

## DATA BRIEF & ANALYSIS

### FELDA GLOBAL – strong selling mopped up, uncertainty lingers

- 736 million shares (equivalent 34% of IPO shares issued) traded at value of RM3.9 billion.
- RM616 million in profits pocketed by IPO share holders?
- Cloudy outlook remains – significant broker reports for “underperform” on the company’s shares.
- Heavy selling pressure has been quite well absorbed by market buyers. Who are the big buyers?
- Shares drifting down toward RM5 after quick ramp up to RM5.50 from listing price of RM4.45-4.55/share (IPO on 28 June 2012).

#### IPO shares allocation, 87% reserved for MITI Bumi investors and other institutional investors

In summary, the IPO Shares will be allocated and allotted (subject to clawback and reallocation provisions and Over-allotment Option) in the following manner:

Categories	Offer for Sale		Public Issue		Total	
	No. of FGVH Shares	% of enlarged share capital	No. of FGVH Shares	% of enlarged share capital	No. of FGVH Shares	% of enlarged share capital
<b>Retail Offering:</b>						
Malaysian public (via balloting)	-	-	36,481,500	1.0	36,481,500	1.0
- Bumiputera	-	-	36,481,500	1.0	36,481,500	1.0
- Non-Bumiputera	-	-	91,204,000	2.5	91,204,000	2.5
- Eligible FELDA Settlers	-	-	-	-	-	-
- Eligible Employees and persons who have contributed to the success of our Group	-	-	109,444,000	3.0	109,444,000	3.0
<b>Total</b>	-	-	<b>273,611,000</b>	<b>7.5</b>	<b>273,611,000</b>	<b>7.5</b>
<b>Institutional Offering:</b>						
MITI approved Bumiputera investors	-	-	419,537,000	11.5	419,537,000	11.5
Other institutional investors	1,208,890,900	33.1	286,852,000	7.9	1,495,742,900	41.0
<b>Total</b>	<b>1,208,890,900</b>	<b>33.1</b>	<b>706,389,000</b>	<b>19.4</b>	<b>1,915,279,900</b>	<b>52.5</b>
<b>Grand Total</b>	<b>1,208,890,900</b>	<b>33.1</b>	<b>980,000,000</b>	<b>26.9</b>	<b>2,188,890,900</b>	<b>60.0</b>

The completion of the Retail Offering and Institutional Offering are inter-conditional. Our IPO is subject to compliance with the public shareholding spread requirement as per the Bursa Securities LR.

Our estimate of the likely “loose holders” (shorter term investors) of shares from the Felda Global IPO allocation categories and the shares allocated to each:

- Malaysia public\*, 73 million
- Felda settlers\*, 91.2 million
- Felda employees & persons who contributed\*, 109.4 million
- MITI approved Bumi investors\*\*, 419.5 million

Sub-total: 693.1 million shares.

Grand total of IPO shares: 2,189 million shares.

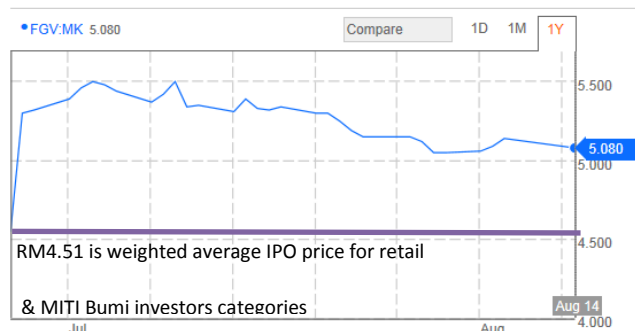
Thus, “loose holders” were 32% of total IPO shares.

Note: \*retail \*\*institutional

Source: Felda Global’s Draft Prospectus

#### Share price drifts downward after impressive listing-day ramp up

Stock Chart for FGV >>



Source: Bloomberg with annotation by Khor Reports

- Felda Global was listed on 28 June 2012; the retail portion was priced RM4.45/share and the institutional portion RM4.55/share.
- On listing day, the price was ramped up. A high of RM5.51 was reached on 5 July and a low of RM5.03 was on 3 Aug.
- The weighted average price of shares traded since listing, over 33 trading days, is about RM5.26.
- Price movement not suggestive of a day-trading stock, and price has been drifting downward.

## 736 million shares traded – have most “loose holders” sold and pocketed RM 616 million of gains?

<HELP> for explanation.

