

Bumitama Agri (BAL SP)

Domestic CPO price normalised

BUY

[Prior:HOLD]

| | |
|-----------------------|-----------------|
| Share Price | SGD 1.68 |
| 12m Price Target | SGD 1.87 (+17%) |
| Previous Price Target | SGD 1.87 |

Tactical upgrade to BUY (from HOLD)

Our channel checks suggest the uncertainty surrounding Indonesia's earlier proposed export policy is now blown over. Indonesia's domestic CPO price has normalised, which at one point was asking for hefty discounts. We like BAL for its strong management, capital management strategy and 5.5% net DY, backed by its near net cash position. Following earlier share price correction, we now tactically upgrade BAL to BUY (from HOLD) on unchanged TP of SGD1.87 on 14x FY26 P/E, its +1SD 10Y mean.

Domestic CPO price now back to >IDR15,000/kg

At some point the past month, Indonesia's (ID) domestic CPO price was reported to be quoted at hefty discounts of 20%-30% to the usual reference price amidst uncertainty over the ID's export policy. Based on our channel checks, the dust appears to have settled. With greater clarity over its exports policy, ID's domestic price has recently reverted to above IDR15,000/kg (as per KPN Nusantara pricing) - see Fig.1.

A pure play upstream planter and sells domestically

As BAL is a pure play upstream planter with 184,000 ha of oil palm planted area in ID (comprising 122,000 ha nucleus and 62,000 ha plasma) and do not have export capabilities, a quick normalization of domestic CPO price was critical to its bottom line as BAL sells domestically to refiners / traders. While holding back sales during periods of uncertainty and low domestic CPO price is an option, the strategy is however limited by its available tank storage capacity (usually up to 2 months of production).

Attractive dividend yields of 5.5%

We like BAL for its good management and capital management strategy. It recently raised its dividend payout ranges to 60%-75% from 40%-60%), supported by its near net cash position and good FCF generation given the lack of capex spend. Its trading liquidity over the past 10 months has also been lifted by the Singapore's EQDP roll out. We make no changes to our earnings forecasts. BUY for its attractive DY of 5.5% (in our forecasts, we have assumed a 70% DPR).

| FYE Dec (IDR b) | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------------|--------|--------|----------|----------|----------|
| Revenue | 16,732 | 19,951 | 22,506 | 22,873 | 23,705 |
| EBITDA | 4,423 | 5,673 | 6,263 | 6,411 | 6,712 |
| Core net profit | 2,276 | 2,905 | 3,226 | 3,345 | 3,542 |
| Core EPS (IDR) | 1,295 | 1,653 | 1,836 | 1,903 | 2,016 |
| Core EPS growth (%) | (5.6) | 27.6 | 11.1 | 3.7 | 5.9 |
| Net DPS (IDR) | 824 | 1,201 | 1,285 | 1,332 | 1,411 |
| Core P/E (x) | 8.0 | 10.6 | 12.6 | 12.2 | 11.5 |
| P/BV (x) | 1.3 | 2.0 | 2.5 | 2.4 | 2.3 |
| Net dividend yield (%) | 8.0 | 6.9 | 5.5 | 5.7 | 6.1 |
| ROAE (%) | 16.6 | 19.2 | 20.8 | 20.3 | 20.2 |
| ROAA (%) | 11.3 | 13.3 | 13.5 | 13.0 | 13.0 |
| EV/EBITDA (x) | 5.0 | 6.0 | 6.9 | 6.6 | 6.2 |
| Net gearing (%) (incl perps) | 9.0 | 5.4 | net cash | net cash | net cash |
| Consensus net profit | - | - | 3,560 | 3,344 | 3,218 |
| MIBG vs. Consensus (%) | - | - | (9.4) | 0.0 | 10.1 |

