29 November 2016 | 2QFY17 Results Review

IJM Plantations Berhad

Looking forward to stronger 2HFY17

***Maintain* NEUTRAL**

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

INVESTMENT HIGHLIGHTS

- **6MFY17 earnings broadly within expectations**
- **Higher sequential earning**
- **Weaker earnings on year due to weak FFB production**
- **Maintain NEUTRAL with unchanged TP of RM3.13**

6MFY17 earnings broadly within expectations. IJM Plantations (IJMP) 6MFY17 core net income of RM54.6m was broadly within expectations, meeting 39% and 46% of our and consensus full year estimates respectively. Note that we have excluded forex gain of RM14.8m in our core net income calculation.

Higher sequential earning. IJMP registered core net profit of RM34.8m for 1QFY17, increasing 76%qoq. The higher sequential income was mainly due to higher group FFB production (+21%qoq) while CPO prices were flattish. FFB production from Sabah estates climbed 43%qoq, mitigating a marginal 5.8% decline in FFB production from Indonesian estates. The higher FFB production from Sabah estates was due to seasonally higher production in 2Q and as FFB production recovered from the weak production in 1QFY17 which was dampened by dry weather.

Weaker earnings on year due to weak FFB production. IJMP core net profit in 1QFY17 dropped 15%yoy, mainly due to slightly lower FFB production (-1%yoy). Notably, FFB production declined at a smaller quantum in 2QFY17 as comparing to a 16%yoy production decline in 1QFY17, indicating waning impact from El-Nino induced drought. On a cumulative basis, 6MFY17 earnings declined by 21%yoy due to overall weaker FFB production (-8%yoy), which partially cushioned by higher CPO prices (+23%yoy).

Maintain Neutral with unchanged TP of RM3.13. We maintain our earnings forecast for FY17/18 as we expect stronger earnings recovery going forward. Net income of IJMP is expected to come in stronger in 2HFY17 due to seasonally higher FFB production in 3QFY17 and high CPO prices. Also intact is our TP of RM3.13, based on 18.6x Forward PE on FY17 EPS of 16.8sen. Maintain Neutral on IJMP as its FY17 FFB production outlook is flattish.

RETURN STATS	
Price (28 Nov 2016)	RM3.32
Target Price	RM3.13
Expected Share Price Return	-5.7%
Expected Dividend Yield	+2.3%
Expected Total Return	**-3.4%**
STOCK INFO	
KLCI	1,628.66
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Par Value (RM)	0.50
Market cap. (RM'm)	2,923.53
Price over NA	1.79
52-wk price Range	RM3.22 – RM3.8
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	0.22m
3-mth Avg Daily Value	RM0.76m
Major Shareholders	
IJM Corp	56.10%
EPF	13.31%
KWAP	4.55%

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%	2.9%
Core PER	24.3	19.7	111.8	19.8	15.3
NTA/share (RM)	1.73	1.91	1.92	2.00	2.12
P/NTA	1.92	1.74	1.73	1.66	1.56
ROE	6.4%	5.6%	1.5%	8.4%	10.2%
ROA	4.0%	3.5%	0.9%	5.4%	6.7%

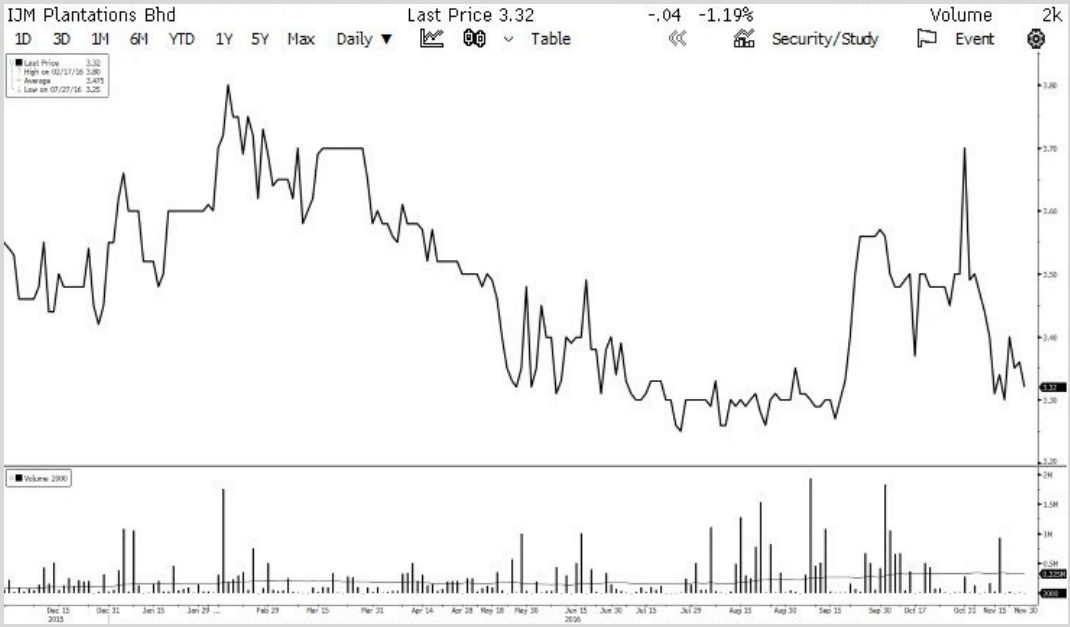
Source: Company, MIDF Research Estimate

IJM Plantations: 2QFY17 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	201.4	*39%*	*44%*	340.8	*19%*	
EBIT	68.2	*N/A*	*61%*	110.5	*315%*	
PBT	64.1	*N/A*	*66%*	102.7	*N/A*	
Net Income	44.2	*N/A*	*75%*	69.4	*287%*	
Core Net Income	34.8	*-15%*	*76%*	54.6	*-21%*	*Earnings lower mainly due to lower FFB production.*
EPS (sen)	5.0	*N/A*	*75%*	7.9	*287%*	
Core EPS (sen)	4.0	*-15%*	*76%*	6.2	*-21%*	*Excluding forex gain.*
Net DPS (sen)	0.0	*NA*	*NA*	0.0	*NA*	
CPO Price (RM/MT)	2597.0	*27%*	*1%*	2588.0	*23%*	
FFB Volume ('k MT)	232.5	*-1%*	*21%*	424	*-8%*	
EBIT Margin	33.8%	*NA*	*NA*	32.4%	*NA*	
PBT Margin	31.8%	*NA*	*NA*	30.1%	*NA*	

Source: Company

DAILY PRICE CHART



Jessica Low Jze Tieng
Jessica.low@midf.com.my
03-2173 8391

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.