Corporate Update

TSH Resources Berhad

(9509 | TSH MK) Main | Plantation

3 Stars

SHARIAH Compliant

Maintain NEUTRAL

Maintained Target Price **RM1.28**

Regulatory Risks Cloud its Outlook

Maintain NEUTRAL. We maintain our NEUTRAL call with an unchanged TP of **RM1.28**, based on FY26F EPS of 10.3 Sen, pegged to a 12.5x PER, broadly inline with its 5-year historical mean. The fine adds to near-term earnings pressure and brings Indonesian forestry and land-use regulatory risk into sharper focus. The bigger question is whether further enforcement could affect productive land and future earnings. We keep our forecasts unchanged pending further details to assess any lasting financial or operational impact.

RM42.0 fined. TSH announced its 90%-owned subsidiary, PT Sarana Prima Multi Niaga (SPMN), has been fined circa RM42.0m by Indonesia's Forest Area Enforcement Task Force over its operations in Central Kalimantan. The fine will be paid in 4 instalments, with the first due by 25 September 2026. TSH has yet to disclose the amount neither the timing of the remaining payments and did not specify the breach. Given the authority involved, we believe the fine likely relates to forestry land-use compliance, although this remains unconfirmed.

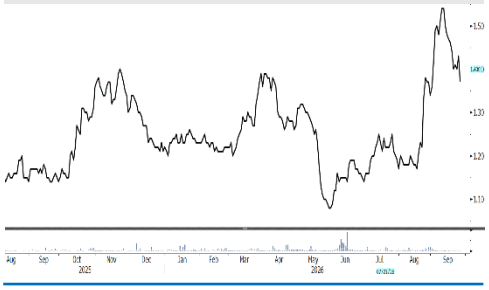
Financial Impacts. Assuming TSH recognizes the c.RM42.0m fine in FY26, our core PATAMI estimates could fall to RM96.8m after accounting for PT SPMN's 10% minority interest, against our current RM134.6m forecast. We regard the fine as a one-off charge and will exclude it from our core PATAMI calculation. We retain our forecasts for now, pending TSH's disclosure of the instalment amounts, payment dates and accounting treatment.

Indonesia exposure. TSH has been long in Indonesia, with a sizeable exposure of 91.4% out of total 38,654 ha planted area; Sabah makes up the rest. Its subsidiary PT SPMN operates about 7,114 ha in Central Kalimantan. A local report in May 2026 flagged a 122.5 ha land dispute between PT SPMN and the Ondol family in East Kotawaringin, Central Kalimantan, with both sides urged to settle the matter through discussions. However, we cannot establish whether this dispute has any connection to the recently announced fine.

Outlook. We view the fine as a negative development. The bigger question is what comes next. With the breach still undisclosed, we cannot rule out further action affecting some of PT SPMN's planted area. PT SPMN's total planted area accounts for c.20.1% of TSH's Indonesian planted area, so any loss of productive land could weigh on future group earnings. We keep our forecasts unchanged until further details to assess the operational impact.

RETURN STATISTICS	
Price @ 25 Sep 2026 (RM)	1.37
Expected share price return (%)	-6.37
Expected dividend yield (%)	+1.82
Expected total return (%)	-4.52

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	3.2
3 months	18.1	16.8
12 months	18.1	13.7

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
Core 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 (%)	1.8%	1.8%	1.8%

KEY STATISTICS

FBM KLCI	1,671.62
Issue shares (m)	1,268.86
Estimated free float (%)	28.98
Market Capitalisation (RM'm)	1,682.11
52-wk price range	RM1.07 – RM1.56
3-mth average daily volume (m)	1.72
3-mth average daily value (RM'm)	2.29
Top Shareholders (%)	
Tan Aik Pen	29.05
Central Depository Pte Ltd/The	19.79
Tan Aik Yong	5.85

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FINANCIAL SUMMARY

Income Statement (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,019.8	1,060.4	990.6	1,008.2	1,050.2
Operating Profit	208.0	297.0	229.6	267.7	274.7
PBT	219.9	303.2	222.9	260.9	269.9
PATAMI	135.7	183.4	134.6	157.1	162.6
Core PATAMI	122.7	183.5	134.6	157.1	162.6
EPS (sen)	8.9	14.0	10.3	12.0	12.4
PER (x)	15.4x	9.8x	13.3x	11.4x	11.0x
DPS (sen)	2.5	5.0	2.5	2.5	2.5
Dividend yield (%)	1.8%	3.6%	1.8%	1.8%	1.8%

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	219.9	303.2	222.9	260.9	269.9
Operating cash flow	249.0	321.3	245.3	265.5	266.9
Investing cash flow	-24.1	-14.1	-55.0	-55.0	-55.0
Financing cash flow	-148.7	-117.7	-69.0	-32.8	-32.8
Net cash flow	76.2	189.5	121.3	177.7	179.2
Beginning cash flow	251.0	258.5	396.3	517.6	695.3
Ending cash flow	261.9	396.3	517.6	695.3	874.5

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	1,338.0	1,181.5	1,156.4	1,132.9	1,110.9
ROU assets	248.5	229.1	220.2	211.7	203.5
Non-current assets	2,290.2	2,105.4	2,081.6	2,062.1	2,047.1
Inventories	102.7	87.7	81.9	83.4	86.9
Receivables	44.1	49.6	46.3	47.1	49.1
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
Long-term debt	58.6	70.7	70.7	70.7	70.7
Non-current liabilities	169.6	181.4	181.4	181.4	181.4
Payables	108.4	102.5	95.8	97.5	101.5
Current liabilities	317.2	342.8	336.0	337.7	341.8
Shareholder's equity	2,003.7	1,909.7	1,975.4	2,099.7	2,229.5
NCI	257.4	237.0	266.6	301.0	336.7
Equity	2,747.8	2,670.9	2,759.3	2,919.8	3,089.5

Margins	2024A	2025A	2026E	2027F	2028F
OP margin	20.4%	28.0%	23.2%	26.5%	26.2%
PBT margin	21.6%	28.6%	22.5%	25.9%	25.7%
PATAMI margin	13.3%	17.3%	13.6%	15.6%	15.5%
Core PATAMI margin	12.0%	17.3%	13.6%	15.6%	15.5%

Source: Bloomberg, MBSBR

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MBSB 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