

# Tanah Makmur Berhad

## Good Value in Flourishing Planter

By Alan Lim Seong Chun, CFA / [alan.lim@kenanga.com.my](mailto:alan.lim@kenanga.com.my)

Tanah Makmur Berhad (TMB) is a Pahang-based company which is mainly involved in plantation and property businesses. Under its plantation division, TMB has total landbank of 17,969 ha (75% planted) in Pahang with average (avg.) age profile of 15 years old. We expect strong earnings growth of 46%-13% in FY14E-FY15E to RM62.4m-RM70.4m due to good CPO prices of RM2800/MT seen in both years. TMB's valuation is very attractive at 7.1x FY15E Fwd. PE or EV/ha of RM37k as these represents ~50% discount to peers average. In addition, its dividend yield of 4.2% is higher than all planters under our coverage. Lastly, TMB is a good proxy to long term CPO prices upside. We value TMB at RM1.60 based on Fwd. PE of 9.1x to FY15E EPS of 17.7 sen. Our Fwd. PE of 9.1x is derived from 40% discount to avg. mid-cap Fwd. PE of 15.2x. The 40% discount is used to reflect TMB smaller market cap of RM0.5b (peers avg. RM2.7b).

**Plantation + Property.** TMB core business is oil palm plantation and this division contributed RM76.0m Gross Profit (GP) or 83% of the Group's total GP in FY13. Under its plantation division, TMB has total landbank of 17,969 ha (13,530 ha or 75% planted) in Pahang with average age profile of 15 years old. Property division contributed 17% or RM15.8m GP to the total Group's GP in FY13 through its on-going KotaSAS Township project. (Size: 1,500 acres, Period: 15 years; Estimated GDV RM1.8b).

**Expect strong earnings growth of 46% in FY14E followed by another 13% in FY15E.** Key driver behind the high earnings growth in FY14E will be the plantation division and better property division earnings due to ancillary income from bauxite mining. We expect plantation division to benefit from expected higher CPO prices YoY at RM2800/MT (+18% YoY). As for FY15E, the earnings should still grow at double digit but at lower growth of 13% as we expect CPO prices to be flat at RM2800/MT against FY14E level with the earnings growth solely depending on property division in FY15E.

**Limited short term FFB growth but to return to 8% from FY17E onwards.** As TMB age profile is relatively mature at 15 years old, we believe its FFB volume should decline 5% to 221,594 MT before showing a slight growth of 4% to 230,169 MT. However, FFB growth should return to around 8% from FY17E onwards as new planting and replanting (expected to be done from FY14E-FY16E) should rejuvenate TMB's palm tree age profile to 12.5 years old by then.

**Attractive valuation at 7.1x FY15E Fwd. PE or EV/ha of RM37k.** The valuation of 7.1x Fwd. PE represents a huge discount of 52% against mid-cap peers planters avg. Fwd. PE of 14.7x. Its EV/ha at RM37k is also at 50% discount to average RM74k for mid cap planters. Although TMB market cap is smaller at RM0.5b against its peers' avg. of RM2.7b, we believe that the huge discount is unjustified as TMB's FFB yield is only slightly lower at 20.4MT/ha (or 9% below its peers average of 22.5MT/ha).

**Superior dividend yield against other Malaysia based planters.** Based on its IPO price of RM1.25 and FY15E dividend estimate of 5.3 sen, the dividend yield works out to be 4.2%. Note that this is higher than all planters under our coverage which has average dividend yield of only 2.9% and range from 1.1% to 3.9%. We have assumed dividend payout ratio of 30% in line with the Company's dividend policy.

**Proxy to long term CPO prices upside.** We believe that TMB is a good stock to invest for the long term to ride the CPO price upside in the long run. While short term CPO prices is admittedly very volatile, the long term upside is clear with CPO prices has appreciated by 59% in the past 10 years to RM2484/MT on 30-Jun-2014 (against 30-Jun-2004 price of RM1566/MT). As mentioned previously, TMB derived 83% of its GP from plantation division.

## NOT RATED

**Price: RM1.25**  
**Target Price: RM1.60**

### Share Price Performance

KLCI	1,891.16
YTD KLCI chg	1.3%
YTD stock price chg	1.5%

### Major Shareholders

LKPP	20.00%
KDYTM Tengku Mahkota Pahang Tengku Abdullah Ibni Sultan Haji Ahmad Shah	13.71%
TAS Industries	12.48%

### IPO Proceeds

	RM m
Estate development*	28.5
Expansion of palm oil mill	5.0
Infrastructure work and/or the building of new headquarters in the KotaSAS Township	13.0
Repayment of bank borrowing	13.1
Listing expenses	5.6

### Summary of IPO

Enlarged Share Capital (m)	398.2
IPO Price (RM)	1.25
Gross proceeds from Public Issue (RM m)	65.2
Market Capitalisation upon listing (RM m)	497.8

