.1	6,669.8	6,524.8
Total Assets	28,320.7	30,338.2	31,892.1	32,418.4	33,263.4
ST Borrowings	2,285.3	2,232.2	2,232.2	2,232.2	2,232.2
LT Borrowings	4,396.9	4,018.6	4,018.6	4,018.6	4,018.6
Trade payables	1,555.0	2,172.5	2,584.6	2,200.3	2,142.6
Other Liabilities	3,813.7	4,056.2	4,056.2	4,056.2	4,056.2
Total Liabilities	12,050.9	12,479.5	12,891.6	12,507.3	12,449.6
Shareholders' Equity & Minority	16,269.8	17,858.7	19,000.5	19,911.1	20,813.8
Total Equity and Liabilities	28,320.7	30,338.2	31,892.1	32,418.4	33,263.4

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	2.4	2.6	2.7	2.9	3.0
NTA Per Share	1.9	2.2	2.3	2.5	2.6
EPS (Sen)	12.9	33.8	32.0	25.5	25.3
DPS (Sen)	11.6	20.3	16.5	13.2	13.1
Payout Ratio (%)	42.7	56.2	50.0	50.0	50.0
ROA (%)	4.6	8.2	12.0	9.1	8.7
ROE (%)	7.9	14.0	12.0	9.1	8.7

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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