

Why FEA is fundamentally different to Timbercorp and other agribusiness investment managers?

How is FEA's business model different to Timbercorp's?

To quote today's ASX release, "Timbercorp has previously announced that the Company's business model was no longer appropriate in the current environment due to the capital intensity of the projects and was in the process of transforming the business into an integrated agribusiness company."

The first significant difference between Forest Enterprises Australia Limited (FEA) and Timbercorp is that FEA is exclusively a forestry and forest products company - unlike Timbercorp which is involved in some Eucalypt forestry as well as a broad range of horticultural activities including olive oil, almonds, table grapes, citrus, mangoes and avocados.

Also, unlike some others in the managed forestry investment sector, FEA realised in 2001-02 that it had to change a business model that relied on a single revenue stream and increasing year-on-year managed investment scheme (MIS) sales.

We decided FEA should become a vertically integrated forestry and forest products company.

Although we have had to work very hard over the past seven years, we are now achieving that goal.

In 2009-10, our \$72 million Bell Bay sawmill will aim to process between 350,000 and 400,000 tonnes of our BassPine® and EcoAsh® branded timber products.

In addition, our jointly-owned SmartFibre Pty Ltd wood fibre processing and marketing operation profitably exported over 500,000 tonnes of wood fibre in 2007-08.

Our MIS sales and distributor base have risen consistently in recent years, and we are optimistic that this trend will continue.

Importantly, FEA has exceeded initial returns projections for its first 1993 forestry investment (The Tasmanian Forests Trust No 1, ARSN: 093 165 210) which was clearfall harvested in mid-2008.

However, as well as its success in MIS, FEA now has very significant additional revenue streams.

Although no company is immune from the effects of the current global financial crisis, FEA faces the immediate future from a position of relative strength and optimism.

A comparison of FEA's financial position relative to Timbercorp

The following table compares some key financial indicators for FEA and Timbercorp.

This table is based on last full financial year (FEA July 07 to June 08; Timbercorp October 07 to September 08) reported data and was collated and supplied by LINWAR Securities.

Code	Company Name	Price 23Apr09 (\$)	Market Cap (\$M)	Total Debt (\$M)	%Short Term Debt	Net Debt (\$M)	Shareholder Funds (\$M)	NTA per share (\$)	EBITDA (\$M)	EBIT (\$M)	Int Exp (\$M)	Gearing D/(D+E)	Int Cover (EBIT/IE)	EV (\$M)	EV / EBITDA	Price / NTA
FEA	FEA Limited	0.185	75.0	206.8	26.0%	197.2	297.7	0.73	70.0	68.0	4.1	41.0%	16.5	272.1	3.9	0.25
TIM	Timbercorp	0.044	15.5	808.4	54.5%	775.7	595.6	1.30	113.8	98.2	82.0	57.6%	1.2	791.2	7.0	0.03