

30 November 2018 | 3QFY18 Results Review

## TSH Resources Berhad

**9MFY18 earnings below expectation**

**Maintain NEUTRAL**

**Adjusted Target Price (TP): RM1.05**  
(Previously RM1.18)


### INVESTMENT HIGHLIGHTS

- **9MFY18 Core Net Income is below expectation**
- **Core PBT declined due to lower CPO price yoy**
- **Earnings estimate lowered**
- **Maintain Neutral with a revised TP of RM1.05**

**9MFY18 Core Net Income is below expectation.** TSH Resources (TSH) 9MFY18 core net income (CNI) of RM41.5m is below expectations as it makes up 57% of ours and 64% of consensus earnings estimates, respectively. The weaker than expected earnings was caused by higher than expected cost. In our CNI calculation, we have excluded mainly RM11.6m in forex loss. As expected, no dividend was announced.

**Core PBT declined due to lower CPO price yoy.** This is caused by lower revenue (down 15% yoy to RM685m) as CPO price realized of RM2205 per tonne is lower by 19% yoy. Although 9MFY18 FFB production has improved by 21% yoy to 651,927 tonnes, it was not enough to offset the impact of lower CPO price.

**Earnings estimate lowered.** FY18 CNI has been reduced by 11% to RM65.1m. FY19 CNI has been reduced by 13% to RM66.7m. We have increased our cost assumption.

**Maintain Neutral with a revised TP of RM1.05.** Our TP has been lowered to RM1.05 (previously: RM1.18) 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. 

RETURN STATS	
Price (29 Nov 2018)	RM1.00
Target Price	RM1.05
Expected Share Price Return	+5.0%
Expected Dividend Yield	+1.2%
<b>Expected Total Return</b>	<b>+6.2%</b>

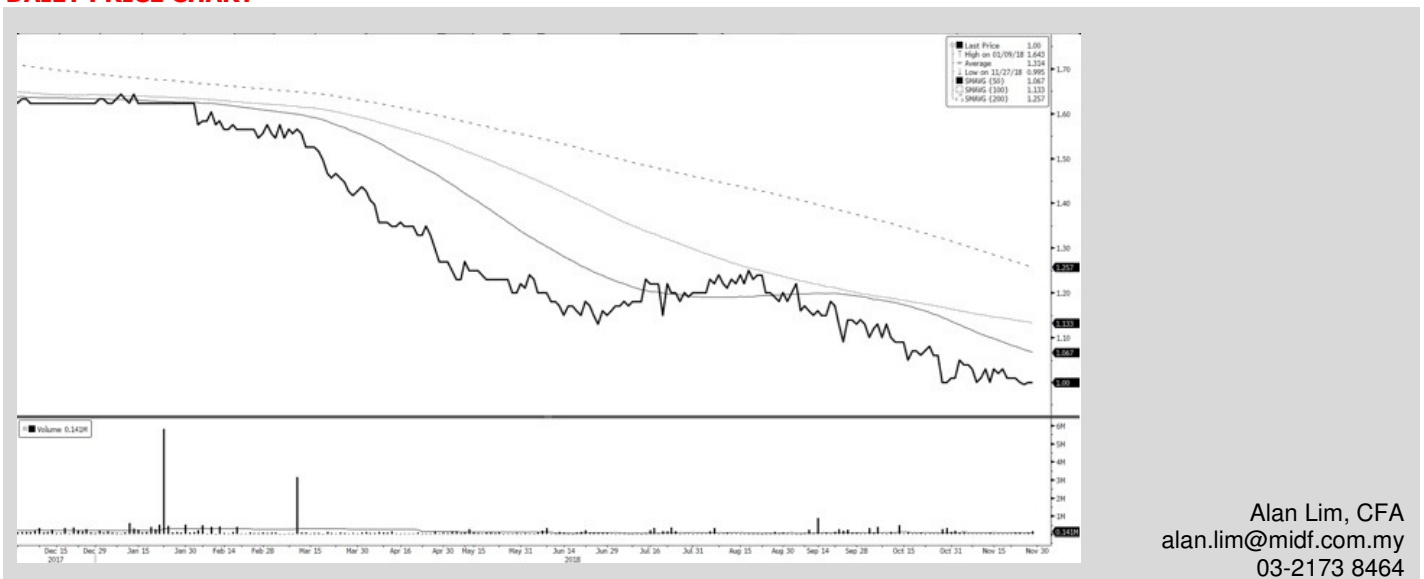
STOCK INFO	
KLCI	1696.34
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1380.74
Market cap. (RM'm)	1,380.74
Price over NA	1.08
52-wk price Range	RM0.97 - RM1.68
Beta (against KLCI)	0.49
3-mth Avg Daily Vol	0.10m
3-mth Avg Daily Value	RM0.10m
Major Shareholders (%)	
Tan Aik Pen	12.23%
EPF	6.87%
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	1,051	1,085
EBIT	113	133	205	169	179
PBT	(86)	113	192	132	141
Net Income	(105.5)	56.5	114.0	65.1	66.7
Core Net Income	87.2	79.3	108.9	65.1	66.7
EPS (sen)	(7.85)	4.20	8.35	4.71	4.83
Core EPS (sen)	6.48	5.89	7.98	4.71	4.83
Net DPS (sen)	2.00	2.00	2.00	1.18	1.21
Net Dvd Yield	2.0%	2.0%	2.0%	1.2%	1.2%
Core PER	15.4	17.0	12.5	21.2	20.7
NTA/share (RM)	1.07	1.19	1.12	1.15	1.19
P/NTA	0.93	0.84	0.89	0.87	0.84
ROE	-7.8%	3.8%	7.7%	4.3%	4.3%
ROA	-3.3%	1.6%	3.4%	1.9%	1.9%

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



Source: MIDFR, Company

Alan Lim, CFA  
 alan.lim@midf.com.my  
 03-2173 8464

## TSH: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	225.8	-12%	-3%	684.8	-15%	Revenue declined due to lower CPO price realized of RM2205 per tonne (down 19% yoy)
EBIT	44.0	-23%	8%	110.2	-27%	
PBT	24.1	-54%	38%	69.9	-51%	
Core PBT	33.7	-35%	8%	81.9	-37%	In line with lower revenue
Net Income	8.1	-74%	98%	30.1	-67%	
Core Net Income	17.0	-43%	NA	41.5	-48%	Excludes mainly RM11.6m in forex loss.
EPS (sen)	0.59	-74%	97%	2.17	-68%	9MFY18 core net income is below expectations as it makes up 57% of ours and 64% of consensus earnings estimates, respectively.
Core EPS (sen)	1.23	-43%	NA	3.00	-49%	
Net DPS (sen)	0.00	NA	NA	0.00	NA	
CPO Price (RM/MT)	2037	-21%	-11%	2205	-19%	
FFB Volume ('k MT)	250	18%	13%	652	21%	
EBIT Margin	19.5%	NA	NA	16.1%	NA	
PBT Margin	10.7%	NA	NA	10.2%	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.