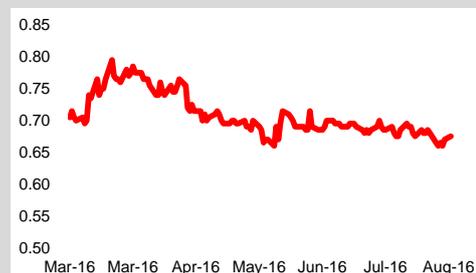


DESCRIPTION

An established company that is mainly involved in healthcare and plantation businesses

12-Month Target Price RM0.850
Current Price RM0.665
Expected Return 27.8%

Market Main
Sector Plantation
Bursa Code 2054
Bloomberg Ticker TDM MK
Shariah-compliant No

SHARE PRICE CHART


52 Week Range (RM) 0.54-0.81
3-Month Average Vol ('000) 704.7

SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-4.3	-0.5	4.1
Relative Returns	-3.1	-6.1	-1.6

KEY STOCK DATA

Market Capitalisation (RM m) 985.3
No. of Shares (m) 1,505.5

MAJOR SHAREHOLDERS

	%
Terengganu Incorporated S/B	61.8
Kumpulan Wang Persaraan	9.3

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Bolstered By Stronger Plantation Earnings

TDM reported a 4-fold jump in headline profit to RM17.5m in 1HFY16. At core earnings level, it made up 41% of our full-year earnings forecasts after stripping out unrealized loss on the foreign exchange in fixed income securities amounting to RM6.3m and impairment loss on receivable, RM0.8m. We deem the results to be in line as we expect the 2H to generate stronger earnings, boosted by stronger CPO prices and better FFB production. No dividend was declared for the quarter. We maintain our **Outperform** call with an unchanged TP of **RM0.85**.

- **2QFY16 revenue (QoQ: +5.6%, YoY: +9.3%).** 2QFY16 revenue rose 9.3% YoY to RM103m, led by stronger revenue from both plantation (+13.3%) and healthcare (+4.5%) segments. During the quarter, plantation sales increased to RM58.7m, attributed to high average CPO price of RM2,654/mt (+19.7%) while FFB production dropped 16.8% YoY to 92,139mt due to ongoing replanting activities in Terengganu and prolonged dry weather pattern. Healthcare segment registered higher sales of RM44.3m on the back of 6% growth in number of surgical cases and higher inpatient admissions.
- **2QFY16 core earnings (QoQ: -15.4%, YoY: +3.4%).** Though healthcare earnings tumbled 63% YoY to RM1.9m, the Group's earnings rose 3.4% YoY, boosted by 147% jump in plantation earnings after stripping out the RM10.5m unrealized FX gain in fixed income securities. Plantation earnings margin doubled from 8.1% to 17.7% on the back of lower cost of production, led by stronger palm kernel prices despite suffering from start-up losses at Indonesian operation amounting to RM2.1m. On the other hand, a dip in healthcare earnings was mainly due to higher admin costs as a result of increased in staff costs from capacity expansion and higher pre-operating expenses at the new hospital, Kuala Terengganu Specialist, which is expected to open in October with a total of 130 beds.
- **Maintain Outperform call.** Though 1H earnings met only 41% of our full-year forecasts, we remain upbeat on the 2H earnings outlook, led by recovery of FFB production and stronger CPO prices. Healthcare arm is likely to register better earnings once the opening of new hospital kicks in, which will see an increase in bed capacity by 37%.

KEY FINANCIAL SUMMARY (RM m)

FYE Dec	2014A	2015A	2016F	2017F	2018F	CAGR
Revenue	386.1	380.8	470.0	506.9	541.2	8.8%
Gross Profit	168.5	140.4	197.4	215.4	232.7	8.4%
Pre-tax Profit	68.3	69.2	84.1	100.8	117.1	14.4%
Core Net Profit	52.4	34.2	65.3	78.7	91.6	15.0%
EPS (Sen)	3.5	2.3	4.4	5.3	6.2	15.0%
P/E (x)	18.8	28.8	15.1	12.5	10.8	
DPS (Sen)	1.5	1.2	1.3	1.6	1.9	
Dividend Yield (%)	2.3	1.8	2.0	2.4	2.8	

