

Bumitama Agri (BAL SP)

Post 1H22 results briefing

BUY

Share Price	SGD 0.64
12m Price Target	SGD 0.88 (+48%)
Previous Price Target	SGD 0.88

BUY for its single-digit PER & high dividend yields

1H22 results were boosted by record CPO price and lower-than-expected cost. There is upside risk to earnings if BAL's revised FFB growth guidance of 16-18% YoY materializes for FY22E. Else, we continue to expect earnings to soften in 2H22 following recent CPO price correction and higher fertiliser cost expectations. Trading at single-digit PER offering over 6% dividend yields, BAL remains a BUY with SGD0.88 TP on 8x FY23 PER, -0.55D its 5Y mean. Its interim DPS of SGD0.0125 will go ex-date on 6 Sept.

Key takeaways

BAL hosted a post results briefing. Key takeaways: (1) Better-than-expected CPO ASP was key to its outperformance in 2Q22 whereby 2Q's CPO ASP achieved of IDR14,923/kg (+74% YoY, +10% QoQ) was above market price. This was in part due to the long term contract arrangements with committed volumes (but not prices) which led to a 1-2 months' lag price recognition; (2) Following its strong FFB nucleus output growth in 1H22 (+9% YoY to 1.365mt), BAL has revised up its growth guidance to +16-18% YoY (from +5-10% YoY) as it expects 2H output to be at least similar to 1H. Still, BAL highlighted that it will only gain a clearer picture in Sept once the census figure from field survey is out; (3) Group output will likely peak in 4Q after softening in 3Q; (4) Inventory as at end-June is ~70% of available tank capacity, or about 2 months' supply. BAL expects a normalisation of inventory by end-Sept; and (5) ~50% of its full-year fertiliser plan has been applied in 1H22 (1H21: ~45%).

Cost guidance unchanged at +20%-25% YoY for FY22E

BAL guides that its 1H22 nucleus cost of production was Rp5,200/kg (+14% YoY), much higher than our earlier estimates. The difference suggests that BAL benefited immensely from its constant purchase of 3rd party FFBs (even during the ban) and made better processing-cum-inventory gains in 2Q. For FY22E, BAL maintains its unit cost of production guidance to be higher by 20-25% YoY, following fertiliser price hike (FY21: IDR4,564/kg).

Maintaining our earnings forecasts

While we maintain our EPS forecasts, earnings risk is on the upside if BAL manages to deliver +16%-18% YoY output growth (MIBG forecast: +10% YoY).

FYE Dec (IDR b)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	9,102	12,249	16,088	13,464	13,221
EBITDA	2,575	3,498	5,160	3,948	3,826
Core net profit	1,145	1,687	2,804	2,051	1,985
Core EPS (IDR)	660	973	1,617	1,183	1,145
Core EPS growth (%)	107.9	47.4	66.2	(26.9)	(3.2)
Net DPS (IDR)	262	389	647	473	458
Core P/E (x)	8.2	5.9	4.2	5.7	5.9
P/BV (x)	1.0	1.0	1.0	0.9	0.8
Net dividend yield (%)	4.8	6.8	9.5	7.0	6.7
ROAE (%)	13.2	17.8	25.2	16.3	14.4
ROAA (%)	6.4	9.4	14.7	9.7	9.0
EV/EBITDA (x)	6.3	4.4	3.1	3.8	3.7
Net gearing (%) (incl perps)	49.5	33.1	12.7	3.2	net cash
Consensus net profit	-	-	2,496	2,020	1,866
MKE vs. Consensus (%)	-	-	12.3	1.5	6.4

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Company Description

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

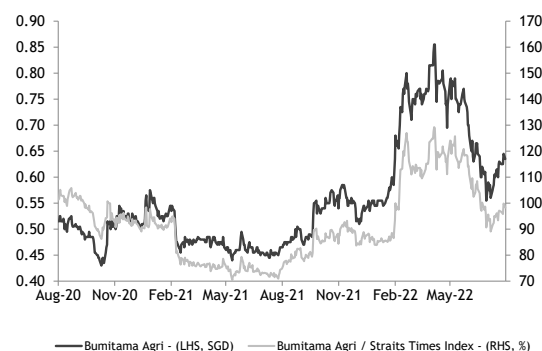
Statistics

52w high/low (SGD)	0.86/0.47
3m avg turnover (USDm)	0.8
Free float (%)	14.9
Issued shares (m)	1,758
Market capitalisation	SGD1.1B USD810M

Major shareholders:

