29 August 2019 | 1QFY20 Results Review

IJM Plantations Berhad

Maintain SELL

Started off FY20 with a net loss position

***Revised* Target Price: RM1.16**
(*Previously* RM1.13)

INVESTMENT HIGHLIGHTS

- **1QFY20 core loss of –RM4.9m (-143.7%yoy) came in below our and consensus expectations**
- **This was mainly attributable to lower average selling price (ASP) of CPO and increase in production costs**
- **Earnings estimates revised downward for FY20 and FY21**
- **Maintain SELL with an adjusted target price of RM1.16**

Reverted to net loss position. IJM Plantation Bhd's (IJMPLNT) 1QFY20 core losses came in at –RM4.9m against a core profit of RM11.0m in 1QFY19. This came in below both our and consensus expectations of the FY20 earnings forecast. Note that in the preceding quarter were in slight positive financial performance of RM3.8m.

Weak CPO price has negatively impacted earnings. IJMPLNT's 1QFY20 core loss position was a result of the decline in CPO prices in both Malaysia and Indonesia to RM1,921/mt (-19.8%yoy) and RM1,821/mt (-13.9%yoy) respectively. While we note that FFB production came in higher, it was insufficient to mitigate the declining ASP of CPO. The combined Malaysian and Indonesian operations produced a total FFB volume of 341,782mt in 1QFY20, representing an increase of +20.0%yoy. Moving forward, we opine the group's profitability to remain under pressure from low CPO price and elevated production cost.

Earnings estimates revised downwards. Premised on the subdued CPO price environment and weaker-than-expected financial underperformance, we are reducing our FY20 and FY21 earnings forecasts to RM27.1m and RM44.3m respectively.

Target price. We are rolling forward our valuation base year to FY21 and derive a new target price of **RM1.16** (*previously RM1.13*). This is premised on pegging core FY21 EPS of 5.3sen against forward PER of 21.8x. Our target PER is the group's two year historical average.

Maintain SELL. We are of the view that earnings performance of the group to remain dismal in view of higher production costs and weak CPO price environment. Despite the recent recovery of CPO price into 3QCY19, we do not expect it would help significantly in improving the group's profitability. As such, the earnings prospect in the near term should continue to be bleak. In addition, we expect the elevated cost of production, maintenance, and fertilizer costs to continue to negatively impact the profit margin of the group's businesses. All factors considered, we are maintaining our **SELL** recommendation on IJMPLNT.

RETURN STATS	
Price (28th August 2019)	RM1.43
Target Price	RM1.16
Expected Share Price Return	-18.9%
Expected Dividend Yield	+2.1%
Expected Total Return	**-16.8%**

STOCK INFO	
KLCI	1,589.82
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	1259.2
Price over NA	0.97
52-wk price Range	RM1.30 – RM2.61
Beta (against KLCI)	0.97
3-mth Avg Daily Vol	0.12m
3-mth Avg Daily Value	RM0.17m
Major Shareholders	
IJM CORP BHD	56.20%
EPF	14.00%

Table 1: PBT breakdown (RM'm)

Operations	1QFY20	1QFY19	Remarks
Malaysian	2.4	5.6	Lower ASP of CPO and lower PKO sales volume
Indonesian	-7.7	-31.8	Lower ASP of CPO and higher production cost

Source: Company, MIDFR.

Table 2: CPO Sales Volume breakdown (mt)

Operations	1QFY20	1QFY19
Malaysian	29,655	37,196
Indonesian	23,025	24,511

Source: Company, MIDFR.

Table 3: CPO ASP breakdown (RM/mt)

