

Ta Ann (TAH MK)

1Q22: Results within expectations

HOLD for its attractive dividend yield

1Q22 core PATMI was within ours/consensus expectations. With little forward sales, TAH will continue to enjoy the high CPO spot prices in 2Q22. Meanwhile, its improving timber outlook may continue to surprise positively in the near term owing to limited supply and stringent environmental control over logs harvesting. Pending a management update, we maintain our EPS, HOLD call and TP of MYR5.87 on 13x FY23E PER, -0.5SD of 5Y mean. HOLD for its dividend yield of 7.5%; supported by its net cash position. We prefer KLK MK (BUY, CP: 26.42, TP: 30.70).

High CPO ASP boosted plantation PBT

1Q22 headline PATMI jumped to MYR105m (+155% YoY, +9% QoQ). Adjusted for FV gain on biological assets (MYR29m), 1Q21 core PATMI of MYR76m (+155% YoY, -34% QoQ) met 25% of our and consensus full-year estimates. The strong 1Q earnings were lifted by plantations and timber divisions. Plantations recorded PBT of MYR92m (+115% YoY, -48% QoQ) as higher CPO ASP achieved (+48% YoY, +11% QoQ) compensated for the lower FFB output (-3% YoY, -35% QoQ).

Improving timber outlook, especially plywood

1Q22 timber PBT jumped to MYR22m (+403% YoY, +119% QoQ) on stronger plywood contribution. Higher plywood ASPs (+44% YoY, +11% QoQ - in MYR) and higher logs ASP (+16% YoY, -2% QoQ - in MYR) more than compensated for a decline in plywood sales volume (-2% YoY, -7% QoQ) and logs exported (-14% YoY, +50% QoQ).

A 2nd interim DPS of 10sen announced

Q1 is seasonally the weakest FFB output quarter for TAH. For 1Q, FFB output met just 19% of our full-year forecasts but is within recent historical ranges. FFB output is expected to be seasonally higher in 2H. We are keeping our earnings forecasts. In the meantime, TAH is rewarding shareholders with a 2nd interim DPS of 10sen (1st interim DPS paid: 5sen) that will go ex-date on 3 June (payable: 24 June).

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	1,218	1,894	2,033	1,579	1,457
EBITDA	220	539	586	393	343
Core net profit	69	287	309	199	171
Core EPS (sen)	15.6	65.2	70.1	45.2	38.7
Core EPS growth (%)	75.9	317.2	7.5	(35.6)	(14.3)
Net DPS (sen)	15.0	30.0	42.1	27.1	23.2
Core P/E (x)	19.4	5.4	8.0	12.4	14.5
P/BV (x)	0.9	1.0	1.4	1.4	1.3
Net dividend yield (%)	5.0	8.5	7.5	4.8	4.1
ROAE (%)	3.1	20.6	18.5	11.2	9.2
ROAA (%)	2.7	10.9	10.8	6.8	6.0
EV/EBITDA (x)	7.7	3.1	4.0	5.7	6.3
Net gearing (%) (incl perps)	15.6	net cash	net cash	net cash	net cash
Consensus net profit	-	-	260	190	183
MKE vs. Consensus (%)	-	-	18.8	4.7	(6.9)

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HOLD

Share Price	MYR 5.60
12m Price Target	MYR 5.87 (+12%)
Previous Price Target	MYR 5.87

Company Description

Ta Ann Holdings is involved in oil palm plantations, logs harvesting and plywood manufacturing.

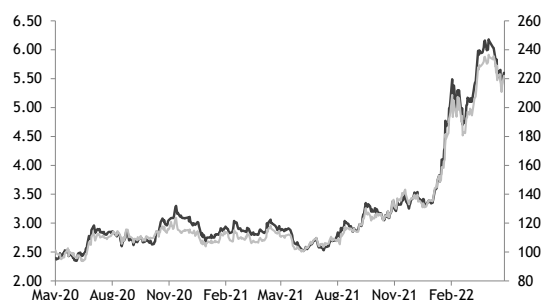
Statistics

52w high/low (MYR)	6.18/2.52
3m avg turnover (USDm)	3.3
Free float (%)	30.7
Issued shares (m)	445
Market capitalisation	MYR2.5B USD568M

Major shareholders:

