



CSP Program – March 2014

Indofood Agri Resources Ltd

Disclaimer

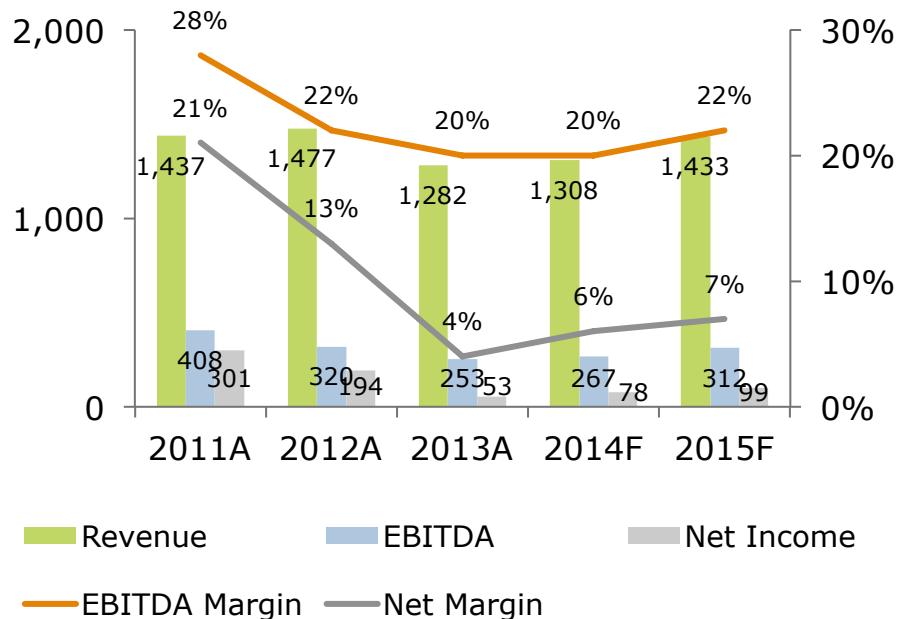
Please note that the information is provided for you by way of information only. All the information, report and analysis were and should be taken as having been prepared for the purpose of general circulation and that none were made with regard to any specific investment objectives, financial situation and particular needs of any particular person who may receive the information, report or analysis (including yourself). Any recommendation or advice that maybe expressed in or inferred from such information, reports or analysis therefore does not take into account and may not be suitable for your investment objectives, financial situation and particular needs. You understand that you buy and/or sell and/or take any position in/or on the market, in any of the stocks, shares, products or instruments etc. based on your own decision(s). This is regardless of whether the information is analysed or not, regardless of the details or information related to price levels, support/resistance levels and any information based on technical or fundamental analysis. You understand and accept that nothing told or provided to you whether directly or indirectly is to be a basis for your decision(s) in relation to the market or your trades or transaction(s). Please see a registered trading representative or financial adviser for formal advice.

Section I

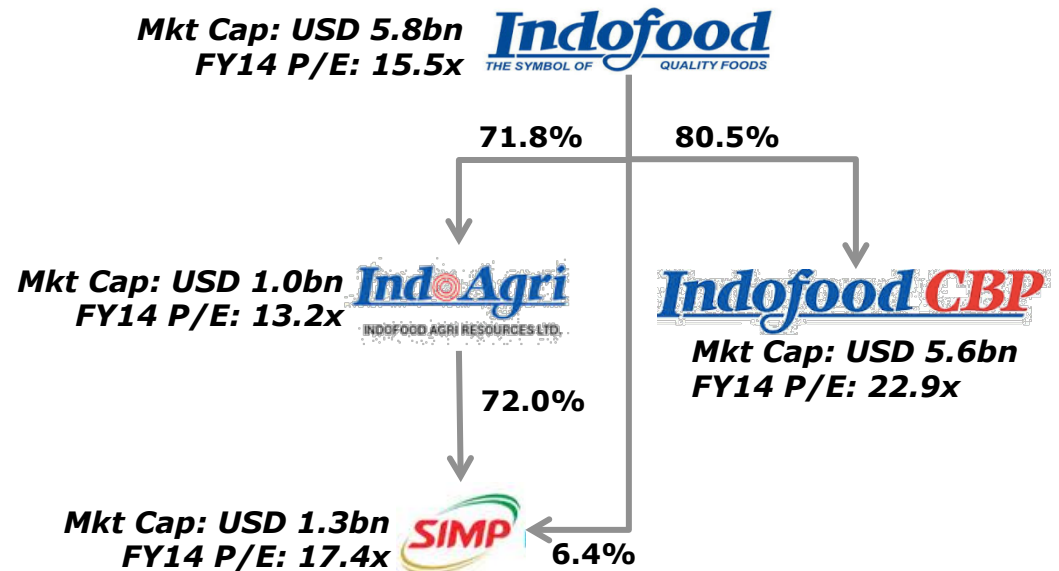
Company Overview

Leading Southeast Asian agribusiness company...

