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KEY HIGHLIGHTS

Update

First Resources (FR SP/BUY/S\$1.42/Target: S\$1.65)
Strong earnings coming in in 3Q23. Upgrade to BUY.

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TRADERS' CORNER

Best World International (BEST SP): Trading BUY

Page 5

Singapore Airlines (SIA SP): Trading BUY

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33141.4	0.6	(2.5)	(2.4)	(0.0)
S&P 500	4247.7	0.7	(2.9)	(1.7)	10.6
FTSE 100	7389.7	0.2	(3.7)	(3.8)	(0.8)
AS30	7045.6	0.2	(2.7)	(3.2)	(2.4)
CSI 300	3487.1	0.4	(4.2)	(6.1)	(9.9)
FSSTI	3083.9	1.0	(2.8)	(4.1)	(5.1)
HSCEI	5799.4	(1.2)	(4.1)	(5.4)	(13.5)
HSI	16991.5	(1.1)	(3.7)	(4.2)	(14.1)
JCI	6806.8	1.0	(1.9)	(2.7)	(0.6)
KLCI	1435.7	(0.2)	(0.6)	(0.5)	(4.0)
KOSPI	2383.5	1.1	(3.1)	(4.5)	6.6
Nikkei 225	31062.4	0.2	(3.1)	(4.9)	19.0
SET	1391.0	(0.6)	(2.5)	(7.7)	(16.6)
TWSE	16309.8	0.4	(2.0)	(0.9)	15.4
BDI	1949	(3.4)	(5.3)	20.8	28.6
CPO (RM/mt)	3678	(0.4)	(0.8)	0.9	(9.2)
Brent Crude (US\$/bbl)	88	(2.0)	(2.0)	(5.6)	2.5

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
United Overseas Bank	27.66	0.1	86.4
DBS Group Holdings	33.15	0.4	78.6
Yangzijiang Shipbuilding	1.45	2.8	53.7
Singapore Airlines	6.09	2.4	50.3
Seatrium	0.12	2.7	47.5

TOP GAINERS

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
Digital Core REIT Management	0.53	9.4	2.1
Thomson Medical Group	0.06	4.6	0.2
Singapore Telecommunications	2.42	4.3	0.2
AEM Holdings	3.50	4.2	4.4
iFAST Corp	5.49	3.6	1.9

TOP LOSERS

Company	Price (S\$)	Chg (%)	5-day ADT (\$m)
Olam Group	0.88	(5.9)	1.8
Shangri-La Asia	4.90	(5.6)	0.0
Hongkong Land Holdings	3.17	(2.5)	8.5
Hutchison Port Holdings Trust	0.22	(2.3)	0.1
OUE	1.03	(1.9)	0.1

*ADT: Average daily turnover

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

COMPANY UPDATE

First Resources (FR SP)

3Q23 Preview: Strong Earnings Coming Through

Upgrade to BUY with the same target price of S\$1.65 given the softer share price performance. We recommend investors to BUY with the CPO uptrend in 4Q23-2024 as we expect FR's 3Q23 earnings to come in strongly at US\$70m-80m. This is on the back of higher upstream margins, thanks to high production, sales volume and lower fertiliser costs. Refining and processing margins may be at breakeven with better pricing and good sales volume.

WHAT'S NEW

• **3Q23 results preview.** We anticipate First Resources (FR) will make a substantial earnings contribution in 2H23, accounting for 60% of our full-year forecast for 2023. This projection is based on anticipated improvements in upstream margins and a decrease in fertiliser pricing. We expect robust earnings in 3Q23, with net profit estimated to be in the range of US\$70m-80m, representing a qoq increase but a yoy decrease (2Q23 core net profit: US\$52m; 3Q22: US\$116m). This positive outlook is primarily attributed to:

a) Peak production in 3Q23: We anticipate that FR's peak production will likely occur in 3Q23, contrary to market expectations of 4Q23. Despite the recent dryness and haze in Indonesia, FR may experience a smaller impact compared with its peers, as the affected areas are primarily located in South Sumatra, South Kalimantan, and Central Kalimantan whereas FR's estates are predominantly situated in Riau (64%), West Kalimantan (25%), and East Kalimantan (11%). With this, we still stick with our FFB production for FR at flat yoy which is in line with management's previous guidance of 0-5% yoy FFB production growth for 2023.

