



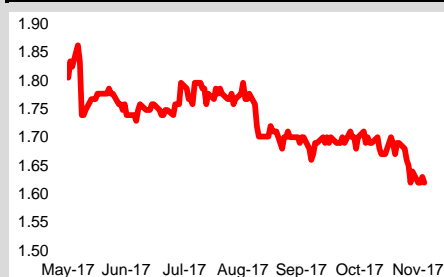
DESCRIPTION

Operating in 5 core segments – manufacturing of mackerel and tuna, cultivation of oil palm plantation, bulking, trading of confidential security documents including bank note printing and property management.

12-Month Target Price RM1.72
Current Price RM1.62
Expected Return 6.3%

Market Main
Sector Consumer
Bursa Code 6491
Bloomberg Ticker FIMA MK
Shariah-Compliant Yes

SHARE PRICE CHART



52 Week Range (RM) 1.60 – 1.96
3-Month Average Vol ('000) 52.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-4.1	-8.3	-10.2
Relative Returns	-2.5	-10.7	-12.9

KEY STOCK DATA

Market Capitalisation (RMm) 457.2
No. of Shares (m) 282.2

MAJOR SHAREHOLDERS

	%
BHR Enterprise Sdn Bhd	52.2
Subur Rahmat Sdn Bhd	7.0
Halley Asian Prosperity	2.2

Nor Asilah Amran
T 603 2268 3000
F 603 2268 3014
E norasilah.amran@publicinvestbank.com.my

Weak 2QFY18

Kumpulan Fima (KFima)'s net profit for 2QFY18 declined 25.9% YoY to RM10.9m, while cumulative 1HFY18 net profit was RM15.8m (-40.6% YoY) which accounted for 46% of our full year forecasts and coming in broadly in line with estimates. 1QFY18 group revenue decreased 24.1% YoY attributed to mix of weaker manufacturing and plantation divisions dragging down growth in bulking and food divisions. We remain concerned over manufacturing division's slowdown, though we are positive on KFima's long-term growth prospects, strong cash position and attractive dividends. Our **Neutral** rating on the stock is maintained with unchanged TP of RM1.72 premised on our FY18F estimates.

§ **Manufacturing.** 2QFY18 revenue declined 46.8% YoY to RM39.3m, while 2QFY18 PBT dropped to RM9.6m (-48.7% YoY), primarily due to decrease in sales volume of travel documents. We expect sales to remain at current low levels this year due to stiff competition and expiry of certain contracts for travelling documents. Nonetheless, we understand that the division will continue its efforts on product replenishment through looking to establish new strategic alliances for new products and solutions.

§ **Plantation division's** 2QFY18 revenue was down 21.5% YoY to RM32.9m, attributed to lower sales volume and selling price of both CPO and CPKO. Cumulative 1HFY18 revenue however remains higher YoY (+5.4%) due to stronger performance in the previous quarter. For 1HFY18, average CPO price was marginally higher at RM2,376/mt compared to 1HFY17's RM2,358/mt) while CPO sales volume increased by 5.5% YoY. At PBT level, 2QFY18 and 1HFY18 PBT both grew at 14.5% and 53.7% YoY. PBT margin also improved to 20.7% in 1HFY18 (1HFY17: 14.2%). We continue looking forward to this division driving KFima's long-term growth, from higher crop performance as new plantings move into productive age.

§ **Bulking** revenue increased to RM12.4m for 2QFY18, up 14.9% YoY. 1HFY18 revenue, however was lower by 11% YoY due to weak 1QFY18 performance. Subsequently, 1HFY18 PBT also reduced by 20.0% YoY. In near term, the demand for storage is expected to increase slightly due to higher palm oil inventories level in Malaysia.

§ **Food division** registered higher revenue for both 2QFY18 and 1HFY18 from higher export sales of tuna, however PBT reduced due to high operational costs and forex effects. Managing operational costs and focusing on efficiency remain as the key efforts to turnaround, as the division continue facing stiff competition from cheaper imported products and currency fluctuations.

KEY FORECAST TABLE

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	541.1	547.2	484.5	520.2	549.6	0.4%
Gross Profit	110.5	82.6	71.0	75.3	78.8	-8.1%
Pre-tax Profit	111.7	84.7	73.2	78.1	81.6	-7.5%
Net Profit	56.7	29.8	34.2	36.9	38.5	-9.3%
EPS (Sen)	20.3	10.7	12.2	13.2	13.7	-9.3%
P/E (x)	8.0	15.1	13.2	12.3	11.8	
DPS (Sen)	9.0	9.0	10.0	11.0	12.0	
Dividend Yield (%)	5.6	5.6	6.2	6.8	7.4	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

