

23 August 2017 | 1QFY18 Results Review

Fima Corporation Berhad

Still A Mixed Outlook For Two Divisions

Maintain NEUTRAL

Unchanged Target Price (TP): RM2.50

INVESTMENT HIGHLIGHTS

- **1QFY18 Core Net Income is within expectation**
- **Lower earnings in the manufacturing division**
- **Better performance from plantation division**
- **Earnings estimate maintained**
- **Maintain NEUTRAL with TP of RM2.50**

1QFY18 Core Net Income is within expectation. Fima Corporation Berhad (FIMACOR) 1QFY18 Core Net Income (CNI) of RM10.2m is within expectation. Although it made up 19% of our full year earnings estimate, we are expecting seasonally stronger FFB production in the 2QFY18 and 3QFY18. Core net income exclude RM1m write down and other one off items. As expected, no dividend is announced.

Lower earnings in the manufacturing division. Key reason is the lower PBT from the "production of security and confidential documents" division by 62% yoy to RM5.2m. 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 101% yoy to RM10.3m due to improved CPO price yoy and higher FFB volume.

Earnings estimate maintained. We maintain our FY18 CNI of RM54.9m. FY19 CNI is also maintained at RM59.0m.

Maintain NEUTRAL with TP of RM2.50. 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 good dividend yield of 5.3% and strong balance sheet with net cash position.

RETURN STATS	
Price (22 nd Aug 2017)	RM2.37
Fair Value	RM2.50
Expected Share Price Return	+5.5%
Expected Dividend Yield	+5.3%
Expected Total Return	+10.8%

STOCK INFO		
KLCI	1774.22	
Bursa / Bloomberg	FIMACORP / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	241.09	
Market cap. (RM'm)	571.38	
Price over NA	1.02	
52-wk price Range	RM2.02 – RM2.41	
Beta (against KLCI)	0.43	
3-mth Avg Daily Vol	0.07m	
3-mth Avg Daily Value	RM0.17m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.08	
Price Performance (%)	Absolute	Relative
1 month	1.3	0.4
3 months	1.7	5.4
12 months	2.6	-2.7

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	5.3%	5.3%	7.4%	5.3%	5.3%
Core PER	10.2	11.5	8.0	10.4	9.7
NTA/share (RM)	2.20	2.29	2.33	2.43	2.55
P/NTA	1.08	1.03	1.02	0.98	0.93
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

FIMACOR: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	79.2	-5%	-2%	79.2	-5%	Lower revenue from the "production of security and confidential documents" division by 32% yoy to RM36.2m. This has more than offset the increase in plantation division revenue by 45% yoy to RM41.9m.
EBIT	14.3	-18%	-22%	14.3	-18%	
PBT	15.7	-23%	-31%	15.7	-23%	
Net Income	9.1	-37%	-18%	9.1	-37%	Lower PBT from the "production of security and confidential documents" division by 62% yoy to RM5.2m. This has more than offset the increase in plantation division PBT by 101% yoy to RM10.3m.
Core Net Income	10.2	-27%	-42%	10.2	-27%	Core net income exclude RM1m write down and other one off items.
EPS (sen)	3.77	-36%	-18%	3.77	-36%	
Core EPS (sen)	4.23	-27%	-42%	4.23	-27%	
Net DPS (sen)	0.0	NA	NA	0.0	NA	
EBIT Margin	18.0%	NA	NA	18.0%	NA	
PBT Margin	19.8%	NA	NA	19.8%	NA	

Source: Company, MIDF Research Forecast

Sum-Of-Parts Valuation for FIMACORP

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



Source: Bloomberg

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

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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.