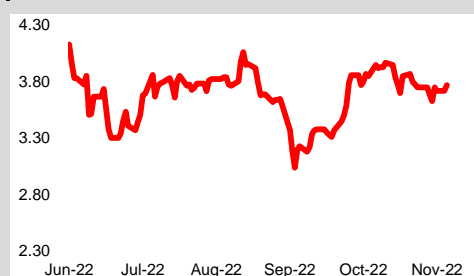


**DESCRIPTION**

A Sarawak-based company that involves in manufacturing & selling logs, plywood, saw timber as well as palm oil products. It also provides reforestation service

**12-Month Target Price** RM5.16  
**Current Price** RM3.75  
**Expected Return** +37.6%

**Market** Main  
**Sector** Timber/Plantations  
**Bursa Code** 5012  
**Bloomberg Ticker** TAH MK  
**Shariah-compliant** Yes

**SHARE PRICE CHART**


52 Week Range (RM) 3.03 – 6.75  
3-Month Average Vol ('000) 586.0

**SHARE PRICE PERFORMANCE**

	1M	3M	6M
Absolute Returns	-1.3	-2.6	-25.0
Relative Returns	-4.3	-3.8	-22.8

**KEY STOCK DATA**

Market Capitalisation (RM m) 1,668.0  
No. of Shares (m) 444.8

**MAJOR SHAREHOLDERS**

	%
Mountex Sdn Bhd	26.5
Datuk Amar Abdul Hamed	7.5
Dato Wong Kuo Hea	2.7

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**A Decent Quarter**

Ta Ann's 9MFY22 core earnings surged 60% YoY to RM279m, bolstered by stronger earnings contributions from both plantation and timber segments. The strong results were in line with our full-year expectation, making up 73% but it exceeded the street expectation, accounting for 86%. Maintain **Outperform** with an unchanged SOP-based TP of RM5.16. A 4<sup>th</sup> DPS of 10sen was declared for the quarter.

§ **Driven by both plantations and timber.** The stronger sales of RM595m were mainly led by an increase in both timber (YoY: +24%) and plantation (YoY: +22%) sales. The stronger plantation sales of RM494m were led by an increase in both CPO prices and FFB production. 3QFY22 average CPO selling price advanced from RM4,222/mt to RM4,500/mt, up 6.6% YoY while 3QFY22 FFB production rose 11% YoY to 210,341mt. OER rose slipped from, 19.88% to 19.24%. Meanwhile, timber sales rose to RM100m as sales from log exports and plywood increased by 85% YoY and 5% YoY, respectively. 3QFY22 average log export price rose 4% YoY to USD269/cu m and plywood price jumped 21% YoY to USD721/cu m. 3QFY22 Log export sales volume surged 62% YoY to 23,399 cu m while plywood exports sales volume fell 27% YoY to 16,801 cu m.

§ **Core earnings rose 18% YoY to RM94m.** The stronger earnings were mainly led by a stronger earnings contribution from both timber and plantation segments. Plantation pre-tax earnings climbed 14% YoY to RM134m. 3QFY22 CPO production cost averaged at RM1,600/mt (inclusive of RM250/mt for PK credit). Timber earnings surged 4x to RM26m, as plywood earnings doubled to RM13m while log earnings jumped 3x to RM13m. Meanwhile, earnings contributions from its 31%-owned Sarawak Plantation and joint-venture owned refinery company tumbled 43% YoY to RM8m.

§ **Eyeing strong FFB production growth.** Management thinks that FFB production has peaked in Oct and is on track to reach 420k mt for FY22. Management is targeting a strong FFB production growth of 34% for next year. Current worker shortage stands at 300 pax or 10% of workforce. Management sees higher production cost at RM2,100/mt (inclusive of RM220-250/mt for PK credit) in 2023. Fertilizer application reaches 75% of the 9-month target. For FY23, management plans to replant 2k ha on peat land and another 500ha on mineral land. There will be an additional mature area of 2.4k ha and about 2k ha remains plantable. On the timber segment, it is targeting log exports of 100k cu m and plywood sales of 115k cu m. Based on the sensitivity analysis, its PAT will fluctuate by RM11m for every RM100/mt change in CPO price movement. Management has set 2023 CPO price assumption of 4,100/mt, USD270/ cu m for log price and lower plywood price of USD650/ cu m. Lastly, management has allocated capex of RM70m with RM38m for plantation development (oil palm and timber reforestation) and remaining RM28m for upkeep and maintenance.

