

26 November 2018 | 3QFY18 Results Review

## Ta Ann Holdings Berhad

*Improved prospect from timber division*

**Upgrade to BUY**  
**Unchanged Target Price (TP): RM2.76**

### INVESTMENT HIGHLIGHTS

- Earnings within expectations
- Timber division profitability improved significantly
- Lacklustre performance from plantation division
- Earnings estimates maintained
- Upgrade to BUY with unchanged TP of RM2.76

**Earnings within expectations.** Ta Ann 9MFY18 core net income (CNI) of RM47.4m was within expectations as it makes for 73%/69% of ours/consensus full year earnings estimates respectively. The volume for export logs have improved as the Company has been allowed to raise the timber export quota to 40% (from 20%) for Kapit Forest Management Unit (which is certified in early 3Q2018). As expected, a dividend of 5.0 sen was announced.

**Timber division profitability improved significantly.** Timber division performance improved significantly in 3Q with PBT of RM9.6m (against 2Q PBT of RM3.0m and 1Q Loss Before Tax of RM7.2m). This can be attributed to the surge in timber export volume after the increase in export quota for its Kapit Forest Management Unit. We expect the improvement to be sustained going forward.

**Lacklustre performance from plantation division** as its 9MFY18 PBT declined 55% yoy to RM69.1m. This was caused by lower CPO price by 18% yoy to RM2235 per tonne while FFB volume declined 4% yoy to 543,339 tonnes.

**Earnings estimates maintained.** FY18/FY19 CNI are maintained at RM64.6m/RM81.8m.

**Upgrade to BUY with unchanged TP of RM2.76.** Our TP is based on unchanged Forward PER valuation of 15.0x (Mean Valuation). Our upgrade is premised on: i) the outlook for timber division has improved significantly, ii) share price has declined 45% from its peak of RM3.70 on 22-Dec-2017 and iii) its share price is at attractive discount of 35% to its book value of RM3.15.



RETURN STATS	
Price (23 Nov 2018)	RM2.04
Target Price	RM2.76
Expected Share Price Return	+35.3%
Expected Dividend Yield	+2.7%
<b>Expected Total Return</b>	<b>+38.0%</b>

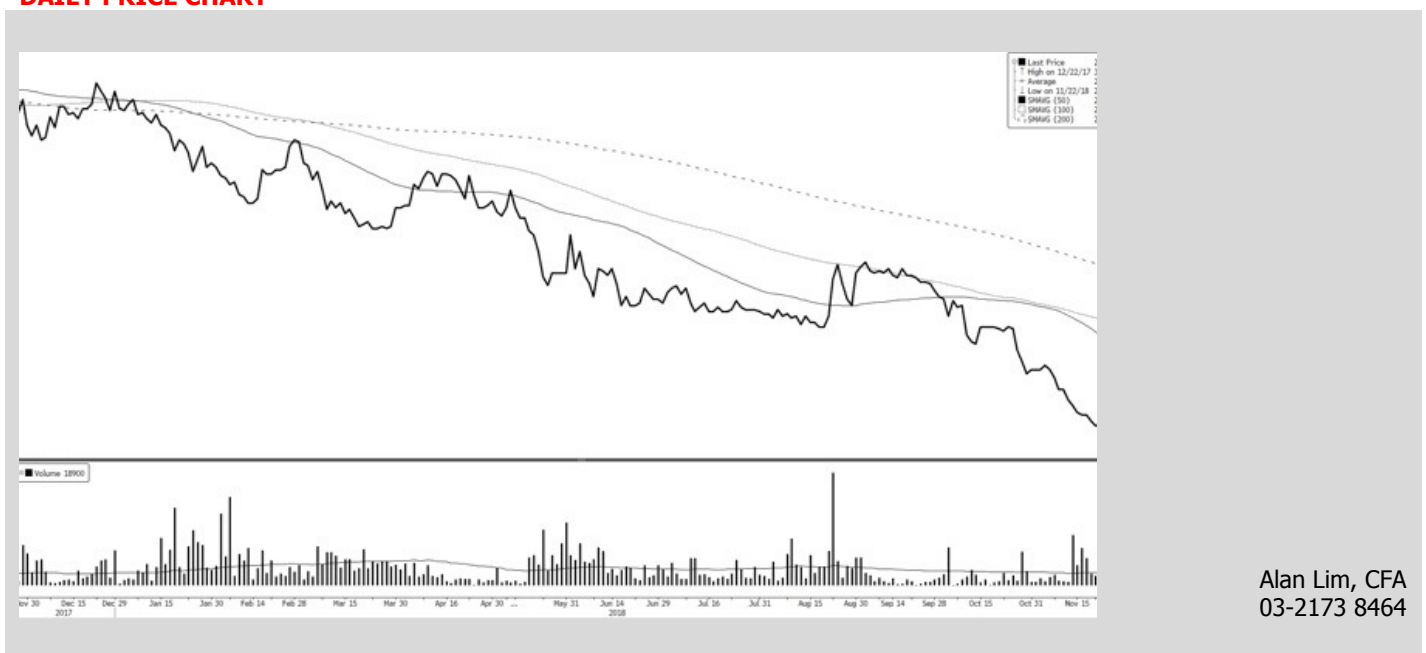
STOCK INFO	
KLCI	1695.88
Bursa / Bloomberg	5012 / TAH MK
Board / Sector	Main / Industrial
Syariah Compliant	Yes
Issued shares (mil)	444.64
Market cap. (RM'm)	907.07
Price over NA	0.65
52-wk price Range	RM2.01-RM3.70
Beta (against KLCI)	0.74
3-mth Avg Daily Vol	0.12m
3-mth Avg Daily Value	RM0.31m
Major Shareholders	
Mountex Sdn Bhd	21.06%
Wahab Bin Haji Dolah	9.81%
EPF	6.81%

