

24 November 2021

TSH Resources Berhad

Above Expectations

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

9MFY21 CNP of RM130.4m is above our (94%) and consensus' (92%) expectations on higher CPO prices. 4QFY21 FFB output could decline (on account of wet weather), while realised CPO price could be marginally higher. Raise FY21E CNP by 36%. Maintain MP with an unchanged TP of RM1.17 @ FY22E PER of 16x. TSH is unable to fully benefit from elevated CPO prices and a revision (higher) to levy and tax structure in Indonesia could further cap realized prices.

Above expectations. 3QFY21 Core Net Profit (CNP) came in at RM70.3m (+60% QoQ; +343% YoY), bringing 9MFY21 CNP to RM130.4m (+235% YoY) - above our (94%) and consensus' (92%), estimates. 9MFY21 FFB output of 723k MT (+11% YoY) at 75% of our estimate and absence of DPS are as expected.

Results' highlight. YoY, 9MFY21 CNP leapt (+235%) boosted by higher average CPO price (+43%) and FFB output (+11%), resulting in a 103% surge in palm segmental profit. QoQ, despite lower FFB output (-6%), 3QFY21 CNP rose (+60%) on higher average CPO price (+4%) as well as lower effective tax rate (-7.4ppt).

Outlook. We think FFB output could decline entering into 4QFY21 as wet weather deter crop evacuation. Despite higher CPO prices (MPOB-QTD4QFY21: +17% QoQ), we only expect marginal increase in TSH's realized CPO prices. Note that TSH's estates are concentrated in Indonesia (~90% of production) where the group will be unable to fully enjoy the high CPO prices due to the biodiesel levy and export tax structure. Any revision (higher) to the levy and tax structure (given elevated prices) could further cap realized prices.

Raise FY21E CNP by 36% on higher CPO price of c.RM3,500/MT (vs. c.RM3,200/MT previously).

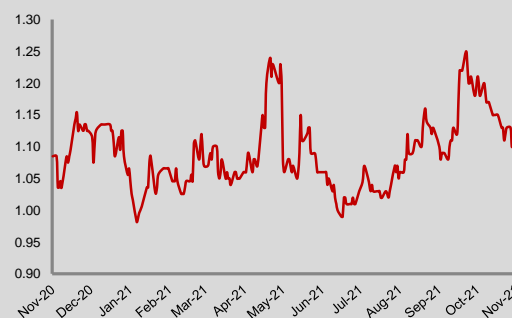
Maintain MARKET PERFORM with an unchanged TP of RM1.17 based on a FY22E PER of 16x, reflecting -0.5SD from mean. At this juncture, we think the stock lacks catalysts – it is unable to fully benefit from elevated CPO price (due to lower Indonesia prices), while being traded at ~20% premium to peers, making it a less attractive upstream play. ESG score for TSH is 71%.

Risks to our call include: (i) adverse dry weather impact on Indonesia's production, (ii) revision to Indonesia's biodiesel levy and export tax structure, and (iii) logistics disruptions (virus-led).

MARKET PERFORM ↔

Price : RM1.17
Target Price : RM1.17 ↔

Share Price Performance



KLCI 1,522.88
YTD KLCI chg -6.4%
YTD stock price chg 1.7%

Stock Information

Shariah Compliant Yes
Bloomberg Ticker TSH MK Equity
Market Cap (RM m) 1,614.8
Shares Outstanding 1,380.2
52-week range (H) 1.29
52-week range (L) 0.98
3-mth avg daily vol: 2,833,676
Free Float 41%
Beta 1.5

Major Shareholders

Aik Pen Tan 17.6%
Employees Provident Fund Board 6.4%
Urusharta Jamaah Sdn Bhd 4.9%

Summary Earnings Table

FYE Dec (RM m)	2020A	2021E	2022E
Turnover	781.7	1411.5	1145.3
EBIT	116.0	351.2	196.9
PBT	107.7	334.0	179.1
Net Profit (NP)	61.5	189.2	101.4
Core NP	72.2	189.2	101.4
Consensus (CNP)	N.A.	142.3	111.0
Earnings Revision	N.A.	36%	0%
Core EPS (sen)	5.2	13.7	7.3
Core EPS grwth (%)	83.2	162.2	-46.4
NDPS (sen)	1.5	4.0	2.0
NTA/Share (RM)	1.11	1.24	1.27
Core PER (x)	22.4	8.5	15.9
Price/NTA (x)	1.05	0.95	0.92
Net Gearing (x)	0.88	0.76	0.70
Dividend Yield (%)	1.3	3.4	1.7