**KEY FINANCIAL SUMMARY**

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F	CAGR
Revenue	1,218.0	1,894.0	2,082.3	1,744.0	1,780.0	9.9%
Gross Profit	92.9	416.2	491.3	339.1	347.9	39.1%
Pre-tax Profit	126.3	493.7	524.9	362.0	373.7	31.2%
Core Net Profit	89.1	284.4	383.9	260.1	269.0	31.8%
EPS (Sen)	20.0	63.9	86.3	58.5	60.5	31.8%
P/E (x)	18.7	5.9	4.3	6.4	6.2	
DPS (Sen)	15.0	30.0	30.0	20.0	20.0	
Dividend Yield (%)	4.0	8.0	8.0	5.3	5.3	

Source: Company, PublicInvest Research estimates

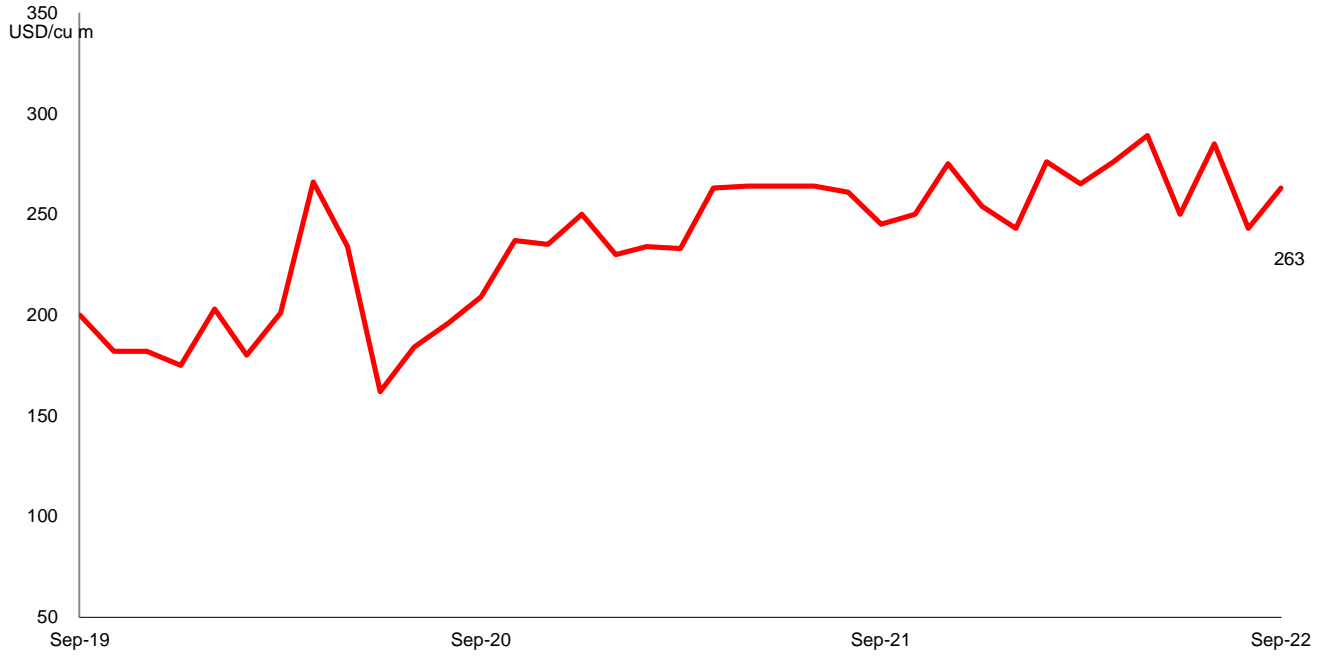
**Table 1: Results Summary**

<b>FY Dec (RM'000)</b>	<b>3Q22</b>	<b>3Q21</b>	<b>2Q22</b>	<b>QoQ chg (%)</b>	<b>YoY chg (%)</b>	<b>FY22</b>	<b>FY21</b>	<b>YoY chg (%)</b>	<b>Comments</b>
Revenue	594.9	486.9	654.1	-9.1	22.2	1,736.8	1,282.8	35.4	Mainly driven by stronger sales from timber and plantation segments
Cost of sales	-403.4	-331.9	-429.0	-6.0	21.5	-1,180.4	-927.2	27.3	
<b>Gross profit</b>	<b>191.5</b>	<b>155.0</b>	<b>225.1</b>	<b>-14.9</b>	<b>23.5</b>	<b>556.4</b>	<b>355.6</b>	56.5	
Finance income	2.1	1.0	1.6	31.3	110.0	5.0	2.8	78.6	
Other income	5.2	2.9	4.2	23.8	79.3	14.4	9.4	53.2	
Unrealised gain/ (loss) in FX	0.0	0.0	0.0	-	-	0.0	0.0	-	
Distribution costs	-29.7	-29.6	-48.9	-39.3	0.3	-113.7	-77.2	47.3	
Administrative exp	-11.0	-11.7	-12.2	-9.8	-6.0	-32.5	-32.9	-1.2	
Other expenses	-2.0	-2.0	-1.5	33.3	0.0	-4.8	-5.0	-4.0	
<b>Operating profit</b>	<b>156.1</b>	<b>115.6</b>	<b>168.3</b>	<b>-7.2</b>	<b>35.0</b>	<b>424.8</b>	<b>252.7</b>	68.1	
