

04 September 2018 | Corporate Update

## FGV Holdings Berhad

*Key takeaways from analyst briefing*

### INVESTMENT HIGHLIGHTS

- **Plantation division sets new FFB volume target of 4.65m tonnes**
- **Better earnings from sugar and logistics support business**
- **Earnings estimates maintained**
- **Maintain NEUTRAL with TP of RM1.54**

FGV Holdings Berhad (FGV) organised an analyst briefing yesterday and we returned feeling neutral on the Company's near term prospect. This is due to low CPO price and its turnaround strategy may take time to see results. Key takeaways from the briefing are as below:

#### **Plantation division sets new FFB volume target of 4.65m tonnes.**

This is slightly lower than the previous target of 4.85m tonnes. Effectively, the FFB growth target is now lowered to +9% (from +13%). Other targets for FY2018 include: i) Oil Extraction Rate of 20.5%, ii) CPO production of 3.0m tonnes, and iii) CPO production cost of RM1600 per tonne. Recall that in 2QFY18, FGV plantation division was in loss before tax and zakat of RM6m (against 1QFY18 Profit Before Zakat and Tax of RM18m).

**Better earnings from sugar and logistics support business.** Sugar segment turned profitable due to lower raw sugar cost and strengthen Ringgit. Logistics and support business sector earnings also improved due to higher tonnage carried.

**Earnings estimates maintained.** We maintain our assumption of core net loss of RM72.7m for FY18. Things should improve in FY19 with expected FFB volume recovery. The information gathered during the briefing has been factored in.

**Maintain NEUTRAL with TP of RM1.54.** We maintain our TP of RM1.54 based on Price To Book of 1.0x. Despite the weak earnings prospect, the share price is trading at below Book Value of RM1.54 hence suggesting limited downside.

**Maintain NEUTRAL**

**Unchanged Target Price: RM1.54**

### RETURN STATS

Price (3 Sep 2018)	RM1.49
Target Price	RM1.54
Expected Share Price Return	+3.4%
Expected Dividend Yield	+0.0%
<b>Expected Total Return</b>	<b>+3.4%</b>

### STOCK INFO

KLCI	1813.58
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	5,435.75
Price over NA	0.98
52-wk price Range	RM1.45 - RM2.18
Beta (against KLCI)	1.61
3-mth Avg Daily Vol	6.38m
3-mth Avg Daily Value	RM10.2m

### Major Shareholders

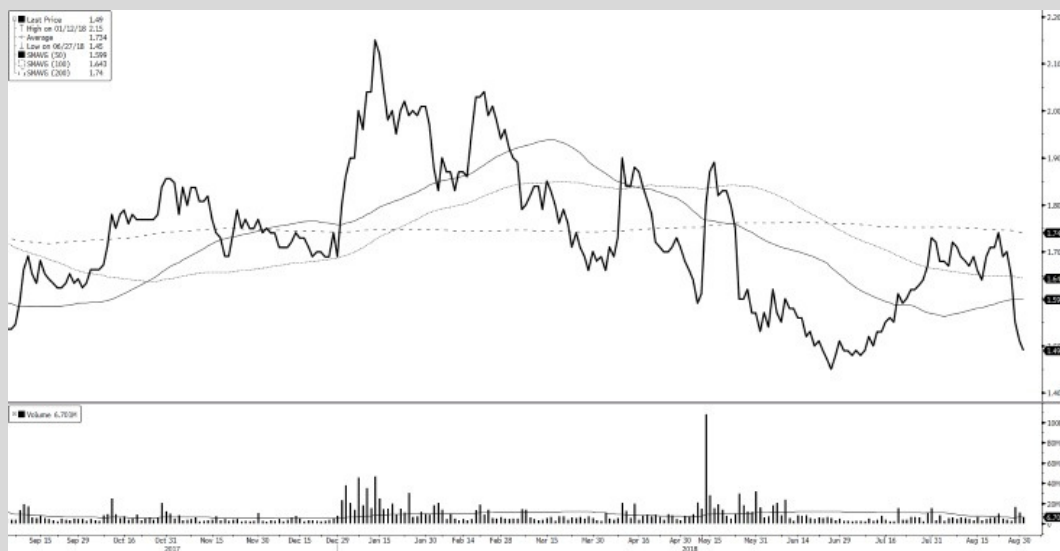
FELDA	33.66%
KWAP	7.83%
LEMBAGA TABUNG HAJI	7.83%

## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	15,670	17,241	16,975	19,683	20,698
EBIT	682	446	801	124	378
PBT	384	260	417	(65)	136
Net Income	117.1	31.5	143.7	(72.7)	73.7
Core Net Income	(106.0)	(157.0)	59.2	(72.7)	73.7
EPS (sen)	3.21	0.86	3.94	(1.99)	2.02
Core EPS (sen)	(2.91)	(4.30)	1.62	(1.99)	2.02
Net DPS (sen)	4.0	0.0	5.0	0.0	0.0
Net Dvd Yield	2.7%	0.0%	3.4%	0.0%	0.0%
PER	(51.3)	(34.6)	91.9	(74.8)	73.8
NTA/share (RM)	1.19	1.16	1.11	1.09	1.11
P/NTA	1.25	1.29	1.34	1.37	1.34
ROE	2.0%	0.5%	2.6%	-1.3%	1.3%
ROA	0.6%	0.1%	0.7%	-0.3%	0.3%

Source: MIDFR, Company

## DAILY PRICE CHART



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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.