

Ta Ann Holdings Berhad

(5012 | TAH MK) Main | Plantation

Below Expectations

KEY INVESTMENT HIGHLIGHTS

- **Below Expectations**
- **Timber products; profit merely RM8.0m (-51%yoy)**
- **Oil Palm; lower CPO price realized**
- **Earnings forecasts maintained**
- **Maintain BUY with a lower TP of RM4.10**

Earnings below estimates. FY23's core profit came-in below ours and consensus forecasts at 87% and 80%, amounted to RM159.2m (-48.7%yoy), inline with declined in revenue which dropped to RM1.68b (-23.2%yoy) due dampened demand of timber products and lower CPO price effects. In addition, operating profits were slipped to R275.5m (-46.4%yoy) with a margin down by -7.1pts ppt to 16.4% on higher cost of production.

Timber products. The segment profit continued lower at RM2.0m (-76.0%qoq, >100%yoy), no thanks to the weaker average selling price of plywood products that decelerated by -21%yoy. Overall, the FY23 bottom-line performance softened to RM35.4m (-53.3%yoy), and apparently, profit margin also dropped to 11.4% (-9.0pts). The Malaysian logs and plywood continue its downward trajectory at the average of USD201/m³ (-2.2%qoq, -4.4%yoy) and 369.5cents/sheet (-4.4%qoq, -2.2%yoy) respectively, following softer demand from Japanese housing market during the period under review.

Oil palm. Similarly, the Oil palm sales relatively lower at RM381.1m (-3.7%qoq, -2.9%yoy) during the quarter, in tandem with consolidation of CPO (-26%yoy) and FFB (-27%yoy) average price realized. Additionally, profitability was impacted, down by double digit during the quarter, bringing the full year profit to only RM265.8m (-44%yoy).

Earnings estimate. We are maintaining our earnings estimates above the RM200m level for the FY2024-2026, thanks to reduction in production costs. We anticipate a production growth of +7%, +5%, and +2% in those years, driven by increased productivity in the estates. Management has assured that Ta Ann is no longer affected by labor shortages. Our projections also account for a decrease in production costs to approximately RM2,200-2,300/tonne, attributed to a decline in fertilizer prices. However, challenges persist for Ta Ann in its timber subsegment, particularly in plywood, where overall demand is expected to remain weak.

Recommendation. We maintain our BUY call with a revised target price of RM4.10 based on a PER of 8.5x anchored (circa 2-year historical average of mean) to FY24F EPS of 48.3 sen. Note that Ta Ann is purely an upstream player, and the share price is highly connected with CPO movement c. 0.82 correlation, hence any upward trajectory in CPO prices (due to EL-Nino) would provide trading opportunity in the stock.

Maintain BUY

Revised Target Price: RM4.10
(Previously RM4.25)

RETURN STATISTICS

Price @ 28 th Feb 2024 (RM)	3.66
Expected share price return (%)	+12.13
Expected dividend yield (%)	+5.46
Expected total return (%)	+17.59

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.4	-0.8
3 months	8.7	3.8
12 months	-7.4	-3.6

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	1,721.7	1,682.5	1,611.3
Operating profit	341.9	363.8	371.8
PBT	322.5	345.4	354.3
Core Net Profit	212.7	215.7	222.5
EPS (sen)	48.3	49.0	50.5
DPS (sen)	20.0	20.0	20.0
Dividend yield (%)	5.5%	5.5%	5.5%

KEY STATISTICS

FBM KLCI	1,545.59
Issue shares (m)	440.46
Estimated free float (%)	40.45
Market Capitalisation (RM'm)	1,598.88
52-wk price range	RM3.03 – RM4.27
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	0.98
Top Shareholders (%)	
MOUNTEX SDN BHD	21.26
Haji Sepawi Amar Abdul Hamed	7.52
EPF	4.97

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Ta Ann: 4Q23 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	YoY%
Income Statement								
Revenue	450.7	489.2	455.7	-6.8	1.1	2,187.4	1,680.7	-23.2
Operating profit	94.0	95.4	73.8	-22.6	-21.5	514.1	275.5	-46.4
Finance costs	-2.5	-1.9	-2.0	NM	NM	-11.2	-9.4	NM
PBT	100.7	103.3	83.9	-18.8	-16.7	552.1	302.3	-45.2
Tax expense	-30.5	-24.2	-21.0	NM	NM	-132.3	-74.1	NM
PATAMI	16.9	65.1	18.8	-71.1	11.4	330.6	166.3	-49.7
Core PATAMI	10.2	62.3	21.6	-65.4	>100	311.6	159.9	-48.7
OP margin (%)	20.9	19.5	16.2	-3.3	-4.7	23.5	16.4	-7.1
PBT margin (%)	22.3	21.1	18.4	-2.7	-3.9	25.2	18.0	-7.3
Core PATAMI margin (%)	2.3	12.7	4.7	-8.0	2.5	14.2	9.5	-4.7
Effective tax rate (%)	-30.3	-23.4	-25.0	-1.6	5.4	-24.0	-24.5	-0.6

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulative		
	4Q22	3Q23	4Q23	QoQ%	YoY%	FY22	FY23	YoY%
Revenue								
Timber products	57.4	92.9	74.3	-20.0	29.6	371.2	310.3	-16.4
Oil palm	392.7	396.1	381.3	-3.7	-2.9	1,813.5	1,367.8	-24.6
Others	0.6	0.2	0.1	-40.2	-81.2	2.8	2.6	-6.8
Pre-Tax								
Timber products	0.6	8.2	2.0	-76.0	>100	75.9	35.4	-53.3
Oil palm	100.4	94.7	82.8	-12.6	-17.5	475.1	265.8	-44.0
Others	-0.3	0.4	-0.9	NM	NM	1.0	0.9	-6.4
Pre-Tax margin %					-/+ppt			
Timber products	1.0	8.8	2.7	-6.2	1.6	20.4	11.4	-9.0
Oil palm	25.6	23.9	21.7	-2.2	-3.9	26.2	19.4	-6.8
Others	-48.2	180.4	-750.0	-930.4	-701.8	35.1	35.2	0.1
Pre-Tax Stats.								
% Timber products	0.6	8.0	2.4	-70.5	>100	13.7	11.7	-14.7
% Oil palm	99.7	91.7	98.7	7.6	-1.0	86.1	88.0	2.2

Source: Ta Ann Resources, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	2,187.4	1,680.7	1,721.7	1,682.5	1,611.3
Operating Profit	514.1	275.5	341.9	363.8	371.8
PBT	542.8	285.8	322.5	345.4	354.3
PATAMI	336.0	166.3	212.7	215.7	222.5
Core PATAMI	317.1	159.9	212.7	215.7	222.5
Core EPS (sen)	72.0	36.3	48.3	49.0	50.5
PER (x)	5.1x	10.1x	7.6x	7.5x	7.2x
DPS (sen)	40.0	25.0	20.0	20.0	20.0
Dividend yield (%)	10.9%	6.8%	5.5%	5.5%	5.5%

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	707.8	691.1	675.8	649.1	620.4
ROU assets	195.2	191.8	225.2	240.2	255.2
Non-current assets	1,930.4	1,924.1	1,928.4	1,916.6	1,902.9
Inventories	146.8	120.3	107.3	104.9	100.4
Receivables	61.0	70.4	33.0	32.3	30.9
Current assets	859.6	803.9	691.6	796.4	908.7
Total Assets	2,790.0	2,728.0	2,620.0	2,713.0	2,811.6
Long-term debt	66.5	20.5	137.1	99.1	61.1
Non-current liabilities	367.9	315.8	438.5	400.5	362.5
Payables	162.3	137.4	116.5	113.9	109.0
Current liabilities	473.3	404.9	243.0	224.3	204.5
Share capital	444.8	444.8	444.8	444.8	444.8
Reserves	1,312.9	1,366.8	1,493.7	1,643.4	1,799.8
Equity	1,948.8	2,007.3	1,938.6	2,088.2	2,244.6

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	524.3	285.8	322.5	345.4	354.3
Cash flow from operations	484.5	185.7	291.3	317.6	321.6
Cash flow from investing	-42.6	-54.0	-54.0	-54.0	-54.0
Cash flow from financing	-373.2	-168.1	-144.1	-120.1	-119.1
Net cash flow	68.7	-36.5	93.2	143.6	148.6
Net cash/(debt) b/f	454.9	523.6	487.2	580.4	724.0
Net cash/(debt) c/f	523.6	487.2	580.4	724.0	872.5

Source: Company, MIDFR

Profitability Margins	2022A	2023A	2024E	2025F	2026F
OP margin	23.5%	16.4%	19.9%	21.6%	23.1%
PBT margin	24.8%	17.0%	18.7%	20.5%	22.0%
Net Profit margin	15.4%	9.9%	12.4%	12.8%	13.8%
Core Profit margin	14.5%	9.5%	12.4%	12.8%	13.8%

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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