First Resources (FR SP)

3Q26: Above Expectations On Strong Output; Consensus Looks Too Low For 4Q

Highlights

- FR's 9M26 core net profit of US$338.9m (+41.5% yoy) was above expectations at 78%/80% of our/consensus full-year forecasts respectively. 3Q26 core net profit rose 40.1% yoy to US$122.7m on 16.4% higher CPO output, but only 2.6% qoq as a larger share of lower-margin bought-in fruit kept margins flat.
- Consensus implies 4Q26 core net profit of about US$83m, 32% below the 3Q26 run-rate and 30% below 4Q25's US$118.6m, even as FR enters its seasonal production peak. September CPO output of 142,000 tonnes was the highest month this year.
- We raise 2026F net profit by 4.3% and keep 2027-28F unchanged. Maintain BUY with an unchanged target price of S$5.09, based on 14x 2027F PE. At S$2.97, FR trades at 8.0x 2026F PE.

3Q26/9M26 Results

Year to 31 Dec (US$m)	3Q26	qoq %	yoy %	9M26	9M25	yoy %
Revenue	**579**	**16.6**	**24.9**	**1,552**	**1,137**	**36.5**
EBITDA	207	16.1	26.6	552	426	29.5
Core net profit	**123**	**2.6**	**40.1**	**339**	**240**	**41.5**
EBITDA margin (%)	**35.8**	**36.0**	**35.4**	**35.5**	**37.5**	**(2.0)ppt**

Source: First Resources, UOB Kay Hian

Analysis

- **Above expectations.** First Resources' (FR) 9M26 revenue rose 36.5% yoy to US$1,552.2m, EBITDA increased 29.5% yoy to US$551.8m and core net profit rose 41.5% yoy to US$338.9m. The first nine months usually account for about two-thirds of full-year profit (9M25: 67%), so reaching 78% of our previous full-year forecast points to a stronger year than we had assumed.
- **Strong production momentum.** 3Q26 fresh fruit bunch (FFB) output rose 9.0% yoy to 1.42m tonnes and CPO production rose 16.4% yoy and 22.4% qoq to 421,925 tonnes. As PT Austindo Nusantara Jaya (ANJ) was consolidated in both quarters, the 3Q26 yoy growth is a like-for-like comparison. 9M26 CPO output rose 17.6% yoy, helped by ANJ's full nine-month contribution (9M25: five months). FFB yield improved to 15.9 tonnes/ha (9M25: 15.0) and the oil extraction rate to 21.7% (21.5%).

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	1,038.7	1,661.1	2,027.2	2,078.4	2,123.4
EBITDA	399.0	614.8	755.4	743.6	684.6
Net profit (rep./act.)	245.8	353.9	455.5	448.2	407.5
Net profit (adj.)	245.8	356.4	455.5	448.2	407.5
EPS (US cent)	15.5	22.5	28.8	28.3	25.7
PE (x)	14.3	9.9	8.0	8.1	8.9
P/B (x)	2.5	2.3	2.1	1.9	1.8
EV/EBITDA (x)	11.4	7.4	6.4	7.2	7.6
Dividend yield (%)	3.3	4.9	7.5	7.3	6.7
ROE (%)	18.3	24.4	28.0	24.8	20.6
Consensus net profit	n.a.	n.a.	422.2	434.8	418.4
UOBKH/Consensus (x)	n.a.	n.a.	1.08	1.03	0.97

Source: First Resources, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	S$2.97
Target Price	S$5.09
Upside	+71.4%
Previous TP	S$5.09

Stock Data

Sector	Consumer Staples
Bloomberg ticker	FR SP
Shares issued (m)	1,584.1
Market cap (S$m)	4,704.8
Market cap (US$m)	3,647.1
3-mth avg daily t'over (US$m)	2.9

Price Performance (%)

52-week high/low				5.24/1.93
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(29.1)	(19.3)	8.0	42.8	42.1

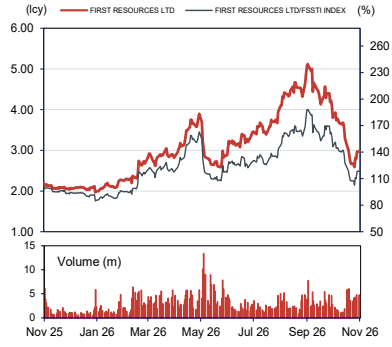
Major Shareholders (%)

Eight Capital Inc.	67.5
Infinite Capital Fund Limited	5.8

Balance Sheet Metrics

FY26 NAV/Share (US$)	1.09
FY26 Net Debt/Share (US$)	0.32

Price Chart



Source: Bloomberg

Company Description

First Resources is an Indonesia-based oil palm producer with 273,156ha of planted area. Operations span oil palm cultivation and palm oil mills, plus downstream refining, fractionation, biodiesel and kernel crushing plants.

