

30 May 2018 | 1QFY18 Result Review

Felda Global Ventures Holdings Berhad

1QFY18 earnings below expectations

Maintain NEUTRAL

Unchanged Target Price: RM1.75

INVESTMENT HIGHLIGHTS

- **1QFY18 earnings below expectations**
- **Sugar division turned profitable in 1QFY18**
- **Logistics & Support Business is also profitable in 1QFY18**
- **However, plantation division earnings declined 61%**
- **Maintain NEUTRAL with TP of RM1.75**

1QFY18 earnings below expectations. Felda Global Ventures Holdings Berhad (FGV) 1QFY18 Core Net Profit (CNP) of RM20.0m is below expectation, making up just 19%/10% of ours/consensus full year estimates. Earnings contribution from associate came in weaker than expected with RM16.2m loss. Our CNP calculation includes RM72.0m of LLA cash paid and exclude RM78.7m net LLA accounting charge, RM7.9m forex loss and RM4.1m one off items. As expected, no dividend is announced in 1QFY18.

Sugar division turned profitable in 1QFY18. Sugar division is showing turnaround in profit with PBT of RM22.0m (against 1QFY17's Loss Before Tax of 23.2m) due to lower raw material costs and favourable foreign exchange rate.

Logistics & Support Business is also profitable in 1QFY18. Same pattern is noticed for Logistics & Support Business (LSB) division with PBT of RM25.4m (against 1QFY17's Loss Before Tax of RM39.5m). We gather that LSB division benefited from higher throughput in the bulking business and increased tonnage carried by the Group's transport operations.

However, plantation division earnings declined 61% yoy to RM18.3m. This is caused by 19% drop in CPO price to RM2472 per tonne.

Earnings estimate reduced. We cut our earnings estimate for FY18 and FY19 by 15%/13% to RM90.4m/RM101.6m respectively. We have assumed lower earnings contribution from its associate.

Maintain NEUTRAL with TP of RM1.75. Despite the reduction in earnings forecast, our TP is unchanged as it is based on 1.1x Price To Book (Mean Valuation). While the turnaround in Sugar and LSB segments is commendable, it is neutralised by lower earnings in plantation division.



RETURN STATS	
Price (28 May 2018)	RM1.62
Target Price	RM1.75
Expected Share Price Return	+8.0%
Expected Dividend Yield	+3.1%
Expected Total Return	+11.1%

STOCK INFO	
KLCI	1775.84
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	5910.01
Price over NA	1.06
52-wk price Range	RM1.51 - RM2.18
Beta (against KLCI)	1.88
3-mth Avg Daily Vol	10.4m
3-mth Avg Daily Value	RM18.5m

Major Shareholders	
FELDA	33.66%
KWAP	7.88%
LEMBAGA TABUNG HAJI	7.80%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	15,670	17,241	16,975	20,352	21,259
EBIT	682	446	801	515	589
PBT	384	260	417	326	345
Net Income	117	31	144	90	102
Core Net Income	(106)	(157)	59	90	102
EPS (sen)	3.21	0.86	3.94	2.48	2.78
Core EPS (sen)	(2.91)	(4.30)	1.62	2.48	2.78
Net DPS (sen)	4.0	0.0	5.0	5.0	5.0
Net Dvd Yield	2.5%	0.0%	3.1%	3.1%	3.1%
PER	(55.8)	(37.6)	99.9	65.4	58.2
NTA/share (RM)	1.19	1.16	1.11	1.08	1.06
P/NTA	1.36	1.40	1.46	1.50	1.53
ROE	2.0%	0.5%	2.6%	1.6%	1.9%
ROA	0.6%	0.1%	0.7%	0.4%	0.5%

Source: MIDFR, Company

FGV 1QFY18 RESULT REVIEW

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	3602.7	-17%	-16%	3602.7	-17%	Lower revenue from Sugar and Logistics and Others divisions.
EBIT	169.5	92%	-49%	169.5	92%	
PBT	26.2	NA	-89%	26.2	NA	Turnaround in earnings as both Sugar and LBS segments returned to profitability.
Net Income	1.3	-22%	-98%	1.3	-22%	
Core Net Income	20.0	NA	-59%	20.0	NA	Core net income includes RM72.0m of LLA cash paid and exclude RM78.7m net LLA accounting charge, RM7.9m forex loss and RM4.1m one off items.
EPS (sen)	0.04	-20%	-98%	0.04	NA	
Core EPS (sen)	0.55	NA	NA	0.55	NA	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2472	-19%	-9%	2472	-19%	
FFB Volume ('k MT)	991	24%	-17%	991	24%	
EBIT Margin	4.7%	NA	NA	4.7%	NA	
PBT Margin	0.7%	NA	NA	0.7%	NA	

Source: Company, MIDF Research

DAILY PRICE CHART



Source: MIDFR, Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.