

IJM Plantations Berhad

(2216 | IJMP MK) Plantation | Plantation

Earnings turned black in 3QFY20

KEY INVESTMENT HIGHLIGHTS

- **3QFY20 results recorded normalised earnings of RM31.0m, premised on both higher CPO prices and sales volume**
- **Meanwhile, the group's 9MFY20 results has also turn into black to RM21.8m from a prior loss of -RM21.9m**
- **However, the expectancy of lower FFB production in 4QFY19 and persistent higher production cost to cap earnings growth**
- **We are revising upwards our FY20 earnings estimates**
- **Maintain NEUTRAL with unchanged of TP RM1.92**

Swung back into profitability. IJM Plantation Bhd's (IJMPLNT) 3QFY20 normalised earnings went back into positive territory of to RM31.0m as compared to losses of -RM26.0m in 3QFY19. Meanwhile, the group recorded a 9MFY20 normalised earnings of RM21.8m against a normalised losses of -RM21.9m in 9MFY19. The positive earnings were mainly attributable to the higher average selling price (ASP) of CPO and higher FFB production. This came in slightly above our expectation and exceeds consensus expectations of the FY20 earnings forecast.

Mainly supported by higher CPO prices and sales volume. IJMPLNT's 9MFY20 normalised positive earnings position was predominantly driven by the increase in FFB production and higher CPO prices in 3QFY20. Both Malaysia and Indonesia estates have higher 9MFY20's FFB output which increased by +7.5% and +31.3% to about 480.4k mt and 658.5k mt respectively. Meanwhile, Malaysia and Indonesia's 3QFY20 CPO price also trended higher by +26.4% and +27.6% to RM2,437/mt and RM2,160/mt. This helps the group to achieve a better financial performance.

Expansion in EBIT margin. On a quarterly basis, the EBIT margin of the group jumped by +4.7ppts yoy to +14.9% as EBIT jumped by +143.0%yoy premised on higher CPO price. Consequently, this led to higher normalised PATAMI margin of +13.0%, representing an increase of +31.0ppts yoy.

Earnings estimates. We are revising upwards our earnings estimates for FY20 by +13.2% to RM37.0m, primarily underpinned by higher CPO prices in 4QFY20.

Target price. We are maintaining our TP of **RM1.92**. This is premised on the group's FY21 book value per share of RM1.60 to a price-book ratio (PBR) of 1.2x which is the group's two-year historical average.

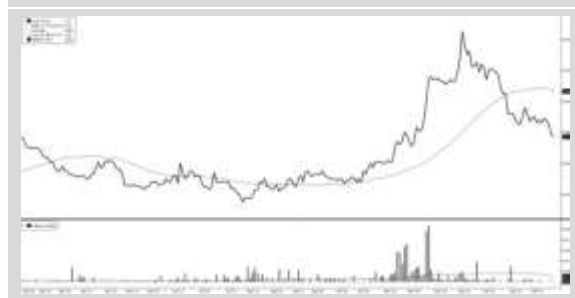
Maintain NEUTRAL

Unchanged Target Price: RM1.92

RETURN STATISTICS

Price @ 25 th Feb 2020 (RM)	1.77
Expected share price return (%)	+8.4
Expected dividend yield (%)	+1.7
Expected total return (%)	+10.1

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-13.7	-9.5
3 months	-25.0	+4.3
12 months	-1.1	+13.6

KEY STATISTICS

FBM KLCI	1,500.88
Syariah compliant	Yes
Issue shares (m)	880.58
Estimated free float (%)	16.74
Market Capitalisation (RM'm)	1,558.63
52-wk price range	RM 1.35 – RM2.48
Beta vs FBM KLCI (x)	1.21
Monthly velocity (%)	11.02
Monthly volatility (%)	29.76
3-mth average daily volume (m)	0.32
3-mth average daily value (RM'm)	0.64
Top Shareholders (%)	
IJM Corp Bhd	56.20
EPF	13.37
KWAP	4.73

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Maintain NEUTRAL. The group's 3QFY20 financial performance has shown improvement in margin as revenue increased by +66.5%yoy due to increased sales volume and higher CPO prices in 3QFY20. In view of the elevated CPO price to above RM2,500/mt into 1QCY20, we expect it would continue to support the group's profitability in the coming quarters. However, the anticipated lower production in 4QFY20 and potential slowing demand of CPO might dampen sales volume. This is premised on the lower production season as well as the coronavirus outbreak which might lead to logistical constraints and lower consumption of the CPO. In addition, we remain wary on the group's ability to effectively managed production cost which could partially suppress the improvement in group's profit margin. All factors considered, we are maintaining our **NEUTRAL** recommendation. 

