



AmInvestment Bank

Company report

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IJM PLANTATIONS

(IJMP MK, IJMP.KL)

PLANTATION

29 June 2020

Strong rebound in 4QFY20

HOLD

(Upgraded)

Rationale for report: Company results

Price **RM1.66**
Fair Value **RM1.70**
52-week High/Low **RM2.48/RM1.01**

Key Changes

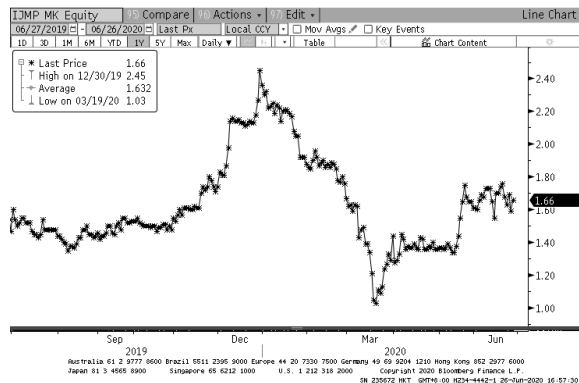
Fair value **RM1.70**
EPS Unchanged

YE to Mar	FY20	FY21F	FY22F	FY23F
Revenue (RMmil)	739.1	790.9	864.0	925.0
Net Profit (RMmil)	(63.4)	55.4	64.0	67.4
EPS (sen)	(7.2)	6.3	7.3	7.6
EPS growth (%)	74.5	(187.3)	15.6	5.2
Consensus net (RMmil)	36.3	80.1	87.2	-
DPS (sen)	2.0	3.0	4.0	5.0
PE (x)	(23.0)	26.4	22.8	21.7
EV/EBITDA (x)	16.2	7.9	7.1	6.6
Div yield (%)	1.2	1.8	2.4	3.0
ROE (%)	(5.0)	4.6	5.2	5.4

Stock and Financial Data

Shares Outstanding (million)	880.6
Market Cap (RMmil)	1,461.8
Book value (RM/share)	1.35
P/BV (x)	1.2
ROE (%)	-5.0
Net Gearing (%)	56.1
Major Shareholders	IJM Corporation (56.1%) EPF (14.2%)
Free Float (%)	44.8
Avg Daily Value (RMmil)	0.2

Price performance	3mth	6mth	12mth
Absolute (%)	+0.3	-27.1	+3.3
Relative (%)	+11.3	-21.7	+15.8



Investment Highlights

- We are upgrading IJM Plantations to HOLD from SELL with a higher fair value of RM1.70/share vs. RM1.13/share previously. Our new fair value for IJMP is based on an FY21F PE of 27x vs. 18x originally. We have raised our PE assumption for IJMP as prospects for the palm oil sector are not as bleak as before. Although palm stockpiles may remain high in 2H2020, palm demand is recovering.
- IJMP has declared a gross DPS of 2 sen for FY20 (FY19: 2 sen), which implies a yield of 1.2%.
- IJMP's FY20 net profit was within our forecast but 34.7% below consensus estimates. The group swung into a core net profit of RM24.3mil (ex-forex loss of RM87.1mil) in FY20 from a core net loss of RM10.6mil (ex-forex loss of RM25.8mil) in FY19.
- The improvement in IJMP's FY20 core net profit was underpinned by higher CPO prices in 4QFY20. Recall that CPO prices started recovering at the end of 2019 before tumbling in February 2020.
- We believe that IJMP's core net profit would have been higher in FY20 if the group had not incurred a net fair value loss of RM7.9mil on CPO price swaps, fair value loss of RM3.3mil on interest rate swaps, impairment of RM4.0mil on receivables and RM5.4mil adjustment on inventories. IJMP recorded a fair value loss on CPO price swaps of RM24.4mil in 3QFY20, which swung into a gain of RM14.2mil in 4QFY20.
- IJMP recorded an average CPO price of RM2,269/tonne in Malaysia in FY20 vs. RM2,125/tonne in FY19. Average palm kernel oil price was RM2,668/tonne in Malaysia in FY20 against RM3,168/tonne in FY19.
- Internal FFB production growth was 8.7% in FY20. Indonesia division registered a FFB output growth of 11.7% in FY20 while in Malaysia, FFB production improved by 5.2%. Indonesia accounted for 56.2% of IJMP's FFB production in FY20 (FY19: 54.7%).
- IJMP's Indonesia division achieved a smaller pre-tax loss of RM3.5mil (ex-forex changes) in FY20 vs. RM34.3mil in FY19. In Malaysia, EBITDA was RM82.0mil in FY20 against RM60mil in FY19.
- Comparing 4QFY20 against 3QFY20, IJMP's core net profit surged to RM24.3mil (ex-forex loss of RM100.7mil) from RM6.7mil (ex-forex gain of RM13.4mil).
- IJMP enjoyed higher CPO prices in 4QFY20, which compensated for weaker FFB production. Average CPO price realised in Malaysia climbed to RM2,767/tonne in 4QFY20 from RM2,437/tonne in 3QFY20. Group FFB production dived by 17.8% QoQ in 4QFY20.

