

28 February 2018 | 4QFY17 Results Review

TSH Resources Berhad

Earnings broadly in line


INVESTMENT HIGHLIGHTS

- **FY17 Core Net Income is broadly within expectation**
- **FY17 Core Net Income improved 37% yoy to RM109m**
- **FFB growth production outlook remains good**
- **Maintain BUY with Target Price of RM1.90**

FY17 Core Net Income is broadly within expectation. TSH Resources (TSH) FY17 core net income (CNI) of RM109m is broadly within expectations at 95% of ours and 93% of consensus earnings estimates, respectively. In our CNI calculation, we have excluded RM15.3m in forex gain, RM5.7m writeoffs and RM4.3m impairments. Final dividend of 2.0 sen was announced and this is within expectation.

FY17 Core Net Income improved 37% yoy to RM109m. This is in line with higher CPO price (+10% yoy to RM2701 per MT) and higher FFB production (+19% yoy to 710,105 MT).

FFB production growth outlook remains good. TSH prospect remains good for FY18 as we expect decent FFB growth of 9%. Plantation division continues to be the main profit driver of the Company with revenue and core net income contribution exceeding 85%. The focus for management in FY18 remains unchanged which is to focus on productivity and efficiency to keep the cost of production at optimal level.

Maintain BUY with Target Price of RM1.90. Our TP is based on unchanged Forward PE of 22.3x (mean valuation). We like TSH due to its strong FY17 CNI growth of 37% yoy and good FFB growth prospect supported by its young age profile of ~7.5 years old. 

Maintain BUY

Unchanged Target Price (TP): RM1.90

RETURN STATS	
Price (27 Feb 2018)	RM1.57
Target Price	RM1.90
Expected Share Price Return	+21.0%
Expected Dividend Yield	+1.4%
Expected Total Return	+22.4%

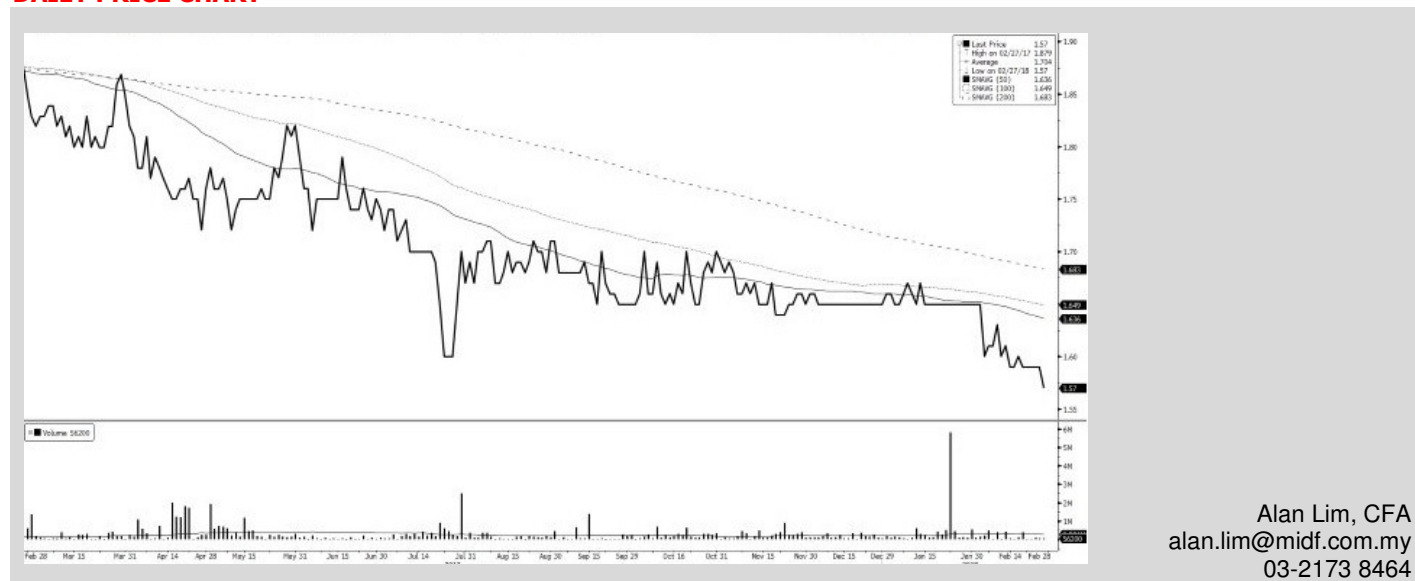
STOCK INFO	
KLCI	1871.46
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1380.74
Market cap. (RM'm)	2,167.76
Price over NA	1.41
52-wk price Range	RM1.56 - RM1.9
Beta (against KLCI)	0.52
3-mth Avg Daily Vol	0.28m
3-mth Avg Daily Value	RM0.46m
Major Shareholders (%)	
Tan Aik Pen	12.22
EPF	6.60
Tunas Lestari S/B	6.19

INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	800	873	1,074	1,154	1,193
EBIT	113	133	205	239	259
PBT	(86)	113	192	204	221
Net Income	(106)	57	114	118	127
Core Net Income	87	79	109	118	127
EPS (sen)	(7.85)	4.20	8.35	8.54	9.22
Core EPS (sen)	6.48	5.89	7.98	8.54	9.22
Net DPS (sen)	2.00	2.00	2.00	2.13	2.30
Net Dvd Yield	1.3%	1.3%	1.3%	1.4%	1.5%
Core PER	24.2	26.6	19.7	18.4	17.0
NTA/share (RM)	1.07	1.19	1.12	1.19	1.27
P/NTA	1.46	1.32	1.40	1.32	1.24
ROE	-7.8%	3.8%	7.7%	7.5%	7.7%
ROA	-3.3%	1.6%	3.4%	3.3%	3.5%

Source: Company, MIDF Research Forecast

DAILY PRICE CHART



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Source: MIDFR, Company

TSH: 4QFY17 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	270.0	11%	5%	1073.5	23%	
EBIT	52.8	9%	-7%	204.6	53%	
PBT	48.9	387%	-7%	192.1	69%	
Core PBT	48.7	0%	-6%	179.7	38%	Improved core PBT due to higher CPO price (+10% yoy to RM2701 per MT) and higher FFB production (+19% yoy to 710,105 MT).
Net Income	21.6	NA	NA	114.0	97%	
Core Net Income	26.6	44%	-10%	108.9	37%	Excludes RM15.3m in forex gain, RM5.7m writeoffs and RM4.3m impairments.
EPS (sen)	1.57	-197%	-30%	8.35	94%	FY17 core net income is broadly within expectations at 95% of ours and 93% of consensus earnings estimates, respectively.
Core EPS (sen)	1.93	41%	-10%	7.98	35%	
Net DPS (sen)	2.00	0%	NA	2.00	0%	
CPO Price (RM/MT)	2619	-6%	2%	2701	10%	
FFB Volume ('k MT)	169	-12%	-20%	710	19%	
EBIT Margin	19.6%	NA	NA	19.1%	NA	
PBT Margin	18.1%	NA	NA	17.9%	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.