



AmInvestment Bank

Company report

IJM PLANTATIONS

(IJMP MK, IJMP.KL)

7 Apr 2021

FFB yields still soft

HOLD

(Maintained)

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Rationale for report: Company update

Price	RM1.73
Fair Value	RM1.90
52-week High/Low	RM2.05/RM1.31

Key Changes

Fair value	Unchanged
EPS	Unchanged

YE to Mar	FY20	FY21F	FY22F	FY23F
Revenue (RM mil)	739.1	911.8	896.9	904.4
Net Profit (RM mil)	(63.4)	92.7	94.0	94.7
EPS (sen)	(7.2)	10.5	10.7	10.8
EPS growth (%)	74.5	(246.2)	1.4	0.7
Consensus net (RM mil)	36.3	101.7	103.1	126.4
DPS (sen)	2.0	3.0	4.0	5.0
PE (x)	(24.0)	16.4	16.2	16.1
EV/EBITDA (x)	17.9	6.8	6.1	5.4
Div yield (%)	1.2	1.7	2.3	2.9
ROE (%)	(5.0)	7.6	7.3	7.1
Net gearing (%)	56.1	40.3	26.1	13.2

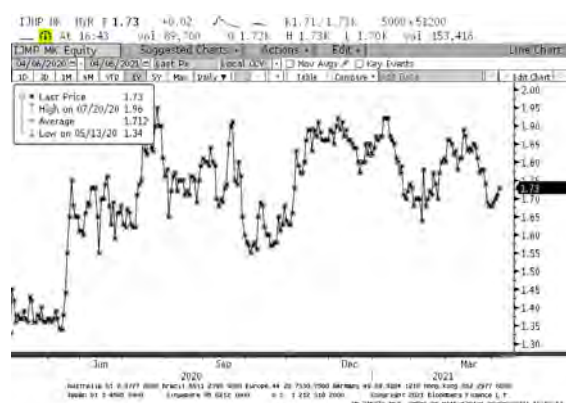
Stock and Financial Data

Shares Outstanding (million)	880.6
Market Cap (RM mil)	1,523.4
Book value (RM/share)	1.35
P/BV (x)	1.3
ROE (%)	-5.0
Net Gearing (%)	56.1

Major Shareholders	IJM Corporation (56.2%) EPF (13.7%)
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Free Float (%)	43.8
Avg Daily Value (RM mil)	0.3

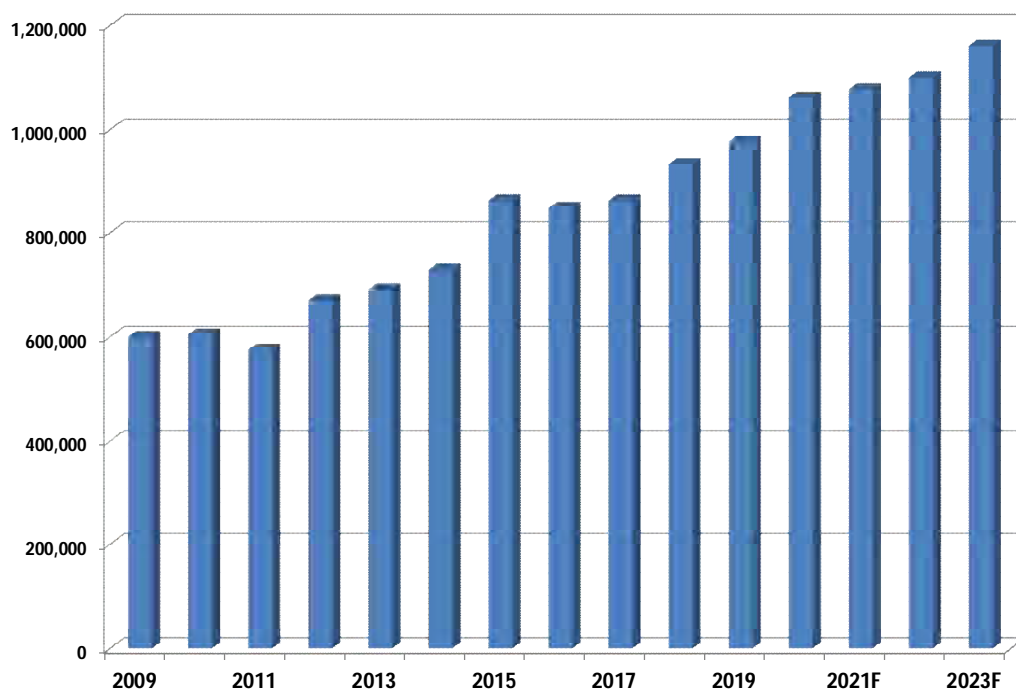
Price performance	3mth	6mth	12mth
Absolute (%)	-0.2	+8.9	+17.9
Relative (%)	-7.8	+3.6	-0.3



