



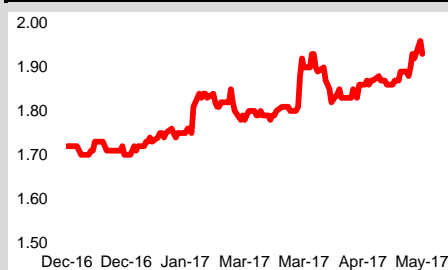
DESCRIPTION

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	RM1.85
Current Price	RM1.93
Expected Return	-4.1%

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

SHARE PRICE CHART



52 Week Range (RM)	1.69 – 1.99
3-Month Average Vol ('000)	238.2

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	5.4	9.5	12.0
Relative Returns	3.9	3.5	1.2

KEY STOCK DATA

Market Capitalisation (RMm)	544.7
No. of Shares (m)	282.2

MAJOR SHAREHOLDERS

	%
BHR Enterprise Sdn Bhd	52.2
Subur Rahmat Sdn Bhd	7.0
Teo Tin Lun	3.0

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Weak End to FY17

Kumpulan Fima (KFima) reported a weak 4QFY17 net profit of RM5.3m (-47.4% YoY), bringing FY17 net profit to RM50.3m (-11.4% YoY), which accounted for only 85% of our FY17 estimates. FY17 group revenue increased marginally by 1.1% YoY to RM547.2m, due to mixed performance of each division. Plantation and food division recorded higher revenue, while manufacturing and bulking's revenue declined. We are positive over the food division's recovery progress with improvement in revenue and PBT. Though we like KFima for its long-term growth prospects and attractive dividends, we are concerned over the manufacturing and bulking divisions' challenging outlook. We adjust our earnings estimates by -9% to -11% for FY18F-19F to account for headwinds in these divisions in the near term. We maintain our **Neutral** call, but with a higher SOP-based TP of RM1.85 (RM1.82 previously) pegged to our FY18F estimates, supported by KFima's stronger cash position. KFima declared a final single-tier dividend of 9.0 sen per share.

§ **Manufacturing.** 4QFY17 revenue declined 38.9% YoY to RM40.2m, bringing FY17 revenue to RM233.3m (-13.0% YoY). 4QFY17 PBT too decreased to RM11.2m (-30.0% YoY), however, full FY17 PBT improved by 10.4% YoY, supported by previous 9MFY17's stronger sales mix and lower depreciation. We expect sales to grow at slower rate in early FY18 due to challenging prospects and intense competition.

§ **Plantation division** reported higher 4QFY17 revenue of RM40.7m (+95.0% YoY), attributed to increase in CPO and CPKO sales volume. Subsequently, FY17 revenue rose by 30.4% YoY, in part supported by the higher CPO and CPKO selling price. FY17 average CPO price was RM2,625/mt, up 27.2% YoY (FY16: RM2,064/mt). In tandem with revenue growth, FY17 PBT increased by 58.4% YoY. PBT margin increased to 15.9% from 13.1% in FY16. Going forward, we view that the plantation division will drive long-term growth, from harvesting its Miri estate to newer estates' progress in Kelantan and Terengganu. As the new plantings move into productive age, better crops performance is expected in the medium to long term.

§ **Bulking** recorded a decrease in revenue to RM10.1m (-45.9% YoY) for 4QFY17, while FY17 revenue declined 29.6% YoY. The decrease in revenue was due to lower revenue recorded by oil palm based products. PBT too declined by 70.9% YoY and 48.5% YoY for 4QFY17 and FY17 respectively. PBT margin showed a decrease to 42.1% from 57.6% in FY16. We believe KFima will keep focusing on securing more long-term contracts, on top of its short term ones, and handling of higher margin products to sustain this division.

§ **Food division's** revenue improved for both 4QFY17 and cumulative FY17, up by 20.1% YoY and 29.2% YoY respectively. The growth was due to higher mackerel, tuna and fishmeal products sales volume. FY17 PBT increased to RM6.5m (+38.2% YoY) from RM4.7m in FY16, while PBT margin also improved to 5.7% from 5.3% in FY16. Though seeing recovery signs for this division, we remain cautiously optimistic in view of cheaper imported products, overall market uncertainty and currency fluctuations.

KEY FORECAST TABLE

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F	CAGR
Revenue	541.1	547.2	563.1	600.2	631.4	3.9%
Gross Profit	110.5	111.9	115.8	123.3	129.7	4.1%
Pre-tax Profit	111.7	114.0	118.1	126.1	132.5	4.4%
Net Profit	56.7	50.3	55.0	59.4	62.6	2.5%
EPS (Sen)	20.3	18.0	19.6	21.2	22.4	2.4%
P/E (x)	9.5	10.7	9.8	9.1	8.6	
DPS (Sen)	9.0	9.0	10.0	11.0	12.0	
Dividend Yield (%)	4.7	4.7	5.2	5.7	6.2	

