

18 February 2025

Agriculture | Plantation

Johor Plantations Group (JPG MK)

Buy (Maintained)

Stellar Beat To The Year; Keep BUY

Target Price (Return): MYR1.65 (37.5%)
 Price (Market Cap): MYR1.20 (USD677m)
 ESG score: 3.2 (out of 4)
 Avg Daily Turnover (MYR/USD) 7.16m/1.60m

- **Maintain BUY with new MYR1.65 TP from MYR1.55, 38% upside.** Johor Plantations Group's FY24 earnings beat ours and Street's estimates. Moving forward, we expect earnings to remain robust, thanks to higher ASPs and manageable unit costs. JPG continues to trade at an attractive 11x FY25F P/E, which is at the mid-point of its peers' 8-16x.
- **JPG's 4Q24 core earnings jumped 22% QoQ (+31% YoY),** bringing FY24 core profit to MYR265.4m (+59% YoY). This was above ours and consensus' forecasts – accounting for 109% and 107% of FY24 estimates. The positive deviation mainly came from lower-than-expected cost (-11% YoY vs our expectations of -8%). JPG declared a DPS of 2.75 sen, bringing FY24 DPS to 5.25 sen (translating to a payout of 51% and net yield of 4.4%).
- **4Q24 FFB output slipped 16% QoQ (-13% YoY), leading to FY24 growth of 9.3% YoY.** This was slightly below our forecast and management guidance of 11-12% growth YoY, due to weather issues in 4Q24 (not enough sunshine). This continued in Jan 2025, with FFB output falling 6% YoY. Management guided that although productivity increased in February (+ve growth MoM), 1Q25 output will still be lower YoY. A larger pick-up is expected from May. JPG is guiding for c.5% FFB output growth for FY25. Hence, we reduce our FFB growth estimates to 5-6% from 7-8% for FY25-26F.
- **JPG achieved CPO ASP of MYR4,826/tonne in 4Q24 (+16% QoQ, +26% YoY),** bringing FY24 ASP to MYR4,331/tonne (+3.6% premium over Malaysian Palm Oil Board's (MPOB) price). As usual, JPG has not sold forward its output, but locked in a premium over MPOB price for 60-70% of its output in 2025, ranging between MYR130-200/tonne. We keep our CPO ASP premium forecast of 3% for FY25-27.
- **JPG recorded a higher unit cost of +19% QoQ to MYR2,253/tonne in 4Q24,** bringing FY24 cost to MYR2,085/tonne (-11% YoY). The group has fully applied its fertiliser requirements for FY24 and fully tendered for FY25 requirements at prices 5% lower YoY. However, management expects labour costs to increase slightly – from the minimum wage hike (impact of c.MYR2m pa) and the 2% EPF contribution for foreign workers (impact of c.MYR1.5m pa). We bring down our CPO unit cost assumption to account for the lower fertiliser costs by c.2% for FY25-26F.
- **Overall, we revise our earnings upwards by 5% and 7% for FY25-26F** after adjusting for FFB growth assumptions and imputing lower unit costs. We introduce FY27F earnings with MPOB CPO price of MYR4,100/tonne.
- **Keep BUY, with higher MYR1.65 TP based on unchanged 14x 2025F P/E,** and 4% ESG premium built in to account for its ESG score of 3.2. JPG is trading at 11x FY25F P/E, which is at the mid-point of its peers' 8-16x. Key risks include CPO price volatility and adverse weather conditions.

