

21 August 2018 | 1QFY19 Results Review

Fima Corporation Berhad

1QFY19 earnings within expectation

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.90

INVESTMENT HIGHLIGHTS

- **1QFY19 Core Net Income is within expectation**
- **Plantation division earnings is affected by low CPO price**
- **Weak performance from PSCD division**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM1.90**

1QFY19 Core Net Income was within expectation. Fima Corporation Berhad (FIMACOR) 1QFY19 Core Net Income (CNI) of RM6.0m makes up 17% of our full year FY19 forecast. We deem the result as within expectation due to seasonally low FFB production in 1Q. Core net income excluded the RM0.6m of forex gain and other one off items. As expected, no dividend was announced in the first quarter.

Plantation division earnings was affected by low CPO price. Plantation division PBT dipped 65%yoy to RM3.8m as revenue declined by 55%yoy to RM19.0m. This was caused by lower CPO price of RM2102 per tonne (down 18%yoy) and lower FFB volume of 33,013 tonnes (down 24%yoy).

Weak performance from PSCD division. "Production of security and confidential documents" division revenue also declined by 14%yoy to RM31.2m. As a result, PBT from the "production of security and confidential documents" division declined by 15%yoy to RM4.4m.

Earnings estimate maintained. We maintain our FY19 CNI estimate of RM35.7m. We expect FIMACOR earnings to pick up from 2QFY19 onwards due to seasonally stronger FFB production.

Maintain NEUTRAL with TP of RM1.90. Our TP is based on Sum-Of-Parts valuation (Refer Below). Despite the challenging earnings prospect for both plantation and PSCD divisions, FIMACOR balance sheet is strong with net cash position of RM211m.

RETURN STATS	
Price (20 Aug 2018)	RM1.99
Fair Value	RM1.90
Expected Share Price Return	-4.5%
Expected Dividend Yield	+6.3%
Expected Total Return	+1.8%

STOCK INFO		
KLCI	1787.58	
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	240.49	
Market cap. (RM'm)	478.57	
Price over NA	0.89	
52-wk price Range	RM1.91 - RM2.34	
Beta (against KLCI)	0.51	
3-mth Avg Daily Vol	0.03m	
3-mth Avg Daily Value	RM0.05m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd		
Price Performance (%)	Absolute	Relative
1 month	+1.0	-0.8
3 months	+1.0	+4.7
12 months	-14.5	-15.2

INVESTMENT STATISTICS

FYE March	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	375.2	372.1	284.6	280.9	279.1
EBIT	75.8	58.7	53.6	54.9	50.3
PBT	77.3	61.3	63.3	57.9	53.2
Net Income	51.3	37.7	36.1	35.7	32.3
Core Net Income	49.6	71.5	32.3	35.7	32.3
EPS (sen)	20.55	29.64	14.98	14.80	13.41
Core EPS (sen)	20.55	29.64	13.38	14.80	13.41
Net DPS (sen)	12.50	17.50	12.50	12.50	12.50
Net Dvd Yield	6.3%	8.8%	6.3%	6.3%	6.3%
Core PER	9.7	6.7	14.9	13.4	14.8
NTA/share (RM)	2.29	2.33	2.27	2.38	2.39
P/NTA	0.87	0.86	0.88	0.84	0.83
ROE	9.3%	6.7%	6.6%	6.2%	5.6%
ROA	7.5%	5.3%	5.6%	4.9%	4.4%

Source: Company, MIDF Research

Sum-Of-Parts Valuation for FIMACORP

Divisions	Valuation	Note	Fair Value (RM 'm)
Manufacturing	10.5x FY19E earnings	In line with FBM Small Cap Forward PE for FY18	179
Plantation	11.5x FY19E earnings	40% discount to average Target PE of 19.1x for mid cap planters under our coverage	280
Sum-Of-Parts (RM m)			459
No of shares (m)			241
TP (RM)			1.90

