

TH Plantations (THP MK)

4Q21 headline PATMI weighed down by net FV loss

No dividends declared despite record CPO ASP

FY21 core PATMI beat our estimates by 36%, thanks to record high CPO ASP achieved. As expected, no dividend has been proposed for FY21 as THP's high net gearing of 126% dictates the need to deleverage as priority. Despite our higher CPO ASP forecasts, we continue to assume zero dividend payouts in the near future. THP remains a SELL despite a higher TP of MYR0.71 after rolling forward valuation to FY23E on revised 0.8x forward P/NTA, pegged at 5Y mean on improving CPO outlook (previously MYR0.48 TP on 0.6x P/NTA, -1SD). THP lacks catalyst.

4Q21 core PATMI lifted by better CPO ASP

4Q21 headline PATMI of MYR2m (+15% YoY, -93% QoQ) was dragged down by MYR57m in gross FV loss on biological assets, mitigated by MYR7m of FV gain on forestry. Adjusted for the net FV loss, 4Q21 core PATMI was MYR38m (+215% YoY, +139% QoQ), bringing FY21 core PATMI to MYR73m (+247% YoY). The stronger 4Q21 core PATMI was due to better CPO ASP of MYR4,508/t (+58% YoY, +24% QoQ) although the price achieved was 13% below MPOB's spot prices due to some forward sales locked in earlier. The high CPO ASP more than offset lower FFB output (-6% YoY, -9% QoQ).

FY21 FFB output hurt by shortage of harvesters

We estimate FY21 all-in cost of production was at a higher MYR2,735/t (+28% YoY) due to lower FFB yield of 13.36t/ha (-19% YoY) and higher direct taxes paid (ie State and windfall profit levy). FY21 FFB output fell -16% YoY to 0.70mt due to labour shortages especially in Sarawak. For FY22E, we now forecast no FFB output growth for the group.

Raising our CPO ASP and PATMI forecasts

Following our industry-wide CPO ASP revisions to MYR4,100/t (from MYR3,200/t) for 2022E and MYR3,200/t (from MYR3,000/t) for 2023E, we raise our FY22E/23E core PATMI forecasts for THP by 210%/28% respectively. We introduce our FY24E EPS forecast. MYR777m of THP's assets have been earmarked for disposal. Without any asset disposal, we forecast THP's net gearing to remain high at ~100% by the end of FY22E.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	555	761	774	614	605
EBITDA	202	296	314	207	211
Core net profit	21	73	94	40	43
Core EPS (sen)	2.4	8.3	10.6	4.5	4.9
Core EPS growth (%)	nm	247.2	28.0	(57.3)	8.5
Net DPS (sen)	0.0	0.0	0.0	0.0	0.0
Core P/E (x)	23.9	7.2	8.4	19.8	18.2
P/BV (x)	0.9	0.8	1.1	1.0	1.0
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
ROAE (%)	2.4	11.4	13.5	5.2	5.4
ROAA (%)	0.8	2.6	3.2	1.3	1.4
EV/EBITDA (x)	9.5	6.8	6.8	9.9	9.3
Net gearing (%) (incl perps)	136.1	126.1	100.0	86.6	74.4
Consensus net profit	-	-	42	32	na
MKE vs. Consensus (%)	-	-	124.4	23.4	na

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SELL

Share Price	MYR 0.90
12m Price Target	MYR 0.71 (-21%)
Previous Price Target	MYR 0.48

Company Description

TH Plantations engages in cultivation of oil palm in Peninsular Malaysia, Sarawak and Sabah.

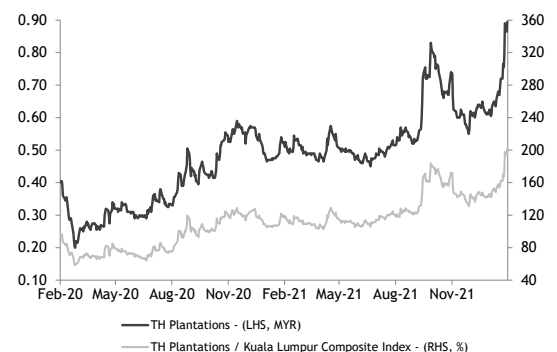
Statistics

52w high/low (MYR)	0.90/0.45
3m avg turnover (USDm)	0.2
Free float (%)	88.0
Issued shares (m)	884
Market capitalisation	MYR791.0M USD189M

Major shareholders:

