

JOHOR PLANTATIONS

(JPG MK EQUITY, JPG.KL)

BUY

(Maintained)

Price: RM1.52

Target Price (% return): RM2.08 (36.8%)

52-week High/Low: RM1.74/RM0.975

Plantation

Rationale for report: Company Results

High premium for RSPO products

Johor Plantations Group (JPG) ended the year on a soft note as FFB production and CPO price declined QoQ in 4QFY25. Overall, however, the group's net profit surged by 34.1% to RM345mil in FY25 underpinned by lower fertiliser costs and a higher RSPO price premium of RM148/tonne vs. RM119/tonne in FY24. JPG's 51%-owned palm refinery in Johor is expected to commence operations in 3QFY26. We do not expect earnings from the palm refinery to be meaningful in the first year of operations. We maintain BUY with a target price of RM2.08/share. We like JPG for its pure exposure to CPO prices.

- BUY with a higher TP of RM2.08/share vs. RM2.00/share previously.** We have raised JPG's FY26F net profit by 4.5% to account for a higher palm kernel price and FFB purchases. Our TP is based on a FY26F PE of 15x, which is the same PE that we have used to value Genting Plantations (GenP). We think that JPG should trade at the same multiple as GenP as JPG's oil palm estates are strategically located at prime areas in Johor.
- JPG's FY25 net profit was within our forecast but 8% above consensus.** The group has declared a gross DPS of 3 sen in 4QFY25, which brings total gross DPS to 7 sen for FY25 (FY24: 5.3 sen). We forecast a gross DPS of 7.5 sen for FY26F, which implies a yield of 4.9%.
- Benefited from high CPO price premium.** JPG's average CPO price realised inched up by 3.4% to RM4,480/tonne in FY25 from RM4,331/tonne in FY24. The group's FY25 average selling price of RM4,480/tonne was RM148/tonne above MPOB's average spot price of RM4,332/tonne. We attribute the premium to positive demand for sustainable certified palm products.
- 51%-owned palm refinery is expected to commence operations in 3QFY26.** Fuji Oils, which owns the balance 49% of the refinery, has guaranteed to take up 50% of the refinery's production capacity of 150,000 tonnes per year. We have not imputed earnings from the refinery in our FY27F profit forecast for JPG yet.

Analyst (s)

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Key Changes

Target Price: ↑
EPS: ↑

Stock and Financial Data

Shares Outstanding (million)	2,500.0
Market Cap (RMmil)	3,800.0
Book Value (RM/Share)	1.20
P/BV (x)	1.3
ROE (%)	11.9
Net Gearing (%)	28.3
Free Float	45.0
Avg Daily Value (RMmil)	9.3

Major Shareholders

Johor Corporation	65.0%
EPF	11.4%
	-

Price performance	3mth	6mth	12mth
Absolute (%)	+0.0	+18.8	+25.6
Relative (%)	(5.9)	+5.3	+14.0

Source: JOHOR PLANTATIONS, AmInvestment Bank

YE to Dec	FY25	FY26F	FY27F	FY28F
Revenue (RM mil)	1,724.7	1,867.7	1,905.0	1,933.8
Core net profit (RM mil)	345.0	345.9	357.4	360.3
FD Core EPS (sen)	13.8	13.8	14.3	14.4
FD Core EPS growth (%)	34.1	0.2	3.3	0.8
Consensus Net Profit (RM mil)	318.0	302.3	305.5	347.0
DPS (sen)	7.0	7.5	8.0	8.5
PE (x)	11.0	11.0	10.6	10.5
EV/EBITDA (x)	7.7	7.4	7.1	6.9
Div yield (%)	4.6	4.9	5.3	5.6
ROE (%)	11.9	11.3	11.1	10.6
Net Gearing (%)	28.3	27.0	23.8	21.0

Source: JOHOR PLANTATIONS, AmInvestment Bank

Price Chart



Company profile

Johor Plantations Group (JPG) is involved in the upstream segment of the palm oil supply chain. Going forward, the group plans to venture into palm refining. Construction of the refinery started in FY24 and is expected to be completed in 2HFY26.

JPG's earnings are from the sale of palm products.

JPG's customers are refineries in Johor, which include Intercontinental Specialty Fats, Palmaju Edible Oils and PGEO Group.

JPG's operations are mainly in Johor.

JPG's competitive advantage lies in the strategic location of its estates in Johor and Identity Preserved (IP) RSPO- certification of its palm products. Due to the surge in land prices in Johor, JPG's estates are worth more than their book values. The IP certification allows the group to sell CPO at a RM100/tonne to RM250/tonne premium above MPOB prices.

