

First Resources (FR SP)

Long term positive despite some short term EPS dilution

Scarcity of land justifies the purchase

By our estimate, the proposed acquisition is valued at EV/ planted ha of USD10,202, a decent price considering the scarcity of land. At 37.5x 2024 PER, it is ST EPS dilutive for FR, but ANJT's depressed EPS was partly due to losses at its non-core food crops. We are LT positive on ANJT's potential and feedstock security it offers to FR's downstream op. We are keeping our earnings forecasts for now but D/G FR to HOLD given limited upside to our unchanged TP of SGD1.69 on 9x FY25 PER (-0.75SD of 6Y mean).

Spending USD329.8m for a 91.2% stake in ANJT IJ

FR, via its majority-owned subsidiary, PT Ciliandra Perkasa entered into a conditional shares purchase agreement with several sellers to buy 3.06b shares or 91.17% of PT Austindo Nusantara Jaya (ANJT IJ, Not Rated) for USD329.8m cash. Upon completion of the deal (expected by May 2025), FR will be obliged to conduct a mandatory tender offer for the rest of ANJT's shares. A 100% take up offer will cost FR USD361.7m in total.

Decent purchase price of USD10,202/ha

From our channel checks, ANJT's stake was last put up for sale in mid-2024 where several parties bid for the stakes. ANJT's key attractiveness lies with its 100% RPSO certified palm oil. It ranked #5 in SPOTT's latest ranking. For FR, it was the opportunity (1) to expand its upstream footprint by c.27% or 48,353 ha of nucleus area on top of its existing 178,854 ha nucleus planted area (in FY24), and (2) to increase its CPO output by c.25% to 1.25mt, enhancing the feedstock availability for its 1.35mt expanded refining and processing capacity by end-2025.

Short term pain for long term gain

Based on SGX filing, FR's 2024 proforma NTA and EPS would have been diluted by 1% and 8% respectively (assuming FR buys 100% of ANJT on 1 Jan 2024). However, we believe the EPS dilution will be much smaller in the coming years (if any) as FR further improves the profitability of oil palm segment (recall that ANJT's 2024 yield was impacted by bad weather, see Fig.4), and concurrently reduce the losses of its non-core businesses (namely sago and edamame). Our back-of-the-envelope calculation suggests that the acquisition (funded by borrowings) will increase FR's proforma net gearing from 8% (for FY24) to 32%, a still manageable level.

FYE Dec (USD m)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue	981	1,039	1,062	1,077	1,085
EBITDA	248	367	363	372	373
Core net profit	146	228	215	220	223
Core EPS (cts)	9.3	14.7	13.9	14.2	14.4
Core EPS growth (%)	(55.9)	57.5	(5.7)	2.1	1.7
Net DPS (cts)	4.6	7.2	6.9	7.1	7.2
Core P/E (x)	11.6	7.4	9.0	8.8	8.6
P/BV (x)	1.3	1.2	1.3	1.2	1.1
Net dividend yield (%)	4.2	6.6	5.6	5.7	5.8
ROAE (%)	11.1	18.3	15.0	14.2	13.5
ROAA (%)	8.1	12.2	10.7	10.3	9.9
EV/EBITDA (x)	7.6	5.2	5.9	5.4	5.0
Net gearing (%) (incl perps)	5.3	7.6	6.4	net cash	net cash
Consensus net profit	-	-	238	221	225
MIBG vs. Consensus (%)	-	-	(9.4)	(0.4)	(0.8)

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HOLD

[Prior:BUY]

Share Price SGD 1.66
 12m Price Target SGD 1.69 (+6%)
 Previous Price Target SGD 1.69

Company Description

First Resources Ltd. engages in the cultivation of oil palms in Indonesia. It also operates palm oil refinery and biodiesel processing facilities.

