

Bumitama Agri (BAL SP)

Bigger beneficiary of CPO spot prices going forward

Simply irresistible

BAL has immaterial forward sales going into 4Q21 and 2022. With still elevated CPO price in 4Q21 and higher QoQ output, BAL may just deliver another set of strong quarterly results. BAL is committed to its dividend policy to pay up to 40% of recurring profits. BUY for its attractive valuation of ~6x PER and net dividend yields of ~6%. We maintain our BUY call with an unchanged TP of SGD0.93 on 11x FY22 PER, its 5Y mean.

Key takeaways post 3Q briefing

We hosted BAL on a post 3Q results brief. Key takeaways: (i) It has immaterial forward sales in 4Q21 and 2022. (ii) There were no material one-off items in 3Q results although there was a bit of FX gains. (iii) Above average rainfall was experienced at its estates in Central and West Kalimantan estates since Aug 2021. (iv) High rainfall slowed its fertilizing activities in 3Q21. And as rainfall was still plentiful in 4Q21, there is risk that 2021's fertilizing programme may not be completed but deferred into 1Q22. (v) It has secured fertilizer requirements till April 2022. Recent fertilizer purchase cost 30%-40% more than a year ago. For FY21, BAL maintains its 2021's cash cost guidance of ~IDR4,400/kg (flat YoY), and (vi) 2021 capex guidance retained at IDR1tr.

Our 10% FFB growth assumption for FY21 intact

BAL maintains its earlier 2021's guidance of 1H:2H FFB output ratio at 50:50 (historically 45:55) as it experienced a mini-peak in 2Q21. BAL expects 4Q21 output to be stronger QoQ but lower YoY. We maintain our 10% YoY FFB output growth for FY21, at the lower end of BAL's earlier growth guidance of 10-15% YoY.

Maintaining our FY21E-23E EPS forecasts

We maintain our FY21E-23E EPS forecasts. For FY22E, we have factored in a 21% YoY increase in unit cost of production in view of rising cost pressures. Our FY22E EPS is based on our industry-wide CPO ASP forecast of MYR3,200/t for 2022. For every MYR100/t increase in CPO ASP assumption, our FY22E EPS is estimated to increase by about 3.8%.

FYE Dec (IDR b)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	7,691	9,102	11,713	12,619	12,456
EBITDA	1,664	2,575	3,179	3,069	3,185
Core net profit	552	1,145	1,532	1,543	1,634
Core EPS (IDR)	317	660	883	890	942
Core EPS growth (%)	(53.0)	107.9	33.8	0.7	5.9
Net DPS (IDR)	91	262	353	356	377
Core P/E (x)	26.0	8.2	6.4	6.4	6.0
P/BV (x)	1.8	1.0	1.0	0.9	0.8
Net dividend yield (%)	1.1	4.8	6.2	6.3	6.7
ROAE (%)	8.7	13.2	15.9	14.9	14.4
ROAA (%)	3.2	6.4	8.1	7.8	7.9
EV/EBITDA (x)	13.2	6.3	5.2	5.2	4.8
Net gearing (%) (incl perps)	65.9	49.5	40.2	31.5	21.9
Consensus net profit	-	-	1,482	1,539	1,579
MKE vs. Consensus (%)	-	-	1.3	0.3	3.5

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BUY

Share Price	SGD 0.54
12m Price Target	SGD 0.93 (+74%)
Previous Price Target	SGD 0.93

Company Description

Bumitama Agri Ltd. is an investment holding company, which engages in the operation of oil palm plantations and mills in Indonesia.

