

26 November 2019

TSH Resources Berhad

Within Expectations

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TSH's 9MFY19 CNP* of RM34.2m came within our estimate at 70% but above consensus at 87%, likely due to higher FFB output. 9MFY19 FFB output of 651k MT also came within our estimate at 75%. No changes to FY19-20E CNP of RM49.2-67.4m (25-24% higher than consensus). Maintain MARKET PERFORM with a higher TP of RM1.20. Despite above-average FFB growth prospects and potential upwards revision in consensus' earnings estimates, we maintain our call after share price rally (+29%) since end-October.

Within our but above consensus' expectations. 3QFY19 Core Net Profit (CNP*) came in at RM11.5m (-28% YoY; +29% QoQ), bringing 9MFY19 CNP to RM34.2m (-17% YoY), within our estimate at 70%, but above consensus' at 87%, which we believe is largely due to higher FFB output. Having said that, 9MFY19 FFB output of 651k MT is within our estimate at 75%. No dividend was declared, as expected.

Low CPO price is the culprit. YoY, 9MFY19 CNP fell (-17%) in line with a 13% decline in topline as the average CPO price declined (-14%) to RM1,906/MT, while FFB output remained flat. **QoQ**, despite flat CPO price, 3QFY19 CNP surged (+29%) to RM11.5m on the back of 23% increase in FFB output. This resulted in an EBIT margin expansion (+6ppt) for its palm products, which was partially equalized by higher effective tax rate of 48% (+3ppt) for the quarter.

Sequential earnings improvement in 4QFY19. We expect to see sequential earnings improvement in 4QFY19, grounded on higher CPO prices. Based on MPOB data, QTD 4QFY19 CPO prices have already recorded a solid increase of 13%. Meanwhile, FFB output is on track with the recently released 10MFY19 FFB output registering 738k MT, at 84% of our full-year estimate of 874k MT. Note that our FY19E CNP of RM49.2m is **25% higher than consensus**, reflecting our expectation of a bumper 4QFY19 ahead.

No changes to FY19-20E CNP of RM49.2-67.4m as earnings came within our expectation.

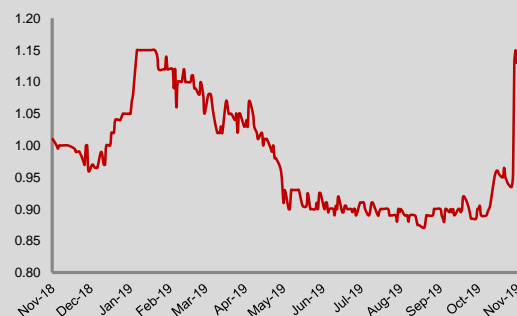
Maintain MARKET PERFORM with a higher Target Price of RM1.20 (from RM1.00) based on higher CY20E PBV of 1.02x (from 0.9x; -0.5SD), reflecting mean. The target price implies 24.6x CY20E PER, at 12% discount to large-cap planters' average of 28x, which we believe is fair given that TSH is one of the more profitable mid cap planters and has above-average FFB prospects (FY20: +4.5%). Additionally, we believe that there is a **high possibility for consensus to revise earnings estimates upwards** which could act as a catalyst. However, we **maintain our MARKET PERFORM call after share price rally (+29%)** since end-October.

Risks to our call include sharp rises/falls in CPO prices and labour/fertiliser/transportation costs.

MARKET PERFORM ↔

Price : RM1.16
Target Price : RM1.20 ↑

Share Price Performance



KLCI 1,591.35
YTD KLCI chg -5.9%
YTD stock price chg 17.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TSH MK Equity
Market Cap (RM m)	1,601.0
Shares Outstanding	1,380.2
52-week range (H)	1.21
52-week range (L)	0.87
3-mth avg daily vol:	252,287
Free Float	31%
Beta	0.5

Major Shareholders

Aik Pen Tan	13.9%
Employees Provident Fund Board	7.0%
Tunas Lestari Sdn Bhd	6.2%

Summary Earnings Table

FYE Dec (RM m)	2018A	2019E	2020E
Turnover	906.3	915.7	1037.3
EBIT	127.6	105.8	138.5
PBT	81.3	89.5	122.5
Net Profit (NP)	40.1	49.2	67.4
Core NP	49.8	49.2	67.4
Consensus (CNP)	N.A.	39.5	54.4
Earnings Revision	N.A.	0%	0%
Core EPS (sen)	3.58	3.56	4.88
Core EPS grwth (%)	-51	-1	37
NDPS (sen)	1.0	1.0	1.5
NTA/Share (RM)	1.04	1.08	1.12
Core PER (x)	32.4	32.6	23.8
Price/NTA (x)	1.12	1.08	1.04
Net Gearing (x)	0.98	0.96	0.92
Dividend Yield (%)	0.9	0.9	1.3

* 3Q19 CNP excludes forex loss of RM5.3m, PP&E disposal gain of RM0.1m and PPE written off of RM0.25m.



