

## Equities

13 April 2012 | 72 pages

# ASEAN Plantations

## Ride the Uptrend in CPO Price, Prefer Growth Companies

- Prefer Malaysia for growth** — We expect the Malaysia planters to show higher EPS growth in FY13 vs. the Indo listed names. Top picks – *Malaysia*: Genting Plantations and Sime Darby (more upside to street's forecast); *Singapore*: Golden Agri and Indofood Agri on favourable plant profile and high liquidity; *Indonesia*: London Sumatra given attractive growth profile and valuations. We downgrade FR to Neutral on strong share outperformance YTD and AALI to Sell (vulnerable should CPO price turn).
- CPO price higher than expected** — Spot and future crude palm oil (CPO) prices are currently close to US\$1,160/t. Although we had expected CPO price to trend higher in 1Q2012 (typically a seasonally weak production period), the price rally proved stronger than expected. Positives for CPO price are strength in soybean prices (weaker production outlook following repeated downward revisions of this year's South America soybean production) and higher oil prices (Brent crude oil spot price at US\$120/bbl).
- Further price strength on additional crop losses** — Soybean prices should strengthen further driven by additional crop losses in South America (weather affecting yields). Also, acreage fight is intensifying in the US as corn plantings had an early start and soybean prices would have to rise further relative to corn for farmers to shift their intentions. Reduced soya oil export supplies will increase dependence on palm oil.
- CPO price assumptions raised** — We now forecast CPO prices to average US\$1,075/t (RM3,300/t) and US\$1,067/t (RM3,200/t) in 2012 and 2013 respectively. We expect CPO price to peak in 2Q 2012 (note that Felda Global's listing is in June). We do not foresee the Malaysian government making any changes to plantation taxes ahead of elections.
- Impact on earnings** — Our revisions in earnings forecasts reflect higher CPO prices and correspondingly relevant taxes (windfall profit tax, export taxes etc), and higher labour and fertilizer costs. We expect strong results from the purer planters in the upcoming reporting season (end April to end May).

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**Penny Yaw, CFA**

 +60-3-2383-2948  
 penny.yaw@citi.com

**Margarett Go**

 +62-21-5290-8505  
 margarett.go@citi.com
 

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Ticker	Rating		Target Price		Current Year Earnings Estimates		Next Year Earnings Estimates	
	Old	New	Old	New	Old	New	Old	New
AALI.JK	1	3	Rp28,300	Rp21,300	Rp1,861	Rp1,896	Rp1,888	Rp2,082
FRLD.SI	1	2	S\$2.12	S\$2.14	US\$0.13	US\$0.14	US\$0.13	US\$0.15
GAGR.SI	1	1	S\$1.04	S\$1.01	US\$0.06	US\$0.06	US\$0.06	US\$0.07
GENP.KL	1	1	RM11.72	RM12.08	RM0.60	RM0.67	RM0.70	RM0.80
IFAR.SI	1	1	S\$1.77	S\$1.89	Rp1,322	Rp1,330	Rp1,250	Rp1,384
JMP.KL	1	1	RM4.30	RM4.36	RM0.23	RM0.24	RM0.25	RM0.28
IOIB.KL	2	2	RM5.28	RM5.38	RM0.29	RM0.29	RM0.33	RM0.35
KLKK.KL	1	1	RM25.08	RM27.35	RM1.37	RM1.39	RM1.36	RM1.55
LSIP.JK	1	1	Rp3,390	Rp3,780	Rp282	Rp286	Rp284	Rp325
SIME.KL	1	1	RM12.78	RM13.20	RM0.71	RM0.71	RM0.72	RM0.81

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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## Recommendations

The average CPO price YTD is US\$1,062/t (RM3,250/t). We now forecast an average CPO price of US\$1,075/t (previous estimate: US\$1,000/t) for 2012 and US\$1,067/t (previous estimate: US\$950/t) for 2013. Our price forecast is based on assumption of normal weather conditions in oil palm growing areas.

**Driven primarily by fundamentals but note rising speculative buying**

The price gains for vegetable oils were driven primarily by fundamental factors given the global production deficits (seeing additional soybean crop losses in South America and the fight for acreage between soybeans and corn in US), declining stock/usage ratios and consumer buying (to replenish stocks). However, there is also rising speculative buying. We think CPO price will peak in 2Q 2012 which will also coincide with the Felda Global Ventures Holdings Bhd listing in June. *Business Times* in its 4 April article indicated that the listing is still on track for June, quoting Felda Global's president and CEO. It was also reported that the listing will be preceded by a windfall to reward Felda's first-generation 112,635 settlers, who first toiled the land in 1956.

In terms of stock recommendation, we prefer the Malaysia listed planters for their growth prospects in FY13E (refer to Fig 1 – EPS growth column). For some of the Malaysian planters, we will be seeing growing contribution coming from their Indonesian estates. In terms of share price, the Malaysia planters have not moved up as much in the recent rally versus the Indonesia planters (especially FR). See Figure 8.

Figure 1. Production & EPS growth

	FYE	FFB production growth					EPS growth				
		FY10	FY11	FY12E	FY13E		FY10	FY11	FY12E	FY13E	
<b>Malaysia-listed Plantation Companies</b>						<b>Malaysia-listed Plantation Companies</b>					
Genting Plantations	Dec	3.4%	14.5%	9.0%	21.0%	Genting Plantations	37.5%	36.2%	15.0%	19.4%	
IJM Plantations	Mar	4.8%	-4.9%	12.8%	7.0%	IJM Plantations	-39.9%	65.4%	33.4%	17.1%	
IOI Corp	June	-6.1%	-3.2%	7.0%	6.0%	IOI Corp	86.8%	14.2%	-15.4%	20.0%	
KL Kepong	Sept	11.1%	3.6%	10.0%	10.0%	KL Kepong	65.3%	55.2%	-5.7%	11.7%	
Sime Darby	June	-0.2%	2.7%	7.0%	4.0%	Sime Darby	-68.1%	404.2%	17.0%	12.9%	
<b>Singapore-listed Plantation Companies</b>						<b>Singapore-listed Plantation Companies</b>					
First Resources	Dec	3.9%	19.2%	10.1%	10.5%	First Resources	46.1%	54.6%	20.9%	7.1%	
Golden Agri	Dec	-0.2%	12.1%	15.0%	9.7%	Golden Agri	91.1%	47.6%	31.8%	9.4%	
Indofood Agri	Dec	1.3%	9.4%	13.3%	10.2%	Indofood Agri	-1.9%	13.0%	42.0%	4.1%	
<b>Indonesia-listed Plantation Companies</b>						<b>Indonesia-listed Plantation Companies</b>					
Astra Agro	Dec	-1.4%	13.3%	8.2%	1.6%	Astra Agro	21.4%	19.3%	24.1%	9.8%	
London Sumatra	Dec	-0.3%	8.8%	12.6%	7.5%	London Sumatra	46.1%	64.7%	14.7%	13.6%	

Source: Citi Investment Research and Analysis

In Malaysia, our top two picks are Genting Plantations and Sime Darby. We like Genting Plantations given its good maturity profile (weighted average age of trees for the group is close to 10 years) and that it is expected to report strong FFB growth over the next 2 years. We also like Sime Darby as we think there is still more upside to street estimates despite earnings upgrades over the last three reporting sessions. Also, note that foreign shareholding for Sime Darby has been edging up and is at 20% (Mar 2012), versus 16.07% a year ago, which suggest that perception on the stock is improving. IOI and KL Kepong's latest foreign ownership levels are at 18% and 18.55%, respectively.

Among the Singapore-listed Indonesian names, we like Golden Agri and Indofood Agri given their favourable plantation profile (average of 12 years, which is still within the optimum yield phase of 7-15 years), undemanding valuations (still lower than historical averages) and downstream exposure (beneficiaries of recent change in Indonesia's refined CPO export tax). Among the Indonesian-listed planters, our preferred pick is London Sumatra. A favourable plantation profile (average age of 12

years) coupled with ongoing infrastructure enhancement initiatives in South Sumatra are key positives. Current uptrend in rubber prices provides further upside risks, in our view.

We are downgrading First Resources to Neutral and Astra Agro to Sell. Fundamentally, we like First Resources given its younger plantation profile (average age of 8 years, which is still in the early phase of optimum yield phase) and sensible strategies of going downstream and having exposure to rubber. However, on a YTD basis, the stock price performance of 32% has outpaced that of its key peers, hence further upside looks limited. Valuations are also only at an 8% discount to its historical average. Meanwhile, its Indonesian peers are still trading at 20-48% discounts to their historical averages. Astra Agro is a Sell given its pure CPO upstream business model and our expectations of a CPO price downtrends in 2H12 and thereafter. Other planters, given their downstream or diversified business models, will be less vulnerable during periods of CPO price weakness.

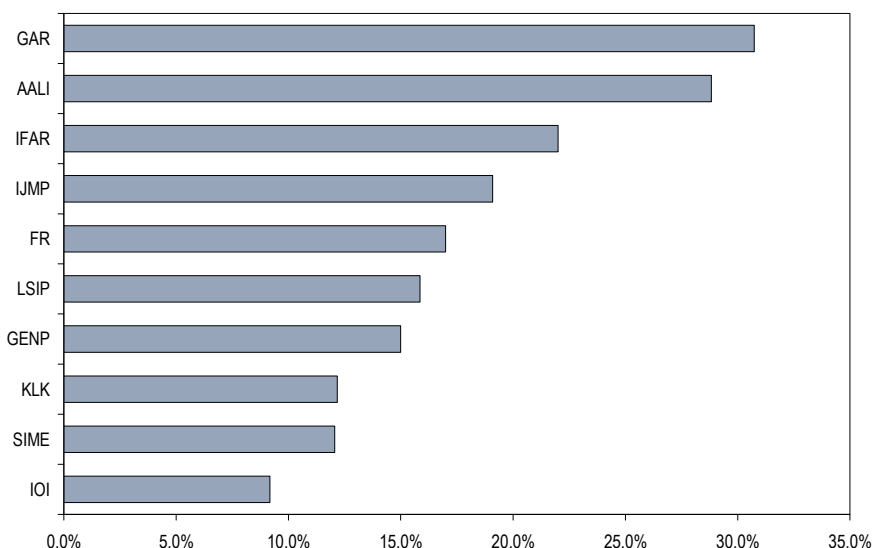
Also on our Buy list is a small planter (by market cap) – IJM Plantations. Valuations still look compelling, with the share price implying a long-term CPO price of close to RM2,520/t (US\$823/t), based on our analysis.

We also have a Buy on KL Kepong (KLK) and remain positive on its efforts to streamline its businesses (it recently announced the disposal of Crabtree & Evelyn). KLK's management has reiterated that the Group remains focused on its core businesses, namely plantations and oleochemicals.

We maintain our Neutral rating on IOI. Positive highlights: (1) FFB production growth is improving after 3 years of YoY declines. (2) The listing of its Indonesian associate on the Singapore Exchange is also a positive. IOI intends to hold at least a 30% stake in Bumitama Agri. However, competition is still intense for the downstream segment, especially in its specialty fats and refinery sub-segments. Another concern is potentially more investment into Singapore property. Among the plantation companies that we have under coverage, IOI is the least sensitive to changes in CPO price.

In general, we continue to like plantation companies as EBIT margins are still good (30-68% based on the latest quarterly results), and balance sheets and cash flows are strong.

**Figure 2. Estimated Impact on Earnings from a 10% Change in CPO Price**



Source: Citi Investment Research and Analysis

Based on our sensitivity analysis, and as summarized in Fig 2, GAR and AALI are the most sensitive in the sector to CPO price changes. On an uptrend, these stocks will benefit. But on CPO price downtrends, these stocks would be at risk. The least sensitive is IOI.

**Figure 3. Implied CPO Prices Based on Current Share Prices**

Company	Rating	Share Price 12-Apr-12	Implied LT CPO Price	
			RM/t	US\$/t
<b>Singapore-listed Planters</b>				
First Resources	Neutral	1.97	2,537	829
Golden Agri	Buy	0.77	2,675	874
Indofood Agri	Buy	1.52	2,736	894
<b>Malaysia-listed Planters</b>				
Genting Plantations	Buy	9.67	2,493	815
IJM Plantations	Buy	3.38	2,520	823
IOI Corp	Neutral	5.40	2,912	951
KL Kepong	Buy	24.32	2,717	888
Sime Darby	Buy	9.88	2,340	765
<b>Indonesia-listed Planters</b>				
Astra Agro Lestari	Sell	22,850	2,782	909
London Sumatra	Buy	2,925	2,663	870

Source: Citi Investment Research and Analysis

Based on our derived "implied LT CPO price" from current share prices, the market implied LT CPO price is less than US\$1,000/t for planters under coverage. Market seems to have valued Sime Darby the lowest, less than US\$800/t, as there is still skepticism about the group's ability to improve further and given its conglomerate status.

## P/E and P/B Bands

Figure 4. Summary of Trailing PE Valuations

	2012E	2013E	-1 sd	Avg PE	+1 sd	Trough PE	Peak PE
<b>Malaysia</b>							
Genting Plantations	14.2	15.2	8.8	12.0	15.2	7.0	20.6
IJM Plantations	12.0	11.3	10.2	13.8	17.3	7.4	21.7
IOI Corp	16.9	15.4	9.7	15.9	22.2	9.5	44.0
KL Kepong	17.1	16.0	11.1	14.1	17.0	10.5	25.8
Sime Darby	13.0	12.3	10.4	21.1	31.9	10.5	59.9
<b>Indonesia</b>							
Astra Agro Lestari	12.1	11.0	11.7	16.4	21.1	3.2	26.4
London Sumatra	10.1	8.9	7.6	12.8	18.0	3.0	19.4
<b>Singapore</b>							
First Resources	11.3	10.6	6.7	12.3	17.9	2.5	30.4
Golden Agri	10.0	9.1	10.1	16.2	22.2	3.2	30.5
Indofood Agri	8.3	8.0	9.1	15.9	22.6	3.4	22.7

Source: Citi Investment Research and Analysis estimates

On a 2012E P/E basis, IFAR is trading at significant discount to its average historical P/E. This is mainly due to the uncertainty risk that has developed post the SIMP listing. IFAR has yet to disclose further details on its strategic plans going forward. Post the SIMP listing, it is currently just a shell company whose earnings are 100% derived from SIMP (excluding the accounting difference). Other Buy-rated stocks IJM Plantations, Sime Darby, Golden Agri and LonSum also trade below their historical averages. Stocks like Genting Plantations and KL Kepong are trading above historical averages (but still below peak P/E), but we see the premiums as justified given strong FFB production growth over the next 2 years and managements' strategy and focus, and as these two names are also purer plays versus IOI and Sime Darby in the Malaysian plantation space.

Astra Agro and First Resources are also currently trading lower than their historical averages. But the gap could widen further given potential downside risks in CPO prices towards 2H12 and thereafter.

Figure 5. Summary of Trailing PB Valuations

	2012E	2013E	-1 sd	Avg PB	+1 sd	Trough PB	Peak PB
<b>Malaysia</b>							
Genting Plantations	1.9	1.8	1.1	1.7	2.3	0.8	3.4
IJM Plantations	1.7	1.5	1.3	1.7	2.2	1.0	3.3
IOI Corp	2.5	2.3	2.2	3.1	4.1	1.8	6.3
KL Kepong	3.2	2.9	1.5	2.4	3.3	1.1	3.9
Sime Darby	2.1	1.9	1.9	2.3	2.6	1.4	3.5
<b>Indonesia</b>							
Astra Agro Lestari	3.8	3.3	3.7	5.8	7.9	1.6	12.7
London Sumatra	2.2	1.8	1.5	2.5	3.5	0.6	6.1
<b>Singapore</b>							
First Resources	2.3	2.0	1.3	1.9	2.6	0.5	3.8
Golden Agri	0.9	0.8	0.6	1.1	1.6	0.3	2.5
Indofood Agri	1.1	1.0	1.1	1.8	2.5	0.6	3.6

Source: Citi Investment Research and Analysis estimates

In terms of P/B, IFAR is trading significantly below its historical P/B. The stock price had deteriorated on concerns post SIMP listing. The rest of the plantation stocks are still trading below their peak P/Bs.

Figure 6. ASEAN Plantations — Valuation Summary

11 April 2012		Price	TP	ETR (%)	Mkt Cap	PE (x)		PB (x)		ROE (%)		Yield (%)		
Company	RIC	(Local Currency)		(US\$ mn)	CY12E	CY13E	CY12E	CY13E	CY12E	CY13E	CY12E	CY13E		
<b>Singapore Listed Companies</b>														
Golden Agri-Resources Ltd	GAGR.SI	1	0.78	1.01	32.0	7,500	10.0	9.1	0.9	0.8	9.1	9.3	2.5	2.7
Indofood Agri Resources Ltd	IFAR.SI	1	1.53	1.89	25.9	1,755	8.3	8.0	1.1	1.0	14.2	13.2	2.4	2.5
First Resources Ltd	FRLD.SI	2	1.99	2.14	9.1	2,331	11.3	10.6	2.3	2.0	21.6	20.0	1.3	1.8
<b>Weighted by market cap</b>							<b>10.0</b>	<b>9.2</b>	<b>1.2</b>	<b>1.1</b>	<b>12.4</b>	<b>12.0</b>	<b>2.3</b>	<b>2.5</b>
<b>Malaysia Listed Companies</b>														
Sime Darby Bhd	SIME.KL	1	9.85	13.20	37.7	19,308	13.0	12.3	2.1	1.9	17.0	16.2	3.9	4.1
IOI Corporation Bhd	IOIB.KL	2	5.40	5.38	2.6	11,318	16.9	15.4	2.5	2.3	15.6	15.5	3.1	3.2
Kuala Lumpur Kepong Bhd	KLKK.KL	1	24.50	27.35	15.1	8,531	17.1	16.0	3.2	2.9	19.8	18.9	3.5	3.6
IJM Plantations Bhd	IJMP.KL	1	3.30	4.36	35.2	863	12.0	11.3	1.7	1.5	14.9	14.3	3.4	3.6
Genting Plantations Bhd	GENP.KL	1	9.52	12.08	28.8	2,356	14.2	15.2	1.9	1.8	14.4	12.6	1.9	1.5
<b>Weighted by market cap</b>							<b>14.9</b>	<b>14.0</b>	<b>2.4</b>	<b>2.2</b>	<b>17.0</b>	<b>16.3</b>	<b>3.5</b>	<b>3.6</b>
<b>Indonesia Listed Companies</b>														
Astra Agro Lestari	AALI.JK	3	22,900	21,300	-2.7	3,941	12.1	11.0	3.8	3.3	33.7	32.0	4.3	5.4
London Sumatra Indonesia	LSIP.JK	1	2,900	3,780	32.9	2,162	10.1	8.9	2.2	1.8	29.8	27.4	2.6	3.0
<b>Weighted by market cap</b>							<b>11.4</b>	<b>10.3</b>	<b>3.2</b>	<b>2.8</b>	<b>32.3</b>	<b>30.4</b>	<b>3.7</b>	<b>4.5</b>
<b>Sector average (by market cap)</b>							<b>13.6</b>	<b>12.7</b>	<b>2.3</b>	<b>2.0</b>	<b>17.7</b>	<b>16.9</b>	<b>3.3</b>	<b>3.5</b>

Source: Citi Investment Research and Analysis estimates

Figure 7. Liquidity (as at 11 April 2012)

Sing-listed Plantation Companies	Company Code	Market Cap (US\$m)	Average 3M Daily Value Traded (US\$m)	Average 3M Daily Volume Traded (m shares)
Golden Agri	GAGR.SI	7,499.8	43.2	72.5
Indofood Agri	IFAR.SI	1,754.6	4.7	3.8
First Resources	FRLD.SI	2,331.2	3.7	2.6
Malay-listed Plantation Companies	Company Code	Market Cap (US\$m)	Average 3M Daily Value Traded (US\$m)	Average 3M Daily Volume Traded (m shares)
Sime Darby	SIME.KL	19,307.9	33.5	10.6
KL Kepong	KLKK.KL	8,531.0	8.9	1.1
IOI Corp	IOIB.KL	11,317.6	7.2	4.1
Genting Plantations	GENP.KL	2,356.4	2.9	1.0
IJM Plantations	IJMP.KL	863.0	0.6	0.6
Indo-listed Plantation Companies	Company Code	Market Cap (US\$m)	Average 3M Daily Value Traded (US\$m)	Average 3M Daily Volume Traded (m shares)
London Sumatra	LSIP.JK	2,162.4	3.6	12.1
Astra Agro Lestari	AALI.JK	3,941.2	2.7	1.1
BW Plantations	BWPT.JK	759.7	2.1	12.7
Bakrie Sumatera	UNSP.JK	434.2	1.3	39.4
Salim Ivomas Pratama	SIMP.JK	2,420.0	1.6	10.9
Sampoerna Agro	SGRO.JK	738.4	1.0	2.7

Source: dataCentral and Citi Investment Research and Analysis

**Figure 8. Share Price Performance**

11 April 2012	1 week	1 mth	3 mth	6mth	1 year
CPO Price (US\$/Ton)	-3.8%	1.7%	7.8%	24.3%	-3.7%
CPO Price (RM/Ton)	-3.9%	2.7%	5.1%	21.1%	-2.5%
Astra Agro Lesta	0.4%	1.3%	5.3%	34.7%	0.4%
First Resources	3.1%	7.9%	25.6%	58.8%	38.8%
Golden Agri	-1.9%	6.1%	6.1%	31.1%	7.6%
Genting Plantations	-0.3%	2.9%	7.1%	37.8%	18.4%
Indofood Agri	0.0%	-2.2%	12.5%	22.9%	-33.5%
IJM Plantations	-1.2%	-0.3%	4.1%	31.5%	14.2%
IOI	1.1%	0.4%	-1.6%	10.9%	-3.1%
KL Kepong	-0.4%	4.7%	-0.8%	18.9%	17.7%
London Sumatra	3.6%	0.9%	24.7%	48.7%	19.6%
Sime Darby	-0.3%	0.0%	7.7%	15.9%	6.4%

Source: Citi Investment Research and Analysis; Bloomberg

## CPO Prices

### Near-term CPO Price Outlook

CPO prices have appreciated to 12-month highs in the spot markets in line with the strength in soybean prices. Soybean price rose by 5% over the last 3 weeks. Soybean prices will need to rise further to win back acreage from corn.

Latest Malaysia Palm Oil Board statistics for March will provide support to CPO price. For the first 3 months of 2012, production grew by 3.2% but exports rose 10.3%. Closing stock in March fell by 5% MoM to 1.96m tonnes hence stock usage ratio fell to 1.46x in Mar 2012 from 1.7x in Feb 2012. We expect stock usage ratio to fall in April as well. Estimates from independent cargo surveyor Societe Generale de Surveillance showed that exports for the first 10 days of April were up 9% MoM. Notable increases came from key buyers – China, India and Pakistan.

CPO prices could be strongest in June as Awal Ramadan (fasting month) starts early this year (in July) and Hari Raya is in Aug. Shipments will be going out from June. After the uptrend in 2Q 2012, we expect CPO price to decline as production rises (yearly peak production period is typically in Sept/Oct).

**Figure 9. CPO Price Estimate for 2012**

	1Q 2012	2Q 2012	3Q 2012	4Q 2012
CPO Price (RM/t)	3,218	3,400	3,280	3,300

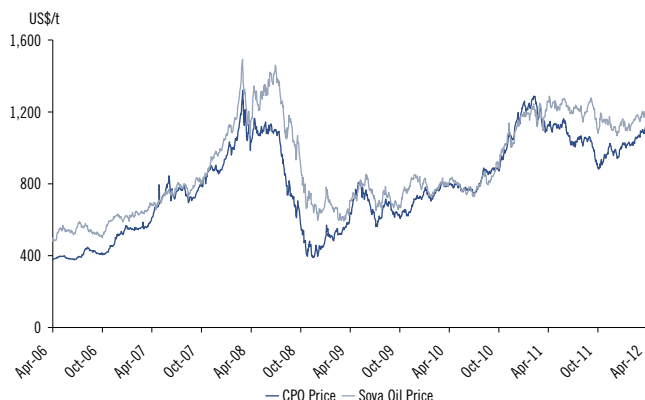
Source: Citi Investment Research and Analysis

### CPO and Soya Oil Price Link

The long-term correlation (since 1980) between CPO and soya oil price is 0.93x and the long-term average gap is US\$108/t (soya at a premium to CPO). Currently, the soya oil futures price is at US\$85/t premium to the futures CPO price.

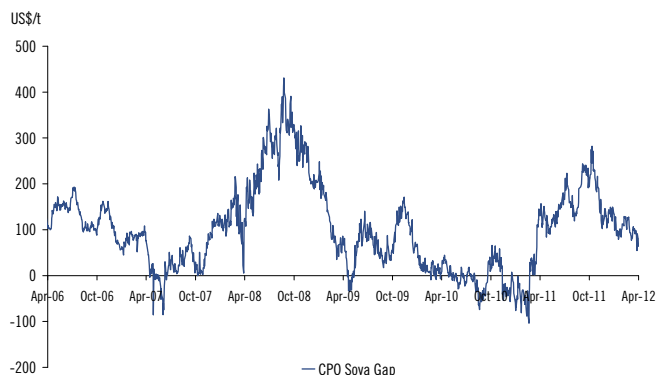


Figure 10. CPO and Soya Oil Price Performance



Source: Citi Investment Research and Analysis; Oil World

Figure 11. CPO vs Soya Oil Price Gap



Source: Citi Investment Research and Analysis; Oil World

## Soybean

Globally, this is the first time the market is faced with a decline of soybean production in both North America (down 7m tonnes) and South America (lower by 19m tonnes) based on Oil World estimates. Following the repeated downward revisions of this year's South American production, global supplies of soybeans have become much tighter. This will increase the world dependence on US soybeans in the 1H of next season.

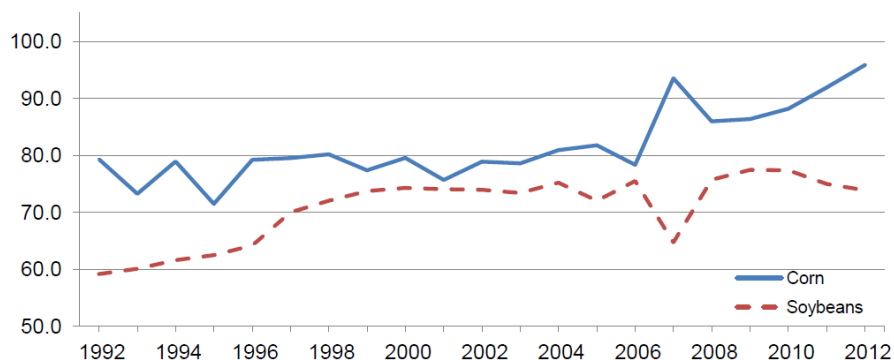
### Soybean crop prospects in South America further deteriorated

- **Further crop losses in South America** – Central Argentina and adjacent areas experienced a cold wave recently (3-4 weeks ahead of normal) which will curb the growth of immature crops and reduce yields. According to Oil World the growing share of late-planted soybeans has raised the risk of damage from early frost, which is now occurring, right after the drought had ended. The low temperatures may reduce the kernel size of still immature soybeans. The damage mentioned above is on top of the severe drought in northern Argentina. Harvest results from southern Brazil so far indicate poor yields. New reports point to potential downward revisions.

### Acreage competition

- **USDA's Prospective Plantings** report indicated that corn growers plan to plant 95.9m acres (+4% YoY) of corn in 2012. If realized, this will be the highest planted acreage in US since 1937 where 97.2m acres were planted. The prospects of higher US corn plantings will hence limit the potential for soybean acreage expansion. Soybean planted area for 2012 is estimated at 73.9m acres, down 1% from 2011 and down 5% from 2010.

