

31 July 2018 | Corporate Update

Fima Corporation Berhad

Court case against Datasonic

INVESTMENT HIGHLIGHTS

- **Court case against DSONIC**
- **Neutral on the news**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM1.90**

Court case against DSONIC. Fima Corporation Berhad (FIMACOR) announced that it has commenced a High Court action against Datasonic Technologies Sdn Bhd (DSONIC). We gather from Bursa announcement that FIMACOR is claiming RM24.98m being the amount due and owing by DSONIC for 1.5m Malaysian passport booklets which were supplied by FIMACOR to DSONIC.

Neutral on the news. Pending the actual outcome of the court decision, we are neutral on the news. In FY18 (year end is March), FIMACOR "production of security and confidential documents" (PSCD) division profit before tax declined by 57% yoy to RM25.5m. This is mainly caused by 39% decline in revenue to RM142.4m due to expiration of the contract to supply certain travel documents in 1QFY18.

Earnings estimate maintained. FY19 core net income forecast is maintained at RM35.7m. As for FY20, we maintain our core net income forecast of RM32.3m. We are not assuming any impact from the court case pending the actual outcome.

Maintain NEUTRAL with TP of RM1.90. Our TP is based on Sum-Of-Parts valuation (Refer Below). While the outlook is challenging for PSCD division, we are positive on the outlook for plantation division in the long run.

Maintain NEUTRAL

Unchanged Target Price (TP): RM1.90

RETURN STATS	
Price (30 July 2018)	RM1.95
Fair Value	RM1.90
Expected Share Price Return	-2.4%
Expected Dividend Yield	+6.4%
Expected Total Return	+4.0%

STOCK INFO		
KLCI	1770.26	
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	240.49	
Market cap. (RM'm)	468.95	
Price over NA	0.86	
52-wk price Range	RM1.91-RM2.36	
Beta (against KLCI)	0.53	
3-mth Avg Daily Vol	0.02	
3-mth Avg Daily Value	0.03	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.23	
Price Performance (%)	Absolute	Relative
1 month	-1.0	-5.4
3 months	-1.0	7.3
12 months	-16.2	-16.7

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	6.4%	9.0%	6.4%	6.4%	6.4%
Core PER	9.5	6.6	14.6	13.2	14.5
NTA/share (RM)	2.29	2.33	2.27	2.38	2.39
P/NTA	0.85	0.84	0.86	0.82	0.82
ROE	9.3%	6.7%	6.6%	6.2%	5.6%
ROA	7.5%	5.3%	5.6%	4.9%	4.4%

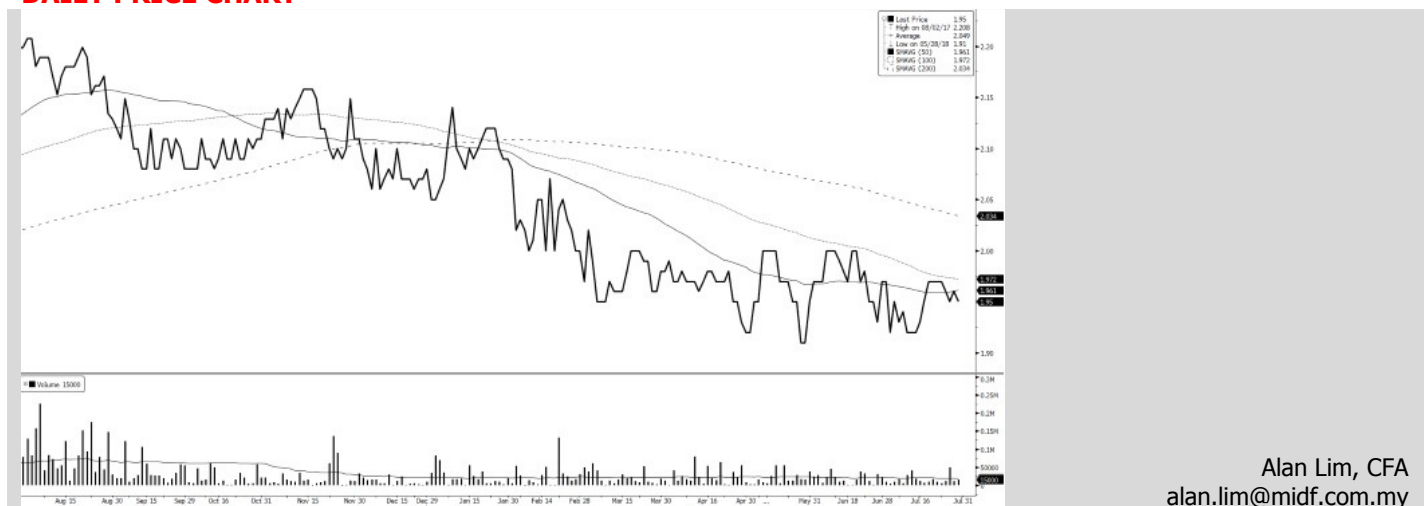
Source: Company, MIDF Research

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 40% discount to average Target PE of 19.1x for mid cap planters under our coverage	179
Plantation	11.5x FY19E earnings		280
Sum-Of-Parts (RM m)			459
No of shares (m)			241
TP (RM)			1.90

Source: MIDF Research Estimate

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.