- **More bought-in fruit, thinner margins.** CPO output grew 16.4% yoy in 3Q26 against 9.0% for FFB harvested from FR's own estates, with the oil extraction rate broadly flat at 21.4% (3Q25: 21.3%). That gap points to a much larger intake of third-party fruit. Bought-in fruit earns a thinner margin than own crop, which is why 9M26 EBITDA margin narrowed to 35.5% (9M25: 37.5%) even as EBITDA rose 29.5%. 3Q26 margin was steady at 35.8% (2Q26: 36.0%; 3Q25: 35.4%).
- **3Q26 growth came from output, not inventory.** 9M26 sales were helped by a net inventory drawdown of 28,000 tonnes (9M25: 80,000-tonne build-up). Since 1H26 alone saw a 39,000-tonne drawdown, FR rebuilt about 11,000 tonnes of stock in 3Q26. The quarter's 24.9% yoy revenue growth therefore came from higher output and purchases rather than from running down inventory.
- **Haze inquiry is the key overhang.** Singapore authorities issued notices in Oct 26 to FR and other Singapore-based companies under the Transboundary Haze Pollution Act. FR reiterated its Zero Burning Policy and said it is cooperating fully with both the Indonesian and Singapore authorities. FR's share price has fallen 34% since end-Sep 26.
- **Balance sheet and cash flow.** Gross gearing was 0.64x and cash stood at US$365.9m at end-Sep 26, with US$156.1m of undrawn committed facilities. Equity attributable to shareholders rose only 0.4% from end-25 to US$1,543.8m, as profits were offset by dividend payments and translation losses from the weaker rupiah.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of S$5.09,** based on 14x 2027F PE. We keep the target price unchanged as plantation sector valuations have de-rated and our 2027-28F forecasts are unchanged. At S$2.97, FR trades at 8.0x 2026F and 8.1x 2027F PE, which we think already reflects much of the haze-related risk.
- **CPO price assumptions unchanged.** We keep our CPO assumptions at RM4,500/tonne for 2026 and RM4,700/tonne for 2027. FR expects the impact of current El Niño conditions on production to be felt mainly in 2027, which supports our view of tighter supply and firmer prices next year. FR also expects the B50 mandate and elevated crude oil prices to support palm oil demand.

Earnings Revision/Risk

- **We raise our 2026F net profit forecasts by 4.3% to US$455.5m.** We now assume own FFB output of 5.12m tonnes (+9.5% yoy, from +6.1%), with 4Q26 output up 9% yoy, in line with 3Q26, and lift bought-in fruit to 1.76m tonnes (from 1.62m), holding 4Q26 purchases at around 4Q25's level. CPO production rises to 1.49m tonnes (+14.6% yoy). Our forecast implies 4Q26 core net profit of US$116.6m, slightly below 3Q26. We keep 2027-28F forecasts unchanged, which implies 2027 FFB output 4.1% lower yoy from the higher 2026 base as El Niño-related dryness feeds through.
- **Key risks:** a) an adverse outcome from the haze inquiry in Singapore; b) a sharper fall in 2027 production from El Niño-related dryness; c) a sharper fall in CPO prices; and d) changes to Indonesian export levies or the single-gate export policy from Jan 27.

Share Price Catalyst

- **Strong 4Q26 peak crop.** September was FR's highest output month this year. 4Q26 earnings in line with the 3Q26 run-rate would likely prompt consensus upgrades.
- **Supportive demand.** FR expects the B50 biodiesel mandate to keep domestic demand firm, while elevated crude oil prices support biodiesel economics.

Earnings Revision

Net profit (adj., US$m)	2026F	2027F	2028F
Previous	436.9	447.9	407.2
Revised	455.5	448.2	407.5
% change	**4.3**	**0.1**	**0.1**

Source: UOB Kay Hian

3Q26 Production Summary

'000 tonnes	3Q26	3Q25	yoy %
FFB harvested	1,420.7	1,303.0	9.0
- Nucleus	1,219.4	1,128.9	8.0
- Plasma	201.3	174.2	15.6
CPO produced	**421.9**	**362.5**	**16.4**
Efficiency			
FFB yield (tonnes/ha)	6.2	5.4	+0.8
OER (%)	**21.4**	**21.3**	**+0.1ppt**

Source: First Resources, UOB Kay Hian

9M26 Production Summary

'000 tonnes	9M26	9M25	yoy %
FFB harvested	3,655.5	3,330.1	9.8
CPO produced	1,078.5	917.0	17.6
PK produced	238.5	202.3	17.9
Efficiency			
FFB yield (tonnes/ha)*	15.9	15.0	+0.9
OER (%)	**21.7**	**21.5**	**+0.2ppt**

