

Johor Plantations Group Bhd

Planting Growth Opportunities

- Established in 1978, JPG primarily focuses on cultivating oil palm, producing and selling CPO and PK. JPG operates mainly in Johor, Malaysia and has a total landbank of approximately 59,781 Ha with a total planted area of 55,904 Ha.
- We project topline growth of 5%-7% to RM1,334.9m-1,471.8m for FY24f-26f, with core net profit forecasted to increase by 2.1%-5.4% to RM177.1m-194.1m. This is in tandem with the excellent prime age palm profiles and replanting plan of old oil palms with higher-yielding material.
- We ascribe a fair value of RM0.97 for JPG, by pegging a P/E of 13x to the FY24f EPS of 7.1 sen. We believe the 13x P/E is justified as it aligns with the similar size (RM1-3bn) peers' average P/E and forward P/E of 16.4x and 12.1x, respectively.

Investment Highlights

Favourable age and topographical profile of oil palms. Generally, oil palm reaches prime maturity, i.e. peak production stage from 9 to 18 years old, with yields of over 25 tonnes of FFB per ha per year. As of LPD, approximately 54.3% of JPG's total oil palm planted areas comprises with prime young oil palms aged between 9 to 18 years, 6.8% being age below 3 years old, 14.3% ranging from 4 to 8 years, with remaining of 24.6% being old oil palms. JPG's oil palms, which had a weighted average age of 13.9 years at the LPD, have a favourable age profile that JPG actively manage through replanting and land acquisition or rental. As most of JPG's oil palms are in their peak production years, we believe that the excellent age profile of JPG's oil palms will drive an increase in their FFB production, which will also lead to an increase in CPO and PK production in the coming years.

Robust operational performance. The young age of palm profile gives an operational advantage to the JPG, seen by substantial FFB yields of 22.9 tonnes, 20.1 tonnes, 22.1 tonnes, and 20.3 tonnes per ha in FY20-23. This translates to a higher than national average CPO yield of 6.06 tonnes, 5.42 tonnes, 4.41 tonnes, and 5.23 tonnes for the period. The high FFB yield achieved is also substantially higher than its close peers, averaging 19.7 tonnes in FY23.

Replanting plan to improve operational efficiency. As of the financial year under review, JPG achieved a palm product yield of 6.0 MT/Ha, 5.3 MT/Ha, 5.7 MT/Ha, and 5.1 MT/Ha, respectively. JPG aims to increase their yield at a minimum of 7.0 MT/Ha by FYE25 by replanting oil palms of approximately 3942 Ha with higher-yielding planting materials using various clonal palms such as KT clonal and improved DxP seedlings. JPG also aims to continue replanting their estates with improved planting materials developed from their research and development activities and incorporate more mechanisation and digitalisation into their production process to increase their CPO and PK production.

Company Background

Established in 1978, Johor Plantations Group Berhad primarily focuses on upstream activities, such as cultivating oil palm, and producing and selling CPO and PK. The company operates mainly in Johor, Malaysia, with a total landbank of 59,781 hectares and a total oil palm planted area of 55,904 hectares. JPG has 5 operating palm oil mills with an average processing capacity of 60 tonnes per hour. Approximately 54.3% of its oil palms are in the peak production age, with a weighted average age of 13.9 years.

IPO Note – Not rated

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Non-Rated

Share price	RM0.84
Target price	RM0.97
Previous TP	-
Capital upside	15.5%
Dividend return	-
Total return	15.5%

Company profile

JPG is an upstream oil palm plantation company operating predominantly in Johor, Malaysia. JPG primarily own, manage, and cultivate oil palms and harvest FFB produced on the plantation estates that JPG's own and rent.

Stock information

Bursa Code	5233
Bloomberg ticker	MK
Listing market	MAIN
Share issued (m)	2500
Market Cap (m)	2100
Shariah compliant	YES