Finance costs	-2.8	-3.2	-2.9	-3.4	-12.5	-8.6	-10.4	-17.3	
Share of profit of equity accounted investee	7.7	13.6	10.0	-23.0	-43.4	35.0	35.1	-0.3	Weaker contribution from Sarawak Plantations
<b>Pre-tax profit</b>	<b>161.0</b>	<b>126.0</b>	<b>175.4</b>	<b>-8.2</b>	<b>27.8</b>	<b>451.2</b>	<b>277.4</b>	62.7	
Income tax	-38.4	-26.1	-41.0	-6.3	47.1	-101.7	-60.1	69.2	
<b>Net profit</b>	<b>122.6</b>	<b>99.9</b>	<b>134.4</b>	<b>-8.8</b>	<b>22.7</b>	<b>349.5</b>	<b>217.3</b>	<b>60.8</b>	
Core net profit	94.1	80.0	131.8	-28.6	17.6	278.9	174.5	59.8	After stripping out exceptional items
Core EPS (sen)	21.2	18.0	29.6	-28.6	17.6	62.7	39.2	59.8	
DPS (sen)	10.0	20.0	15.0	-	-	40.0	30.0	33.3	Ex-date: 30 Dec 2022
Gross Margin (%)	32.2	31.8	34.4	-	-	32.0	27.7	-	
Pre-tax Margin (%)	27.1	25.9	26.8	-	-	26.0	21.6	-	
Net Margin (%)	15.8	16.4	20.1	-	-	16.1	13.6	-	
Effective tax rate (%)	23.9	20.7	23.4	-	15.1	22.5	21.7	-	
Average log prices (USD/cu m)	269	258	281	-4.3	4.3	270	249	8.4	
Average plywood prices (USD/ cu m)	721	595	726	-0.7	21.2	715	547	30.7	
Average CPO prices (RM/mt ex-mill)	4,500	4,222	6,537	-31.2	6.6	5,400	4,062	32.9	
Log sales vol (m3)	23,399	14,401	17,998	30.0	62.5	61,459	57,057	7.7	
Plywood sales vol (m3)	16,801	23,042	23,315	-27.9	-27.1	60,481	64,539	-6.3	
FFB production (mt)	210,341	190,045	161,755	30.0	10.7	501,529	476,547	5.2	
CPO production (mt)	90,800	76,576	65,108	39.5	18.6	208,968	206,639	1.1	

