3 February 2014

First Resources Ltd

"Quality" planter: Upside still exist

SINGAPORE | PLANTATIONS | INITIATION

Rating: Accumulate

(Initiate with Accumulate)

Target Price (SGD)	**2.35**
Forecast Dividend (SGD)	0.04
Closing Price (SGD)	1.99
Potential Upside	**19.9%**

Initiate with "Accumulate"; DCF-based price target of S$2.35, 19.9% potential upside (including dividend yield): *First Resources is the lowest cost producer of crude palm oil (CPO) in the world and the owner of one of the youngest CPO plantation in Indonesia with two main segments (i) upstream* ***Plantations*** *with over 160,000 hectares of (including 12 Palm Oil Mills), and (ii) midstream* ***Refinery*** *with two fractionation plants (850k tonnes p.a.) and one biodiesel plant (250k tonnes p.a.).*

- **Young age profile drives strong production growth**: First Resources' plantations are 8 years old on average, and 58% of its planted area (as of end 3Q13) is less than 7 years old. Albeit FFB yield declined in 2013 due to newly-acquired assets and biological downtrend, we see strong productivity gains over the next few years as its young estates mature. We expect a 17% CPO production growth in 2014, buoyed by yield recovery from biological cycle.

- **Best-in-class operational efficiency, stringent cost management drive lower cost:** First Resources' nucleus cost per tonne was US$238/MT in 2012, making it the lowest cost producers in the industry. While cost per tonne is expected to increase substantially by ~10% in 2013 no thanks to Indonesia's higher annual minimum wage increase, we expect low single digit growth rate going forward, as production per hectare increases.

- **Rising EPS even with a flattish CPO price:** First Resources' growing production plays a key role in driving its 12% 2-year 2013F-2015F EPS CAGR, with increase maturity of its plantations. Conservatively, we have modeled in a flattish CPO price from 2014 onwards, as we are neutral on the CPO price outlook in the near term on rising global oilseeds supply. We estimate every 10% increase in our CPO price forecast will add ~S$0.51 per share (~22% to our valuation).

- **Investment action, risks:** First Resources is one of the cheapest Plantation stocks within the ASEAN space (9.9x 2015F P/E versus an average of 13-15x for peers). Our DCF (WACC 10.6%) based target price for First Resources is S$2.35 (19.9% potential upside including dividend yield). We initiate coverage with an "Accumulate" rating. Downside risks includes prolonged plunge in CPO prices, weaker-than-expected production output.

Key Financial Summary

FYE Dec	2011	2012	2013F	2014F	2015F
Revenue ($ mn)	495	603	623	714	810
NPAT, adj. ($ mn)	168	211	199	222	250
EPS, adj. ($)	0.11	0.14	0.13	0.14	0.16
P/E (x),adj.	13.6	11.4	12.4	11.1	9.9
BVPS ($)	0.60	0.70	0.79	0.90	1.02
P/B (x)	3.3	2.8	2.5	2.2	2.0
DPS ($)	0.03	0.03	0.03	0.04	0.04
Div. Yield (%)	1.8%	2.0%	2.1%	2.2%	2.3%

Source: Bloomberg, PSR est.

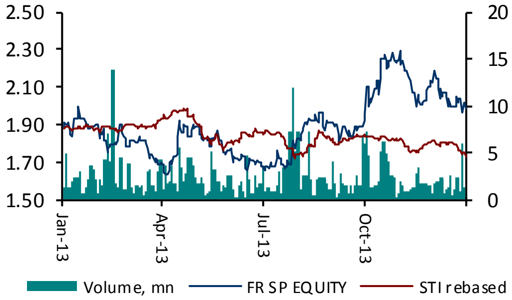
*All multiples & yields based on current market price

Company Description

First Resources is a palm oil plantation company with operations in Indonesia. It is majority owned by the Fangiono family via Eight Capital Inc. Albeit First Resources is an upstream-focused plantation company, it also has biodiesel plants in Dumai, Riau province, which is close to the Dumai port.

Company Data

Raw Beta (Past 2yrs weekly data)	0.64
Market Cap. (USD mn / SGD mn)	2470 / 3152
Ent. Value (USD mn / SGD mn)	2790 / 3554
3M Average Daily T/O (mn)	2.16
Closing Px in 52 wk range	1.65 – 2.34



Major Shareholders	**(%)**
1. Eight Capital Inc	63.2
2. King Fortune International	5.6
3. FMR LLC	4.9

Valuation Method

Discounted cash flow (DCF)

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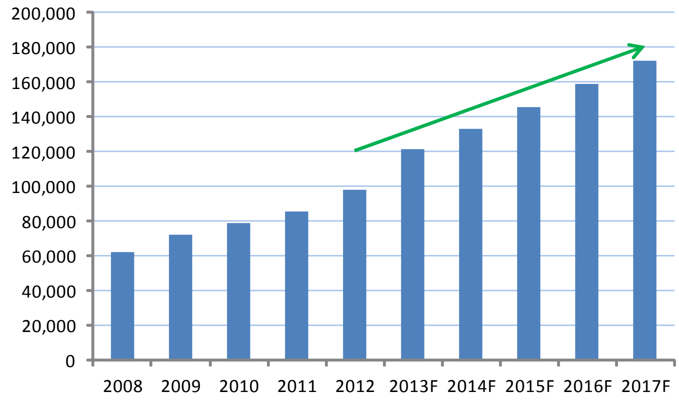
MCI (P) 046/11/2013

Ref. No.: SG2014_0011

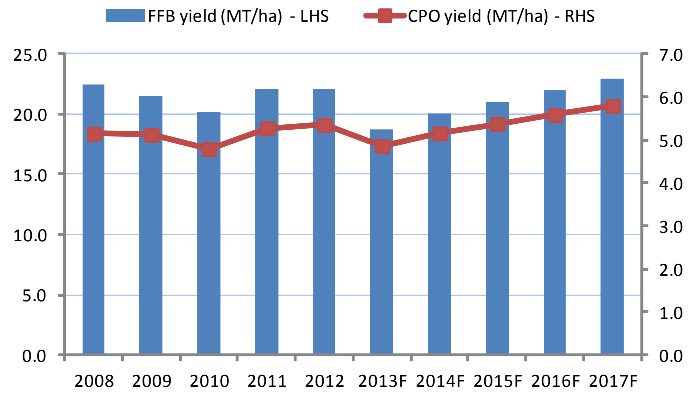
First Resources at a glance

Figure 1: Mature planted area (ha) to grow 12% CAGR over the next 5 years



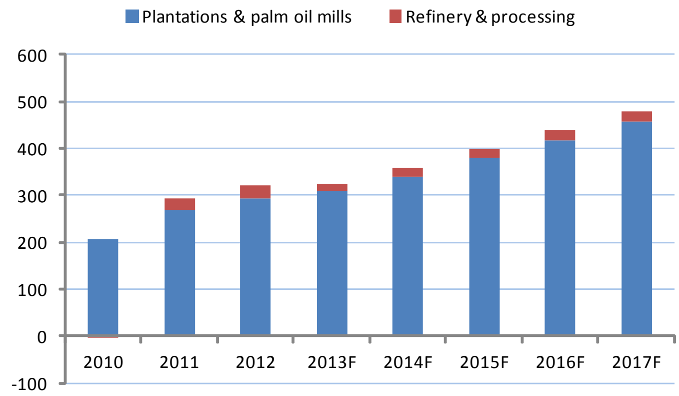
Source: Company, Phillip Securities Research

Figure 2: FFB and CPO yields to gradually recover from 2014 onwards



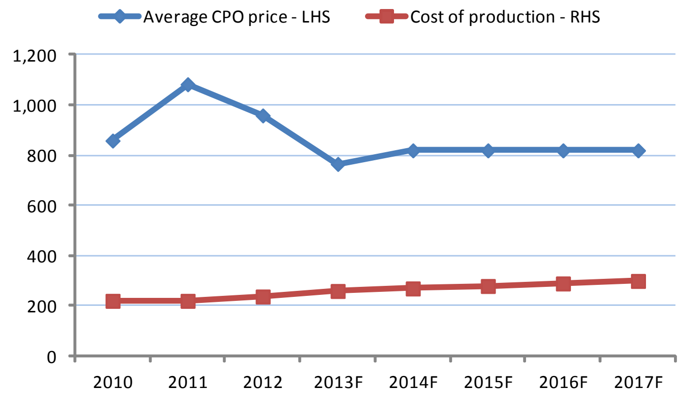
Source: Company, Phillip Securities Research

Figure 3: Strong production drives steady EBITDA (US$mn) predominantly from its upstream plantation business, despite…



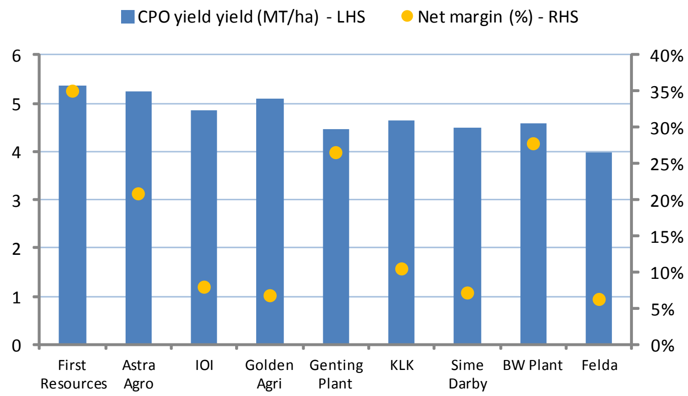
Source: Company, Phillip Securities Research

Figure 4: … Modestly rising cost of production and flat CPO price assumption (US$mn)



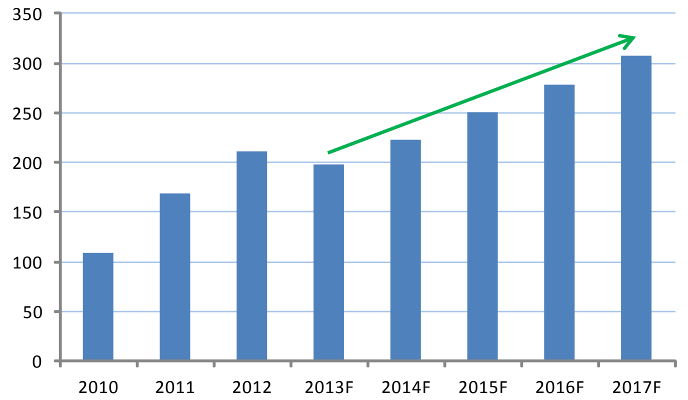
Source: Company, Phillip Securities Research

Figure 5: "Quality" company with the plantation space (FY12)



Source: Companies, Phillip Securities Research

Figure 6: "Recurring" earnings growth of 12% CAGR from 2014F-17F



Source: Company, Phillip Securities Research

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Table of contents

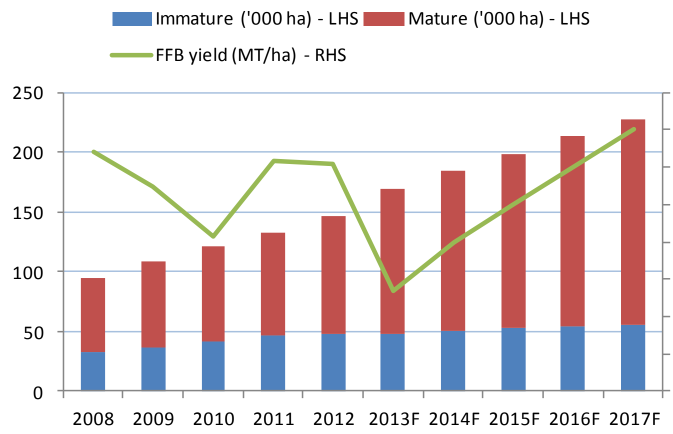
Investment positives

We present First Resources Limited with an "Accumulate" rating and DCF-based price target of S$2.35. The company is an upstream palm plantation player with over 160,000 hectares of planted area (more than two times the size of Singapore) and annual CPO production of approximately 590,000 tonnes. Its 140,000 hectares of land bank, of which 40,000 hectares will be allocated for its new rubber plantation, is more than enough for its targeted annual 12,000-15,000 of new palm planting for the next six years (our estimate is 14,500 per year).

