

26 February 2014 | FY13 Results Review

TSH Resources

Profit soars on strong FFB growth

Maintain NEUTRAL

Revised Target Price (TP): RM3.06
(from RM2.50)

INVESTMENT HIGHLIGHTS

- **FY13 earnings surged +98.9%yoy to RM153.1m.**
- **Normalized earnings also grew strongly to RM129.7m, +45.1% higher.**
- **Higher FFB growth helps to accelerate earnings in FY14.**
- **Maintain NEUTRAL with higher target price of RM3.06 per share.**

FY13 earnings surged +98.9% on Pontian sale. TSH's FY13 earnings jumped +98.9% to RM153.1m. The surge in the net profit was boosted by (i) higher crop production and (ii) the gain on the disposal of investment securities in Pontian United Plantation. In addition, the increase in profit was partially offset by unrealized FOREX losses arising from the strengthening of USD against currencies in this region.

The normalized earnings came in slightly below our expectation, but was ahead of consensus estimates. Stripping out the gain on disposal and FOREX losses, normalized profit stood at RM129.7m,+45.1% higher compared to that in FY12 of RM89.4m. This was slightly below our expectation, but was ahead of consensus expectation, accounting for 94% and 123% of the respective earnings forecasts.

Strong FFB production growth. Despite registering a lower average CPO price of RM2,251pmt in FY13 compared to RM2,650pmt in FY12, profit margin in FY13 improved. This was driven by a strong growth in FFB production. For FY13, TSH chalked FFB production of 542,951 tonnes, a strong increase of +27.8%. This was the second highest growth since 2009. Indeed, between 2008 to 2013, TSH's FFB production grew at a CAGR of 22.3%, the second highest among our plantation universe.

Long-term prospect remain intact. As at 30 June 2013, almost 60% of the TSH total landbank of 116,544k ha is still unplanted. With a new planting programme of approximately 3,000ha per year, we believe the growth story of TSH will remain intact. For FY14, management expects FFB production to grow by +15%yoy to 623,000 tonnes.

RETURN STATS	
Price (25 Feb 2014)	RM3.00
Target Price	RM3.06
Expected Share Price Return	+2.00%
Expected Dividend Yield	+1.00%
Expected Total Return	+3.00%

STOCK INFO	
KLCI	1833.75
Bursa / Bloomberg	9059/ TSH MK
Board / Sector	Main/ Plantation
Syariah Compliant	Yes
Issued shares (mil)	896.9
Par Value (RM)	0.50
Market cap. (RM'm)	2,690.8
Price over NA	3.04
52-wk price Range	RM2.09 – RM3.13
Beta (against KLCI)	0.90
3-mth Avg Daily Vol	0.71m
3-mth Avg Daily Value	RM2.09m
Major Shareholders	
Tan Aik Pen	11.76%
Tunas Lestari Sdn Bhd	6.35%
Embun Yakin Sdn Bhd	5.63%

Maintain NEUTRAL. In view of strong production growth and better CPO price, we revise upwards our FY14 earnings forecast by +6.6% to RM137.4m. Consequently, we increase our target price to RM3.06, derived from forward PER14 of 20 times, which is 0.5 standard deviation above its quarterly PER average over 3 years of 17.0x. We peg our TP to a higher PE multiple (compared with 17.4x previously) as we expect TSH to continue to register double-digit FFB growth in the coming years. However, since the stock price has rallied over the past few weeks, we believe the upside potential to the stock price is limited. Hence we maintain NEUTRAL on the stock.