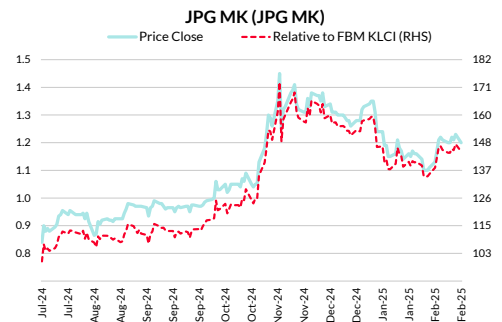
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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|--------|-----|-------|------|------|
| Absolute | (11.1) | 5.3 | (9.8) | 29.7 | 0.0 |
| Relative | (7.5) | 4.3 | (9.2) | 32.2 | 0.0 |
| 52-wk Price low/high (MYR) | | | | 0.84 | 1.45 |



Source: Bloomberg

| Forecasts and Valuation | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
|---------------------------------|--------|--------|---------|---------|---------|
| Total turnover (MYRm) | 1,253 | 1,525 | 1,689 | 1,728 | 1,826 |
| Recurring net profit (MYRm) | 167 | 265 | 280 | 262 | 255 |
| Recurring net profit growth (%) | (67.3) | 58.5 | 5.7 | (6.8) | (2.3) |
| Recurring P/E (x) | 17.92 | 11.31 | 10.70 | 11.47 | 11.74 |
| P/B (x) | 1.3 | 1.1 | 1.0 | 1.0 | 0.9 |
| P/CF (x) | 7.73 | 6.07 | 9.05 | 5.49 | 6.84 |
| Dividend Yield (%) | na | 4.4 | 4.8 | 4.4 | 4.3 |
| EV/EBITDA (x) | 11.70 | 7.63 | 7.84 | 7.94 | 8.10 |
| Return on average equity (%) | 7.9 | 10.2 | 9.7 | 8.7 | 7.8 |
| Net debt to equity (%) | 66.3 | 37.2 | 41.2 | 36.0 | 33.8 |

Source: Company data, RHB

Overall ESG Score: 3.2 (out of 4)

E Score: 3.0 (GOOD)

S Score: 3.7 (EXCELLENT)

G Score: 3.0 (GOOD)

Please refer to the ESG analysis on the next page

Emissions And ESG

| Trend analysis | Emissions (tCO2e) | Dec-22 | Dec-23 | Dec-24 | Dec-25 |
|--|-------------------|--------|--------|--------|--------|
| Johor Plantations Group does not disclose its GHG emissions. | Scope 1 | - | - | - | - |
| | Scope 2 | - | - | - | - |
| | Scope 3 | - | - | - | - |
| | Total emissions | na | na | na | na |

Source: Company data, RHB

Latest ESG-Related Developments

Sustainability certification: As of end 2023, 100% of JPG's oil mills and estates are MSPO and RSPO certified.

Traceability: JPG does not disclose its supply chain traceability.

Smallholder inclusion: JPG is committed to help its smallholders obtain certification from MSPO and RSPO (currently three out of 29 smallholders are certified).

ESG Unbundled

Overall ESG Score: 3.2 (out of 4)

Last Updated: August 2024

E Score: 3.0 (GOOD)

JPG has managed to reduce the GHG emissions intensity to 0.9/mt of CO2 in 2023 from 2020. The company is fully MSPO and RSPO-certified for all its palm oil mills and estates. As at FY23, JPG is also targeting to help smallholders to gain MSPO and RSPO certifications to further bolster production of sustainable oil palm products.

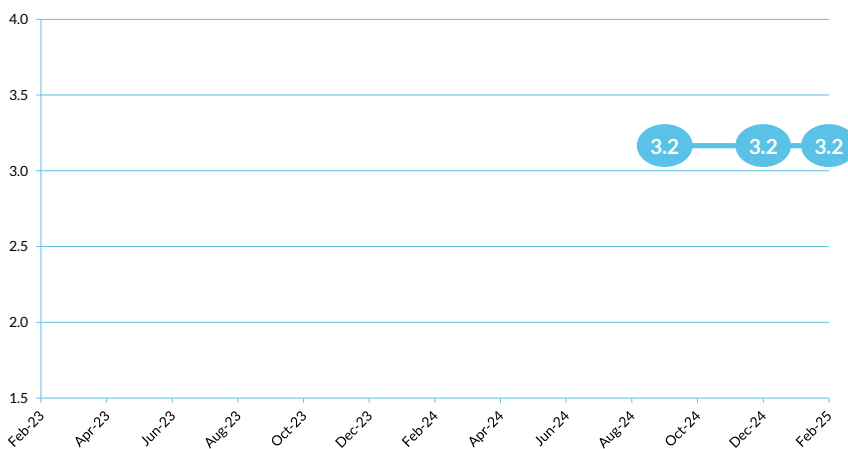
S Score: 3.7 (EXCELLENT)

Johor Plantations Group is dedicated to ensuring free, prior, and informed consent for all its employees. Its fatality rate remained zero for the last four years and it has also adopted a "zero recruitment cost" for foreign workers.

