

29 August 2018 | 1QFY19 Results Review

IJM Plantations Berhad

Headline net loss in 1QFY19

Downgrade to SELL

Adjusted Target Price: RM2.00
(Previously RM2.20)

INVESTMENT HIGHLIGHTS

- **Weak 1QFY19 earnings**
- **Sabah estate affected by change in crop pattern**
- **FY19 earnings estimate reduced by 9% to RM86.6m**
- **Downgrade to SELL with lower TP of RM2.00**

Weak 1QFY19 earnings. IJM Plantation (IJMPLNT) registered headline net loss of RM18.9m in 1QFY19 due to forex loss in operations and borrowings. Excluding these, IJMPLNT core net profit of RM10.8m is below expectation at 11%/16% of our/consensus estimates respectively. The negative deviation is caused by unexpected decline of FFB volume by -8% in 1QFY19. Our CNI calculation excludes forex loss. As expected, no dividend was announced.

Sabah estate affected by change in crop pattern. IJMPLNT FFB volume registered a surprise decline of -8%yoy to 221,053 tonnes in 1QFY19. This is mainly caused by the -22%yoy drop of FFB volume in Sabah estates in which management attributed it to change in crop patterns. Looking ahead, we do expect IJMPLNT FFB production to improve due to seasonally better production but the annual growth has been affected. As a result, we have revised down our FFB volume assumption for FY19.

FY19 earnings estimate reduced by 9% to RM86.6m. FY20 CNI estimate has been cut by -10% to RM87.4m. We have lowered our FFB volume assumption for both years.

Downgrade to SELL with lower TP of RM2.00. The lower TP is due to lower Core EPS estimated for FY19. Valuation method is unchanged by using 19.5x Forward PE (mean valuation) on FY19 EPS estimate. We are downgrading the stock to SELL as we believe that the recent increase in its share price (due to rumours of takeover) may not sustain in view of weak earnings prospect in the near term.

RETURN STATS	
Price (28 Aug 2018)	RM2.41
Target Price	RM2.00
Expected Share Price Return	-17.0%
Expected Dividend Yield	+1.9%
Expected Total Return	-15.1%

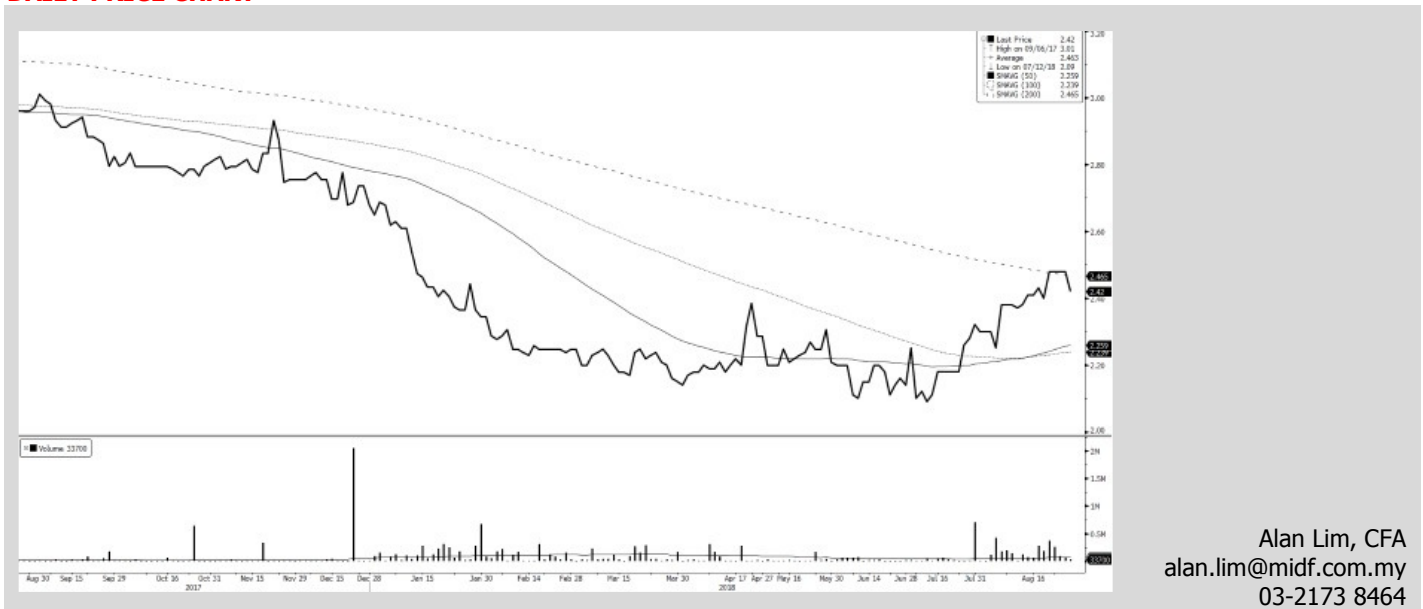
STOCK INFO	
KLCI	1826.90
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	2,122.20
Price over NA	1.31
52-wk price Range	RM2.08 - RM3.10
Beta (against KLCI)	0.43
3-mth Avg Daily Vol	0.06m
3-mth Avg Daily Value	RM0.14m
Major Shareholders	
IJM CORP BHD	56.20%
EPF	14.20%