## INVESTMENT STATISTICS

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,047	1,147	1,173	990	1,004
EBIT	255	195	221	103	126
PBT	234	176	197	88	111
Net Income	188.2	125.6	119.3	64.6	81.8
Core Net Income	169.9	117.0	119.7	64.6	81.8
EPS (sen)	42.34	28.24	26.82	14.53	18.40
Core EPS (sen)	38.21	26.32	26.93	14.53	18.40
Net DPS (sen)	20.00	10.00	10.00	5.52	6.99
Net Dvd Yield	7.7%	3.8%	3.8%	2.1%	2.7%
Core PER	6.8	9.9	9.7	17.9	14.1
NTA/share (RM)	2.62	2.83	2.80	2.94	3.06
P/NTA	0.99	0.92	0.93	0.88	0.85
ROE	15.9%	9.9%	8.9%	4.6%	5.6%
ROA	9.5%	6.1%	5.1%	3.0%	3.7%

Source: Company, MIDF Research Estimate

## DAILY PRICE CHART



Alan Lim, CFA  
03-2173 8464

Source: Bloomberg

## TAANN: 3QFY18 RESULTS SUMMARY

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	3QFY18	%YoY	%QoQ	9MFY18	%YoY	
Revenue	274.9	-11%	17%	724.6	-18%	
EBIT	53.1	-5%	83%	89.7	-51%	
PBT	49.3	0%	118%	74.2	-55%	
Net Income	32.2	39%	100%	52.5	-45%	
Core Net Income	30.2	30%	141%	47.4	-49%	Ta Ann 9MFY18 core net income (CNI) of RM47.4m is within expectations as it makes 73%/69% of ours/ consensus full year earnings estimates.
EPS (sen)	7.24	39%	100%	11.81	-45%	
Core EPS (sen)	6.78	30%	141%	10.66	-49%	
Net DPS (sen)	5.0	NA	NA	5.0	-50%	
FFB Volume ('000 MT)	236869	7%	144338%	543339	-4%	
CPO Price (RM/MT)	2105	-21%	-8%	2235	-18%	
Export Logs (US\$/m3)	323	9%	-12%	345	26%	
Plywood (US\$/m3)	565	23%	2%	547	23%	
EBIT Margin	19.3%	NA	NA	12.4%	NA	
PBT Margin	17.9%	NA	NA	10.2%	NA	

Source: Company, MIDF Research Forecast

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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.