

TSH Resources Berhad

(9059 | TSH MK) Main | Plantation

Within Expectations

KEY INVESTMENT HIGHLIGHTS

- **Within Expectations**
- **Plantation profit grew double digit growth**
- **Others segment losses narrower**
- **Earnings forecast maintained**
- **Maintain NEUTRAL with a revised TP of RM1.19**

Earnings within expectations. The 1HFY24 core PATMI came in within ours/consensus forecast, accounting 54% and 52%, respectively, at RM60.3m (+35.3%yoy). Collectively, flat revenue was recorded at about RM494.9m (-2.4%yoy), despite decent CPO and PK prices being realized. Operating profit grew to RM90.7m (+16.9%yoy) due to the expansion of other palm products' profit with lower unallocated corporate expenses recorded.

Palm products segment. The profitability of the plantation subsegment surged to RM53.2m (+15.3%yoy) despite the lower volume of CPO sold recorded, this was mainly due to higher CPO average selling prices realized amounted RM3,704/Mt (+6.0%yoy) and PK of RM2,250/Mt (+26.1%yoy). Notably, FFB production (-8%yoy) and CPO sales volume (-10%yoy) were slower in line with production trend in Indonesia.

During the quarter, profit was also impacted by the Indonesia Export Levy and Duty on CPO which stood around RM21.2m (-37%yoy). However, despite these challenges, the margin for the segment remains healthy at 25.1% (+3.8 pts), aligns with stabilised of cost of production.

Others segment registered lower losses. Its others segment continued its loss making, but narrower at -RM1.7m in tandem with higher sales generated from the wood division.

Earnings estimates. We keep our earnings estimates at this juncture as result was within with our expectations. TSH's performance has been relatively decent; despite FFB production being affected by dry weather environments in Sabah and Indonesia, in addition to the Indonesia Export Levy and Duty charges on CPO export. The earnings downside risks in 2HFY24 remain within the volatility of CPO movement, given that we're in the mist of high crop cycle seasonality. Thus, this could push the CPO price on a downward trend given supply risks deescalating.

Maintain NEUTRAL. While TSH operates primarily a pure upstream player with a strong correlation to CPO price movements, its share price does not necessarily reflect significant fluctuations unless there are notable developments that capable of influencing CPO prices above the RM4,500/Mt resistance level such as in FY22. Hence, we are maintaining our **NEUTRAL** call with a revised **TP of RM1.19** pegged to PER of 13x - nearly 5y avg mean, as we rollover valuation-based year of FY25F EPS of 9.1sen.

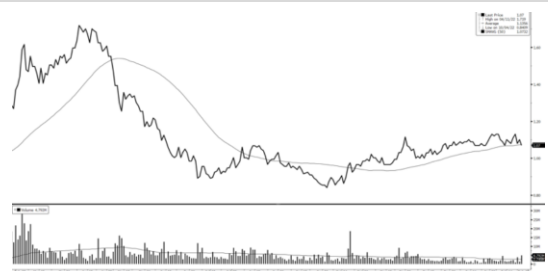
Maintain NEUTRAL

Revised Target Price: RM1.19
(Previously RM1.18)

RETURN STATISTICS

Price @ 22 nd Aug 2024 (RM)	1.15
Expected share price return (%)	+2.51
Expected dividend yield (%)	+1.74
Expected total return (%)	+4.25

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-5.0	-5.7
3 months	0.0	0.1
12 months	12.7	-1.1

INVESTMENT STATISTICS

FYE Mar	2024E	2025F	2026F
Revenue	1,027.3	1,025.2	984.9
EBITDA	321.6	346.7	366.5
Profit Before Tax	185.1	210.0	229.5
Core PATAMI	110.9	126.1	137.6
Core EPS	8.0	9.1	10.0
DPS	2.0	2.0	2.0
Dividend Yield	1.7%	1.7%	1.7%

KEY STATISTICS

FBM KLCI	1,641.66
Issue shares (m)	1380.17
Estimated free float (%)	31.78
Market Capitalisation (RM'm)	1,587.20
52-wk price range	RM0.94- RM1.28
3-mth average daily volume (m)	2.45
3-mth average daily value (RM'm)	32.84
Top Shareholders (%)	
Tan Aik Pen	24.83
Central Depository Pte Ltd/The	18.14
Tan Aik Yong	5.21

TSH Resources: 2QFY24 RESULTS SUMMARY

FYE Dec (RM'm)	Quarterly					Cumulative		
	2Q23	1Q24	2Q24	QoQ%	YoY%	1H23	1H24	Ytd
Income Statement								
Revenue	256.6	242.4	252.5	4.2	-1.6	506.9	494.9	-2.4
Operating profit	36.6	37.5	53.2	41.6	45.3	77.6	90.7	16.9
Finance costs	-5.5	-3.6	-3.3	-9.0	-41.0	-10.9	-6.8	-37.2
Core PBT	34.5	34.8	55.9	60.6	62.2	65.3	90.7	39.0
Tax expense	-10.9	-9.9	-10.6	8.0	-2.6	-27.2	-20.5	-24.7
PATMI	10.6	20.1	40.2	>100	>100	40.0	60.3	50.7
Core PATMI	15.3	23.0	40.4	75.6	>100	44.7	60.4	35.3
Core EPS (sen)	1.1	1.7	2.9	75.6	>100	3.2	4.4	35.3
					-/+ppt			
OP margin (%)	14.3	15.5	21.1	5.6	6.8	15.3	18.3	3.0
PBT margin (%)	10.7	14.5	14.2	-0.2	3.5	16.1	14.3	-1.8
Core PATAMI margin (%)	5.9	9.5	16.0	6.5	10.0	8.8	12.2	3.4