Mountex Sdn. Bhd.	22.2%
BIN DOLAH WAHAB	9.6%
BIN SEPAWI AMAR ABDUL HAMED	7.3%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(9)	12	94
Relative to index (%)	(6)	15	96

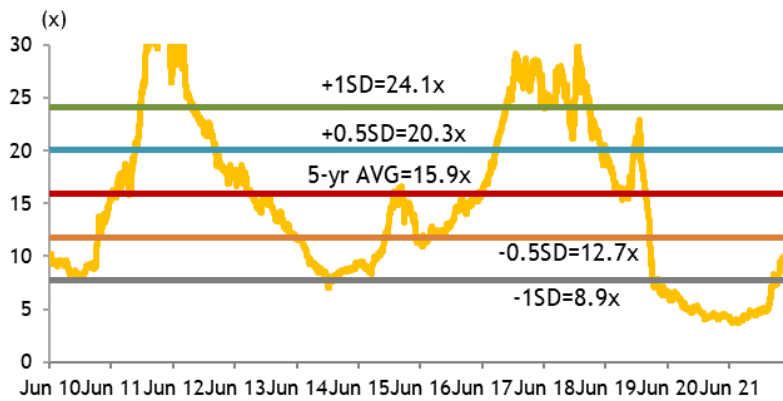
Source: FactSet

Figure 1: Ta Ann - 1Q22 results summary

(MYR m)	1Q22	1Q21	%YoY	4Q21	%QoQ
Revenue	487.8	340.6	43.2	611.5	(20.2)
EBIT	99.2	42.0	136.1	173.3	(42.8)
Associates	17.3	8.4	107.0	19.1	(9.4)
FV gain on biological assets & EI	28.5	11.1	156.9	(19.6)	NA
Net interest	(1.7)	(2.8)	(40.2)	(4.6)	(63.1)
PBT/(LBT)	143.4	58.7	144.3	168.3	(14.8)
Tax	(22.2)	(10.8)	105.0	(40.1)	(44.6)
Profit after tax	121.1	47.8	153.2	128.2	(5.5)
Minority Interests	(16.5)	(6.9)	140.8	(32.2)	(48.7)
PATMI	104.6	41.0	155.3	96.0	9.0
Core PATMI	76.1	29.9	154.8	115.6	(34.2)
			+/- ppt		+/- ppt
EBIT margin (%)	20.3	12.3	8.0	28.3	(8.0)
Segmental	1Q22	1Q21	%YoY	4Q21	%QoQ
Revenue					
Plantations	389.5	271.1	43.7	522.8	(25.5)
Timber	98.2	69.4	41.4	88.7	10.7
Others	0.1	0.1	(30.4)	0.1	98.1
Total revenue	487.8	340.6	43.2	611.5	(20.2)
PBT/(LBT)					
Plantations	92.4	42.9	115.3	177.7	(48.0)
Timber	22.3	4.4	403.2	10.2	119.4
Others	0.1	0.2	(42.4)	0.1	61.3
FV gain/(loss) on biological assets	28.5	11.1	156.9	(19.6)	NA
Total PBT/(LBT)	143.4	58.7	144.3	168.3	(14.8)
Operational	1Q22	1Q21	%YoY	4Q21	%QoQ
FFB production (t)	132,367	136,709	(3.2)	203,744	(35.0)
CPO (t)	52,353	56,234	(6.9)	78,438	(33.3)
CPO ASP (MYR/t)	5,550	3,749	48.0	5,004	10.9
Logs exported (m3)	20,062	23,394	(14.2)	13,411	49.6
Exported logs ASP (USD/m3)	261	232	12.5	267	(2.2)
Exported logs ASP (MYR/m3)	1,094	944	16.0	1,118	(2.1)
Plywood sales (m3)	20,365	20,833	(2.2)	21,988	(7.4)
Blended plywood ASP (USD/m3)	697	498	40.0	632	10.3
Blended plywood ASP (MYR/m3)	2,922	2,026	44.3	2,645	10.5

Source: Company, Maybank IBG Research

Figure 2: Ta Ann 12M forward PER



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors for our earnings estimates, target price and rating for Ta Ann. Key risks to Ta Ann are: (i) weather anomalies resulting in poorer-than-expected oil palm output growth and timber extraction; (ii) lower-than-expected CPO, timber and plywood prices achieved; (iii) negative log/plywood export policies by the Sarawak state government; (iv) negative policies imposed by import countries for palm oil, log and plywood; (v) sharply lower crude oil prices, which makes palm biodiesel demand not viable; and (vi) weaker competing oil prices (like soybean and rapeseed) for its oil palm division.