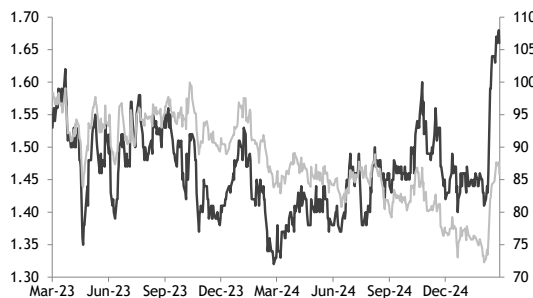
Statistics

52w high/low (SGD)	1.68/1.33
3m avg turnover (USDm)	1.8
Free float (%)	26.3
Issued shares (m)	1,584
Market capitalisation	SGD2.6B
	USD2.0B

Major shareholders:

TMF Group BV	64.7%
King Fortune Trust	5.6%
Fidelity/ FMR / Abigail	4.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	14	14	25
Relative to index (%)	16	12	3

Source: FactSet

Terms used in this note:

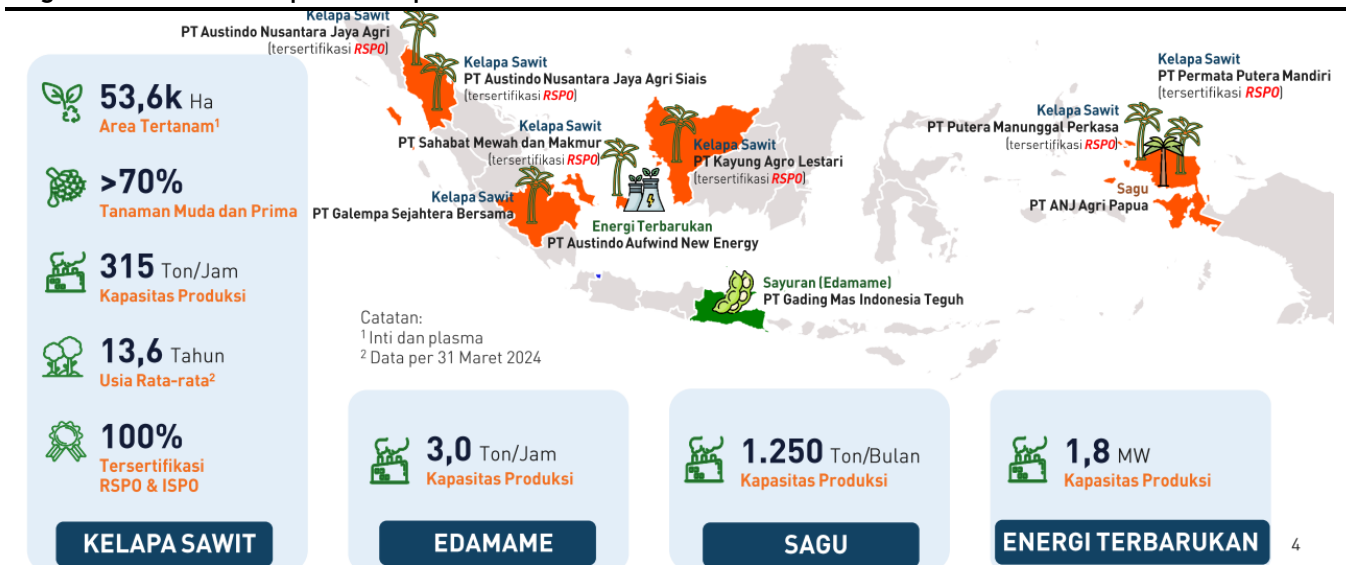
- D/G - Downgrade
- Ha - Hectare
- LT - Long term
- PATMI - Profit after tax and minority interest
- SPOTT - SPOTT is a free, online platform assessing commodity producers, processors and traders on their public disclosure regarding their organisation, policies, and practices related to environmental, social and governance (ESG) issues.
- ST - Short term
- t - tonne
- TP - Target price
- YoY - Year-on-year

About PT Austindo Nusantara Jaya (ANJT)

ANJT is principally engaged in the business of production and sale of palm oil and other sustainable food crops, as well as renewable energy [see Figs 1&2 of the ANJT’s key operations spread across Indonesia]. As at 31 Dec 2024, ANJT has a total landbank of 154,650 ha located across Indonesia, of which 53,358 ha was planted (nucleus: 48,353 ha; plasma: 5,005 ha). In 2024, ANJT’s FFB output declined 12% YoY to 777,615t (see Fig.3 for breakdown by region) due to severe challenges throughout 2024, primarily due to adverse weather conditions that caused operational challenges in the North Sumatra and Southwest Papua plantations. The El Nino event in 2023 also impacted production in the Belitung Island, West Kalimantan and South Sumatra plantations.