Young age profile drives strong production growth

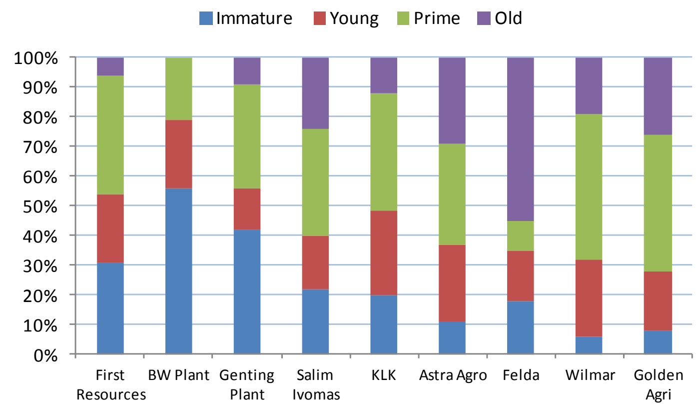
First Resources' plantations are 8 years old on average, and 58% of the planted area (as of end 3Q13) is less than 7 years old. Albeit FFB yield declined in 2013 due to newly-acquired assets and biological downtrend, we see strong productivity gains over the next few years as its young estates mature. First Resources produced 589k tonnes of CPO in 2013 and we expect a 17% CPO production growth in 2014, which is buoyed by yield recovery from the biological down cycle in 2013, and 13% production CAGR in 2015-17F, which is well supported by changes in its young age crop profile.

Figure 7: Estate profile and FFB yields



Source: Company, Phillip Securities Research

Figure 8: Palm plantations tree age profile comparison



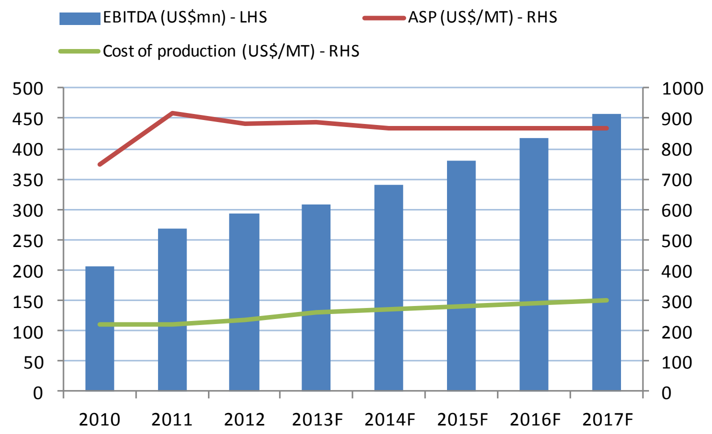
Source: Companies, Phillip Securities Research

Best-in-class operational efficiency, stringent cost management drive lower cost

First Resources' nucleus cost per tonne was US$238/MT in 2012, making it the lowest cost producers in the industry. About two fifth of that is labour, another two fifth is fertilizer and the rest includes transportation and miscellaneous expenses. Management attributes its low cost per tonne to its stringent cost management and best-in-class operational efficiency, which include harvesting practices which are specially devised to make sure that its FFBs are harvested at their optimized quantity and quality (as quality of ripe fruits typically deteriorates rapidly over time).

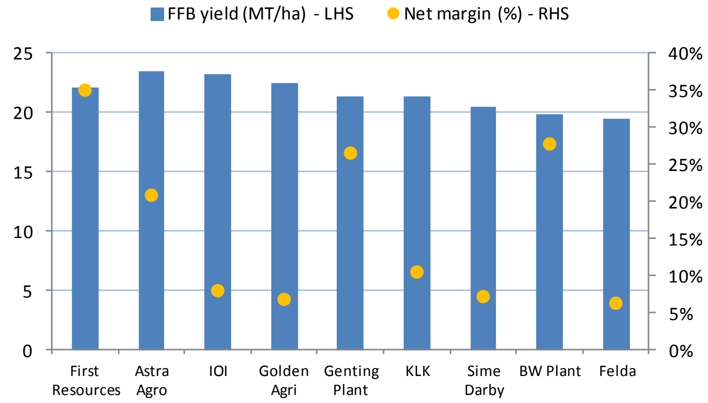
Cost per tonne is expected to increase substantially by ~10% in 2013 no thanks to Indonesia's higher annual minimum wage increase, which is partially offset by lower fertilizer costs. That said, we expect low single digit growth rate going forward, as production per hectare increases.

Figure 9: EBITDA, CPO selling price and nucleus cost of production



Source: Company, Phillip Securities Research

Figure 10: FY12 FFB yield and core net profit margin comparison

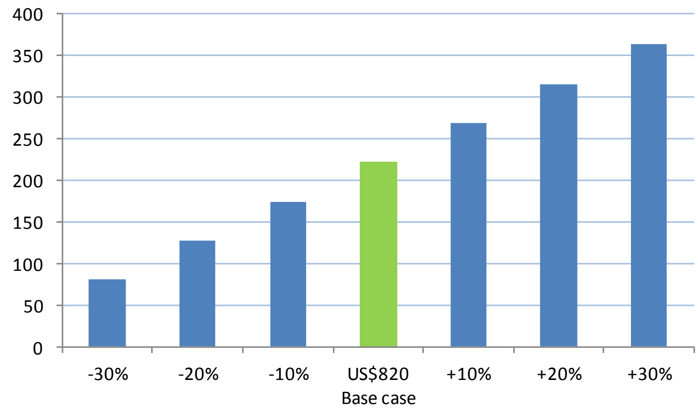


Source: Companies, Phillip Securities Research

Rising EPS even with a flattish CPO price

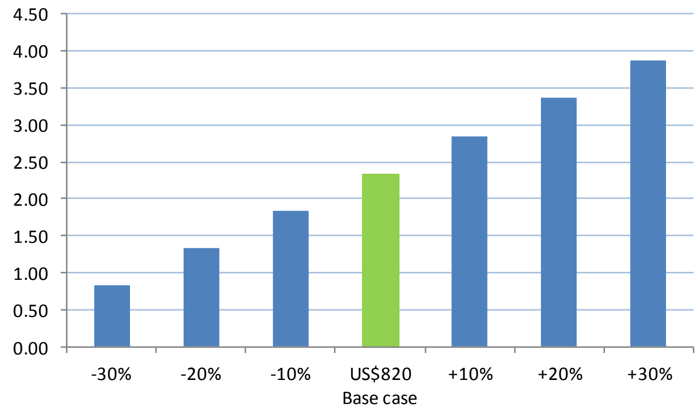
First Resources' growing production plays a key role in driving its 12% 2-year 2013F-2015F EPS CAGR, with increase maturity of its plantations. Conservatively, we have modelled in a flattish CPO price from 2014E-17E at US$820/MT, as we are neutral on the CPO price outlook in the near term on rising global oilseeds supply. However, we see price risk skewed to the upside should the biodiesel mandates are successfully implemented in both Indonesia and Malaysia, which in turn would result in even higher EPS. Please refer to our later section on CPO price analysis, for further discussion on this topic. We estimate every 10% increase in our CPO price forecast will add ~S$0.51 per share (~22% to our valuation).

Figure 11: 2014F core net earnings sensitivity on CPO prices (US$mn)



Source: Phillip Securities Research

Figure 12: Price target sensitivity on CPO prices (S$)

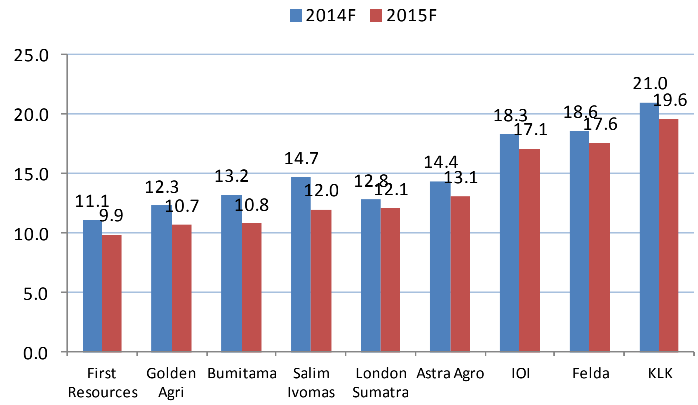


Source: Phillip Securities Research

Valuation still undemanding

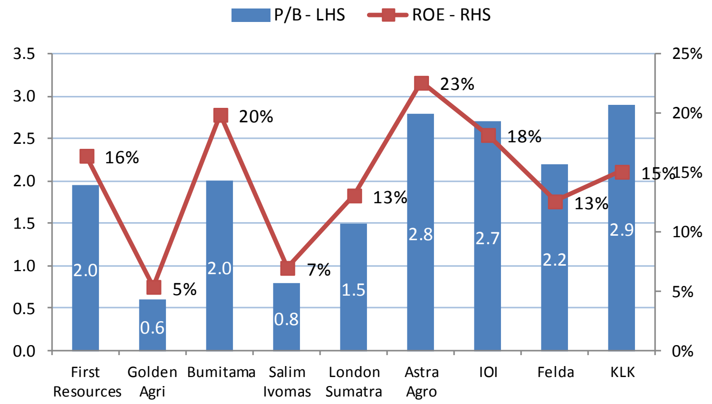
In terms of P/E valuation multiple, First Resources stands out as one of the "cheapest names" amongst the Plantation stocks. As for P/B multiple, it trades at a slight premium, but given its relative high ROE (of 16-17%), we see this as reasonable and fair.

Figure 13: Plantation stocks - 2014F/15F P/E (x)



Source: Bloomberg, Phillip Securities Research

Figure 14: Plantation stocks - 2015F P/B (x) versus ROE (%)



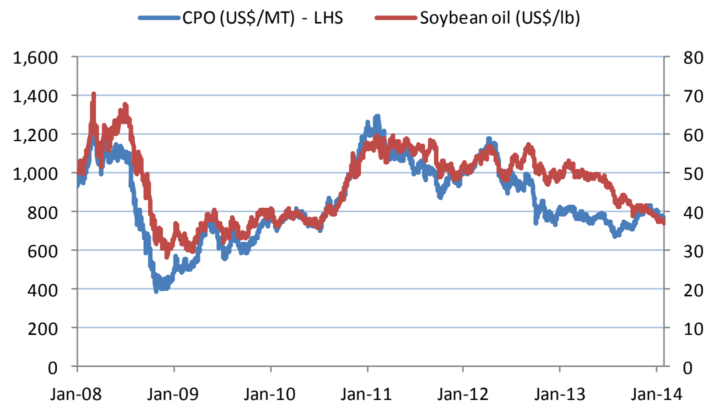
Source: Bloomberg, Phillip Securities Research

Investment risks

Significant downtrend in CPO price

Lower CPO prices that are below our base-case forecast could lead to downside earnings risk given its upstream-focused business. Downside risks to CPO prices could be due to stronger/weaker-than-expected global CPO supply/demand. In addition, significantly higher global soybean production could exert downward pressure on soybean prices, which in turn, will be a negative for CPO pricing as well. That said, we think this is not likely in the near and medium term due to the low edible oil inventories in China and India, which should support demand.

