

12 February 2018 | 4QFY17 Earnings Preview

Genting Plantations Berhad

Expect a decent FY17 earnings

INVESTMENT HIGHLIGHTS

- **FY17 earnings likely to meet expectations**
- **Earnings should improve qoq but weaker yoy in 4QFY17**
- **Earnings estimate maintained**
- **Maintain BUY with unchanged TP of RM12.60**


FY17 earnings likely to meet expectations. Genting Plantations Berhad (GENP) is expected to release its 4QFY17 results this month. We are expecting its 4QFY17 Core Net Income (CNI) to be in the range of RM95m to RM105m. Including the YTD 9MFY17 CNI of RM233m we expect FY17 CNI to be in the range of RM328m to RM338m. Overall, we believe GENP FY17 CNI should meet both consensus and our expectation.

Earnings should improve qoq but weaker yoy in 4QFY17. The qoq improvement for 4QFY17 is mainly driven by seasonally stronger FFB production (+10% qoq to 534,823 tonnes) which more than offset lower CPO price (-3% qoq to RM2611 per tonne based on MPOB data).

On a yoy basis, 4QFY17 earnings should weaken slightly as the small increase in FFB production (+1% yoy to 534,823 tonnes) is not enough to offset lower CPO price impact (-11% to RM2611 per tonne). To recap, plantation division is the biggest earnings contributor for GENP with operating profit of RM315m (or 89% of the Group's) in 9MFY17. We are not overly concerned on the low yoy FFB growth in 4QFY17 as the production has recovered in January-2018 with 22% FFB growth yoy to 166,814 tonnes.

For the property division, we expect the 4QFY17 revenue and earnings to remain soft as the projects are in the initial stages of development. Having said that, the outlook for FY18 is slightly better as the sales has improved in 9MFY17. Lastly, other small divisions (biotechnology and downstream manufacturing) are expected to have similar financial performance in 4QFY17 against 4QFY16.

Earnings estimate maintained. We maintain our FY17 CNI of RM337m. We also maintain our FY18 CNI of RM385m.

Maintain BUY with TP of RM12.60: Our TP is based on Sum Of Parts valuation (Refer Page 2). We continue to like GENP due to its robust 17% FFB growth in FY17. Looking ahead into FY18, we expect its FFB growth to stay strong due to its young age profile. 

Maintain BUY

Unchanged Target Price: RM12.60

RETURN STATS	
Price (9 Feb 2018)	RM9.90
Target Price	RM12.60
Expected Share Price Return	27.2%
Expected Dividend Yield	1.9%
Expected Total Return	+29.1%
STOCK INFO	
KLCI	1819.82
Bursa / Bloomberg	2291 / GENP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	803.29
Market cap. (RM'm)	7,952.55
Price over NA	1.86
52-wk price Range	RM9.52 - RM11.7
Beta (against KLCI)	0.60
3-mth Avg Daily Vol	0.47m
3-mth Avg Daily Value	RM4.95m
Major Shareholders	
Genting Bhd	50.67%
EPF	15.51%

INVESTMENT HIGHLIGHTS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	1,643	1,375	1,480	1,618	1,779
EBIT	513	276	536	465	506
PBT	520	247	501	460	524
Net Income	377	190	367	337	385
Core Net Income	382	210	300	337	385
EPS (sen)	49.3	24.8	46.3	42.4	48.5
Core EPS (sen)	50.0	27.5	37.9	42.4	48.5
Net DPS (sen)	10.0	5.5	21.0	19.1	21.8
Net Dvd Yield	1.0%	0.6%	2.1%	1.9%	2.2%
Core PER	19.8	36.0	26.1	23.3	20.4
NTA/share (RM)	4.89	5.31	5.85	5.39	5.66
P/NTA	2.03	1.86	1.69	1.84	1.75
ROE	9.7%	4.5%	7.9%	7.8%	8.5%
ROA	6.7%	3.7%	4.7%	6.1%	6.6%

Sum-of-Parts Valuation

Divisions	Valuation	Note	Fair Value (RM 'm)
Plantation	24.7x FY17E earnings	24.7x is the lower valuation between IOICORP and KLK.	9,006
Property	RNAV	Mainly land in Johor & Kedah	1,109
Sum-Of-Parts (RM m)			10,115
No of shares (m)			803
Target Price (RM)			12.60

Source: MIDF Research

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.