TABLE 1: EARNINGS SUMMARY

YE 31 Mar (RM mil)	FY19	FY20	% YoY	3QFY20	4QFY20	% QoQ
Turnover	630.9	739.1	17.2	237.8	195.4	(17.8)
EBIT	6.8	59.5	775.2	25.7	31.5	22.5
Interest expense	(24.8)	(23.5)		(5.9)	(4.4)	
Investment income	-	-		-	-	
Associates	0.5	0.7		0.2	0.1	
Pre-exceptional Profit	(17.5)	36.6	309.1	19.9	27.2	36.8
Share of profits in JV	-	-		-	-	
El/forex losses	(25.8)	(87.1)		13.4	(100.7)	
Pretax profit	(43.3)	(50.5)	(16.5)	33.3	(73.4)	(320.5)
Taxation	(0.9)	(22.5)		(11.9)	(12.8)	
Minorities	7.9	9.6		(1.4)	9.9	
Net Profit	(36.3)	(63.4)	74.5	20.1	(76.4)	(480.7)
<i>ex-Forex</i>	(10.6)	23.7	(324.3)	6.7	24.3	264.0
EPS (sen)	(4.1)	(7.2)	74.4	2.3	(8.7)	(480.3)
Gross DPS (sen)	2.0	2.0		-	2.0	
NTA/Share (RM)	1.51	1.35		1.53	1.35	

