

01 March 2018 | 4QFY17 Results Review

## Ta Ann Holdings Berhad

*FY17 earnings in line*


### INVESTMENT HIGHLIGHTS

- **FY17 Core Net Income is within expectation**
- **FY17 Core Net Income increased marginally by 2% yoy due to strong earnings growth from plantation segment**
- **Loss in the timber division in 4QFY17**
- **Maintain NEUTRAL with TP of RM3.40**

**FY17 Core Net Income is within expectation.** Ta Ann FY17 Core Net Income (CNI) of RM120m met expectations as it makes up 99% of ours and 94% of consensus, respectively. Note that our CNI calculation excludes RM6.6m forex gain, RM7.1m writeoffs and other one off items. As expected, no dividend is announced.

**FY17 Core Net Income increased marginally by 2% yoy due to strong earnings growth from plantation segment.** Plantation segment PBT surged 85% yoy to RM196m. This has more than offset the 98% decline in PBT in the timber segment. Plantation segment benefited from higher CPO price (+14% yoy to RM2741 per tonne) and better FFB production (+13% yoy to 754,711 tonnes).

**Loss in the timber division in 4QFY17.** Timber division registered Loss Before Tax (LBT) of RM9.5m timber division in the 4QFY17 due to the low volume processed by the plywood division. We gather that the log supply has been affected due to the wet weather in 4QFY17. However, we believe that things should improve from 2QFY18 onwards as the weather has normalized. Overall outlook for timber division is neutral as the low volume is neutralised by better price of export logs.

**Maintain NEUTRAL with TP of RM3.40.** Valuation method is unchanged based on 12.5x Forward PER which reflects a -0.5 Standard Deviation (-0.5SD). The -0.5SD valuation is to reflect the challenging market condition for the timber segment. We are overall NEUTRAL on Ta Ann as the good earnings prospect from the plantation segment is neutralised by the challenging prospect in the timber segment. 

**Maintain NEUTRAL**  
**Unchanged Target Price (TP): 3.40**

RETURN STATS	
Price (28 Feb 2018)	RM3.43
Target Price	RM3.40
Expected Share Price Return	-0.9%
Expected Dividend Yield	+3.0%
<b>Expected Total Return</b>	<b>+2.1%</b>
STOCK INFO	
KLCI	1856.20
Bursa / Bloomberg	5012 / TAH MK
Board / Sector	Main / Industrial
Syariah Compliant	Yes
Issued shares (mil)	444.64
Market cap. (RM'm)	1,525.13
Price over NA	1.15
52-wk price Range	RM3.12 - RM3.88
Beta (against KLCI)	0.81
3-mth Avg Daily Vol	0.23m
3-mth Avg Daily Value	RM0.79m
Major Shareholders	
Mountex Sdn Bhd	21.06%
Wahab Bin Haji Dolah	9.81%
EPF	7.04%

**INVESTMENT STATISTICS**

FYE Dec	FY15A	FY16A	FY17A	FY18F	FY19F
Revenue	1,047	1,147	1,173	1,104	1,144
EBIT	255	195	221	178	190
PBT	234	176	197	163	175
Net Income	188	126	119	121	130
Core Net Income	170	117	120	121	130
EPS (sen)	42.34	28.24	26.82	27.22	29.21
Core EPS (sen)	38.21	26.32	26.93	27.22	29.21
Net DPS (sen)	20.00	10.00	10.00	10.34	11.10
Net Dvd Yield	5.8%	2.9%	2.9%	3.0%	3.2%
Core PER	9.0	13.0	12.7	12.6	11.7
NTA/share (RM)	2.62	2.83	2.80	3.02	3.20
P/NTA	1.31	1.21	1.22	1.14	1.07
ROE	15.9%	9.9%	8.9%	8.4%	8.6%
ROA	9.5%	6.1%	5.1%	5.5%	5.6%

Source: Company, MIDF Research Estimate

**TAANN: 4QFY17 RESULTS SUMMARY**

FYE Dec (RM'm, unless otherwise stated)	Quarterly Results			Cumulative		Comments
	4QFY17	%YoY	%QoQ	FY17	%YoY	
Revenue	292.8	-6%	-5%	1172.9	2%	Driven by higher revenue in the plantation division.
EBIT	38.1	-21%	-32%	221.5	13%	
PBT	33.0	-22%	-33%	197.5	12%	Plantation segment PBT surged 85% yoy to RM196m. This has more than offset the 98% decline in PBT in the timber segment.
Net Income	23.4	-27%	2%	119.3	-5%	
Core Net Income	27.1	-12%	16%	119.7	2%	Ta Ann FY17 Core net income of RM120m met expectations as it makes up 99% of ours and 94% of consensus, respectively. Note that our core net income calculation exclude RM6.6m forex gain, RM7.1m writeoffs and other one off items.
EPS (sen)	5.27	-16%	2%	26.82	-2%	
Core EPS (sen)	6.09	0%	16%	26.93	6%	
Net DPS (sen)	0.0	NA	NA	10.0	0%	
FFB Volume (MT)	192	10%	-14%	755	13%	
CPO Price (RM/MT)	2665	7%	0%	2741	14%	
Export Logs (US\$/m3)	338	32%	14%	281	18%	
Plywood (US\$/m3)	495	17%	7%	457	2%	
EBIT Margin	13.0%	NA	NA	18.9%	NA	
PBT Margin	11.3%	NA	NA	16.8%	NA	

Source: Company, MIDF Research Forecast

## 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 >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.