

09 October 2017 | Corporate Update

Fima Corporation Berhad

Expanding plantation landbank

Upgrade to BUY

Unchanged Target Price (TP): RM2.50

INVESTMENT HIGHLIGHTS

- **Expanding plantation landbank**
- **Positive on the news**
- **Synergy with existing estates**
- **Earnings estimate maintained**
- **Upgrade to BUY with unchanged TP of RM2.50**

Expanding plantation landbank. Fima Corporation Berhad (FIMACORP) has announced that it is acquiring Java Plantations for RM5.2m cash. Note that Java Plantations holds 80% stake in a 1331 ha of leasehold plantation land in Jeli, Kelantan. We gather that the expiry period for the land is in 2069 which is 52 years from now. Target completion date is 4QFY18 which means 1QCY18.

Positive on the news. We expect FIMACORP total planted landbank to increase by 18% to 8812 ha from its current planted area of 7481 ha. Although Java Plantation is incurring small loss of RM2,439 with mature age profile of 10 years old, we believe that management will improve the FFB yield of the estate post acquisition. Hence, we expect positive earnings impact from FY20 onwards after the rehabilitation impact kicks in. We also like the management strategy of investing its cash in plantation division due to its earnings resiliency and our bullish view on palm oil price in the long run.

Synergy with existing estates. There is synergy to be realized as this landbank is located near FIMACORP existing plantation estates in Gua Musang and Kuala Krai, Kelantan.

Earnings estimate maintained. As we expect earnings impact to kick in only in FY20 after rehabilitation, we maintain our FY18 and FY19 earnings. Balance sheet impact is minimal given its net cash position.

Upgrade to BUY with unchanged TP of RM2.50. The recent share price decline has made FIMACORP valuation attractive at 9.5x Forward PE and dividend yield of 5.8%. Its balance sheet is also strong with net cash position exceeding RM300m. Our TP of RM2.50 is based on Sum Of Parts.

RETURN STATS	
Price (6 Sep 2017)	RM2.16
Fair Value	RM2.50
Expected Share Price Return	+15.7%
Expected Dividend Yield	+5.8%
Expected Total Return	+21.5%

STOCK INFO		
KLCI	1764.00	
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	241.09	
Market cap. (RM'm)	520.75	
Price over NA	0.93	
52-wk price Range	RM1.97 - RM2.35	
Beta (against KLCI)	0.46	
3-mth Avg Daily Vol	0.05m	
3-mth Avg Daily Value	RM0.13m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.08	
Price Performance (%)	Absolute	Relative
1 month	-0.9	0.0
3 months	1.4	-3.3
12 months	0.9	-4.8

INVESTMENT STATISTICS

FYE March	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	378.0	375.2	372.1	339.3	355.5
EBIT	84.5	75.8	58.7	73.4	79.0
PBT	87.8	77.3	61.3	76.3	82.0
Net Income	55.8	51.3	37.7	54.9	59.0
Core Net Income	55.9	49.6	71.5	54.9	59.0
EPS (sen)	23.17	20.55	29.64	22.78	24.47
Core EPS (sen)	23.17	20.55	29.64	22.78	24.47
Net DPS (sen)	12.50	12.50	17.50	12.50	12.50
Net Dvd Yield	5.8%	5.8%	8.1%	5.8%	5.8%
Core PER	9.3	10.5	7.3	9.5	8.8
NTA/share (RM)	2.20	2.29	2.33	2.43	2.55
P/NTA	0.98	0.94	0.93	0.89	0.85
ROE	10.5%	9.3%	6.7%	9.4%	9.6%
ROA	7.8%	7.5%	5.3%	7.5%	7.7%

Source: Company, MIDF Research

Sum-Of-Parts Valuation for FIMACOR

Divisions	Valuation	Note	Fair Value (RM 'm)
Manufacturing	10.5x FY17E 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	337
Plantation	11.5x FY18E earnings		266
Sum-Of-Parts (RM m)			603
No of shares (m)			241
TP (RM)			2.50

Source: MIDF Research Estimate

DAILY PRICE CHART



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