G Score: 3.0 (GOOD)

60% of JPG's board members are independent and 30% of its members are women, with full disclosure on director remuneration including salaries and bonuses on a named basis. JPG has an in-house investor relations team and holds investor meetings regularly, embodying good transparency and disclosure practices.

ESG Rating History



Source: RHB

Financial Exhibits

| Asia | Financial summary (MYR) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
|---|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Malaysia | Recurring EPS | 0.07 | 0.11 | 0.11 | 0.10 | 0.10 |
| Agriculture | DPS | - | 0.05 | 0.06 | 0.05 | 0.05 |
| Johor Plantations Group | BVPS | 0.90 | 1.13 | 1.18 | 1.23 | 1.28 |
| JPG MK | Return on average equity (%) | 7.9 | 10.2 | 9.7 | 8.7 | 7.8 |
| Buy | | | | | | |
| | Valuation metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Valuation basis | Recurring P/E (x) | 17.92 | 11.31 | 10.70 | 11.47 | 11.74 |
| Target P/E of 14x on Dec-2025F earnings | P/B (x) | 1.3 | 1.1 | 1.0 | 1.0 | 0.9 |
| | FCF Yield (%) | 7.2 | 11.6 | 1.0 | 9.9 | 7.0 |
| Key drivers | Dividend Yield (%) | - | 4.4 | 4.8 | 4.4 | 4.3 |
| i. CPO price increase; | EV/EBITDA (x) | 11.70 | 7.63 | 7.84 | 7.94 | 8.10 |
| ii. Higher FFB production output. | EV/EBIT (x) | 16.33 | 9.84 | 9.93 | 10.34 | 10.77 |
| iii. Increased demand for sustainable palm oil | | | | | | |
| | Income statement (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| Key risks | Total turnover | 1,253 | 1,525 | 1,689 | 1,728 | 1,826 |
| i. CPO price volatility; | Gross profit | 363 | 553 | 542 | 510 | 507 |
| ii. Weather risks; | EBITDA | 383 | 532 | 539 | 518 | 504 |
| iii. Demand and supply of the global vegetable oil industry. | Depreciation and amortisation | (109) | (120) | (113) | (120) | (125) |
| | Operating profit | 275 | 413 | 425 | 398 | 379 |
| | Net interest | (88) | (66) | (55) | (53) | (53) |
| | Pre-tax profit | 187 | 346 | 370 | 345 | 326 |
| | Taxation | (21) | (90) | (92) | (86) | (84) |
| | Reported net profit | 167 | 257 | 280 | 262 | 245 |
| | Recurring net profit | 167 | 265 | 280 | 262 | 255 |
| Company Profile | | | | | | |
| Johor Plantations Group is an upstream oil palm plantation company operating mainly in Johor, Malaysia, focusing on cultivation of oil palm and FFB production. | | | | | | |
| | Cash flow (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Change in working capital | 92 | 26 | (115) | 115 | 8 |
| | Cash flow from operations | 388 | 494 | 331 | 546 | 439 |
| | Capex | (171) | (147) | (300) | (250) | (230) |
| | Cash flow from investing activities | (168) | (283) | (291) | (243) | (226) |
| | Dividends paid | 0 | (63) | (145) | (133) | (130) |
| | Cash flow from financing activities | (104) | (15) | (260) | (262) | (257) |
| | Cash at beginning of period | 25 | 141 | 337 | 118 | 159 |
| | Net change in cash | 115 | 196 | (219) | 41 | (44) |
| | Ending balance cash | 141 | 337 | 118 | 159 | 115 |
| | Balance sheet (MYRm) | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Total cash and equivalents | 141 | 337 | 118 | 159 | 115 |
| | Tangible fixed assets | 2,540 | 2,655 | 2,858 | 3,004 | 3,125 |
| | Total assets | 4,582 | 4,960 | 4,862 | 5,104 | 5,172 |
| | Short-term debt | 213 | 56 | 56 | 56 | 56 |
| | Total long-term debt | 1,414 | 1,332 | 1,282 | 1,212 | 1,142 |
| | Total liabilities | 2,339 | 2,133 | 1,903 | 2,019 | 1,964 |
| | Total equity | 2,244 | 2,826 | 2,959 | 3,085 | 3,208 |
| | Total liabilities & equity | 4,582 | 4,960 | 4,862 | 5,104 | 5,172 |
| | Key metrics | Dec-23 | Dec-24 | Dec-25F | Dec-26F | Dec-27F |
| | Revenue growth (%) | (28.4) | 21.7 | 10.8 | 2.3 | 5.6 |
| | Recurrent EPS growth (%) | (67.3) | 58.5 | 5.7 | (6.8) | (2.3) |
| | Gross margin (%) | 29.0 | 36.2 | 32.1 | 29.5 | 27.8 |
| | Operating EBITDA margin (%) | 30.6 | 34.9 | 31.9 | 30.0 | 27.6 |
| | Net profit margin (%) | 13.3 | 16.9 | 16.6 | 15.1 | 13.4 |
| | Dividend payout ratio (%) | 0.0 | 51.0 | 51.7 | 50.7 | 53.1 |
| | Capex/sales (%) | 13.6 | 9.6 | 17.8 | 14.5 | 12.6 |
| | Interest cover (x) | 3.03 | 5.64 | 6.59 | 6.63 | 6.64 |