### Summary Earnings Table

FY Dec (RM m)	2013A	2014E	2015E
<b>FY Dec (RM m)</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>
Turnover	243.5	331.3	399.7
EBIT	66.3	91.3	102.4
PBT	61.7	86.7	97.8
<b>Net Profit (NP)</b>	<b>42.9</b>	<b>62.4</b>	<b>70.4</b>
<b>Core NP</b>	<b>42.9</b>	<b>62.4</b>	<b>70.4</b>
Core EPS (sen)	10.77	15.68	17.69
EPS growth (%)	-27%	46%	13%
DPS (sen)	NA	4.7	5.3
NTA/Share (RM)	0.96	1.07	1.19
Core PER (x) @ RM1.25	11.6	8.0	7.1
PBV (x) @ RM1.25	1.31	1.17	1.05
Net Gearing (x)	Cash	Cash	Cash
Dividend Yield (%)	NA	3.8	4.2



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### Background & Business

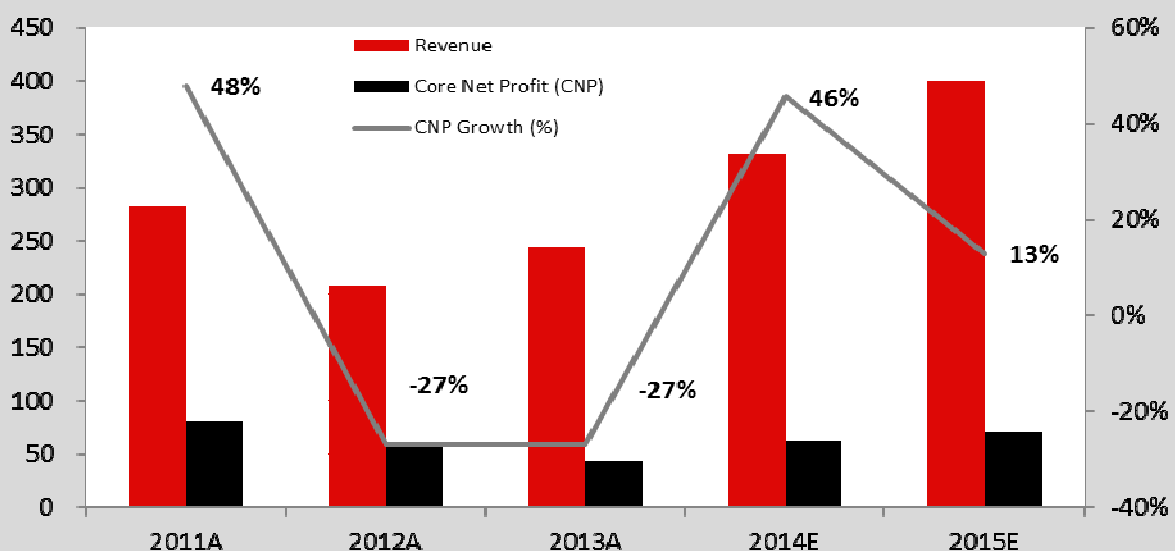
Tanah Makmur Berhad (TMB) is mainly engaged in the business of oil palm plantation, milling and property development. The main division is plantation which contributed RM76.0m Gross Profit (GP) or 83% of the Group's total GP in FY13. For this division, TMB have a total landbank of 17,969 ha out of which 11,633 is TMB-owned and the balance 6,336 ha is leased from Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (LKPP). TMB has planted area of 13,530 ha. We gather that 11,729 ha or 87% of the planted area are mature (meaning already producing Fresh Fruit Bunch or "FFB"). All of TMB's estates are located in Pahang. In FY13, the Company produced 232,605 MT of Fresh Fruit Bunch (FFB) representing growth of 1.2% YoY. Additionally, TMB has a palm oil mill with the capacity of 30 MT per hour in Pekan, Pahang.

As for its property division, TMB is involved in township development through its wholly-owned subsidiary KotaSAS. Note that KotaSAS has commenced development of its KotaSAS Township measuring approximately 1,500 acres with an estimated GDV of RM1.8b over the next 15 years since 2008. Apart from the core property business, TMB has recently commenced its business of bauxite (or aluminium ore) mining on certain land within its Ladang Bukit Goh which is being cleared for its property development activities. We gather that the mining business has visibility of 3 years and has start operations since Apr-2014. The earnings from mining business will be categorized as part of its property division earnings.

### Investment Merit

**Expect strong earnings growth of 46% in FY14E followed by another 13% in FY15E.** Key driver behind the high earnings growth in FY14E will be the plantation division due to higher CPO prices YoY at RM2800/MT (+18% YoY). As for FY15E, the earnings should still grow at double digit but at lower growth of 13% as we expect CPO prices to be flat at RM2800/MT against FY14E level with the earnings growth solely depending on property division in FY15E.

#### TMB earnings is expected to grow 46% in FY14E and 13% in FY15E



Source: Company; Kenanga Research Estimate

**Attractive valuations at only 8.0x FY14E Fwd. PE and 7.1x FY15E Fwd. PE.** The valuation of 7.1x Fwd. PE represents a huge discount of 52% against mid-cap peer planters average Fwd. PE of 14.8x. Although TMB's market cap is smaller at about RM500m against its peers' average of RM2.7b, we believe that the 52% discount is unjustified as TMB's FFB yield is only slightly lower at 20.4MT/ha (or 9% below its peers average of 22.5MT/ha).