FY Mar (RMm)	2Q18	2Q17	1Q18	YoY chg (%)	QoQ chg (%)	YTD FY18	YTD FY17	YoY chg (%)	Comments
Revenue	117.4	154.6	121.1	-24.1	-3.1	238.6	279.4	-14.6	Weaker manufacturing and plantation divisions dragged down growth in bulking and food divisions
Cost of sales	-72.3	-100.4	-77.7	-28.0	-7.0	-150.0	-178.5	-15.9	
Gross Profit	45.1	54.2	43.4	-16.8	3.9	88.5	100.9	-12.3	
Other operating income/ (expenses)	-19.8	-21.6	-26.8	-8.6	-26.4	-46.6	-42.7	9.1	
Operating profit/(loss)	25.4	32.6	16.6	-22.2	53.1	41.9	58.2	-28.0	
Finance costs	-0.6	-0.2	-0.1	213.1	306.4	-0.7	-0.9	-18.0	
Share of profits of associates	-0.3	-0.8	-0.5	-65.9	-40.9	-0.7	0.4	-264.2	
Profit/ (loss) before tax	24.5	31.6	16.0	-22.4	53.6	40.5	57.8	-29.9	
Income tax expense	-8.3	-8.8	-6.6	-5.9	26.4	-14.9	-17.5	-14.9	
Non-controlling Interests	-5.4	-8.1	-4.5	-34.1	19.9	-9.8	-13.7	-28.4	
PATAMI	10.9	14.6	4.9	-25.9	120.4	15.8	26.6	-40.6	
Operating Margin (%)	22	21	14	2	58	18	21	-16	
Pre-tax Margin (%)	21	20	13	2	58	17	21	-18	
Core Net Margin (%)	9	9	4	-2	127	7	10	-30	
Segment Revenue									
Manufacturing	39.3	73.9	36.2	-46.8	8.5	75.5	127.1	-40.6	We expect sales to remain at current low level this year due to stiff competition and expiry of certain contract for travelling documents
Plantation	32.9	41.9	45.0	-21.5	-26.8	77.9	73.9	5.4	2QFY18 revenue was down due to lower sales volume and selling price of both CPO and CPKO
Bulking	12.4	10.8	10.2	14.9	21.7	22.5	25.3	-11.0	Demand for storage is expected to increase slightly in near term due to higher palm oil inventories level in Malaysia
Food	31.9	27.1	28.9	17.5	10.3	60.8	51.1	19.0	Higher export sales of tuna
Segment Pre-tax Profit									
Manufacturing	9.6	18.8	5.2	-48.7	86.3	14.8	32.4	-54.3	
Plantation	8.0	7.0	8.2	14.5	-2.4	16.1	10.5	53.7	
Bulking	5.5	3.8	3.6	46.3	51.4	9.1	11.4	-20.0	
Food	1.8	2.4	-0.3	-25.1	-619.8	1.4	2.1	-32.5	Food division continue to face stiff competition from cheaper imported products and currency fluctuations

Source Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	541.1	547.2	484.5	520.2	549.6
Operating expenses	-430.6	-464.7	-413.6	-444.9	-470.8
Operating Profit	110.5	82.6	71.0	75.3	78.8
Other Income/(Expense)	1.7	2.9	2.9	2.9	2.9
Finance Costs	-0.5	-0.7	-0.7	0.0	0.0
Pre-tax Profit	111.7	84.7	73.2	78.1	81.6
Income Tax	-31.7	-34.2	-22.0	-23.4	-24.5
Effective Tax Rate	28.4%	40.4%	30.0%	30.0%	30.0%
Minorities	-23.3	-20.6	-17.0	-17.8	-18.7
Net Profit	56.7	29.8	34.2	36.9	38.5
Growth					
Revenue (%)	-1%	1%	-11%	7%	6%
Gross Profit (%)	-7%	-25%	-14%	6%	5%
Net Profit (%)	-3%	-47%	15%	8%	4%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F
Property, Plant & Equipment	344.4	319.1	326.3	312.8	299.2
Cash and Bank Balances	247.6	390.8	434.8	486.5	541.3
Receivables	211.5	140.7	130.0	140.0	148.4
Other Assets	382.1	373.7	383.8	381.4	377.8
Total Assets	1,185.7	1,224.3	1,274.9	1,320.8	1,366.6
Payables	104.6	112.5	101.0	108.6	114.9
Borrowings	15.3	14.5	0.0	0.0	0.0
Deferred tax	47.0	32.9	39.8	39.8	39.8
Other Liabilities	19.5	38.0	35.5	36.9	38.1
Total Liabilities	186.4	197.9	176.4	185.4	192.8
Total Equity	999.3	1,026.4	1,098.5	1,135.4	1,173.8
Total Equity and Liabilities	1,185.7	1,224.3	1,274.9	1,320.8	1,366.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Mar	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	2.7	2.7	2.9	3.1	3.2
EPS (Sen)	20.3	10.7	12.2	13.2	13.7
DPS (Sen)	9.0	9.0	10.0	11.0	12.0
ROA (%)	4.8%	2.4%	2.7%	2.8%	2.8%
ROE (%)	5.7%	2.9%	3.1%	3.2%	3.3%

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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PUBLIC INVESTMENT BANK BERHAD (20027-W)

9th Floor, Bangunan Public Bank

6, Jalan Sultan Sulaiman

50000 Kuala Lumpur

T 603 2268 3000

F 603 2268 3014

Dealing Line 603 2268 3129