Ta Ann Holdings Berhad

(5012 | TAH MK) Plantation | Plantation

***Maintain* BUY**

Outlook remain stable

***Revised* Target Price: RM5.25**

(Previously RM6.70)

KEY INVESTMENT HIGHLIGHTS

- **Higher sales tracking stronger ASP of CPO, FFB plywood products realized**
- **Both, plantation and timber segment continue generated higher PBT of RM240.7m (+71ytd) and RM213.2m (+45%ytd).**
- **1HFY22 earnings below expectations**
- **Maintain BUY with revised TP of RM5.25 (previously RM6.70)**

Below expectation. In 2QFY22, Ta Ann posted a top-line of RM654.2m (+44%yoy) mainly driven by stronger ASP of CPO, FFB and plywood products. Additionally, the normalized earnings came in at RM109.9m (+74%yoy) an approximately RM184.4m in 2HFY22, which is below our forecast at 42%. Its biological assets turned into loss of -RM20.3m as opposed profit of RM9.6m owing to the unfavorable weather ahead.

Plantation. Oil palm contribution remains favorable during the quarter in-line with high MPOB prices were traded c. RM6,000/mt, as revenue rose +43%ytd to RM926.7m derived on higher ASP of CPO (+56%) and FFB (+54%) realized. As a result, PBT also showed a strong gain amounted RM240.7m, an increase of +71%ytd despite lower sales volume registered due to weak harvesting activities.

Timber segment. Its revenue was higher +45% to-date to RM213.2m on strong demand and higher ASP (+43%) for plywood products amidst recovery economic activities. We expect the contribution from this segment to continue promising, on the back of easing border restrictions in most countries especially in China.

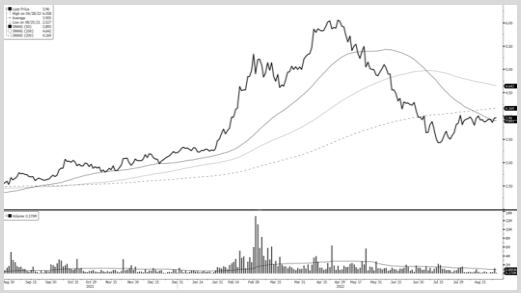
Dividend. A 15 sen third interim DPS was declared, implying 7.6% of dividend yield.

Earnings forecast. We cut our FY22-FY23 earnings estimates by -21%/-15% following our anticipation of its weak production catch up due unfavorable weather and acute harvester as well as on possible margin squeeze due to high operational cost ahead, since fertilizer cost remains high at 40% of production cost.

Maintain BUY. Maintain a **BUY** call with new TP of **RM5.25** (from RM6.70) based on PER of 9.8x pegged on FY23F EPS of 53.4sen, as we rolled forward our valuation to 2023 after taking into consideration of CPO volatility. Albeit we start seeing price moderation since July 2022, we think its plantation segment could still benefit from high CPO price c. RM4,000/mt.

RETURN STATISTICS	
Price @ 29th Aug 2022 (RM)	3.97
Expected share price return (%)	+32.24
Expected dividend yield (%)	+7.60
Expected total return (%)	+39.84

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	3.4	-0.3
3 months	2.7	-19.9
12 months	3.4	-0.3

KEY STATISTICS	
FBM KLCI	1,501.57
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆☆☆
Issue shares (m)	440.46
Estimated free float (%)	8.93
Market Capitalisation (RM'm)	1,748.63
52-wk price range (RM)	RM2.72 - RM6.75
Beta vs FBM KLCI (x)	1.17
Monthly velocity (%)	0.00
Monthly volatility (%)	34.32
3-mth average daily volume (m)	0.92
3-mth average daily value (RM'm)	3.85
Top Shareholders (%)	
Haji Sepawi Amar Abdul Hamed	34.07
MOUNTEX SDN BHD	21.26
Wahab Haji Dolah	12.63

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INVESTMENT STATISTICS

Financial year ending 31st Dec (in RM'm, unless otherwise stated)	2020	2021	2022F	2023F	2024F
Revenue	**1,217.8**	**1,894.4**	**2,046.7**	**1,737.1**	**1,580.2**
EBIT	128.7	477.5	515.9	437.9	398.3
PBT	134.5	465.4	470.7	399.5	363.4
PATANCI	63.3	314.4	350.3	237.1	190.4
Normalised PATANCI	**73.2**	**307.6**	**350.3**	**237.1**	**190.4**
Normalised EPS (sen)	16.5	69.3	78.9	53.4	42.9
Normalised EPS Growth (%)	44.1	320.2	13.9	-32.3	-19.7
PER (x)	24.1	5.7	5.0	7.4	9.3
Dividend Per Share (sen)	15.0	30.0	30.0	25.0	20.0
Dividend yield (%)	3.8	7.6	7.6	6.3	5.0

Source: Company, MIDFR

TA ANN HOLDINGS BERHAD: 2QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	2Q21	1Q22	2Q22	% QoQ	% YoY	2HFY22	2HFY21	% YoY
Revenue	**455.3**	**487.8**	**654.2**	**34.1**	**43.7**	**1,141.9**	**796.0**	**55.5**
EBITDA	125.7	136.2	197.8	45.2	57.4	321.5	184.3	169.8
EBIT	106.5	116.5	176.7	51.7	66.0	293.2	156.8	313.3
PBT	103.9	114.8	175.5	52.8	68.8	290.3	151.5	372.6
PATANCI	64.5	76.1	112.3	47.6	74.0	188.4	94.4	565.9
Normalised PATANCI	**63.2**	**74.4**	**109.9**	**47.8**	**74.1**	**184.4**	**91.3**	**636.6**
Normalised EPS (sen)	14.2	16.9	25.0	47.8	75.5	41.9	20.6	320.2
				+/- ppts				
EBITDA margin (%)	27.6	27.9	30.2	2.3	2.6	28.2	23.1	29.8
EBIT margin (%)	23.4	23.9	27.0	3.1	3.6	25.7	19.7	14.6
Normalised PATAMI margin (%)	13.9	15.3	16.8	1.6	2.9	16.1	11.5	10.2
Effective tax rate (%)	22.3	19.4	23.4	4.1	1.1	21.8	22.4	-8.0

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