Figure 12. Corn and Soybean Planted Acreage – United States



Source: USDA; Citi Investment Research and Analysis

### Reviving demand

- **China stepped up purchases.** Most of the increase in world exports of soybeans (Jan-Mar 2012) occurred in shipments to China (underpinned by improved soya meal demand). This would bring total Chinese soybean imports to an estimated 17m tonnes in Jan-April 2012, up 15% above a year ago based on Oil World estimates. China is expected to raise soybean imports to satisfy rising demand and increase reserve stocks due to prospects of further tightening in world export supplies of soybeans and to cushion against any weather problems. The China National Grain and Oils Information Centre (CNGOIC) indicate that the country will import close to 29m tonnes of soybeans in Jan-June 2012, versus 24m tonnes in the corresponding period last year. Higher soybean buying from China is expected to lead to a sharp reduction of stocks in the exporting countries by end-Aug 2012.
- **Soybean stocks to decline sharply** by end Aug 2012 to 59-60m tonnes (down 27-28% YoY) based on Oil World estimates. Most of the decline will be coming from Argentina, Brazil and Paraguay.
- **Rising demand from energy sector.** Soya oil is now the largest feedstock for the biofuel sector with an estimated volume of close to 7m tonnes in 2011. About 1/3 of global biodiesel production is based on soya oil in 2011 hence this curbed export supplies.

### Vegetable Oil Supply Remains Tight

Demand remains strong in most of the emerging markets driven by population growth, economic growth and rising living standards. China and India need almost 2m tonnes more vegetable oils each year mainly for food purposes. The increase in global demand for vegetable oils as well as the short export supplies of soya oil and declining production of rapeseed oil will raise the global dependence on palm oil. However, YoY increase in palm oil will be smaller this year versus last year.

In terms of demand, 74% of oils & fats is used in the food industry, 11% in the energy sector and 10% in oleochemical industry. The remaining 5% is mainly used for animal feed (based on Oil World estimates).

Figure 13. Supply and Demand – 17 Major Oils & Fats

YE-Sept (m tons)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F
Opening Stocks	13.7	12.6	13.6	15.5	17.2	17.1	18.5	19.4	20.0	20.0
Production	124.0	130.5	139.1	147.9	152.1	159.3	163.3	170.9	176.5	183.1
Demand	125.0	129.4	137.4	145.9	152.1	157.8	163.1	170.1	176.4	182.9
Ending Stocks	12.6	13.6	15.5	17.2	17.1	18.2	19.4	20.0	20.0	20.1
Supply growth	3.3%	5.2%	6.6%	6.3%	2.8%	4.7%	2.5%	4.7%	3.3%	3.7%
Consumption growth	3.6%	3.6%	6.2%	6.1%	4.3%	3.8%	3.3%	4.3%	3.7%	3.6%
Stocks/usage	10.1%	10.5%	11.3%	11.8%	11.2%	11.5%	11.9%	11.8%	11.3%	11.0%

Source: Citi Investment Research and Analysis; Oil World

Figure 14. Supply and Demand – Global Palm Oil

Palm Oil	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012F
Opening Stocks	3.8	3.8	4.4	5.2	5.8	6.0	7.6	7.5	7.3	8.1
Production	27.8	30.0	33.7	36.2	37.8	42.8	44.4	46.1	48.9	51.6
Demand	27.8	29.4	33.0	35.5	37.5	41.0	44.9	46.3	48.2	51.5
Ending Stocks	3.8	4.4	5.2	5.8	6.0	7.5	7.5	7.3	8.1	8.1
Supply growth	11.1%	7.7%	12.3%	7.5%	4.5%	13.1%	3.8%	3.8%	6.2%	5.5%
Consumption growth	11.1%	5.7%	12.5%	7.6%	5.5%	9.5%	9.5%	3.1%	4.0%	7.0%
Stocks/usage	13.7%	15.0%	15.6%	16.3%	16.0%	18.2%	16.7%	15.7%	16.8%	15.7%

Source: Citi Investment Research and Analysis; Oil World

Figure 15. Supply and Demand – Global Soy Oil

Soybean Oil	2003	2004	2005	2006	2007	2008	2009	2010	2011F	2012F
Opening Stocks	3.1	2.9	2.9	3.4	4.0	4.2	3.7	3.8	4.6	4.3
Production	31.0	30.8	32.8	34.9	36.6	37.7	36.0	38.8	41.3	41.9
Demand	31.2	30.8	32.3	34.1	36.3	38.2	36.1	38.0	41.6	42.3
Ending Stocks	2.9	2.9	3.4	4.0	4.2	3.7	3.8	4.6	4.3	3.9
Stocks/usage	9.2%	9.3%	10.6%	11.7%	11.7%	9.7%	10.6%	12.0%	10.3%	9.3%
Supply growth	5.3%	-0.4%	6.5%	6.2%	4.8%	3.1%	-4.6%	7.9%	6.4%	1.5%
Consumption growth	5.6%	-1.3%	4.7%	5.6%	6.4%	5.3%	-5.4%	5.3%	9.4%	1.7%
Stocks/usage	9.2%	9.3%	10.6%	11.7%	11.7%	9.7%	10.6%	12.0%	10.3%	9.3%

Source: Citi Investment Research and Analysis

## CPO and crude oil price link

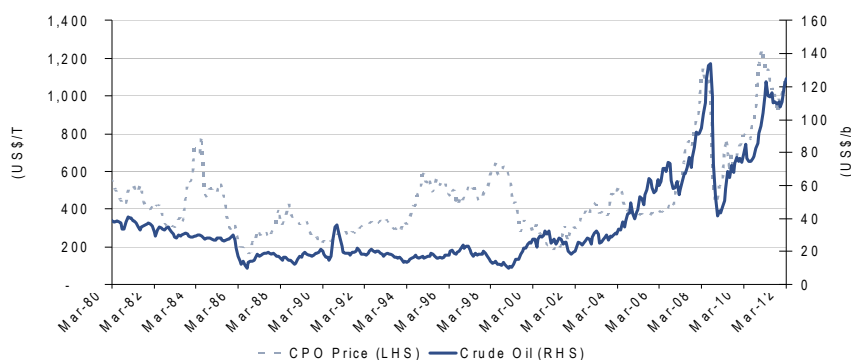
Another price supportive factor for CPO is oil price. The long-term correlation (brent oil price vs. CPO) since the 1980s is 0.78. CPO and crude oil have a loose arbitrage relationship. Based on rule of thumb, CPO prices should be close to 10x crude-oil prices (the average over the last 5-10 years). Our global oils team forecasts Brent oil price at US\$125/bbl for 2012 and US\$120/bbl. However 2011 was an exception whereby the correlation was -0.28. However there is a reversal in 2012 whereby the correlation between CPO and Brent oil price has risen to 0.80 based on daily data.

With expectations of high oil price due to geo-political tensions (Please see report: [Crude Watch: Stress Tests - Crude Market Having Its Own Stress Test As Spare Capacity Heads to Zero, Which Could Test the Global Economic Recovery](#)), this will likely keep biodiesel workable.

### Key supportive factors

- The drop in Iranian loadings is a major concern for the market with global spare capacity dwindling and crude demand about to start rising seasonally. Moreover, Saudi Arabia is gearing up to take production and this would take global spare capacity to close to zero.
- The inflammatory rhetoric between the US and Israel and Iran shows no sign of abating and should continue to support the market.
- The crude market is very strong and the problem for the oil bears is that gasoline is there to pick up any slack. An earnings upgrade cycle would further support oil prices.

Figure 16. CPO Price vs. Crude Oil Price Trends



Source: Citi Investment Research and Analysis; Bloomberg; IMF

### Biodiesel

- **Indonesian consumption** of palm oil rose by an average of 0.7m tonnes per annum over the last 2 years, with approximately a third of the increase being used by the expanding biodiesel industry according to Oil World. Indonesian biodiesel production reached at least 0.8m tons in CY2011 versus 0.6m in 2010 and 0.3m in 2008, most of which is exported (mainly to Europe)

Figure 17. Indonesia Balance of Palm Oil (million tons)

Jan-Dec	2007	2008	2009	2010	2011F
Open stocks	0.96	1.69	2.07	1.37	1.68
Production	17.4	19.4	21.0	22.1	23.9
Imports	0.02	0.03	0.05	0.08	0.05
Exports	12.65	14.61	16.94	16.45	17.25
Domestic Consumption	4.06	4.44	4.81	5.42	6.23
Ending stocks	1.69	2.07	1.37	1.68	2.15

Source: Citi Investment Research and Analysis; Oil World

### New biodiesel mandates in Brazil and Argentina this year.

- Argentina biodiesel production is expected to rise in CY2012, possibly reaching a new high of 3m tonnes based on Oil World estimates. Production is expected to accelerate in 2Q 2012 onward following the announcement of the government to raise the domestic mandate from the current 7% to 10% admixture (B10). Over the period Jan-Mar 2012, Argentine exports of biodiesel rose to an estimated 430,000 -440,000 tonnes versus 320,000 tonnes last year. 93% of the exports is to the EU-27.

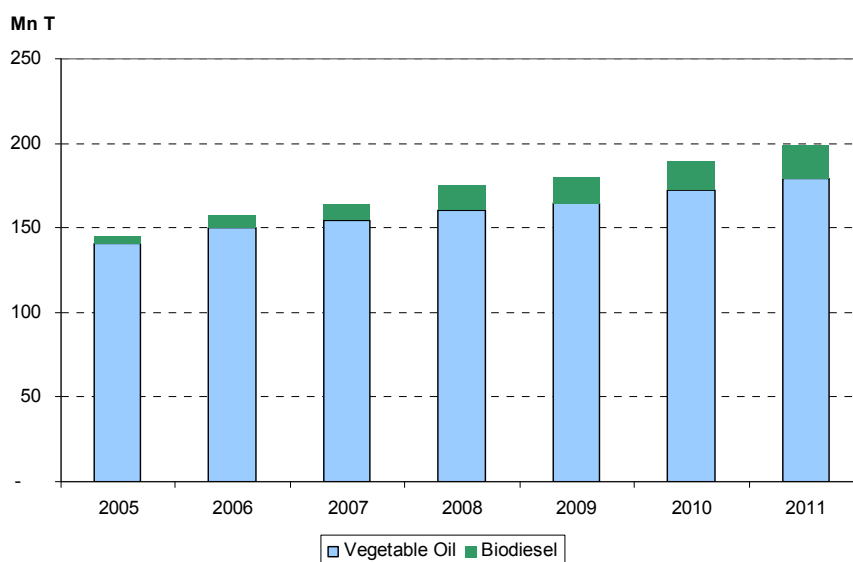
**Figure 18. Argentina: Biodiesel Production and Exports**

(in thousand tons)	CY2007	CY2008	CY2009	CY2010	CY2011	2012F
Production	180	712	1179	1815	2426	3000
Exports	168	687	1148	1358	1682	2000
Domestic use				508	752	980
Stock change	+12	+25	+31	-51	-8	+20

Source: Citi Investment Research and Analysis; Oil World

- Brazil is likely to announce its new programme for renewable energy soon, probably also outlining the admixture targets for the next few years. This will cover biodiesel and is likely to include steps on how the domestic mandate will be raised from B5 (5% admixture of biodiesel to diesel fuel) to B7 and subsequently B10 (by 2014). Biodiesel exports were still very small at only 5,400 tonnes in 2011.
- In Singapore, production of biodiesel was above expectations at 470,000 tonnes (72% of feedstock is palm oil) in CY2011 vs. 125,000 tonnes a year ago. It could increase by another 28% this year, according to Oil World.
- EU-27 imports of biodiesel jumped to a record 2.6m tonnes in Jan-Dec 2011 from 1.97m tonnes in Jan-Dec 2010. The EU raised imports of soya methyl ester from Argentina by 16% to 1.38m tonnes in 2011. While EU more than doubled imports of palm oil-based biodiesel from Indonesia to 1m tonnes in Jan-Dec 2011. A growing share of European biofuel demand is satisfied with imported biodiesel, which has resulted in higher vegetable oil consumption in biodiesel exporting countries such as Argentina and Indonesia.
- Vegetable oil consumption for biodiesel has seen a steady increase from 3% in 2005 to 11% in 2011.

**Figure 19. Global Vegetable Oil Versus Biodiesel Production**



Source: Citi Investment Research and Analysis; Oil World; OECD

## Indonesia CPO export tax and impacts of the change

Back in Sept 2011, the Indonesian Government significantly changed its export tax regime (reduced the maximum export duty on processed palm oil from 25% to 13%). Hence, this has made exports of processed palm oil more attractive than those of CPO (refer to Fig 20). This move has raised processing margins in Indonesia and encouraged an expansion of the country's refining capacity (which is already going on and will come on stream within the next 1-2 years). As a result, the Indonesian processing has a competitive advantage versus Malaysia whereby the Indonesian palm oil refiners can buy CPO and sell processed palm oil at lower prices than Malaysia.

Figure 20. Indonesia CPO Export Tax Scheme

CPO Average Price (US\$.t)	CPO	RBD palm oil	RBD palm olein	Biodiesel
<750	0.0%	0.0%	0.0%	0.0%
751-800	7.5%	0.0%	2.0%	0.0%
801-850	9.0%	0.0%	3.0%	0.0%
851-900	10.5%	2.0%	4.0%	0.0%
901-950	12.0%	3.0%	5.0%	0.0%
951-1000	13.5%	4.0%	6.0%	2.0%
1001-1050	15.0%	5.0%	7.0%	2.0%
1051-1100	16.5%	6.0%	8.0%	2.0%
1101-1150	18.0%	7.0%	9.0%	2.0%
1151-1200	19.5%	8.0%	10.0%	5.0%
1201-1250	21.0%	9.0%	11.5%	5.0%
1251 and up	22.5%	10.0%	13.0%	7.0%

Source: Citi Investment Research and Analysis; Bloomberg

Malaysian listed companies that we cover are not as badly affected as stand alone refiners in Malaysia which are facing negative margins. However, we do not foresee the Malaysian government making any changes to taxes ahead of the elections.

In 2-3 years time, we will see a reversal whereby we could potentially see an overcapacity situation in Indonesia. At that time the upstream players could potentially have a higher bargaining power. Currently, given the lack of refining capacity in Indonesia, upstream players in Indonesia have to provide quite a substantial discount (differential in Malaysia versus Indonesia CPO prices is between 15-20% currently from single digit previously).

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# Companies

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ASEAN Plantations  
13 April 2012

## Company Focus

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

### Margarett Go

+62-21-5290-8505  
margarett.go@citi.com

<b>Sell</b>	<b>3</b>
<i>from Buy</i>	
Price (13 Apr 12)	Rp22,850
Target price	Rp21,300
<i>from Rp28,300</i>	
Expected share price return	-6.8%
Expected dividend yield	4.3%
<b>Expected total return</b>	<b>-2.4%</b>
Market Cap	Rp35,982,923M US\$3,927M

### Price Performance

(RIC: AALI.JK, BB: AALI IJ)



## Astra Agro Lestari (AALI.JK)

### Pure CPO Play Business Model a Key Risk during CPO Weakness

- **Lower TP; Downgrade to Sell** — Despite higher earnings, our TP is cut to Rp21,300 (from Rp28,300) based on a lower multiple of 11.2x (15% discount to Indonesia market PE of 13.2x). Although it has its share of positives, given our expectations of a lower CPO price environment in 2H12 and thereafter, AALI with its pure upstream CPO business model is the most vulnerable in the peer group when CPO prices are weakening. Thus, we would sell into the current strength.
- **Raising EPS** — We are revising upwards EPS by 2-10% for FY12-13E after taking into account the following changes: (1) Raising CPO price assumption for FY12E to US\$1,075/t (previously US\$1,000/t) and FY13E CPO price to US\$1,067/t (previously US\$950/t) (2) Higher labour, fertilizer and 3<sup>rd</sup> party purchases costs, (3) Forex changes from Rp9,174 for FY12E (prev. Rp8,975) and Rp9,528 for FY13E (prev. Rp8,675).
- **Positive start in 2012 production** — Two months into year 2012, AALI's prod'n and sales performance has been positive. FFB harvested was up 8.8% to 722k tons while CPO production up 9% YoY to 190k tons, outpacing previous year's performances. This is despite aging tree profile concerns. CPO sales performance also maintains its upward trend. As at YTD Feb 2012 CPO sales was at 201k tons (+15% YoY), absorbing much of the YTD Feb production of 190k tons and the Dec '11 inventory of 12.9k tons. ([Astra Agro Lestari \(AALI.JK\) - 2M12 Operating Statistics – Uptrend in Production, Sales and Prices](#)).
- **Growth still possible despite older trees** — Older age profile (ave. age of 14 yrs; over 50% of its trees above 15 yrs) raises concerns of prod'n sustainability. But we believe near-term growth support still exists and don't expect sudden substantial drops in prod'n. Key reasons: a) Previous new plantings coming into maturity: FY07's 19k ha and FY08's 22k ha new plantings has/will mature in 2011 and 2012, b) Replanting in small scale: Replanting target of only 2,000-4,000 ha/yr (only 1-2% of total planted area of over 260k ha); Cant replant all old trees at once as it will lead to several workers unemployed and cause social issue. c) Ongoing productivity/yield enhancing initiatives: This includes mechanization of fertilization application; using higher yielding seeds, land enrichment etc.
- **Solid BS; Foreign shareholding** — With Rp838bn cash and no debt, AALI is in a net cash position (Dec'11). Foreign shareholding is 13.72% at Apr 2012 vs 12.9% in Nov 2011. Astra parent company still owns c.80% interest in AALI.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RpB)	(Rp)	(%)	(x)	(x)	(%)	(%)
2010A	2,017	1,281	21.4	17.8	5.0	30.0	2.9
2011A	2,406	1,528	19.3	15.0	4.4	31.3	4.1
2012E	2,986	1,896	24.1	12.0	3.8	33.7	4.3
2013E	3,279	2,082	9.8	11.0	3.3	32.0	5.4
2014E	2,758	1,752	-15.9	13.0	3.1	24.6	5.9

Source: Powered by dataCentral



**ASEAN Plantations**  
13 April 2012

AALI.JK: Fiscal year end 31-Dec						Price: Rp22,850; TP: Rp21,300; Market Cap: Rp35,982,923m; Recomm: Sell					
Profit & Loss (Rpb)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	8,844	10,773	12,591	13,161	12,296	PE (x)	17.8	15.0	12.0	11.0	13.0
Cost of sales	-5,234	-6,838	-7,788	-7,920	-7,762	PB (x)	5.0	4.4	3.8	3.3	3.1
Gross profit	3,609	3,935	4,803	5,240	4,534	EV/EBITDA (x)	10.6	9.8	7.7	7.0	8.2
Gross Margin (%)	40.8	36.5	38.1	39.8	36.9	FCF yield (%)	4.3	3.6	4.3	4.9	3.5
<b>EBITDA</b>	<b>3,275</b>	<b>3,525</b>	<b>4,516</b>	<b>4,977</b>	<b>4,356</b>	Dividend yield (%)	2.9	4.1	4.3	5.4	5.9
EBITDA Margin (%)	37.0	32.7	35.9	37.8	35.4	Payout ratio (%)	51	62	52	59	77
Depreciation	-276	-329	-412	-477	-543	ROE (%)	30.0	31.3	33.7	32.0	24.6
Amortisation	0	0	0	0	0	<b>Cashflow (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>2,999</b>	<b>3,196</b>	<b>4,104</b>	<b>4,500</b>	<b>3,813</b>	EBITDA	3,275	3,525	4,516	4,977	4,356
EBIT Margin (%)	33.9	29.7	32.6	34.2	31.0	Working capital	238	141	66	21	-31
Net interest	31	88	22	44	12	Other	-895	-697	-1,002	-1,094	-947
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>2,618</b>	<b>2,968</b>	<b>3,580</b>	<b>3,904</b>	<b>3,377</b>
Non-op/Except	-66	50	27	21	7	Capex	-1,088	-1,678	-2,045	-2,135	-2,135
<b>Pre-tax profit</b>	<b>2,964</b>	<b>3,333</b>	<b>4,153</b>	<b>4,566</b>	<b>3,831</b>	Net acq/disposals	0	0	0	0	0
Tax	-860	-834	-1,051	-1,160	-966	Other	-72	-228	0	0	0
Extraord./Min.Int./Pref.div.	-87	-93	-116	-127	-107	<b>Investing cashflow</b>	<b>-1,160</b>	<b>-1,906</b>	<b>-2,045</b>	<b>-2,135</b>	<b>-2,135</b>
<b>Reported net profit</b>	<b>2,017</b>	<b>2,406</b>	<b>2,986</b>	<b>3,279</b>	<b>2,758</b>	Dividends paid	-1,031	-1,480	-1,564	-1,941	-2,131
Net Margin (%)	22.8	22.3	23.7	24.9	22.4	<b>Financing cashflow</b>	<b>-1,006</b>	<b>-1,464</b>	<b>-631</b>	<b>-1,937</b>	<b>-2,139</b>
Core NPAT	2,017	2,406	2,986	3,279	2,758	<b>Net change in cash</b>	<b>452</b>	<b>-403</b>	<b>905</b>	<b>-168</b>	<b>-896</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>1,530</b>	<b>1,290</b>	<b>1,535</b>	<b>1,769</b>	<b>1,242</b>
Reported EPS (Rp)	1,281	1,528	1,896	2,082	1,752						
Core EPS (Rp)	1,281	1,528	1,896	2,082	1,752						
DPS (Rp)	655	940	993	1,233	1,353						
CFPS (Rp)	1,663	1,885	2,274	2,479	2,145						
FCFPS (Rp)	972	819	975	1,123	789						
BVPS (Rp)	4,580	5,169	6,072	6,922	7,320						
Wtd avg ord shares (b)	1.6	1.6	1.6	1.6	1.6						
Wtd avg diluted shares (b)	1.6	1.6	1.6	1.6	1.6						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	19.1	21.8	16.9	4.5	-6.6						
EBIT (%)	14.9	6.6	28.4	9.7	-15.3						
Core NPAT (%)	21.4	19.3	24.1	9.8	-15.9						
Core EPS (%)	21.4	19.3	24.1	9.8	-15.9						
<b>Balance Sheet (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	1,241	838	1,743	1,575	678						
Accounts receivables	51	5	6	7	6						
Inventory	625	770	900	941	879						
Net fixed & other tangibles	5,929	7,320	8,953	10,611	12,202						
Goodwill & intangibles	53	56	56	56	56						
Financial & other assets	893	1,215	1,262	1,276	1,254						
<b>Total assets</b>	<b>8,792</b>	<b>10,204</b>	<b>12,919</b>	<b>14,464</b>	<b>15,076</b>						
Accounts payable	349	522	610	638	596						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	925	925	925						
Provisions & other liab	986	1,256	1,420	1,472	1,391						
<b>Total liabilities</b>	<b>1,335</b>	<b>1,778</b>	<b>2,954</b>	<b>3,035</b>	<b>2,912</b>						
Shareholders' equity	7,212	8,140	9,562	10,900	11,527						
Minority interests	246	287	402	530	636						
<b>Total equity</b>	<b>7,457</b>	<b>8,426</b>	<b>9,965</b>	<b>11,430</b>	<b>12,164</b>						
<b>Net debt</b>	<b>-1,241</b>	<b>-838</b>	<b>-818</b>	<b>-650</b>	<b>246</b>						
Net debt to equity (%)	-16.6	-9.9	-8.2	-5.7	2.0						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADatServicesAsiaPacific@citi.com or +852-2501-2791  
For definitions of the items in this table, please click [here](#).



Figure 21. Summary of estimate revisions

	Net Profit (Rp Bn)			EPS (Rp)			DPS (Rp)		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
2012E	2,930.1	2,986.3	1.9%	1,860.7	1,896.4	1.9%	992.9	992.9	0.0%
2013E	2,973.4	3,278.9	10.3%	1,888.2	2,082.2	10.3%	1,209.5	1,232.7	1.9%

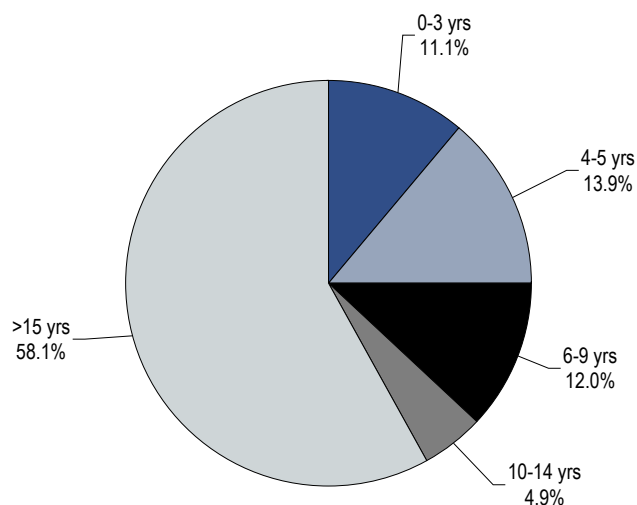
Source: Citi Investment Research and Analysis

Figure 22. Summary of key assumption changes

		New			Old		% Change	
		2012E	2013E	2014E	2012E	2013	2012E	2013E
CPO price – Regional	US\$/ton	1,075	1,067	950	1,000	950	7.5%	12.3%
Forex	Rp	9,174	9,528	9,814	8,975	8,675	2.2%	9.8%
CPO Production volume	m tons	1,309	1,328	1,349	1,295	1,313	1.1%	1.1%
CPO Sales volume	m tons	1,296	1,314	1,335	1,282	1,300	1.1%	1.1%

Source: Citi Investment Research and Analysis

Figure 23. AALI – Plantation Age Profile (At the beginning of 2012)



Source: Citi Investment Research and Analysis; Company

## Astra Agro Lestari

### Company description

Astra Agro Lestari (AALI) was founded in 1981 and was listed on the Jakarta and Surabaya stock exchanges in December 1997. AALI started cultivating cassava then switched to oil palm. The group's oil palm has 263k hectares of planted area, of which 203k hectares are mature (or 77% of total planted area). Almost 60kha of AALI's planted area is under the Plasma plantation program. PT Astra International is AALI's holding company with an 80% interest.

### Investment strategy

True, CPO prices is currently on an uptrend. Hence, AALI is a key beneficiary given its pure CPO upstream business model. On the flip side, however, given our expectations of a weaker CPO price environment in 2H12 and thereafter, AALI is rendered most vulnerable to earnings downside risks, relative peers. Hence, our Sell rating.

### Valuation

Our target price for AALI of Rp21,300 is based on 11.2x 2012E EPS of Rp1,896. Our PE multiple of 11.2x is based on a 15% discount to current Indonesia market PE of 13.2x. The discount is to reflect the a) downside risk to earnings given its pure CPO play upstream business model and our expectations of a weaker CPO price environment in 2H12 and thereafter and b) older plantation profile relative to peers, which may hamper long term production growth.

As a cross-check, we employ DCF based on cash flows out to 2021E and a terminal value of 9.2x EV/EBITDA, a derivation of a constant growth multiple. We use a discount rate of 11.6%, which imputes an Rf of 8% and a market risk premium of 5.5% to better reflect current market conditions. Our DCF yields a net present value of Rp26,040/share, just 14% higher than the latest share price of Rp22,850.

### Risks

The key upside risks to our investment thesis on AALI are: 1) CPO price volatility; 2) Fluctuating crude-oil prices; 3) Stronger than expected production performance. If any of these risk factors has a greater upside impact than we anticipate, the share price will likely exceed our target price.