Financials summary (USD mn)



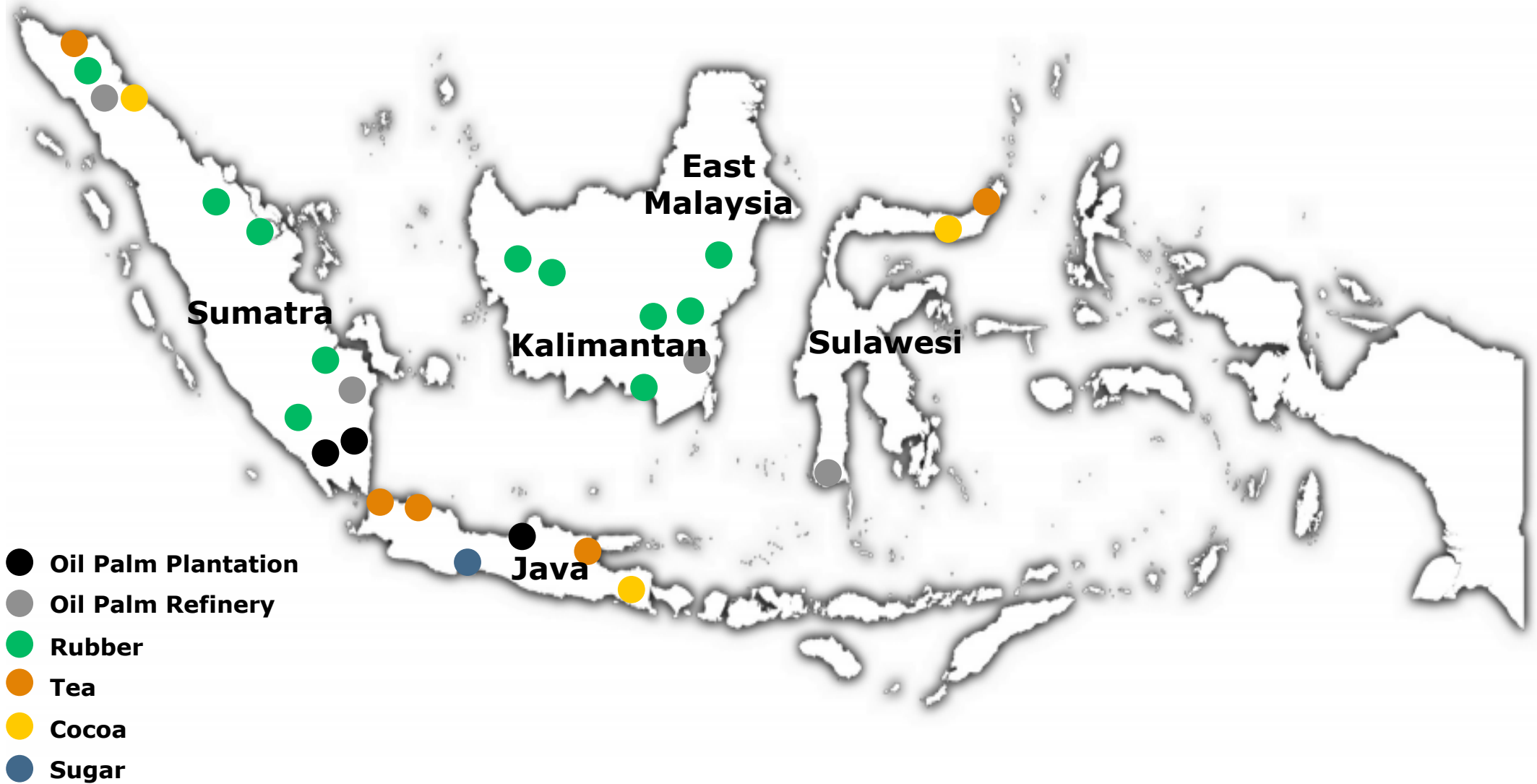
Corporate structure



- Part of the Salim Group, Indofood Agri is a leading integrated agri-business company in Southeast Asia
- Involved in the farming, production, refining, branding and marketing of crude palm oil, cooking oil, margarine and other palm oil derivative products
- Also cultivate rubber, sugar cane (along with milling), tea and cocoa
- Leading palm oil company in Asia and owns ~240,000 ha of oil palm plantations as well as operates 21 oil palm mills
- In addition, owns 37,000 of plantation for cultivation of rubber, sugar and other crops