#### TMB Dividend Estimate Against Other Planters

Company	Share Price (RM)	Market Cap (RMm)	FFB Yield/ha	FY14E Fwd. PE	FY15E Fwd. PE
TMB	1.25	498	20.2	8.0	7.1
IJMP	3.95	3233	23.3	15.8	15.7
TSH	3.66	3283	24.9	16.1	15.3
TAANN	4.39	1627	19.3	13.6	13.3
<b>Average</b>		<b>2714</b>	<b>22.5</b>	<b>15.2</b>	<b>14.8</b>

Source: Company; Kenanga Research

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**Superior dividend yield against other Malaysian-based planters.** Based on its IPO price of RM1.25 and FY15E dividend estimate of 5.3 sen, the dividend yield works out to be 4.2%. Note that this is higher than all planters under our coverage which has average dividend yield of only 2.9% and range from 1.1% to 3.9%. We have assumed dividend payout ratio of 30% in line with the Company's dividend policy.

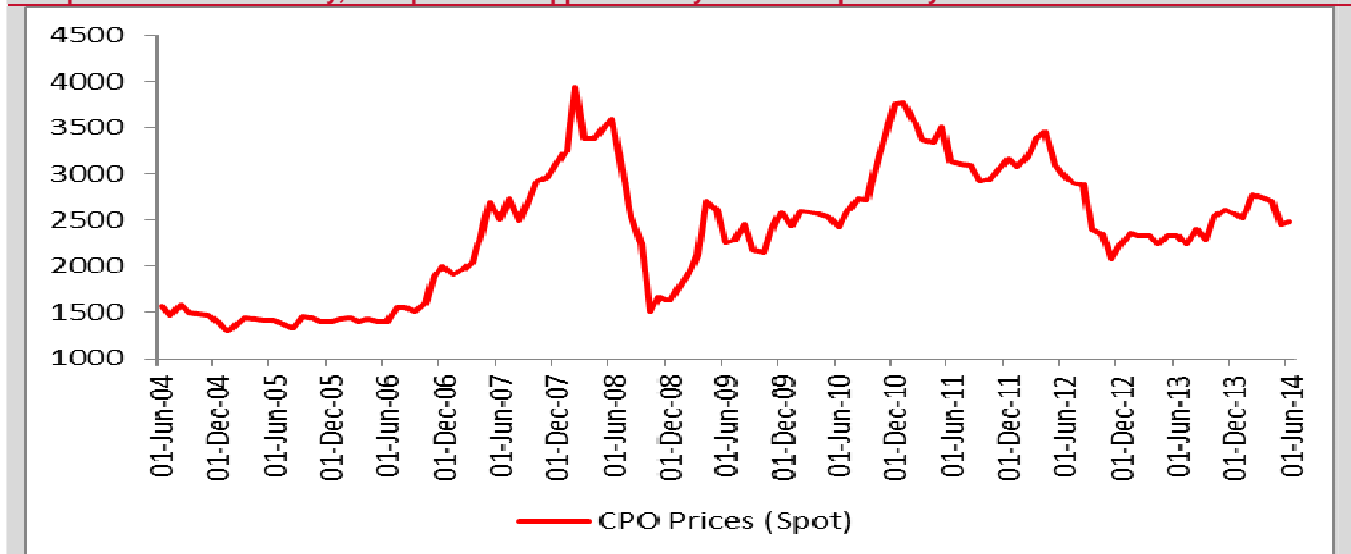
#### TMB Dividend Estimate Against Other Planters

Company	Share Price (RM)	Market Cap (RMm)	Dividend Estimate (Sen)	Dividend Yield (%)
<b>TMB</b>	1.25	498	5.3	4.2
SIME	9.66	58460	29.0	3.0
IOICORP	5.18	32790	20.0	3.9
KLK	24.3	25790	71.9	3.0
FGV	4.16	15180	16.0	3.8
GENP	11.4	8862	13.0	1.1
IJMP	3.95	3183	11.5	2.9
TSH	3.66	3319	5.7	1.6
TAANN	4.39	1604	12.9	2.9
UMCCA	7.29	1488	26.8	3.7

Source: Company; Kenanga Research

**Proxy to long term CPO prices upside.** We believe that TMB is a good stock to invest for the long term to ride the CPO price upside in the long run. While short term CPO prices is admittedly very volatile, the long term upside is clear with CPO prices has appreciated by 59% in the past 10 years to RM2484/MT on 30-Jun-2014 (against 30-Jun-2004 price of RM1566/MT). This represents a steady 4.7% 10-year CAGR price appreciation. As TMB derived 83% of its GP from plantation division, the Company is expected to do well base on our long term view on CPO prices due to sustained increase in food demand globally arising from higher population.

