

Bloomberg | Reuters | POEMS  
GGR.SP | GAGR.SI | GARSA.SG  
Industry: Plantation

Phillip Securities Research Pte Ltd

26 July 2012

## Report type: Company Preview

### Company Overview

Golden Agri-Resources Ltd (GGR) is the world's second largest palm oil plantation company with plantations located in Indonesia. It has integrated operations focused on the production of palm-based edible oil and fat.

- CPO to soybean oil spread widens
- Supportive factors pushing CPO prices up
- Price target raised to \$0.77

### What is the news?

Palm oil price has risen as high as US\$983/MT this month, as demand outlook brightened after forecasts of more severe weather in the United States threatened to decrease supply of global oilseed further. Palm oil is a substitute for soybean oil and we believe that the bad weather condition will hurt the soybean crop, which in turn may result in a lower soybean oil supply, switching demand to the cheaper refined palm oil.

In addition, palm oil trades at a perpetual discount to soybean oil. As there is a big spread of more than US\$200/MT between soybean oil and palm oil, this will mean that palm oil is priced more attractively compared to soybean oil, leading to higher demand for palm oil. On a side note, India's doubling of taxes on refined products last week should not have impact on upstream CPO producers as CPO imports to India remain duty-free.

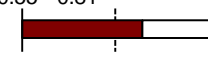
### How do we view this?

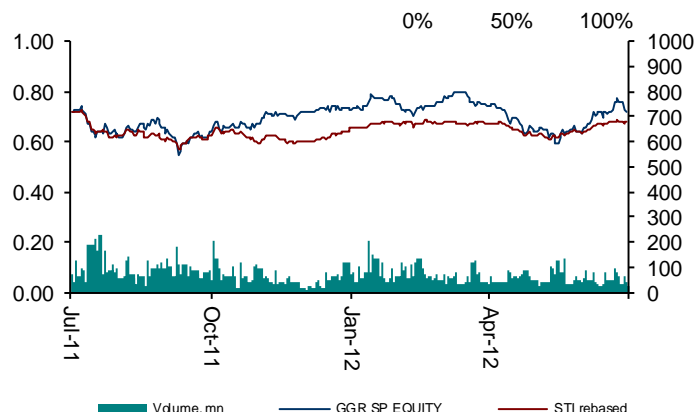
Going forward, we believe that CPO price will continue its upward trend in the months ahead. Given that more than 90% of GGR's earnings come from its upstream business, the company stands to benefit from rising CPO price.

### Investment Actions?

As average CPO price is about US\$1,035/MT in the 2<sup>nd</sup> quarter (US\$1,052/MT in Q1), we expect 2Q12 profit from GGR's upstream business to remain strong. In addition, we expect less pressure on its China operation this coming quarter as China's inflation eased further in June to 2.2%. This will give its China business more room to improve the average selling prices of its products. In view of this, we have revised up our FY12E net profit by 2%. We raise our target price to \$0.77, maintaining our Accumulate call.

### Golden Agri-Resources Ltd

<b>Rating</b>	<b>2</b>	<b>Accumulate</b>
- Previous Rating	2	Accumulate
<b>Target Price (SGD)</b>	<b>0.77</b>	
- Previous Target Price (SGD)	0.73	
Closing Price (SGD)	0.715	
Expected Capital Gains (%)	7.7%	
Expected Dividend Yield (%)	2.5%	
<b>Expected Total Return (%)</b>	<b>10.2%</b>	
Raw Beta (Past 2yrs weekly data)	1.21	
Market Cap. (USD mn / SGD mn)	6894 / 8679	
Enterprise Value (USD mn / SGD mn)	7827 / 9852	
3M Average Daily T/O (mn)	56.8	
52 w week range (SGD)	0.55 - 0.81	
Closing Price in 52 w week range		



### Major Shareholders

	(%)
1. Flambo International	50.0
2. Van Eck Associates C	1.9
3. Carmignac Gestion	1.1

