

29 January 2018 | Corporate Update

Sime Darby Plantation Berhad

Potential sale of minority stake in NBPOL

INVESTMENT HIGHLIGHTS


- **Potential sale of minority stake in NBPOL**
- **Neutral on the news**
- **Earnings estimate unchanged**
- **Maintain NEUTRAL with TP of RM5.60**

Potential sale of minority stake in NBPOL. Bloomberg reported that Sime Darby Plantation Berhad (SIMEPLT) is exploring a sale of a minority interest in New Britain Palm Oil Ltd (NBPOL), quoting unidentified sources. Recall that in March 2015, SIMEPLT acquired NBPOL for USD1.7b. It was mentioned in the news that SIMEPLT is considering selling 25% to 49% of NBPOL stake.

We gather that NBPOL have a total landbank of 139,899 ha, (86,542 ha planted with oil palm; 89% mature). The company also has over 5,600 hectares of sugar cane and 8,956 hectares of grazing pasture. Lastly, NBPOL operates 12 oil mills and two refineries in PNG and Liverpool, United Kingdom respectively, as well as a seed production and plant breeding facility.

Neutral on the news. As the deal is still in the early stage of exploration, we are neutral on the news. Factors that we will consider will include the valuation of the deal, the actual amount of stake to be sold eventually and whether there is synergy in the potential future buyers.

Earnings estimate unchanged. We maintain our core net profit estimate for FY18 at RM1.17b. For FY19, our core net profit forecast is RM1.21b.

Maintain NEUTRAL with TP of RM5.60: Our Target Price is based on the average Target Price derived from Price To Earnings (PE) and Price To Book (PB) methodology. Refer Page 2 for the details of the valuation. 

Maintain NEUTRAL

Unchanged Target Price: RM5.60

RETURN STATS

Price (26 Jan 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	1853.92
Bursa / Bloomberg	4197 / SIME MK
Board / Sector	Main / Plantation
Syariah Compliant	Yes
Issued shares (mil)	6,800.84
Market cap. (RM'm)	37,404.62
Price over NA	2.55
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	42.17%
EPF	12.75%
Yayasan Pelaburan Bumiputra	5.17%

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
DPS (sen)	NA	NA	NA	8.57	8.89
Net Dvd Yield	NA	NA	NA	1.6%	1.6%
PER	37.5	38.7	10.7	32.1	30.9
Core PER	53.7	38.9	39.6	32.1	30.9
NTA/share (RM)	0.92	0.99	1.71	1.97	2.24
P/NTA	6.00	5.54	3.21	2.79	2.46
ROE (%)	11.2%	10.1%	23.9%	7.1%	6.6%
ROA (%)	3.6%	3.4%	11.9%	3.8%	3.7%

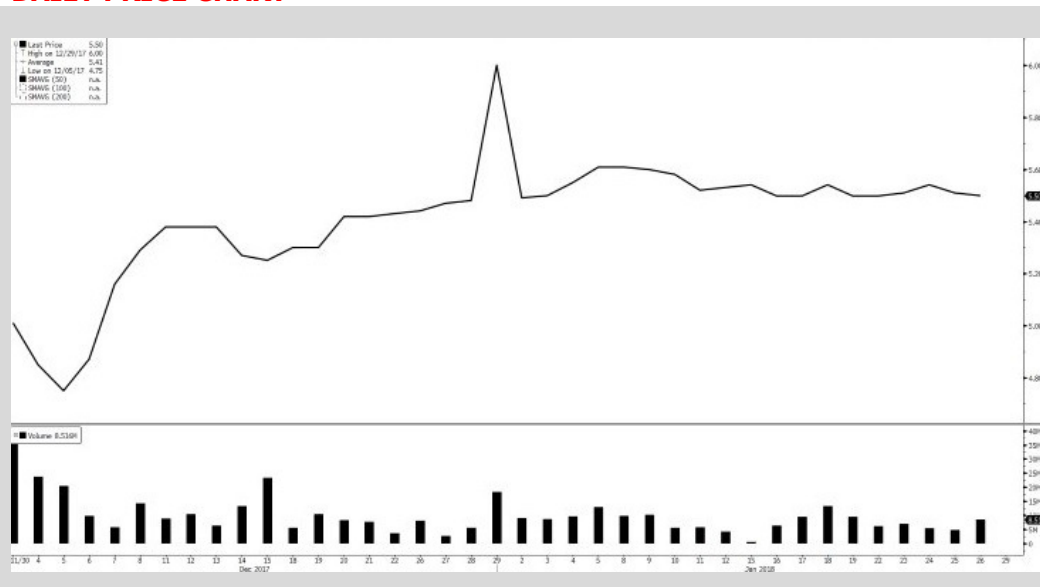
Source: Company, MIDF Research Forecast

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

DAILY PRICE CHART



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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.