Source: Company data, RHB

Figure 1: Results review

| FYE Dec (MYRm) | 4Q23 | 3Q24 | 4Q24 | QoQ (%) | YoY (%) | FY23 | FY24 | YoY (%) | Comments |
|--------------------------|--------------|--------------|--------------|---------------|-------------|---------------|---------------|-------------|--|
| Revenue | 392.3 | 404.1 | 464.9 | 15.0 | 18.5 | 1253.4 | 1524.9 | 21.7 | Thanks to higher FFB production (+9% YoY) and higher CPO ASP (+8.6% YoY) |
| COGS | (265.8) | (234.8) | (294.9) | (25.6) | (10.9) | (890.4) | (972.1) | (9.2) | |
| Gross profit | 126.4 | 169.4 | 170.1 | 0.4 | 34.5 | 363.1 | 552.8 | 52.3 | |
| EBITDA | 123.7 | 172.1 | 141.9 | (17.6) | 14.7 | 383.5 | 532.3 | 38.8 | |
| EBITDA margin (%) | 31.5 | 42.6 | 30.5 | | | 30.6 | 34.9 | | |
| Depr & amortisation | 28.9 | 34.8 | 26.7 | (23.2) | (7.4) | 108.7 | 119.6 | 10.0 | |
| EBIT | 94.8 | 137.3 | 115.1 | (16.1) | 21.4 | 274.7 | 412.7 | 50.2 | |
| EBIT margin (%) | 24.2 | 34.0 | 24.8 | | | 21.9 | 27.1 | | |
| Interest expense | (25.1) | (26.1) | (13.7) | 47.7 | 45.5 | (90.6) | (73.2) | 19.2 | |
| EI/Others | (8.0) | 1.0 | (12.2) | >100 | (51.9) | (5.8) | (8.0) | (38.7) | |
| Pretax profit | 70.7 | 113.2 | 104.3 | (7.9) | 47.4 | 186.9 | 346.2 | 85.2 | |
| Pretax margin (%) | 18.0 | 28.0 | 22.4 | | | 14.9 | 22.7 | | |
| Tax | (8.8) | (36.8) | (24.4) | 33.7 | (177.2) | (21.2) | (90.2) | (325.4) | |
| ETR (%) | 12.4 | 32.5 | 23.4 | | | 11.3 | 26.0 | | |
| Reported profit | 63.0 | 77.1 | 80.5 | 4.4 | 27.8 | 167.3 | 257.3 | 53.8 | |
| Net Margin (%) | 16.1 | 19.1 | 17.3 | | | 13.3 | 16.9 | | |
| Core profit | 71.0 | 76.1 | 92.7 | 21.9 | 30.6 | 167.4 | 265.4 | 58.5 | Above ours and Streets estimates, at 109% and 107% |
| EPS (sen) | 3.79 | 2.44 | 3.93 | 61.1 | 3.7 | 5.8 | 9.0 | 55.8 | |
| Net DPS (sen) | 5.3 | 1.3 | 1.3 | 0.0 | (76.2) | 5.3 | 2.5 | (52.4) | |
| Operational Stats | | | | | | | | | |
| FFB production | 325,604 | 333,856 | 281,940 | -16% | -13% | 1,034,152 | 1,130,252 | 9.3 | Lower than our projection of +11% YoY |
| CPO production | 84,954 | 83,430 | 77,889 | -7% | -8% | 270,900 | 298,163 | 10.1 | |
| PK production | 22,817 | 21,780 | 20,053 | -8% | -12% | 72,383 | 76,988 | 6.4 | |
| CPO price, MYR/tonne | 3,843 | 4,157 | 4,826 | 16% | 26% | 3,989 | 4,331 | 8.6 | |
| PK price, MYR/tonne | 2,217 | 2,843 | 3,543 | 25% | 60% | 2,223 | 2,875 | 29.3 | |

