

MITA No. 010/06/2008

6 May 2009

Noble Group

Good performance despite harsh operating conditions

Maintain

BUY

Previous Rating: BUY

S\$1.46

Fair Value: S\$1.66

Stock Code:

Reuters: NOBG.SI

ISIN Code: N21

Bloomberg: NOBL SP

Event:

Results

General Data	
Issued Capital (m)	3,232
Mkt Cap (S\$m/US\$m)	4,718 / 3,203
Major Shareholder	Noble Temple Trading Inc (33.97%)
Free Float (%)	46.0
NAV per share (US cents)	62.0
Daily Vol 3-mth ('000)	21,495
52Wk High (S\$)	2.700
52Wk Low (S\$)	0.460

Laudable market share gains. Noble Group Ltd's (Noble) 1Q09 results exceeded expectations. The group managed to grow its volume across all business segments despite challenging operating conditions, demonstrating its ability to expand market share by delivering superior service quality. Total tonnage rose 26% to a record 49.3m MT. Revenue and earnings fell as a result of the slump in commodities prices, but this was to be expected. Revenue declined by 36.0% YoY to US\$6.1b while net profit contracted 46.0% to US\$90.2m, forming 24% of our full year earnings estimate. Stripping away the impact of one-off gains in 1Q08, core net profit would have contracted by a smaller 24.4%.

Agriculture - a steady pillar of support. Not surprisingly, the Agriculture segment helped to steady the group's earnings, turning in a 11.7% YoY growth in gross profit. All other segments registered lower gross profits as the global recession crimped demand for energy and hard commodities. Gross profit from the Energy segment declined by 64.0%, while that from Metals, Minerals & Ores (MMO) fell by 75.5%. This resulted in the group's total gross profit falling 37.3% to US\$222.7m. On the bright side, the MMO segment returned to profitability in 1Q09 after suffering two quarters of losses, suggesting that the worst may be over and that markets could be normalising.

Balance sheet remains healthy. Noble maintained a healthy balance sheet with cash position stable at US\$1.2b (vs. US\$1.3b in 4Q08). The group remained in a net cash position after adjusting for readily marketable inventories. Cash conversion cycle improved to 11 days from 14 days a year ago, while proportion of hedged inventories remained robust at 93%. More significantly, operating cash inflow improved to US\$77.4m vs. an outflow of US\$120.3m a year ago, thanks to lower commodity prices. Lower commodity prices have helped to reduce the group's working capital requirements and need for debt, allowing it to retire US\$45m of long term debt in 1Q09, and in turn, easing finance costs.

Poised to benefit from economic recovery. Having gained its foothold with greater market share, Noble is well poised to leverage on the global economic recovery as well as pump-priming activities. We are keeping our earnings estimate intact, and raising our fair value estimate to S\$1.66 (from S\$1.33) as we lift our valuation parameter to 10x from 8x to account for heightened risk appetite for cyclical recovery stocks. Maintain **BUY**.

Lee Wen Ching

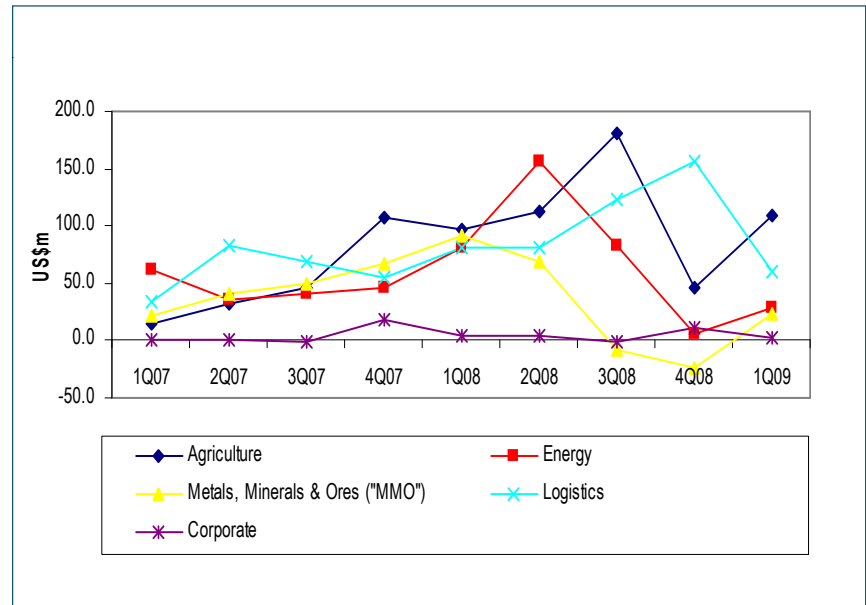
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Year to 31 Dec	Turnover (US\$m)	Gross Profit (US\$m)	Net Profit (US\$m)	EV/EBITDA (x)	EPS Growth (%)	PER (x)	Div Yield (%)
FY 07	23,497.1	823.7	258.1	10.6	49.3	12.3	2.4
FY 08	36,090.2	1,347.6	577.3	4.7	110.4	5.9	4.3
FY 09F	29,318.0	1,055.4	376.2	5.8	-33.3	8.8	2.8
FY 10F	30,857.5	1,110.9	414.8	5.8	10.3	8.0	3.1