Investment thesis and catalysts

We have a BUY on JPG as it would benefit from resilient CPO prices.

Share price catalysts are a jump in CPO prices and plantation earnings. We think that an acquisition or disposal of land would also be a share price kicker.

Valuation methodology

We applied a PE of 15x on JPG's FY26F EPS to arrive at its TP of RM2.08/share. The PE of 15x is the same PE that we have applied to arrive at Genting Plantations' (GenP) fair value. We believe that JPG deserves to trade at the same PE as GenP due to its premium selling prices and high leverage to CPO prices.

Risk factors

Key risks are a fall in CPO prices and rise in costs of fertiliser and wages.

A fall of RM100/tonne in CPO price would affect JPG's net profit by 2% to 5% assuming everything else remains constant.

EXHIBIT 1. EARNINGS SUMMARY

YE 31 Dec (RMm)	FY24	FY25	% YoY	3QFY25	4QFY25	% QoQ
Turnover	1,524.9	1,724.7	13.1	496.2	489.8	(1.3)
Cost of sales	(972.1)	(1,087.9)	11.9	(304.2)	(313.0)	2.9
Gross profit	552.8	636.8	15.2	191.9	176.9	(7.9)
Other income	25.2	19.1	(24.1)	10.1	(7.5)	(174.0)
Admin expenses	(163.9)	(151.6)	(7.5)	(42.1)	(48.9)	16.1
Other expenses	(1.3)	(0.6)	(53.7)	(0.2)	(0.3)	33.2
Finance income	6.7	20.3		5.1	7.0	
Finance costs	(73.2)	(55.6)	(24.0)	(15.9)	(14.0)	
Pre-tax profit	346.2	468.2	35.2	149.0	113.2	(24.0)
Tax	(87.0)	(116.7)	34.2	(41.2)	(24.0)	(41.8)
Zakat	(3.2)	(7.9)		(2.0)	(2.0)	
Minority interests	1.3	1.4		0.3	0.7	
Net profit	257.3	345.0	34.1	106.0	87.9	(17.1)
EPS	10.3	13.8		4.2	3.5	
DPS	5.3	7.0		1.8	3.0	
Gross profit margin	36.2	36.9		38.7	36.1	
Effective tax rate	25.1	24.9		27.7	21.2	
FFB production (tonnes)	1,130,253	1,129,804	(0.0)	334,482	321,182	(4.0)
CPO price (RM/tonne)	4,331	4,480	3.4	4,395	4,389	(0.1)

Source: Bursa Announcement

EXHIBIT 2. VALUATIONS

Target PE (x)	15
FY26F EPS (sen)	13.8 (from 13.2 sen)
ESG premium	-
12-month target price (RM)	2.08 (from RM2.00)

EXHIBIT 3. CHANGE IN EARNINGS

RMmil	FY26F			FY27F			FY28F		
	Old	New	%	Old	New	%	Old	New	%
Revenue	1,673.4	1867.7	11.6	1,678.0	1905	13.5	1,933.8	1933.8	-
Net earnings	331.1	345.9	4.5	332.2	357.4	7.6	360.3	360.3	-

Source: Bursa Announcement

EXHIBIT 4. ESG MATRIX

	Assessment	Parameters	Weightage	Rating				Rationale
1	RSPO certification	100% certification	25%	*	*	*	*	All of JPG's estates and mills are RSPO-certified; 14% of smallholders were RSPO-certified in FY24 vs. 12% in FY23
2	Supply chain auditing	100% traceable	25%	*	*	*	*	94% traceable to plantation and 74.9% traceable to external suppliers' plantations in FY24
3	Fires	Zero incidences	25%	*	*	*		One in FY24, same as FY23
4	GHG emissions	Reduce carbon footprint by 50% in 2025F from 2012's levels and achieve net zero by 2050F	25%	*	*	*		Carbon emissions intensity was 0.9/tCO ₂ e in FY24 vs. 1.8/tCO ₂ e in FY23
	Weighted score for environmental assessment		100%	*	*	*	*	
1	Migrant workers welfare	Number of Workers' grievances	40%	*	*			12 cases in FY24 vs. 5 in FY23
2	Work site safety	Zero fatal fatalities	30%	*	*	*		30 hours in FY24 vs. 27 in FY23
3	Lost Time Injury Frequency	Below 5	30%	*	*			1.9 in FY24 vs. 1.4 in FY23
	Weighted score for social assessment		100%	*	*			
1	Related party transactions	Value of RPTs	40%	*	*	*	*	RM11mil in FY24, comprising mainly rental of estates from Jcorp
2	Women in workforce	% in workforce	30%	*	*	*		12% of permanent employees were women in FY24, same as FY23
3	Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*	*	RM3.4mil in FY24 vs. RM2.3mil in FY23
	Weighted score for governance assessment		100%	*	*	*		
	Environmental score		50%	*	*	*	*	

