

## TSH Resources Berhad

(9059 | TSH MK) Main | Plantation

### Within Expectations

#### KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Plantation profit spiked during quarter on higher CPO ASP realized**
- **Others segment contribution maintained loss**
- **Revised earnings: maintain**
- **Maintain NEUTRAL with an unchanged TP of RM0.97**

**Earnings weaken.** 9MFY23's reported PATMI came-in within ours and below consensus forecast at 75% and 53%, amounted RM69.5m (-60.0%yoy), as revenue declined by -21.4% to RM805.6m on the back of by lower ASP of CPO and PK in the palm product segment, compounded by lower operating profit for both segments aside from reduced associate contribution amounted RM139.6m (-25.4%yoy) and RM7.5m (-53.9%yoy) respectively.

**Palm products segment.** TSH's plantation segment operating profit for the quarter spiked to RM62.0m (+69.4%qoq, +82.7%yoy), thanks to the higher CPO average selling prices realized amounted RM3,371/Mt (-3.5%qoq, +4.2%yoy) and PK of RM1,664/Mt (-6.8%qoq, -10.0%yoy). FFB production on the other hand, were slightly lower at 257,578 Mt (-2.4%yoy) on combination of dry spells condition in Indonesia and reduced harvesting area due to the disposals of two estates in Sabah in the 1HFY22. While margin for the segment now narrowed to 25.6% (-4.6 pts) owing to the increased in cost of production.

**Others segment contribution remains loss.** In 3QFY23, its others segment continued its loss making but narrower to -RM3.8m (3Q22; -RM33.9m). This was mainly due to fair value loss on forest planting expenditure of RM34.5m registered in 3QFY22.

**Earnings estimates.** We maintained our earnings estimate as the result was in line with our projection. TSH performance thus far remain encouraging however the FFB production was tapered by the dry weather in in Indonesia compounded by high cost of production it incurred. There is a possibility for the earnings to shoot up particularly in the next 1H24 as Malaysia eventually will be facing a dry spell too, that would move the CPO price upward, however, as of now, the development of strong EL-Nino remains weak.

**Maintain NEUTRAL.** With not much catalyst on CPO price movement, and being a pure upstream player, that has a high correlation with CPO movement, the outlook of the company remains cloudy. Hence, we are maintaining our **NEUTRAL** call with a revised **TP of RM0.97** based on PER of 14.5x nearly 5y avg mean by pegging FY23F EPS of 6.7sen.

### Maintain NEUTRAL

### Unchanged Target Price: RM0.97

#### RETURN STATISTICS

Price @ 23 <sup>rd</sup> Nov 2023 (RM)	1.00
Expected share price return (%)	-4.98
Expected dividend yield (%)	+2.00
<b>Expected total return (%)</b>	<b>-2.98</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	1.5	0.3
3 months	1.0	-0.1
12 months	-9.9	-6.9

#### INVESTMENT STATISTICS

FYE Mar	2023E	2024F	2025F
Revenue	1,064.6	1,081.7	1,087.0
EBITDA	270.3	295.6	319.8
Profit Before Tax	148.5	178.5	204.2
Core PATAMI	92.3	110.7	126.8
Core EPS	6.7	8.0	9.2
DPS	2.0	2.0	2.0
Dividend Yield	2.0	2.0	2.0

#### KEY STATISTICS

FBM KLCI	1,453.29
Issue shares (m)	1380.17
Estimated free float (%)	45.16
Market Capitalisation (RM'm)	1,380.17
52-wk price range	RM0.91- RM1.20
3-mth average daily volume (m)	1.61
3-mth average daily value (RM'm)	1.60
Top Shareholders (%)	
Tan Aik Pen	24.8
Tan Aik Yong	5.2
Embung Yakin Sdn Bhd	4.2

**TSH Resources: 3Q23 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd
<b>Income Statement</b>								
Revenue	262.7	256.6	298.7	16.4	13.7	1,024.4	805.6	-21.4
Operating profit	33.9	36.6	62.0	69.4	82.7	187.1	139.6	-25.4
Finance costs	-11.0	-5.5	-4.9	-11.2	-55.5	-27.1	-15.8	-41.8
Core PBT	34.0	34.5	60.1	74.4	76.8	199.5	125.4	-37.2
Tax expense	2.0	-10.9	-18.3	67.2	NM	-16.4	-45.5	>100
PATMI	258.4	10.6	29.5	>100	-88.6	412.2	69.5	-83.1
Core PATMI	38.9	15.3	29.5	93.7	-24.0	173.7	69.5	-60.0
				-/+ppt				
OP margin (%)	12.9	14.3	20.7	6.5	7.8	18.3	17.3	-0.9
PBT margin (%)	112.1	10.7	19.3	8.5	-92.9	47.9	17.3	-30.6
Core PATAMI margin (%)	14.8	5.9	9.9	3.9	-4.9	17.0	8.6	-8.3

