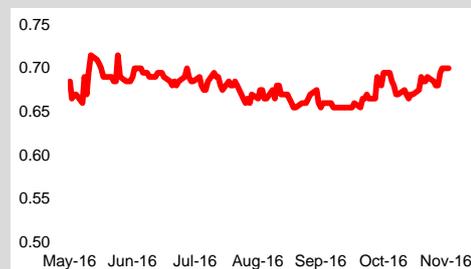


**DESCRIPTION**

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

<b>12-Month Target Price</b>	RM0.85
<b>Current Price</b>	RM0.70
<b>Expected Return</b>	21.4%

<b>Market</b>	Main
<b>Sector</b>	Plantation
<b>Bursa Code</b>	2054
<b>Bloomberg Ticker</b>	TDM MK
<b>Shariah-compliant</b>	No

**SHARE PRICE CHART**

52 Week Range (RM)	0.63-0.81
3-Month Average Vol ('000)	1,711.4

**SHARE PRICE PERFORMANCE**

	<b>1M</b>	<b>3M</b>	<b>6M</b>
Absolute Returns	1.4	6.1	3.2
Relative Returns	3.3	8.0	0.5

**KEY STOCK DATA**

Market Capitalisation (RM m)	1,053.8
No. of Shares (m)	1,505.5

**MAJOR SHAREHOLDERS**

	<b>%</b>
Terengganu Incorporated S/B	61.2
Kumpulan Wang Persaraan	9.3

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**Seeing Stronger Earnings In 4Q**

TDM 9MFY16 reported a core net profit of RM36.1m, making up 55% of our full-year earnings forecasts after stripping out unrealized gain on the foreign exchange in fixed income securities amounting to RM8.4m and impairment loss on receivable, RM1.3m. Though it fell below our expectations, we think that it will be able to catch up in 4Q given the recovery in FFB production and sharp increase in CPO prices. Hence, our earnings forecasts remain unchanged. No dividend was declared for the quarter. We maintain our **Outperform** call with an unchanged TP of RM0.85.

§ **3QFY16 revenue (QoQ: -0.3%, YoY: +4.3%).** 3QFY16 revenue increased 4.2% YoY to RM102.8m, led by an improved revenue from healthcare segment while plantation sales remained steady. During the quarter, plantation sales fell slightly to RM57.9m as weaker FFB production (-26.7% YoY) was cushioned by stronger CPO prices (+25.2% YoY). Average CPO prices jumped from RM2,102/mt to RM2,631/mt while palm kernel prices surged from RM1,417/mt to RM2,288/mt. Healthcare sales registered a 14% YoY increase on the back of a 10% growth in the number of both inpatients and outpatients.

§ **3QFY16 core earnings (QoQ: +76%, YoY: +85.2%).** Though healthcare earnings dropped 26% YoY to RM1.7m, the Group's earnings rose 85.2% YoY, boosted by plantation earnings after stripping out the RM2.1m unrealized FX gain in fixed income securities. Plantation earnings surged 130% YoY to RM19m, driven by stronger palm kernel price, which helped lower the production cost and lower start-up losses in Indonesian operation. On the other hand, healthcare earnings weakened due to higher admin costs as a result of higher staff costs and pre-operating costs at Kuala Terengganu Medical Specialist, which is scheduled to open soon.

§ **Maintain Outperform call.** Though 9-month earnings met only 55% of our full-year forecasts, we remain upbeat on the 4Q earnings outlook, led by recovery of FFB production and stronger CPO prices. Healthcare arm is likely to register better earnings on the back of new hospital contribution.

**KEY FINANCIAL SUMMARY (RM m)**

<b>FYE Dec</b>	<b>2014A</b>	<b>2015A</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>CAGR</b>
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)	19.8	30.3	15.9	13.2	11.3	
DPS (Sen)	1.5	1.2	1.3	1.6	1.9	
Dividend Yield (%)	2.1	1.7	1.9	2.3	2.7	

