



AmResearch

Company report

JAYA TIASA HOLDINGS

(JT MK EQUITY, JTIA.KL)

16 Apr 2015

Yield critical

BUY

(Maintained)

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03-2036 2300

Rationale for report: Company update

Price	RM1.64
Fair Value	RM2.13
52-week High/Low	RM2.75/RM1.61

Key Changes

Fair value	↔
EPS	↔

YE to Jun	FY14	FY15F	FY16F	FY17F
Revenue (RM mil)	1,033.1	1,020.7	1,131.2	1,241.0
Core net profit (RM mil)	60.7	66.9	103.1	154.2
FD Core EPS (sen)	6.3	6.9	10.7	15.9
FD Core EPS growth (%)	627.9	10.4	54.1	49.5
Consensus Net Profit (RM mil)	-	121.3	166.3	185.3
DPS (sen)	1.5	2.5	3.5	4.5
PE (x)	26.2	23.7	15.4	10.3
EV/EBITDA (x)	12.9	12.7	10.2	7.5
Div yield (%)	0.9	1.5	2.0	2.6
ROE (%)	3.1	3.8	5.6	7.9
Net Gearing (%)	45.7	50.1	45.2	37.6

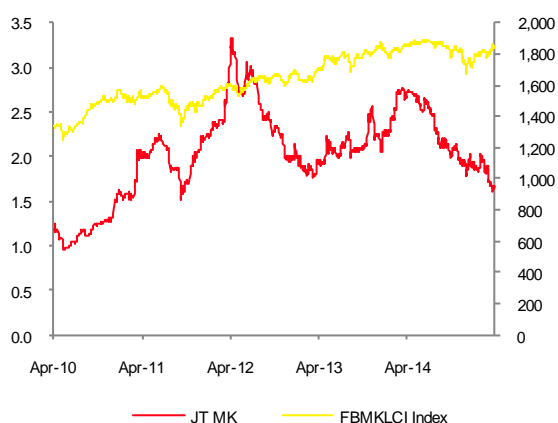
Stock and Financial Data

Shares Outstanding (million)	973.7
Market Cap (RMmil)	1,596.9
Book Value (RM/share)	1.80
P/BV (x)	0.9
ROE (%)	3.1
Net Gearing (%)	45.7

Major Shareholders	Tiong Toh Siong Holdings S/B (21.5%)
	Genine Chain Ltd (10.8%)
	Asanas S/B (9.0%)

Free Float	44.8
Avg Daily Value (RMmil)	0.3

Price performance	3mth	6mth	12mth
Absolute (%)	(15.9)	(17.2)	(38.1)
Relative (%)	(20.4)	(19.1)	(37.7)



Investment Highlights

- We maintain Buy on Jaya Tiasa, with an unchanged fair value of RM2.13/share, based on a PE of 20x FY16F EPS of 10.7 sen/share.
- The share price currently undervalues the oil palm business at only RM31,000/hectare (planted area of >67,000ha) vs. recent market transaction of over RM80,000/ha.
- At our target price, we value the plantation division at RM32,000/ha. We reiterate that this is fair given the poor performance of the plantation division.
- In the latest announcement released yesterday, March FFB amounted to 43,510 tonnes – an improvement from January's and February's 34,000-35,000 tonnes. For now, we maintain our monthly average output at 65,000/tonnes for the rest of FY15F.
- It posted a 2QFY15F core net loss of RM2.9mil, stemming from losses at its plantation and plywood divisions, both of which may worsen in 3QFY15 due to sharply lower volumes in FFB output and soft plywood prices.
- Despite the current lower-than-expected FFB output, we continue to believe Jaya Tiasa's plantation division is poised for strong long-term growth. We expect stable state production at 1.5-1.6mil tonnes per annum over the longer term as more trees mature.
- We had earlier expected FFB production to breach the 1mil-tonne mark by FY6F. We still do not rule out that possibility, but maintain a more conservative forecast of 900,000 tonnes (+18% YoY) for FY16F.
- Given our low base FFB yield assumption at only 14.7 tonnes/ha (vs. estimated 13.4 tonnes/ha for FY15F), the risk bias could be on the upside, subject to CPO prices. We maintain our CPO price assumption at RM2,300 and RM2,400/tonne for FY15F and FY16F, respectively.
- The remainder of the calendar year would be a crucial period. We expect improvements in FFB output and OER, lest there be unknown structural issues.
- The key risks include a significant downturn in log demand from India, widening losses at the manufacturing division and FFB yield remaining stagnant
- Despite our belief of its undervaluation, any significant upside to the share price may only be contingent upon a sustained improvement in FFB production.

