

MITA No. 010/06/2008

2 March 2009

# Golden Agri-Resources Ltd

Maintain

## HOLD

Previous Rating: HOLD

### S\$0.285

### Fair Value: S\$0.30

Stock Code: GAGR.SI  
 Reuters: C6K  
 ISIN code: GGR SP  
 Bloomberg: GGR SP

Event: Results

#### General Data

Issued Capital (m)	9,976
Mkt Cap (S\$m/US\$m)	2,843/1,838
Major Shareholder	The Widjaja Family (48.5%)
Free Float (%)	51.5
NTA per share (US\$)	0.45
Daily Vol 3-mth ('000)	90,590
52Wk High (S\$)	1.170
52Wk Low (S\$)	0.155

## Prudent strategy for 2009

**FY08 results slightly disappointing.** Golden Agri-Resources (GAR) saw its FY08 revenue rise 59.4% to US\$2985.9m (8.6% > our estimate), and while core net profit (excluding bio-asset fair value gains) rose 32.0% to US\$376.8m (11% < our full-year figure). GAR did not declare a final dividend (versus 0.5 S cent in 2007) in an effort to conserve cash in these uncertain times. Instead, it plans to reward shareholders with a bonus issue (1 bonus share for every 25 shares held), and it will capitalise US\$10.0m to its share premium account. According to management, the bonus issue works out to an equivalent cash dividend of 1.0 S cents/share, assuming investors can sell the bonus shares at S\$0.25 each.

**Prudence rules in 2009.** Going forward, GAR expects the operating environment to remain challenging in 2009, given the still uncertain economic outlook and volatile commodity prices. And on its part, GAR will strive to manage its costs as well as focus its growth on the sale of various palm-based products to selected key regions in China. Other prudent measures include maintaining a strong balance sheet (net gearing just 0.09x) and careful spending. For 2009, GAR expects to cap its capex to US\$200m (versus US\$244m in 2008), where it will cautiously expand its oil palm plantations (includes building new mills) and add to its downstream processing/refining capacity to support its plantation operations.

**Worst may be over.** Meanwhile, we believe that the worst may be over. For one, GAR should benefit from the easing fertiliser prices, although we expect the bulk of the impact to come in 2Q09. Secondly, management believes that its CPO production should increase by around 7-10%, aided by its recent new planting as well as easing tree stress (typically lasts about two years). We have correspondingly raised our FY09 revenue estimate by 4.3%. Although CPO prices have been pretty stable around the current levels for some time now and CPO demand has remained fairly stable, we note that the biggest price influence is actually weather and its impact on all the edible oil crops - is probably the hardest to predict.

**Maintain HOLD.** So barring a strong recovery in crude oil prices and the global economy, we see no pressing need to raise our conservative US\$500/ton CPO assumption yet. Hence we maintain our **HOLD** rating and S\$0.30 fair value (based on an undemanding 6x FY09 PER). We would turn buyers closer to S\$0.20.

#### Carey Wong

(65) 6531 9808

e-mail: carey@ocbc-research.com

Year to 31 Dec	Turnover (US\$m)	EBITDA (US\$m)	Net Profit (US\$m)	EPS (US cents)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	1,873.4	524.2	1,164.8	12.2	12.5	1.6	2.3
FY 08	2,985.9	587.3	1,382.5	13.9	13.5	1.4	1.9
FY 09F*	2,336.3	616.4	334.5	3.4	-75.8	5.7	1.9
FY 10F*	2,502.7	638.3	363.0	3.6	8.5	5.2	1.9

\* Excludes bio-asset revaluation gains

Please refer to the important disclosures at the back of this document.

## Golden Agri's Key Financial Data

Golden Agri Results Year Ended 31 Dec (US\$ m)	4Q07 (US\$m)	4Q08 (US\$m)	% Chg (YoY)	3Q08 (US\$m)	% Chg (QoQ)
Revenue	657.9	591.1	-10.2%	830.8	-28.9%
Gross profit	236.8	89.5	-62.2%	222.2	-59.7%
<b>Gross margin</b>	<b>36.0%</b>	<b>15.1%</b>		<b>26.7%</b>	
Revaluation of bio assets	760.8	151.2	-80.1%	220.1	-31.3%
EBITDA	171.1	38.5	-77.5%	135.0	-71.5%
Depreciation & amortisation	-13.0	-15.6	20.1%	-15.1	3.4%
Operating profit	158.1	22.9	-85.5%	120.0	-80.9%
Net interest	-5.0	-11.2	124.5%	-8.9	25.7%
Forex	0.0	-42.3	nm	1.5	nm
Associates	-0.8	0.5	nm	1.9	-73.2%
Exceptionals	-3.2	0.0	nm	2.1	nm
Pre-tax profit	149.2	-30.0	nm	116.5	nm
Tax	-289.1	13.7	nm	-108.0	nm
Minority interests	-45.8	-0.3	-99.3%	-2.8	-88.7%
Net profit	573.8	133.3	-76.8%	224.3	-40.6%
<b>Net Margin</b>	<b>87.2%</b>	<b>22.5%</b>		<b>27.0%</b>	
<b>Exc. fair value adjustment &amp; Els</b>	<b>4Q07</b>	<b>4Q08</b>	<b>% YoY</b>	<b>3Q08</b>	<b>% QoQ</b>
Operating profit	155.1	20.0	-87.1%	118.0	-83.1%
Profit before tax	151.0	11.0	-92.7%	112.9	-90.3%
Tax	-60.8	29.9	nm	-42.0	nm
Minority interest	0.6	-1.3	nm	-0.2	741.9%
Net profit	90.8	39.6	-56.4%	70.8	-44.1%
<b>Net margin</b>	<b>13.8%</b>	<b>6.7%</b>		<b>8.5%</b>	