### Key Financial Summary

FYE	12/11	12/12F	12/13F	12/14F
Revenue (USD mn)	5,953	5,974	6,722	7,462
Net Profit, adj. (USD mn)	571	584	663	746
EPS, adj. (USD)	0.05	0.05	0.05	0.06
P/E (X), adj.	12.1	11.8	10.4	9.2
BVPS (USD)	0.66	0.70	0.75	0.80
P/B (X)	0.9	0.8	0.8	0.7
DPS (SGD)	0.02	0.02	0.02	0.02
Div. Yield (%)	2.6%	2.5%	2.9%	3.2%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

### Valuation Method

DCF

### Analyst

#### Phillip Research Team

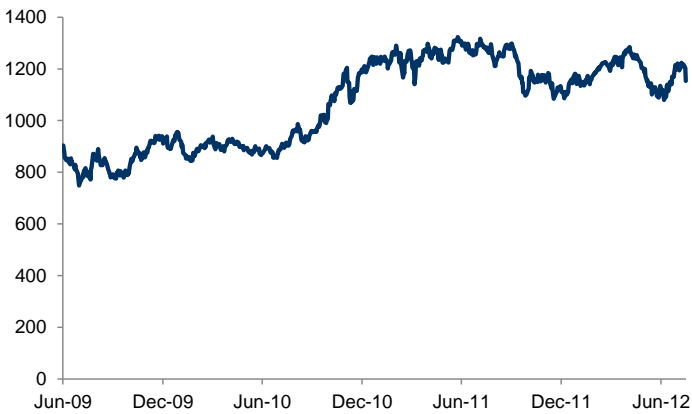
research@phillip.com.sg  
+65 6336 7607

**Fig 1. Malaysian Palm Oil Board CPO spot price (US\$/MT)**



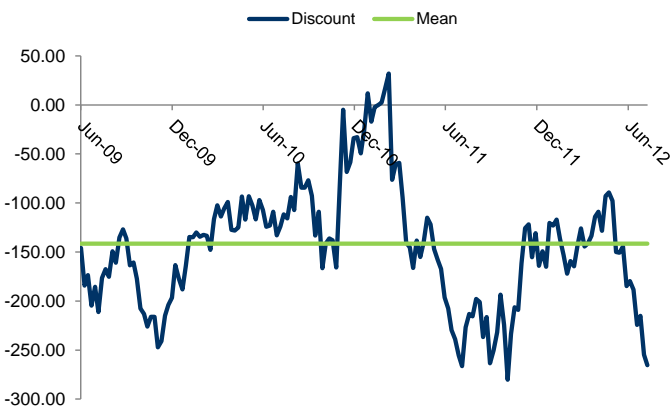
Source: Bloomberg, Phillip Securities Research

**Fig 2. CBOT soybean oil spot price (US\$/MT)**



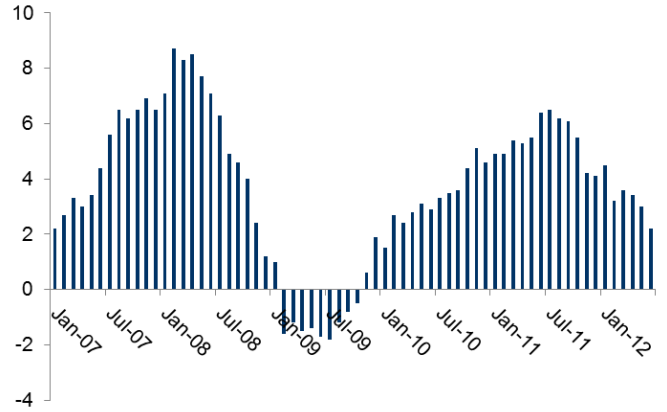
Source: Bloomberg, Phillip Securities Research

**Fig 3. CPO discount to soybean oil increases (US\$/MT)**



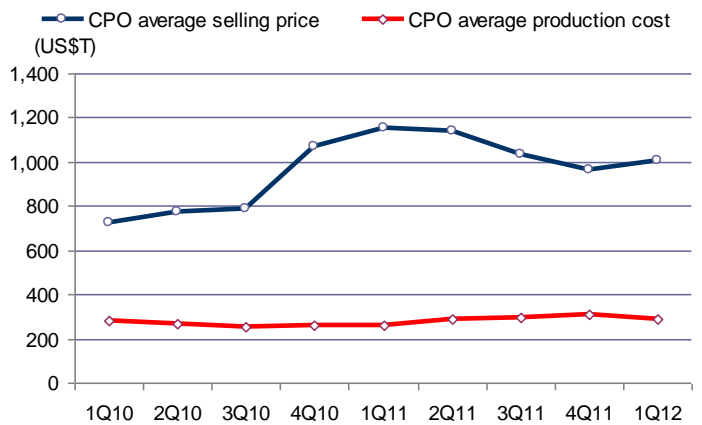
Source: Bloomberg, Phillip Securities Research

