

29 August 2018 | 1HFY18 Earnings Review

## Genting Plantations Berhad

### *Slight earnings miss in 1HFY18*

**Maintain BUY**

**Adjusted Target Price: RM10.70**  
(Previously RM11.00)


#### INVESTMENT HIGHLIGHTS

- **Slight earnings miss in 1HFY18**
- **1HFY18 earnings was affected by low CPO price**
- **Earnings estimate reduced slightly**
- **Maintain BUY with slightly lower TP of RM10.70**

**1HFY18 core earnings below expectations.** Genting Plantations Berhad (GENP) 1HFY18 core net income (CNI) of RM109.9m was below expectations as it makes up only 36% and 32% of ours and consensus' full year forecasts. Margin for property segment has been lower than expected as GENP focus on lower margin products in 1HFY18 (against 1HFY17). In our CNI calculation, we have excluded RM14.4m net surplus arising from Government acquisition of land, RM3.2m of forex gain and RM0.4m other one-off items. As expected, a 4.75 sen was announced (ex-date: 13-Sep).

**1HFY18 earnings was affected by low CPO price.** 1HFY18 CNI is lower by 27%yoy to RM109.9m due to weaker CPO price (-18%yoy to RM2336 per tonne). Operationally, FFB volume growth remains strong in the 1HFY18 with 12%yoy growth to 965k tonnes as its young Indonesia estates delivered high FFB growth of 39% yoy.

**Earnings estimate reduced slightly.** We have reduced our FY18 CNI forecast by 6% to RM284m. For FY19, we trim our FY19 CNI forecast by 3% to RM337m. We have assumed lower margin for property division. Despite the earnings cut, we still expect GENP to deliver a stronger 2H18 earnings against 1H18 as FFB production are expected to increase seasonally in the 2H. This should bode well for its plantation division.

**Maintain BUY with slightly lower TP of RM10.70.** Our TP is based on Sum-of-Parts (Refer Page 2). Despite the slight earnings miss, we continue to like the Company as we are optimistic on its plantation division. We reiterate our view that GENP FFB growth should improve 13%yoy and this is at the first quartile of planters under our coverage. The growth driver is due to new contribution from acquired estate of 12,893 ha and 5,000 ha coming to maturity in Indonesia. 

RETURN STATS	
Price (28 Aug 2018)	RM9.44
Target Price	RM10.70
Expected Share Price Return	13.4%
Expected Dividend Yield	2.1%
<b>Expected Total Return</b>	<b>+15.5%</b>
STOCK INFO	
KLCI	1826.90
Bursa / Bloomberg	2291 / GENP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	804.86
Market cap. (RM'm)	7,597.88
Price over NA	1.82
52-wk price Range	RM9.05 - RM10.7
Beta (against KLCI)	0.61
3-mth Avg Daily Vol	0.51m
3-mth Avg Daily Value	RM4.91m
Major Shareholders	
Genting Bhd	50.57%
EPF	13.48%
KWAP	5.71%

## INVESTMENT HIGHLIGHTS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,375	1,480	1,804	1,729	1,947
EBIT	276	483	501	359	405
PBT	247	449	461	378	460
Net Income	190	338	338	284	337
Core Net Income	210	271	336	284	337
EPS (sen)	24.8	42.8	42.0	35.3	42.0
Core EPS (sen)	27.5	34.4	41.8	35.3	42.0
Net DPS (sen)	5.5	21.0	26.0	19.4	23.1
Net Dvd Yield	0.6%	2.2%	2.8%	2.1%	2.4%
Core PER	34.4	27.5	22.6	26.7	22.5
NTA/share (RM)	5.31	5.38	5.35	5.51	5.70
P/NTA	1.78	1.76	1.76	1.71	1.66
ROE	4.5%	7.9%	7.8%	6.4%	7.3%
ROA	3.7%	4.3%	4.0%	3.4%	4.0%

## GENP: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	6MFY18	%YoY	
Revenue	402.6	-10%	-24%	931.7	10%	Higher revenue due to improved offtake from its Downstream Manufacturing segment.
EBIT	54.9	-51%	-63%	201.8	-12%	
PBT	37.2	-64%	-72%	167.8	-20%	
Net Income	26.1	-63%	-74%	127.1	-11%	
Core Net Income	36.7	-52%	-50%	109.9	-27%	Core net income is below expectation as it makes up 36% and 32% of ours and consensus full year forecasts.
EPS (sen)	3.25	-64%	-74%	15.82	-12%	
Core EPS (sen)	4.56	-52%	-50%	13.68	-28%	
Net DPS (sen)	4.75	-14%	NA	4.75	-14%	
CPO Price (RM/MT)	2291	-15%	-4%	2336	-18%	
FFB Volume ('k MT)	479	5%	-1%	965	12%	FFB growth is driven by young estates in Indonesia
EBIT Margin	13.6%	NA	NA	21.7%	NA	
PBT Margin	9.2%	NA	NA	18.0%	NA	

Source: Company

## Sum-of-Parts Valuation

Divisions	Valuation	Note	Fair Value (RM 'm)
Plantation	23.7x FY19E earnings	23.7x is at 10% discount to big cap planters	7,489
Property	RNAV	Mainly land in Johor & Kedah	1,109
<b>Sum-Of-Parts (RM m)</b>			<b>8,436</b>
<b>No of shares (m)</b>			<b>803</b>
<b>Target Price (RM)</b>			<b>10.70</b>

## DAILY PRICE CHART



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Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

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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.