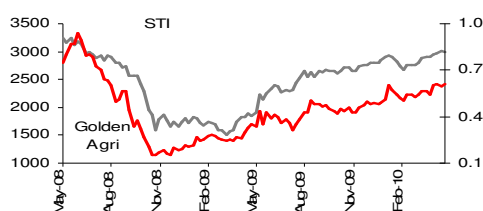


28 April 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$0.60
Fair Value: S\$0.72


Golden Agri-Resources Ltd

Committed to sustainable CPO production

Sustainable palm oil production commitment. PT Sinar Mas Agro Resources and Technology Tbk (SMART) - Golden Agri's (GAR) Indonesian-listed subsidiary - has affirmed that it remains committed to achieving sustainable palm oil production. According to SMART, it will not develop on land with High Carbon stock (i.e. on peat land and primary forests) and will conserve biodiversity by not developing land assessed as High Conservation Value. SMART says that this commitment applies to all plantations owned and managed by itself and parent GAR.

Independent verification underway. Meanwhile, SMART adds that it views any breach of its sustainability practices seriously - it has suspended the plantation manager responsible for the area highlighted in the Greenpeace report which alleged that SMART has improperly converted land and illegally planted palm trees in deep peat-land forests. Earlier, SMART had appointed Control Union Certification (CUC) and BSI Group (BSI) to conduct a thorough verification of the recent Greenpeace reports relating to sustainable palm oil production. It has also invited two leading CPO Indonesian experts to assist with the verification.

Slowly repairing the damage. As a recap, the Greenpeace report has already led Unilever (the world's largest buyer of CPO) and Nestle (the world's biggest food company) to drop SMART as their CPO supplier. Nestle further adds that it will put pressure on its suppliers to eliminate any sources of CPO that are related to rainforest destruction. Cargill - the world's largest trader of agricultural commodities - is said to be reconsidering its relationship with SMART should these allegations be confirmed. While any financial impact is likely to be limited (these three companies made up around 10% of its FY09 revenue), management is aware of a potential blow to the group's reputation as well as concerns over other companies doing the same to SMART. As such, we think that the latest commitment and the independent verifications should go some way in restoring confidence.

Maintain BUY with S\$0.72 fair value. GAR is due to release its 1Q10 results soon and we expect them to be fairly upbeat, given the buoyant CPO prices in the first quarter. Margins are also likely to improve as GAR should start using some of the cheaper fertilizers bought late last year. We expect 1Q10 revenue to come in around US\$639.4m, up 55.1% YoY (down 0.6% QoQ), and core net profit at around US\$85.9m, up 88.4% YoY and 32.2% QoQ. Maintain **BUY** with S\$0.72 fair value.

Reuters Code	GAGR.SI
ISIN Code	C6K
Bloomberg Code	GGRSP
Issued Capital (m)	12,139
Mkt Cap (S\$/US\$m)	7,283 / 5,302
Major Shareholders	
The Widjaja Family	48.5%
Free Float (%)	51.5%
Daily Vol 3-mth ('000)	66,639
52 Wk Range	0.285 - 0.655

(US\$ m)	FY08	FY09	FY10F	FY11F
Revenue	2985.9	2293.7	2667.2	2825.2
EBITDA	587.3	383.1	599.0	670.7
P/NTA (x)	1.1	1.0	0.9	0.9
EPS (cts)	13.9	5.3	2.8	3.2
PER (x)	11.1	23.9	15.2	13.1

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Golden Agri's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F	Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F
Revenue	2,985.9	2,293.7	2,667.2	2,825.2	Cash	133.2	287.5	146.8	261.1
EBITDA	587.3	383.1	599.0	670.7	Other Current Assets	574.3	818.2	776.2	842.7
Depreciation & Amortisation	-58.2	-68.3	-97.5	-111.3	Fixed Assets	971.0	1102.6	1405.1	1293.8
Bio-asset Revaluation	1,457.2	302.9	0.0	0.0	Total Assets	6825.5	7900.5	8020.2	8089.8
Operating Profit	1,986.3	617.7	501.4	559.4	Current Liabilities less Debt	238.4	410.3	434.4	386.1
Net Interest	-35.4	-41.3	-43.3	-33.2	Debt	553.9	683.1	650.6	530.5
Associates	5.4	6.8	6.0	6.0	Other Long Term Liabilities	1326.3	1273.4	1123.3	1023.3
Exceptionals	20.1	-1.4	0.0	0.0	Total Liabilities	2118.7	2366.7	2208.4	1939.9
Pre-tax Profit	1,947.1	593.1	464.1	538.2	Shareholders Equity	4613.7	5437.7	5711.1	6044.8
Net Profit	1,382.5	607.0	334.1	388.6	Total Equity and Liabilities	6825.5	7900.5	8020.2	8089.8
CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Operating Profit	550.0	422.8	605.0	732.7	EPS (US cents)	13.9	5.3	2.8	3.2
Working Capital Changes	67.9	-36.1	66.9	19.2	Core EPS (US cents)	3.8	1.8	2.8	3.2
Net cash from Operations	427.4	256.7	352.4	479.4	Core PER (x)	11.1	23.9	15.2	13.1
Capex	-244.1	-256.2	-400.0	-250.0	Price/NTA (x)	1.1	1.0	0.9	0.9
Investing Cash Flow	-341.0	-388.4	-409.0	-175.3	EV/EBITDA (x)	9.4	14.3	9.3	8.0
Change in Equity	0.0	216.5	0.0	0.0	Dividend yield (%)	1.3	0.8	0.8	0.8
Net Change in Debt	16.7	78.1	-32.5	-120.1	ROIC (%)	26.8	9.9	5.3	5.9
Financing Cash Flow	-77.6	283.0	-84.2	-189.8	ROE (%)	30.0	11.2	5.8	6.4
Net Cash Flow	8.7	154.3	-140.8	114.4	Net gearing (%)	9.1	7.3	8.8	4.5
Ending Cash Balance	133.2	287.5	146.8	261.1	PE to growth (x)	0.2	-0.1	-0.3	0.8

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

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

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- 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.

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For OCBC Investment Research Pte Ltd



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Head of Research

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