

Company Report

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JOHOR PLANTATIONS

(JPG MK EQUITY, JPG.KL)

PLANTATION

20 May 2025

Healthy RSPO premium

BUY

(Maintained)

Rationale for report: Company Results

Price RM1.18
Target Price RM1.67
52-week High/Low RM1.47/RM0.83

Key Changes

Target Price ⇄
EPS ⇄

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	1,524.9	1,561.3	1,604.7	1,609.9
Net Profit (RMmil)	257.3	273.4	277.5	280.2
EPS (sen)	10.3	10.9	11.1	11.2
EPS growth (%)	53.8	6.3	1.5	1.0
Consensus net (RMmil)	-	278.8	262.2	255.4
DPS (sen)	5.3	5.5	6.0	6.3
PE (x)	11.7	11.0	10.8	10.7
EV/EBITDA (x)	8.0	7.9	7.7	7.5
Div yield (%)	4.4	4.6	5.0	5.2
ROE (%)	10.2	9.5	9.2	8.9
Net gearing (%)	37.3	37.3	34.8	32.5

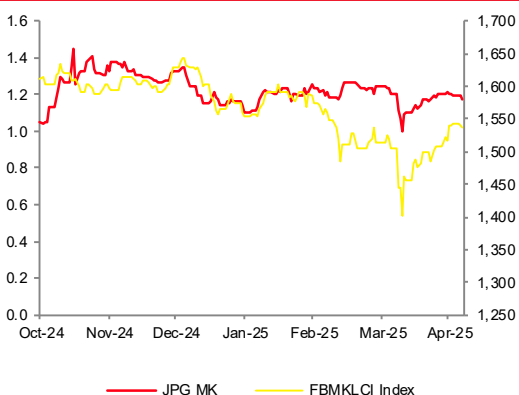
Stock and Financial Data

Shares Outstanding (million) 2,500.0
Market Cap (RMmil) 2,950.0
Book Value (RM/Share) 1.13
P/BV (x) 1.0
ROE (%) 10.2
Net Gearing (%) 37.3

Major Shareholders Johor Corporation (65.0%)
EPF (11.4%)

Free Float 45.0
Avg Daily Value (RMmil) 6.0

Price performance	3mth	6mth	12mth
Absolute (%)	-0.0	-8.5	-
Relative (%)	+0.6	-3.7	-



Investment Highlights

Johor Plantations Group (JPG) has reported a positive set of 1QFY25 results. The group has also declared an interim gross DPS of 1.0 sen in 1QFY25 (1QFY24: zero). We expect a gross DPS of 5.5 sen for FY25F (FY24: 5.3 sen), which implies a yield of 4.6%. JPG's net profit jumped by 52% YoY to RM75.9mil in 1QFY25 underpinned by a rise in palm product prices. We maintain BUY with an unchanged TP of RM1.67/share as being a purer planter, JPG's earnings are expected to be more resilient than the integrated players.

- **BUY at TP of RM1.67/share.** We arrived at JPG's TP of RM1.67/share by applying a of 15x on FY26F EPS of 11.1 sen. We applied a PE of 15x as this is the same PE that we have used to value Genting Plantations (GenP). We believe that JPG should trade at the same PE as GenP due to its high leverage to CPO prices, premium selling prices and strategic location of its oil palm estates in Johor.
- **JPG's 1QFY25 net profit of RM75.9mil was within our forecast and consensus.** We expect JPG's net profit to soften in the following quarters as the group is expected to increase its application of fertiliser. Fertiliser application was behind schedule in 1QFY25 due to heavy rains and floods.
- **Strong selling prices in 1QFY25 driven by RSPO premium.** JPG enjoyed a hefty selling price premium of RM236/tonne above the MPOB average price of RM4,733/tonne in 1QFY25 (1QFY24 premium: RM76/tonne). We believe that there was a shortage of supply and strong demand for RSPO-certified CPO products in 1QFY25. JPG's average CPO price realised rose by 22.2% to RM4,969/tonne in 1QFY25 from RM4,065/tonne in 1QFY24. On a negative note, FFB output declined by 10.5% YoY in 1QFY25. This was mainly due to floods, which affected the group's estates in Kota Tinggi and Kluang.
- **Palm refinery is expected to be completed in 2HFY26.** Although JPG's integrated palm refinery is envisaged to be completed in 2HFY26, we reckon that contribution would still be small as it would take time to ramp up the utilisation rates. Upon completion, JPG's palm refinery would command a production capacity of 150,000 tonnes per year. Fuji Oils has guaranteed to take up about 75,000 tonnes, which are half of the refinery's installed production capacity.

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 RM50/tonne to RM100/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 RM1.67/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 5% to 7% assuming everything else remains constant.