Figure 15: CPO and soybean oil price

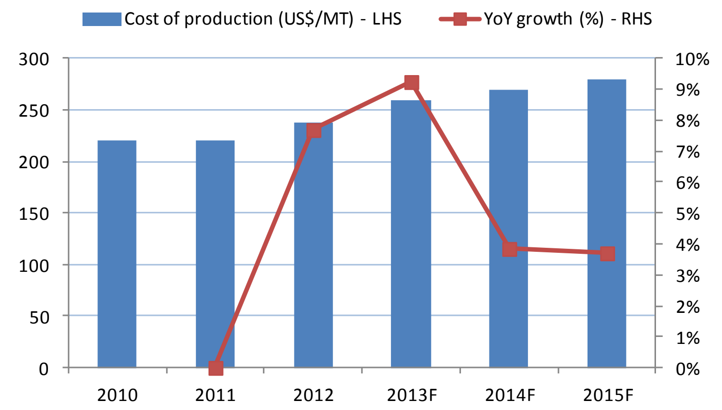


Source: Bloomberg, Phillip Securities Research

Cost inflation could squeeze margins

According to management, ~42% of First Resources' cash cost of production came from labour, ~40% from fertilizer, with the rest from transportation and other miscellaneous expenses. While we have factored in a 10% increase in cost of production for 2013F following the introduction of a higher annual minimum wage policy in Indonesia since Jan 2013, any unexpected wage and/or fertilizer cost inflation could erode margins going forward. Conservatively, we have assumed cost of production to rise by ~4% in both 2014F and 2015F.

Figure 16: First Resources' cash cost of production trend

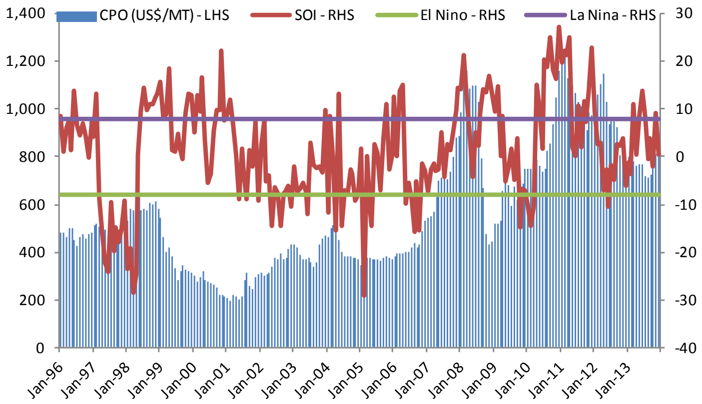


Source: Company, Phillip Securities Research

Unexpected fall in volume growth

We expect FFB production growth to remain strong over the next few years, given First Resources' young plantation profile. That said, similar to all agricultural businesses, FFB production is at the mercy of Mother Nature - weather conditions, which we cannot predict. Extreme weather conditions such as a La Nina phenomenon (excessive wetness in SEA) or an El Nino event (excessive dryness) could lower reduce FFB output, posing downside risk to our EPS estimates.

Figure 17: CPO prices (US$/MT) versus ENSO index



Source: Bloomberg, Australia Bureau of Meteorology, Phillip Securities Research

Correlation analysis

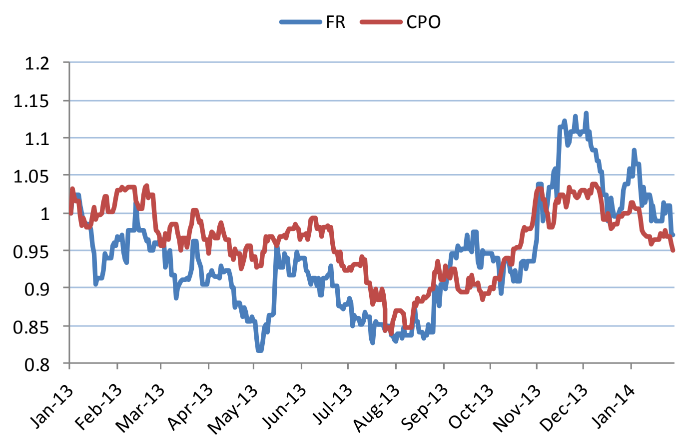
The correlation between First Resources' stock price and the CPO price has been ~71% over the past 13 months. Among plantation names, First Resources' share price movement has one of the highest correlations with CPO. We expect a continuation of this high correlation, thanks to the upstream-centric focus of its palm business.

Figure 18: Share price correlation with CPO (r=0.71)
Rebased to 100

Correlation - r	CPO
First Resources	0.71
London Sumatra	0.81
BW Plantation	0.79
Wilmar	0.77
Golden Agri	0.61
Sampoerna Agro	0.62
Salim Invomas	0.58
Astra Agro	0.57
Bumitama Agri	0.46
Indofood Agri	0.48
Average	***0.64***

Source: Bloomberg, Phillip Securities Research

Figure 19: Share price correlation with CPO



Source: Bloomberg, Phillip Securities Research

Valuation and sensitivity analysis

DCF-based price target of S$2.35

We value First Resources based on discounted cash flow (DCF) model with a WACC of 10.6% and a long-term growth rate estimate of 2.5%. The various components of the WACC are also detailed below.

Figure 20: First Resources DCF valuation and WACC calculation

US$ m	2012	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F
EBIT	298	297	328	365	404	442	482	518	549	574	592	601
Add: Depreciation & amort	24	27	30	33	36	38	41	43	44	45	46	45
Less: Tax expenses	-67	-66	-73	-82	-90	-99	-108	-116	-123	-128	-132	-134
Less: Capex	-86	-170	-160	-150	-150	-150	-150	-150	-150	-150	-150	-150
Less: Change in working cap	-10	-4	-12	-12	-13	-14	-14	-15	-15	-16	-15	-15
Free cash flow (FCF)	**159**	**83**	**113**	**155**	**186**	**218**	**250**	**280**	**305**	**325**	**339**	**347**

Terminal value (TV)	**4,266**
Equity value	**2014F**
PV of FCF	1,521
PV of TV	1,719
Total value of operations	**3,240**
Net cash / (debt)	-250
Less: MI	-45
Fair value (US$ mn)	**2,944**
# shares	1,584
FV per share (US$)	**1.86**
FV per share (S$)	**2.35**
2014 EPS	0.14
Target PER	13.3x

WACC components	
Risk free rate (%)	2.5%
Beta	1.17
Equity risk premium (%)	5.0%
Country risk premium (%)	3.0%
Cost of equity (%)	**11.9%**
Average spread over risk-free rate (%)	7.5%
Pre-tax cost of debt (%)	10.0%
Average corporate tax rate (%)	22.4%
Cost of debt (%)	**7.8%**
Target debt/debt+equity	30.0%
WACC (%)	**10.6%**
Long-term growth rate	**2.5%**

Source: Company, Phillip Securities Research

Sensitivity to terminal growth rate and WACC

We note that First Resources' valuation is less sensitive to changes in the terminal growth rate as compared to the WACC assumption. According to our estimates, every 0.5% change in our WACC assumption would impact First Resources' valuation by approximately 6-9%, whilst a 0.5% change in our terminal growth rate assumption would impact First Resources' valuation by approximately 3-5%.

Figure 21: DCF fair value sensitivity

S$		WACC						
		9.1%	**9.6%**	**10.1%**	**10.6%**	**11.1%**	**11.6%**	**12.1%**
Terminal growth rate	**4.0%**	3.51	3.18	2.90	2.66	2.45	2.27	2.12
	3.5%	3.29	3.00	2.75	2.54	2.35	2.19	2.05
	3.0%	3.11	2.85	2.63	2.44	2.27	2.12	1.98
	2.5%	2.96	2.72	2.52	2.35	2.19	2.05	1.93
	2.0%	2.82	2.61	2.43	2.27	2.12	1.99	1.88
	1.5%	2.71	2.52	2.35	2.20	2.06	1.94	1.83
	1.0%	2.61	2.43	2.27	2.13	2.01	1.89	1.79

Source: Phillip Securities Research

Key assumptions

CPO price - FOB
We assume CPO price to remain firm at US$820/MT over the next two years.

CPO ASP
First Resources' CPO ASP is less impacted in 2013 despite lower CPO price, as the company was able to lock in higher selling prices on a forward basis. We expect ASP to return to normal in 2014F-15F.

FFB yield
Lower FFB yield in 2013 due to biological trend, as well as dilutive effect from newly mature and newly acquired plantations. We believe FFB yield will recover and improve in 2014, given the young plantation profile.

EBITDA: Plantations & palm oil mills
Profitability will be supported by firm CPO price and growing CPO production.

Figure 22: Key operating assumptions

US$ in millions unless otherwise stated

	2011	2012	2013F	2014F	2015F
Revenue	**495**	**603**	**623**	**714**	**810**
Plantations & palm oil mills	441	504	563	647	739
- CPO	389	455	522	595	680
- PK	53	49	42	52	59
Refinery & processing	176	243	147	163	173
Eliminations	-122	-144	-87	-97	-102
% Revenue growth	**49.9%**	**22.0%**	**3.2%**	**14.5%**	**13.4%**
Plantations & palm oil mills	33.1%	14.4%	11.7%	14.9%	14.2%
- CPO	34.9%	17.1%	14.7%	14.1%	14.2%
- PK	21.6%	-5.9%	-16.0%	25.0%	14.2%
Refinery & processing	1001.5%	38.6%	-39.6%	10.9%	6.0%
Blended ASP (US$/MT)					
CPO price - FOB	1,083	959	766	820	820
Plantations & palm oil mills	850	788	778	765	765
- Crude palm oil	919	882	886	866	866
- Palm kernel	546	399	306	328	328
Refinery & processing	1,239	1,087	869	931	931
Plantations & PO mills assumptions					
Planted area (hectares)	132,251	146,403	169,603	184,103	198,603
Mature area (hectares)	85,699	98,181	121,223	133,318	146,014
Mature area / planted area	64.8%	67.1%	71.5%	72.4%	73.5%
FFB production ('000 MT)	1,899	2,169	2,267	2,666	3,066
FFB yield (MT/ha)	22.2	22.1	18.7	20.0	21.0
CPO production ('000 MT)	452	526	589	688	785
CPO extraction rate	23.6%	23.3%	23.0%	23.0%	23.0%
PK production ('000 MT)	104	123	135	158	181
PK extraction rate	5.4%	5.5%	5.3%	5.3%	5.3%
Sales volume ('000 MT)					
Plantations & palm oil mills	519	640	724	846	966
- Crude palm oil	423	516	589	688	785
- Palm kernel	96	124	135	158	181
Refinery & processing	142	224	169	175	186
Sales volume growth (%)					
Plantations & palm oil mills	9.8%	23.3%	13.2%	16.8%	14.2%
- Crude palm oil	9.4%	22.1%	14.1%	16.8%	14.2%
- Palm kernel	11.5%	28.7%	9.4%	16.8%	14.2%
Refinery & processing	699.2%	58.0%	-24.5%	3.6%	6.0%
EBITDA	**295**	**323**	**324**	**358**	**398**
Plantations & palm oil mills	268	293	308	341	379
Refinery & processing	27	30	16	18	19
EBITDA growth (%)	**44.7%**	**9.5%**	**0.2%**	**10.8%**	**11.2%**
Plantations & palm oil mills	30.0%	9.3%	5.1%	10.7%	11.4%
Refinery & processing	-1262.5%	11.4%	-47.2%	12.8%	7.0%

Source: Company, Phillip Securities Research

Earnings and price target sensitivity analysis

We identify the following variables in analyzing First Resources' earnings and price target (PT) sensitivities: 1) FFB yield; 2) CPO production volume; and 3) CPO price assumptions.

