

26 February 2021

# TSH Resources Berhad

## Within Expectations

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**FY20 CNP of RM72.2m (+105% YoY) is within both our (100%) and consensus' (97%) expectations. FFB output and DPS are also within expectations. We think that in 1QFY21, the impact of higher CPO price (already capped by Indonesia levy and tax structure) could be dampened by seasonally lower production. Raise FY21E CNP by 18% and introduce FY22E CNP of RM86.3m. Maintain MP with unchanged TP of RM1.10 @ FY21 PER of 20x (-0.5SD). At this juncture, upstream peers at c.15% discount (PER) are more attractive.**

**Within expectations.** 4QFY20 Core Net Profit (CNP) came in at RM25.0m, which brought FY20 CNP to RM72.2m (+105% YoY) - within both our (100%) and consensus' (97%) estimates. FY20 FFB output of 685k MT (+3% YoY) hit 98% of our full-year estimate while DPS of 1.5 sen is spot on.

**Results' highlight. YoY,** FY20 CNP leapt (105%) boosted by higher CPO price (+23%) and FFB output (+3%). As a result, plantation segmental profit surged (+60%), overshadowing a 46% decline in its other segment. **QoQ,** 4QFY20 CNP rose (+44%), also attributed to higher CPO price (+16%) and FFB output (+2%).

**Looking ahead into 1QFY21.** Although CPO prices are higher (QTD 4QFY20: +13% QoQ), we note that TSH has c.85-90% of production in Indonesia where realized prices are capped at c.RM2,600/MT. As such, the group will be unable to enjoy significantly higher CPO prices (compared to its pure Malaysian upstream peers). Alongside seasonally lower production (Indonesia peaked in 4QFY20), we think that the impact of higher prices will be muzzled.

**Raise FY21E CNP by 18%** on higher CPO price of c.RM2,630/MT and introduce FY22E CNP of RM86.3m.

**Maintain MARKET PERFORM with an unchanged Target Price of RM1.10** after switching valuation method to FY21E PER of 20x (-0.5SD). Upstream peers are traded at discount of c.15% – making it more attractive than TSH which has c.85-90% production concentrated in Indonesia where realized CPO prices are capped due to the biodiesel levy and export tax structure. As such, we believe our MARKET PERFORM rating is appropriate.

**Risks to our call include** sharp increase/decline in CPO prices and a precipitous rise/fall in labour/fertiliser/transportation costs.

# MARKET PERFORM ↔

**Price :** RM1.08  
**Target Price :** RM1.10 ↔

## Share Price Performance



KLCI	1,581.54
YTD KLCI chg	-2.8%
YTD stock price chg	-6.1%

## Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TSH MK Equity
Market Cap (RM m)	1,490.6
Shares Outstanding	1,380.2
52-week range (H)	1.25
52-week range (L)	0.56
3-mth avg daily vol:	3,088,200
Free Float	36%
Beta	1.5

## Major Shareholders

Aik Pen Tan	15.4%
Employees Provident Fund Board	7.2%
Urusharta Jamaah Sdn Bhd	4.5%

## Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	781.7	936.7	950.3
EBIT	116.0	140.3	156.4
PBT	107.7	137.0	152.4
<b>Net Profit (NP)</b>	<b>61.5</b>	<b>116.3</b>	<b>86.3</b>
<b>Core NP</b>	<b>72.2</b>	<b>77.6</b>	<b>86.3</b>
Consensus (CNP)	n.a.	84.1	93.6
Earnings Revision	n.a.	18%	NEW
Core EPS (sen)	5.2	5.6	6.2
Core EPS grwth (%)	83.2	7.5	11.3
NDPS (sen)	1.5	2.5	2.0
NTA/Share (RM)	1.11	1.18	1.23
Core PER (x)	20.7	19.2	17.3
Price/NTA (x)	0.97	0.91	0.88
Net Gearing (x)	0.88	0.50	0.51
Dividend Yield (%)	1.4	2.3	1.9

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**Results Highlights**

<i>FYE Dec (RM m)</i>	4Q	3Q	QoQ %	3Q	YoY%			YoY%
	FY20	FY20		FY19		FY20	FY19	
<b>Revenue</b>	<b>195.2</b>	<b>194.2</b>	<b>1%</b>	<b>195.1</b>	<b>0%</b>	<b>781.7</b>	<b>718.8</b>	<b>9%</b>
EBIT	21.5	30.0	(28%)	22.8	(6%)	116.0	82.8	40%
Pretax Profit	36.2	34.9	4%	21.7	67%	107.7	62.3	73%
Taxation	(11.6)	(6.4)	81%	(6.0)	92%	(34.8)	(20.8)	67%
MI	(1.2)	(3.0)	(59%)	0.0	nm	(11.4)	(1.3)	746%
Net Profit	23.4	25.5	(8%)	15.7	50%	61.5	40.2	53%
<b>Core Net Profit</b>	<b>25.0</b>	<b>17.3</b>	<b>44%</b>	<b>3.6</b>	<b>602%</b>	<b>72.2</b>	<b>35.2</b>	<b>105%</b>
<b>Core EPS (sen)</b>	<b>1.81</b>	<b>1.25</b>	<b>44%</b>	<b>0.26</b>	<b>602%</b>	<b>5.2</b>	<b>2.6</b>	<b>105%</b>
EBIT %	11.0%	15.5%		11.7%		14.8%	11.5%	
PBT %	18.6%	18.0%		11.1%		13.8%	8.7%	
Tax %	31.9%	18.3%		27.9%		32.3%	33.4%	
<b>FFB Volume (mt)</b>	<b>180,963</b>	<b>177,476</b>	<b>2%</b>	<b>160,911</b>	<b>12%</b>	<b>685,494</b>	<b>662,484</b>	<b>3%</b>
<b>CPO (RM / mt)</b>	<b>2,779</b>	<b>2,404</b>	<b>16%</b>	<b>2,306</b>	<b>21%</b>	<b>2,478</b>	<b>2,015</b>	<b>23%</b>

