TA ANN HOLDINGS

(TAH MK EQUITY, TAAN.KL)

UNRATED

Price: RM5.97
Target Price (% return): na
52-week High/Low: RM5.95/RM3.93

Plantation
Rationale for report: Company Update

Sterling dividend yields

We met up with Ta Ann Holdings recently. Ta Ann's appeal lies in its attractive dividend yield. According to Bloomberg, the group's dividend yields are forecast to be 6.5% in FY26F and 6.4% in FY27F. Free cash flows are envisaged to be healthy at more than RM200mil per year supported by minimal capex and decent CPO prices. Ta Ann's dividend payout has been rising in the past five years, from a low of 42% in FY21 to a high of 85% in FY24 (FY25: 81%). Based on Bloomberg data, target prices for Ta Ann range from RM4.55/share to RM7.10/share.

- **Yield premium over peers.** Ta Ann's FY27F dividend yield is 6.4% vs. Sarawak Oil Palms' (SOP) 3.4% and Sarawak Plantation's 4.8%. At the peak of CPO prices, Ta Ann's PE was 14x. Ta Ann is currently trading at a consensus FY27F PE of 11.3x compared to SOP's 9.7x and Sarawak Plantation's 11.7x.
- **Positive FFB output growth in FY26F.** Ta Ann's FFB production is expected to improve by 6% in FY26F (7MFY26: 15.2%) and 10% in FY27F, barring unfavourable weather conditions. The group's FFB declined by 5% in FY20 due to labour shortage and lagged impact from the haze and drought in FY19. In FY16, Ta Ann's FFB rose by 5% despite the drought in FY15.
- **All-in cost of production per tonne is envisaged to remain flat.** Ta Ann's all-in cost of production is estimated to be unchanged at RM2,400/tonne in FY26F. We understand that fertiliser costs would stagnate in FY26F. Although fertiliser prices rose during the start of the Iran War, they have eased. Ta Ann's fertiliser costs are anticipated to fall by 10% QoQ in 4QFY26.
- **Ta Ann's capex is estimated to be RM66mil in FY26F.** This is expected to consist of replanting and maintenance capex for housing and infrastructure. We think that capex would rise to RM90mil in FY27F due to the construction of a palm oil mill of 45 tonnes per hour. In spite of this, we believe that Ta Ann would still be able to sustain its dividend payout of more than 80% due to its strong cash generating ability underpinned by robust CPO prices.

YE to Dec	FY22	FY23	FY24	FY25
Revenue (RM mil)	2,187.4	1,680.7	1,649.8	1,932.0
Core net profit (RM mil)	320.5	157.2	180.6	218.6
FD Core EPS (sen)	72.8	35.7	41.0	49.6
FD Core EPS growth (%)	0.91	(50.9)	14.8	21.1
Consensus Net Profit (RM mil)	-	-	-	-
DPS (sen)	40.0	25.0	35.0	40.0
PE (x)	8.2	16.7	14.6	12.0
EV/EBITDA (x)	4.3	7.5	6.9	5.6
Div yield (%)	6.7	4.2	5.9	6.7
ROE (%)	19.0	8.8	9.9	11.6
Net Gearing (%)	na	na	na	na

Source: ta ann holdings, AmInvestment Bank

Analyst (s)

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Key Changes

Target Price:	na
EPS:	na

Stock and Financial Data

Shares Outstanding (million)	440.5
Market Cap (RMmil)	2,621.0
Book Value (RM/Share)	4.36
P/BV (x)	1.4
ROE (%)	11.6
Net Gearing (%)	na
Free Float	74.1
Avg Daily Value (RMmil)	2.4

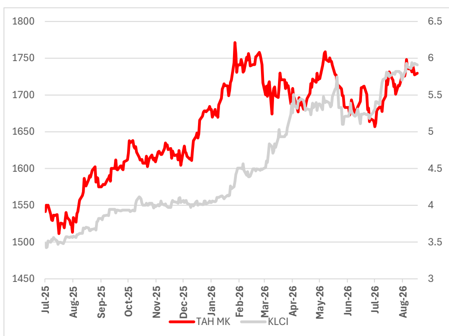
Major Shareholders

Mountex Sdn Bhd	16.5%
Wahab Haji Dolah	9.4%

Price performance	3mth	6mth	12mth
Absolute (%)	+0.4	+27.7	+47.8
Relative (%)	+7.5	+28.4	+34.6

Source: ta ann holdings, AmInvestment Bank

Price Chart



Company profile

Ta Ann Holdings is a palm oil and timber company in Sarawak. The group has 13 oil palm estates encompassing 50,000 hectares and three palm oil mills with an annual processing capacity of 1.5mil tonnes. The timber division operates three forest management units in the Rejang region, covering 346,021 hectares.

Ta Ann's oil palm estates are in Sibu, Bintulu, Mukah and Kuching.

Ta Ann's earnings come mainly from the sale of palm products. The timber division was in the red in FY24 and FY25 as demand for plywood products from Japan was weak. In FY25, the timber unit recorded a loss of RM16.9mil while the plantation division registered an EBIT of RM339mil.

Ta Ann's palm products are sold to refineries owned by Wilmar and Sarawak Oil Palms.

Investment thesis and catalysts

Share price catalysts are acquisitions of plantation landbank, a turnaround in the timber division and an increase in palm product prices.

Valuation methodology

In the past five years, Ta Ann's PE ranged from a low of 8x to a high of 14x. Average PE was 11x.