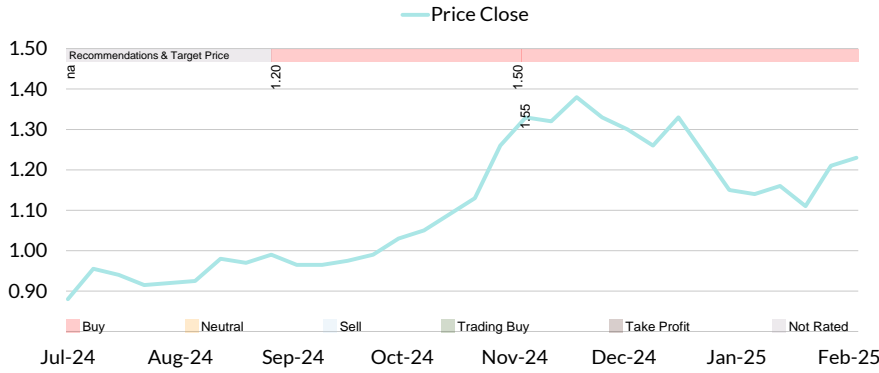
Source: Company data, RHB

Figure 2: Key assumptions for JPG

| | FY22 | FY23 | FY24F | FY25F | FY26F | FY27F |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Nucleus FFB production (tonnes) | 1,111,496 | 1,034,153 | 1,130,253 | 1,186,891 | 1,259,294 | 1,327,150 |
| % change | 7.4% | -7.0% | 9.3% | 5.0% | 6.1% | 5.4% |
| CPO price assumptions (MYR/tonne) | 5,177 | 3,989 | 4,182 | 4,300 | 4,100 | 4,100 |
| % change | 17.1% | -22.9% | 4.8% | 2.8% | -4.7% | 0.0% |
| PK price assumptions (MYR/tonne) | 3,218 | 2,223 | 2,646 | 2,800 | 2,600 | 2,600 |
| % change | 11.5% | -30.9% | 19.0% | 5.8% | -7.1% | 0.0% |

Source: Company data, RHB

Recommendation Chart



| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2024-11-14 | Buy | 1.55 | 1.32 |
| 2024-11-11 | Buy | 1.50 | 1.35 |
| 2024-09-06 | Buy | 1.20 | 0.99 |

Source: RHB, Bloomberg

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

| | |
|---------------------|--|
| Buy: | Share price may exceed 10% over the next 12 months |
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