In 2024, the average age of the oil palm planted area is said to be 13 years old with a group FFB yield of 18.4/ha (2023: 20.3t/ha; see Fig.4 for breakdown by region)) and OER of 19.9% (2023: 20.6%). For a breakdown of its latest available oil palm profile breakdown, kindly refer to Fig.5.

Fig 1: ANJT’s business operations spread across Indonesia



Source: ANJT (5 June 2024’s Public Expose Presentation)

Fig 2: ANJT’s oil palm planted area by region

ESTATES	PLANTED AREA				MATURE AREA			
	12M24		12M23		12M24		12M23	
	NUCLEUS	PLASMA/ PARTNERSHIP	NUCLEUS	PLASMA/ PARTNERSHIP	NUCLEUS	PLASMA/ PARTNERSHIP	NUCLEUS	PLASMA/ PARTNERSHIP
Belitung Island*	14,278	884	14,285	884	11,120	884	11,906	884
North Sumatra I*	9,163	-	9,297	-	6,145	-	6,683	-
North Sumatra II	7,730	158	7,752	158	7,730	158	7,752	158
West Kalimantan	9,051	2,345	9,051	2,345	9,051	2,309	8,928	2,287
Southwest Papua	7,407	1,618	7,407	1,618	7,407	1,618	7,407	1,618
South Sumatra	724	-	724	-	724	-	724	-
TOTAL	48,353	5,005	48,516	5,005	42,177	4,969	43,400	4,947

* Total replanted area in Belitung Island & North Sumatra I up to 12M24 was 12,635 ha.
 Total landbank area as at 12M24 was 154,650 ha.

Source: ANJT

Fig 3: ANJT's palm oil production

ESTATES	FFB PRODUCTION		CPO PRODUCTION		PK PRODUCTION		PKO PRODUCTION	
	12M24	12M23	12M24	12M23	12M24	12M23	12M24	12M23
Belitung Island	216,363	254,579	63,049	82,049	12,617	16,444	-	-
North Sumatra I	137,830	142,406	57,241	57,519	13,494	12,963	-	-
North Sumatra II	145,292	161,080	45,802	50,077	11,940	12,588	-	-
West Kalimantan	187,664	192,550	59,900	63,929	9,617	10,437	-	-
Southwest Papua	82,195	120,445	19,403	30,085	-	-	1,121	1,459
South Sumatra	8,271	9,991	-	-	-	-	-	-
TOTAL	777,615	881,051	245,395	283,659	47,668	52,432	1,121	1,459

