

30 March 2018 | Corporate Update

## IJM Plantations Berhad

*Decent FFB growth of 8%*

### INVESTMENT HIGHLIGHTS

- **Aiming for FFB growth of 8% in FY18**
- **To replant 1,000 ha in FY18 and FY19**
- **Neutral on the recent subscription of 20% in PTPSS**
- **Maintain NEUTRAL with TP of RM2.36**

**Aiming for FFB growth of 8% in FY18.** We recently met up with IJM Plantation (IJMPLNT) and came away feeling neutral on the Company in the near term. The Company is aiming for 8% FFB growth in FY18. The growth will be from its Indonesian estate which is expected to register strong FFB growth of 15% yoy with flattish growth in Malaysia estate (between 1% to 2% growth). For the first 11 months of FY2018, IJMPLNT FFB production has increased 8% yoy to 853,455 tonnes. Looking ahead into FY19, we expect IJMPLNT to register FFB production growth of 7% yoy with the growth driver remain same being the Indonesian estate.

**To replant 1000 ha in FY18 and FY19.** IJMPLNT has replanted 1,000 ha of its landbank in FY18 in Sabah and plans to replant another 1,000 ha in FY19. We believe that the disciplined replanting is necessary to ensure optimal FFB yield and Oil Extraction Rate (OER) in the long run. Expansion of new planting is very minimal in FY18 and this trend is likely to continue in FY19 as the Company has limited landbank left in Indonesia.

**Neutral on the recent subscription of 20% in PTPSS.** IJMPLNT has recently subscribed to 20% stake in PT Perindustrian Sawit Synergi or "PTPSS" for Rp. 44.0b (approximately RM13.0m). Management shared that the construction period for the future refinery is between 18 to 24 months' time. We reiterate our neutral view on the news given its limited impact to our earnings estimate for FY18 and FY19. Net gearing impact is minimal as we expect it to increase from 0.31x to 0.32x.

**Maintain NEUTRAL with TP of RM2.36.** Earnings estimate is maintained as the information gathered from the meeting has been imputed previously. Valuation method is unchanged by using 19.5x Forward PE (mean valuation) on FY19 EPS estimate. Maintain Neutral on IJMP due to its subdued earnings outlook.

**Maintain NEUTRAL**

**Unchanged Target Price: RM2.36**

### RETURN STATS

Price (29 March 2018)	RM2.21
Target Price	RM2.36
Expected Share Price Return	+6.8%
Expected Dividend Yield	+1.3%
<b>Expected Total Return</b>	<b>+8.1%</b>

### STOCK INFO

KLCI	1856.35
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	1,946.08
Price over NA	1.17
52-wk price Range	RM2.2 - RM3.23
Beta (against KLCI)	0.21
3-mth Avg Daily Vol	0.10m
3-mth Avg Daily Value	RM0.24m
<b>Major Shareholders</b>	
IJM CORP BHD	56.14%
EPF	14.22%

## INVESTMENT STATISTICS

FYE Mar (RM'm, unless otherwise stated)	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	2.7%	2.3%	3.2%	1.3%	2.5%
PER	13.1	74.4	16.3	29.0	18.3
NTA/share (RM)	1.91	1.92	2.12	2.03	2.09
P/NTA	1.16	1.15	1.04	1.09	1.06
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 Forecast

## DAILY PRICE CHART



Source: MIDFR, 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.