

23 February 2018 | 2QFY18 Results Review

Sime Darby Plantation Berhad

1HFY18 earnings within expectation

INVESTMENT HIGHLIGHTS


- **1HFY18 earnings within expectations**
- **1HFY18 earnings improved 38% yoy**
- **But 2QFY18 earnings declined yoy**
- **Earnings estimate unchanged**
- **Maintain NEUTRAL with TP of RM5.60**

1HFY18 earnings within expectations. Sime Darby Plantation Berhad (SIMEPLT) 1HFY18 Core Net Profit (CNP) of RM756m is deemed to be within expectations although it makes up 65% of ours and 59% of consensus estimate. We believe that the strong FFB growth of 12% yoy seen in the 1HFY18 should taper down in the 2HFY18. Note that the December FFB production has shown slight decline of 3% yoy to 847,403 tonnes. For our CNP calculation, we have excluded RM745m gain on disposals, RM21m writeoffs, forex loss of RM31m and impairments of RM1m.

1HFY18 earnings improved 38% yoy: Compared to same period last year, 1HFY18 CNP increased 38%yoy to RM756m due to strong FFB growth of 12% yoy to 5.46m tonnes. This has more than offset the impact from lower CPO price which slipped 2% to RM2672 per tonne.

But 2QFY18 earnings declined yoy: Compared to 2QFY17, 2QFY18 CNP was down by 58%yoy to RM464m as the impact from lower CPO price (-6% to RM2654 per tonne) has more than offset increase of 2% in FFB volume to 2.76m tonnes.

Earnings estimate unchanged. FY18 CNP is maintained at RM1.17b. FY19 CNP is also maintained at RM1.21b.

Maintain Neutral with TP of RM5.60. Our Target Price is based on Sum-Of-Parts based valuation. Despite the strong set of results, we believe the earnings growth should taper down in the 2HFY18 in line with slower FFB growth prospect. 

Maintain NEUTRAL

Unchanged Target Price: RM5.60

RETURN STATS

Price (22 Feb 2018)	RM5.50
Target Price	RM5.60
Expected Share Price Return	+1.7%
Expected Dividend Yield	+1.6%
Expected Total Return	+3.3%

STOCK INFO

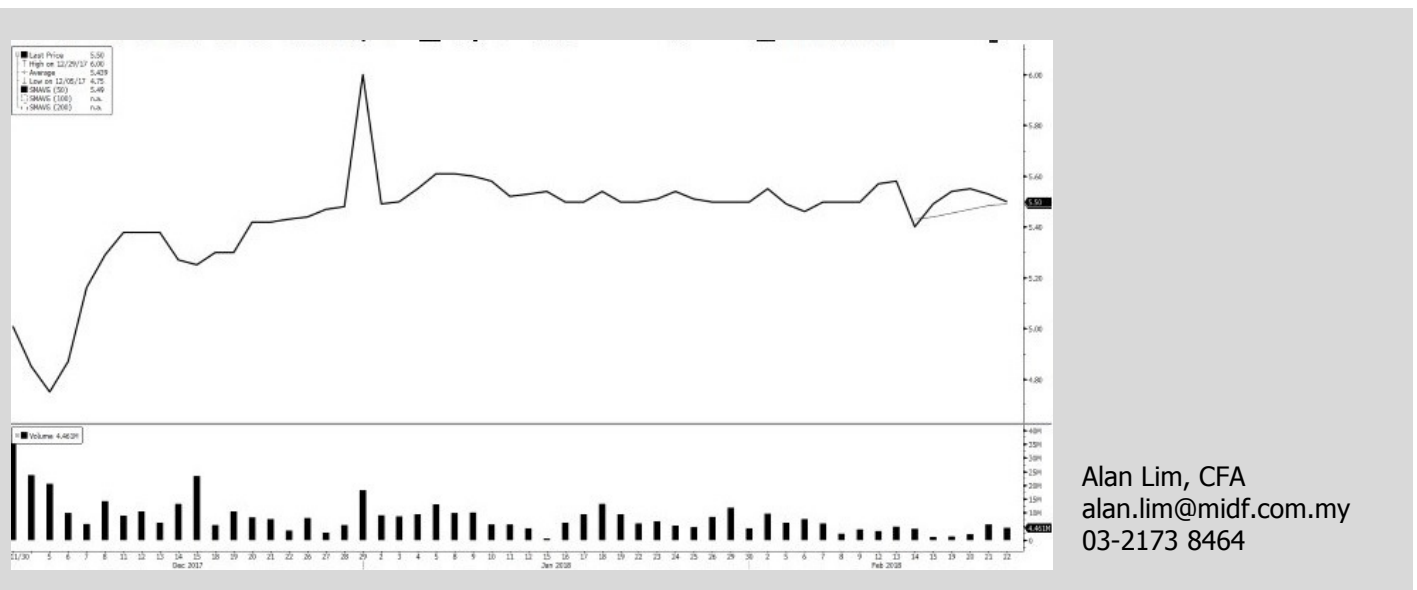
KLCI	1855.07
Bursa / Bloomberg	5285 / SDPL MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6800.84
Market cap. (RM'm)	37,405
Price over NTA	1.97
52-wk price Range	RM4.58 – RM6.00
Beta (against KLCI)	NA
3-mth Avg Daily Vol	NA
3-mth Avg Daily Value	NA
Major Shareholders	
Skim Amanah Saham Bumiputera	41.86%
EPF	13.34%
Yayasan Pelaburan Bumiputra	5.42%

