

01 June 2018 | 3QFY18 Results Review

## Sime Darby Plantation Berhad

*9MFY18 earnings beat our expectation but within consensus*

**Maintain NEUTRAL**

**Adjusted Target Price: RM5.55**  
(Previously RM5.40)

### INVESTMENT HIGHLIGHTS

- **9MFY18 core net profit is above our expectation but meet consensus**
- **9MFY18 CNP improved 18% yoy to RM1.01b**
- **FY18 CNP increased by 5% to RM1.10b**
- **Maintain NEUTRAL with higher TP of RM5.55**

#### **9MFY18 core net profit is above our expectation but meet consensus:**

Sime Darby Plantation Berhad Group (SIMEPLT) 9MFY18 Core Net Profit (CNP) of RM1.01b is above our expectation as it makes up 96% of our full year earnings estimate. This is caused by lower than expected operating expenses which has declined 11% yoy in 3QFY18 to RM3.37b. However, it is within consensus estimate at 77% of full year estimate. For our CNP calculation, we have excluded RM886m gain on disposals, RM67m write-offs, forex loss of RM60 and impairments of RM68m.

**9MFY18 CNP improved 18% yoy to RM1.01b:** The healthy earnings growth is supported by 6%yoy increase in FFB volume to 7.80m tonnes and lower lost in Liberia operations. These have more than offset the impact from lower CPO price which slipped 9% to RM2604 per tonne.

**FY18 CNP increased by 5% to RM1.10b.** We also increased our FY19 CNP estimate by 7% to RM1.19b. We have assumed lower operating expenses for both FY18 and FY19.

**Maintain Neutral with higher TP of RM5.55.** The increase in TP is in line with higher 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 fundamentals of SIMEPLT have been priced in into its current Forward PE valuation of 33x for FY19.



#### RETURN STATS

Price (31 May 2018)	RM5.54
Target Price	RM5.55
Expected Share Price Return	+0.2%
Expected Dividend Yield	+1.5%
<b>Expected Total Return</b>	<b>+1.7%</b>

#### STOCK INFO

KLCI	1740.62
Bursa / Bloomberg	5285 / SDPL MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6800.84
Market cap. (RM'm)	37,676.65
Price over NTA	2.70
52-wk price Range	RM4.58 - RM6
Beta (against KLCI)	NA
3-mth Avg Daily Vol	3.50m
3-mth Avg Daily Value	RM19.3m

#### Major Shareholders

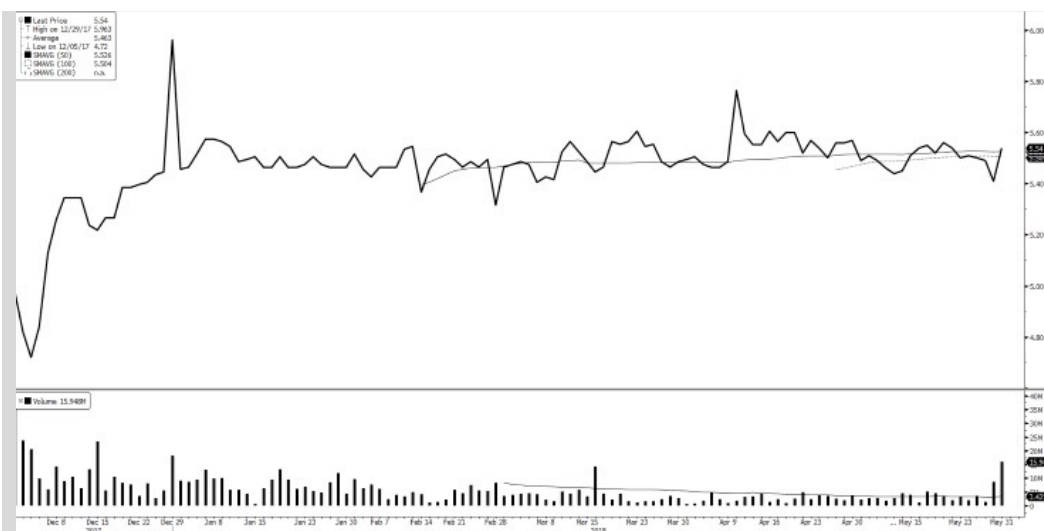
Skim Amanah Saham Bumiputera	41.97%
EPF	13.93%
Yayasan Pelaburan Bumiputra	5.42%

## INVESTMENT STATISTICS

FYE Jun (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	10,304	11,946	14,779	15,841	17,080
EBIT	1,571	1,268	4,538	1,893	1,967
PBT	1,316	839	4,031	1,527	1,618
Net Income	997	967	3,507	1,096	1,185
Core Net Income	697	963	944	1,096	1,185
EPS (sen)	14.66	14.22	51.57	16.11	17.43
Core EPS (sen)	10.24	14.15	13.89	16.11	17.43
Net DPS (sen)	NA	NA	NA	8.06	8.71
Net Dvd Yield	NA	NA	NA	1.5%	1.6%
Core PER	37.8	39.0	10.7	34.4	31.8
NTA/share (RM)	54.1	39.1	39.9	34.4	31.8
P/NTA	0.92	0.99	1.71	1.95	2.22
ROE	6.05	5.59	3.23	2.83	2.50
ROA	11.2%	10.1%	23.9%	6.7%	6.5%

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



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Source: Company

## VALUATION

Method	Value	Note
Forward PE of 26.5x	4.62	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	5.55	

Source: MIDF Research

## SIMEPLT: 3QFY18 RESULTS SUMMARY

FYE Jun (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	3659	-16%	-10%	11285	2%	Higher revenue due to decent FFB growth of 6% yoy
EBIT	401	-44%	-40%	2373	46%	
Net Income	249	-39%	-42%	1697	93%	
Core Net Income	265	-16%	-43%	1006	18%	We have excluded RM886m gain on disposals, RM67m writeoffs, forex loss of RM60 and impairments of RM68m
EPS (sen)	3.7	-39%	-42%	25.0	93%	Above our expectations as it makes up 96% of our full year earnings estimate. This is caused by lower than expected operating expenses which has declined 11% yoy in 3QFY18 to RM3.37b. However, it is within consensus estimate at 77% of full year estimate.
Core EPS (sen)	3.9	-16%	-43%	14.8	18%	
Net DPS (sen)	0.0	NA	NA	3.5	NA	
CPO Price (RM/MT)	2452	-17%	-8%	2604	-9%	
FFB Volume ('k MT)	2338	200%	-15%	7795	6%	
EBIT Margin	11.0%	NA	NA	21.0%	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.