



AmInvestment Bank

Company report

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CHIN TECK

(CTP MK, CTPB.KL)

31 Oct 2022

22% QoQ drop in net profit in 4Q

HOLD

(Maintained)

Rationale for report: Company results

Price	RM8.59
Fair Value	RM7.55
52-week High/Low	RM9.77RM6.741

Key Changes

Fair value	Unchanged
EPS	Unchanged

YE to Aug	FY22	FY23F	FY24F	FY25F
Revenue (RMmil)	260.3	196.3	196.3	196.3
Net Profit (RMmil)	107.5	69.2	71.8	76.7
EPS (sen)	117.7	75.8	78.6	84.0
EPS growth (%)	57.9	(35.6)	3.7	6.9
Consensus net (RMmil)	-	-	-	-
DPS (sen)	42.0	30.0	33.0	36.0
PE (x)	7.3	11.3	10.9	10.2
EV/EBITDA (x)	3.0	4.6	4.4	3.8
Div yield (%)	4.9	3.5	3.8	4.2
ROE (%)	14.0	8.3	8.2	8.4
Net gearing (%)	na	na	na	na

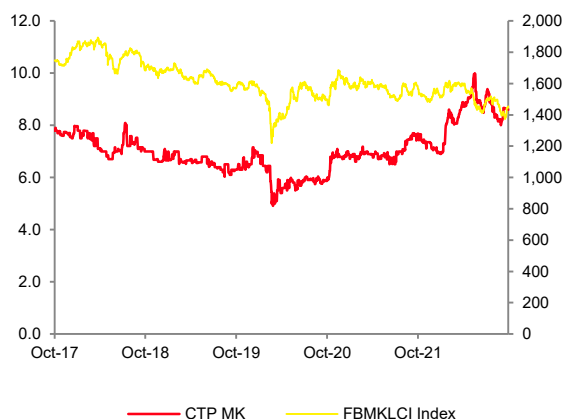
Stock and Financial Data

Shares Outstanding (million)	91.4
Market Cap (RM mil)	784.8
Book value (RM/share)	8.86
P/BV (x)	1.0
ROE (%)	14
Net Gearing (%)	na

Major Shareholders	Tiong Thye Company (36.7%) Gen Teng Siew Realty (11.6%)
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Free Float (%)	63.3
Avg Daily Value (RM mil)	0.1

Price performance	3mth	6mth	12mth
Absolute (%)	-0.1	-1.1	+16.2
Relative (%)	+0.0	+8.8	+26.8



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. We ascribe a neutral 3 star ESG rating to CTP.
- CTP's FY22 net profit was within our forecast. CTP's gross DPS amounted to 42 sen for FY22 compared with 30 sen in FY21. This is in tandem with the 58% surge in the group's net profit. We forecast a lower gross DPS of 30 sen for FY23F, which implies a yield of 3.5% and payout of 40% (FY22: 36%).
- CTP's turnover climbed by 42% to RM260mil in FY22 on the back of strong crude palm oil (CPO) prices. Average CPO price realised grew by 46% to RM5,226/tonne in FY22 from RM3,591/tonne in FY21.
- The surge in CPO price compensated for unexciting fresh fruit bunch (FFB) production in FY22. CTP's FFB declined by 5.6% in FY22. We attribute the fall in FFB output in FY22 to labour shortage and wet weather in 1Q.
- Gross profit margin rose to 56% in FY22 from 55% in FY21 as robust CPO prices offset higher production costs. Like the other plantation companies, we reckon that CTP was affected by the surge in fertiliser costs.
- Comparing 4QFY22 against 3QFY22, CTP's net profit fell by 22% to RM24mil dragged by weaker CPO prices. Average CPO price slid to RM5,345/tonne in 4QFY22 from RM6,091/tonne in 3QFY22. On a positive note, FFB production improved by 9.4% QoQ in 4QFY22 due to seasonal factors.
- CTP's balance sheet is healthy. The group was in a net cash position of RM395mil as at end-August 2022 vs. RM357mil a year ago. CTP has zero borrowings.
- CTP is currently trading at a FY23F PE of 11x, which is close to its 2-year average of 10x.

