

Personal Money

THE **EDGE** MAGAZINE ON MANAGING YOUR FINANCES

TH PLANTATIONS

EDMUND THAM

HEAD OF RESEARCH, MERCURY SECURITIES SDN BHD

TH Plantations is an arm of Lembaga Tabung Haji (Pilgrimage Fund Board of Malaysia). At 14 times PER, TH Plantations is still below its peers' average valuation of 15.9x. It is not considered an expensive buy.

I expect factors such as the La Nina weather phenomenon (unusually heavy rains can affect harvesting, resulting in lower CPO yields and stockpiles), strong global demand and the tight global supply situation to prop up CPO prices. Furthermore, soybean and crude oil prices have also generally been stronger in recent months. CPO prices do move, to a certain extent, in correlation with soybean and crude oil prices. In general, the global prices of edible oils are rising.

Based on the recent CPO commodity price trends, TH Plantations should continue to record steady revenue and profit growth in FY2011. With its minimal gearing position, TH Plantations can consider future landbank acquisitions from either its main shareholder Lembaga Tabung Haji or others. We expect TH Plantations' average selling price for CPO to be RM2,700 to RM3,200 a metric ton early this year. ■