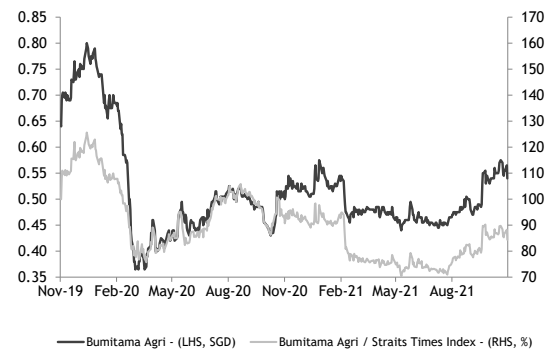
Statistics

52w high/low (SGD)	0.58/0.44
3m avg turnover (USDm)	0.3
Free float (%)	47.1
Issued shares (m)	1,758
Market capitalisation	SGD949.1M
	USD700M

Major shareholders:

Fortune Corp. Ltd. /SG/	52.3%
IOI Corp	32.0%
FIL Investment Management (Singapore) Lt	0.7%

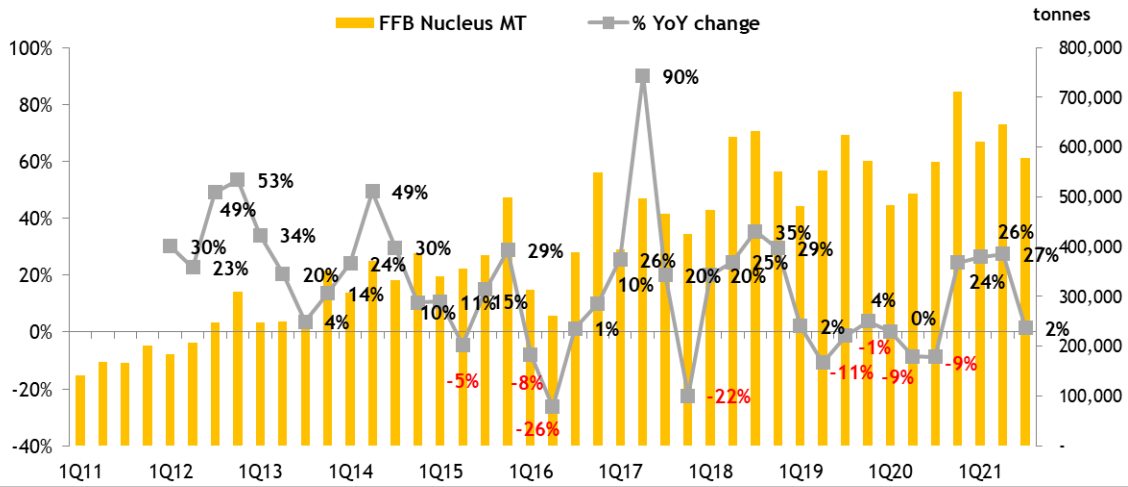
Price Performance



	-1M	-3M	-12M
Absolute (%)	0	16	7
Relative to index (%)	(2)	13	(9)