Source: Company annual reports and website, Bloomberg as of 12th March 2014, Estimates

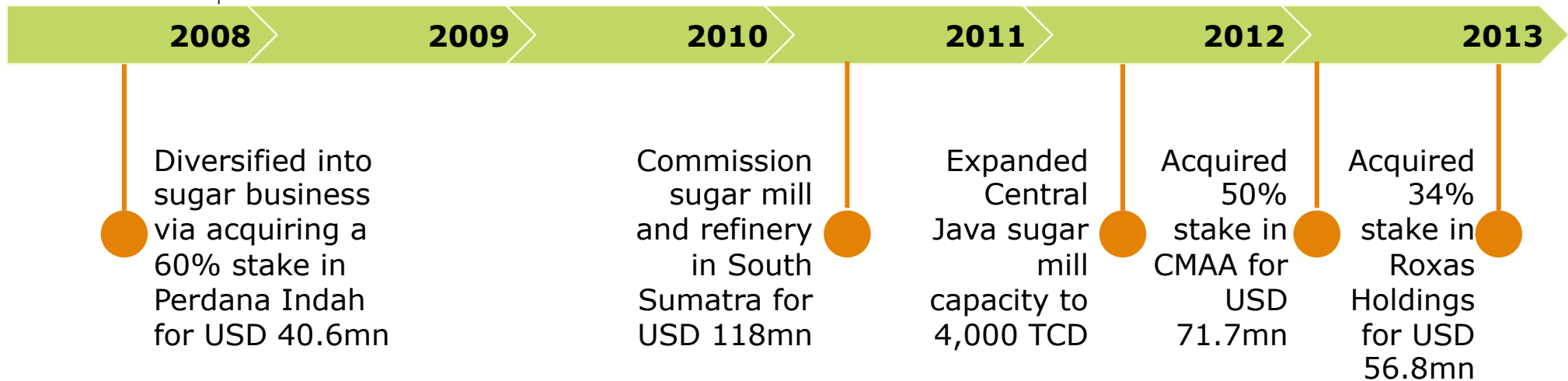
... with a dominating presence which penetrates across Indonesia



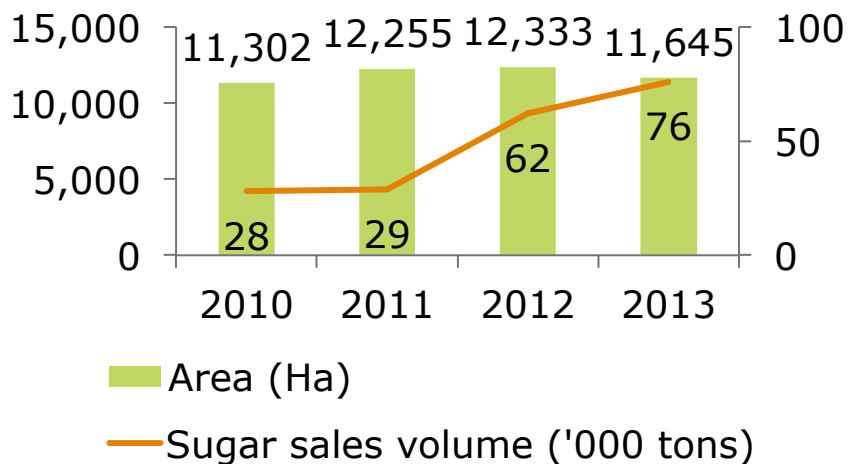
Source: Company presentation

... a strong and growing presence in sugar, both in Asia and Brazil...

Indofood Agri's key strategic expansion activities in sugar



Operating highlights



Country	Entity	Plantation area	Crushing capacity (mn tons p.a.)
Indonesia	Indofood Agri	11,645 ha	4.3mn
Brazil	CMAA	11,000 ha	3.0mn
Philippines	Roxas Holdings	N/A	13.9mn