EXHIBIT 1: PROSPECTIVE SOP

Divisions	Value		% of SOP	Basis
	(RM mil)	(RM/share)		
Log	415.0	0.43	17.3	@ PE of 7x on FY15F earnings
Plywood & manufacturing	2.3	0.00	0.1	@ PE of 5x on FY15F earnings
Palm oil	2,162.8	2.22	90.4	FY15Fplanted landbank 67,587ha@RM32k/ha
Net cash/(debt)	(187.3)	(0.19)	(7.8)	Co level net debt AR 2014
SOP	2,392.8	2.46	100.0	
No. of shares (mil)	973.7			
SOP/share (RM)	2.46			
Discount (%)	(13)			
Fair value (RM/share)	2.13			

Source: AmResearch

EXHIBIT 2: REVISED KEY ASSUMPTIONS

ASP	FY14	FY15F	FY16F	FY17F
Log (US\$/cu m)	202	203	188	187
Plywood (US\$/cu m)	578	543	543	543
CPO (RM/tonne)	2,388	2,300	2,400	2,500
Sales volume	FY14	FY15F	FY16F	FY17F
Log (cu m)	522,188	525,000	600,000	600,000
Plywood (cu m)	148,436	155,000	155,000	155,000
FFB (tonnes)	766,469	765,000	900,000	1,070,000
CPO (tonnes)	68,334	109,741	148,877	185,000
FFB yield (%)	13.8	13.4	14.7	16.6
OER (%)	15.5	17.5	18.0	18.5

Source: AmResearch

EXHIBIT 3: 1HFY15 RESULT VS. CURRENT FY15F PROJECTIONS

Breakdown	2QFY15	1QFY15	2QFY14	QoQ % change	YoY % change	1HFY15	1HFY14	YoY % change	FY15F	1HFY15 % over FY15F
Revenue (RM mil)										
Logs	111.2	78.7	97.0	41	15	189.9	170.1	12	330.5	57
Plywood/manufacturing	71.9	64.5	70.8	11	2	136.5	147.5	(7)	260.8	52
Sawn timber/others	24.3	22.0	18.5	11	31	46.3	36.3	28	94.2	49
Oil Palm	81.0	96.5	85.6	(16)	(5)	177.4	163.4	9	335.3	53
Total timber revenue	207.4	165.2	186.3	25	11	372.6	353.9	5	685.5	54
Est. EBIT (RM mil)										
Logs	21.1	30.2	24.5	(30)	(14)	51.3	42.3	21	82.6	62
Plywood & processing	(3.8)	4.1	2.1	194	(286)	0.2	15.9	(99)	4.4	5
Oil palm	(3.0)	16.4	15.0	(118)	(120)	13.4	26.6	(50)	14.1	95
Others	(10.7)	(12.1)	(8.1)	(12)	32	(22.8)	(19.0)	(20)	nm	nm
Total	3.5	38.5	33.5	(91)	(89)	42.1	65.8	(36)	101.1	42
Pre-tax profit										
Log	18.1	28.4	24.5	(36)	26	46.5	40.4	15	79.1	59
Plywood & processing	(6.4)	2.1	0.6	(408)	nm	(4.3)	12.0	(136)	0.6	(702)
Oil palm	(5.1)	14.2	13.4	(136)	(138)	9.0	23.0	(61)	10.5	86
Others	(10.7)	(12.1)	(8.8)	(12)	22	(22.8)	(19.7)	16	0.0	nm
Total	(4.0)	32.5	29.7	(112)	(114)	28.5	55.7	(49)	90.2	32
Oil Palm										
	2QFY15	1QFY15	2QFY14	QoQ % change	YoY % change	1HFY15	1HFY14	YoY % change	FY15F	1HFY15 % over FY15F
FFB produced (tonnes)	182,690	251,357	213,327	(27)	(14)	434,047	447,346	(3)	765,000	57
CPO produced (tonnes)	19,847	27,443	18,261	(28)	9	47,290	39,231	21	109,741	43
Average price (RM/tonne)	2,131	2,194	2,184	(3)	(2)	2,163	2,171	(0)	2,300	94
FFB yield (%)	3.1	4.3	3.8	(27)	(20)	7.4	8.1	(9)	13.4	nm
OER (%)	17.1	18.3	14.6	(6)	17	17.8	14.9	19	17.5	102
Timber segment										
	2QFY15	1QFY15	2QFY14	QoQ % change	YoY % change	1HFY15	1HFY14	YoY % change	FY15F	1HFY15 % over FY15F
Logs										
Sales vol (cu m)	166,654	112,345	155,186	48	7	278,999	264,346	6	525,000	53
Est.ASP (US\$/cu m)	193	214	190	(10)	2	205	190	8	203	101
Plywood										
Sales vol (cu m)	40,221	74,519	38,412	(46)	5	74,519	79,029	(6)	155,000	48
ASP (RM/cu m)	1,788	1,831	1,842	(2)	(3)	1,831	1,867	(2)	1,682	109