#### Despite short term volatility, CPO prices has appreciated by 59% in the past 10 years



Source: MPOB; Kenanga Research

**FFB growth to return above 8% from FY17E onwards as new planting and replanting should rejuvenate TMB's palm tree age profile to 12.5 years old by then.** In the three years from FY14E to FY16E, we believe that TMB's focus will be to rejuvenate its age profile via new planting and replanting effort. Note that the Company has targeted RM28.5m from its IPO proceeds for these purposes. In our view, the Company is set to plant up another 1,000 ha in FY14E before planting another 1,400 ha in FY15E. Additionally, the replanting for estate exceeding 25 years old should reach 600 ha in FY14E and another 400 ha in FY15E. As a result of all these effort, FFB growth trend should return to around 8% from FY17E onwards as a result of younger age profile and new area coming into maturity.

**Bauxite mining business is an added sweetener.** Besides the plantation division and property division which are expected to generate good earnings, TMB has recently discovered bauxite on certain parcels of land within Ladang Bukit Goh that is being cleared for property development activities. We gather that TMB has commenced the extraction and sale of bauxite in Apr-2014 as such activity is not expected to interfere with its property development plans there. We are positive on this as bauxite mining should support the property division earnings for TMB for the next three years. In FY14E alone, we expect bauxite mining business to generate GP of RM11.9m which has been accounted under the overall total property division GP of RM27.3m.

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**Good balance sheet position.** Based on its Pro Forma Balance Sheet which is after the IPO and proposed utilisation of proceeds, TMB is expected to be in good cash position of RM39.9m. Coupled with its total debts of RM38.8m, TMB is effectively still in the net cash position of RM1.1m. We expect the Group to stay in net cash position in both FY14E and FY15E due to the nature of plantation business which has strong cash flow generation and minimal capex. Overall, we like TMB's good balance sheet position as this will provide flexibility to the Group to continue planting the remaining 3,527 ha of its landbank without affecting its dividend payment in the near term.

#### Use Of Proceeds

Based on the IPO Price of RM1.25, gross proceeds of RM65.2m will be raised from the public issue of 52.1m new shares. The Group has allocated: (i) 43.7% (RM28.5m) for plantation estate development, (ii) 7.7% (RM5.0m) for to expand its current palm oil mill capacity to 45MT/hour (currently 30MT/hour), (iii) 19.9% (RM13.0m) for infrastructure work of the KotaSAS township, (iv) 20.1% (RM13.1m) to repay bank borrowings and (v) 8.6% (RM5.6m) for listing expenses. Details for the IPO and its utilisation of proceeds are as per below:

Details of IPO						
Categories	Offer for Sale		Public Issue		Total	
	No. of Shares ('000)	% of our enlarged share capital	No. of Shares ('000)	% of our enlarged share capital	No. of Shares ('000)	% of our enlarged share capital
<b>Retails Offering:</b>						
Malaysia Public (via balloting)			20,000.00	5.02	20,000.00	5.02
Eligible Persons	-	-	6,406.00	1.61	6,406.00	1.61
	<u>0.00</u>	<u>0.00</u>	<u>26,406.00</u>	<u>6.63</u>	<u>26,406.00</u>	<u>6.63</u>
<b>Institutional Offering:</b>						
Malaysian institutional and selected investors	49,450.00	12.42	25,734.00	6.46	75,184.00	18.88
	<u>49,450.00</u>	<u>12.42</u>	<u>25,734.00</u>	<u>6.46</u>	<u>75,184.00</u>	<u>18.88</u>
<b>Total</b>	<b>49,450.00</b>	<b>12.42</b>	<b>52,140.00</b>	<b>13.09</b>	<b>101,590.00</b>	<b>25.51</b>

Source: Company; Kenanga Research

IPO Use of Proceeds			
Utilization of proceeds	%	(RM m)	Estimated Timeframe (from date of listing)
Estate development*	43.7%	28.5	within 24 months
Expansion of palm oil mill	7.7%	5.0	within 24 months
Infrastructure work and/or the building of new headquarters in the KotaSAS Township	19.9%	13.0	within 24 months
Repayment of bank borrowing	20.1%	13.1	within 6 months
Listing expenses	8.6%	5.6	within 6 months
<b>TOTAL</b>		<b>65.2</b>	
<b>No. of new shares issue (shs)</b>	<b>52.1</b>		
<b>IPO Price (RM)</b>	<b>1.25*</b>		
<b>Proceeds from IPO (RM)</b>	<b>65.2</b>		

\* Assuming IPO prices of RM1.25

Source: Company; Kenanga Research

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### Plantation Sector Outlook

**2014 to be a better year for plantation.** We expect 2014 to be a better year for plantation sector as we expect CPO price to gain 18% YoY to RM2,800/MT. Key reasons for our bullish view on the sector are: (i) good demand seen from biodiesel industry in Indonesia and Malaysia, (ii) stocks level should remain below 2.0m MT in the near-term and (iii) market expectation of El Nino in 2H14 should keep CPO prices supported.

