TSH Resources

Sterling FY24, Positive Prospect

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OUTPERFORM ↔

Price : **RM1.23**

Target Price : **RM1.40** ↑

TSH's FY24 core net profit (CNP) spiked 69% YoY to exceed Kenanga and consensus expectations. 4Q saw strong performance from a better-than-expected FFB harvest coupled with soaring prices for CPO and PK while cost was contained. FY25F core EPS (CEPS) is nudged up by 47% to 11.6 sen on firmer CPO price outlook and we introduced a flattish FY26F CEPS of 11.1 sen. TP is raised by 8% from RM1.30 to RM1.40 but our OUTPERFORM call is left intact.

FY24 results way exceeded expectations. Excluding currency gain (RM5.3m), net fair value gain (RM6.1m) and impairments (RM2.6m), FY24 CNP of RM131.7m surpassed our estimate by 37% as well as consensus by 22%. YoY, revenue actually declined 4% YoY due to lower FFB production (-12%) and CPO volume sold (-16%) even in spite of higher prices for CPO (+10%) and PK (+39%). However, PBT rose on improved margins thanks to better selling prices. TSH thus turned net cash of RM5.9m in 4QFY24 compared to a net debt of RM31.9m just a quarter ago. No 4Q/final dividend was declared which is in line with our expectation as a 2.5 sen 3Q dividend was just paid in Dec 2024.

Very strong 4Q. CPO price of RM4,195 (+14% QoQ, +25% YoY) held firmer than expected for a 4Q and cost stayed under control even though harvest of 0.185m MT FFB (-10% QoQ, -28% YoY) was lower than expected as yields among the group's estates in Sumatra moderated following several good harvests in the past two years. Nonetheless, after hitting a low in July, monthly harvest has been on the uptrend since.

Healthy outlook ahead. Firm FY25 earnings are expected on robust palm oil prices. Global edible oil demand is set to grow faster than supply, hence edible oil prices are expected stay firm so as to curtail demand somewhat. We are nudging up average CPO price from RM4,000 per MT to RM4,200 for the sector over CY25 before easing back RM4,000 for CY26 as CPO premium over soyabean oil prices normalizes. However, as the bulk of TSH's output are from Indonesia where palm oil prices are sold at discounts, prices of RM3,800 to RM4,000 per MT are more likely. Firm PK prices are also expected over CY25-26, thus cost should stay manageable.

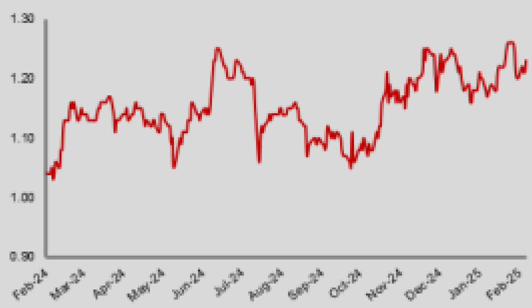
New planting. Having divested less-strategic assets to de-gear and to re-capitalise its balance sheet into net cash now, TSH has embarked on planting up land already in the group's possession. Planted oil palm area should expand from 38k to 47k-50k Ha over the next 2-3 years.

Forecasts. Upgrade FY25 CEPS by 47% to 11.6 sen on mainly on higher CPO price assumption of RM4,200 per MT (vs. RM4,000 previously) but also better FFB output after a poor FY24. We are introducing a slightly lower FY26 CEPS of 11.1 sen on lower CPO prices assumption of RM4,000 per MT.

Valuations. Based on P/NTA of 0.8x, we are raising our TP from RM1.30 to RM1.40 which reflects the sector PBV for the smaller to mid-sized plantation players. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3). Maintain **OUTPERFORM** call.

Risks to our call include: (i) EU hostility towards palm oil on sustainability and bio-diversity issues, (ii) impact of weather and labour shortages on production, and (iii) cost inflation particularly fertilisers.