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

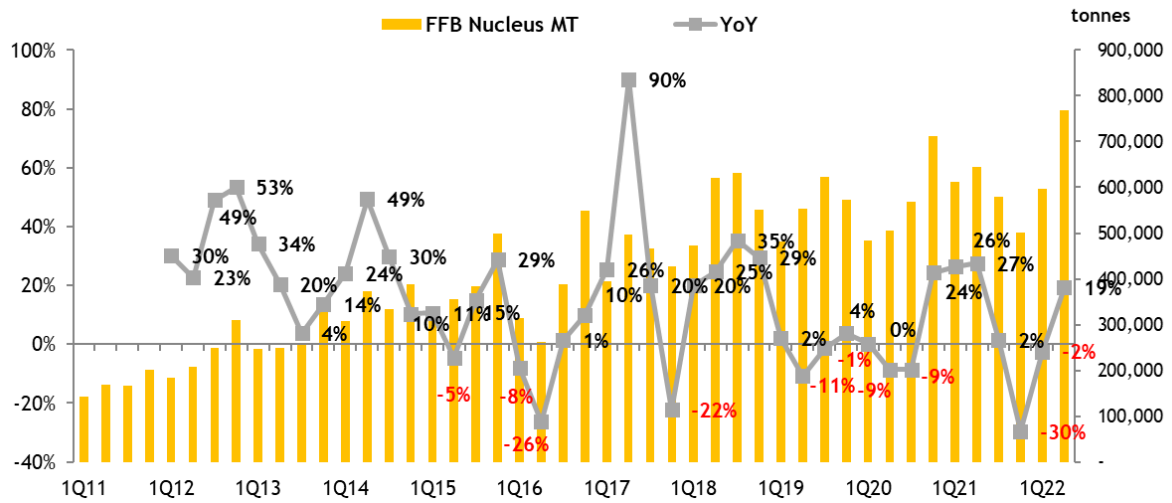
Price Performance



	-1M	-3M	-12M
Absolute (%)	14	(14)	37
Relative to index (%)	8	(16)	32

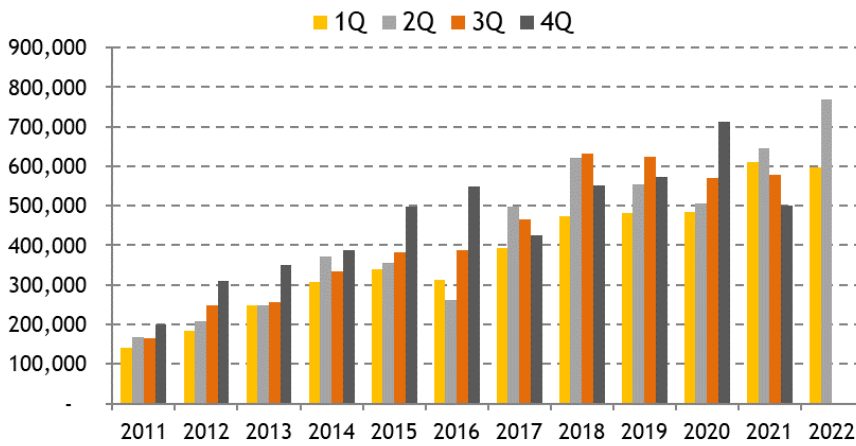
Source: FactSet

Fig 1: Quarterly FFB nucleus output & YoY growth



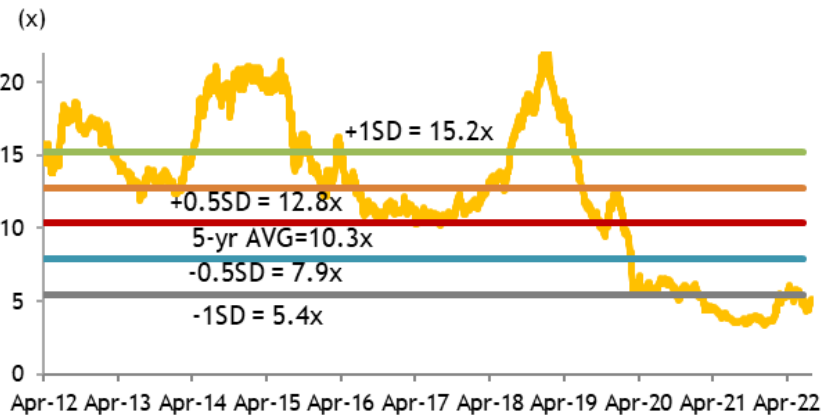
Source: Company

Fig 2: Quarterly FFB nucleus output trend (2011-22)