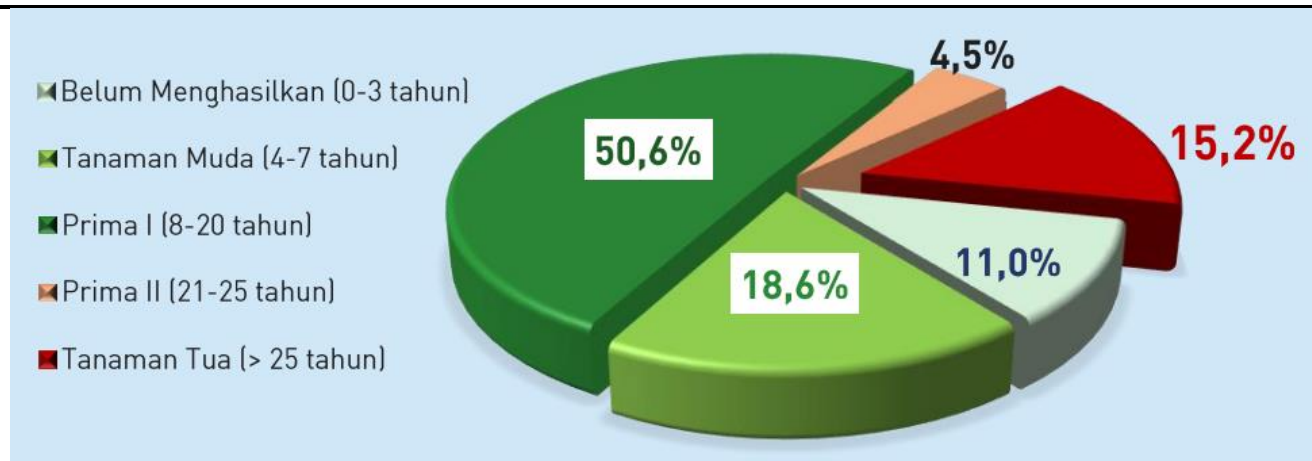
Source: ANJT

Fig 4: ANJT's productivity

ESTATES	FFB YIELD		OER %		KER %		KOER%	
	12M24	12M23	12M24	12M23	12M24	12M23	12M24	12M23
Belitung Island	19.5	21.4	21.4%	22.2%	4.3%	4.5%	-	-
North Sumatra I	22.4	21.3	19.0%	19.8%	4.5%	4.5%	-	-
North Sumatra II	18.8	20.8	18.7%	19.5%	4.9%	4.9%	-	-
West Kalimantan	20.7	21.6	20.5%	20.7%	3.3%	3.4%	-	-
Southwest Papua	11.1	16.3	19.4%	20.3%	-	-	1.0%	1.0%
South Sumatra	11.4	13.8	-	-	-	-	-	-
AVERAGE	18.4	20.3	19.9%	20.6%	4.2%	4.1%	1.0%	1.0%

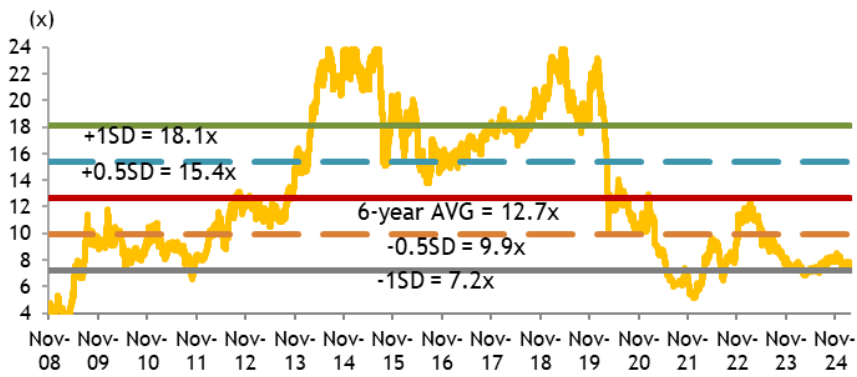
Source: ANJT

Fig 5: ANJT's oil palm profile



Source: ANJT (5 June 2024's Public Expose Presentation)

Fig 6: FR's 12-month forward rolling P/E



Source: Bloomberg, Maybank IBG Research

Risk statement

There are several risk factors to our earnings estimate, price target, and rating for First Resources (FR). Key risks to the palm oil sector and FR are: (i) weather anomalies resulting in poorer-than-expected output growth, (ii) lower-than-expected CPO price achieved, (iii) negative policies imposed by import countries, (iv) unfriendly policies imposed by the Indonesian government on upstream or downstream segments, (v) sharply lower crude oil prices which make palm biodiesel demand not viable, (vi) weaker competing oil prices (such as for soybean and rapeseed), and (vii) RSPO membership suspension if allegations over deforestation claims via shadow company turns out to be true - see [press release link](#) by FR on its website [the Complaint Progress can be followed via [RSPO's Complaints Portal website](#)].