**Fig 4. Further easing of China CPI will help its China operations (%)**



Source: Bloomberg, Phillip Securities Research

**Fig 5. Quarterly cost of production and average selling price trend (US\$/tonne)**



Source: Bloomberg, Phillip Securities Research

FYE Dec	FY10	FY11	FY12F	FY13F	FY14F
<b>Valuation Ratios</b>					
P/E (X), adj.	17.8	12.1	11.8	10.4	9.2
P/B (X)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA (X), adj.	12.5	8.8	8.6	7.5	6.8
Dividend Yield (%)	1.1%	2.6%	2.5%	2.9%	3.2%
<b>Per share data</b>					
EPS, reported (USD)	0.12	0.10	0.05	0.05	0.06
EPS, adj.(USD)	0.03	0.05	0.05	0.05	0.06
DPS (SGcts)	0.77	1.84	1.81	2.06	2.32
BVPS (USD)	0.56	0.66	0.70	0.75	0.80
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	52.8%	69.9%	0.4%	12.5%	11.0%
EBITDA	63.1%	42.5%	2.9%	13.6%	11.3%
EBIT	72.4%	46.7%	0.8%	12.9%	10.8%
Net Income, adj.	82.0%	47.6%	2.2%	13.6%	12.4%
<b>Margins</b>					
EBITDA margin	17.8%	14.9%	15.3%	15.5%	15.5%
EBIT margin	15.5%	13.3%	13.4%	13.5%	13.4%
Net Profit Margin	41.3%	21.6%	9.9%	10.0%	10.1%
<b>Key Ratios</b>					
ROE (%)	6.3%	7.7%	7.1%	7.5%	7.9%
ROA (%)	6.0%	7.2%	6.6%	7.1%	7.5%
Net Debt/(Cash)	766	809	818	666	426
Net Gearing (X)	11.0%	10.0%	9.5%	7.2%	4.3%
<b>Income Statement (USD mn)</b>					
<b>Revenue</b>	<b>3,505</b>	<b>5,953</b>	<b>5,974</b>	<b>6,722</b>	<b>7,462</b>
<b>EBITDA, adj.</b>	<b>624</b>	<b>889</b>	<b>915</b>	<b>1,039</b>	<b>1,157</b>
Depreciation & Amortisation	(82)	(95)	(114)	(135)	(155)
<b>EBIT</b>	<b>542</b>	<b>795</b>	<b>801</b>	<b>904</b>	<b>1,002</b>
Changes in fair value of bio assets	1,371	903	0	0	0
Finance (Expense)/Income	(41)	(53)	(57)	(57)	(49)
Other items	54	67	44	48	53
Associates & JVs	3	1	1	1	1
<b>Profit Before Tax</b>	<b>1,929</b>	<b>1,712</b>	<b>789</b>	<b>896</b>	<b>1,007</b>
Taxation	(482)	(428)	(197)	(224)	(252)
<b>Profit After Tax</b>	<b>1,447</b>	<b>1,284</b>	<b>592</b>	<b>672</b>	<b>756</b>
Non-controlling Interest	24	16	8	9	10
<b>Net Income, reported</b>	<b>1,423</b>	<b>1,268</b>	<b>584</b>	<b>663</b>	<b>746</b>
<b>Net Income, adj.</b>	<b>387</b>	<b>571</b>	<b>584</b>	<b>663</b>	<b>746</b>