INVESTMENT STATISTICS

FYE Mar (RM'm, unless otherwise stated)	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	558	754	747	680	710
EBIT	72	192	124	112	112
PBT	50	169	77	104	104
Net Income	24.2	115.1	46.6	86.6	87.4
Core Net Income	25.0	119.1	70.3	86.6	87.4
EPS (sen)	2.9	13.1	5.3	10.3	10.4
Core EPS (sen)	3.0	13.5	8.0	10.3	10.4
Net DPS (sen)	5.0	7.0	7.0	4.6	4.7
Net Dvd Yield	2.1%	2.9%	2.9%	1.9%	1.9%
PER	81.1	17.8	30.2	23.4	23.2
NTA/share (RM)	1.92	2.12	1.93	2.02	2.08
P/NTA	1.25	1.14	1.25	1.19	1.16
ROE	1.5%	6.4%	2.9%	5.1%	5.0%
ROA	0.9%	3.9%	1.8%	3.2%	3.1%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: MIDFR, Company

IJM PLANTATION 1QFY19 RESULT

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY19	%YoY	%QoQ	3MFY19	%YoY	
Revenue	183.1	-1%	30%	183.1	-1%	Flat revenue as higher revenue from Indonesia are pretty much neutralised in Malaysia
EBIT	-7.9	-126%	-142%	-7.9	-126%	
PBT	-26.3	-206%	-1494%	-26.3	-206%	
Net Income	-18.9	-212%	NA	-18.9	NA	Headline net loss is caused by forex loss in operations and borrowings. Excluding these, IJMPLNT is still profitable with core net income of RM10.8m.
Core Net Income	10.8	-39%	-48%	10.8	-39%	Core Net Income of RM10.8m is below expectation at 11%/16% of our/consensus estimate respectively. The negative deviation is caused by unexpected decline of FFB volume by 8% in 1QFY19.
EPS (sen)	-2.22	-216%	NA	-2.22	NA	
Core EPS (sen)	1.22	-39%	-48%	1.22	-39%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
Malaysia CPO Price (RM/MT)	2395	-13%	-3%	2395	-13%	
Indonesia CPO Price (RM/MT)	2115	-15%	-1%	2115	-15%	
FFB Volume ('k MT)	221.1	-8%	-2%	221.1	-8%	
EBIT Margin	-4.3%	NA	NA	-4.3%	NA	
PBT Margin	-14.3%	NA	NA	-14.3%	NA	

Source: Company

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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	<i>Negative</i> 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.