

## ASEAN

April 26, 2022 - 9:40 AM

**Neutral** (no change)

### Highlighted Companies

**First Resources Ltd**  
**ADD, TP S\$2.12, S\$2.13 close**

The temporary export ban on refined palm products could impact its exports volumes for palm oil. We estimate every US\$10/tonne change in net CPO price assumption could impact its FY22 net profit by 2.4%.

**Golden Agri-Resources**  
**ADD, TP S\$0.335, S\$0.33 close**

Golden Agri palm oil exports could be temporarily disrupted by the new export ruling. ASP for its palm products could be negatively affected if a higher % of its production is sold locally. We estimate every US\$10/tonne change in net CPO price assumption could impact its FY22 net profit by 2.8%.

**Wilmar International**  
**ADD, TP S\$5.69, S\$4.47 close**

Wilmar's upstream estates and downstream processing business in Indonesia could be affected by the temporary export ban but this could be partially offset by higher profitability from the Malaysia palm business. We estimate every US\$10/tonne change in net CPO price assumption could impact its FY22 net profit by 0.3%.

### Summary Valuation Metrics

P/E (x)	Dec-22F	Dec-23F	Dec-24F
First Resources Ltd	11.75	15.76	16.33
Golden Agri-Resources	7.52	11.03	10.64
Wilmar International	11.64	11.60	10.69
P/BV (x)	Dec-22F	Dec-23F	Dec-24F
First Resources Ltd	1.88	1.77	1.68
Golden Agri-Resources	0.61	0.59	0.56
Wilmar International	1.00	0.95	0.91
Dividend Yield	Dec-22F	Dec-23F	Dec-24F
First Resources Ltd	4.26%	3.17%	3.06%
Golden Agri-Resources	2.78%	1.89%	1.96%
Wilmar International	3.86%	3.88%	4.21%

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# Agribusiness

## Palm oil export ban not as strict as feared

- Indonesia's agriculture ministry said CPO will be excluded from export ban.
- The clarification came after a sharp fall in FFB prices in Indonesia.
- Indonesian palm oil producers less impacted by the export ban than feared.

### Ministry of Agriculture says CPO excluded from palm oil ban

- According to a copy of an official letter sent to local government leaders yesterday, Indonesia's agriculture ministry said that crude palm oil shipments would be excluded from a planned palm oil export ban. The letter, which was verified by a ministry official, said the ban would however include refined, bleached and deodorised (RBD) palm olein. It was still unclear on Monday whether products such as RBD palm oil and palm stearin would be affected. To recap, Indonesian President Joko Widodo late last Friday announced a ban on palm oil exports, taking effect on 28 April. He said on Friday that exports of cooking oil and its raw material would be banned but did not mention details.

### A relief for importers of palm oil but...

- We gathered that the clarification came about following reports that fresh fruit bunches (FFB) prices declined by Rp300-1,400/kg from Rp3,000/kg following the news on the export ban on cooking oils and its raw materials. The exemption of CPO from the export curbs will be a positive relief for key importers of Indonesia palm oil, like India, China, EU and Bangladesh. However, it is unclear if the exemption on CPO and other palm oil-related products from the temporary export ban will effectively achieve the government's objective of abundant and affordable domestic cooking oil supplies, failing which we are concerned that crude palm oil will be added to the list of banned products as it is a raw material for RBD palm olein.

### Indonesia could shift palm oil exports mix in favour of CPO

- According to data from Indonesia's palm oil association (GAPKI), exports of processed CPO in 2021 stood at 25.7m tonnes, or 75% of total exports of palm products. CPO exports were 2.74m tonnes in 2021, or 7.98% of the shipments. In Jan-Feb 2022, processed CPO exports amounted to 3.38m tonnes or 79% of exports while CPO exports came to 90,000 tonnes, 2% of the total shipped. The temporary export ban on RBD palm olein but not CPO could result in traders shifting their palm oil export mix in favour of CPO to be refined at destination markets like China and India, benefitting refiners at destination markets. This could be negative in the short term for palm oil refiners in Indonesia as they will be unable to export certain processed palm products. On top of this, palm oil importers could shift their sourcing to other markets from Indonesia given concerns of potential abrupt changes to the country's ruling on palm oil exports. We are of the view that the ban on palm oil exports by the Indonesian government will be constantly reviewed and needs to be closely tracked.

### Potential impact on CPO prices and players

- CPO price futures in Malaysia rose as much as 7% to RM6,799 per tonne before retreating and giving up all its gains to close lower by 2% at RM6,229/tonne following reports that CPO will be exempted from the export ban. We are of the view that CPO prices will stay volatile in the near term pending further clarification from other ministries relating to the new export ruling. We are of the view that Indonesia palm oil exporters will tread cautiously amid the revised ruling after Indonesian prosecutors recently charged a top trade ministry official and three palm oil executives from Musimas, Wilmar and Permata Hijau in connection with a scarcity of cooking oil, which had led to protests and caused public unrest. The above news suggests that Malaysian palm oil producers (KLK, FGV, IOI, Sime Plant, Hap Seng Plant, Ta Ann) may not benefit as much as earlier expected of a blanket ban on all Indonesian palm oil exports while Indonesian palm oil producers (AALI, LSIP, TAPG, DSNG, FR, GGR) and downstream processors of palm oil (FR, GGR, Wilmar) will be less impacted than feared as the export ban appears to be limited to a few processed palm products.