Our EPS sensitivity suggests that during the forecast period of 2013-15: 1) 10% increase (decrease) in FFB yield relative to our base-case assumptions would increase (decrease) EPS/PT by 10%/15%; 2) 10% increase (decrease) in CPO production relative to our base-case assumptions would increase (decrease) EPS/PT by 12%/15%; and 3) 10% increase (decrease) in CPO price relative to our base-case assumptions would increase (decrease) EPS/PT by 21%/22%.

Figure 23: First Resources earnings and price target sensitivity analysis

US$ in millions unless otherwise stated

	-10% vs. Base			Base estimates			+10% vs. Base		
	2013F	2014F	2015F	2013F	2014F	2015F	2013F	2014F	2015F
FFB yield (MT/ha)	16.8	18.0	18.9	18.7	20.0	21.0	20.6	22.0	23.1
Sales	573	656	743	623	714	810	673	771	876
EBITDA	296	328	364	324	358	398	351	389	432
Net profit	178	199	224	199	222	250	219	245	275
EPS (US$ cents)	11.3	12.6	14.2	12.5	14.0	15.8	13.8	15.5	17.4
Price target (S$)		2.00			2.35			2.69	
CPO production ('000 MT)	530	619	707	589	688	785	648	756	864
Sales	571	654	742	623	714	810	675	773	877
EBITDA	292	324	360	324	358	398	355	393	437
Net profit	175	196	221	199	222	250	222	248	279
EPS (US$ cents)	11.1	12.4	13.9	12.5	14.0	15.8	14.0	15.6	17.6
Price target (S$)		1.99			2.35			2.70	
CPO price (US$/MT)	689	738	738	766	820	820	843	902	902
Sales	568	645	732	623	714	810	678	782	887
EBITDA	273	295	326	324	358	398	375	422	471
Net profit	161	175	195	199	222	250	236	269	304
EPS (US$ cents)	10.1	11.0	12.3	12.5	14.0	15.8	14.9	17.0	19.2
Price target (S$)		1.84			2.35			2.86	
					Changes (%)				
FFB yield (MT/ha)	-10.0%	-10.0%	-10.0%	-	-	-	10.0%	10.0%	10.0%
Sales	-8.0%	-8.1%	-8.2%	-	-	-	8.0%	8.1%	8.2%
EBITDA	-8.4%	-8.5%	-8.6%	-	-	-	8.4%	8.5%	8.6%
Net profit	-10.2%	-10.2%	-10.3%	-	-	-	10.2%	10.2%	10.3%
EPS (US$ cents)	-10.2%	-10.2%	-10.3%	-	-	-	10.2%	10.2%	10.3%
Price target (S$)		-14.7%			-			14.7%	
CPO production ('000 MT)	-10.0%	-10.0%	-10.0%	-	-	-	10.0%	10.0%	10.0%
Sales	-8.4%	-8.3%	-8.4%	-	-	-	8.4%	8.3%	8.4%
EBITDA	-9.7%	-9.7%	-9.7%	-	-	-	9.7%	9.7%	9.7%
Net profit	-11.7%	-11.6%	-11.7%	-	-	-	11.7%	11.6%	11.7%
EPS (US$ cents)	-11.7%	-11.6%	-11.7%	-	-	-	11.7%	11.6%	11.7%
Price target (S$)		-15.2%			-			15.2%	
CPO price (US$/MT)	-10.0%	-10.0%	-10.0%	-	-	-	10.0%	10.0%	10.0%
Sales	-8.9%	-9.6%	-9.6%	-	-	-	8.9%	9.6%	9.6%
EBITDA	-15.8%	-17.7%	-18.2%	-	-	-	15.8%	17.7%	18.2%
Net profit	-19.0%	-21.3%	-21.8%	-	-	-	19.0%	21.3%	21.8%
EPS (US$ cents)	-19.0%	-21.3%	-21.8%	-	-	-	19.0%	21.3%	21.8%
Price target (S$)		-21.7%			-			21.7%	

Source: Company, Phillip Securities Research

Every 10% increase in FFB yield results in 10%/15% increase in First Resources' EPS/PT.

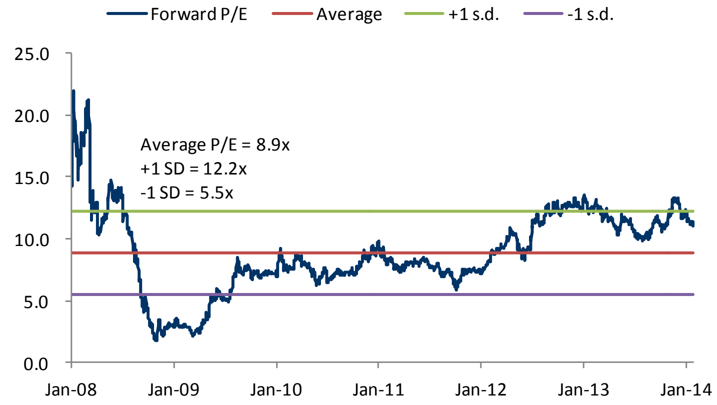
Every 10% increase in CPO production results in 12%/15% increase in EPS/PT.

Every 10% increase in CPO price results in 21%/22% increase in EPS/PT.

Historical trading range

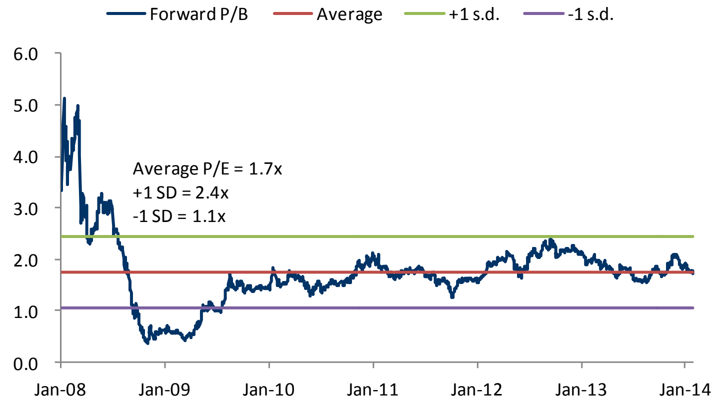
First Resources is currently trading at a 12-month rolling forward P/E of 11.1x, which is just below +1 S.D. of its historical mean forward P/E.

Figure 24: 12-month forward P/E



Source: Bloomberg, Phillip Securities Research

Figure 25: 12-month forward P/B



Source: Bloomberg, Phillip Securities Research

Check to P/E methodology

We attempt to look at First Resources' valuation from a P/E perspective based on an appropriate earnings multiple applied to the company. We use a 13x P/E for First Resources, in line with its upstream peers' long-term average. We arrive at a P/E valuation of S$2.59 which is 10% higher than our price target of S$2.35, and which would present a significant 30% upside from the current price levels.

Figure 26: First Resources valuation scenario by P/E multiples

FY15 P/E (x)	Fair value (S$)
10.0	1.99
11.0	2.19
12.0	2.39
13.0	2.59
14.0	2.79
15.0	2.99
16.0	3.19
17.0	3.38
18.0	3.58
19.0	3.78

Source: Phillip Securities Research

Risks to price target

Key downside risks to our price target include: (i) a sharp decline in CPO prices; (ii) weaker-than-expected CPO sales volume, as well as (iii) better-than-expected output of CPO and/or other global oilseeds (like soybean) pushing down CPO prices.

Peer group valuation comparison

First Resources' peers comprise not only plantation names listed in Singapore, Malaysia and Indonesia.

Figure 27: Valuations look attractive against peers on 2015F estimates

		Market cap	P/E (x)			P/B (x)			EV/EBITDA (x)			ROE (%)			Div yield (%)		
Company	**Ticker**	**(US$MM)**	**2013F**	**2014F**	**2015F**	**2013F**	**2014F**	**2015F**	**2013F**	**2014F**	**2015F**	**2013F**	**2014F**	**2015F**	**2013F**	**2014F**	**2015F**
			13y	14y	15y	13y	14y	15y	13y	14y	15y	13y	14y	15y	13y	14y	15y
Indonesia																	
Astra Agro Lestari	AALI IJ	2,769	21.4	14.4	13.1	3.6	3.1	2.8	11.8	8.8	7.7	16.7	22.2	22.6	2.9	2.9	3.7
BW Plantation	BWPT IJ	461	29.6	15.8	11.3	2.8	2.5	2.1	19.5	12.0	9.1	9.8	15.8	19.4	0.8	1.0	1.5
London Sumatra	LSIP IJ	936	20.0	12.8	12.1	1.8	1.6	1.5	11.2	8.0	6.8	9.1	12.0	13.1	2.8	2.2	2.9
Salim Ivomas Pratama	SIMP IJ	945	34.8	14.7	12.0	0.8	0.8	0.8	9.5	6.6	5.9	2.5	5.1	7.0	1.9	1.4	1.8
Sampoerna Agro	SGRO IJ	282	38.5	12.0	10.8	1.3	1.2	1.1	12.6	7.1	5.9	3.7	8.4	10.6	1.6	1.8	2.6
Mean			**28.9**	**14.0**	**11.9**	**2.1**	**1.8**	**1.6**	**12.9**	**8.5**	**7.1**	**8.4**	**12.7**	**14.6**	**2.0**	**1.9**	**2.5**
Median			**29.6**	**14.4**	**12.0**	**1.8**	**1.6**	**1.5**	**11.8**	**8.0**	**6.8**	**9.1**	**12.0**	**13.1**	**1.9**	**1.8**	**2.6**
Malaysia																	
Felda Global Ventures	FGV MK	4,754	26.9	18.6	17.6	2.5	2.4	2.2	13.4	9.8	9.2	9.2	11.9	12.6	2.2	2.8	3.1
Genting Plantations	GENP MK	2,337	28.5	20.6	16.7	2.2	2.0	1.9	21.8	15.0	11.9	7.3	9.7	11.1	1.7	1.3	1.6
IOI Corp	IOI MK	7,976	15.3	18.3	17.1	2.0	2.9	2.7	12.3	13.7	13.0	13.7	15.5	18.2	3.6	3.3	3.5
Kuala Lumpur Kepong	KLK MK	7,455	26.7	21.0	19.6	3.4	3.1	2.9	16.6	13.5	12.4	12.7	14.6	15.1	2.4	2.7	2.8
Sime Darby	SIME MK	16,295	16.4	16.3	14.7	2.0	1.9	1.8	10.3	10.1	9.2	12.4	11.8	12.4	3.2	3.4	3.7
Mean			**22.8**	**18.9**	**17.2**	**2.4**	**2.5**	**2.3**	**14.9**	**12.4**	**11.1**	**11.1**	**12.7**	**13.9**	**2.6**	**2.7**	**2.9**
Median			**26.7**	**18.6**	**17.1**	**2.2**	**2.4**	**2.2**	**13.4**	**13.5**	**11.9**	**12.4**	**11.9**	**12.6**	**2.4**	**2.8**	**3.1**
Singapore																	
Bumitama Agri	BAL SP	1,253	21.4	13.2	10.8	2.8	2.4	2.0	15.0	9.4	7.9	13.1	19.2	19.9	0.8	1.3	1.5
Golden Agri-Resources	GGR SP	5,230	17.7	12.3	10.7	0.6	0.6	0.6	11.5	8.9	7.8	3.4	4.7	5.4	2.0	2.5	2.9
Indofood Agri Resources	IFAR SP	855	20.8	12.2	9.7	0.7	0.7	0.6	11.0	8.0	6.8	3.2	5.3	6.6	0.7	0.8	0.8
Wilmar International	WIL SP	15,643	12.0	10.6	9.6	1.0	0.9	0.9	15.8	14.2	13.1	8.8	9.2	9.5	1.9	2.1	2.4
First Resources Ltd	FR SP	2,470	12.4	11.1	9.9	2.5	2.2	2.0	8.6	7.8	7.0	16.8	16.6	16.4	2.1	2.2	2.3
Mean			**16.9**	**11.9**	**10.2**	**1.5**	**1.4**	**1.2**	**12.4**	**9.7**	**8.5**	**9.1**	**11.0**	**11.6**	**1.5**	**1.8**	**2.0**
Median			**17.7**	**12.2**	**9.9**	**1.0**	**0.9**	**0.9**	**11.5**	**8.9**	**7.8**	**8.8**	**9.2**	**9.5**	**1.9**	**2.1**	**2.3**
Overall industry mean			**22.8**	**14.9**	**13.1**	**2.0**	**1.9**	**1.7**	**13.4**	**10.2**	**8.9**	**9.5**	**12.1**	**13.3**	**2.1**	**2.1**	**2.5**
Overall industry median			**21.4**	**14.4**	**12.0**	**2.0**	**2.0**	**1.9**	**12.3**	**9.4**	**7.9**	**9.2**	**11.9**	**12.6**	**2.0**	**2.2**	**2.6**

