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# Kumpulan Fima Berhad

Turning More Positive

**TP: RM1.89 (+23.5%)**

Last Traded: RM1.53

**Buy**

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## Review

- KFIMA's 9MFY18 results came in above expectations. Excluding unrealised forex and other non-core items, 9MFY18 core net profit decreased by 4.6% YoY to RM33.0mn, accounting for 88% of our full-year earnings estimates. The deviation was mainly due to better product mix.
- **Manufacturing:** 9MFY18 revenue plunged 43.6% YoY to RM108.9mn, mainly due to decrease in sales of travel document. On the back of lower revenue, PBT decreased by 60.4% YoY to RM19.2mn.
- **Plantation:** 9MFY18 PBT increased by 58.3% YoY to RM23.41mn, mainly driven by higher FFB yield, which resulted in higher CPO and CPKO sales volume. CPO and CPKO sales volume increased 9.8% and 63.6% YoY to 36,292 tonnes and 3,394 tonnes, respectively. The average selling price of CPO decreased by 9.2% YoY to RM2,292/tonne while the CPKO price decreased tremendously by 21.2% to RM4,234/tonne.
- **Bulking:** 9MFY18 PBT flattish at RM16.7mn, in tandem with a 0.2% drop in revenue.
- **Food:** 9MFY18 revenue increased by 13.4% YoY to RM91.1mn, driven by higher local sales of canned tuna as well as exports of tuna products. Nonetheless, PBT decreased to RM2.4mn (-70.5% YoY) mainly due to forex loss of RM3mn. Excluding the forex impact, PBT would have improved by more than threefold to RM5.4mn.
- There was no dividend declared for the quarter under review.

## Impact

- FY18 net profit was revised upward by 6.5% to RM39.9mn. Meanwhile, FY19 and FY20 have been tweaked up by 1.4% to RM41.5mn and RM47.1mn, respectively.

## Outlook

- Following the expiration of a supply contract for Malaysian passport, management will realign its efforts to focus on establishing new strategic alliances by developing new products and solutions.
- FFB yield is recovering and is expected to improve further. We expect FFB production growth to accelerate over the next three years, mainly due to new estates coming into maturity in Sarawak and Peninsular Malaysia.
- The lower contribution from the manufacturing division will be partly offset by higher profit from the plantation division.

## Stock Return Information

KLCI	1855.07
Expected Share Price Return (%)	23.4
Expected Dividend Return (%)	5.9
Expected Total Return (%)	23.4

## Share Information

Bloomberg Code	FIMA MK
Stock Code	6491
Listing	Main Market
Issued Share (mn)	282
Market Cap (RMmn)	431.8
52-wk Hi/Lo (RM)	1.96/1.45
Estimated Free Float (%)	36
Beta (x)	0.7
3-Month Average Volume ('000)	83.0

## Top 3 Shareholders (%)

BHR Enterprise	52.2
Subur Rahmat	7.02
Teo Tin Lun	3.01

## Share Performance (%)

Price Change	KFIMA	FBM KLCI
1 mth	(5.0)	0.9
3 mth	(5.6)	7.8
12 mth	(15.9)	8.8

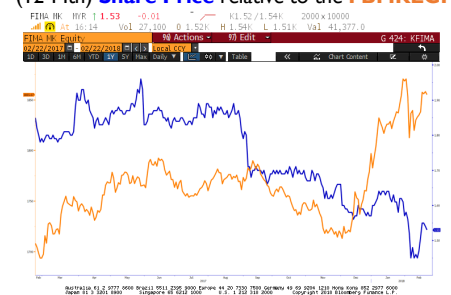
## Financial Info

	FY18	FY19
Debt to Equity Ratio	Net Cash	Net Cash
ROA (%)	3.2	3.2
ROE (%)	5.1	5.2
NTA/Share (RM)	3.8	3.9
Price/NTA (x)	0.4	0.4

## Scorecard

	% of FY	
vs. TA	88.0	Above
vs. Consensus	N/A	N/A

## (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

### Valuation

- Maintain KFIMA's target price at **RM1.89**, based on DDM valuation with cost of equity of 8.5% and the terminal growth rate of 4.0%. The TP implies a forward CY18 PER of 13x. We continue to like KFIMA due to its decent dividend yield (5.9%), healthy balance sheet. In addition, share price looks attractive at current level. Maintain **BUY**.