TSH FY13 Result Summary

FYE Dec (RM m)	Quarterly Results			Cumulative		
	4Q13	YoY	QoQ	FY13	FY12	YoY
Revenue	278.1	28.3%	26.8%	1,016.2	983.7	3.3%
Operating profit	36.1	22.9%	-50.6%	156.7	99.2	57.9%
Finance cost	-3.5	-35.8%	-15.6%	-17.7	-19.4	-8.4%
Pre-tax profit	38.9	11.7%	-48.8%	165.8	100.0	65.8%
Tax	-3.3	-20.4%	-147.7%	-7.1	-15.6	-54.2%
Net Profit	32.7	5.3%	-60.8%	153.1	77.0	98.8%
EPS (sen)	3.6	-2.2%	-62.5%	17.9	9.3	91.5%
		+/- ppts	+/- ppts			+/- ppts
Op margin	12.96%	-0.57	-20.33	15.42%	10.09%	5.33
Tax rate	8.40%	-3.39	17.40	4.30%	15.58%	-11.27
Segmental Revenue						
Plantation	247.9	26.9%	26.2%	899.2	905.3	-0.7%
Wood Manufacturing	11.8	4.8%	-16.7%	52.0	43.7	19.2%
Others	18.5	80.8%	110.5%	65.0	34.7	87.1%
Segmental Results						
Plantation	45.6	25.5%	-45.1%	187.8	137.2	36.9%
Wood Manufacturing	-0.70	35.4%	-209.3%	1.5	-1.7	189.0%
Others	0.60	-137.8%	-160.3%	6.4	-1.6	-500.7%
Margins						
Plantation	18.4%	-0.2	-23.9	20.9%	15.2%	5.7
Wood Manufacturing	-6.0%	3.7	-10.5	2.8%	-3.8%	6.6
Others	3.2%	18.7	14.5	9.9%	-4.6%	14.5
Plantation Statistics						
	4Q13	YoY	QoQ	FY13	FY12	YoY
FFB Production	161,036	14.80%	24.09%	542,951	424,737	27.83%
CPO Output	88,866	-2.13%	18.14%	312,644	279,691	11.78%
PK Output	19,483	-4.05%	16.71%	69,302	63,613	8.94%

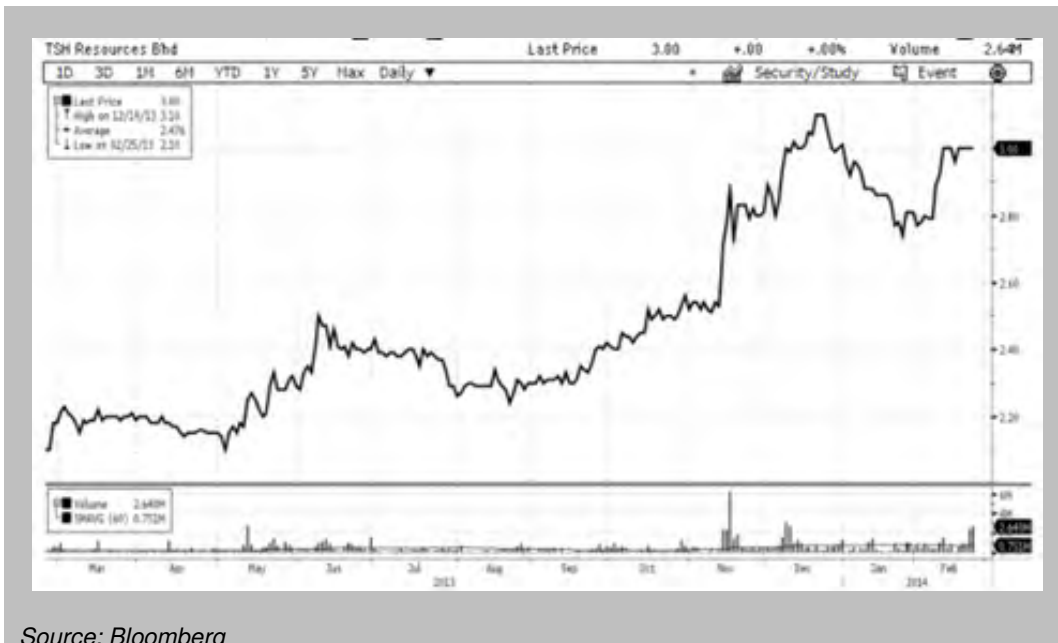
Source: Company, MIDFR

INVESTMENT STATISTICS

FYE 31 Dec	FY10	FY11	FY12	FY13	FY14F
Revenue (RM'm)	908.43	1,148.64	983.68	1,016.23	1,256.10
EBIT (RM'm)	114.03	166.92	111.73	156.66	175.85
Pre-tax Profit (RM'm)	105.33	162.36	99.55	165.82	188.42
Net Profit (RM'm)	84.28	120.54	76.65	153.10	137.35
EPS (sen)	20.58	14.73	9.30	17.89	15.31
EPS growth	16.40%	-28.43%	-36.86%	92.40%	-14.42%
PER (x)	14.58	20.37	32.26	16.77	19.59
Dividend / share(sen)	6.00	3.50	2.50	3.50	3.00
Dividend Yield (%)	2.00	1.17	0.83	1.17	1.00

Source: Company, Forecasts by MIDFR

DAILY PRICE CHART



Source: Bloomberg

Nur Nadia Kamil
 nur.nadia@midf.com.my
 03-2772 1669

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (23878 - X).

(Bank Pelaburan)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (23878-X). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

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.