Source: Company presentation

Section II

Industry overview

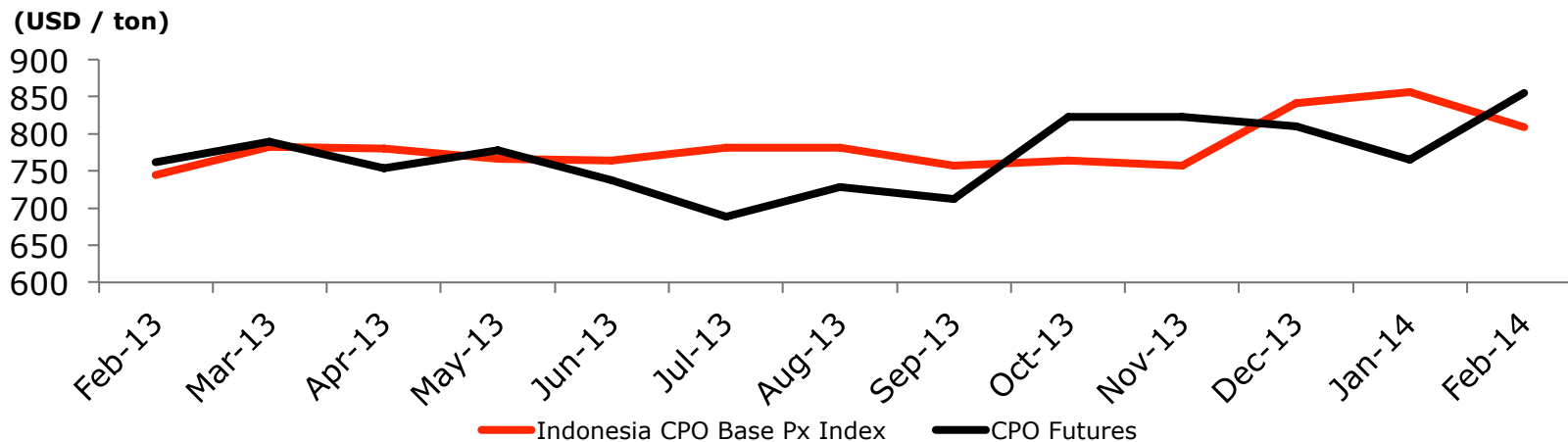
Overview of palm oil industry

1 B10 biodiesel story in Indonesia to proceed

- State-owned oil and gas company Pertamina has been contracted to buy 6.6 billion liters of biodiesel over the next 2 years
- Moved to MOPS minus alpha but reverting back to HPE which gives higher prices because it has only secured 45% of biofuels needed
- Strong support for CPO prices

2 Dry weather affecting palm oil yields

- Ideal conditions for palm oil stands at 2000mm per year or in excess of 100mm a month
- Low rainfall lowers yields for 6 months to 2 years
- Malaysia, the biggest producer of palm oil globally had a dry spell lasting for a month in Feb, pushing prices up by 8%

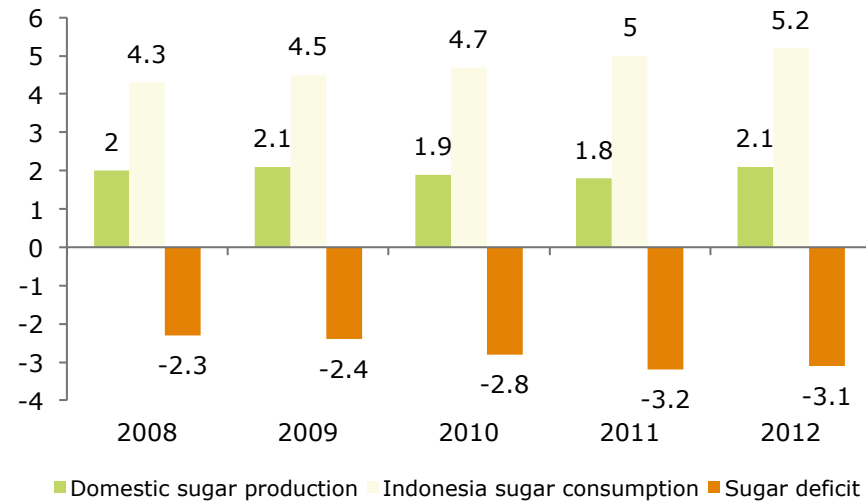


- Recent dry spells and expected demand from Indonesia has increased CPO prices by 12%, to a USD 855 / ton
- Should the dry spell continue, prices are forecasted to hit ~USD 920 / ton

