

Asia Palm Oil Sector

Research Analysts

Tan Ting Min
60 3 2723 2080
tingmin.tan@credit-suisse.com

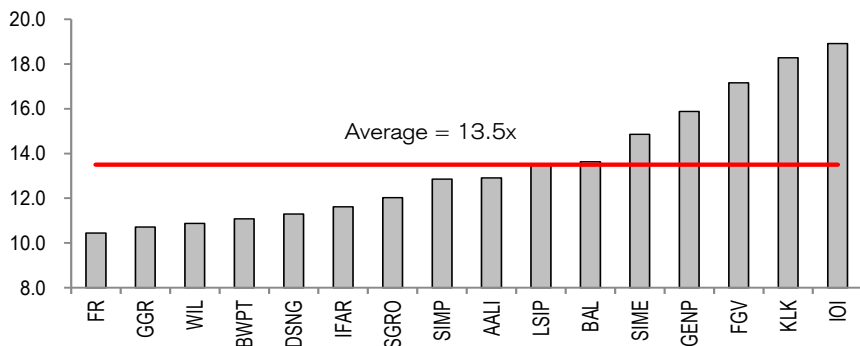
Nicholas Teh
603 2723 2085
nicholas.teh@credit-suisse.com

Priscilla Tjitra
62 21 2553 7906
priscilla.tjitra@credit-suisse.com

SECTOR REVIEW

Who's Who?

Figure 1: 2015 P/E valuation comparison



Source: Company data, Credit Suisse estimates

■ **Who's who in 2013?**

Who is the most profitable? *UP, FR, IOI. Interestingly, FR, IOI and WIL repeatedly scored well in 2013, 2012 and 2011.*

Who has the highest FFB yields? *IOI, DSN and KLK.*

Who has the highest oil extraction rates? *DSN, BAL and BWPT.*

Who is the largest? *SIME, GGR and FGV are the largest by landbank size but SIME, WIL and IOI are the largest by market capitalisation.*

Who is the youngest? *BAL, DSN, and JMP.*

Who is the most leveraged to palm oil prices? *FGV, DSN and SGRO (CS coverage).*

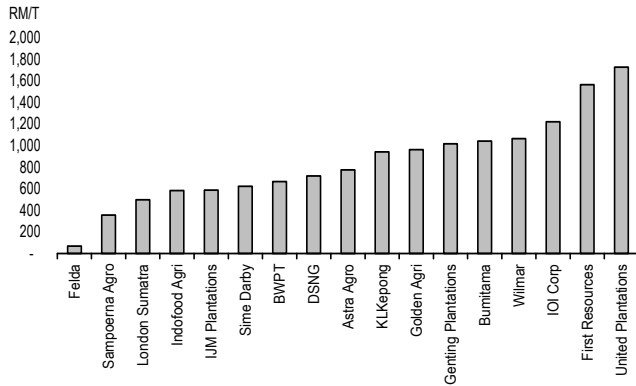
- **We are bullish on palm oil prices.** (1) The 1Q14 droughts in West Malaysia and Sumatra, the worst in over two decades, will likely stress oil palms, leading to poorer yields in 2014 and 2015; (2) India's inventories are at record lows and need to be restocked soon; (3) we believe El Nino will almost certainly emerge in 2H14, stressing the palms even further with a drier-than-usual weather; (4) Palm-biodiesel is now commercially viable; (5) Indonesia's biodiesel policies should provide price support; (6) costs are under control; and (7) new planting was low during 2009-13, hence, supply growth should decelerate.

- **Prefer young upstream players,** which should benefit from strong organic growth in addition to rising palm oil prices. Moreover, we like plantation companies which escaped the 1Q14 drought such as DSN, BAL and GENP. Singapore- and Indonesia-listed plantation companies are generally cheaper on P/E valuations as compared to their Malaysian counterparts. Our top picks are FR, GGR, and AALI, for size and liquidity, while BAL, DSN and GENP are our picks among the smaller cap plantation companies.

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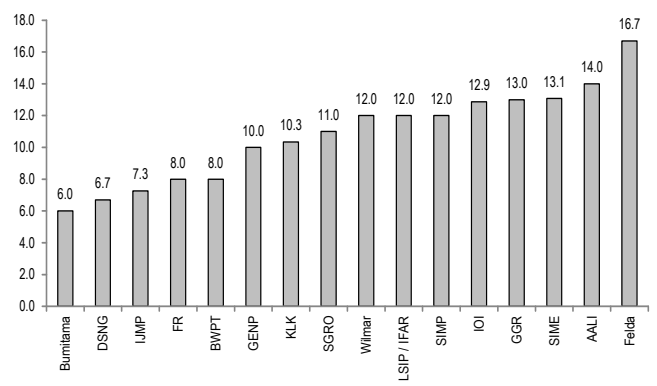
Focus charts

Figure 2: Who was the most profitable in 2013 (based on EBIT per tonne palm oil)?



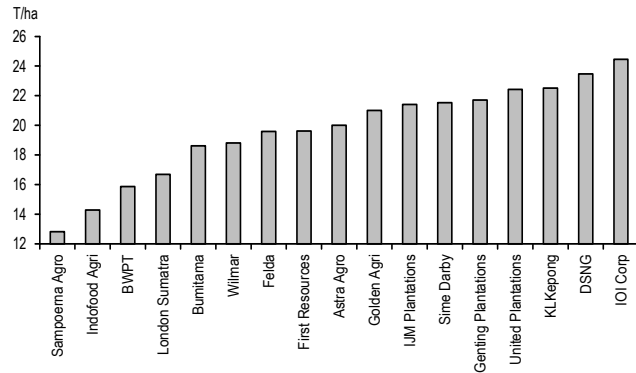
Source: Company data, Credit Suisse

Figure 3: What is the estimated average age of the plantations?



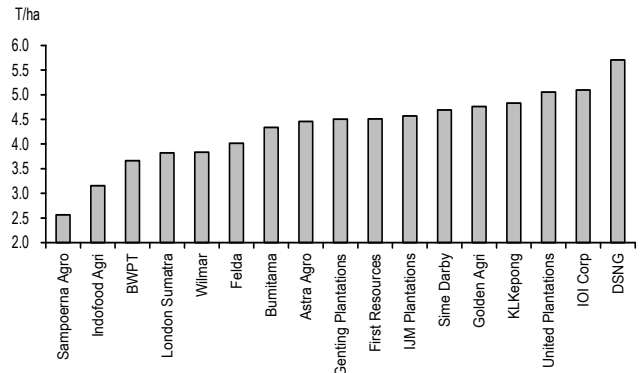
Source: Credit Suisse estimates

Figure 4: Who has the highest FFB yield in FY2013?



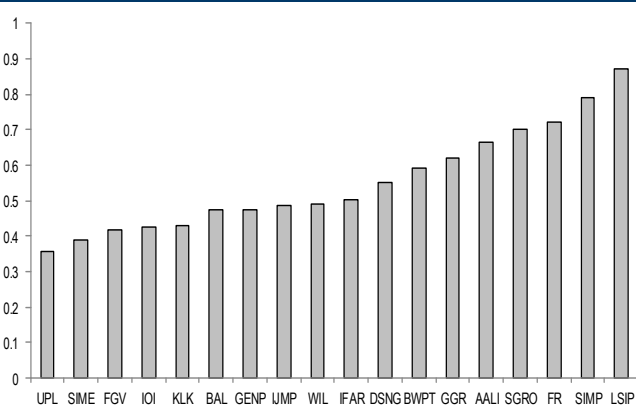
Source: Company data

Figure 5: Who has the highest oil yield in FY2013?



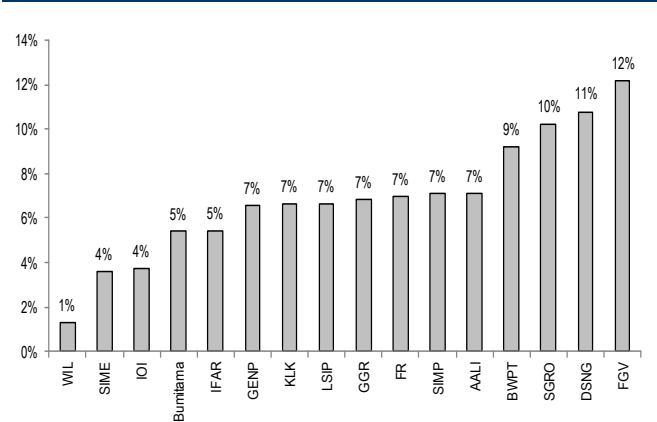
Source: Company data, Credit Suisse

Figure 6: Who has the highest share price beta to palm oil price?



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 7: Whose FY14E earnings are most leveraged to a RM100 increase in palm oil price?



Source: Credit Suisse estimates

Who's who?

Operational comparison

We use 2013 data (sourced from annual reports and Bursa announcements) to determine how plantation companies score based on the various earnings drivers. In this exercise, we have chosen to track only plantation companies under CS coverage, together with larger cap plantation companies.

- **Who is the most profitable?** In 2013, Malaysian companies UP, FR and IOI topped the table. This is due to a combination of their age profiles, field management ability and cost management. FR, IOI and WIL repeatedly scored well in 2013, 2012 and 2011. FGV was least profitable for both 2013 and 2012.

Most profitable: UP, FR, IOI
- **Who is the purest plantation play?** GENP, UP, IJMP, BWPT and DSN are the purest plantation plays.

Purest palm oil play: GENP, UP, IJMP
- **Who has the highest FFB yields?** IOI, DSN, KLK, UP and GENP have the highest FFB yields. In general, Malaysian companies top the FFB yield table as they are "older". BWPT and BAL did not score well in this aspect, as their plantations are very young.

Highest FFB yields: IOI, DSN, KLK
- **Who has the highest oil extraction rates?** Indonesian companies DSN, BAL, BWPT, FR and LSIP have the highest oil extraction rates. As a result, the oil yields of these companies were also bolstered.

Highest OER: DSN, BAL, BWPT
- **Who is the largest?** SIME, GGR and FGV are the largest plantation companies in the world, by landbank size. But SIME, WIL and IOI are the largest by market capitalisation. Malaysian plantation companies trade at a long term P/E average of 18.3x while the Indonesian plantation companies trade at a long term P/E of 14.0x, a 23% discount.