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## Company Focus

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

### Margarett Go

+62-21-5290-8505  
margarett.go@citi.com

<b>Neutral</b>	<b>2</b>
from Buy	
Price (13 Apr 12)	S\$1.99
Target price	S\$2.14
from S\$2.12	
Expected share price return	7.8%
Expected dividend yield	1.3%
<b>Expected total return</b>	<b>9.1%</b>
Market Cap	S\$2,943M
	US\$2,348M

### Price Performance

(RIC: FRLD.SI, BB: FR SP)



## First Resources (FRLD.SI)

### Steadily and Sensibly Growing But Valuations Getting Lofty

- **Downgrade to Neutral; Raise TP** — Despite our earnings upgrade, our TP is raised only marginally to S\$2.14 (prev. S\$2.12) as we use a lower multiple of 12.3x (a 10% discount to current Singapore market PE of 13.7x). True, that ongoing CPO price rally coupled with a favourable plantation profile and sensible strategies bode well for pure CPO plays like FR. But the stock has risen by 32% YTD and valuation at 11.3x 2012E PE is only an 8% discount to its historical ave. of 12.3x (vs. peer's 21%-48% discounts). We like cheaper planters for exposure.
- **Raising EPS** — We revise upwards EPS by 6-14% for FY12-13E to factor in: (1) Higher CPO price assumption for FY12E to US\$1,075/t (previously US\$1,000/t) and FY13E CPO price to US\$1,067/t (previously US\$950/t) (2) Higher labour, fertilizer and 3<sup>rd</sup> party purchases costs, (3) Forex changes from Rp9,174 for FY12E (prev. Rp9,150) and Rp9,528 for FY13E (prev. Rp8,975).
- **Strong start in 2012 performance** — Prod'n remained strong owing improving maturity profile (65% mature; 86% nucleus; average age of 8 yrs). In 2M12, FFB harvested was up 25% to 300k tons while CPO prod'n up 27% YoY to 72k tons. Our FY12E CPO prod'n is 508k tons (+12% YoY); 561k tons for FY13E (+11%).
- **Refinery and processing segment continues to grow** — Revenues from this segment now accounts for 29% of total revenues in FY11. On an EBITDA basis, the contribution is 9%. With the new Indonesian refined CPO export tax scheme in place, FR with its plan to boost refinery capacity to 850k tons (from current 250k tons) will be well-positioned to benefit.
- **Rubber venture update** — FR aims to eventually develop 40k ha of rubber plantation. But near-term impact of this venture would be minimal given that a) planting would only begin towards the end of 2012, b) only 2,000 ha will be initially planted and c) there is the 5-6 years plant-to-harvest lag time to consider.
- **2012 guidance** — a) **CPO vol.:** +10% YoY, b) **New plantings:** 15-20k ha oil palm; 2k ha rubber, c) **Infrastructure:** 2 mills (90tons/hr), 1 kernel crushing plant (350tons/day), private jetty with bulking station (able to berth ships of up to 80k tons capacity; 100k tons storage capacity), 1 refinery/fractionation plant (2k tons/day), and an auxiliary infrastructure such as biomass power plant, waste water treatment plant etc. d) **Capex:** ~US\$200m, e) **Cash cost:** US\$225-250/ton on higher min. wage rates, fertilizer and diesel prices, f) **Fertilizer:** ~70% of requirements already sourced. g) **1Q12 results:** aiming for 15 May 2012.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(US\$M)	(US\$)	(%)	(x)	(x)	(%)	(%)
2010A	109	0.07	46.1	21.4	3.3	17.1	1.0
2011A	168	0.11	54.6	13.8	2.6	21.1	1.4
2012E	204	0.14	20.9	11.5	2.3	21.6	1.3
2013E	218	0.15	7.1	10.7	2.0	20.0	1.7
2014E	190	0.13	-12.6	12.2	1.8	15.3	1.9

Source: Powered by dataCentral

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FRLD.SI: Fiscal year end 31-Dec						Price: S\$1.99; TP: S\$2.14; Market Cap: S\$2,950m; Recomm: Neutral					
Profit & Loss (US\$m)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	330	495	597	653	619	PE (x)	21.4	13.8	11.5	10.7	12.2
Cost of sales	-118	-149	-210	-243	-258	PB (x)	3.3	2.6	2.3	2.0	1.8
Gross profit	212	346	387	410	361	EV/EBITDA (x)	12.2	8.5	7.3	6.9	7.5
Gross Margin (%)	64.3	69.9	64.8	62.8	58.3	FCF yield (%)	-1.1	0.6	3.6	3.5	7.2
<b>EBITDA</b>	<b>250</b>	<b>326</b>	<b>337</b>	<b>356</b>	<b>319</b>	Dividend yield (%)	1.0	1.4	1.3	1.7	1.9
EBITDA Margin (%)	75.8	65.9	56.5	54.5	51.5	Payout ratio (%)	22	20	15	19	23
Depreciation	-13	-15	-17	-20	-21	ROE (%)	22.5	24.6	21.6	20.0	15.3
Amortisation	0	0	0	0	0	<b>Cashflow (US\$m)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>237</b>	<b>310</b>	<b>320</b>	<b>336</b>	<b>298</b>	EBITDA	250	326	337	356	319
EBIT Margin (%)	71.8	62.8	53.5	51.5	48.1	Working capital	0	-38	-22	-4	0
Net interest	-31	-28	-31	-30	-29	Other	-136	-144	-105	-107	-97
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>115</b>	<b>144</b>	<b>210</b>	<b>245</b>	<b>222</b>
Non-op/Except	6	-1	-3	0	-1	Capex	-140	-130	-126	-164	-54
<b>Pre-tax profit</b>	<b>213</b>	<b>282</b>	<b>286</b>	<b>306</b>	<b>267</b>	Net acq/disposals	0	0	0	0	0
Tax	-62	-76	-71	-76	-67	Other	5	-52	2	0	3
Extraord./Min.Int./Pref.div.	-8	-9	-11	-11	-10	<b>Investing cashflow</b>	<b>-136</b>	<b>-182</b>	<b>-124</b>	<b>-164</b>	<b>-51</b>
<b>Reported net profit</b>	<b>143</b>	<b>196</b>	<b>204</b>	<b>218</b>	<b>190</b>	Dividends paid	-23	-35	-30	-39	-42
Net Margin (%)	43.4	39.7	34.1	33.4	30.8	<b>Financing cashflow</b>	<b>51</b>	<b>39</b>	<b>-43</b>	<b>-16</b>	<b>-80</b>
Core NPAT	109	168	204	218	190	<b>Net change in cash</b>	<b>29</b>	<b>1</b>	<b>42</b>	<b>65</b>	<b>91</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>-26</b>	<b>14</b>	<b>84</b>	<b>81</b>	<b>167</b>
Reported EPS (\$)	0.10	0.13	0.14	0.15	0.13						
Core EPS (\$)	0.07	0.11	0.14	0.15	0.13						
DPS (\$)	0.02	0.02	0.02	0.03	0.03						
CFPS (\$)	0.08	0.10	0.14	0.17	0.15						
FCFPS (\$)	-0.02	0.01	0.06	0.06	0.11						
BVPS (\$)	0.48	0.60	0.68	0.81	0.89						
Wtd avg ord shares (m)	1,468	1,468	1,468	1,468	1,468						
Wtd avg diluted shares (m)	1,468	1,468	1,468	1,468	1,468						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	50.7	49.9	20.7	9.4	-5.3						
EBIT (%)	51.5	31.0	3.0	5.2	-11.5						
Core NPAT (%)	46.1	54.6	20.9	7.1	-12.6						
Core EPS (%)	46.1	54.6	20.9	7.1	-12.6						
<b>Balance Sheet (US\$m)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	209	210	253	318	409						
Accounts receivables	11	30	37	42	40						
Inventory	18	39	49	56	53						
Net fixed & other tangibles	917	1,071	1,180	1,324	1,358						
Goodwill & intangibles	7	21	21	21	20						
Financial & other assets	73	128	131	134	130						
<b>Total assets</b>	<b>1,235</b>	<b>1,500</b>	<b>1,670</b>	<b>1,895</b>	<b>2,009</b>						
Accounts payable	15	17	21	23	22						
Short-term debt	14	89	59	59	57						
Long-term debt	302	267	348	361	360						
Provisions & other liab	159	200	193	203	194						
<b>Total liabilities</b>	<b>490</b>	<b>572</b>	<b>621</b>	<b>646</b>	<b>633</b>						
Shareholders' equity	710	885	996	1,183	1,302						
Minority interests	34	44	53	65	74						
<b>Total equity</b>	<b>745</b>	<b>929</b>	<b>1,049</b>	<b>1,249</b>	<b>1,376</b>						
<b>Net debt</b>	<b>107</b>	<b>145</b>	<b>154</b>	<b>102</b>	<b>8</b>						
Net debt to equity (%)	14.4	15.6	14.7	8.2	0.6						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADatServicesAsiaPacific@citi.com or +852-2501-2791  
For definitions of the items in this table, please click [here](#).



Figure 24. Summary of estimate revisions

	Net Profit (US\$m)			EPS (S\$)			DPS S\$		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
2012E	191.3	203.5	6.4%	0.130	0.139	6.4%	0.0209	0.0207	-1.2%
2013E	190.4	217.9	14.4%	0.130	0.148	14.4%	0.0266	0.0267	0.5%

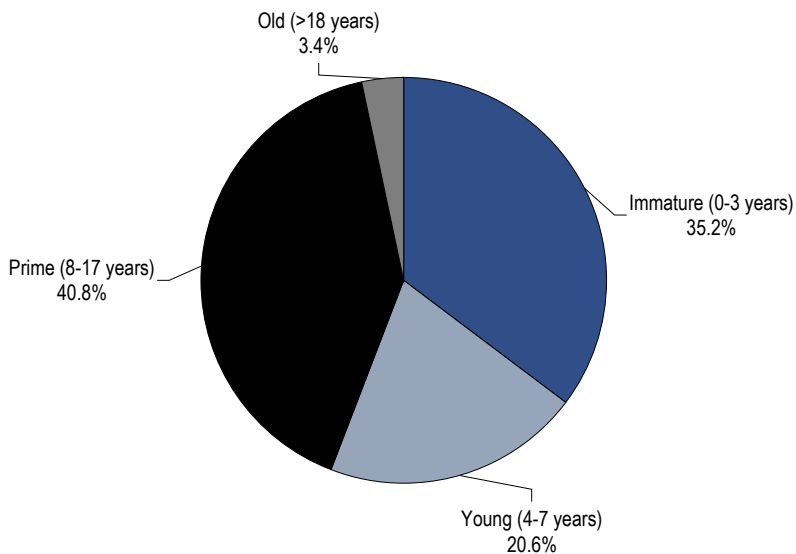
Source: Citi Investment Research and Analysis

Figure 25. Summary of key assumption changes

		New			Old		% Change	
		2012E	2013E	2014E	2012E	2013E	2012E	2013E
CPO Price	US\$/Ton	1,075	1,067	950	1,000	950	7.5%	12.3%
Forex	Rp/US\$	9,174	9,528	9,814	9,150	8,975	0.3%	6.2%
Forex	US\$/SG\$	1.25	1.22	1.26	1.25	1.19	0.0%	2.5%
CPO Prod'n Vol	m tons	508	561	633	502	554	1.3%	1.3%
CPO Sales Vol	k tons	503	555	620	497	548	1.3%	1.3%

Source: Citi Investment Research and Analysis

Figure 26. FRLD – Plantation Age Profile (As at 31 December 2011)



Source: Citi Investment Research and Analysis; Company

## First Resources

### Company description

Incorporated on 8 December 2004, First Resources (FR) is one of the largest private-sector producers of crude palm oil in Indonesia. It is a vertically integrated planter, with production along the value chain from palm fresh fruit bunches (FFB) to crude palm oil milling (CPO) to biodiesel production (P-FAME). All operations and assets are located in Riau province, Sumatra, and West Kalimantan, Indonesia. The company now has over 100k Ha of palm oil plantations.

### Investment strategy

We have a Neutral rating on FR. True, an ongoing CPO price rally coupled with a favourable plantation profile and sensible strategies bode well for pure CPO plays like FR. But the stock has been a strong outperformer YTD and the current P/E is at less than a 10% discount to its historical average of 12.3x (vs. peers' 21%-48% discounts).

### Valuation

We have a target price for FR of S\$2.14, which is based on a 10% discount to the current Singapore market PE of 13.7x. We are using the local market PE to factor in ongoing market volatility. The 10% discount is to reflect the downside risk to FR's earnings given its substantial upstream CPO business model and our expectations of a weaker CPO price environment in 2H12 and thereafter. As a cross check, we employ a DCF that is based on cash flows out to 2021E and a terminal value of 10.1x EV/EBITDA (a derivation of a constant growth multiple). We use a discount rate of 12%, which includes an Rf 8%, a market risk premium of 5.5% to reflect the current market environment. Our DCF value yields a net present value of S\$2.67/share, still higher than current share price.

### Risks

The key downside risks to our investment thesis on First Resources are: 1) CPO price downturn; 2) IAS41 casualty; 3) Lower oil prices; and 4) Stronger rupiah. The key upside risks are: 1) CPO price increases; 2) Beneficiary of IAS41; 3) Higher oil prices; and 4) Weaker rupiah. If any of these risk factors has a greater impact than we anticipate, the share price will likely have difficulty attaining our target price.

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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Penny Yaw, CFA

+60-3-2383-2948  
penny.yaw@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	RM9.75
Target price	RM12.08
<i>from RM11.72</i>	
Expected share price return	23.9%
Expected dividend yield	1.8%
<b>Expected total return</b>	<b>25.7%</b>
Market Cap	RM7,399M
	US\$2,409M

### Price Performance

(RIC: GENP.KL, BB: GENP MK)



## Genting Plantations Bhd (GENP.KL) Good Production Growth Prospects

- **Maintain Buy** — Close to 100% of Genting Plantations (GENP)'s earnings derived from upstream plantations. Based on our estimates, every 10% rise in CPO prices could lift 2012E net profit by 15%.
- **Strong output** — Monthly Bursa filings show FFB production grew by 15.8% in the first two months of FY12. Higher production YTD as coming from a low base last year but management is guiding for production growth to normalize in subsequent months. We are maintaining our FFB production growth estimate of 9% for FY12E and 21% for FY13E. Double digit production growth in FY13E will be driven by new fields coming into maturity in Indonesia.
- **Raising EPS** — We are revising upwards EPS by 12-15% for FY12-13E after taking into account the following changes: (1) Raising CPO price assumption for FY12E to RM3,300/t (previously RM3,070/t) and FY13E CPO price to RM3,200/t (previously RM2,850/t) (2) Higher labour and fertilizer costs.
- **Raising target price** — Target price upped by 3% to reflect the higher CPO price assumption and latest net cash position.
- **Planted landbank** — The group achieved 4,509 ha of new plantings in Indonesia in 2011 versus 11,444 ha in 2010. Total planted area in Indonesia is now 33,922 ha as at end 2011 (landbank in Indonesia just slightly above 100,000 ha currently). For 2012, the new plantings target is between 7,000-8,000 ha for Indonesia. Planted landbank in Malaysia was 59,576 ha as at Dec 2011. Weighted average age of trees for the group is close to 10 years.
- **Property: more launches this year** — Expect more launches this year especially from its Genting Indahpura project. Johor Premium Outlet is located within Genting Indahpura. Close to 80% of property sales will be derived from Genting Indahpura. The group also has close to 100 acres of industrial land available for sale in Genting Indahpura.
- **Strong balance sheet** — GENP has RM589.8m net cash (Dec 2011), which means it is well placed for opportunistic land acquisitions.
- **Rise in foreign shareholding** — Foreign ownership rose to 10.3% of GENP shares as at Feb 2012 versus 8% in June 2011.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2010A	324	0.43	37.5	22.8	2.6	12.0	1.3
2011A	442	0.58	36.2	16.7	2.3	14.5	1.7
2012E	508	0.67	15.0	14.6	1.9	14.4	1.8
2013E	607	0.80	19.4	12.2	1.6	14.5	1.9
2014E	580	0.76	-4.4	12.8	1.4	11.9	2.1

Source: Powered by dataCentral

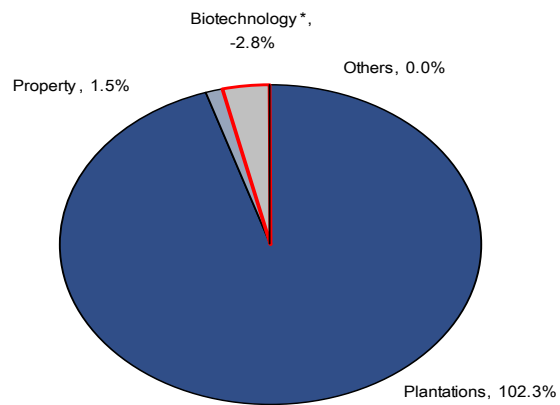


**ASEAN Plantations**  
13 April 2012

GENP.KL: Fiscal year end 31-Dec						Price: RM9.75; TP: RM12.08; Market Cap: RM7,399m; Recomm: Buy					
Profit & Loss (RMm)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	989	1,336	1,332	1,543	1,506	PE (x)	22.8	16.7	14.6	12.2	12.8
Cost of sales	-546	-721	-619	-693	-699	PB (x)	2.6	2.3	1.9	1.6	1.4
Gross profit	443	615	713	850	807	EV/EBITDA (x)	15.5	10.9	9.3	7.7	7.7
Gross Margin (%)	44.8	46.0	53.5	55.1	53.6	FCF yield (%)	2.8	3.9	0.5	5.5	5.3
<b>EBITDA</b>	<b>443</b>	<b>615</b>	<b>713</b>	<b>850</b>	<b>807</b>	Dividend yield (%)	1.3	1.7	1.8	1.9	2.1
EBITDA Margin (%)	44.8	46.0	53.5	55.1	53.6	Payout ratio (%)	29	28	27	24	26
Depreciation	-33	-44	-54	-61	-60	ROE (%)	12.0	14.5	14.4	14.5	11.9
Amortisation	0	0	0	0	0	<b>Cashflow (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>410</b>	<b>571</b>	<b>659</b>	<b>789</b>	<b>747</b>	EBITDA	443	615	713	850	807
EBIT Margin (%)	41.5	42.7	49.5	51.2	49.6	Working capital	116	36	-76	-70	-53
Net interest	15	24	19	22	28	Other	-86	-116	-117	-144	-135
Associates	5	6	6	6	6	<b>Operating cashflow</b>	<b>473</b>	<b>535</b>	<b>520</b>	<b>636</b>	<b>619</b>
Non-op/Except	10	0	0	0	0	Capex	-264	-244	-480	-230	-230
<b>Pre-tax profit</b>	<b>440</b>	<b>601</b>	<b>684</b>	<b>817</b>	<b>781</b>	Net acq/disposals	-6	-52	0	0	0
Tax	-116	-159	-171	-204	-195	Other	-5	-5	5	8	14
Extraord./Min.Int./Pref.div.	0	-1	-5	-6	-6	<b>Investing cashflow</b>	<b>-275</b>	<b>-301</b>	<b>-475</b>	<b>-222</b>	<b>-216</b>
<b>Reported net profit</b>	<b>324</b>	<b>442</b>	<b>508</b>	<b>607</b>	<b>580</b>	Dividends paid	-56	-78	-107	-113	-119
Net Margin (%)	32.8	33.1	38.1	39.3	38.5	<b>Financing cashflow</b>	<b>142</b>	<b>78</b>	<b>-116</b>	<b>-133</b>	<b>-119</b>
Core NPAT	324	442	508	607	580	<b>Net change in cash</b>	<b>339</b>	<b>313</b>	<b>-70</b>	<b>281</b>	<b>284</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>209</b>	<b>291</b>	<b>40</b>	<b>406</b>	<b>389</b>
Reported EPS (RM)	0.43	0.58	0.67	0.80	0.76						
Core EPS (RM)	0.43	0.58	0.67	0.80	0.76						
DPS (RM)	0.13	0.16	0.18	0.19	0.20						
CFPS (RM)	0.62	0.71	0.69	0.84	0.82						
FCFPS (RM)	0.28	0.38	0.05	0.54	0.51						
BVPS (RM)	3.78	4.26	5.05	5.99	6.89						
Wtd avg ord shares (m)	758	759	759	759	759						
Wtd avg diluted shares (m)	758	759	759	759	759						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	30.8	35.2	-0.3	15.8	-2.4						
EBIT (%)	44.6	39.3	15.4	19.7	-5.4						
Core NPAT (%)	37.6	36.3	15.0	19.4	-4.4						
Core EPS (%)	37.5	36.2	15.0	19.4	-4.4						
<b>Balance Sheet (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	809	1,133	1,062	1,343	1,627						
Accounts receivables	130	113	128	148	144						
Inventory	154	129	138	154	155						
Net fixed & other tangibles	1,085	1,160	1,420	1,439	1,461						
Goodwill & intangibles	1,157	1,352	1,709	2,080	2,459						
Financial & other assets	188	218	239	246	253						
<b>Total assets</b>	<b>3,522</b>	<b>4,106</b>	<b>4,696</b>	<b>5,410</b>	<b>6,100</b>						
Accounts payable	179	202	200	224	226						
Short-term debt	1	1	0	0	0						
Long-term debt	254	427	420	400	400						
Provisions & other liab	109	124	120	116	116						
<b>Total liabilities</b>	<b>542</b>	<b>754</b>	<b>740</b>	<b>740</b>	<b>742</b>						
Shareholders' equity	2,869	3,234	3,835	4,545	5,233						
Minority interests	111	118	121	126	126						
<b>Total equity</b>	<b>2,980</b>	<b>3,352</b>	<b>3,956</b>	<b>4,671</b>	<b>5,359</b>						
<b>Net debt</b>	<b>-554</b>	<b>-704</b>	<b>-642</b>	<b>-943</b>	<b>-1,227</b>						
Net debt to equity (%)	-18.6	-21.0	-16.2	-20.2	-22.9						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADatServicesAsiaPacific@citi.com or +852-2501-2791  
For definitions of the items in this table, please click [here](#).

Figure 27. Genting Plantations – FY12E Profit Contribution By Segment



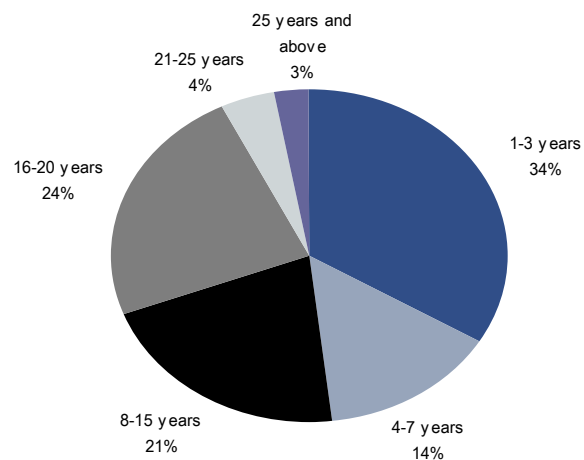
Source: Citi Investment Research and Analysis

Figure 28. Genting Plantations – SOTP Valuation

	Valuation basis	RMm Comments
Plantations - Malaysia	DCF	4,048.1 Assuming 15% WACC and long-term average CPO price of US\$950/t
Plantations - Indonesia	DCF	4,074.5 Assuming 12.9% WACC and long-term average CPO price of US\$950/t
Property	Book value	451.1 FY10
Net cash		589.8 FY11
		9,163.5
<b>SOTP/share (RM)</b>		<b>12.08</b>
Shares (m)		758.8

Source: Citi Investment Research and Analysis

Figure 29. Genting Plantations – Oil Palm Age Profile (as at 31 Dec 2011)



Source: Company; Citi Investment Research and Analysis

## Genting Plantations Bhd

### Company description

Genting Plantations (GENP, formerly known as Asiatic Development) has been listed on Bursa Malaysia since 30 August 1982 and is 54.6%-owned by Genting Bhd. Following a rebranding exercise of the entire Genting Group, the company's name was changed to Genting Plantations, effective 18 June 2009, to better reflect its principal activities. Over the years, GENP has embarked on several significant acquisitions in Malaysia, increasing its landbank from just 13,700 ha in 1980 to 59,576 ha planted in Malaysia in 2011. 72% of its estates in Malaysia are located in Sabah. Since 2005, it has expanded operations into Indonesia and has planted 33,922 ha (as at Dec 2011). In Indonesia, the group is developing close to 100,000 ha via joint ventures. The group also owns 6 oil mills, with a total milling capacity of 265 metric tonnes per hour. GENP has property development projects in Johor, Melaka and Kedah. The group has also invested significantly in biotechnology in a major effort to apply genomics to raise crop productivity and sustainability.

### Investment strategy

We rate GENP as Buy (1) with a target price of RM12.08. Almost a pure plantation play, GENP is relatively more sensitive to movements in CPO prices than are other bigger cap Malaysian planters. A plus point is that it has a young plantation profile. Weighted average age of trees for the group is 10 years, with 34% immature acreage. Contribution from Indonesia is growing and should support growth over the mid-term. GENP started to enjoy some yields in FY10 and by FY18E it could account for half of group production. Its net cash position means it is well placed for any opportunistic land acquisitions.

### Valuation

Our RM12.08 target price is based on a SOTP valuation. The plantation segment is based on a DCF model, assuming a LT average CPO price of RM2,850/tonne, a WACC of 15% for Malaysian operations and 12.9% for Indonesian. We believe a DCF approach is justified given sustained demand over the medium term as the world's population expands and consumption comes from growth in Asian economies. DCF allows us to capture long-term cash flow. The property segment valuation is based on book value as the company's properties are in less prime locations. As we will not know actual earnings potential for the biotechnology segment until it reaches a commercialization stage, we assume zero value.

### Risks

Our earnings forecasts and SOTP target price rely primarily on our CPO price assumption, which is driven by global demand and supply balances of edible oils. Supply of these oils & fats is difficult to gauge given the unpredictable nature of global weather patterns, and could pose positive or negative risks to our target price. Other downside risks to our target price include risk of delays in new planting activities, regulatory changes in land rights, and other government interventions.