## EARNINGS FORECAST

Year Ended 31 Dec (US\$ m)	FY07	FY08	FY09F	FY10F
Revenue	1,873.4	2,985.9	2,336.3	2,502.7
EBITDA	524.2	587.3	616.4	638.3
Depreciation & amortisation	-50.7	-58.2	-79.1	-87.7
Bio-asset revaluation	1,284.5	1,457.2	0.0	0.0
Operating Profit	1,758.0	1,986.3	537.3	550.6
Net interest	-28.2	-35.4	-35.6	-35.6
Forex	-3.5	-34.7	0.0	0.0
Associates	2.6	5.4	3.0	3.0
Exceptionals	70.4	20.1	0.0	0.0
Pre-tax profit	1,802.9	1,947.1	509.7	523.0
Tax	-528.6	-528.4	-142.7	-130.8
Minority interests	-109.6	-36.1	-32.5	-29.3
Net profit	1,164.8	1,382.5	334.5	363.0
Earnings per share (cents)	12.2	13.9	3.4	3.6
Fully diluted earnings per share (cents)	12.2	13.9	3.4	3.6
Core net profit	285.5	376.8	334.5	363.0

**BALANCE SHEET****As at 31 Dec (US\$ m)**

	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Cash	124.5	133.2	132.1	180.2
Other current assets	639.3	574.3	535.8	560.8
Fixed assets	819.9	971.0	1,091.9	1,204.2
Other long term assets	3,429.1	5,147.0	5,139.0	5,139.0
Total assets	5,012.8	6,825.5	6,898.8	7,084.1
Current liabilities less debt	255.3	238.4	275.1	282.0
Debt	491.0	553.9	544.3	512.1
Other long term liabilities	885.3	1,326.3	1,045.6	915.6
Total liabilities	1,631.6	2,118.7	1,865.1	1,709.7
Shareholders equity	3,302.6	4,613.7	4,908.1	5,219.6
Minority interests	78.6	93.1	125.6	154.9
Total equity and liabilities	5,012.8	6,825.5	6,898.8	7,084.1
NTA per share (cents)	31.9	45.1	48.0	51.2

**CASH FLOW****Year Ended 31 Dec (US\$ m)**

	<b>FY07</b>	<b>FY08</b>	<b>FY09F</b>	<b>FY10F</b>
Operating profit before working cap. changes	521.1	550.0	584.4	643.3
Working capital changes	-229.6	67.9	1.0	-13.3
Interest and tax	-123.9	-190.6	-285.6	-301.1
Net cash from operations	167.6	427.4	299.8	328.9
Capex	-155.7	-244.1	-200.0	-200.0
Other investing flows	-381.1	-97.6	-11.3	-8.4
Investing cash flow	-536.8	-341.7	-211.3	-208.4
Change in equity	508.0	0.0	0.0	0.0
Net change in debt	-72.9	16.7	-9.5	-32.2
Dividends paid	-70.9	-92.4	-79.8	-40.1
Others	-9.7	-1.8	0.0	0.0
Financing cash flow	354.6	-77.6	-89.4	-72.4
Forex adjustments	0.0	0.0	0.0	0.0
Net cash flow	-14.6	8.1	-0.8	48.1
Cash at beginning of year	139.4	124.8	132.9	132.1
Fixed Deposit/Overdraft	-0.3	0.4	0.0	0.0
Cash at end of year	124.5	133.2	132.1	180.2

**Key Ratios**

PER (x)	1.6	1.4	5.7	5.2
Price/NTA (x)	0.6	0.4	0.4	0.4
EV/EBITDA (x)	4.3	3.9	3.7	3.5
Dividend yield (%)	2.3	1.9	1.9	1.9
ROIC (%)	30.7	26.8	6.1	6.3
ROE (%)	35.3	30.0	6.8	7.0
Net gearing (%)	11.1	9.1	8.4	6.4
PE to growth (x)	0.1	0.1	-0.1	0.6

*Source: Company data, OIR estimates*

**SHAREHOLDING DECLARATION:**

The analyst/analysts who wrote this report holds NIL shares in the above security.

**RATINGS AND RECOMMENDATIONS:**

OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.

- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/-10% from the current price; Sell = More than 10% downside from the current price.

- For companies with less than S\$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

**DISCLAIMER FOR RESEARCH REPORT**

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. OCBC Investment Research Pte Ltd, OCBC Securities Pte Ltd and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally.

Privileged/Confidential information may be contained in this message. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you may not copy or deliver this message to anyone. Opinions, conclusions and other information in this message that do not relate to the official business of my company shall not be understood as neither given nor endorsed by it.

Co.Reg.no.: 198301152E

For OCBC Investment Research Pte Ltd



Carmen Lee  
Head of Research

Published by OCBC Investment Research Pte Ltd