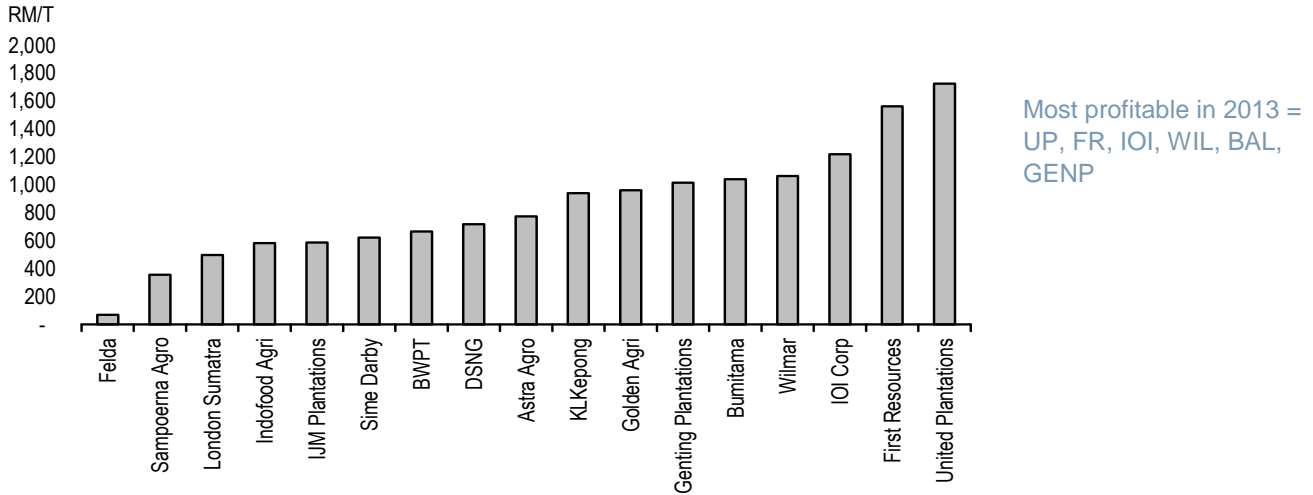
Largest by land size: SIME, GGR, FGV
- **Who is the oldest?** Felda is the oldest plantation among the stocks featured here. Half of its plantation is above 20 years old. Although it is aggressively replanting its old plantations, the age profile will not improve significantly for the medium term.

Oldest: Felda with more than half above 20 years old
- **Who is the youngest?** BAL, DSN, IJMP, FR and BWPT are the youngest plantations, as they have the highest percentage of immature plantations. These young plantations will have the strongest future organic output growth when the immature plantations start to fruit, but the cash flow are generally stretched. Hence, DSN and BWPT have net gearing above 1x.

Youngest: BAL, DSN, IJMP
- **Who is most leveraged to palm oil prices?** The purer plantation players or those with a higher cost base, e.g., FGV, DSN, SGRO, BWPT and AALI, are the most leveraged to palm oil prices. Wilmar's earnings are the most diversified, with less than one third of the profits coming from upstream operations.

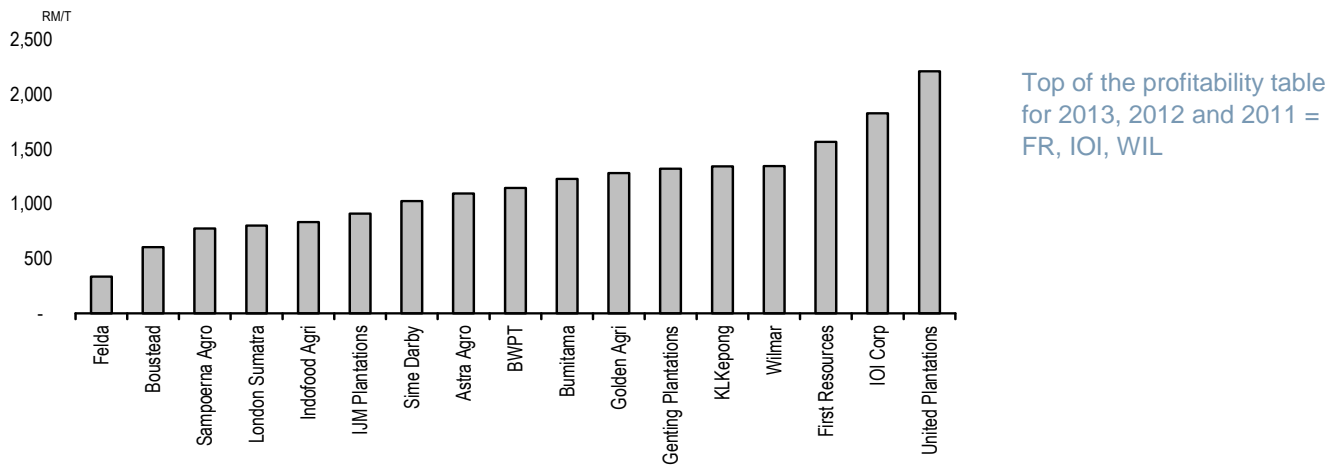
Most leveraged: FGV, DSN, SGRO

Figure 8: Who was the most profitable in 2013 (based on EBIT per tonne palm oil)?



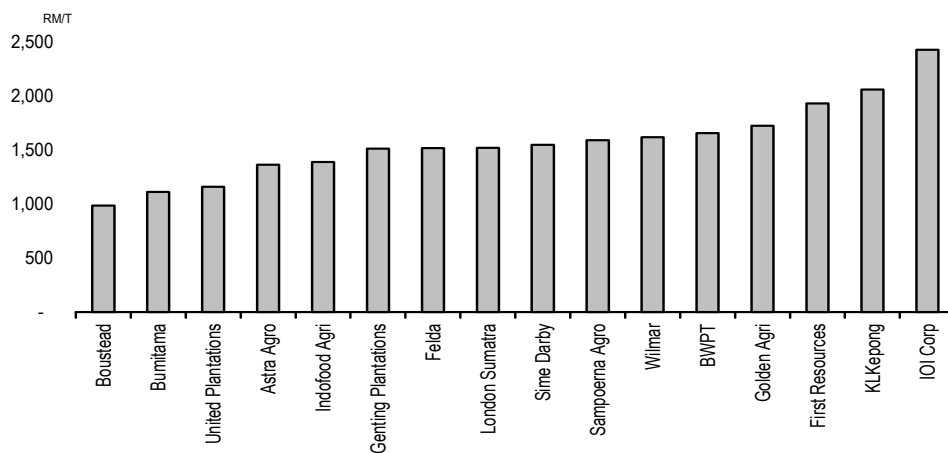
Source: Company data, Credit Suisse

Figure 9: Who was the most profitable in 2012 (based on EBIT per tonne palm oil)?



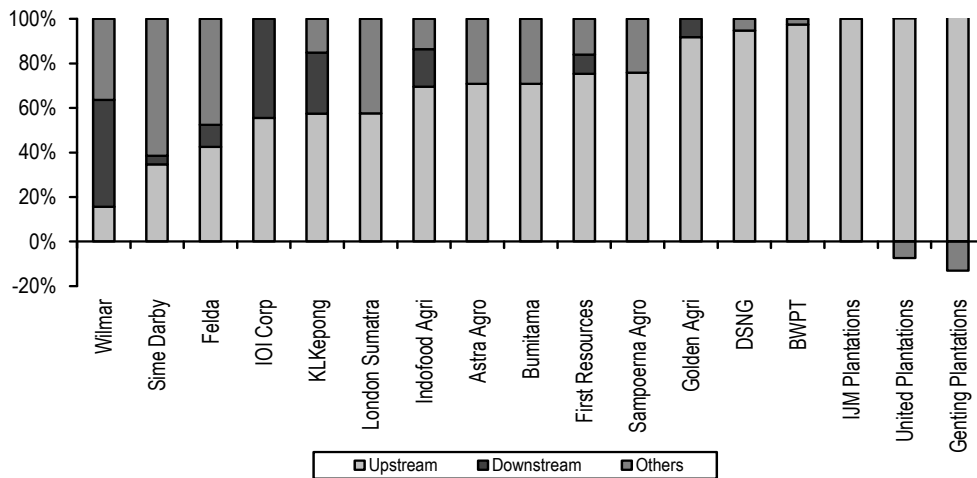
Source: Company data, Credit Suisse

Figure 10: Who was the most profitable in 2011 (based on EBIT per tonne palm oil)?



Source: Company data, Credit Suisse

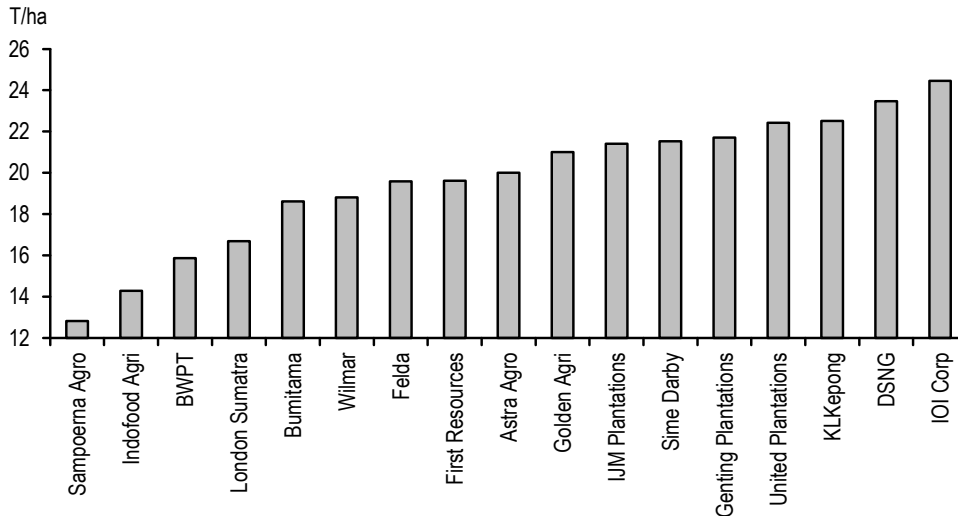
Figure 11: What is the EBIT breakdown for FY2013?



