

27 November 2018 | 2QFY19 Results Review

IJM Plantations Berhad

1HFY19 earnings below expectation

Maintain NEUTRAL

Adjusted Target Price: RM1.75
(Previously RM2.00)

INVESTMENT HIGHLIGHTS

- **Weak 1HFY19 earnings**
- **1HFY19 core net income declined -84%yoy to RM5.7m**
- **Challenging outlook by the Company**
- **Earnings estimates reduced**
- **Maintain NEUTRAL with lower TP of RM1.75**

Weak 1HFY19 earnings. IJM Plantation (IJMPLNT) 1HFY19 Core Net Income of RM5.7m is below expectation as it makes up only 6% of our full year FY19 earnings estimates. The negative deviation is caused by weaker than expected FFB production. Our CNI calculation excludes RM31.0m of operation forex loss and RM22.6m forex loss on borrowings. As expected, no dividend is announced.

1HFY19 core net income declined -84%yoy to RM5.7m. IJMPLNT 1HFY19 CNI declined -84%yoy to RM5.7m due to the decline in CPO prices by -14%/-19% in Malaysia/Indonesia to RM2326/RM1998 per tonne. Besides that, FFB volume also declined by -4%yoy to 449,306 tonnes.

Challenging outlook by the Company. IJMPLNT mentioned that "the Group continues to be affected by the start-up yields whilst incurring full plantation maintenance costs and overheads.

Earnings estimates reduced. FY19 earnings estimate reduced by -13% to RM75.4m. FY20 CNI estimate has been cut by -11% to RM78.2m. We have lowered our FFB volume assumption for both years.

Maintain NEUTRAL with lower TP of RM1.75. 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 maintain our NEUTRAL call on the stock. The weak earnings prospect in the near term should limit its share price upside.

RETURN STATS	
Price (26 Nov 2018)	RM1.78
Target Price	RM1.75
Expected Share Price Return	-1.8%
Expected Dividend Yield	+2.3%
Expected Total Return	+0.5%

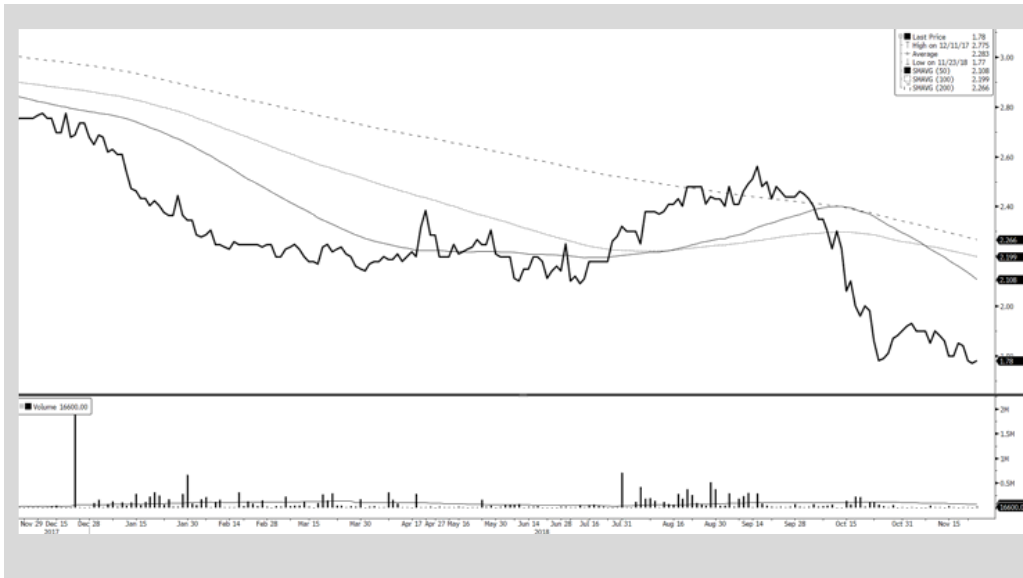
STOCK INFO	
KLCI	1701.99
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	1567.43
Price over NA	1.17
52-wk price Range	RM1.76 – RM2.90
Beta (against KLCI)	0.70
3-mth Avg Daily Vol	0.07m
3-mth Avg Daily Value	RM0.16m
Major Shareholders	
IJM CORP BHD	56.20%
EPF	14.08%

INVESTMENT STATISTICS

FYE Mar (RM'm, unless otherwise stated)	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	558	754	747	664	698
EBIT	72	192	124	97	100
PBT	50	169	77	89	92
Net Income	24.2	115.1	46.6	75.4	78.2
Core Net Income	25.0	119.1	70.3	75.4	78.2
EPS (sen)	2.9	13.1	5.3	9.0	9.3
Core EPS (sen)	3.0	13.5	8.0	9.0	9.3
Net DPS (sen)	5.0	7.0	7.0	4.0	4.2
Net Dvd Yield	2.8%	3.9%	3.9%	2.3%	2.3%
PER	59.9	13.2	22.3	19.9	19.2
NTA/share (RM)	1.92	2.12	1.93	2.01	2.06
P/NTA	0.93	0.84	0.92	0.88	0.86
ROE	1.5%	6.4%	2.9%	4.5%	4.5%
ROA	0.9%	3.9%	1.8%	2.8%	2.8%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Source: MIDFR, Company

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IJM PLANTATION 2QFY19 RESULT

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY19	%YoY	%QoQ	6MFY19	%YoY	
Revenue	140.1	-29%	-24%	323.2	-15%	
EBIT	-14.5	-144%	85%	-22.4	-135%	
PBT	-31.7	-274%	21%	-58.0	-235%	
Net Income	-28.3	-402%	NA	-47.9	NA	Headline net loss is caused by forex loss in operations and borrowings. Excluding these, IJMPLNT core net income is estimated to be RM5.7m.
Core Net Income	-5.6	-132%	-152%	5.7	-84%	Core Net Income of RM5.7m is below expectation at 6% of our estimate. The negative deviation is caused by lower than expected FFB volume.
EPS (sen)	-3.21	-402%	NA	-5.44	NA	
Core EPS (sen)	-0.64	-132%	-152%	0.64	-84%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
Malaysia CPO Price (RM/MT)	2228	-17%	-7%	2326	-14%	
Indonesia CPO Price (RM/MT)	1867	-23%	-12%	1998	-19%	
FFB Volume ('k MT)	228.3	2%	3%	449.3	-4%	
EBIT Margin	-10.4%	NA	NA	-6.9%	NA	
PBT Margin	-22.7%	NA	NA	-17.9%	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.