Singapore Company Update

26 June 2020

Agriculture | Plantation

Bumitama Agri (BAL SP)

Neutral (Maintained)

Bearing The Brunt Of Higher Export Tax Levy

Target Price (Return):	SGD0.48 (+9%)
Price:	SGD0.44
Market Cap:	USD549m
Avg Daily Turnover (SGD/USD)	0.25m/0.18m

- **Maintain NEUTRAL with new roll-forward TP of SGD0.48 from SGD0.43, 9% upside.** We believe the recent change in export tax structure may be negative for Bumitama Agri as a pure upstream player, which will have to bear the brunt of the higher taxes. Valuation is fair at current levels, trading at close to its historical mean.
- **Bumitama is maintaining its FFB current growth projections of up to 10% for FY20F,** despite having achieved a flattish 0.3% YoY FFB growth in 1Q20. Management is hoping for significant improvement in FFB output in 2H20. In FY20, the company is targeting to plant up to 1,000ha of land, while 4,000ha is expected to come into maturity. We maintain our FY20F FFB growth assumptions at 4%, and our 8-9% growth assumptions for FY21F-22F.
- **In FY19, unit cost was at IDR4,361/kg (+15% YoY).** For FY20F, the company expects costs to remain within its guidance of flat to 5% growth YoY. As it acquired its fertiliser requirements for 2020 at end-2019, Bumitama was not affected by the IDR's 18% QoQ depreciation for its import costs. This is in line with our assumption of a 5-10% YoY increase in unit costs for FY20F.
- **Recent change in export tax structure is negative for Bumitama** as Indonesian plantations would be at a disadvantage over Malaysian plantations when it comes to exporting CPO. This is due to the export tax of USD55/tonne levied on Indonesian CPO vs zero for Malaysian CPO. BAL would also have to bear the brunt of the higher export tax when selling domestically to local refineries, as these refineries would normally pay for CPO feedstock based on market prices minus a portion, if not, all of the export tax levy.
- **We make no changes to our forecasts**, as we had previously assumed a discount of 5-10% to Malaysian CPO prices for our CPO price assumptions in Indonesia.
- **Maintain NEUTRAL.** Despite the unchanged forecasts, we raise our TP to SGD0.48, after rolling forward our valuation to Jun 2021F, to reflect a one-year investment horizon. We maintain our 12x P/E target, which is in line with its historical mean. Our TP implies an EV/ha of USD10,000/ha, at the mid-end of its peer range of USD5,000-15,000/ha. We maintain our call on the stock as we believe its valuation is fair at current levels.

Analysts

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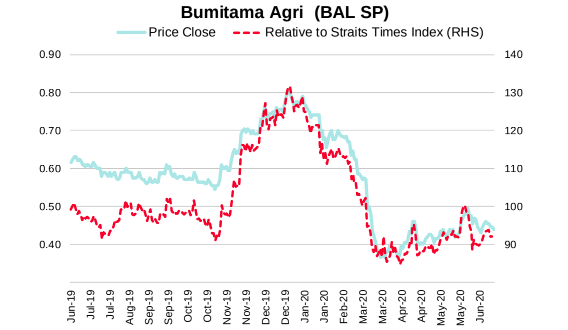
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(45.0)	4.8	15.8	(41.7)	(30.2)
Relative	(26.6)	(0.4)	10.9	(23.3)	(9.7)
52-wk Price low/high (SGD)					0.37 – 0.80



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (IDRb)	8,381	7,691	10,299	10,569	10,839
Recurring net profit (IDRb)	1,202	507	703	819	858
Recurring net profit growth (%)	1.2	(57.8)	38.8	16.4	4.8
Recurring P/E (x)	6.73	15.97	11.50	9.88	9.43
P/B (x)	1.0	1.0	0.9	0.9	0.8
P/CF (x)	5.33	6.71	5.78	4.31	4.26
Dividend Yield (%)	6.5	2.3	3.0	3.5	4.0
EV/EBITDA (x)	5.90	9.30	8.13	7.14	6.63
Return on average equity (%)	14.4	8.7	8.5	9.3	9.2
Net debt to equity (%)	54.7	65.9	56.3	45.2	35.0

Source: Company data, RHB

Financial Exhibits

Asia
Singapore
Agriculture
Bumitama Agri
BAL SP
Neutral

Valuation basis

We use 12x Jun-2021F P/E to value Bumitama at its historical average. This implies an EV/ha of USD10,000, which is at the mid end of its peer range of USD5,000-15,000

Key drivers

CPO price movement and FFB production output

Key risks

i. CPO price movements;
ii. Weather risks;
iii. The demand and supply dynamics of the global vegetable oil industry.

Company Profile

Bumitama Agri is a pure upstream plantation company in Indonesia, with landbank mostly in Kalimantan.

