

23 November 2017 | 2QFY18 Results Review

Fima Corporation Berhad

Earnings in line

Maintain BUY

Unchanged Target Price (TP): RM2.60

INVESTMENT HIGHLIGHTS

- **1HFY18 Core Net Income is within expectation**
- **Earnings declined yoy**
- **Better performance from the plantation division**
- **Earnings estimate maintained**
- **Maintain BUY with TP of RM2.60 due to attractive valuation**

1HFY18 Core Net Income is within expectation. Fima Corporation Berhad (FIMACOR) 1HFY18 Core Net Income (CNI) of RM23.7m is within expectation. Although it made up 42% of our full year earnings estimate, we are expecting 2HFY18 earnings to pick up due to strong CPO price and good FFB production outlook. Core net income exclude RM1m write down and other one off items. As expected, an interim dividend of 5.0 sen is announced.

Earnings declined yoy. FIMACOR 1HFY18 CNI declined 26% yoy to RM23.7m. This is mainly caused by lower PBT for the "production of security and confidential documents" division. Its PBT is down by 54% yoy to RM14.8m. We gather that this division has experienced a decline in sales volume for a certain travel document.

Better performance from the plantation division. The plantation division PBT surged by 71% yoy to RM21.3m due to improved CPO price yoy and higher FFB volume.

Earnings estimate maintained. We maintain our FY18 CNI of RM56.9m. FY19 CNI is also maintained at RM63.5m.

Maintain BUY with TP of RM2.60. Our TP is based on Sum-Of-Parts valuation (Refer Page 3). Although we expect FY18 CNI to decline yoy, the stock is supported by attractive valuation of 9.1x Forward PE and good dividend yield of 5.8%. Its balance sheet is strong with net cash position.

RETURN STATS

Price (22 nd Nov 2017)	RM2.15
Fair Value	RM2.60
Expected Share Price Return	+20.7%
Expected Dividend Yield	+5.8%
Expected Total Return	+26.5%

STOCK INFO

KLCI	1723.54	
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	241.09	
Market cap. (RM'm)	518.34	
Price over NA	0.91	
52-wk price Range	RM1.98 – RM2.36	
Beta (against KLCI)	0.43	
3-mth Avg Daily Vol	0.03m	
3-mth Avg Daily Value	RM0.07m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.08	
Price Performance (%)	Absolute	Relative
1 month	-0.5	0.6
3 months	0.9	-2.9
12 months	4.7	-0.9

INVESTMENT STATISTICS

FYE March	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	378.0	375.2	372.1	343.7	363.4
EBIT	84.5	75.8	58.7	76.0	85.2
PBT	87.8	77.3	61.3	79.0	88.2
Net Income	55.8	51.3	37.7	56.9	63.5
Core Net Income	55.9	49.6	71.5	56.9	63.5
EPS (sen)	23.17	20.55	29.64	23.58	26.33
Core EPS (sen)	23.17	20.55	29.64	23.58	26.33
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	9.1	8.2
NTA/share (RM)	2.20	2.29	2.33	2.44	2.58
P/NTA	0.98	0.94	0.92	0.88	0.83
ROE	10.5%	9.3%	6.7%	9.7%	10.2%
ROA	7.8%	7.5%	5.3%	7.7%	8.2%

Source: Company, MIDF Research

FIMACOR: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	6MFY18	%YoY	
Revenue	68.7	-39%	-13%	147.9	-25%	Lower revenue from the "production of security and confidential documents" division by 41% yoy to RM75.5m. This has more than offset the increase in plantation division revenue by 5% yoy to RM70.3m.
EBIT	17.0	-32%	19%	31.3	-27%	
PBT	19.6	-25%	25%	35.3	-24%	
Net Income	12.8	-27%	41%	21.9	-31%	Lower PBT from the "production of security and confidential documents" division by 54% yoy to RM14.8m. This has more than offset the increase in plantation division PBT by 71% yoy to RM21.3m.
Core Net Income	13.2	-25%	29%	23.7	-26%	Core net income exclude RM1m write down and other one off items.
EPS (sen)	5.33	-27%	41%	9.09	-31%	
Core EPS (sen)	5.47	-25%	29%	9.83	-26%	
Net DPS (sen)	5.0	0%	NA	5.0	NA	
EBIT Margin	24.7%	NA	NA	21.1%	NA	
PBT Margin	28.6%	NA	NA	23.9%	NA	

Source: Company, MIDF Research Forecast

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		289
Sum-Of-Parts (RM m)			626
No of shares (m)			241
TP (RM)			2.60

Source: MIDF Research Estimate

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.