

24 May 2018 | 1QFY18 Results Review

TSH Resources Berhad

1QFY18 earnings below expectation


INVESTMENT HIGHLIGHTS

- **1QFY18 Core Net Income is below expectation**
- **Core PBT declined 52% yoy to RM17.0m**
- **Earnings estimate lowered**
- **Maintain Neutral with a revised TP of RM1.30**

1QFY18 Core Net Income is below expectation. TSH Resources (TSH) 1QFY18 core net income (CNI) of RM4.7m is below expectations at 5% of ours and 4% of consensus earnings estimates, respectively. The weaker than expected earnings was caused by higher than expected cost. In our CNI calculation, we have excluded RM11.2m in forex gain and RM1.8m net writeoffs. As expected, no dividend was announced.

Core PBT declined 52% yoy to RM17.0m. This is caused by lower CPO price (-22% yoy to RM2316 per tonne). Although FFB production has improved (+22% yoy to 181,219 tonnes), it was not enough to offset the impact of lower CPO price.

Earnings estimate lowered. FY18 CNI has been reduced by 10% to RM80.6m. FY19 CNI has been reduced by 10% to RM86.8m. We have increased our cost assumption.

Maintain Neutral with a revised TP of RM1.30. Our TP has been lowered to RM1.30 (previously: RM1.45) in line with lower Core EPS assumption for FY18. Valuation method is unchanged by using 22.3x Forward PE which reflects mean valuation. Maintain Neutral on TSH due to its unexciting earnings outlook in the near term. 

Maintain NEUTRAL

Adjusted Target Price (TP): RM1.30
(Previously RM1.45)

RETURN STATS	
Price (23 May 2018)	RM1.23
Target Price	RM1.30
Expected Share Price Return	+5.7%
Expected Dividend Yield	+1.2%
Expected Total Return	+6.9%

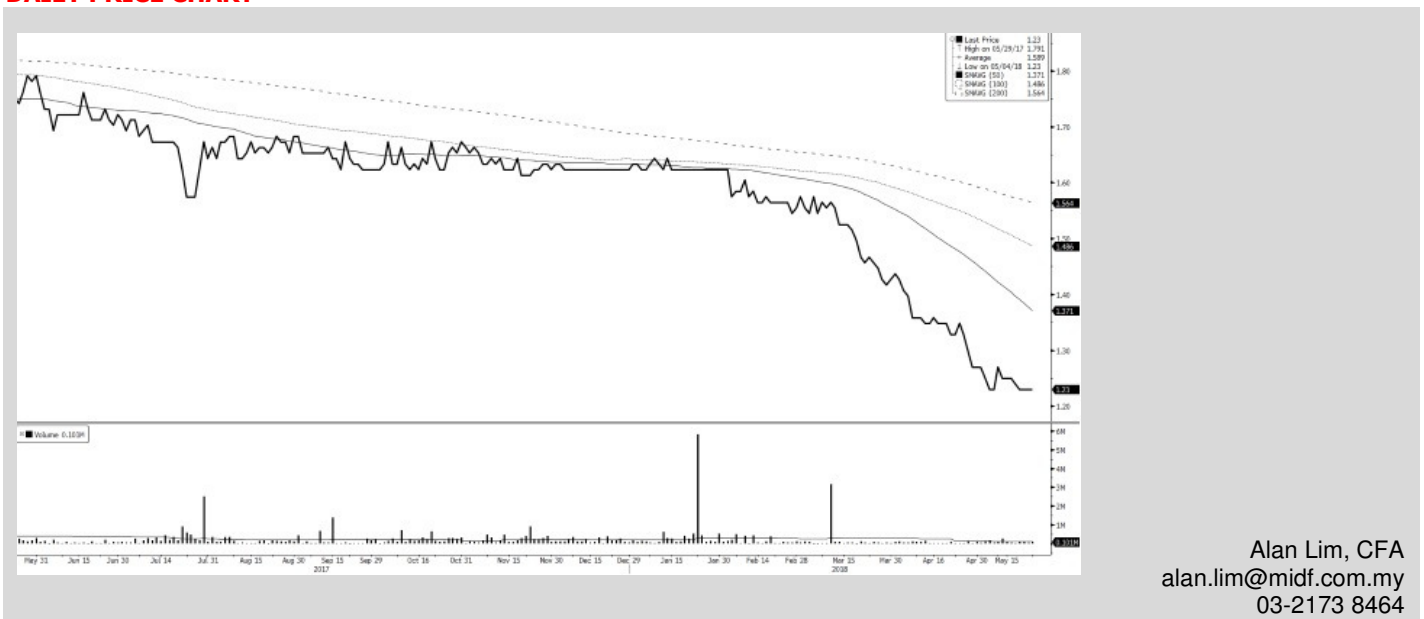
STOCK INFO	
KLCI	1804.25
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1380.74
Market cap. (RM'm)	1,698.31
Price over NA	1.15
52-wk price Range	RM1.22 - RM1.82
Beta (against KLCI)	0.49
3-mth Avg Daily Vol	0.12m
3-mth Avg Daily Value	RM0.17m
Major Shareholders (%)	
Tan Aik Pen	12.23%
EPF	6.60%
Tunas Lestari S/B	6.19%
Embun Yakin S/B	5.48%

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	800	873	1,074	1,072	1,106
EBIT	113	133	205	190	204
PBT	(86)	113	192	153	166
Net Income	(106)	57	114	81	87
Core Net Income	87	79	109	81	87
EPS (sen)	(7.85)	4.20	8.35	5.83	6.28
Core EPS (sen)	6.48	5.89	7.98	5.83	6.28
Net DPS (sen)	2.00	2.00	2.00	1.46	1.57
Net Dvd Yield	1.6%	1.6%	1.6%	1.2%	1.3%
Core PER	19.3	21.2	15.7	21.1	19.9
NTA/share (RM)	1.07	1.19	1.12	1.16	1.22
P/NTA	1.17	1.05	1.12	1.07	1.03
ROE	-7.8%	3.8%	7.7%	5.3%	5.4%
ROA	-3.3%	1.6%	3.4%	2.3%	2.4%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: MIDFR, Company

TSH: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	226.1	-22%	-16%	226.1	-22%	
EBIT	25.3	-41%	-52%	25.3	-41%	
PBT	28.3	-34%	-42%	28.3	-34%	
Core PBT	17.0	-52%	-65%	17.0	-52%	Lower core PBT due to weaker CPO price (-22% yoy to RM2316 per MT)
Net Income	17.8	-39%	-18%	17.8	-39%	
Core Net Income	4.7	-86%	-82%	4.7	-86%	Excludes RM11.2m in forex gain and RM1.8m net writeoffs.
EPS (sen)	1.29	-41%	-18%	1.29	-41%	1QFY18 core net income is below expectations at 5% of ours and 4% of consensus earnings estimates, respectively.
Core EPS (sen)	0.34	-86%	-82%	0.34	-86%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2316	-22%	-12%	2316	-22%	
FFB Volume ('k MT)	181	22%	7%	181	22%	
EBIT Margin	11.2%	NA	NA	11.2%	NA	
PBT Margin	12.5%	NA	NA	12.5%	NA	

Source: Company

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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 <i>rise</i> 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 <i>fall</i> 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.