

15 May 2018 | Corporate Update

## Felda Global Ventures Holdings Berhad

*Selling non core asset*

**Maintain NEUTRAL**

**Unchanged Target Price: RM1.75**

### INVESTMENT HIGHLIGHTS

- **Selling Taiko Clay Chemicals (TCC) for RM145.0m**
- **TCC is a chemical company (non core asset for FGV)**
- **We are positive on the news**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM1.75**

**Selling Taiko Clay Chemicals (TCC) for RM145.0m.** Felda Global Ventures Holdings Berhad (FGV) has announced that its effectively 72% owned subsidiary Felda Palm Industries Sdn. Bhd. has proposed to dispose its 30% stake in Taiko Clay Chemicals Sdn. Bhd. (TCC) for RM145.0m. Expected disposal gain is RM16.1m. Completion date is expected to be in 2H2018.

**TCC is a chemical company (non core asset for FGV).** TCC is involved in manufacturing and sale of activated bleaching earth and related products, production of sulphuric acid, oleum and battery acid and general trading and manufacturing of aluminium sulphate.

**We are positive on the news.** The sale of non core asset should improve FGV management focus on its core businesses which include plantation, sugar and logistics. There is also gain of RM16.1m from the sale of this non core asset. Lastly, net gearing is expected to improve to 0.40x from 0.42x.

**Earnings estimate maintained.** Pending the completion of the deal, we maintain our earnings estimate for FY18 and FY19.

**Maintain NEUTRAL with TP of RM1.75.** Our TP is based on 1.1x Price To Book which is a Mean Valuation. The next key event to watch will be the 1QFY18 earnings which will be released by end of May.

RETURN STATS	
Price (14 <sup>th</sup> May 2018)	RM1.80
Target Price	RM1.75
Expected Share Price Return	-2.8%
Expected Dividend Yield	+2.8%
<b>Expected Total Return</b>	<b>0.0%</b>

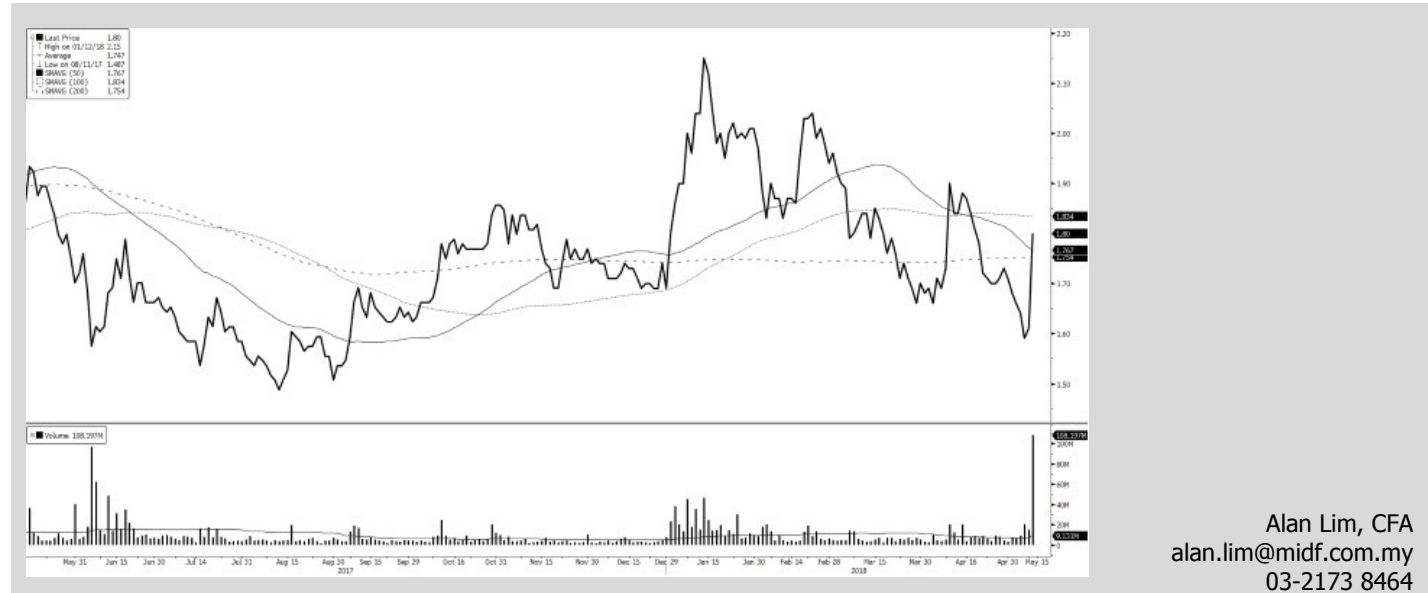
STOCK INFO	
KLCI	1850.42
Bursa / Bloomberg	5222 / FGV MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	3648.15
Market cap. (RM'm)	6,566.67
Price over NA	1.17
52-wk price Range	RM1.51 - RM2.18
Beta (against KLCI)	1.68
3-mth Avg Daily Vol	9.23m
3-mth Avg Daily Value	RM16.7m
Major Shareholders	
FELDA	33.66%
KWAP	7.95%
LEMBAGA TABUNG HAJI	7.79%

## INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	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	2.2%	0.0%	2.8%	2.8%	2.8%
PER	(61.9)	(41.8)	111.0	62.0	56.1
NTA/share (RM)	1.19	1.16	1.11	1.09	1.07
P/NTA	1.52	1.56	1.62	1.66	1.68
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

## DAILY PRICE CHART



Source: MIDFR, 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.