Source: Company, PublicInvest Research estimates

Figure 1: Results Summary

FY Dec (RM'000)	2Q16	2Q15	1Q15	QoQ chg (%)	YoY chg (%)	YTD FY16	YTD FY15	YoY chg (%)	Comments
Revenue	103.0	94.2	97.5	5.6	9.3	200.5	169.6	18.2	Driven by both plantation and healthcare segments
Cost of sales	-63.6	-60.4	-57.4	10.8	5.3	-120.9	-114.4	5.7	
Gross profit	39.4	33.8	40.1	-1.7	16.6	79.6	55.2	44.2	
Interest income	9.9	7.3	8.0	23.8	35.6	17.8	14.6	21.9	
Other income	1.3	1.2	1.0	30.0	8.3	2.3	3.1	-25.8	
Distribution costs	-1.4	-1.7	-1.2	16.7	-17.6	-2.5	-3.7	-32.4	
Administration expenses	-20.0	-24.9	-44.8	-55.4	-19.7	-64.8	-53.9	20.2	
Other expenses	-4.9	-5.3	-5.6	-12.5	-7.5	-10.5	-11.9	-11.8	
Finance costs	-1.5	-1.1	-2.9	-48.3	36.4	-4.4	-2.6	69.2	
Pre-tax profit	22.8	9.3	-5.4	<100	>100	17.5	0.8	>100	
Income tax expenses	-0.6	2.0	0.7	<100	<100	0.0	2.8	>100	
Net profit	22.2	11.3	-4.7	<100	96.5	17.5	3.6	386.1	
Core net profit	12.1	11.7	14.3	-15.4	3.4	26.8	5.4	396.3	After stripping out RM10.5m FX gain in fixed income securities
Core EPS (sen)	0.8	0.8	1.0	-15.4	3.4	1.8	0.4	396.3	
DPS (sen)	0.0	0.0	0.0	-	-	0.0	0.0	-	No dividend was declared for the quarter
Gross Margin (%)	38.3	35.9	41.1	-	-	39.7	32.5	-	
Pre-tax Margin (%)	22.1	9.9	-5.5	-	-	8.7	0.5	-	
Net Margin (%)	21.6	12.0	-4.8	-	-	8.7	2.1	-	
Effective tax rate (%)	2.6	-21.5	13.0	-	-	0.0	-350.0	-	Backed by recognition of deferred tax asset during the quarter
Average CPO prices (RM/mt ex-mill)	2,654	2,218	2,431	9.2	19.7	2,548	2,241	13.7	
FFB Production (mt)	92,139	110,794	84,986	8.4	-16.8	177,125	184,182	-3.8	Dragged by prolonged dry weather pattern in Peninsular Malaysia
CPO Production (mt)	18,327	21,789	16,107	13.8	-15.9	34,434	35,631	-3.4	
Average palm Kernel price (RM/mt)	2,200	1,609	2,103	4.6	36.7	2,152	1,609	33.7	
Palm Kernel Production (mt)	4,625	5,369	4,203	10.0	-13.9	8,828	9,248	-4.5	

Source: Company, PublicInvest Research

Figure 2: Segmental Breakdown

<u>Segmental Breakdown</u>	<u>2Q16</u>	<u>2Q15</u>	<u>1Q16</u>	<u>QoQ chg (%)</u>	<u>YoY chg (%)</u>	<u>YTD FY16</u>	<u>YTD FY15</u>	<u>YoY chg (%)</u>	<u>Comments</u>
Revenue:									
Plantation	58.7	51.8	50.1	17.2	13.3	108.8	87.3	24.6	Mainly boosted by stronger CPO prices
Healthcare	44.3	42.4	47.3	-6.3	4.5	91.7	82.4	11.3	Led by 6% growth in no of surgical cases
	103.0	94.2	97.4	5.7	9.3	200.5	169.7	18.1	
Pre-tax profit:									
Plantation	20.9	4.2	-10.5	<100	>100	10.4	-9.3	-211.8	Attributed to stronger CPO selling prices and RM10.5m unrealised FX gain in fixed income investment
Healthcare	1.9	5.1	5.2	-63.5	-62.7	7.1	10.1	-29.7	Dragged by higher admin costs due to an increase in staff costs from capacity expansion and higher operating costs at new hospital
	22.8	9.3	-5.3	-530.2	145.2	17.5	0.8	2,087.5	

Source: Company, PublicInvest Research

KEY FINANCIAL DATA

INCOME STATEMENT DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Revenue	386.1	380.8	470.0	506.9	541.2
Gross Profit	168.5	140.4	197.4	215.4	232.7
Other income	30.9	77.3	43.9	46.9	49.3
Finance costs	-1.4	-8.6	-14.5	-17.1	-18.8
Other expenses	-129.7	-139.9	-142.7	-144.4	-146.2
Pre-tax Profit	68.3	69.2	84.1	100.8	117.1
Income Tax	-14.0	0.0	-16.8	-20.2	-23.4
Effective Tax Rate (%)	20.5	0.0	20.0	20.0	20.0
Minorities	-2.4	-1.5	-2.0	-2.0	-2.0
Core Net Profit	52.4	34.2	65.3	78.7	91.6
Growth (%)					
Revenue	4.2	-1.4	23.4	7.9	6.8
Gross Profit	9.9	-16.7	40.6	9.1	8.0
Core Net Profit	11.3	-34.7	90.9	20.5	16.5

Source: Company, PublicInvest Research estimates

BALANCE SHEET DATA

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
Fixed assets	914.4	1,216.6	1,288.0	1,336.3	1,381.5
Other long-term assets	996.7	1,113.0	1,113.0	1,113.0	1,113.0
Cash at bank	79.5	126.4	205.7	269.1	294.0
Other current assets	120.0	127.2	149.4	159.7	169.1
Total Assets	2,110.6	2,583.2	2,756.2	2,878.1	2,957.6
Short-term borrowings	7.7	19.3	19.3	19.3	19.3
Long-term borrowings	449.0	685.9	785.9	835.9	835.9
Payables	146.1	188.8	214.1	228.9	242.3
Other liabilities	155.3	238.6	238.6	238.6	238.6
Total Liabilities	758.1	1,132.6	1,257.9	1,322.7	1,336.1
Shareholder Equity	1,339.4	1,450.6	1,498.3	1,555.4	1,621.5
Total Equity and Liabilities	2,097.5	2,583.2	2,756.2	2,878.1	2,957.6

Source: Company, PublicInvest Research estimates

PER SHARE DATA & RATIOS

FYE Dec	2014A	2015A	2016F	2017F	2018F
Book Value Per Share (RM)	0.9	1.0	1.0	1.0	1.1
NTA Per Share (RM)	0.9	1.0	1.0	1.0	1.1
EPS (sen)	3.5	2.3	4.4	5.3	6.2
DPS (sen)	1.5	1.2	1.3	1.6	1.9
Payout Ratio (%)	27.3	32.1	30.0	30.0	30.0
ROA (%)	2.6	2.7	2.4	2.8	3.2
ROE (%)	4.1	4.8	4.5	5.2	5.8

Source: Company, PublicInvest Research estimates

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12 months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	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.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

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

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