27 February 2019 | 3QFY19 Results Review

IJM Plantations Berhad

Second consecutive quarter of losses

Downgrade to SELL

***Adjusted* Target Price: RM1.25**
(*Previously* RM1.33)

INVESTMENT HIGHLIGHTS

- **Weak 3QFY19 core earnings at –RM17.1m, resulting in 9MFY19 loss of –RM11.0m**
- **This is mainly attributable to weak CPO price, especially for the Indonesia palm oil**
- **FY19 and FY20 earnings estimates reduced to RM11.0m and RM53.96m respectively**
- **Downgrade to SELL with a lower TP of RM1.25**

Remain in loss-making position. IJM Plantation Bhd's (IJMPLNT) 3QFY19 core loss came in at -RM17.1m from a core profit of RM10.7m 3QFY18. The negative deviation is caused by weaker than expected CPO price and FFB production. As expected, no dividend is announced.

9MFY19 results plunged. IJMPLNT's cumulative 9MFY19 core loss amounted to –RM11.7m due to the decline in CPO prices by -17.6%/-23.2% in Malaysia/Indonesia to RM2,204/RM1,881 per tonne. The drop in CPO's ASP was at a faster pace than the rise in its FFB and CPO production. The plunge was mainly due to the lower price of its Indonesian palm oil. The rise in FFB volume was insufficient to compensate for the decline in CPO price. The combined Malaysian and Indonesian operations produced a total FFB volume of 726,978mt, a mere increase of +2.8%yoy.

Challenging palm oil operations and price outlook for IJMPLNT. IJMPLNT has incurred higher expenses from: i) higher net foreign exchange losses on the US Dollar denominated borrowings in the Indonesian operations, ii) production cost pressure in the Malaysian operations, and iii) full plantation maintenance and overhead against a start-up yield in the Indonesian operations.

Earnings estimates reduced. Premised on the weak CPO price envinroment, we have reduced FY19 and FY20 earnings estimates to RM11.7m and RM53.9m.

Target price. Post our earnings adjustments; we are lowering our target price to RM1.25. This is premised on pegging FY20 EPS of 6.4sen against forward PER of 19.5x.

RETURN STATS	
Price (26 February 2019)	RM1.78
Target Price	RM1.25
Expected Share Price Return	-29.8%
Expected Dividend Yield	+1.6%
Expected Total Return	**-28.2%**
STOCK INFO	
KLCI	1,719.0
Bursa / Bloomberg	IJMP MK
Board / Sector	Plantation
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	1567.43
Price over NA	1.20
52-wk price Range	RM1.30 – RM2.61
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.09m
3-mth Avg Daily Value	RM0.14m
Major Shareholders	
IJM CORP BHD	56.20%
EPF	14.08%

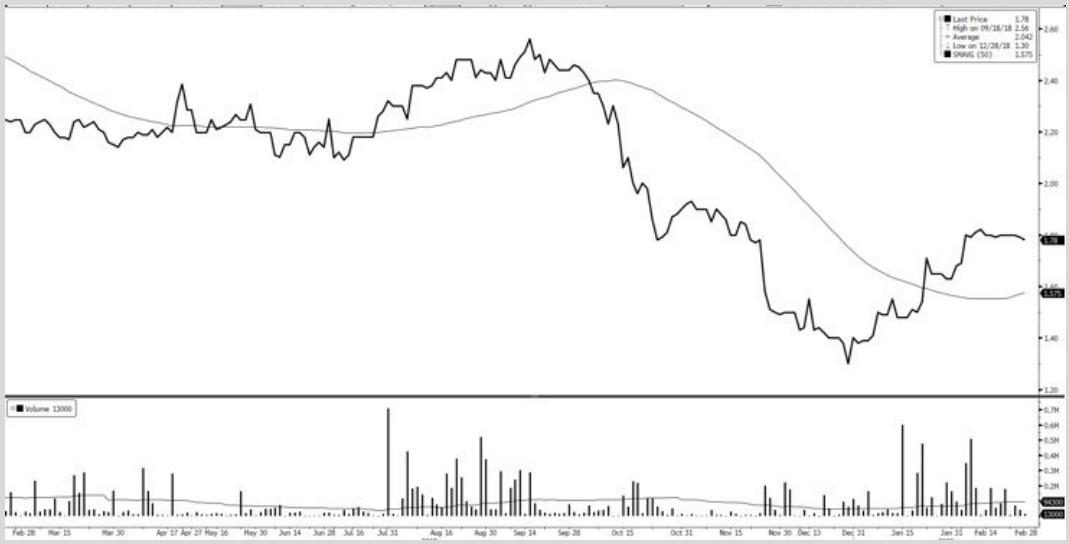
Downgrade to SELL. The weak earnings prospect in the near term should continue to be a bane to the group's share price. Going forward, we expect the elevated cost of production, maintenance, and fertilizer to continue to impact the profit margin of the group's businesses. Coupled with the lower Indonesian and Malaysian palm oil price as a result of global supply glut, headwinds are expected to face the group in the near-to-medium term.

