

28 February 2018 | 3QFY18 Results review

IJM Plantations Berhad

Affected by high production cost


INVESTMENT HIGHLIGHTS

- **9MFY18 earnings below expectations**
- **Lower earnings yoy in 9MFY18**
- **Earnings estimate lowered**
- **Maintain NEUTRAL with a revised TP of RM2.36**

9MFY18 earnings below expectations. IJM Plantations (IJMP) 9MFY18 core net income (CNI) of RM49.4m was below expectations, meeting only 40% and 57% of ours and consensus full year estimates respectively. The negative deviation was due to higher-than-expected production cost.

Lower earnings yoy in 9MFY18. IJMP 9MFY18 CNI fell 48%yoy to RM49.4m despite higher revenue (+8%yoy to RM605.9m). We gather that the cost was higher due to increased young mature areas incurring full plantation maintenance and overheads against a start-up yield. The depreciation and overheads has also increased with the commencement of the second palm oil mill.

Earnings estimate lowered. FY18 CNI has been cut by 48% to RM64m. FY19 CNI has been reduced by 34% to RM102m. We have increased our cost assumption.

Maintain Neutral with a revised TP of RM2.36. Our TP for IJMP has been revised to RM2.36 (previously: RM2.85). We have lowered our Core EPS and rollover our valuation to FY19. Valuation method is unchanged by using 19.5x Forward PE. Maintain Neutral on IJMP due to its subdued earnings outlook. 

Maintain NEUTRAL

Revised Target Price (TP): RM2.36
(Previously: RM2.85)

RETURN STATS	
Price (27 Feb 2018)	RM2.29
Target Price	RM2.36
Expected Share Price Return	+3.0%
Expected Dividend Yield	+2.2%
Expected Total Return	+5.2%
STOCK INFO	
KLCI	1871.46
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	2,016.53
Price over NA	1.19
52-wk price Range	RM2.28 - RM3.38
Beta (against KLCI)	0.22
3-mth Avg Daily Vol	0.11m
3-mth Avg Daily Value	RM0.29m
Major Shareholders	
IJM Corp	56.10%
EPF	12.09%

INVESTMENT STATISTICS

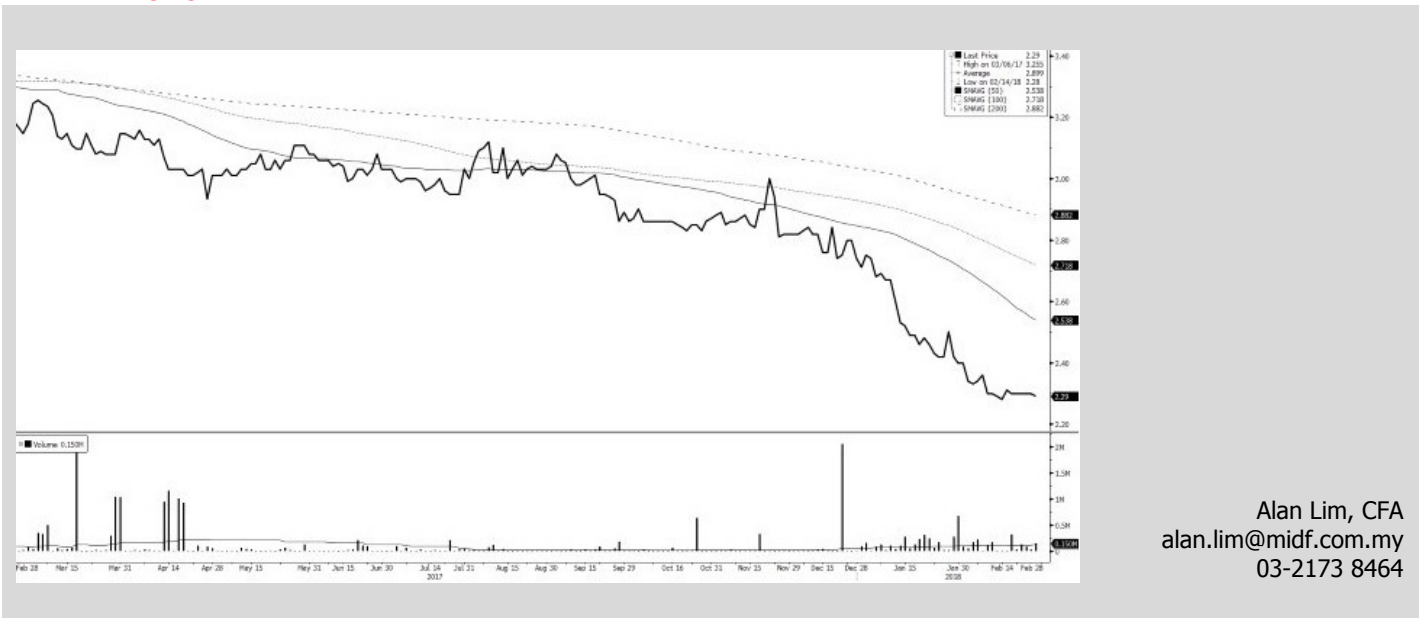
FYE Mar	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	668	558	754	636	704
EBIT	141	72	192	83	132
PBT	89	50	169	76	125
Net Income	90	24	115	64	102
Core Net Income	142	25	119	64	102
EPS (sen)	10.7	2.9	13.1	7.6	12.1
Core EPS (sen)	16.8	3.0	13.5	7.6	12.1
Net DPS (sen)	6.0	5.0	7.0	2.8	5.4
Net Dvd Yield	2.6%	2.2%	3.1%	1.2%	2.4%
Core PER	13.6	77.1	16.9	30.1	18.9
NTA/share (RM)	1.91	1.92	2.12	2.03	2.09
P/NTA	1.20	1.19	1.08	1.13	1.09
ROE	5.6%	1.5%	6.4%	3.8%	5.8%
ROA	3.5%	0.9%	4.4%	2.4%	3.7%

Source: Company, MIDF Research Estimate

IJM Plantations: 3QFY18 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	224.9	2%	14%	605.9	8%	Revenue from Indonesia operations grew by 36% and this has more than offset Malaysia operation revenue decline of 7%
EBIT	41.8	9%	26%	105.1	-29%	
PBT	32.4	12%	77%	75.4	-43%	Lower PBT in both Malaysia and Indonesia operations
Net Income	10.2	-57%	9%	36.6	-61%	
Core Net Income	13.8	-66%	-23%	49.4	-48%	Core Net Income is below expectation at 40% of ours and 57% of consensus, respectively. Our CNI calculation excludes RM12.8m forex loss.
EPS (sen)	1.2	-56%	10%	4.2	-61%	
Core EPS (sen)	1.6	-66%	-23%	5.6	-48%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
CPO Price (RM/MT)	2607.0	-8%	-3%	2675.0	0%	
FFB Volume ('k MT)	240.9	0%	7%	707.1	6%	
EBIT Margin	18.6%	NA	NA	17.3%	NA	
PBT Margin	14.4%	NA	NA	12.4%	NA	

DAILY PRICE CHART



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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.