

COMPANY RESULTS

First Resources (FR SP)

FY24: Within Expectations; Production Growth Likely To Continue In 2025

FR reported FY24 core net profit of US\$229m (+56% yoy) which met our expectations but exceeded the street's, at 104%/113% of respective full-year forecasts. 4Q24 earnings rose 33% qoq, driven by higher ASPs, while production continued to grow on a yoy basis. Management anticipates continued nucleus FFB growth of 5% yoy in 2025. Maintain BUY with a higher target price of S\$1.75.

4Q24 RESULTS

Year to 31 Dec (US\$m)	4Q24	qoq % chg	yoy % chg	2024	yoy % chg	Comments
Revenue	327.6	29.0	15.6	1038.7	5.9	
EBITDA	148.3	79.1	123.4	399.0	41.2	
Net Profit	80.8	32.5	254.2	245.8	69.1	Core profit +56% yoy to US\$228.8m
EBITDA Margin	45.3	12.7	21.9	38.4	9.6	
Net profit margin	24.7	0.7	16.6	23.7	8.8	

Source: First Resources, UOB Kay Hian

RESULTS

- Within expectations.** The sharp rise in first Resources' (FR) profitability in 2024 was due to higher upstream ASPs on top of improved processing margins. EBITDA contributions from its plantations segment grew 21% yoy to US\$393m with CPO ASP of US\$1,006/tonne (2023: US\$900/tonne), while its downstream segment posted EBITDA of US\$18.4m – up from FY23's EBITDA loss of US\$40.6m given positive product margins on top of a 6% sales volume growth. On a sequential basis, FR's net profit rose 33% qoq to US\$81m, underpinned by higher upstream ASPs in late-24. In tandem with 2024's higher profitability, FR declared a full-year DPS of S\$0.098 (2023: S\$0.062) – still based on a 50% payout of underlying net profit.
- Improved operational performance.** For the full year, FR registered commendable FFB production growth of +5.9% yoy (+6.4% yoy for nucleus FFB). This exceeded not only management's previous full-year target of a 0-5% yoy growth, but also well surpassed its peers with Indonesia's industry production declining by single digits yoy in 2024. The group's CPO cash cost, while missing management's prior target of US\$280-300/tonne nonetheless continued to ease to US\$310/tonne vs 2023's average of US\$327/tonne, driven by higher production. In addition to higher ASPs, unit EBITDA per nucleus CPO tonne consequently rose from US\$445/tonne in 2023 to US\$565/tonne in 2024. The group also managed to achieve 100% fertilisation application in 2024. Net gearing position remained benign at <0.1x as at end-24.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2022	2023	2024	2025F	2026F
Net turnover	1,225	981	1,039	1,420	1,150
EBITDA	425	199	399	452	401
Operating profit	346	117	333	355	307
Net profit (rep./act.)	340	145	246	255	220
Net profit (adj.)	354	147	229	255	220
EPS (US\$ cent)	22.3	9.2	15.5	13.4	13.8
PE (x)	4.7	11.3	7.0	6.8	7.6
P/B (x)	1.3	1.3	1.5	1.4	1.2
EV/EBITDA (x)	4.4	9.4	5.4	4.7	4.6
Dividend yield (%)	13.9	6.1	6.7	7.4	5.7
Net margin (%)	27.7	14.8	23.7	18.0	19.1
Net debt/(cash) to equity (%)	(11.0)	5.7	9.5	2.2	(1.9)
Interest cover (x)	58.4	n.a.	47.9	50.6	72.1
ROE (%)	27.1	11.1	17.1	14.6	15.0
Consensus net profit	-	-	-	184	175
UOBKH/Consensus (x)	-	-	-	1.32	1.25

Source: First Resources, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$1.59
Target Price	S\$1.75
Upside	+10.1%
(Previous TP)	S\$1.65

COMPANY DESCRIPTION

Business activities include plantation, palm oil mill, refinery, fractionation, biodiesel and kernel crushing plants

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	FR SP
Shares issued (m):	1,549.3
Market cap (S\$m):	2,261.9
Market cap (US\$m):	1,673
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

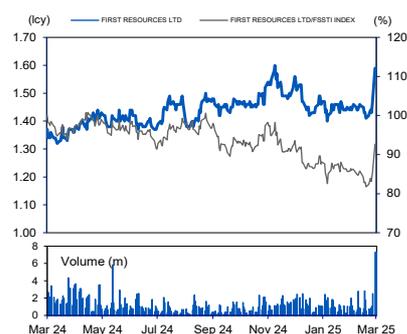
52-week high/low	S\$1.6/S\$1.3
1mth	0.7
3mth	(2.0)
6mth	(1.4)
1yr	4.3
YTD	(20)

Major Shareholders

Eight Capital	67.4
FMR LLC	6.0

FY24 NAV/Share (US\$)	0.89
FY24 Net Debt/Share (US\$)	0.09

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

Key highlights from briefing:

- **Production growth guidance at 5% for 2025.** After a strong operational performance from its estates in 2024 with its nucleus FFB growth of 6.4% exceeding its 0-5% growth target, management has set the production growth target for 2025 at 5%. The current average age of its trees stands at 14.2 years.
- **Cash cost guidance for 2025 set at US\$280-300/tonne.** This is similar to the full-year cost guidance for 2024 shared previously in 3Q24, while 2024's actual average cost came in at US\$310/tonne – relative to US\$327/tonne in 2023. The key driver of 2025's lower unit CPO cost was an improvement in FFB yields.
- **Stronger downstream contributions anticipated.** While 2024's improved downstream profitability was driven by margin improvement, management expects stronger contribution in 2025 led by higher production capacity, especially by its biodiesel operations whose refinery capacity nearly doubled to 1.3mtpa towards end-24. The group has also been allocated a higher biodiesel blending amount of ~1m tonnes for 2025 under Indonesia's B40 programme.