b) Lower fertiliser cost: Fertiliser prices have witnessed a significant decline of approximately 50% compared with Dec 22. This downward trend in fertiliser costs contributes to our expectation of improved operating margins. Furthermore, FR slowed down fertiliser application starting Aug 23 due to drier weather conditions.

c) Refining and processing margins improvement: Recall that FR's refining margin in 1H23 was negative, primarily due to intense pricing competition and domestic market obligations (DMO) commitments. We anticipate that the refining margin in 3Q23 will improve, driven by better selling prices and reduced DMO commitments post Lebaran. Additionally, we expect an enhanced contribution from biodiesel sales volume with higher domestic consumption, owing to a widening palm oil-gasoil spread.

KEY FINANCIALS

Year to 31 Dec (US\$m)	2021	2022	2023F	2024F	2025F
Net turnover	1,032	1,225	1,250	1,425	1,455
EBITDA	344	425	332	408	361
Operating profit	260	346	258	340	300
Net profit (rep./act.)	161	251	172	229	205
Net profit (adj.)	161	266	172	229	205
EPS (US\$ cent)	10.2	16.7	10.9	14.4	12.9
PE (x)	10.2	6.2	9.6	7.2	8.1
P/B (x)	1.4	1.3	1.2	1.1	1.0
EV/EBITDA (x)	4.4	3.6	4.6	3.7	4.2
Dividend yield (%)	6.6	14.0	7.3	9.7	8.7
Net margin (%)	15.6	20.5	13.8	16.1	14.1
Net debt/(cash) to equity (%)	2.1	(11.0)	(15.1)	(33.5)	(35.7)
Interest cover (x)	25.9	58.4	95.2	186.4	n.a.
ROE (%)	14.3	20.0	12.7	15.8	13.1
Consensus net profit	-	-	178	192	194
UOBKH/Consensus (x)	-	-	0.97	1.19	1.05

Source: First Resources, Bloomberg, UOB Kay Hian

BUY
(Upgraded)

Share Price	S\$1.42
Target Price	S\$1.65
Upside	+16.2%

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):	1,566.3
Market cap (S\$m):	2,224.1
Market cap (US\$m):	1,627.8
3-mth avg daily t'over (US\$m):	1.2

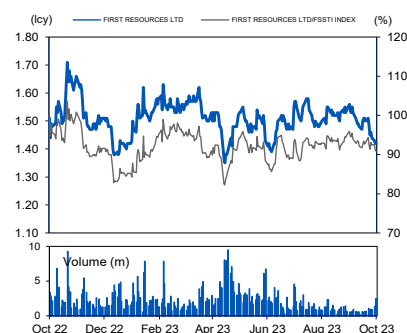
Price Performance (%)

52-week high/low	S\$1.71/S\$1.35			
1mth	3mth	6mth	1yr	YTD
(7.8)	(3.4)	(7.2)	(2.7)	(4.1)

Major Shareholders

Eight Capital	66.2
FY23 NAV/Share (US\$)	0.88
FY23 Net Cash/Share (US\$)	0.13

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Better sales volume in 2H23.** With the attractive widening of palm oil - gasoil spread, we expect better biodiesel demand in 2H23 and hence higher utilisation rate of FR's biodiesel plant. We expect FR's biodiesel plant to run close to 100%, thanks to strong domestic consumption. On top of that, we expect the CPO sales volume to be high in 2H23, given its attractive pricing. Note that Indonesia's CPO pricing has been very attractive as compared with its Malaysia peers, and the Indonesian domestic CPO pricing has been trading relatively firm thanks to the lower-than-market-expectation supply. With FR selling both crude and refined palm oil products domestically and internationally, we believe that FR would be benefitting directly.
- 4Q23 to be strongest quarter.** Despite 3Q23 having the highest CPO production, we reckon that 4Q23 earnings would be the strongest with higher sales volume and CPO prices being more attractive as compared with other vegoil prices. We also expect higher CPO ASP in 4Q23 with the anticipated worsening of El Nino in Nov/Dec 23.
- Share buybacks.** FR has been buying 161,500 of its own shares at the purchase price of S\$1.44; such a move signifies the company's confidence in its intrinsic value and its commitment to enhancing shareholder value.