Share Price Performanonce



KLCI	1,586.60
YTD KLCI chg	-3.4%
YTD stock price chg	-1.6%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TSH MK EQUITY
Market Cap (RM m)	1,659.2
Shares Outstanding	1,348.9
52-week range (H)	1.28
52-week range (L)	1.02
3-mth avg. daily vol.	1,575,403
Free Float	32%
Beta	1.2

Major Shareholders

Tan Aik Pen	26.4%
Central Depository P	18.6%
Tan Aik Yong	5.3%

Summary Earnings Table

FYE Dec (RM m)	2024A	2025F	2025F
Turnover	1,020	1,169	1,124
EBIT	124.3	233.3	201.2
PBT	221.3	270.8	236.1
Net Profit (NP)	**140.5**	**159.9**	**153.9**
Core NP	**131.7**	**159.9**	**153.9**
Consensus (CNP)	107.7	118.1	123.2
Earnings Revision	-	+47%	NEW
Core EPS (sen)	9.5	11.6	11.1
Core EPS Growth (%)	69.2	21.4	-3.8
NDPS (sen)	2.5	3.0	3.0
NTA/Share (RM)	1.65	1.76	1.90
Core PER (x)	12.9	10.6	11.0
Price/NTA (x)	0.7	0.7	0.65
Net Gearing (x)	N.Cash	N.Cash	N.Cash
Dividend Yield (%)	2.0	2.4	2.4

Results Highlights

FYE Dec (RM m)	4Q24	3Q24	QoQ	4Q23	YoY	FY24	FY23	YoY
Revenue	**293.0**	**231.9**	**26%**	**260.9**	**12%**	**1,019.8**	**1,066.5**	**-4%**
Gross Profit	129.2	86.9	49%	96.8	33%	402.5	398.4	1%
EBIT	**88.8**	**47.2**	**88%**	**51.0**	**74%**	**211.7**	**223.1**	**-5%**
Finance Cost	(2.8)	(3.0)	-5%	(4.4)	-36%	(12.6)	(20.1)	-38%
Associates & JV	15.0	5.3	181%	6.6	127%	27.2	8.2	232%
Misc	(2.9)	(3.9)	-24%	7.1	-142%	(13.8)	(31.5)	-56%
EI (excl. fr core net profit)	(0.2)	6.9	-103%	(1.8)	-89%	8.8	18.2	-52%
Pretax Profit	**97.9**	**52.5**	**86%**	**58.6**	**67%**	**221.3**	**197.8**	**12%**
Taxation	(21.2)	(15.8)	34%	(26.5)	-20%	(57.5)	(71.0)	-19%
MI	(10.0)	(3.6)	180%	(6.5)	54%	(23.3)	(30.7)	-24%
Net Profit	**66.7**	**33.1**	**101%**	**25.6**	**161%**	**140.5**	**96.1**	**46%**
Core Net Profit	**66.9**	**26.3**	**154%**	**27.3**	**145%**	**131.7**	**77.9**	**69%**
Core EPS (sen)	4.9	1.9	155%	2.0	145%	9.5	5.6	72%
DPS (sen)	-	2.5	-100%	2.5	-100%	2.5	2.5	
Gross Profit	44%	37%		37%		39%	37%	
EBIT	30%	20%		20%		21%	21%	
PBT	33%	23%		22%		22%	19%	
Tax	22%	30%		45%		26%	36%	
FFB Production (MT)	208,392	184,947	13%	226,406	-8%	795,002	905,437	-12%
CPO (RM / MT)	4,195	3,683	14%	3,353	25%	3,793	3,437	10%
PK (RM / MT)	2,915	2,485	17%	1,715	70%	2,396	1,727	39%