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Results Highlights								
<i>FYE Dec (RM m)</i>	3Q	2Q	QoQ %	3Q	YoY%	9M	9M	YoY%
	FY21	FY21		FY20		FY21	FY20	
Revenue	309.1	307.4	1%	217.0	42%	860.6	684.9	26%
EBIT	65.9	68.0	(3%)	29.1	126%	192.2	110.2	74%
Pretax Profit	65.7	64.7	2%	32.4	103%	169.4	81.8	107%
Taxation	(11.9)	(16.5)	(28%)	(5.4)	123%	(41.0)	(25.6)	60%
MI	(8.7)	(8.5)	3%	(3.0)	193%	(22.8)	(10.1)	125%
Net Profit	45.1	39.7	14%	24.1	87%	105.6	46.1	129%
Core Net Profit	70.3	44.0	60%	15.9	343%	130.4	38.9	235%
Disc Ops	-	-	nm	-	nm	-	-	nm
Core EPS (sen)	5.09	3.19	60%	1.15	343%	9.4	2.8	235%
EBIT %	21.3%	22.1%		13.4%		22.3%	16.1%	
PBT %	21.3%	21.1%		14.9%		19.7%	11.9%	
Tax %	18.1%	25.5%		16.5%		24.2%	31.2%	
FFB (MT)	239,223	255,151	(6%)	224,357	7%	722,562	651,167	11%
CPO (RM / MT)	3,586	3,441	4%	2,355	52%	3,357	2,352	43%

Source: Company, Kenanga Research

Segmental Breakdown								
<i>FYE Dec (RM m)</i>	3Q	1Q	QoQ %	2Q	YoY%	FY21	FY20	YoY%
	FY21	FY21		FY20		FY21	FY20	
Segmental Rev:								
Palm Product	289.6	174.7	66%	182.0	59%	464.4	355.6	31%
Others	17.8	24.0	(26%)	28.6	(38%)	41.8	64.1	(35%)
Group Rev	307.4	198.7	55%	210.6	46%	506.1	419.7	21%
Segmental Profit:								
Palm Product	75.8	42.3	79%	19.4	291%	118.1	58.2	103%
Others	(1.6)	0.7	nm	7.5	(121%)	(0.9)	14.3	nm
Group segmental profit – Cont. Ops (pre adjustments)	74.2	43.0	73%	27.0	175%	117.2	72.6	62%

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	6.92	6,208.6	Y	12/2021	11.8%	-4.9%	57.8%	-3.1%	26.0	16.5	17.0	1.3	1.2	7.5%	3.8%	8.40	OP
HAP SENG PLANTATIONS HLDGS	2.05	1,639.4	Y	12/2021	45.7%	-10.7%	117.5%	-18.3%	23.7	10.9	13.3	1.0	0.9	8.6%	5.4%	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	3.76	23,390.2	Y	06/2022	5.1%	-5.8%	11.6%	-10.6%	28.0	19.6	21.9	2.3	2.2	11.5%	2.4%	4.05	MP
KUALA LUMPUR KEPONG BHD	20.26	21,838.0	Y	09/2022	-5.2%	-3.2%	-15.0%	-7.4%	13.0	15.3	16.5	1.8	1.8	11.7%	2.7%	26.50	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	3.89	26,902.1	Y	12/2021	39.5%	-8.0%	194.3%	-35.7%	32.3	11.0	17.2	2.0	1.8	17.2%	5.4%	4.10	MP
TA ANN HOLDINGS BERHAD	3.37	1,484.4	Y	12/2021	44.8%	-19.0%	305.4%	-42.8%	23.4	5.8	10.1	1.1	1.0	17.4%	8.9%	3.25	MP
TSH RESOURCES BHD	1.17	1,614.8	Y	12/2021	80.6%	-18.9%	162.2%	-46.4%	22.4	8.5	15.9	1.1	0.9	12.4%	3.4%	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					27.6%	-7.0%	103.6%	-20.3%	24.6	13.5	16.7	1.4	1.3	11.3%	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