**Table 2: Segmental Breakdown**

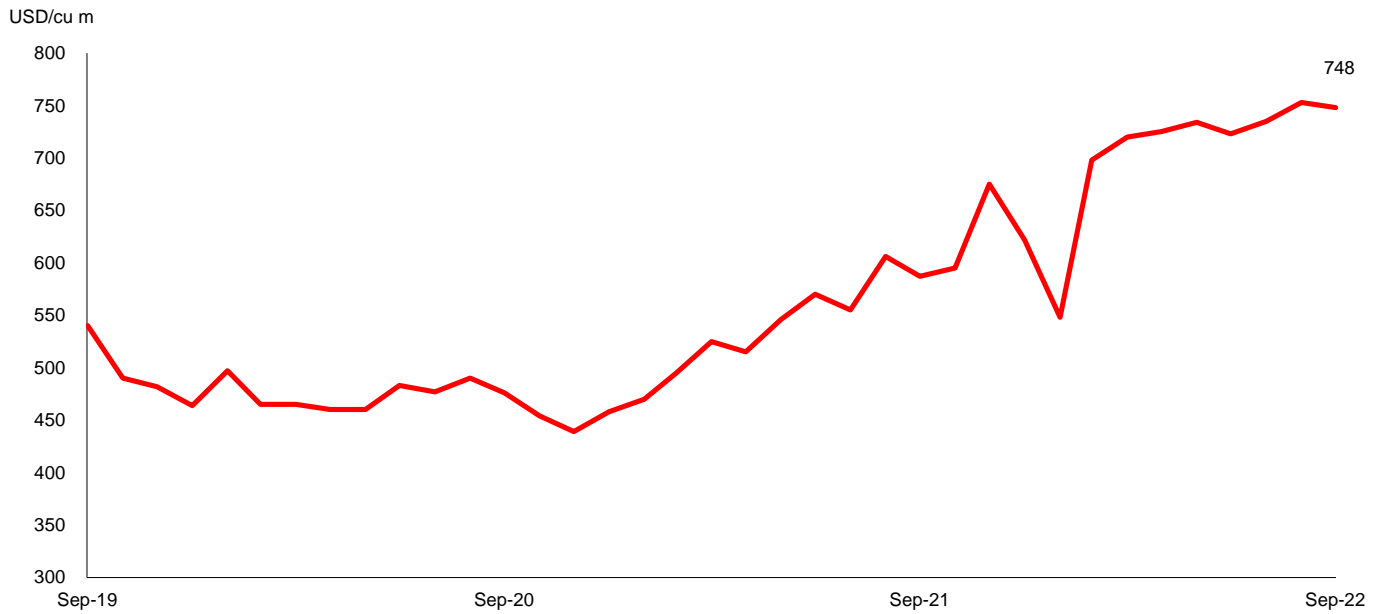
<u>Segmental Breakdown:</u>	<u>3Q22</u>	<u>3Q21</u>	<u>2Q22</u>	<u>QoQ Chg (%)</u>	<u>YoY chg (%)</u>	<u>FY22</u>	<u>FY21</u>	<u>YoY chg (%)</u>	<u>Comments</u>
<b>Revenue:</b>									
Timber products	100.6	81.3	115.0	-12.5	23.7	313.8	227.7	37.8	Log (RN30.2m), Plywood (RM64.8m)
Palm oil	494.1	405.3	537.2	-8.0	21.9	1,420.8	1,053.6	34.9	
Others	0.2	0.3	2.0	-	-	2.2	1.5	-	
<b>Total</b>	<b>594.9</b>	<b>486.9</b>	<b>654.2</b>	<b>-9.1</b>	<b>22.2</b>	<b>1,736.8</b>	<b>1,282.8</b>	<b>35.4</b>	
<b>Pre-tax profit:</b>									
Timber products	25.9	7.9	27.1	-4.4	>100	75.3	18.1	316.0	Log (RM12.7m), Plywood (RM12.7m)
Palm oil	134.0	117.8	148.3	-9.6	13.8	374.7	258.5	45.0	Driven by an increase in both CPO prices and FFB production
Others	1.1	0.2	0.1	-	>100	1.3	0.9	-	
<b>Total</b>	<b>161.0</b>	<b>125.9</b>	<b>175.5</b>	<b>-8.3</b>	<b>27.9</b>	<b>451.3</b>	<b>277.5</b>	<b>62.6</b>	