EARNINGS REVISION/RISK

- Maintain earnings forecast.** Our net profit forecasts for 2023-25 are at US\$173m, US\$229m and US\$205m respectively.

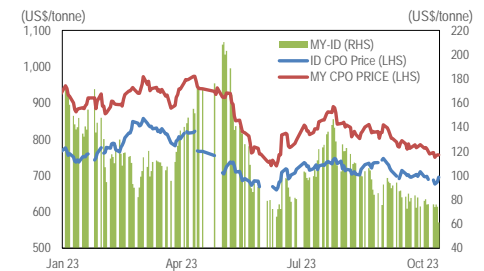
VALUATION/RECOMMENDATION

- Upgrade to BUY with the same target price of S\$1.65** with the recent share price correction. FR's share price has dropped by 10% from its recent peak in end-Sep 23 along with the weakening CPO prices (dragged by weak sunflower oil prices and other vegoil prices.)
- We recommend investors to BUY with the upcoming strong earnings as well as our in-house view of the upcoming CPO price uptrend in Nov/Dec 23 towards 2024. We peg our valuation at 8x 2024F PE.

SHARE PRICE CATALYST

- Stronger-than-expected CPO price recovery.
- Higher-than-expected FFB and CPO production.

FIRMER INDONESIA CPO SPOT PRICES



Source: UOB Kay Hian, Bloomberg

PROFIT & LOSS

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Net turnover	1,225	1,250	1,425	1,455
EBITDA	425	332	408	361
Deprec. & amort.	79	73	67	62
EBIT	346	258	340	300
Total other non-operating income	15	0	0	0
Net interest income/(expense)	(7)	(3)	(2)	3
Pre-tax profit	353	255	338	302
Tax	(88)	(71)	(95)	(85)
Minorities	(14)	(11)	(15)	(13)
Net profit	251	172	229	205
Net profit (adj.)	266	172	229	205

CASH FLOW

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Operating	326	282	311	294
Pre-tax profit	428	255	338	302
Tax	(99)	(71)	(95)	(85)
Deprec. & amort.	79	73	67	62
Working capital changes	(99)	2	(25)	(16)
Other operating cashflows	18	23	25	31
Investing	(56)	(43)	(43)	(43)
Capex (growth)	(58)	(44)	(43)	(42)
Capex (maintenance)	(19)	(19)	(19)	(19)
Investments	0	0	0	0
Proceeds from sale of assets	4	5	6	7
Others	21	20	19	18
Financing	(217)	(71)	(100)	(87)
Dividend payments	(87)	(86)	(115)	(102)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	30	30	30
Loan repayment	(114)	(15)	(15)	(15)
Others/interest paid	(16)	0	0	0
Net cash inflow (outflow)	53	167	168	163
Beginning cash & cash equivalent	381	434	601	771
Changes due to forex impact	(4)	(114)	(4)	(114)
Ending cash & cash equivalent	440	492	771	827

