



AmInvestment Bank

Company report

CHIN TECK

(CTP MK, CTPB.KL)

31 Jan 2023

Weaker CPO price to affect profitability

HOLD

(Maintained)

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Rationale for report: Company Results

Price	RM8.22
Fair Value	RM7.55
52-week High/Low	RM9.75RM6.73

Key Changes

Fair value	↔
EPS	↔

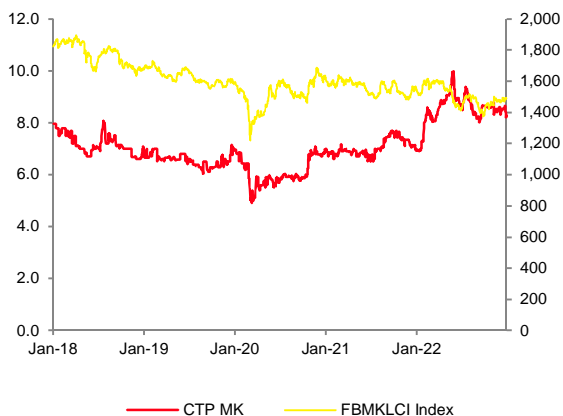
YE to Aug	FY22	FY23F	FY24F	FY25F
Revenue (RMmil)	260.3	190.1	190.1	190.1
Net Profit (RMmil)	107.5	69.1	74.7	79.6
EPS (sen)	117.7	75.6	81.7	87.1
EPS growth (%)	57.9	(35.7)	8.0	6.6
Consensus net (RMmil)	-	-	-	-
DPS (sen)	42.0	30.0	33.0	36.0
PE (x)	7.0	10.9	10.1	9.4
EV/EBITDA (x)	2.8	4.2	3.7	3.2
Div yield (%)	5.1	3.6	4.0	4.4
ROE (%)	14.0	8.3	8.6	8.7
Net gearing (%)	na	na	na	na

Stock and Financial Data

Shares Outstanding (million)	91.4
Market Cap (RM mil)	751.3
Book value (RM/share)	8.86
P/BV (x)	0.9
ROE (%)	14
Net Gearing (%)	na
Major Shareholders	Tiong Thye Company (36.7%) Gen Teng Siew Realty (8.6%)

Free Float (%)	63.3
Avg Daily Value (RM mil)	0.02

Price performance	3mth	6mth	12mth
Absolute (%)	-0.3	-1.2	+21.8
Relative (%)	-10.6	-6.2	+25.9



Investment Highlights

- We maintain HOLD on Chin Teck Plantations (CTP) with an unchanged fair value of RM7.55/share. Our fair value for CTP is based on a FY23F PE of 10x. This is the simple average FY23F PE of small cap plantation companies in Malaysia. We ascribe a 3-star ESG rating to CTP.
- CTP's 1QFY23 net profit was within our forecast. We believe that a weaker CPO price and higher cost of production would affect CTP's profitability in the coming quarters.
- CTP's net profit fell by 8% YoY to RM25mil in 1QFY23 dragged by a lower CPO price together with higher costs of fertiliser and wages.
- Average realised CPO price slipped by 7% to RM4,036/tonne in 1QFY23 from RM4,354/tonne in 1QFY22. On a positive note, CTP's FFB production surged by 34.2% YoY in 1QFY23. We believe that this is not sustainable. We expect CTP's FFB output growth to moderate in the coming quarters due to heavy rains and lower yields.
- CTP's gross profit margin slid to 51.9% in 1QFY23 from 57.2% in 1QFY22. We think that CTP's cost of production (gross profit level) would rise to RM2,800/tonne (gross profit level) in FY23F from RM2,571/tonne in FY22.
- Comparing 1QFY23 against 4QFY22, CTP's net profit rose by 7% to RM25mil due to a lower effective tax rate. CTP's effective tax rate dropped to 19.2% in 1QFY23 from 27.3% in 4QFY22 due to non-taxable income.
- Average CPO price declined by 25% to RM4,036/tonne in 1QFY23 from RM5,345/tonne in 4QFY22. FFB production climbed by 28% QoQ in 1QFY23 in line with the peak production period.
- CTP's balance sheet is healthy. The group was in a net cash position of RM412mil as at end-November vs. RM395mil as at end-August 2022. CTP has zero borrowings.
- CTP is currently trading at a FY23F PE of 11x, which is slightly higher than its 2-year average of 10x.

