25 August 2016 | 1QFY17 Results Review

IJM Plantations Berhad

Recovery on track

***Maintain* NEUTRAL**

***Unchanged* Target Price (TP): RM3.13**

INVESTMENT HIGHLIGHTS

- **1QFY17 earnings deemed within expectations**
- **Returned to the black**
- **1QFY17 earnings dragged by weak FFB production**
- **Earnings forecasts maintained**
- **Maintain NEUTRAL with unchanged TP of RM3.13**

1QFY17 earnings deemed within expectations. IJM Plantations (IJMP) 1QFY17 core net income of RM19.8m was deemed within expectations despite it made up only 15% of our and consensus full year estimates as we anticipate stronger quarters ahead. This is due to the seasonal impact in which FFB volume usually peaks in 2Q and 3Q of the financial year. Note that we have excluded forex gain of RM5.4m in our core net income calculation.

Returned to the black. IJMP registered core net profit of RM19.8m for 1QFY17 as compared to core net loss of RM32m in previous quarter, underpinned by seasonally higher FFB production and recovery in CPO prices. Recall that core net loss in the previous quarter was mainly owing to the sharp fall in FFB production from Sabah estates due to El-Nino induced drought. Meanwhile, FFB production in 1QFY17 grew 27%qoq due to a surge in FFB production from Sabah estates (+71%qoq) which mitigated marginally lower FFB production from Indonesian estates (-4.7%qoq).

Earnings still weaker against last year due to weak FFB production. IJMP core net profit in 1QFY17 dropped 31%yoy, mainly due to lower FFB production (-16%yoy). The lower FFB production in 1QFY17 was mainly due to lagged impact of El-Nino induced drought. FFB production from both Sabah and Indonesian estates declined 24%yoy and 2.5%yoy respectively. Looking ahead, we expect FFB production to recover slowly in the coming quarters as the impact of El-Nino waned. Overall, we estimate FY17 FFB production growth at below 5%.

Earnings forecasts maintained. We maintain our earnings forecasts for FY17 and FY18 as we expect earnings recovery going forward. Earnings outlook for IJMP is expected to be positive due to anticipated marginal recovery in FFB production and higher CPO prices. Spot CPO prices hit RM2,800/mt recently which bode well for pure planters like IJMP. However, the implementation of Indonesian palm oil export levy of USD50/MT in July 2015 is expected to weigh on CPO selling prices in Indonesia.

RETURN STATS	
Price (24 Aug 2016)	RM3.30
Target Price	RM3.13
Expected Share Price Return	-5.1%
Expected Dividend Yield	+2.3%
Expected Total Return	**-2.8%**
STOCK INFO	
KLCI	1,682.06
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Par Value (RM)	0.5
Market cap. (RM'm)	2,905.92
Price over NA	1.80
52-wk price Range	RM2.99 – RM3.8
Beta (against KLCI)	0.73
3-mth Avg Daily Vol	0.2m
3-mth Avg Daily Value	RM0.68m
Major Shareholders	
IJM Corp	55.19%
EPF	11.66%
KWAP	4.55%

Maintain NEUTRAL with unchanged TP of RM3.13. We maintain our TP for IJMP at RM3.13 based on 18.6x Forward PE on FY17 EPS of 16.8sen and reiterate Neutral on IJMP as its FFB production outlook is flattish. Potential catalyst would emanate from sustainable high CPO prices which would buoy IJMP's earnings.