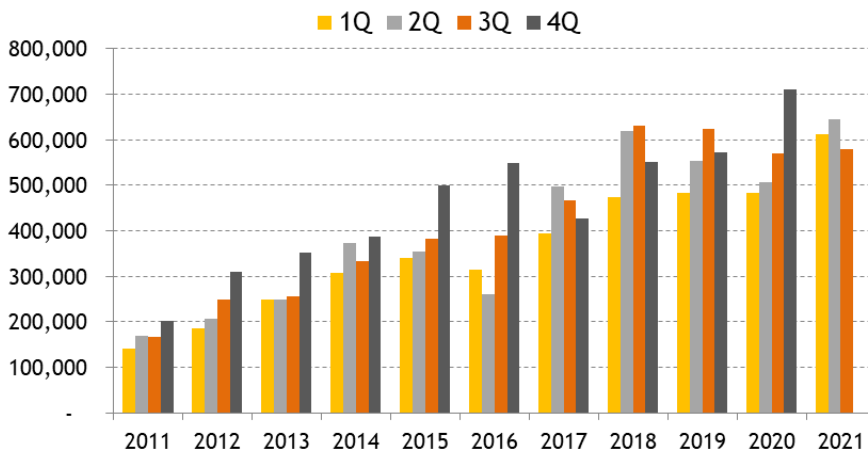
Source: FactSet

Fig 1: Quarterly FFB nucleus output & YoY growth



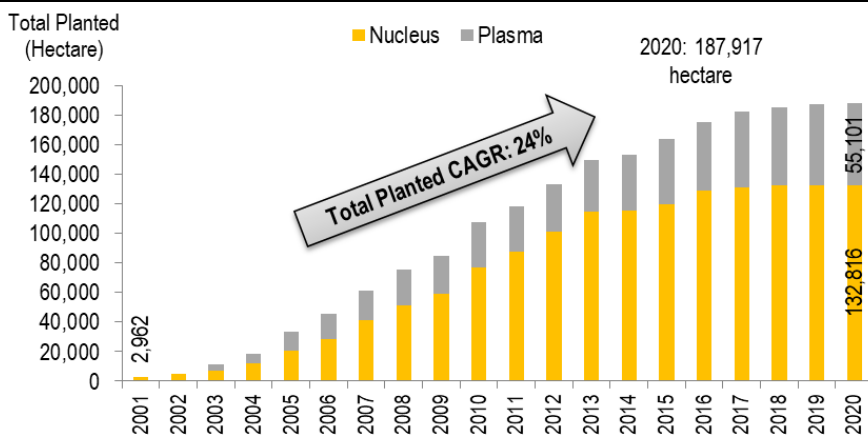
Source: Company

Fig 2: Quarterly FFB nucleus output trend (2011-21)



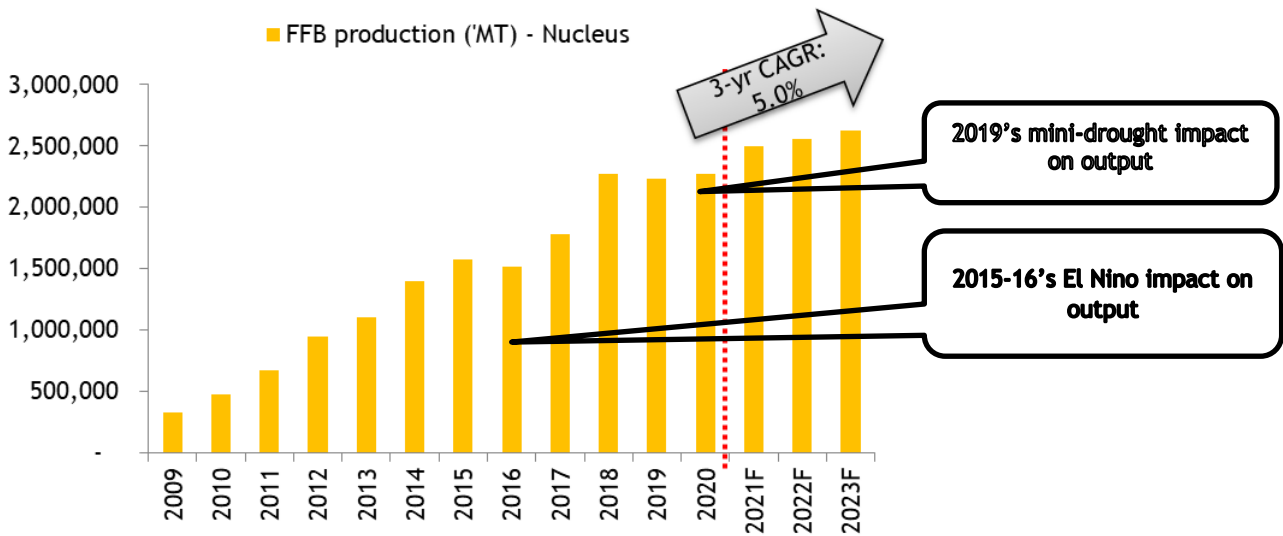
Source: Company

Fig 3: Total planted area has grown by 24% CAGR between 2000-2020



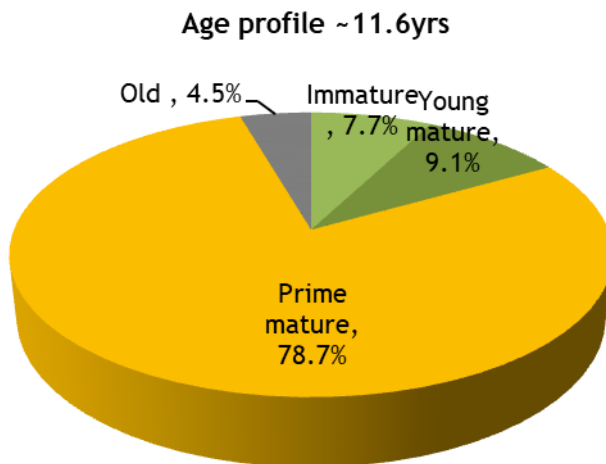
Source: Company

Fig 4: FFB nucleus output trend and forward year projections



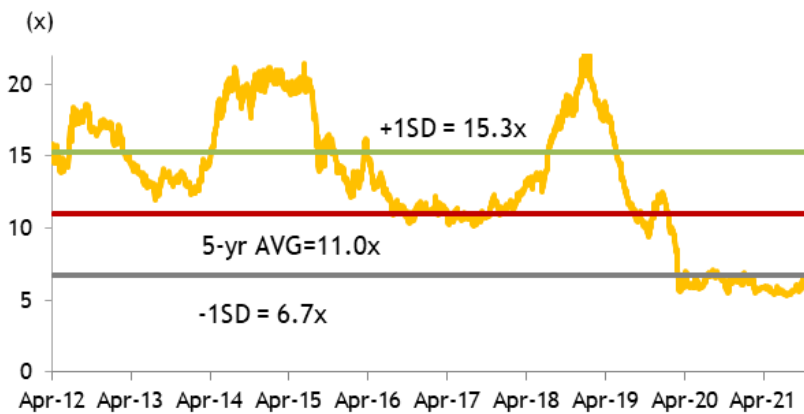
Sources: Company, Maybank KE

Fig 5: Total oil palm planted area (187,917ha) and age profile as at 31 Dec 2020



Source: Company

Fig 6: BAL 12M forward PER



Sources: Bloomberg, Maybank KE

Risk statement

There are several risk factors for our earnings estimates, price target, and rating for Bumitama Agri (BAL). Key risks to the palm oil sector and BAL are: (i) weather anomalies resulting in poorer-than-expected output growth, (ii) lower-than-expected CPO price achieved, (iii) negative policies imposed by import countries, (iv) unfriendly policies imposed by the Indonesian government on upstream planters, (v) sharply lower crude oil prices which makes palm biodiesel demand not viable, and (vi) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Metrics					
P/E (reported) (x)	17.1	8.3	6.5	6.4	6.0
Core P/E (x)	26.0	8.2	6.4	6.4	6.0
P/BV (x)	1.8	1.0	1.0	0.9	0.8
P/NTA (x)	1.8	1.1	1.0	0.9	0.8
Net dividend yield (%)	1.1	4.8	6.2	6.3	6.7
FCF yield (%)	3.8	15.6	13.2	13.9	15.8
EV/EBITDA (x)	13.2	6.3	5.2	5.2	4.8
EV/EBIT (x)	20.5	8.4	6.5	6.7	6.2
INCOME STATEMENT (IDR b)					
Revenue	7,691.3	9,101.7	11,712.9	12,619.3	12,455.9
EBITDA	1,664.3	2,575.5	3,178.6	3,068.5	3,185.3
Depreciation	(597.3)	(644.9)	(648.2)	(682.5)	(711.0)
EBIT	1,067.0	1,930.6	2,530.3	2,386.0	2,474.3
Net interest income / (exp)	(53.5)	23.3	11.7	48.9	104.1
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	19.9	25.7	0.0	0.0	0.0
Other pretax income	159.7	(49.0)	(38.6)	0.0	0.0
Pretax profit	1,193.2	1,930.5	2,503.4	2,434.9	2,578.4
Income tax	(352.8)	(568.1)	(686.3)	(608.7)	(644.6)
Minorities	(154.0)	(236.0)	(315.5)	(283.1)	(299.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	686.3	1,126.4	1,501.6	1,543.1	1,634.1
Core net profit	551.6	1,144.6	1,531.7	1,543.1	1,634.1
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	503.8	792.0	891.9	1,133.8	1,690.3
Accounts receivable	350.0	70.6	417.2	449.5	443.6
Inventory	658.8	852.4	1,045.5	1,179.4	1,147.3
Property, Plant & Equip (net)	11,063.1	11,538.7	11,902.9	12,232.8	12,534.2
Intangible assets	177.9	182.6	182.6	182.6	182.6
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4,690.6	4,796.5	4,996.5	5,146.5	5,196.5
Total assets	17,444.2	18,232.8	19,436.5	20,324.6	21,194.6
ST interest bearing debt	625.5	282.1	282.1	282.1	282.1
Accounts payable	757.1	598.8	929.3	1,048.4	1,019.8
LT interest bearing debt	6,096.8	5,725.7	5,325.7	4,925.7	4,525.7
Other liabilities	534.0	1,092.0	1,161.0	1,121.0	1,140.0
Total Liabilities	8,013.0	7,699.0	7,698.3	7,377.4	6,967.3
Shareholders Equity	8,082.0	9,016.7	9,905.6	10,831.5	11,811.9
Minority Interest	1,349.1	1,517.2	1,832.6	2,115.7	2,415.4
Total shareholder equity	9,431.2	10,533.8	11,738.2	12,947.1	14,227.3
Total liabilities and equity	17,444.2	18,232.8	19,436.5	20,324.6	21,194.6
CASH FLOW (IDR b)					
Pretax profit	1,193.2	1,930.5	2,503.4	2,434.9	2,578.4
Depreciation & amortisation	597.3	644.9	648.2	682.5	711.0
Adj net interest (income)/exp	53.5	(23.3)	(11.7)	(48.9)	(104.1)
Change in working capital	(250.0)	56.6	(140.3)	(87.1)	27.8
Cash taxes paid	(388.0)	(163.0)	(686.3)	(608.7)	(644.6)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	1,205.9	2,445.8	2,313.4	2,372.7	2,568.6
Capex	(666.3)	(979.1)	(1,012.5)	(1,012.5)	(1,012.5)
Free cash flow	539.6	1,466.7	1,300.9	1,360.2	1,556.1
Dividends paid	(442.1)	(254.7)	(612.7)	(617.2)	(653.6)
Equity raised / (purchased)	(13.7)	40.6	0.0	0.0	0.0
Change in Debt	674.3	(863.3)	(400.0)	(400.0)	(400.0)
Other invest/financing cash flow	(550.8)	(122.1)	(188.3)	(101.1)	54.1
Effect of exch rate changes	(2.6)	21.1	0.0	0.0	0.0
Net cash flow	204.7	288.2	99.9	241.9	556.6

