

31 May 2018 | 4QFY18 Results Review

Fima Corporation Berhad

Weaker than expected earnings in FY18

Downgrade to NEUTRAL

Revised Target Price (TP): RM1.95
(Previously RM2.30)

INVESTMENT HIGHLIGHTS


- **FY18 Core Net Income is below expectation**
- **Weak performance from PSCD division**
- **Improved performance from the plantation division**
- **Earnings estimate reduced**
- **Downgrade to NEUTRAL with TP of RM1.95**

FY18 Core Net Income is below expectation. Fima Corporation Berhad (FIMACOR) FY18 Core Net Income (CNI) of RM32.3m is below expectation as it makes up only 80% of our forecast. The negative deviation is caused by weaker than expected earnings in the “production of security and confidential documents” (PSCD) division. Core net income exclude RM4.9m net reversal of provision and other off items. As expected, a final dividend of 7.5 sen is announced.

Weak performance from PSCD division. The lower revenue at the Group level is caused by 39% yoy decline in the PSCD division. This has more than offset the increase in plantation division revenue by 4% yoy to RM138.1m. We gather that the revenue decline in PSCD division is caused by expiration of the contract to supply certain travel documents in 1QFY2018.

Improved performance from the plantation division. Plantation division turned profitable in FY18 with PBT of RM41.1m (against loss before tax of RM2.5m last year due to impairments). The improved performance is caused by surge in FFB volume by 33% to 175,425 tonnes. This has more than offset the lower CPO price of RM2342 per tonne (down 11% yoy).

Earnings estimate reduced. We have revised down our revenue and earnings assumption for the PSCD division. As a result, our FY19 CNI forecast is cut by 35% to RM36.7m.

Downgrade to NEUTRAL with TP of RM1.95. Our TP is based on Sum-Of-Parts valuation (Refer Below). While we are positive on the outlook for plantation division, this is neutralised by the increasingly challenging earnings prospect for PSCD division. 

| RETURN STATS | |
|------------------------------|--------------|
| Price (30 May 2018) | RM1.91 |
| Fair Value | RM1.95 |
| Expected Share Price Return | +2.3% |
| Expected Dividend Yield | +6.5% |
| Expected Total Return | +8.8% |

| STOCK INFO | | |
|------------------------------|-------------------------------|-----------------|
| KLCI | 1719.28 | |
| Bursa / Bloomberg | FIMACOR / FMB MK | |
| Board / Sector | Industrial / Support Services | |
| Syariah Compliant | Yes | |
| Issued shares (m) | 240.62 | |
| Market cap. (RM'm) | 459.59 | |
| Price over NA | 0.85 | |
| 52-wk price Range | RM1.91 - RM2.35 | |
| Beta (against KLCI) | 0.59 | |
| 3-mth Avg Daily Vol | 0.02m | |
| 3-mth Avg Daily Value | RM0.03m | |
| Major Shareholders (%) | | |
| Fima Metal Box Sdn Bhd | 61.2% | |
| Price Performance (%) | Absolute | Relative |
| 1 month | -0.5 | 7.8 |
| 3 months | -3.5 | 3.1 |
| 12 months | -15.1 | -12.8 |

INVESTMENT STATISTICS

| FYE March | FY16A | FY17A | FY18A | FY19F | FY20F |
|-----------------|-------|-------|-------|-------|-------|
| Revenue | 375.2 | 372.1 | 284.6 | 282.3 | 276.5 |
| EBIT | 75.8 | 58.7 | 53.6 | 56.4 | 53.2 |
| PBT | 77.3 | 61.3 | 63.3 | 59.3 | 56.2 |
| Net Income | 51.3 | 37.7 | 36.1 | 36.7 | 34.4 |
| Core Net Income | 49.6 | 71.5 | 32.3 | 36.7 | 34.4 |
| EPS (sen) | 20.55 | 29.64 | 14.98 | 15.22 | 14.28 |
| Core EPS (sen) | 20.55 | 29.64 | 13.38 | 15.22 | 14.28 |
| Net DPS (sen) | 12.50 | 17.50 | 12.50 | 12.50 | 12.50 |
| Net Dvd Yield | 6.5% | 9.2% | 6.5% | 6.5% | 6.5% |
| Core PER | 9.3 | 6.4 | 14.3 | 12.5 | 13.4 |
| NTA/share (RM) | 2.29 | 2.33 | 2.27 | 2.38 | 2.40 |
| P/NTA | 0.83 | 0.82 | 0.84 | 0.80 | 0.80 |
| ROE | 9.3% | 6.7% | 6.6% | 6.4% | 6.0% |
| ROA | 7.5% | 5.3% | 5.6% | 5.1% | 4.7% |