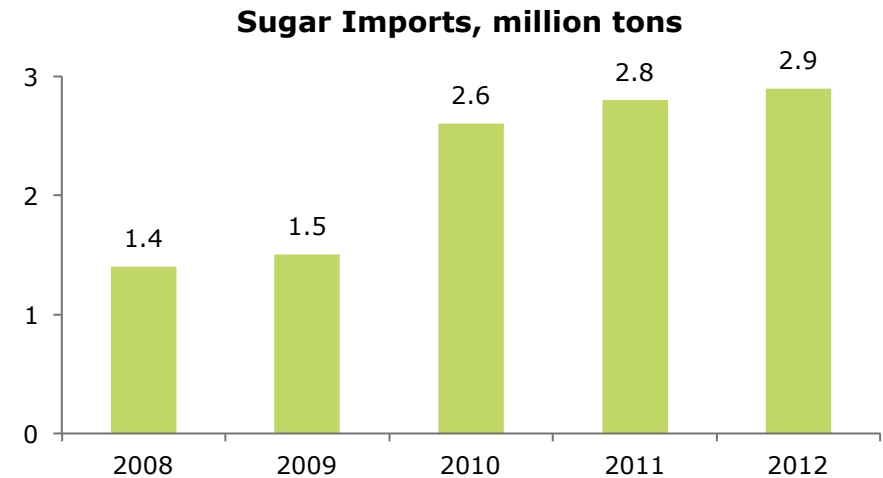
Source: Bloomberg

Overview of Indonesian sugar industry

Significant deficit in the Indonesian sugar market...



... has led to increase in imports to meet demand



- Indonesia is Southeast Asia's largest sugar consumer, with an estimated consumption of ~5.5mn MT in 2013
- Domestic sugar consumption experienced strong growth in recent years, recording a volume CAGR of ~5% from 2008 to 2013, mainly driven by rising disposable income and growing population
- However, supply side inefficiencies continue to limit domestic production growth
- Resultant sugar deficit of ~3mn MT makes Indonesia one of the largest importers of sugar
- Sugar demand is expected to grow strongly as a result of the increased demand from the F&B industry

Source: USDA, Rabobank research

Section III

Valuation and market data

Valuation of Indofood Agri Resource Ltd

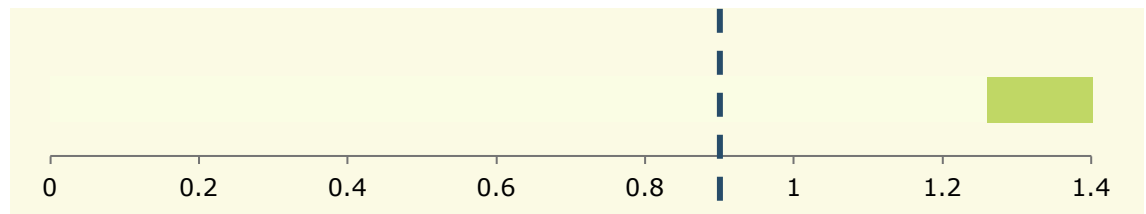
Based on various valuation methodologies, the indicative share price of Indofood is SGD 0.905

Valuation approach

■ Comparable multiples method

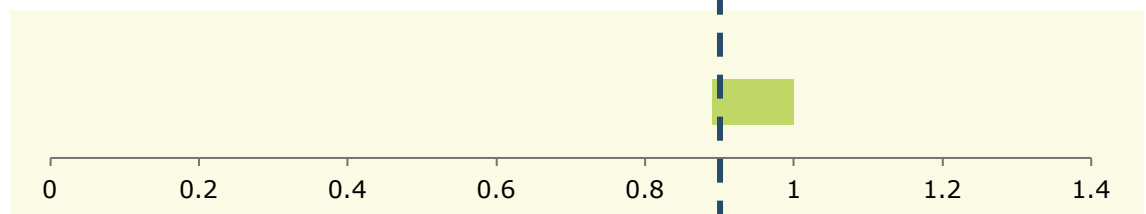
- EV / EBITDA (FY14E)
- Average EV / EBITDA of 9.9x
- Share Price of \$1.33

Share Price (SGD)