Investment Highlights

- We maintain HOLD on IJM Plantations (IJMP) with an unchanged fair value of RM1.90/share. Our fair value for IJMP is based on an FY22F PE of 18.0x. We ascribe a 3-star ESG rating to IJMP. IJMP is not expected to be reinstated into the Syariah-compliant list any time soon.
- We forecast IJMP's FFB production to improve by 2.0% in FY22F after an estimated 1.5% rise in FY21F. IJMP's FFB production growth is not expected to be exciting in FY22F.
- We understand that the group's FY22F FFB yields would still be affected by the lagged impact of 2019's drought and haze. In Malaysia, IJMP's FY22F FFB production is also expected to be impacted by a decline in mature areas of 2,000ha to 2,500ha (FY21E: 1,000ha to 1,250ha) due to replanting.
- We gather that IJMP is currently facing a labour shortage of 5% to 10% in Sabah. The labour shortage may worsen to 10% to 15% during the peak production in 2H2021. The labour shortage pertains mainly to a shortage of workers skilled in harvesting FFB from tall oil palm trees.
- We think that IJMP's all-in cost of CPO production would increase marginally in FY22F. The group's all-in costs of CPO production were about RM1,800/tonne in Malaysia and RM2,000/tonne in Indonesia in FY21E.
- The increase in the cost of production per tonne in FY22F is due to higher wages and fertiliser. Cost of wages may go up by more than 3% in FY22F as there was a hike in minimum wage of 3% in South Sumatra. Fertiliser costs are envisaged to increase by 7% to 10% in FY22F.
- The construction of the KLK/IJMP palm refinery in East Kalimantan is ongoing. The palm refinery is expected to be completed at the end of 2023F. The palm refinery is envisaged to command a processing capacity of 1,000 to 2,000 tonnes per day upon completion. The palm refinery is estimated to cost between RM300mil and RM500mil.
- We view the development of the palm refinery positively as IJMP would be able to sell its CPO in East Kalimantan to the palm refinery in the future. IJMP would no longer be in the mercy of other palm refineries that may squeeze the pricing of CPO. Kuala Lumpur Kepong (KLK) has a 75% stake in the palm refinery while IJMP owns another 20%. An Indonesian individual owns the balance 5% of the palm refinery in East Kalimantan.

EXHIBIT 1: FFB PRODUCTION (TONNES)



Source: Company, AmInvestment Bank

EXHIBIT 2 : ESG RATING

Overall	★	★	★		
RSPO certification	★	★			
Supply chain auditing	★	★	★		
Migrant workers welfare	★	★	★		
Forest fires	★	★	★		
Work site safety	★	★	★		
Corporate social responsibility	★	★	★	★	
Corruption free pledge	★	★	★	★	
Accessibility and transparency	★	★	★	★	

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 3 : FINANCIAL DATA

Income Statement (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Revenue	630.9	739.1	911.8	896.9	904.4
EBITDA	98.8	180.3	281.4	288.7	295.1
Depreciation	(111.6)	(111.9)	(110.8)	(118.8)	(126.9)
Operating income (EBIT)	(12.7)	68.4	170.6	169.9	168.3
Other income & associates	15.8	(62.0)	10.7	10.7	10.8
Net interest	(46.4)	(56.9)	(66.1)	(62.4)	(58.8)
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	(43.3)	(50.5)	115.2	118.2	120.2
Taxation	(0.9)	(22.5)	(31.1)	(31.9)	(32.5)
Minorities/pref dividends	7.9	9.6	8.6	7.7	7.0
Net profit	(36.3)	(63.4)	92.7	94.0	94.7
Balance Sheet (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Fixed assets	1,695.9	1,526.5	1,515.7	1,496.9	1,470.0
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	1,852.1	1,833.3	1,807.4
Cash & equivalent	139.4	241.3	395.4	553.0	709.0
Stock	79.3	73.1	114.9	113.0	114.0
Debtors	59.2	70.6	79.6	78.5	79.1
Other current assets	13.4	0.1	0.1	0.1	0.1
Total current assets	291.3	385.1	590.1	744.7	902.2
Creditors	71.5	82.7	78.1	76.1	76.1
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	232.0	231.5	233.1
Long-term borrowings	651.3	758.3	750.8	743.2	735.8
Other long-term liabilities	92.5	118.5	201.6	286.5	373.3
Total long-term liabilities	743.9	876.8	952.3	1,029.8	1,109.1
Shareholders' funds	1,327.8	1,188.7	1,255.0	1,313.8	1,364.5
Minority interests	2.8	(5.8)	2.8	2.8	2.8
BV/share (RM)	1.51	1.35	1.43	1.49	1.55
Cash Flow (RMmil, YE 31 Mar)	2019	2020	2021F	2022F	2023F
Receipts from customers	635.5	743.6	911.8	896.9	904.4
Payments to suppliers and employees	(512.8)	(582.5)	(593.6)	(578.5)	(578.8)
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	275.2	275.4	282.6
Capital expenditure	(131.6)	(88.7)	(100.0)	(100.0)	(100.0)
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)	(85.4)	(85.4)	(85.4)
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	166.1	157.6	156.0
Net cash/(debt) b/f	206.1	127.8	229.3	395.4	553.0
Forex	1.8	(5.5)	0.0	0.0	0.0
Net cash/(debt) c/f	127.8	229.3	395.4	553.0	709.0
Key Ratios (YE 31 Mar)	2019	2020	2021F	2022F	2023F
Revenue growth (%)	-15.6	17.2	23.4	-1.6	0.8
EBITDA growth (%)	-51.3	82.4	56.1	2.6	2.2
Pretax margins (%)	-6.9	-6.8	12.6	13.2	13.3
Net profit margins (%)	-5.8	-8.6	10.2	10.5	10.5
Interest cover (x)	1.4	1.0	3.3	3.6	4.0
Effective tax rate (%)	-2.1	-44.6	27.0	27.0	27.0
Net dividend payout (%)	-48.5	-27.8	28.5	37.5	46.5
Trade debtors turnover (days)	27	29	27	27	27
Stock turnover (days)	46	36	46	46	46
Trade creditors turnover (days)	49	49	48	48	48

Source: Company, AmInvestment Bank estimates

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