Major shareholders

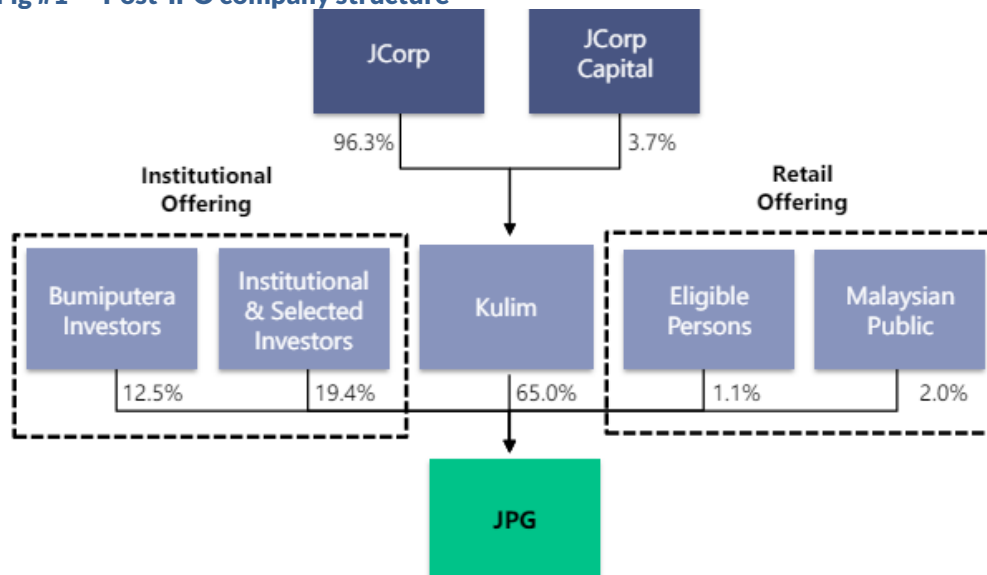
	%
Kulim (Malaysia) Bhd	65%

Earnings snapshot

FYE (Dec)	FY23	FY24f	FY25f
PATMI (m)	173.5	177.1	186.8
EPS (sen)	6.9	7.1	7.5
P/E (x)	12.1	11.9	11.2



Fig #1 Post-IPO company structure



Source: Johor Plantations Group Berhad

Fig #2 Corporate Milestones

Year	Milestones
2019	Upgraded capacity of Pasir Panjang POM from 45 MT per hour to 60 MT per hour. Signed gas purchase agreement with Gas Malaysia Green Ventures for supply of biomethane for 15 years.
2021	Entered into Tenancy Agreement with JCorp to rent the Malay Reserved Estates, consisting of Bukit Payung, Tunjuk Laut, Bukit Kelompok and Pasir Logok Estates for a period of 3 years commencing from 1 July 2020 to 30 June 2023. Entered into gas purchase agreement with Gas Malaysia Green Ventures for supply of bio-CNG into natural gas distribution system within Peninsular Malaysia.
2022	Completed Pre-Listing Restructuring in Dec 2022 - involved the acquisition of oil palm plantation business carried out on Basir Ismail, Bukit Layang, Labis Bahru, Mutiara, REM, Selai, Sepang Loi, Sindora and Sungai Tawing Estates.
2023	Renewed Tenancy Agreement with JCorp for the Malay Reserved Estates for an additional 3 years, effectively from 1 July 2023 to 30 June 2026.
2024	Entered into Shareholder's Agreement with Fuji Oil Asia Pte Ltd to jointly undertake downstream plantation business. Entered into Second Supplemental Agreement with JCorp to amend the terms of the Tenancy Agreement for the Malay Reserved Estates to extend the term of tenancy.

Source: Johor Plantations Group Berhad

Fig #3 Utilisation of Proceeds

Use of Proceeds	RM 'm	%	Estimated time frame
Capital expenditure	196.8	51%	Within 30 months
Repayment of borrowings	167.4	43%	Within 6 months
Working capital	6.7	2%	Within 3 months
Estimated listing expenses	18.8	5%	Within 1 month
Total	389.8	100%	

Source: Johor Plantations Group Berhad

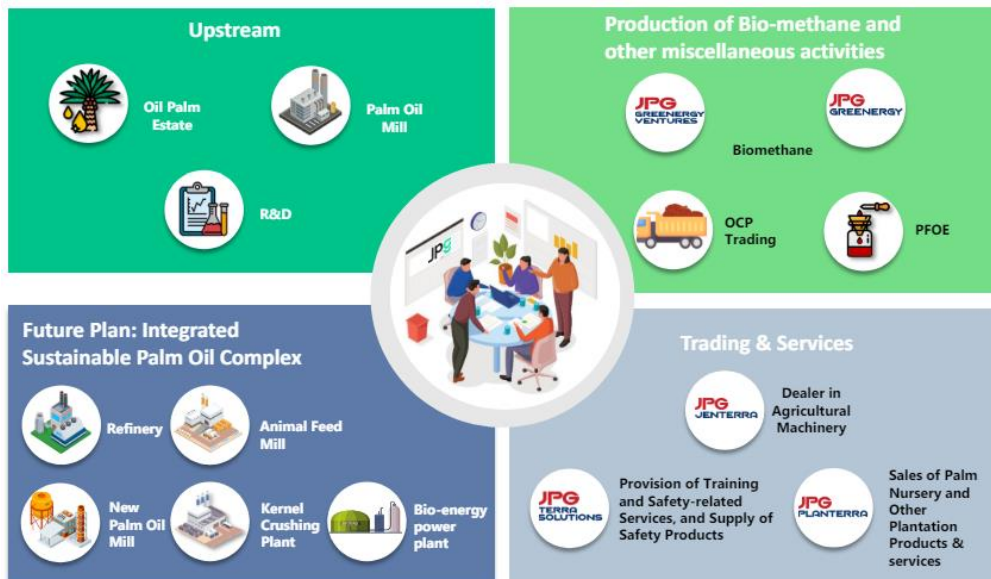


Business overview

Plantation segment. Plantation is the main group's revenue driver. The group also has two smaller revenue segments: trading and support services, which comprises trading agricultural machinery and parts, selling palm nursery and plantation-related products, and providing training and safety-related services. The renewable energy segment comprises selling biomethane, which recently resumed its operations after temporarily being suspended due to a natural disaster.