EXHIBIT 1: VALUATIONS

Target PE (x)	15
FY26F EPS (sen)	11.1
ESG premium	-
12-month target price (RM)	1.67

EXHIBIT 2: EARNINGS SUMMARY

YE 31 Dec (RMm)	1QFY24	1QFY25	% YoY	4QFY24	1QFY25	% QoQ
Turnover	294.9	340.4	15.4	464.9	340.4	(26.8)
Cost of sales	(196.7)	(213.9)	8.7	(294.9)	(213.9)	(27.5)
Gross profit	98.2	126.6	28.8	170.1	126.6	(25.6)
Other income	13.4	8.6	(35.6)	(8.3)	8.6	>100
Admin expenses	(34.7)	(28.3)	(18.5)	(45.9)	(28.3)	(38.3)
Other expenses	(0.0)	(0.1)		(0.8)	(0.1)	
Finance income	0.5	4.8		2.8	4.8	
Finance costs	(14.4)	(13.2)	(8.2)	(13.7)	(13.2)	
Pre-tax profit	63.0	98.4	56.0	104.3	98.4	(5.7)
Tax	(12.2)	(21.9)	79.0	(24.3)	(21.9)	(9.9)
Zakat	(1.3)	(1.2)		(0.1)	(1.2)	
Minority interests	0.4	0.7		0.6	0.7	
Net profit	50.0	75.9	52.0	80.5	75.9	(5.7)
EPS	2.5	3.0		3.6	3.1	
DPS	-	1.0		2.8	1.0	
Gross profit margin	33.3	37.2		36.6	37.2	
Effective tax rate	19.4	22.2		23.3	22.2	
FFB production (tonnes)	235,410	210,709	(10.5)	319,154	210,709	(34.0)
CPO price (RM/tonne)	4,065	4,969	22.2	4,826	4,969	3.0

Source: Company

EXHIBIT 3: 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

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1,253.4	1,524.9	1,561.3	1,604.7	1,609.9
EBITDA	368.4	507.2	521.9	531.9	540.8
Depreciation	(108.7)	(119.6)	(123.0)	(127.5)	(133.5)
Operating income (EBIT)	259.7	387.5	398.9	404.4	407.3
Other income & associates	15.0	25.2	20.0	20.0	20.0
Net interest	(87.8)	(66.5)	(77.4)	(79.9)	(81.6)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	186.9	346.2	341.5	344.5	345.7
Taxation	(21.2)	(90.2)	(68.3)	(67.2)	(65.7)
Minorities/pref dividends	1.6	1.3	0.2	0.2	0.2
Net profit	167.3	257.3	273.4	277.5	280.2
Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	2,540.1	2,655.3	2,810.7	2,911.5	3,006.4
Intangible assets	-	-	-	-	-
Other long-term assets	1,684.3	1,616.7	1,616.7	1,616.7	1,616.7
Total non-current assets	4,224.4	4,272.1	4,427.4	4,528.3	4,623.1
Cash & equivalent	140.7	336.8	155.5	245.6	338.9
Stock	29.9	39.6	29.9	30.8	30.9
Debtors	56.2	65.1	72.7	74.7	75.0
Other current assets	131.2	245.9	245.9	245.9	245.9
Total current assets	358.0	687.4	504.0	597.0	690.7
Creditors	135.7	180.0	150.4	155.5	155.7
Short-term borrowings	213.5	56.2	57.3	58.5	59.7
Other current liabilities	4.3	16.3	12.7	12.7	12.7
Total current liabilities	353.4	252.6	220.5	226.7	228.1
Long-term borrowings	1,413.7	1,332.0	1,198.8	1,258.7	1,321.6
Other long-term liabilities	571.5	548.9	548.9	548.9	548.9
Total long-term liabilities	1,985.2	1,880.9	1,747.7	1,807.6	1,870.5
Shareholders' funds	2,243.7	2,817.6	2,953.5	3,081.0	3,204.9
Minority interests	0.0	8.5	9.8	10.0	10.2
BV/share (RM)	0.90	1.13	1.18	1.23	1.28
Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	186.9	346.2	341.5	344.5	345.7
Add:					
Adjustments for non cash items	196.7	195.3	141.5	148.6	154.6
Working capital	1.7	(47.1)	(95.8)	(65.0)	(65.8)
Cash flow from operations	385.3	494.4	387.2	428.1	434.5
Capital expenditure	(167.9)	(145.2)	(250.0)	(200.0)	(200.0)
Net investments & sale of fixed assets	0.1	0.5	5.0	5.0	5.0
Others	(0.6)	(138.6)	0.0	0.0	0.0
Cash flow from investing	(168.4)	(283.3)	(245.0)	(195.0)	(195.0)
Debt raised/(repaid)	(155.0)	(267.6)	(132.1)	61.1	64.1
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	(62.5)	(137.5)	(150.0)	(156.3)
Others	50.7	315.1	(54.0)	(54.0)	(54.0)
Cash flow from financing	(104.3)	(15.0)	(323.6)	(142.9)	(146.2)
Net cash flow	112.6	196.1	(181.4)	90.1	93.3
Net cash/(debt) b/f	25.5	140.7	336.8	155.5	245.6
Forex	0.0	0.0	0.0	0.0	0.0
Net cash/(debt) c/f	138.1	336.8	155.5	245.6	338.9
Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-28.4	21.7	2.4	2.8	0.3
EBITDA growth (%)	-49.8	37.7	2.9	1.9	1.7
Pretax margins (%)	14.9	22.7	21.9	21.5	21.5
Net profit margins (%)	13.3	16.9	17.5	17.3	17.4
Interest cover (x)	4.2	7.6	6.7	6.7	6.6
Effective tax rate (%)	11.3	26.0	20.0	19.5	19.0
Net dividend payout (%)	41.7	51.0	50.3	54.1	55.8
Trade debtors turnover (days)	16	16	17	17	17
Stock turnover (days)	7	7	7	7	7
Trade creditors turnover (days)	56	68	55	55	55

Source: Company, AmlInvestment Bank Bhd estimates

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