TSH Resources Berhad

(9059 | TSH MK) Main | Plantation

SHARIAH Compliant

ESG 4 Stars

Corporate Update

Maintain NEUTRAL

Revised Target Price **RM1.16** (Previously RM1.24)

1QFY25 Results Review
A Good Start

Maintain NEUTRAL with a revised TP of RM1.16. We are maintaining our **NEUTRAL** call with a revised **TP** of **RM1.16** pegged to the same PER of 13x - nearly 5y avg mean, based on valuation year of FY25F's EPS of 9.0sen. While the upstream segment continues to underpin earnings - buoyed by elevated CPO prices, nonetheless, we are unconvinced with the sustainability of this earnings.

As a downward correction in CPO prices is anticipated in 2HFY25 and FY26, underpinned by normalising production trends and a recovery in closing stock levels, alongside Indonesia's proposal to increase its palm oil export levies. These factors are likely to exert pressure on benchmark CPO prices, potentially compressing upstream margins and moderating overall profitability prospects.

Palm Products Segment. The earnings surged to RM82.4m (+78.5%yoy), despite a decline in CPO and PK sales volume. This primarily driven by higher CPO average realized selling prices of CPO at RM4,193/Mt (+16.9%yoy) and PK of RM3,203/Mt (+9.3%yoy), respectively. While FFB production relatively stable, inching up by +0.8%yoy, indicating that a recovery in the output is on track.

However, CPO and PK sales volumes declined by -6.8%yoy and -5.5%yoy, respectively, largely attributable to the diminished price competitiveness of PO amid a widening premium over SBO. This price disparity negatively impacted demand dynamics, subsequently constraining sales volume growth.

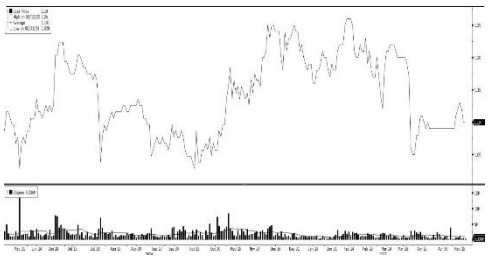
Despite the improvement, quarterly profit was also actually impacted by the increased of Indonesia Export levy and duty, which stood around RM36.2m (+78.0%yoy).

TSH/Wilmar. Earnings for the JV refinery remained negative, narrowing to a loss of -RM0.004m compared to -RM1.7m prior year. We attribute the earnings improvement due more efficient feedstock procurement cost and a relatively stable refinery utilisation rate running days.

Earnings. We view the 1QFY25 earnings, which accounted for approximately 40% of our full-year forecast, as broadly within expectations. That said, we anticipate further earnings moderation in 2HFY25, mostly because of softening in CPO prices amid recovering production and normalising closing stock levels - factors likely to exert downward pressure on selling prices. As such, we have revised our earnings forecasts downward by -6.3% and -26.0% for FY25E-FY26F, to reflect a more conservative margin outlook on normalised price environment amid stagnant in FFB yield.

RETURN STATISTICS	
Price @ 20th May 2025 (RM)	1.11
Expected share price return (%)	+4.89
Expected dividend yield (%)	+2.25
Expected total return (%)	+7.14

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.o	-3.2
3months	-8.3	-6.7
12 months	-0.9	4.1

INVESTMENT STATISTICS

FYE Dec (RM'm)	2025E	2026F	2027F
Revenue	1,048.5	996.6	967.2
Operating Profit	200.9	179.6	162.6
PBT	201.3	180.0	163.1
PATAMI	123.6	111.0	101.0
EPS (sen)	9.0	8.0	7.3
DPS (sen)	2.5	2.5	2.5
Dividend Yield (%)	2.3%	2.3%	2.3%

KEY STATISTICS	
FBM KLCI	1,548.87
Issue shares (m)	1,367.01
Estimated free float (%)	30.59
Market Capitalisation (RM'm)	34,371.10
52-wk price range	RM1.00 – RM1.28
3-mth average daily volume (m)	1.27
3-mth average daily value (RM'm)	1.45
Top Shareholders (%)	
Tan Aik Pen	27.03
Central Depository Pte Ltd	18.97
Tan Aik Yong	5.44

Analyst

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TSH Resources: 1QFY25 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue	242.4	293.0	275.3	-6.0	13.6	242.4	275.3	13.6
Operating profit	37.5	86.4	76.4	-11.6	>100	37.5	76.4	>100
Finance Costs	-3.6	-2.8	-2.7	-3.7	-24.7	-3.6	-2.7	-24.7
PBT	35.0	119.8	78.6	-34.4	>100	35.0	78.6	>100
Tax Expense	-9.9	-21.2	-20.9	-1.5	>100	-9.9	-20.9	>100
PATMI	20.1	88.7	48.2	-45.6	>100	20.1	48.2	>100
Core PATMI	23.0	84.7	53.6	-36.8	>100	23.0	53.6	>100
Core EPS (sen)	1.7	6.1	3.9	-36.8	>100	1.7	3.9	>100
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	15.5	29.5	27.8	-1.7	12.3	15.5	27.8	12.3
PBT margin (%)	14.5	40.9	28.6	-12.3	14.1	14.5	28.6	14.1
Core PATAMI margin (%)	9.5	28.9	19.5	-9.5	10.0	9.5	19.5	10.0