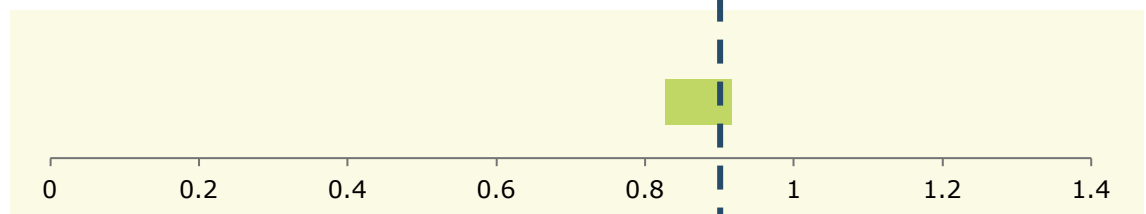
■ Comparable multiples method

- PER (FY14E)
- Average PE of 13.5x
- Share Price of \$0.94



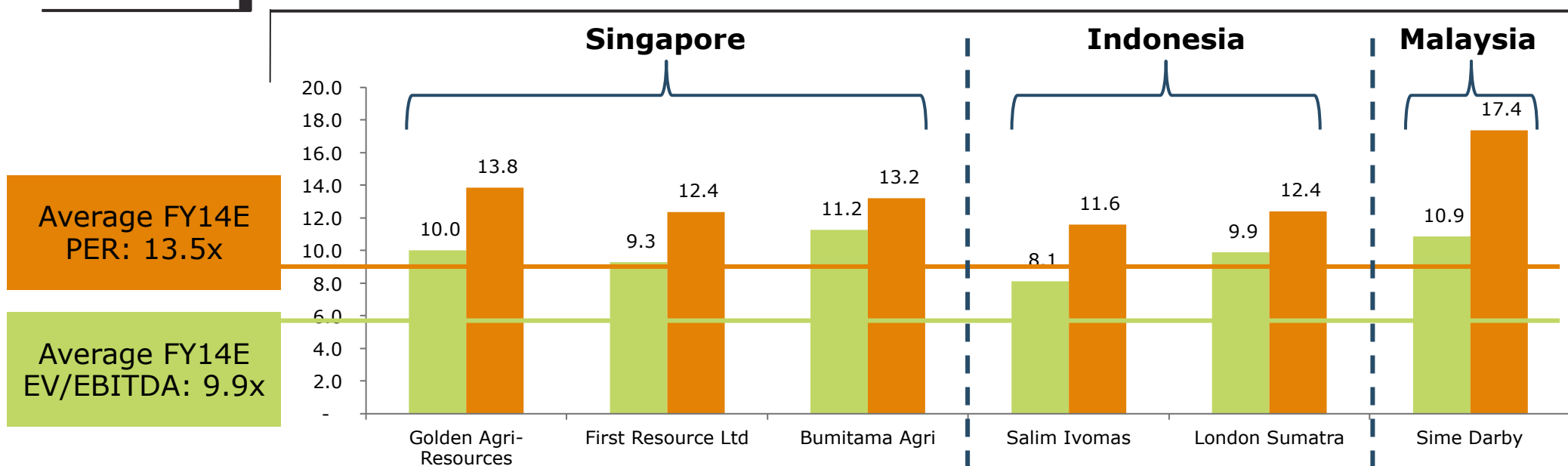
■ Sum of the parts Valuation

- Holding company analysis
- Value of 72% stake
- Share Price of \$0.87



SGD 0.905

Based on the Trading Comparables method, the indicative share price of Indofood is SGD 0.94



Average FY14E
PER: 13.5x

Average FY14E
EV/EBITDA: 9.9x

	EV / EBITDA	Price Earnings Ratio
Estimated Enterprise Value	~USD 3.2bn	N.A.
Net Debt	~USD 1.1bn	N.A.
Estimated Equity Value	~USD 2.1bn	~USD 1.1 bn
Shares Outstanding	1.4 bn	1.4 bn
Estimated Share Price	USD 1.05 (SGD 1.33)	USD 0.74 (~SGD 0.94)
Implied PER	19.1x	13.5x

A reasonable test indicates that we should not accept the value obtained as the implied PER obtained via the EV / EBITDA computation is higher than Malaysian CPO players

Source: Bloomberg

Based on the Sum of The Parts method, the indicative share price of Indofood is SGD 0.87

Financial Year	2014E	2015E	2016E
EBIT	445	495	518
NOPAT	334	371	389
Add: D&A	181	191	202
Less: CAPEX	(378)	(401)	(406)
Less: Change in NWC	(115)	(55)	(31)
Free cash flow to firm	22	106	153