Source: PSR

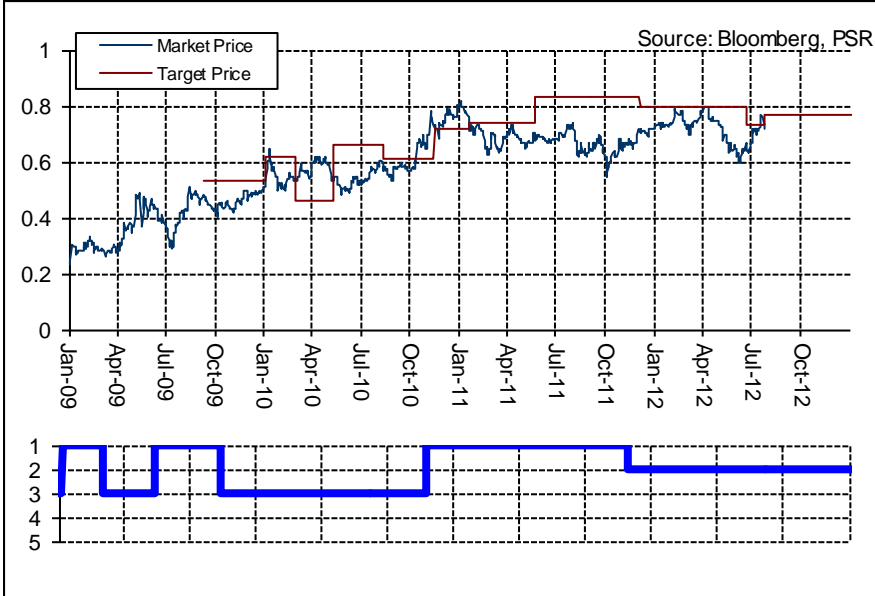
FYE Dec	FY10	FY11	FY12F	FY13F	FY14F
<b>Balance Sheet (USD mn)</b>					
PPE	1,459	1,759	2,090	2,400	2,690
Intangibles	117	117	117	116	116
Biological assets	6,809	7,804	7,860	7,916	7,972
Investments	46	91	91	91	91
Others	191	185	185	185	184
<b>Total non-current assets</b>	<b>8,623</b>	<b>9,956</b>	<b>10,342</b>	<b>10,708</b>	<b>11,054</b>
Inventories	616	751	775	826	889
Trade Receivables	210	234	358	403	448
Investments	58	93	93	93	93
Cash	218	277	268	420	660
Others	391	527	527	527	527
<b>Total current assets</b>	<b>1,492</b>	<b>1,882</b>	<b>2,021</b>	<b>2,269</b>	<b>2,616</b>
<b>Total Assets</b>	<b>10,114</b>	<b>11,837</b>	<b>12,363</b>	<b>12,977</b>	<b>13,670</b>
Short term loans	541	422	422	422	422
Trade Payables	328	491	506	540	581
Others	192	231	231	231	231
<b>Total current liabilities</b>	<b>1,061</b>	<b>1,143</b>	<b>1,159</b>	<b>1,192</b>	<b>1,233</b>
Long term loans	444	664	664	664	664
Deferred income tax	1,632	1,876	1,876	1,876	1,876
Others	33	41	41	41	41
<b>Total non-current liabilities</b>	<b>2,108</b>	<b>2,582</b>	<b>2,582</b>	<b>2,582</b>	<b>2,582</b>
Non-controlling interest	119	87	95	104	113
<b>Shareholder Equity</b>	<b>6,826</b>	<b>8,025</b>	<b>8,528</b>	<b>9,099</b>	<b>9,742</b>

