midf RESEARCH

24 August 2017 | 1QFY18 Results review

IJM Plantations Berhad

Dragged by higher cost

***Maintain* NEUTRAL**

***Revised* Target Price (TP): RM3.00**
(*Previously*: RM3.50)

INVESTMENT HIGHLIGHTS

- **1QFY18 earnings below expectations**
- **Lower sequential earnings**
- **Weaker earnings on yearly basis**
- **Maintain NEUTRAL with a revised TP of RM3.00**

1QFY18 earnings below expectations. IJM Plantations (IJMP) 1QFY18 core net income of RM17.7m was below expectations, meeting only 11% and 3% of our and consensus full year estimates respectively. The negative deviation was due to higher-than-expected cost incurred from its Indonesian operations. As expected, no dividend was declared.

Lower sequential earnings. IJMP recorded core net income of RM17.7m for 1QFY17, decreasing by 26%qoq. Note that we have excluded forex gain and one-off adjustment to finance cost under FRS139 in our core net income calculation. The lower sequential earnings were mainly due to lower CPO prices (-10%qoq to RM2753/mt) which more than offset the higher FFB production (+22.3%qoq to 242k mt).

Weaker earnings on yearly basis. IJMP 1QFY18 core net income fell 11%yoy despite higher CPO price achieved of RM/2753mt in FY17 (+7%yoy) and recovery in FFB production (+26%yoy). The lower-than-expected earnings were mainly due to higher cost incurred for its Indonesian operations where IJMP incurred full fixed plantation maintenance and overhead costs for its young mature areas. Meanwhile, the higher FFB production in 1QFY18 was due to 3.8% and 54.3% increase in FFB production from Indonesian estates and Sabah estates respectively. FFB production continues to recover from El-Nino induced tree stress which has affected its FFB production in FY17 whereby FFB production of IJMP in FY17 increased only by a marginal 1.7%yoy.

Maintain Neutral with a revised TP of RM3.00. We cut our earnings forecast for FY18/19 by 18.9%/12% after inputting higher cost of production. Correspondingly, our TP for IJMP has been revised to RM3.00 (previously: RM3.50), based on 19.5x Forward PE on FY18 EPS of 15.37sen. Maintain Neutral on IJMP due to its unexciting near term earnings outlook.

RETURN STATS	
Price (23 August 2017)	RM3.01
Target Price	RM3.00
Expected Share Price Return	-0.01%
Expected Dividend Yield	1.9%
Expected Total Return	**1.8%**
STOCK INFO	
KLCI	1,772.94
Bursa / Bloomberg	2216 / IJMP MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	880.58
Market cap. (RM'm)	2,650.55
Price over NA	1.48
52-wk price Range	RM2.95–RM3.7
Beta (against KLCI)	0.48
3-mth Avg Daily Vol	0.02m
3-mth Avg Daily Value	RM0.08m
Major Shareholders	
IJM Corp	56.10%
EPF	14.24%
KWAP	4.73%

INVESTMENT STATISTICS

FYE Mar	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	668	558	754	643	683
EBIT	141	72	192	169	216
PBT	89	50	169	161	208
Net Income	90	24	115	129	164
Core Net Income	142	25	119	129	164
EPS (sen)	10.7	2.9	13.1	15.4	19.5
Core EPS (sen)	16.8	3.0	13.5	15.4	19.5
Net DPS (sen)	6.0	5.0	7.0	5.7	8.8
Net Dvd Yield	2.0%	1.7%	2.3%	1.9%	2.9%
Core PER	17.9	101.3	22.3	19.6	15.4
NTA/share (RM)	1.91	1.92	2.12	2.07	2.18
P/NTA	1.58	1.57	1.42	1.45	1.38
ROE	5.6%	1.5%	6.4%	7.4%	8.9%
ROA	3.5%	0.9%	4.4%	4.8%	5.9%

Source: Company, MIDF Research Estimate

IJM Plantations: 1QFY18 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative	
	1QFY18	*%YoY*	*%QoQ*	FY18	*%YoY*
Revenue	184.6	*32%*	*-4%*	184.6	*32%*
EBIT	30.2	*-29%*	*-31%*	30.2	*-29%*
PBT	24.8	*-36%*	*-33%*	24.8	*-36%*
Net Income	16.9	*-33%*	*-23%*	16.9	*-33%*
Core Net Income	17.7	*-11%*	*-26%*	17.7	*-11%*
EPS (sen)	1.9	*-33%*	*-23%*	1.9	*-33%*
Core EPS (sen)	2.0	*-11%*	*-26%*	2.0	*-11%*
Net DPS (sen)	0.0	*NA*	*NA*	0.0	*NA*
CPO Price (RM/MT)	2753.0	*7%*	*-10%*	2753.0	*7%*
FFB Volume ('k MT)	241.5	*26%*	*22%*	241.5	*26%*
EBIT Margin	16.3%	*NA*	*NA*	16.3%	*NA*
PBT Margin	13.4%	*NA*	*NA*	13.4%	*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.