Risk factors

Ta Ann's earnings would be affected if (1) CPO prices fell, (2) costs of fertiliser and wages increased and (3) losses in the timber division widened.

Financial Summary

Income Statement (RMmil)

YE to Dec	FY21	FY22	FY23	FY24	FY25
Revenue	1,894.1	2,187.4	1,680.7	1,649.8	1,932.0
EBITDA	524.1	554.8	311.3	346.2	409.0
Depreciation/Amortisation	(88.5)	(85.4)	(85.3)	(87.1)	(87.5)
Operating income (EBIT)	435.6	469.4	226.0	259.1	321.5
Other income & associates	70.8	58.0	42.8	48.1	50.4
Net interest	(12.7)	(3.1)	1.3	6.3	8.2
Exceptional items	-	-	-	-	-
Pretax profit	**493.7**	**524.3**	**270.1**	**313.6**	**380.1**
Taxation	(101.3)	(129.3)	(68.3)	(82.4)	(103.1)
Minorities/pref dividends	(74.9)	(74.5)	(44.5)	(50.6)	(58.3)
Net profit	**317.6**	**320.5**	**157.2**	**180.6**	**218.6**

Balance Sheet (RMmil)

YE to Dec	FY21	FY22	FY23	FY24	FY25
Fixed assets	734.1	707.8	691.6	651.2	631.9
Intangible assets	86.9	86.0	85.2	84.4	83.8
Other long-term assets	1,136.0	1,136.5	1,144.1	1,152.7	1,165.5
Total non-current assets	**1,956.9**	**1,930.4**	**1,921.0**	**1,888.3**	**1,881.2**
Cash & equivalent	454.9	523.6	486.4	372.7	498.3
Stock	131.2	146.8	120.3	111.8	128.1
Trade debtors	53.0	36.4	45.6	40.9	82.1
Other current assets	600.6	676.4	642.6	259.4	241.9
Total current assets	**784.8**	**859.6**	**808.5**	**784.9**	**950.4**
Trade creditors	163.3	162.3	143.2	158.6	187.7
Short-term borrowings	231.1	216.1	162.9	116.7	127.3
Other current liabilities	140.4	95.0	103.4	43.3	62.4
Total current liabilities	**534.8**	**473.3**	**409.5**	**318.5**	**377.4**
Long-term borrowings	147.1	66.5	18.7	14.1	12.8
Other long-term liabilities	283.4	301.4	294.4	303.6	319.1
Total long-term liabilities	**430.5**	**367.9**	**313.1**	**317.7**	**331.8**
Shareholders' funds	**1,613.7**	**1,757.8**	**1,812.1**	**1,839.5**	**1,922.5**
Minority interests	162.8	191.0	194.8	197.4	199.8
BV/share (RM)	3.66	3.99	4.11	4.18	4.36

Cash Flow (RMmil)

YE to Dec	FY21	FY22	FY23	FY24	FY25
Pretax profit	493.7	524.3	270.1	313.6	380.1
Depreciation/Amortisation	(88.5)	(85.4)	(85.3)	(87.1)	(87.5)
Net change in working capital	(18.4)	(18.4)	(19.8)	22.3	(28.6)
Others	53.4	63.4	98.6	45.1	61.7
Cash flow from operations	**516.1**	**483.9**	**263.6**	**293.8**	**325.7**
Capital expenditure	(29.5)	(36.3)	(33.9)	(22.2)	(21.8)
Net investments & sale of fixed assets	2.0	1.5	2.1	1.0	0.6
Others	(25.8)	(7.1)	(30.8)	(51.0)	14.3
Cash flow from investing	**(53.3)**	**(41.9)**	**(62.6)**	**(72.3)**	**(6.9)**
Debt raised/(repaid)	(124.9)	(104.2)	(104.0)	(63.5)	(3.3)
Equity raised/(repaid)	0.0	0.4	0.0	0.0	0.0
Dividends paid	(141.6)	(263.4)	(129.3)	(268.1)	(187.6)
Others	(12.7)	(6.0)	(4.9)	(3.3)	(2.2)
Cash flow from financing	**(279.2)**	**(373.2)**	**(238.2)**	**(334.9)**	**(193.1)**
Net cash flow	**183.6**	**68.7**	**(37.2)**	**(113.3)**	**125.7**
Net cash/(debt) b/f	**271.4**	**454.9**	**523.6**	**486.4**	**372.7**
Net cash/(debt) c/f	**(0.0)**	**(0.1)**	**(0.0)**	**(0.4)**	**(0.1)**

Key Ratios

YE to Dec	FY21	FY22	FY23	FY24	FY25
Revenue growth (%)	55.5	15.5	-23.2	-1.8	17.1
EBITDA growth (%)	3.7	5.9	-43.9	11.2	18.1
Pretax margin (%)	26.1	24.0	16.1	19.0	19.7
Net profit margin (%)	16.8	14.7	9.4	10.9	11.3
Interest cover (x)	41.2	181.6	-240.2	-54.9	-50.1
Effective tax rate (%)	20.5	24.7	25.3	26.3	27.1
Dividend payout (%)	42.0	55.0	70.0	85.0	81.0
Debtors turnover (days)	10.2	6.1	9.9	9.1	15.5
Stock turnover (days)	25.3	24.5	26.1	24.7	24.2

Source: Company, AmInvestment Bank

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