**Cashflow Statements (USD mn)**

<b>CFO</b>					
PBT	1,929	1,712	789	896	1,007
Adjustments	(1,240)	(759)	170	192	203
Cash from ops before WC changes	689	954	959	1,088	1,210
WC changes	(371)	(115)	(133)	(63)	(66)
Cash generated from ops	318	838	826	1,025	1,144
Taxes paid, net	(114)	(142)	(197)	(224)	(252)
Interest paid, net	(36)	(46)	(57)	(57)	(49)
<b>Cashflow from ops</b>	<b>167</b>	<b>651</b>	<b>572</b>	<b>744</b>	<b>844</b>
<b>CFI</b>					
CAPEX, net	(316)	(440)	(500)	(500)	(500)
Purchase/sale of investments	(9)	(85)	0	0	0
Investments in subs & associates	(126)	(2)	0	0	0
Others	(19)	(35)	0	0	0
<b>Cashflow from investments</b>	<b>(470)</b>	<b>(561)</b>	<b>(500)</b>	<b>(500)</b>	<b>(500)</b>
<b>CFF</b>					
Share issuance	0	0	0	0	0
Loans, net of repayments	274	105	0	0	0
Payment of dividends	(45)	(79)	(81)	(92)	(103)
Others	(45)	(44)	0	0	0
<b>Cashflow from financing</b>	<b>184</b>	<b>(19)</b>	<b>(81)</b>	<b>(92)</b>	<b>(103)</b>
<b>Net change in cash</b>	<b>(118)</b>	<b>70</b>	<b>(9)</b>	<b>152</b>	<b>240</b>
<b>CCE, end</b>	<b>162</b>	<b>232</b>	<b>223</b>	<b>375</b>	<b>615</b>

Source: PSR

**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

**Remarks**

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

## Important Information

---

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the

preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

**Contact Information (Singapore Research Team)**

---

**Chan Wai Chee**  
CEO, Research  
Special Opportunities  
+65 6531 1231  
yebo@phillip.com.sg

**Lee Kok Joo, CFA**  
Head of Research  
S-Chips, Strategy  
+65 6531 1685  
leekj@phillip.com.sg

**Joshua Tan**  
Macro Strategist  
Global Macro, Asset Strategy  
+65 6531 1249  
joshuatan@phillip.com.sg

**Magdalene Choong, CFA**  
Investment Analyst  
US, Gaming  
+65 6531 1791  
magdalenechoongss@phillip.com.sg

**Go Choon Koay, Bryan**  
Investment Analyst  
Property  
+65 6531 1792  
gock@phillip.com.sg

**Derrick Heng**  
Investment Analyst  
Transportation, Telecom.  
+65 6531 1221  
derrickhengch@phillip.com.sg

**Ken Ang**  
Investment Analyst  
Financials  
+65 6531 1793  
kenangwy@phillip.com.sg

**Travis Seah**  
Investment Analyst  
REITS  
+65 6531 1229  
travisseahhk@phillip.com.sg

**Research Assistant**  
General Enquiries  
+65 6531 1240 (Phone)  
+65 6336 7607 (Fax)  
research@phillip.com.sg

**Ng Weiwen**  
Macro Analyst  
Global Macro, Asset Strategy  
+65 6531 1735  
ngww@phillip.com.sg



**Contact Information (Regional Member Companies)**

---

**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel : (65) 6533 6001  
Fax : (65) 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
Exchange Participant of the Stock Exchange of Hong Kong  
11/F United Centre 95 Queensway  
Hong Kong  
Tel (852) 22776600  
Fax (852) 28685307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel (62-21) 57900800  
Fax (62-21) 57900809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel (66-2) 6351700 / 22680999  
Fax (66-2) 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel (44-20) 7426 5950  
Fax (44-20) 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**Octa Phillip Securities Ltd**  
Level 12, 15 William Street,  
Melbourne, Victoria 3000, Australia  
Tel (03) 9629 8288  
Fax (03) 9629 8882  
Website: [www.octaphillip.com](http://www.octaphillip.com)

**MALAYSIA**

**Phillip Capital Management Sdn Bhd**  
B-3-6 Block B Level 3 Megan Avenue II,  
No. 12, Jalan Yap Kwan Seng, 50450  
Kuala Lumpur  
Tel (603) 21628841  
Fax (603) 21665099  
Website: [www.poems.com.my](http://www.poems.com.my)

**JAPAN**

**Phillip Securities Japan, Ltd**  
4-2 Nihonbashi Kabuto-cho Chuo-ku  
Tokyo 103-0026  
Japan  
Tel: +81(3) 3666 2101  
Fax: +81(3) 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co. Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel (86-21) 51699200  
Fax (86-21) 63512940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel (33-1) 45633100  
Fax (33-1) 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**UNITED STATES**

**Phillip Futures Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1.312.356.9000  
Fax +1.312.356.9005