

04 January 2018 | Corporate Update

Felda Global Ventures

RSPO certification for eight mill complexes

Maintain NEUTRAL

Unchanged Target Price: RM1.96

INVESTMENT HIGHLIGHTS


- **RSPO certification for eight mill complexes**
- **Positive on the news in the long term**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM1.96**

RSPO certification for eight mill complexes. Felda Global Ventures Holdings Berhad (FGV) has announced that it has received its Roundtable Sustainable Palm Oil (RSPO) Principles and Criteria (P&C) ("RSPO P&C") certification for eight mill complexes at the end of 2017. We gather that the eight mill complexes are expected to produce over 200,000 MT of Certified Sustainable Palm Oil (CSPO) and 60,000 MT of Certified Sustainable Palm Kernel Oil (CSPK). Recall that FGV voluntary withdraw from the RSPO certification in May 2016.

Looking ahead, the Company plans to secure RSPO certification for another 8 more by end March-2018. By end-2021, FGV plans to certify its 70 palm oil mills complexes to RSPO and The Malaysian Sustainable Palm Oil (MSPO) standard.

Positive on the news in the long term. We are positive on the news as higher volume of CSPO should lead to higher market access in Europe for FGV.

Earnings estimate maintained. However, earnings impact is minimal as we gather that the premium of RSPO oil is small against normal palm oil. Hence, we maintain our FY18 core earnings estimate of RM70m. FY17 core earnings is also maintained at RM54m.

Maintain NEUTRAL with TP of RM1.96. Our TP is based on Price to Book target of 1.23x which reflects +0.5 Standard Deviation. 

RETURN STATS	
Price (3 Jan 2018)	RM1.86
Target Price	RM1.96
Expected Share Price Return	5.1%
Expected Dividend Yield	2.7%
Expected Total Return	7.8%

STOCK INFO	
KLCI	1792.79
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	6,785.56
Price over NA	1.18
52-wk price Range	RM1.51 - RM2.18
Beta (against KLCI)	1.68
3-mth Avg Daily Vol	6.09m
3-mth Avg Daily Value	RM11.0m

Major Shareholders	
FELDA	33.66%
LEMBAGA TABUNG HAJI	7.78%
KWAP	7.35%

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	15,258	15,670	17,283	19,238	20,070
EBIT	1,111	682	463	454	563
PBT	971	384	266	304	366
Net Income	325	117	30	54	70
Core Net Income	121	(106)	(157)	54	70
EPS (sen)	8.92	3.21	0.81	1.47	1.91
Core EPS (sen)	3.32	(2.91)	(4.30)	1.47	1.91
Net DPS (sen)	10.0	4.0	0.0	5.0	5.0
Net Dvd Yield	5.4%	2.2%	0.0%	2.7%	2.7%
Core PER	56.1	(64.0)	(43.2)	126.4	97.6
NTA/share (RM)	1.15	1.19	1.17	1.13	1.10
P/NTA	1.62	1.57	1.59	1.64	1.69
ROE	5.7%	2.0%	0.5%	0.9%	1.2%
ROA	1.6%	0.6%	0.1%	0.2%	0.3%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Alan Lim, CFA
 alan.lim@midf.com.my
 03-2173 8464

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.