

25 August 2017 | 2QFY17 Results Review

TSH Resources Berhad

1HFY17 earnings within expectation

Maintain BUY

Unchanged Target Price (TP): RM2.15

INVESTMENT HIGHLIGHTS


- **1HFY17 Core Net Income is within expectation**
- **1HFY17 Core Net Income surged 30% yoy**
- **Earnings estimate maintained**
- **Positive earnings and FFB production outlook**
- **Maintain BUY with Target Price of RM2.15**

1HFY17 Core Net Income is within expectation. TSH Resources (TSH) 1HFY17 Core Net Income (CNI) of RM50.5m is within expectation. Although it made up 39% and 42% of ours and consensus full year earnings estimate, we are expecting seasonally stronger FFB production in 2HFY17. In our CNI calculation, we have excluded RM11.1m in forex gain. As expected, no dividend is announced in the second quarter.

1HFY17 Core Net Income surged 30% yoy. The significantly higher core earnings improvement is driven by better CPO price (+22% yoy to RM2805 per MT) and higher FFB production (+29% yoy to 325,000 MT).

Earnings estimate maintained. FY17 CNP is maintained at RM130m. We also maintain our FY18 CNP of RM139m. Key assumptions being average CPO price of RM2725 per MT for both FY17 and FY18.

Positive earnings and FFB production outlook. Prospect for FFB production in FY17 is positive as FFB production recovers from lagged impact of drought. We are forecasting FFB production growth rate of 16% for FY17.

Maintain BUY with unchanged Target Price of RM2.15. The TP is based on unchanged Forward PE of 22.3x (mean valuation) on FY17 EPS estimate of 9.65 sen. We also like TSH due to: i) its strong 1HFY17 CNI which has grown 30% yoy, ii) attractive valuation at close to its -0.5SD level and iii) its young age profile of ~7.3 years old which should allow them to register better FFB growth in the long run. 

RETURN STATS	
Price (24 Aug 2017)	RM1.71
Target Price	RM2.15
Expected Share Price Return	+25.8%
Expected Dividend Yield	+1.4%
Expected Total Return	+27.2%

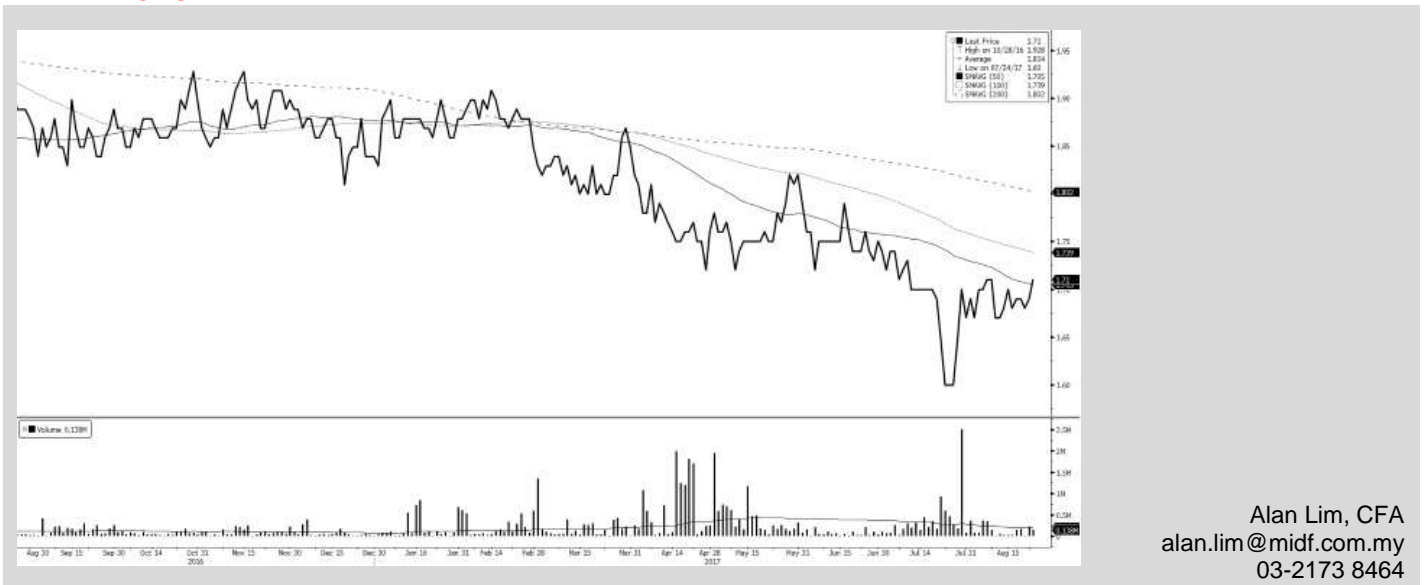
STOCK INFO	
KLCI	1775.50
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1380.74
Market cap. (RM'm)	2,361.06
Price over NA	1.56
52-wk price Range	RM1.56 - RM1.95
Beta (against KLCI)	0.47
3-mth Avg Daily Vol	0.19m
3-mth Avg Daily Value	RM0.33m
Major Shareholders (%)	
Tan Aik Pen	12.22
EPF	6.61
Tunas Lestari S/B	6.19
Embun Yakin S/B	5.48

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	1,071	800	873	1,127	1,162
EBIT	185	113	133	214	239
PBT	187	(86)	113	189	201
Net Income	139	(106)	57	130	139
Core Net Income	160	87	79	130	139
EPS (sen)	10.31	(7.85)	4.20	9.65	10.34
Core EPS (sen)	11.90	6.48	5.89	9.65	10.34
Net DPS (sen)	2.50	2.00	2.00	2.41	2.58
Net Dvd Yield	1.5%	1.2%	1.2%	1.4%	1.5%
Core PER	14.4	26.4	29.0	17.7	16.5
NTA/share (RM)	0.97	1.07	1.19	1.27	1.36
P/NTA	1.76	1.60	1.43	1.34	1.26
ROE	11.1%	-7.8%	3.8%	8.1%	8.1%
ROA	5.2%	-3.3%	1.6%	5.4%	5.8%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: MIDFR, Company

TSH: 2QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY17	%YoY	%QoQ	6MFY17	%YoY	
Revenue	258.2	22%	-10%	546.7	32%	
EBIT	46.4	80%	-4%	94.8	73%	
PBT	41.5	148%	-15%	90.4	NA	
Core PBT	38.3	46%	-7%	79.3	54%	<i>Improved core PBT due to higher CPO price (+22% yoy to RM2805 per MT) and higher FFB production (+29% yoy to 325,000 MT).</i>
Net Income	27.7	100%	-18%	61.6	NA	
Core Net Income	24.4	11%	-15%	50.5	30%	<i>Excluding RM11.1m in forex gain.</i>
EPS (sen)	2.04	98%	-19%	4.57	NA	
Core EPS (sen)	1.80	10%	-16%	3.75	30%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2656	7%	-11%	2805	22%	
FFB Volume ('k MT)	176	51%	18%	325	29%	<i>Recovery from the adverse impact of the El Nino.</i>
EBIT Margin	18.0%	NA	NA	17.3%	NA	
PBT Margin	16.1%	NA	NA	16.5%	NA	

Source: Company

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% 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.