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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Margarett Go

+62-21-5290-8505  
margarett.go@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	S\$0.78
Target price	S\$1.01
<i>from S\$1.04</i>	
Expected share price return	29.5%
Expected dividend yield	2.5%
<b>Expected total return</b>	<b>32.0%</b>
Market Cap	S\$9,468M
	US\$7,553M

### Price Performance

(RIC: GAGR.SI, BB: GGR SP)



## Golden Agri-Resources (GAGR.SI) Moving In the Right Direction

- **Reiterate Buy; Adjust TP** — GAR remains a top pick given favourable growth prospects, high liquidity and improving corporate image. Despite raising earnings, we lower our TP to S\$1.01 (prev. S\$1.04) as we used a lower earnings multiple of 13x (5% discount to Singapore's current market PE) to factor in weaker CPO price environment in 2H12 and ongoing market volatility.
- **Raising EPS** — We are revising upwards EPS by 3-22% for FY12-13E to factor in: (1) Higher CPO price assumption for FY12E to US\$1,075/t (previously US\$1,000/t) and FY13E CPO price to US\$1,067/t (previously US\$950/t) (2) Higher labour, fertilizer and 3<sup>rd</sup> party purchases costs, (3) Forex changes from Rp9,174 for FY12E (prev. Rp8,975) and Rp9,528 for FY1E3 (prev. Rp8,675).
- **Favourable plantation profile** — In terms of hectareage, total planted area reached 455.7k ha (86% mature; 79% nucleus; average age of 12yrs) post the 13.2k ha of new plantings and 2.4k ha replanting.
- **Downstream: Going into higher value business** — Growth in its domestic sales of branded cooking oil and margarine will stem from strong brands, nationwide coverage and new Jakarta refinery. Further enhancements include growing a foothold in international markets and moving towards higher value premium oils and fats. As at FY11, downstream contributed 38% of revenues. Given the new refined CPO export tax scheme, GAR is well poised to benefit.
- **Moving in the right direction** — Ongoing collaboration with key stakeholders continues to bear positive results. 1) Contract cancellations are no longer an issue with GAR, 2) RSPO certification of its estates are ongoing in line with its commitment to have 433k ha of its estates and 42 mills RSPO certified by Dec 2015. To date, 33.7k ha and 4 mills in N. Sumatra and Riau have been certified.
- **2012 guidance** — **a) Planted area expansion:** 20k-30k ha (combination of green field and acquisitions), **b) China expansion:** adding refinery capacity from 380k tons to 396k tons; crushing capacity increase from 1m tons to 1.3m tons; Noodle manufacturing plant with a capacity of 5bn packets. **c) Capex:** US\$500m (US\$250 upstream; US\$200 downstream; US\$50 transportation/infrastructures).
- **High liquidity** — With ADT of US\$43m/day GAR is the most traded stock in our ASEAN plantation universe. This bodes well given the lack of liquid CPO stocks.
- **1Q12 results** — GAR's 1Q12 results tentatively scheduled on 11 May 2012.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(US\$M)	(US\$)	(%)	(x)	(x)	(%)	(%)
2010A	387	0.03	91.1	19.5	1.1	6.3	0.6
2011A	571	0.05	47.6	13.2	0.9	7.7	1.0
2012E	753	0.06	31.8	10.0	0.9	9.1	2.5
2013E	824	0.07	9.4	9.2	0.8	9.3	2.7
2014E	661	0.05	-19.8	11.4	0.8	7.0	2.2

Source: Powered by dataCentral

**ASEAN Plantations**  
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GAGR.SI: Fiscal year end 31-Dec						Price: S\$0.78; TP: S\$1.01; Market Cap: S\$9,468m; Recomm: Buy					
Profit & Loss (US\$m)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	3,505	5,953	6,429	6,861	6,538	PE (x)	19.5	13.2	10.0	9.2	11.4
Cost of sales	-2,550	-4,116	-4,537	-4,834	-4,796	PB (x)	1.1	0.9	0.9	0.8	0.8
Gross profit	955	1,837	1,892	2,027	1,743	EV/EBITDA (x)	12.0	8.6	7.2	6.5	7.7
Gross Margin (%)	27.2	30.9	29.4	29.5	26.7	FCF yield (%)	-9.0	-0.7	6.0	7.9	6.9
<b>EBITDA</b>	<b>2,032</b>	<b>1,845</b>	<b>1,106</b>	<b>1,185</b>	<b>951</b>	Dividend yield (%)	0.6	1.0	2.5	2.7	2.2
EBITDA Margin (%)	58.0	31.0	17.2	17.3	14.5	Payout ratio (%)	11	13	25	25	25
Depreciation	-82	-95	-110	-115	-119	ROE (%)	23.2	17.1	9.1	9.3	7.0
Amortisation	-35	-50	0	0	0	<b>Cashflow (US\$m)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>1,915</b>	<b>1,700</b>	<b>996</b>	<b>1,071</b>	<b>831</b>	EBITDA	2,032	1,845	1,106	1,185	951
EBIT Margin (%)	54.6	28.6	15.5	15.6	12.7	Working capital	-354	-94	-63	-57	43
Net interest	-41	-53	-40	-24	-5	Other	-1,839	-1,319	-219	-221	-150
Associates	3	1	1	1	1	<b>Operating cashflow</b>	<b>-160</b>	<b>431</b>	<b>823</b>	<b>907</b>	<b>844</b>
Non-op/Except	52	65	79	86	82	Capex	-519	-487	-370	-313	-324
<b>Pre-tax profit</b>	<b>1,929</b>	<b>1,712</b>	<b>1,036</b>	<b>1,133</b>	<b>909</b>	Net acq/disposals	0	0	0	0	0
Tax	-482	-428	-259	-283	-227	Other	-34	-43	0	0	0
Extraord./Min.Int./Pref.div.	-24	-16	-23	-25	-20	<b>Investing cashflow</b>	<b>-553</b>	<b>-530</b>	<b>-370</b>	<b>-313</b>	<b>-324</b>
<b>Reported net profit</b>	<b>1,423</b>	<b>1,268</b>	<b>753</b>	<b>824</b>	<b>661</b>	Dividends paid	-44	-76	-188	-206	-165
Net Margin (%)	40.6	21.3	11.7	12.0	10.1	<b>Financing cashflow</b>	<b>657</b>	<b>237</b>	<b>-188</b>	<b>-206</b>	<b>-165</b>
Core NPAT	387	571	753	824	661	<b>Net change in cash</b>	<b>-57</b>	<b>139</b>	<b>266</b>	<b>388</b>	<b>355</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>-680</b>	<b>-55</b>	<b>454</b>	<b>594</b>	<b>520</b>
Reported EPS (\$)	0.12	0.10	0.06	0.07	0.05						
Core EPS (\$)	0.03	0.05	0.06	0.07	0.05						
DPS (\$)	0.00	0.01	0.02	0.02	0.01						
CFPS (\$)	-0.01	0.04	0.07	0.07	0.07						
FCFPS (\$)	-0.06	0.00	0.04	0.05	0.04						
BVPS (\$)	0.56	0.66	0.71	0.76	0.80						
Wtd avg ord shares (m)	12,139	12,139	12,139	12,139	12,139						
Wtd avg diluted shares (m)	12,139	12,139	12,139	12,139	12,139						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	52.8	69.9	8.0	6.7	-4.7						
EBIT (%)	210.0	-11.2	-41.4	7.5	-22.4						
Core NPAT (%)	91.1	47.6	31.8	9.4	-19.8						
Core EPS (%)	91.1	47.6	31.8	9.4	-19.8						
<b>Balance Sheet (US\$m)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	276	370	635	1,023	1,378						
Accounts receivables	210	234	253	270	257						
Inventory	616	751	811	866	825						
Net fixed & other tangibles	8,268	9,563	9,823	10,022	10,226						
Goodwill & intangibles	117	117	117	117	117						
Financial & other assets	628	802	844	883	854						
<b>Total assets</b>	<b>10,114</b>	<b>11,837</b>	<b>12,483</b>	<b>13,179</b>	<b>13,657</b>						
Accounts payable	328	491	530	566	539						
Short-term debt	541	422	422	422	422						
Long-term debt	444	664	664	664	664						
Provisions & other liab	1,857	2,148	2,167	2,183	2,171						
<b>Total liabilities</b>	<b>3,169</b>	<b>3,725</b>	<b>3,783</b>	<b>3,835</b>	<b>3,796</b>						
Shareholders' equity	6,826	8,025	8,590	9,208	9,704						
Minority interests	119	87	111	136	157						
<b>Total equity</b>	<b>6,945</b>	<b>8,112</b>	<b>8,701</b>	<b>9,345</b>	<b>9,861</b>						
<b>Net debt</b>	<b>708</b>	<b>716</b>	<b>451</b>	<b>63</b>	<b>-292</b>						
Net debt to equity (%)	10.2	8.8	5.2	0.7	-3.0						

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For definitions of the items in this table, please click [here](#).

Figure 30. Summary of Estimate Revisions

	Net Profit (US\$m)			EPS (US\$)			DPS (US\$)		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
2012E	730	753	3.1%	0.060	0.062	3.1%	0.015	0.016	3.1%
2013E	678	824	21.6%	0.056	0.068	21.6%	0.014	0.017	21.6%

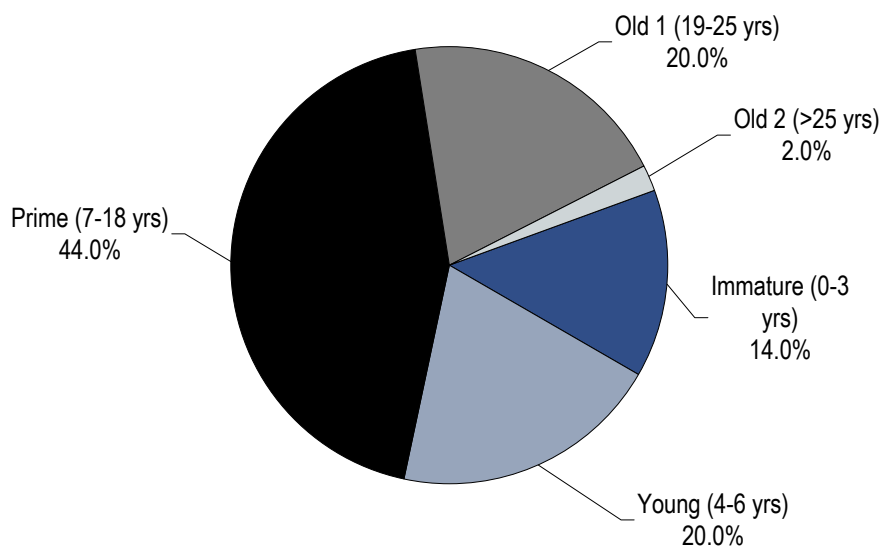
Source: Citi Investment Research and Analysis

Figure 31. Summary of key assumption changes

		New			Old		% Change	
		2012E	2013E	2014E	2012E	2013E	2012E	2013E
CPO Price	US\$/Ton	1,075	1,067	950	1,000	950	7.5%	12.3%
Forex	Rp/US\$	9,174	9,528	9,814	8,975	8,675	2.2%	9.8%
Forex	US\$/SG\$	1.25	1.22	1.26	1.24	1.19	0.8%	2.5%
CPO Prod'n Vol	m tons	2.35	2.53	2.71	2.33	2.49	1.0%	1.8%
CPO Sales Vol	k tons	2.14	2.26	2.38	2.12	2.23	0.8%	1.4%

Source: Citi Investment Research and Analysis

Figure 32. Golden Agri – Plantation Age Profile (As at 31 December 2011): Average age of 12 years



Source: Citi Investment Research and Analysis; Company

## Golden Agri-Resources

### Company description

Golden Agri-Resources (GAR), with a total planted area of over 440k hectares located in Indonesia, is one of the world's largest oil palm plantation companies. GAR was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in 1999. Its primary activities include cultivating and harvesting of oil palm trees, processing of fresh fruit bunch into crude palm oil (CPO) and palm kernel oil, and refining CPO into value-added products such as cooking oils, margarine and shortening. In December 2005, GAR expanded its operations into China, including refineries, port and oil-seed crushing facilities in Ningbo and Zhuhai.

### Investment strategy

We rate GAR as Buy (1) with a target price of S\$1.01. Our positive view is based on: 1) A favourable plantation profile; 2) upside risks in CPO prices given ongoing tight vegetable oil supply and higher oil prices); 3) ongoing commitment to be environmentally sustainable; and 4) volume growth should serve as a natural hedge against cost fluctuations.

### Valuation

Our target price for GAR of S\$1.01 is based on 2012E EPS. To this we apply a PE multiple of 13x, which is based on a 5% discount to Singapore's current market PE of 13.7x, to factor in the company's growth prospects without overlooking the corporate governance risk as well as ongoing market volatility and high liquidity. As a cross-check, we employ a DCF model based on cash flows to 2021E and a discount rate of 10.4%, which includes an Rf of 5% and a market risk premium of 5.5% (to reflect current market conditions). Our DCF yields a net present value of S\$1.20/share.

### Risks

The key downside risks to our investment thesis on GAR are: 1) Fluctuating CPO prices; 2) Oil price volatility; 3) Poor weather conditions that might hamper volume growth; 4) Casualty of IAS41; 5) USD-IDR forex fluctuations; and 6) Lingering legacy investor perception. If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

ASEAN Plantations  
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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Penny Yaw, CFA

+60-3-2383-2948  
penny.yaw@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	RM3.36
Target price	RM4.36
from RM4.30	
Expected share price return	29.8%
Expected dividend yield	3.0%
<b>Expected total return</b>	<b>32.7%</b>
Market Cap	RM2,694M
	US\$877M

### Price Performance

(RIC: IJMP.KL, BB: IJMP MK)



## IJM Plantations (IJMP.KL)

### Buy: Pure Planter, Strong Harvest in FY14E

- **Maintain Buy** — IJM Plantations (IJMP) is the only pure planter in our Malaysian coverage and is in our view a good proxy to higher CPO prices. On our sensitivity analysis, we estimate that every 10% rise in CPO price above our FY13E estimate could raise net profit by 19%.
- **Strong production YTD** — Monthly Bursa filings showed FFB production (own) grew by 12.8% for FY12. We are revising upwards our FFB output forecast by around 2-4% for FY12-FY14E. We are now forecasting FFB production growth of 7% for FY13E and 17% for FY14E.
- **Higher CPO price assumption** — Our current CPO price assumptions are RM3,049/t for FY12E (previously RM3,027/t), RM3,275/t (previously RM3,015/t) for FY13E and RM3,113/t for FY14E (previously RM2,850/t).
- **Raising earnings forecast** — Our revision in forecasts takes into account higher CPO price assumption and higher FFB production for FY12-14E. Also, we have factor in higher costs (fertilizer and labour) in line with company guidance. Net impact is a 7-19% increase in EPS for FY12-14E.
- **Raising target price marginally** — Revising upwards target price by 1.4% to RM4.36 to reflect higher CPO price assumption for FY12-14E, higher FFB production and latest net cash position.
- **Indonesia** — The group had 20,574 ha planted in Indonesia as at 31 Dec 2011, of which 95% of trees are immature. IJM Plantations planted 6,968 ha in 9MFY12 and is expected to have close to 8,000 ha new plantings in Indonesia for FY12E. Indonesia new plantings is projected to be between 5,000-8,000 ha in FY13E.
- **Attractive weighted average age** — Currently planted area in Sabah is 25,476 ha (Dec 2011). Including Indonesia, the weighted average age of trees for the group is 8 years.
- **Solid balance sheet** — IJMP was in a net cash position of RM104m as at Dec 2011. Currently, management is guiding for RM250m capex in FY12.
- **Rise in foreign shareholding** — IJMP's foreign ownership rose to 6.52% as at 30 Mar 2012 versus 5.47% in June 2011. IJMP is 55.1%-owned by IJM Corp, a leading construction company in Malaysia.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Mar	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2010A	79	0.11	-39.9	30.5	2.0	7.8	1.5
2011A	147	0.18	65.4	18.4	2.1	11.7	2.4
2012E	196	0.24	33.4	13.8	1.9	14.2	3.0
2013E	229	0.28	17.1	11.8	1.7	15.0	3.4
2014E	236	0.29	3.2	11.4	1.5	14.0	3.6

Source: Powered by dataCentral



**ASEAN Plantations**  
13 April 2012

IJMP.KL: Fiscal year end 31-Mar						Price: RM3.36; TP: RM4.36; Market Cap: RM2,694m; Recomm: Buy					
Profit & Loss (RMm)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	407	506	584	666	713	PE (x)	30.5	18.4	13.8	11.8	11.4
Cost of sales	-288	-318	-328	-356	-394	PB (x)	2.0	2.1	1.9	1.7	1.5
Gross profit	118	188	256	310	319	EV/EBITDA (x)	17.5	11.4	8.4	7.1	6.7
Gross Margin (%)	29.1	37.1	43.8	46.6	44.8	FCF yield (%)	-1.7	0.3	-0.4	1.1	5.5
<b>EBITDA</b>	<b>147</b>	<b>218</b>	<b>299</b>	<b>363</b>	<b>380</b>	Dividend yield (%)	1.5	2.4	3.0	3.4	3.6
EBITDA Margin (%)	36.1	43.1	51.3	54.5	53.4	Payout ratio (%)	45	44	41	40	41
Depreciation	-29	-31	-44	-53	-61	ROE (%)	7.8	11.7	14.2	15.0	14.0
Amortisation	0	0	0	0	0	<b>Cashflow (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>118</b>	<b>188</b>	<b>256</b>	<b>310</b>	<b>319</b>	EBITDA	147	218	299	363	380
EBIT Margin (%)	29.1	37.1	43.8	46.6	44.8	Working capital	-42	-1	-13	-7	-5
Net interest	-1	5	5	-4	-4	Other	-8	-29	-29	-56	-56
Associates	-5	3	0	0	0	<b>Operating cashflow</b>	<b>97</b>	<b>189</b>	<b>258</b>	<b>300</b>	<b>319</b>
Non-op/Except	0	0	0	0	0	Capex	-139	-180	-270	-270	-170
<b>Pre-tax profit</b>	<b>113</b>	<b>196</b>	<b>261</b>	<b>306</b>	<b>316</b>	Net acq/disposals	0	0	0	0	0
Tax	-33	-49	-65	-76	-79	Other	-46	20	7	9	10
Extraord./Min.Int./Pref.div.	0	0	0	0	0	<b>Investing cashflow</b>	<b>-185</b>	<b>-160</b>	<b>-263</b>	<b>-261</b>	<b>-160</b>
<b>Reported net profit</b>	<b>79</b>	<b>147</b>	<b>196</b>	<b>229</b>	<b>236</b>	Dividends paid	-51	-40	-59	-68	-71
Net Margin (%)	19.5	29.1	33.5	34.4	33.1	<b>Financing cashflow</b>	<b>249</b>	<b>-40</b>	<b>163</b>	<b>-68</b>	<b>-71</b>
Core NPAT	79	147	196	229	236	<b>Net change in cash</b>	<b>162</b>	<b>-11</b>	<b>158</b>	<b>-29</b>	<b>87</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>-42</b>	<b>9</b>	<b>-12</b>	<b>30</b>	<b>149</b>
Reported EPS (RM)	0.11	0.18	0.24	0.28	0.29						
Core EPS (RM)	0.11	0.18	0.24	0.28	0.29						
DPS (RM)	0.05	0.08	0.10	0.12	0.12						
CFPS (RM)	0.13	0.23	0.32	0.37	0.40						
FCFPS (RM)	-0.06	0.01	-0.02	0.04	0.18						
BVPS (RM)	1.67	1.63	1.80	2.00	2.20						
Wtd avg ord shares (m)	722	801	802	802	802						
Wtd avg diluted shares (m)	722	808	805	805	805						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	-17.3	24.5	15.3	14.1	7.0						
EBIT (%)	-25.9	58.7	36.1	21.3	2.9						
Core NPAT (%)	-35.5	85.2	32.8	17.1	3.2						
Core EPS (%)	-39.9	65.4	33.4	17.1	3.2						
<b>Balance Sheet (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	214	203	361	332	419						
Accounts receivables	36	32	43	49	53						
Inventory	59	62	65	69	76						
Net fixed & other tangibles	1,066	1,207	1,365	1,492	1,602						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	13	0	0	0	0						
<b>Total assets</b>	<b>1,387</b>	<b>1,504</b>	<b>1,834</b>	<b>1,942</b>	<b>2,149</b>						
Accounts payable	42	45	45	48	53						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	222	222	222						
Provisions & other liab	140	151	121	65	103						
<b>Total liabilities</b>	<b>182</b>	<b>196</b>	<b>388</b>	<b>335</b>	<b>378</b>						
Shareholders' equity	1,204	1,306	1,442	1,602	1,767						
Minority interests	2	2	4	4	4						
<b>Total equity</b>	<b>1,206</b>	<b>1,308</b>	<b>1,446</b>	<b>1,607</b>	<b>1,772</b>						
<b>Net debt</b>	<b>-214</b>	<b>-203</b>	<b>-139</b>	<b>-110</b>	<b>-197</b>						
Net debt to equity (%)	-17.8	-15.5	-9.6	-6.8	-11.1						

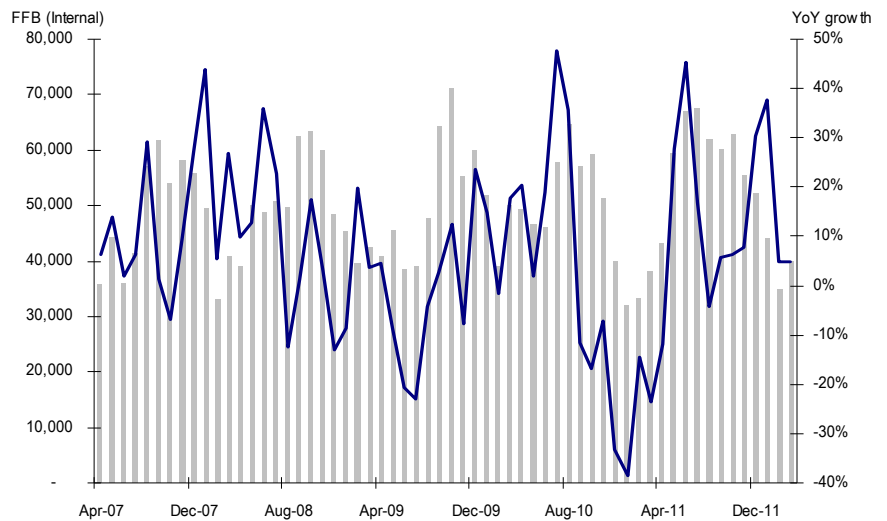
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For definitions of the items in this table, please click [here](#).

**Figure 33. IJM Plantations – DCF Valuation**

	<b>RmM Comments</b>
Plantations - Malaysia	3,249.3 Assuming 10.9% WACC and long-term CPO average price of US\$950/t
Plantations - Indonesia	153.7 Assuming 12.4% WACC and long-term CPO average price of US\$950/t
Net cash	104.4 9MFY12
<b>Target Price (RM)</b>	<b>4.36</b>
Enlarged shares (m)	804.8

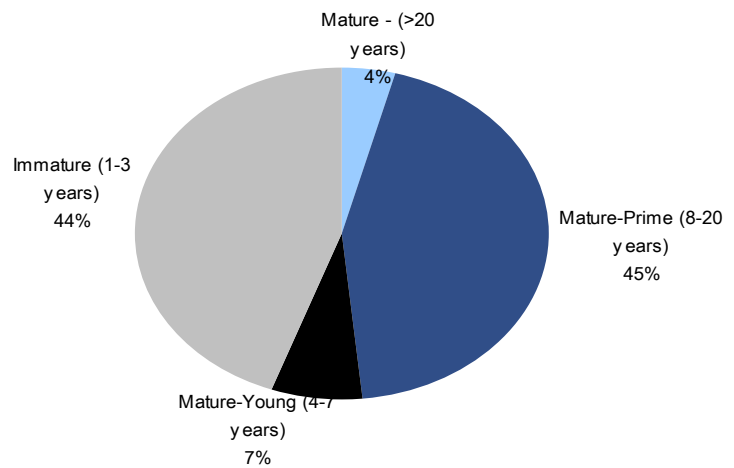
Source: Citi Investment Research and Analysis

**Figure 34. IJM Plantations – FFB Production**



Source: Company; Citi Investment Research and Analysis

**Figure 35. IJM Plantations – Oil Palm Age Profile (as at Dec 2011)**



Source: Company; Citi Investment Research and Analysis

## IJM Plantations

### Company description

IJMP listed in July 2003 through a reverse takeover of Rahman Hydraulic (unlisted). It commenced operations in 1985 with 4,032 hectares of plantation land in Sabah and has since grown its landbank through strategic acquisitions. In total, IJMP has landbank of 29,807 hectares (in Sabah), of which 25,476 hectares are planted with oil palm. As at Dec 2011, the group has planted 20,574 ha in Indonesia. IJMP is 55.1%-owned by IJM Corporation, a leading construction company with interests in property, building materials, infrastructure and construction. Other than upstream plantations, the group has complementary activities such as trading agrochemical and fertilizers and agro-management services.

### Investment strategy

We rate IJMP as Buy (1). In our view, it is a good proxy to firm CPO prices as it is a pure planter, and we can expect strong growth coming from its Indonesian operations in 2 years' time. It is also a well managed plantation company. Foreign shareholding for the stock is 6.5%, hence in our view there is downside support.

### Valuation

Our target price for IJMP is RM4.36. We adopt a DCF valuation methodology as our primary valuation benchmark. Our DCF valuation assumes a long-term average CPO price of RM2,850/tonne, a beta of 1.2, and WACCs of 10.9% (Malaysia) and 12.5% (Indonesia). In our view, a DCF approach is justified given sustained demand over the medium-term as the world's population expands and consumption grows within Asian economies. A DCF valuation allows us to capture long-term cash flow.

### Risks

Our earnings forecasts and DCF valuation target price rely primarily on our CPO price assumption, which is driven by global demand and supply balances of edible oils. Supply of these oils and fats is difficult to gauge given the unpredictable nature of global weather patterns, and could pose positive or negative risks to our target price. Other downside risks include single location contribution (for now), as its mature estates are located mainly in Sabah, hence flooding or drought would affect IJMP more than other plantation companies. These risks could impede the stock from reaching our target price.