Operations	1QFY20	1QFY19
Malaysian	1,921	2,395
Indonesian	1,821	2,115

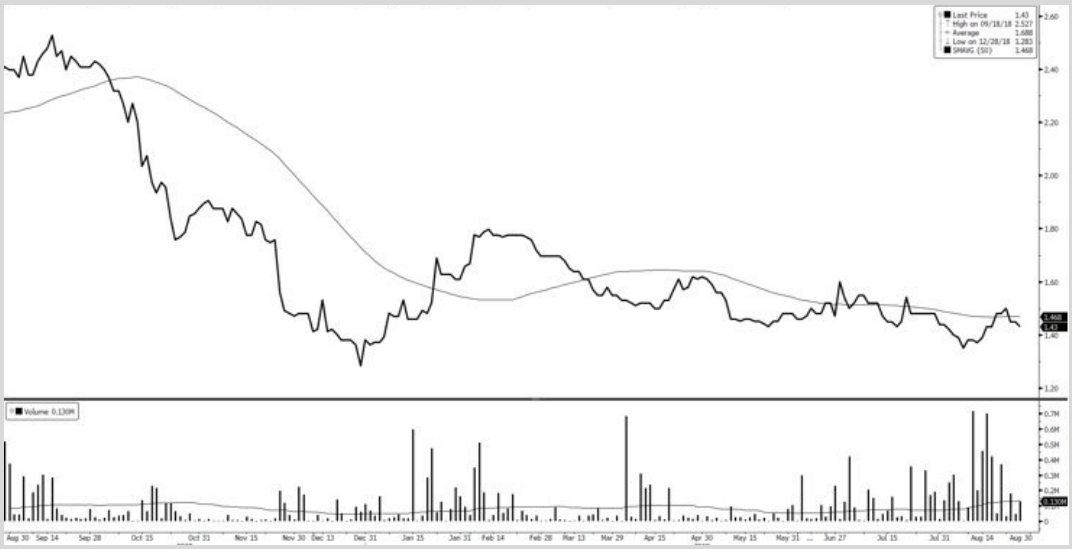
Source: Company, MIDFR.

INVESTMENT HIGHLIGHTS

FYE Mar (RM'm, unless otherwise stated)	FY17A	FY18A	FY19A	FY20F	FY21F
Revenue	754	747	631	625	683
EBIT	192	124	22	36	57
PBT	169	77	(43)	29	49
Net Income	115.1	46.6	(36.0)	27.0	44.3
Core Net Income	119.1	70.3	(11.0)	27.1	44.3
EPS (sen)	13.1	5.3	(4.3)	3.2	5.3
Core EPS (sen)	13.5	8.0	(1.3)	3.2	5.3
Net DPS (sen)	7.0	5.0	2.0	3.0	3.0
Net Dvd Yield (%)	4.9	3.5	1.4	2.1	2.1
Core PER	10.6	17.9	(109.5)	44.4	27.2
NTA/share (RM)	2.12	1.93	1.92	1.92	1.94
P/NTA	0.67	0.74	0.74	0.74	0.74
ROE (%)	6.4	2.9	-2.2	1.7	2.7
ROA (%)	3.9	1.8	-1.3	1.0	1.6

Source: Company, MIDFR

DAILY PRICE CHART



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IJM Plantation: 1QFY20 RESULTS SUMMARY

(All in RM'm, unless otherwise stated)	Quarterly				
FYE 31st Dec	**1QFY20**	**1QFY19**	**% YoY**	**4QFY19**	**% QoQ**
Revenue	133.1	183	-27.3	164.8	-19.3
EBITDA	27.5	7.3	276.4	45.7	-39.9
Depreciation and amortisation	-27.8	-28.2	-1.6	-25.7	8.0
EBIT	-0.3	-20.9	-98.7	20.0	-101.4
Finance costs	-6.7	-7	0.8	-4.4	51.0
Finance income	1.4	1	7.4	1.0	48.3
Share of results of joint ventures	0.2	0	n.a	0.2	1.1
PBT	-5.4	-26	-79.5	16.7	-132.2
Taxation	0.3	1	-82.0	-2.6	-110.2
MI	0.3	5	-93.4	-0.6	-153.9
PATAMI	-4.8	-20	-75.6	13.5	-135.3
Normalised PATAMI	-4.9	11	-143.7	3.8	-230.6
Normalised EPS (sen)	-0.6	1.28	-143.7	0.4	-230.6
			+/- ppts		+/- ppts
EBITDA margin (%)	20.7		20.7	27.8	-7.1
EBIT margin (%)	-0.2	-11.4	11.2	12.1	-12.4
Normalised PATAMI margin (%)	-3.7	6	-9.9	2.3	-6.0
Effective tax rate (%)	4.8	5.5	-0.7	15.3	-10.5

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 *rise* 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 *fall* 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.