09 November 2015 | Corporate Update

IJM Plantations Berhad

FFB production affected by lag effect of drought

Maintain NEUTRAL

***Adjusted* Target Price: RM3.50**

(Previously RM3.65)

INVESTMENT HIGHLIGHTS

- **Flattish FFB production seen for FY16**
- **Dry weather impact from Sabah starts to kick in**
- **Long term outlook remain positive due to young age profile of 8.3 years**
- **Maintain NEUTRAL with TP of RM3.50 per share**

Flattish FFB production seen for FY16. In the latest interview with The Edge Weekly, IJM Plantations Berhad CEO Mr. Joseph Tek mentioned that the group expects total FFB production to be flat or at best slightly higher than last year. As it is, 1HFY16 FFB production had increased by only +0.4%yoy to 462,894 MT. Overall, the group expects total FFB production to be in the range of 850k to 900k MT in FY16. Our original estimate was 891k MT for FY16 which was on the higher range of management estimates.

Dry weather impact from Sabah starts to kick in. We gather that the lacklustre outlook on FFB production is caused by the effects of dry weather in Sabah. Note that management is now looking at reduction of -5%yoy for Sabah FFB production. However, FFB production from Indonesia is expected to increase due to maturing estates.

Long term outlook remain positive due to young age profile of 8.3 years. Despite the short term impact of weather on FY16 FFB production, the company's prospect remains bright in the long term. Note that 61% of its total planted area is still below 7 years old. Hence, long term FFB growth prospect is still good as palm oil tree production peaks at around 10 years old.

Maintain NEUTRAL with TP of RM3.50: We have lowered our core net income estimate for FY16 and FY17 after assuming lower FFB production. Our FY16/FY17 FFB production estimate is now at 852k/949k MT (previously 891k/952k MT). Our Target Price of **RM3.50** is based on 18.6x Forward PE on FY17 EPS of 18.8 sen after rolling over our valuation to FY17. Despite the challenging outlook for FFB production in the near term, we expect IJMPLNT's maturing estates in Kalimantan to provide overall good FFB growth to the company.

RETURN STATS	
Price (6 Nov 2015)	RM3.65
Target Price	RM3.50
Expected Share Price Return	-4.1%
Expected Dividend Yield	+1.7%
Expected Total Return	**-2.4%**

STOCK INFO	
KLCI	1685.70
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)	3,214.12
Price over NA	2.03
52-wk price Range	RM2.99 - RM3.82
Beta (against KLCI)	0.79
3-mth Avg Daily Vol	0.12m
3-mth Avg Daily Value	RM0.42m
Major Shareholders	
IJM CORP BHD	55.19%
EPF	12.09%

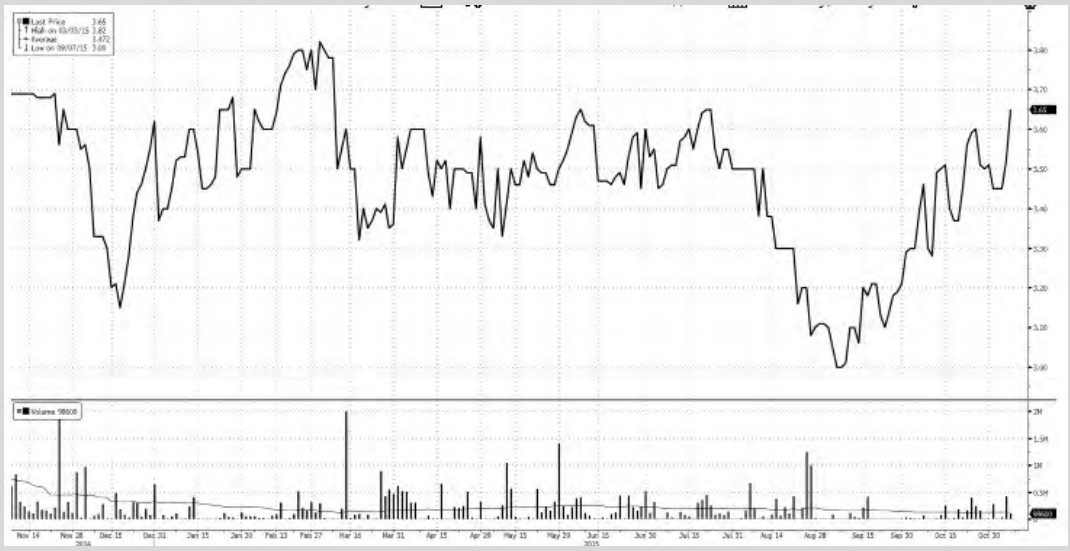
KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

INVESTMENT STATISTICS

FYE Mar	FY13A	FY14A	FY15A	FY16F	FY17F
Revenue	486	647	668	530	608
EBIT	159	153	141	153	208
PBT	157	109	89	145	200
Net Income	120	89	90	117	158
Core Net Income	129	109	142	117	158
EPS (sen)	14.9	11.1	10.7	13.8	18.8
Core EPS (sen)	16.0	13.7	16.8	13.8	18.8
Net DPS (sen)	7.0	7.0	6.0	6.2	8.5
Net Dvd Yield	1.9%	1.9%	1.6%	1.7%	2.3%
Core PER	16.0	13.7	16.8	13.8	18.8
NTA/share (RM)	1.74	1.73	1.91	1.77	1.87
P/NTA	2.10	2.11	1.91	2.06	1.95
ROE	8.6%	6.4%	5.6%	7.8%	10.0%
ROA	5.6%	4.0%	3.5%	5.5%	7.1%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Alan Lim, CFA
alan.lim@midf.com.my
03-2173 8464

Source: Bloomberg

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein This document may not be reproduced, distributed or published in any form or for any purpose.

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.