Source: Company, PublicInvest Research estimates

**Figure 1: Results Summary**

<u>FY Dec (RM'000)</u>	<u>3Q16</u>	<u>3Q15</u>	<u>2Q16</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	102.7	98.5	103.0	-0.3	4.3	303.3	268.2	13.1	Supported by an increase in healthcare sales while plantation segment remained steady
Cost of sales	-62.5	-59.7	-63.6	-1.7	4.7	-183.5	-176.2	4.1	
<b>Gross profit</b>	<b>40.2</b>	<b>38.8</b>	<b>39.4</b>	<b>2.0</b>	<b>3.6</b>	<b>119.8</b>	<b>92.0</b>	<b>30.2</b>	
Interest income	8.0	8.0	9.9	-19.2	0.0	25.9	22.6	14.6	
Other income	9.3	1.3	1.3	>100	>100	11.6	4.4	>100	Bolstered by RM8.4m FX gain in fixed income securities
Distribution costs	-1.2	-2.3	-1.4	-14.3	-47.8	-3.8	-6.1	-37.7	
Administration expenses	-20.5	-28.1	-20.0	2.5	-27.0	-85.3	-80.1	6.5	
Other expenses	-3.6	-4.1	-4.9	-26.5	-12.2	-14.2	-16.0	-11.3	
Finance costs	-9.5	-3.0	-1.5	>100	>100	-13.9	-5.6	>100	
<b>Pre-tax profit</b>	<b>22.7</b>	<b>10.6</b>	<b>22.8</b>	<b>-0.4</b>	<b>&gt;100</b>	<b>40.1</b>	<b>11.2</b>	<b>&gt;100</b>	
Income tax expenses	0.2	0.3	-0.6	<100	-33.3	0.2	3.1	-93.5	
<b>Net profit</b>	<b>22.9</b>	<b>10.9</b>	<b>22.2</b>	<b>&lt;100</b>	<b>&gt;100</b>	<b>40.3</b>	<b>14.3</b>	<b>&gt;100</b>	
Core net profit	21.3	11.5	12.1	76.0	85.2	36.1	15.2	>100	After stripping out unrealised FX gain amounting to RM8.4m
Core EPS (sen)	1.4	0.8	0.8	76.0	85.2	2.4	1.0	>100	
DPS (sen)	0.0	0.0	0.0	-	-	0.0	0.0	-	No dividend was declared for the quarter
Gross Margin (%)	39.1	39.4	38.3	-	-	39.5	34.3	-	
Pre-tax Margin (%)	22.1	10.8	22.1	-	-	13.2	4.2	-	
Net Margin (%)	22.3	11.1	21.6	-	-	13.3	5.3	-	
Effective tax rate (%)	-0.9	-2.8	2.6	-	-	-0.5	-27.7	-	Lower than the statutory tax rate due to recognition of deferred tax asset
Average CPO prices (RM/mt ex-mill)	2,631	2,102	2,654	-0.9	25.2	2,576	2,182	18.1	
FFB Production (mt)	98,266	134,055	92,139	6.6	-26.7	275,391	318,237	-13.5	
CPO Production (mt)	19,598	25,874	18,327	6.9	-24.3	54,033	61,505	-12.1	
Average palm Kernel price (RM/mt)	2,288	1,417	2,200	4.0	61.5	2,198	1,530	43.7	
Palm Kernel Production (mt)	4,721	6,301	4,625	2.1	-25.1	13,549	15,549	-12.9	

Source: Company, PublicInvest Research

**Figure 2: Segmental Breakdown**

<u>Segmental Breakdown</u>	<u>3Q16</u>	<u>3Q15</u>	<u>2Q16</u>	<u>QoQ chg (%)</u>	<u>YoY chg (%)</u>	<u>YTD FY16</u>	<u>YTD FY15</u>	<u>YoY chg (%)</u>	<u>Comments</u>
<b>Revenue:</b>									
Plantation	57.9	59.3	58.7	-1.4	-2.4	166.7	146.6	13.7	Weaker FFB production cushioned by stronger CPO prices
Healthcare	44.8	39.2	44.3	1.1	14.3	136.5	121.6	12.3	Led by an increase in number of patients
	<b>102.7</b>	<b>98.5</b>	<b>103.0</b>	<b>-0.3</b>	<b>4.3</b>	<b>303.2</b>	<b>268.2</b>	<b>13.0</b>	
<b>Pre-tax profit:</b>									
Plantation	20.9	8.2	20.9	0.0	154.9	31.4	-1.1	<100	Mainly led by unrealised FX gain in fixed income securities
Healthcare	1.7	2.2	1.9	-10.5	-22.7	8.7	12.4	-29.8	Hit by an increase in administrative cost due to higher staff costs and pre-operating costs at new hospital
	<b>22.6</b>	<b>10.4</b>	<b>22.8</b>	<b>-0.9</b>	<b>117.3</b>	<b>40.1</b>	<b>11.3</b>	<b>254.9</b>	

Source: Company, PublicInvest Research

**KEY FINANCIAL DATA**
**INCOME STATEMENT DATA**

FYE Dec (RM m)	2014A	2015A	2016F	2017F	2018F
<b>Revenue</b>	386.1	380.8	470.0	506.9	541.2
Gross Profit	<b>168.5</b>	<b>140.4</b>	<b>197.4</b>	<b>215.4</b>	<b>232.7</b>
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
<b>Pre-tax Profit</b>	<b>68.3</b>	<b>69.2</b>	<b>84.1</b>	<b>100.8</b>	<b>117.1</b>
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
<b>Core Net Profit</b>	<b>52.4</b>	<b>34.2</b>	<b>65.3</b>	<b>78.7</b>	<b>91.6</b>
<b>Growth (%)</b>					
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
<b>Total Assets</b>	<b>2,110.6</b>	<b>2,583.2</b>	<b>2,756.2</b>	<b>2,878.1</b>	<b>2,957.6</b>
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
<b>Total Liabilities</b>	<b>758.1</b>	<b>1,132.6</b>	<b>1,257.9</b>	<b>1,322.7</b>	<b>1,336.1</b>
Shareholder Equity	1,339.4	1,450.6	1,498.3	1,555.4	1,621.5
<b>Total Equity and Liabilities</b>	<b>2,097.5</b>	<b>2,583.2</b>	<b>2,756.2</b>	<b>2,878.1</b>	<b>2,957.6</b>

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

<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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