Ong Chee Ting, CA
ct.ong@maybank-ib.com
(603) 2297 8678

Company Description

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

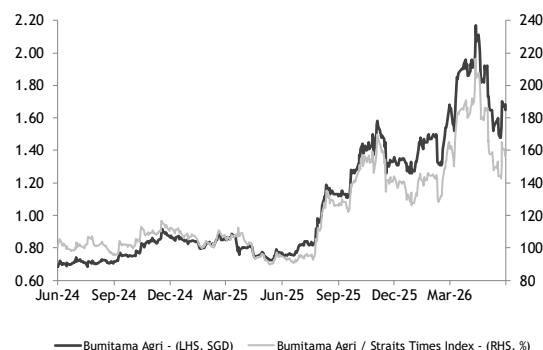
Statistics

| | |
|------------------------|--------------------|
| 52w high/low (SGD) | 2.17/0.75 |
| 3m avg turnover (USDm) | 3.6 |
| Free float (%) | 14.8 |
| Issued shares (m) | 1,758 |
| Market capitalisation | SGD3.0B USD2.3B |

Major shareholders:

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

Price Performance



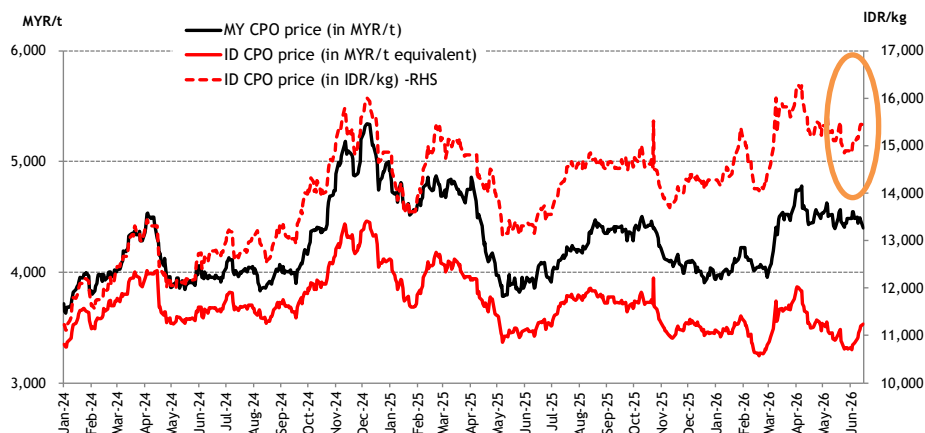
| | -1M | -3M | -12M |
|-----------------------|------|-----|------|
| Absolute (%) | (12) | 0 | 118 |
| Relative to index (%) | (14) | (4) | 68 |

Source: FactSet

Terms used in this note:

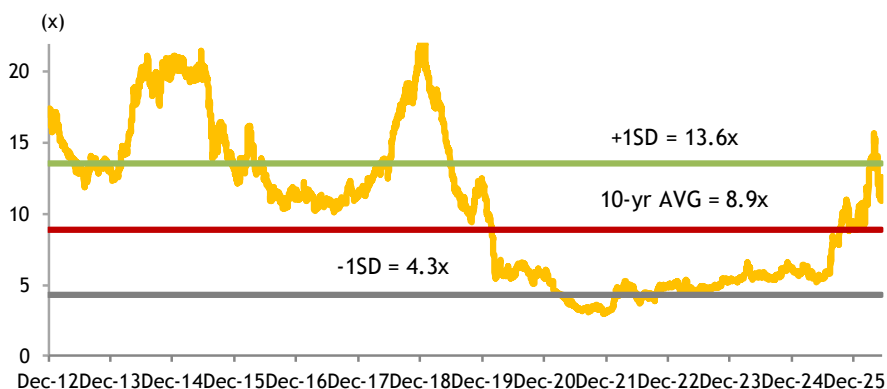
ASP - Average Selling Price
DPR - Dividend payout ratio
DY - Dividend Yield
EQDP - Equity Market Development Programme
FCF - Free Cash Flow
ID - Indonesia

Fig 1: MY and ID CPO prices (in IDR and MYR terms)



Sources: Bloomberg, Maybank IBG Research

Fig 2: 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 | FY24A | FY25A | FY26E | FY27E | FY28E |
|------------------------|-------|-------|-------|-------|-------|
| Key Metrics | | | | | |
| P/E (reported) (x) | 6.6 | 7.8 | 12.6 | 12.2 | 11.5 |
| Core P/E (x) | 8.0 | 10.6 | 12.6 | 12.2 | 11.5 |
| P/BV (x) | 1.3 | 2.0 | 2.5 | 2.4 | 2.3 |
| P/NTA (x) | 1.3 | 2.1 | 2.6 | 2.4 | 2.3 |
| Net dividend yield (%) | 8.0 | 6.9 | 5.5 | 5.7 | 6.1 |
| FCF yield (%) | 10.2 | 10.2 | 9.5 | 8.6 | 9.1 |
| EV/EBITDA (x) | 5.0 | 6.0 | 6.9 | 6.6 | 6.2 |
| EV/EBIT (x) | 6.2 | 7.3 | 8.3 | 8.0 | 7.5 |

INCOME STATEMENT (IDR b)

| | | | | | |
|-----------------------------|----------|-----------|-----------|-----------|-----------|
| Revenue | 16,732.0 | 19,951.4 | 22,506.2 | 22,873.3 | 23,704.6 |
| EBITDA | 4,422.8 | 5,673.3 | 6,262.9 | 6,410.9 | 6,711.6 |
| Depreciation | (916.8) | (990.5) | (1,071.0) | (1,121.8) | (1,163.7) |
| EBIT | 3,506.0 | 4,682.7 | 5,191.8 | 5,289.1 | 5,547.9 |
| Net interest income / (exp) | (6.6) | 9.8 | (1.5) | 91.4 | 150.9 |
| Associates & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptionals | 184.7 | 11.0 | 0.0 | 0.0 | 0.0 |
| Other pretax income | (34.7) | (43.1) | 0.0 | 0.0 | 0.0 |
| Pretax profit | 3,649.4 | 4,660.4 | 5,190.4 | 5,380.5 | 5,698.8 |
| Income tax | (914.1) | (1,294.9) | (1,349.5) | (1,398.9) | (1,481.7) |
| Minorities | (448.2) | (562.9) | (614.5) | (637.1) | (674.7) |
| Discontinued operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported net profit | 2,287.0 | 2,802.6 | 3,226.3 | 3,344.5 | 3,542.4 |
| Core net profit | 2,276.3 | 2,905.0 | 3,226.3 | 3,344.5 | 3,542.4 |

BALANCE SHEET (IDR b)

| | | | | | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cash & Short Term Investments | 1,705.3 | 2,503.0 | 3,870.3 | 4,891.1 | 6,027.0 |
| Accounts receivable | 719.7 | 184.8 | 986.6 | 1,002.7 | 1,039.1 |
| Inventory | 1,241.2 | 2,335.6 | 1,797.5 | 1,824.6 | 1,884.8 |
| Property, Plant & Equip (net) | 13,769.5 | 14,273.8 | 14,686.5 | 15,048.5 | 15,368.6 |
| Intangible assets | 202.1 | 201.9 | 201.9 | 201.9 | 201.9 |
| Investment in Associates & JVs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other assets | 3,335.7 | 3,365.7 | 3,415.7 | 3,465.7 | 3,515.7 |
| Total assets | 20,973.5 | 22,864.8 | 24,958.4 | 26,434.4 | 28,037.0 |
| ST interest bearing debt | 0.0 | 1,657.4 | 1,657.4 | 1,657.4 | 1,657.4 |
| Accounts payable | 418.8 | 399.1 | 674.0 | 684.2 | 706.8 |
| LT interest bearing debt | 3,196.8 | 1,790.6 | 1,590.6 | 1,390.6 | 1,190.6 |
| Other liabilities | 873.0 | 1,653.0 | 2,090.0 | 2,115.0 | 2,158.0 |
| Total Liabilities | 4,488.4 | 5,500.6 | 6,011.7 | 5,847.3 | 5,712.5 |
| Shareholders Equity | 14,216.7 | 15,019.3 | 15,987.2 | 16,990.5 | 18,053.3 |
| Minority Interest | 2,268.4 | 2,345.0 | 2,959.5 | 3,596.5 | 4,271.3 |
| Total shareholder equity | 16,485.1 | 17,364.2 | 18,946.7 | 20,587.1 | 22,324.5 |
| Total liabilities and equity | 20,973.5 | 22,864.8 | 24,958.4 | 26,434.4 | 28,037.0 |