Source: Bloomberg, Phillip Securities Research

Risk-reward analysis

Base case: S$2.35 price target (13x 2014F EPS)

In this scenario, we project strong CPO production coupled with firm CPO prices - given the steady global recovery through 2015, which in turn should lead to tightness in commodities. We make the following assumptions in 2013F/14F/15F in First Resources' earnings model: i) An average CPO price of US$766/820/820 per tonne for the respective years; ii) FFB yield of 18.7/20.0/21.0 tonnes per hectare; and iii) CPO production of 589k/688k/785k tonnes. With these assumptions, we forecast 2013F/14F/15F EPS of US$0.12/0.14/0.16, indicating annual EPS growth of -8%, 12% and 12% respectively. We note, however, that the negative growth in 2013F EPS growth is mainly due to the lower CPO average selling prices.

Bear case: S$1.45 fair value estimate (12x 2014F EPS)

In our bear-case scenario, we assume a weaker-than-expected economic recovery into 2015. We expect global demand for soft commodities to weaken considerably, thus driving CPO prices lower. Furthermore, we assume production volume to disappoint as production yield fail to recover beyond 2013. In our earnings model, we make the following assumptions for 2013F/14F/15F: i) An average CPO price of US$766/730/730 for the respective years; ii) FFB yield of 18.7/17.6/18.5 tonnes per hectare; and iii) CPO production of 589k/615k/702k tonnes.

Bull case: S$3.07 fair value estimate (14x 2014F EPS)

In our bull-case scenario, we foresee a sharp global recovery through 2015, which in turn will have a positive impact on soft commodity prices as demand remains robust, thus sharply higher CPO prices. In addition, we see higher volume as production yield recovers swiftly from biological down trend in 2013 and allowing CPO production volume to grow strongly. We translate this view into the following assumptions in our earnings model for 2013/14/15: i) An average CPO price of US$766/910/910 per tonne for the respective years; ii) FFB yield of 18.7/20.9/21.9 tonnes per hectare; and iii) CPO production of 589k/714k/816k tonnes.

Figure 28: Bull to Bear: Key Assumptions

	2013F	2014F	2015F
Plantation			
CPO production growth (%)			
Bull	12%	21%	14%
Base	12%	17%	14%
Bear	12%	4%	14%
CPO price (US$/MT)			
Bull	766	910	910
Base	766	820	820
Bear	766	730	730
FFB yield change (%)			
Bull	-15%	12%	5%
Base	-15%	7%	5%
Bear	-15%	-6%	5%
Net income (US$mn)			
Bull	199	285	322
Base	199	222	250
Bear	199	149	167
EPS (US$)			
Bull	0.13	0.18	0.20
Base	0.13	0.14	0.16
Bear	0.13	0.09	0.11

Source: Phillip Securities Research

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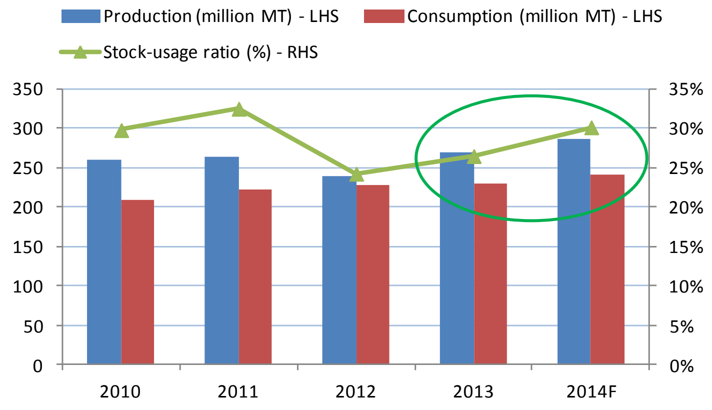
CPO price analysis

Neutral on CPO prices; Rising global oilseeds supply capping CPO price increase

We are neutral on the outlook of CPO prices, given the anticipated rising supply of global oilseeds, in particular, soybean from South America and the US. USDA estimates 2014F South America soybean production (to be harvested in 2Q) to rise by 8% yoy, driving global 2014F production up by 7% yoy. We believe this will dampen soybean oil price, hence limiting further upside in CPO prices.

Figure 29: Soybean production growth would raise stock-usage ratio



Source: USDA, Phillip Securities Research

CPO prices less attractive relative to substitute - soybean oil

Albeit soybean oil prices have declined by ~20% in the past 12 months, CPO prices have remained fairly stable due to weaker-than-expected production on biological cycle and low inventories. CPO prices are currently less attractive relative to soybean oil, trading at US$84/MT discount to soybean oil (versus historical average of US$200/MT since 2008). If this discount is to revert back to the historical averages and widen over time, it will be a negative for CPO prices. Thus, CPO is no longer an attractive alternative for consumers to switch from soybean oil, in our view.

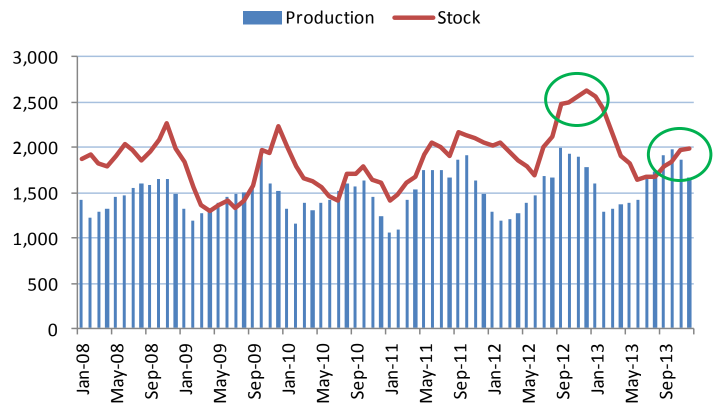
Figure 30: CPO's price discount to soybean oil (US$/MT) has narrowed significant over the past few months; no longer a demand catalyst

Source: Bloomberg, Phillip Securities Research

CPO production to recover from biological trend

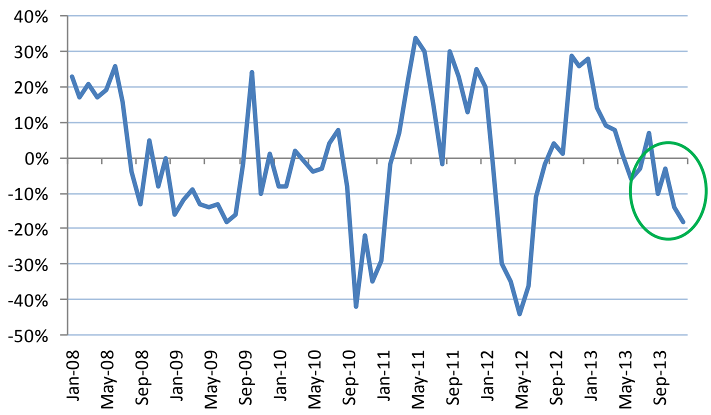
CPO supply in both Indonesia and Malaysia (to a lesser degree) has been weak over the past 9 months, due to oil palm tree's low yield biological cycle following the bumper crop experienced in 2012, but we expect this yield cycle to recover in 2014. For instance, our analysis of YoY change in Malaysia FFB yield show that yield momentum could reverse and start to improve in the coming months. While Malaysia CPO inventory has been hovering below the 2.0mn tons level for the past 9 months, we expect inventory to increase going forward on rising supply, which in turn will put downward pressure on CPO prices.