Source: AmResearch, Company

EXHIBIT 4: PB BAND CHART

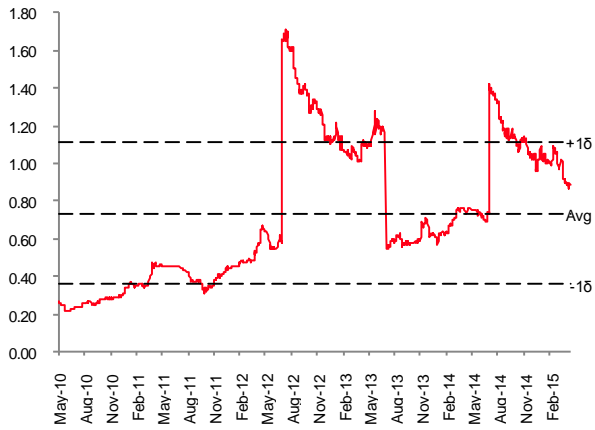


EXHIBIT 5: PE BAND CHART

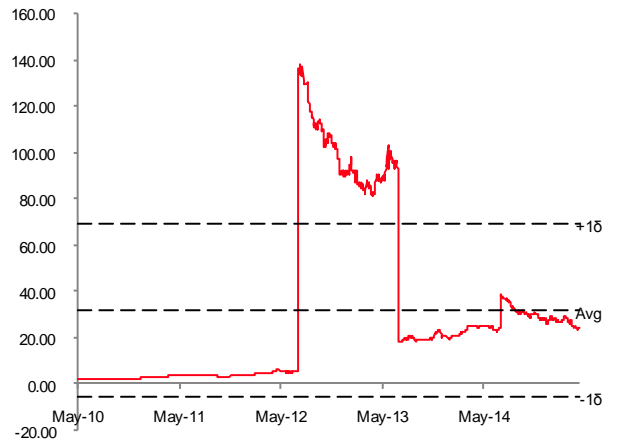


EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 30 Jun)	FY14	FY14	FY15F	FY16F	FY17F
Revenue	1,033.1	1,033.1	1,020.7	1,131.2	1,241.0
EBITDA	185.9	185.9	197.1	240.1	312.2
Depreciation/Amortisation	(86.6)	(86.6)	(95.9)	(89.3)	(92.5)
Operating income (EBIT)	99.4	99.4	101.1	150.7	219.7
Other income & associates	14.1	14.1	9.0	9.0	9.0
Net interest	(26.0)	(26.0)	(19.9)	(21.3)	(22.2)
Exceptional items	(7.8)	(7.8)	-	-	-
Pretax profit	79.7	79.7	90.2	138.4	206.5
Taxation	(24.3)	(24.3)	(22.5)	(34.6)	(51.6)
Minorities/pref dividends	(2.5)	(2.5)	(0.7)	(0.7)	(0.7)
Net profit	52.9	52.9	66.9	103.1	154.2
Core net profit	60.7	60.7	66.9	103.1	154.2
Balance Sheet (RMmil, YE 30 Jun)	FY14	FY14	FY15F	FY16F	FY17F
Fixed assets	976.3	976.3	959.9	940.0	916.8
Intangible assets	63.0	63.0	63.0	63.0	63.0
Other long-term assets	1,565.2	1,565.2	1,634.1	1,692.0	1,741.7
Total non-current assets	2,604.6	2,604.6	2,657.0	2,695.0	2,721.5
Cash & equivalent	29.8	29.8	42.6	172.8	349.0
Stock	169.9	169.9	121.9	133.0	136.1
Trade debtors	139.7	139.7	169.1	169.1	169.1
Other current assets	68.6	68.6	124.7	124.7	124.7
Total current assets	407.8	407.8	458.3	599.6	778.9
Trade creditors	315.6	315.6	227.2	247.9	253.7
Short-term borrowings	512.6	512.6	599.4	640.4	681.4
Other current liabilities	3.3	3.3	11.7	12.7	13.7
Total current liabilities	831.6	831.6	838.3	901.0	948.8
Long-term borrowings	317.4	317.4	348.6	385.6	422.6
Other long-term liabilities	108.3	108.3	108.3	108.3	108.3