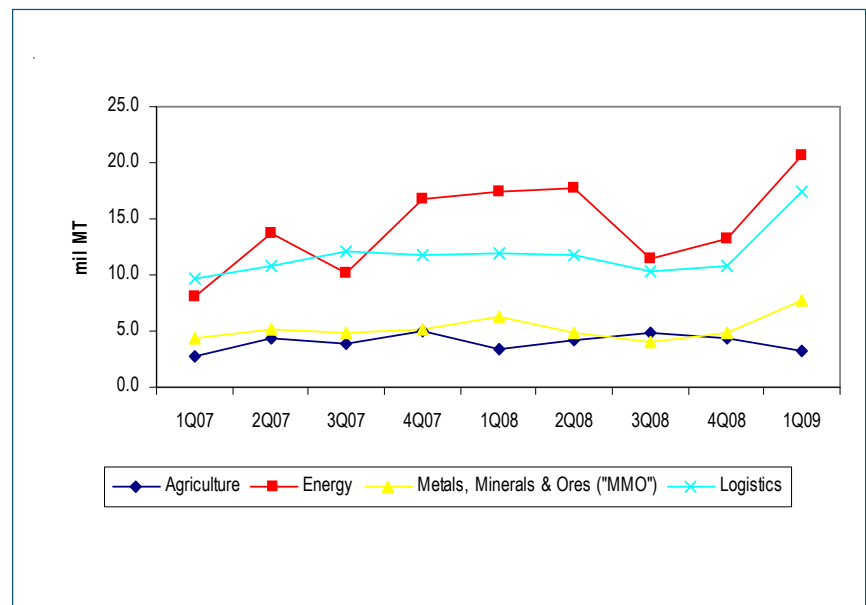
Please refer to the important disclosures at the back of this document.

Exhibit 1: Segmental gross profits



Source: Company, OIR

Exhibit 2: Tonnage



Source: Company, OIR

Noble's Key Financial Data

Noble Results Year Ended 31 Dec (US\$ m)	1Q08 (US\$m)	1Q09 (US\$m)	% Chg (YoY)	4Q08 (US\$m)	% Chg (QoQ)
Revenue	9,496.9	6,080.9	-36.0%	6,791.6	-10.5%
Cost of sales and services	-9,141.8	-5,858.2	-35.9%	-6,597.3	-11.2%
Gross Profit	355.0	222.7	-37.3%	194.3	14.6%
Other income and gains	47.9	1.7	-96.6%	37.0	-95.5%
Selling, administrative and operating expenses	-160.3	-64.6	-59.7%	-57.5	12.3%
Share of profits and losses (net of tax) of:					
Jointly-controlled entities	6.4	-1.0	N.M.	-1.1	-8.4%
Associates	-4.5	-6.0	32.3%	-5.3	11.9%
Profit before interest and tax	244.6	152.8	-37.5%	167.3	-8.7%
Net finance income	-50.1	-48.9	-2.5%	-37.2	31.5%
Profit before tax	194.5	104.0	-46.5%	130.2	-20.1%
Tax	-26.5	-13.9	-47.3%	7.7	N.M.
Profit for the year	168.0	90.0	-46.4%	137.9	-34.7%
Net profit attributable to shareholders	167.1	90.2	-46.0%	138.9	-35.1%
Minority interests	0.9	-0.2	N.M.	-1.0	-82.7%