Lembaga Tabung Haji	73.8%
KONG GOON KHING	4.9%
Yayasan Pok Dan Kassim	1.1%

Price Performance



	-1M	-3M	-12M
Absolute (%)	47	21	72
Relative to index (%)	42	17	71

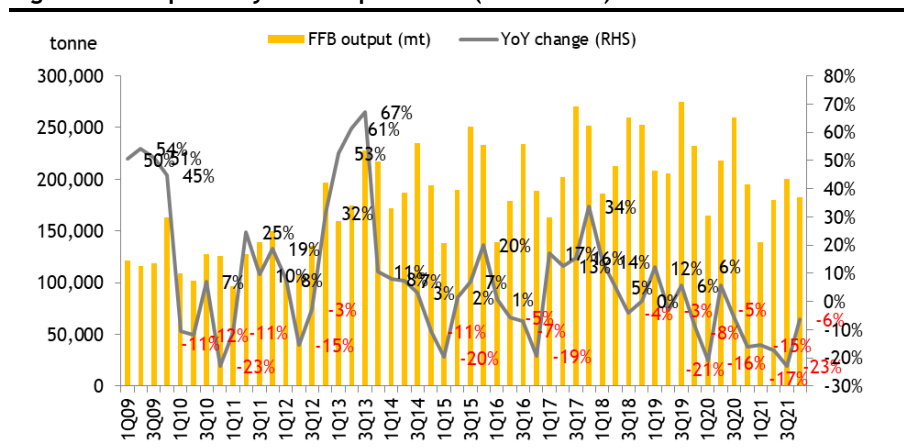
Source: FactSet

Fig 1: TH Plantations results summary table

(MYR m)	Quarterly					Cumulative		
	4Q21	4Q20	%YoY	3Q21	%QoQ	12M21	12M20	%YoY
Revenue	247.5	144.5	71.3	205.9	20.2	760.8	555.1	37.1
EBIT	83.9	33.7	149.2	65.0	29.2	219.4	136.4	60.8
FV (loss)/ gain in biological assets / forestry	(49.1)	(23.2)	111.4	16.6	n.a	0.0	0.0	n.a
Other exceptionals / FX (loss) or gain	1.2	9.4	(87.5)	(2.2)	n.a	0.0	0.0	n.a
Net Interest	(24.8)	(14.1)	75.4	(19.7)	25.9	(77.6)	(70.0)	10.9
Pretax profit	11.2	5.7	95.6	59.7	(81.2)	137.9	54.5	153.1
Tax	(1.6)	(2.5)	(37.4)	(19.9)	(92.0)	(36.3)	(27.0)	34.4
Minority Interests	(7.8)	(1.6)	387.7	(12.8)	(39.1)	(31.4)	(13.5)	133.2
PATMI	1.8	1.6	14.8	26.9	(93.2)	70.2	14.0	401.5
Core PATMI	38.3	12.1	215.1	16.0	139.1	73.2	21.1	247.2
Operational								
FFB Production (MT)	182,195	194,586	(6.4)	199,822	(8.8)	701,250	836,739	(16.2)
CPO Production (MT)	41,708	37,359	11.6	45,224	(7.8)	153,603	169,748	(9.5)
PK Production (MT)	9,951	8,743	13.8	10,732	(7.3)	36,773	39,385	(6.6)
CPO ASP (MYR/t)	4,508	2,859	57.7	3,640	23.8	3,762	2,538	48.2

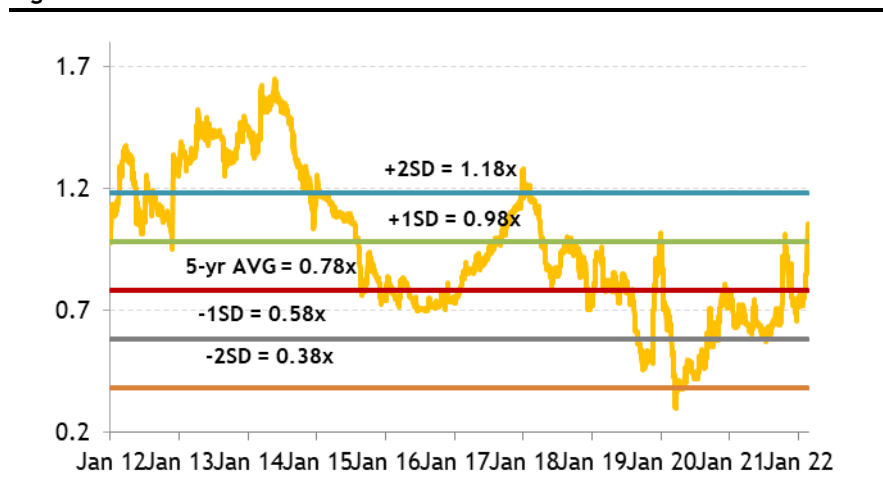
Sources: Company

Fig. 2: THP's quarterly FFB output trend (since 2009)



