

25 May 2018 | 1QFY18 Results Review

## Ta Ann Holdings Berhad

*Looking ahead to a challenging year*


### INVESTMENT HIGHLIGHTS

- **1QFY18 Core Net Income is below expectation due to lower than expected volume of export logs**
- **1QFY18 Core Net Income dropped 86% yoy to RM4.7m**
- **FY18 CNI estimate cut by 27% to RM83.7m**
- **Downgrade to SELL with TP of RM2.35**

**1QFY18 Core Net Income is below expectation.** Ta Ann 1QFY18 Core Net Income (CNI) of RM4.7m was below expectations as it makes up only 4% of ours and consensus full year earnings estimates. The negative deviation is caused by lower than expected volume of export logs which has declined 71% yoy. As expected, a 5.0 sen dividend is announced which is flat yoy.

**1QFY18 Core Net Income dropped 86% yoy to RM4.7m.** Plantation segment PBT declined 78% yoy to RM9.6m. This is caused by lower CPO price by 19% yoy while FFB volume declined 10% yoy. Timber division was registering Loss Before Tax of RM7.2m. This is caused by significantly lower export logs by 71% yoy.

**FY18 CNI estimate cut by 27% to RM83.7m.** For FY19, our CNI estimate is reduced by 25% to RM90.8m. We have reduced our export logs volume assumption by 35% for both FY18 and FY19.

**Downgrade to SELL with TP of RM2.35.** The lower TP is due to lower Core EPS estimate for FY18 in line with CNI estimate reduction. Valuation method is unchanged based on 12.5x Forward PER which reflects a -0.5 Standard Deviation (-0.5SD). Overall, we believe that FY18 will be a challenging year for Ta Ann (especially its timber division). While we expect the Company to remain profitable, we expect its FY18 CNI to decline by 30% to RM83.7m. 

### **Downgrade to SELL**

**Adjusted Target Price (TP): RM2.35**  
(Previously RM3.20)

RETURN STATS	
Price (24 May 2018)	RM2.74
Target Price	RM2.35
Expected Share Price Return	-14.2%
Expected Dividend Yield	+2.6%
<b>Expected Total Return</b>	<b>-11.6%</b>
STOCK INFO	
KLCI	1775.66
Bursa / Bloomberg	5012 / TAH MK
Board / Sector	Main / Industrial
Syariah Compliant	Yes
Issued shares (mil)	444.64
Market cap. (RM'm)	1,218.33
Price over NA	0.92
52-wk price Range	RM2.69 - RM3.75
Beta (against KLCI)	0.67
3-mth Avg Daily Vol	0.16m
3-mth Avg Daily Value	RM0.51m
Major Shareholders	
Mountex Sdn Bhd	21.05%
Wahab Bin Haji Dolah	9.81%
EPF	7.07%

## INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,046.8	1,147.1	1,172.9	1,023.5	1,060.7
EBIT	255.3	195.4	221.5	128.3	137.8
PBT	233.6	175.7	197.5	113.7	123.2
Net Income	188.2	125.6	119.3	83.7	90.8
Core Net Income	169.9	117.0	119.7	83.7	90.8
EPS (sen)	42.34	28.24	26.82	18.83	20.43
Core EPS (sen)	38.21	26.32	26.93	18.83	20.43
Net DPS (sen)	20.00	10.00	10.00	7.16	7.76
Net Dvd Yield	7.3%	3.6%	3.6%	2.6%	2.8%
Core PER	7.2	10.4	10.2	14.6	13.4
NTA/share (RM)	2.62	2.83	2.80	2.97	3.10
P/NTA	1.04	0.97	0.98	0.92	0.88
ROE	15.9%	9.9%	8.9%	5.9%	6.2%
ROA	9.5%	6.1%	5.1%	3.8%	4.0%

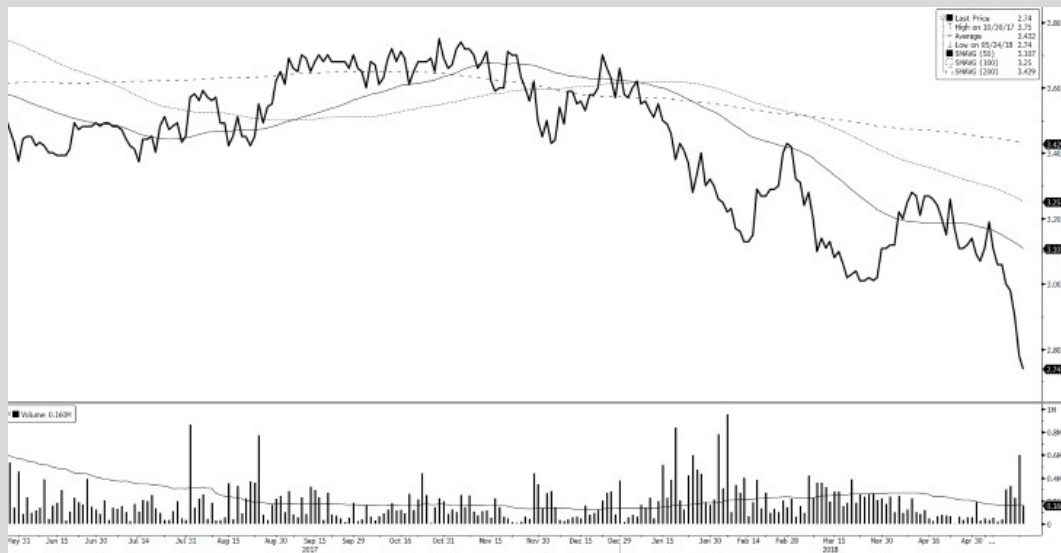
Source: Company, MIDF Research Estimate

## TAANN: 1QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	1QFY18	%YoY	%QoQ	3MFY18	%YoY	
Revenue	214.9	-30%	-27%	214.9	-30%	Lower revenue in both plantation and timber divisions.
EBIT	7.6	-88%	-80%	7.6	-88%	
PBT	2.3	-96%	-93%	2.3	-96%	Plantation segment PBT declined 78% yoy to RM9.6m. This is caused by lower CPO price by 19% yoy while FFB volume declined 10% yoy. Timber division was registering Loss Before Tax of RM7.2m. This is caused by significantly lower export logs by 71% yoy.
Net Income	4.2	-88%	-82%	4.2	-88%	
Core Net Income	4.7	-86%	-82%	4.7	-86%	Ta Ann 1QFY18 core net income (CNI) of RM4.7m was below expectations as it makes up only 4% of ours and consensus full year earnings estimates.
EPS (sen)	0.95	-88%	-82%	0.95	-88%	
Core EPS (sen)	1.06	-86%	-83%	1.06	-86%	
Net DPS (sen)	5.0	0%	NA	5.0	0%	
FFB Volume ('000 MT)	136	-10%	-29%	136	-10%	
CPO Price (RM/MT)	2383	-19%	-11%	2383	-19%	
Export Logs (US\$/m3)	361	45%	7%	361	45%	
Plywood (US\$/m3)	524	21%	6%	524	21%	
EBIT Margin	3.5%	NA	NA	3.5%	NA	
PBT Margin	1.1%	NA	NA	1.1%	NA	

Source: Company, MIDF Research Forecast

## DAILY PRICE CHART



Alan Lim, CFA  
03-2173 8464

Source: Bloomberg

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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.