TSH Resources Berhad

(9059 | TSH MK) Main | Plantation

3 Stars

SHARIAH Compliant

Corporate Update

Maintain NEUTRAL

Revised Target Price **RM1.28**
(from RM1.36)

1QFY26 Results Review: Weak Results

Maintain NEUTRAL. We maintain our NEUTRAL call with a revised **TP** of **RM1.28** (from RM1.36), based on FY26F EPS of 10.3 sen, pegged to a 12.5x PER, broadly in line with its 5-year historical mean. The lower TP reflects rising near-term earnings risks, mainly premised on softer CPO production outlook, despite OER expected to remain relatively firm at around the 20% level in FY26. While elevated CPO prices could continue to provide some earnings support, weaker output visibility is likely to cap upside, leaving a balanced risk-reward profile at current valuations.

Below expectations. TSH chalked in 1QFY26 revenue of RM205.2m (-19.3%qoq; -25.5%yoy) and core PATANCI of RM19.3m (-34.2%qoq; -64.0%yoy), accounting for 11.3% and 11.7% of both our and consensus full-year estimates. Overall, the quarter came in weaker, dragged by softer production and lower realised ASPs. This had subsequently compressed margins as cost of production remained due to higher unit cost absorption amid lower output levels.

As aforementioned above, the weak set of results was mainly dragged by slower CPO sales volume (-11.3%yoy), coupled with softer realised selling prices, with average CPO and PK prices recorded at RM3,527/Mt (-15.9%yoy) and RM2,980/Mt (-7.0%yoy), respectively. Operationally, FFB output remained modest at 169,943 tonnes, which subsequently lifted unit production cost and compressed operating margin by 2.7pts to 25.1% for the quarter.

The softer performance was largely in line with lower revenue recognition and weaker upstream contribution, following biological stress after the high crop cycle seen in FY24–25, particularly at the Kalimantan Tengah estates, alongside ongoing replanting activities which weighed on FFB production.

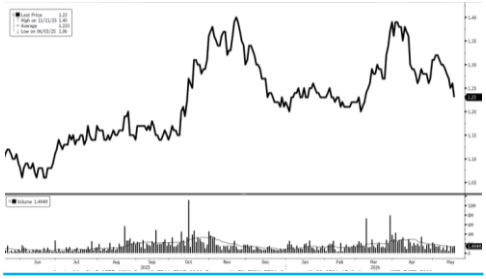
Nevertheless, the downside was partially cushioned by lower Indonesia Export Levy and Duty on CPO amounting to RM13.0m, as well as firmer group OER and KER, especially from the Indonesia operations. Notably, average Indonesia mill OER improved to 22.69% versus 20.74% in the corresponding period last year.

TSH/Wilmar. Earnings from the JV refinery slipped into the red, registering a loss of -RM5.7m in the quarter. We attribute the weaker performance mainly to elevated feedstock procurement costs, following the persistently high CPO prices traded throughout 1QFY26, which continued to pressure refining margins and downstream profitability.

Earnings. We have tweaked our earnings estimate by -21% and -6.4% for FY26-27F to align with the new average CPO price RM4,300-RM4,200/tonne and softer output growth projection. We are projecting a prudent approach by cutting the OER to 20%, in light of the biological tree rest conditions and dry weather conditions in Borneo area.

RETURN STATISTICS	
Price @ 19th May 2026 (RM)	1.22
Expected share price return (%)	+4.9
Expected dividend yield (%)	+2.1
Expected total return (%)	+7.0

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.4	-3.8
3 months	-11.5	3.2
12 months	10.8	-0.6

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	990.6	1,008.2	1,050.2
Operating Profit	229.6	267.7	274.7
PBT	222.9	260.9	269.9
PATAMI	134.6	157.1	162.6
EPS (sen)	10.3	12.0	12.4
DPS (sen)	2.5	2.5	2.5
Dividend Yield (%)	2.0%	2.0%	2.0%

KEY STATISTICS

FBM KLCI	1,727.27
Issue shares (m)	1,268.86
Estimated free float (%)	23.39
Market Capitalisation (RM'm)	1,537.26
52-wk price range	RM1.06 – RM1.43
3-mth average daily volume (m)	1.98
3-mth average daily value (RM'm)	2.58
Top Shareholders (%)	
Tan Aik Pen	28.54
Central Depository Pte Ltd	19.43
Tan Aik Yong	5.75

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TSH Resources: 1QFY26 Results Summary

