

23 November 2018 | 1HFY19 Results Review

## Fima Corporation Berhad

*1HFY19 earnings below expectation*

**Maintain NEUTRAL**

**Adjusted Target Price (TP): RM1.76**  
*(Previously RM1.90)*

### INVESTMENT HIGHLIGHTS

- **1HFY19 Core Net Income is below expectation**
- **Core Net Income dipped 53% yoy to RM11.1m**
- **Earnings estimate lowered**
- **Maintain NEUTRAL with lower TP of RM1.76**

**1HFY19 Core Net Income is below expectation.** Fima Corporation Berhad (FIMACOR) 1HFY19 Core Net Income (CNI) of RM11.1m is below expectation, making up 31% of our full year FY19 forecast. The negative deviation is caused by lower than expected FFB volume. In our CNI calculation, we have excluded mainly RM23.6m of writeback on impairment loss on property, plant and equipment. As expected, an interim dividend of 5.0 sen is announced and this is at similar amount against same period last year.

**Core Net Income dipped 53% yoy to RM11.1m.** The decline in earnings is mainly due to lower CPO price which has declined by 15% yoy to RM2010 per tonne in 1HFY19. Volume of fresh fruit bunches (FFB) produced has also declined 19% yoy to 71,391 tonnes in 1HFY19. "Production of security and confidential documents" division revenue also declined by 10% yoy to RM68.0m in 1HFY19.

**Earnings estimate lowered.** We have reduced our FY19 CNI estimate by 8% to RM32.8m. For FY20, CNI has been trimmed by 2% to RM31.7m. We have lowered our FFB volume assumption for FIMACOR.

**Maintain NEUTRAL with lower TP of RM1.76.** The reduction in TP is in line with lower earnings estimated for the plantation division. 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 RM179m.

### RETURN STATS

Price (22 Nov 2018)	RM1.75
Fair Value	RM1.76
Expected Share Price Return	+0.5%
Expected Dividend Yield	+7.1%
<b>Expected Total Return</b>	<b>+7.6%</b>

### STOCK INFO

KLCI	1695.62	
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	240.26	
Market cap. (RM'm)	420.46	
Price over NA	0.76	
52-wk price Range	RM1.75 - RM2.20	
Beta (against KLCI)	0.54	
3-mth Avg Daily Vol	0.02m	
3-mth Avg Daily Value	RM0.04m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.28	
<b>Price Performance (%)</b>	<b>Absolute</b>	<b>Relative</b>
1 month	-2.8	-2.7
3 months	-6.4	-4.6
12 months	-18.2	-17.0

## INVESTMENT STATISTICS

FYE March	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	375.2	372.1	284.6	276.8	278.3
EBIT	75.8	58.7	53.6	50.9	49.5
PBT	77.3	61.3	63.3	53.8	52.4
Net Income	51.3	37.7	36.1	32.8	31.7
Core Net Income	49.6	71.5	32.3	32.8	31.7
EPS (sen)	20.55	29.64	14.98	13.59	13.17
Core EPS (sen)	20.55	29.64	13.38	13.59	13.17
Net DPS (sen)	12.50	17.50	12.50	12.50	12.50
Net Dvd Yield	7.1%	10.0%	7.1%	7.1%	7.1%
Core PER	8.5	5.9	13.1	12.9	13.3
NTA/share (RM)	2.29	2.33	2.27	2.36	2.37
P/NTA	0.76	0.75	0.77	0.74	0.74
ROE	9.3%	6.7%	6.6%	5.7%	5.6%
ROA	7.5%	5.3%	5.6%	4.6%	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 40% discount to average Target PE of 19.1x for mid cap planters under our coverage	179
Plantation	11.5x FY19E earnings		245
<b>Sum-Of-Parts (RM m)</b>			<b>424</b>
No of shares (m)			241
<b>TP (RM)</b>			<b>1.76</b>

