

Ta Ann Holdings Berhad

(5012 | TAH MK) Main | Plantation

Riding the Momentum

KEY INVESTMENT HIGHLIGHTS


- **Production to remain stable for the whole year**
- **Cost of production remain the lowest among its peers**
- **Earnings estimates tweaked higher**
- **Maintain BUY with a new TP of RM4.41**

Meeting with Ta Ann. We had a meeting with management recently and reaffirmed on the stable prospect for its operation in the near-term. Key takeaways from the meeting as below.

FFB Production to remain stable. Operational wise, due to wet weather conditions in the Sarawak area, as well low manuring activities carried during the MCO year, the FFB production inched by +4.2%yoy, resulting the FFB sales volume to be only around 144,000 Mt (+1.8%yoy) in the 2QFY24. Its CPO production was down to nearly 63,000 Mt (-6.6%yoy) as a result of lower OER level at 19.12% as the ripeness of the fruitlet was somewhat affected by the past wet weather months.

The management anticipates that FFB production to catch-up in the remaining months and surge by +6.0%yoy to approximately 720,000 Mt for the whole year. With decent weather conditions beginning to be seen in October, this should provide a favourable environment for the FFB evacuation process and manuring activities. The cost of production on the other hand, has now moderated to approximately RM1,900-RM2,000/Mt versus in early of the year attributable to a combination of declined in fertilizer price and higher CPO production volume.

Earnings estimates. We are tweaking our earnings estimate to aligns with the management baseline projection. With a FFB production to grow by +7%yoy/+8%yoy over FY24E-FY25F, respectively, we have revised earnings estimates upward by +2%yoy/+6%yoy to RM2611.2m and RM228.4m accordingly. We consider this is an organic production growth as Ta Ann is no longer affected by labor shortages and the recovery in the estate will be aided by impact of decent fertilizer application in the past 2 years. Our projections also account for a decrease in production costs to approximately RM1,900-2,000/tonne (to-date cost of production estimated about RM2,000/Mt, attributed to a decline in fertilizer prices.

Recommendation. Maintain our **BUY** call with a revised target price of **RM4.41** previously RM4.16 based on our forward valuation of FY25F EPS of 51.8 sen while keeping our 8.5x P/E target, to nearly 5 years historical average mean. 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. 

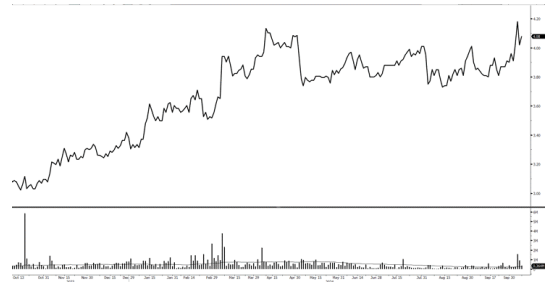
Maintain BUY

Revised Target Price: RM4.41
(Previously RM4.16)

RETURN STATISTICS

Price @ 08 th Oct 2024 (RM)	4.08
Expected share price return (%)	+8.0
Expected dividend yield (%)	+5.6
Expected total return (%)	+13.6

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.3	7.3
3 months	4.6	3.8
12 months	21.4	5.2

INVESTMENT STATISTICS

FYE Jun (RMm)	2024E	2025F	2026F
Revenue	1,686.6	1,696.5	1,646.9
Operating Profit	350.0	384.9	458.5
Profit Before Tax	325.9	361.0	434.9
Core PATAMI	216.2	228.4	284.2
Core EPS (sen)	49.1	51.8	64.5
PER (x)	8.3x	7.9x	6.3x
DPS (sen)	23.0	23.0	23.0
Dividend Yield (%)	5.6%	5.6%	5.6%

KEY STATISTICS

FBM KLCI	1,635.62
Issue shares (m)	440.46
Estimated free float (%)	37.56
Market Capitalisation (RM'm)	1,797.08
52-wk price range	RM3.25-RM4.32
3-mth average daily volume (m)	0.26
3-mth average daily value (RM'm)	1.01
Top Shareholders (%)	
Mountex Sdn Bhd	21.26
Wahab Haii Dolah	9.43
Haji Sepawi Amar Abdul Hamed	7.52

FINANCIAL SUMMARY

Income Statement	FY22A	FY23A	FY24E	FY25F	FY26F
Revenue	2,187.4	1,680.7	1,686.6	1,696.5	1,646.9
Operating expenses	498.5	265.2	350.0	384.9	458.5
Operating profit	524.3	270.1	325.9	361.0	434.9
PBT	320.5	157.2	216.2	228.4	284.2
Core PATAMI	301.5	183.8	216.2	228.4	284.2
EPS (sen)	68.5	41.7	49.1	51.8	64.5
PER (x)	6.0x	9.8x	8.3x	7.9x	6.3x
DPS (sen)	40.0	25.0	23.0	23.0	23.0
Dividend Yield (%)	9.8%	6.1%	5.6%	5.6%	5.6%
Balance Sheet	FY22A	FY23A	FY24E	FY25F	FY26F
PPE	707.8	691.1	750.3	766.6	780.9
ROU assets	195.2	191.8	225.2	240.2	255.2
Non-current assets	1,930.4	1,924.1	2,002.9	2,034.2	2,063.4
Inventories	146.8	120.3	105.1	105.7	102.7
Receivables	61.0	70.4	32.3	32.5	31.6
Current assets	859.6	803.9	599.0	678.3	811.5
Total Assets	2,790.0	2,728.0	2,601.9	2,712.5	2,874.9
Long-term debt	66.5	20.5	147.3	131.7	116.1
Non-current liabilities	367.9	315.8	448.7	433.1	417.5
Payables	162.3	137.4	114.1	114.8	111.4
Current liabilities	473.3	404.9	226.2	225.3	220.4
Share capital	444.8	444.8	444.8	444.8	444.8
Reserves	1,312.9	1,366.8	1,482.2	1,609.2	1,792.2
Equity	1,948.8	2,007.3	1,927.0	2,054.1	2,237.0

Cash Flow Statement	FY22A	FY23A	FY24E	FY25F	FY26F
Operating cash flow	484.5	236.3	259.5	336.0	385.0
Investing cash flow	-42.6	-41.2	-54.0	-54.0	-54.0
Financing cash flow	-373.2	-110.1	-118.5	-118.5	-118.5
Net Cash Flow	68.7	85.0	87.0	163.5	212.6
Beginning cash	454.9	523.6	608.7	695.6	859.2
Ending cash	523.6	608.7	695.6	859.2	1,071.8

Key Ratios	FY22A	FY23A	FY24E	FY25F	FY26F
OP margin	22.8%	15.8%	20.8%	22.7%	27.8%
PBT margin	24.0%	16.1%	19.3%	21.3%	26.4%
PATAMI margin	14.7%	9.4%	12.8%	13.5%	17.3%
Core PATAMI margin	13.8%	10.9%	12.8%	13.5%	17.3%

Source: Company, 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