**Near-term earnings outlook is good.** We expect the news flow to be positive in 3Q14 as we expect good earnings growth of at least 15% YoY in the upcoming 2Q14 earnings announcement in August. Note that average CPO prices of RM2576/MT in 2Q14 is 11% higher YoY against 2Q13's RM2,323/MT. Additionally, we also gather that CPO production is growing significantly YoY as Malaysian CPO production grew by 17% YoY to 3.21m MT in the period of April and May. In our view, the continuous earnings growth pattern seen in the sector should be reflected in TMB's palm oil division 2Q14 earnings as well.

**Bracing for El Nino in 2H14.** We gather that El Nino may occur as soon as 2 months from now. While near-term dry weather concern is no longer in the picture after rains arrive in 2<sup>nd</sup> half of March, we believe that the market will take the El Nino warning from scientists seriously and this should be supportive to CPO prices. Additionally, our model shows that CPO prices could surge above RM3,000/MT in 2015 assuming a 5% drop in Malaysia CPO production. While El Nino could happen as early as 2H14, the impact on prices may not happen immediately as the lower production impact usually will take at least 4 months.

### Risks

**Lower than expected CPO prices.** As plantation makes up 83% of TMB Gross Profit in FY13, any change in CPO prices should affect TMB earnings significantly. Note that our key assumption for CPO prices is RM2,800/MT for both FY14E and FY15E. Every RM100/MT change should result in 8.1% in TMB core earnings. Nevertheless, we believe that the downside is limited at least for FY14E as 1H14 CPO prices is at RM2,633/MT or 11% higher than FY13's level of RM2,371/MT (based on MPOB data).

**Actual FFB production may trail expectation.** FFB production for plantation estate is affected by many factors such as: (i) weather conditions, (ii) natural disasters and (iii) outbreak of diseases on oil palm trees. Hence, these factors may cause the actual FFB production to come in lower than expected. However, lower production of CPO globally usually result in better CPO prices which historically is more than enough to cover the low CPO production.

**Slower-than-expected sales from property division.** As property division makes up 17% of TMB's Gross Profit in FY13, slower than expected sales from this division is likely to result in lower earnings in the future. Generally, the performance of sales for TMB property division depends on: (i) the demand-supply scenario for the housing market in Kuantan, Pahang, (ii) Malaysia local interest rate movement, and (iii) overall Malaysia government policy towards the property sector.

### Financials

**FY14E-FY15E earnings expected to surge by 46%-13% YoY.** We expect the earnings growth to be driven by: (i) our estimate of CPO prices of RM2,800/MT for both FY14E and FY15E, (ii) FY14E-FY15E FFB production of 222k-230k MT, and (iii) FY14E-FY15E property division revenue of RM135.6m-RM196.4m. FY14E key driver behind the high earnings growth of 46% will be the plantation division GP in which we estimate to increase 19% YoY to RM90.5m due to expected higher CPO prices of RM2800/MT (+18% YoY). Additionally, the ancillary business of bauxite mining should boost the overall property business earnings GP to RM27.3m or 73% surge YoY. Prospect for FY15E is also good as we believe that TMB CNP should improve 13% to RM70.4m as we expect property division to support the earnings growth.

Key Assumptions	FY14E	FY15E
CPO Prices, RM/MT	2800	2800
FFB Volume, MT	221594	230169
Property Revenue, RM m	135.6	196.4
Bauxite Prices, USD/MT	45.0	45.0

Source: Kenanga Research



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### Comparative Valuations

**We believe that there is upside to the IPO price.** Based on the IPO price of RM1.25, TMB will trade at FY14E PER of 8.0x and FY15E PER of 7.1x, which is lower than all mid cap planters under our coverage.

**1. Fwd PER.** Amongst planters whose market cap is below RM3.5b, the average Fwd. PER for FY15E is 14.8x. TMB is listed at Fwd. PER of 7.1x which is at 52% discount to its peers. There is upside from the IPO price as we believe that the 52% discount may have been too deep as we believe the fair discount should be 40% due to its smaller market cap.

**2. EV/matured ha.** Currently, average planters valuation trades at RM74,339/ha. Hence, we believe that TMB's EV/ha at RM36,890/ha is attractive.

**3. Dividends.** TMB intends to adopt a 30% payout dividend policy. Hence, we expect TMB to deliver dividend of 5.3 sen in FY15E representing dividend yield of 4.2%. This is higher than the average 2.5% dividend yield offered by its mid-cap peers.

Peers Comparison						
Company	Share Price (RM)	Market Cap (RMm)	FY14E Fwd. PE	FY15E Fwd. PE	EV/ha	Dividend Yield, %
TMB	1.25	498	8.0	7.1	36890	4.2
IJMP	3.95	3233	15.8	15.7	63211	2.9
TSH	3.66	3283	16.1	15.3	109368	1.6
TAANN	4.39	1627	13.6	13.3	50439	2.9
<b>Average</b>		<b>2714.3</b>	<b>15.2</b>	<b>14.8</b>	<b>74339</b>	<b>2.5</b>

Source: Kenanga Research

### Recommendation

**Fair value of RM1.60.** Our fair value is based on Fwd. PE of 9.1x on FY15E EPS of 17.7 sen. Note that our Fwd. PE of 9.1x is derived from 40% discount to average mid-cap Fwd. PE of 15.2x. The 40% discount is used to reflect TMB's small market cap of about RM500m as compared to mid-cap peers' market cap which ranges from RM1.2b to RM3.0b. Our Fwd. PE of 9.1x is considered conservative as it is below the trough valuation of mid-cap planters cycle at 10x Fwd. PE. Overall, the fair value of RM1.60 represents total return of 31.8% (Upside 28.0% and dividend yield of 3.8%).

