Maybank Kim Eng

Plantations

Singapore

Bumitama Agri (BAL SP)

Record 3Q21 headline PATMI

BUY

Share Price	SGD 0.56
12m Price Target	SGD 0.93 (+69%)
Previous Price Target	*SGD 0.93*

Results exceeded our/ consensus expectations

9M21 headline/ core PATMI beat our/consensus expectations on better-than-expected CPO ASP and lower-than-expected cost. We expect 4Q21 EPS to be relatively good on elevated CPO ASPs. Following our EPS upgrade, we maintain our BUY call with an unchanged TP of SGD0.93 on 11x FY22 PER, its updated 5Y mean (previously 12x FY22 PER). BAL trades at just 6-7x PER with attractive dividend yields of ~6.0% (within its dividend payout policy of up to 40% of recurring profits).

Quarterly EBTIDA surpassed IDR1tr for the first time

Based on an executive summary of key financial information of its 9M21 performance, BAL reported a 3Q21 headline PATMI of IDR589b (+208% YoY, +86% QoQ), bringing 9M21 headline PATMI to IDR1,073b (+70% YoY). Due the a lack of detailed disclosure, we have estimated its unrealised net FX loss at Rp30b which we then estimate its 9M21 core PATMI at IDR1,103b (+40% YoY); meeting 82%/94% of our/consensus full-year estimates.

Maintaining our 10% FFB growth for FY21

The strong 3Q21 PATMI was underpinned by higher revenue (+47% YoY, -2% QoQ) mainly on higher CPO ASP achieved of IDR10,013/kg (+26% YoY) and higher CPO sales volume (+13% YoY). 3Q CPO ASP achieved was however below domestic spot prices (-18%), likely due to forward sales committed earlier. Unit cost of output was estimated to be lower as fertilizer application slowed due to heavy rainfall in 3Q. A slow 3Q FFB nucleus output (+2% YoY, -10% QoQ) brings 9M FFB output to 1.834mt (+18% YoY). Due to La Nina and recent cropping pattern changes, 4Q FFB output is likely lower YoY. Hence, we maintain our 10% YoY FFB output growth for FY21, at the lower end of BAL's earlier growth guidance of 10-15% YoY.

Raising EPS forecasts mainly on higher CPO ASP

Following our industry-wide CPO ASP revisions to MYR4,300/t (from MYR3,500/t) for 2021, MYR3,200/t (from MYR2,800/t) for 2022, and MYR3,000/t (from MYR2,800/t) for 2023 respectively, our FY21E/22E/23E EPS forecasts are revised up by 14%/9%/10% respectively after adjusting for forward sales committed (at lower CPO ASP) in FY21, and rising cost pressures (especially fertiliser) in FY22.

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	6.6	6.6	6.2
P/BV (x)	1.8	1.0	1.0	0.9	0.9
Net dividend yield (%)	1.1	4.8	6.0	6.1	6.5
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	5.3	4.9
Net gearing (%) (incl perps)	65.9	49.5	40.2	31.5	21.9
Consensus net profit	-	-	1,137	1,416	1,411
MKE vs. Consensus (%)	-	-	32.1	9.0	15.8

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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.

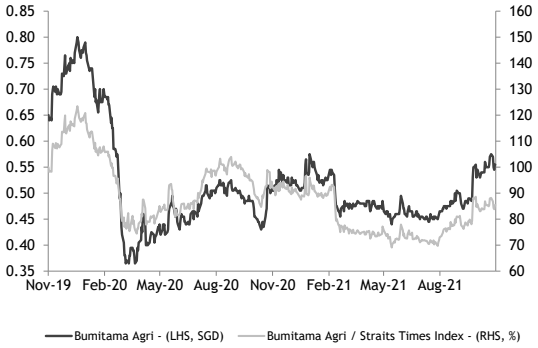
Statistics

52w high/low (SGD)	0.58/0.44
3m avg turnover (USDm)	0.3
Free float (%)	47.1
Issued shares (m)	1,758
Market capitalisation	SGD975.4M
	USD721M

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 (%)	5	21	8
Relative to index (%)	1	19	(9)