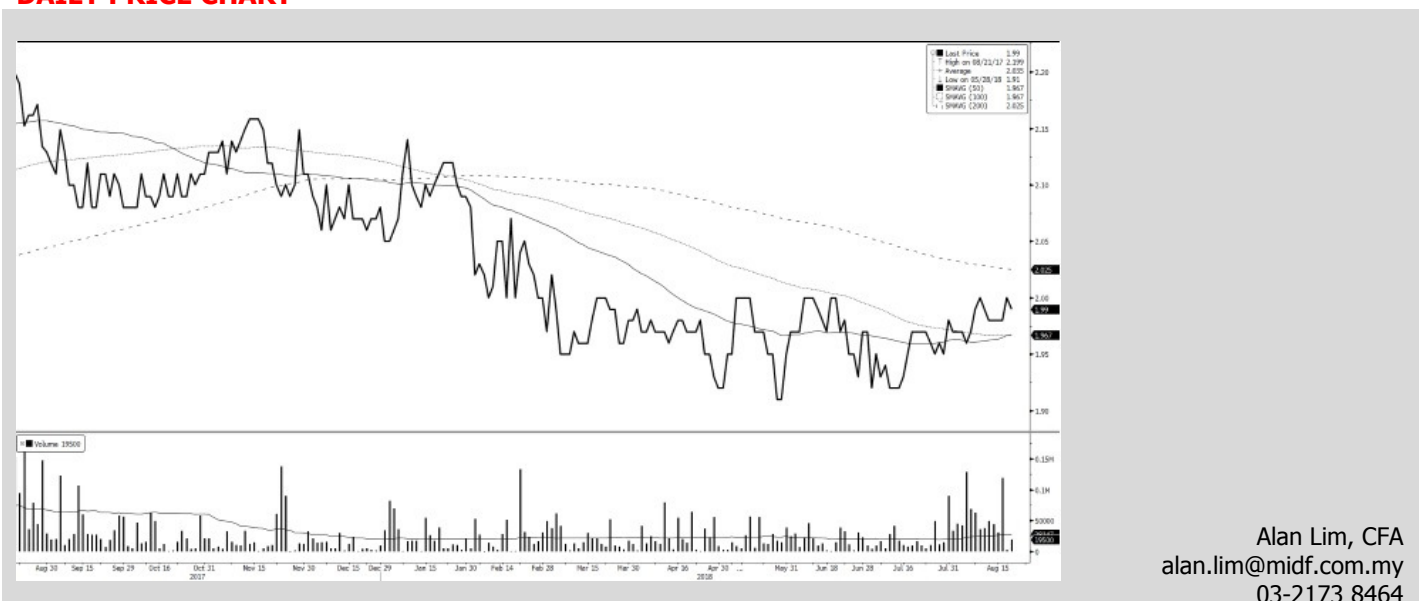
Source: MIDF Research Estimate

FIMACOR: 1QFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY19	%YoY	%QoQ	3MFY19	%YoY	
Revenue	51.2	-35%	-31%	51.2	-35%	Plantation division revenue declined by 55% yoy to RM19.0m. "Production of security and confidential documents" division revenue also declined by 14% yoy to RM31.2m.
EBIT	6.7	-53%	-36%	6.7	-53%	
PBT	8.7	-45%	-35%	8.7	-45%	Plantation division PBT dipped 65% yoy to RM3.8m. PBT from the "production of security and confidential documents" division also declined by 15% yoy to RM4.4m.
Net Income	6.3	-31%	9%	6.3	-31%	
Core Net Income	6.0	-41%	110%	6.0	-41%	Core net income exclude RM0.6m of forex gain and other one off items.
EPS (sen)	2.60	-31%	10%	2.60	-31%	
Core EPS (sen)	2.48	-41%	111%	2.48	-41%	Core net income of RM6.0m makes up 17% of our full year FY19 forecast. We deem the result as within expectation due to seasonally low FFB production in 1Q.
Net DPS (sen)	0.0	NA	NA	0.0	NA	
EBIT Margin	13.1%	NA	NA	13.1%	NA	
PBT Margin	16.9%	NA	NA	16.9%	NA	

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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	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.