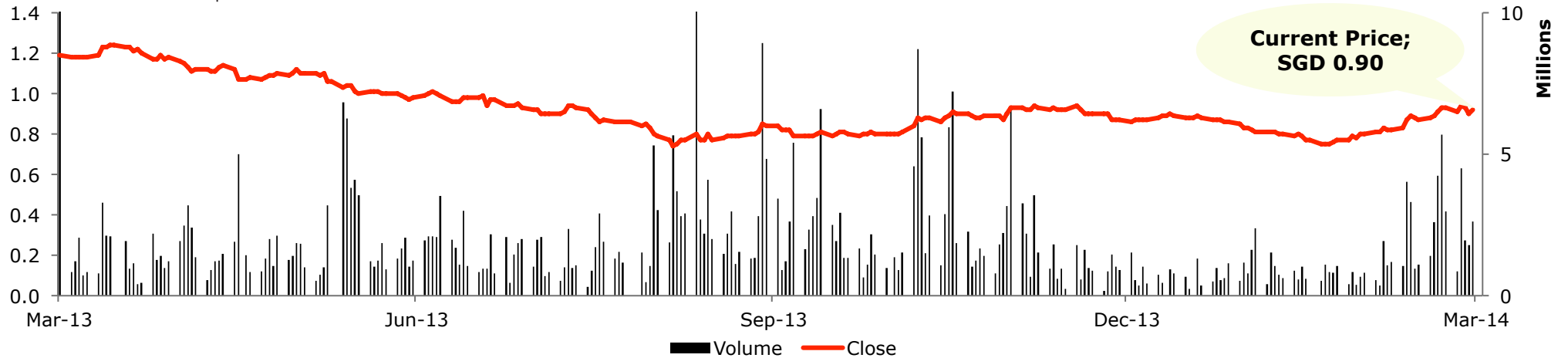
Via the DCF, the estimated equity value is ~USD 1.7bn



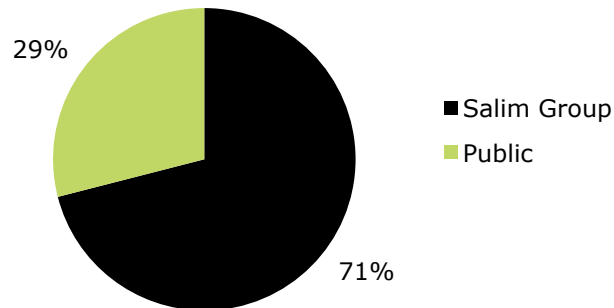
Valuation of IndoAgri stake in SIMP	1,221
Net Cash / (debt) at holding company level	87
Equity Valuation of IndoAgri (Before discount)	1,309
Holding Company Discount	5%
Equity Valuation of IndoAgri (After discount)	1,243
Shares Outstanding	1,427
Estimated Share Price	0.87

Share price performance and valuation

Historical share prices in last 52 weeks



Shareholdings breakdown



Key valuation parameters

Key stats	Value
Market Cap (USD mn)	1,033
Enterprise Value (USD mn)	2,168
52 week H / L price (SGD)	1.23 / 0.72
Revenue (FYE Dec 13)	1,282
EBITDA (FYE Dec 13)	253
EV / EBITDA (FY13)	8.6x
EV / EBITDA (FY14E)	8.1x
PER (FY13)	19.5x
PER (FY14E)	13.6x

Brokers' recommendation

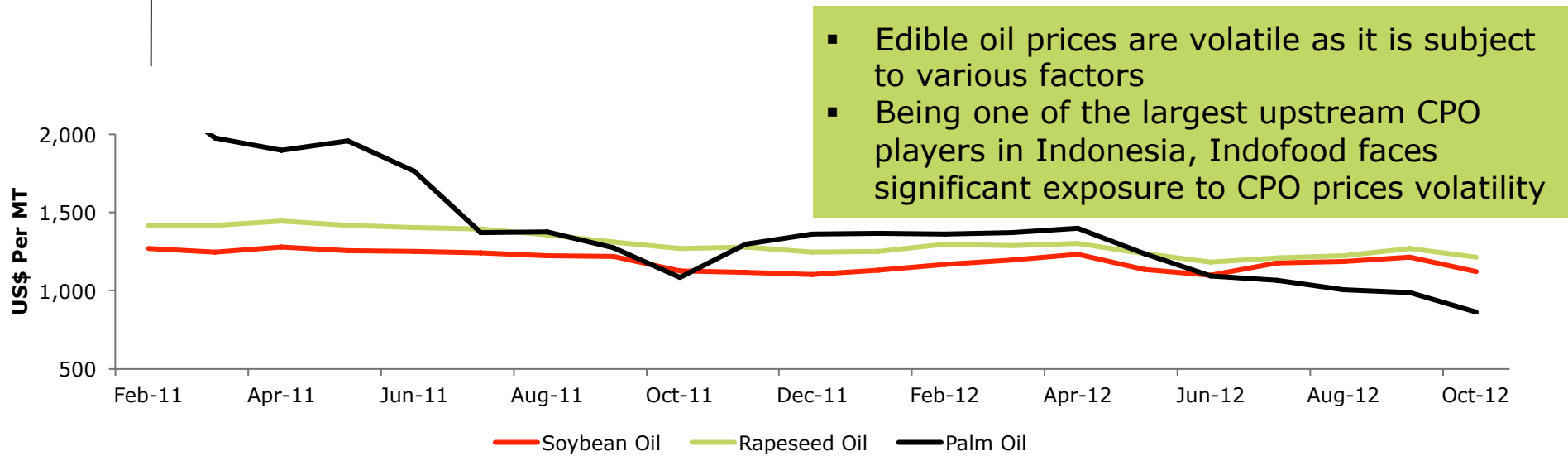
Brokerage house	Target Price (SGD)	Recommendation
JP Morgan (Mar 10, 2014)	0.85	Sell
DBS Vickers (Mar 3, 2014)	1.00	Buy
CIMB (Mar 2, 2014)	0.89	Hold

