

26 November 2018 | 1QFY18 Results Review

Sime Darby Plantation Berhad

Earnings below expectation

Maintain NEUTRAL

Adjusted Target Price: RM5.10
(Previously RM5.25)

INVESTMENT HIGHLIGHTS

- **3 months ending Sep result missed expectation**
- **3MFY18-EndDec CNP declined 66%yoy to RM123m**
- **Earnings estimate reduced**
- **Maintain NEUTRAL with lower TP of RM5.10**

3 months ending Sep result missed expectation: Sime Darby Plantation Berhad Group (SIMEPLT) Core Net Profit (CNP) for the 3 months period of 1-July-2018 to 30-Sep-2018 (3MFY18-EndDec) is at RM123m. Adjusted for FY19 (only for comparison purpose), 3MFY18-EndDec CNP missed expectation as it accounts only for 10%/12% of consensus/our full year earnings estimate. The negative deviation is caused by lower than expected FFB volume for Malaysia estates. For our FY18 CNP calculation, we have excluded RM14m gain on disposals, RM13m write-offs, forex loss of RM7m and impairments of RM2m. As expected, no dividend was announced.

3MFY18-EndDec CNP declined 66% yoy to RM123m. Earnings declined in line with lower CPO price which tumbled 21% yoy to RM2117 per tonne in 3MFY18-EndDec.

Earnings estimate reduced. FY19 core earnings have been reduced by 7% to RM956m after assuming lower FFB volume for Malaysia estates.

Maintain NEUTRAL with lower TP of RM5.10: The decline in TP is in line with lower earnings estimate for FY19. Our Target Price is based on Sum-Of-Parts based valuation. Maintain NEUTRAL on the stock as we believe that the strong fundamental of SIMEPLT has been priced in into its high Forward PE.



RETURN STATS	
Price (23 Nov 2018)	RM5.18
Target Price	RM5.10
Expected Share Price Return	-1.5%
Expected Dividend Yield	+1.8%
Expected Total Return	+0.3%

STOCK INFO	
FBMKLCI	1695.88
Bursa / Bloomberg	5285 / SDPL MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6800.84
Market cap. (RM'm)	35228.35
Price over NTA	2.53
52-wk price Range	RM4.55 – RM5.96
Beta (against KLCI)	NA
3-mth Avg Daily Vol	3.42m
3-mth Avg Daily Value	RM17.9m