Pure upstream plays = GENP, UP, IJMP

Source: Company data

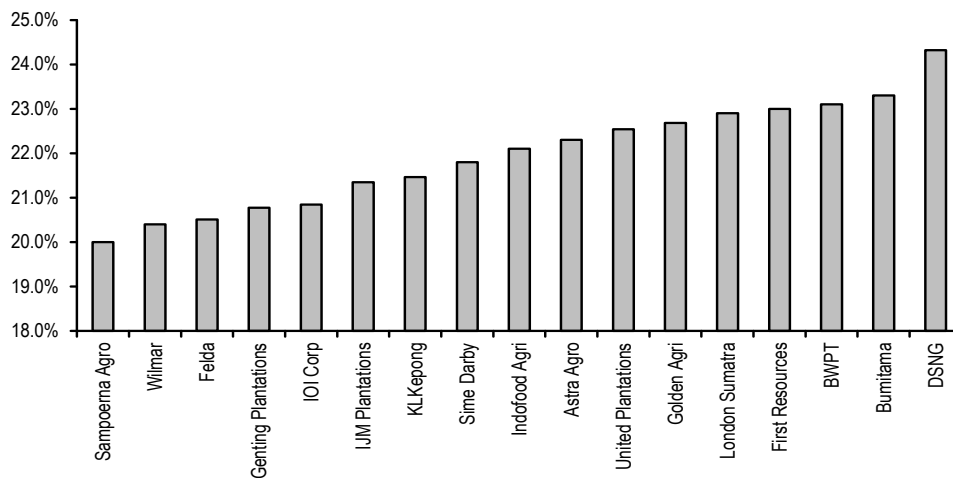
Figure 12: Who has the highest FFB yield in FY2013?



Highest FFB yield = IOI, DSN, KLK, UP, GENP. Malaysian companies top the FFB yield table as they are "older"

Source: Company data

Figure 13: Who has the highest oil extraction rate (OER) in FY2013?

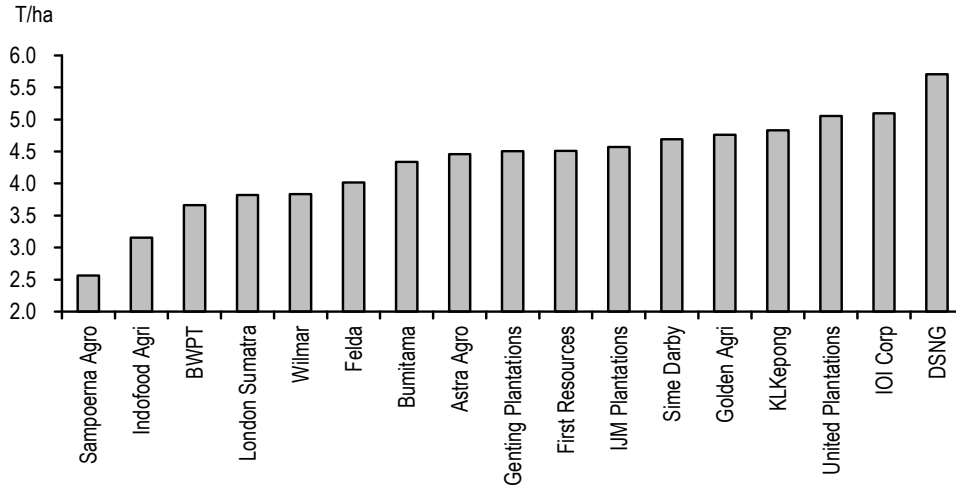


Highest OER is achieved by the Indonesian companies DSN, BAL, BWPT, FR and LSIP

Source: Company data

Figure 14: Who has the highest oil yield in FY2013?

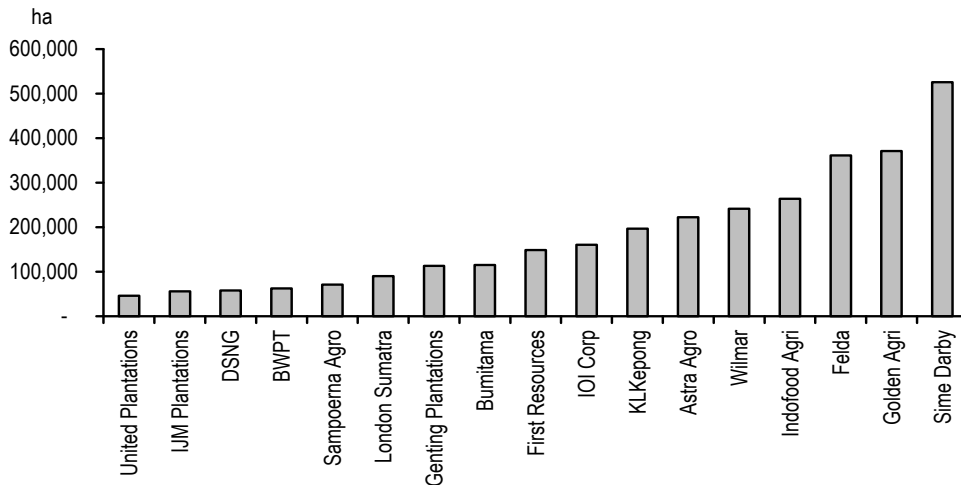
Highest oil yield is DSN, IOI, and UP



Source: Company data

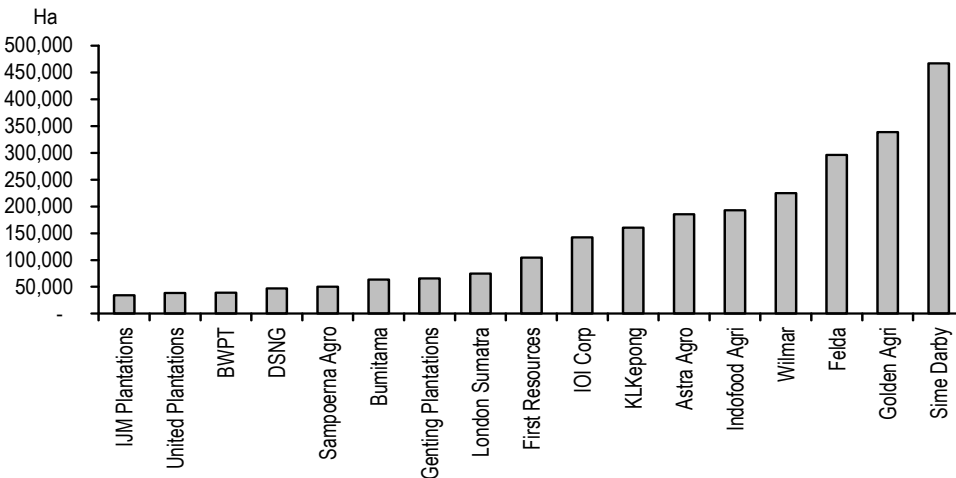
Figure 15: Who has the largest planted landbank in 2013?

Sime is the largest plantation company, by landbank size, followed by GGR



Source: Company data

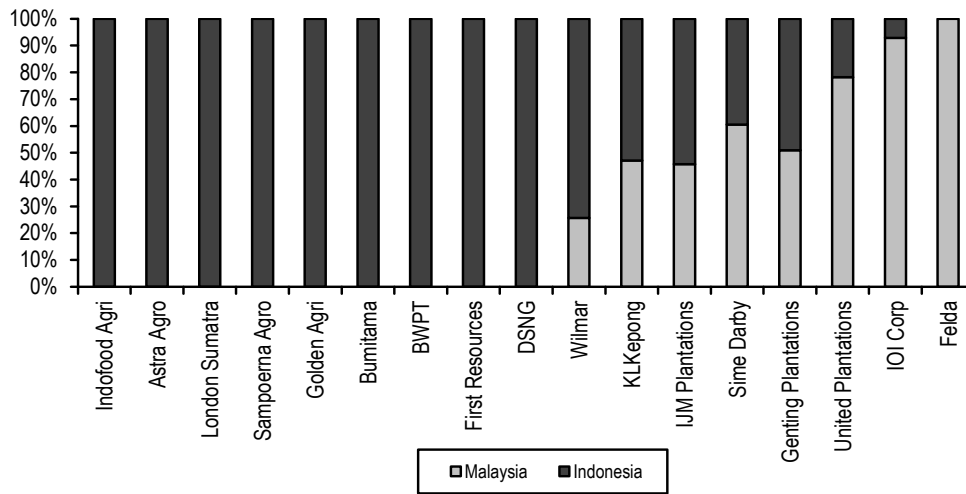
Figure 16: Who has the largest mature area in 2013?



Source: Company data

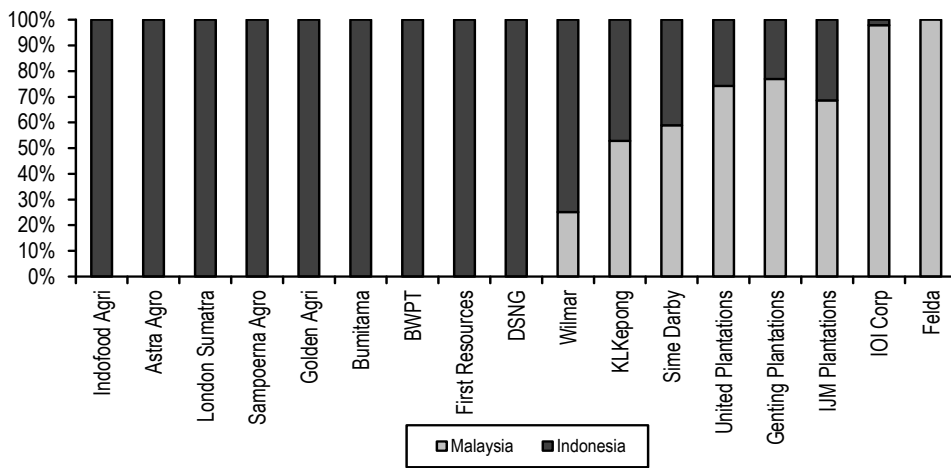
Figure 17: What is the breakdown of planted landbank in Malaysia and Indonesia?