Source: Yahoo Finance, Bloomberg, Brokers reports

Section IV

Downside risks

Downside risks



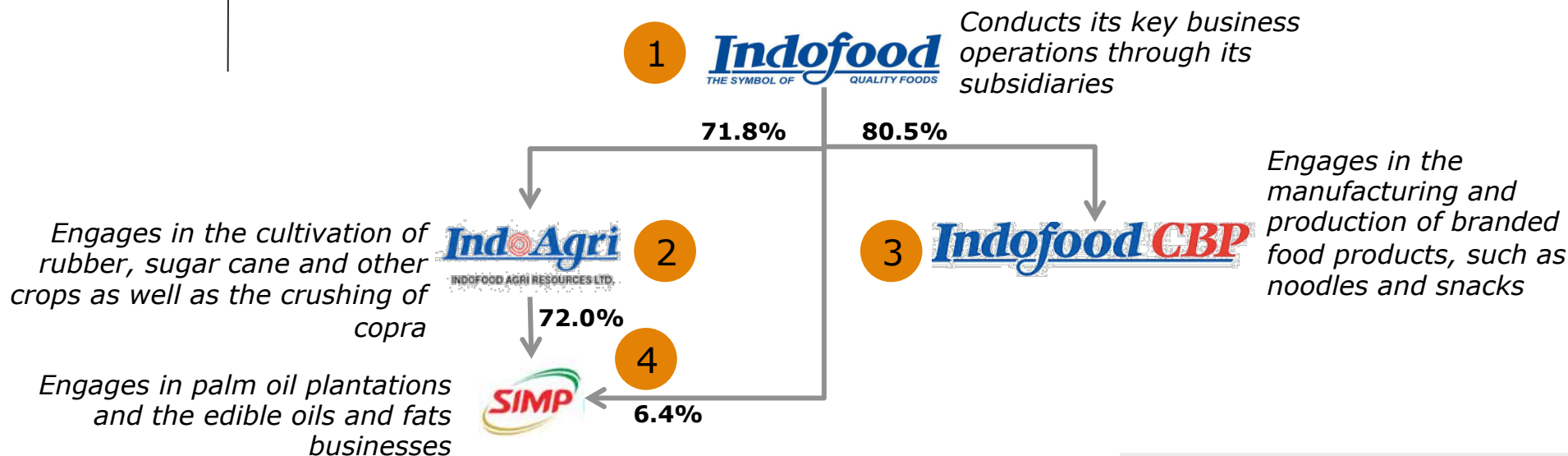
Current Ratio	Cash position	Net debt / Equity	Net debt / EBITDA	Interest Coverage
1.07x	USD 312mn	38.5%	1.9x	7.3x
Low liquidity risk			Low solvency risk	

Note: Interest coverage is defined as EBITDA / Interest expense

Section V

Holding company discount analysis

Case study of holding company discount



Listed holding companies may trade at a discount to their listed operating subsidiaries due to:

- Blended valuation multiples of the subsidiaries
- Structural subordinations of cash flows
- Investors do not reward the holding company for its diversification benefits as investors can diversify themselves

	Entity	Stock exchange	Market Cap.	FY14 P/E	FY14 P/B
1	Indofood Sukses Makmur	JSE	~USD 5.8bn	15.5x	2.2x
2	Indofood Agri Resources	SGX	~USD 1.0bn	13.2x	0.8x
3	Indofood CBP Sukses Makmur	JSE	~USD 5.6bn	22.9x	4.2x
4	Salim Ivomas Pratama	JSE	~USD 1.3bn	17.4x	1.0x

Source: Company

Thank you very much

Question and Answer