Figure 31: Malaysia monthly CPO stock and production ('000 MT)



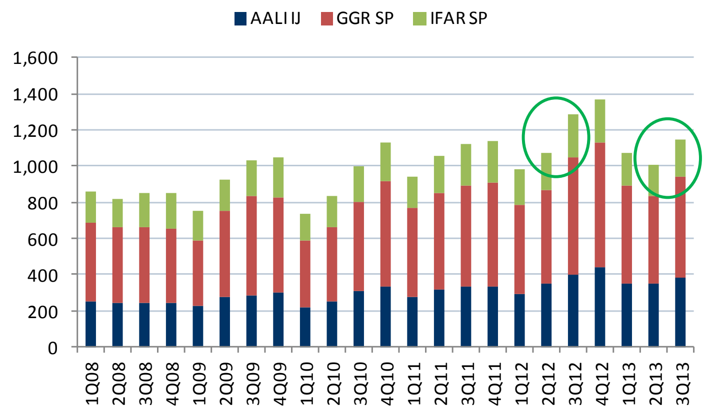
Source: MPOB, Phillip Securities Research

Figure 32: Malaysia FFB yield YoY change (%)



Source: MPOB, Phillip Securities Research

Figure 33: Indonesia planters' quarterly CPO production ('000 MT)

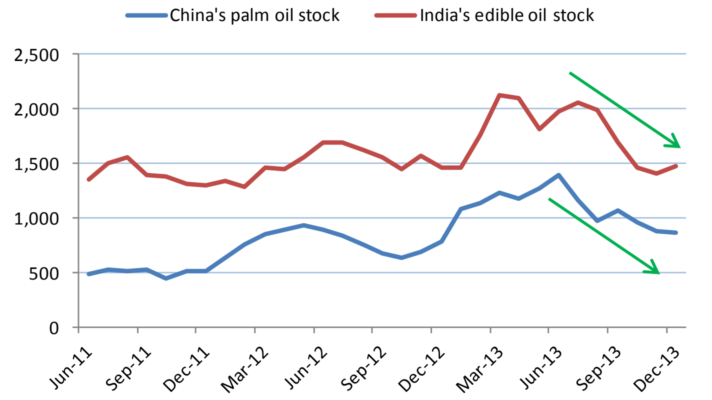


Source: Companies, Phillip Securities Research

Setting 2014F CPO prices @ US$820/MT; Low inventories in China and India supporting demand

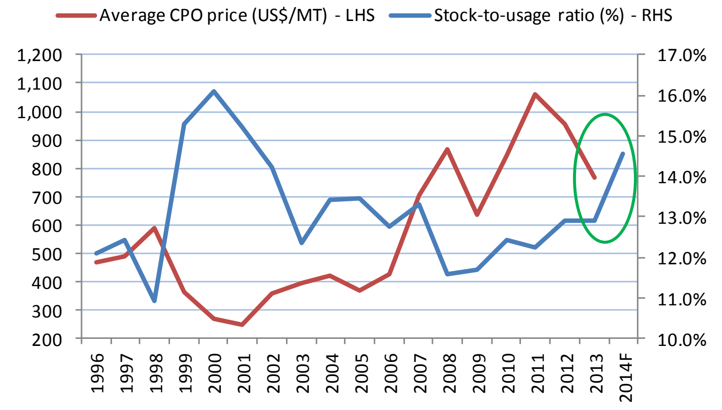
That said, edible oil stocks in both China and India have dropped by more than 30% from their record peak last year, indicating that demand from these countries should remain resilient. With CPO price hovering above the US$750/ton levels for the past three months, we have set our CPO price forecast for 2014 at US$820 per tonne. We believe our CPO price assumption is conservative, which implies ~8% upside from the current spot price of US$760/MT.

Figure 34: Shrinking edible oil stockpiles in both China and India ('000 tonnes)



Source: Cofeed, Solvents Extractors' Association of India, Phillip Securities Research

Figure 35: Global CPO stock-usage ratio versus CPO price



Source: USDA, Phillip Securities Research

Wildcard: Biodiesel mandate could boost CPO prices

We believe our CPO price projection will face potential upside risk from the higher biodiesel mandate from Indonesia and Malaysia. We estimate an annual commitment of 3.0 million tonnes of CPO supply to the production of bio-diesel from 2014/15 could significantly reduce global CPO inventories in the short term. In such an event, we estimate the average CPO price could reach US$910/1,000 per tonnes, 11%/22% higher than our base-case projections for 2014/15. In our view, the catalyst for this scenario would be the successful implementations of (i) Indonesia's mandatory biodiesel B10 targets (10% biodiesel blend) in early 2014, and (ii) Malaysia's B5 blend nationwide by mid-2014. This, in our opinion, could raise consumption in Indonesia/Malaysia by 3.0/0.3 million tonnes per annual.

Figure 36: Indonesia's new mandatory blending of biodiesel (from 29 Aug 2013)

Biodiesel mix	2013	2014	2015
Transportation (Subsidized)	10%	10%	10%
Transportation (Non-subsidized)	3%	10%	10%
Industry (Non-subsidized)	5%	10%	10%
Electricity	8%	20%	25%

Source: Indonesia's Ministry of Energy & Mineral Resources

Figure 37: Indonesia's old mandatory blending of biodiesel (before 29 Aug 2013)

Biodiesel mix	2013	2014	2015
Transportation (Subsidized)	3%	3%	5%
Transportation (Non-subsidized)	3%	3%	7%
Industry (Non-subsidized)	5%	5%	10%
Electricity	1%	1%	10%

Source: Indonesia's Ministry of Energy & Mineral Resources

Figure 38: Global CPO supply and demand - Easing stock-to-usage ratios indicating tighter market conditions

Million tonnes	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F
Opening stocks	4.81	4.56	4.99	5.61	5.87	6.59	7.03	8.22	8.48
Production	**41.08**	**44.02**	**46.04**	**48.73**	**51.95**	**55.77**	**58.40**	**61.32**	**64.38**
Net imports/(exports)	-2.02	-0.88	-0.30	-0.56	-0.20	-0.81	-0.74	-1.19	-1.68
Consumption	**39.32**	**42.71**	**45.13**	**47.91**	**51.04**	**54.53**	**56.47**	**59.86**	**63.45**
Ending stocks	4.56	4.99	5.61	5.87	6.59	7.03	8.22	8.48	7.73
Stock-usage ratio (%)	**11.6%**	**11.7%**	**12.4%**	**12.3%**	**12.9%**	**12.9%**	**14.5%**	**14.2%**	**12.2%**

Source: USDA, Phillip Securities Research

Figure 39: Global CPO supply and demand - Successful implementation of biodiesel mandate in Indonesia and Malaysia could push stock-to-usage ratio to less than 3%

Million tonnes	2008	2009	2010	2011	2012	2013	2014F	2015F	2016F
Opening stocks	4.811	4.56	4.99	5.61	5.87	6.59	7.03	5.22	2.48
Production	**41.08**	**44.02**	**46.04**	**48.73**	**51.95**	**55.77**	**58.40**	**61.32**	**64.38**
Net imports/(exports)	-2.02	-0.88	-0.30	-0.56	-0.20	-0.81	-0.74	-1.19	-1.68
Consumption	**39.32**	**42.71**	**45.13**	**47.91**	**51.04**	**54.53**	**59.47**	**62.86**	**63.45**
Ending stocks	4.56	4.99	5.61	5.87	6.59	7.03	5.22	2.48	1.73
Stock-usage ratio (%)	**11.6%**	**11.7%**	**12.4%**	**12.3%**	**12.9%**	**12.9%**	**8.8%**	**3.9%**	**2.7%**

Source: USDA, Phillip Securities Research

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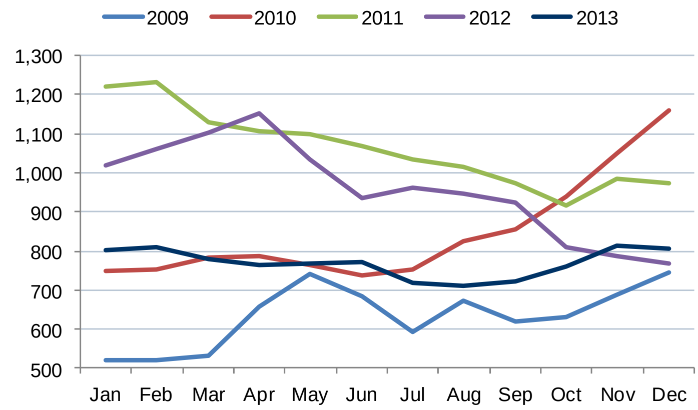
Trading ideas based on seasonality

Historically, CPO price tends to ease in the 3rd quarter of the calendar year as CPO demand moderates and inventory builds up. Despite the potential short-term downbeat sentiment toward the stock price that could result at this time, First Resources' earnings would be resilient, in our view, as the seasonal softening of the CPO average selling price would be offset by the strong production prospect given its young plantation estates.

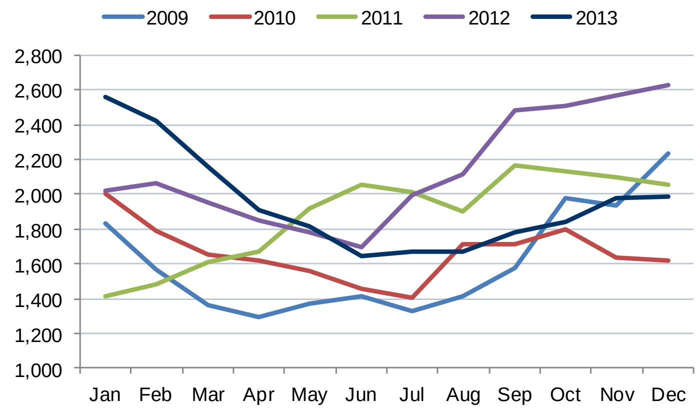
Depending on the magnitude of the potential price consolidation, we would, by and large, recommend investors to build positions in First Resources' shares going into the 2nd half of the calendar year, when a seasonal recovery in the CPO price, peak production, as well as higher sales volume ahead of the winter and year-end festivities, would likely support positive sentiment.

Figure 40: CPO price monthly trend (US$/MT)



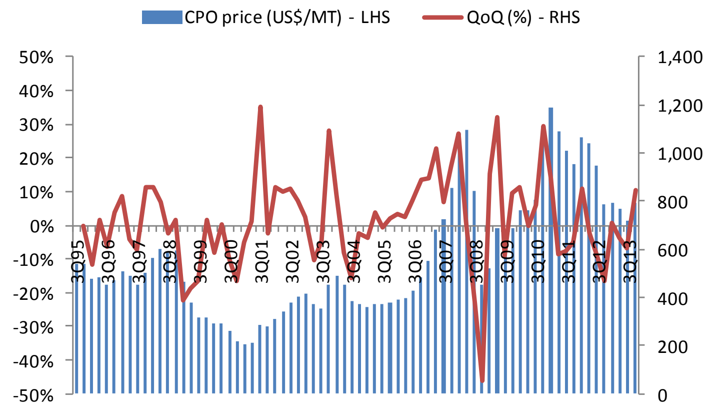
Source: Bloomberg, Phillip Securities Research

Figure 41: Malaysia monthly CPO inventory level ('000 tonnes)



Source: MPOB, Phillip Securities Research

Figure 42: CPO price tends to soften in 3Q of the year, with 3% average price correction QoQ