**9M25 adjusted for ANJ's contribution period. Source: First Resources, UOB Kay Hian*

Environmental, Social, Governance (ESG) Updates

Environmental	• 66% of nucleus plantations and 15 mills RSPO-certified; 92% ISPO-certified. • 2030 targets: -30.3% Scope 1 (FLAG) and -42% Scope 1+2 (non-FLAG) emissions vs 2022. • 15 methane capture facilities; Zero Burning Policy.
Social	• IDR40.3b community investment in 2025; 4,700+ students supported. • Plasma smallholders: 40,857ha (15% of planted area). • Two work-related fatalities in 2025 (target: zero).
Governance	• Board-level oversight of sustainability. • Anti-Bribery, Corruption and Money Laundering Policy since Feb 25; no cases in 2025. • Cooperating with authorities on the haze inquiry.

Source: First Resources Sustainability Report 2025, UOB Kay Hian

Profit & Loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	1,661.1	2,027.2	2,078.4	2,123.4
EBITDA	614.8	755.4	743.6	684.6
Deprec. & amort.	(115.0)	(116.0)	(118.8)	(119.2)
EBIT	494.6	639.4	624.8	565.5
Total other non-operating income	15.0	9.0	9.0	9.0
Net interest income/(expense)	(29.6)	(36.5)	(31.3)	(26.4)
Pre-tax profit	483.7	611.8	602.4	548.1
Tax	(110.1)	(135.8)	(134.0)	(122.2)
Minorities	(19.6)	(20.5)	(20.1)	(18.3)
Net profit	**353.9**	**455.5**	**448.2**	**407.5**
Net profit (adj.)	**356.4**	**455.5**	**448.2**	**407.5**

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	788.0	822.9	827.0	828.2
Other LT assets	1,271.4	1,205.9	1,270.9	1,335.9
Cash/ST investment	292.2	342.2	452.5	543.3
Other current assets	541.0	471.8	485.1	504.9
Total assets	**2,892.6**	**2,842.9**	**3,035.5**	**3,212.3**
ST debt	96.8	80.0	80.0	80.0
Other current liabilities	207.4	215.7	217.6	219.2
LT debt	857.6	770.0	770.0	770.0
Other LT liabilities	63.1	(93.2)	(101.8)	(108.0)
Shareholders' equity	1,537.6	1,719.8	1,899.1	2,062.1
Minority interest	130.0	150.5	170.6	188.9
Total liabilities & equity	**2,892.6**	**2,842.9**	**3,035.5**	**3,212.3**

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	**230.9**	**676.9**	**573.3**	**529.5**
Pre-tax profit	483.7	611.8	602.4	548.1
Tax	(110.1)	(135.8)	(134.0)	(122.2)
Deprec. & amort.	115.0	116.0	118.8	119.2
Working capital changes	(256.0)	92.4	(11.5)	(18.2)
Other operating cashflows	(1.6)	(7.5)	(2.3)	2.6
Investing	**(125.7)**	**(245.7)**	**(205.7)**	**(205.7)**
Capex	(120.0)	(240.0)	(200.0)	(200.0)
Financing	**293.9**	**(377.7)**	**(253.9)**	**(229.5)**
Dividend payments	(171.1)	(273.3)	(268.9)	(244.5)
Net change in debt	465.0	(104.4)	15.0	15.0
Net cash inflow/(outflow)	**399.1**	**53.4**	**113.7**	**94.2**
Beginning cash & cash equivalent	103.2	292.2	342.2	452.5
Ending cash & cash equivalent	**292.2**	**342.2**	**452.5**	**543.3**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	37.0	37.3	35.8	32.2
Pre-tax margin	29.5	30.2	29.0	25.8
Net margin	21.5	22.5	21.6	19.2
ROE	24.4	28.0	24.8	20.6
Growth				
Turnover	59.9	22.0	2.5	2.2
EBITDA	54.1	22.9	(1.6)	(7.9)
Net profit (adj.)	45.0	27.8	(1.6)	(9.1)
Leverage				
Debt to equity	62.1	49.4	44.8	41.2
Net debt/(cash) to equity	43.1	29.5	20.9	14.9
Interest cover (x)	11.5	12.9	13.4	12.1
Operating				
FFB harvested ('000 tonnes)	4,678	5,125	4,916	4,958
CPO produced ('000 tonnes)	1,303	1,493	1,416	1,425
CPO ASP net of levy (US$/t)	**825**	**858**	**896**	**854**

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