EXHIBIT 1: EARNINGS TABLE

YE 31 Aug (RMm)	FY21	FY22	% YoY	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	% QoQ	% YoY
Turnover	182.7	260.3	42	51.8	58.2	55.1	83.3	63.7	(24)	23
Cost of sales	(83.2)	(115.0)	38	(22.8)	(24.9)	(24.8)	(36.9)	(28.4)	(23)	25
Gross profit	99.5	145.3	46	29.0	33.3	30.3	46.5	35.2	(24)	22
Interest income	6.1	6.8	13	1.6	1.4	1.4	1.3	2.7	> 100	67
Dividend income	3.5	5.1	45	2.3	0.4	0.1	1.3	3.2	>140	38
Other income	4.2	5.5	33	4.0	2.1	7.9	3.0	0.5	(84)	(88)
Selling expenses	(3.7)	(3.6)		(0.9)	(0.9)	(0.7)	(1.0)	(0.9)		
Admin expenses	(23.3)	(25.2)		(6.2)	(5.3)	(7.2)	(6.2)	(6.4)		
Other expenses	(0.1)	(0.0)		(1.0)	(0.3)	-	(6.4)	(1.2)		
Share of net profit in assoc and JV	1.6	5.9		(4.8)	4.0	2.8	(0.3)	(0.6)		
Pre-tax profit	87.7	139.9	59	24.1	34.7	34.6	38.2	32.4	(15)	35
Tax	(19.7)	(32.4)	65	(7.6)	(7.2)	(8.4)	(7.9)	(8.8)	12	17
Net profit	68.1	107.5	58	16.5	27.5	26.1	30.3	23.6	(22)	43

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	★	★			

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: FINANCIAL DATA

Income Statement (RMmil, YE 31 Aug)	2021	2022	2023F	2024F	2025F
Revenue	182.7	260.3	196.3	196.3	196.3
EBITDA	82.7	129.0	77.0	73.7	74.2
Depreciation	(6.8)	(7.4)	(8.2)	(8.8)	(9.4)
Operating income (EBIT)	75.9	121.6	68.8	64.9	64.8
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	91.1	94.5	101.0
Taxation	(19.7)	(32.4)	(21.9)	(22.7)	(24.2)
Minorities/pref dividends	0.0	0.0	0.0	0.0	0.0
Net profit	68.1	107.5	69.2	71.8	76.7
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	428.8	463.3	499.7
Stock	6.1	11.5	6.5	6.5	6.5
Debtors	20.3	16.3	21.5	21.5	21.5
Other current assets	8.7	11.3	11.3	11.3	11.3
Total current assets	392.1	434.3	468.1	502.6	539.0
Creditors	14.3	16.8	16.8	17.4	17.4
Short-term borrowings	-	-	-	-	-
Other current liabilities	2.2	-	-	-	-
Total current liabilities	16.5	16.8	16.8	17.4	17.4
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	850.9	892.5	936.4
Minority interests	-	-	-	-	-
BV/share (RM)	8.00	8.86	9.31	9.77	10.25
Cash Flow (RMmil, YE 31 Aug)	2021	2022	2023F	2024F	2025F
Pretax profit	87.7	139.9	91.1	94.5	101.0
Add:					
Adjustments for non cash items	(7.1)	(14.3)	(44.6)	(26.3)	(32.3)
Working capital	(19.1)	(37.9)	(22.1)	(22.0)	(24.2)
Cash flow from operations	61.5	87.7	24.4	46.1	44.5
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)	22.6	21.6	28.6	34.8
Cash flow from investing	(47.5)	11.1	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)	62.4	11.6	38.6	41.4
Net cash/(debt) b/f	116.7	104.0	167.2	175.9	210.4
Forex	0.7	2.9	0.0	0.0	0.0
Net cash/(debt) c/f	105.0	169.2	178.9	214.4	251.8
Key Ratios (YE 31 Aug)	2021	2022	2023F	2024F	2025F
Revenue growth (%)	40.8	42.5	-24.6	0.0	0.0
EBITDA growth (%)	100.8	56.0	-40.3	-4.4	0.8
Pretax margins (%)	48.0	53.7	46.4	48.1	51.4
Net profit margins (%)	37.3	41.3	35.3	36.6	39.1
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	39.6	42.0	42.9
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, AmlInvestment Bank estimates

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