AmInvestment Bank

Company Report

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PLANTATION

TSH RESOURCES

(TSH MK EQUITY, TSHR.KL)

21 May 2025

Beneficiary of strong CPO prices

BUY

(Maintained)

Rationale for report: Company Results

Price	**RM1.11**
Target Price	**RM1.38**
52-week High/Low	RM1.28/RM1.00

Key Changes

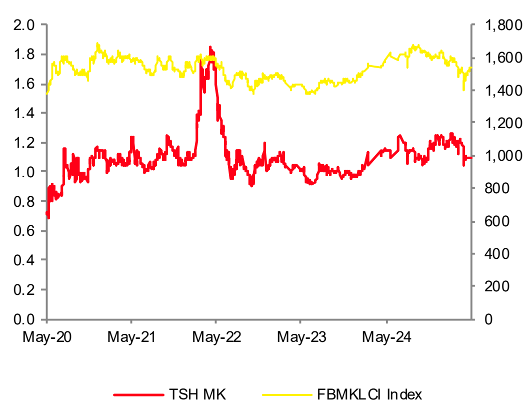
Target Price	⇔
EPS	⇔

YE to Dec	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	1019.8	1143.2	1202.0	1225.0
Net profit (RMmil)	135.7	148.4	158.9	163.7
EPS (sen)	9.8	10.8	11.5	11.9
EPS growth (%)	42.6	9.4	7.1	3.0
Consensus net (RMmil)		132.6	135.7	147.8
DPS (sen)	2.5	2.0	2.5	3.0
PE (x)	11.3	10.3	9.6	9.4
EV/EBITDA (x)	4.8	4.9	4.4	4.3
Div yield (%)	2.3	1.8	2.3	2.7
ROE (%)	6.8	7.0	7.1	6.9
Net gearing (%)	na	6.8	6.3	6.2

Stock and Financial Data

Shares Outstanding (million)	1,380.2
Market Cap (RMmil)	1,532.0
Book Value (RM/Share)	1.45
P/BV (x)	0.8
ROE (%)	6.8
Net Gearing (%)	na
Major Shareholders	Tan Family (46.3%) EPF (3.6%)
Free Float	53.7
Avg Daily Value (RMmil)	1.6

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	-2.7	-4.4
Relative (%)	-7.8	+2.5	-0.4



Investment Highlights

TSH Resources' 1QFY25 results were decent. Core net profit surged by more than two-fold YoY to RM47mil in 1QFY25 underpinned by strong palm product prices. Average CPO price realised rose by 16.9% to RM4,193/tonne in 1QFY25 from RM3,587/tonne in 1QFY24. Although TSH's FFB output growth was unexciting in 1QFY25, we believe that FFB yields would improve in the following quarters due to seasonal factors. We expect 2H to account for 55% of full year's FFB production while 1H is envisaged to make up a smaller 45%. We maintain BUY on TSH with an unchanged target price of RM1.38/share. Being a pure planter, the group is expected to benefit from a rise in CPO prices.

- **BUY with a TP of RM1.38/share.** Our TP is based on a FY26F PE of 12x, which is one SD below the five-year average of 15x. TSH is currently trading at an undemanding FY25F PE of 10.3x and FY26F PE of 9.6x.

- **TSH's 1QFY25 core net profit of RM47mil (ex-unrealised forex gains of RM1.2mil) was within our forecast and consensus.** Although 1QFY25 results were healthy, we expect the following quarters to be softer due to the decline in CPO prices and higher application of fertiliser. EBIT of the palm division soared to RM82.4mil in 1QFY25 from RM46.2mil in 1QFY24. Losses in the "Others" division (wood flooring and biomass) narrowed to RM1.7mil in 1QFY25 from RM3.8mil in 1QFY24 due to higher sales of rubber products.

- **FFB production growth was weak in 1QFY25.** TSH's FFB production inched up by 0.8% YoY in 1QFY25. We attribute the weak performance to floods in certain parts of Kalimantan. We expect the group's FFB output to recover from 2QFY25 onwards. TSH's FFB production rebounded by 16.2% MoM and 8.7% YoY to 70,811 tonnes in April.

- **TSH/Wilmar refinery almost broke-even in 1QFY25.** TSH's 50% share in the refinery almost broke even in 1QFY25 (1QFY24 share of net loss: RM1.7mil). We attribute the improved performance to timely purchases of feedstock, which cushioned the negative impact of a drop in sales volume. Recall that the palm refinery has a processing capacity of 750,000 tonnes per year and it is located in Kunak, Sabah.

Company profile

TSH produces and sells CPO, mainly in Indonesia. The group also exports refined palm products via the jointly owned TSH/Wilmar refinery in Kunak, Sabah.

TSH's earnings are mainly from the production and sale of CPO and PK products. About 6% of the group's FY23 pre-tax profit came from the TSH/Wilmar palm refinery.

TSH's main customers are refineries such as Wilmar International and Musim Mas.

TSH has oil palm estates in Indonesia and Malaysia. More than 90% of FFB production come from Indonesia while the balance 10% are from Malaysia.

TSH's competitive advantage lies in its large plantable reserves. Hence, the group does not need to acquire more landbank to sustain earnings. We estimate that TSH has more than 30,000ha of plantable land in Indonesia.

Investment thesis and catalysts

We have a BUY on TSH as being a pure planter, the group will benefit from a rise in CPO price.

Share price catalysts are a rise in CPO price and stronger-than-expected earnings.

Valuation methodology

We applied a FY26F PE of 12x to arrive at TSH's target price of RM1.38/share. The PE of 12x is one SD below the average of 15x in the past five years. TSH's PE ranged from a low of 7x to a high of 30x in the past five years.

Risk factors

Key risks are a fall in CPO prices and losses in the TSH/Wilmar palm refinery. Earnings risk may also arise from a weaker-than-expected recovery in FFB yields.

A RM100/tonne decline in CPO price would affect TSH's net profit by 5% to 10% assuming everything else remains the same.

EXHIBIT 1: EARNINGS SUMMARY

YE 31 Dec (RMmil)	1QFY24	1QFY25	%	4QFY24	1QFY25	% QoQ
Revenue	**242.4**	**275.3**	13.6	**293.0**	**275.3**	-6.0
Cost of sales	(153.9)	(150.2)	-2.5	(163.8)	(150.2)	-8.3
Gross profit	**88.4**	**125.2**	41.5	**129.2**	**125.2**	-3.1
Other op income	5.0	7.5	49.6	11.3	7.5	-33.9
Other op expenses	(55.9)	(56.2)	0.5	(54.1)	(56.2)	3.9
Op profit	**37.5**	**76.4**	>100	**86.4**	**76.4**	-11.6
Interest expense	(3.6)	(2.7)		(2.8)	(2.7)	
Forex	0.2	1.2		(0.8)	1.2	
Gain on disposal of investment	0.0	0.0		0.0	0.0	
FV chg on biological assets	0.0	0.0		0.0	0.0	
Loss on discont operations	0.0	0.0		0.0	0.0	
Share of profits in associates	2.6	3.7	43.1	7.8	3.7	-52.6
Share of profits in JV	(1.7)	(0.0)	-99.8	7.2	(0.0)	(>100)
Pre-tax profit	**35.0**	**78.6**	>100	**97.9**	**78.6**	-19.6
Tax	(9.9)	(20.9)	(>100)	(21.2)	(20.9)	-1.5
Minority interest	(5.1)	(9.6)	88.0	(10.0)	(9.6)	-4.0
Net profit	**20.1**	**48.2**	>100	**66.7**	**48.2**	-27.7
Core net profit	19.9	47.0	>100	67.5	47.0	-30.4
EPS	1.5	3.6	>100	4.8	3.6	-26.4
Gross DPS	0.0	0.0		2.5	0.0	
Average CPO price	3,587	4,193	16.9	4,195	4,193	0.0
FFB production (tonnes)	196,566	198,112	0.8	208,392	198,112	-4.9

Source: Bursa Announcement

EXHIBIT 2: VALUATIONS

Target PE (x)	12
CY26 EPS	11.5
ESG premium	-
12-month target price	1.38

EXHIBIT 3: ESG MATRIX

Assessment	Parameters	Weightage	Rating					Rationale
RSPO certification	100% certification	33%	*	*	*			No disclosure for RSPO in FY24
Supply chain auditing	100% traceable	33%	*	*	*	*		98% traceable to plantation in FY24
GHG emissions	Net zero by 2050F	33%	*	*	*			242,949 tCO2eq of emiissions in FY24
Weighted score for environmental assessment		**100%**	*	*	*			
Migrant workers welfare	Number of workers grievances	40%	*	*	*	*		Zero in FY24
Fatalities	Zero fatalities	30%	*	*	*	*	*	Zero in FY24
Lost Time Injury Frequency rate	Below 1	30%	*	*	*			LTIFR declined from 14.5 in FY23 to 8.6 in FY24
Weighted score for social assessment		**100%**	*	*	*	*		
Related party transactions	Value of RPTs	40%	*	*	*			RM285.5mil in FY24 – mainly with TSH/Wilmar palm refinery
Women in workforce	% in workforce	30%	*	*	*			25% of workforce were women in FY24
Remuneration to directors	Total value of remuneration or % of salary costs	30%	*	*	*			RM10.1mil in FY24
Weighted score for governance assessment		**100%**	*	*	*			
Environmental score		50%	*	*	*			
Social score		30%	*	*	*			
Governance score		20%	*	*	*			
Overall ESG Score		**100%**	*	*	*			

Source: AmInvestment Bank

EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1,066.5	1,019.8	1,143.2	1,202.0	1,225.0
EBITDA	273.9	315.0	342.5	375.9	389.4
Depreciation/Amortisation	(100.0)	(127.0)	(134.4)	(150.6)	(166.8)
Operating income (EBIT)	173.9	187.9	208.1	225.3	222.6
Other income & associates	8.2	27.2	29.9	32.5	35.7
Net interest	(6.7)	0.2	5.2	2.8	10.0
Exceptional items	22.5	4.5	0.0	0.0	0.0
Pretax profit	**197.8**	**219.9**	**243.3**	**260.5**	**268.4**
Taxation	(72.0)	(61.6)	(58.4)	(62.5)	(64.4)
Minorities/pref dividends	(30.7)	(22.6)	(36.5)	(39.1)	(40.3)
Net profit	**95.2**	**135.7**	**148.4**	**158.9**	**163.7**
Core net profit	72.7	131.1	148.4	158.9	163.7

Balance Sheet (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	1277.8	1338.0	1492.0	1610.1	1740.7
Intangible assets	44.3	42.1	42.1	42.1	42.1
Other long-term assets	878.4	910.0	939.9	972.4	1008.1
Total non-current assets	**2,200.5**	**2,290.1**	**2,474.0**	**2,624.6**	**2,790.9**
Cash & equivalent	255.5	266.3	176.8	259.6	355.5
Stock	108.4	102.7	140.9	148.2	151.0
Trade debtors	36.2	44.1	219.2	230.5	234.9
Other current assets	244.5	44.5	44.5	44.5	44.5
Total current assets	**644.6**	**457.6**	**581.5**	**682.8**	**786.0**
Trade creditors	123.9	108.4	197.6	206.2	210.9
Short-term borrowings	191.2	201.1	241.3	289.6	347.5
Other current liabilities	2.8	7.4	7.4	7.4	7.4
Total current liabilities	**317.9**	**316.9**	**446.4**	**503.1**	**565.8**
Long-term borrowings	111.0	58.6	79.1	110.7	155.0
Other long-term liabilities	110.9	111.3	111.8	111.8	111.8
Total long-term liabilities	**221.9**	**169.9**	**190.8**	**222.5**	**266.8**
Shareholders' funds	**2047.0**	**2003.7**	**2124.4**	**2248.9**	**2371.2**
Minority interests	258.3	257.4	293.9	332.9	373.2
BV/share (RM)	1.48	1.45	1.54	1.63	1.72

Cash Flow (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	197.8	219.9	243.3	260.5	268.4
Depreciation/Amortisation	100.0	127.0	134.4	150.6	166.8
Net change in working capital	(57.2)	(66.0)	(197.3)	64.1	73.5
Others	(14.0)	(40.3)	(189.7)	(339.7)	(375.5)
Cash flow from operations	**226.6**	**240.6**	**(9.4)**	**135.5**	**133.2**
Capital expenditure	(59.4)	(53.9)	(105.0)	(105.0)	(105.0)
Net investments & sale of fixed assets	33.0	2.8	0.0	0.0	0.0
Others	(9.5)	(15.6)	0.0	0.0	0.0
Cash flow from investing	**(35.9)**	**(66.7)**	**(105.0)**	**(105.0)**	**(105.0)**
Debt raised/(repaid)	(284.0)	(40.4)	60.7	79.9	102.2
Equity raised/(repaid)	0.0	(16.3)	0.0	0.0	0.0
Dividends paid	(51.1)	(77.0)	(34.5)	(27.6)	(34.5)
Others	6.8	(15.0)	0.0	0.0	0.0
Cash flow from financing	**(328.4)**	**(148.7)**	**26.2**	**52.3**	**67.7**
Net cash flow	**(137.6)**	**25.1**	**(88.2)**	**82.8**	**95.9**
Net cash/(debt) b/f	**376.3**	**251.1**	**262.0**	**173.9**	**256.7**
Net cash/(debt) c/f	**238.7**	**276.3**	**173.9**	**256.7**	**352.5**

Key Ratios (YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	-18.3	-4.4	12.1	5.1	1.9
EBITDA growth (%)	-25.4	15.0	8.8	9.7	3.6
Pretax margin (%)	18.5	21.6	21.3	21.7	21.9
Net profit margin (%)	8.9	13.3	13.0	13.2	13.4
Interest cover (x)	40.6	na	na	na	na
Effective tax rate (%)	36.4	28.0	24.0	24.0	24.0
Dividend payout (%)	36.3	25.4	18.6	21.7	25.3
Debtors turnover (days)	12	16	70	70	70
Stock turnover (days)	37	37	45	45	45
Creditors turnover (days)	68	62	100	100	100

Source: Company, AmInvestment Bank

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