Major Shareholders

Skim Amanah Saham Bumiputera	47.03%
EPF	11.66%
Yayasan Pelaburan Bumiputra	5.34%

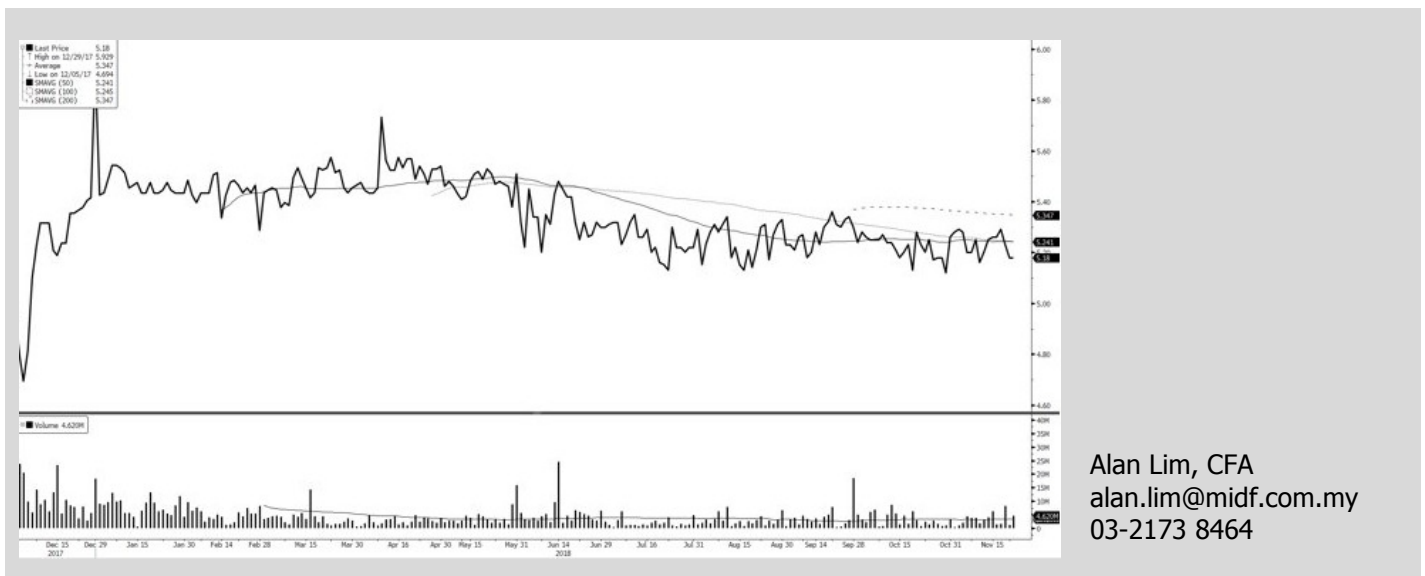
INVESTMENT STATISTICS

FYE Jun (RM m)	FY16A	FY17A	FY18A	FY19F*	FY20F*
Revenue	11,946	14,779	14,369	16,854	18,215
EBIT	1,268	4,538	2,536	1,666	1,759
PBT	839	4,031	2,377	1,317	1,421
Net Income	967	3,507	1,727	956	1,035
Core Net Income	963	944	1,286	956	1,035
EPS (sen)	14.22	51.57	25.39	14.06	15.22
Core EPS (sen)	14.15	13.89	18.91	14.06	15.22
Net DPS (sen)	NA	NA	17.50	9.14	9.89
Net Dvd Yield	NA	NA	3.4%	1.8%	1.9%
Core PER	36.6	37.3	27.4	36.8	34.0
NTA/share (RM)	0.99	1.38	1.60	1.61	1.67
P/NTA	5.22	3.74	3.25	3.21	3.11
ROE (%)	10.1%	28.2%	12.6%	6.8%	7.2%
ROA (%)	3.4%	11.9%	6.3%	3.0%	3.1%

*Sime Darby Plantation has changed its Financial Year End from 30-June to 31-Dec. After the close of FY18 ending June, there will be another FY18 ending December which covers the 6 months period between 1-July 2018 to 31-Dec 2018. However, our Financial Year End is still based on June year end for comparison purpose until the Financial Year FY18 ending December ends.

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: Company

SIMEPLT: 3MFY18-EndDec RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3MFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	3039	-14%	-1%	3039	-14%	
EBIT	252	-80%	33%	252	-80%	
Net Income	115	-89%	283%	115	-89%	
Core Net Income	123	-66%	-57%	123	-66%	<i>We have excluded RM14m gain on disposals, RM13m writeoffs, forex loss of RM7m and impairments of RM2m.</i>
EPS (sen)	1.7	-89%	283%	1.7	-89%	<i>Below our expectations as it makes up 10%/12% of consensus/our full year earnings estimate. The negative deviation is caused by lower than expected FFB volume for Malaysia estates.</i>
Core EPS (sen)	1.8	-66%	-57%	1.8	-66%	<i>Core earnings declined 66% yoy to RM123m as CPO price declined 21% yoy to RM123m.</i>
Net DPS (sen)	0.0	NA	NA	0.0	NA	
CPO Price (RM/MT)	2117	-21%	-11%	2117	-21%	
FFB Volume ('k MT)	2751	2%	13%	2751	2%	
EBIT Margin	8.3%	NA	NA	8.3%	NA	

Source: Company

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

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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.