**Figure 1: Sector comparison – Agribusiness**

Company	BB Ticker	Recom.	Price	Target Price	Market Cap	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recur. ROE (%)		EV/EBITDA (x)		Dividend Yield (%)	
			(local curr)	(local curr)		CY2022F	CY2023F		CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F	CY2022F	CY2023F
IOI Corporation	IOI MK	Hold	RM4.73	RM4.57	6,745	16.8	20.3	-13.5%	2.64	2.49	15.0%	11.0%	11.2	13.7	2.1%	2.0%
Kuala Lumpur Kepong	KLK MK	Add	RM29.00	RM29.57	7,176	15.2	20.4	-18.3%	2.23	2.15	15.6%	10.7%	8.1	10.1	3.2%	2.4%
FGV Holdings Bhd	FGV MK	Hold	RM2.03	RM1.95	1,700	7.5	12.5	-55.4%	1.21	1.14	17.1%	9.4%	4.5	5.7	4.0%	2.5%
Genting Plantations	GENP MK	Add	RM9.11	RM9.18	1,876	16.4	27.3	-16.6%	1.52	1.50	9.5%	5.5%	8.4	12.1	3.3%	2.7%
Hap Seng Plantations	HAPL MK	Add	RM3.35	RM2.79	615	15.0	25.0	-34.8%	1.46	1.43	9.6%	5.8%	7.0	10.0	4.3%	2.7%
Ta Ann	TAH MK	Hold	RM5.99	RM5.05	606	10.4	20.0	-39.4%	1.50	1.44	15.2%	7.4%	5.5	8.3	4.2%	2.1%
United Malacca Bhd	UMR MK	Hold	RM5.68	RM5.42	273	12.7	21.5	-57.5%	0.84	0.83	6.8%	3.9%	6.1	7.9	3.2%	1.9%
<b>Malaysia Average</b>						<b>15.0</b>	<b>20.5</b>	<b>-21.5%</b>	<b>2.1</b>	<b>2.1</b>	<b>14.6%</b>	<b>9.8%</b>	<b>8.8</b>	<b>11.1</b>	<b>2.9%</b>	<b>2.3%</b>
Wilmar International	WIL SP	Add	SGD4.47	SGD5.69	20,515	11.6	11.6	-6.9%	1.00	0.95	8.8%	8.4%	10.9	10.3	3.9%	3.9%
Golden Agri-Resources	GGR SP	Add	SGD0.33	SGD0.33	3,048	7.5	11.0	-35.7%	0.61	0.59	8.8%	5.7%	4.8	5.6	2.8%	1.9%
First Resources Ltd	FR SP	Add	SGD2.13	SGD2.12	2,447	11.7	15.8	-7.1%	1.88	1.77	16.7%	11.6%	6.0	7.5	4.3%	3.2%
<b>Singapore Average</b>						<b>11.2</b>	<b>11.9</b>	<b>-10.3%</b>	<b>1.0</b>	<b>1.0</b>	<b>9.5%</b>	<b>8.4%</b>	<b>9.7</b>	<b>9.5</b>	<b>3.8%</b>	<b>3.6%</b>
Astra Agro Lestari	AALI IJ	Add	Rp12,250.00	Rp12,300.00	1,631	9.6	13.4	-31.7%	1.05	1.00	11.4%	7.7%	5.7	6.3	4.5%	3.2%
Dharma Satya Nusantara	DSNG IJ	Add	Rp605.00	Rp1,250.00	444	6.7	6.8	-26.7%	0.89	0.81	14.1%	12.6%	5.1	4.6	3.6%	3.5%
London Sumatra	LSIP IJ	Add	Rp1,340.00	Rp1,510.00	633	7.5	12.4	-17.4%	0.89	0.86	12.4%	7.1%	2.9	3.7	5.3%	3.2%
Triputra Agro Persada	TAPG IJ	Add	Rp605.00	Rp1,110.00	831	6.7	7.7	-17.7%	1.35	1.20	20.2%	15.5%	5.0	5.0	4.6%	4.0%
<b>Indonesia Average</b>						<b>8.2</b>	<b>11.0</b>	<b>-25.2%</b>	<b>1.1</b>	<b>1.0</b>	<b>14.0%</b>	<b>10.0%</b>	<b>4.9</b>	<b>5.3</b>	<b>4.5%</b>	<b>3.4%</b>
<b>Sector average</b>						<b>11.4</b>	<b>14.5</b>	<b>-19.0%</b>	<b>1.4</b>	<b>1.3</b>	<b>12.7%</b>	<b>9.4%</b>	<b>7.8</b>	<b>8.6</b>	<b>3.8%</b>	<b>3.1%</b>

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

## Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified,

**CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

## Recommendation Framework

### Stock Ratings

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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