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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Margarett Go

+62-21-5290-8505  
margarett.go@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	S\$1.54
Target price	S\$1.89
from S\$1.77	
Expected share price return	23.1%
Expected dividend yield	2.4%
<b>Expected total return</b>	<b>25.5%</b>
Market Cap	S\$2,222M
	US\$1,773M

### Price Performance

(RIC: IFAR.SI, BB: IFAR SP)



## Indofood Agri Resources (IFAR.SI) Still a Shell But Not a Sell

- **Maintain Buy; Raise TP** — Our TP is raised to S\$1.89 from S\$1.77 following our earnings upgrade. To factor in the uncertainty entailed in its asset acquisition plans, we continue to ascribe a 15% holding discount. That said, we maintain our Buy rating on the stock as we are of the view that in the long run the merits will overcome the current demerits as the group will be able to potentially grow more rapidly in Indonesia vis SIMP/LSIP and tap markets outside Indonesia via IFAR. Undemanding valuations of 8.5x 2012E PE and 8.1x 2013E PE are also a key positive.
- **Raising EPS** — We are revising upwards EPS by 1-11% for FY12-13E to factor in: (1) Higher CPO price assumption for FY12E to US\$1,075/t (previously US\$1,000/t) and FY13E CPO price to US\$1,067/t (previously US\$950/t) (2) Higher labour, fertilizer and 3<sup>rd</sup> party purchases costs, (3) Forex changes from Rp9,174 for FY12E (prev. Rp8,975) and Rp9,528 for FY1E3 (prev. Rp8,675).
- **Near-term, growth will stem from LSIP/SIMP** — At this juncture, the group continues to look for possible investment opportunities that would be within the oil palm, sugar or rubber asset class though they have yet to disclose further details. As such, IFAR remains a shell company and earnings would still come from LSIP/SIMP in the near-term.
- **Plantation profile** — In terms of hectareage, total planted area reached 209k ha (76% mature; 72% nucleus; average age of 12yrs) post the 6.9k ha of new plantings (though partially offset by replanting and re measurement result from the implementation of a new block management system at the LSIP level).
- **Sugar update** — This segment incurred an EBITDA loss of Rp75bn in FY11 given the late start of the factory. But with the factory fully operational now, IFAR doesn't expect the losses to be repeated going forward.
- **2012 Guidance** — **a) Oil palm new plantings:** 15-20k ha, **b) CPO vol. growth:** 5-10%, **c) Sugar prod'n:** from 11k in FY11 to 70k tons in FY12, **d) Capex:** Rp2.9trn. **e) Mills:** adding two 40MT FFB/hr palm oil mills in Kalimantan and South Sumatra by end 2013. **f) Refinery:** adding a bottling and margarine plant in 1Q12. **g) Sugar expansion:** sugar mill and refinery to be increased from 3k TCD to 4k TCD in 2Q12, increasing the capacity to 720k MT of canes/yr. **h) Others:** To invest in 4 additional units of tugboats and barges for CPO transportation to refineries. **i) 1Q12 results:** 30 April 2012.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RpB)	(Rp)	(%)	(x)	(x)	(%)	(%)
2010A	1,200	829	-1.9	13.6	1.5	11.7	0.0
2011A	1,356	937	13.0	12.0	1.3	11.4	1.8
2012E	1,925	1,330	42.0	8.5	1.1	14.2	2.4
2013E	2,004	1,384	4.1	8.1	1.0	13.2	2.5
2014E	1,807	1,248	-9.8	9.0	0.9	10.8	2.2

Source: Powered by dataCentral

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IFAR.SI: Fiscal year end 31-Dec						Price: S\$1.54; TP: S\$1.89; Market Cap: S\$2,230m; Recomm: Buy					
Profit & Loss (Rpb)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	9,484	12,605	15,618	17,183	17,046	PE (x)	13.6	12.0	8.5	8.1	9.0
Cost of sales	-5,734	-8,004	-10,113	-11,176	-11,243	PB (x)	1.5	1.3	1.1	1.0	0.9
Gross profit	3,750	4,601	5,505	6,006	5,804	EV/EBITDA (x)	6.2	5.2	5.1	4.8	5.1
Gross Margin (%)	39.5	36.5	35.2	35.0	34.0	FCF yield (%)	-3.8	1.0	9.1	13.2	14.2
<b>EBITDA</b>	<b>3,387</b>	<b>4,218</b>	<b>4,673</b>	<b>5,093</b>	<b>4,918</b>	Dividend yield (%)	0	1.8	2.4	2.5	2.2
EBITDA Margin (%)	35.7	33.5	29.9	29.6	28.9	Payout ratio (%)	0	22	20	20	20
Depreciation	-421	-488	-551	-626	-694	ROE (%)	13.7	12.5	14.2	13.2	10.8
Amortisation	0	0	0	0	0	<b>Cashflow (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>2,965</b>	<b>3,731</b>	<b>4,122</b>	<b>4,467</b>	<b>4,224</b>	EBITDA	3,387	4,218	4,673	5,093	4,918
EBIT Margin (%)	31.3	29.6	26.4	26.0	24.8	Working capital	-113	-432	-345	-179	16
Net interest	-371	-224	-107	-100	-68	Other	-1,369	-1,515	-1,081	-1,196	-1,043
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>1,905</b>	<b>2,272</b>	<b>3,247</b>	<b>3,718</b>	<b>3,891</b>
Non-op/Except	61	46	40	-5	86	Capex	-2,526	-2,104	-1,770	-1,565	-1,580
<b>Pre-tax profit</b>	<b>2,655</b>	<b>3,553</b>	<b>4,055</b>	<b>4,362</b>	<b>4,242</b>	Net acq/disposals	0	0	0	0	0
Tax	-749	-913	-1,014	-1,090	-1,061	Other	111	341	0	0	0
Extraord./Min.Int./Pref.div.	-504	-1,151	-1,116	-1,267	-1,375	<b>Investing cashflow</b>	<b>-2,415</b>	<b>-1,762</b>	<b>-1,770</b>	<b>-1,565</b>	<b>-1,580</b>
<b>Reported net profit</b>	<b>1,402</b>	<b>1,490</b>	<b>1,925</b>	<b>2,004</b>	<b>1,807</b>	Dividends paid	0	-298	-385	-401	-361
Net Margin (%)	14.8	11.8	12.3	11.7	10.6	<b>Financing cashflow</b>	<b>2,504</b>	<b>2,230</b>	<b>-905</b>	<b>-2,793</b>	<b>-459</b>
Core NPAT	1,200	1,356	1,925	2,004	1,807	<b>Net change in cash</b>	<b>1,994</b>	<b>2,739</b>	<b>572</b>	<b>-640</b>	<b>1,853</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>-621</b>	<b>168</b>	<b>1,477</b>	<b>2,153</b>	<b>2,311</b>
Reported EPS (Rp)	968	1,029	1,330	1,384	1,248						
Core EPS (Rp)	829	937	1,330	1,384	1,248						
DPS (Rp)	0	206	266	277	250						
CFPS (Rp)	1,316	1,569	2,243	2,568	2,688						
FCFPS (Rp)	-429	116	1,020	1,487	1,597						
BVPS (Rp)	7,605	8,854	9,918	11,025	12,024						
Wtd avg ord shares (m)	1,448	1,448	1,448	1,448	1,448						
Wtd avg diluted shares (m)	1,448	1,448	1,448	1,448	1,448						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	4.9	32.9	23.9	10.0	-0.8						
EBIT (%)	0.2	25.8	10.5	8.4	-5.4						
Core NPAT (%)	-1.9	13.0	42.0	4.1	-9.8						
Core EPS (%)	-1.9	13.0	42.0	4.1	-9.8						
<b>Balance Sheet (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	3,796	6,535	7,107	6,467	8,320						
Accounts receivables	898	1,033	1,280	1,408	1,397						
Inventory	1,321	1,678	2,078	2,287	2,269						
Net fixed & other tangibles	17,245	18,860	20,079	21,018	21,904						
Goodwill & intangibles	3,156	3,156	3,156	3,156	3,156						
Financial & other assets	1,773	1,944	1,990	2,014	2,012						
<b>Total assets</b>	<b>28,189</b>	<b>33,207</b>	<b>35,691</b>	<b>36,350</b>	<b>39,057</b>						
Accounts payable	1,110	1,282	1,588	1,747	1,733						
Short-term debt	2,816	3,334	2,845	2,842	2,876						
Long-term debt	5,678	3,926	3,671	3,531	3,400						
Provisions & other liab	2,885	3,224	3,491	1,263	1,261						
<b>Total liabilities</b>	<b>12,488</b>	<b>11,766</b>	<b>11,595</b>	<b>9,383</b>	<b>9,270</b>						
Shareholders' equity	11,010	12,819	14,359	15,962	17,408						
Minority interests	4,690	8,622	9,738	11,005	12,380						
<b>Total equity</b>	<b>15,700</b>	<b>21,441</b>	<b>24,096</b>	<b>26,967</b>	<b>29,787</b>						
<b>Net debt</b>	<b>4,698</b>	<b>725</b>	<b>-591</b>	<b>-94</b>	<b>-2,044</b>						
Net debt to equity (%)	29.9	3.4	-2.5	-0.4	-6.9						

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For definitions of the items in this table, please click [here](#).



Figure 36. Summary of earnings revision

	Net Profit (Rp Bn)			EPS (Rp)			DPS (Rp)		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
2012E	1,913.9	1,925.3	0.6%	1,322	1,330	0.6%	264	266	0.6%
2013E	1,809.9	2,003.9	10.7%	1,250	1,384	10.7%	250	277	10.7%

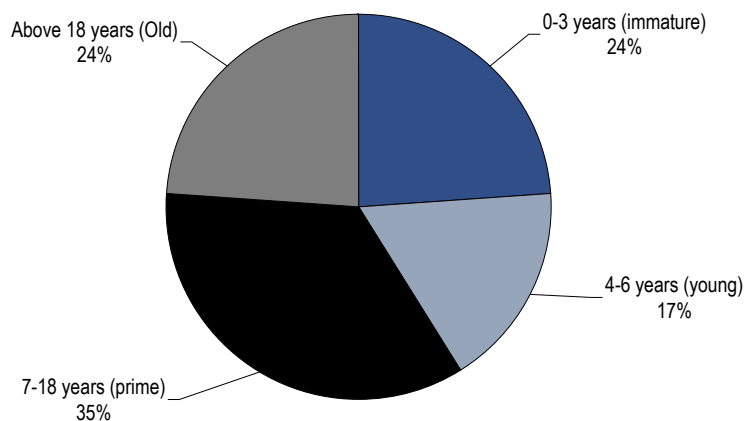
Source: Citi Investment Research and Analysis

Figure 37. Summary of key assumption changes

		New			Old		% Change	
		2012E	2013E	2014E	2012E	2013E	2012E	2013E
CPO Price	US\$/Ton	1,075	1,067	950	1,000	950	7.5%	12.3%
Forex	Rp/US\$	9,174	9,528	9,814	8,975	8,675	2.2%	9.8%
Forex	US\$/SG\$	1.25	1.22	1.26	1.24	1.19	0.8%	2.5%
CPO Prod'n Vol	k tons	954	1,029	1,113	979	1,032	-2.5%	-0.3%
CPO Sales Vol	k tons	945	1,019	1,102	969	1,022	-2.5%	-0.3%

Source: Citi Investment Research and Analysis

Figure 38. Indofood Agri – Nucleus Oil Palm Plantation Age Profile (As at 31 December 2011); Average age of 12 years



Source: Citi Investment Research and Analysis; Company

## Indofood Agri Resources

### Company description

Indofood Agri Resources (IFAR) is one of Indonesia's major vertically-integrated manufacturers of edible oils and fats, with a significant market share in branded cooking oil, as well as the margarine and shortening segments in Indonesia. Its business operations range from oil palm cultivation and milling to the refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. The Group cultivates its own oil palm plantations through its ownership of plantation land in Indonesia and has an oil palm seed breeding and research company that provides services to oil palm estates. The acquisition of London Sumatra (LSIP) at the end of 2007 boosted its plantation profile.

### Investment strategy

We have a Buy (1) rating on IFAR with a target price of S\$1.89. Despite the uncertainty entailed in its asset acquisition plans, we believe that in the long run the merits of the IFAR investment case will overcome the current demerits as the group will be able to potentially grow more rapidly in Indonesia via SIMP/LSIP and tap markets outside Indonesia via IFAR. Undemanding valuation relative to key peers is also a key positive.

### Valuation

Our S\$1.89 target price is based on SOTP. We derive the target implied Rp1,942/sh value of SIMP based on our IFAR earnings forecasts. We then factor in 72% of SIMP's market value to represent the 72% stake that IFAR has in SIMP. We also add the Rp1.5rn that is still sitting in IFAR's standalone B/S, attribute a forex of Rp7,339/1S\$, and ascribe a 15% holding-company discount to factor in uncertainty risk entailed in IFAR's asset acquisition plans post the SIMP listing. The holding discount has the potential to narrow in the event that IFAR provides further clarity on its acquisition plans, and thus provides further room for upside potential for IFAR.

### Risks

The key downside risks to our investment thesis on IFAR are: 1) Fluctuating CPO prices; 2) Oil price volatility; 3) Poor weather conditions that might hamper volume growth; 4) Casualty of IAS41; 5) USD-IDR forex fluctuations; 6) Further delays in expected growth at the LSIP level; 7) Acquisition of assets that are not value accretive; 8) Lingering strategic uncertainty. If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

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## Company Focus

- [Company Update](#)
- [Target Price Change](#)
- [Estimate Change](#)

### Penny Yaw, CFA

+60-3-2383-2948  
penny.yaw@citi.com

<b>Neutral</b>	<b>2</b>
Price (13 Apr 12)	RM5.39
Target price	RM5.38
	from RM5.28
Expected share price return	-0.2%
Expected dividend yield	3.0%
<b>Expected total return</b>	<b>2.8%</b>
Market Cap	RM34,633M
	US\$11,278M

### Price Performance

(RIC: IOIB.KL, BB: IOI MK)



## IOI (IOIB.KL)

### Improving Prospects for Plantation Segment

- **Maintain Neutral** — We see limited downside to share price as contribution from the plantation segment is improving. The listing of its Indonesian associate on the Singapore Exchange is also a positive. IOI intends to hold at least a 30% stake in Bumitama Agri. To recap, IOI acquired 33% stake in PT Bumitama Gunajaya Agro for US\$62.6m back in Sept 2007.
- **Higher plantation profits** — IOI's FFB output for 8MFY12 is up 6.9% YoY. We are maintaining our FFB production estimate of 7% for FY12E and 6% for FY13E. We are revising upwards CPO price assumption to RM3,197/t (from RM3,147/t) for FY12E, RM3,250/t (from RM2,960/t) for FY13E and RM3,025/t (from RM2,850/t) for FY14E.
- **Downstream challenging** — In the latest results, resource-based manufacturing sales volume was up but margin decline to 1.8% in 1H FY12 versus 2% in 1H FY11. Margin pressure came from the specialty fats and refinery sub-segments as demand from Europe and US is still relatively weak. We have tweaked upwards revenue for this division by about 2% over our forecast period.
- **Property sales declining** — Looking at IOI's latest results and channel checks seems to indicate that new sales could moderate. We are lowering our property sales forecast by 6-13% for FY12E-14E. In Singapore, its JV company has sold 41 units of Seascope (total: 151 units) and 56 units of Cityscape (total: 250 units). Seascope is a 50% JV project with Ho Bee and Cityscape is a 60% JV project with Kim Seng Heng Realty.
- **Changes to EPS** — Revision in profit estimates reflects higher CPO price assumption, higher sales contribution from downstream and lower property sales. Net impact is a 1-6% increase in FY12-14E profit forecast.
- **Tweaking target price upwards** — Raised target price by 2% to RM5.38 after factoring in higher CPO price assumption over FY12-14E, applying the current P/E multiple of 16x (previously 14x) for manufacturing and reflecting the latest net debt position.
- **Listing of property arm** — Management mentioned that they do not have plans to re-list its property division over the near term.
- **Foreign shareholding** — 18% of IOI shares were held by foreigners as at Feb 2012 vs. 20% a year ago.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
30 Jun	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2010A	2,036	0.32	97.4	17.0	3.1	21.3	3.2
2011A	2,211	0.34	7.5	15.8	2.9	19.4	3.2
2012E	1,865	0.29	-15.0	18.6	2.6	14.9	3.0
2013E	2,231	0.35	20.0	15.5	2.4	16.2	3.2
2014E	2,261	0.35	1.3	15.3	2.2	14.9	3.2

Source: Powered by dataCentral



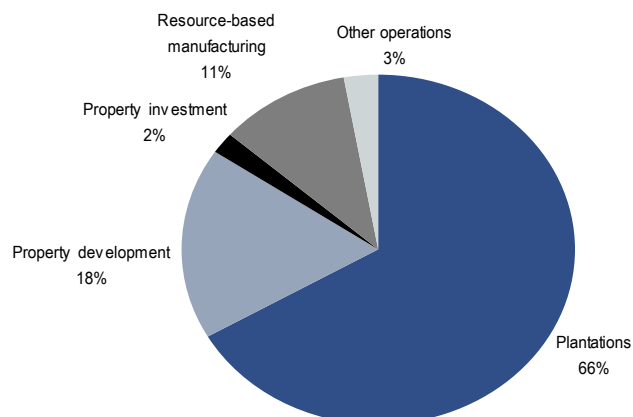
**ASEAN Plantations**  
13 April 2012

IOIB.KL: Fiscal year end 30-Jun						Price: RM5.39; TP: RM5.38; Market Cap: RM34,633m; Recomm: Neutral					
Profit & Loss (RMm)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	12,543	16,154	16,545	16,841	17,057	PE (x)	17.0	15.8	18.6	15.5	15.3
Cost of sales	-9,678	-13,107	-13,672	-13,658	-13,860	PB (x)	3.1	2.9	2.6	2.4	2.2
Gross profit	2,865	3,048	2,873	3,183	3,196	EV/EBITDA (x)	11.6	10.6	11.1	9.8	9.3
Gross Margin (%)	22.8	18.9	17.4	18.9	18.7	FCF yield (%)	4.6	1.5	4.6	6.2	6.2
<b>EBITDA</b>	<b>2,865</b>	<b>3,048</b>	<b>2,873</b>	<b>3,183</b>	<b>3,196</b>	Dividend yield (%)	3.2	3.2	3.0	3.2	3.2
EBITDA Margin (%)	22.8	18.9	17.4	18.9	18.7	Payout ratio (%)	54	50	55	50	50
Depreciation	-229	-243	-268	-273	-279	ROE (%)	21.3	19.4	14.9	16.2	14.9
Amortisation	0	0	0	0	0	<b>Cashflow (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>2,636</b>	<b>2,804</b>	<b>2,605</b>	<b>2,910</b>	<b>2,918</b>	EBITDA	2,865	3,048	2,873	3,183	3,196
EBIT Margin (%)	21.0	17.4	15.7	17.3	17.1	Working capital	-262	-1,543	-170	-321	-338
Net interest	-174	-123	-159	-146	-118	Other	-594	-595	-392	-324	-326
Associates	88	171	174	178	181	<b>Operating cashflow</b>	<b>2,009</b>	<b>910</b>	<b>2,310</b>	<b>2,539</b>	<b>2,532</b>
Non-op/Except	0	0	0	0	0	Capex	-433	-396	-700	-400	-400
<b>Pre-tax profit</b>	<b>2,551</b>	<b>2,852</b>	<b>2,620</b>	<b>2,942</b>	<b>2,981</b>	Net acq/disposals	-73	-608	-89	-97	-97
Tax	-486	-573	-681	-618	-626	Other	22	-279	35	62	75
Extraord./Min.Int./Pref.div.	-29	-68	-74	-93	-94	<b>Investing cashflow</b>	<b>-484</b>	<b>-1,283</b>	<b>-754</b>	<b>-435</b>	<b>-422</b>
<b>Reported net profit</b>	<b>2,036</b>	<b>2,211</b>	<b>1,865</b>	<b>2,231</b>	<b>2,261</b>	Dividends paid	-589	-1,245	-867	-936	-936
Net Margin (%)	16.2	13.7	11.3	13.2	13.3	<b>Financing cashflow</b>	<b>-77</b>	<b>657</b>	<b>-776</b>	<b>-1,185</b>	<b>-1,079</b>
Core NPAT	2,036	2,211	1,865	2,231	2,261	<b>Net change in cash</b>	<b>1,448</b>	<b>284</b>	<b>780</b>	<b>919</b>	<b>1,030</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>1,576</b>	<b>514</b>	<b>1,610</b>	<b>2,139</b>	<b>2,132</b>
Reported EPS (RM)	0.32	0.34	0.29	0.35	0.35						
Core EPS (RM)	0.32	0.34	0.29	0.35	0.35						
DPS (RM)	0.17	0.17	0.16	0.18	0.18						
CFPS (RM)	0.31	0.14	0.36	0.40	0.39						
FCFPS (RM)	0.25	0.08	0.25	0.33	0.33						
BVPS (RM)	1.75	1.88	2.04	2.26	2.48						
Wtd avg ord shares (m)	6,177	6,396	6,419	6,419	6,419						
Wtd avg diluted shares (m)	6,421	6,489	6,440	6,419	6,419						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	-14.1	28.8	2.4	1.8	1.3						
EBIT (%)	33.9	6.4	-7.1	11.7	0.3						
Core NPAT (%)	107.0	8.6	-15.7	19.6	1.3						
Core EPS (%)	97.4	7.5	-15.0	20.0	1.3						
<b>Balance Sheet (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	3,882	2,851	3,396	4,315	5,172						
Accounts receivables	1,310	1,722	1,763	1,795	1,818						
Inventory	1,575	2,652	2,580	2,577	2,615						
Net fixed & other tangibles	6,348	6,512	7,044	7,271	7,492						
Goodwill & intangibles	514	512	512	512	512						
Financial & other assets	3,714	5,406	5,644	5,995	6,358						
<b>Total assets</b>	<b>17,343</b>	<b>19,655</b>	<b>20,939</b>	<b>22,464</b>	<b>23,967</b>						
Accounts payable	939	1,190	1,274	1,272	1,291						
Short-term debt	409	791	604	500	500						
Long-term debt	4,348	4,606	5,000	5,000	5,000						
Provisions & other liab	578	806	656	843	839						
<b>Total liabilities</b>	<b>6,274</b>	<b>7,394</b>	<b>7,534</b>	<b>7,615</b>	<b>7,630</b>						
Shareholders' equity	10,780	11,999	13,092	14,481	15,899						
Minority interests	289	262	313	368	438						
<b>Total equity</b>	<b>11,069</b>	<b>12,261</b>	<b>13,405</b>	<b>14,849</b>	<b>16,337</b>						
<b>Net debt</b>	<b>876</b>	<b>2,547</b>	<b>2,209</b>	<b>1,185</b>	<b>328</b>						
Net debt to equity (%)	7.9	20.8	16.5	8.0	2.0						

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For definitions of the items in this table, please click [here](#).



Figure 39. IOI – FY12E Profit Contribution by Segment



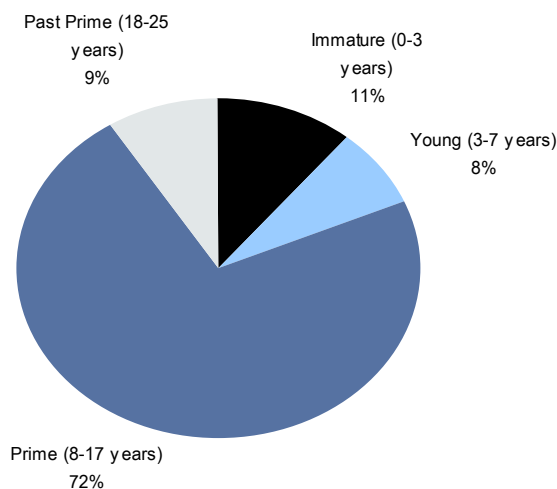
Source: Citi Investment Research and Analysis

Figure 40. IOI – SOTP Valuation

	Valuation basis	Rm Comments
Plantations - Malaysia	DCF	22,648.7 Assuming 9.6% WACC and long-term average CPO price of US\$950/t
Plantations - Indonesia	DCF	5,146.5 Assuming 10.9% WACC and long-term average CPO price of US\$950/t
Manufacturing	P/E 16x CY12	3,641.7
IOI Properties	Book value	5,695.3 FY11
Net debt		(2,508.5) 1HFY12
<b>SOTP/share (RM)</b>		<b>5.38</b>
Shares (m) (fully-diluted)		6,439.8

Source: Citi Investment Research and Analysis

Figure 41. IOI – Oil Palm Age Profile (as at June 2011)



Source: Company; Citi Investment Research and Analysis

## IOI

### Company description

IOI Corporation (IOI) is one of the largest integrated palm-oil producers in the world. Its palm-oil business encompasses plantations, mills, refineries, and downstream specialty fats and oleochemical operations. In Dec 2002, the group acquired Loders Crokiaan, the world's leading producer of specialty oils and fats for the health and food industry. This gave IOI Corp an instant opportunity to penetrate the specialty oils and fats markets in the US and Europe. Having a worldwide presence in key markets of choice allows the group to be closer to its customers, enhance supply-chain efficiencies and be more responsive to customers needs. The group is also involved in property development via IOI Properties, a suburban township developer that is now expanding into niche market developments at prime locations.

### Investment strategy

We rate IOI Neutral (2), with a SOTP target price of RM5.38. We think IOI Corp lacks catalysts for now given its average FFB growth profile, challenging operating environment for its downstream businesses and venture into Singapore properties (IOI is still on a lookout for landbank in Singapore). However, downside is also limited as we believe IOI Corp or its major shareholders will resume share buybacks if the share price weakens and the listing of associate Bumitama Agri is also positive for the group.

### Valuation

Our target price for IOI Corp of RM5.38 is based on an SOTP valuation for its business divisions. Our valuation for the plantation business is based on DCF, assuming a long-term CPO price of US\$950/t, WACCs of 9.6% for Malaysia and 10.9% for Indonesia. The higher WACC for Indonesia is due to our higher risk free rate for the country. For the plantation business, we believe a DCF approach is justified given sustained demand over the medium term as world population expands and rising consumption comes from the growth in Asian economies. A DCF valuation also helps capture long-term cash flow. We value the manufacturing division based on the current sector-average P/E of 16x and the property division at book value. At our target price, IOI Corp would trade at CY12E P/E of 16.9x, versus its 9-year average P/E of 16x.

### Risks

Our earnings estimates and target price for IOI are contingent on assumptions on CPO prices and downstream sales. CPO prices are relatively volatile given their dependence on global weather patterns and other natural factors, which tend to be difficult to predict. Key risks to our target price are higher/lower than expected CPO prices. Other upside risks include value-enhancing capital management and an earnings-accretive palm oil related acquisition. Another downside risk include further diversification into an overseas property venture and overpaying for it.

ASEAN Plantations  
13 April 2012

## Company Focus

- [Company Update](#)
- [Target Price Change](#)
- [Estimate Change](#)

### Penny Yaw, CFA

+60-3-2383-2948  
penny.yaw@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	RM24.30
Target price	RM27.35
	from RM25.08
Expected share price return	12.6%
Expected dividend yield	3.5%
<b>Expected total return</b>	<b>16.0%</b>
Market Cap	RM25,940M
	US\$8,448M

### Price Performance

(RIC: KLKK.KL, BB: KLK MK)



## KL Kepong (KLKK.KL)

### Focus On Core Business, Disposing Non-Core

- **Maintain Buy** — KL Kepong (KLK) continues to streamline its business. We are positive on its recent announcement to sell its retail business (performance has been patchy over the last eight years; KLK had four years of profit and four years of losses from this segment). Do expect more disposals of non-core assets. Management has reiterated that the Group remains focused on its core businesses, namely plantations and oleochemicals. In response to the new export duty structure in Indonesia, KLK will set up 3 refineries in Indonesia.
- **Plantation: the key contributor** — Plantation accounts for 83% of group profits in FY12E. Every 10% hike in CPO price, could raise FY12E EPS by 12%. We are raising our CPO price assumption to RM3,163/t for FY12E (previously RM3,128/t), RM3,225/t (previously RM2,905/t) for FY13E and RM2,938/t (RM2,850/t) for FY13E. For the first 5 months of FY12, FFB production is up 9.8%. Maintain our FFB production growth estimate of 10% for FY12-13E.
- **Selling retail business** — On 20 Mar, KLK signed an unconditional share sale & purchase agreement with Khuan Choo International Limited to dispose of 63.75m shares in CE Holdings (CEH) representing 100% equity stake in CEH (owns the entire global Crabtree & Evelyn business). The purchase price for the shares is US\$155m and the expected gain to KLK is approximately US\$41m for FY12E.
- **Manufacturing, challenging but there are opportunities** — The focus of KLK Oleo for the near term is to consolidate and improve on its existing business segments by working on a number of expansion projects, both in Malaysia and abroad, which will eventually increase the Group's oleochemical capacities. The other manufacturing operations continue to suffer losses due to lack of economies of scale. KLK has commenced action to exit the Standard Soap business in the UK. The group also relocated its tocotrienol plant from Singapore to Malaysia and taken steps to revamp its parquet business.
- **Raising EPS and TP** — We are revising upwards our earnings by 2-14% to mainly factor in higher CPO price assumption. Target price upped by 9% to mainly reflect the net cash position (previously net debt), selling price for Crabtree & Evelyn and for manufacturing, pegged at the current sector average P/E of 16x (previously 14x).
- **Foreign shareholding** — 18.55% of KLK shares were held by foreigners as at Mar 2012 versus 18.53% in Dec 2011.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
30 Sep	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2010A	1,012	0.95	65.3	25.6	4.3	17.4	2.5
2011A	1,571	1.48	55.2	16.5	3.7	24.0	3.5
2012E	1,482	1.39	-5.7	17.5	3.3	19.8	3.5
2013E	1,655	1.55	11.7	15.6	2.9	19.8	3.7
2014E	1,554	1.46	-6.1	16.6	2.7	16.7	3.5

