TSH Resources Berhad

(9059 | TSH MK) Plantation | Plantation

Downgrade to NEUTRAL

Below Expectation

***Revised* Target Price: RM1.01**

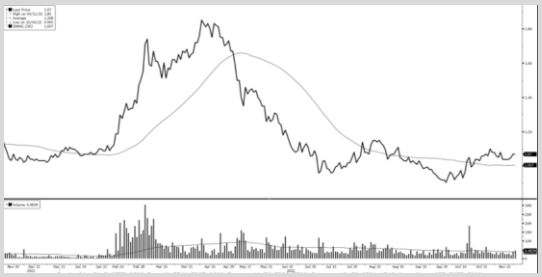
(Previously RM1.90)

KEY INVESTMENT HIGHLIGHTS

- **9QFY22 core earnings came in below expectation**
- **Others segment contribution remained in the red**
- **We cut our earnings estimate for FY22**
- **Downgrade Neutral with revised TP of RM1.01**

RETURN STATISTICS	
Price @ 23rd Nov 2022 (RM)	1.07
Expected share price return (%)	-5.26
Expected dividend yield (%)	+2.80
Expected total return (%)	**-2.46**

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	7.5	8.0
3 months	16.3	5.9
12 months	-8.5	-3.3

KEY STATISTICS	
FBM KLCI	1,443.50
Syariah compliant	Yes
F4BGM Index	No
ESG Grading Band (Star rating)	☆☆☆
Issue shares (m)	1381.08
Estimated free float (%)	35.59
Market Capitalisation (RM'm)	1,476.79
52-wk price range (RM)	RM0.9 - RM1.89
Beta vs FBM KLCI (x)	1.21
Monthly velocity (%)	9.20
Monthly volatility (%)	40.42
3-mth average daily volume (m)	3.86
3-mth average daily value (RM'm)	3.95
Top Shareholders (%)	
Tan Aik Pen	23.50
Tan Aik Yong	5.07
Embun Yakin Sdn Bhd	4.88

Below expectation. 9QFY22 core earnings posted RM168.4m which came in below expectation at 41% of full-year estimate. However, revenue was at a record high of RM1.0b year-to-date owing to higher average CPO and PK prices.

Palm products segment. TSH's plantation segment profit margin remained stable at 25% (-0.4ppts) during the quarter, aided by productive FFB production of 263,838 Mt (+10%yoy) despite lower CPO ASP of RM3,234/mt (-10%yoy) and PK of RM1,849/mt (-10%yoy) realized. On year-to-date basis, lower FFB produced (-3%yoy) was due to disposals of Ladang Ong Yah Ho and Ladang Gomantong.

Others segment remained in the red. During the quarter, operating loss from others segment increased to -RM33.9m (-6814%yoy) up from -RM4.9m in previous year. This was primarily due to RM34.5m fair value loss on forest planting expenditure.

Earnings estimates. In consideration of year-to-date average CPO price of RM5,262/Mt and pessimism on CPO prices, we slash our earnings estimates by -58% for FY22 based on new average CPO price RM5,000 as well as lowered assumptions on productions, share of result from associate and JV as well as margin.

Downgrade to NEUTRAL. We are rather sceptical on earnings TSH's growth potential as evidenced by its Indonesia's 9M22 performance which is made worse by the country's high export tariff and tax laws, which might hurt its operational profit for palm products. Following the results, we downgrade our Call to **NEUTRAL** with TP of **RM1.01** by pegging FY23F EPS of 10.1sen to PER of 10x (2y-avg -1SD).

MIDF RESEARCH
research@midf.com.my

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	198.0	140	106.5
Normalised PATANCI	**72.3**	**167.7**	**198.0**	**140.0**	**106.5**
Normalised EPS (sen)	5.2	12.1	14.3	10.1	7.7
Net DPS (sen)	2.0	3.0	3.0	3.0	2.0
Net Dvd Yield (%)	1.9	2.8	2.8	2.8	1.9
Core PER	20.4	8.8	7.5	10.6	13.9

Source: Company, MIDFR

TSH RESOURCES BHD: 3QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	3Q21	2Q22	3Q22	% QoQ	% YoY	9MFY22	9MFY21	% YoY
Revenue	309.1	424.4	262.7	-38.1	-15.0	1,024.4	860.6	19.0
EBITDA	104.8	113.4	64.1	-43.5	-38.9	296.4	291.7	1.6
EBIT	77.6	85.4	42.0	-50.9	-45.9	219.2	211.6	3.6
PBT	68.3	80.5	34.0	-57.7	-50.2	199.5	184.3	8.2
PATANCI	65.0	85.0	74.0	-12.9	13.8	121.0	120.5	0.4
Normalised PATANCI	69.8	97.5	72.0	-26.2	3.1	168.4	120.5	39.7
Normalised EPS (sen)	5.1	7.1	5.2	-26.2	3.2	12.2	8.7	39.8
				+/- ppts				+/- ppts
EBITDA margin (%)	33.9	26.7	24.4	-2.3	-9.5	28.9	33.9	-14.7
EBIT margin (%)	25.1	20.1	16.0	-4.1	-9.1	21.4	24.6	-13.0
Normalised PATAMI margin (%)	22.6	23.0	27.4	4.4	4.8	16.4	14.0	17.4
Effective tax rate (%)	17.5	11.6	-5.9	-17.5	-23.3	8.2	22.2	-62.9

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