Source: Company, Kenanga Research

**Segmental Breakdown**

<i>FYE Dec (RM m)</i>	4Q	3Q	QoQ %	3Q	YoY%			YoY%
	FY20	FY20		FY19		FY20	FY19	
<b>Segmental Rev:</b>								
Palm Product	176.5	165.5	7%	166.7	6%	670.1	604.7	11%
Others	18.8	28.7	(35%)	28.3	(34%)	111.6	114.1	(2%)
<b>Group Rev</b>	<b>195.2</b>	<b>194.2</b>	<b>1%</b>	<b>195.1</b>	<b>0%</b>	<b>781.7</b>	<b>718.8</b>	<b>9%</b>
<b>Segmental Profit:</b>								
Palm Product	26.6	32.5	(18%)	24.4	9%	117.6	73.4	60%
Others	1.8	0.0	4931%	4.2	(58%)	16.1	29.7	(46%)
<b>Group segmental profit (before adjustments)</b>	<b>28.3</b>	<b>32.5</b>	<b>(13%)</b>	<b>28.5</b>	<b>(1%)</b>	<b>133.8</b>	<b>103.0</b>	<b>30%</b>

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
					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.		
<b>STOCKS UNDER COVERAGE</b>																	
FGV HOLDINGS BHD	1.35	4,925.0	Y	12/2020	2.4%	8.2%	292.0%	26.8%	95.6	24.4	19.2	1.2	1.1	4.8%	1.5%	1.30	Accept Offer
GENTING PLANTATIONS BHD	9.48	8,505.4	Y	12/2021	-1.7%	5.5%	31.2%	9.1%	35.7	27.2	24.9	1.7	1.7	6.3%	2.0%	9.50	MP
HAP SENG PLANTATIONS HLDGS	1.90	1,519.4	Y	12/2021	8.4%	4.2%	39.2%	6.5%	21.9	15.8	14.8	0.9	0.9	5.6%	3.7%	2.15	OP
IJM PLANTATIONS BHD	1.81	1,593.9	N	03/2021	12.3%	5.5%	155.5%	9.0%	45.8	17.9	16.4	1.3	1.3	7.3%	2.1%	1.95	MP
IOI CORPORATION BHD	4.30	26,933.8	Y	06/2021	24.2%	6.2%	28.1%	6.8%	35.5	32.0	23.4	2.9	2.7	11.2%	2.1%	4.95	OP
KUALA LUMPUR KEPONG BHD	23.28	25,108.7	Y	09/2021	11.5%	4.4%	35.6%	9.7%	33.0	24.4	22.2	2.3	2.2	9.2%	2.4%	26.80	OP
PPB GROUP BERHAD	18.48	26,289.6	Y	12/2021	18.4%	11.1%	3.3%	7.9%	20.1	19.4	18.0	1.2	1.1	6.0%	2.2%	20.70	OP
SIME DARBY PLANTATION BHD	4.97	34,216.3	Y	12/2021	14.1%	5.0%	80.5%	5.2%	40.8	22.6	21.5	2.5	2.4	10.8%	2.0%	5.50	OP
TA ANN HOLDINGS BERHAD	2.91	1,281.7	Y	12/2020	14.7%	5.1%	57.7%	7.9%	18.7	11.9	11.0	0.9	0.9	7.4%	3.4%	3.45	OP
TSH RESOURCES BHD	1.08	1,490.6	Y	12/2021	19.8%	1.4%	7.5%	11.3%	20.7	19.2	17.3	1.0	0.9	7.8%	2.3%	1.10	MP
UNITED MALACCA BHD	5.08	1,065.6	Y	04/2021	27.3%	11.2%	77.3%	65.2%	N.A.	33.3	20.1	0.8	0.8	2.4%	1.8%	5.30	MP
<b>Simple Average</b>					<b>13.8%</b>	<b>6.2%</b>	<b>73.5%</b>	<b>15.0%</b>	<b>36.8</b>	<b>22.6</b>	<b>19.0</b>	<b>1.5</b>	<b>1.5</b>	<b>7.2%</b>	<b>2.3%</b>		

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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