Source: Company, MIDF Research

Sum-Of-Parts Valuation for FIMACORP

| Divisions | Valuation | Note | Fair Value (RM 'm) |
|----------------------------|----------------------|--|--------------------|
| Manufacturing | 10.5x FY19E earnings | In line with FBM Small Cap Forward PE for FY18 40% discount to average Target PE of 19.1x for mid cap planters under our coverage | 179 |
| Plantation | 11.5x FY19E earnings | | 292 |
| Sum-Of-Parts (RM m) | | | 471 |
| No of shares (m) | | | 241 |
| TP (RM) | | | 1.95 |

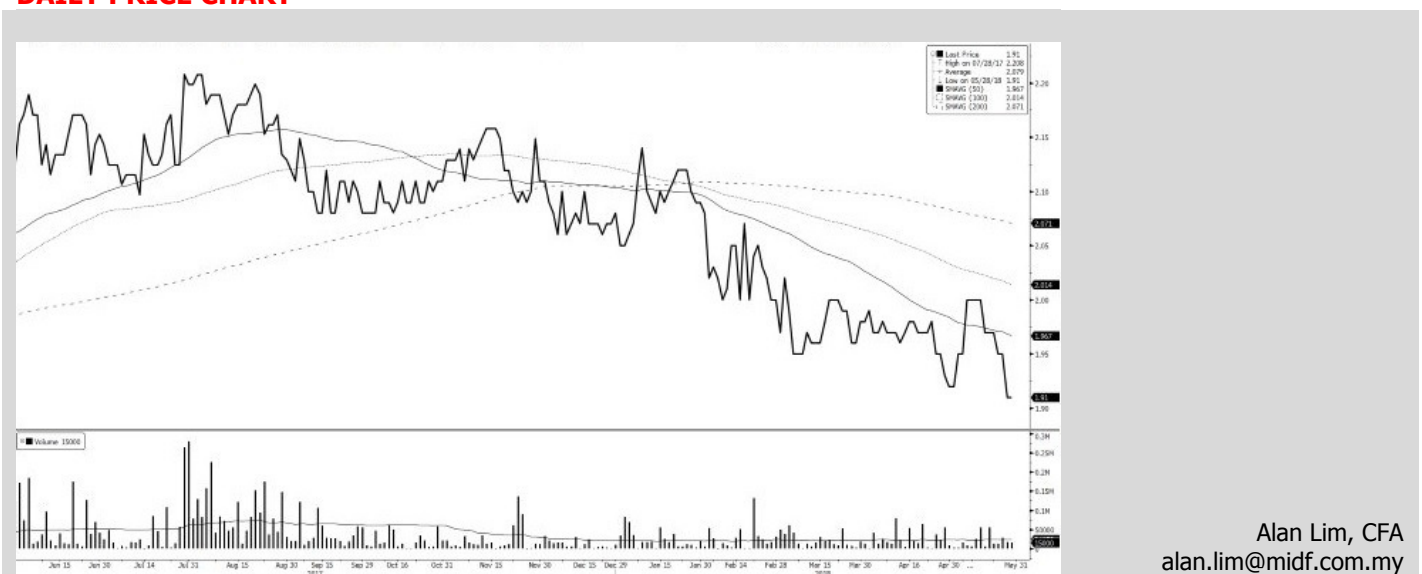
Source: MIDF Research Estimate

FIMACOR: 4QFY18 RESULTS SUMMARY

| FYE Dec (RM'm, unless otherwise stated) | Quarterly Results | | | Cumulative | | Comments |
|---|-------------------|-------|------|------------|------|--|
| | 4QFY18 | %YoY | %QoQ | 12MFY18 | %YoY | |
| Revenue | 74.3 | -8% | 19% | 284.6 | -24% | Lower revenue from the "production of security and confidential documents" division by 39% yoy to RM142.4m. |
| EBIT | 10.5 | -195% | -11% | 53.6 | -5% | |
| PBT | 13.3 | -302% | -9% | 63.3 | 3% | Plantation division turned profitable with PBT of RM41.1m (against loss before tax of RM2.5m last year due to impairments). This has more than offset the lower PBT from the "production of security and confidential documents" division by 57% yoy to RM25.5m. |
| Net Income | 5.7 | -161% | -32% | 36.1 | -4% | |
| Core Net Income | 2.8 | -88% | -66% | 32.3 | -55% | Core net income (CNI) exclude RM4.9m net reversal of provision and other off items. |
| EPS (sen) | 2.37 | -161% | -32% | 14.98 | -4% | |
| Core EPS (sen) | 1.18 | -88% | -66% | 13.38 | -55% | CNI of RM32.3m is below expectation as it makes up only 80% of our forecast due to weaker than expected earnings in the "production of security and confidential documents" (PSCD) division. |
| Net DPS (sen) | 7.5 | NA | NA | 12.5 | -29% | |
| EBIT Margin | 14.1% | NA | NA | 18.8% | NA | |
| PBT Margin | 17.9% | NA | NA | 22.2% | NA | |

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Source: Bloomberg

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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 <i>rise</i> 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 <i>fall</i> 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. |