Source: Bloomberg, Phillip Securities Research

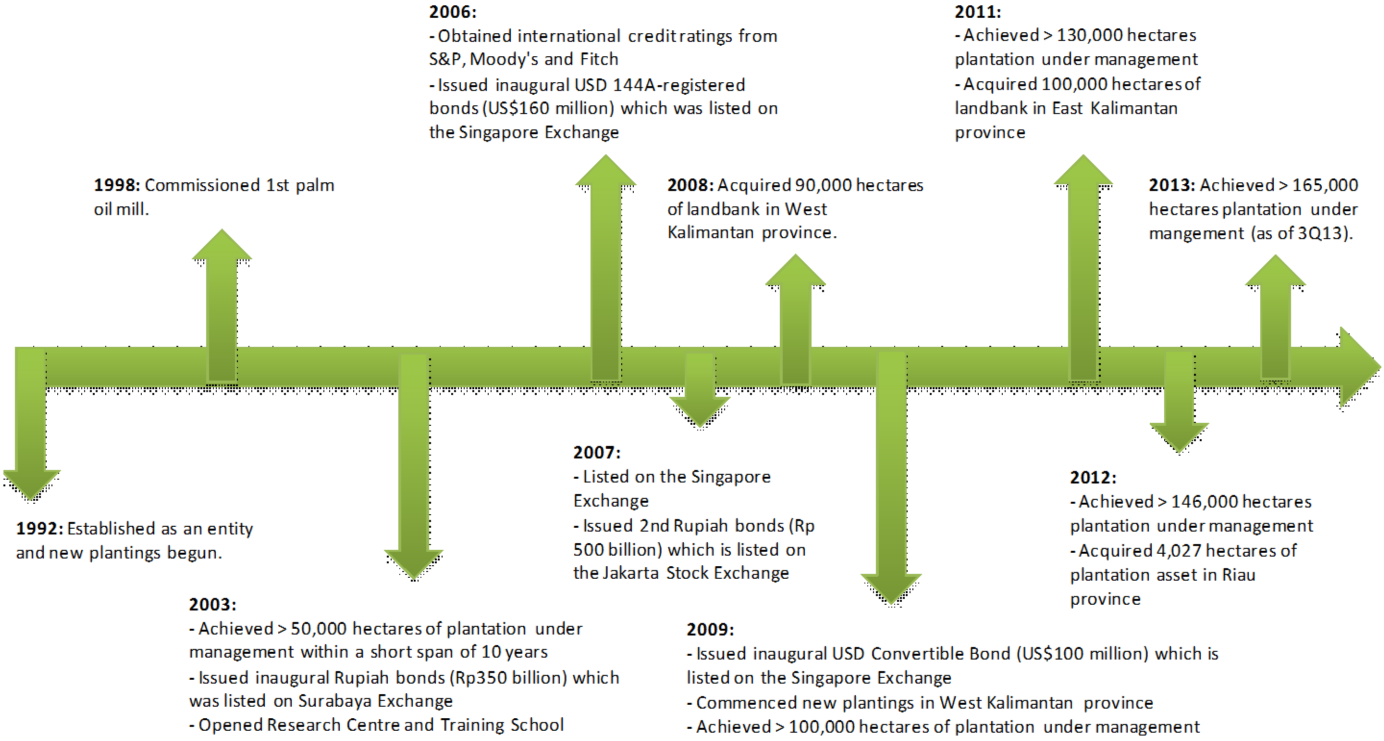
Company background

Profile

First Resources, established in 1992 and listed on the Singapore Exchange since 2007, is one of the fastest-growing palm oil producers in Asia-Pacific, managing more than 160,000 hectares of oil palm plantations (more than two times the size of Singapore) and operating 11 palm oil mills in Indonesia. It is principally engaged in the business of cultivating oil palms, harvesting the fresh fruit bunches and milling them into crude palm oil (CPO) and palm kernel for sale domestically in Indonesia as well as internationally. It's integrated processing facilities enable the Group to refine part of its CPO production into higher value products such as olein and biodiesel.

First Resources' strategy involves adopting a disciplined approach towards new plantings to rejuvenate its plantation age profile, so as to achieve a sustainable growth trajectory. It's expertise in plantation cultivation and management is clearly reflected in its high yields, high extraction rates and low cost of production. The Group's strong fundamentals have resulted in a competitive cost structure that has enabled it to capture superior margins and remain resilient to CPO price cycles.

Figure 43: Key milestones



Source: Company, Phillip Securities Research

Key business segments

Plantations & palm oil mills: In the upstream business, First Resources engages in the cultivation, harvesting and management of oil palm plantations in the Riau, East and West Kalimantan provinces of Indonesia. As of September 30, 2013, First Resources' oil palm plantation land bank is about 140,000 hectares, with 165,876 hectares of planted area (more than two times the size of Singapore).

Figure 44: First Resources has substantial productivity gains ahead - 58% of its planted area is less than seven years old

Oil palm	Immature (0-3 years)	Young (4-7 years)	Prime (8-17 years)	Old (>17 years)	Total planted area
Hectarage	44,976	50,602	56,678	13,620	165,876
% of total planted area	27%	31%	34%	8%	100%

Source: Company, Phillip Securities Research

Figure 45: Map of business operations

Source: Company

Refinery & processing: First Resources' Refinery & processing division has recently completed its new refinery (annual capacity: 600,000 tonnes per annum) in 4Q13, lifting its total combined refining capacity to 850,000 tonnes per annum.

Products from this segment include:

- RBD (Refined, Bleached and Deodorized) Palm Oil,
- RBD Palm Olein,
- RBD Palm Stearin,
- PKO (Palm Kernel Oil),
- PFAD (Palm Fatty Acid Distillate; used in soaps, plastics, lubricants, etc.)
- Crude Glycerine (used in pharmaceutical products),
- Biodiesel
- PKE (Palm Kernel Expeller; used in compound feeds for adult ruminant livestock such as dairy cow, beef cow and sheep)

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Financial analysis

Profit and loss

Plantations & palm oil mills
Revenue rise in 2013 despite lower CPO price due to higher sales volume. Our CPO price forecast of US$766/820 per tonne for 2013F/14F against average price of US$959 per tonne for 2012. Full year FFB yield of 18.7 MT/ha is below the norm of 20-22 MT/ha due to dilutive effect from higher percentage of yound trees compared to 2012, and the lower yielding plantations that were acquired by the company. That said, CPO production volume still see strong growth of 12% in 2013.

Refinery & processing
Sales volume drop in 2013 due to decrease in purchases of palm oil products from third parites. Fluctuations in revenue will be largely a function of prevailing refined palm oil prices. We assume blended ASP of US$880/931 per tonne for refined palm oil in 2013F/14F.

Net profit (recurring)
Recurring earnings growth will be weaker in 2013 on lower CPO average selling prices, partially offset by stronger sales volume.

Recovery expected in 2014 on CPO price support from low inventory, strong demand and biodiesel mandate upside.

Figure 46: Profit and loss

US$ in millions, year-end December

	2011	2012	2013F	2014F	2015F
Revenue	**495**	**603**	**623**	**714**	**810**
Plantations & palm oil mills	441	504	563	647	739
- CPO	389	455	522	595	680
- PK	53	49	42	52	59
Refinery & processing	176	243	147	163	173
Eliminations	-122	-144	-87	-97	-102
% Revenue growth	49.9%	22.0%	3.2%	14.5%	13.4%
Plantations & palm oil mills	33.1%	14.4%	11.7%	14.9%	14.2%
- CPO	34.9%	17.1%	14.7%	14.1%	14.2%
- PK	21.6%	-5.9%	-16.0%	25.0%	14.2%
Refinery & processing	1001.5%	38.6%	-39.6%	10.9%	6.0%
EBITDA	**295**	**323**	**324**	**358**	**398**
Plantations & palm oil mills	268	293	308	341	379
Refinery & processing	27	30	16	18	19
% EBITDA growth	44.7%	9.5%	0.2%	10.8%	11.2%
- Plantations & palm oil mills	30.0%	9.3%	5.1%	10.7%	11.4%
- Refinery & processing	-1262.5%	11.4%	-47.2%	12.8%	7.0%
% EBITDA margin	59.6%	53.5%	51.9%	50.2%	49.2%
- Plantations & palm oil mills	54.2%	48.5%	49.4%	47.7%	46.9%
- Refinery & processing	5.4%	5.0%	2.5%	2.5%	2.4%
EBIT	271	298	297	328	365
% EBIT growth	44.7%	9.8%	-0.3%	10.6%	11.3%
% EBIT margin	54.8%	49.3%	47.7%	46.0%	45.2%
Interest income	1	2	5	5	5
Interest expense	-29	-22	-34	-34	-34
Profit before tax	282	326	268	299	337
Tax	-76	-78	-60	-67	-75
Profit after tax	206	248	208	233	262
Minority interest	-9	-11	-9	-10	-12
Net profit	196	237	199	222	250
FV gains on biological assets, after tax	28	26	0	0	0
Net profit (recurring)	**168**	**211**	**199**	**222**	**250**
% Net profit (recurring) growth	**54.6%**	**25.5%**	**-6.0%**	**11.8%**	**12.5%**
% Net profit (recurring) margin	**34.0%**	**35.0%**	**31.9%**	**31.1%**	**30.9%**
EPS US cts	13.4	15.3	12.5	14.0	15.8
DPS S cts	3.5	4.0	4.2	4.4	4.6

Source: Company, Phillip Securities Research

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Balance sheet

Inventories
Comprises about 64% of self-liquidating palm based products.
FY12 inventory days = 96.

Accounts receivables
Trade receivables are non-interest bearing and generally due within 30 days.
Average turnover as of FY12 is 15 days.

Accounts payable
Trade payables are non-interest bearing and generally due within 30-90 days.
FY12 payable days is 35.

Figure 47: Balance sheet

US$ in millions, year-end December

	2011	2012	2013F	2014F	2015F
Cash	210	405	415	451	528
Investments	0	0	0	0	0
Inventories	39	58	63	75	87
Account receivables	30	25	26	29	33
Other current assets	37	73	73	73	73
Current assets	**317**	**561**	**576**	**629**	**721**
Fixed assets	1,031	1,165	1,309	1,439	1,556
Intangibles	105	148	148	148	148
Associates & JV	0	0	0	0	0
Long-term investments	0	0	0	0	0
Other assets	47	57	57	57	57
Non-current assets	**1,183**	**1,370**	**1,514**	**1,644**	**1,761**
Total assets	**1,500**	**1,931**	**2,090**	**2,272**	**2,482**
Accounts payable	17	21	23	27	31
ST debt	40	40	40	40	40
Derivative instruments	7	3	3	3	3
Provision for tax	27	22	22	22	22
Other current liabilities	85	45	45	45	45
Current liabilities	**176**	**131**	**132**	**137**	**141**
LT debt	261	498	498	498	498
Deferred tax liabilities	120	130	130	130	130
Other liabilities	14	14	14	14	14
Non-current liabilities	**395**	**643**	**643**	**643**	**643**
Total liabilities	**572**	**773**	**775**	**779**	**784**
Share capital	290	395	395	395	395
Accumulated profits	533	724	871	1,039	1,233
Other reserves	61	-12	-12	-12	-12
Equity	**885**	**1,106**	**1,254**	**1,422**	**1,616**
Minority interests	44	51	61	71	83
Total shareholder's equity	**928**	**1,158**	**1,315**	**1,493**	**1,698**
Total liabilities & S/H equity	**1,500**	**1,931**	**2,090**	**2,272**	**2,482**

Source: Company, Phillip Securities Research

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Cash flow statement

Operating cash flow
Strong operating cash flow position from stringent working capital and credit risk management.

Capex
We estimate capex to normalize to about US$150 million annually (maintenance US$60 million + growth US$90 million).

Dividend payout
Albeit management guided a payout ratio of ~30%, we conservatively assume a lower payout of about 24-27%.

