

REA Holdings

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REA Holdings presses on amid edible oil sector consolidation

Indonesian palm oil producer REA Holdings (LON:RE.) has no immediate plans to sell itself, its outgoing chairman said today, despite interest from larger rivals heating up.

Weak crude palm oil (CPO) prices and limited land space is driving consolidation in the sector which is dominated by Asian giants, such as Wilmar International and Bakrie Group.

Back in March, one of Malaysia's largest conglomerates, Sime Darby, wrapped up a £1.1bn takeover for New Britain Palm Oil (LON:NBPO) – paying an 85% premium for its shares.

That led analysts at VSA to predict more takeovers of London-listed players. Potential targets, it said, include AIM's MP Evans Group (LON:MPE), Anglo-Eastern Plantations (LON:AEP) along with REA itself.

"There is external interest from potential buyers," admitted Richard Robinow, REA's chairman, who will retire at the end of the year.

"However, we've received no official offers and I don't foresee any takeover in the short to medium term.

"We remain focused on our performance, developing the company and growing for our shareholders."

His comments came as REA reported a 14% rise in revenues, for last year, driven by record crop production and strong sales to local buyers.

Operating profit also climbed by 14% to US\$32.1m in 2014, up from US\$28.1m a year previously.

The group has sorted out issues around land compensation and said planting in the province of East Kalimantan, Indonesia should be quicker than the last two years.

To make the versatile commodity, used for cooking, cosmetics and biofuel, natural forests are converted to oil palm plantations.

REA's areas planted with oil palms amounted to 35,000 hectares last year, but the group wants an eventual 60,000 hectares.

The company's costs have fallen too, thanks to in-house production of compost and materials for its estate infrastructure.

Robinow added: "We're pleased with the continuing improvement in operational efficiencies, increasing planted

Price: 168.5

Market Cap: £73.83 m

1 Year Share Price Graph



October 2018 April 2019 October 2019

Share Information

Code: RE.

Listing: LSE

52 week High Low
268 93

Sector: Energy

Website: www.rea.co.uk

Company Synopsis:

R. E. A. Holdings plc is a UK public listed company of which the shares are admitted to the Official List and to trading on the main market of the London Stock Exchange. The REA group is principally engaged in the cultivation of oil palms in the province of East Kalimantan in Indonesia and in the production of crude palm oil (CPO) and crude palm kernel oil (CPKO).

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hectare and a restructured, strong and experienced management team in place in Indonesia and Singapore.

More challenging is the low crude palm oil price at US\$660 per tonne. The average price of CPO per tonne, CIF Rotterdam, in 2014, was US\$816, against \$856 in 2013.

The recent move by the Indonesian government to impose a levy of US\$50 per tonne on CPO exports is also difficult.

But Robinow remains optimistic: "We expect that further cost savings will be achievable and that the group will continue to generate good operating margins."

Shares added 2p to 317p. Broker finnCap has a 400p price target on REA.

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