Source: Company

Fig. 3: THP's 12-month forward P/NTA



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for TH Plantations (THP). Key risks to the palm oil sector and THP are: (i) weather anomalies resulting in poorer-than-expected output growth; (ii) lower-than-expected CPO price achieved; (iii) negative policies imposed by import countries; (iv) unfriendly policies imposed by the Malaysian and Indonesian government on upstream or downstream segments; (v) sharply lower crude oil prices which makes palm biodiesel demand not viable; and (vi) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	24.8	6.9	8.4	19.8	18.2
Core P/E (x)	23.9	7.2	8.4	19.8	18.2
P/BV (x)	0.9	0.8	1.1	1.0	1.0
P/NTA (x)	0.9	0.8	1.1	1.0	1.0
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0
FCF yield (%)	18.1	3.6	19.4	13.1	12.5
EV/EBITDA (x)	9.5	6.8	6.8	9.9	9.3
EV/EBIT (x)	14.1	9.2	8.6	14.5	13.6

INCOME STATEMENT (MYR m)

Revenue	555.1	760.8	773.5	613.9	604.8
EBITDA	202.3	296.0	314.3	207.1	210.6
Depreciation	(66.8)	(78.6)	(67.6)	(68.2)	(68.9)
Amortisation	1.0	2.0	2.0	2.0	2.0
EBIT	136.4	219.4	248.7	140.9	143.7
Net interest income / (exp)	(70.0)	(77.6)	(70.2)	(64.8)	(61.1)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(22.0)	2.6	0.0	0.0	0.0
Other pretax income	9.9	(6.6)	0.0	0.0	0.0
Pretax profit	54.5	137.9	178.4	76.1	82.6
Income tax	(27.0)	(36.3)	(53.5)	(22.8)	(24.8)
Minorities	(13.5)	(31.4)	(31.2)	(13.3)	(14.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	14.0	70.2	93.7	40.0	43.4
Core net profit	21.1	73.2	93.7	40.0	43.4

BALANCE SHEET (MYR m)

Cash & Short Term Investments	84.5	260.2	408.4	506.8	600.8
Accounts receivable	26.1	37.0	37.7	29.9	29.4
Inventory	14.2	20.1	20.0	17.8	17.4
Property, Plant & Equip (net)	1,679.9	1,649.3	1,598.6	1,544.7	1,501.5
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	860.6	895.3	895.3	895.3	895.3
Total assets	2,665.4	2,861.9	2,959.9	2,994.5	3,044.4
ST interest bearing debt	111.2	449.2	449.2	449.2	449.2
Accounts payable	213.9	123.6	122.9	109.5	106.9
LT interest bearing debt	1,130.1	1,002.5	1,002.5	1,002.5	1,002.5
Other liabilities	360.0	342.0	342.0	342.0	342.0
Total Liabilities	1,815.3	1,917.0	1,916.3	1,902.8	1,900.2
Shareholders Equity	580.3	649.1	742.7	782.7	826.1
Minority Interest	269.8	295.8	300.9	308.9	318.1
Total shareholder equity	850.1	944.9	1,043.6	1,091.6	1,144.2
Total liabilities and equity	2,665.4	2,861.9	2,959.9	2,994.5	3,044.4

CASH FLOW (MYR m)

Pretax profit	54.5	137.9	178.4	76.1	82.6
Depreciation & amortisation	65.8	76.6	65.6	66.2	66.9
Adj net interest (income)/exp	(70.0)	(77.6)	(70.2)	(64.8)	(61.1)
Change in working capital	23.7	(117.8)	(1.2)	(3.5)	(1.7)
Cash taxes paid	(22.9)	(39.2)	(53.5)	(22.8)	(24.8)
Other operating cash flow	75.9	77.7	49.3	64.8	61.1
Cash flow from operations	140.1	63.5	170.4	118.0	124.9
Capex	(48.8)	(44.4)	(17.0)	(14.3)	(25.7)
Free cash flow	91.3	19.1	153.4	103.7	99.2
Dividends paid	(10.3)	(5.3)	(5.3)	(5.3)	(5.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(121.3)	197.3	0.0	0.0	0.0
Other invest/financing cash flow	55.9	(35.1)	0.0	0.0	0.0
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	15.6	176.0	148.1	98.5	94.0