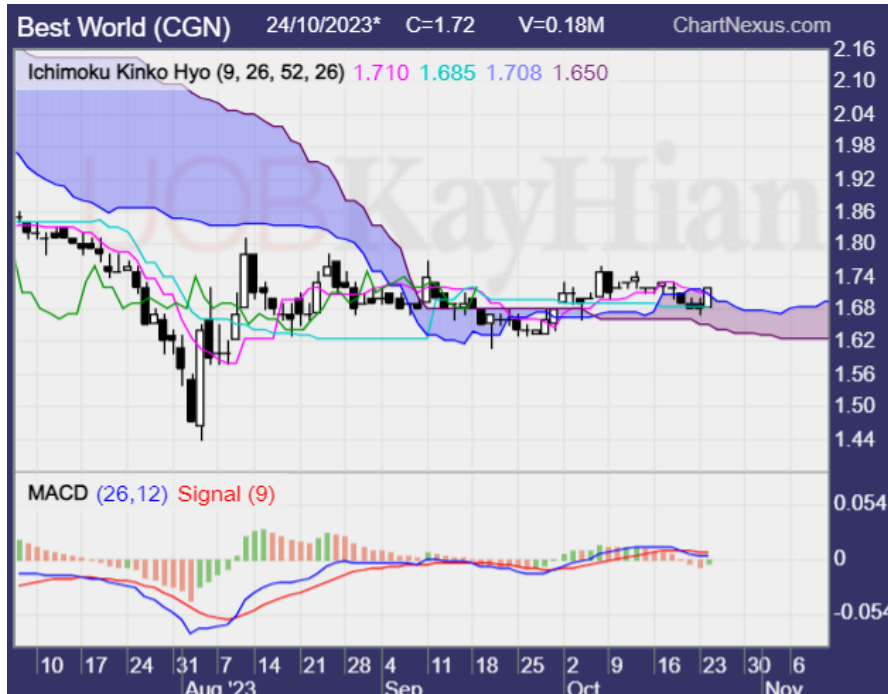
BALANCE SHEET

Year to 31 Dec (US\$m)	2022	2023F	2024F	2025F
Fixed assets	395	360	330	305
Other LT assets	695	722	733	760
Cash/ST investment	440	492	771	827
Other current assets	302	249	279	295
Total assets	1,833	1,824	2,114	2,188
ST debt	93	93	93	93
Other current liabilities	106	58	63	64
LT debt	202	187	172	157
Other LT liabilities	32	(11)	160	133
Shareholders' equity	1,310	1,396	1,510	1,613
Minority interest	89	100	115	128
Total liabilities & equity	1,833	1,824	2,114	2,188

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	34.7	26.5	28.6	24.8
Pre-tax margin	28.8	20.4	23.7	20.8
Net margin	20.5	13.8	16.1	14.1
ROA	13.5	9.4	11.6	9.5
ROE	20.0	12.7	15.8	13.1
Growth				
Turnover	18.7	2.0	14.0	2.1
EBITDA	23.3	(21.9)	22.9	(11.3)
Pre-tax profit	43.6	(27.9)	32.8	(10.6)
Net profit	55.8	(31.3)	32.8	(10.6)
Net profit (adj.)	64.8	(35.1)	32.8	(10.6)
EPS	64.8	(35.1)	32.7	(10.7)
Leverage				
Debt to total capital	17.5	15.8	14.1	12.6
Debt to equity	22.6	20.1	17.6	15.5
Net debt/(cash) to equity	(11.0)	(15.1)	(33.5)	(35.7)
Interest cover (x)	58.4	95.2	186.4	n.a.

TRADERS' CORNER



Best World International (BEST SP)

Trading Buy range: S\$1.70-1.71
 Last price: S\$1.72
 Target price: S\$1.92
 Protective stop: S\$1.66

The price is trading inside the cloud, keeping the uptrend intact. Conversion and base lines remain in a bullish crossover that hints at potential upside ahead. The MACD is bullish and a bullish crossover is likely. These could increase chances of the stock price moving higher.

The potential upside target is S\$1.92. Stop-loss could be placed at S\$1.66.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)



Singapore Airlines (SIA SP)

Trading Buy range: S\$6.07-6.08
 Last price: S\$6.09
 Target price: S\$6.50
 Protective stop: S\$5.85

The price could have formed a bottom at S\$5.86 two days ago. It formed a morning doji star reversal candlestick pattern, hinting at more upside ahead. There is potential divergence warning given from the RSI. These could increase chances of the stock price moving higher.

The potential upside target is S\$6.50. Stop-loss could be placed at S\$5.85.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental SELL and target price of S\$6.44.

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