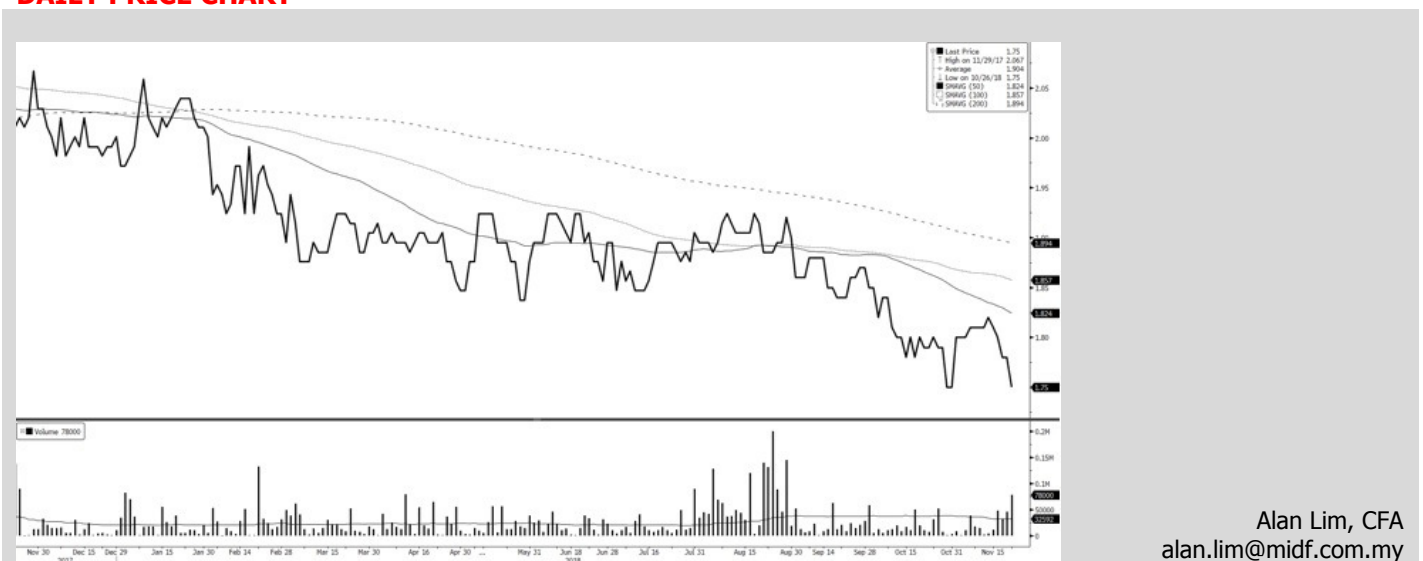
Source: MIDF Research Estimate

## FIMACOR: 1HFY19 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY19	%YoY	%QoQ	6MFY19	%YoY	
Revenue	70.4	2%	37%	121.6	-18%	
EBIT	38.3	125%	469%	45.0	44%	
PBT	40.7	107%	370%	49.3	40%	Plantation division PBT is up by 65% yoy to RM33.7m. PBT from the "production of security and confidential documents" division increased by 4% yoy to RM15.4m.
Net Income	30.2	135%	382%	36.4	66%	
Core Net Income	5.1	-61%	-14%	11.1	-53%	Core net income exclude mainly RM23.6m of writeback on impairment loss on property, plant and equipment.
EPS (sen)	2.60	-51%	0%	2.60	-71%	
Core EPS (sen)	0.44	-92%	-82%	0.44	-96%	Core net income of RM11.1m is below expectation as it makes up 31% of our full year FY19 forecast. The negative deviation is caused by lower than expected FFB volume.
Net DPS (sen)	5.0	0%	NA	5.0	NA	
EBIT Margin	54.4%	NA	NA	54.4%	NA	
PBT Margin	57.8%	NA	NA	57.8%	NA	

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



Source: Bloomberg

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#### 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.