EXHIBIT 1: EARNINGS TABLE

YE 31 Aug (RMm)	3QFY22	4QFY22	1QFY23	% QoQ	% YoY
Turnover	83.3	63.7	63.0	(1.1)	8.2
Cost of sales	(36.9)	(28.4)	(30.3)	6.6	21.6
Gross profit	46.5	35.2	32.7	(7.3)	(1.9)
Interest income	1.3	2.7	2.0	(26.4)	43.1
Dividend income	1.3	3.2	0.8	(73.5)	91.4
Other income	3.0	0.5	1.3	>100	(38.5)
Selling expenses	(1.0)	(0.9)	(1.2)		
Admin expenses	(6.2)	(6.4)	(6.0)		
Other expenses	(6.4)	(1.2)	(1.8)		
Share of net profit in assoc and JV	(0.3)	(0.6)	3.5		
Pre-tax profit	38.2	32.4	31.3	(3.5)	(9.7)
Tax	(7.9)	(8.8)	(6.0)	(32.2)	(16.3)
Net profit	30.3	23.6	25.3	7.2	(8.0)
EPS	33.2	25.8	27.7		
DPS	29.0	-	10.0		
Gross profit margin	55.8	55.4	51.9		
Effective tax rate	20.7	27.3	19.2		
FFB production	4,862	49,098	62,623	27.5	34.2
CPO price	6,091	5,345	4,036	(24.5)	(7.3)

Source: Bursa Announcement

EXHIBIT 2: ESG RATING

Overall	★	★	★		
RSPO certification	★	★			
Supply chain auditing	★	★	★		
Migrant workers welfare	★	★	★		
Fires	★	★	★		
Work site safety	★	★	★		
Corporate social responsibility	★	★	★		
Corruption free pledge	★	★	★		
Accessibility and transparency	★	★			

