26 August 2015 | 1QFY16 Results Review

IJM Plantations Berhad

Affected by low CPO prices

***Maintain* NEUTRAL**

***Unchanged* Target Price (TP): RM3.50**

INVESTMENT HIGHLIGHTS

- **1QFY16 earnings within expectation**
- **1QFY16 Core Net Profit declined 35%yoy to RM28.6m**
- **Uninspiring outlook for FY16**
- **Maintain NEUTRAL with TP of RM3.50**

1QFY16 earnings within expectation: IJM Plantations Berhad (IJMPLNT) 1QFY16's Core Net Profit (CNP) of RM28.6m was within our expectation. Note that it accounted for 20% and 18% of consensus and our FY16 CNP of RM141.3m and RM158.4m respectively. Due to seasonal factor, IJMPLNT 1Q CNP is usually weak and made up on average only 20% of full year CNP in the past 3years.

1QFY16 Core Net Profit declined 35%yoy to RM28.6m: The lower 1QFY16 CNP was caused by lower CPO price (-16%yoy to RM2167/MT). However, the magnitude of earnings decline was mitigated by better FFB volume (+5%yoy to 228k MT).

Uninspiring outlook for FY16: Management expects "…the performance for the current financial year to be challenging despite the effect from the El Nino weather pattern and the mandatory biodiesel blending in Indonesia and Malaysia potentially rendering some level of price support". We concur with the management as we already assume average CPO price of RM2175/MT or -9%yoy.

Maintain NEUTRAL with TP of RM3.50: As its 1QFY16 earnings came in line, we maintain our FY16 CNP of RM158m. Our Target Price of RM3.50 is based on 18.6x Forward PE on FY16 EPS of 18.8 sen. Despite the challenging outlook for CPO price in the near term, we expect IJMPLNT maturing estates in Kalimantan to provide overall good FFB growth to the company.

RETURN STATS	
Price (25 Aug 2015)	RM3.20
Target Price	RM3.50
Expected Share Price Return	+9.4%
Expected Dividend Yield	+2.6%
Expected Total Return	**+12.0%**

STOCK INFO	
KLCI	1,563.94
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)	2,817.86
Price over NA	1.77
52-wk price Range	RM2.99 - RM3.82
Beta (against KLCI)	0.85
3-mth Avg Daily Vol	0.16m
3-mth Avg Daily Value	RM0.59m
Major Shareholders	
IJM CORP BHD	55.19%
EPF	11.78%

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

INVESTMENT STATISTICS

FYE Mar	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	486	647	668	574	583
EBIT	159	153	141	209	199
PBT	157	109	89	201	191
Net Income	120	89	90	158	152
Core Net Income	129	109	142	158	152
EPS (sen)	14.9	11.1	10.7	18.8	18.0
Core EPS (sen)	16.0	13.7	16.8	18.8	18.0
Net DPS (sen)	7.0	7.0	6.0	8.5	8.1
Net Dvd Yield	2.2%	2.2%	1.9%	2.6%	2.5%
Core PER	16.0	13.7	16.8	18.8	18.0
NTA/share (RM)	1.74	1.73	1.91	1.80	1.90
P/NTA	1.84	1.85	1.68	1.78	1.69
ROE	8.6%	6.4%	5.6%	10.5%	9.5%
ROA	5.6%	4.0%	3.5%	7.4%	6.8%

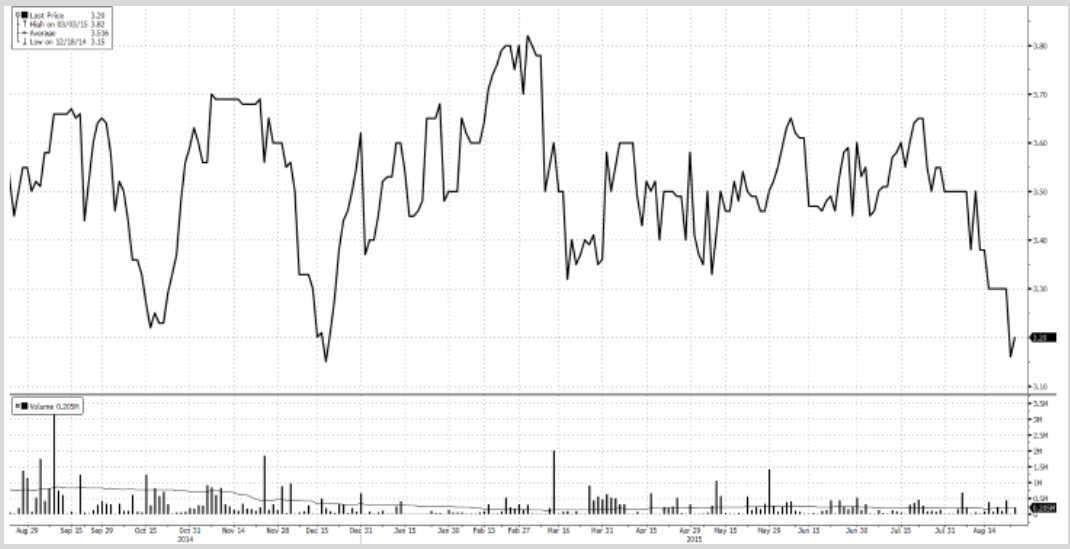
Source: Company, MIDF Research Forecast

IJMPLNT: 1QFY16 RESULTS SUMMARY

FYE Mar (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY16	*%YoY*	*%QoQ*	3MFY15	*%YoY*	
Revenue	141.7	*-20%*	*7%*	141.7	*-20%*	*Due to lower CPO price by 16% yoy to RM2167/MT.*
EBIT	39.1	*-8%*	*923%*	39.1	*-8%*	
PBT	25.9	*-17%*	*-275%*	25.9	*-17%*	
Net Income	22.9	*-12%*	*127%*	22.9	*-12%*	
Core Net Income	28.6	*-35%*	*-14%*	28.6	*-35%*	*Exclude RM5.7m forex loss*
EPS (sen)	2.60	*-20%*	*127%*	2.60	*-20%*	
Core EPS (sen)	3.25	*-40%*	*-14%*	3.25	*-40%*	*Similar decline for Core Net Income and Core EPS*
Net DPS (sen)	0.00	*NA*	*NA*	0.00	*NA*	*As expected, no dividend in 1Q*
CPO Price (RM/MT)	2167	*-16%*	*-2%*	2167	*-16%*	
FFB Volume ('k MT)	228	*5%*	*38%*	228	*5%*	*Supported by new estate coming to maturity in Kalimantan*
EBIT Margin	27.6%	*NA*	*NA*	27.6%	*NA*	
PBT Margin	18.3%	*NA*	*NA*	18.3%	*NA*	

Source: Company

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	*Negative* 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.