EARNINGS FORECAST

Year Ended 31 Dec (US\$ m)	FY07	FY08	FY09F	FY10F
Revenue	23,497.1	36,090.2	29,318.0	30,857.5
Cost of sales and services	-22,673.5	-34,742.6	-28,262.6	-29,746.7
Gross Profit	823.7	1,347.6	1,055.4	1,110.9
Other income and gains	20.9	103.9	29.3	30.9
Selling, administrative and operating expenses	-391.8	-567.6	-439.8	-478.3
Share of profits and losses (net of tax) of:				
Jointly-controlled entities	1.6	5.8	0.0	0.0
Associates	-5.2	-21.6	0.0	0.0
Profit before interest and tax	449.2	868.1	645.0	663.4
Net finance income	-146.0	-192.1	-200.7	-173.6
Profit before tax	303.3	676.0	444.3	489.8
Tax	-44.8	-96.2	-66.6	-73.5
Profit for the year	258.5	579.7	377.6	416.3
Net profit attributable to shareholders	258.1	577.3	376.2	414.8
Minority interests	0.4	2.5	1.5	1.5
Fully diluted earnings per share (US cents)	8.3	17.5	11.6	12.8
Profitability Ratios				
Gross margin (%)	3.5%	3.7%	3.6%	3.6%
PBT margin (%)	1.9%	2.4%	2.2%	2.2%
Net profit margin (%)	1.1%	1.6%	1.3%	1.3%

BALANCE SHEET

As at 31 Dec (US\$ m)	FY07	FY08	FY09F	FY10F
Cash and cash equivalents	670.6	1,318.2	1,706.7	1,575.4
Other current assets	4,788.3	5,190.6	3,870.0	4,113.3
Property, plant, and equipment	566.3	1,003.8	1,248.7	1,483.7
Other non-current assets	677.9	640.0	640.0	640.0
Total assets	6,703.1	8,152.6	7,465.3	7,812.4
Debt	2,544.1	2,556.1	2,556.1	2,556.1
Current liabilities excluding debt	2,566.7	3,600.4	2,735.4	2,768.3
Non-current liabilities excluding debt	34.5	135.3	29.3	30.9
Total liabilities	5,145.3	6,291.8	5,320.8	5,355.3
Shareholders equity	1,549.6	1,851.1	2,133.3	2,444.4
Minority interests	8.2	9.7	11.2	12.7
Total equity	1,557.8	1,860.9	2,144.5	2,457.1
Total equity and liabilities	6,703.1	8,152.6	7,465.3	7,812.4
NAV per share (US cents)	59.8	57.6	66.4	76.0

CASH FLOW

Year Ended 31 Dec (US\$ m)	FY07	FY08	FY09F	FY10F
Operating profit before working cap. changes	532.9	958.1	700.1	728.4
Working capital changes, taxes and interests	-892.2	512.3	82.3	-456.0
Net cash from operations	-359.3	1,470.4	782.5	272.4
Purchase of property, plant and equipment	-238.3	-506.2	-300.0	-300.0
Other investing flows	-335.1	-78.3	0.0	0.0
Investing cash flow	-573.4	-584.4	-300.0	-300.0
Financing cash flow	824.7	-176.9	-94.0	-103.7
Net cash flow	-107.9	709.1	388.4	-131.3
Net foreign exchange differences	-0.5	-4.5	0.0	0.0
Cash at beginning of year	579.6	471.1	1,175.8	1,564.2
Cash at end of year	471.1	1,175.8	1,564.2	1,432.9
Cash balances and bank overdrafts	199.5	142.5	142.5	142.5
Cash and cash equivalents at end of year	670.6	1,318.2	1,706.7	1,575.4

Key Ratios

PER (x)	12.3	5.9	8.8	8.0
Price/NAV (x)	1.7	1.8	1.5	1.3
EV/EBITDA (x)	10.6	4.7	5.8	5.8
Dividend yield (%)	2.4	4.3	2.8	3.1
ROE (%)	20.6	34.0	17.6	17.0
Gearing including RMI (%)	120.9	66.9	39.8	40.1

Source: Company data, OIR estimates

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