

27 March 2018 | Corporate Update

IJM Plantations Berhad

Downstream investment

INVESTMENT HIGHLIGHTS

- **Subscribing to a 20% stake in PTPSS for RM13.0m**
- **PTPSS will build palm refinery and palm kernel crushing business**
- **We are neutral on the news**
- **Maintain NEUTRAL with TP of RM2.36**

Subscribing to a 20% stake in PTPSS for RM13.0m. IJM Plantation (via PT Indonesia Plantation Synergy or "PTIPS") has subscribed to a 20% stake in PT Perindustrian Sawit Synergi or "PTPSS" for Rp. 44.0b (approximately RM13.0m). For the remaining stake, 75% will be subscribed by KLK with the remaining 5% by individual shareholders. PTIPS is a 90% owned subsidiary of PT Primabahagia Permai, which in turn is a 95% owned subsidiary of IJM Plantation.

PTPSS will build palm refinery and palm kernel crushing business. PTPSS will build, own and operate an integrated oil palm refinery complex which comprises a new oil palm refinery plant and a new palm kernel crushing plant.

We are neutral on the news. We expect limited near term earnings impact as it should take up to 2 years to build oil palm refinery plant. We gather that the palm kernel crushing plant is likely to be built after 2 years. Hence, we maintain 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. 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 (26 March 2018)	RM2.29
Target Price	RM2.36
Expected Share Price Return	+3.1%
Expected Dividend Yield	+1.2%
Expected Total Return	+4.3%

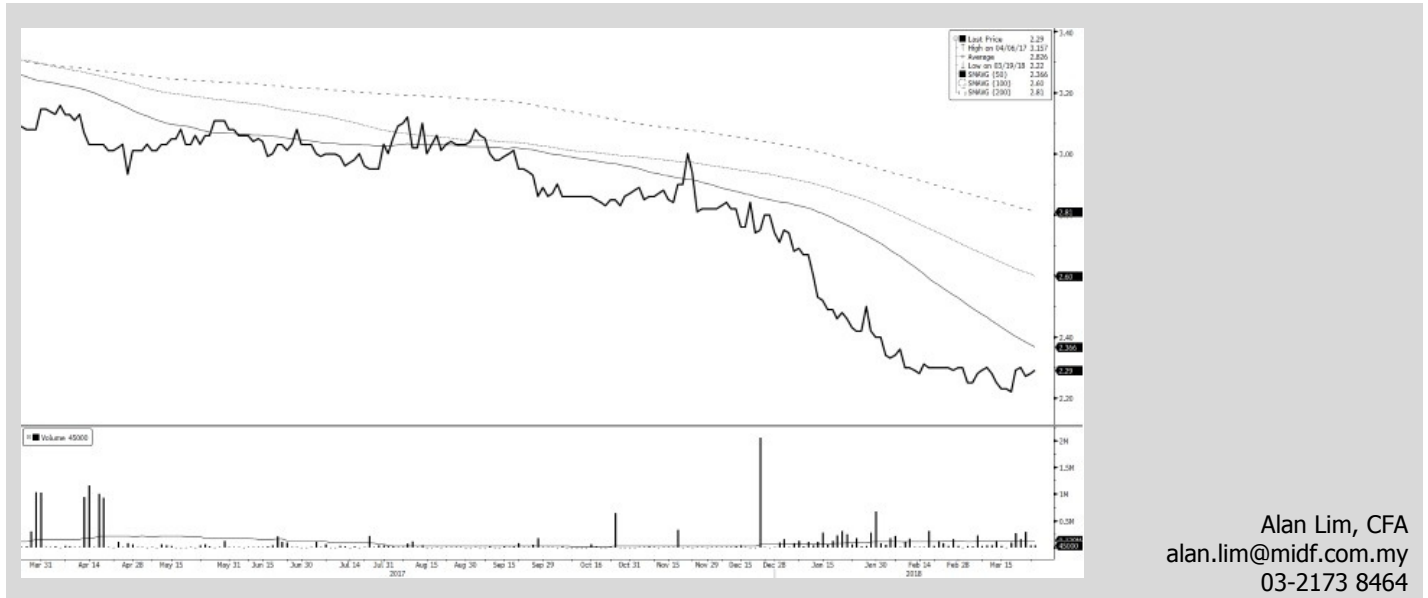
STOCK INFO	
KLCI	1859.91
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	2,016.53
Price over NA	1.21
52-wk price Range	RM2.2 - RM3.23
Beta (against KLCI)	0.21
3-mth Avg Daily Vol	0.10m
3-mth Avg Daily Value	RM0.24m
Major Shareholders	
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	2.6%	2.2%	3.1%	1.2%	2.4%
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 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.