Financial summary (IDR)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Recurring EPS	665.11	280.40	389.18	453.12	474.93
DPS	289.26	101.17	134.48	155.36	181.25
BVPS	4,300.45	4,472.52	4,727.23	5,024.98	5,318.66
Return on average equity (%)	14.4	8.7	8.5	9.3	9.2

Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Recurring P/E (x)	6.73	15.97	11.50	9.88	9.43
P/B (x)	1.0	1.0	0.9	0.9	0.8
FCF Yield (%)	10.9	6.6	11.3	17.4	17.9
Dividend Yield (%)	6.5	2.3	3.0	3.5	4.0
EV/EBITDA (x)	5.90	9.30	8.13	7.14	6.63
EV/EBIT (x)	7.66	14.42	12.56	10.87	10.17

Income statement (IDRb)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover	8,381	7,691	10,299	10,569	10,839
Gross profit	2,391	1,733	2,064	2,212	2,256
EBITDA	2,398	1,683	1,869	2,031	2,082
Depreciation and amortisation	(550)	(597)	(660)	(696)	(726)
Operating profit	1,848	1,086	1,209	1,335	1,356
Net interest	(35)	(53)	(118)	(65)	(25)
Pre-tax profit	1,705	1,193	1,090	1,269	1,331
Taxation	(410)	(353)	(273)	(317)	(333)
Reported net profit	1,097	686	703	819	858
Recurring net profit	1,202	507	703	819	858

Cash flow (IDRb)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Change in working capital	126	508	463	858	877
Cash flow from operations	1,517	1,206	1,399	1,876	1,901
Capex	(633)	(670)	(482)	(468)	(454)
Cash flow from investing activities	(929)	(930)	(449)	(393)	(350)
Dividends paid	(570)	(442)	(243)	(281)	(328)
Cash flow from financing activities	(511)	(55)	(774)	(801)	(837)
Cash at beginning of period	217	299	504	790	1,298
Net change in cash	77	221	176	682	713
Ending balance cash	299	517	679	1,471	2,011

Balance sheet (IDRb)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total cash and equivalents	299	504	790	1,298	1,852
Tangible fixed assets	13,637	14,459	14,360	14,211	14,019
Total investments	83	0	0	0	0
Total assets	16,539	17,444	18,027	18,414	18,814
Short-term debt	4,289	626	626	626	626
Total long-term debt	935	6,097	5,797	5,497	5,197
Total liabilities	7,539	8,013	8,021	7,737	7,466
Total equity	9,000	9,431	10,006	10,677	11,348
Total liabilities & equity	16,539	17,444	18,027	18,414	18,814

Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Revenue growth (%)	3.1	(8.2)	33.9	2.6	2.6
Recurrent EPS growth (%)	1.2	(57.8)	38.8	16.4	4.8
Gross margin (%)	28.5	22.5	20.0	20.9	20.8
Operating EBITDA margin (%)	28.6	21.9	18.1	19.2	19.2
Net profit margin (%)	13.1	8.9	6.8	7.7	7.9
Dividend payout ratio (%)	47.6	26.6	34.6	34.3	38.2
Capex/sales (%)	7.5	8.7	4.7	4.4	4.2
Interest cover (x)	9.25	4.52	5.23	6.06	6.47

Source: Company data, RHB

Figure 1: Key assumptions for Bumitama

	FY17	FY18	FY19	FY20F	FY21F	FY22F
Nucleus FFB production, tonnes	1,784,729	2,276,866	2,231,353	2,326,495	2,530,095	2,737,734
% change	17.9%	27.6%	-2.0%	4.3%	8.8%	8.2%
CPO price assumption, IDR/kg	8,099	7,029	6,696	8,618	8,631	8,631
% change	9.8%	-13.2%	-4.7%	28.7%	0.2%	0.0%
PK price assumption, IDR/kg	6,033	5,287	3,416	5,386	5,351	5,351
% change	7.9%	-22.9%	-35.4%	57.7%	-0.6%	0.0%

Source: Company data, RHB

Recommendation Chart

Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-05-12	Neutral	0.43	0.44
2020-03-23	Neutral	0.38	0.37
2020-02-18	Buy	0.85	0.68
2020-01-20	Buy	0.95	0.74
2019-12-09	Buy	0.80	0.73
2019-11-12	Buy	0.69	0.62
2019-09-30	Neutral	0.60	0.58
2019-08-14	Neutral	0.54	0.59
2019-05-14	Neutral	0.62	0.69
2019-02-27	Neutral	0.67	0.67
2018-12-10	Neutral	0.60	0.64
2018-11-12	Buy	0.80	0.61
2018-08-15	Buy	na	0.70
2018-08-14	Buy	0.80	0.71

Source: RHB, Bloomberg

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