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	12.4	37.1	1.7	(20.6)	(1.5)
EBITDA growth	64.7	46.3	6.2	(34.1)	1.7
EBIT growth	186.3	60.8	13.3	(43.3)	2.0
Pretax growth	nm	153.1	29.4	(57.3)	8.5
Reported net profit growth	nm	401.5	33.5	(57.3)	8.5
Core net profit growth	nm	247.2	28.0	(57.3)	8.5
Profitability ratios (%)					
EBITDA margin	36.4	38.9	40.6	33.7	34.8
EBIT margin	24.6	28.8	32.1	23.0	23.8
Pretax profit margin	9.8	18.1	23.1	12.4	13.7
Payout ratio	0.0	0.0	0.0	0.0	0.0
DuPont analysis					
Net profit margin (%)	2.5	9.2	12.1	6.5	7.2
Revenue/Assets (x)	0.2	0.3	0.3	0.2	0.2
Assets/Equity (x)	4.6	4.4	4.0	3.8	3.7
ROAE (%)	2.4	11.4	13.5	5.2	5.4
ROAA (%)	0.8	2.6	3.2	1.3	1.4
Liquidity & Efficiency					
Cash conversion cycle	(193.6)	(113.5)	(68.5)	(72.9)	(71.3)
Days receivable outstanding	18.6	14.9	17.4	19.8	17.7
Days inventory outstanding	12.4	14.6	16.7	18.0	17.3
Days payables outstanding	224.7	143.0	102.5	110.8	106.3
Dividend cover (x)	nm	nm	nm	nm	nm
Current ratio (x)	2.0	1.7	1.9	2.0	2.2
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.5	1.5	1.6	1.6
Net gearing (%) (incl perps)	136.1	126.1	100.0	86.6	74.4
Net gearing (%) (excl. perps)	136.1	126.1	100.0	86.6	74.4
Net interest cover (x)	2.0	2.8	3.5	2.2	2.4
Debt/EBITDA (x)	6.1	4.9	4.6	7.0	6.9
Capex/revenue (%)	8.8	5.8	2.2	2.3	4.2
Net debt/ (net cash)	1,156.8	1,191.4	1,043.3	944.9	850.9

Source: Company; Maybank

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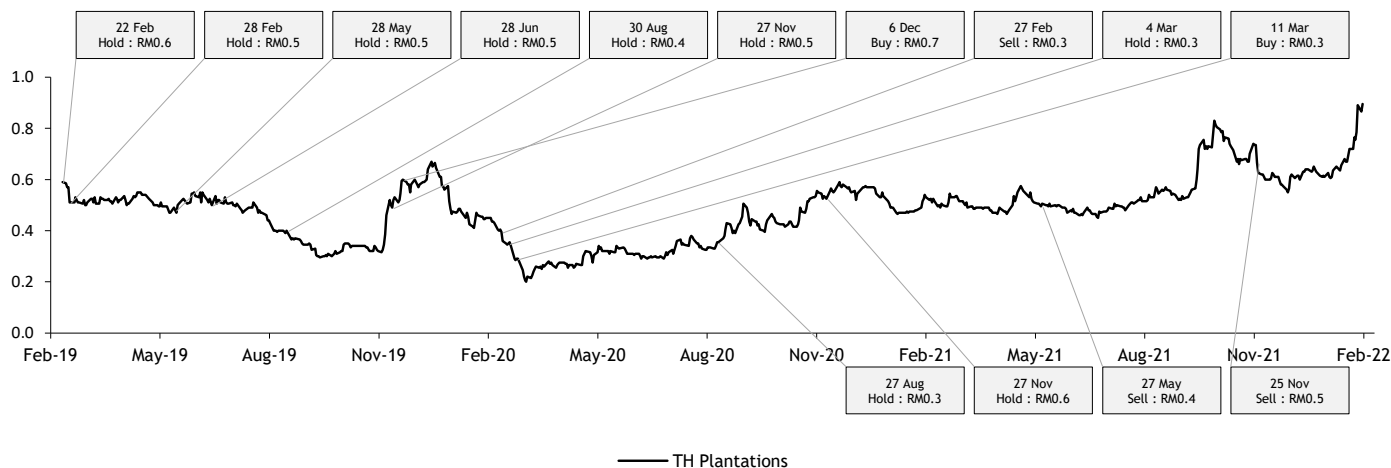
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