INVESTMENT STATISTICS

FYE Mar	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	647	668	558	591	651
EBIT	153	141	72	185	241
PBT	109	89	50	178	233
Net Income	89	90	24	142	183
Core Net Income	109	142	25	142	183
EPS (sen)	11.1	10.7	2.9	16.8	21.7
Core EPS (sen)	13.7	16.8	3.0	16.8	21.7
Net DPS (sen)	7.0	6.0	5.0	7.6	9.8
Net Dvd Yield	2.1%	1.8%	1.5%	2.3%	3.0%
Core PER	24.2	19.6	111.1	19.6	15.2
NTA/share (RM)	1.73	1.91	1.92	2.00	2.12
P/NTA	1.91	1.73	1.72	1.65	1.55
ROE	6.4%	5.6%	1.5%	8.4%	10.2%
ROA	4.0%	3.5%	0.9%	5.4%	6.7%

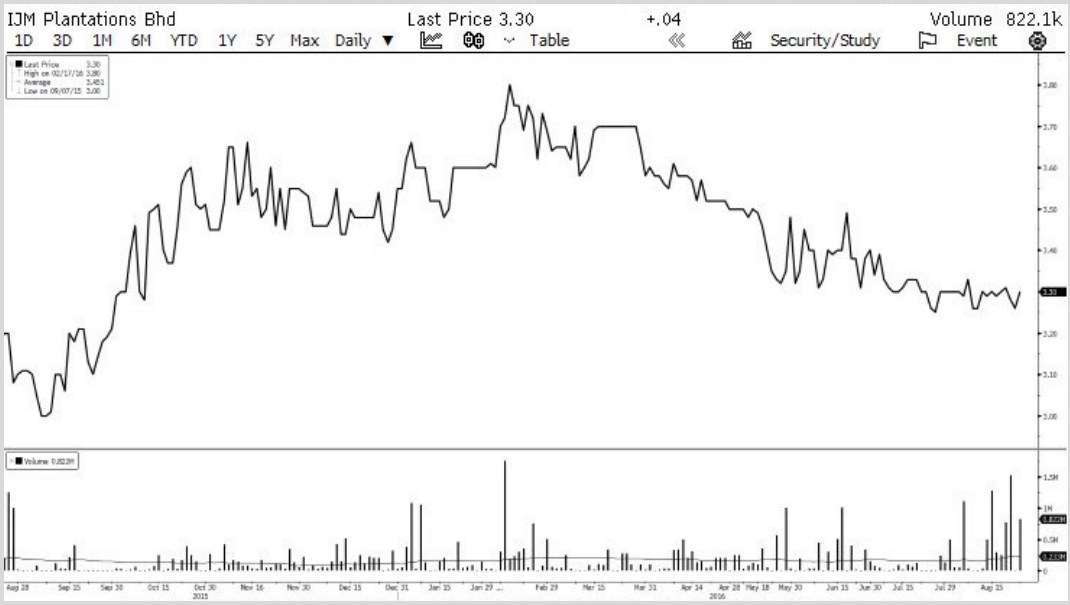
Source: Company, MIDF Research Estimate

IJM Plantations: 1QFY17 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	139.4	*-2%*	*21%*	139.4	*-2%*	*Revenue lower yoy mainly due to lower FFB production which offset higher CPO prices.*
EBIT	42.3	*8%*	*N/A*	42.3	*8%*	
PBT	38.6	*49%*	*1091%*	38.6	*49%*	
Net Income	25.2	*10%*	*N/A*	25.2	*10%*	
Core Net Income	19.8	*-31%*	*N/A*	19.8	*-31%*	*Exclude forex loss/gain*
EPS (sen)	2.9	*10%*	*N/A*	2.9	*10%*	
Core EPS (sen)	2.3	*-31%*	*N/A*	2.3	*-31%*	
Net DPS (sen)	0	*NA*	*NA*	0	*NA*	
CPO Price (RM/MT)	2570.0	*19%*	*12%*	2570.0	*19%*	
FFB Volume ('k MT)	192	*-16%*	*27%*	192	*-16%*	
EBIT Margin	30.4%	*NA*	*NA*	30.4%	*NA*	
PBT Margin	27.7%	*NA*	*NA*	27.7%	*NA*	

Source: Company

DAILY PRICE CHART



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Source: Bloomberg

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% 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.