24 February 2017 | 3QFY17 Results Review

IJM Plantations Berhad

FFB production lower than expected

***Maintain* NEUTRAL**

***Revised* Target Price (TP): RM3.53**
(Previously: RM3.30)

INVESTMENT HIGHLIGHTS

- **9MFY17 earnings below our expectation**
- **Buoyed by recovery in FFB production and CPO price**
- **FFB production lower than expected**
- **Maintain NEUTRAL with revised TP of RM3.53 reflecting EPS reduction and valuation rollover to FY18**

9MFY17 earnings below our expectation. IJM Plantations (IJMP) 9MFY17 core net income of RM95.2m was within consensus expectations at 79% of consensus full year estimates. Nevertheless, the core net income was below our expectation (at 64% of our full year estimate) due to weaker-than-expected FFB production and higher-than-expected cost of production.

Earnings improved qoq due to recovery in FFB production and better CPO price. IJMP reported 3QFY17 core net profit of RM40.5m (+16%qoq). Note that we have excluded forex loss of RM16.9m in our core net income calculation. The higher core net profit on sequential basis was caused by higher FFB production (+4%qoq) and CPO price (+9%qoq). The increase in FFB production was due to 52% increase in FFB production from Indonesian estates which more than enough to offset the 22% decline in FFB production from Sabah estates. FFB production from Indonesian estates continues to recover from the lagged impact of dry weather which hampered its crop production in 1QFY17.

FFB production lower than expected. IJMP core net profit in 9MFY17 was higher at RM95.2m (+67%yoy). The higher cumulative income was mainly due to the recovery in CPO prices (+26.4%yoy) which mitigated the weaker FFB production. 9MFY17 FFB production was 5% lower due to the lagged impact of dry weather. The recovery in FFB production was slightly weaker than our expectation as we had previously forecasted production +5% growth for FY17. As such, we are now revising our FFB production forecast to flat growth in FY17.

Maintain Neutral with a revised TP of RM3.53. We revise downwards our earnings forecast for FY17/18 by 11%/21% to account for the lower-than-expected FFB production and the higher-than-expected cost of production. Nonetheless, our TP has been revised to RM3.53 (previously: RM3.30) as we rolled over our valuation to FY18, based on unchanged 18.6x Forward PE on FY18 EPS of 18.95sen. Maintain Neutral on IJMP due to the flattish FFB production outlook.

RETURN STATS	
Price (23 Feb 2017)	RM3.35
Target Price	RM3.53
Expected Share Price Return	5.4%
Expected Dividend Yield	2.0%
Expected Total Return	**7.4%**
STOCK INFO	
KLCI	1,704.48
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)	2,949.94
Price over NA	1.73
52-wk price Range	RM3.22–RM3.76
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.06m
3-mth Avg Daily Value	RM0.20m
Major Shareholders	
IJM Corp	56.10%
EPF	13.41%
KWAP	4.55%

INVESTMENT STATISTICS

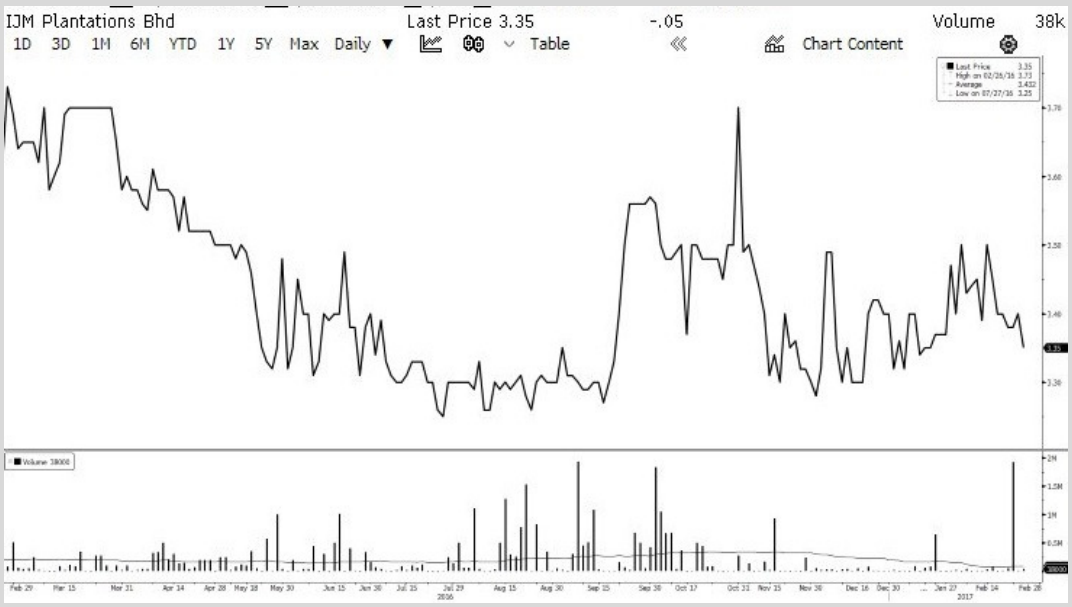
FYE Mar	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	647	668	558	598	643
EBIT	153	141	72	164	209
PBT	109	89	50	156	202
Net Income	89	90	24	126	160
Core Net Income	109	142	25	126	160
EPS (sen)	11.1	10.7	2.9	14.9	19.0
Core EPS (sen)	13.7	16.8	3.0	14.9	19.0
Net DPS (sen)	7.0	6.0	5.0	6.7	8.5
Net Dvd Yield	2.1%	1.8%	1.5%	2.0%	2.5%
Core PER	24.5	19.9	112.8	22.5	17.7
NTA/share (RM)	1.73	1.91	1.92	1.99	2.10
P/NTA	1.94	1.75	1.74	1.68	1.60
ROE	6.4%	5.6%	1.5%	7.5%	9.0%
ROA	4.0%	3.5%	0.9%	4.8%	5.9%

Source: Company, MIDF Research Estimate

IJM Plantations: 3QFY17 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	220.3	*42%*	*9%*	561.1	*27%*	*Higher revenue mainly due to higher CPO prices.*
EBIT	38.4	*-40%*	*-44%*	148.9	*65%*	
PBT	28.9	*-46%*	*-55%*	131.6	*179%*	
Net Income	23.6	*4%*	*-47%*	93.0	*129%*	
Core Net Income	40.5	*-422%*	*16%*	95.2	*67%*	
EPS (sen)	2.7	*4%*	*-47%*	10.6	*129%*	
Core EPS (sen)	4.6	*-422%*	*16%*	10.8	*67%*	
Net DPS (sen)	0.0	*NA*	*NA*	0.0	*NA*	
CPO Price (RM/MT)	2840.0	*33%*	*9%*	2674.0	*26%*	
FFB Volume ('k MT)	240.8	*3%*	*4%*	665	*-5%*	*FFB production impacted by adverse weather.*
EBIT Margin	17.4%	*NA*	*NA*	26.5%	*NA*	
PBT Margin	13.1%	*NA*	*NA*	23.4%	*NA*	

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.