

24 August 2018 | 2QFY18 Results Review

TSH Resources Berhad

1HFY18 earnings below expectation


INVESTMENT HIGHLIGHTS

- **1HFY18 Core Net Income was below expectation**
- **Core PBT declined due to lower CPO price yoy**
- **Earnings estimate lowered**
- **Maintain Neutral with a revised TP of RM1.18**

1HFY18 Core Net Income was below expectation. TSH Resources (TSH) 1HFY18 core net income (CNI) of RM25.0m was below expectations as it makes up 34% of ours and 32% of consensus earnings estimates, respectively. The weaker than expected earnings was caused by higher than expected cost. In our CNI calculation, we have excluded RM14.0m in forex loss and RM2.3m net write-offs. As expected, no dividend was announced.

Core PBT declined due to lower CPO price year-on-year. This was caused by lower revenue (down 16%yoy to RM459.1m) as CPO price realized of RM2,283 per tonne was lower by 14%yoy. Although 1HFY18 FFB production improved by 24% yoy to 401,723 tonnes, it was not enough to offset the impact of the lower CPO price.

Earnings estimate lowered. For FY18, we reduced CNI by 2% to RM73.0m. For FY19, CNI has been reduced by 4% to RM76.4m. We have increased our cost assumption.

Maintain Neutral with a revised TP of RM1.18. Our TP has been lowered to RM1.18 (previously: RM1.20) 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): RM1.18
(Previously RM1.20)

RETURN STATS	
Price (23 Aug 2018)	RM1.24
Target Price	RM1.18
Expected Share Price Return	-4.8%
Expected Dividend Yield	+1.1%
Expected Total Return	-3.7%

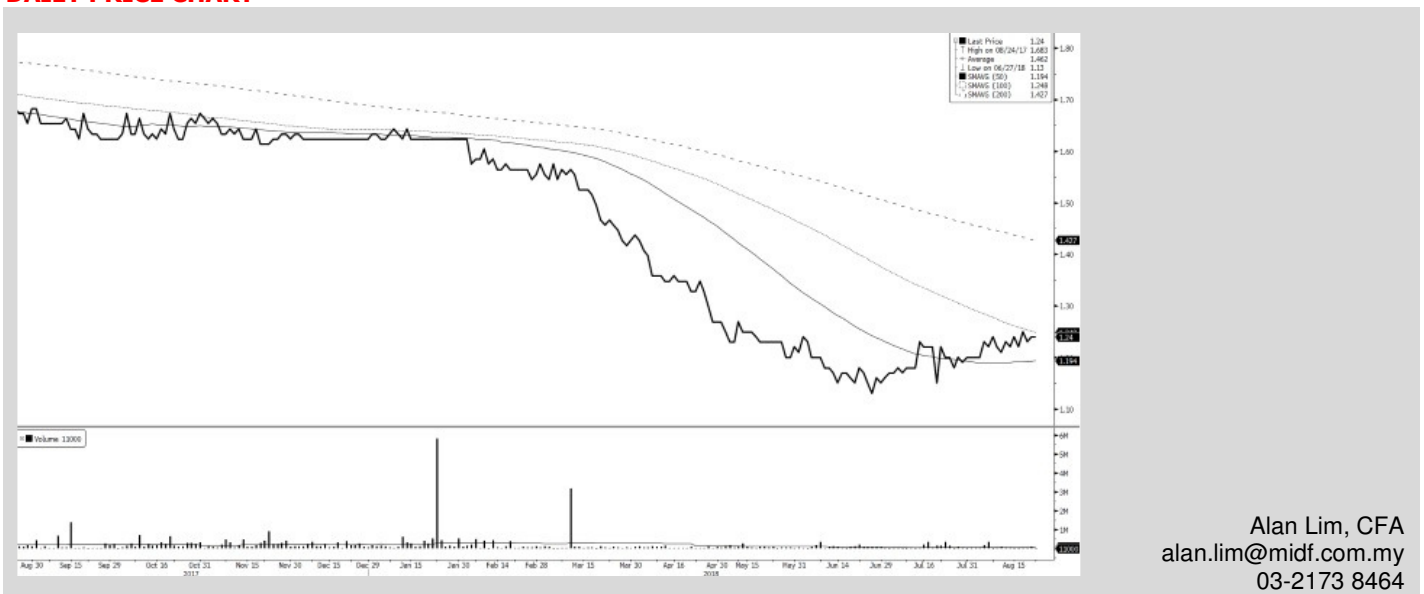
STOCK INFO	
KLCI	1810.87
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1380.74
Market cap. (RM'm)	1,712.12
Price over NA	1.32
52-wk price Range	RM1.12 - RM1.73
Beta (against KLCI)	0.40
3-mth Avg Daily Vol	0.07m
3-mth Avg Daily Value	RM0.08m
Major Shareholders (%)	
Tan Aik Pen	12.23%
EPF	6.74%
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	1,052	1,086
EBIT	113	133	205	180	190
PBT	(86)	113	192	143	152
Net Income	(105.5)	56.5	114.0	73.0	76.4
Core Net Income	87.2	79.3	108.9	73.0	76.4
EPS (sen)	(7.85)	4.20	8.35	5.28	5.53
Core EPS (sen)	6.48	5.89	7.98	5.28	5.53
Net DPS (sen)	2.00	2.00	2.00	1.32	1.38
Net Dvd Yield	1.6%	1.6%	1.6%	1.1%	1.1%
Core PER	19.1	21.0	15.5	23.5	22.4
NTA/share (RM)	1.07	1.19	1.12	1.16	1.20
P/NTA	1.16	1.04	1.11	1.07	1.03
ROE	-7.8%	3.8%	7.7%	4.8%	4.8%
ROA	-3.3%	1.6%	3.4%	2.1%	2.1%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



Source: MIDFR, Company

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TSH: 2QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY18	%YoY	%QoQ	6MFY18	%YoY	
Revenue	232.9	-10%	3%	459.1	-16%	Revenue declined due to low CPO price realized of RM2283 per tonne (down 14% yoy)
EBIT	40.9	-12%	61%	66.2	-30%	
PBT	17.4	-58%	-38%	45.8	-49%	
Core PBT	31.2	-19%	83%	48.2	-39%	In line with lower revenue
Net Income	4.1	-85%	-77%	21.9	-64%	
Core Net Income	20.3	-17%	328%	25.0	-51%	Excludes RM14.0m in forex loss and RM2.3m net writeoffs.
EPS (sen)	0.30	-85%	-77%	1.59	-65%	1HFY18 core net income is below expectations at it makes up 34% of ours and 32% of consensus earnings estimates, respectively.
Core EPS (sen)	1.48	-18%	332%	1.81	-52%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2283	-14%	-1%	2299	-18%	
FFB Volume ('k MT)	220	25%	22%	402	24%	
EBIT Margin	17.5%	NA	NA	14.4%	NA	
PBT Margin	7.5%	NA	NA	10.0%	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.