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TH Plantations Bhd

Feb 25, RM1.53

BUY: THP's FY2009 ended Dec 31 earnings of RM53.8 million easily beat our lowered expectations by 21%. Its 4Q2009 revenue increased 108% to RM87.4 million from RM42 million in the previous corresponding quarter. It recorded higher sales volumes for crude palm oil and palm kernel as fresh fruit bunch production jumped 45% pursuant to the acquisition of Ladang Sabaco and Bukit Belian in December 2008.

In addition, higher product prices and management fee income recognised boosted the top line. Earnings for 4Q2009 were higher by 52% to RM22.5 million compared to RM14.8 million for the same quarter last year mainly due to a marked improvement in operating margin. This was the result of lower operating costs elsewhere. During the quarter under review, the cost of sales was up 62% while revenue rose 108%.

We continue to believe the growth outlook for THP is bright. Earnings regained momentum in 4Q2009 after a disappointing performance in the previous three quarters. We expect the recovery in margins to continue as operating expenses return to normal. Hence, we reiterate our "buy" recommendation with a target price of RM2, pegged at 11 times FY2010 earnings. — *MIDF Research (Feb 23)*