SEGMENTAL BREAKDOWN

FYE Dec (RM'm)	Quarterly					Cumulative		
	2Q23	1Q24	2Q24	QoQ%	YoY%	1H23	1H24	Ytd
Revenue								
Total Revenue	256.6	242.4	252.5	4.2	-1.6	506.9	494.9	-2.4
Palm Product	240.5	231.8	235.9	1.8	-1.9	473.6	467.7	-1.3
Others	16.1	10.6	16.6	56.3	3.3	33.2	27.2	-18.1
Operating Profit								
Operating profit	36.6	37.5	53.2	41.6	45.3	77.6	90.7	16.9
Palm Product	51.4	46.2	59.3	28.4	15.3	101.9	105.4	3.4
Others	-2.0	-3.8	-1.7	NM	NM	-5.2	-5.6	NM
Operating Profit margin %					-/+ppt			
Operating profit margin %	14.3	15.5	21.1	5.6	6.8	15.3	18.3	3.0
Palm Product margin %	21.4	19.9	25.1	5.2	3.8	21.5	22.5	1.0
Others margin %	-12.3	-36.1	-10.4	25.7	1.9	-15.8	-20.4	-4.7

Source: TSH Resources, MIDFR

FINANCIAL SUMMARY

Income Statement (RM'm)	2022A	2023A	2024E	2025F	2026F
Revenue	1,306.0	1,066.5	1,027.3	1,025.2	984.9
EBITDA	640.4	309.7	321.6	346.7	366.5
EBIT	539.6	209.8	221.8	246.6	266.1
Associate & JVs	50.1	8.2	7.0	9.0	9.0
Profit before tax	557.3	197.8	185.1	210.0	229.5
Tax	-32.3	-72.0	-49.9	-56.3	-61.7
PATAMI	456.4	95.1	110.9	126.1	137.6
Core PATAMI	187.8	103.2	110.9	126.1	137.6
Core EPS (sen)	13.6	7.5	8.0	9.1	10.0

Balance Sheet (RM'm)	2022A	2023A	2024E	2025F	2026F
PPE	1,256.6	1,277.8	1,555.9	1,564.4	1,572.3
Right-of-use assets	255.1	253.4	244.6	236.0	227.7
Biological assets	364.8	366.0	364.8	363.6	362.5
Non-current assets	2,170.372	2,200.4	2,501.0	2,508.6	2,442.8
Biological assets	13.5	14.7	14.7	14.7	14.7
Inventories	132.9	93.7	205.5	205.0	197.0
Trade & other receivables	39.7	36.2	68.5	68.3	65.7
Current assets	788.9	644.6	711.4	829.7	960.8
Total Assets	2,959.3	2,845.0	3,212.4	3,338.3	3,474.0
Loans & borrowings	394.3	191.2	191.2	191.2	191.2
Trade & other payables	142.2	123.5	114.1	113.9	109.4
Current liabilities	557.2	317.9	308.5	308.3	303.8
Loans & borrowings	164.9	111.0	111.0	111.0	111.0
Retirement benefits	17.3	23.0	23.0	23.0	23.0
Non-current liabilities	270.1	221.9	221.9	221.9	221.9
Liabilities & equity	2,959.3	2,845.0	3,212.4	3,338.3	3,474.0

Cash Flow (RM'm)	2022A	2023A	2024E	2025F	2026F
PBT	557.3	197.8	185.1	210.0	229.5
Cash flow from operations	297.0	318.2	100.3	302.7	331.2
Cash flow from investing	623.2	-35.9	-100.0	-100.0	-100.0
Cash flow from financing	-743.5	-328.4	-27.6	-27.6	-27.6
Net cash flow	87.4	-137.6	-77.2	118.8	141.9
Net cash/(debt) b/f	292.8	376.2	251.0	173.9	292.7
Net cash/(debt) c/f	376.231	251.03	173.9	292.7	434.6

Key Metrics	2022A	2023A	2024E	2025F	2026F
P/E (x)	8.4	15.4	14.3	12.6	11.5
DPS (sen)	2.5	2.0	2.0	2.0	2.0
Dividend yield (%)	2.2	1.7	1.7	1.7	1.7

Profitability Margins	2022A	2023A	2024E	2025F	2026F
EBITDA margin (%)	49.0	29.0	31.3	33.8	37.2
EBIT margin (%)	41.3	19.7	21.6	24.1	27.0
PBT margin (%)	42.7	18.5	18.0	20.5	23.3
Core PATMI margin (%)	14.4	9.7	10.8	12.3	14.0

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