EquityHP

MALAYS/CLOSE/PRICE			Page 1/1   Historical Price Table		
FELDA GLOBAL VENTURES (FGV HK) PRICE 5.04 K MVR DELAYED					
Range	06/28/2012	-	08/14/2012	Period	Daily
				Market	Weighted Av
				Currency	MVR
	High	5.5097	on	7/ 5/12	
	Avg	5.2623	Vol	21742232	
	Low	5.0301	on	8/ 3/12	
DATE	MT AVG	VOLUME	DATE	MT AVG	VOLUME
F 7/27	5.1415	8830300	F 7/ 6	5.4244	15789300
T 7/26	5.1878	13869300	T 7/ 5	5.5097	15084000
W 7/25	5.2539	8543600	W 7/ 4	5.4936	29902600
T 8/14	5.0759	3466700	T 7/24	5.2853	8363800
M 8/13	5.1076	3316100	M 7/23	5.3070	3504500
F 8/10	5.1100	2427400	F 7/20	5.3186	2578900
T 8/ 9	5.1200	4768200	T 7/19	5.3282	11659700
W 8/ 8	5.1233	7725300	W 7/18	5.3441	3498100
T 8/ 7	5.0992	6166200	T 7/17	5.3802	12258500
M 8/ 6	5.0599	2734200	M 7/16	5.3166	14072600
F 8/ 3	5.0301	9720500	F 7/13	5.3542	8554800
T 8/ 2	5.0307	17091600	T 7/12	5.3796	10844800
W 8/ 1	5.1256	11288400	W 7/11	5.4794	83489200
T 7/31	5.1445	8520400	T 7/10	5.4000	23260000
M 7/30	5.1396	8712800	M 7/ 9	5.3796	12882700

According to Bloomberg data, 28 Jun to 13 Aug 2012:

- 736.1 million shares traded.
- RM3.9 billion of share value.

From our analysis:

- Number of shares sold since IPO is 1.06x the number of shares held by “loose holders.” This suggests that many short-term investors have sold.
- Has RM616 million in profits been pocketed by IPO share holders? This assumes all shares sold are from IPO holders.

Source: Bloomberg

### Market buying of Felda Global shares has been strong

EPF, 2011 Annual Report

	RM billion		RM billion
Total investments	469	Total contribution, 2011	41.4
Total equity	167	Average monthly contribution	3.5
% equity	36%	Monthly estimated equity buying power	1.2

- RM3.9 billion worth of shares mopped up is very big; to illustrate the size context, this exceeds the theoretical 3-month equity buy power of EPF and it is 2.3% of its

equity portfolio. EPF is Malaysia’s largest (pension) fund.

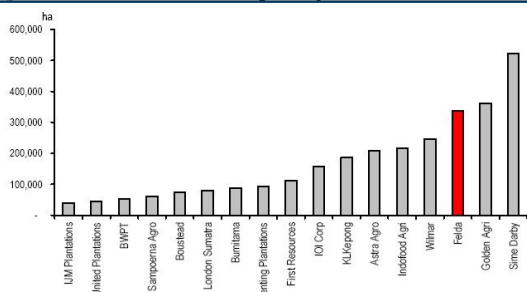
- Examine shareholding statistics for Felda Global in due course for information on top shareholders. Its rapid inclusion in the FTSE-KLCI would make it a buy for many index-funds.

### Cloudy outlook for Felda Global

- Felda Global's shares closed on listing day at RM5.30, for a gain of 19% on the RM4.45 per share price for the public (institutions paid RM4.55)#. At this price, its earnings valuation is 15.7x, compared to 17.5x for KL Kepong, 14.4x for Sime Darby and 9.5x for Golden Agri<sup>1</sup>.
- Significant “underperform” reports have been issued on Felda Global by various brokers, including<sup>2</sup>:
  - July, Credit Suisse issues "underperform" rating on Felda Global with price target RM4.90.
  - Macquarie Equities Research’s report on 29 June 2012, gives a price target of RM3.85.
- Analysts are lacklustre on Felda Global’s outlook due to its unusually aged tree profile. It requires massive replanting and this implies flat / no growth in CPO production.
- While Felda Global holds assets of value, its earnings are “below par”.
- Thus, on a NAV basis, some value its shares at about RM5.25. But, on a price-to-earnings ratio basis on forward earnings (benchmarked against Malaysia-listed plantations), valuations are close to and even below the IPO price; worse if valued against Singapore-listed plantations.

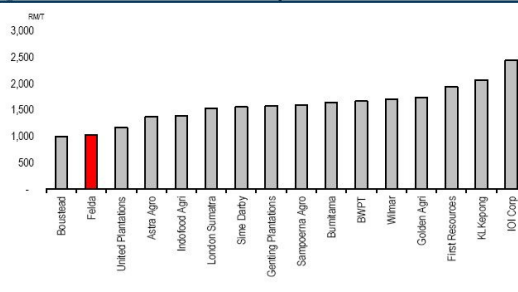
### Felda Global is #3 plantation by land bank, earnings widely regarded as “sub-par” with lofty valuation

Figure 1: FGV is the third largest by land-bank size



Source: Company data

Figure 2: 2011 estimated EBIT per tonne



Source: Company data, CS estimates

Source: Excerpts from Credit Suisse’s July report on Felda Global

<sup>1</sup> More information here: <http://khorreports-palmoil.blogspot.com/2012/06/felda-global-leaps-to-target-on-debut.html>  
<sup>2</sup> More information here: <http://khorreports-palmoil.blogspot.com/2012/07/felda-global-report-by-cs.html>

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