**SEGMENTAL BREAKDOWN**

FYE Dec (RM'm)	Quarterly							
	3Q22	2Q23	3Q23	QoQ%	YoY%	9M22	9M23	Ytd
<b>Revenue</b>								
Total Revenue	262.7	256.6	298.7	16.4	13.7	1,024.4	805.6	-21.4
Palm Product	236.2	240.5	279.3	16.1	18.2	945.2	752.9	-20.3
Others	26.4	16.1	19.5	21.2	-26.3	79.3	52.7	-33.5
<b>Operating Profit</b>								
Operating profit	33.9	36.6	62.0	69.4	82.7	187.1	139.6	-25.4
Palm Product	71.5	51.4	71.6	39.3	0.1	243.8	173.5	-28.8
Others	-33.9	-2.0	-3.8	NM	NM	-39.9	-9.0	NM
<b>Operating Profit margin %</b>				-/+ppt				
Operating profit margin %	12.9	14.3	20.7	6.5	7.8	18.3	17.3	12.9
Palm Product margin %	30.3	21.4	25.6	4.3	-4.6	25.8	23.0	30.3
Others margin %	-128.3	-12.3	-19.3	NM	NM	-50.4	-17.1	NM

Source: TSH Resources, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
Revenue	1,188.9	1,306.0	1,064.6	1,081.7	1,087.0
EBITDA	350.3	640.4	270.3	295.6	319.8
EBIT	240.3	539.6	174.4	199.2	222.8
Finance cost	-41.1	-32.4	-45.9	-43.7	-45.6
Associate & JVs	54.9	50.1	20.0	23.0	27.0
Profit before tax	254.1	557.3	148.5	178.5	204.2
Tax	-52.1	-32.3	-36.0	-43.5	-49.6
PATAMI	169.4	456.4	92.3	110.7	126.8
Core PATAMI	183.7	186.4	92.3	110.7	126.8
Core EPS (sen)	13.3	13.5	6.7	8.0	9.2

<b>Balance Sheet (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PPE	1,610.2	1,525.7	1,536.1	1,545.9	1,555.0
Right-of-use assets	288.9	255.1	248.7	242.5	236.4
Biological assets	400.8	364.8	363.7	362.5	361.3
Non-current assets	2,602.2	2,434.5	2,479.5	2,506.1	2,535.3
Biological assets	17.3	13.5	13.5	13.5	13.5
Inventories	143.6	132.9	212.9	216.3	217.4
Trade & other receivables	63.0	39.7	71.0	72.1	72.5
Current assets	705.9	788.9	722.1	804.8	903.1
Total Assets	3,308.0	3,223.4	3,201.6	3,310.8	3,438.5
Loans & borrowings	521.8	394.3	394.3	394.3	394.3
Trade & other payables	204.7	142.2	118.3	120.2	120.8
Current liabilities	792.5	557.2	533.3	535.2	535.8
Loans & borrowings	587.6	429.0	429.0	429.0	429.0
Retirement benefits	19.2	17.3	17.3	17.3	17.3
Non-current liabilities	702.0	534.2	534.2	534.2	534.2
Equity	1,813.6	2,132.1	2,177.0	2,283.1	2,373.3
Liabilities & equity	3,308.0	3,223.4	3,201.6	3,310.8	3,438.5

<b>Cash Flow (RM'm)</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
PBT	254.084	557.297	148.480	178.481	204.247
Cash flow from operations	393.4	207.7	32.4	205.7	224.5
Cash flow from investing	7.0	623.2	-100.0	-100.0	-100.0
Cash flow from financing	-278.3	-743.5	-110.4	-27.6	-27.6
Net cash flow	122.1	87.4	-178.0	78.1	96.9
Net cash/(debt) b/f	156.5	292.8	376.2	198.2	276.3
Net cash/(debt) c/f	292.8	376.2	198.2	276.3	373.2

<b>Key Metrics</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
P/E (x)	7.5	7.3	15.0	12.5	10.9
DPS (sen)	3.0	8.0	2.0	2.0	2.0
Dividend yield (%)	3.0	8.0	2.0	2.0	2.0

<b>Profitability Margins</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024F</b>	<b>2025F</b>
EBITDA margin (%)	29.5	49.0	25.4	27.3	29.4
EBIT margin (%)	20.2	41.3	16.4	18.4	20.5
PBT margin (%)	21.4	42.7	13.9	16.5	18.8
Core PATMI margin (%)	15.5	14.3	8.7	10.2	11.7

Source: Bloomberg, MIDFR

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology