

26 February 2018 | 4QFY17 Results Review

## Felda Global Ventures

*A profitable year in FY17*

### INVESTMENT HIGHLIGHTS

- **FY17 core earnings is above expectation**
- **Plantation division is the star performer**
- **Improvement in the sugar division**
- **Earnings estimate increased**
- **Maintain NEUTRAL with TP of RM1.96**

**FY17 core earnings is above expectation.** Felda Global Ventures Holdings Berhad (FGV) FY17 Core Net Profit (CNP) of RM59.2m is better than expected as it makes up 110% of our estimate of RM54.0m. FFB growth came in better than expected at 9% yoy growth in FY17. As expected, no dividend was announced.

**Plantation division is the star performer.** Plantation division performed well with PBT growth of 137% yoy to RM554m. The improved performance is caused by better CPO price (+9% yoy to RM2792 per tonne) and improved FFB production (+9% yoy to 4.26m tonnes).

**Improvement in the sugar division.** Although sugar division registered lower PBT of RM2m in FY17 (against FY16's RM152m), it has shown improvement with 4QFY17 PBT of RM28m. This is better than 3QFY17 PBT of RM16m and managed to turn the division into slight profitability of RM2m for the whole FY17 (against 9MFY17 Loss Before Tax of RM24m). We gather that the improved performance qoq is caused by lower raw sugar material costs.

**Earnings estimate increased.** We increase our FY18 CNP forecast to RM108m (from RM70m) after imputing higher FFB volume assumption. We have also introduced our FY19 CNP forecast of RM117m.

**Maintain NEUTRAL with TP of RM1.96.** Despite the increase in our earnings forecast, we maintain our Target Price as it is based on Price to Book target of 1.23x. The 1.23x Price To Book reflects +0.5 Standard Deviation in view of more sustainable profitability seen for FGV.



**Maintain NEUTRAL**

**Unchanged Target Price: RM1.96**

#### RETURN STATS

Price (23 Feb 2018)	RM1.99
Target Price	RM1.96
Expected Share Price Return	-1.5%
Expected Dividend Yield	2.5%
<b>Expected Total Return</b>	<b>+1.0%</b>

#### STOCK INFO

KLCI	1861.50
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	7,259.82
Price over NA	1.26
52-wk price Range	RM1.51 - RM2.18
Beta (against KLCI)	1.48
3-mth Avg Daily Vol	10.9m
3-mth Avg Daily Value	RM21.1m
<b>Major Shareholders</b>	
FELDA	29.03%
LEMBAGA TABUNG HAJI	7.79%
KWAP	5.28%

## INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	15,670	17,241	16,975	20,352	21,259
EBIT	682	446	801	536	610
PBT	384	260	417	347	366
Net Income	117	31	144	106	117
Core Net Income	(106)	(157)	59	106	117
EPS (sen)	3.21	0.86	3.94	2.90	3.21
Core EPS (sen)	(2.91)	(4.30)	1.62	2.90	3.21
Net DPS (sen)	4.0	0.0	5.0	5.0	5.0
Net Dvd Yield	2.0%	0.0%	2.5%	2.5%	2.5%
Core PER	(68.5)	(46.2)	122.7	68.5	62.0
NTA/share (RM)	1.19	1.16	1.11	1.09	1.07
P/NTA	1.68	1.72	1.80	1.83	1.86
ROE	2.0%	0.5%	2.6%	1.9%	2.1%
ROA	0.6%	0.1%	0.7%	0.5%	0.5%

Source: Company, MIDF Research Forecast

## FGV: FY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	4278.9	-17%	3%	16974.7	-2%	
EBIT	334.4	580%	38%	801.1	80%	
PBT	246.3	14%	115%	416.6	60%	Plantation division performed well with PBT growth of 137% yoy to RM554m . However, Sugar division Profit Before Tax declined to RM2m (against FY16's RM152m).
Net Income	76.6	-32%	93%	143.7	357%	
Core Net Income	49.2	NA	NA	59.2	NA	Core net income includes RM307m of LLA cash paid and exclude RM223m net LLA accounting charge.
EPS (sen)	2.1	-32%	NA	3.9	NA	
Core EPS (sen)	1.3	NA	NA	1.6	NA	
Net DPS (sen)	0.00	NA	NA	5.00	NA	
CPO Price (RM/MT)	2723	-4%	2%	2792	9%	
FFB Volume ('k MT)	1190	28%	-3%	4260	9%	
EBIT Margin	7.8%	NA	NA	4.7%	NA	
PBT Margin	5.8%	NA	NA	2.5%	NA	

Source: Company

## DAILY PRICE CHART



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Source: Bloomberg

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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.