**Figure 1: Monthly Log Prices**



Source: Company, PublicInvest Research

**Figure 2: Monthly Plywood Prices**



Source: Company, PublicInvest Research

**Figure 3: SOP Valuation**
**SOP Valuations:**

<b>Segment</b>	<b>Valuations Basis</b>	<b>Value (RMm)</b>	<b>RM/share</b>
Plantations	CY23 PE 13x	1,905.9	4.28
Timber	CY23 PE 1x	16.9	0.04
31% stake in Sarawak Plantation	Based on our TP of RM3.32	295.0	0.66
Net Cash/ (Debt)	As at FY21 (At holding level)	76.8	0.17
<b>SOP-based TP</b>		<b>2,294.6</b>	<b>5.16</b>
No of shares (m)	444.8		

## KEY FINANCIAL DATA

### INCOME STATEMENT DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
<b>Revenue</b>	1,218.0	1,894.0	2,082.3	1,744.0	1,780.0
Gross Profit	<b>250.8</b>	<b>595.2</b>	<b>698.1</b>	<b>511.0</b>	<b>523.6</b>
EBIT	92.9	416.2	491.3	339.1	347.9
Finance Cost	-17.1	-12.7	-2.9	0.8	3.3
Others	50.5	90.2	36.5	22.1	22.5
<b>Pre-tax Profit</b>	<b>126.3</b>	<b>493.7</b>	<b>524.9</b>	<b>362.0</b>	<b>373.7</b>
Income Tax	-48.6	-101.3	-126.0	-86.9	-89.7
Effective Tax Rate (%)	38.5	20.5	24.0	24.0	24.0
Minorities	30.4	6.0	15.0	15.0	15.0
<b>Core Net Profit</b>	<b>89.1</b>	<b>284.4</b>	<b>383.9</b>	<b>260.1</b>	<b>269.0</b>
<b>Growth (%)</b>					
Revenue	28.8	55.5	9.9	-16.2	2.1
Gross Profit	-7.1	348.0	18.0	-31.0	2.6
Core Net Profit	122.2	219.2	35.0	-32.2	3.4

Source: Company, PublicInvest Research estimates

### BALANCE SHEET DATA

FYE Dec (RM m)	2020A	2021A	2022F	2023F	2024F
Fixed assets	757.1	734.1	753.3	766.7	777.3
Other long-term assets	1,201.4	1,222.8	1,222.8	1,222.8	1,222.8
Cash at bank	271.4	454.9	719.2	899.7	1,097.7
Other current assets	316.2	329.9	343.8	319.1	322.4
<b>Total Assets</b>	<b>2,546.1</b>	<b>2,741.7</b>	<b>3,039.1</b>	<b>3,208.2</b>	<b>3,420.2</b>
Short-term borrowings	272.9	231.0	241.0	251.0	261.0
Long-term borrowings	223.5	147.1	147.1	147.1	147.1
Payables	178.4	251.4	267.9	238.7	243.2
Other liabilities	306.6	335.8	335.8	335.8	335.8
<b>Total Liabilities</b>	<b>981.4</b>	<b>965.3</b>	<b>991.8</b>	<b>972.6</b>	<b>987.1</b>
Shareholder Equity	1,564.7	1,776.4	2,041.9	2,228.1	2,423.1
<b>Total Equity and Liabilities</b>	<b>2,546.1</b>	<b>2,741.7</b>	<b>3,033.7</b>	<b>3,200.6</b>	<b>3,410.2</b>

Source: Company, PublicInvest Research estimates

### PER SHARE DATA & RATIOS

FYE Dec	2020A	2021A	2022F	2023F	2024F
Book Value Per Share	3.3	3.6	4.2	4.6	5.1
NTA Per Share	3.3	3.8	4.4	4.8	5.3
EPS (Sen)	20.0	63.9	86.3	58.5	60.5
DPS (Sen)	15.0	30.0	30.0	20.0	20.0
Payout Ratio (%)	74.9	46.9	34.8	34.2	33.1
ROA (%)	3.1	14.3	13.1	8.6	8.3
ROE (%)	5.0	22.1	19.5	12.3	11.7

Source: Company, PublicInvest Research estimates

## **RATING CLASSIFICATION**

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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