

30 November 2018 | 9MFY18 Earnings Review

## Genting Plantations Berhad

*9MFY18 earnings missed expectations*

**Maintain BUY**

**Adjusted Target Price: RM10.50**  
(Previously RM10.70)


### INVESTMENT HIGHLIGHTS

- **9MFY18 core earnings below expectations**
- **9MFY18 earnings was affected by low CPO price**
- **Earnings estimate reduced slightly**
- **Maintain BUY with lower TP of RM10.50**

**9MFY18 core earnings below expectations.** Genting Plantations Berhad (GENP) 9MFY18 core net income (CNI) of RM134m was below expectation as it makes up 47% of both ours and consensus full year earnings forecasts. The negative deviation could be attributed to weaker than expected FFB production. In our CNI calculation, we have excluded RM17.5m net surplus arising from Government acquisition of land, RM0.7m of forex gain and RM0.4m other one-off items. As expected, no dividend was announced.

**9MFY18 earnings was affected by low CPO price.** 9MFY18 CNI is lower by 42%yoy to RM134m due to weaker CPO price (-19%yoy to RM2235 per tonne).

**Earnings estimate reduced slightly.** We have reduced our FY18 CNI forecast by 6% to RM268m. For FY19, we trim our FY19 CNI forecast by 2% to RM330m. We have assumed lower FFB production.

**Maintain BUY with lower TP of RM10.50.** Our TP is based on Sum Of Parts (Refer Page 2). The lower Target Price reflects the lower valuation for the plantation division after reduction in FFB volume estimate. We like the Company for its young plantation estate in Indonesia. 

RETURN STATS	
Price (29 Nov 2018)	RM9.65
Target Price	RM10.50
Expected Share Price Return	8.8%
Expected Dividend Yield	2.3%
<b>Expected Total Return</b>	<b>+11.1%</b>
STOCK INFO	
KLCI	1696.34
Bursa / Bloomberg	2291 / GENP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	805.45
Market cap. (RM'm)	7,772.56
Price over NA	1.88
52-wk price Range	RM9.05 - RM10.6
Beta (against KLCI)	0.60
3-mth Avg Daily Vol	0.70m
3-mth Avg Daily Value	RM6.76m
Major Shareholders	
Genting Bhd	50.53%
EPF	10.62%
KWAP	6.33%

## INVESTMENT HIGHLIGHTS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,375	1,480	1,804	1,630	1,904
EBIT	276	483	501	338	396
PBT	247	449	461	357	451
Net Income	190	338	338	268	330
Core Net Income	210	271	336	268	330
EPS (sen)	24.8	42.8	42.0	33.4	41.1
Core EPS (sen)	27.5	34.4	41.8	33.4	41.1
Net DPS (sen)	5.5	21.0	26.0	18.3	22.6
Net Dvd Yield	0.6%	2.2%	2.7%	1.9%	2.3%
Core PER	35.1	28.1	23.1	28.9	23.5
NTA/share (RM)	5.31	5.38	5.35	5.51	5.69
P/NTA	1.82	1.79	1.80	1.75	1.70
ROE	4.5%	7.9%	7.8%	6.0%	7.2%
ROA	3.7%	4.3%	4.0%	3.2%	3.9%

## GENP: 3QFY18 RESULTS SUMMARY

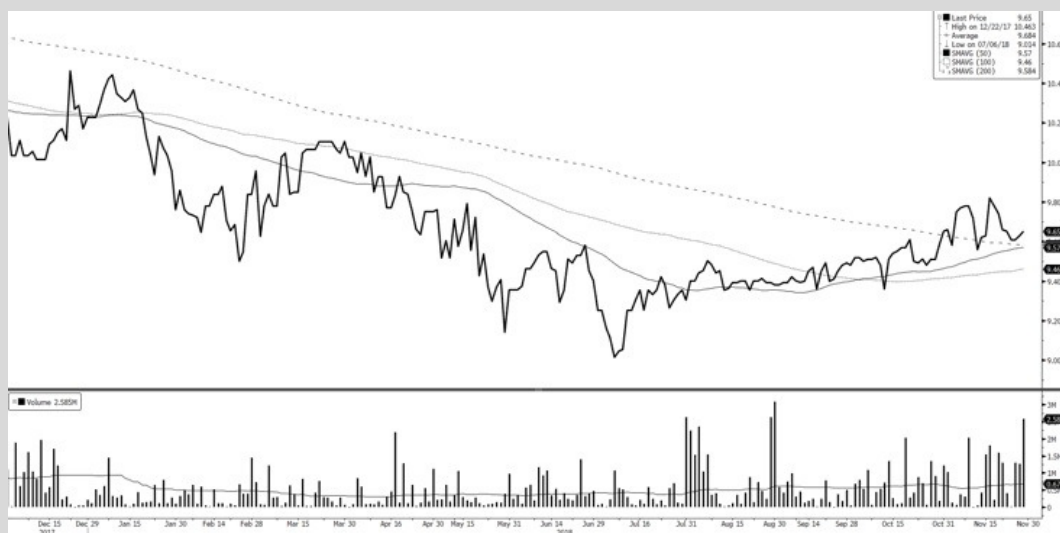
FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	488.8	14%	21%	1420.6	11%	
EBIT	41.1	-65%	-25%	242.9	-30%	
PBT	25.1	-77%	-33%	192.9	-40%	
Net Income	23.5	-69%	-10%	150.6	-32%	
Core Net Income	24.3	-69%	-34%	134.2	-42%	Core net income is below expectation as it makes up 47% of both ours and consensus full year forecasts.
EPS (sen)	2.93	-70%	-10%	18.73	-32%	
Core EPS (sen)	3.03	-70%	-34%	16.69	-43%	
Net DPS (sen)	0.00	NA	NA	4.75	-14%	
CPO Price (RM/MT)	2043	-22%	-11%	2235	-19%	
FFB Volume ('k MT)	505	4%	5%	1470	9%	FFB growth is driven by young estates in Indonesia
EBIT Margin	8.4%	NA	NA	17.1%	NA	
PBT Margin	5.1%	NA	NA	13.6%	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 Target PE	7,322
Property	RNAV	Mainly land in Johor & Kedah	1,109
<b>Sum-Of-Parts (RM m)</b>			<b>8,432</b>
<b>No of shares (m)</b>			803
<b>Target Price (RM)</b>			<b>10.50</b>

## DAILY PRICE CHART



Alan Lim, CFA  
 alan.lim@midf.com.my  
 03-2173 8464

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.