

10 October 2017 | Corporate Update

Felda Global Ventures

Datuk Zakaria to resume his duties as Group President / CEO

INVESTMENT HIGHLIGHTS

- **Datuk Zakaria to resume his duties**
- **Positive on the news**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM1.59**

Datuk Zakaria to resume his duties. Felda Global Ventures Holdings Berhad (FGV) has announced that Datuk Zakaria Arshad shall resume his duties as Group President / CEO (GP/CEO) on 16 October 2017. Recall that on 6-June 2017, Datuk Zakaria has been given leave of absence pending investigations of certain transactions under Delima Oil Products Sdn Bhd, a subsidiary of FGV.

In the Bursa announcement, it was mentioned that "After taking into consideration the ongoing FGV transformation programme and the GP/CEO's commitment and assurance to resolve the long outstanding debt of Safitex Trading LLC (with FGV's subsidiary Delima Oil Products Sdn Bhd), The Minister of Finance (Inc) would like Datuk Zakaria to return as the GP/CEO of FGV".

Positive on the news. We believe that the news reflects certainty on the direction of the Company which is likely to be viewed positively by the market. FGV Chairman Datuk Wira Azhar Abdul Hamid has also highlighted that his priorities are to improve operational and financial performance of FGV core business and ensure sustainable growth going forward.

Maintain NEUTRAL with TP of RM1.59. Earnings estimate are maintained for both FY17 and FY18. Our Target Price is based on 1.0x Price to Book value. Despite the positive news, we believe that long term rerating catalyst for FGV is the sustainable core earnings.



Maintain NEUTRAL

Unchanged Target Price: RM1.59

RETURN STATS	
Price (10 Oct 2017)	RM1.72
Target Price	RM1.59
Expected Share Price Return	-7.6%
Expected Dividend Yield	0.0%
Expected Total Return	-7.6%

STOCK INFO	
KLCI	1764.03
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	6,274.82
Price over NA	1.09
52-wk price Range	RM1.42 - RM2.45
Beta (against KLCI)	1.87
3-mth Avg Daily Vol	6.31m
3-mth Avg Daily Value	RM10.4m
Major Shareholders	
FELDA	33.66%
LEMBAGA TABUNG HAJI	7.80%
KWAP	7.35%

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	15,258	15,670	17,283	19,157	19,929
EBIT	1,111	682	463	413	499
PBT	971	384	266	263	308
Net Income	325	117	30	23	26
Core Net Income	121	(106)	(157)	23	26
EPS (sen)	8.92	3.21	0.81	0.64	0.72
Core EPS (sen)	3.32	(2.91)	(4.30)	0.64	0.72
Net DPS (sen)	10.0	4.0	0.0	0.0	0.0
Net Dvd Yield	5.8%	2.3%	0.0%	0.0%	0.0%
Core PER	51.9	(59.2)	(40.0)	269.5	238.5
NTA/share (RM)	1.15	1.19	1.17	1.17	1.18
P/NTA	1.50	1.45	1.47	1.47	1.46
ROE	5.7%	2.0%	0.5%	0.4%	0.4%
ROA	1.6%	0.6%	0.1%	0.1%	0.1%

Source: Company, MIDF Research Forecast

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 >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	<i>Negative</i> total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.