

# IJM Plantations Berhad

(2216 | IJMP MK) Plantation | Plantation

## Resilient FFB production from more matured area

### KEY INVESTMENT HIGHLIGHTS

- **4QFY20 normalised earnings increased by +167.8%yoy to RM10.1m, mainly due to higher CPO price (+43.6%yoy)**
- **Meanwhile, the group's FY20 results has also turned into black to RM30.6m from a prior loss of -RM18.0m in FY19**
- **Moving forward, the resilient FFB production could partially mitigate the persistent higher cost of production which cap the earnings growth**
- **We are maintaining our earnings estimates for FY21/22**
- **Maintain NEUTRAL with a revised TP of RM1.70**

**Below expectation.** IJM Plantation Bhd's (IJMPLNT) 4QFY20 normalised earnings improved to RM31.0m (+167.8%yoy), mainly due to higher average selling price (ASP) of CPO of RM2,767 (+43.6%yoy). Meanwhile, the group recorded a FY20 normalised earnings of RM30.6m against a normalised losses of -RM18.0m in 1FY19. The positive earnings were mainly attributable to the higher ASP of CPO and higher FFB production. However, this was still below ours and consensus expectations, accounting for 82.7% and 85.3% of full year FY20 earnings forecast. Note that the FY20 normalised earnings exclude forex exchange losses of -RM87.1m due to the drastic devaluation of the Rupiah against US Dollar and Japanese Yen denominated borrowings and fair value gain on the CPO pricing swap of +RM7.9m.

**Resilient FFB production partially underpinned earnings momentum.** IJMPLNT's FY20 positive earnings position was primarily driven by the increase in FFB production and higher CPO prices in FY20. Both the Malaysia and Indonesia estates have higher FY20's FFB output which increased by +0.5% and +30.3% to 619.4k mt and 861.7k mt respectively. Meanwhile, Malaysia and Indonesia's FY20 CPO price also trended higher by +6.8%yoy and +11.2%yoy to RM2,269/mt and RM2,052/mt. Moving forward, we expect the higher FFB production to continue to provide partial support to earnings growth.

**Expansion in EBIT margin.** On an annual basis, the EBIT margin of the group inched up by +0.4ppts yoy to +0.8% which is premised on higher CPO price. Consequently, this led to higher normalised PATAMI margin of +4.1%, representing an increase of +7.0ppts yoy.

**Dividend.** In FY20, the group declared a total dividend of 2.0sen per share payable on 18 August 2020. Note that the dividend payment was one sen lower than our forecast. Thus, we revised downward our forecast dividend of the group to 2.0sen from 3.0sen in FY21 and maintain an estimated dividend payment of 3.0sen for FY22 and FY23.

**Earnings estimates.** We are maintaining our FY21/22 earnings estimates at this juncture as we have adjusted our forecasts accordingly in our previous plantation sector report dated 11<sup>th</sup> June 2020.

## Maintain NEUTRAL

**Revised Target Price: RM1.70**  
(previously RM1.86)

### RETURN STATISTICS

Price@ 26 <sup>th</sup> June 2020 (RM)	1.66
Expected share price return (%)	+2.4
Expected dividend yield (%)	+1.2
<b>Expected total return (%)</b>	<b>+3.6</b>

### SHARE PRICE CHART




Share price performance (%)	Absolute	Relative
1 month	-1.2	-4.6
3 months	+15.3	+16.7
12 months	+7.8	+21.3

### KEY STATISTICS

FBM KLCI	1,500.88
Syariah compliant	No
Issue shares (m)	880.58
Estimated free float (%)	16.74
Market Capitalisation (RM'm)	1,461.76
52-wk price range	RM 1.01 – RM2.48
Beta vs FBM KLCI (x)	1.49
Monthly velocity (%)	11.02
Monthly volatility (%)	29.76
3-mth average daily volume (m)	0.15
3-mth average daily value (RM'm)	0.24
Top Shareholders (%)	
IJM Corp Bhd	56.20
EPF	13.37
KWAP	4.73

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**Target price.** We are revising our TP to **RM1.70** (*previously RM1.86*). This is premised on the group's FY21 book value per share of RM1.55 to a price-book ratio (PBR) of 1.1x (*previously 1.2x*) which is the group's two-year historical average. The lower PBR ratio is taking into account the uncertainty arising from potential resurgence of the Covid-19 outbreak.

**Maintain NEUTRAL.** The group's FY20 financial performance had shown improvement in profit margin as revenue increased by +17.2%yoy due to increased sales volume and higher CPO prices. In view of the expected resilient FFB production in FY21 and elevated CPO price on a year-over-year basis, we expect it would continue to support the group's profitability in the coming financial years. The anticipated higher FFB output is mainly predicated on the group's increasing matured planted area with which 72% are in their mature-prime age as at 31 March 2020. However, the seemingly worsening Covid-19 outbreak and weakening economic conditions in major palm oil-consuming countries such as India, Indonesia, and EU might dampen CPO demand and thus putting pressure on the CPO price. 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: Reported PBT breakdown (RM'm)**

Operations	FY20	FY19	Variance (%)	Remarks
Malaysian	40.2	16.8	+139.2	Higher ASP of CPO and higher FFB production
Indonesian	-90.6	-60.1	-50.8	Severe devaluation of the Rupiah against the US Dollar and Japanese Yen denominated borrowings

Source: Company, MIDFR.