INVESTMENT HIGHLIGHTS

FYE Mar (RM'm, unless otherwise stated)	FY16A	FY17A	FY18A	FY19F	FY20F
Revenue	558	754	747	576	665
EBIT	72	192	124	12	68
PBT	50	169	77	5	60
Net Income	24.2	115.1	46.6	11.7	53.9
Core Net Income	25.0	119.1	70.3	11.7	53.9
EPS (sen)	2.9	13.1	5.3	1.4	6.4
Core EPS (sen)	3.0	13.5	8.0	1.4	6.4
Net DPS (sen)	5.0	7.0	7.0	0.6	2.9
Net Dvd Yield	2.8%	3.9%	3.9%	0.4%	1.6%
Core PER	59.9	13.2	22.3	128.2	27.8
NTA/share (RM)	1.92	2.12	1.93	1.97	2.01
P/NTA	0.93	0.84	0.92	0.90	0.89
ROE	1.5%	6.4%	2.9%	0.7%	3.2%
ROA	0.9%	3.9%	1.8%	0.4%	2.0%

Source: Company, MIDFR

DAILY PRICE CHART



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IJM Plantation: 3QFY19 RESULTS SUMMARY

(All in RM'm, unless otherwise stated)	Quarterly			Cumulative		
FYE 31st Dec	3QFY19	%YoY	%QoQ	FY18	FY17	%YoY
Revenue	142.9	-36.5	2.0	466	606	-23.1
EBITDA	43.1	-33.0	219.4	76	174	-56.6
Depreciation and amortisation	-28.5	-9.2	-1.7	-86	-94	-9.2
EBIT	14.6	-55.7	-193.9	-10	80	-112.8
Finance costs	-17.9	89.9	4.1	-54	-30	80.3
Finance income	1.0	-33.0	0.0	3	4	-23.7
PBT	-2.0	-108.0	-93.7	-60	55	-210.0
Taxation	-0.6	-97.3	-175.1	2	-29	-105.6
MI	0.6	-69.6	-78.5	8	-1	-850.9
PAT	-2.0	-133.9	-93.0	-50	24	-308.4
Normalised PAT	-17.1	-259.5	3.6	-11	13	-188.1
Normalised EPS (sen)	-1.9	-259.5	3.6	-1.3	1.4	-188
		+/- ppts	+/- ppts			+/- ppts
EBITDA margin (%)	30.2	30.2	30.2	0.0	0.0	0.0
EBIT margin (%)	10.2	-4.4	21.3	-2.2	13.2	-15.4
Normalised PATAMI margin (%)	-11.9	-16.7	-0.2	-2.4	2.1	-4.5
Effective tax rate (%)	-27.9	-112.1	-30.2	2.7	53.9	-51.2

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.