

05 January 2018 | Corporate Update

Fima Corporation Berhad

Update on land rights dispute in Indonesia

Maintain BUY

Unchanged Target Price (TP): RM2.60

INVESTMENT HIGHLIGHTS

- **Appeal in dispute over unit's land rights in Indonesia partly allowed by court**
- **Potential writeback in the future**
- **Earnings estimates maintained**
- **Maintain BUY with TP of RM2.60 due to attractive valuation**

Appeal in dispute over unit's land rights in Indonesia partly allowed by court. Fima Corporation Berhad (FIMACOR) has announced that the Pengadilan Tinggi Tata Usaha Negara Jakarta has: i) partly allowed PT Nunukan Jaya Lestari's (PTNJL) appeal against the State Administrative Court's decision, with costs, ii) declared that the Ministerial Order revoking PTNJL's Hak Guna Usaha (HGU) to be void save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares, and iii) ordered the Defendant to revoke the Ministerial Order save for the areas overlapping with forestry areas/third party interests measuring 5,138 hectares.

Potential writeback in the future. We gather that the assets affected by the Ministerial Order had been impaired resulting in gross impairment loss of RM44.7m in FY17. Hence, there could be potential writeback in the future depending on the full and final determination of the matter by the Indonesian courts.

Earnings estimates maintained. Pending the final decision from Indonesian courts on the matter, we maintain our FY18 CNI of RM56.9m. Moreover, 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 on-year, the stock is supported by attractive valuation of 8.7x Forward PE and good dividend yield of 6.1%. Furthermore, its balance sheet is strong with a net cash position.

RETURN STATS	
Price (4 th Jan 2018)	RM2.06
Fair Value	RM2.60
Expected Share Price Return	+26.0%
Expected Dividend Yield	+6.1%
Expected Total Return	+32.1%

STOCK INFO		
KLCI		
Bursa / Bloomberg	FIMACOR / FMB MK	
Board / Sector	Industrial / Support Services	
Syariah Compliant	Yes	
Issued shares (m)	241.09	
Market cap. (RM'm)	496.64	
Price over NA	0.89	
52-wk price Range	RM1.99 – RM2.36	
Beta (against KLCI)	0.37	
3-mth Avg Daily Vol	0.02m	
3-mth Avg Daily Value	RM0.04m	
Major Shareholders (%)		
Fima Metal Box Sdn Bhd	61.08	
Price Performance (%)	Absolute	Relative
1 month	-3.7	-7.9
3 months	-1.0	-5.7
12 months	2.3	-5.9

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	6.1%	6.1%	8.5%	6.1%	6.1%
Core PER	8.9	10.0	6.9	8.7	7.8
NTA/share (RM)	2.20	2.29	2.33	2.44	2.58
P/NTA	0.94	0.90	0.89	0.84	0.80
ROE	10.5%	9.3%	6.7%	9.7%	10.2%
ROA	7.8%	7.5%	5.3%	7.7%	8.2%

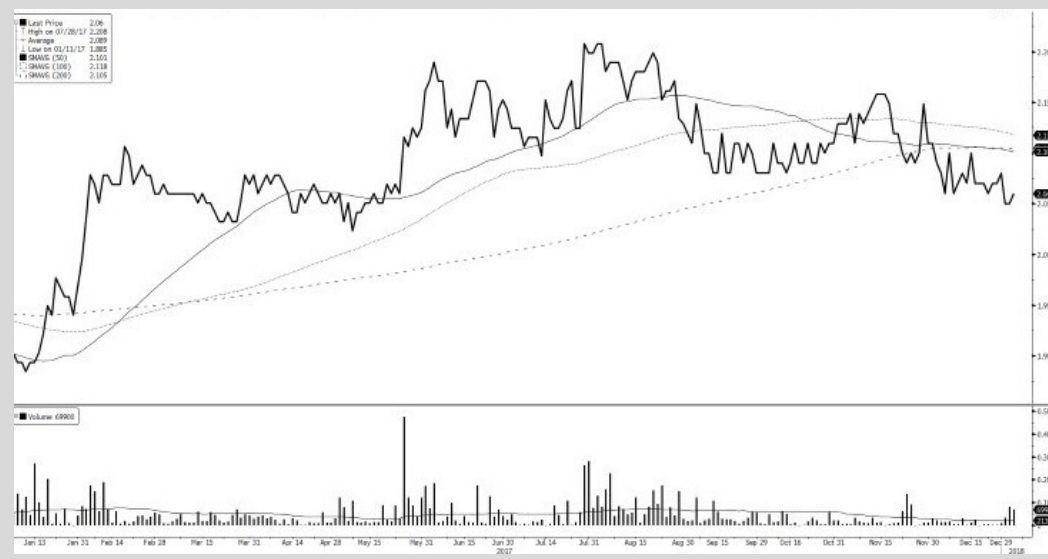
Source: Company, MIDF Research

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.