Figure 48: Cash flow statement

US$ in millions, year-end December

	2011	2012	2013F	2014F	2015F
Profit before tax	282	326	268	299	337
Depreciation & amortization	24	25	27	30	33
Other non-cash items	-11	-16	34	34	34
Changes in working capital	-36	-41	-4	-12	-12
Interest paid	-30	-25	-34	-34	-34
Tax paid	-52	-73	-60	-67	-75
Cash from operations	**176**	**196**	**231**	**251**	**283**
Capex	-158	-175	-170	-160	-150
Disposal	1	0	0	0	0
Net change in Assoc/JVs	0	0	0	0	0
Dividends received	0	0	0	0	0
Other investing activities	-41	-55	0	0	0
Cash from investing activities	**-198**	**-230**	**-170**	**-160**	**-150**
Share issues	18	0	0	0	0
Net change in gross debt	43	282	0	0	0
Dividend paid	-37	-48	-51	-54	-56
Other financing activities	-12	-4	0	0	0
Cash from financing activities	**12**	**231**	**-51**	**-54**	**-56**
Net change in cash	-10	197	10	37	76
Beginning cash	209	210	405	415	451
Effect of exchange rates	0	0	0	0	0
Cash held by financial institutions	12	-3	0	0	0
Ending cash	210	405	415	451	528

Source: Company, Phillip Securities Research

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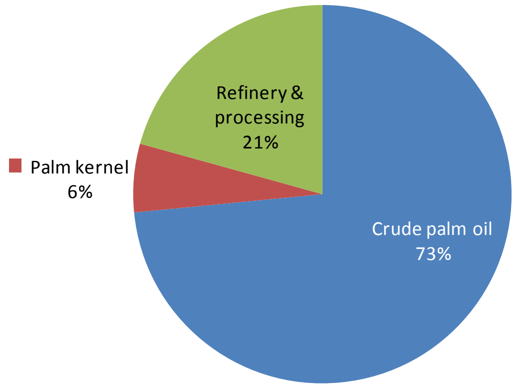
Key financial and operating ratios

Figure 49: Key financial and operating ratios

US$ in millions, year-end December	2011	2012	2013F	2014F	2015F
Growth analysis					
Sales growth	49.9%	22.0%	3.2%	14.5%	13.4%
EBITDA growth	44.7%	9.5%	0.2%	10.8%	11.2%
EBIT growth	44.7%	9.8%	-0.3%	10.6%	11.3%
Net income (recurring) growth	54.6%	25.5%	-6.0%	11.8%	12.5%
Margin analysis					
EBITDA margin	59.6%	53.5%	51.9%	50.2%	49.2%
EBIT margin	54.8%	49.3%	47.7%	46.0%	45.2%
Net income (recurring) margin	34.0%	35.0%	31.9%	31.1%	30.9%
Profitability analysis					
ROA	15.1%	14.5%	10.3%	10.7%	11.0%
ROCE	17.8%	16.8%	11.6%	11.8%	12.1%
ROE	24.6%	23.8%	16.8%	16.6%	16.4%
Average capital employed	1,101	1,415	1,719	1,876	2,057
Leverage ratio					
Total debt / equity	34.1%	48.6%	42.9%	37.8%	33.3%
Net debt / equity	10.3%	12.1%	9.8%	6.1%	0.6%
EBITDA / interest expense (x)	10.1	15.0	9.6	10.7	11.8
Net debt / EBITDA (x)	0.3	0.4	0.4	0.2	0.0
Total debt / EBITDA (x)	1.0	1.7	1.7	1.5	1.4
Turnover ratios					
Asset turnover ratio (x)	0.36	0.35	0.31	0.33	0.34
Fixed asset turnover ratio (x)	0.52	0.55	0.50	0.52	0.54
Per share ratios					
# shares (diluted)	1,570	1,582	1,551	1,584	1,584
EPS (US$)	0.10	0.13	0.15	0.13	0.14
DPS (S$)	0.03	0.04	0.04	0.04	0.04
BVPS (US$)	0.49	0.60	0.70	0.79	0.90
Total cash per share (US$)	0.13	0.26	0.27	0.29	0.33
Net debt per share (US$)	0.06	0.08	0.08	0.05	0.01
ROE decomposition					
Asset turnover	0.4	0.4	0.3	0.3	0.3
Net margin	34.0%	35.0%	31.9%	31.1%	30.9%
Asset / Equity	2.0	1.9	1.7	1.6	1.6
ROE	24.6%	23.8%	16.8%	16.6%	16.4%

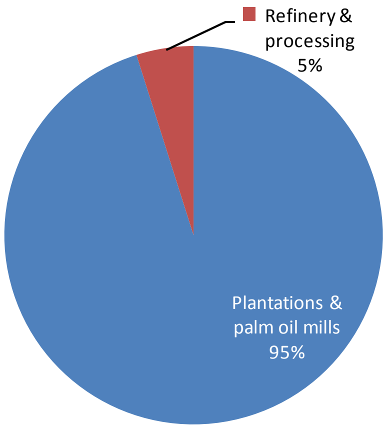
Source: Company, Phillip Securities Research

Figure 50: Revenue breakdown by business segment (2013F)



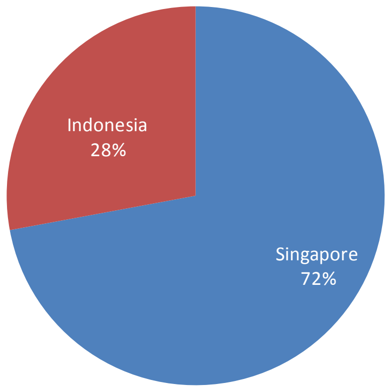
Source: Phillip Securities Research, before inter-segment eliminations

Figure 51: EBITDA by segment (2013F)



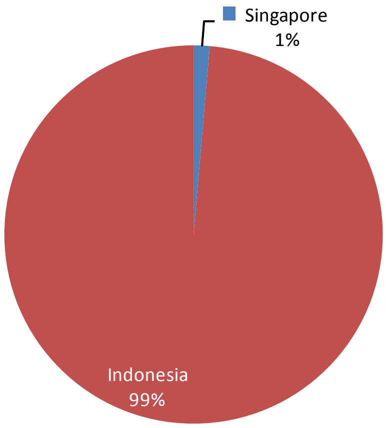
Source: Phillip Securities Research

Figure 52: Revenue by geography (2012)



Source: Company

Figure 53: Segment assets by geography (2012)



Source: Company

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FYE Dec	2011	2012	2013F	2014F	2015F
Income statement ($ mn)					
Revenue	**495**	**603**	**623**	**714**	**810**
EBITDA	**295**	**323**	**324**	**358**	**398**
Depreciation & amortization	-24	-25	-27	-30	-33
EBIT	**271**	**298**	**297**	**328**	**365**
Net finance (expense)/income	-28	-19	-29	-29	-29
Other items	38	48	0	0	0
Associates & JVs	0	0	0	0	0
Exceptional items	n/a	n/a	n/a	n/a	n/a
Profit before tax	**282**	**326**	**268**	**299**	**337**
Taxation	-76	-78	-60	-67	-75
Profit after tax	**206**	**248**	**208**	**233**	**262**
Non-controlling interest	9	11	9	10	12
Net income, reported	**196**	**237**	**199**	**222**	**250**
Net income, adj.	**168**	**211**	**199**	**222**	**250**
Per share data ($)					
EPS, reported	0.13	0.15	0.13	0.14	0.16
EPS, adj.	0.11	0.14	0.13	0.14	0.16
DPS	0.03	0.03	0.03	0.04	0.04
BVPS	0.60	0.70	0.79	0.90	1.02

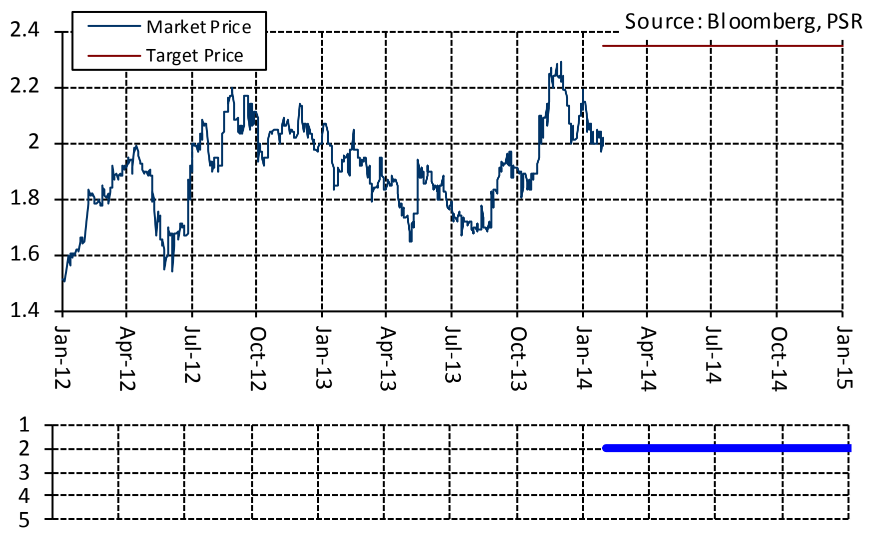
FYE Dec	2011	2012	2013F	2014F	2015F
Cash flow statement ($ mn)					
CFO					
PBT	282	326	268	299	337
Adjustments	11	7	56	59	61
WC changes	-36	-41	-4	-12	-12
Cash generated from ops	257	292	320	347	387
Others	-81	-96	-89	-96	-104
Cash flow from ops	**176**	**196**	**231**	**251**	**283**
CFI					
CAPEX, net	-158	-175	-170	-160	-150
Others	-40	-55	0	0	0
Cash flow from investments	**-198**	**-230**	**-170**	**-160**	**-150**
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	43	282	0	0	0
Dividends	-37	-48	-51	-54	-56
Others	5	-4	0	0	0
Cash flow from financing	**12**	**231**	**-51**	**-54**	**-56**
Net change in cash	**-10**	**197**	**10**	**37**	**76**
CCE, end	**210**	**405**	**415**	**451**	**528**

FYE Dec	2011	2012	2013F	2014F	2015F
Balance sheet ($ mn)					
PPE	1,031	1,165	1,309	1,439	1,556
Intangibles	105	148	148	148	148
Associates & JVs	0	0	0	0	0
Others	47	57	57	57	57
Total non-current assets	**1,183**	**1,370**	**1,514**	**1,644**	**1,761**
Inventories	39	58	63	75	87
Accounts receivables	30	25	26	29	33
Investments	0	0	0	0	0
Cash	210	405	415	451	528
Others	37	73	73	73	73
Total current assets	**317**	**561**	**576**	**629**	**721**
Total assets	**1,500**	**1,931**	**2,090**	**2,272**	**2,482**
Short-term loans	89	40	40	40	40
Accounts payables	17	21	23	27	31
Others	71	70	70	70	70
Total current liabilities	**176**	**131**	**132**	**137**	**141**
Long-term loans	261	498	498	498	498
Others	134	145	145	145	145
Total non-current liabilities	**395**	**643**	**643**	**643**	**643**
Non-controlling interest	44	51	61	71	83
Shareholder equity	**928**	**1,158**	**1,315**	**1,493**	**1,698**

Source: Company, PSR

FYE Dec	2011	2012	2013F	2014F	2015F
Valuation ratios					
P/E (x), adj.	13.6	11.4	12.4	11.1	9.9
P/B (x)	3.3	2.8	2.5	2.2	2.0
EV/EBITDA (x), adj.	9.5	8.6	8.6	7.8	7.0
Dividend yield (%)	1.8%	2.0%	2.1%	2.2%	2.3%
Growth & margins (%)					
Growth					
Revenue	49.9%	22.0%	3.2%	14.5%	13.4%
EBITDA	44.7%	9.6%	0.2%	10.8%	11.2%
EBIT	44.7%	9.8%	-0.3%	10.6%	11.3%
Net income, adj.	54.6%	25.5%	-6.0%	11.8%	12.5%
Margins					
EBITDA margin	59.6%	53.5%	51.9%	50.2%	49.2%
EBIT margin	54.8%	49.3%	47.7%	46.0%	45.2%
Net profit margin	34.0%	35.0%	31.9%	31.1%	30.9%
Key ratios					
ROE (%)	21.1%	21.2%	16.8%	16.6%	16.4%
ROA (%)	15.1%	14.5%	10.3%	10.7%	11.0%
Net debt/(cash)	139	133	123	87	10
Net gearing (x)	15.0%	11.5%	9.4%	5.8%	0.6%

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

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