TSH Resources Berhad

(9059 | TSH MK) Plantation | Plantation

***Maintain* BUY**

Inspiring results

***Unchanged* Target Price: RM1.90**

KEY INVESTMENT HIGHLIGHTS

- **2QFY22 normalized PATAMI came-in higher on-year to RM97.5m on CPO price of RM5,076/mt (+48.0%yoy)**
- **This came in within ours and consensus expectations**
- **Palm products segment recorded excellent earnings**
- **Earnings forecast maintained**
- **Maintain BUY with unchanged TP of RM1.90**

Within expectation. 2QFY22 normalized PATAMI came-in higher on year-on-year basis to RM97.5m (>100%yoy), as higher ASPs realized from CPO and PK were sufficient to compensate the decline in productions and sales volume of CPO and PK as well as higher operating costs. Meanwhile, PBT remains elevated at RM80.5m (+24.3yoy) thanks to the higher contribution from share of results of associates and JV amounted RM6.8m (+50.8%yoy) and RM10.9m (+>100%yoy).

Palm products segment. TSH's plantation segment profit rose to RM396.7m (+37%yoy) during the quarter, as higher ASP of CPO amounted RM5,076/mt (+48%yoy) and PK RM3,290/mt (+44%yoy) able to offset the lower production of FFB of 239,398mt (-6%yoy) due to wet weather conditions in early of the year in Indonesia.

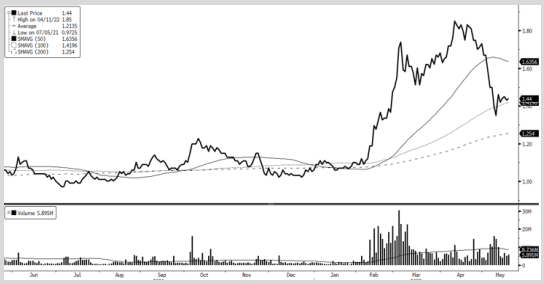
Others segment contribution-maintained loss. During the quarter, loss from others segment expanded to -RM1.7m (+12%yoy) versus -RM1.6m in prior year. This was mainly due to sale of electricity generated by bio-mass power plant was discontinued in 3QFY21. Nonetheless, we do expect positive contribution to return onward since a new power purchase agreement has been materialised.

Earnings estimates. We maintain our earnings estimates for FY22/FY23 given the results came in within our expectations at 53% of full-year estimate.

Maintain BUY. Going forward, we believe its earnings outlook to remain positive, supported by elevated CPO c.RM4,000/mt. We like TSH given the potential growth momentum in its FFB production, especially from the younger trees (average age of 11.2 years with approximately 5% and 38% immature and young mature age, while the balance consists of mature (95%) which may provide visible revenue and earnings growth catalyst to the group ahead. We are maintaining our **BUY** call with **TP** of RM1.90 by pegging FY23F EPS of 10.1sen to PER of 18.7x.

RETURN STATISTICS	
Price @ 22th Aug 2022 (RM)	1.09
Expected share price return (%)	+73.91
Expected dividend yield (%)	+2.75
Expected total return (%)	**+76.66**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-20.4	-16.8
3 months	-14.3	5.0
12 months	33.3	36.9

KEY STATISTICS	
FBM KLCI	1,487.37
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	1381.08
Estimated free float (%)	39.83
Market Capitalisation (RM'm)	1,987.45
52-wk price range (RM)	RM0.98 - RM1.89
Beta vs FBM KLCI (x)	1.22
Monthly velocity (%)	0.00
Monthly volatility (%)	16.90
3-mth average daily volume (m)	8.78
3-mth average daily value (RM'm)	14.13
Top Shareholders (%)	
Tan Aik Pen	19.10
Employees Provident Fund Board	5.07
Tunas Lestari Sdn Bhd	4.93

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INVESTMENT STATISTICS

FYE 31st Dec (All in RM'm, unless otherwise stated)	FY20	FY21	FY22F	FY23F	FY24F
Revenue	**781.7**	**1,188.9**	**1,361.00**	**1,184.70**	**903.40**
EBIT	137.1	268.1	503.6	284.3	162.6
PBT	107.7	253.7	435.5	248.8	126.5
PATANCI	79.1	169.0	408.1	140	106.5
Normalised PATANCI	**72.3**	**167.7**	**408.1**	**140.0**	**106.5**
Normalised EPS (sen)	5.2	12.1	29.5	10.1	7.7
Net DPS (sen)	2.0	3.0	3.0	3.0	2.0
Net Dvd Yield (%)	1.8	2.8	2.8	2.8	1.8
Core PER	20.8	9.0	3.7	10.8	14.1

Source: Company, MIDFR

TSH RESOURCES BHD: 2QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	2Q21	1Q22	2Q22	% QoQ	% YoY	2HFY22	2HFY21	% YoY
Revenue	**307.4**	**337.3**	**424.4**	**25.8**	**38.1**	**761.8**	**551.5**	**38.1**
EBITDA	101.8	149.7	113.4	-24.3	11.4	263.1	176.8	48.8
EBIT	73.1	122.6	85.4	-30.3	16.9	208.0	120.4	72.7
PBT	64.7	115.8	80.5	-30.5	24.3	196.3	103.7	89.3
PATANCI	39.7	116.9	85.0	-27.3	>100	203.9	88.8	>100
Normalised PATANCI	**46.4**	**120.1**	**97.5**	**-18.8**	**>100**	**217.6**	**82.4**	**>100**
Normalised EPS (sen)	3.4	8.7	7.1	-18.7	>100	15.8	6.0	>100
				+/- ppts				+/- ppts
EBITDA margin (%)	33.1	44.4	26.7	-17.7	-6.4	34.5	32.1	7.7
EBIT margin (%)	23.8	36.3	20.1	-16.2	-3.6	27.3	21.8	25.1
Normalised PATAMI margin (%)	15.1	35.6	23.0	-12.6	7.9	28.6	14.9	91.3
Effective tax rate (%)	25.5	7.9	11.6	3.7	-14.0	9.4	28.0	-66.4

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology