

TSH Resources

(RM2.02 TSH MK)

Hold

Target Price: RM2.00

4QFY09 : Good end to a tough year

12M09 within expectations

FY09 core net profits (excludes RM18.4m forex gains) came in within ours as well as consensus estimates. The year can be summed up as a tough one for the group, especially so on the Ekowood and cocoa manufacturing front. Looking at y-o-y performance, earnings as well as profits were down also due to lower CPO ASP achieved during the year. While not disclosed, we believe the group would have achieved close to the MPOB average of RM2,261.

Slow turnaround expected for wood & cocoa

We expect that the eventual turnaround of the wood and cocoa business will be slow and uneven. For the wood segment, we don't see Ekowood coming out of the dark in the coming 6-12 months, what with sluggish economic recovery in the EU. On a positive note, for the year, Ekowood did break even. As for the cocoa segment, it is again also a demand problem as their main export market is the US. Rest assured however, the segment continues to break even.

Plantations in Indonesia for growth trajectory

Similar to other plantation companies, Indonesia serves as the growth trajectory for TSH. They have been actively planting in Kalimantan (some 10k ha YTD) and now have some 80k ha (with izin lokasi) of land bank in Indonesia (includes Kalimantan and Sumatra). Coming into maturity starting 2010 progressively will be some 6000ha in Kalimantan. In terms of FFB growth, this should see the group achieving up to 10% over 2-3 years.

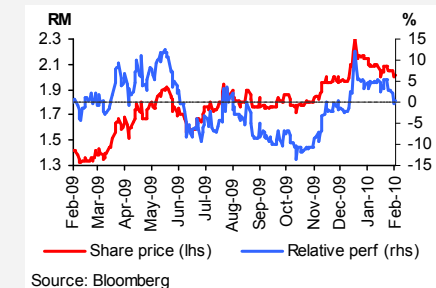
Maintain HOLD

We make no changes to our forward estimates for now. To note, we are using a CPO ASP of RM2,400 for FY10 and projecting FFB production growth of 3.2% for FY10 and 5% for FY11. We are also introducing FY12 numbers. Target price of RM2.00 remains unchanged for now. This is based on FY10 EPS pegging a PE of 11x.

FYE 31 Dec								
RM m	4Q09	4Q08	3Q08	% y-o-y chg	% q-o-q chg	12M09	12M08	% y-o-y chg
Revenue	182.6	284.1	176.2	(35.7)	3.6	988.7	1,109.9	(10.9)
EBIT	10.6	33.9	(12.2)	(68.9)	186.4	89.3	100.6	(11.2)
Pretax profit	4.9	40.2	(29.8)	(87.9)	116.4	92.2	82.3	12.1
Net profit	5.7	30.8	(20.9)	(81.5)	127.3	74.2	60.0	23.7
Adj net profit	11.3	30.8	11.2	(63.2)	1.6	55.8	81.0	(31.1)
Margins:								
EBIT	5.8	11.9	(6.9)	(6.2)	12.7	9.0	9.1	(0.1)
Adj net profit	6.2	10.8	6.3	(4.6)	(0.1)	5.6	7.3	(1.7)
Adj EPS(sen)	2.7	7.4	2.7	(0.6)	-	13.6	19.6	(0.3)
Net DPS(sen)	-	-	-	-	-	3.8	3.8	-
BVPS (RM)	2.24	2.30	2.28	-	-	2.24	2.30	-

PLANTATION

Share Price Chart



Price Performance

Price (RM)	2.02		
52-week Range (RM)	1.32 – 2.30		
Avg Daily Volume ('000)	109.2		
	1M	3M	6M
Absolute (%)	-3.8	9.2	11.6
Relative (%)	-2.9	8.2	3.1

Key Data

Market Cap (RM m)	835.9
Issued Shares (m)	413.8

Major Shareholders

	%
Tan Aik Pen	10.8
Tunas Lestari SB	8.6
Tan Aik Kiong	4.3
Tan Aik Yong	4.1

Balance Sheet Highlights (RM m)

(@ 31.12.2010) (performance indicator's annualised)

Total Assets	1,615
Total Liabilities	818
Total Debt (Gross)	597
Shareholders' Equity	710
Return on Asset (%)	4.7
Return on Equity (%)	10.6
Net Cash / Share (RM)	-
Debt / Equity (x)	0.7
Interest Cover (x)	35.8

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TSH Resources

Financial Summary

Price Date: 25 February 2010

Balance Sheet

FY 31 Dec (RM m)	2008A	2009A	2010F	2011F	2012F
PPE	601.6	710.1	668.1	687.3	704.4
Investment properties	272.9	403.2	403.2	403.2	403.2
Property development	-	-	-	-	-
Inventories	241.8	234.5	193.6	202.1	205.0
Receivables	178.1	221.1	165.8	170.6	172.2
Other assets	105.8	107.1	122.6	138.2	153.8
Deposit, bank and cash	19.7	61.7	61.5	29.8	6.0
Total Assets	1,420.0	1,737.7	1,614.8	1,631.2	1,644.6
LT borrowings	228.7	385.0	388.4	338.4	288.4
ST borrowings	295.1	299.2	208.8	208.8	208.8
Payables	88.1	148.7	132.8	138.7	140.7
Other liabilities	72.2	88.0	88.0	88.0	88.0
Liabilities	684.1	920.9	818.0	773.9	725.9
Share capital	206.8	206.9	206.8	206.8	206.8
Reserves	446.6	522.8	503.2	563.1	623.2
Shareholders' equity	653.4	729.6	710.0	769.9	830.0
Minority interest	82.4	87.2	86.8	87.5	88.7
Total Equity	735.8	816.9	796.8	857.4	918.7
Total Equity and Liabilities	1,420.0	1,737.7	1,614.8	1,631.2	1,644.6

Cash Flow Statement

FY 31 Dec (RM m)	2008A	2009A	2010F	2011F	2012F
Pretax profit	82.3	92.2	102.9	114.0	117.9
Depreciation & amortisation	22.7	27.4	28.6	30.8	32.9
Change in working capital	(83.4)	19.6	103.0	14.8	17.4
Net interest received / (paid)	(16.6)	(3.0)	(25.1)	(24.7)	(22.2)
Tax paid	(19.3)	(3.9)	(27.8)	(30.8)	(31.8)
Others	29.4	20.1	(13.0)	(13.1)	(13.3)
Operating Cash Flow	15.2	152.4	168.6	91.0	100.9
Capex	(113.5)	(115.2)	(50.0)	(50.0)	(50.0)
Others	(74.2)	(115.4)	(115.4)	(115.4)	(114.4)
Investing Cash Flow	(187.8)	(230.7)	(165.4)	(165.4)	(164.4)
Issuance of shares	1.0	0.2	-	-	-
Changes in borrowings	208.9	161.3	(3.3)	46.7	95.7
Dividend paid	(30.0)	(20.5)	-	(22.7)	(24.7)
Others	(5.7)	-	-	-	-
Financing Cash Flow	174.3	141.0	(3.3)	24.0	71.0
Net cash flow	1.7	62.8	(0.1)	(50.4)	7.4
Forex	(13.5)	(16.4)	-	-	-
Beginning cash	31.4	15.3	61.7	80.3	(1.4)
Ending cash	19.7	61.7	61.5	29.9	6.0

Income Statement

FY 31 Dec (RM m)	2008A	2009A	2010F	2011F	2012F
Revenue	1,109.9	988.7	883.3	922.1	935.4
EBITDA	116.8	127.4	118.4	131.7	137.5
Depreciation & amortisation	(24.3)	(27.5)	(28.6)	(30.8)	(32.9)
EBIT	92.5	100.0	89.8	100.9	104.6
Net interest income	(14.0)	(18.0)	(2.5)	(2.5)	(2.2)
Share of associates	16.6	2.5	15.6	15.6	15.6
Pretax profit	82.3	92.2	102.9	114.0	117.9
Taxation	(18.2)	(10.1)	(27.8)	(30.8)	(31.8)
Minority interest	(4.1)	(7.9)	0.5	(0.7)	(1.2)
Net profit	60.0	74.2	75.5	82.5	84.9
Adj net profit	81.0	55.8	75.5	82.5	84.9

Key Statistics & Ratios

FY 31 Dec	2008A	2009A	2010F	2011F	2012F
Growth					
Revenue	28.8%	-10.9%	-10.7%	4.4%	1.4%
EBITDA	-22.3%	9.1%	-7.0%	11.2%	4.4%
Pretax profit	-31.8%	12.1%	11.5%	10.8%	3.4%
Net profit	-36.8%	23.7%	1.8%	9.2%	2.9%
Adj EPS	-18.2%	-31.2%	35.3%	9.2%	2.9%

Profitability

EBITDA margin	10.5%	12.9%	13.4%	14.3%	14.7%
Net profit margin	5.4%	7.5%	8.6%	8.9%	9.1%
Effective tax rate	27.7%	11.2%	27.0%	27.0%	27.0%
Return on assets	4.2%	4.3%	4.7%	5.1%	5.2%
Return on equity	9.2%	10.2%	10.6%	10.7%	10.2%

Leverage

Total debt / total assets	32.9%	27.8%	32.1%	28.7%	25.5%
Total debt / equity	71.6%	66.3%	73.1%	60.9%	50.5%
Net debt / equity	77.1%	85.3%	75.4%	67.2%	59.2%

Key Drivers

FY 31 Dec (RM m)	2008A	2009A	2010F	2011F	2012F
CPO ASP	-	-	2,400.0	2,400.0	2,400.0
FFB Yield	-	-	16.4	16.4	16.4

Valuation

FY 31 Dec	2008A	2009A	2010F	2011F	2012F
EPS (sen)	14.6	17.9	18.3	19.9	20.5
Adj EPS (Sen)	19.6	13.5	18.3	19.9	20.5
P/E (x)	10.3	15.0	11.1	10.1	9.8
EV/EBITDA (x)	11.7	10.6	11.6	10.3	9.7
Net DPS (sen)	3.8	3.8	3.8	3.8	3.8
Net dividend yield	1.9%	1.9%	1.9%	1.9%	1.9%
BVPS(RM)	1.58	1.76	1.72	1.86	2.01
P/BV (x)	1.3	1.1	1.2	1.1	1.0

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

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Published & printed by:

For ECM Libra Capital Sdn Bhd (579116-A) (PP 13693/04/2010(023879))

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