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	26.6	4.1	8.0	12.4	14.5
Core P/E (x)	19.4	5.4	8.0	12.4	14.5
P/BV (x)	0.9	1.0	1.4	1.4	1.3
P/NTA (x)	1.0	1.0	1.5	1.4	1.4
Net dividend yield (%)	5.0	8.5	7.5	4.8	4.1
FCF yield (%)	19.3	28.9	19.6	10.3	10.2
EV/EBITDA (x)	7.7	3.1	4.0	5.7	6.3
EV/EBIT (x)	13.2	3.9	5.0	7.9	8.9
INCOME STATEMENT (MYR m)					
Revenue	1,217.8	1,894.4	2,033.4	1,579.2	1,456.6
EBITDA	220.0	538.9	585.6	393.1	343.3
Depreciation	(91.3)	(115.6)	(117.7)	(105.8)	(101.5)
EBIT	128.7	423.3	467.9	287.3	241.8
Net interest income / (exp)	(16.9)	(12.1)	(4.5)	4.2	8.8
Associates & JV	22.7	54.2	39.1	29.2	24.6
Exceptionals	(18.3)	27.2	0.0	0.0	0.0
Pretax profit	116.2	492.6	502.5	320.7	275.3
Income tax	(39.7)	(100.2)	(113.1)	(71.1)	(61.2)
Minorities	(31.4)	(78.0)	(80.6)	(50.7)	(43.6)
Reported net profit	45.1	314.4	308.9	198.9	170.5
Core net profit	68.8	287.2	308.9	198.9	170.5
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	272.0	454.9	625.6	631.1	651.4
Accounts receivable	55.1	64.6	83.6	64.9	59.9
Inventory	153.7	132.4	227.0	189.4	178.6
Property, Plant & Equip (net)	1,614.9	1,582.2	1,498.1	1,456.4	1,419.0
Intangible assets	91.1	86.9	86.9	86.9	86.9
Investment in Associates & JVs	232.7	266.7	266.7	266.7	266.7
Other assets	120.1	162.2	162.2	162.2	162.2
Total assets	2,539.6	2,750.0	2,950.1	2,857.5	2,824.8
ST interest bearing debt	277.1	233.9	169.7	105.5	41.3
Accounts payable	172.8	249.7	378.4	284.0	268.0
LT interest bearing debt	239.2	153.9	89.6	25.4	(38.8)
Other liabilities	287.0	336.0	336.0	336.0	336.0
Total Liabilities	976.2	973.8	974.0	751.2	606.7
Shareholders Equity	1,444.5	1,610.3	1,733.9	1,813.4	1,881.6
Minority Interest	118.9	165.8	242.2	292.9	336.5
Total shareholder equity	1,563.4	1,776.1	1,976.1	2,106.3	2,218.1
Total liabilities and equity	2,539.6	2,750.0	2,950.1	2,857.5	2,824.8
CASH FLOW (MYR m)					
Pretax profit	116.2	492.6	502.5	320.7	275.3
Depreciation & amortisation	91.3	115.6	117.7	105.8	101.5
Adj net interest (income)/exp	(11.3)	(7.3)	(4.5)	4.2	8.8
Change in working capital	131.2	55.1	15.1	(38.0)	(0.3)
Cash taxes paid	(28.1)	(58.1)	(113.1)	(71.1)	(61.2)
Other operating cash flow	11.3	7.3	4.5	(4.2)	(8.8)
Cash flow from operations	316.8	498.7	548.6	317.4	315.2
Capex	(58.8)	(52.4)	(64.1)	(64.1)	(64.1)
Free cash flow	258.0	446.3	484.5	253.3	251.1
Dividends paid	(22.0)	(110.1)	(185.3)	(119.3)	(102.3)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(65.5)	(128.3)	(128.5)	(128.5)	(128.5)
Other invest/financing cash flow	(9.1)	(24.1)	0.0	0.0	0.0
Net cash flow	161.3	183.8	170.7	5.5	20.4

