

31 May 2018 | 4QFY18 Results Review

IJM Plantations Berhad

FY18 earnings above ours but below consensus

Maintain NEUTRAL

Adjusted Target Price: RM2.30
(Previously RM2.25)

INVESTMENT HIGHLIGHTS

- **FY18 earnings above ours but below consensus estimate**
- **Operationally better but affected by low CPO price**
- **FY19 earnings estimate increased by 2% to RM99.2m**
- **Maintain NEUTRAL with higher TP of RM2.30**

FY18 earnings above ours but below consensus. IJM Plantation (IJMPLNT) FY18 Core Net Income of RM70.3m came in above our expectation as it makes up 113% of our estimate. The positive deviation is caused by better than expected cost control in 4QFY18 as operating expenses declined 19% yoy against 4QFY17. However, the CNI came in below consensus estimate of RM81.0m. Our CNI calculation excludes RM23.5m forex loss. As expected, a dividend of 5.0 sen is announced (ex-date: 27-June-2018).

Operationally better but affected by low CPO price. IJMPLNT registered FFB growth of 8% yoy to 932,950 tonnes in FY18. Out of these, half of the FFB came from Malaysia with the remaining from Indonesia. Despite the healthy FFB growth, earnings was affected by low CPO price realised which declined 4% yoy to RM2639 per tonne. Looking ahead into FY19, we expect IJMPLNT to register decent FFB growth of 7% with the growth mainly coming from its young Indonesian estates.

FY19 earnings estimate increased by 2% to RM99.2m. We have lowered our operating expenses assumption hence the higher FY19 earnings estimate. We also introduce our FY20 CNI estimate of RM110.0m.

Maintain NEUTRAL with higher TP of RM2.30. The higher TP is due to higher Core EPS estimate for FY19. Valuation method is unchanged by using 19.5x Forward PE (mean valuation) on FY19 EPS estimate. Maintain Neutral on IJMPLNT due to its limited earnings growth upside in the near term.

| RETURN STATS | |
|------------------------------|--------------|
| Price (30 May 2018) | RM2.26 |
| Target Price | RM2.30 |
| Expected Share Price Return | +1.7% |
| Expected Dividend Yield | +2.3% |
| Expected Total Return | +4.0% |

| STOCK INFO | |
|-----------------------|-----------------|
| KLCI | 1719.28 |
| Bursa / Bloomberg | IJMP MK |
| Board / Sector | Plantation |
| Syariah Compliant | Yes |
| Issued shares (mil) | 880.58 |
| Market cap. (RM'm) | 1,990.11 |
| Price over NA | 1.19 |
| 52-wk price Range | RM2.19 - RM3.22 |
| Beta (against KLCI) | 0.20 |
| 3-mth Avg Daily Vol | 0.04m |
| 3-mth Avg Daily Value | RM0.11m |
| Major Shareholders | |
| IJM CORP BHD | 56.20% |
| EPF | 14.24% |

INVESTMENT STATISTICS

| FYE Mar (RM'm, unless otherwise stated) | FY16A | FY17A | FY18A | FY19F | FY20F |
|--|-------|-------|-------|-------|-------|
| Revenue | 558 | 754 | 747 | 697 | 742 |
| EBIT | 72 | 192 | 124 | 129 | 143 |
| PBT | 50 | 169 | 77 | 121 | 136 |
| Net Income | 24 | 115 | 47 | 99 | 110 |
| Core Net Income | 25 | 119 | 70 | 99 | 110 |
| EPS (sen) | 2.9 | 13.1 | 5.3 | 11.8 | 13.1 |
| Core EPS (sen) | 3.0 | 13.5 | 8.0 | 11.8 | 13.1 |
| Net DPS (sen) | 5.0 | 7.0 | 5.0 | 5.3 | 5.9 |
| Net Dvd Yield | 2.2% | 3.1% | 2.2% | 2.3% | 2.6% |
| PER | 76.1 | 16.7 | 28.3 | 19.2 | 17.3 |
| NTA/share (RM) | 1.92 | 2.12 | 1.93 | 2.03 | 2.10 |
| P/NTA | 1.18 | 1.07 | 1.17 | 1.11 | 1.08 |
| ROE | 1.5% | 6.4% | 2.9% | 5.8% | 6.2% |
| ROA | 0.9% | 3.9% | 1.8% | 3.6% | 3.9% |