**Table 2: CPO Sales Volume breakdown (mt)**

Operations	FY20	FY19	Variance (%)
Malaysian	127,467	127,917	-0.4
Indonesian	138,334	106,543	+29.8

Source: Company, MIDFR.

**Table 3: CPO ASP breakdown (RM/mt)**

Operations	FY20	FY19	Variance (%)
Malaysian	2,269	2,125	+6.8
Indonesian	2,052	1,846	+11.2

Source: Company, MIDFR.

## INVESTMENT STATISTICS

Financial year ending 31 <sup>st</sup> Mar (in RM'm, unless otherwise stated)	FY19A	FY20A	FY21E	FY22F	FY23F
Revenue	630.9	739.1	689.5	737.1	791.1
EBIT	2.6	5.8	56.0	71.3	92.1
PBT/(LBT)	-43.3	-50.5	48.2	67.5	92.4
PATAMI/(LATAMI)	(36.3)	(64.4)	43.6	59.0	78.9
<b>Normalised PATAMI/(LATAMI)</b>	<b>(18.0)</b>	<b>30.6</b>	<b>43.6</b>	<b>60.0</b>	<b>80.9</b>
Normalised EPS (sen)	(2.0)	3.5	5.0	6.8	9.2
Dividend Per Share (sen)	2.0	2.0	2.0	3.0	3.0
Dividend Yield (%)	1.2%	1.2%	1.2%	1.8%	1.8%
PER (x)	(77.7)	47.8	33.5	24.3	18.1
NTA/share (RM)	1.92	1.74	1.77	1.81	1.86
P/NTA	0.86	0.95	0.94	0.92	0.89
Return on Equity (%)	-2.2	-4.2	2.8	3.7	4.8
Return on Assets (%)	-1.4	-2.4	1.6	2.1	2.8

Source: Company, MIDFR

**IJM PLANTATION BHD: 4QFY20 RESULTS SUMMARY**

(All in RM'm, unless otherwise stated)	Quarterly Results			Cumulative		
	FYE 31 <sup>st</sup> Mar	4Q20	% YoY	% QoQ	FY20	FY19
<b>Revenue</b>	<b>195.4</b>	<b>18.6</b>	<b>-17.8</b>	<b>739.1</b>	<b>630.9</b>	<b>17.2</b>
<b>EBITDA</b>	<b>-5.9</b>	<b>-112.8</b>	<b>-109.1</b>	<b>117.6</b>	<b>114.1</b>	<b>3.1</b>
Depreciation and amortisation	-26.7	3.8	-8.9	-111.9	-111.6	0.3
<b>EBIT</b>	<b>-32.6</b>	<b>-262.6</b>	<b>-192.0</b>	<b>5.8</b>	<b>2.6</b>	<b>123.1</b>
Finance costs	-42.0	847.8	1203.3	-61.3	-50.7	20.7
Finance income	1.0	5.2	3.2	4.4	4.4	0.5
Share of results of joint ventures	0.1	n.a	-19.8	0.7	0.5	n.a
<b>PBT</b>	<b>-73.4</b>	<b>-539.2</b>	<b>-320.5</b>	<b>-50.5</b>	<b>-43.3</b>	<b>16.5</b>
Taxation	-12.8	401.0	8.2	-22.5	-0.9	2341.1
MI	9.9	-1639.9	-814.8	8.6	7.9	8.8
PATAMI	-76.4	-665.2	-480.7	-64.4	-36.3	77.2
<b>Normalised PATAMI</b>	<b>10.1</b>	<b>167.8</b>	<b>-67.3</b>	<b>30.6</b>	<b>-18.0</b>	<b>-270.4</b>
Normalised EPS (sen)	1.2	167.8	-67.3	3.5	-2.0	-270
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	-3.0	-30.8	-30.2	15.9	18.1	-2.2
EBIT margin (%)	-16.7	-28.8	-31.5	0.8	0.4	0.4
Normalised PATAMI margin (%)	5.2	2.9	-7.8	4.1	-2.8	7.0
Effective tax rate (%)	-17.5	-32.8	-53.1	-44.6	-2.1	-42.5

Source: Company, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

<b>BUY</b>	Total return is expected to be >10% over the next 12 months.
<b>TRADING BUY</b>	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.
<b>NEUTRAL</b>	Total return is expected to be between -10% and +10% over the next 12 months.
<b>SELL</b>	Total return is expected to be <10% over the next 12 months.
<b>TRADING SELL</b>	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

<b>POSITIVE</b>	The sector is expected to outperform the overall market over the next 12 months.
<b>NEUTRAL</b>	The sector is to perform in line with the overall market over the next 12 months.
<b>NEGATIVE</b>	The sector is expected to underperform the overall market over the next 12 months.