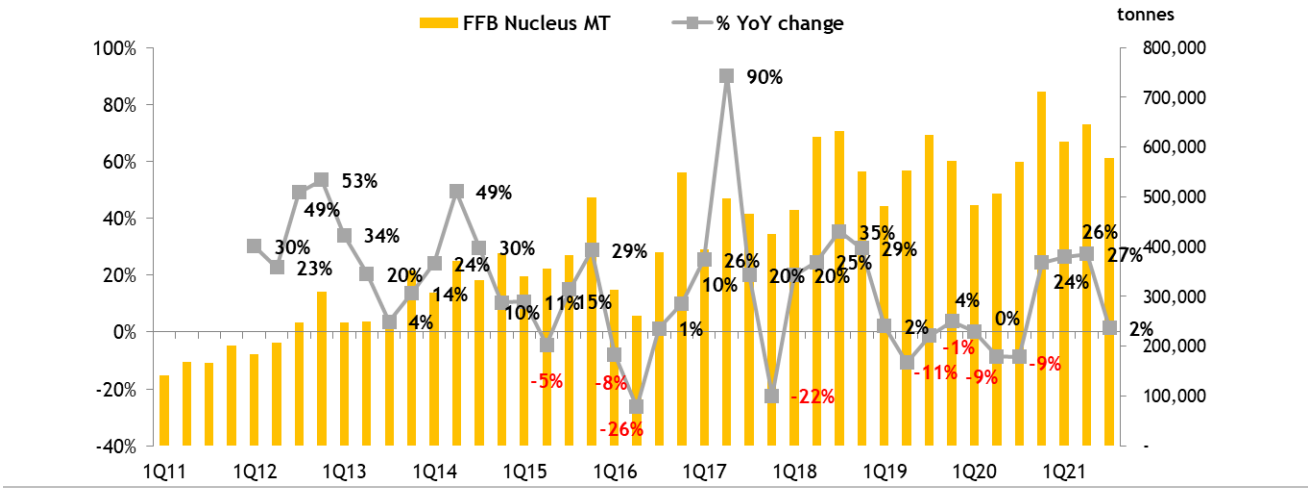
Source: FactSet

Fig 1: BAL's results summary

	Quarterly					Cumulative		
FYE Dec (IDR b)	3Q21	3Q20	% YoY	2Q21	% QoQ	9M21	9M20	% YoY
Revenue	3,058.6	2,077.2	*47.2*	3,131.3	*(2.3)*	8,496.8	6,079.7	*39.8*
EBITDA	1,028.7	521.2	*97.4*	680.6	*51.1*	2,219.5	1,599.2	*38.8*
PATMI	588.7	190.9	*208.4*	317.3	*85.5*	1,072.8	632.1	*69.7*
Core PATMI	533.1	263.7	*102.2*	403.0	*32.3*	1,102.9	788.1	*39.9*
FX gain/(loss)	55.6	(72.8)	*NM*	NA	*NM*	(30.1)	(156.0)	*(80.7)*
			+/- ppts		*+/- ppts*			*+/- ppts*
EBITDA margin (%)	33.6	25.1	*8.5*	21.7	*11.9*	26.1	26.3	*(0.2)*
PATMI margin (%)	19.2	9.2	*10.1*	10.1	*9.1*	12.6	10.4	*2.2*
Operational								
Production								
FFB nucleus (mt)	578,554	569,521	*1.6*	644,804	*(10.3)*	1,834,740	1,558,974	*17.7*
CPO (t)	256,614	252,692	*1.6*	291,766	*(12.0)*	820,206	715,113	*14.7*
Sales								
CPO (t)	267,342	237,233	*12.8*	NA	*NM*	835,700	670,073	*24.7*
CPO ASP (IDR/kg)	10,024	7,922	*26.5*	NA	*NM*	8,784	8,184	*7.3*
PK ASP (IDR/kg)	6,337	4,036	*57.0*	NA	*NM*	6,635	4,128	*60.7*