Source: Company, PublicInvest Research estimates

Table 1: Results Summary

<u>FYE Mar (RM m)</u>	<u>4Q17</u>	<u>4Q16</u>	<u>3Q17</u>	<u>YoY chg (%)</u>	<u>QoQ chg (%)</u>	<u>YTD FY17</u>	<u>YTD FY16</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue	127.3	134.0	140.5	-5.0	-9.4	547.2	541.1	1.1	FY17 group revenue increased marginally due to mixed performance of each division.
Cost of sales	-72.4	-83.4	-88.3	-13.2	-18.1	-339.1	-344.3	-1.5	
Gross Profit	54.9	50.6	52.2	8.6	5.3	208.1	196.8	5.7	
Other operating income/ (expenses)	-32.5	-21.0	-20.3	54.8	60.2	-95.6	-86.3	10.7	
Operating profit/(loss)	22.4	29.6	31.9	-24.3	-29.7	112.5	110.5	1.8	
Finance costs	-0.2	-0.3	-0.2	-23.2	2.3	-1.3	-0.5	>100.0	
Share of profits of associates	2.0	1.4	0.4	50.3	>100.0	2.9	1.7	71.8	
Profit/ (loss) before tax	24.2	30.7	32.1	-21.0	-24.4	114.0	111.7	2.1	
Income tax expense	-12.1	-10.7	-7.7	14.0	57.4	-37.3	-31.7	17.8	
Non-controlling Interests	-6.8	-9.6	-6.0	-29.4	13.1	-26.5	-23.3	13.7	
PATAMI	5.3	10.4	18.4	-49.0	-71.0	50.3	56.7	-11.4	Below expectations, at 85% of our estimates.
Operating Margin (%)	18	22	23	-20	-22	21	20	1	
Pre-tax Margin (%)	19	23	23	-17	-17	21	21	1	
Core Net Margin (%)	4	8	13	-46	-68	9	10	-12	
<u>Segment Revenue</u>									
Manufacturing	40.2	65.8	66.0	-38.9	-39.1	233.3	268.3	-13.0	
Plantation	40.7	20.9	32.2	95.0	26.5	146.9	112.6	30.4	Plantation growth attributed to higher CPO and CPKO selling price.
Bulking	10.1	18.6	12.1	-45.9	-16.7	47.5	67.5	-29.6	KFima looking at securing more long-term contracts and handling of higher margin products to sustain bulking division.
Food	33.9	28.2	29.3	20.1	15.7	114.3	88.4	29.2	Revenue growth attributed to higher sales volume of mackerel, tuna and fishmeal products.
Others	7.4	9.2	6.3	-19.7	16.4	23.5	29.7	-20.7	
Elimination	-5.0	-8.7	-5.4	-43.1	-8.9	-18.2	-25.4	-28.2	
Total	127.3	134.0	140.5	-5.0	-9.4	547.2	541.1	1.1	
<u>Segment Pre-tax Profit</u>									
Manufacturing	11.2	16.0	16.1	-30.0	-30.3	59.6	54.0	10.4	FY17 PBT supported by previous 9MFY17's stronger sales mix and lower depreciation
Plantation	8.6	1.7	4.3	>100.0	>100.0	23.4	14.8	58.4	
Bulking	3.3	11.2	5.3	-70.9	-39.2	20.0	38.9	-48.5	
Food	-1.6	3.8	6.0	->100.0	->100.0	6.5	4.7	38.2	Though seeing recovery signs for this division, we remain cautiously optimistic in view of cheaper imported products, overall market uncertainty and currency fluctuations.
Others	0.8	-3.3	0.0	->100.0	->100.0	1.6	-2.4	->100.0	
Associated companies	2.0	1.0	0.4	94.1	>100.0	2.9	1.4	>100.0	
Elimination	0.0	0.0	0.0	-	-	0.0	0.0	-	
Total	24.2	30.4	32.1	-20.2	-24.4	114.0	111.4	2.4	

Source Company, PublicInvest Research

KEY FINANCIAL DATA
INCOME STATEMENT DATA

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F
Revenue	541.1	547.2	563.1	600.2	631.4
Operating expenses	-430.6	-435.3	-447.2	-477.0	-501.8
Operating Profit	110.5	111.9	115.8	123.3	129.7
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	114.0	118.1	126.1	132.5
Income Tax	-31.7	-37.3	-35.4	-37.8	-39.8
Effective Tax Rate	28.4%	32.7%	30.0%	30.0%	30.0%
Minorities	-23.3	-26.5	-27.6	-28.9	-30.2
Net Profit	56.7	50.3	55.0	59.4	62.6
Growth					
Revenue (%)	-1%	1%	3%	7%	5%
Gross Profit (%)	-7%	1%	3%	6%	5%
Net Profit (%)	-3%	-11%	9%	8%	5%

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Mar (RM m)	2016A	2017A	2018F	2019F	2020F
Property, Plant & Equipment	344.4	339.1	322.6	305.5	288.3
Cash and Bank Balances	247.6	390.8	447.2	525.3	607.9
Receivables	211.5	141.5	145.7	155.4	163.5
Other Assets	382.1	397.7	391.8	389.0	385.2
Total Assets	1,185.7	1,269.0	1,307.2	1,375.2	1,444.9
Payables	104.6	112.5	109.6	116.7	122.7
Borrowings	15.3	14.5	0.0	0.0	0.0
Deferred tax	47.0	39.8	39.8	39.8	39.8
Other Liabilities	19.5	38.0	38.6	40.0	41.2
Total Liabilities	186.4	204.8	188.0	196.6	203.7
Total Equity	999.3	1,064.2	1,119.2	1,178.6	1,241.2
Total Equity and Liabilities	1,185.7	1,269.0	1,307.2	1,375.2	1,444.9

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Mar	2016A	2017A	2018F	2019F	2020F
Book Value Per Share	2.7	2.8	3.0	3.2	3.5
EPS (Sen)	20.3	18.0	19.6	21.2	22.4
DPS (Sen)	9.0	9.0	10.0	11.0	12.0
ROA (%)	4.8%	4.0%	4.2%	4.3%	4.3%
ROE (%)	5.7%	4.7%	4.9%	5.0%	5.0%

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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