### 3QFY18 Results Analysis (RMmn)

FYE Mar (RMmn)	3QFY17	2QFY18	3QFY18	QoQ %	YoY %	9MFY17	9MFY18	YoY %
<b>Revenue</b>	<b>140.5</b>	<b>117.403</b>	<b>111.957</b>	<b>(4.6)</b>	<b>(20.3)</b>	<b>419.9</b>	<b>350.5</b>	<b>(16.5)</b>
- Manufacturing	66.0	39.3	33.4	(15.1)	(49.5)	193.1	108.9	(43.6)
- Plantation	32.2	32.9	32.6	(1.0)	1.1	106.1	110.5	4.1
- Bulking	12.1	12.4	14.8	19.4	22.2	37.4	37.3	(0.2)
- Food	29.3	31.9	30.3	(4.8)	3.6	80.4	91.1	13.4
- Others	6.3	5.8	3.2	(45.2)	(49.6)	16.2	12.3	(24.1)
- Elimination	(5.4)	(4.8)	(2.3)	53.0	58.3	(13.3)	(9.5)	28.6
<b>EBIT</b>	<b>25.0</b>	<b>23.9</b>	<b>20.5</b>	<b>(14.4)</b>	<b>(18.1)</b>	<b>75.1</b>	<b>62.3</b>	<b>(17.1)</b>
Net interest	1.2	2.2	1.8	(16.9)	55.3	4.3	5.1	18.8
El & Forex	5.9	(1.6)	0.1	nm	(98.7)	10.4	(4.5)	nm
<b>PBT</b>	<b>32.1</b>	<b>24.5</b>	<b>22.4</b>	<b>(8.8)</b>	<b>(30.2)</b>	<b>89.8</b>	<b>62.8</b>	<b>(30.1)</b>
- Manufacturing	16.1	9.6	4.4	(54.6)	(72.7)	48.4	19.2	(60.4)
- Plantation	4.3	8.0	7.3	(8.6)	69.5	14.8	23.4	58.3
- Bulking	5.3	5.5	7.5	37.3	41.3	16.8	16.7	(0.5)
- Food	6.0	1.8	1.0	(45.8)	(84.0)	8.2	2.4	(70.5)
- Others	(0.0)	(0.1)	1.8	nm	nm	0.9	1.5	69.2
- Associates	0.4	(0.3)	0.4	nm	1.6	0.8	(0.3)	nm
<b>Adj PBT</b>	<b>26.1</b>	<b>26.1</b>	<b>22.3</b>	<b>(14.6)</b>	<b>(14.8)</b>	<b>79.4</b>	<b>67.4</b>	<b>(15.2)</b>
Tax	(7.7)	(8.3)	(5.8)	30.5	25.3	(25.2)	(20.6)	18.1
MI	(6.0)	(5.4)	(3.9)	27.0	34.4	(19.7)	(13.8)	30.2
<b>Net Profit</b>	<b>18.4</b>	<b>10.9</b>	<b>12.7</b>	<b>16.8</b>	<b>(31.0)</b>	<b>44.9</b>	<b>28.5</b>	<b>(36.7)</b>
<b>Core Net Profit</b>	<b>12.5</b>	<b>12.4</b>	<b>12.6</b>	<b>1.4</b>	<b>1.1</b>	<b>34.6</b>	<b>33.0</b>	<b>(4.6)</b>
Core EPS (sen)	4.4	4.4	4.5			12.2	11.7	
<b>GDPS (sen)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			<b>0.0</b>	<b>0.0</b>	
EBIT Margin	17.8%	20.3%	18.3%			17.9%	17.8%	
Adj PBT Margin	18.6%	22.2%	19.9%			18.9%	19.2%	
Core Net Margin	8.9%	10.6%	11.3%			8.2%	9.4%	
Tax rate	29.5%	31.8%	25.9%			31.7%	30.6%	

### Plantation Statistic

	3QFY17	2QFY18	3QFY18	QoQ %	YoY %	9MFY17	9MFY18	YoY %
FFB (tonne)	36,924	51,051	52,986	3.8	43.5	111,383	151,601	36.1
FFB yield/ha (tonne)	5.08	5.21	7.32	40.5	44.1	15.13	18.78	24.1
CPO produced (tonne)	9,747	13,823	13,419	(2.9)	37.7	31,513	40,407	28.2
OER (%)*	22.93	22.57	22.25	(1.4)	(3.0)	22.93	22.25	(3.0)
Cost of FFB produced (RM/tonne)	330.8	244.6	246.9	1.0	(25.4)	330.8	246.9	(25.4)
CPO Sales (tonne)	9,126	10,923	11,035	1.0	20.9	33,066	36,292	9.8
CPKO Sales (tonne)	0	990	1,016	2.6	nm	2,075	3,394	63.6
<b>ASP (RM/tonne)</b>								
CPO	2,964	2,121	2,099	(1.0)	(29.2)	2,525	2,292	(9.2)
CPKO	0	3,972	4,623	16.4	nm	5,375	4,234	(21.2)

\*YTD figures

## Earnings Summary (RMmn)

FYE March 31 (RMmn)	FY16	FY17	FY18E	FY19F	FY20F
Revenue	541.1	547.2	522.0	559.8	607.0
Adjusted EBITDA	135.9	135.6	103.5	110.6	122.8
EBITDA margin (%)	25.1	24.8	19.8	19.8	20.2
Pretax profit	111.7	114.0	90.5	98.8	112.2
Reported Net Profit	56.7	29.8	39.9	41.5	47.1
Core Net Profit	56.7	56.1	39.9	41.5	47.1
Reported EPS (sen)	20.1	10.6	14.1	14.7	16.7
Core EPS (diluted) (sen)	20.1	19.9	14.1	14.7	16.7
Core EPS growth (%)	(3.1)	(1.0)	(28.9)	4.0	13.5
PER (x)	7.6	7.7	10.8	10.4	9.2
GDPS (sen)	9.0	9.0	9.0	9.0	9.0
Div yield (%)	5.9	5.9	5.9	5.9	5.9
Core ROE (%)	7.7	7.4	5.1	5.2	5.8

## Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Friday, February 23, 2018, the analyst, Angelina Chin, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

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