INVESTMENT STATISTICS

FYE Jun (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	10,304.0	11,946.5	14,779.4	15,951.6	17,234.3
EBIT	1,570.9	1,268.0	4,537.9	1,985.7	2,019.8
PBT	1,315.9	839.0	4,031.0	1,620.2	1,672.2
Net Income	997.1	967.2	3,507.1	1,165.5	1,209.4
Core Net Income	696.6	962.6	944.4	1,165.5	1,209.4
EPS (sen)	14.66	14.22	51.57	17.14	17.78
Core EPS (sen)	10.24	14.15	13.89	17.14	17.78
Net DPS (sen)	NA	NA	NA	8.57	8.89
Net Dvd Yield	NA	NA	NA	1.6%	1.6%
Core PER	37.5	38.7	10.7	32.1	30.9
NTA/share (RM)	53.7	38.9	39.6	32.1	30.9
P/NTA	0.92	0.99	1.71	1.97	2.24
ROE	6.00	5.54	3.21	2.79	2.46
ROA	11.2%	10.1%	23.9%	7.1%	6.6%

Source: Company, MIDF Research Forecast

1DAILY PRICE CHART



Source: Company

VALUATION

Method	Value	Note
Forward PE of 26.5x	4.71	Average of IOICORP's 26.3x and KLK's 26.8x
Forward PB of 3.0x	6.48	Average of IOICORP's 3.76x and KLK's 2.25x
Blended Fair Value, RM	5.60	

Source: MIDF Research

SIMEPLT: 2QFY18 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	1HFY18	%YoY	
Revenue	4085	4%	15%	7626	13%	Higher revenue due to strong FFB growth of 12% yoy
EBIT	673	18%	-48%	1957	118%	
Net Income	429	34%	-58%	1448	208%	
Core Net Income	464	-58%	30%	756	38%	We have excluded RM745m gain on disposals, RM21m writeoffs, forex loss of RM31m and impairments of RM1m
EPS (sen)	6.3	34%	-58%	21.3	208%	Deemed to be within expectations although it makes up 65% of ours and 59% of consensus estimate. We believe that the strong FFB growth of 12% yoy seen in the 1HFY18 should taper down in the 2HFY18.
Core EPS (sen)	6.8	-58%	30%	11.1	38%	
Net DPS (sen)	3.5	NA	NA	3.5	NA	
CPO Price (RM/MT)	2654	-6%	-1%	2672	-2%	
FFB Volume ('k MT)	2763	2%	2%	5457	12%	
EBIT Margin	16.5%	NA	NA	25.7%	NA	

Source: 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.