Total long-term liabilities	425.7	425.7	456.9	493.9	530.9
Shareholders' funds	1,751.9	1,751.9	1,807.2	1,886.1	2,006.4
Minority interests	3.2	3.2	13.0	13.7	14.4
BV/share (RM)	1.80	1.80	1.86	1.94	2.06
Cash Flow (RMmil, YE 30 Jun)	FY14	FY14	FY15F	FY16F	FY17F
Pretax profit	79.7	79.7	90.2	138.4	206.5
Depreciation/Amortisation	86.6	86.6	95.9	89.3	92.5
Net change in working capital	112.3	112.3	(134.6)	9.6	2.7
Others	(91.7)	(91.7)	74.8	(6.4)	74.7
Cash flow from operations	186.8	186.8	126.4	230.9	376.4
Capital expenditure	(388.0)	(388.0)	(155.0)	(125.0)	(125.0)
Net investments & sale of fixed assets	4.8	4.8	4.8	4.8	4.8
Others	194.9	194.9	(100.8)	(1.1)	2.5
Cash flow from investing	(188.4)	(188.4)	(251.0)	(121.3)	(117.7)
Debt raised/(repaid)	(56.1)	(56.1)	118.0	78.0	78.0
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(9.7)	(9.7)	(14.5)	(24.2)	(33.9)
Others	(4.4)	(4.4)	(21.3)	(33.2)	(25.6)
Cash flow from financing	(70.1)	(70.1)	82.1	20.6	18.6
Net cash flow	(71.6)	(71.6)	(42.5)	130.2	277.2
Net cash/(debt) b/f	6.7	6.7	(64.9)	(107.4)	22.8
Net cash/(debt) c/f	(64.9)	(64.9)	(107.4)	22.8	300.0
Key Ratios (YE 30 Jun)	FY14	FY14	FY15F	FY16F	FY17F
Revenue growth (%)	(2.0)	(2.0)	(1.2)	10.8	9.7
EBITDA growth (%)	66.7	66.7	6.0	21.8	30.0
Pretax margin (%)	7.7	7.7	8.8	12.2	16.6
Net profit margin (%)	5.1	5.1	6.6	9.1	12.4
Interest cover (x)	3.8	3.8	5.1	7.1	9.9
Effective tax rate (%)	30.5	30.5	25.0	25.0	25.0
Dividend payout (%)	27.4	27.4	36.4	33.0	28.4
Debtors turnover (days)	55	55	55	55	50
Stock turnover (days)	68	68	65	52	53
Creditors turnover (days)	127	127	120	97	99

Source: Company, AmResearch estimates

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