Ta Ann Holdings Berhad

(5012 | TAH MK) Main | Plantation

Results within Expectation

***Maintain* NEUTRAL**

***Unchanged* Target Price: RM3.27**

KEY INVESTMENT HIGHLIGHTS

- **Below Expectation**
- **Upstream; profit dragged by lower CPO ASP realised**
- **Downstream; a surprising lower profit**
- **Earnings estimates; Maintained**
- **Maintain NEUTRAL with unchanged TP of RM3.27**

Within Expectation. Ta Ann recorded a top-line of RM350.7m (-28.1%yoy) in 1QFY23 owing to the weaker CPO and FFB average selling price realised. Its PBT and normalized earnings dropped to RM55.8m (-51.4%yoy) and RM41.8m (-43.9%yoy) respectively. Overall, normalized earnings came in within our and consensus expectations at 26% and 23% of full year forecasts respectively.

Plantation. Oil palm contribution eased in 1QFY23 with revenue fell -27.2%yoy to RM283.6m on lower ASP of CPO (-33%) and FFB (-41%) realized. As a result, PBT also decelerated to RM38.6m, a decrease of -58.2%yoy amid the low crop seasonality during the quarter.

Timber Segment. The timber segment revenue slowed -32.2%yoy to RM66.5m due weak demand for plywood product on slow economic activities. We reckon the contribution from this segment to continue moderate, on the back of high base rate and less spending in most countries.

Earnings estimates. Maintain.

Maintain NEUTRAL. 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 RM4,000/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 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 May 2023 (RM)	3.22
Expected share price return (%)	+1.59
Expected dividend yield (%)	+7.76
Expected total return (%)	**+9.36**

SHARE PRICE CHART



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

INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	1,481.0	1,246.9	1,152.7
EBIT	373.3	314.3	290.5
Profit Before Tax	340.6	286.8	265.1
Core PATAMI	160.1	127.9	120.1
Core EPS	36.3	29.0	27.3
DPS	25.0	15.0	10.0
Dividend Yield	7.8%	4.7%	3.1%

KEY STATISTICS

FBM KLCI	1,409.6
Issue shares (m)	4405
Estimated free float (%)	35.3
Market Capitalisation (RM'm)	1,432.0
52-wk price range	RM3.03-RM6.75
3-mth average daily volume (m)	21.2
3-mth average daily value (RM'm)	1.7
Top Shareholders (%)	
MOUNTEX SDN BHD	12.2
Wahab Haji Dolah	12.6
Haji Sepawi Amar	7.5

MIDF Research Team
research@midf.com.my

Ta Ann: 1Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly				
Income Statement	**1Q22**	**4Q22**	**1Q23**	**QoQ**	**YoY**
Revenue	487.8	450.7	350.7	-22.2%	-28.1%
EBITDA	136.2	126.6	77.9	-38.4%	-42.8%
Finance cost	-2.9	-2.0	-2.8	43.3%	-3.2%
PBT	114.8	102.4	55.8	-45.5%	-51.4%
Tax expense	-22.2	-31.6	-13.0	-59.0%	-41.6%
PATAMI	76.1	55.6	38.6	-30.6%	-49.3%
Core PATAMI	74.4	17.0	41.8	145.4%	-43.9%
EBITDA margin (%)	27.9	28.1	22.2		
PBT margin (%)	23.5	22.7	15.9		
Core PATAMI margin (%)	15.3	3.8	11.9		
Effective tax rate (%)	19.4	30.9	23.2		

FINANCIAL SUMMARY

Income Statement (RM'm)	2021A	2022A	2023E	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
PATAMI	288.5	355.5	160.1	127.9	120.1
Core PATAMI	313.1	339.7	160.1	127.9	120.1
EPS (sen)	71.1	77.1	36.3	29.0	27.3
PER (x)	4.5	4.2	8.9	11.1	11.8
DPS (sen)	30.0	40.0	25.0	15.0	10.0
Dividend yield (%)	8.5%	10.6%	7.8%	4.7%	3.1%

Source: Ta Ann, 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