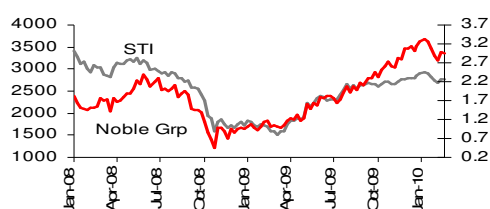


24 February 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$3.12
Fair Value: S\$3.75


Noble Group

FY09 buoyed by good 2H performance

FY09 in line with expectations. Noble Group (Noble) delivered a good set of 4Q09 results with revenue growing 40.9% YoY to US\$9.6b. Gross profit gained 54.2% YoY to US\$299.6m, while core net profit jumped 71.1% YoY to US\$112.6m. For the full year, revenue contracted by 13.6% to US\$31.2b due to lower commodity prices in 1H09, while reported net profit retreated by 3.7% to US\$556.0m. Excluding non-core items from both FY08 and FY09, we estimate that core net profit would have declined by a marginal 1.8% to US\$429.7m from the record high US\$437.8m in FY08. Noble's core FY09 earnings were within 3% of our estimate. The group has declared a cash dividend of 3.6 US cents and scrip dividend of 6 shares for every 11 shares held.

Energy was the star performer. The main highlight of Noble's 4Q09 results was its Energy segment's stellar performance. Revenue jumped 71.1% YoY to a record high, driven by the expansion of its Coal & Coke division as well as growth of its Oil, Gas & Power division. The Metals, Minerals & Ores (MMO) segment too turned in laudable results with a return to profit from losses incurred during the trough of the downturn a year ago. Agriculture was the weakest link in 4Q09, as revenue and gross profit declined due to a drought in Argentina which limited its origination volume. Nevertheless, management indicated that the environment has improved and expects robust performance going forward. Total tonnage handled by the group in 4Q09 jumped 40.8% to 46.9m MT, underpinned by its robust competitive positioning and aided by recent pipeline enhancement initiatives.

Economic recovery will support growth momentum.

Noble's earnings have staged a convincing rebound in 2H09 along with the global economic recovery. We have touted the stock to be a proxy to the economic recovery and reiterate our view that earnings growth will be driven by contributions from recent pipeline investments as well as improving demand for commodities amid the global economic recovery. The stock has surged by 200% over the last year, vastly outperforming the STI's 70% gain. Nevertheless, valuations remain reasonable at 14.1x FY10F PER vs. the STI's 14.8x PER and its closest peer Olam's 22.4x PER. We continue to like Noble for its proven execution, strong balance sheet and sound diversification. We maintain our **BUY** rating on the stock and raise our fair value estimate to S\$3.75 (from \$3.73).

Reuters Code	NOBGS1
ISIN Code	N21
Bloomberg Code	NOBL SP
Issued Capital (m)	3,844
Mkt Cap (S\$m/US\$m)	11,993 / 8,500
Major Shareholders	
Fleet Overseas (NZ)	23.8%
Free Float (%)	44.8%
Daily Vol 3-mth ('000)	14,501
52 Wk Range	0.980 - 3.410