Malaysian plantation companies have mostly expanded into Indonesia



Source: Company data

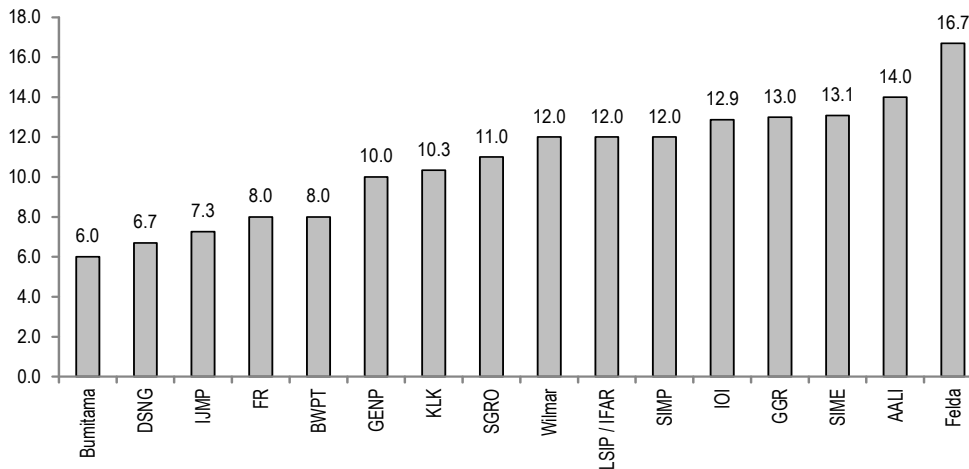
Figure 18: What is the breakdown of mature oil palm landbank in Malaysia vs Indonesia?



Source: Company data

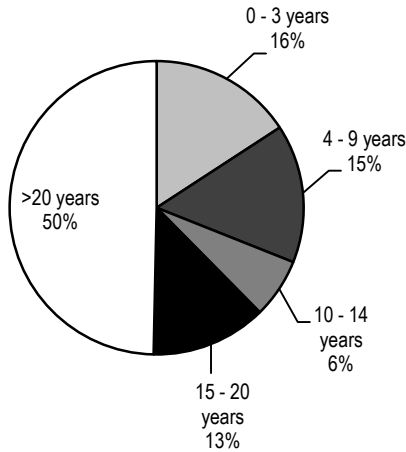
Figure 19: What is the estimated average age of the plantations?

FGV is the oldest plantation company under our coverage, and BAL the youngest



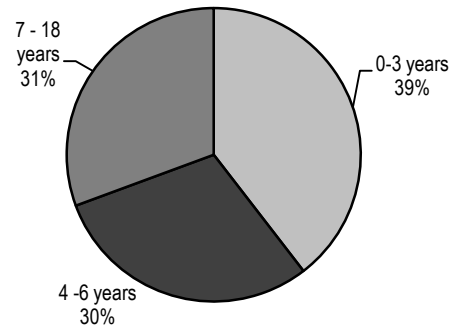
Source: Credit Suisse estimates

Figure 20: The oldest – Felda



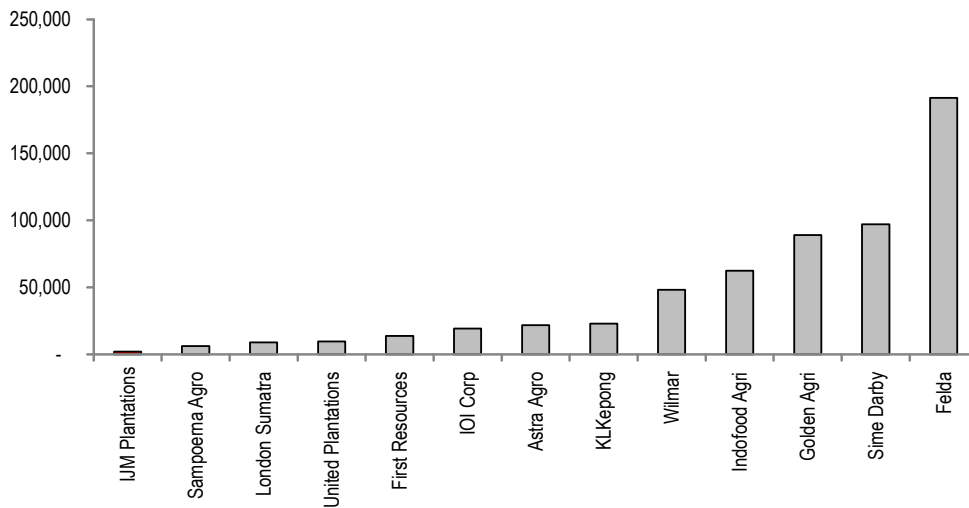
Source: Company data

Figure 21: The youngest – Bumitama



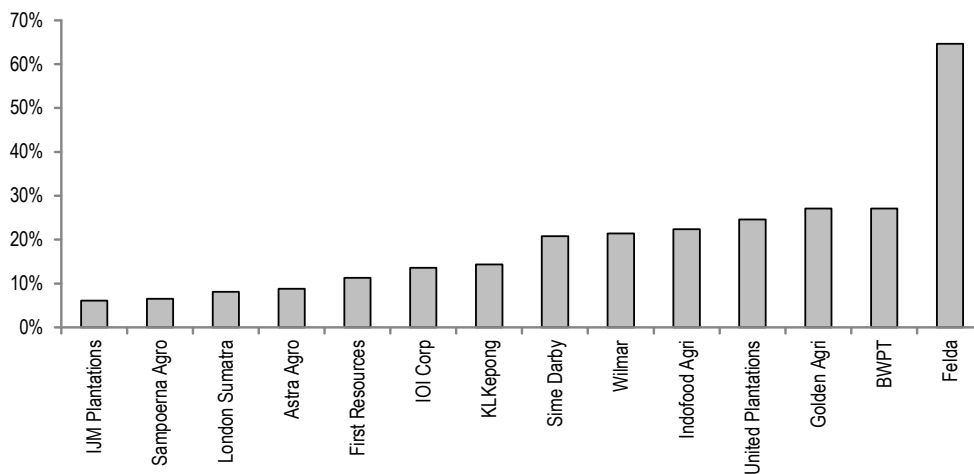
Source: Company data

Figure 22: How much of the planted area is above 20 years old (in hectares)?



Source: Company data

Figure 23: How much of the trees are above 20 years old as a % of the total mature area?



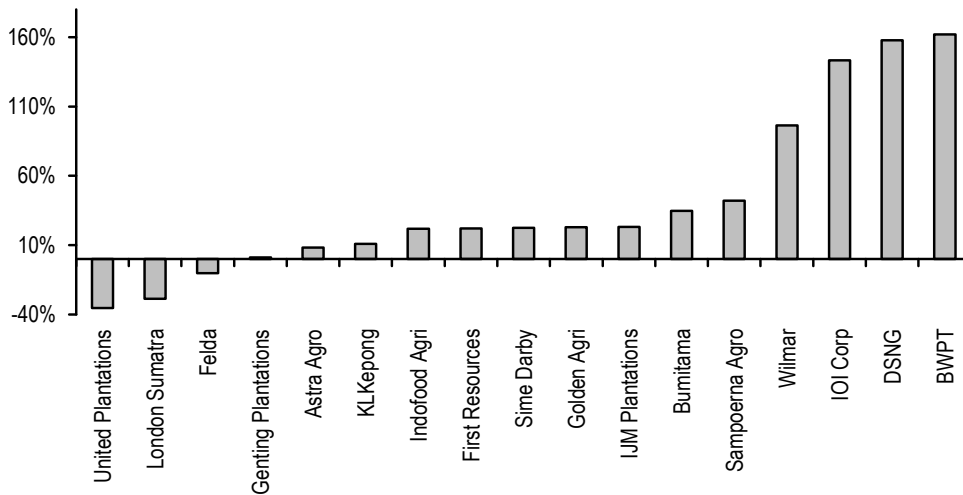
Source: Company data

Half of FGV's plantations are above 20 years of age

Financial comparison

- Who has the highest gearing? BWPT and DSN have the highest gearing. IOI's gearing is high post the demerger. Wilmar's gearing is high due to the working capital requirements from the downstream operations.
- Who is the most liquid? The largest plantation company by market cap – Sime Darby and Wilmar – are also the most liquid.
- Who has the highest beta to the palm oil price? Indonesia-listed plantation stocks such as LSIP, SIMP, FR, SGRO and AALI, have the highest beta to palm oil prices.
- Who have performed well this year? The Indonesian plantation companies DSN, SIMP, BAL, LSIP and FR are the best performing plantation stocks (absolute performance)

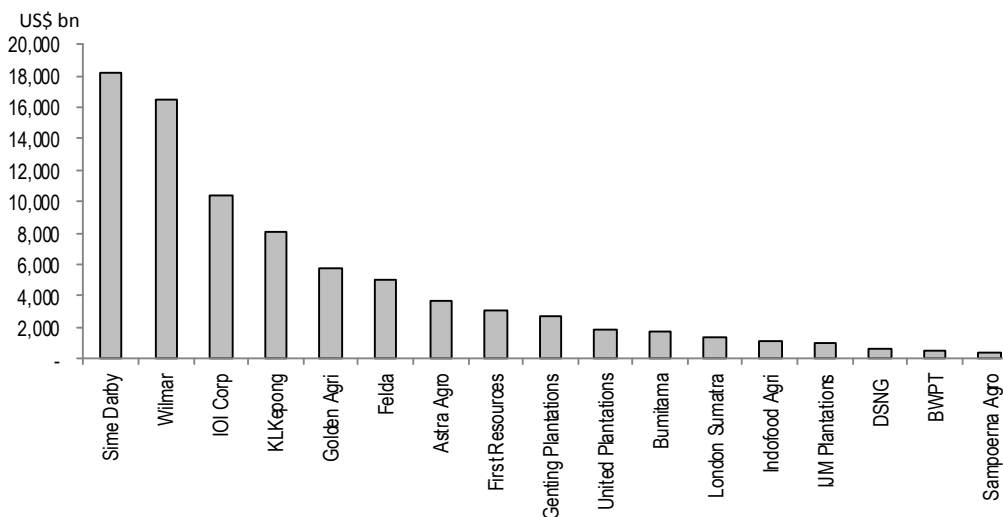
Figure 24: What are the net gearing levels?



Most leveraged: BWPT, DSN and IOI, with net gearing above 100%

Source: Company data

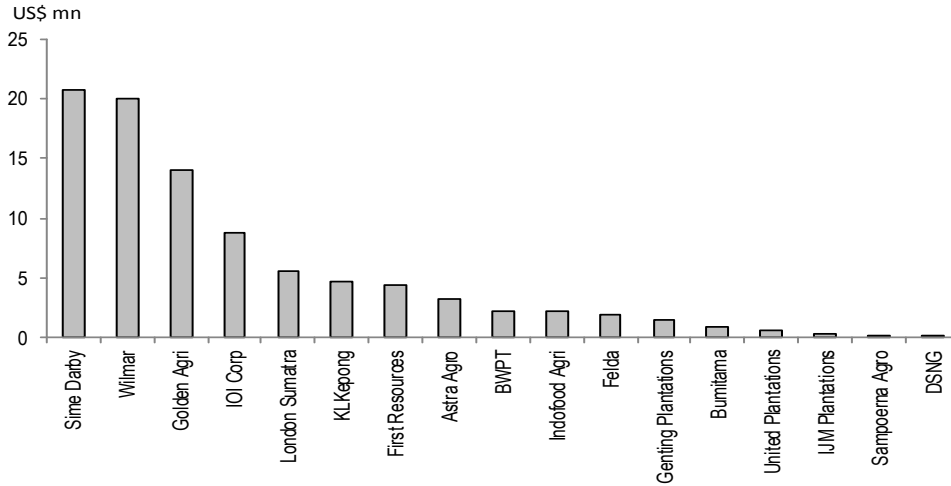
Figure 25: Who is the largest by market cap?