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Results Highlights

FYE Dec	3Q	2Q	QoQ %	3Q	YoY%	9M	9M	YoY%
	FY19	FY19		FY18		FY19	FY18	
Revenue	203.8	186.1	10%	225.8	(10%)	597.5	684.8	(13%)
EBIT	25.8	19.7	30%	44.0	(41%)	68.3	110.2	(38%)
Pretax Profit	15.0	10.2	48%	24.1	(38%)	41.7	69.9	(40%)
Taxation	(7.3)	(4.6)	57%	(11.1)	(34%)	(14.7)	(29.7)	(50%)
MI	(1.7)	0.5	NM	(6.6)	(74%)	(1.4)	(11.8)	(88%)
Net Profit	6.0	6.0	(0%)	6.4	(6%)	25.6	28.3	(10%)
Core Net Profit	11.5	8.9	29%	15.9	(28%)	34.2	41.2	(17%)
Core EPS (sen)	0.83	0.64	29%	1.15	(28%)	2.48	2.98	(17%)
EBIT %	12.6%	10.6%		19.5%		11.4%	16.1%	
PBT %	7.4%	5.5%		10.7%		7.0%	10.2%	
Tax %	48.4%	45.4%		45.9%		35.3%	42.6%	
FFB Volume (mt)	247,576	201,018	23%	250,205	(1%)	653,149	651,928	0%
CPO (RM / mt)	1,905	1,901	0%	2,037	(6%)	1,906	2,205	(14%)

Source: Company, Kenanga Research

Segmental Breakdown

Segmental Rev:	3Q	2Q	QoQ %	3Q	YoY%	9M	9M	YoY%
	FY19	FY19		FY18		FY19	FY18	
Segmental Rev:								
Palm Product	173.9	157.0	11%	191.7	(9%)	511.7	585.9	(13%)
Others	29.9	29.1	3%	34.1	(12%)	85.8	98.9	(13%)
Group Rev	203.8	186.1	10%	225.8	(10%)	597.5	684.8	(13%)
EBIT:								
Palm Product	25.5	14.2	79%	39.6	(35%)	57.3	106.5	(46%)
Others	6.5	9.2	(30%)	10.0	(35%)	25.5	20.8	22%
Group EBIT	32.0	23.5	36%	49.6	(35%)	82.8	127.4	(35%)

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price	Market Cap	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)	Net Div. Yld. (%)	Target Price (RM)	Rating
	(RM)	(RM'm)			1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.		
STOCKS UNDER COVERAGE																	
CB INDUSTRIAL PRODUCT HLDG	0.940	474.7	Y	12/2019	-23.4%	14.5%	-57.2%	75.4%	9.4	22.0	12.6	0.7	0.7	3.0%	2.1%	0.860	UP
FGV HOLDINGS BHD	1.30	4,742.6	Y	12/2019	3.8%	3.8%	-332.3%	70.8%	N.A.	N.A.	55.4	1.0	1.0	-1.2%	0.0%	1.15	MP
GENTING PLANTATIONS BHD	10.50	9,420.6	Y	12/2019	4.9%	10.8%	28.2%	52.2%	59.2	50.4	35.8	2.0	2.2	4.4%	1.0%	9.80	MP
HAP SENG PLANTATIONS HLDGS	1.73	1,383.5	Y	12/2019	4.5%	14.3%	-61.0%	253.3%	47.6	121.9	34.5	0.8	0.8	0.7%	0.6%	1.90	OP
IJM PLANTATIONS BHD	1.80	1,585.0	Y	03/2020	0.6%	14.7%	37.4%	93.1%	N.A.	56.1	29.0	0.9	0.9	1.6%	1.1%	1.65	MP
IOI CORPORATION BHD	4.45	27,966.7	Y	06/2020	-2.0%	5.9%	37.1%	11.8%	36.8	26.8	24.0	3.0	2.9	11.0%	2.2%	4.60	MP
KUALA LUMPUR KEPONG BHD	23.78	25,324.9	Y	09/2020	16.2%	14.7%	46.1%	9.5%	41.0	28.1	25.6	2.4	2.3	8.5%	1.9%	24.60	OP
PPB GROUP BERHAD	18.30	26,033.6	Y	12/2019	5.4%	5.6%	17.3%	7.0%	27.6	23.5	22.0	1.2	1.2	5.3%	1.8%	17.90	UP
SIME DARBY PLANTATION BHD	5.10	35,111.3	Y	12/2019	87.7%	12.0%	63.2%	184.5%	156.9	96.2	33.8	2.6	2.6	2.7%	0.6%	5.10	MP
SOUTHERN ACIDS MALAYSIA BHD	3.75	513.5	Y	03/2020	12.4%	6.9%	49.8%	20.0%	29.6	19.8	16.5	0.9	0.8	4.3%	1.6%	3.65	MP
TA ANN HOLDINGS BERHAD	3.04	1,339.0	Y	12/2019	1.9%	18.1%	-22.4%	34.4%	16.4	21.1	15.7	1.0	1.0	4.7%	1.6%	3.20	OP
TSH RESOURCES BHD	1.16	1,601.0	Y	12/2019	1.0%	13.3%	-1.1%	36.9%	32.4	32.6	23.8	1.1	1.1	3.4%	0.8%	1.20	MP
UNITED MALACCA BHD	5.36	1,123.9	Y	04/2020	8.1%	13.5%	-377.0%	73.1%	N.A.	N.A.	91.6	0.7	0.7	-0.5%	1.1%	5.30	MP
Simple Average					9.3%	11.4%	-44.0%	70.9%	45.7	45.3	32.3	1.4	1.4	3.7%	1.3%		

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

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