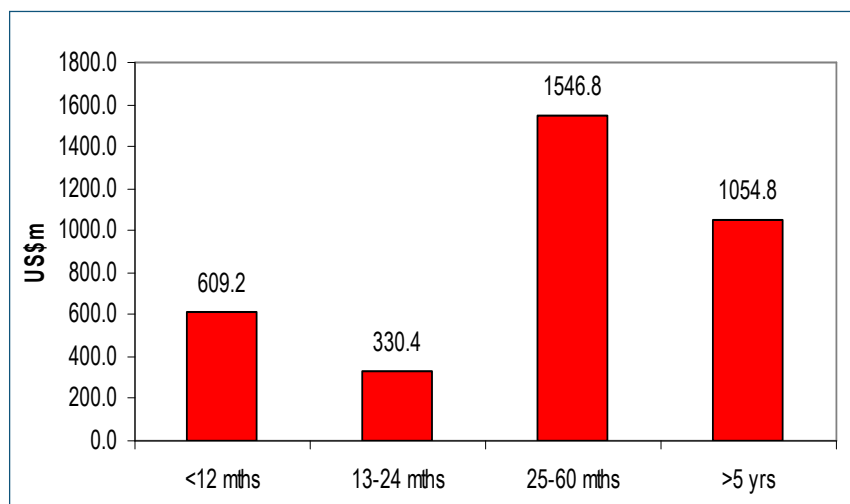
(US\$ m)	FY08	FY09	FY10F	FY11F
Revenue	36,090.2	31,183.1	36,588.3	38,114.1
Gross Profit	1,347.6	1,105.0	1,317.2	1,372.1
P/NAV (x)	3.7	2.7	2.4	2.1
EPS (cts)	17.5	14.5	14.9	15.6
PER (x)	15.6	18.9	14.1	13.6

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Balance sheet remains healthy. Noble's balance sheet remains in good shape with an adjusted net cash position (after taking into consideration its readily marketable inventories, or RMI). The group's proportion of hedged inventories improved to 95% from 91% a year ago, reflecting its prudent risk management policy. In keeping with its objective of reducing price risk, Noble has reduced its activities in the Steel and Ferro Alloys divisions due to the limited availability of hedging mechanisms.

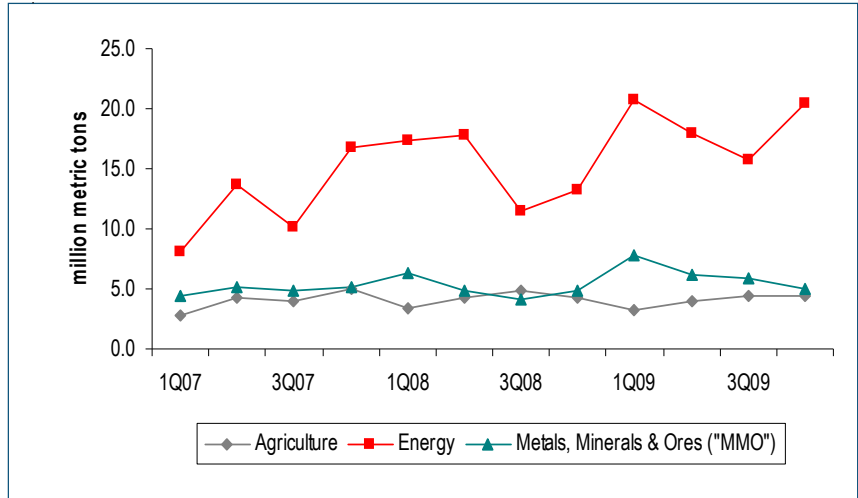
Conservative debt maturity profile. Thanks to its proactive balance sheet management, Noble now enjoys a comfortable debt repayment schedule with 73% of the group's debt maturing in over 24 months. The group has back credit facilities totalling US\$8b, leaving it with sufficient headroom for higher working capital requirements in the event of rising commodity prices. Its robust balance sheet allows for financial flexibility should attractive acquisition opportunities arise.

