

12 January 2018 | Corporate Update

Ta Ann Holdings Berhad

Acquiring 30% stake in Sarawak Plantation


INVESTMENT HIGHLIGHTS

- Acquiring 30.39% stake in SPB for RM169.9m cash
- At best neutral on the deal
- Earnings estimate maintained
- Downgrade to NEUTRAL with TP of RM3.40

Acquiring 30.39% stake in SPB for RM169.9m cash. Ta Ann Holdings Berhad (TAANN) has entered into a conditional share sale agreement to acquire 30.39% equity interest in Sarawak Plantation Berhad (SPB) for RM169.9m. This is equivalent to RM2.00 per Share for SPB. We gather that the transaction is a Related Party Transaction (RPT). Expected completion date of the deal is 1QFY18.

At best neutral on the deal. The deal values SPB at 16.15x historical PE and EV/planted ha of RM16,667. We believe that the valuation is high as TAANN is not acquiring a controlling stake and SPB FFB yield is low at 9.22 MT/ha. Note that Sarawak FFB yield is 14.86 MT/ha in 2016.

Earnings estimate maintained. Pending the completion of the deal, we maintain our FY18 CNP estimate of RM135m. FY17 earnings estimate of RM121m is not affected by the deal. If the deal materializes, earnings increase is minimal at RM2.9m or 2% of our FY18 earnings forecast for TAANN. Net gearing is expected to increase from 0.24x to 0.37x.

Downgrade to NEUTRAL with TP of RM3.40. Downgrade to NEUTRAL with TP of RM3.40. We have lowered our Forward PER to 12.5x which reflects a -0.5 Standard Deviation (-0.5SD) in view of the high valuation of the deal and higher net gearing. Previously we are using 16.6x Forward PER which reflecting mean valuation. We are NEUTRAL on the stock as its downside is supported by decent dividend yield of 4.0%. 

Downgrade to NEUTRAL
Adjusted Target Price (TP): RM3.40
(Previously RM4.50)

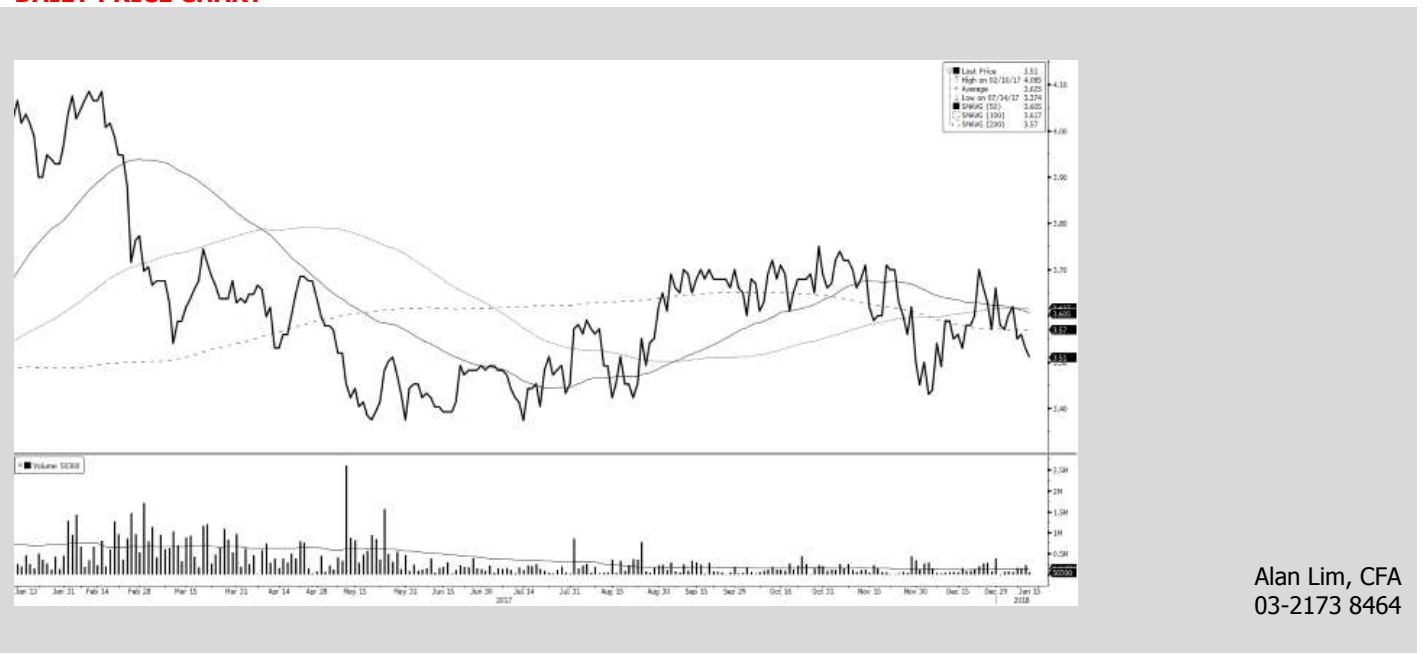
RETURN STATS	
Price (11 Jan 2018)	RM3.51
Target Price	RM3.40
Expected Share Price Return	-3.1%
Expected Dividend Yield	+4.0%
Expected Total Return	+0.9%
STOCK INFO	
KLCI	1816.88
Bursa / Bloomberg	5012 / TAH MK
Board / Sector	Main / Industrial
Syariah Compliant	Yes
Issued shares (mil)	444.64
Market cap. (RM'm)	1,560.70
Price over NA	1.18
52-wk price Range	RM3.39 - RM4.22
Beta (against KLCI)	0.63
3-mth Avg Daily Vol	0.14m
3-mth Avg Daily Value	RM0.51m
Major Shareholders	
Mountex Sdn Bhd	21.06%
Wahab Bin Haji Dolah	7.19%
EPF	7.04%

INVESTMENT STATISTICS

FYE Dec	FY14A	FY15A	FY16A	FY17F	FY18F
Revenue	1,012	1,047	1,147	1,120	1,149
EBIT	166	255	196	177	196
PBT	168	234	176	163	182
Net Income	124	188	122	121	135
Core Net Income	126	170	112	121	135
EPS (sen)	27.81	42.34	27.36	27.11	30.34
Core EPS (sen)	28.39	38.21	25.23	27.11	30.34
Net DPS (sen)	20.00	20.00	10.00	13.91	15.57
Net Dvd Yield	5.7%	5.7%	2.8%	4.0%	4.4%
Core PER	12.4	9.2	13.9	12.9	11.6
NTA/share (RM)	2.39	2.62	2.82	2.98	3.13
P/NTA	1.47	1.34	1.24	1.18	1.12
ROE	11.2%	15.9%	9.6%	9.0%	9.6%
ROA	6.6%	9.5%	5.9%	6.0%	6.4%

Source: Company, MIDF Research Estimate

DAILY PRICE CHART



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03-2173 8464

Source: Bloomberg

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

(Bank Pelaburan)

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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.