### Appendix

#### Company Background

Tanah Makmur Berhad (TMB) is mainly engaged in the business of oil palm plantation, milling and property development. The main division is plantation which contributed RM76.0m Gross Profit (GP) or 83% of the Group's total GP in FY13. For this division, TMB have a total landbank of 17,969 ha out of which 11,633 is TMB-owned and the balance 6,336 ha is leased from Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (LKPP). TMB has planted area of 13,530 ha. We gather that 11,729 ha or 87% of the planted area are mature (meaning already producing Fresh Fruit Bunch or "FFB"). All of TMB's estates are located in Pahang. In FY13, the Company produced 232,605 MT of Fresh Fruit Bunch (FFB) representing growth of 1.2% YoY. Additionally, TMB has a palm oil mill with the capacity of 30 MT per hour in Pekan, Pahang.

As for its property division, TMB is involved in township development through its wholly-owned subsidiary KotaSAS. Note that KotaSAS has commenced development of its KotaSAS Township measuring approximately 1,500 acres with an estimated GDV of RM1.8b over the next 15 years since 2008. Apart from the core property business, TMB has recently commenced its business of bauxite (or aluminium ore) mining on certain land within its Ladang Bukit Goh which is being cleared for its property development activities. We gather that the mining business has visibility of 3 years and has start operations since Apr-2014. The earnings from mining business will be categorized as part of its property division earnings

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## Key milestones

Year	Milestone/Achievement
2005	<ul style="list-style-type: none"> <li>TAS group took over the helm of Kurnia Setia</li> </ul>
2008	<ul style="list-style-type: none"> <li>The Company was incorporated in Malaysia as a private limited company under the name of Kreatif Selaras Sdn Bhd</li> <li>Kurnia Setia ventured into property development by converting Ladang Bukit Goh into building for the purposes of residential and commercial development</li> <li>The property development business was initiated by KotaSAS to design, develop and construct the KotaSAS Township</li> </ul>
2010	<ul style="list-style-type: none"> <li>Tanah Makmur completed the Privatisation</li> <li>KotaSAS executed a JV agreement with OMNI Holdings Sdn Bhd for the development of Precinct 1 and Precinct 2 of the KotaSAS Township through KotaSAS Omni</li> <li>Began construction of palm oil mill and compost plant</li> </ul>
2012	<ul style="list-style-type: none"> <li>Commenced operations of palm oil mill and compost plant in July 2012</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Company was converted into a public limited company and assumed its present name of Tanah Makmur Berhad</li> <li>KotaSAS entered into a shareholders' agreement with Tanah Makmur Perkasa Sdn. Bhd. For the combination effort of the shareholders to develop the remainder portion of land located in Ladang Bukit Goh that has yet to be developed</li> </ul>
2014	<ul style="list-style-type: none"> <li>Commenced the extraction of and sale of bauxite in April 2014</li> </ul>

Source: Company

## Company Structure



Source: Company

## Board of Directors

Name	Age	Designation	Date of appointment	Date of expiration of the current term of office
YAM Tengku Tan Sri (Dr) Hajjah Meriam binti Sultan Haji Ahmad Shah	59	Chairman & Non-Independent Non-Executive Director	04 May 2009	AGM to be held in 2015
YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah	52	Managing Director	30 Nov 2010	Not Applicable
YM Tengku Dato' Ahmad Faisal bin Tengku Ibrahim	48	Non-Independent Non-Executive Director	31 Jan 2011	AGM to be held in 2017
YH Dato' Wan Bakri bin Wan Ismail	60	Non-Independent Non-Executive Director	03 Dec 2013	AGM to be held in 2016
Ybng Tan Sri Dato' Sri Abdul Aziz bin Abdul Rahman	68	Independent Non-Executive Director	03 Dec 2013	AGM to be held in 2015
YH Dato' Cheong Keap Tai	66	Independent Non-Executive Director	03 Dec 2013	AGM to be held in 2015
YH Dato' Thavalingam A/L C. Thavarajah	49	Independent Non-Executive Director	03 Dec 2013	AGM to be held in 2016
YH Dato' Dr Zaha Rina bt Zahari	53	Independent Non-Executive Director	03 Dec 2013	AGM to be held in 2016
Darawati Hussain binti Dato' Seri Abdul Latiff	45	Independent Non-Executive Director	09 Jun 2013	AGM to be held in 2015
YM Tengku Dato' Uzir bin Tengku Dato' Ubaidillah	55	Alternate Director to Tengku Dato' Ahmad Faisal bin Tengku Ibrahim	03 Dec 2013	AGM to be held in 2017