EARNINGS REVISION/RISK

- **Earnings forecast.** We raised 2025 EPS by 21% after accounting for: a) higher CPO price assumption of RM4,500/tonne from RM4,000/tonne; b) improved downstream profitability on higher sales volume; while also c) lowering our FFB growth assumptions slightly to 4% yoy, as we anticipate some signs of tree rest coming off a strong showing in 2024.

VALUATION/RECOMMENDATION

- **Maintain BUY with higher target price of S\$1.75** from S\$1.65 previously. This comes after revising our 2025 earnings forecasts, while also rolling forward our valuation horizon to 2025, based on a similar 8x PE multiple or -1SD to its five-year mean.

SHARE PRICE CATALYST

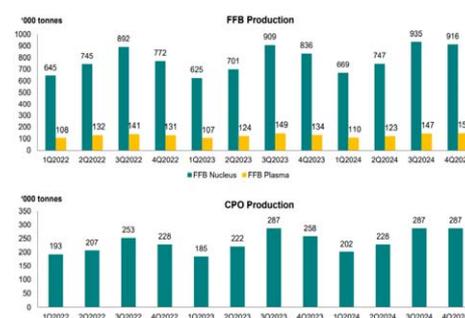
- Stronger-than-expected CPO price recovery.
- Higher-than-expected FFB and CPO production.
- Improved downstream contribution from expanded production capacity.

PRODUCTION HIGHLIGHTS

	4Q24	yoy % chg	FY24	yoy % chg
Production ('000 tonnes)				
Total FFB	1,066	9.9	3,798	5.9
Nucleus	916	9.6	3,267	6.4
Plasma	150	11.9	531	3.3
CPO	267	11.2	574	5.5
Productivity				
FFB yield tonnes /ha	5.5	0.5	19.5	1.1
OER (%)	21.6	0.9	21.9	-0.8

Source: FR

PRODUCTION TREND



Source: FR

PROFIT & LOSS

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F
Net turnover	981	1,039	1,420	1,150
EBITDA	199	399	452	401
Deprec. & amort.	82	-85	97	93
EBIT	117	333	355	307
Total other non-operating income	(6)	0	0	0
Net interest income/(expense)	3	(8)	(7)	(6)
Pre-tax profit	114	330	348	302
Tax	(45)	(72)	(76)	(68)
Minorities	(7)	(12)	(16)	(14)
Net profit	145	246	255	220
Net profit (adj.)	147	229	255	220

CASH FLOW

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F
Operating	315	333	295	421
Pre-tax profit	197	330	294	302
Tax	(80)	(68)	(66)	(68)
Deprec. & amort.	82	89	97	93
Working capital changes	101	(53)	(50)	71
Other operating cashflows	15	19	20	23
Investing	(356)	(232)	(132)	(92)
Capex (growth)	(184)	(200)	(100)	(60)
Capex (maintenance)	(162)	(20)	(20)	(20)
Investments	0	0	0	0
Proceeds from sale of assets	5	6	6	6
Others	(11)	(12)	(12)	(12)
Financing	(287)	15	(92)	(314)
Dividend payments	(171)	(110)	(107)	(329)
Issue of shares	0	0	0	0
Proceeds from borrowings	30	140	30	30
Loan repayment	(92)	(15)	(15)	(15)
Others/interest paid	(54)	0	0	0
Net cash inflow (outflow)	(328)	71	71	16
Beginning cash & cash equivalent	434	111	183	256
Changes due to forex impact	52	(4)	(4)	(3)
Ending cash & cash equivalent	163	183	256	274

BALANCE SHEET

Year to 31 Dec (US\$m)	2023	2024	2025F	2026F
Fixed assets	532	650	641	604
Other LT assets	837	855	862	865
Cash/ST investment	163	183	256	274
Other current assets	243	298	356	277
Total assets	1,775	1,987	2,117	2,023
ST debt	112	135	121	118
Other current liabilities	100	102	110	102
LT debt	126	183	168	130
Other LT liabilities	35	41	72	122
Shareholders' equity	1,303	1,413	1,520	1,410
Minority interest	98	112	126	140
Total liabilities & equity	1,775	1,987	2,117	2,023

KEY METRICS

Year to 31 Dec (%)	2023	2024	2025F	2026F
Growth				
Turnover	(20.0)	15.7	20.0	(15.5)
EBITDA	(53.1)	99.8	0.1	0.6
Pre-tax profit	(67.9)	165.1	(2.4)	2.7
Net profit	(57.2)	50.6	(2.4)	2.7
Net profit (adj.)	(58.6)	49.3	(2.4)	2.7
EPS	(58.7)	49.2	(2.5)	2.7
Profitability				
EBITDA margin	20.3	35.1	29.3	34.8
Pre-tax margin	11.6	26.5	21.6	26.2
Net margin	14.8	19.3	15.7	19.1
ROA	8.1	11.6	10.4	10.6
ROE	11.1	16.1	14.6	15.0
Leverage				
Debt to total capital	14.5	17.3	14.9	13.8
Debt to equity	18.2	22.5	19.0	17.6
Net debt/(cash) to equity	5.7	9.5	2.2	(1.9)
Interest cover (x)	n.a.	47.9	50.6	72.1

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