SIME and WIL are the largest oil palm plantation companies, by market cap

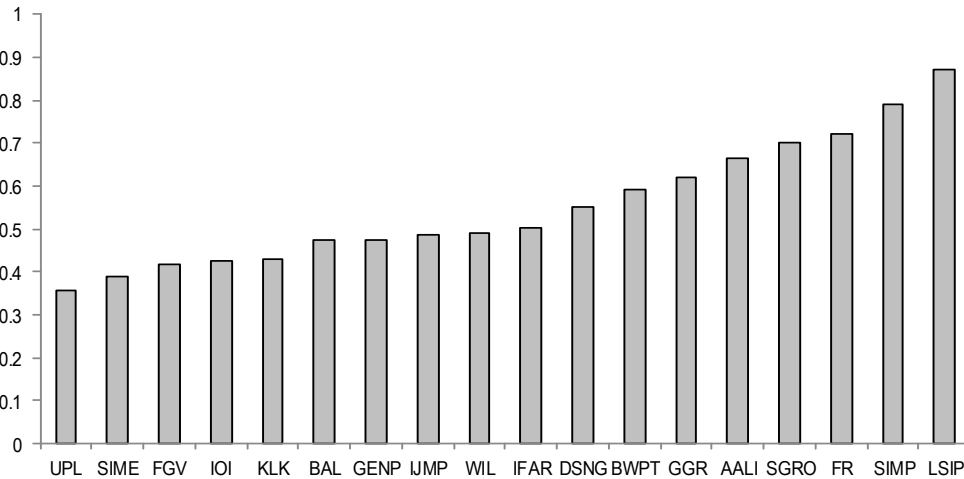
Source: the BLOOMBERG PROFESSIONAL™ service

Figure 26: Who has the highest average daily volume?



Source: the BLOOMBERG PROFESSIONAL™ service

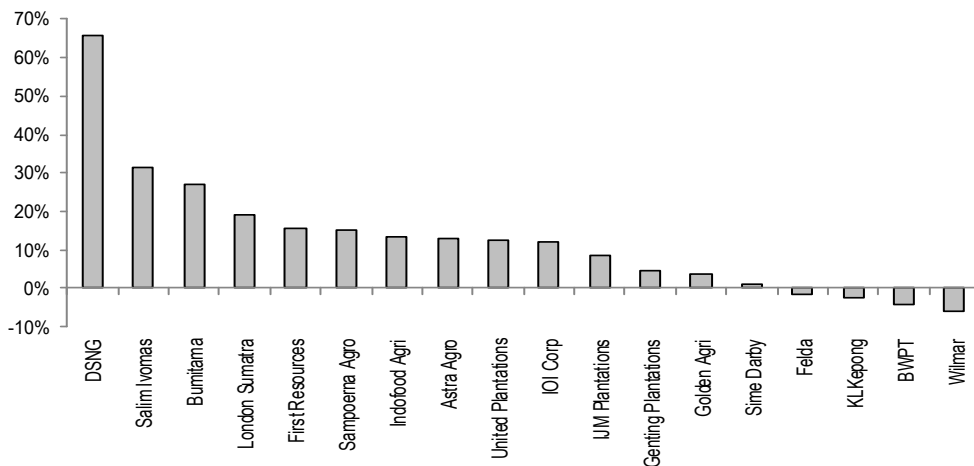
Figure 27: Who has the highest share price beta to palm oil price?



The Indonesian plantation companies have highest share price beta to palm oil prices – LSIP, SIMP, FR, SGRO, AALI, GGR

Source: the BLOOMBERG PROFESSIONAL™ service

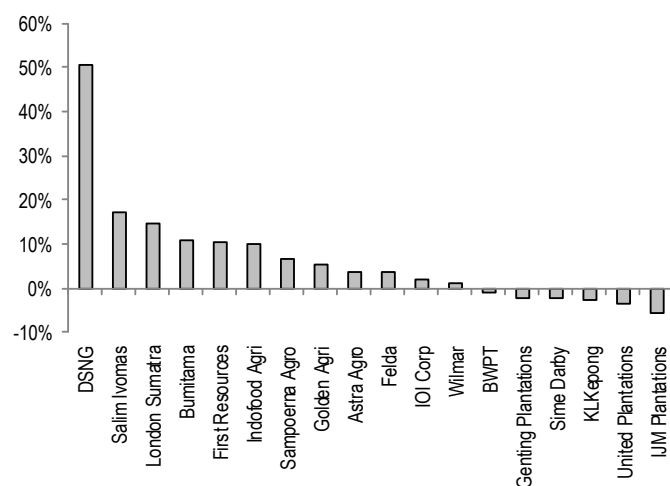
Figure 28: How have plantation stocks performed YTD (absolute)?



The Indonesian plantation companies are best performing within our coverage

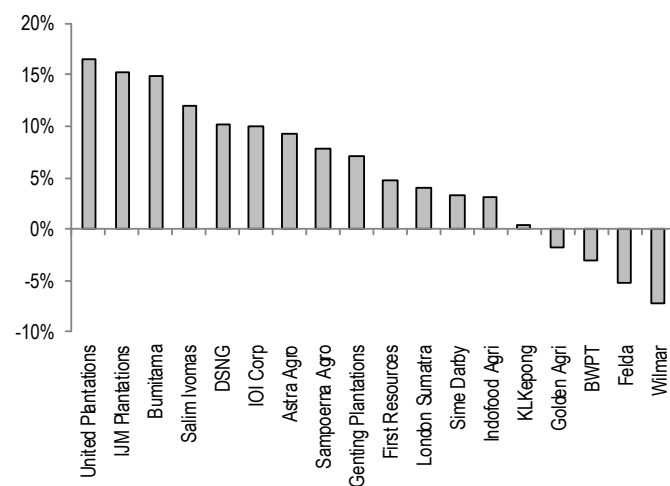
Source: the BLOOMBERG PROFESSIONAL™ service

Figure 29: How have plantation stocks performed in 1Q?



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 30: How have plantation stocks performed in 2Q?



Source: the BLOOMBERG PROFESSIONAL™ service

Profit sensitivity

Salient points from our sensitivity table:

- IFAR and FR will trade at single-digit P/Es If palm oil prices are at RM3,000/t.
- FGV, DSN and SGRO are the most leveraged to a RM100 increase in palm oil prices.
- At a palm oil price of RM1,500/t, we estimate that FGV, SGRO, BWPT and DSN will be making losses.

FGV, DSN and SGRO are most leveraged to rising palm oil prices

Figure 31: IOI Corp—profit sensitivities

Year-end 30 Jun	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (RM mn)	984	822	1,292	1,163	1,600	1,505	1,897	1,835	2,178	2,147
EPS (sen)	15.4	12.8	20.2	18.2	25.0	23.5	29.6	28.7	34.0	33.5
P/E (x)	34.2	40.9	26.0	28.9	21.0	22.3	17.7	18.3	15.4	15.7

Source: Credit Suisse estimates

Figure 32: KL Kepong—profit sensitivities

Year-end 30 Sept	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (RM mn)	312	243	750	699	1,127	1,092	1,502	1,482	1,833	1,827
EPS (sen)	29.3	22.8	70.4	65.7	105.9	102.6	141.0	139.1	172.1	171.6
P/E (x)	82.4	105.9	34.3	36.8	22.8	23.6	17.1	17.4	14.0	14.1

Source: Credit Suisse estimates

Figure 33: Sime Darby—profit sensitivities

Year-end 30 Jun	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (RM mn)	1,963	2,164	2,722	2,957	3,337	3,598	3,935	4,222	4,495	4,806
EPS (sen)	32.4	35.7	44.9	48.8	55.0	59.3	64.9	69.6	74.1	79.2
P/E (x)	29.9	27.1	21.5	19.8	17.6	16.3	14.9	13.9	13.0	12.2

Source: Credit Suisse estimates

Figure 34: Felda—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (RM mn)	-24	-101	193	143	624	586	1,003	976	1,382	1,365
EPS (sen)	-6.5	-8.2	5.3	3.9	17.1	16.1	27.5	26.7	37.9	37.4
P/E (x)	-64.5	-51.3	79.9	107.8	24.7	26.3	15.3	15.8	11.1	11.3

Source: Credit Suisse estimates

Figure 35: Genting Plantations—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (RM mn)	119	118	266	290	400	430	531	570	651	695
EPS (sen)	15.7	15.5	35.1	38.2	52.7	56.6	69.9	75.1	85.8	91.5
P/E (x)	72.8	73.5	32.5	29.8	21.6	20.1	16.3	15.2	13.3	12.5

Source: Credit Suisse estimates

Figure 36: Wilmar—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (USD mn)	1,087	1,187	1,193	1,297	1,268	1,375	1,349	1,460	1,423	1,537
EPS (Sing cents)	21.9	23.9	24.0	26.1	25.5	27.7	27.2	29.4	28.7	31.0
P/E (x)	14.6	13.4	13.3	12.2	12.5	11.5	11.7	10.8	11.1	10.3

Source: Credit Suisse estimates

Figure 37: Golden Agri—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (USD mn)	72	67	277	293	390	417	523	562	639	689
EPS (Sing cents)	0.7	0.7	2.8	3.0	3.9	4.2	5.3	5.7	6.4	6.9
P/E (x)	77.5	83.1	20.2	19.1	14.4	13.5	10.7	10.0	8.8	8.1

Source: Credit Suisse estimates

Figure 38: Indofood Agri—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	300	339	639	731	866	993	1,101	1,266	1,310	1,507
EPS (Rp)	207.3	234.1	441.2	505.1	597.8	686.0	760.6	874.1	905	1,041
P/E (x)	33.7	29.9	15.8	13.8	11.7	10.2	9.2	8.0	7.7	6.7

