IJM Plantations Berhad

(2216 | IJMP MK) Plantation | Plantation

Maintain BUY

Generous dividend

***Revised* Target Price: RM2.62**

(previously RM3.64)

KEY INVESTMENT HIGHLIGHTS

- **4QFY21 normalised earnings came in stronger at RM62.4m (+100%yoy), supported by higher commodity prices**
- **Cumulatively, FY21 normalised earnings of RM152.6m, came in lower than our expectation**
- **Concern on quantum of FFB growth due to labour shortage issue**
- **Upstream division to continue performing well**
- **Maintain BUY with a revised TP of RM2.62**

Profitable year. IJM Plantations Bhd's (IJMP) registered 4QFY21 earnings of RM57.4m (>100%yoy). However, after taking into account exceptional items, 4QFY21 normalised earnings amounted to RM62.4m (+>100%yoy). The improvement in earnings was mainly led by higher revenue of RM246.4m (+26.1%yoy) as the group benefited from higher commodity prices and higher sales volume.

Below expectation. IJM Plantations Bhd's (IJMP) reported FY21 earnings of RM205.1m (>100%yoy). However, after excluding exceptional items, FY21 normalised earnings amounted to RM152.6m (+>100%yoy). The bulk of the exceptional items mainly relate to forex gain from operations amounting to RM82.4m due to strengthening of the Rupiah against the US Dollar and Japanese Yen. IJMP's FY21 earnings came in below ours but above consensus expectation, accounting for 74.73% of ours and 136.93% of consensus full year FY21 earnings estimates. This is on the back of lower-than-expected upstream earnings.

Malaysia. FY21 PBT came in at RM109.3m higher by +>100%yoy as compared to FY20 PBT of RM40.71m. This was mainly premised on higher commodity price as well as sales volume. For FY21, prices of CPO and PKO came in higher at RM2,912/mt (+28.3%yoy) and RM3,771/mt (+41.3%yoy) respectively. Meanwhile, CPO sales increased by +2.6%yoy to 130.8k mt. Nonetheless, we do note that FFB production remains flattish, which saw a slight increase of +0.2%yoy to 466.5k mt.

Indonesia. The Indonesia operation booked FY21 PBT of RM162.8m (>+100%yoy) from -RM90.7m in FY20. This was driven by >+11.8%yoy improvement in CPO sales to 154.7k mt as well as +18.1%yoy recovery in CPO price to RM2,424/mt. As for PKO, it recorded higher sales to 10.0k mt (+11.1%yoy) and higher price of RM2,947/mt (+38.9%yoy).

RETURN STATISTICS	
Price@ 27th May 2021 (RM)	1.88
Expected share price return (%)	+39.6
Expected dividend yield (%)	+3.7
Expected total return (%)	**+43.3**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.9	4.8
3 months	11.9	3.4
12 months	13.9	4.2

KEY STATISTICS	
FBM KLCI	1,593.90
Syariah compliant	No
F4BGM Index	No
ESG Grading Band (Star rating)	-
Issue shares (m)	880.58
Estimated free float (%)	15.79
Market Capitalisation (RM'm)	1,655.49
52-wk price range (RM)	RM1.52 - RM2.22
Beta vs FBM KLCI (x)	1.30
Monthly velocity (%)	0.00
Monthly volatility (%)	26.50
3-mth average daily volume (m)	0.60
3-mth average daily value (RM'm)	1.14
Top Shareholders (%)	
IJM Corp Bhd	56.20
EPF	13.14
KWAP	4.72

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Earnings estimates. We are revising down FY22 and FY23 earnings estimates by -23.4% and -26.6% to RM144.4m and RM157.2m respectively as we revise downward our CPO sales assumption.

Dividend. IJMP has declared an interim single tier dividend of 10sen per share as compared to 2sen in FY20. This above our expectations, accounting for +>100% of our full year FY21 dividend estimates.

Target price. Following the earnings forecast downgrade, we revise down our target price to RM2.62 (from RM3.64) by pegging its FY22 EPS of 16.4sen to an unchanged PER valuation of 16x (between the range of 14x-17x of its peers' PE).

Maintain BUY. The group's improvement in earnings have largely been contributed by the advancement in commodity prices. Moving forward, we expect the upstream division to continue performing well as we assume the CPO prices would remain favourable on the back of tight supplies and low production. Nevertheless, we remain concerned on slower growth rate for the FFB segment for both the Malaysian and Indonesian operation in view of labour shortage and adverse weather condition. All factors considered, we maintain **BUY** for IJMP. Our revised **TP** of **RM2.62** implies expected total return of +43.3%.

INVESTMENT STATISTICS

Financial year ending 31st Mar (in RM'm, unless otherwise stated)	FY19	FY20	FY21	FY22F	FY23F
Revenue	630.9	739.1	935.7	976.6	987.2
EBIT	2.6	5.8	286.0	197.3	210.4
PBT/(LBT)	-43.3	-50.5	272.1	175.5	181.2
PATAMI/(LATAMI)	(36.3)	(64.4)	205.1	144.4	157.2
Normalised PATAMI/(LATAMI)	**(18.0)**	**30.6**	**152.6**	**144.4**	**157.2**
Normalised EPS (sen)	(2.0)	3.5	17.3	16.4	17.9
PER (x)	(87.0)	53.5	10.8	11.5	10.5
Dividend Per Share (sen)	2.0	2.0	10.0	7.0	7.0
Dividend Yield (%)	1.1	1.1	5.3	3.7	3.7

Source: Company, MIDFR

IJM PLANTATION BHD: 4QFY21 RESULTS SUMMARY

Financial year ending 31st Mar (in RM'm, unless otherwise stated)	Quarterly			Cumulative		
	4QFY21	% YoY	% QoQ	12MFY21	12MFY20	% Ytd
Revenue	246.4	26.1	-9.4	935.7	739.1	26.6
EBITDA	90.3	-1640.3	-31.7	403.2	117.6	242.8
Depreciation and amortisation	-27.3	2.4	-8.4	-116.9	-111.9	4.5
EBIT	63.0	-293.4	-38.5	286.2	5.8	4874.8
Finance costs	-3.6	-91.4	-22.1	-18.3	-61.3	-70.2
Finance income	1.0	3.4	4.6	3.8	4.4	-13.2
Share of results of associate	0.0	-85.1	-75.6	0.3	0.7	-47.2
PBT	60.4	-182.3	-38.9	272.1	-50.5	-639.2
Taxation	-0.3	-97.6	-98.9	-57.1	-22.5	153.8
MI	-2.7	-127.2	-25.2	-9.9	9.6	-203.9
PATAMI	57.4	+>100	-13.8	205.1	-63.4	-423.4
Normalised PATAMI	62.4	515.7	39.2	152.6	31.6	383.4
Normalised EPS (sen)	7.1	515.7	39.2	17.3	3.6	383.4
		+/- ppts	**+/- ppts**			**+/- ppts**
EBITDA margin (%)	36.6	39.6	-12.0	43.1	15.9	27.2
EBIT margin (%)	25.6	42.2	-12.1	30.6	0.8	29.8
Normalised PATAMI margin (%)	25.3	20.1	8.9	16.3	4.3	12.0
Effective tax rate (%)	0.5	18.0	-28.5	21.0	-44.6	65.6

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.
HOLD	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.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology