

Bumitama Agri (BAL SP)

3Q23 results: Beat expectations yet again

Key attraction lies with its high dividend yields

3Q23 results beat our/street estimates. Key outperformance was its better-than-expected sales on net inventory drawdown and lower-than-expected fertiliser application. We expect a weaker QoQ performance in 4Q as output has likely peaked in 3Q, and as BAL has a normalised inventory levels as at end-Sept. Following our revised EPS forecasts, BAL remains a BUY with a higher TP of SGD0.94 (previously SGD0.89) on unchanged 8x FY23E PER, -0.5SD its 5Y mean. BUY for its single-digit PER with >7% dividend yields.

3Q23 results lifted by higher sales and low fertilising

BAL reported a 3Q23 headline PATMI of IDR874b (+33% YoY, +40% QoQ), bringing 9M23 headline PATMI to IDR2,062b (-27% YoY) which met 93%/96% of our/consensus full-year estimates - above expectations. The strong 3Q23 headline PATMI was underpinned by higher revenue (+20% YoY, +10% QoQ) on the back of higher CPO sales volume (+16% YoY, +20% QoQ) and to a lesser extent better CPO ASP achieved of IDR10,816/kg (+4% YoY, -8% QoQ). 3Q CPO ASP achieved was broadly inline with Indonesia's domestic spot prices. We understand fertilising application slowed in 3Q due to the dry weather as BAL applied just 10-15% of its annual budget, bringing 9M23 fertiliser applied to 60-65% of annual budget. We understand 3Q headline profits was partly pulled down by some unrealized forex losses.

FFB nucleus output may just be flat YoY for FY23E

3Q23 FFB nucleus was seasonally stronger at 743,539t (+3% YoY, +10% QoQ; (see Figs.2-3) bringing 9M23 FFB nucleus output to 1,943,133t (-7% YoY), which met 70% of our full-year forecast. While BAL maintains its 0%-5% FFB growth guidance for FY23E, we have cut our FFB output by 3% to reflect a flattish YoY growth (previously +3% YoY).

Raising our FY23E/24E EPS by +7.5%/+4.3% each

We have incorporated a marginally lower unit costs assumption for FY23E/24E (-1%/-1%) in view of lower cost guidance by BAL. Coupled with our industry-wide CPO ASP revisions to MYR3,800/t (from MYR3,700/t) for 2023E, and MYR3,700/t (from MYR3,500/t) for 2024E respectively, we have raised our FY23E/24E EPS forecasts by 7.5%/4.3% respectively.

FYE Dec (IDR b)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	12,249	15,829	15,166	14,734	14,812
EBITDA	3,498	5,686	4,529	4,346	4,419
Core net profit	1,687	3,183	2,374	2,278	2,334
Core EPS (IDR)	973	1,811	1,351	1,296	1,328
Core EPS growth (%)	47.4	86.2	(25.4)	(4.1)	2.5
Net DPS (IDR)	393	884	540	518	531
Core P/E (x)	5.9	3.8	5.2	5.4	5.3
P/BV (x)	1.0	1.0	0.9	0.8	0.7
Net dividend yield (%)	6.9	12.9	7.7	7.4	7.6
ROAE (%)	17.8	24.8	18.0	15.6	14.6
ROAA (%)	9.4	16.9	11.4	10.2	9.8
EV/EBITDA (x)	4.4	2.9	3.3	3.2	2.9
Net gearing (%) (incl perps)	33.1	17.5	net cash	net cash	net cash
Consensus net profit	-	-	2,133	2,129	1,910
MIBG vs. Consensus (%)	-	-	11.3	7.0	22.2

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BUY

Share Price	SGD 0.61
12m Price Target	SGD 0.94 (+63%)
Previous Price Target	SGD 0.89

Company Description

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

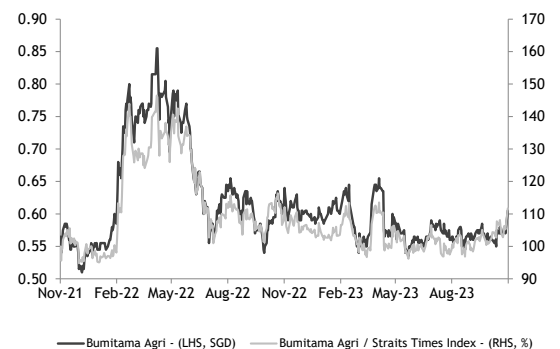
Statistics

52w high/low (SGD)	0.66/0.54
3m avg turnover (USDm)	0.3
Free float (%)	14.8
Issued shares (m)	1,758
Market capitalisation	SGD1.1B USD786M

Major shareholders:

Fortune Corp. Ltd. /SG/	52.3%
IOI Corp	32.0%

Price Performance



	-1M	-3M	-12M
Absolute (%)	8	8	(2)
Relative to index (%)	11	13	3

Source: FactSet

Terms used in this note:

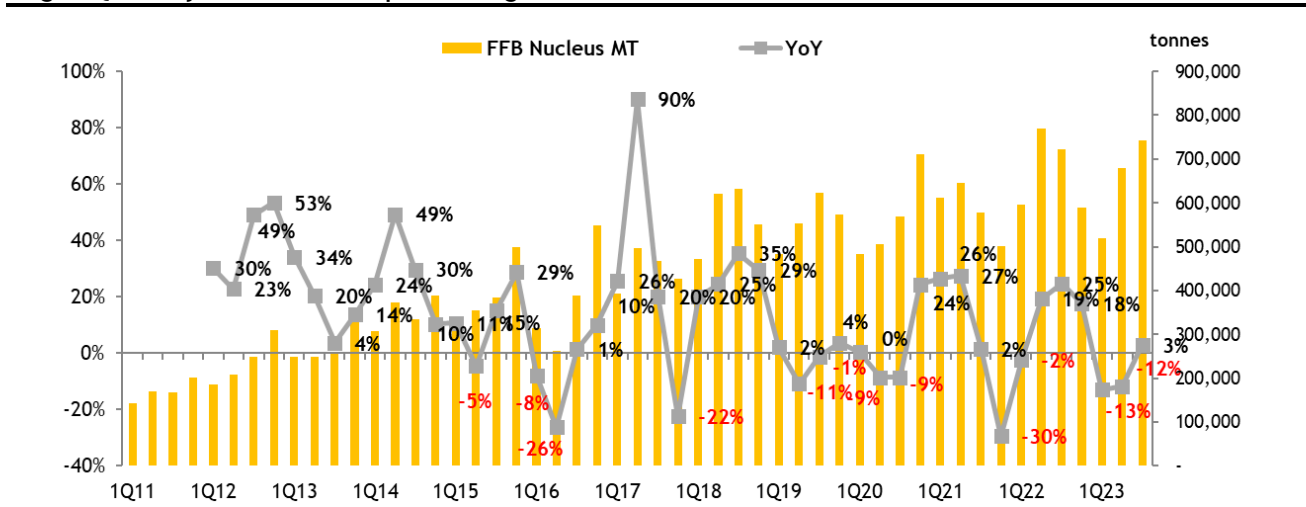
ASP - Average Selling Price
FFB - Fresh Fruit Bunches
FX - Foreign Exchange
G&A - General & Admin
ID - Indonesia
PATMI - Profit after tax and minority interest
QoQ - Quarter-on-Quarter
t - tonne
YoY - Year-on-year

Fig 1: BAL's results summary

FYE Dec (IDR b)	Quarterly					Cumulative		
	3Q23	3Q22	% YoY	2Q23	% QoQ	9M23	9M22	% YoY
Revenue	4,307.1	3,590.6	20.0	3,900.8	10.4	11,803.0	12,559.0	(6.0)
EBITDA	1,620.4	1,259.7	28.6	1,369.3	18.3	3,677.1	5,032.6	(26.9)
Headline PATMI	873.6	654.9	33.4	623.8	40.0	2,062.5	2,833.7	(27.2)
			<i>+/- ppts</i>		<i>+/- ppts</i>			<i>+/- ppts</i>
EBITDA margin (%)	37.6	35.1	2.5	35.1	2.5	31.2	40.1	(8.9)
PATMI margin (%)	20.3	18.2	2.0	19.5	0.8	17.5	22.6	(5.1)
Operational								
Production								
FFB nucleus (mt)	743,539	721,962	3.0	679,217	9.5	1,941,133	2,087,590	(7.0)
CPO (t)	351,585	320,520	9.7	314,759	11.7	901,228	923,554	(2.4)
Sales								
CPO (t)	362,249	311,083	16.4	303,251	19.5	949,500	842,400	12.7
CPO ASP (IDR/kg)	10,816	10,435	3.7	11,800	(8.3)	11,375	12,890	(11.8)
PK ASP (IDR/kg)	5,045	5,105	(1.2)	5,700	(11.5)	5,375	9,085	(40.8)

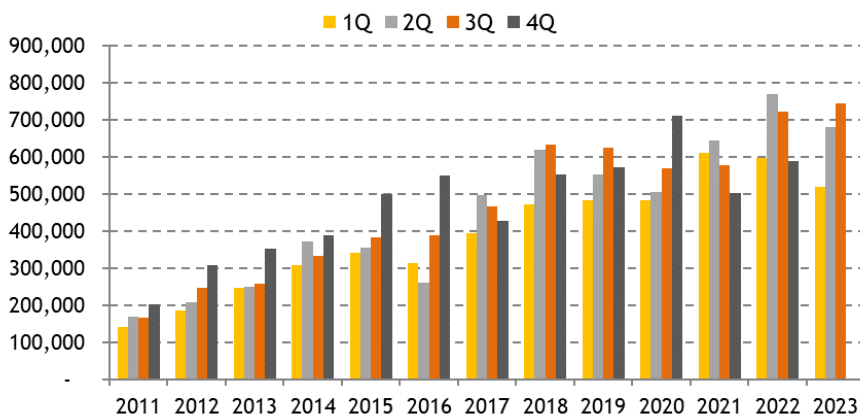
Source: Company

Fig 2: Quarterly FFB nucleus output & YoY growth



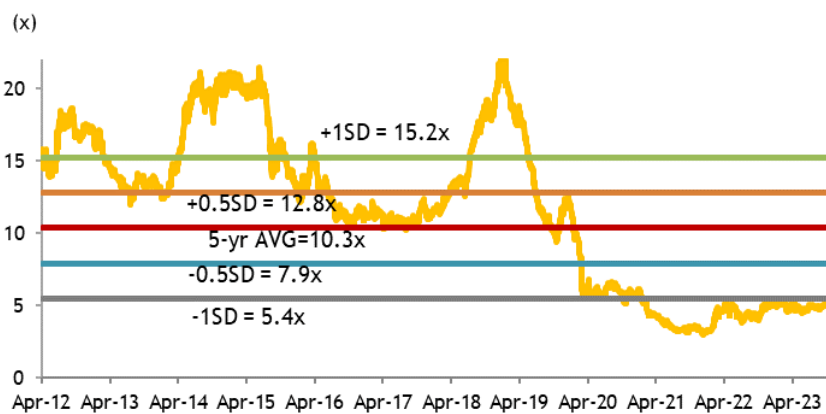
Source: Company

Fig 3: Quarterly FFB nucleus output trend (2011-3Q23)



Source: Company

Fig 4: 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	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	5.3	4.4	5.2	5.4	5.3
Core P/E (x)	5.9	3.8	5.2	5.4	5.3
P/BV (x)	1.0	1.0	0.9	0.8	0.7
P/NTA (x)	1.0	1.0	0.9	0.8	0.7
Net dividend yield (%)	6.9	12.9	7.7	7.4	7.6
FCF yield (%)	16.2	19.0	28.1	16.6	17.0
EV/EBITDA (x)	4.4	2.9	3.3	3.2	2.9
EV/EBIT (x)	5.6	3.4	4.0	4.0	3.7

INCOME STATEMENT (IDR b)

Revenue	12,248.6	15,829.3	15,165.7	14,733.9	14,811.8
EBITDA	3,498.0	5,686.1	4,529.3	4,346.2	4,418.7
Depreciation	(720.9)	(768.2)	(799.5)	(867.8)	(924.1)
EBIT	2,777.1	4,917.9	3,729.8	3,478.4	3,494.6
Net interest income / (exp)	42.3	36.8	70.7	186.0	261.0
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	82.1	(87.5)	0.0	0.0	0.0
Other pretax income	(37.9)	(296.6)	0.0	0.0	0.0
Pretax profit	2,863.6	4,570.6	3,800.5	3,664.4	3,755.6
Income tax	(774.2)	(1,171.7)	(974.3)	(952.7)	(976.4)
Minorities	(368.0)	(572.8)	(452.2)	(433.9)	(444.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,721.4	2,826.1	2,374.0	2,277.8	2,334.5
Core net profit	1,687.0	3,182.8	2,374.0	2,277.8	2,334.5

BALANCE SHEET (IDR b)

Cash & Short Term Investments	176.0	826.2	2,960.5	3,835.7	4,814.6
Accounts receivable	120.0	214.9	415.5	403.7	405.8
Inventory	822.4	2,327.2	1,161.8	1,139.4	1,143.9
Property, Plant & Equip (net)	11,918.1	12,411.9	12,961.8	13,443.5	13,868.8
Intangible assets	185.4	194.1	194.1	194.1	194.1
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4,463.7	3,924.0	3,974.0	4,024.0	4,074.0
Total assets	17,685.5	19,898.2	21,667.6	23,040.2	24,501.1
ST interest bearing debt	0.0	78.7	78.7	78.7	78.7
Accounts payable	411.9	459.5	871.3	854.5	857.9
LT interest bearing debt	4,143.1	3,276.8	2,876.8	2,476.8	2,076.8
Other liabilities	1,132.0	1,627.0	1,508.0	1,497.0	1,509.0
Total Liabilities	5,687.0	5,442.0	5,334.9	4,907.0	4,522.5
Shareholders Equity	10,300.4	12,493.7	13,918.1	15,284.8	16,685.4
Minority Interest	1,698.1	1,962.5	2,414.6	2,848.5	3,293.2
Total shareholder equity	11,998.6	14,456.1	16,332.7	18,133.3	19,978.6
Total liabilities and equity	17,685.5	19,898.2	21,667.6	23,040.2	24,501.1

CASH FLOW (IDR b)

Pretax profit	2,863.6	4,570.6	3,800.5	3,664.4	3,755.6
Depreciation & amortisation	720.9	768.2	799.5	867.8	924.1
Adj net interest (income)/exp	(42.3)	(36.8)	(70.7)	(186.0)	(261.0)
Change in working capital	(419.9)	(1,051.8)	1,257.6	6.4	8.9
Cash taxes paid	(473.1)	(736.9)	(974.3)	(952.7)	(976.4)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	2,649.1	3,513.4	4,812.6	3,399.8	3,451.2
Capex	(1,048.6)	(1,231.6)	(1,349.5)	(1,349.5)	(1,349.5)
Free cash flow	1,600.4	2,281.8	3,463.2	2,050.4	2,101.7
Dividends paid	(679.4)	(1,169.9)	(949.6)	(911.1)	(933.8)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(1,854.1)	(1,086.7)	(400.0)	(400.0)	(400.0)
Other invest/financing cash flow	314.2	616.4	20.7	136.0	211.0
Effect of exch rate changes	2.8	8.6	0.0	0.0	0.0
Net cash flow	(616.0)	650.2	2,134.3	875.2	978.9

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	34.6	29.2	(4.2)	(2.8)	0.5
EBITDA growth	35.8	62.6	(20.3)	(4.0)	1.7
EBIT growth	43.8	77.1	(24.2)	(6.7)	0.5
Pretax growth	48.3	59.6	(16.8)	(3.6)	2.5
Reported net profit growth	52.8	64.2	(16.0)	(4.1)	2.5
Core net profit growth	47.4	88.7	(25.4)	(4.1)	2.5
Profitability ratios (%)					
EBITDA margin	28.6	35.9	29.9	29.5	29.8
EBIT margin	22.7	31.1	24.6	23.6	23.6
Pretax profit margin	23.4	28.9	25.1	24.9	25.4
Payout ratio	39.6	55.0	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	14.1	17.9	15.7	15.5	15.8
Revenue/Assets (x)	0.7	0.8	0.7	0.6	0.6
Assets/Equity (x)	1.7	1.6	1.6	1.5	1.5
ROAE (%)	17.8	24.8	18.0	15.6	14.6
ROAA (%)	9.4	16.9	11.4	10.2	9.8
Liquidity & Efficiency					
Cash conversion cycle	16.4	44.4	44.1	20.0	19.7
Days receivable outstanding	2.8	3.8	7.5	10.0	9.8
Days inventory outstanding	34.3	56.2	59.2	39.8	39.4
Days payables outstanding	20.7	15.5	22.6	29.9	29.5
Dividend cover (x)	2.5	1.8	2.5	2.5	2.5
Current ratio (x)	1.8	2.4	2.7	3.1	3.5
Leverage & Expense Analysis					
Asset/Liability (x)	3.1	3.7	4.1	4.7	5.4
Net gearing (%) (incl perps)	33.1	17.5	net cash	net cash	net cash
Net gearing (%) (excl. perps)	33.1	17.5	net cash	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	1.2	0.6	0.7	0.6	0.5
Capex/revenue (%)	8.6	7.8	8.9	9.2	9.1
Net debt/ (net cash)	3,967.1	2,529.3	(5.0)	(1,280.2)	(2,659.2)

Source: Company; Maybank IBG Research

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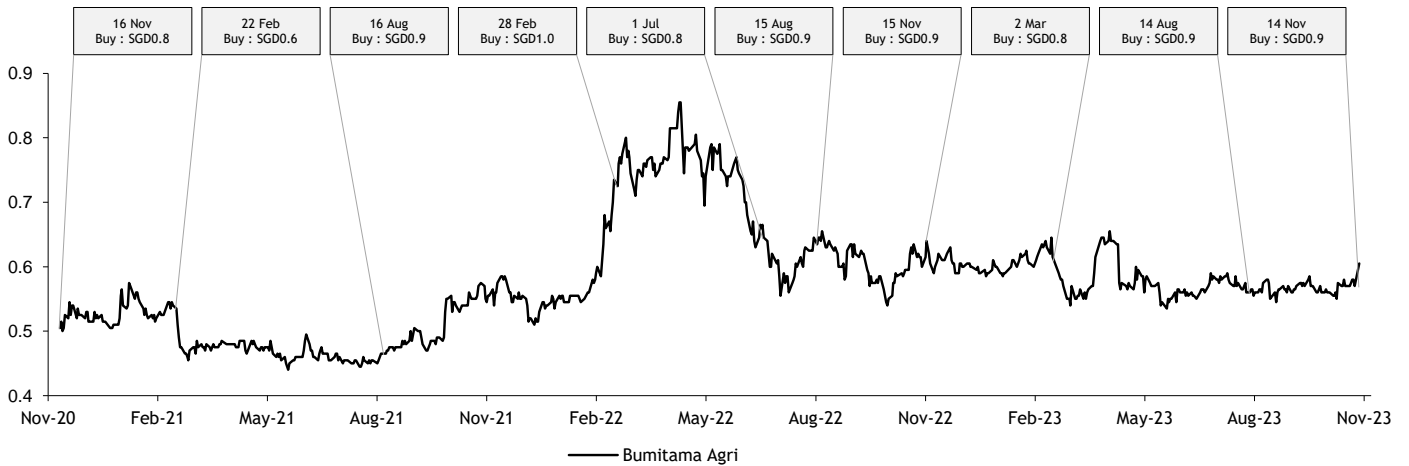
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Historical recommendations and target price: Bumitama Agri (BAL SP)



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