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	28.9	55.6	7.3	(22.3)	(7.8)
EBITDA growth	9.4	144.9	8.7	(32.9)	(12.7)
EBIT growth	33.7	228.9	10.5	(38.6)	(15.8)
Pretax growth	17.5	323.9	2.0	(36.2)	(14.2)
Reported net profit growth	(16.8)	597.3	(1.8)	(35.6)	(14.3)
Core net profit growth	75.7	317.2	7.5	(35.6)	(14.3)
Profitability ratios (%)					
EBITDA margin	18.1	28.4	28.8	24.9	23.6
EBIT margin	10.6	22.3	23.0	18.2	16.6
Pretax profit margin	9.5	26.0	24.7	20.3	18.9
Payout ratio	146.5	42.0	60.0	60.0	60.0
DuPont analysis					
Net profit margin (%)	3.7	16.6	15.2	12.6	11.7
Revenue/Assets (x)	0.5	0.7	0.7	0.6	0.5
Assets/Equity (x)	1.8	1.7	1.7	1.6	1.5
ROAE (%)	3.1	20.6	18.5	11.2	9.2
ROAA (%)	2.7	10.9	10.8	6.8	6.0
Liquidity & Efficiency					
Cash conversion cycle	32.9	(7.5)	(21.9)	(21.5)	(15.1)
Days receivable outstanding	21.8	11.4	13.1	16.9	15.4
Days inventory outstanding	69.2	39.6	46.8	65.1	61.0
Days payables outstanding	58.2	58.5	81.9	103.5	91.4
Dividend cover (x)	0.7	2.4	1.7	1.7	1.7
Current ratio (x)	1.2	1.5	1.8	2.3	2.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.6	2.8	3.0	3.8	4.7
Net gearing (%) (incl perps)	15.6	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	15.6	net cash	net cash	net cash	net cash
Net interest cover (x)	7.6	34.9	104.5	na	na
Debt/EBITDA (x)	2.3	0.7	0.4	0.3	0.0
Capex/revenue (%)	4.8	2.8	3.2	4.1	4.4
Net debt/ (net cash)	244.3	(67.1)	(366.3)	(500.2)	(649.0)

Source: Company; Maybank IBG Research

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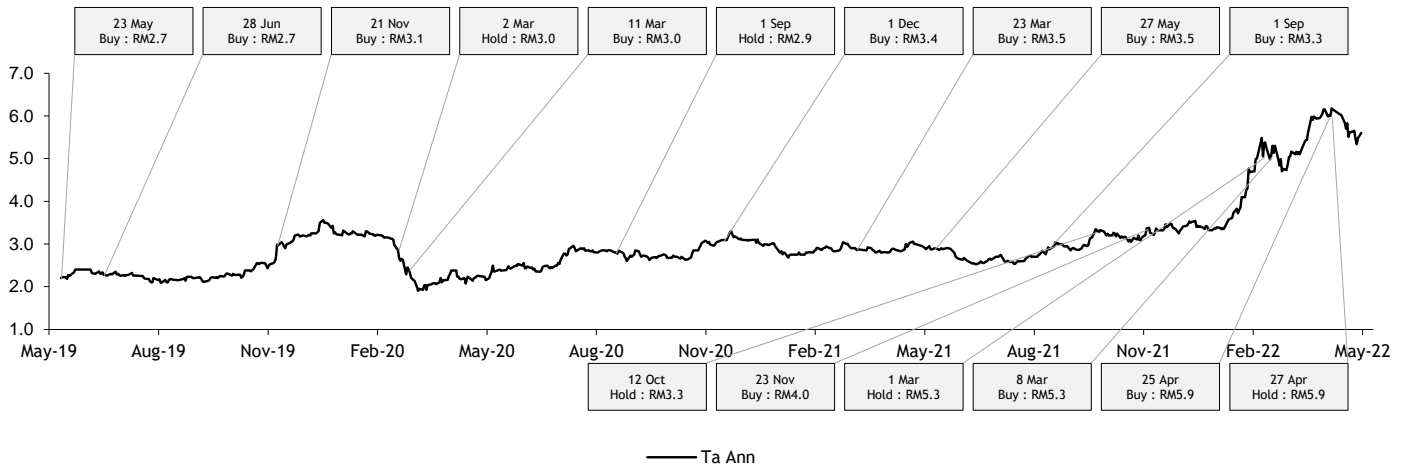
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