CASH FLOW (IDR b)

| | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Pretax profit | 3,649.4 | 4,660.4 | 5,190.4 | 5,380.5 | 5,698.8 |
| Depreciation & amortisation | 916.8 | 990.5 | 1,071.0 | 1,121.8 | 1,163.7 |
| Adj net interest (income)/exp | 6.6 | (9.8) | 1.5 | (91.4) | (150.9) |
| Change in working capital | (209.5) | 29.6 | 447.6 | (7.6) | (31.5) |
| Cash taxes paid | (1,098.6) | (999.2) | (1,349.5) | (1,398.9) | (1,481.7) |
| Other operating cash flow | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations | 3,264.7 | 4,671.6 | 5,361.0 | 5,004.3 | 5,198.4 |
| Capex | (1,406.8) | (1,522.9) | (1,483.8) | (1,483.8) | (1,483.8) |
| Free cash flow | 1,857.9 | 3,148.8 | 3,877.2 | 3,520.5 | 3,714.6 |
| Dividends paid | (1,701.1) | (2,475.1) | (2,258.4) | (2,341.2) | (2,479.7) |
| Equity raised / (purchased) | 21.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Debt | 432.7 | 0.3 | (200.0) | (200.0) | (200.0) |
| Other invest/financing cash flow | 718.3 | 120.6 | (51.5) | 41.4 | 100.9 |
| Effect of exch rate changes | 1.8 | 3.2 | 0.0 | 0.0 | 0.0 |
| Net cash flow | 1,331.3 | 797.7 | 1,367.3 | 1,020.8 | 1,135.9 |

| FYE 31 Dec | FY24A | FY25A | FY26E | FY27E | FY28E |
|----------------------------------------|---------|-------|----------|-----------|-----------|
| Key Ratios | | | | | |
| Growth ratios (%) | | | | | |
| Revenue growth | 8.3 | 19.2 | 12.8 | 1.6 | 3.6 |
| EBITDA growth | (4.4) | 28.3 | 10.4 | 2.4 | 4.7 |
| EBIT growth | (7.3) | 33.6 | 10.9 | 1.9 | 4.9 |
| Pretax growth | (5.5) | 27.7 | 11.4 | 3.7 | 5.9 |
| Reported net profit growth | (6.6) | 22.5 | 15.1 | 3.7 | 5.9 |
| Core net profit growth | (5.6) | 27.6 | 11.1 | 3.7 | 5.9 |
| Profitability ratios (%) | | | | | |
| EBITDA margin | 26.4 | 28.4 | 27.8 | 28.0 | 28.3 |
| EBIT margin | 21.0 | 23.5 | 23.1 | 23.1 | 23.4 |
| Pretax profit margin | 21.8 | 23.4 | 23.1 | 23.5 | 24.0 |
| Payout ratio | 63.3 | 75.3 | 70.0 | 70.0 | 70.0 |
| DuPont analysis | | | | | |
| Net profit margin (%) | 13.7 | 14.0 | 14.3 | 14.6 | 14.9 |
| Revenue/Assets (x) | 0.8 | 0.9 | 0.9 | 0.9 | 0.8 |
| Assets/Equity (x) | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 |
| ROAE (%) | 16.6 | 19.2 | 20.8 | 20.3 | 20.2 |
| ROAA (%) | 11.3 | 13.3 | 13.5 | 13.0 | 13.0 |
| Liquidity & Efficiency | | | | | |
| Cash conversion cycle | 45.5 | 42.7 | 42.9 | 40.1 | 39.8 |
| Days receivable outstanding | 13.0 | 8.2 | 9.4 | 15.7 | 15.5 |
| Days inventory outstanding | 41.1 | 44.8 | 45.4 | 39.2 | 38.8 |
| Days payables outstanding | 8.7 | 10.2 | 11.8 | 14.7 | 14.6 |
| Dividend cover (x) | 1.6 | 1.3 | 1.4 | 1.4 | 1.4 |
| Current ratio (x) | 5.6 | 1.9 | 2.0 | 2.2 | 2.5 |
| Leverage & Expense Analysis | | | | | |
| Asset/Liability (x) | 4.7 | 4.2 | 4.2 | 4.5 | 4.9 |
| Net gearing (%) (incl perps) | 9.0 | 5.4 | net cash | net cash | net cash |
| Net gearing (%) (excl. perps) | 9.0 | 5.4 | net cash | net cash | net cash |
| Net interest cover (x) | nm | na | nm | na | na |
| Debt/EBITDA (x) | 0.7 | 0.6 | 0.5 | 0.5 | 0.4 |
| Capex/revenue (%) | 8.4 | 7.6 | 6.6 | 6.5 | 6.3 |
| Net debt/ (net cash) | 1,491.5 | 945.0 | (622.3) | (1,843.1) | (3,179.0) |

Source: Company; Maybank IBG Research

Research Offices

ECONOMICS

Suhaimi ILIAS
Chief Economist
Malaysia | Philippines | Global
(603) 2297 8682
suhaimi_ilias@maybank-ib.com

CHUA Hak Bin
Regional Thematic Macroeconomist
(65) 6231 5830
chuahb@maybank.com

Erica TAY
China | Thailand
(65) 6231 5844
erica.tay@maybank.com

Brian LEE Shun Rong
Indonesia | Singapore | Vietnam
(65) 6231 5846
brian.lee@maybank.com

Azril ROSLI
Malaysia | Philippines | Global
(603) 2082 6818
azril.rosti@maybank-ib.com

Luong Thu Huong
(65) 6231 8467
hana.thuhuong@maybank.com

FX

Saktiandi SUPAAT
Head of FX Research
(65) 6320 1379
saktiandi@maybank.com

Fiona LIM
(65) 6320 1374
fionallim@maybank.com

Alan LAU, CFA
(65) 6320 1378
alanlau@maybank.com

Shaun LIM
(65) 6320 1371
shaunlim@maybank.com

STRATEGY

Anand PATHMAKANTHAN
ASEAN
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

FIXED INCOME

Winson PHOON, FCA
Head of Fixed Income
(65) 6231 5831
winsonphoon@maybank.com

SE THO Mun Yi, CFA
(603) 2630 2541
munyi.st@maybank-ib.com

Erine YU
(603) 2074 7606
erine.yu@maybank.com

PORTFOLIO STRATEGY

ONG Seng Yeow
(65) 6231 5839
ongsengyeow@maybank.com

Sean LIM
(852) 2297 8888
lim.tzekhang@maybank.com

Benjamin HO
(852) 2268 0641
benjaminhoyin.ho@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH
Head of Sustainability Research
(91) 22 4223 2632
jigars@maybank.com

Neerav DALAL
(91) 22 4223 2606
neerav@maybank.com

REGIONAL EQUITIES

Anand PATHMAKANTHAN
Head of Regional Equity Research
(603) 2297 8783
anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA
Head of ASEAN Equity Research
(603) 2297 8686
wchewh@maybank-ib.com

MALAYSIA

LIM Sue Lin, Head of Research
(603) 2297 8612
suetin.lim@maybank-ib.com
• Equity Strategy

Desmond CH'NG, BFP, FCA
(603) 2297 8680
desmond.chng@maybank-ib.com
• Banking & Finance • Insurance

ONG Chee Ting, CA
(603) 2297 8678
ct.ong@maybank-ib.com
• Plantations - Regional

YIN Shao Yang, CPA
(603) 2297 8916
samuel.y@maybank-ib.com
• Gaming - Regional • Construction
• Aviation • Non-Bank Financials

TAN Chi Wei, CFA
(603) 2297 8690
chiwei.t@maybank-ib.com
• Utilities • Telcos

WONG Wei Sum, CFA
(603) 2297 8679
weisum@maybank-ib.com
• Property • Glove

Jade TAM
(603) 2297 8687
jade.tam@maybank-ib.com
• Consumer Staples & Discretionary

Nur Farah SYIFAA
(603) 2297 8675
nurfarahsyifaa.mohamadfuad@maybank-ib.com
• REITs

LOH Yan Jin
(603) 2297 8687
lohyanjin.loh@maybank-ib.com
• Ports • Automotive

Jeremie YAP
(603) 2297 8688
jeremie.yap@maybank-ib.com
• Oil & Gas • Petrochemicals

Nur Natasha ARIZA
(603) 2297 8691
natashaariza.aizarizal@maybank-ib.com
• Healthcare • Media

Lucas SIM
(603) 2082 6824
lucas.sim@maybank-ib.com
• Technology (EMS)

THONG Kei Jun
(603) 2297 8677
keijun.thong@maybank-ib.com
• Renewable Energy

Justin YEOH
(603) 2082 8676
justin.yeoh@maybank-ib.com
• Technology (Software)

TEE Sze Chiah Head of Retail Research
(603) 2082 6858
szechiah.t@maybank-ib.com
• Retail Research

Amirah AZMI
(603) 2082 8769
amirah.azmi@maybank-ib.com
• Retail Research

Aseela ZAHARI
(603) 2082 8767
aseela.za@maybank-ib.com
• Retail Research

Amirul RUSYDY, CMT
(603) 2297 8694
rusydy.azizi@maybank.com
• Chartist

SINGAPORE

Thilan WICKRAMASINGHE Head of Research
(65) 6231 5840
thilanw@maybank.com
• Strategy • Consumer
• Banking & Finance - Regional

Eric ONG
(65) 6231 5849
ericong@maybank.com
• Healthcare • Transport • SMIDs

Jarick SEET
(65) 6231 5848
jarick.seet@maybank.com
• Technology • SMIDs

Krishna GUHA
(65) 6231 5842
krishna.guha@maybank.com
• REITs • Industrials

Hussaini SAIFEE
(65) 6231 5837
hussaini.saiffee@maybank.com
• Telcos • Internet • Consumer

TOH Xuan Hao
(65) 6231 5820
xuanhao.toh@maybank.com
• Financials • SMIDs

LIU Miaomiao
(65) 6231 5845
miaomiao.liu@maybank.com
• REITs

PHILIPPINES

Kervin Laurence SISAYAN Head of Research
(63) 2 5322 5005
kervin.sisayan@maybank.com
• Strategy • Banking & Finance • Telcos

Daphne SZE
(63) 2 5322 5008
daphne.sze@maybank.com
• Consumer

Raffy MENDOZA
(63) 2 5322 5010
joseraphael.mendoza@maybank.com
• Property • REITs • Gaming

Germaine GUIINTO
(63) 2 5322 5006
germaine.guinto@maybank.com
• Utilities

Ronalyn Joyce LALIMO
(63) 2 5322 5009
rona.lalimo@maybank.com
• Industrials • Tourism

VIETNAM

Quan Trong Thanh Head of Research
(84 28) 44 555 888 ext 8184
thanh.quan@maybank.com
• Strategy • Banks

Hoang Huy, CFA
(84 28) 44 555 888 ext 8181
hoanghuy@maybank.com
• Strategy • Technology

Le Nguyen Nhat Chuyen
(84 28) 44 555 888 ext 8082
chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi
(84 28) 44 555 888 ext 8084
trami.nguyen@maybank.com
• Consumer Discretionary

Tran Thi Thanh Nhan
(84 28) 44 555 888 ext 8088
nhan.tran@maybank.com
• Consumer Staples

Nguyen Le Tuan Loi
(84 28) 44 555 888 ext 8182
loi.nguyen@maybank.com
• Property

Nguyen Thanh Hai
(84 28) 44 555 888 ext 8081
thanhhai.nguyen@maybank.com
• Industrials

Vu Viet Linh
(84 28) 44 555 888 ext 8201
vietlinh.vu@maybank.com
• Strategy

Nguyen Thanh Lam
(84 28) 44 555 888 ext 8086
thanhlam.nguyen@maybank.com
• Retail Research

INDONESIA

Jeffrosenberg CHENLIM Head of Research
(62) 21 8066 8680
jeffrosenberg.lim@maybank.com
• Strategy • Banking & Finance • Property

Willy GOUTAMA
(62) 21 8066 8688
willy.goutama@maybank.com
• Consumer

Etta Rusdiana PUTRA
(62) 21 8066 8683
etta.putra@maybank.com
• Telcos • Internet • Construction

Paulina MARGARETA
(62) 21 8066 8690
paulina.tjoa@maybank.com
• Autos • Healthcare

Hasan BARAKWAN
(62) 21 8066 2694
hasan.barakwan@maybank.com
• Metals & Mining • Oil & Gas

Faiq ASAD
(62) 21 8066 8692
faiq.asad@maybank.com
• Banking & Finance

Kevin HALIM
(62) 21 8066 2687
kevin.halim@maybank.com
• Property • Cement

Satriawan HARYONO, CEWA, CTA
(62) 21 8066 8682
satriawan@maybank.com
• Chartist

THAILAND

Chak REUNGSINPINYA Head of Research
(66) 2658 5000 ext 1399
chak.reungsinpinya@maybank.com
• Strategy • Energy

Jesada TECHAHUSDIN, CFA
(66) 2658 5000 ext 1395
jesada.t@maybank.com
• Banking & Finance

Wasu MATTANAPOTCHANART
(66) 2658 5000 ext 1392
wasu.m@maybank.com
• Telcos • Technology (Software) • REITs
• Property • Consumer Discretionary

Suttatip PEERASUB
(66) 2658 5000 ext 1430
suttatip.p@maybank.com
• Consumer Staples & Discretionary

Natchaphon RODJANAROWAN
(66) 2658 5000 ext 1393
natchaphon.rodjanarowan@maybank.com
• Utilities • Property

Boonyakorn AMORNSANK
(66) 2658 5000 ext 1394
boonyakorn.amornsank@maybank.com
• Services (Hotels, Transport)

Nontapat SAHAKITPINYO
(66) 2658 5000 ext 2352
nontapat.sahakitpinyo@maybank.com
• Healthcare • Construction • Insurance
• Industrial Estate

Yugi TAKESHIMA
(66) 2658 5000 ext 1530
yugi.takeshima@maybank.com
• Technology (EMS & Semicon) • Automotive
• Industrials

Tanida JIRAPORNKASEMSUK
(66) 2658 5000 ext 1396
tanida.jirapornkasemsuk@maybank.com
• Food & Beverage

Aomsub NGOWSIRI
(66) 2658 5000 ext 2518
aomsub.ngowsiri@maybank.com
• Industrials