Table 1: PBT breakdown (RM'm)

Operations	3QFY20	3QFY19	Variance (%)	Remarks
Malaysian	8.2	8.7	-5.7	Fair value losses incurred on the CPO pricing swap contracts
Indonesian	25.1	-10.7	+142.6	Higher ASP of CPO and higher sales volume

Source: Company, MIDFR.

Table 2: CPO Sales Volume breakdown (mt)

Operations	3QFY20	3QFY19	Variance (%)
Malaysian	40,814	27,947	+46.0
Indonesian	37,506	28,678	+30.8

Source: Company, MIDFR.

Table 3: CPO ASP breakdown (RM/mt)

Operations	3QFY20	3QFY19	Variance (%)
Malaysian	2,437	1,928	+26.4
Indonesian	2,160	1,693	+27.6

Source: Company, MIDFR.

INVESTMENT STATISTICS

Financial year ending 31 st Mar (in RM'm, unless otherwise stated)	FY18A	FY19A	FY20E	FY21F	FY22F
Revenue	747	631	625	713	763
EBIT	124	22	44	79	96
PBT/(LBT)	77	-43	36	71	92
PATAMI/(LATAMI)	46.6	(36.0)	36.9	61.7	78.7
Normalised PATAMI/(LATAMI)	70.3	(11.0)	37.0	61.7	79.7
Normalised EPS (sen)	5.3	(4.3)	4.4	7.3	9.4
Dividend Per Share (sen)	5.0	2.0	3.0	3.0	4.0
Dividend Yield (%)	2.8	1.1	1.7	1.7	2.3
PER (x)	22.2	(135.5)	40.3	24.2	18.7
NTA/share (RM)	1.93	1.92	1.93	1.97	2.03
P/NTA	0.92	0.92	0.92	0.90	0.87
Return on Equity (%)	2.9	-2.2	2.3	3.7	4.6
Return on Assets (%)	1.8	-1.3	1.4	2.2	2.2

Source: Company, MIDFR

IJM PLANTATION BHD: 3QFY20 RESULTS SUMMARY

(All in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	3Q20	% YoY	% QoQ	9MFY20	9MFY19	% YoY
FYE 31st Mar						
Revenue	237.8	66.5	37.6	543.7	466.1	16.7
EBITDA	64.7	50.1	126.9	123.4	75.6	63.3
Depreciation and amortisation	-29.3	2.7	4.4	-85.2	-85.8	-0.8
EBIT	35.4	143.0	>100	38.3	-10.2	>100
Finance costs	-3.2	-82.0	-50.9	-19.2	-53.5	-64.1
Finance income	1.0	-5.5	-3.6	3.4	3.4	-0.8
Share of results of joint ventures	0.2	n.a	-2.3	0.5	0.3	n.a
PBT	33.3	>100	>100	23.0	-60.0	-138.3
Taxation	-11.9	>-100	>-100	-9.7	1.6	>-100
MI	-1.4	>-100	>-100	-0.3	8.5	-103.9
PATAMI	20.1	>100	>100	13.0	-49.9	-126.0
Normalised PATAMI	31.0	>100	>100	21.8	-21.9	>100
Normalised EPS (sen)	3.5	>100	>100	2.5	-2.5	>100
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	27.2	-3.0	10.7	22.7	16.2	6.5
EBIT margin (%)	14.9	4.7	14.6	7.0	-2.2	9.2
Normalised PATAMI margin (%)	13.0	31.0	13.3	4.0	-4.7	8.7
Effective tax rate (%)	35.6	63.5	-3.2	42.1	2.7	39.4

Source: Company, MIDFR

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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	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.