

26 August 2015 | 2QFY15 Results Review

TSH Resources

FFB yield affected by dry season in Kalimantan in 3QFY14

Maintain NEUTRAL

Revised Target Price: RM2.00
(Previously RM2.33)

INVESTMENT HIGHLIGHTS


- **1HFY15 earnings below expectation**
- **1HFY15 core net profit declined 45%yoy to RM43.0m**
- **FY15 Core Net Income reduced by 19% to RM107m**
- **Lacklustre outlook on CPO price**
- **Maintain NEUTRAL with lower TP of RM2.00**

1HFY15 earnings below expectation: TSH Resources Berhad (TSH) 1HFY15's Core Net Profit (CNP) of RM43.0m was below expectation. Note that it made up only 32% and 33% of consensus and our FY15 CNP of RM135.2m and RM131.0m respectively. Fresh Fruit Bunch (FFB) production in 1H15 came in lower than expected as it declined 7%yoy to 297k MT as a result of lagged effect from dry season in Kalimantan in 3QFY14 last year. Note that our original expectation was for 6%yoy FFB growth in FY15.

1HFY15 core net profit declined 45%yoy to RM43.0m: The lower 1HFY15 CNP was caused by lower CPO price (-14%yoy to RM2152/MT) and lower FFB volume (-7%yoy to 297k MT).

FY15 Core Net Income reduced by 19% to RM107m: We have reduced our FY15 CNP by 19% to RM107m after imputing lower FFB yield of 20.8 MT/ha (from 23.0MT/ha) for its Kalimantan estates. FY16 CNP is trimmed by 14% to RM121m as Kalimantan estates FFB yield is reduced to 21.4 MT/ha (from 23.1 MT/ha).

Lacklustre outlook on CPO price: Management indicated that "CPO price is likely to remain at current level given the current scenario of a weak economy in China and an ample supply of palm oil as well as other competitive vegetable oil". We concur with management as we already estimating TSH FY15 earnings to decline 29%yoy to RM107m due to lower CPO price expected at RM2175/MT (-9%yoy).

Maintain NEUTRAL with lower TP of RM2.00: We have reduced our Target Price to RM2.00 after lowering our FY16 EPS to 8.96 sen (from 10.42 sen). Our valuation method of 22.3x Forward PE (Mean valuation) remained unchanged. Despite the weak earnings prospect in FY15, the young age profile of its estate (estimated at ~7 years old) means that long term FFB growth prospect remain intact. 

RETURN STATS	
Price (25 Aug 2015)	RM1.83
Target Price	RM2.00
Expected Share Price Return	+9.2%
Expected Dividend Yield	+1.4%
Expected Total Return	+10.6%

STOCK INFO	
KLCI	1,563.94
Bursa / Bloomberg	9059 / TSH MK
Board / Sector	Main / Plantations
Syariah Compliant	Yes
Issued shares (mil)	1,355.74
Par Value (RM)	0.50
Market cap. (RM'm)	2,481.01
Price over NA	2.06
52-wk price Range	RM1.74 - RM2.41
Beta (against KLCI)	1.08
3-mth Avg Daily Vol	0.47m
3-mth Avg Daily Value	RM1.05m
Major Shareholders	
TAN AIK PEN	12.35%
TUNAS LESTARI S/B	6.31%
EMBUN YAKIN S/B	5.58%

INVESTMENT STATISTICS

FYE Dec	FY12A	FY13A	FY14A	FY15F	FY16F
Revenue	984	1,016	1,071	960	982
EBIT	111	156	174	191	212
PBT	100	164	168	156	177
Net Income	77	151	124	107	121
Core Net Income	89	140	151	107	121
EPS (sen)	5.73	11.54	9.20	7.93	8.96
Core EPS (sen)	6.64	10.73	11.24	7.93	8.96
Net DPS (sen)	2.50	3.50	2.50	1.98	2.24
Net Dvd Yield	1.4%	1.9%	1.4%	1.1%	1.2%
Core PER	27.6	17.1	16.3	23.1	20.4
NTA/share (RM)	0.69	0.84	0.92	0.99	1.06
P/NTA	2.64	2.18	1.98	1.85	1.72
ROE	8.7%	14.3%	10.5%	8.4%	8.9%
ROA	3.5%	6.4%	4.8%	4.2%	4.7%

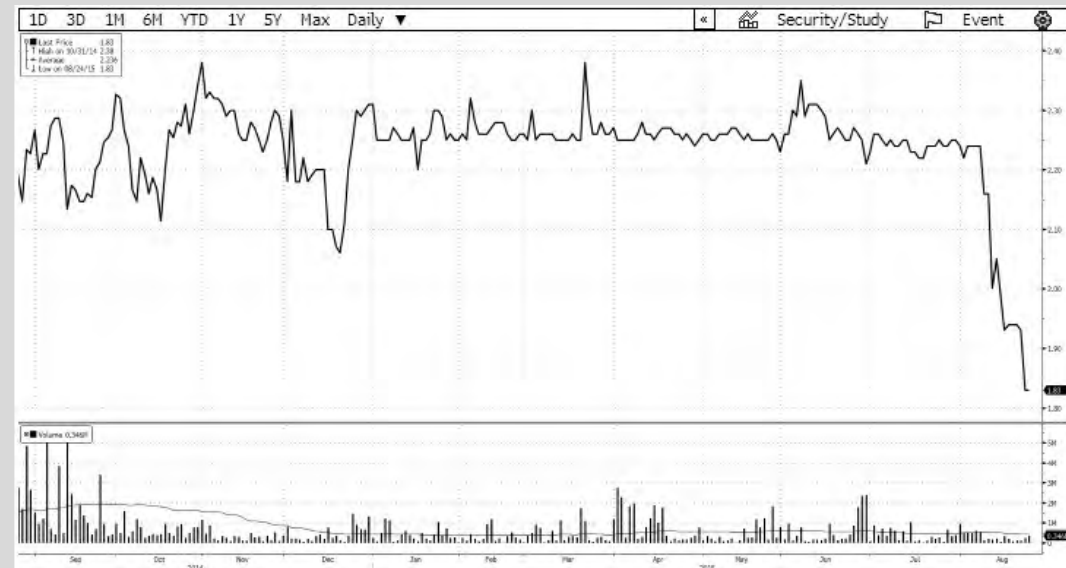
Source: Company, MIDF Research Forecast

TSH: 2QFY15 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	2QFY15	%YoY	%QoQ	6MFY15	%YoY	
Revenue	206.2	-32%	0%	412.2	-30%	Due to lower CPO price by 14% yoy to RM2152/MT.
EBIT	32.5	-42%	0%	64.9	-41%	
PBT	15.4	-65%	80%	23.9	-79%	
Net Income	7.1	-80%	10%	13.5	-85%	
Core Net Income	14.3	-68%	-50%	43.0	-45%	Exclude mainly RM34.3m forex loss
EPS (sen)	0.53	-80%	10%	1.00	-85%	
Core EPS (sen)	1.07	-68%	-50%	3.20	-45%	Similar decline for Core Net Income and Core EPS
Net DPS (sen)	0.0	NA	NA	0.0	NA	As expected, no dividend in 2Q
CPO Price (RM/MT)	2107	-14%	-4%	2152	-14%	
FFB Volume ('k MT)	154.0	-5%	7%	297.2	-7%	Lagged effect from dry season in Kalimantan in 3QFY14 last year
EBIT Margin	15.7%	NA	NA	15.7%	NA	
PBT Margin	7.4%	NA	NA	5.8%	NA	

Source: Company

DAILY PRICE CHART



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Source: Bloomberg

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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	<i>Negative</i> 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.