Exhibit 1: Noble's debt repayment schedule



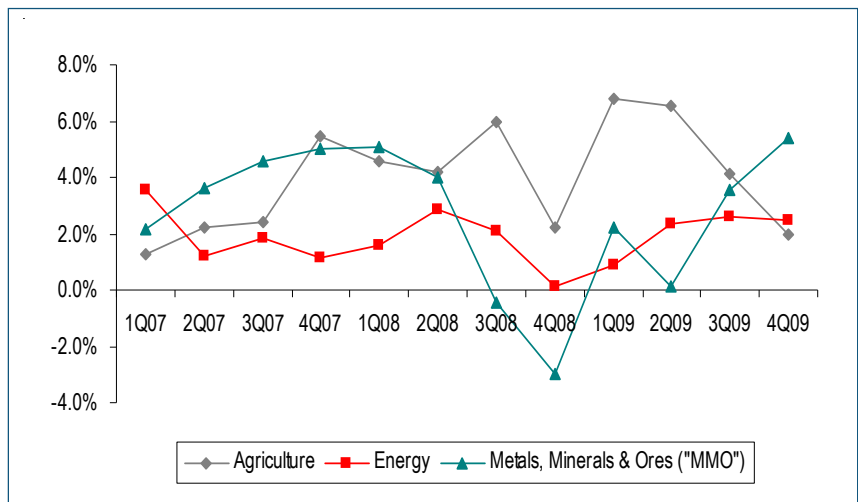
Source: Company, OIR

Exhibit 2: Segmental tonnage



Source: Company, OIR

Exhibit 3: Gross profit margins across segments



Source: Company, OIR

Noble Group's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F	As at 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F
Revenue	36,090.2	31,183.1	36,588.3	38,114.1	Cash and cash equivalents	1,318.2	937.3	1,628.4	1,388.9
Gross Profit	1,347.6	1,105.0	1,317.2	1,372.1	Inventories	1,757.0	3,414.6	2,561.2	2,668.0
Other income	103.9	125.5	36.6	38.1	Property, plant, equipment	1,003.8	1,522.7	2,016.5	2,485.7
Operating expenses	-567.6	-422.9	-512.2	-533.6	Total assets	8,152.6	10,655.0	10,390.0	10,875.0
Associates & JV	-15.8	-24.8	0.0	0.0	Debt	2,556.1	3,541.1	3,541.1	3,541.1
EBIT	868.1	782.9	841.5	876.6	Current liabilities excluding debt	3,600.4	3,684.9	3,418.6	3,451.6
PBT	676.0	620.2	677.9	705.9	Total liabilities	6,291.8	7,616.8	6,996.3	7,030.8
PAT	579.7	555.1	576.2	600.0	Shareholders equity	1,851.1	2,955.4	3,386.2	3,834.8
Reported net profit	577.3	556.0	574.4	598.1	Total equity	1,860.9	3,038.2	3,393.7	3,844.2
Recurring net profit	437.8	429.7	574.4	598.1	Total equity and liabilities	8,152.6	10,655.0	10,390.0	10,875.0

CASH FLOW					KEY RATES & RATIOS				
Year Ended 31 Dec (US\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Op profit before working cap.	958.1	877.5	959.9	1,011.0	EPS (US cents)	17.5	14.5	14.9	15.6
Working cap, taxes and interest	512.3	-1,687.1	-194.1	-501.0	NAV per share (US cents)	57.6	79.0	88.3	100.0
Net cash from operations	1,470.4	-809.6	765.8	510.0	PBT margin (%)	1.9%	2.0%	1.9%	1.9%
Purchase of PP&E	-506.2	-626.9	-600.0	-600.0	Net profit margin (%)	1.6%	1.8%	1.6%	1.6%
Investing cash flow	-584.4	-1,136.9	68.9	-600.0	PER (x)	15.6	18.9	14.1	13.6
Financing cash flow	-176.9	1,399.0	-143.6	-149.5	Price/NAV (x)	3.7	2.7	2.4	2.1
Net cash flow	709.1	-547.5	691.1	-239.5	EV/EBITDA (x)	9.6	11.2	10.3	10.0
Cash at beginning of year	471.1	1,175.8	619.8	1,310.9	Dividend yield (%)	2.1%	1.7%	1.8%	1.8%
Cash at end of year	1,175.8	619.8	1,310.9	1,071.4	ROE (%)	31.2%	18.8%	17.0%	15.6%
Cash and cash equivalents	1,318.2	937.3	1,628.4	1,388.9	Net gearing (%)	66.9	88.1	56.5	56.1

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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Head of Research

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