Source: Company

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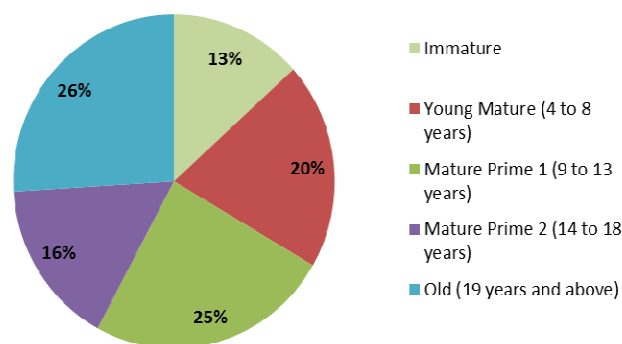
Key Management Team		
Name	Age	Designation
YM Tengku Dato' Zubir bin Tengku Dato' Ubaidillah	52	Managing Director
Teh Foo Hock	49	Chief Financial Officer
Suzilah binti Haji Wahid	53	Company Secretary
Abdul Razak bin Md Yusof	56	General Manager, Finance and Accounts
Alias bin Awang	52	General Manager, Plantation
Azlan Shah bin Haji Mohd Yusoh	40	Senior Project Manager
Tumaran bin Wongso	54	Head of Human Resources and Administration
Ashraf bin Abbas	51	Head of Corporate Development
Mohd Farizan bin Md Dalimi	34	Head of KotaSAS (in charge of technical aspects and projects)
YM Tengku Amir Nasser Ibni Tengku Ibrahim	28	Head of KotaSAS (in charge of administration and finance)
Hishamuddin bin Mohd Yunus	36	Head of Palm Oil Mill Operations
Mohamed Azmaili Ismail	57	Head of Internal Audit

Source: Company

### Two source of income: Plantation and Property

**Core business is plantation.** This is the most important earnings contributor to TMB. In FY13, plantation division contributed RM76.0m Gross Profit (GP) or 83% of the Group's total GP. TMB have a total landbank of 17,969 ha out of which 11,633 is TMB-owned and the balance 6,336 ha leased from Lembaga Kemajuan Perusahaan Pertanian Negeri Pahang (LKPP). TMB has planted area of 13,530 ha with average age profile of 15 years old. We gather that 11,729 ha or 87% of the planted area are mature (meaning already producing Fresh Fruit Bunch or "FFB"). All of TMB's estates are located in Pahang. In FY13, the Company produced 232,605 MT of Fresh Fruit Bunch (FFB) representing growth of 1.2% YoY. Additionally, TMB has a palm oil mill with the capacity of 30 MT per hour in Pekan, Pahang.

### TMB plantation estate breakdown by age profile



Source: Company; Kenanga Research



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<b>Plantation Estates Profile</b>			
	<b>Size (ha)</b>		<b>%</b>
<b>Immature</b>			
< 2 years old	564		4.2%
2 years old	945		7.0%
3 years old	292		2.2%
<b>Sub-total</b>	<b>1801</b>		<b>13.3%</b>
<b>Mature</b>			
Young (4 to 8 years)	2718		20.1%
Prime (9 to 13 years)	3312		24.5%
Prime (14 to 18 years)	2183		16.1%
<b>Sub-total</b>	<b>8213</b>		<b>60.7%</b>
<b>Old</b>			
19 to 25 year old	2235		16.5%
Over 25 years old	1281		9.5%
<b>Sub-total</b>	<b>3516</b>		<b>26.0%</b>
<b>Summary:</b>			
Total planted area	<b>13530</b>		<b>100.0%</b>
Unplantable area	912		
Unplanted area that is plantable	3527		
<b>TOTAL</b>	<b>17969</b>		

Source: Company; Kenanga Research

**Property development business.** The property development business contributed 17% or RM15.8m to total Group Gross Profit in FY13. The main contributor to the property development business is the ongoing KotaSAS Township project which is to be developed and constructed on 1,500 acres of their Ladang Bukit Goh land over 15 years with an estimated GDV of RM1.8b. Additionally, TMB has also submitted a proposal to the State Government of Pahang for the new State Administrative Complex of the State Government of Pahang to be included in the KotaSAS Township. The Group is currently waiting for the project to be awarded by the State Government of Pahang through its subsidiary Kreatif Sinar Gabungan. We have yet to include this in our assumption but this will be another catalyst for TMB should it materialize.