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Metrics					
P/E (reported) (x)	11.9	6.8	9.0	8.8	8.6
Core P/E (x)	11.6	7.4	9.0	8.8	8.6
P/BV (x)	1.3	1.2	1.3	1.2	1.1
P/NTA (x)	1.4	1.3	1.4	1.3	1.2
Net dividend yield (%)	4.2	6.6	5.6	5.7	5.8
FCF yield (%)	nm	3.6	6.1	13.2	13.3
EV/EBITDA (x)	7.6	5.2	5.9	5.4	5.0
EV/EBIT (x)	9.4	6.1	7.0	6.4	6.0
INCOME STATEMENT (USD m)					
Revenue	980.6	1,038.8	1,061.9	1,077.4	1,085.0
EBITDA	247.5	366.5	363.3	372.3	373.4
Depreciation	(48.3)	(52.2)	(56.9)	(60.0)	(60.5)
Amortisation	0.0	0.0	0.0	0.0	0.0
EBIT	199.2	314.3	306.5	312.3	312.9
Net interest income / (exp)	2.5	(7.1)	(8.5)	(8.1)	(3.5)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	(1.1)	22.7	0.0	0.0	0.0
Other pretax income	(3.6)	0.5	0.0	0.0	0.0
Pretax profit	197.0	330.4	298.0	304.2	309.4
Income tax	(44.6)	(72.3)	(71.5)	(73.0)	(74.3)
Minorities	(7.0)	(12.3)	(11.3)	(11.6)	(11.8)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	145.4	245.8	215.1	219.6	223.4
Core net profit	146.3	228.1	215.1	219.6	223.4
BALANCE SHEET (USD m)					
Cash & Short Term Investments	162.9	157.2	167.6	312.4	457.3
Accounts receivable	42.7	50.7	82.9	84.1	84.7
Inventory	119.8	160.2	145.7	148.1	150.0
Property, Plant & Equip (net)	1,115.4	1,207.6	1,308.8	1,281.7	1,257.0
Intangible assets	102.8	98.1	98.1	98.1	98.1
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	231.3	278.0	278.0	278.0	278.0
Total assets	1,774.8	1,951.8	2,081.2	2,202.4	2,325.1
ST interest bearing debt	111.7	86.8	86.8	86.8	86.8
Accounts payable	84.8	114.2	123.1	125.2	126.8
LT interest bearing debt	126.0	183.4	183.4	183.4	183.4
Other liabilities	51.0	80.0	85.0	86.0	87.0
Total Liabilities	373.1	464.3	478.1	481.5	484.3
Shareholders Equity	1,303.4	1,379.5	1,487.0	1,596.8	1,708.5
Minority Interest	98.4	108.1	116.0	124.1	132.3
Total shareholder equity	1,401.8	1,487.5	1,603.0	1,720.9	1,840.8
Total liabilities and equity	1,774.8	1,951.8	2,081.2	2,202.4	2,325.1
CASH FLOW (USD m)					
Pretax profit	197.0	330.4	298.0	304.2	309.4
Depreciation & amortisation	48.3	52.2	56.9	60.0	60.5
Adj net interest (income)/exp	(2.5)	7.1	8.5	8.1	3.5
Change in working capital	150.8	(9.1)	(13.8)	25.2	27.5
Cash taxes paid	(80.0)	(46.7)	(71.5)	(73.0)	(74.3)
Other operating cash flow	1.1	(22.7)	0.0	0.0	0.0
Cash flow from operations	314.8	311.2	278.0	324.6	326.6
Capex	(382.2)	(251.1)	(160.0)	(70.0)	(70.0)
Free cash flow	(67.4)	60.1	118.0	254.6	256.6
Dividends paid	(171.1)	(84.1)	(107.6)	(109.8)	(111.7)
Equity raised / (purchased)	(4.4)	(16.2)	0.0	0.0	0.0
Change in Debt	(111.2)	30.1	0.0	0.0	0.0
Other invest/financing cash flow	30.8	6.6	0.0	0.0	0.0
Effect of exch rate changes	0.5	(2.0)	0.0	0.0	0.0
Net cash flow	(322.8)	(5.4)	10.5	144.7	144.9