Source: Company, Kenanga Research

Segmental Breakdown

FYE Dec (RM m)	4Q24	3Q24	QoQ	4Q23	YoY	FY24	FY23	YoY
Segmental Revenue:								
Palm Products	279.9	218.9	28%	245.2	14%	966.5	998.1	-3%
Others	13.0	13.1	-0%	15.7	-17%	53.3	68.4	-22%
Group Revenue	**293.0**	**231.9**	**26%**	**260.9**	**12%**	**1,019.8**	**1,066.5**	**-4%**
Segmental PBT:								
Palm Products	93.4	55.8	67%	52.0	79%	232.7	253.1	-8%
Others	(4.8)	(1.8)	168%	(2.8)	72%	(12.2)	(11.8)	3%
Finance Cost	(2.8)	(3.0)	-5%	(4.4)	-36%	(12.6)	(20.1)	-38%
Associates & JV	15.0	5.3	181%	6.6	127%	27.2	8.2	232%
Misc	(2.9)	(3.9)	-24%	7.1	-142%	(13.8)	(31.5)	-56%
Pretax Profit	**97.9**	**52.5**	**86%**	**58.6**	**67%**	**221.3**	**197.8**	**12%**

.

Source: Company, Kenanga Research

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
PLANTATION																	
GENTING PLANTATIONS BHD	OP	5.78	6.30	9.0%	5,185.6	Y	12/2025	40.2	42.4	18.2%	5.6%	14.4	13.6	0.9	12.20%	25	4.3%
HAP SENG PLANTATIONS HOLDING	OP	1.98	2.70	36.4%	1,583.4	Y	12/2025	18.9	16.7	1.7%	-11.7%	10.5	11.9	0.7	7.20%	13	6.6%
IOI CORP BHD	OP	3.76	4.30	14.4%	23,325.9	Y	06/2025	22.2	23.2	28.2%	4.8%	17.0	16.2	1.9	11.30%	11	2.9%
KUALA LUMPUR KEPONG BHD	MP	21.14	21.00	-0.7%	23,542.8	Y	09/2025	117.1	134.9	73.1%	15.2%	18.0	15.7	1.5	9.40%	50	2.4%
PPB GROUP BHD	OP	10.96	16.50	50.5%	15,591.7	Y	12/2024	83.4	121.9	3.7%	46.1%	13.1	9.0	0.5	4.40%	45	4.1%
SD GUTHRIE BHD	MP	4.97	4.65	-6.4%	34,371.1	Y	12/2025	25.3	24.7	16.7%	-2.4%	24.3	20.6	1.8	11.60%	15	3.0%
TA ANN HOLDINGS BHD	MP	3.87	4.00	3.4%	1,704.6	Y	12/2025	37.8	39.9	-11.0%	5.6%	10.2	9.7	0.9	9.80%	35	9.0%
TSH RESOURCES BHD	OP	1.23	1.40	13.8%	1,659.2	Y	12/2025	11.6	11.1	21.4%	-3.8%	17.7	15.6	0.8	7.20%	3	2.4%
UNITED MALACCA BHD	OP	5.10	6.30	23.5%	1,069.8	Y	04/2025	39.0	40.0	31.7%	2.6%	13.1	12.7	0.7	5.30%	12	2.4%
Simple Average					**108,034.0**					**23.0%**	**11.9%**	**17.7**	**15.0**	**1.1**	**8.70%**		**4.1%**

Source: Bloomberg, Kenanga Research

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	★	
	Corporate Social Responsibility	★	★	★	☆	
	Management/Workforce Diversity	★	★	★	☆	
	Accessibility & Transparency	★	★	★		
	Corruption-Free Pledge	★	★	★		
	Carbon-Neutral Initiatives	★	★	★		
SPECIFIC	Product Safety to Users	★	★	★		
	Product Safety to the Public	★	★	★		
	Guest Labour Welfare	★	★	★		
	Supply Chain Auditing	★	★	★		
	Work Site Safety	★	★	★	☆	
	Industrial Waste Disposal	★	★	★		
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

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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