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Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2011A	2012A	2013A	2014E	2015E	FY Dec (RM m)	2011A	2012A	2013A	2014E	2015E
Revenue	282.4	207.7	243.5	331.3	399.7	<b>Growth</b>					
EBITDA	122.9	94.7	75.6	101.6	113.8	Turnover (%)	70.8%	-26.5%	17.3%	36.1%	20.6%
Depreciation	5.0	7.4	9.3	10.3	11.3	EBITDA (%)	52.5%	-22.9%	-20.2%	34.3%	12.0%
Operating Profit	117.9	87.4	66.3	91.3	102.4	Operating Profit (%)	58.2%	-25.9%	-24.1%	37.8%	12.2%
Interest Expense	-6.0	-4.3	-4.6	-4.6	-4.6	PBT (%)	52.5%	-25.8%	-25.7%	40.6%	12.8%
Interest Income	0.0	0.0	0.0	0.0	0.0	Core Net Profit (%)	47.8%	-27.0%	-27.1%	45.6%	12.8%
PBT	112.0	83.0	61.7	86.7	97.8	<b>Profitability (%)</b>					
Taxation	-26.6	-17.3	-17.0	-21.7	-24.5	EBITDA Margin	43.5%	45.6%	31.1%	30.7%	28.5%
Minority Interest	-4.8	-3.2	-1.8	-2.6	-2.9	Operating Margin	41.8%	42.1%	27.2%	27.6%	25.6%
Net Profit	80.6	62.5	42.9	62.4	70.4	PBT Margin	39.6%	40.0%	25.3%	26.2%	24.5%
<b>Core Net Profit</b>	<b>80.6</b>	<b>58.8</b>	<b>42.9</b>	<b>62.4</b>	<b>70.4</b>	Core Net Margin	28.5%	28.3%	17.6%	18.8%	17.6%
						Effective Tax Rate	23.7%	20.9%	27.5%	25.0%	25.0%
						ROA	NA	NA	8.4%	10.8%	10.7%
						ROE	NA	NA	11.3%	13.8%	13.2%
<b>Balance Sheet</b>						<b>DuPont Analysis</b>					
<b>FY Dec (RM m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	Net Margin (%)	28.5%	30.1%	17.6%	18.8%	17.6%
Fixed Assets	NA	NA	154.0	163.0	172.0	Assets Turnover (x)	NA	NA	0.47	0.58	0.60
Biological Assets	NA	NA	107.6	121.8	136.1	Leverage Factor (x)	NA	NA	1.35	1.27	1.24
Intangible Assets	NA	NA	0.0	0.0	0.0	ROE (%)	NA	NA	11.3%	13.8%	13.2%
Other FA	NA	NA	68.5	71.9	75.5	<b>Leverage</b>					
Inventories	NA	NA	12.9	13.5	14.2	Debt/Asset (x)	NA	NA	0.08	0.04	0.04
Receivables	NA	NA	32.8	34.5	36.2	Debt/Equity (x)	NA	NA	0.10	0.06	0.05
Other CA	NA	NA	97.8	102.6	107.8	Net Cash/(Debt)	NA	NA	1	43	93
Cash	NA	NA	39.9	68.7	119.0	Net Debt/Equity (x)	NA	NA	Cash	Cash	Cash
Total Assets	NA	NA	513.4	576.0	660.7	<b>Valuations</b>					
						EPS (sen)	20.24	15.69	10.77	15.68	17.69
Payables	NA	NA	33.6	35.3	37.1	Core EPS (sen)	20.24	14.77	10.77	15.68	17.69
ST Borrowings	NA	NA	8.9	8.9	8.9	NDPS (sen)	NA	NA	NA	4.7	5.3
Other ST Liability	NA	NA	10.2	10.7	11.2	NTA (RM)	NA	NA	0.96	1.07	1.19
LT Borrowings	NA	NA	29.9	16.8	16.8	PER (x)	6.2	8.0	11.6	8.0	7.1
Other LT Liability	NA	NA	33.6	35.3	37.1	Core PER (x)	6.2	8.5	11.6	8.0	7.1
Minorities Int.	NA	NA	16.2	16.2	16.2	Net Div. Yield (%)	NA	NA	NA	3.8	4.2
<b>Net Assets</b>	<b>NA</b>	<b>NA</b>	<b>381.0</b>	<b>452.8</b>	<b>533.5</b>	P/NTA (x)	NA	NA	1.31	1.17	1.05
						EV/EBITDA (x)	NA	NA	6.6	4.5	3.6
Share Capital	NA	NA	199.1	199.1	199.1						
Retained Earnings	NA	NA	140.0	183.7	233.0						
Share Prem. & Other Res.	NA	NA	41.9	70.0	101.4						
<b>Equity</b>	<b>NA</b>	<b>NA</b>	<b>381.0</b>	<b>452.8</b>	<b>533.5</b>						
<b>Cashflow Statement</b>											
<b>FY Dec (RM m)</b>	<b>2011A</b>	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>						
Operating CF	NA	NA	49.7	74.2	83.2						
Investing CF	NA	NA	-25.0	-22.0	-22.0						
Financing CF	NA	NA	-46.8	-23.4	-10.9						
Change In Cash	NA	NA	-22.1	28.8	50.3						
<b>Free CF</b>	<b>NA</b>	<b>NA</b>	<b>24.7</b>	<b>52.2</b>	<b>61.2</b>						

Source: Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

- OUTPERFORM : A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERPERFORM : A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**Sector Recommendations\*\*\***

- OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
- NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
- UNDERWEIGHT : A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

**KENANGA INVESTMENT BANK BERHAD (15678-H)**

8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia  
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: [www.kenanga.com.my](http://www.kenanga.com.my)



Chan Ken Yew  
Head of Research