Source: Company, MIDFR

TSH Resources: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1QFY24	4QFY24	1QFY25	QoQ (%)	YoY (%)	3M24	3M25	YoY (%)
Revenue (RM'm):	242.4	293.0	275.3	-6.0	13.6	242.4	275.3	13.6
- Palm product	231.8	279.9	262.4	-6.3	13.2	231.8	262.4	13.2
- Others	10.6	13.0	13.0	-0.6	22.2	10.6	13.0	22.2
Operating Profit (RM'm)	37.5	86.4	76.4	-11.6	>100	37.5	76.4	>100
- Palm product	46.2	93.4	82.4	-11.8	78.5	46.2	82.4	78.5
- Others	-3.8	-4.8	-1.7	NM	NM	-3.8	-1.7	NM
Operating Profit (%)	15.5	29.5	27.8	-1.7	12.3	15.5	27.8	12.3
- Palm product	19.9	33.4	31.4	-2.0	11.5	19.9	31.4	11.5
- Others	-36.1	-37.0	-13.4	23.5	22.7	-36.1	-13.4	22.7
Operational Stats.								
FFB Production	196,566	208,392	198,112	-4.9	0.8	196,566	198,112	0.8
Average CPO price (RM/Mt)	3,587	4,195	4,193	0.0	16.9	3,587	4,193	16.9
Average PK price (RM/Mt)	2,930	2,195	3,203	45.9	9.3	1,930	3,203	66.0

Source: Company, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2023A	2024A	2025E	2026F	2027F
Revenue	1,066.5	1,019.8	1,048.5	996.6	967.2
Operating Profit	209.8	208.0	200.9	179.6	162.6
PBT	197.8	219.9	201.3	180.0	163.1
PATAMI	95.1	135.7	123.6	111.0	101.0
Core PATAMI	**103.2**	**119.9**	**123.6**	**111.0**	**101.0**
Core EPS (sen)	7.5	8.7	9.0	8.0	7.3
PER (x)	14.8	12.8	12.4	13.8	15.2
DPS (sen)	5.0	2.5	2.5	2.5	2.5
Dividend yield (%)	2.3%	2.3%	2.3%	2.3%	2.3%

Cash Flow (RM'm)	2023A	2024A	2025E	2026F	2027F
PBT	197.8	219.9	201.3	180.0	163.1
Operating cash flow	226.7	240.6	245.4	231.5	213.7
Investing cash flow	-35.9	-66.8	-55.0	-55.0	-55.0
Financing cash flow	-328.4	-148.7	-34.5	-34.5	-34.5
Net cash flow	-137.6	25.1	155.9	142.0	124.2
Beginning cash flow	376.2	251.0	261.9	417.8	559.8
Ending cash flow	251.0	261.9	417.8	559.8	684.1

Balance Sheet (RM'm)	2023A	2024A	2025E	2026F	2027F
PPE	1,277.8	1,338.0	1,287.3	1,240.4	1,197.1
Right-of-use Assets	253.4	248.5	238.2	228.3	218.8
Biological assets	366.0	366.4	365.2	364.0	362.8
Non-current assets	2,200.4	2,290.2	2,249.4	2,210.2	2,175.7
Inventories	93.7	102.7	105.6	100.3	97.4
Trade receivables	36.2	44.1	45.4	43.1	41.9
Derivative assets	0.295	0.298	0.298	0.298	0.298
Current assets	644.6	457.6	617.6	752.2	872.2
Total Assets	**2,845.0**	**2,747.8**	**2,867.0**	**2,962.4**	**3,047.9**
Loans & borrowings	191.2	201.1	201.1	201.1	201.1
Trade & other payables	123.5	108.4	111.4	105.9	102.8
Current liabilities	317.9	317.2	320.3	314.8	311.6
Loans & borrowings	111.0	58.6	58.6	58.6	58.6
Non - Current liabilities	221.9	169.6	169.6	169.6	169.6
Liabilities & equity	**2,845.0**	**2,747.8**	**2,867.0**	**2,962.4**	**3,047.9**

Margins	2023A	2024A	2025E	2026F	2027F
EBITDA margin	29.0%	32.8%	30.2%	29.2%	28.0%
EBIT margin	19.7%	20.4%	19.2%	18.0%	16.8%
PBT margin	18.5%	21.6%	19.2%	18.1%	16.9%
Core PATMI margin	9.7%	11.8%	11.8%	11.1%	10.4%

Source: Bloomberg, 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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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