Source: Powered by dataCentral

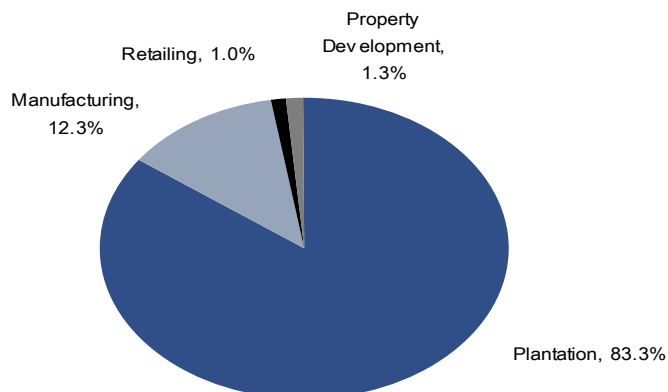
**ASEAN Plantations**  
13 April 2012

KLKK.KL: Fiscal year end 30-Sep						Price: RM24.30; TP: RM27.35; Market Cap: RM25,940m; Recomm: Buy					
Profit & Loss (RMm)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	7,491	10,743	10,324	10,478	10,921	PE (x)	25.6	16.5	17.5	15.6	16.6
Cost of sales	-5,879	-8,386	-7,976	-7,901	-8,491	PB (x)	4.3	3.7	3.3	2.9	2.7
Gross profit	1,611	2,357	2,348	2,577	2,430	EV/EBITDA (x)	16.2	11.0	10.9	9.7	10.0
Gross Margin (%)	21.5	21.9	22.7	24.6	22.2	FCF yield (%)	2.1	2.4	6.1	5.7	4.8
<b>EBITDA</b>	<b>1,611</b>	<b>2,357</b>	<b>2,348</b>	<b>2,577</b>	<b>2,430</b>	Dividend yield (%)	2.5	3.5	3.5	3.7	3.5
EBITDA Margin (%)	21.5	21.9	22.7	24.6	22.2	Payout ratio (%)	63	58	61	58	58
Depreciation	-232	-265	-255	-268	-279	ROE (%)	17.4	24.0	19.8	19.8	16.7
Amortisation	0	0	0	0	0	<b>Cashflow (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>1,380</b>	<b>2,092</b>	<b>2,092</b>	<b>2,309</b>	<b>2,151</b>	EBITDA	1,611	2,357	2,348	2,577	2,430
EBIT Margin (%)	18.4	19.5	20.3	22.0	19.7	Working capital	784	928	2,071	1,976	1,735
Net interest	-34	-53	-37	-11	6	Other	-1,611	-2,357	-2,348	-2,577	-2,430
Associates	37	28	13	13	13	<b>Operating cashflow</b>	<b>784</b>	<b>928</b>	<b>2,071</b>	<b>1,976</b>	<b>1,735</b>
Non-op/Except	0	0	0	0	0	Capex	-231	-306	-500	-500	-500
<b>Pre-tax profit</b>	<b>1,383</b>	<b>2,066</b>	<b>2,069</b>	<b>2,311</b>	<b>2,170</b>	Net acq/disposals	23	152	0	0	0
Tax	-316	-421	-517	-578	-543	Other	-86	-118	49	69	84
Extraord./Min.Int./Pref.div.	-55	-74	-70	-78	-73	<b>Investing cashflow</b>	<b>-295</b>	<b>-272</b>	<b>-451</b>	<b>-431</b>	<b>-416</b>
<b>Reported net profit</b>	<b>1,012</b>	<b>1,571</b>	<b>1,482</b>	<b>1,655</b>	<b>1,554</b>	Dividends paid	-507	-679	-700	-739	-700
Net Margin (%)	13.5	14.6	14.4	15.8	14.2	<b>Financing cashflow</b>	<b>-559</b>	<b>-267</b>	<b>-1,444</b>	<b>-759</b>	<b>-700</b>
Core NPAT	1,012	1,571	1,482	1,655	1,554	<b>Net change in cash</b>	<b>-69</b>	<b>389</b>	<b>176</b>	<b>786</b>	<b>619</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>553</b>	<b>622</b>	<b>1,571</b>	<b>1,476</b>	<b>1,235</b>
Reported EPS (RM)	0.95	1.48	1.39	1.55	1.46						
Core EPS (RM)	0.95	1.48	1.39	1.55	1.46						
DPS (RM)	0.60	0.85	0.85	0.90	0.85						
CFPS (RM)	0.74	0.87	1.94	1.86	1.63						
FCFPS (RM)	0.52	0.58	1.48	1.39	1.16						
BVPS (RM)	5.64	6.64	7.41	8.31	9.15						
Wtd avg ord shares (m)	1,065	1,065	1,065	1,065	1,065						
Wtd avg diluted shares (m)	1,065	1,065	1,065	1,065	1,065						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	12.5	43.4	-3.9	1.5	4.2						
EBIT (%)	53.9	51.6	0.0	10.4	-6.9						
Core NPAT (%)	65.3	55.2	-5.7	11.7	-6.1						
Core EPS (%)	65.3	55.2	-5.7	11.7	-6.1						
<b>Balance Sheet (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	1,255	1,670	1,832	2,618	3,237						
Accounts receivables	585	1,026	820	832	868						
Inventory	1,288	1,673	1,595	1,580	1,698						
Net fixed & other tangibles	4,596	4,887	5,132	5,364	5,585						
Goodwill & intangibles	322	338	327	327	327						
Financial & other assets	1,118	1,354	2,167	2,074	2,095						
<b>Total assets</b>	<b>9,164</b>	<b>10,948</b>	<b>11,873</b>	<b>12,795</b>	<b>13,809</b>						
Accounts payable	620	768	930	921	990						
Short-term debt	580	1,564	820	800	800						
Long-term debt	1,107	526	1,100	1,000	1,000						
Provisions & other liab	532	646	693	721	718						
<b>Total liabilities</b>	<b>2,838</b>	<b>3,504</b>	<b>3,543</b>	<b>3,442</b>	<b>3,507</b>						
Shareholders' equity	6,005	7,074	7,894	8,850	9,743						
Minority interests	320	392	445	503	558						
<b>Total equity</b>	<b>6,325</b>	<b>7,466</b>	<b>8,339</b>	<b>9,353</b>	<b>10,302</b>						
<b>Net debt</b>	<b>432</b>	<b>419</b>	<b>88</b>	<b>-818</b>	<b>-1,437</b>						
Net debt to equity (%)	6.8	5.6	1.1	-8.7	-13.9						

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For definitions of the items in this table, please click [here](#).



Figure 42. KL Kepong – FY12E Profit Contribution By Segment



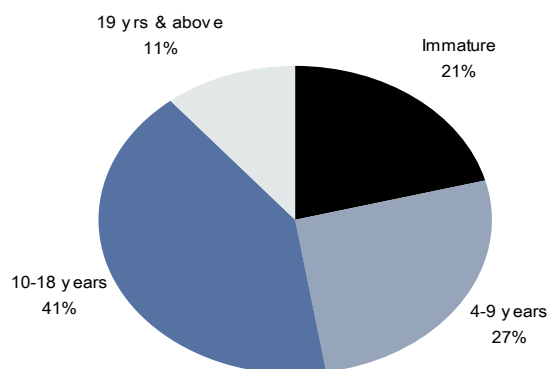
Source: Citi Investment Research and Analysis

Figure 43. KL Kepong – SOTP Valuation

	Valuation basis	RMm Comments
Plantations - Malaysia	DCF	16,067.7 Assuming 10.5% WACC and long-term average CPO price of US\$950/t
Plantations - Indonesia	DCF	8,864.2 Assuming 12.8% WACC and long-term average CPO price of US\$950/t
Manufacturing	16x CY12 PE	3,331.1 Average for specialty chemical
Property	Book value	341.8 FY11
Retail	Selling Price	465.0 Expected to be sold in 3 months time
Net cash		52.9 1QFY12
<b>SOTP/share (RM)</b>		<b>27.35</b>
Shares (m)		1,065

Source: Citi Investment Research and Analysis

Figure 44. KL Kepong – Oil Palm Age Profile (as at Sept 2011)



Source: Company; Citi Investment Research and Analysis

## KL Kepong

### Company description

Kuala Lumpur Kepong (KLK), a leading Malaysian plantation company, traces its origins back to 1906 when The Kuala Lumpur Rubber Company (KLR) was set up in London to oversee 600 ha of rubber and coffee plantations in Malaya, as it was then known. From a base of 23,100 ha of rubber, oil palm and cocoa plantations, KLK group has expanded to over 250,000 ha of mainly oil palm located in Peninsular Malaysia, Sabah and Indonesia. Plantations remain KLK's core business. To cushion the effects of fluctuating commodity prices, it expanded downstream in the 1990s into resource-based manufacturing including rubber processing, manufacture of palm-based oleochemical products and their derivatives. Capitalizing on the strategic location of its land bank in Peninsular Malaysia, KLK has also ventured into property development. Via acquisition of Crabtree & Evelyn in 1996, it is now involved in manufacturing and retailing an international specialty brand of personal care products, home fragrances and fine foods worldwide.

### Investment strategy

We rate KLK Buy (1) with a SOTP-based target price of RM27.35. We like KLK for its promising age profile (well supported by maturing young hectareage) and we think management has good expansion strategy for its upstream and downstream plantation business. A recent announcement on the proposed disposal of its retail business (Crabtree & Evelyn) is a positive as the contribution from Crabtree & Evelyn has been patchy in the past. In recent times, the Group has remained focused on its core businesses, namely plantations and oleochemicals. As part of this focus, the group took the opportunity to dispose of several non-cores.

### Valuation

Our target price for KLK is RM27.35, which is based on a sum-of-the-parts valuation. The plantation division is valued using a DCF model, assuming a long-term average CPO price of RM2,850/t, a WACC of 10.5% for the Malaysia operations and a WACC of 12.8% for the Indonesia operations. For the plantation business, we believe a DCF approach is justified given sustained demand in the medium term as the world's population expands and consumption is driven by growth in the Asian economies. A DCF valuation allows us to capture long-term cash flow. We value the other divisions based on a comparative analysis and business exposure, specifically 16x (based on sector average) for manufacturing, book value for its property landbank (88% of the landbank earmarked for property development is still agricultural land) and selling price for Crabtree & Evelyn (deal will be completed in FY12).

### Risks

Our earnings forecasts and SOTP target price rely primarily on our CPO price assumptions, which are driven by global demand and supply balances of edible oils. Supply of these oils and fats is difficult to gauge given the unpredictable nature of global weather patterns, and could pose positive or negative risks to our target price. Potential downside risks that could prevent the stock from reaching our target price include new investments that may not be earnings accretive in the near term, and weaker than expected CPO prices.

ASEAN Plantations  
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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Margarett Go

+62-21-5290-8505  
margarett.go@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	Rp2,975
Target price	Rp3,780
	<i>from Rp3,390</i>
Expected share price return	27.1%
Expected dividend yield	2.5%
<b>Expected total return</b>	<b>29.6%</b>
Market Cap	Rp20,298,020M US\$2,215M

### Price Performance

(RIC: LSIP.JK, BB: LSIP IJ)



## Perusahaan Perkebunan London Sumatra Indonesia (LSIP.JK)

### Favourable Prospects Ahead

- **Maintain Buy; Raise TP**— We like the company and its productivity enhancing activities, (i.e bringing transportation in-house, infrastructure development in its South Sumatra estates, and completion of the new 45tons/hr mill), which should complement well its favourable plantation profile. We raise our TP to Rp3,780 (prev. Rp3,390) following our upward earnings adjustments.
- **Raising EPS** — We are revising upwards EPS by 2 to 14% for FY12-13E to factor in: (1) Higher CPO price assumption for FY12E to US\$1,075/t (previously US\$1,000/t) and FY13E CPO price to US\$1,067/t (previously US\$950/t) (2) Higher labour, fertilizer and 3<sup>rd</sup> party purchases costs, (3) Forex changes from Rp9,174 for FY12E (prev. Rp8,975) and Rp9,528 for FY1E3 (prev. Rp8,675).
- **Plantation profile** — In terms of hectarage, total nucleus oil palm planted area reached 80k ha (88% mature) at the end of December 2011. Weighted average age of its trees is approximately 12 years.
- **2012 guidance** — **a) CPO volume:** 5-10%, **b) Capex:** Rp800-900bn, **c) New plantings:** 5,000 ha oil palm, **d) Replanting:** 1,000 ha rubber, **e) Cost:** expecting about 5-10% increase YoY on the back of higher fertilizer and labour costs.
- **Solid balance sheet** — As at 31 December 2011, LSIP is in a net cash position given Rp2.1trn cash and zero debt (following debt repayment).
- **Rising foreign shareholding** — Foreign shareholders held 24.53% of LSIP shares as at April 2012 versus 21.7% in Nov 2011.
- **Key risk** — Aside from the favourable plantation profile, much of LSIP's growth relies on its infrastructure enhancement initiatives at the South Sumatra level. Hence, any delays (due to factors like weather anomalies) could hamper its growth potential.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
31 Dec	(RpB)	(Rp)	(%)	(x)	(x)	(%)	(%)
2010A	1,033	151	46.1	19.6	3.6	24.7	1.4
2011A	1,702	249	64.7	11.9	2.8	32.7	2.1
2012E	1,952	286	14.7	10.4	2.2	29.8	2.5
2013E	2,217	325	13.6	9.2	1.8	27.4	2.9
2014E	2,405	352	8.5	8.4	1.5	24.6	3.3

Source: Powered by dataCentral



**ASEAN Plantations**  
13 April 2012

LSIP.JK: Fiscal year end 31-Dec						Price: Rp2,975; TP: Rp3,780; Market Cap: Rp20,298,020m; Recomm: Buy					
Profit & Loss (Rpb)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	3,593	4,686	5,925	6,363	6,035	PE (x)	19.6	11.9	10.4	9.2	8.4
Cost of sales	-1,821	-2,324	-3,123	-3,217	-2,691	PB (x)	3.6	2.8	2.2	1.8	1.5
Gross profit	1,771	2,362	2,802	3,146	3,344	EV/EBITDA (x)	12.7	8.5	7.3	6.1	5.3
Gross Margin (%)	49.3	50.4	47.3	49.4	55.4	FCF yield (%)	4.6	6.3	5.6	10.2	11.1
<b>EBITDA</b>	<b>1,562</b>	<b>2,243</b>	<b>2,524</b>	<b>2,814</b>	<b>2,971</b>	Dividend yield (%)	1.4	2.1	2.5	2.9	3.3
EBITDA Margin (%)	43.5	47.9	42.6	44.2	49.2	Payout ratio (%)	28	24	26	26	28
Depreciation	-198	-231	-245	-264	-272	ROE (%)	24.7	32.7	29.8	27.4	24.6
Amortisation	-7	-7	-7	-7	-7	<b>Cashflow (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>1,357</b>	<b>2,004</b>	<b>2,271</b>	<b>2,543</b>	<b>2,691</b>	EBITDA	1,562	2,243	2,524	2,814	2,971
EBIT Margin (%)	37.8	42.8	38.3	40.0	44.6	Working capital	95	-267	7	3	-2
Net interest	25	87	133	192	278	Other	-324	-302	-318	-324	-284
Associates	0	0	0	0	0	<b>Operating cashflow</b>	<b>1,334</b>	<b>1,673</b>	<b>2,213</b>	<b>2,493</b>	<b>2,684</b>
Non-op/Except	0	0	0	0	0	Capex	-396	-387	-1,084	-426	-426
<b>Pre-tax profit</b>	<b>1,382</b>	<b>2,091</b>	<b>2,404</b>	<b>2,735</b>	<b>2,969</b>	Net acq/disposals	0	0	0	0	0
Tax	-348	-389	-451	-516	-562	Other	-12	-4	-7	-7	-7
Extraord./Min.Int./Pref.div.	0	0	-2	-2	-2	<b>Investing cashflow</b>	<b>-408</b>	<b>-391</b>	<b>-1,091</b>	<b>-433</b>	<b>-433</b>
<b>Reported net profit</b>	<b>1,033</b>	<b>1,702</b>	<b>1,952</b>	<b>2,217</b>	<b>2,405</b>	Dividends paid	-285	-416	-510	-586	-665
Net Margin (%)	28.8	36.3	32.9	34.8	39.8	<b>Financing cashflow</b>	<b>-450</b>	<b>-381</b>	<b>-506</b>	<b>-580</b>	<b>-661</b>
Core NPAT	1,033	1,702	1,952	2,217	2,405	<b>Net change in cash</b>	<b>476</b>	<b>901</b>	<b>617</b>	<b>1,479</b>	<b>1,590</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>938</b>	<b>1,286</b>	<b>1,130</b>	<b>2,067</b>	<b>2,259</b>
Reported EPS (Rp)	151	249	286	325	352						
Core EPS (Rp)	151	249	286	325	352						
DPS (Rp)	42	61	75	86	97						
CFPS (Rp)	196	245	324	365	393						
FCFPS (Rp)	137	189	166	303	331						
BVPS (Rp)	832	1,066	1,330	1,627	1,945						
Wtd avg ord shares (b)	5.5	5.5	5.5	5.5	5.5						
Wtd avg diluted shares (b)	6.8	6.8	6.8	6.8	6.8						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	12.3	30.4	26.4	7.4	-5.2						
EBIT (%)	30.2	47.7	13.3	12.0	5.8						
Core NPAT (%)	46.1	64.7	14.7	13.6	8.5						
Core EPS (%)	46.1	64.7	14.7	13.6	8.5						
<b>Balance Sheet (Rpb)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	1,161	2,064	2,681	4,161	5,751						
Accounts receivables	26	101	128	137	130						
Inventory	264	368	466	500	474						
Net fixed & other tangibles	4,074	4,224	5,061	5,221	5,372						
Goodwill & intangibles	0	0	0	0	0						
Financial & other assets	36	34	43	46	44						
<b>Total assets</b>	<b>5,561</b>	<b>6,792</b>	<b>8,378</b>	<b>10,065</b>	<b>11,771</b>						
Accounts payable	35	32	40	43	41						
Short-term debt	0	0	0	0	0						
Long-term debt	0	0	0	0	0						
Provisions & other liab	972	921	1,058	1,109	1,078						
<b>Total liabilities</b>	<b>1,007</b>	<b>952</b>	<b>1,098</b>	<b>1,153</b>	<b>1,119</b>						
Shareholders' equity	4,554	5,839	7,281	8,912	10,652						
Minority interests	0	0	0	0	0						
<b>Total equity</b>	<b>4,554</b>	<b>5,839</b>	<b>7,281</b>	<b>8,912</b>	<b>10,652</b>						
<b>Net debt</b>	<b>-1,161</b>	<b>-2,064</b>	<b>-2,681</b>	<b>-4,161</b>	<b>-5,751</b>						
Net debt to equity (%)	-25.5	-35.3	-36.8	-46.7	-54.0						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADatasevicesAsiaPacific@citi.com or +852-2501-2791  
For definitions of the items in this table, please click [here](#).

Figure 45. Summary of estimate changes

	Net Profit (Rp Bn)			EPS (Rp)			DPS (Rp)		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
2012E	1,926.9	1,951.8	1.3%	282.4	286.1	1.3%	74.8	74.8	0.0%
2013E	1,940.0	2,217.1	14.3%	284.3	324.9	14.3%	84.7	85.8	1.3%

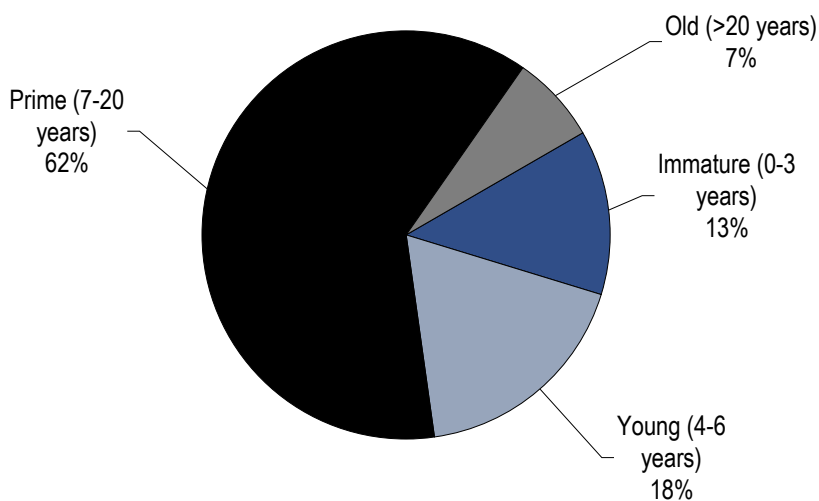
Source: Citi Investment Research and Analysis

Figure 46. Summary of key assumption changes

		New			Old		% Change	
		2012E	2013E	2014E	2012E	2013E	2012E	2013E
CPO Price	US\$/Ton	1,075	1,067	950	1,000	950	7.5%	12.3%
Forex	Rp/US\$	9,174	9,528	9,814	8,975	8,675	2.2%	9.8%
CPO Prod'n Vol	m tons	0.48	0.50	0.52	0.48	0.50	0.2%	1.5%
CPO Sales Vol	k tons	0.47	0.49	0.51	0.47	0.49	0.2%	1.5%

Source: Citi Investment Research and Analysis

Figure 47. London Sumatra – Nucleus Plantation Age Profile (As at 31 December 2011); Average age of 11.5 years



Source: Citi Investment Research and Analysis; Company

## Perusahaan Perkebunan London Sumatra Indonesia

### Company description

The company was founded in 1906 and subsequently listed on the Jakarta and Surabaya stock exchanges in July 1996. As at 31 December 2011, Perusahaan Perkebunan London Sumatra Indonesia (LSIP) owned and managed 102k hectares of estate land across Indonesia, and had initiated and nurtured the development of a further 36,513 hectares of small-holder developments (under the plasma scheme).

### Investment strategy

We rate LSIP as Buy (1) with a target price of Rp3,780. Fundamentally, we like the company and its productivity enhancing activities, such as bringing transportation in-house, infrastructure development in its South Sumatera estates, and completion of the new 45tons/hr mill, which should complement well LSIP's favourable plantation profile (average age of 12 years is still within the optimum yield phase). Current upside trends in rubber prices are also a key positive given LSIP's rubber exposure.

### Valuation

Given lingering concern of a potential global economic slowdown, we apply a PE multiple of 13.2x (Indonesia's current market PE) to LSIP's 2012E EPS of Rp286/sh. As such, our target price is set at Rp3,780/sh. As a cross-check, we employ a DCF that is based on cash flows out to 2021E and a terminal value of 12.8x EV/EBITDA (a derivation of a constant growth multiple). We use a discount rate of 11.6%, which includes an Rf of 8.0% (to reflect current market conditions) and a market risk premium of 5.5%. Our DCF yields a net present value of Rp3,631/share, still higher than current levels.

### Risks

The key downside risks to our investment thesis on LSIP are: 1) Deterioration in CPO prices; 2) Fluctuating forex; and 3) Fluctuating rubber prices – unlike its peer Astra Agro, LSIP has more exposure to rubber prices with almost 20% of its planted hectareage consisting of rubber trees (nucleus and plasma); 4) Fluctuating oil prices; and 5) Delays in the execution of LSIP's planned infrastructure enhancement initiatives at the South Sumatera estates. If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

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## Company Focus

- Company Update
- Target Price Change
- Estimate Change

### Penny Yaw, CFA

+60-3-2383-2948  
penny.yaw@citi.com

<b>Buy</b>	<b>1</b>
Price (13 Apr 12)	RM9.90
Target price	RM13.20
from RM12.78	
Expected share price return	33.3%
Expected dividend yield	3.6%
<b>Expected total return</b>	<b>37.0%</b>
Market Cap	RM59,494M US\$19,374M

### Price Performance

(RIC: SIME.KL, BB: SIME MK)



## Sime Darby (SIME.KL) Steady Improvements

- **Reiterate Buy** — Rising CPO price environment, operational improvements and improving perception on the stock (evident via rising foreign shareholding) will continue to drive share price higher. Plantation to account for 60% of group profits in FY12E. Every 10% hike in CPO price, could raise FY13E EPS by 12%.
- **Plantations, growth driver** — Our current CPO price assumption is RM2,990/t for FY12E (from RM3,020/t), RM3,044/t for FY13E (from RM2,835/t) and RM2,829/t for FY14E (from RM2,727/t). We have assumed a wider discount for its Indonesia plantations' CPO selling price. We are forecasting FFB growth of 7% for FY12E and 4% for FY13E.
- **Industrial: good prospects** — 1HFY12 EBIT up 38% driven by strong demand in the mining, logging and construction sectors in Australasia and Malaysia. Australasia contributes 72% to industrial EBIT. There will be new coal mining activities in Queensland that will commence between 2013 and 2014. Outstanding orderbook for this segment is RM4bn (over the next 18 months).
- **Property: target to launch RM3bn** — For FY12E, the group targets to launch RM3bn worth of properties and the sales target is RM2.4bn (versus close to RM2bn in FY11). Unbilled sales stood at RM1.2bn as at 31 Dec 2011. The group is still looking for more land in Malaysia and other strategic destinations.
- **Motor: sales still growing** — Total units sold grew by 10% in 1HFY12 driven by Malaysia and China. But China/HK operations EBIT down by 32% mainly due to forex losses of RM37m in 1HFY12.
- **EPS and TP revision** — We have increased EPS by up to 11% as we factor in higher CPO prices and higher associates contribution. Target price raised by 3% to reflect higher CPO price assumption, latest net debt position, updated P/E for industrial & auto segment to reflect the current average.
- **Forecasts ahead of street** — Our FY12E and FY13E EPS forecast are 3% and 11% ahead of consensus. We have been seeing earnings upgrades over the last 3 quarterly results. We expect the street to revise upwards forecast again in the next quarterly results.
- **Increase in foreign shareholding** — Sime Darby's foreign ownership rose to 20% as at Mar 2012 versus 16.07% a year ago.

