

23 November 2021

Ta Ann Holdings Berhad

Dividend Surprises

By Adrian Kok | adrian.kok@kenanga.com.my

9MFY21 CNP of RM170.5m is above our (97%) and consensus (95%) expectations due to higher CPO prices. Dividend declared implies a yield of 9.3%, which surprised us. Looking ahead into 4QFY21, stronger CPO prices should overshadow a slight blip in production and an expected decline in its timber division (order slowdown during Deepavali). Raise FY21-22E CNP by 46-12%. Maintain MP with higher SoP-derived TP of RM3.25 (from RM2.85). ESG score is at 42%.

Above expectations. 9MFY21 Core Net Profit (CNP) came in at RM170.5m (+163% YoY) which is above our/consensus' expectations at 97%/95% due to higher CPO prices. 9MFY21 FFB output of 487k MT (-9% YoY) is at 70% of our full-year estimate.

Dividend surprises. On 9 July 2021, TAANN announced its first interim DPS of 10.0 sen which is captured in 3QFY21. Yesterday, TAANN announced a second interim DPS of 20.0 sen, which should be captured in 4QFY21. This brings FY21 DPS to 30.0 sen, (at 188% of our estimate) and implies a yield of 9.3%. Accordingly, we have adjusted our dividend assumptions.

Results' highlight. YoY, 9MFY21 CNP leapt (+163%) mainly due to a 127% improvement in plantation PBT stemming from stronger average CPO price (+62%) which overwhelmed lower FFB output (-9%). **QoQ,** 3QFY21 CNP rose (+19%) attributable to: (i) better plantation PBT (+18%) on higher average CPO price (+2%), and better FFB output (+24%), as well as (ii) better timber PBT (+69%) on higher plywood ASP (+9%) and volume (+12%).

Still counting on upstream's strength. Despite our expectations of slightly weaker FFB output, the group's plantation division should continue to see sequential improvement in 4QFY21 from higher CPO prices (QTD 4QFY21: +17%). However, timber division's earnings could decline sequentially given that orders typically slow down during Deepavali. Note that India is the group's largest buyer of export logs (82% in FY20).

Raise FY21E CNP by 46% on higher CPO price of RM4,200/MT (vs. RM3,700/MT previously), and raise FY22E CNP by 12% on higher timber EBIT margin of 10% (vs. c.6% previously).

Maintain MARKET PERFORM with a higher SoP-derived TP of RM3.25 (from RM2.85). TAANN is currently traded at FY22E PER of c.10x, implying -0.5SD from mean, which we think is fairly valued. Its upstream peers (without timber volatility) are traded at below -0.5SD levels. TAANN also has the lowest ESG score among our coverage at 42%.

Risks to our call include: (i) change in export log quota, (ii) significant deterioration of export log prices, and (iii) re-imposition of lockdowns.

MARKET PERFORM ↔

Price: RM3.21
Target Price: RM3.25 ↑

Share Price Performance



KLCI	1,526.87
YTD KLCI chg	-6.2%
YTD stock price chg	5.9%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TAH MK Equity
Market Cap (RM m)	1,413.9
Shares Outstanding	440.5
52-week range (H)	3.39
52-week range (L)	2.51
3-mth avg daily vol:	1,146,056
Free Float	31%
Beta	1.2

Major Shareholders

Mountex Sdn Bhd	21.3%
Wahab Bin Haji Dolah	12.9%
Abdul Hamed Bin Sepawi	7.4%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	1,218	1,764	1,429
EBIT	131	433	271
PBT	134	424	262
Net Profit (NP)	45	257	147
Core NP	63	257	147
Consensus (CNP)	N.A.	179	135
Earnings Revision	N.A.	46%	12%
Core EPS (sen)	14.4	58.3	33.3
Core EPS growth (%)	2.7	305.4	-42.8
NDPS (sen)	15.0	30.0	17.0
NTA per share (RM)	3.24	3.52	3.69
Core PER (x)	22.3	5.5	9.6
Price to NTA (x)	1.0	0.9	0.9
Net Gearing (x)	0.27	0.20	0.13
Dividend Yield (%)	4.7	9.3	5.3

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Results Highlights								
FYE Dec (RM m)	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Revenue	486.9	455.3	7%	353.4	38%	1,282.8	854.7	50%
EBIT	115.6	94.2	23%	64.9	78%	252.7	111.8	126%
Profit Before Tax	126.0	103.9	21%	69.3	82%	277.5	110.4	151%
Taxation	(26.1)	(23.1)	13%	(15.3)	71%	(60.1)	(27.9)	115%
MI	(22.7)	(16.3)	39%	(12.9)	76%	(45.8)	(18.2)	152%
Net Profit	103.3	74.0	40%	42.8	142%	218.3	66.0	231%
Core Net Profit	77.2	64.9	19%	41.2	87%	170.5	64.8	163%
EPS (sen)	23.5	16.8	39%	9.7	142%	49.6	15.1	229%
DPS (sen)	10.0	0.0	nm	10.0	0%	10.0	10.0	0%
EBIT Margin	23.7%	20.7%		18.4%		19.7%	13.1%	
PBT Margin	25.9%	22.8%		19.6%		21.6%	12.9%	
Effective Tax Rate	20.7%	22.3%		22.1%		21.7%	25.3%	
CPO (RM / mt)	4,222	4,137	2%	2,604	62%	4,036	2,491	62%
Export Logs (US\$/m3)	258	263	-2%	193	34%	251	191	32%
Plywood (US\$/m3)	595	544	9%	480	24%	546	478	14%
FFB Production (MT)	193,590	156,613	24%	227,718	-15%	486,937	537,829	-9%
CPO Production (MT)	76,840	72,931	5%	82,156	-6%	206,005	199,754	3%
Export Logs Volume (m3)	14,401	19,262	-25%	29,945	-52%	57,057	76,144	-25%
Plywood Volume (m3)	23,042	20,664	12%	15,441	49%	64,539	64,492	0%

