

02 May 2017 | Company Visit Note

IJM Plantations Berhad

Long term FFB growth prospect remains intact

Maintain NEUTRAL

Unchanged Target Price (TP): RM3.53

INVESTMENT HIGHLIGHTS

- **FFB growth to resume in FY18**
- **Young age profile of Indonesian estate to support long term FFB growth**
- **Focus on sustainability**
- **Maintain NEUTRAL with TP of RM3.53**

We participated in IJM Plantation "Walk With The CEO" program recently and came away feeling positive on the Company's long term outlook. During the three days event, we have visited IJM Plantation estates, mills, seed research centre, nursery and amenities for workers. Key takeaways from the visit are:

FFB growth to resume in FY18. IJM Plantation (IJMPLNT) has recently registered FFB growth of 2% in FY17 (ending March) to 862,000 MT. The low FFB growth is caused by tree stress (due to El Nino) which has affected its production throughout the first 9MFY17. Looking ahead, Mr. Joseph Tek (as reported by Bloomberg) expects the Company's FY18 FFB volume to improve to 900,000 MT (+4%yoy) with better recovery to be seen in FY19 (+11%yoy to 1.0m MT).

Young age profile of Indonesian estate to support long term FFB growth. As IJMPLNT started its Indonesian estate planting progressively from FY2009, we estimate that its age profile should have reached 6 years old. This is a good age profile as oil palm trees tend to have high growth of FFB volume until it reach the peak at 10 years old. Hence, we think that the Indonesian estate should provide strong FFB growth for the next 5 years.


Focus on sustainability. We are briefed on many sustainability efforts done by the Company. Since 2009, IJMPLNT has been certified with the MPOB Code of Practices (CoPs). The Company is currently pursuing the Malaysian Sustainable Palm Oil (MSPO) and the International Sustainability & Carbon Certification (ISCC) in a phased approach for its Malaysian operations. For Indonesia operations, IJMPLNT focus will be on the Indonesian Sustainable Palm Oil (ISPO) mandatory certification.

RETURN STATS	
Price (28 Apr 2017)	RM3.08
Target Price	RM3.53
Expected Share Price Return	14.5%
Expected Dividend Yield	2.2%
Expected Total Return	16.7%
STOCK INFO	
KLCI	1,768.06
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Par Value (RM)	0.5
Market cap. (RM'm)	2,712.19
Price over NA	1.53
52-wk price Range	RM3 - RM3.7
Beta (against KLCI)	0.46
3-mth Avg Daily Vol	0.20m
3-mth Avg Daily Value	RM0.66m
Major Shareholders	
IJM Corp	56.10%
EPF	12.09%
KWAP	4.55%

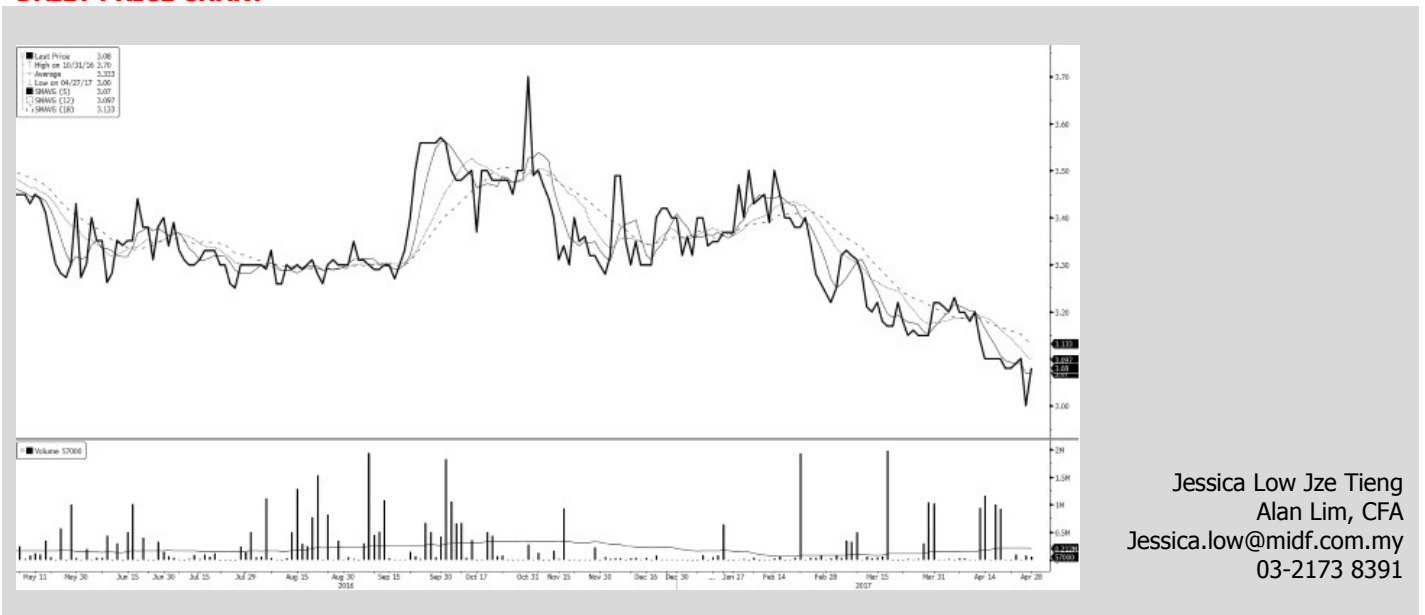
INVESTMENT STATISTICS

FYE Mar	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	647	668	558	598	643
EBIT	153	141	72	164	209
PBT	109	89	50	156	202
Net Income	89	90	24	126	160
Core Net Income	109	142	25	126	160
EPS (sen)	11.1	10.7	2.9	14.9	19.0
Core EPS (sen)	13.7	16.8	3.0	14.9	19.0
Net DPS (sen)	7.0	6.0	5.0	6.7	8.5
Net Dvd Yield	2.3%	1.9%	1.6%	2.2%	2.8%
Core PER	22.6	18.3	103.7	20.6	16.3
NTA/share (RM)	1.73	1.91	1.92	1.99	2.10
P/NTA	1.78	1.61	1.60	1.55	1.47
ROE	6.4%	5.6%	1.5%	7.5%	9.0%
ROA	4.0%	3.5%	0.9%	4.8%	5.9%

Source: Company, MIDF Research Estimate

Maintain NEUTRAL with TP of RM3.53. Our earnings estimate for FY17 and FY18 are maintained as the information gathered during the visit has been incorporated into our model previously. Our TP is based on 18.6x Forward PE on FY18 EPS of 18.95sen. While we are positive on IJMLNT's long term FFB growth, its near term FFB growth is limited at less than 5% hence our NEUTRAL call. 

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 >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.