- I. **CPO production (86.0% of FY23 revenue).** This segment has always been the group's main driver, accounting for more than 80% of topline over the past four years. In FY23, JPG processed over 1,361,753 tonnes of FFB, of which 270,900 tonnes of CPO were produced and sold at average selling prices of RM3,989. This translates to an FFB yield of 20.3 tonnes per ha and OER of 19.9%.
- II. **PK production (12.9% of FY23 revenue).** In FY23, over 72,383 tonnes of PK were produced and sold at an average selling price of MYR2,223 per tonne at a KER of 5.3%.

Fig #4 JPG's business overview summary



Source: Johor Plantations Group Berhad

Financials

JPG recorded a decrease in revenue by 28.4% for FYE2023, mainly due to lower selling prices and delivery volume. The declining trend in the price was driven by lower demand for palm oil products relative to increasing supply, more demand for other vegetable oil alternatives and general economic weakness. The decrease in delivery volume was due to mildly lower oil extraction rate as a result of adverse weather conditions and flooding in March 2023. Moving forward, we project topline to grow at 5%-7% to RM1,334.9m-1,471.8m for FY24f-26f, while projecting its core net profit to increase by 2.1%-5.5% to RM177.1m-193.1m, supported by the excellence the numbers of prime age-old palm profile and replanting the old oil palm with higher-yielding material.



Fig #5 Financial Highlights

Financial Highlights

FYE Dec (RM m)	FY22	FY23	FY24f	FY25f	FY26f
Revenue	1,751.6	1,253.4	1,334.9	1,401.7	1,471.8
EBITDA	744.8	391.2	421.7	434.7	448.0
PBT	569.1	193.1	235.2	248.1	256.5
PAT	495.4	171.9	178.7	188.6	194.9
PATMI – Core	495.6	173.5	177.1	186.8	193.1
PATMI – Reported	495.6	167.3	177.1	186.8	193.1
% change YoY – Core PATM	43.9%	-65.0%	2.1%	5.5%	3.4%
Core EPS (sen)	19.8	6.9	7.1	7.5	7.7
P/E (x)	4.2	12.1	11.9	11.2	10.9
DPS (sen)	3.3	2.8	3.5	3.7	3.9
Dividend Yield (%)	3.9%	3.3%	4.2%	4.4%	4.6%
BVPS (RM/share)	0.79	0.90	1.09	1.12	1.16
P/B (x)	1.1	0.9	0.8	0.7	0.7
ROE (%)	25.8%	8.2%	7.1%	6.8%	6.8%
Net Gearing (%)	0.88	0.66	0.37	0.31	0.25

Malacca Securities Research

Valuations

We ascribe a fair value of RM0.97 for JPG. Our valuation is derived by pegging a P/E of 13x to the FY24f EPS of 7.1 sen. We believe 13x P/E is justified with the similar size of RM1bn-3bn market cap plantation peers' average P/E and forward P/E of 16.4x and 12.1x, respectively.

Fig #6 Peers' comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
Johor Plantation Group	MAIN	Dec	0.840	2,100.0	11.9*	11.2*	13.3
Sarawak Oil Palms Bhd	MAIN	Dec	2.860	2,550.6	7.6	7.9	5.9
FAR East Holdings BHD	MAIN	Dec	3.710	2,203.1	19.7	-	18.2
Kim Loong Resources Bhd	MAIN	Jan	2.120	2,067.2	13.9	15.5	9.7
Ta Ann Holdings Bhd	MAIN	Dec	3.870	1,704.6	11.1	8.9	9.4
TSH Resources Bhd	MAIN	Dec	1.140	1,573.4	18.3	15.4	8.9
Hap Seng Plantations Holdings	MAIN	Dec	1.760	1,407.4	13.5	-	13.7
Kretam Holdings BHD	MAIN	Dec	0.590	1,359.5	13.6	-	13.8
Jaya Tiasa Holdings BHD	MAIN	Jun	1.090	1,055.1	5.8	5.2	17.8
United Malacca Bhd	MAIN	Apr	5.050	1,059.3	24.1	19.4	10.1
BLD Plantation Bhd	MAIN	Mar	11.000	1,028.5	36.6	-	1.6
Avg ex-JPG					16.4	12.1	10.9

* FY24f, ** FY25f

Investment risks

Dependent on key senior management. Discontinuation of service of the key senior management may disrupt key decision making within JPG's business operations.

Economic, social, political and regulatory risks. Changes in the economic, social and political landscape, which may give rise to unfavourable tariffs, embargos, etc.

Unpredictable weather pattern. Any poor conditions could adversely affect JPG's business, financial condition, results of operations and prospects.

Fluctuations in commodities and raw material prices. Any inability to pass on the price decrease of commodities and raw material prices may adversely affect financial performance.



Disclaimer

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Stock recommendation guide

BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned