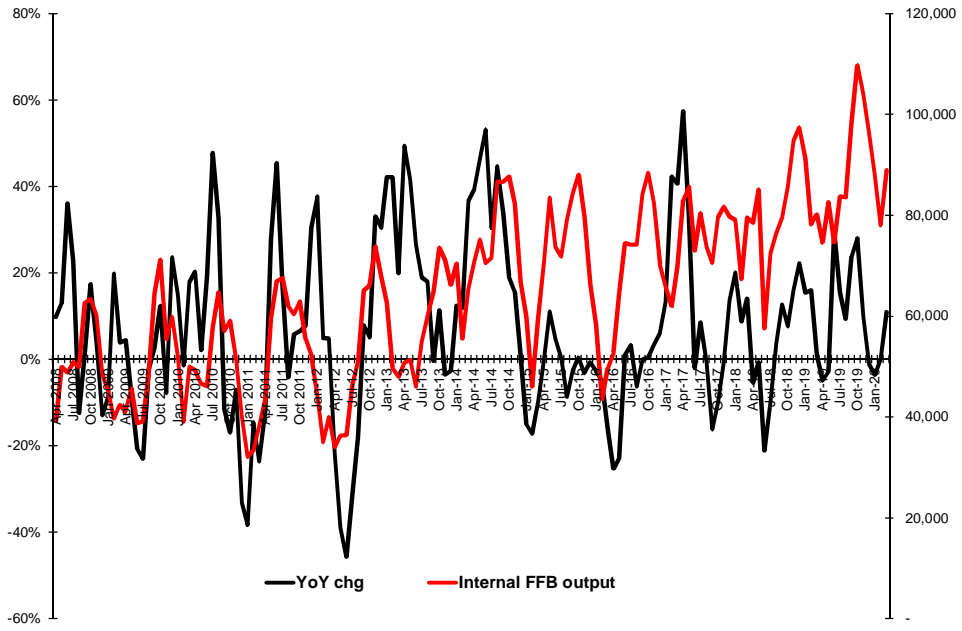
Source: Bursa Announcement

TABLE 2: FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Revenue	630.9	739.1	790.9	864.0	925.0
EBITDA	98.8	117.0	248.7	268.1	279.8
Depreciation	(111.6)	(121.3)	(129.3)	(137.4)	(145.4)
Operating income (EBIT)	(12.7)	(4.2)	119.3	130.7	134.3
Other income & associates	15.8	10.7	10.7	10.7	10.8
Net interest	(46.4)	(56.9)	(65.9)	(64.3)	(62.4)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	(43.3)	(50.5)	64.1	77.1	82.7
Taxation	(0.9)	(22.5)	(17.3)	(20.8)	(22.3)
Minorities/pref dividends	7.9	9.6	8.6	7.7	7.0
Net profit	(36.3)	(63.4)	55.4	64.0	67.4
Balance Sheet (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Fixed assets	1,695.9	1,526.5	1,557.2	1,579.8	1,594.3
Intangible assets	13.8	9.0	9.0	9.0	9.0
Other long-term assets	281.4	374.3	327.4	327.4	328.4
Total non-current assets	1,991.2	1,909.8	1,893.5	1,916.1	1,931.7
Cash & equivalent	139.4	241.3	265.5	316.9	378.7
Stock	79.3	73.1	99.7	108.9	116.6
Debtors	59.2	70.6	70.7	76.1	80.6
Other current assets	13.4	0.1	0.1	0.1	0.1
Total current assets	291.3	385.1	436.1	502.0	576.1
Creditors	71.5	82.7	71.4	77.8	83.3
Short-term borrowings	136.6	149.3	150.8	152.3	153.8
Other current liabilities	0.0	3.2	3.2	3.2	3.2
Total current liabilities	208.1	235.1	225.3	233.3	240.3
Long-term borrowings	651.3	758.3	750.8	743.2	735.8
Other long-term liabilities	92.5	118.5	133.0	192.3	259.0
Total long-term liabilities	743.9	876.8	883.8	935.6	994.8
Shareholders' funds	1,327.8	1,188.7	1,217.7	1,246.5	1,269.8
Minority interests	2.8	(5.8)	2.8	2.8	2.8
BV/share (RM)	1.51	1.35	1.38	1.42	1.44
Cash Flow (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Receipts from customers	635.5	743.6	790.9	864.0	925.0
Payments to suppliers and employees	(512.8)	(582.5)	(542.6)	(591.8)	(633.6)
Interest paid	(23.0)	(21.8)	(23.0)	(23.0)	(23.0)
Income tax paid/(refunded)	(6.0)	2.3	(20.0)	(20.0)	(20.0)
Cash flow from operations	93.8	141.5	205.4	229.2	248.4
Capital expenditure	(131.6)	(88.7)	(160.0)	(160.0)	(160.0)
Net investments & sale of fixed assets	0.0	0.1	0.0	0.0	0.0
Others	(8.8)	4.4	14.6	14.6	14.6
Cash flow from investing	(140.4)	(84.3)	(145.4)	(145.4)	(145.4)
Debt raised/(repaid)	10.6	69.0	(6.1)	(6.0)	(5.9)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(44.0)	(17.6)	(17.6)	(26.4)	(35.2)
Others	0.0	(1.6)	0.0	0.0	0.0
Cash flow from financing	(33.4)	49.8	(23.7)	(32.4)	(41.1)
Net cash flow	(80.1)	107.0	36.3	51.3	61.8
Net cash/(debt) b/f	206.1	127.8	229.3	265.5	316.9
Forex	1.8	(5.5)	0.0	0.0	0.0
Net cash/(debt) c/f	127.8	229.3	265.5	316.9	378.7
Key Ratios (YE 31 Mar)	2019	2020	2021F	2022F	2023F
Revenue growth (%)	-15.6	17.2	7.0	9.2	7.1
EBITDA growth (%)	-51.3	18.4	112.5	7.8	4.4
Pretax margins (%)	-6.9	-6.8	8.1	8.9	8.9
Net profit margins (%)	-5.8	-8.6	7.0	7.4	7.3
Interest cover (x)	1.4	1.2	2.8	3.2	3.5
Effective tax rate (%)	-2.1	-44.6	27.0	27.0	27.0
Net dividend payout (%)	-48.5	-27.8	47.7	55.0	65.4
Trade debtors turnover (days)	27	27	27	27	27
Stock turnover (days)	46	46	46	46	46
Trade creditors turnover (days)	49	48	48	48	48

Source: Company, AmInvestment Bank estimates

CHART 1 : FFB PRODUCTION (TONNES) AND YOY CHANGE



Source: Bursa Announcement, AmInvestment Bank Bhd

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