Source: Credit Suisse estimates

Figure 39: First Resources—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (USD mn)	58	50	154	150	234	234	316	319	394	401
EPS (SGD)	0.02	-0.06	0.12	0.12	0.19	0.19	0.25	0.25	0.313	0.319
P/E (x)	135.7	-41.0	19.8	20.4	13.0	13.1	9.7	9.6	7.8	7.6

Source: Credit Suisse estimates

Figure 40: Bumitama—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	368	439	845	973	1,096	1,254	1,392	1,586	1,643	1,867
EPS (SGD)	0.02	0.03	0.05	0.06	0.07	0.08	0.09	0.10	0.10	0.12
P/E (x)	54.1	45.3	23.5	20.4	18.2	15.9	14.3	12.5	12.1	10.7

Source: Credit Suisse estimates

Figure 41: Astra Agro—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	306	161	1,795	1,758	2,711	2,740	3,672	3,771	4,496	4,655
EPS (Rp)	194	102	1,140	1,116	1,721	1,740	2,332	2,395	2,855	2,956
P/E (x)	147.6	281.1	25.2	25.7	16.7	16.5	12.3	12.0	10.1	9.7

Source: Credit Suisse estimates

Figure 42: London Sumatra—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	162	326	606	729	888	983	1,184	1,248	1,440	1,478
EPS (Rp)	24	48	89	107	130	144	173	183	211	217
P/E (x)	99.6	49.5	26.6	22.1	18.2	16.4	13.6	12.9	11.2	10.9

Source: Credit Suisse estimates

Figure 43: Sampoerna Agro —profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	-209	-225	76	63	249	210	431	386	585	534
EPS (Rp)	-111	-119	40	34	132	111	228	204	310	283
P/E (x)	-21.3	-19.8	58.5	70.4	17.9	21.2	10.4	11.6	7.6	8.3

Source: Credit Suisse estimates

Figure 44: Salim Ivomas —profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	131	131	588	1,046	1,503	1,960	2,417	2,875	3,332	1,679
EPS (Rp)	8.3	8.3	37.2	41.3	56.4	63.2	76.4	86.0	94	106
P/E (x)	124.5	124.1	27.7	24.9	18.3	16.3	13.5	12.0	10.9	9.7

Source: Credit Suisse estimates

Figure 45: BW Plantation—profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	-45	-35	167	228	298	386	434	552	552	693
EPS (Rp)	-10	-8	37	51	67	86	97	123	123	155
P/E (x)	-124.9	-160.3	33.5	24.6	18.9	14.6	12.9	10.2	10.2	8.1

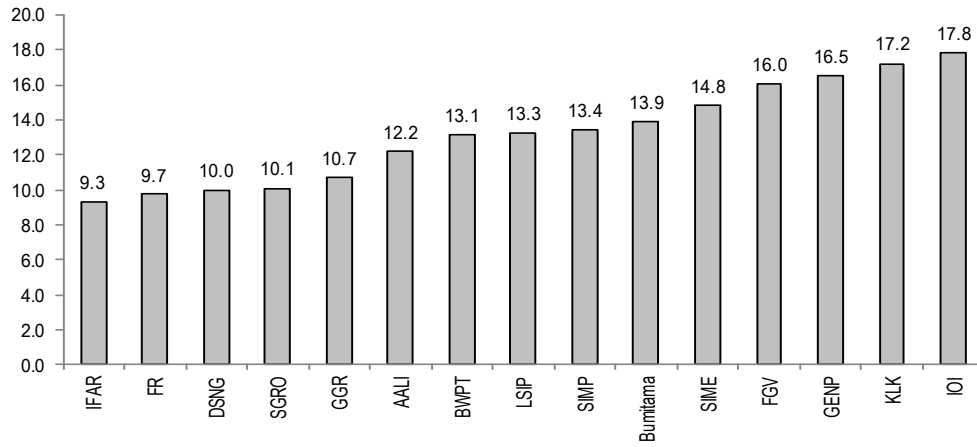
Source: Credit Suisse estimates

Figure 46: Dharma Satya Nusantara —profit sensitivities

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E	FY14E	FY15E
Net profit (Rp bn)	-169	-211	228	180	721	665	614	541	936	877
EPS (Rp)	-80	-100	108	85	221	196	340	314	441	414
P/E (x)	-40.4	-32.3	29.8	37.8	14.5	16.3	9.4	10.2	7.3	7.8

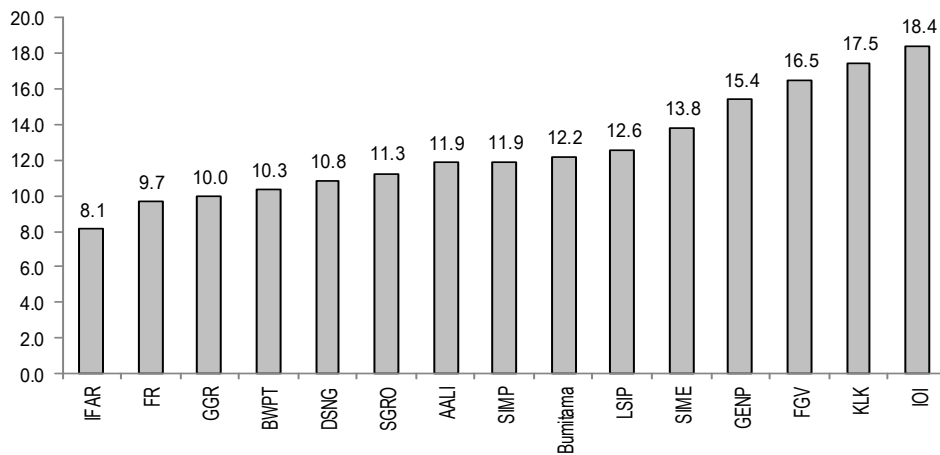
Source: Credit Suisse estimates

Figure 47: FY14E P/E assuming palm oil price average of RM3,000/t



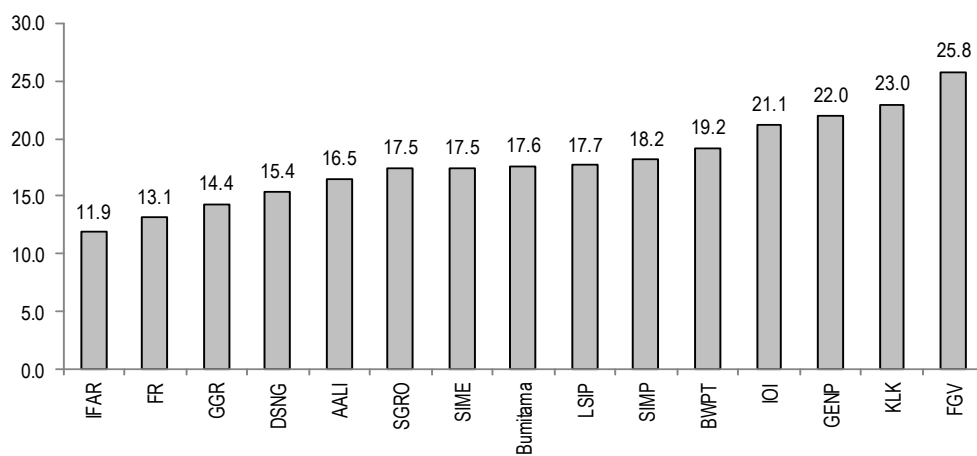
Source: Credit Suisse estimates

Figure 48: FY15E P/E assuming palm oil price average of RM3,000/t



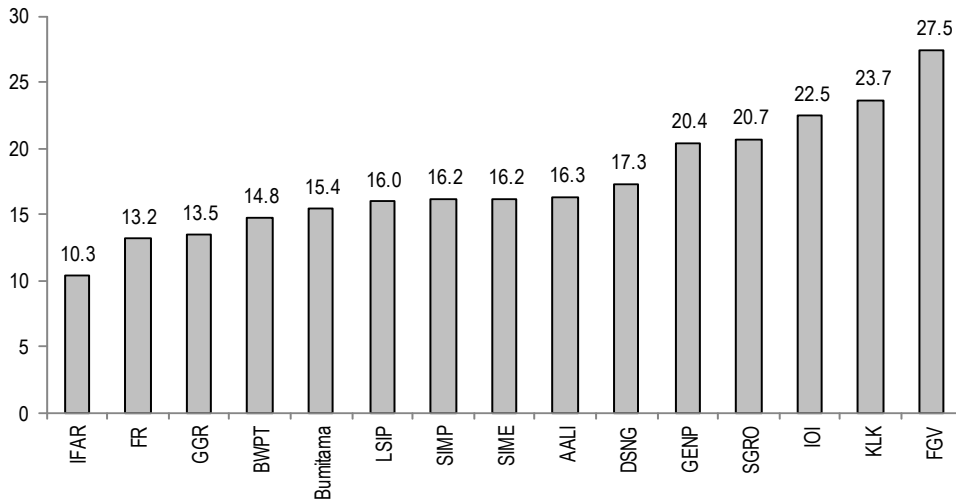
Source: Credit Suisse estimates

Figure 49: FY14E P/E assuming palm oil price average of RM2,500/t



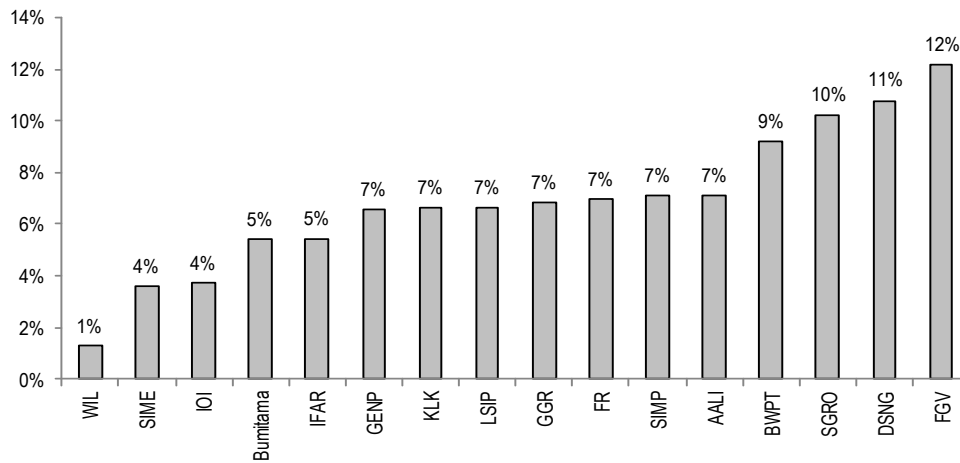
Source: Credit Suisse estimates.