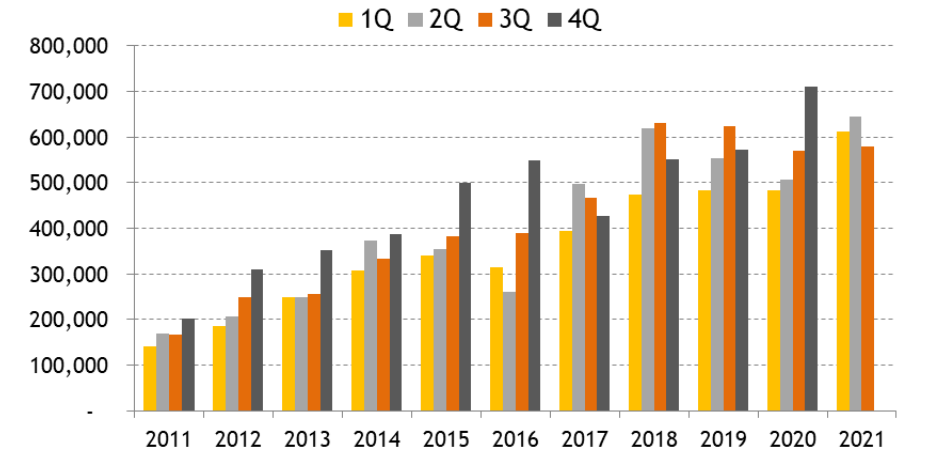
Source: Company, Maybank KE

Fig 2: Quarterly FFB nucleus output & YoY growth



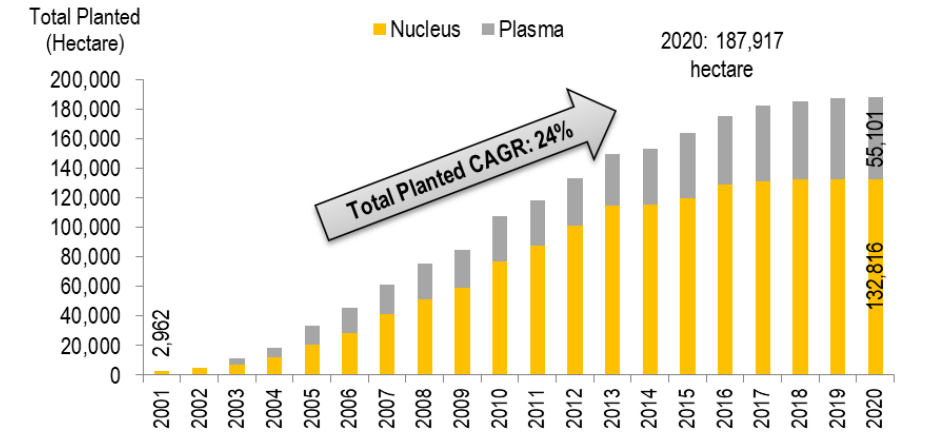
Source: Company

Fig 3: Quarterly FFB nucleus output trend (2011-21)



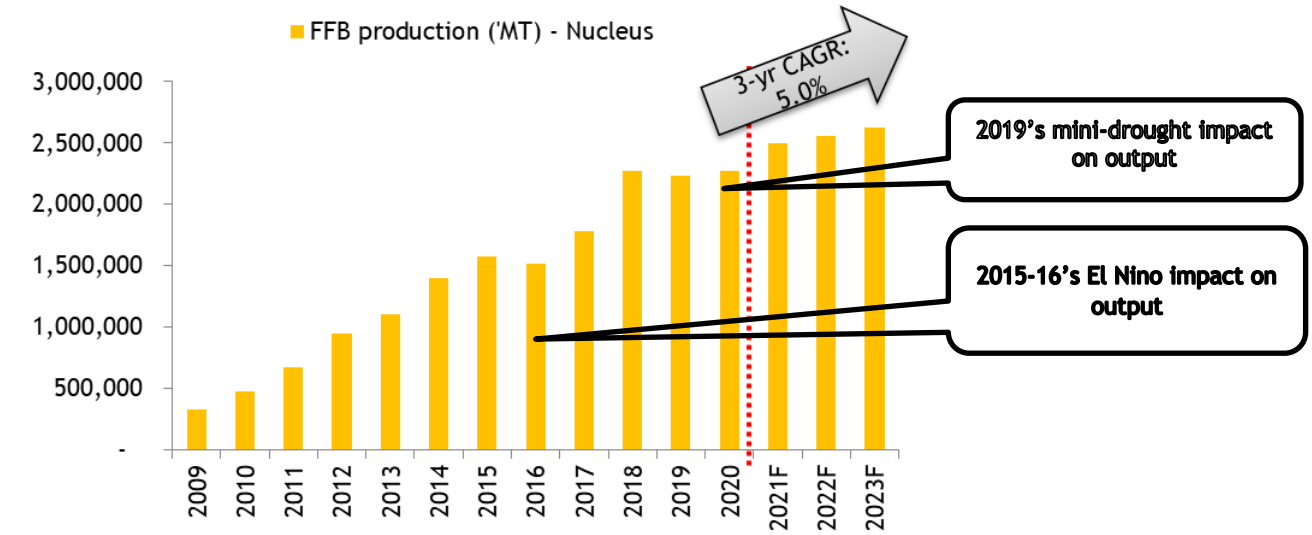
Source: Company

Fig 4: Total planted area has grown by 24% CAGR between 2000-2020



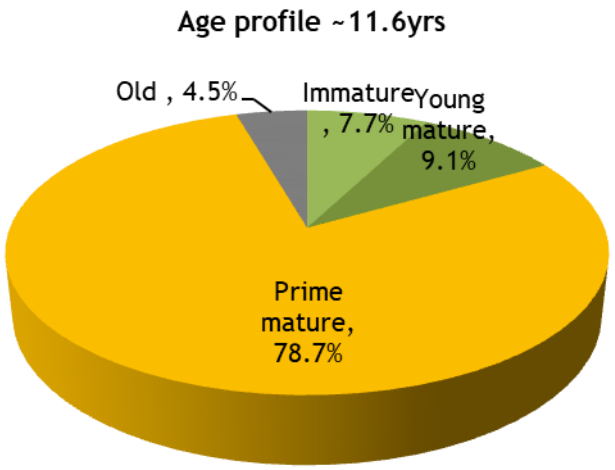
Source: Company

Fig 5: FFB nucleus output trend and forward year projections



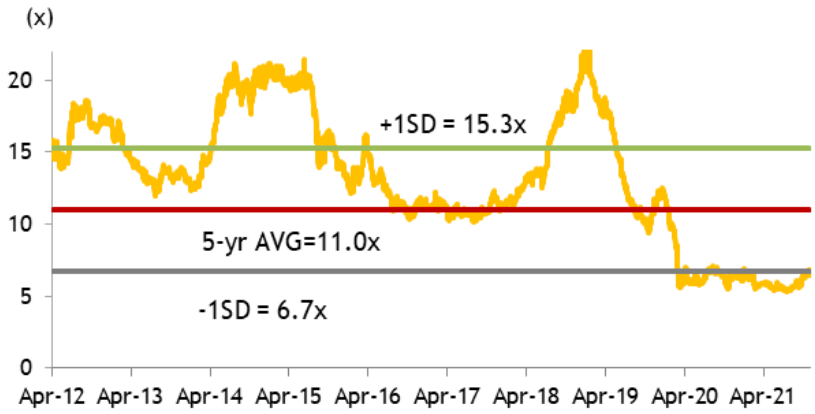
Sources: Company, Maybank KE

Fig 6: Total oil palm planted area (187,917ha) and age profile as at 31 Dec 2020



Source: Company

Fig 7: 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	6.7	6.6	6.2
Core P/E (x)	26.0	8.2	6.6	6.6	6.2
P/BV (x)	1.8	1.0	1.0	0.9	0.9
P/NTA (x)	1.8	1.1	1.0	1.0	0.9
Net dividend yield (%)	1.1	4.8	6.0	6.1	6.5
FCF yield (%)	3.8	15.6	12.8	13.4	15.4
EV/EBITDA (x)	13.2	6.3	5.2	5.3	4.9
EV/EBIT (x)	20.5	8.4	6.6	6.8	6.3
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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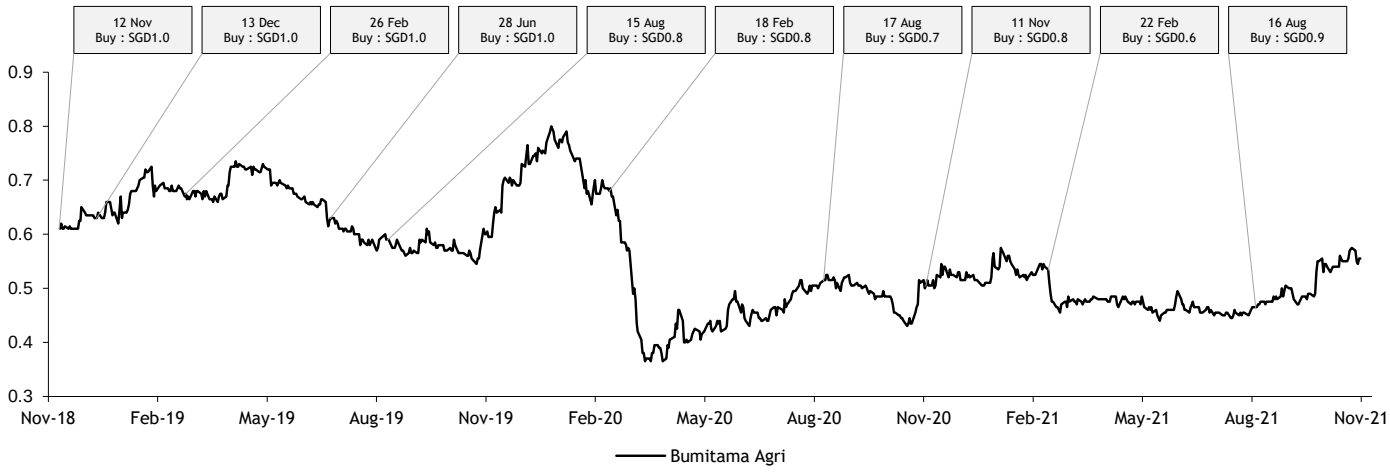
Historical recommendations and target price: Bumitama Agri (BAL SP)



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