	Social score		30%	*	*			
	Governance score		20%	*	*	*		
	Overall ESG Score		100%	*	*	*		

Source: Company, AmInvestment Bank Bhd

Income Statement (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1,524.9	1,724.7	1,867.7	1,905.0	1,933.8
EBITDA	507.2	605.6	624.4	646.0	653.9
Depreciation/Amortisation	(119.6)	(121.1)	(127.5)	(133.5)	(139.5)
Operating income (EBIT)	387.5	484.5	496.8	512.5	514.4
Other income & associates	25.2	19.1	20.0	20.0	20.0
Net interest	(66.5)	(35.4)	(49.7)	(49.8)	(47.8)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	346.2	468.2	467.1	482.7	486.6
Taxation	(90.2)	(124.6)	(121.5)	(125.5)	(126.5)
Minorities/pref dividends	1.3	1.4	0.2	0.2	0.2
Net profit	257.3	345.0	345.9	357.4	360.3

Balance Sheet (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Fixed assets	2,655.3	2,889.1	2,990.0	3,084.8	3,173.6
Intangible assets	-	-	-	-	-
Other long-term assets	1,616.7	1,593.0	1,593.0	1,593.0	1,593.0
Total non-current assets	4,272.1	4,482.1	4,582.9	4,677.8	4,766.6
Cash & equivalent	336.8	688.5	760.2	903.5	1,048.8
Stock	39.6	66.6	35.8	36.5	37.1
Trade debtors	65.1	57.0	87.0	88.7	90.1
Other current assets	245.9	111.0	111.0	111.0	111.0
Total current assets	687.4	923.2	994.0	1,139.8	1,287.0
Trade creditors	180.0	241.4	181.0	183.7	187.4
Short-term borrowings	56.2	7.5	7.7	7.8	8.0
Other current liabilities	16.3	30.1	25.9	25.9	25.9
Total current liabilities	252.6	279.0	214.5	217.4	221.3
Long-term borrowings	1,332.0	1,527.4	1,603.8	1,684.0	1,768.2
Other long-term liabilities	548.9	549.4	549.4	549.4	549.4
Total long-term liabilities	1,880.9	2,076.8	2,153.1	2,233.3	2,317.5
Shareholders' funds	2,817.6	2,993.4	3,151.7	3,309.1	3,456.9
Minority interests	8.5	56.2	57.5	57.7	57.9
BV/share (RM)	1.13	1.20	1.26	1.32	1.38

Cash Flow (RMmil)

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Pretax profit	346.2	468.2	467.1	482.7	486.6
Add:					
Adjustments for non cash items	195.3	156.5	145.5	154.6	159.6
Working capital	(47.1)	(26.9)	(181.1)	(125.2)	(124.8)
Cash flow from operations	494.4	597.8	431.6	512.1	521.4
Capital expenditure	(145.2)	(320.3)	(200.0)	(200.0)	(199.0)
Net investments & sale of fixed assets	0.5	1.6	5.0	5.0	5.0
Others	(138.6)	109.4	0.0	0.0	0.0
Cash flow from investing	(283.3)	(209.3)	(195.0)	(195.0)	(194.0)
Debt raised/(repaid)	(267.6)	146.5	76.5	80.3	84.4
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(62.5)	(168.8)	(187.5)	(200.0)	(212.5)
Others	315.1	(14.4)	(54.0)	(54.0)	(54.0)
Cash flow from financing	(15.0)	(36.7)	(165.0)	(173.7)	(182.2)
Net cash flow	196.1	351.8	71.6	143.4	145.3
Net cash/(debt) b/f	140.7	336.8	688.6	760.2	903.5
Forex	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) c/f	336.8	688.6	760.2	903.5	1,048.8

Key Ratios

YE to Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue growth (%)	21.7	13.1	8.3	2.0	1.5
EBITDA growth (%)	37.7	19.4	3.1	3.5	1.2
Pretax margin (%)	22.7	27.1	25.0	25.3	25.2
Net profit margin (%)	16.9	20.0	18.5	18.8	18.6
Interest cover (x)	7.6	17.1	12.6	13.0	13.7
Effective tax rate (%)	26.0	26.6	26.0	26.0	26.0

Dividend payout (%)	51.0	50.7	54.2	56.0	59.0
Debtors turnover (days)	16	12	17	17	17
Stock turnover (days)	7	6	7	7	7
Creditors turnover (days)	68	81	55	55	55

Source: Company, AmInvestment Bank

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