

24 May 2018 | 1QFY18 Earnings Review

Genting Plantations Berhad

1QFY18 earnings in line

Maintain BUY

Unchanged Target Price: RM12.00

INVESTMENT HIGHLIGHTS

- **1QFY18 earnings within expectations**
- **Strong FFB growth limits the core earnings decline yoy**
- **Earnings estimate maintained**
- **Maintain BUY with TP of RM12.00**

1QFY18 core earnings within expectations. Genting Plantations Berhad (GENP) 1QFY18 core net income (CNI) of RM73.2m was within expectation, meeting 21% and 20% of ours and consensus forecasts. In our CNI calculation, we exclude RM14.4m net surplus arising from Government acquisition of land and RM13.8m of forex gain. As expected, no dividend was announced.

Strong FFB growth limits the core earnings decline to 2% yoy. 1QFY18 CNI is marginally lower by 2%yoy to RM73.2m as strong FFB production (+20%yoy to 485,510 tonnes) limits the impact from lower CPO price (-22%yoy to RM2375 per tonne).

Earnings estimate maintained. We maintain our FY18 CNI forecast of RM346m. We also maintain our FY19 CNI forecast of RM379m.

Maintain BUY with TP of RM12.00. Our TP is based on Sum Of Parts (Refer Page 2). We like the Company as we expect its FFB growth of 13% yoy to be the strongest among planters under our coverage. This is due to new contribution from recently acquired estate of 12,893 ha and 5000 ha coming to maturity in Indonesia. 

RETURN STATS	
Price (23 May 2018)	RM9.51
Target Price	RM12.00
Expected Share Price Return	26.1%
Expected Dividend Yield	2.5%
Expected Total Return	28.6%
STOCK INFO	
KLCI	1804.25
Bursa / Bloomberg	2291 / GENP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	804.80
Market cap. (RM'm)	7,653.68
Price over NA	1.80
52-wk price Range	RM9.41 - RM11.5
Beta (against KLCI)	0.54
3-mth Avg Daily Vol	0.38m
3-mth Avg Daily Value	RM3.81m
Major Shareholders	
Genting Bhd	50.57%
EPF	15.55%

INVESTMENT HIGHLIGHTS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,375	1,480	1,804	1,791	1,995
EBIT	276	483	501	441	463
PBT	247	449	461	460	517
Net Income	190	338	338	346	379
Core Net Income	210	271	336	346	379
EPS (sen)	24.8	42.8	42.1	43.2	47.3
Core EPS (sen)	27.5	34.4	41.9	43.2	47.3
Net DPS (sen)	5.5	21.0	26.0	23.7	26.0
Net Dvd Yield	0.6%	2.2%	2.7%	2.5%	2.7%
Core PER	34.6	27.7	22.7	22.0	20.1
NTA/share (RM)	5.31	5.38	5.37	5.56	5.77
P/NTA	1.79	1.77	1.77	1.71	1.65
ROE	4.5%	7.9%	7.8%	7.7%	8.1%
ROA	3.7%	4.3%	4.0%	4.1%	4.5%

GENP: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	529.1	32%	0%	529.1	32%	Higher revenue due to improved offtake from its refinery and higher progressive completion of development projects.
EBIT	146.9	26%	-5%	146.9	26%	
PBT	130.6	22%	-8%	130.6	22%	
Net Income	101.0	39%	-14%	101.0	39%	
Core Net Income	73.2	-2%	-29%	73.2	-2%	Core net income is within expectation, meeting 21% and 20% of ours and consensus full year forecast
EPS (sen)	12.57	38%	-15%	12.57	38%	
Core EPS (sen)	9.11	-3%	-30%	9.11	-3%	CNI calculation excludes RM14.4m net surplus arising from Government acquisition and RM13.8m of forex gain.
Net DPS (sen)	0.0	NA	NA	0.0	NA	
CPO Price (RM/MT)	2375	-22%	-8%	2375	-22%	
FFB Volume ('k MT)	486	20%	-9%	486	20%	Indonesia FFB growth surged 28% yoy while Malaysia FFB volume is at 15% yoy
EBIT Margin	27.8%	NA	NA	27.8%	NA	
PBT Margin	24.7%	NA	NA	24.7%	NA	

Sum-of-Parts Valuation

Divisions	Valuation	Note	Fair Value (RM 'm)
Plantation	23.7x FY18E earnings	23.7x is at 10% discount to big cap planters Target PE	8,507
Property	RNAV	Mainly land in Johor & Kedah	1,109
Sum-Of-Parts (RM m)			9,617
No of shares (m)			802
Target Price (RM)			12.00

DAILY PRICE CHART



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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.