### Statistical Abstract

Year to	Net Profit	Diluted EPS	EPS growth	P/E	P/B	ROE	Yield
30 Jun	(RMM)	(RM)	(%)	(x)	(x)	(%)	(%)
2010A	727	0.12	-68.1	81.9	2.9	3.5	1.0
2011A	3,665	0.61	404.2	16.2	2.5	16.5	3.0
2012E	4,288	0.71	17.0	13.9	2.2	16.9	3.6
2013E	4,843	0.81	12.9	12.3	2.0	17.2	4.0
2014E	4,816	0.80	-0.6	12.4	1.8	15.4	4.0

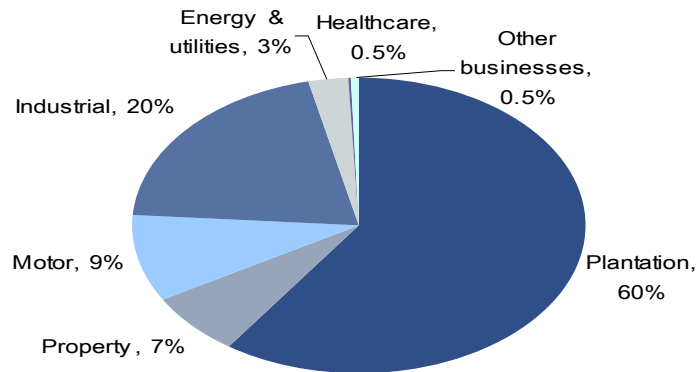
Source: Powered by dataCentral

**ASEAN Plantations**  
13 April 2012

SIME.KL: Fiscal year end 30-Jun						Price: RM9.90; TP: RM13.20; Market Cap: RM59,494m; Recomm: Buy					
Profit & Loss (RMm)	2010	2011	2012E	2013E	2014E	Valuation ratios	2010	2011	2012E	2013E	2014E
Sales revenue	32,506	41,859	46,010	48,666	50,860	PE (x)	81.9	16.2	13.9	12.3	12.4
Cost of sales	-28,406	-35,310	-38,642	-40,355	-42,491	PB (x)	2.9	2.5	2.2	2.0	1.8
Gross profit	4,100	6,549	7,367	8,311	8,369	EV/EBITDA (x)	15.0	9.5	8.4	7.5	7.4
Gross Margin (%)	12.6	15.6	16.0	17.1	16.5	FCF yield (%)	1.6	2.9	3.2	4.7	5.0
<b>EBITDA</b>	<b>4,100</b>	<b>6,549</b>	<b>7,367</b>	<b>8,311</b>	<b>8,369</b>	Dividend yield (%)	1.0	3.0	3.6	4.0	4.0
EBITDA Margin (%)	12.6	15.6	16.0	17.1	16.5	Payout ratio (%)	83	49	50	50	50
Depreciation	-954	-1,066	-1,227	-1,365	-1,494	ROE (%)	3.5	16.5	16.9	17.2	15.4
Amortisation	0	0	0	0	0	<b>Cashflow (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>
<b>EBIT</b>	<b>3,146</b>	<b>5,483</b>	<b>6,141</b>	<b>6,945</b>	<b>6,875</b>	EBITDA	4,100	6,549	7,367	8,311	8,369
EBIT Margin (%)	9.7	13.1	13.3	14.3	13.5	Working capital	-214	-2,002	-578	-387	-301
Net interest	-265	-308	-362	-401	-391	Other	-717	-1,154	-1,903	-2,129	-2,117
Associates	-169	118	82	84	87	<b>Operating cashflow</b>	<b>3,170</b>	<b>3,393</b>	<b>4,886</b>	<b>5,795</b>	<b>5,951</b>
Non-op/Except	108	155	158	167	188	Capex	-2,217	-1,644	-3,000	-3,000	-3,000
<b>Pre-tax profit</b>	<b>2,819</b>	<b>5,449</b>	<b>6,019</b>	<b>6,797</b>	<b>6,759</b>	Net acq/disposals	-151	120	-1,792	167	188
Tax	-906	-1,603	-1,505	-1,699	-1,690	Other	0	0	0	0	0
Extraord./Min.Int./Pref.div.	-1,186	-182	-226	-255	-253	<b>Investing cashflow</b>	<b>-2,368</b>	<b>-1,524</b>	<b>-4,792</b>	<b>-2,833</b>	<b>-2,812</b>
<b>Reported net profit</b>	<b>727</b>	<b>3,665</b>	<b>4,288</b>	<b>4,843</b>	<b>4,816</b>	Dividends paid	-1,404	-727	-1,623	-1,803	-1,803
Net Margin (%)	2.2	8.8	9.3	10.0	9.5	<b>Financing cashflow</b>	<b>508</b>	<b>-1,475</b>	<b>-31</b>	<b>-2,428</b>	<b>-2,407</b>
Core NPAT	727	3,665	4,288	4,843	4,816	<b>Net change in cash</b>	<b>1,176</b>	<b>460</b>	<b>63</b>	<b>534</b>	<b>731</b>
<b>Per share data</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>	<b>Free cashflow to s/holders</b>	<b>952</b>	<b>1,749</b>	<b>1,886</b>	<b>2,795</b>	<b>2,951</b>
Reported EPS (RM)	0.12	0.61	0.71	0.81	0.80						
Core EPS (RM)	0.12	0.61	0.71	0.81	0.80						
DPS (RM)	0.10	0.30	0.36	0.40	0.40						
CFPS (RM)	0.53	0.56	0.81	0.96	0.99						
FCFPS (RM)	0.16	0.29	0.31	0.47	0.49						
BVPS (RM)	3.40	4.00	4.44	4.95	5.45						
Wtd avg ord shares (m)	6,010	6,010	6,010	6,010	6,010						
Wtd avg diluted shares (m)	6,010	6,010	6,010	6,010	6,010						
<b>Growth rates</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Sales revenue (%)	4.8	28.8	9.9	5.8	4.5						
EBIT (%)	-0.2	74.3	12.0	13.1	-1.0						
Core NPAT (%)	-68.1	404.2	17.0	12.9	-0.6						
Core EPS (%)	-68.1	404.2	17.0	12.9	-0.6						
<b>Balance Sheet (RMm)</b>	<b>2010</b>	<b>2011</b>	<b>2012E</b>	<b>2013E</b>	<b>2014E</b>						
Cash & cash equiv.	5,033	5,528	5,744	5,997	6,728						
Accounts receivables	5,263	6,436	7,072	7,480	7,817						
Inventory	5,217	7,355	7,886	8,236	8,672						
Net fixed & other tangibles	17,418	18,031	19,955	21,878	23,649						
Goodwill & intangibles	109	86	860	860	860						
Financial & other assets	4,538	5,430	6,390	6,524	6,661						
<b>Total assets</b>	<b>37,578</b>	<b>42,866</b>	<b>47,907</b>	<b>50,975</b>	<b>54,387</b>						
Accounts payable	7,123	8,648	9,317	9,729	10,244						
Short-term debt	3,302	3,055	4,500	4,275	4,061						
Long-term debt	4,287	4,008	4,516	4,516	4,516						
Provisions & other liab	1,734	2,339	2,030	1,807	1,840						
<b>Total liabilities</b>	<b>16,447</b>	<b>18,049</b>	<b>20,362</b>	<b>20,327</b>	<b>20,661</b>						
Shareholders' equity	20,450	24,030	26,696	29,736	32,749						
Minority interests	681	787	849	912	977						
<b>Total equity</b>	<b>21,131</b>	<b>24,818</b>	<b>27,545</b>	<b>30,648</b>	<b>33,726</b>						
<b>Net debt</b>	<b>2,556</b>	<b>1,535</b>	<b>3,271</b>	<b>2,794</b>	<b>1,849</b>						
Net debt to equity (%)	12.1	6.2	11.9	9.1	5.5						

For further data queries on Citi's full coverage universe please contact CIRA Data Services Asia Pacific at CIRADatServicesAsiaPacific@citi.com or +852-2501-2791  
For definitions of the items in this table, please click [here](#).

Figure 48. Sime Darby – FY12E Profit Contribution by Segment



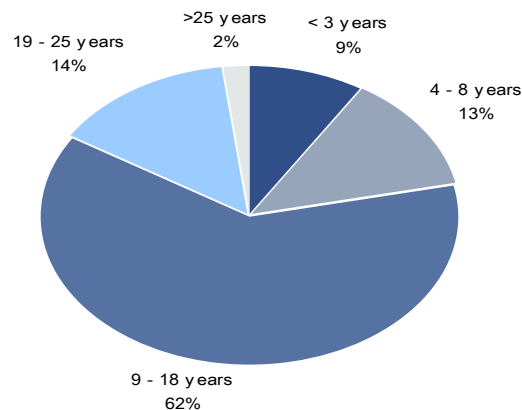
Source: Citi Investment Research and Analysis

Figure 49. Sime Darby – SOTP Valuation

	Valuation basis	Rm Comments
Plantations - Malaysia	DCF	46,571.1 Assuming 9% WACC and long-term average CPO price of US\$950/t
Plantations - Indonesia	DCF	15,030.8 Assuming 14.5% WACC and long-term average CPO price of US\$950/t
Property	Book value	6,127.9
Industrial	P/E - 13x	12,020.6 20% discount to regional industrial sector P/E
Auto	P/E - 11x	4,807.0 Sector average
Healthcare & other businesses		58.0
<b>Total</b>		<b>84,615.5</b>
Net cash/(net debt)		(5,303.5) 1HFY12
<b>SOTP/share (RM)</b>		<b>13.20</b>
Shares (m) (fully-diluted)		6,010

Source: Citi Investment Research and Analysis

Figure 50. Sime Darby – Oil Palm Age Profile (as at Dec 2011)



Source: Company; Citi Investment Research and Analysis

## Sime Darby

### Company description

Sime Darby was incorporated in Malaysia in 2006 as a private limited company called Synergy Drive Sdn Bhd. On 5 April 2007, it became a public company. Synergy Drive (now known as Sime Darby) was set up as a special purpose company to facilitate the merger of the Golden Hope Group, Kumpulan Guthrie Group and Sime Darby Group. The rationale for this merger is to extract synergies by combining complementary strengths of the three groups, especially in the plantations and property businesses. With completion of the merger, Sime Darby is now the world's largest listed oil palm plantations group by planted land area. Its core businesses are plantations, property, motor, heavy equipment and energy & utilities. The new Sime Darby is the fourth largest company by market cap listed on Bursa Malaysia.

### Investment strategy

We rate Sime Darby shares as Buy (1). It is the largest global CPO producer (close to 2.6m tonnes), with an estimated 5% market share of global CPO supply. Close to 60% of group earnings (over FY12-14E) are derived from its plantations business. We expect to hear positive operational updates in the months to come and more asset disposals.

### Valuation

Our target price of RM13.20 is based on a sum-of-the-parts valuation. We value the plantation business at RM62bn based on DCF, assuming a long-term CPO price of US\$950/tonne, a WACC of 9% for the Malaysia operations and a WACC of 14.5% for the Indonesia operations. In our view, using a DCF valuation methodology (also in line with the valuation basis for other Malaysian plantation stocks under coverage) is justified given sustained demand over the medium-term as the world's population expands and consumption comes from the growth of Asian economies. Valuation for the property business is based on FY11 book value given its huge property landbank (17,000 acres ongoing and another 80,000 acres planned for Sime Darby Vision Valley) and difficulty in obtaining updated statistics to value it on an RNAV basis. For the rest of the core businesses, we peg a P/E of 13x for the industrial business (based on 20% discount to regional sector average P/E due to its dealership/distributorship status), 11x P/E for the motor segment (based on sector average), nil contribution from the energy & utilities division (given its patchy track record) and FY12E earnings for others.

### Risks

Key risks include lower than expected CPO prices versus our estimates and pricing risk for potential acquisition (looking to acquire more plantation landbank and the group is also looking to increase its presence in China). The group's core businesses are focused within Asia Pacific. Sime Darby has overseas operations in China, Hong Kong, Singapore, Thailand and Australia. Changes in economic activities, regulatory policies and exchange rates in these countries could impact earnings. These risks could impede the stock from reaching our target price.

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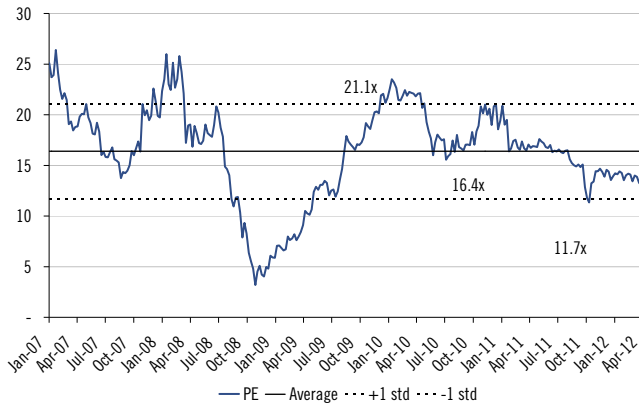
# Appendix

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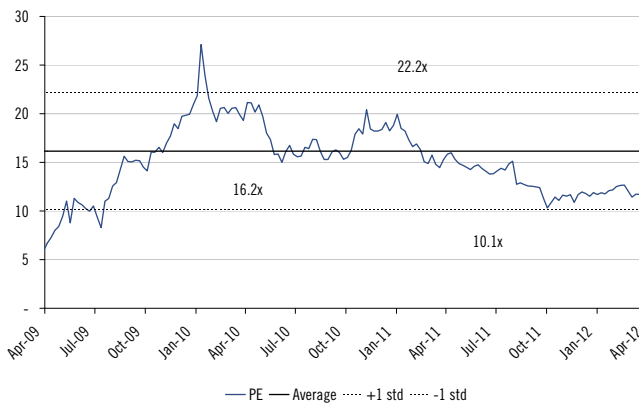
# Historical Trailing PE Band Charts

Figure 51. Historical PE — Astra Agro Lestari



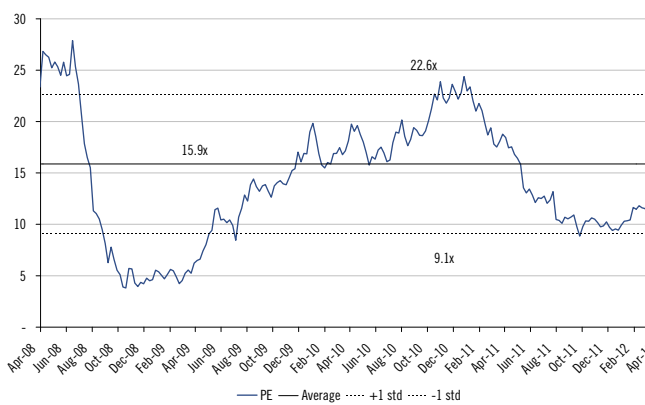
Source: Citi Investment Research and Analysis

Figure 53. Historical PE — Golden Agri



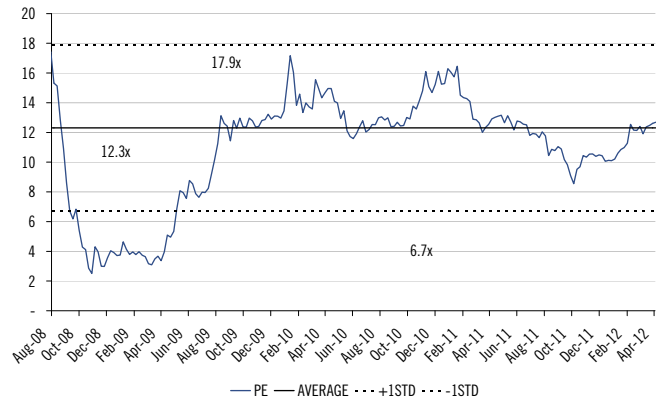
Source: Citi Investment Research and Analysis

Figure 55. Historical PE — Indofood Agri



Source: Citi Investment Research and Analysis

Figure 52. Historical PE — First Resources



Source: Citi Investment Research and Analysis

Figure 54. Historical PE — Genting Plantations



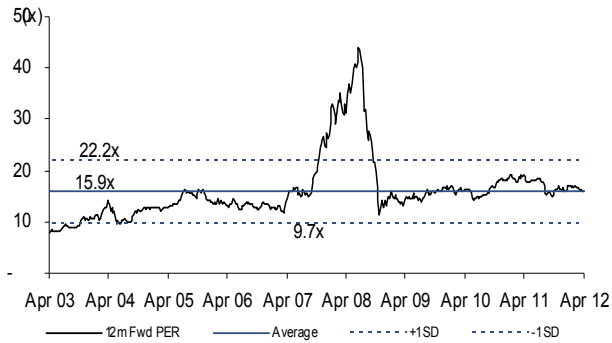
Source: Citi Investment Research and Analysis

Figure 56. Historical PE — IJM Plantations



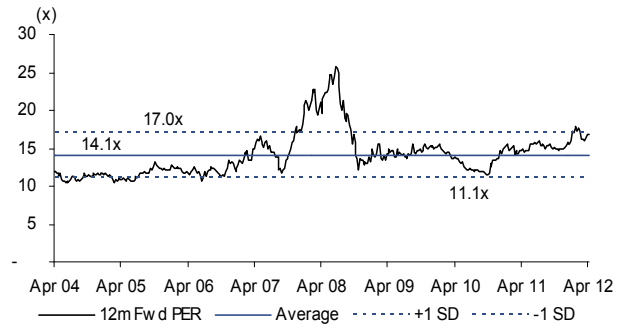
Source: Citi Investment Research and Analysis

Figure 57. Historical PE — IOI Corp



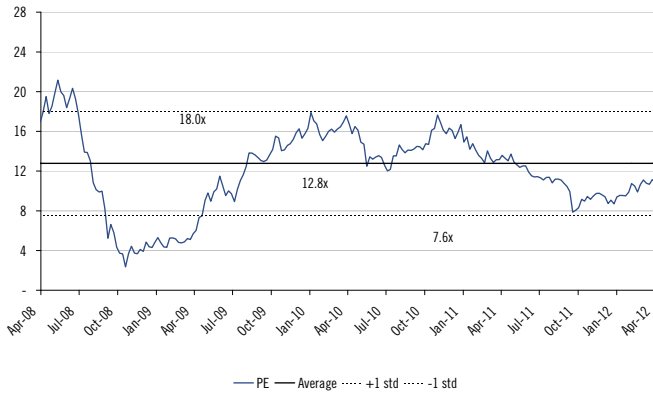
Source: Citi Investment Research and Analysis

Figure 58. Historical PE — KL Kepong



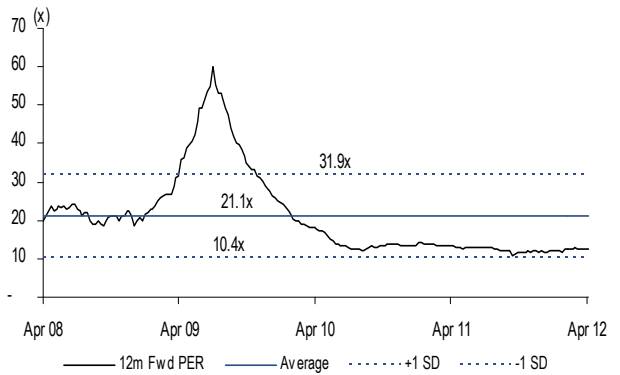
Source: Citi Investment Research and Analysis

Figure 59. Historical PE — London Sumatra



Source: Citi Investment Research and Analysis

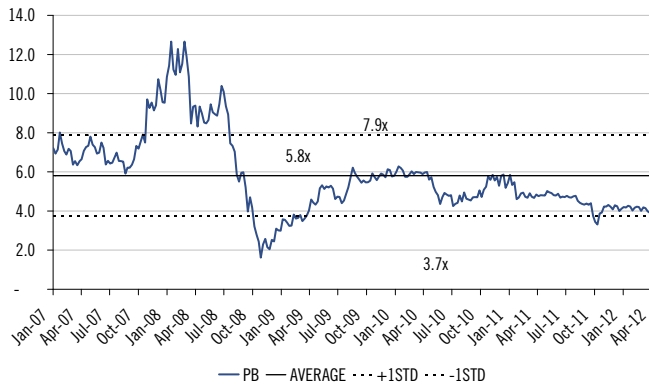
Figure 60. Historical PE — Sime Darby



Source: Citi Investment Research and Analysis

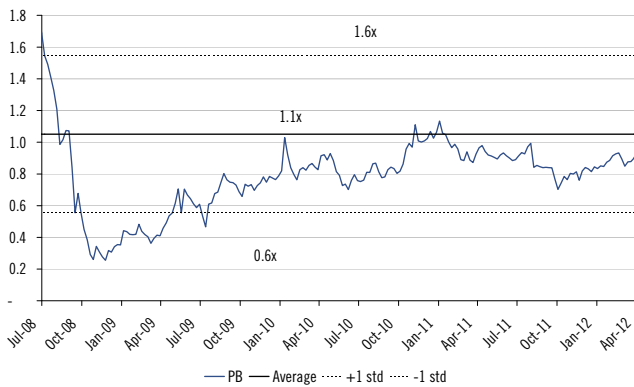
# Historical Trailing PB Band Charts

Figure 61. Historical PB — Astra Agro Lestari



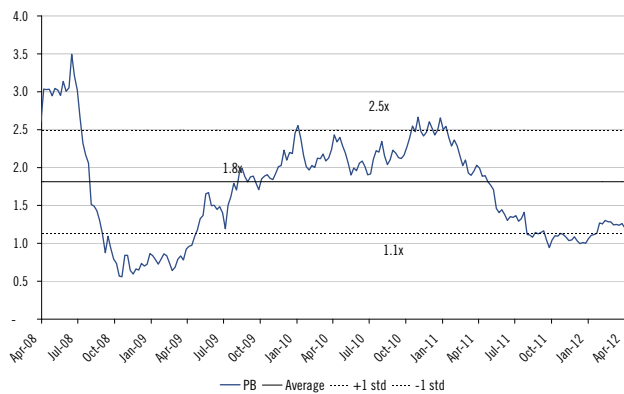
Source: Citi Investment Research and Analysis

Figure 63. Historical PB — Golden Agri



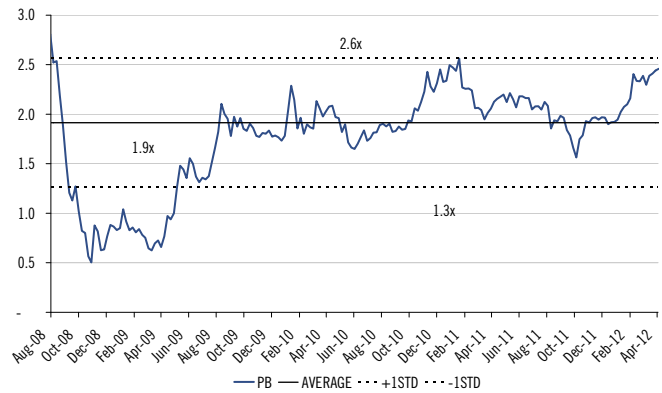
Source: Citi Investment Research and Analysis

Figure 65. Historical PB — Indofood Agri



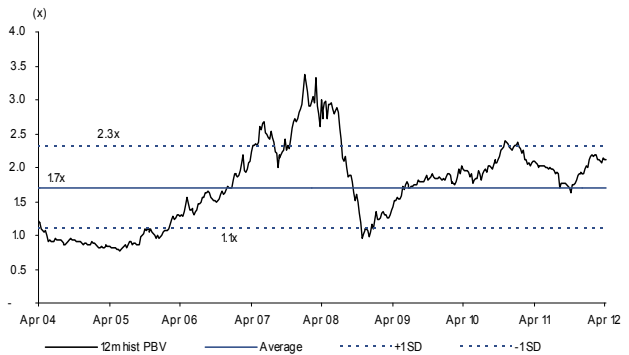
Source: Citi Investment Research and Analysis

Figure 62. Historical PB — First Resources



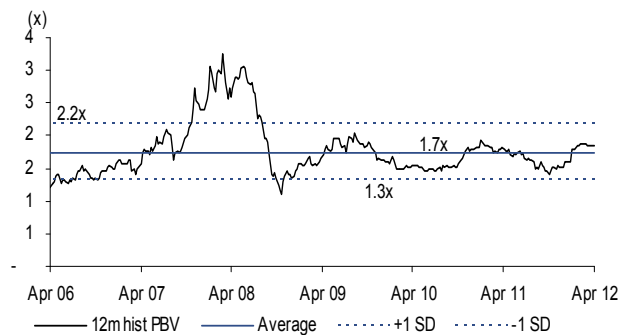
Source: Citi Investment Research and Analysis

Figure 64. Historical PB — Genting Plantations



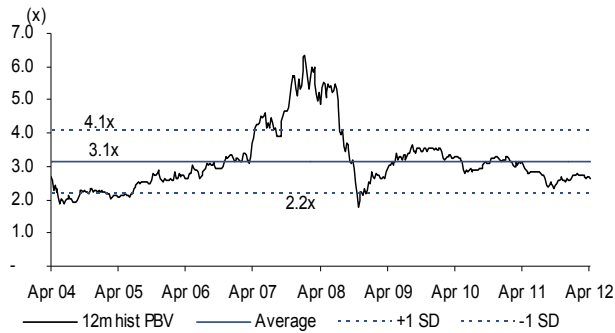
Source: Citi Investment Research and Analysis

Figure 66. Historical PB — IJM Plantations



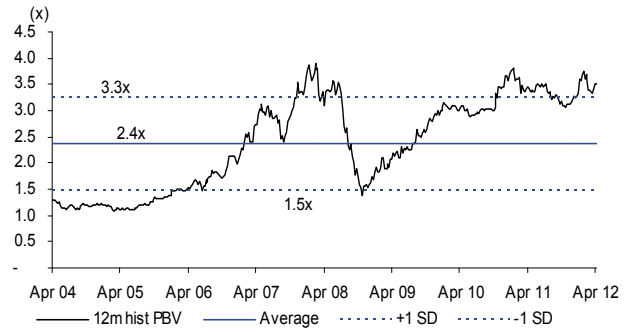
Source: Citi Investment Research and Analysis

Figure 67. Historical PB — IOI Corp



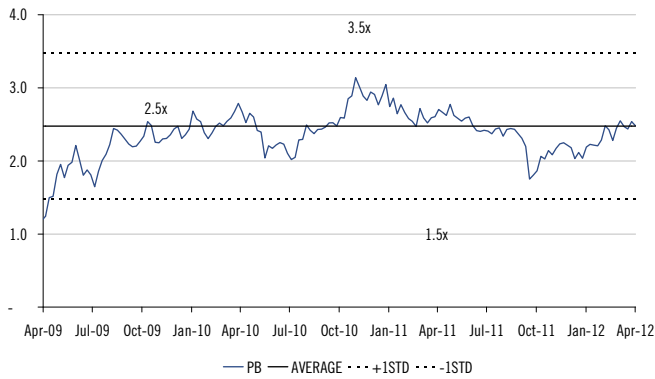
Source: Citi Investment Research and Analysis

Figure 68. Historical PB — KL Kepong



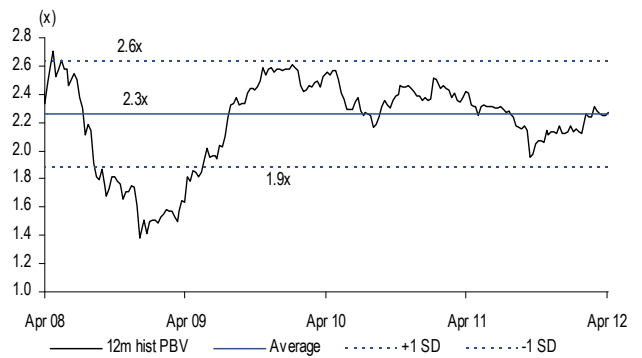
Source: Citi Investment Research and Analysis

Figure 69. Historical PB — London Sumatra



Source: Citi Investment Research and Analysis

Figure 70. Historical PB — Sime Darby



Source: Citi Investment Research and Analysis

# Appendix A-1

## Analyst Certification

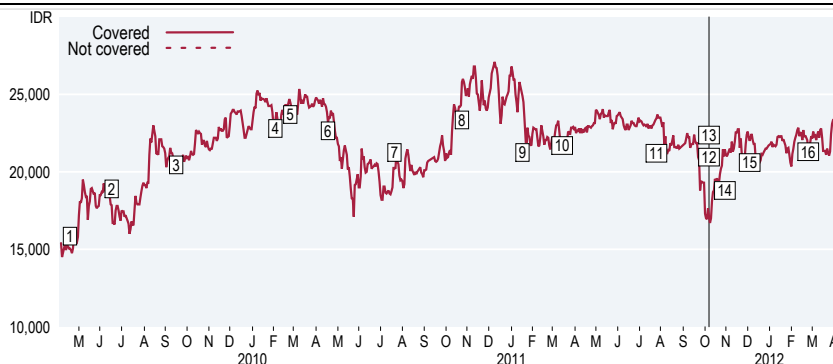
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

#### Astra Agro Lestari (AALI.JK)

##### Ratings and Target Price History Fundamental Research

Analyst: Margaret Go



	Date	Rating	Target Price	Closing Price
1	20-Apr-09	*1M	*17,940.00	15,050.00
2	17-Jun-09	1M	*20,620.00	17,850.00
3	16-Sep-09	1M	*25,000.00	20,950.00
4	3-Feb-10	1M	*29,800.00	23,300.00
5	24-Feb-10	1M	*29,210.00	24,500.00
6	19-Apr-10	*1L	29,210.00	23,200.00

	Date	Rating	Target Price	Closing Price
7	21-Jul-10	1L	*27,720.00	20,250.00
8	25-Oct-10	1L	*27,860.00	25,800.00
9	18-Jan-11	1L	*30,000.00	24,900.00
10	15-Mar-11	1L	*29,320.00	21,700.00
11	26-Jul-11	1L	*28,510.00	23,450.00
12	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
13	7-Oct-11	*1	28,510.00	17,100.00
14	30-Oct-11	1	*27,700.00	21,000.00
15	5-Dec-11	1	*28,020.00	22,000.00
16	24-Feb-12	1	*28,300.00	21,450.00

\* Indicates change

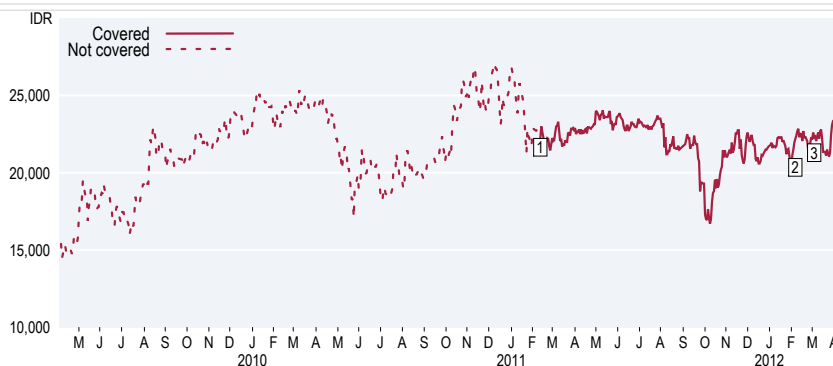
Rating/target price changes above reflect Eastern Standard Time

