

09 July 2018 | Corporate Update

Ta Ann Holdings Berhad

Awarded Certificate for Forest Management

Maintain SELL

Unchanged Target Price: RM2.30

INVESTMENT HIGHLIGHTS

- **Awarded Certificate for Forest Management**
- **Two more FMUs to be certified in 2019 and 2020**
- **We are neutral on the news**
- **Earnings estimates unchanged**
- **Maintain SELL with TP of RM2.30**

Awarded Certificate for Forest Management. Ta Ann Holdings Berhad (TAANN) has announced that its Kapit Forest Management Unit (FMU) has been awarded the Certificate for Forest Management (Natural Forest) under the Malaysian Timber Certification Scheme (MTCS). The certification is valid for 3 years and the area covered is 149,756 ha (or 40% of TAANN total concession area). This is the first FMU for TAANN to attain sustainable forest management certification under MTCS.

Two more FMUs to be certified in 2019 and 2020. TAANN also mentioned that the Forest Management Plans for another 2 FMUs have been approved by Forest Department Sarawak (FDS). We gather that Raplex FMU is expected to be certified by 2019 whereas Pasin FMU is targeted to be certified by 2020.

We are neutral on the news. We believe that TAANN should be able to increase its production of certified plywood products following the certification. However, earnings impact is likely to be minimal in the near term as plywood products margin tend to be small.

Earnings estimates maintained. We maintain our core earnings estimate of RM64.6m for FY18. For FY19, our core earnings estimate is unchanged at RM81.8m.

Maintain SELL with TP of RM2.30. Our Target Price is based on 12.5x Fwd. PE on FY19F earnings reflecting -0.5SD valuation. Maintain SELL call due to weak earnings prospect for both plantation and timber segment in the near term.

RETURN STATS

Price (6 th July 2018)	RM2.65
Target Price	RM2.30
Expected Share Price Return	-13.2%
Expected Dividend Yield	+2.1%
Expected Total Return	-11.1%

STOCK INFO

KLCI	1663.86
Bursa / Bloomberg	5012 / TAH MK
Board / Sector	Main / Industrial
Syariah Compliant	Yes
Issued shares (mil)	444.64
Market cap. (RM'm)	1178.31
Price over NA	0.86
52-wk price Range	RM2.57-RM3.75
Beta (against KLCI)	0.59
3-mth Avg Daily Vol	0.16m
3-mth Avg Daily Value	RM0.47m

Major Shareholders

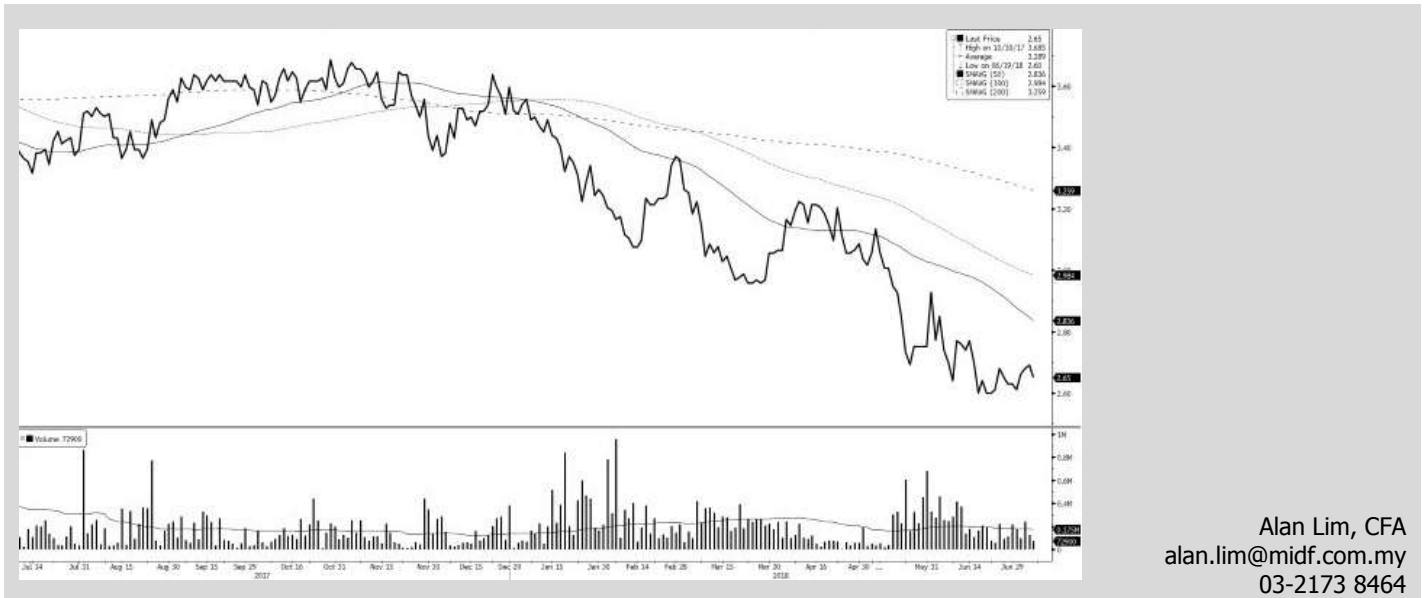
Mountex Sdn Bhd	21.06%
Wahab Bin Haji Dolah	9.81%
EPF	6.95%

INVESTMENT STATISTICS

FYE Dec (RM'm, unless otherwise stated)	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	7.5%	3.8%	3.8%	2.1%	2.6%
PER	6.9	10.1	9.8	18.2	14.4
NTA/share (RM)	2.62	2.83	2.80	2.94	3.06
P/NTA	1.01	0.94	0.95	0.90	0.87
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 Forecast

DAILY PRICE CHART



Source: MIDFR, Company

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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	<i>Negative</i> 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.