Source: Company

Fig 3: BAL 12M forward PER



Sources: Bloomberg, Maybank IBG Research

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	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	8.3	5.3	4.2	5.7	5.9
Core P/E (x)	8.2	5.9	4.2	5.7	5.9
P/BV (x)	1.0	1.0	1.0	0.9	0.8
P/NTA (x)	1.1	1.0	1.0	0.9	0.8
Net dividend yield (%)	4.8	6.8	9.5	7.0	6.7
FCF yield (%)	15.6	16.2	28.8	16.9	16.3
EV/EBITDA (x)	6.3	4.4	3.1	3.8	3.7
EV/EBIT (x)	8.4	5.6	3.6	4.7	4.7
INCOME STATEMENT (IDR b)					
Revenue	9,101.7	12,248.6	16,087.9	13,463.9	13,220.7
EBITDA	2,575.5	3,498.0	5,159.8	3,948.1	3,826.4
Depreciation	(644.9)	(720.9)	(746.5)	(779.7)	(827.8)
EBIT	1,930.6	2,777.1	4,413.3	3,168.4	2,998.6
Net interest income / (exp)	23.3	42.3	38.1	176.5	238.2
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	25.7	82.1	0.0	0.0	0.0
Other pretax income	(49.0)	(37.9)	0.0	0.0	0.0
Pretax profit	1,930.5	2,863.6	4,451.4	3,344.9	3,236.8
Income tax	(568.1)	(774.2)	(1,112.8)	(903.1)	(873.9)
Minorities	(236.0)	(368.0)	(534.2)	(390.7)	(378.1)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,126.4	1,721.4	2,804.4	2,051.1	1,984.8
Core net profit	1,144.6	1,687.0	2,804.4	2,051.1	1,984.8
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	792.0	176.0	1,936.5	2,833.3	3,753.6
Accounts receivable	70.6	120.0	440.8	368.9	362.2
Inventory	852.4	822.4	1,200.3	1,046.8	1,036.4
Property, Plant & Equip (net)	11,538.7	11,918.1	12,189.8	12,428.3	12,618.6
Intangible assets	182.6	185.4	185.4	185.4	185.4
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4,796.5	4,463.7	4,613.7	4,663.7	4,713.7
Total assets	18,232.8	17,685.5	20,566.5	21,526.4	22,670.0
ST interest bearing debt	282.1	0.0	0.0	0.0	0.0
Accounts payable	598.8	411.9	1,200.3	1,046.8	1,036.4
LT interest bearing debt	5,725.7	4,143.1	3,743.1	3,343.1	2,943.1
Other liabilities	1,092.0	1,132.0	1,408.0	1,300.0	1,285.0
Total Liabilities	7,699.0	5,687.0	6,351.1	5,689.7	5,264.3
Shareholders Equity	9,016.7	10,300.4	11,983.1	13,213.7	14,404.6
Minority Interest	1,517.2	1,698.1	2,232.3	2,623.0	3,001.0
Total shareholder equity	10,533.8	11,998.6	14,215.4	15,836.7	17,405.7
Total liabilities and equity	18,232.8	17,685.5	20,566.5	21,526.4	22,670.0
CASH FLOW (IDR b)					
Pretax profit	1,930.5	2,863.6	4,451.4	3,344.9	3,236.8
Depreciation & amortisation	644.9	720.9	746.5	779.7	827.8
Adj net interest (income)/exp	(23.3)	(42.3)	(38.1)	(176.5)	(238.2)
Change in working capital	56.6	(419.9)	365.4	(36.0)	(8.4)
Cash taxes paid	(163.0)	(473.1)	(1,112.8)	(903.1)	(873.9)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	2,445.8	2,649.1	4,412.3	3,009.0	2,944.1
Capex	(979.1)	(1,048.6)	(1,018.2)	(1,018.2)	(1,018.2)
Free cash flow	1,466.7	1,600.4	3,394.2	1,990.8	1,926.0
Dividends paid	(254.7)	(679.4)	(1,121.7)	(820.4)	(793.9)
Equity raised / (purchased)	40.6	0.0	0.0	0.0	0.0
Change in Debt	(863.3)	(1,854.1)	(400.0)	(400.0)	(400.0)
Other invest/financing cash flow	(122.1)	314.2	(111.9)	126.5	188.2
Effect of exch rate changes	21.1	2.8	0.0	0.0	0.0
Net cash flow	288.2	(616.0)	1,760.5	896.9	920.2

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	18.3	34.6	31.3	(16.3)	(1.8)
EBITDA growth	54.7	35.8	47.5	(23.5)	(3.1)
EBIT growth	80.9	43.8	58.9	(28.2)	(5.4)
Pretax growth	61.8	48.3	55.4	(24.9)	(3.2)
Reported net profit growth	64.1	52.8	62.9	(26.9)	(3.2)
Core net profit growth	107.5	47.4	66.2	(26.9)	(3.2)
Profitability ratios (%)					
EBITDA margin	28.3	28.6	32.1	29.3	28.9
EBIT margin	21.2	22.7	27.4	23.5	22.7
Pretax profit margin	21.2	23.4	27.7	24.8	24.5
Payout ratio	40.3	39.2	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	12.4	14.1	17.4	15.2	15.0
Revenue/Assets (x)	0.5	0.7	0.8	0.6	0.6
Assets/Equity (x)	2.0	1.7	1.7	1.6	1.6
ROAE (%)	13.2	17.8	25.2	16.3	14.4
ROAA (%)	6.4	9.4	14.7	9.7	9.0
Liquidity & Efficiency					
Cash conversion cycle	12.6	16.4	13.0	10.8	10.0
Days receivable outstanding	8.3	2.8	6.3	10.8	10.0
Days inventory outstanding	41.4	34.3	33.2	42.3	39.7
Days payables outstanding	37.1	20.7	26.5	42.3	39.7
Dividend cover (x)	2.5	2.6	2.5	2.5	2.5
Current ratio (x)	1.5	1.8	2.0	2.6	3.1
Leverage & Expense Analysis					
Asset/Liability (x)	2.4	3.1	3.2	3.8	4.3
Net gearing (%) (incl perps)	49.5	33.1	12.7	3.2	net cash
Net gearing (%) (excl. perps)	49.5	33.1	12.7	3.2	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	2.3	1.2	0.7	0.8	0.8
Capex/revenue (%)	10.8	8.6	6.3	7.6	7.7
Net debt/ (net cash)	5,215.8	3,967.1	1,806.6	509.7	(810.5)

Source: Company; Maybank IBG Research

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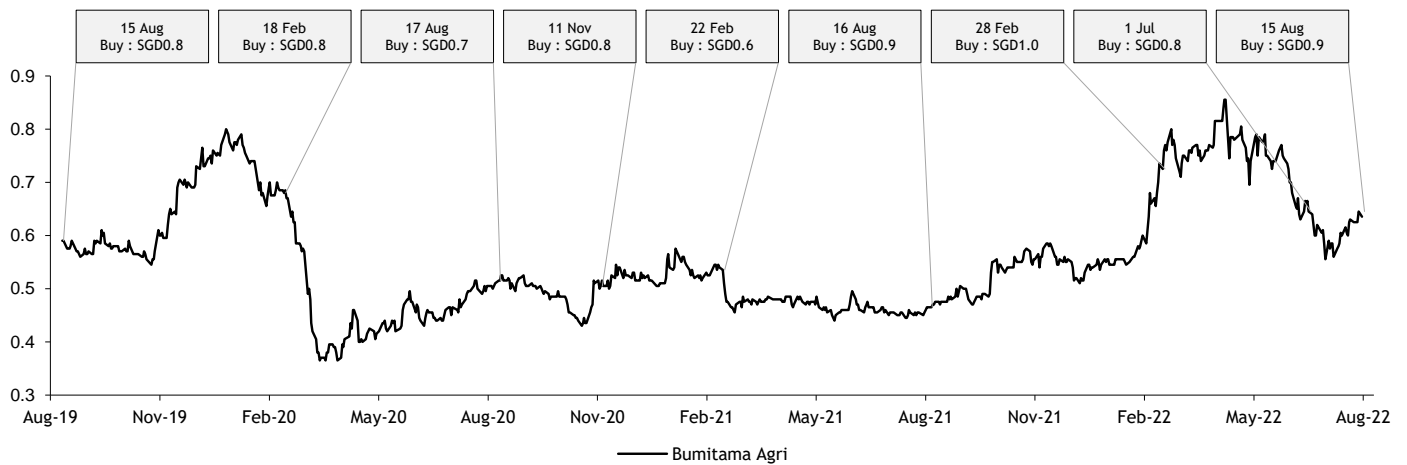
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Historical recommendations and target price: Bumitama Agri (BAL SP)



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