FYE 31 Dec	FY23A	FY24A	FY25E	FY26E	FY27E
Key Ratios					
Growth ratios (%)					
Revenue growth	(20.0)	5.9	2.2	1.5	0.7
EBITDA growth	(48.1)	48.1	(0.9)	2.5	0.3
EBIT growth	(53.6)	57.8	(2.5)	1.9	0.2
Pretax growth	(53.9)	67.7	(9.8)	2.1	1.7
Reported net profit growth	(55.3)	69.1	(12.5)	2.1	1.7
Core net profit growth	(56.2)	55.9	(5.7)	2.1	1.7
Profitability ratios (%)					
EBITDA margin	25.2	35.3	34.2	34.6	34.4
EBIT margin	20.3	30.3	28.9	29.0	28.8
Pretax profit margin	20.1	31.8	28.1	28.2	28.5
Payout ratio	49.4	45.4	50.0	50.0	50.0
DuPont analysis					
Net profit margin (%)	14.8	23.7	20.3	20.4	20.6
Revenue/Assets (x)	0.6	0.5	0.5	0.5	0.5
Assets/Equity (x)	1.4	1.4	1.4	1.4	1.4
ROAE (%)	11.1	18.3	15.0	14.2	13.5
ROAA (%)	8.1	12.2	10.7	10.3	9.9
Liquidity & Efficiency					
Cash conversion cycle	52.5	40.8	43.5	41.5	41.7
Days receivable outstanding	25.9	16.2	22.6	27.9	28.0
Days inventory outstanding	74.8	85.0	93.2	88.1	88.2
Days payables outstanding	48.2	60.4	72.3	74.4	74.5
Dividend cover (x)	2.0	2.2	2.0	2.0	2.0
Current ratio (x)	1.9	1.9	1.9	2.4	3.0
Leverage & Expense Analysis					
Asset/Liability (x)	4.8	4.2	4.4	4.6	4.8
Net gearing (%) (incl perps)	5.3	7.6	6.4	net cash	net cash
Net gearing (%) (excl. perps)	5.3	7.6	6.4	net cash	net cash
Net interest cover (x)	na	44.2	36.2	38.4	89.2
Debt/EBITDA (x)	1.0	0.7	0.7	0.7	0.7
Capex/revenue (%)	39.0	24.2	15.1	6.5	6.5
Net debt/ (net cash)	74.9	112.9	102.5	(42.3)	(187.2)

Source: Company; Maybank IBG Research

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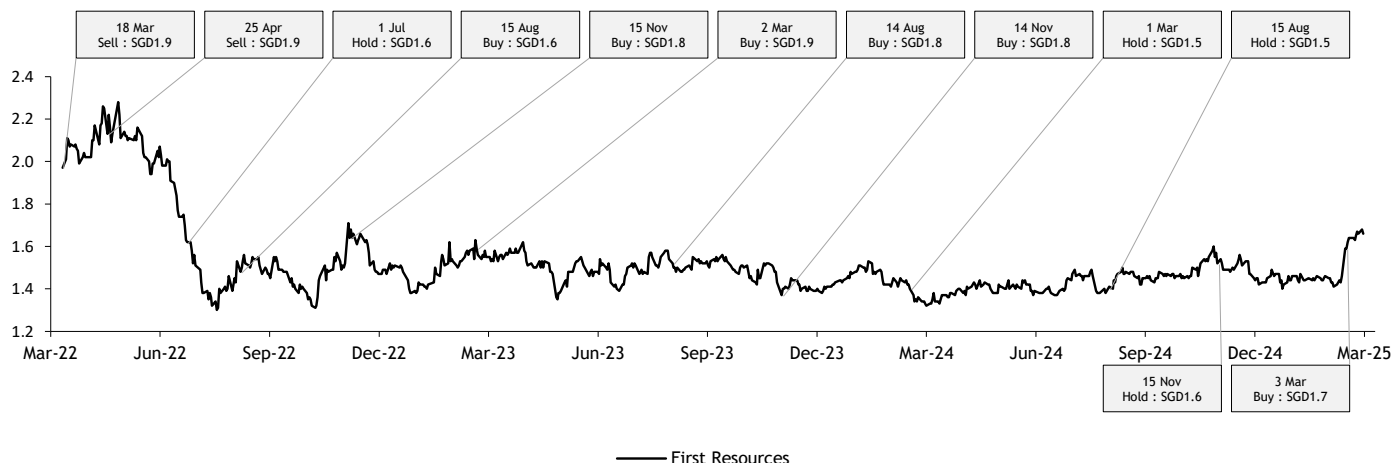
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