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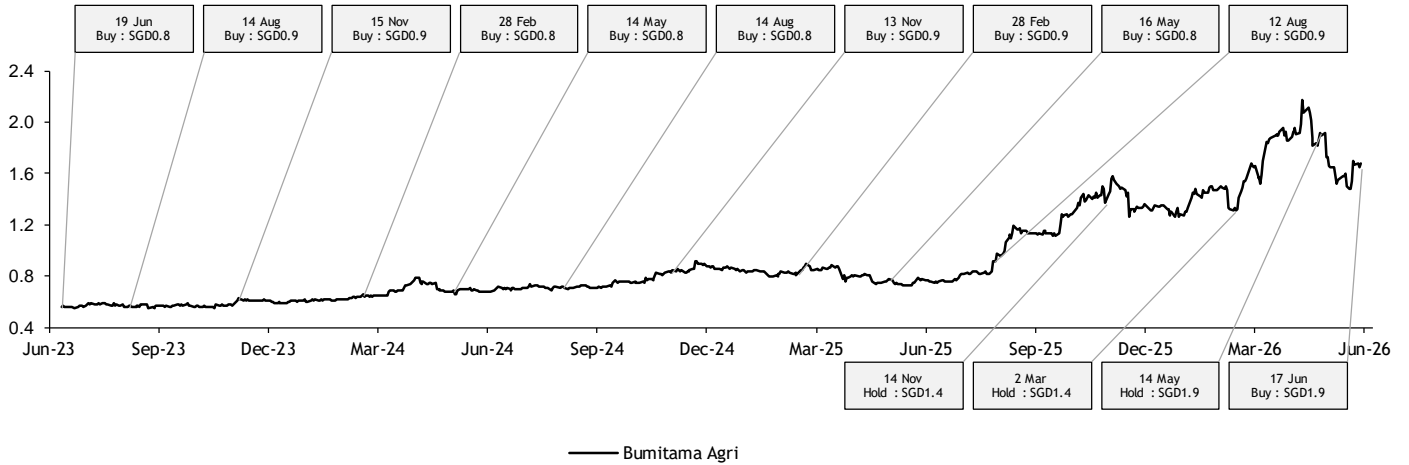
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Historical recommendations and target price: Bumitama Agri (BAL SP)



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 **Malaysia**

Maybank Investment Bank Berhad
(A Participating Organisation of
Bursa Malaysia Securities Berhad)
33rd Floor, Menara Maybank,
100 Jalan Tun Perak,
50050 Kuala Lumpur
Tel: (603) 2059 1888;
Fax: (603) 2078 4194

Stockbroking Business:
Level 8, Tower C, Dataran Maybank,
No.1, Jalan Maarof
59000 Kuala Lumpur
Tel: (603) 2297 8888
Fax: (603) 2282 5136

 **Singapore**

Maybank Securities Pte Ltd
Maybank Research Pte Ltd
50 North Canal Road
Singapore 059304

Tel: (65) 6336 9090

 **Indonesia**

PT Maybank Sekuritas Indonesia
Sentral Senayan III, 22nd Floor
Jl. Asia Afrika No. 8
Gelora Bung Karno, Senayan
Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188

Fax: (62) 21 2557 1189

 **Thailand**

Maybank Securities (Thailand) PCL
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road Pathumwan,
Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales)

Tel: (66) 2 658 6801 (research)

 **London**

Maybank Securities (London) Ltd
PNB House
77 Queen Victoria Street
London EC4V 4AY, UK

Tel: (44) 20 7332 0221

Fax: (44) 20 7332 0302

 **India**

MIB Securities India Pte Ltd
1101, 11th floor, A Wing, Kanakia
Wall Street, Chakala, Andheri -
Kurla Road, Andheri East,
Mumbai City - 400 093, India

Tel: (91) 22 6623 2600

Fax: (91) 22 6623 2604

 **Vietnam**

Maybank Securities Limited
Floor 10, Pearl 5 Tower,
5 Le Quy Don Street,
Vo Thi Sau Ward, District 3
Ho Chi Minh City, Vietnam

Tel : (84) 28 44 555 888

Fax : (84) 28 38 271 030

 **Hong Kong**

MIB Securities (Hong Kong)
Limited
28/F, Lee Garden Three,
1 Sunning Road, Causeway Bay,
Hong Kong

Tel: (852) 2268 0800

Fax: (852) 2877 0104

 **Philippines**

Maybank Securities Inc
17/F, Tower One & Exchange
Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: (63) 2 8849 8888

Fax: (63) 2 8848 5738

 **Sales Trading**
Indonesia

Helen Widjaja
helen.widjaja@maybank.com
Tel: (62) 21 2557 1188

Philippines

Keith Roy
keith_roy@maybank.com
Tel: (63) 2 5322 3184

London

Greg Smith
gsmith@maybank.com
Tel: (44) 207 332 0221

India

Sanjay Makhija
sanjaymakhija@maybank.com
Tel: (91) 22 6623 2629

www.maybank.com/investment-banking
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