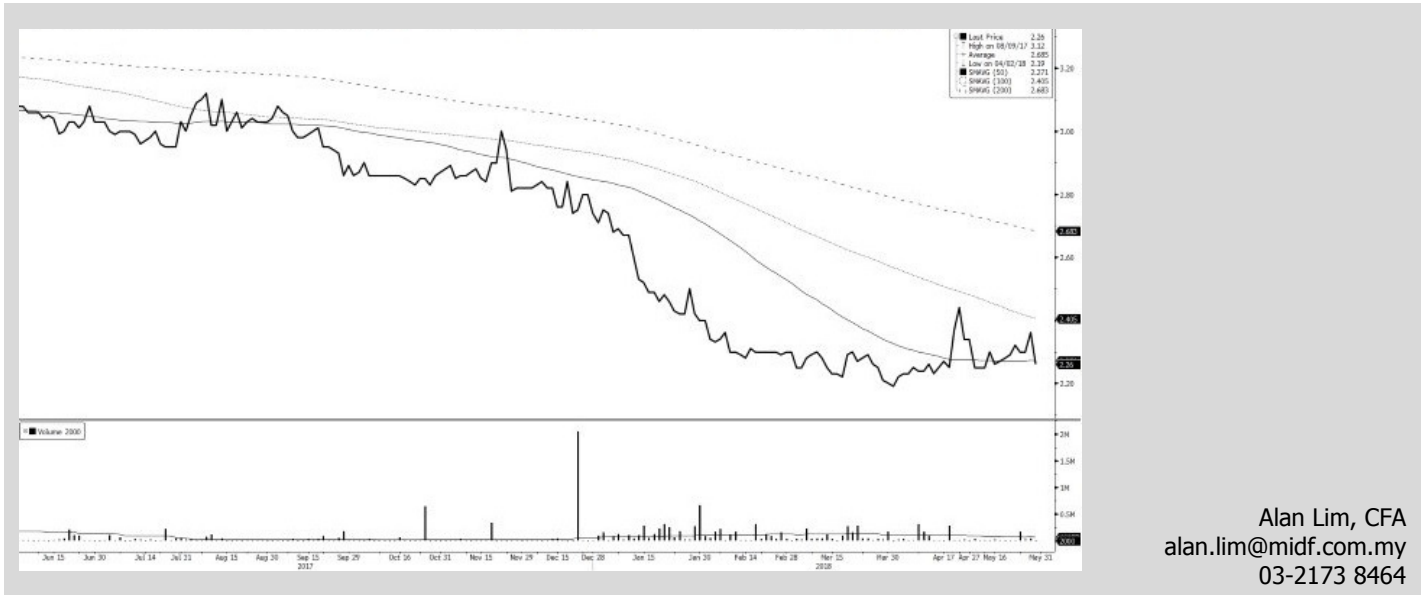
Source: Company, MIDF Research Forecast

IJM PLANTATION 4QFY18 RESULT

| FYE Mar (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | | Comments |
|--|-------------------|------|------|------------|------|--|
| | 4QFY18 | %YoY | %QoQ | 12MFY18 | %YoY | |
| Revenue | 141.3 | -27% | -37% | 747.2 | -1% | Flat revenue as higher revenue from Indonesia are pretty much neutralised in Malaysia |
| EBIT | 18.7 | -57% | -55% | 123.9 | -36% | |
| PBT | 1.9 | -95% | -94% | 77.3 | -54% | Lower PBT in both Malaysia and Indonesia operations |
| Net Income | 10.1 | -54% | -2% | 46.6 | -59% | |
| Core Net Income | 20.9 | -13% | 51% | 70.3 | -41% | CNI above our expectation at 113% of our estimate. However, IJMLNT CNI missed consensus estimate as it makes up only 81% of consensus full year earnings. Our CNI calculation exclude RM23.5m forex loss |
| EPS (sen) | 1.14 | -54% | -3% | 5.30 | -59% | |
| Core EPS (sen) | 2.37 | -13% | 51% | 7.99 | -41% | |
| Net DPS (sen) | 5.0 | -29% | NA | 5.0 | NA | |
| CPO Price (RM/MT) | 2469.0 | -20% | -5% | 2639.0 | -4% | |
| FFB Volume ('k MT) | 225.9 | 14% | -6% | 933.0 | 8% | |
| EBIT Margin | 13.3% | NA | NA | 16.6% | NA | |
| PBT Margin | 1.3% | NA | NA | 10.3% | NA | |

Source: Company

DAILY PRICE CHART



Source: MIDFR, Company

Alan Lim, CFA
alan.lim@midf.com.my
03-2173 8464

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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. |