Source: Company, Kenanga Research

Segmental Breakdown								
FYE Dec (RM m)	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
Segmental Rev:								
Timber	81.5	78.0	5%	79.8	2%	228.9	231.5	-1%
Plantation	405.2	377.3	7%	273.5	48%	1,053.6	622.9	69%
Reforestation	0.0	0.1	-26%	0.0	277%	0.2	0.1	69%
Property	0.0	0.0	5%	0.03	27%	0.1	0.1	23%
Group Rev	486.9	455.3	7%	353.4	38%	1,282.8	854.7	50%
PBT:								
Timber	10.2	6.0	69%	(3.0)	nm	20.7	(2.7)	nm
Plantation	115.6	97.7	18%	71.9	61%	256.3	112.7	127%
Reforestation	0.0	0.1	-45%	0.2	-85%	0.2	0.2	-20%
Property	0.1	0.1	35%	0.2	-26%	0.4	0.2	59%
Group PBT	126.0	103.9	21%	69.3	82%	277.5	110.4	151%

Source: Company, Kenanga Research

Sum-of-Parts Valuation						
Segment	Valuation	Note	Fair Value (RM m)	PER/PBV	Earnings/Book Value (RM m)	
Timber	0.45x FY22 PBV		251.4	0.45	558.7	
Plantation	12x FY22 PER	~15% disc to upstream peers	1529.2	11	127.4	
Sum-Of-Parts (RM m)			1780.6		686.1	
Discount			20%			
Discounted Sum-Of-Parts (RM'm)			1424.5			
No of shares (m)			440.5			
TP (RM)			3.25			

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.		
	(RM)	(RM'm)															
STOCKS UNDER COVERAGE																	
FGV HOLDINGS BHD	1.50	5,472.2	Y	12/2021	17.4%	-2.9%	30.7%	1.9%	22.2	17.0	16.6	1.3	1.2	7.5%	3.7%	1.45	MP
GENTING PLANTATIONS BHD	7.04	6,316.3	Y	12/2021	11.8%	-4.9%	57.8%	-3.1%	26.5	16.8	17.3	1.3	1.2	7.5%	3.7%	8.40	OP
HAP SENG PLANTATIONS HLDGS	2.07	1,655.3	Y	12/2021	45.7%	-10.7%	117.5%	-18.3%	23.9	11.0	13.4	1.0	0.9	8.6%	5.3%	2.30	OP
IJM PLANTATIONS BHD	3.10	2,729.8	N	03/2022	34.6%	-13.0%	147.9%	-42.4%	22.2	9.0	15.6	1.9	1.7	19.9%	4.7%	N.A.	Not Rated
IOI CORPORATION BHD	3.86	24,012.3	Y	06/2022	5.1%	-5.8%	11.6%	-10.6%	28.8	20.1	22.5	2.4	2.2	11.5%	2.3%	4.05	MP
KUALA LUMPUR KEPONG BHD	20.80	22,420.0	Y	09/2021	22.4%	-2.3%	83.0%	-8.5%	29.5	16.1	17.6	2.0	1.9	12.2%	2.6%	23.60	OP
PPB GROUP BERHAD	17.10	24,326.5	Y	12/2021	18.4%	11.1%	3.7%	7.9%	18.6	17.9	16.6	1.1	1.0	6.1%	2.3%	19.40	MP
SIME DARBY PLANTATION BHD	4.01	27,732.0	Y	12/2021	39.5%	-8.0%	194.3%	-35.7%	33.3	11.4	17.7	2.0	1.9	17.2%	5.2%	4.10	MP
TA ANN HOLDINGS BERHAD	3.21	1,413.9	Y	12/2021	44.8%	-19.0%	305.4%	-42.8%	22.3	5.5	9.6	1.0	0.9	17.4%	9.3%	3.25	MP
TSH RESOURCES BHD	1.17	1,614.8	Y	12/2021	64.2%	-10.8%	92.2%	-27.1%	22.4	11.7	16.0	1.1	1.0	9.2%	2.6%	1.17	MP
UNITED MALACCA BHD	5.20	1,090.8	Y	04/2022	11.1%	-1.6%	123.1%	-25.9%	38.4	17.2	23.2	0.8	0.8	4.8%	2.9%	5.25	MP
Simple Average					28.6%	-6.2%	106.1%	-18.6%	26.2	14.0	16.9	1.4	1.4	11.1%	4.1%		

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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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