Figure 50: FY15E P/E assuming palm oil price average of RM2,500/t



Source: Credit Suisse estimates.

Figure 51: Whose FY14E earnings are most leveraged to a RM100 increase in palm oil price? (Palm oil price range of RM2,500-3,000/t)

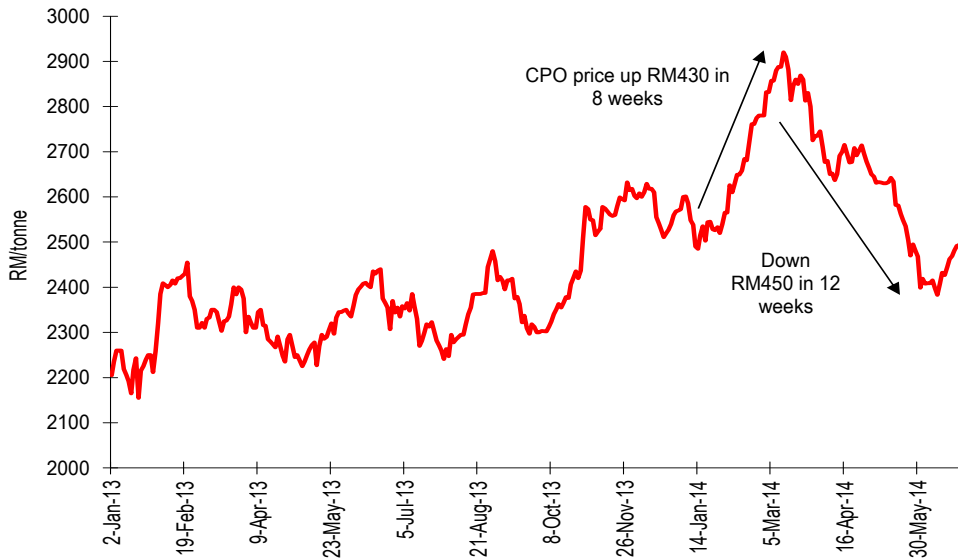


Source: Credit Suisse estimates

We remain bullish on palm oil price

Figure 52: Palm oil spot prices

Palm oil prices lost steam after peaking in March, but is now steadily recovering



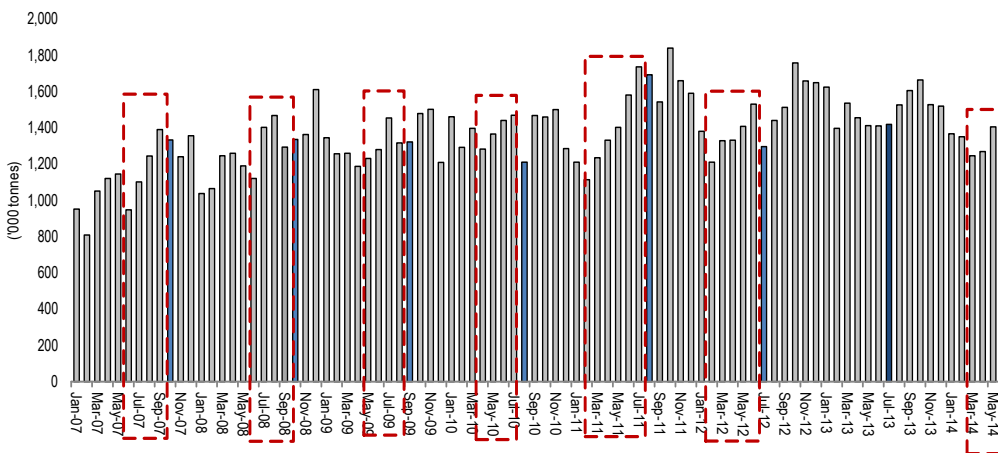
Source: MPOB

After hitting a 2014 high of close to RM2,920/t, palm oil prices lost steam and retreated to RM2,400/t, dragged down by concerns of rising supply, a combination of seasonally rising palm oil production, record high soybean output from South America, coupled with record high soybean planting acreage in the US.

More legs to palm oil prices

Palm oil prices have bottomed out and have recovered marginally to RM2,510, due to higher demand before the fasting month, and improving crude oil price.

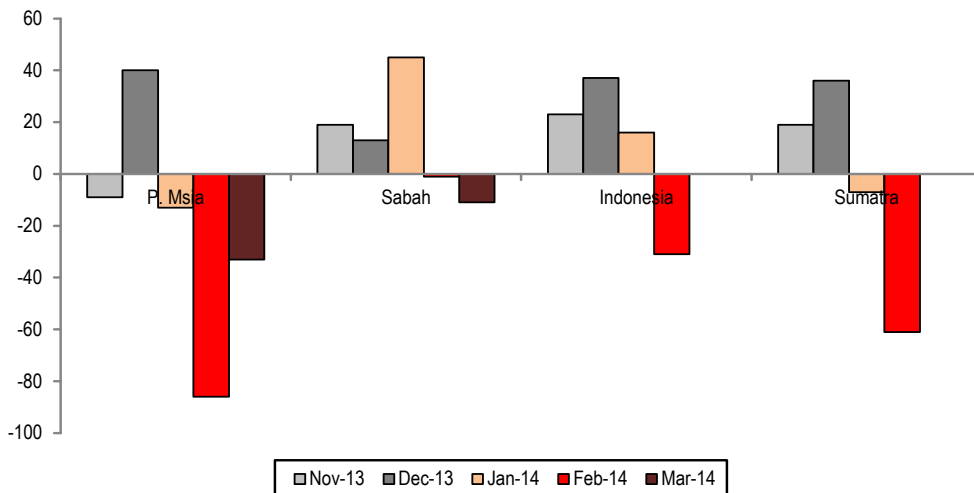
Figure 53: Malaysian palm oil exports traditionally pick up before the Raya festivals



Source: MPOB

Although palm oil prices will likely still be lacklustre for a couple more months, we believe there are more legs to palm oil prices by end-2014 and 2015, supported by the following catalysts:

Figure 54: 1Q14 rain deficit/drought was worst in Peninsular Malaysia and Sumatra

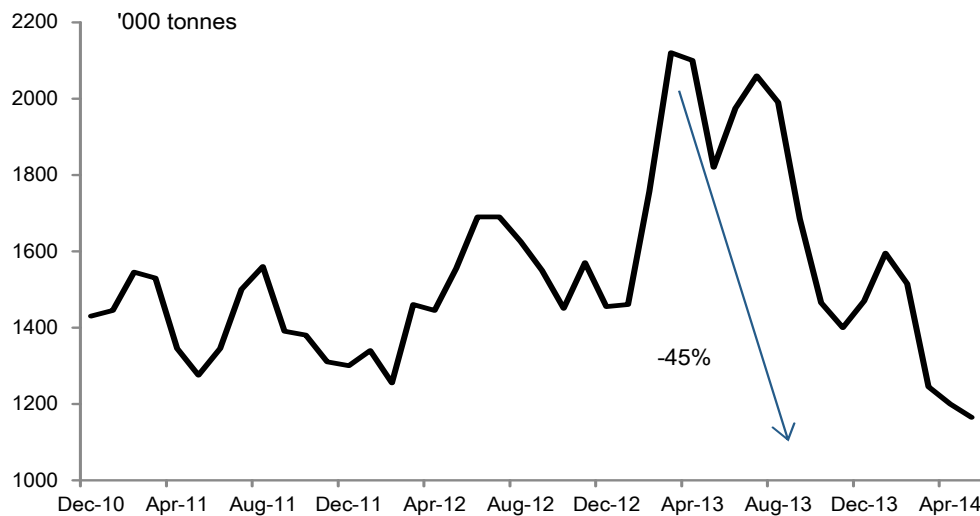


Droughts, El Nino, low inventories in India, viability of palm-biodiesel and decelerating new planting pace are main catalysts

Source: Oil World

- The 1Q2014 droughts in Peninsular Malaysia and Sumatra, which occurred during 1Q2014 were the worst in over two decades – this will likely stress oil palms, resulting in poorer yields in 2014 and 2015, which could lead to a supply shortage.
- India’s inventories are at record lows, and therefore, it will need to restock soon, especially before the Deepavali celebrations.
- El Nino will almost certainly emerge in 2H14, stressing the palms even further with drier-than-usual weather.

Figure 55: Edible oil inventories in India are at record lows

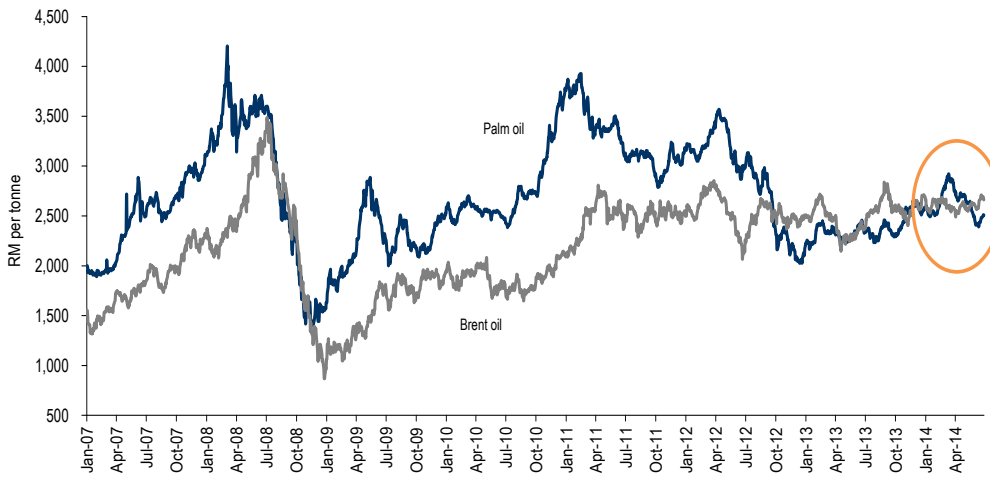


Source: Solvents Extractors' Association of India

- Palm-biodiesel is now commercially viable as crude oil prices have improved following geopolitical concerns, while palm oil prices have been falling.
- Mandatory biodiesel policies in Indonesia and Malaysia should provide support to palm oil prices and draw down any excess inventories.
- Cost of fertiliser and labour is under control, suggesting that plantation companies are in a comfortable cost zone for now.

