

## Ta Ann Holdings Berhad

(5012 | TAH MK) Main | Plantation

### Performance Largely In-Line with Seasonal Factors

#### KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Timber products; profit merely RM4.5m**
- **Oil Palm; higher average CPO price realized**
- **Earnings forecast; Maintain**
- **Maintain BUY with an unchanged TP of RM4.10**

**Earnings above estimates.** After excluding the change in fair value of biological assets and forex gain, Ta Ann's core PATAMI came in only at RM36.4m (-11.2%yoy), despite revenue being maintained at RM352.4m (+0.5%yoy). While this was largely considered within our/consensus estimates, making up about 17% and 18% of full-year estimates, given that 1Q is always the weakest results among the quarters due to low crop seasonality. Additionally, FFB and CPO production were also down by -35.3%qoq and -32.3%qoq respectively, due to aforementioned factors.

**Timber products.** The segment sales continued lower at RM59.8m (-19.5%qoq, -10.0%yoy), due to the weaker ASP of plywood and log subsegment that easing by -18.0%yoy and -20.0%yoy respectively. The PBT-line softened significantly to RM4.5m (-73.2%yoy), with a margin dropped to 7.6% (-17.8pts). Notably, the logs and plywood ASP was weaker following its normal trend where it influenced the depreciation of Japanese yen on top of softer demand from Japanese housing market during the period under review.

**Oil palm.** Similarly, the Oil palm sales were relatively flat at RM292.5m (-23.3%qoq, +3.1%yoy). This was in tandem with consolidation of FFB and CPO sales volume which were down by -33.5%qoq and -33.0%qoq respectively, on pollination months. However, the impact was cushion by the elevated average CPO price realized at RM3,884/Mt. Margin on the other hand kept at 17.9% (+4.3pts), owing to the softer all-in cost of production of which estimated below RM3,000/Mt level.

**Earnings estimate.** We are retaining our earnings estimate as it aligns with the baseline projection. 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.

**Recommendation.** We maintain our **BUY** call with an unchanged **target price of RM4.10** based on a PER of 8.5x anchored (nearly 2 years 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 (dry weather spell) would provide trading opportunity in the stock.

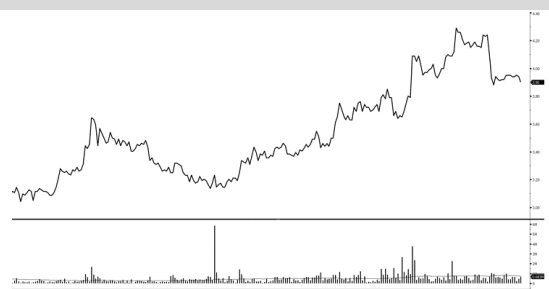
**Maintain to BUY**

**Unchanged Target Price: RM4.10**

#### RETURN STATISTICS

Price @ 27 <sup>th</sup> May 2024 (RM)	3.90
Expected share price return (%)	+5.3
Expected dividend yield (%)	+5.1
<b>Expected total return (%)</b>	<b>+10.4</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-6.0	-8.5
3 months	-2.5	1.8
12 months	17.5	1.8

#### 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 (%)	5.1%	5.1%	5.1%

#### KEY STATISTICS

FBM KLCI	1,618.27
Issue shares (m)	440.46
Estimated free float (%)	37.58
Market Capitalisation (RM'm)	1,717.80
52-wk price range	RM3.18 – RM4.32
3-mth average daily volume (m)	0.28
3-mth average daily value (RM'm)	0.98
Top Shareholders (%)	
MOUNTEX SDN BHD	21.26
Wahab Haii Dolah	9.43
Haji Sepawi Amar Abdul Hamed	4.97

**Ta Ann: 1Q24 RESULTS SUMMARY**

FYE Dec (RM'm)	Quarterly					Cumulative		
	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
<b>Income Statement</b>								
Revenue	350.7	455.7	352.4	-22.7	0.5	350.7	352.4	0.5
Operating profit	51.5	73.8	49.4	-33.1	-4.1	51.5	49.4	-4.1
Finance costs	-2.8	-2.0	-1.6	NM	NM	-2.8	-1.6	NM
PBT	55.8	83.9	56.8	-32.3	1.8	55.8	56.8	1.8
Tax expense	-13.0	-21.0	-14.2	NM	NM	-13.0	-14.2	NM
PATAMI	39.3	18.8	43.2	>100	10.1	39.3	43.2	10.1
Core PATAMI	41.1	54.5	36.4	-33.1	-11.2	41.1	36.4	-11.2
OP margin (%)	14.7	16.2	14.0	-2.2	-0.7	14.7	14.0	-0.7
PBT margin (%)	15.9	18.4	16.1	-2.3	0.2	15.9	16.1	0.2
Core PATAMI margin (%)	11.7	12.0	10.3	-1.6	-1.4	11.7	10.3	-1.4
Effective tax rate (%)	-23.2	-25.0	-25.0	-0.1	-1.8	-23.2	-25.0	-1.8

**SEGMENTAL BREAKDOWN**

FYE Dec (RM'm)	Quarterly					Cumulative		
	1QFY23	4QFY23	1QFY24	QoQ%	YoY%	3MFY23	3MFY24	Ytd%
<b>Revenue</b>								
Timber products	66.5	74.3	59.8	-19.5	-10.0	66.5	59.8	-10.0
Oil palm	283.6	381.3	292.5	-23.3	3.1	283.6	292.5	3.1
Others	0.6	0.1	0.1	-10.3	-82.3	0.6	0.1	-82.3
<b>Pre-Tax</b>								
Timber products	16.9	2.0	4.5	>100	-73.2	16.9	4.5	-73.2
Oil palm	38.6	82.8	52.3	-36.9	35.4	38.6	52.3	35.4
Others	0.3	-0.9	0.0	>100	-92.2	0.3	0.0	-92.2
<b>Pre-Tax margin %</b>					-/+ppt			
Timber products	25.4	2.7	7.6	4.9	-17.8	25.4	7.6	-17.8
Oil palm	13.6	21.7	17.9	-3.8	4.3	13.6	17.9	4.3
<b>Pre-Tax Weightage.</b>								
% Timber products	30.3	2.4	8.0	>100	-73.7	30.3	8.0	-73.7
% Oil palm	69.2	98.7	92.0	-6.8	33.0	69.2	92.0	33.0
<b>Operational Stats.</b>								
Avg CPO Price realised (RM/Mt)	3,890	3,574	3,884	8.7	-0.2	3,890	3,884	-0.2
Avg Plywood Price realised (USD cu m)	649	542	530	-2.2	-18.3	649	530	-18.3

Source: Ta Ann, MIDFR

**FINANCIAL SUMMARY**

<b>Income Statement (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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)	5.7x	9.3x	8.1x	8.0x	6.7x
DPS (sen)	40.0	25.0	20.0	20.0	20.0
Dividend yield (%)	10.3%	6.4%	5.1%	5.1%	5.1%

<b>Balance Sheet (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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

<b>Cash Flow (RM'm)</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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

<b>Profitability Margins</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025F</b>	<b>2026F</b>
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