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue	275.3	254.4	205.2	-19.3	-25.5	275.3	205.2	-25.5
Operating profit	76.4	63.8	51.5	-19.3	-32.7	76.4	51.5	-32.7
JVs	0.0	0.7	-5.7	NM	NM	0.0	-5.7	NM
PBT	78.6	65.7	47.3	-28.1	-39.9	78.6	47.3	-39.9
Tax Expense	-20.9	-22.0	-18.4	-16.2	-11.9	-20.9	-18.4	-11.9
PATANCI	48.2	29.1	21.3	-26.9	-55.8	48.2	21.3	-55.8
Core PATANCI	53.6	29.3	19.3	-34.2	-64.0	53.6	19.3	-64.0
Core EPS (sen)	3.9	2.1	1.4	*-34.2*	*-64.0*	3.9	1.4	*-64.0*
Growth & Margin (%)				+/- ppts				+/- ppts
OP margin (%)	27.8	25.1	25.1	0.0	-2.7	27.8	25.1	-2.7
PBT margin (%)	28.6	25.8	23.0	-2.8	-5.5	28.6	23.0	-5.5
Core PATAMI margin (%)	19.5	11.5	9.4	-2.1	-10.0	19.5	9.4	-10.0

Source: Company, MBSBR

TSH Resources: Segmental Breakdown & Operational Stats.

FYE Dec (RM'm)	Quarterly results					Cumulatively results		
	1Q25	4Q25	1Q26	QoQ (%)	YoY (%)	3M25	3M26	YoY (%)
Revenue								
- Palm product	262.4	242.9	197.1	-18.8	-24.9	262.4	197.1	-24.9
- Others	13.0	11.5	8.1	-29.9	-37.6	13.0	8.1	-37.6
Operating Profit								
- Palm product	82.4	70.6	59.1	-16.2	-28.2	82.4	59.1	-28.2
- Others	-1.7	-5.3	-4.3	NM	NM	-1.7	-4.3	NM
Operating Profit Margins (%)								
- Palm product	31.4	29.1	30.0	0.9	-1.4	31.4	30.0	-1.4
- Others	-13.4	-45.5	-53.4	-7.9	-40.0	-13.4	-53.4	-40.0
Operational Stats.								
FFB Production	198,112	184,554	169,943	-7.9	-14.2	198,112	169,943	-14.2
Avg CPO Price Realised (RM/Mt)	4,193	3,686	3,527	-4.3	-15.9	4,193	3,527	-15.9
Avg PK Price Realised (RM/Mt)	3,203	3,137	2,980	-5.0	-7.0	3,203	2,980	-7.0

Source: Company, MBSBR

FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F	Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,019.8	1,060.4	990.6	1,008.2	1,050.2	PBT	219.9	303.2	222.9	260.9	269.9
Operating Profit	208.0	297.0	229.6	267.7	274.7	Operating cash flow	249.0	321.3	245.3	265.5	266.9
PBT	219.9	303.2	222.9	260.9	269.9	Investing cash flow	-24.1	-14.1	-55.0	-55.0	-55.0
PATAMI	135.7	183.4	134.6	157.1	162.6	Financing cash flow	-148.7	-117.7	-69.0	-32.8	-32.8
Core PATAMI	122.7	182.5	134.6	157.1	162.6	Net cash flow	76.2	189.5	121.3	177.7	179.2
EPS (sen)	8.9	13.9	10.3	12.0	12.4	Beginning cash flow	251.0	258.5	396.3	517.6	695.3
PER (x)	13.8	8.8	12.0	10.3	9.9	Ending cash flow	261.9	396.3	517.6	695.3	874.5
DPS (sen)	2.5	5.0	2.5	2.5	2.5						
Dividend yield (%)	2.0%	4.1%	2.0%	2.0%	2.0%						

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F	Margins	2024A	2025A	2026E	2027F	2028F
PPE	1,338.0	1,181.5	1,156.4	1,132.9	1,110.9	EBITDA margin	32.8%	37.5%	32.2%	35.2%	34.3%
Right-of-use Assets	248.5	229.1	220.2	211.7	203.5	EBIT margin	20.4%	28.0%	23.2%	26.5%	26.2%
Biological assets	366.4	364.8	363.6	362.4	362.2	PBT margin	21.6%	28.6%	22.5%	25.9%	25.7%
Non-current assets	2,290.2	2,105.4	2,081.6	2,062.1	2,047.1	Core PATAMI margin	12.0%	17.2%	13.6%	15.6%	15.5%
Inventories	102.7	87.7	81.9	83.4	86.9						
Trade receivables	44.1	49.6	46.3	47.1	49.1						
Derivative assets	0.3	0.0	0.0	0.0	0.0						
Current assets	457.6	565.5	677.8	857.7	1,042.3						
Total Assets	2,747.8	2,670.9	2,759.3	2,919.8	3,089.5						
Loans & borrowings	201.1	225.5	225.5	225.5	225.5						
Trade & other payables	108.4	102.5	95.8	97.5	101.5						
Current liabilities	317.2	342.8	336.0	337.7	341.8						
Loans & borrowings	58.6	70.7	70.7	70.7	70.7						
Non - Current liabilities	169.6	181.4	181.4	181.4	181.4						
Liabilities & equity	2,747.8	2,670.9	2,759.3	2,919.8	3,089.5						

Source: Bloomberg, MBSBR

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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