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

EXHIBIT 3 : PB BAND CHART

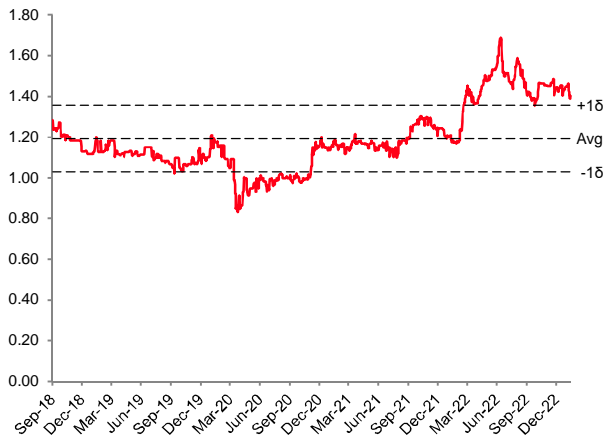


EXHIBIT 4 : PE BAND CHART

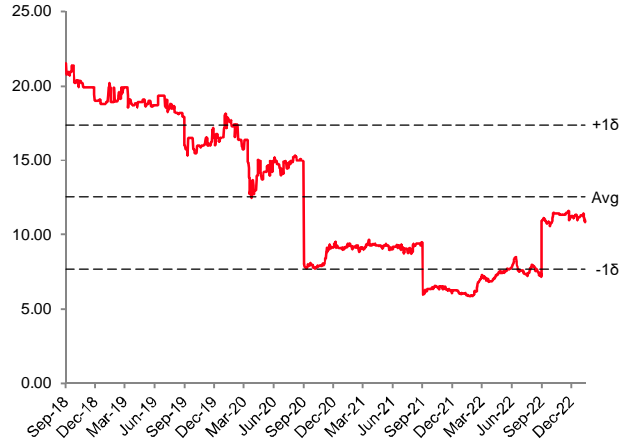


EXHIBIT 5: FINANCIAL DATA

Income Statement (RMmil, YE 31 Aug)	2021	2022	2023F	2024F	2025F
Revenue	182.7	260.3	190.1	190.1	190.1
EBITDA	82.7	129.0	76.9	77.4	78.0
Depreciation	(6.8)	(7.4)	(8.2)	(8.8)	(9.4)
Operating income (EBIT)	75.9	121.6	68.6	68.6	68.6
Other income & associates	5.8	11.4	10.7	11.0	11.3
Net interest	6.1	6.8	11.6	18.6	24.8
Exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax profit	87.7	139.9	90.9	98.2	104.8
Taxation	(19.7)	(32.4)	(21.8)	(23.6)	(25.1)
Minorities/pref dividends	0.0	0.0	0.0	0.0	0.0
Net profit	68.1	107.5	69.1	74.7	79.6
Balance Sheet (RMmil, YE 31 Aug)	2021	2022	2023F	2024F	2025F
Fixed assets	122.9	127.3	129.1	130.3	130.9
Intangible assets	-	-	-	-	-
Other long-term assets	256.3	289.3	295.5	302.0	308.8
Total non-current assets	379.2	416.6	424.5	432.2	439.7
Cash & equivalent	356.9	395.1	428.7	465.5	504.7
Stock	6.1	11.5	6.2	6.2	6.2
Debtors	20.3	16.3	20.8	20.8	20.8
Other current assets	8.7	11.3	11.3	11.3	11.3
Total current assets	392.1	434.3	467.1	503.9	543.2
Creditors	14.3	16.8	15.9	15.9	15.9
Short-term borrowings	-	-	-	-	-
Other current liabilities	2.2	-	-	-	-
Total current liabilities	16.5	16.8	15.9	15.9	15.9
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	24.1	24.9	24.9	24.9	24.9
Total long-term liabilities	24.1	24.9	24.9	24.9	24.9
Shareholders' funds	730.7	809.1	850.8	895.3	942.0
Minority interests	-	-	-	-	-
BV/share (RM)	8.00	8.86	9.31	9.80	10.31
Cash Flow (RMmil, YE 31 Aug)	2021	2022	2023F	2024F	2025F
Pretax profit	87.7	139.9	90.9	98.2	104.8
Add:					
Adjustments for non-cash items	(7.1)	(14.3)	(41.1)	(26.3)	(32.3)
Working capital	(19.1)	(37.9)	(22.0)	(23.6)	(25.1)
Cash flow from operations	61.5	87.7	27.8	48.4	47.3
Capital expenditure	(8.8)	(11.5)	(10.0)	(10.0)	(10.0)
Net investments & sale of fixed assets	0.5	0.0	0.0	0.0	0.0
Others	(39.2)	19.1	21.6	28.6	34.8
Cash flow from investing	(47.5)	7.6	11.6	18.6	24.8
Debt raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Dividends paid	(27.4)	(38.4)	(27.4)	(30.1)	(32.9)
Others	1.0	2.0	3.0	4.0	5.0
Cash flow from financing	(26.4)	(36.4)	(24.4)	(26.1)	(27.9)
Net cash flow	(12.4)	58.9	15.0	40.8	44.3
Net cash/(debt) b/f	116.7	104.0	163.7	175.8	212.6
Forex	0.7	2.9	0.0	0.0	0.0
Net cash/(debt) c/f	105.0	165.7	178.8	216.6	256.8
Key Ratios (YE 31 Aug)	2021	2022	2023F	2024F	2025F
Revenue growth (%)	40.8	42.5	-27.0	0.0	0.0
EBITDA growth (%)	100.8	56.0	-40.4	0.7	0.7
Pretax margins (%)	48.0	53.7	47.8	51.7	55.1
Net profit margins (%)	37.3	41.3	36.3	39.3	41.9
Interest cover (x)	na	na	na	na	na
Effective tax rate (%)	22.4	23.1	24.0	24.0	24.0
Net dividend payout (%)	40.3	35.7	39.7	40.4	41.3
Trade debtors turnover (days)	41	40	40	40	40
Stock turnover (days)	12	12	12	12	12
Trade creditors turnover (days)	63	60	60	60	60

Source: Company, AmInvestment Bank estimates

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