

24 August 2018 | Corporate Update

Sime Darby Plantation Berhad

Expanding plantation land in Papua New Guinea


INVESTMENT HIGHLIGHTS

- **Expanding plantation land in Papua New Guinea**
- **EV per planted ha estimated at RM65,000**
- **Earnings estimate maintained at this juncture**
- **Maintain Neutral with TP of RM5.15**

Expanding plantation land in Papua New Guinea. Sime Darby Plantation (SIMEPLT) announced that its fully owned subsidiary New Britain Palm Oil Limited (NBPOL) has completed the acquisition of 100% equity interest in Markham Farming Company Limited (MFCL) for USD52.6m (or RM215.6m). In addition to this, NBPOL has also assumed outstanding net debt of MFCL and MAPL totalling approximately USD11.0 million. We gather that the final price will be subject to the findings of a post-completion audit.

EV per planted ha estimated at RM65,000. Note that MFCL owns 6,110 ha of agriculture land (4,018 ha planted) in Markham Valley, Papua New Guinea. In addition to the land, MFCL owns two copra mills with total copra throughput capacity of 55,000 tonnes per annum. Assuming USDMYR rate of 4.10, the deal is valued at an estimated Enterprise Value (EV) per ha of RM65,000. In 2014, SIMEPLT (under the previous Sime Darby structure) bought NBPOL at EV of RM84,200 per ha which includes two refinery in PNG and Liverpool. We are unable to establish whether the MFCL deal is fair pending the details of age profile of its estates.

Earnings estimate maintained at this juncture. In view of lack of information shared on the age profile of the planted estate, we maintain our FY18/FY19 core earnings estimates of RM1.08b/RM979m. SIMEPLT is expected to release its 4QFY18 earnings on 30-Aug-2018. Net gearing is expected to increase slightly to 0.43x (from 0.41x).

Maintain Neutral with TP of RM5.15. Our TP is based on Blended PE and PB method. We are Neutral on SIMEPLT as its decent fundamentals and stable dividend yield have been priced in to its Forward PE of 33.6x (against IOICORP's 23.4x and KLK's 24.2x). 

Maintain NEUTRAL

Unchanged Target Price: RM5.15

RETURN STATS

Price (23 Aug 2018)	RM5.33
Target Price	RM5.15
Expected Share Price Return	-3.4%
Expected Dividend Yield	+1.5%
Expected Total Return	-1.9%

STOCK INFO

KLCI	1810.87
Bursa / Bloomberg	5285 / SDPL MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6800.84
Market cap. (RM'm)	36,248.47
Price over NTA	2.61
52-wk price Range	RM4.58 - RM6
Beta (against KLCI)	NA
3-mth Avg Daily Vol	3.65m
3-mth Avg Daily Value	RM19.5m

Major Shareholders

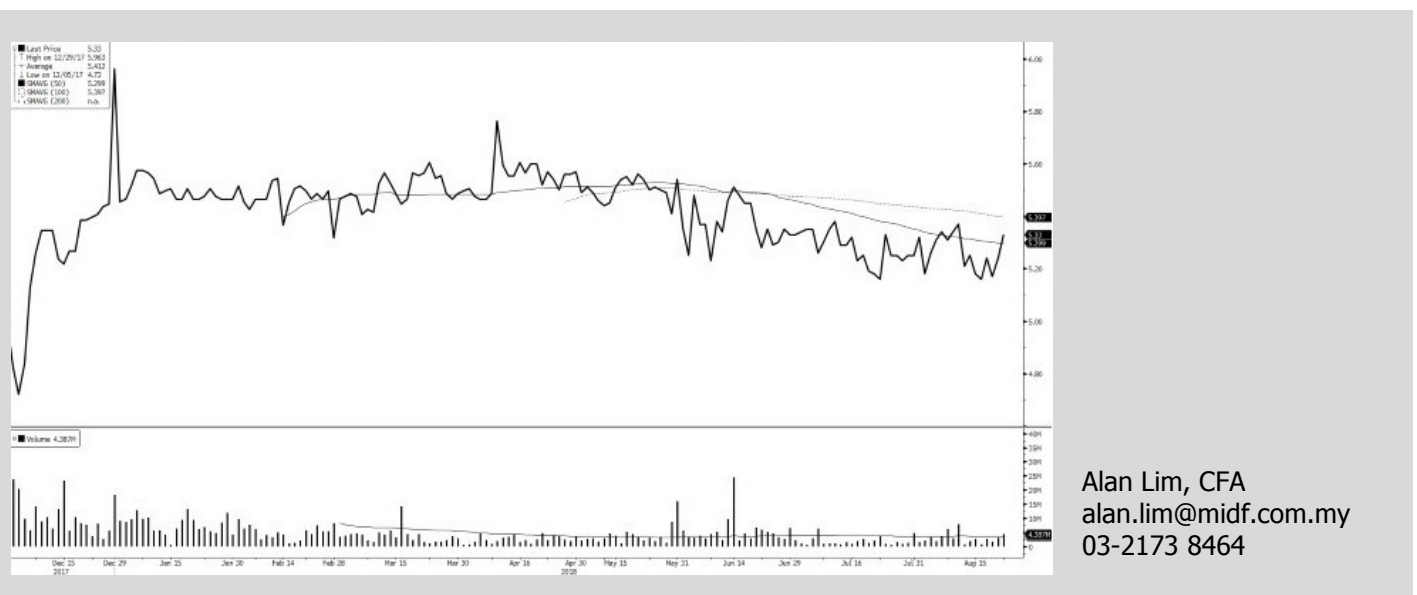
Skim Amanah Saham Bumiputera	42.10%
EPF	14.02%
Yayasan Pelaburan Bumiputra	5.01%

INVESTMENT STATISTICS

FYE Jun (RM m)	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	10,304	11,946	14,779	15,828	16,908
EBIT	1,571	1,268	4,538	1,872	1,696
PBT	1,316	839	4,031	1,506	1,347
Net Income	997	967	3,507	1,080	979
Core Net Income	697	963	944	1,080	979
EPS (sen)	14.66	14.22	51.57	15.88	14.40
Core EPS (sen)	10.24	14.15	13.89	15.88	14.40
DPS (sen)	NA	NA	NA	7.94	7.20
Net Dvd Yield	NA	NA	NA	1.5%	1.4%
PER	52.0	37.7	38.4	33.6	37.0
Core PER	0.92	0.99	1.71	1.95	2.17
NTA/share (RM)	5.82	5.37	3.11	2.73	2.46
P/NTA	11.2%	10.1%	23.9%	6.6%	5.5%
ROE (%)	3.6%	3.4%	11.9%	3.5%	3.0%
ROA (%)	10,304	11,946	14,779	15,828	16,908

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: Company

VALUATION

Method	Value	Note
Forward PE of 26.5x	3.82	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	5.15	

Source: MIDF Research

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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.