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Ratios					
Growth ratios (%)					
Revenue growth	(8.2)	18.3	28.7	7.7	(1.3)
EBITDA growth	(30.5)	54.7	23.4	(3.5)	3.8
EBIT growth	(42.2)	80.9	31.1	(5.7)	3.7
Pretax growth	(30.0)	61.8	29.7	(2.7)	5.9
Reported net profit growth	(37.4)	64.1	33.3	2.8	5.9
Core net profit growth	(53.1)	107.5	33.8	0.7	5.9
Profitability ratios (%)					
EBITDA margin	21.6	28.3	27.1	24.3	25.6
EBIT margin	13.9	21.2	21.6	18.9	19.9
Pretax profit margin	15.5	21.2	21.4	19.3	20.7
Payout ratio	23.0	40.3	40.8	40.0	40.0
DuPont analysis					
Net profit margin (%)	8.9	12.4	12.8	12.2	13.1
Revenue/Assets (x)	0.4	0.5	0.6	0.6	0.6
Assets/Equity (x)	2.2	2.0	2.0	1.9	1.8
ROAE (%)	8.7	13.2	15.9	14.9	14.4
ROAA (%)	3.2	6.4	8.1	7.8	7.9
Liquidity & Efficiency					
Cash conversion cycle	10.9	12.6	15.3	17.0	17.9
Days receivable outstanding	19.4	8.3	7.5	12.4	12.9
Days inventory outstanding	37.8	41.4	40.3	41.9	45.0
Days payables outstanding	46.3	37.1	32.4	37.2	40.0
Dividend cover (x)	4.3	2.5	2.5	2.5	2.5
Current ratio (x)	1.5	1.5	1.5	1.7	1.9
Leverage & Expense Analysis					
Asset/Liability (x)	2.2	2.4	2.5	2.8	3.0
Net gearing (%) (incl perps)	65.9	49.5	40.2	31.5	21.9
Net gearing (%) (excl. perps)	65.9	49.5	40.2	31.5	21.9
Net interest cover (x)	20.0	na	na	na	na
Debt/EBITDA (x)	4.0	2.3	1.8	1.7	1.5
Capex/revenue (%)	8.7	10.8	8.6	8.0	8.1
Net debt/ (net cash)	6,218.6	5,215.8	4,715.9	4,074.0	3,117.4

Source: Company; Maybank

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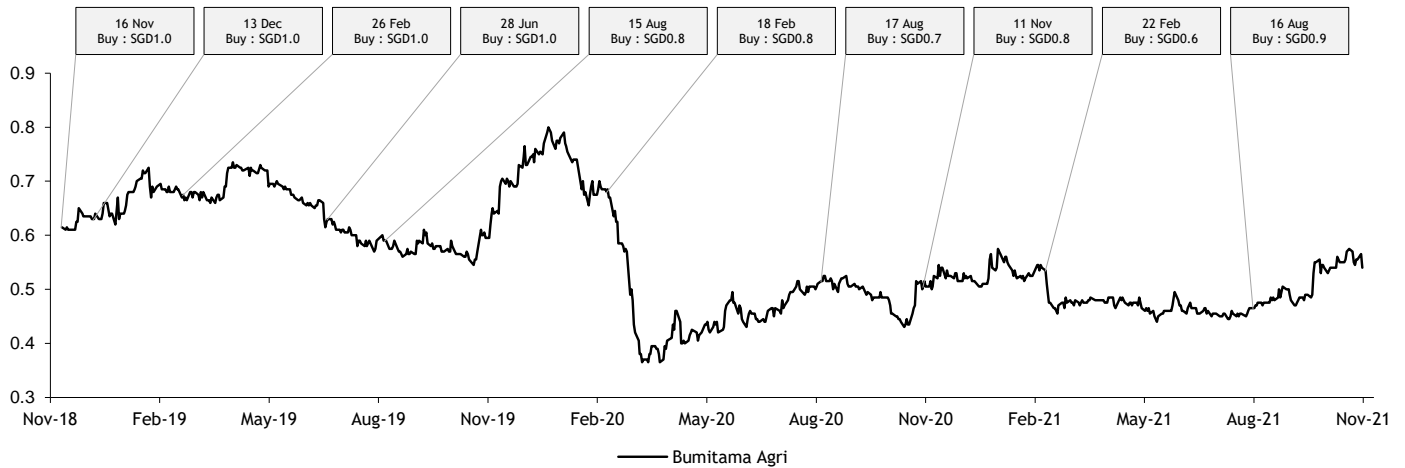
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