

29 November 2018 | 3QFY18 Results Review

FGV Holdings Berhad

RM788m of impairments in 3QFY18

INVESTMENT HIGHLIGHTS

- **Earnings below expectation**
- **RM788m of impairments in 3QFY18**
- **Expecting worse FY18 core net loss**
- **Maintain NEUTRAL with lower TP of RM0.91**

Earnings below expectation. FGV Holdings Berhad (FGV) core net loss of RM81m in 9MFY18 is worse than expected. Previously, we were expecting RM73m core net loss for the full Financial Year. Consensus was expecting RM33m core net profit. The negative deviation is caused by lower than expected FFB volume.

RM788m of impairments in 3QFY18. In our core net income/loss calculation, we have included RM220m of LLA cash paid and excluded RM798m impairments, RM209m net LLA accounting charge, RM4m forex gain and RM7m Plant Property & Equipment (PPE) writeoffs. Most of the impairments are charged (RM788m) in 3QFY18. The top three impairments include: i) Goodwill & Intangible Asset RM562m, ii) PPE RM124m and Account Receivables RM57m.

Expecting worse FY18 core net loss. We are now expecting worse core net loss of RM97m (previously RM73m) for FY18. FY19 core earnings has also been reduced to RM33m (from RM74m). We have also assumed lower FFB production for FGV.

Maintain NEUTRAL with lower TP of RM0.91. We have reduced our TP to RM0.91 (from RM1.54). Our Target Price To Book has been reduced to 0.7x (from 1.0x) to account for the weak earnings prospect. The Book Value used has been updated to RM1.30.

Maintain NEUTRAL

Adjusted Target Price: RM0.91
(Previously RM1.54)

RETURN STATS	
Price (28 Nov 2018)	RM0.915
Target Price	RM0.91
Expected Share Price Return	-0.5%
Expected Dividend Yield	+0.0%
Expected Total Return	-0.5%

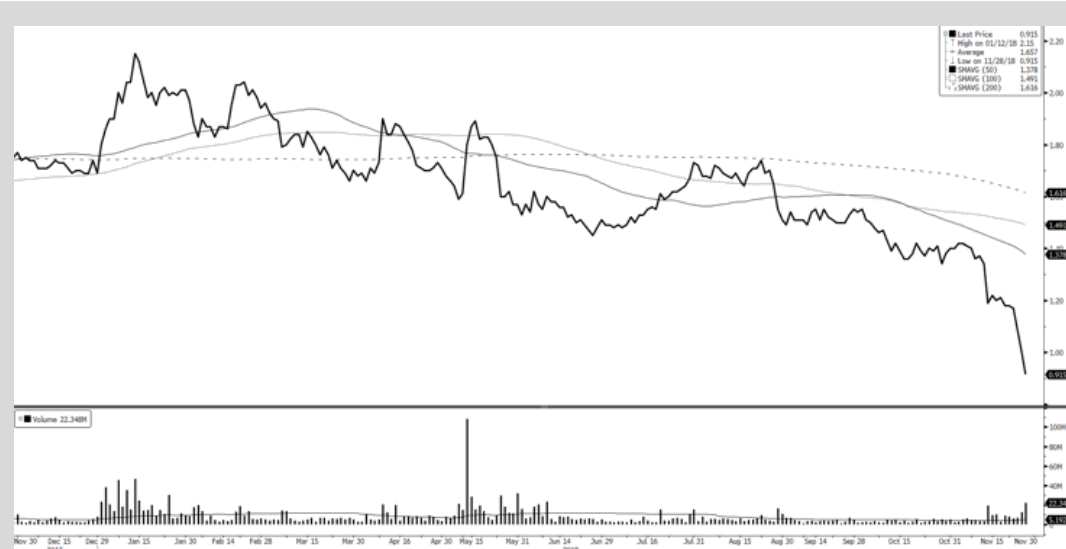
STOCK INFO	
KLCI	1686.55
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	3338.06
Price over NA	0.60
52-wk price Range	RM0.91 - RM2.18
Beta (against KLCI)	1.48
3-mth Avg Daily Vol	5.15m
3-mth Avg Daily Value	RM6.96m
Major Shareholders	
FELDA	21.24%
KWAP	7.83%
LEMBAGA TABUNG HAJI	7.83%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	15,670	17,241	16,975	19,650	20,644
EBIT	682	446	801	92	324
PBT	384	260	417	(98)	82
Net Income	117.1	31.5	143.7	(96.9)	33.5
Core Net Income	(106.0)	(157.0)	59.2	(96.9)	33.5
EPS (sen)	3.21	0.86	3.94	(2.66)	0.92
Core EPS (sen)	(2.91)	(4.30)	1.62	(2.66)	0.92
Net DPS (sen)	4.0	0.0	5.0	0.0	0.0
Net Dvd Yield	4.4%	0.0%	5.5%	0.0%	0.0%
PER	(31.5)	(21.3)	56.4	(34.5)	99.7
NTA/share (RM)	1.19	1.16	1.11	1.08	1.09
P/NTA	0.77	0.79	0.83	0.85	0.84
ROE	2.0%	0.5%	2.6%	-1.8%	0.6%
ROA	0.6%	0.1%	0.7%	-0.4%	0.1%

Source: MIDFR, Company

DAILY PRICE CHART



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FGV 3QFY18 RESULTS

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	3193.3	-23%	-7%	10233.3	-19%	Revenue declined mainly due to lower CPO price
EBIT	-712.5	NA	NA	-470.0	NA	
PBT	-911.1	NA	NA	-883.7	NA	
Net Income	-849.3	NA	NA	-871.2	NA	Core net loss of RM81m is below expectation. Previously, we were expecting RM73m core net loss for FY18. Consensus was expecting RM33m core net profit. The negative deviation is caused by lower than expected FFB volume.
Core Net Income	-41.7	NA	NA	-81.2	NA	In our core net income/loss calculation, we have included RM220m of LLA cash paid and excluded RM798m impairments, RM209m net LLA accounting charge, RM4m forex gain and RM7m PPE writeoffs.
EPS (sen)	-23.3	NA	NA	-23.9	NA	
Core EPS (sen)	-1.1	NA	NA	-2.2	NA	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2224	-17%	-8%	2371	-16%	
FFB Volume ('k MT)	1080	-12%	9%	1984	-35%	
EBIT Margin	-22.3%	NA	NA	-22.3%	NA	
PBT Margin	-28.5%	NA	NA	-8.6%	NA	

Source: 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.