



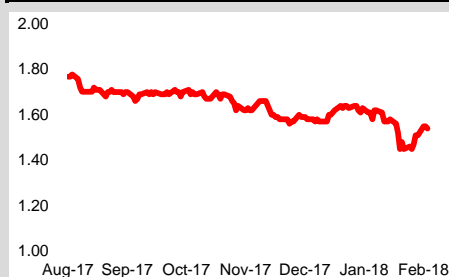
DESCRIPTION

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 RM1.53
Expected Return 12.4%

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

SHARE PRICE CHART



52 Week Range (RM) 1.45 – 1.96
3-Month Average Vol ('000) 59.6

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-5.5	-4.9	-13.3
Relative Returns	-6.1	-12.8	-22.6

KEY STOCK DATA

Market Capitalisation (RMm) 431.8
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

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Challenging Prospects

Kumpulan Fima (KFima)'s net profit for 3QFY18 declined 31.0% YoY to RM12.7m, which resulted in 9MFY18 net profit of RM28.5 m (-36.7% YoY), accounting for 83% of our full year forecasts and coming in broadly in line with estimates. We are maintaining our earnings estimates however as we note the seasonally stronger 3Q as opposed to weaker 4Q. 3QFY18 group revenue decreased 20.3% YoY attributed to the fall in manufacturing division's performance. We remain concerned over the division's slowdown, though we are positive on KFima's long-term growth prospects especially in its plantation segment, strong cash position and attractive dividends. Our **Neutral** rating on the stock is maintained with unchanged TP of RM1.72.

§ **Manufacturing.** 3QFY18 revenue fell 49.5% YoY to RM33.4m, while 3QFY18 PBT dropped to RM4.4m (-72.7% YoY), due to decrease in sales volume of travel documents. This is in line with expectations, as sales would remain low this year due to stiff competition and expiry of certain contracts for travelling documents in 1QFY18. We understand however that the division will continue focusing on product replenishment through looking to establish new strategic alliances for new products and solutions in addition to existing product offerings.

§ **Plantation division's** 3QFY18 revenue increased mildly by 1.1% YoY to RM32.6m, resulting in a higher 9MFY18 revenue of RM110.5m. This was sustained by attributed to higher CPKO, FFB and pineapple sales. For 9MFY18, average CPO price was slightly lower at RM2,292/mt compared to 9MFY17's RM2,525/mt), while CPO sales volume increased by 9.8% YoY. At PBT level, 3QFY18 and 9MFY18 PBT both grew at 69.5% and 58.3% YoY respectively. PBT margin also improved to 21.2% in 9MFY18 (9MFY17: 13.9%). We continue to see long-term growth value in this division as FFB yield is expected to improve from higher crop performance as new plantings move into productive age.

§ **Bulking** revenue increased to RM14.8m for 3QFY18, up 22.2% YoY while 9MFY18 revenue was marginally lower by 11% YoY due to weak 1QFY18 performance. Subsequently, 9MFY18 PBT was in tandem with revenue, increasing 37.3% YoY in 3QFY18 but marginally reduced by 0.5% YoY in 9MFY18. In near term, the demand for storage is expected to increase slightly due to increase in palm oil stock level in Malaysia.

§ **Food division** registered higher revenue for both 3QFY18 and 9MFY18 from higher local and export sales of tuna, rising by 3.6% and 13.4% respectively. PBT however dropped due to high operational costs and forex effects. Prospects remain tough for the division due to 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)	7.5	14.3	12.5	11.6	11.1	
DPS (Sen)	9.0	9.0	9.0	9.0	9.0	
Dividend Yield (%)	5.9	5.9	5.9	5.9	5.9	

Source: Company, PublicInvest Research estimates

**Table 1: Results Summary**

<u>FY Mar (RMm)</u>	<u>3Q18</u>	<u>3Q17</u>	<u>2Q18</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY18</u>	<u>YTD FY17</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	112.0	140.5	117.4	-20.3	-4.6	350.5	419.9	-16.5	Weaker revenue from manufacturing and bulking divisions
Cost of sales	-70.1	-88.3	-72.3	-20.6	-3.0	-220.2	-266.8	-17.5	
Gross Profit	41.8	52.2	45.1	-19.9	-7.3	130.3	153.1	-14.9	
Other operating income/ (expenses)	-19.5	-20.3	-19.8	-4.2	-1.5	-66.1	-63.0	4.8	
Operating profit/(loss)	22.4	31.9	25.4	-29.9	-11.8	64.3	90.1	-28.7	
Finance costs	-0.4	-0.2	-0.6	82.2	-32.3	-1.1	-1.1	1.7	
Share of profits of associates	0.4	0.4	-0.3	1.6	-245.0	-0.3	0.8	-140.5	
Profit/ (loss) before tax	22.4	32.1	24.5	-30.2	-8.8	62.8	89.8	-30.1	Due to higher forex loss by RM10.0m and RM1.2m lower share of profit from associate companies
Income tax expense	-5.8	-7.7	-8.3	-25.3	-30.5	-20.6	-25.2	-18.1	
Non-controlling Interests	-3.9	-6.0	-5.4	-34.4	-27.0	-13.8	-19.7	-30.2	
PATAMI	12.7	18.4	10.9	-31.0	16.8	28.5	44.9	-36.7	
Operating Margin (%)	20	23	22	-12	-8	18	21	-15	
Pre-tax Margin (%)	20	23	21	-12	-4	18	21	-16	
Core Net Margin (%)	11	13	9	-13	23	8	11	-24	
<u>Segment Revenue</u>									
Manufacturing	33.4	66.0	39.3	-49.5	-15.1	108.9	193.1	-43.6	We expect sales to remain low this year due to stiff competition and expiration of certain contract for travelling documents
Plantation	32.6	32.2	32.9	1.1	-1.0	110.5	106.1	4.1	Higher sales of CPKO, FFB and pineapple
Bulking	14.8	12.1	12.4	22.2	19.4	37.3	37.4	-0.2	
Food	30.3	29.3	31.9	3.6	-4.8	91.1	80.4	13.4	Higher local and export sales of tuna
<u>Segment Pre-tax Profit</u>									
Manufacturing	4.4	16.1	9.6	-72.7	-54.6	19.2	48.4	-60.4	
Plantation	7.3	4.3	8.0	69.5	-8.6	23.4	14.8	58.3	Improvement of FFB yield/ha and lower depreciation was charged due to impairment of PPE and biological assets in FY17
Bulking	7.5	5.3	5.5	41.3	37.3	16.7	16.8	-0.5	
Food	1.0	6.0	1.8	-84.0	-45.8	2.4	8.2	-70.5	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	9.0	9.0	9.0
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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