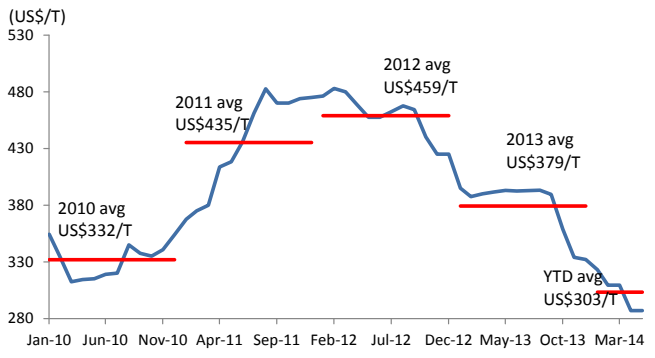
- Annual new planting of oil palms was below the normal trend over 2009-2013, suggesting that supply growth should decelerate.

Figure 56: Palm oil prices are now below crude oil price, hence palm-biodiesel is viable



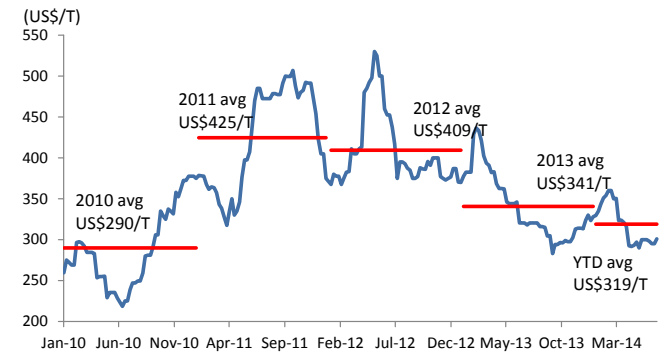
Source: the BLOOMBERG PROFESSIONAL™ service

Figure 57: Potassium chloride (potash) prices have been on a downward trend



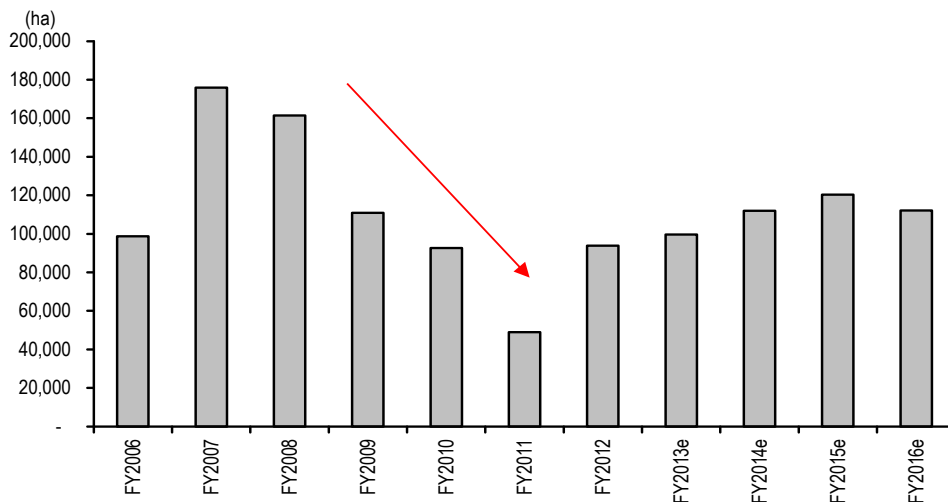
Source: the BLOOMBERG PROFESSIONAL™ service

Figure 58: Urea prices have also fallen



Source: the BLOOMBERG PROFESSIONAL™ service

Figure 59: New planting (CS coverage) fell steadily between 2007 to 2011



Source: Credit Suisse estimates

Top sector picks

We recommend investors to focus on the following:

- Younger upstream plantation companies which should benefit from organic growth in addition to rising palm oil prices.
- Plantation companies which escaped the 1Q14 drought such as DSN, BAL and GENP as their estates are located mostly in Kalimantan or East Malaysia.
- Singapore- and Indonesia-listed plantation companies which are generally cheaper on P/E valuations as compared to their Malaysian counterparts.

We like young and pure upstream proxies to leverage on rising palm oil prices and organic growth

Our top picks in the sector are FR, GGR, and AALI, for size and liquidity, while BAL, DSN and GENP are our picks among the smaller cap plantation companies.

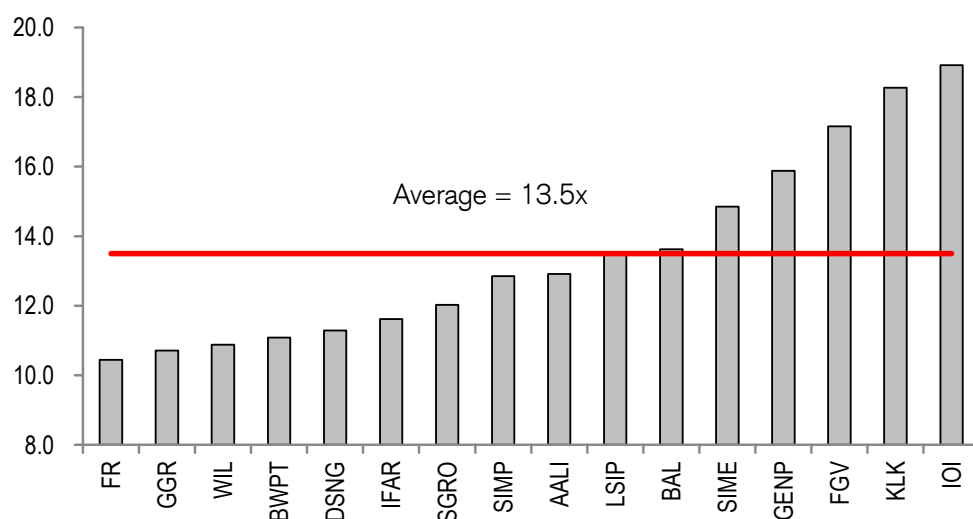
Figure 60: Valuation comparison

Ticker	Calendarised	LC	Price (LC)	Rating	Target price (RM)	Est upside (%)	Mkt cap (US\$ bn)	Daily value (US\$ mn)	P/E (x)				EV/EBITDA (x)			
									12	13	14E	15E	12	13	14E	15E
SIME MK	Sime Darby	RM	9.67	O	10.42	8%	18.3	18.8	14.8	16.8	16.6	14.9	10.1	11.0	9.8	8.8
IOI MK	IOI Corp	RM	5.25	N	4.72	-10%	10.6	11.6	NA	23.0	20.0	18.9	NA	17.9	15.4	14.3
KLK MK	KLK	RM	24.16	N	23.10	-4%	8.0	4.7	24.3	24.3	20.3	18.3	17.1	17.2	14.1	12.8
FGV MK	Felda	RM	4.22	N	4.18	-1%	4.8	2.5	19.9	15.2	18.9	17.2	9.9	25.0	8.4	7.7
GENP MK	Genting Plant	RM	11.40	O	12.60	11%	2.7	0.9	26.4	38.0	18.5	15.9	20.5	21.4	14.3	11.7
WIL SP	Wilmar	SGD	3.19	NA	NA	NA	16.4	16.1	13.3	12.7	11.8	10.9	13.9	13.5	12.5	12.2
GGR SP	Golden Agri	SGD	0.57	O	0.82	45%	5.8	13.4	14.4	18.3	12.4	10.7	9.5	12.9	9.0	8.0
FR SP	First Resources	SGD	2.43	O	3.20	32%	3.1	3.1	14.6	14.2	12.0	10.4	9.0	9.0	8.4	7.3
BAL SP	Bumitama	SGD	1.23	O	1.30	6%	1.7	0.4	27.9	25.0	16.4	13.6	16.9	16.8	11.1	9.1
IFAR SP	Indofood Agri	SGD	0.99	N	1.10	11%	1.1	0.7	13.2	26.4	14.2	11.6	4.7	7.6	5.8	4.6
AALI IJ	Astra Agro	IDR	28,700	O	35,000	22%	3.7	3.0	18.8	25.1	14.4	12.9	11.6	13.2	9.3	8.2
LSIP IJ	London Sumatra	IDR	2,365	O	2,700	14%	1.3	5.5	14.5	21.0	15.8	13.5	9.4	13.3	8.8	7.2
SIMP IJ	Salim Ivomas	IDR	1,030	O	1,130	10%	1.3	1.0	14.1	31.1	15.7	12.9	6.0	8.1	6.6	5.5
DSNG IJ	Dharma Satya	IDR	3,210	O	3,600	12%	0.6	0.2	31.8	33.5	11.7	11.3	13.7	10.6	6.9	6.4
BWPT IJ	BW Plantations	IDR	1,255	N	1,420	13%	0.5	2.5	19.9	28.8	15.9	11.1	16.4	19.1	12.3	8.7
SGRO IJ	Sampoerna Agro	IDR	2,360	N	2,400	2%	0.4	0.1	13.5	37.4	13.5	12.0	8.6	16.5	7.9	7.3

Note: O= Outperform; N = Neutral; U = Underperform

Source: Company data, the BLOOMBERG PROFESSIONAL™ service, Credit Suisse estimates

Figure 61: 2015 P/E valuation comparison



Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 27-Jun-2014)

Bumitama Agri Limited (BUMI.SI, S\$1.23)
Dharma Satya Nusantara (DSNG.JK, Rp3,210)
Felda Global Ventures (FGVH.KL, RM4.22)
First Resources Ltd (FRLD.SI, S\$2.43)
Genting Plantations Bhd (GENP.KL, RM11.4)
Golden Agri-Resources (GAGR.SI, S\$0.56)
IJM Plantations (IJMP.KL, RM4.0)
IOI Corporation (IOIB.KL, RM5.25)
Indofood Agri Resources Ltd (IFAR.SI, S\$0.99)
Kuala Lumpur Kepong (KLKK.KL, RM24.16)
PT Astra Agro Lestari Tbk (AALI.JK, Rp28,700)
PT BW Plantation Tbk (BWPT.JK, Rp1,255)
PT London Sumatra Indonesia (LSIP.JK, Rp2,365)
Salim Ivomas Pratama (SIMP.JK, Rp1,030)
Sampoerna Agro Tbk (SGRO.JK, Rp2,360)
Sime Darby (SIME.KL, RM9.67)
United (UTPS.KL, RM27.76)
Wilmar International Ltd (WLIL.SI, S\$3.19)

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