

Optimistic outlook for TH Plantations

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Looking up: Loose oil palm being collected at a plantation. The planter would be banking on higher average selling prices of its palm products and production to ensure earnings sustainability for FY21.

PETALING JAYA: The growth prospects for TH Plantations Bhd looks promising, aided by the planter's progressing strategic recovery plan and a boon from the multi-year high price of crude palm oil (CPO).

Analysts opined that the planter would be banking on higher average selling prices (ASP) of its palm products and production to ensure its earnings remained sustainable for the current financial year 2021 (FY21).

TH Plantations, which is the plantation investment arm of Lembaga Tabung Haji, has also started efforts to dispose of its assets. It cited the challenging operating conditions amid the Covid-19 pandemic as the reason for this.

Some of the assets held for sale include its investments in Bumi Suria Ventures, Maju Warisanmas, TH PELITA Meludam, TH PELITA Beladin, TH PELITA Simunjan, TH PELITA Gedong, and TH PELITA. The targeted disposal is slated to be completed within one year.

Meanwhile, BIMB Securities in its report said the earnings of TH Plantations is highly correlated to the ASP of its palm products and production.

The research unit said the sustainable earnings target is justifiable, given that CPO is currently trading above RM3,500 per tonne.

On Tuesday, the group reported a net profit of RM1.59mil for its fourth quarter ended Dec 31,2020 (Q4), compared with a net loss of RM167.65mil in the previous corresponding period.

The group's Q4 revenue was also higher at RM144.55mil compared with RM136.25mil a year earlier.

Meanwhile, Maybank Investment Bank Research (Maybank IB) has maintained a "hold" call on TH Plantations. This is despite the missed estimates on the lower-than-expected CPO ASP and weaker-than-expected fresh fruit bunch output.

The research house is keeping its recommendation on the counter, given the limited upside to its unchanged target price of 55 sen. On Bursa Malaysia yesterday, TH Plantations' share price closed down 0.5 sen to 50 sen.

Maybank IB also said that the movement control order due to Covid-19 could delay TH Plantations' proposed asset disposal plans to deleverage, given its high net gearing.

However, the research unit said it has revised higher TH Plantations' FY21-FY22 forecast core earnings per share to RM36mil and RM30mil respectively based on new output assumptions.

Maybank IB recently raised its industry-wide CPO ASPs to RM2,700 per tonne from RM2,500 per tonne for 2021 and RM2,600 per tonne from RM2,500 per tonne for 2022.