Ta Ann Holdings Berhad

(5012 | TAH MK) Plantation | Plantation

***Maintain* NEUTRAL**

Earnings tapered by CPO price consolidation

***Revised* Target Price: RM3.27**

(Previously RM3.79)

KEY INVESTMENT HIGHLIGHTS

- **FY22 earnings meet expectation**
- **Oil palm contribution weaken by -35%yoy**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with revised TP of RM3.27 (previously RM3.79)**

Within expectation. Ta Ann reported a top-line of RM450.7m (-24.2%qoq, -7.4%yoy) in the 4QFY22. This was followed by a worse operational profit of RM98.3m (-41%yoy) as a result of the consolidation of the average selling prices of CPO and FFB. Meanwhile, normalized earnings fell by -81%yoy to RM17.0m hence bringing the full year to RM340m, matching our forecast at 100%. The group had recognized an asset impairment of AUD5.31m or equivalent to RM16.23m and derecognition of deferred tax asset of AUD2.60m or RM equivalent to RM7.94m that were registered for the Smithton mill.

Plantation. Oil palm contribution weaken during the quarter as a consequence of the lower substantial MPOB prices were traded avg c. RM3,990/mt, as revenue dropped -35%%yoy to RM392.6m. The average selling prices of CPO and FFB decreased by -25%yoy and -31%yoy, respectively, resulting in a contraction of the profit to RM100.5m (-44.0%yoy) from RM181.0 in the previous year. Further contributing to the poor result were 1) reduced sales volume recorded, 2) subpar harvesting activities, and 3) low cycle months.

Timber segment. Its revenue slower by -35%yoy to RM57.4m on weaker demand amidst inflationary pressure and lower ASP for plywood products.

Earnings forecast. Maintain.

Recommendation. We expect to see margin compression in the company's position as a result of the moderation in year-to-date average CPO prices of RM3,930/Mt (due to the fact that its plantation contributes about 86%); this is made worse by profit instability from the timber segment as the company noted that inflationary pressure posts a challenging demand for its plywood products; as a result, the company's outlook is currently experiencing double whammy earnings erosion. Hence, we maintain our **Neutral** call with a revised target price of RM3.27 (down from RM3.70) based on a PER of 9.0x anchored (almost 2 years historical average of -1SD) to FY23F EPS of 36.3 sen.

RETURN STATISTICS	
Price @ 24th Feb 2023 (RM)	3.43
Expected share price return (%)	-4.63
Expected dividend yield (%)	+7.29
Expected total return (%)	+2.66

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-2.0	0.7
3 months	-9.3	-5.9
12 months	-33.0	-26.8

KEY STATISTICS	
FBM KLCI	1,456.80
Syariah compliant	Yes
F4BGM Index	Yes
ESG Grading Band (Star rating)	☆☆
Issue shares (m)	440.46
Estimated free float (%)	35.29
Market Capitalisation (RM'm)	1,510.78
52-wk price range (RM)	RM3.03 - RM6.75
Beta vs FBM KLCI (x)	1.27
Monthly velocity (%)	10.49
Monthly volatility (%)	45.93
3-mth average daily volume (m)	0.47
3-mth average daily value (RM'm)	1.72
Top Shareholders (%)	
MOUNTEX SDN BHD	21.26
Wahab Haji Dolah	12.63
Haji Sepawi Amar Abdul Hamed	7.52

MIDF RESEARCH
research@midf.com.my

INVESTMENT STATISTICS

Financial year ending 31st Dec (in RM'm, unless otherwise stated)	2021	2022	2023F	2024F	2025F
Revenue	1,894.1	2,187.4	1,481.0	1,246.9	1,152.7
EBIT	470.6	556.2	373.3	314.3	290.5
PBT	457.9	553.6	340.6	286.8	265.1
PATANCI	288.5	355.5	160.1	127.9	120.1
Normalised PATANCI	313.1	339.7	160.1	127.9	120.1
Normalised EPS (sen)	71.1	77.1	36.3	29.0	27.3
Normalised EPS Growth (%)	327.7	8.5	-52.9	-20.1	-6.1
PER (x)	4.8	4.4	9.4	11.8	12.6
Dividend Per Share (sen)	30.0	40.0	25.0	15.0	10.0
Dividend yield (%)	8.5	10.6	7.3	4.4	2.9

Source: Company, MIDFR

TA ANN HOLDINGS BERHAD: 4QFY22 RESULTS SUMMARY

FYE 31st Dec (All in RM'm, unless otherwise stated)	Quarterly					Cumulative		
	4Q21	3Q22	4Q22	% QoQ	% YoY	FY22	FY21	% YoY
Revenue	**486.9**	**594.9**	**594.9**	**-24.2**	**-7.4**	**2,187.4**	**1,894.1**	**15.5**
EBITDA	213.6	181.6	126.6	-30.3	-40.7	644.6	561.9	14.7
EBIT	185.6	161.7	101.3	-37.4	-45.4	556.2	470.6	18.2
PBT	180.4	161.0	102.4	-36.4	-43.2	553.6	457.9	20.9
PATANCI	120.0	96.3	55.6	-42.2	-53.6	355.5	288.5	23.2
Normalized PATANCI	**90.4**	**105.4**	**17.0**	**-83.9**	**-81.2**	**339.7**	**313.1**	**8.5**
Normalized EPS (sen)	20.5	23.7	3.9	-83.7	-81.2	77.1	71.1	8.5
				+/- ppts				
EBITDA margin (%)	43.9	30.5	21.3	-9.3	-22.6	29.5	29.7	29.8
EBIT margin (%)	38.1	27.2	17.0	-10.2	-21.1	25.4	24.8	14.6
Normalised PATAMI margin (%)	18.6	17.7	2.9	-14.9	-15.7	15.5	16.5	10.2
Effective tax rate (%)	17.4	23.9	30.9	7.0	13.5	24.1	20.0	-8.0

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).
(Bank Pelaburan)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loess, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

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