#### Astra Agro Lestari (AALI.JK)

##### Ratings and Target Price History Best Ideas Research

##### Relative Call (3 Month)

Analyst: Margaret Go



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD LP	-	22,250.00

	Date	Rating	Target Price	Closing Price
2	7-Feb-12	*ADD MP	-	22,200.00

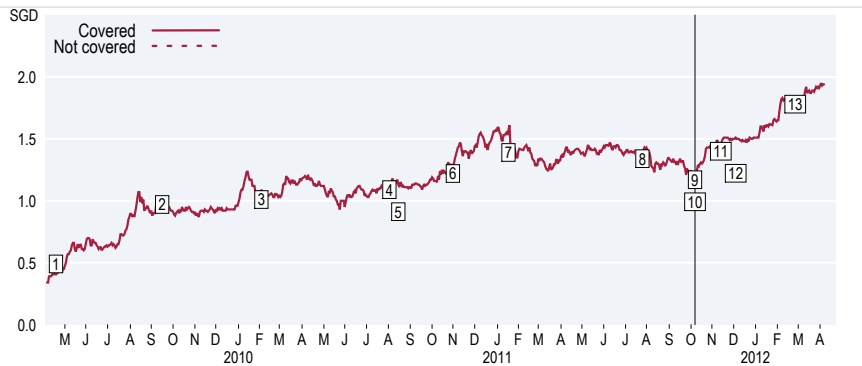
	Date	Rating	Target Price	Closing Price
3	5-Mar-12	*REM MP	-	22,300.00

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**First Resources (FRLD.SI)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Margaret Go



	Date	Rating	Target Price	Closing Price
1	20-Apr-09	*1H	*0.59	0.40
2	16-Sep-09	1H	*1.30	0.92
3	3-Feb-10	1H	*1.40	1.09
4	3-Aug-10	*1M	1.40	1.12
5	16-Aug-10	*1L	1.40	1.13

	Date	Rating	Target Price	Closing Price
6	31-Oct-10	1L	*1.60	1.26
7	18-Jan-11	1L	*1.85	1.57
8	26-Jul-11	1L	*1.87	1.40
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*1	1.87	1.22

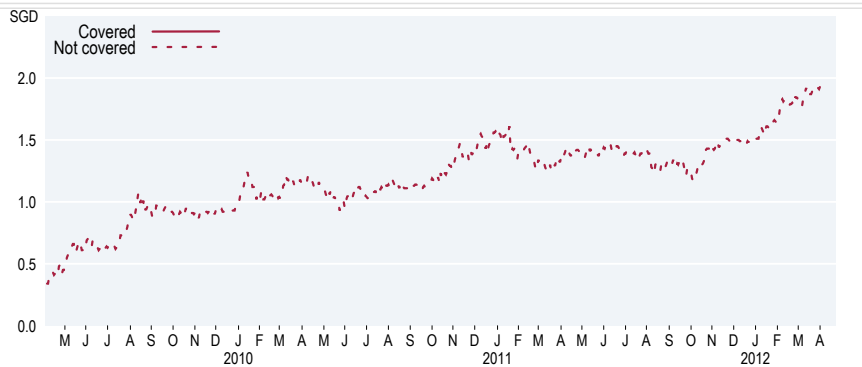
	Date	Rating	Target Price	Closing Price
11	14-Nov-11	1	*1.91	1.46
12	5-Dec-11	1	*2.05	1.51
13	27-Feb-12	1	*2.12	1.85

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**First Resources (FRLD.SI)**  
Ratings and Target Price History  
Best Ideas Research  
Relative Call (3 Month)

Analyst: Margaret Go



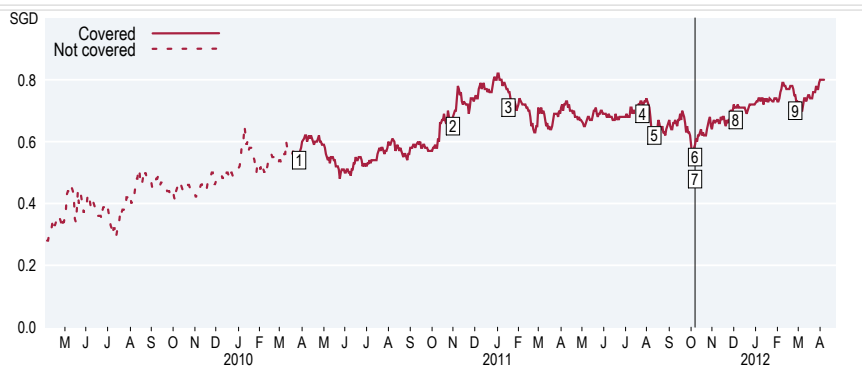
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Golden Agri-Resources (GAGR.SI)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Margaret Go

Covered since March 29 2010



	Date	Rating	Target Price	Closing Price
1	29-Mar-10	*1M	*0.76	0.55
2	31-Oct-10	1M	*0.82	0.65
3	18-Jan-11	1M	*0.95	0.76

	Date	Rating	Target Price	Closing Price
4	26-Jul-11	1M	*1.01	0.72
5	11-Aug-11	1M	*1.08	0.62
6	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	*1	1.08	0.59
8	5-Dec-11	1	*1.09	0.71
9	27-Feb-12	1	*1.04	0.75

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### Golden Agri-Resources (GAGR.SI)

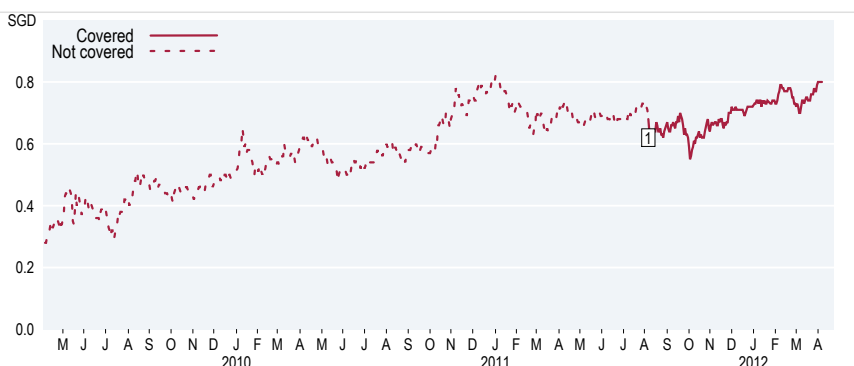
#### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Margaret Go

Covered since March 29 2010



	Date	Rating	Target Price	Closing Price
1	5-Aug-11	*ADD MP	-	0.68

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

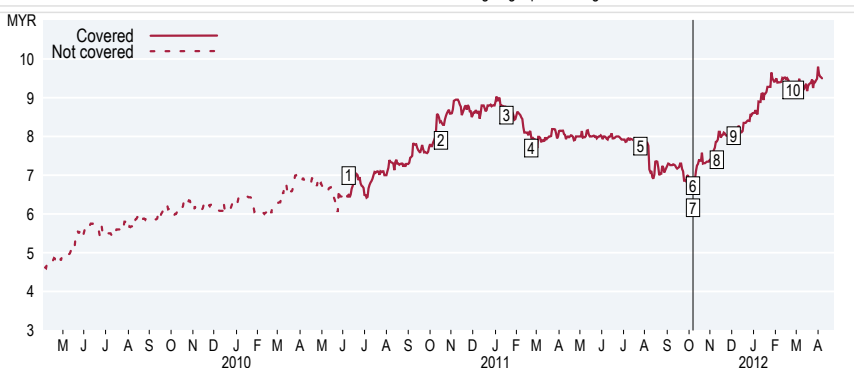
### Genting Plantations Bhd (GENP.KL)

#### Ratings and Target Price History

#### Fundamental Research

Analyst: Penny Yaw, CFA

Covered since June 9 2010



	Date	Rating	Target Price	Closing Price
1	9-Jun-10	*1L	*7.70	6.50
2	18-Oct-10	1L	*10.35	8.39
3	18-Jan-11	1L	*11.70	8.71
4	22-Feb-11	1L	*11.75	7.97

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	26-Jul-11	1L	*11.70	7.85
6	7-Oct-11	Stock rating system changed		
7	7-Oct-11	*1	11.70	6.77
8	10-Nov-11	1	*11.15	7.87

	Date	Rating	Target Price	Closing Price
9	5-Dec-11	1	*11.55	8.15
10	27-Feb-12	1	*11.72	9.25

Rating/target price changes above reflect Eastern Standard Time

### Genting Plantations Bhd (GENP.KL)

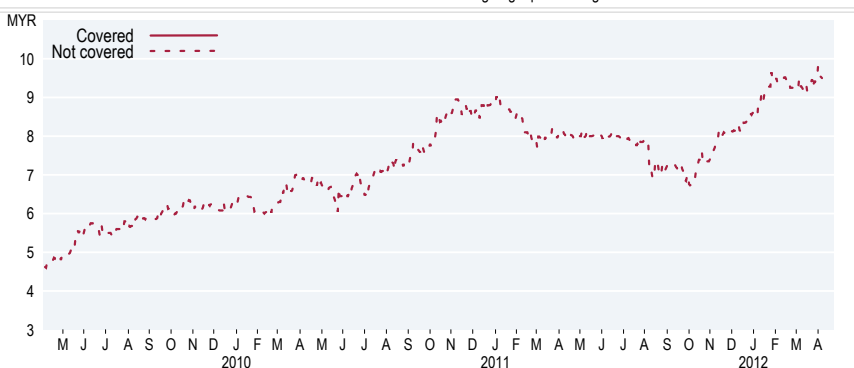
#### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Penny Yaw, CFA

Covered since June 9 2010



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### Indofood Agri Resources (IFAR.SI)

#### Ratings and Target Price History Fundamental Research

Analyst: Margaret Go  
Covered since March 29 2010



	Date	Rating	Target Price	Closing Price
1	29-Mar-10	*1L	*2.63	2.22
2	31-Oct-10	1L	*3.15	2.60
3	18-Jan-11	1L	*3.54	2.83

	Date	Rating	Target Price	Closing Price
4	17-Jun-11	*1M	*1.90	1.54
5	26-Jul-11	1M	*1.93	1.57
6	7-Oct-11	Stock rating system changed		

	Date	Rating	Target Price	Closing Price
7	7-Oct-11	*1	1.93	1.22
8	30-Oct-11	1	*1.70	1.44
9	5-Dec-11	1	*1.77	1.35

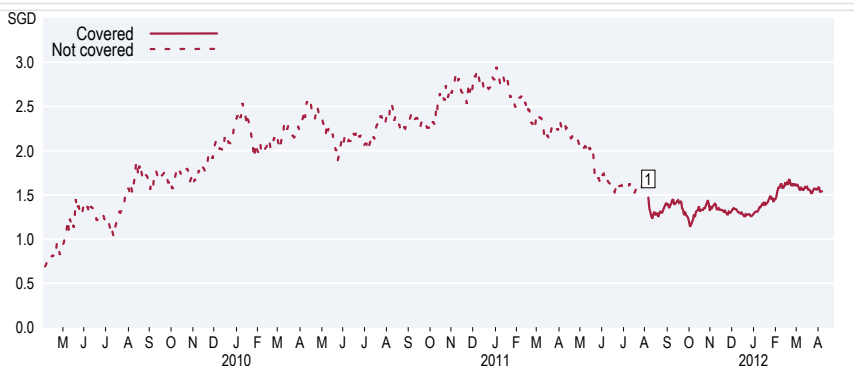
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### Indofood Agri Resources (IFAR.SI)

#### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Margaret Go  
Covered since March 29 2010



	Date	Rating	Target Price	Closing Price
1	5-Aug-11	*ADD LP	-	1.47

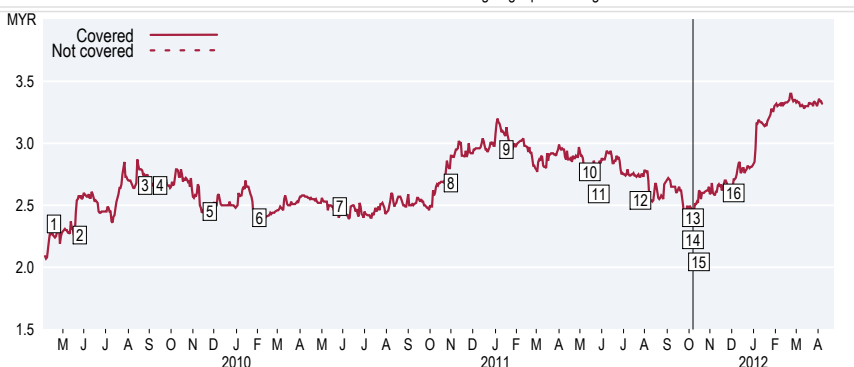
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### IJM Plantations (IJMP.KL)

#### Ratings and Target Price History Fundamental Research

Analyst: Penny Yaw, CFA



	Date	Rating	Target Price	Closing Price
1	20-Apr-09	1M	*3.06	2.25
2	26-May-09	1M	*3.16	2.56
3	26-Aug-09	*3M	*2.80	2.74
4	16-Sep-09	3M	*2.59	2.70
5	25-Nov-09	3M	*2.48	2.47
6	3-Feb-10	*1L	*3.24	2.45

	Date	Rating	Target Price	Closing Price
7	27-May-10	1L	*3.61	2.42
8	31-Oct-10	1L	*4.36	2.80
9	18-Jan-11	1L	*4.53	3.13
10	15-May-11	1L	*4.50	2.78
11	27-May-11	1L	*4.47	2.83
12	26-Jul-11	1L	*4.30	2.73

	Date	Rating	Target Price	Closing Price
13	7-Oct-11	Stock rating system changed		
14	7-Oct-11	*1	4.30	2.40
15	17-Oct-11	1	*4.27	2.62
16	5-Dec-11	1	*4.30	2.71

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time



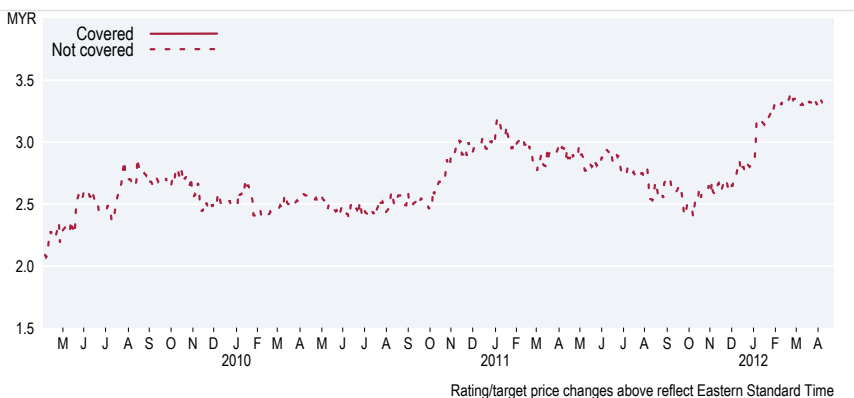
### IJM Plantations (IJMP.KL)

#### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Penny Yaw, CFA



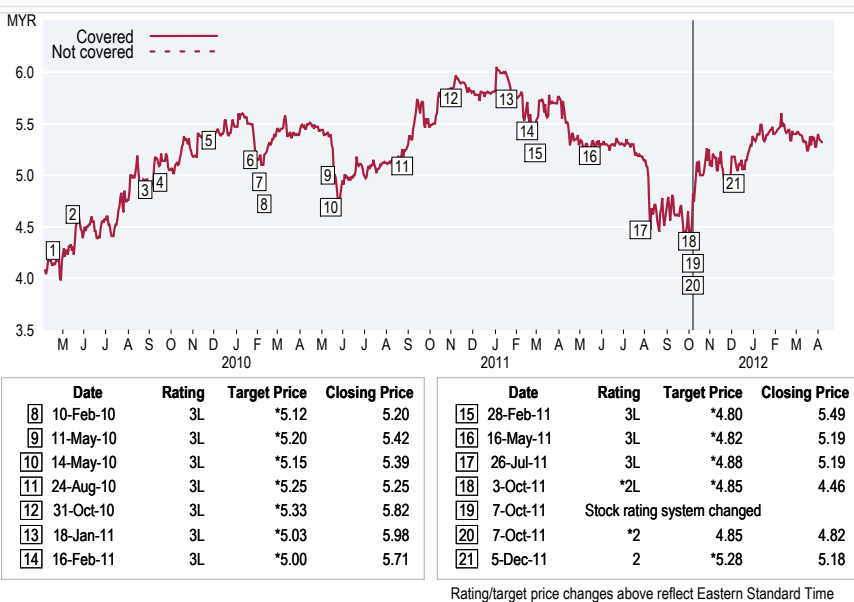
\* Indicates change

### IOI (IOIB.KL)

#### Ratings and Target Price History

#### Fundamental Research

Analyst: Penny Yaw, CFA



Date	Rating	Target Price	Closing Price	
1	17-Apr-09	*3H	*4.13	4.13
2	15-May-09	3H	*4.11	4.31
3	26-Aug-09	3H	*4.43	4.94
4	16-Sep-09	3H	*4.38	5.10
5	24-Nov-09	3H	*4.38	5.39
6	21-Jan-10	3H	*4.34	5.50
7	3-Feb-10	*3L	*4.92	5.17

Date	Rating	Target Price	Closing Price	
8	10-Feb-10	3L	*5.12	5.20
9	11-May-10	3L	*5.20	5.42
10	14-May-10	3L	*5.15	5.39
11	24-Aug-10	3L	*5.25	5.25
12	31-Oct-10	3L	*5.33	5.82
13	18-Jan-11	3L	*5.03	5.98
14	16-Feb-11	3L	*5.00	5.71

Date	Rating	Target Price	Closing Price	
15	28-Feb-11	3L	*4.80	5.49
16	16-May-11	3L	*4.82	5.19
17	26-Jul-11	3L	*4.88	5.19
18	3-Oct-11	*2L	*4.85	4.46
19	7-Oct-11	Stock rating system changed		
20	7-Oct-11	*2	4.85	4.82
21	5-Dec-11	2	*5.28	5.18

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

### IOI (IOIB.KL)

#### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Penny Yaw, CFA

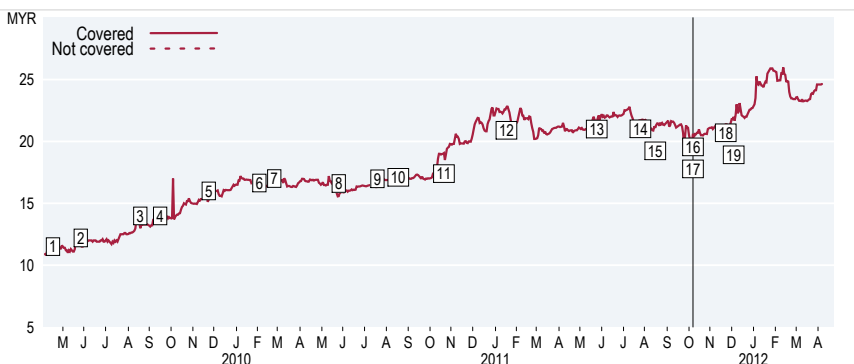


\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**KL Kepong (KLKK.KL)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Penny Yaw, CFA



Date	Rating	Target Price	Closing Price
1 17-Apr-09	*3M	*11.00	11.20
2 27-May-09	3M	*10.56	11.90
3 19-Aug-09	3M	*10.39	12.98
4 16-Sep-09	3M	*10.69	13.80
5 24-Nov-09	3M	*10.83	15.30
6 3-Feb-10	3M	*16.25	16.60
7 24-Feb-10	3M	*16.88	16.68

Date	Rating	Target Price	Closing Price
8 26-May-10	*2L	*16.84	15.58
9 20-Jul-10	2L	*17.10	16.48
10 18-Aug-10	2L	*17.95	16.90
11 21-Oct-10	*1L	*21.50	19.06
12 18-Jan-11	*2L	*23.12	22.76
13 25-May-11	2L	*23.65	21.50
14 26-Jul-11	2L	*23.62	21.68

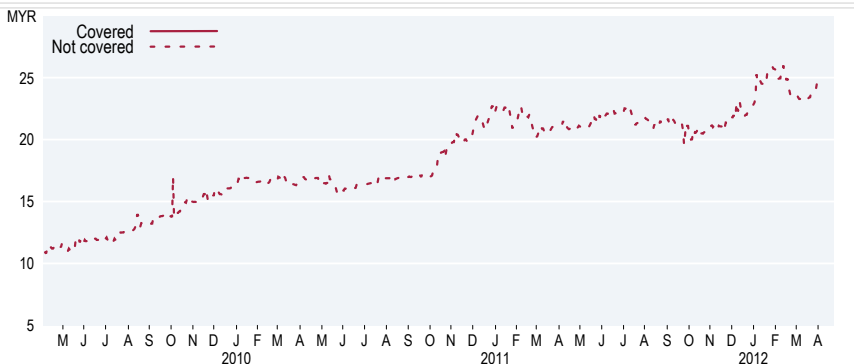
Date	Rating	Target Price	Closing Price
15 16-Aug-11	*1L	*24.52	21.10
16 7-Oct-11	Stock rating system changed		
17 7-Oct-11	*1	24.52	20.62
18 23-Nov-11	1	*25.00	21.38
19 5-Dec-11	1	*25.08	21.98

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**KL Kepong (KLKK.KL)**  
Ratings and Target Price History  
Best Ideas Research  
Relative Call (3 Month)

Analyst: Penny Yaw, CFA

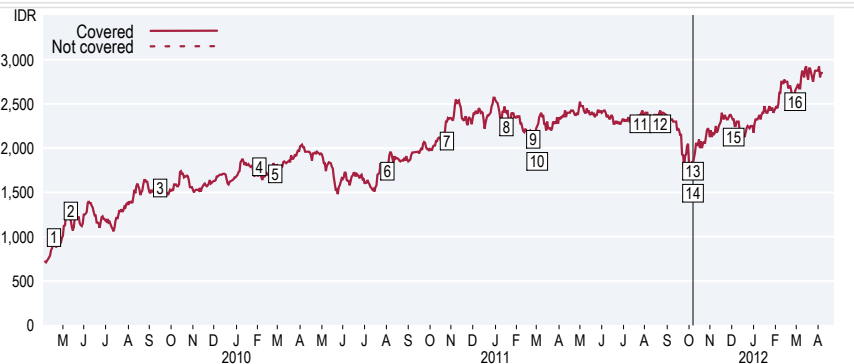


\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Perusahaan Perkebunan London  
Sumatra Indonesia (LSIP.JK)**  
Ratings and Target Price History  
Fundamental Research

Analyst: Margaret Go



Date	Rating	Target Price	Closing Price
1 20-Apr-09	*1M	*1,064.00	925.00
2 13-May-09	*3M	*1,040.00	1,180.00
3 16-Sep-09	*2M	*1,660.00	1,490.00
4 3-Feb-10	*1M	*2,080.00	1,720.00
5 25-Feb-10	1M	*2,145.00	1,800.00
6 3-Aug-10	*1L	2,145.00	1,760.00

Date	Rating	Target Price	Closing Price
7 26-Oct-10	1L	*2,640.00	2,300.00
8 18-Jan-11	1L	*3,160.00	2,400.00
9 24-Feb-11	1L	*15,800.00	2,100.00
10 2-Mar-11	1L	*3,160.00	2,250.00
11 26-Jul-11	1L	*3,350.00	2,375.00
12 23-Aug-11	1L	*3,120.00	2,425.00

Date	Rating	Target Price	Closing Price
13 7-Oct-11	Stock rating system changed		
14 7-Oct-11	*1	3,120.00	1,830.00
15 5-Dec-11	1	*3,340.00	2,325.00
16 29-Feb-12	1	*3,390.00	2,650.00

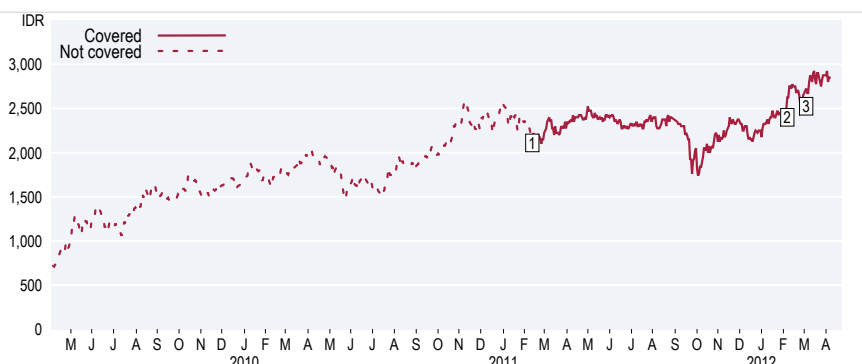
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Perusahaan Perkebunan London  
Sumatra Indonesia (LSIP.JK)**

Ratings and Target Price History  
Best Ideas Research  
Relative Call (3 Month)

Analyst: Margaret Go



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	2,180.00

	Date	Rating	Target Price	Closing Price
2	7-Feb-12	*REM MP	-	2,625.00

	Date	Rating	Target Price	Closing Price
3	5-Mar-12	*ADD MP	-	2,725.00

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Sime Darby (SIME.KL)**

Ratings and Target Price History  
Fundamental Research

Analyst: Penny Yaw, CFA



	Date	Rating	Target Price	Closing Price
1	20-Apr-09	1M	*7.72	6.45
2	16-Sep-09	*2M	*9.15	8.54
3	3-Feb-10	*1L	*11.30	8.47
4	25-Feb-10	1L	*11.16	8.45
5	13-May-10	1L	*10.66	8.65
6	27-May-10	1L	*10.44	7.83

	Date	Rating	Target Price	Closing Price
7	26-Aug-10	1L	*10.05	7.88
8	31-Oct-10	1L	*11.12	8.83
9	26-Nov-10	1L	*11.05	8.74
10	18-Jan-11	1L	*11.99	9.34
11	26-Jul-11	1L	*12.68	9.20
12	25-Aug-11	1L	*12.92	8.80

	Date	Rating	Target Price	Closing Price
13	7-Oct-11	Stock rating system changed	-	-
14	7-Oct-11	*1	12.92	8.52
15	5-Dec-11	1	*13.00	8.98
16	29-Feb-12	1	*12.78	9.69

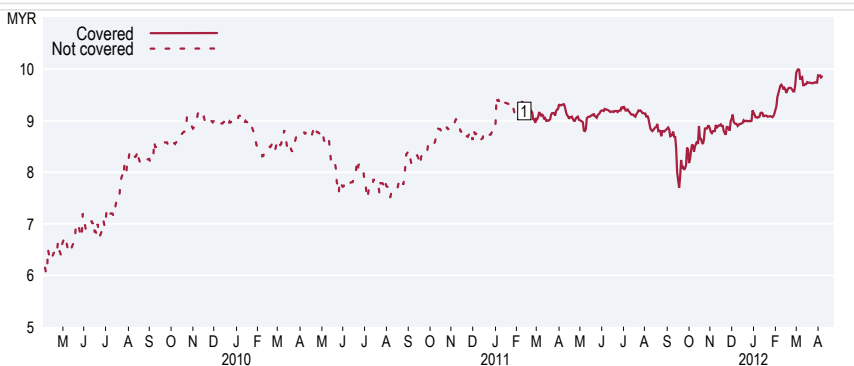
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

**Sime Darby (SIME.KL)**

Ratings and Target Price History  
Best Ideas Research  
Relative Call (3 Month)

Analyst: Penny Yaw, CFA



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*ADD MP	-	9.24

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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13 April 2012

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	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>	<b>Buy</b>	<b>Hold</b>	<b>Sell</b>
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