

15 August 2024

Agriculture | Plantation

Bumitama Agri (BAL SP)

Neutral (Maintained)

Expecting a Better 2H24; Still NEUTRAL

Target Price (Return):	SGD0.70 (-3%)
Price (Market Cap):	SGD0.72 (USD939m)
ESG score:	2.6 (out of 4)
Avg Daily Turnover (SGD/USD)	0.35m/0.26m

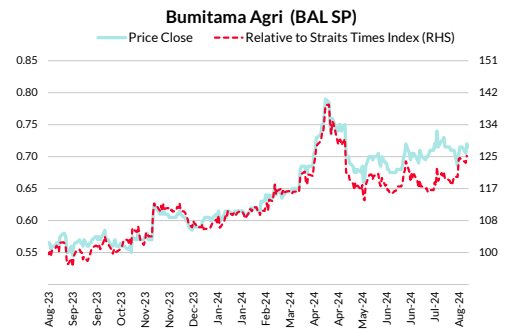
- **Maintain NEUTRAL and SGD0.70 TP, 3% downside.** Bumitama Agri's 2Q24 results met our expectations but slightly missed the Street estimate. The stock is trading at 8.3x FY25F P/E, ie within its peer range of 6-11x P/E, while its handsome FY25F dividend yield of c.6% continues to provide strong support for its share price.
- **2Q24 core profit surged 41% QoQ but dropped 31% YoY**, bringing 1H24 core profit IDR921bn (-9.2% YoY). This is largely in line with our forecast (at 52% of FY24 estimate), but missed the Street estimates (at 44% of the full-year estimate). The drop in 2Q24 profit was mainly due to lower-than-expected FFB output but cushioned by the increase in CPO and PK ASPs (+4.4% and +21.5% YoY). Management declared an interim DPS of SGD1.2 sen, which is in line with expectations.
- **2Q24 nucleus FFB production ticked up by 1.2% QoQ but plunged by 25.7% YoY**, taking 1H24 FFB nucleus output growth to 16.2% YoY. This is lower than our 2.5% growth assumption and management's initial guidance of 3-5% YoY for FY24. Weather conditions are not a main concern at this juncture, and BAL expects its output to pick up in 4Q24. However, management has trimmed its internal output (FFB nucleus + plasma) growth forecast to around -5% YoY, as a result of the lower-than-expected decrease. We also pare down our FY24F FFB nucleus output growth to -7.1% YoY (from +2.5% YoY), and to +0.1 and +0.9% (from +4 and +5%) for FY25-26F. We also decrease our YoY FFB plasma growth assumptions for FY24-26 to +0.5%, +5.4% and -3.1% from +10%, 8% and 0%, to be in line with its guidance.
- **CPO ASP strengthened QoQ in 2Q24.** BAL saw a 5.5% QoQ rise in its CPO ASP in 2Q24 (+4.4% YoY) to IDR12,257/kg, while the PK price rose 21% QoQ (+21.5% YoY). Management continues to sell mainly on spot.
- **Unit costs fell 34% QoQ but rose +10% YoY**, due to higher output during the quarter and higher fertilisation activities. BAL managed to apply about 50% of its fertiliser requirements in 2Q24, and has fully secured FY24 fertiliser requirements at prices that are lower 20-25% YoY. Management has also guided for its cost of production to gradually subside, as production improves on top of better margins. We decrease our unit cost assumptions accordingly.
- **All in, we tweak our FY24F-26F earnings downwards by 4%, 2% and 4%** after lowering FFB nucleus, plasma and decreasing unit cost assumptions.
- **Keep NEUTRAL and SGD0.70 TP**, which is based on 9x 2025F P/E. Our TP includes an ESG discount of 10%, given our in-house ESG score of 2.6 vs the 3.1 country median. Valuations are now fair – this counter is trading at 8.3x 2025F P/E, which is near the mid-point of its peer range of 6-11x P/Es. Its dividend yield of c.6% for FY25F should provide support for its share price.

Analyst

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	18.2	0.7	4.4	16.3	27.7
Relative	17.6	7.5	6.1	12.5	27.4
52-wk Price low/high (SGD)				0.55	-0.79



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (IDRm)	15,829,281	15,442,893	14,151,547	15,071,184	15,429,522
Recurring net profit (IDRm)	3,210,187	2,417,065	1,685,302	1,781,269	1,578,942
Recurring net profit growth (%)	91.4	(24.7)	(30.3)	5.7	(11.4)
Recurring P/E (x)	4.63	6.15	8.82	8.34	9.41
P/B (x)	1.2	1.1	1.1	1.0	1.0
P/CF (x)	4.23	4.54	5.53	4.95	5.29
Dividend Yield (%)	9.7	9.1	6.3	6.4	5.8
EV/EBITDA (x)	3.40	4.17	5.46	5.13	5.54
Return on average equity (%)	24.8	19.0	12.3	12.3	10.4
Net debt to equity (%)	17.5	14.5	12.8	9.7	7.4

Source: Company data, RHB

Overall ESG Score: 2.6 (out of 4)

E: GOOD

BAL has reported a reduction in greenhouse gas emissions intensity since 2017, and has set a target to reduce tCO₂-e/tonne of CPO produced by 30% by 2030, against a 2016 baseline. To achieve the target, it aims to reduce methane emissions in mills through methane capture facilities, composting, and belt press.

S: MODERATE

BAL has embarked on an initiative to engage with its partners to assist communities in a social forestry programme – by providing administrative guidance, training and equipment to develop sustainable forest management practices. Additionally, it has also established dedicated programmes to assist smallholders with Indonesian Sustainable Palm Oil and RSPO certification.

G: GOOD

33% of the Board are independent members, and there is full disclosure on director remuneration, including salaries and bonuses on a named basis. BAL has an in-house investor relations team and holds investor briefings regularly, embodying good transparency and disclosure practices.

Financial Exhibits

Asia	Financial summary (IDR)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Singapore	Recurring EPS	1,851.17	1,393.81	971.83	1,027.17	910.50
Agriculture	DPS	828.68	777.78	538.16	546.13	497.59
Bumitama Agri	BVPS	7,204.52	7,672.85	8,106.53	8,587.57	9,000.48
BAL SP	Return on average equity (%)	24.8	19.0	12.3	12.3	10.4
Neutral						
	Valuation metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Valuation basis	Recurring P/E (x)	4.63	6.15	8.82	8.34	9.41
We use 9x Dec 2025F P/E to value BAL. This implies an EV/ha of USD10,000, which is near the mid-point of its peer range of USD8,000-15,000.	P/B (x)	1.2	1.1	1.1	1.0	1.0
	FCF Yield (%)	15.3	11.1	7.2	9.4	8.1
	Dividend Yield (%)	9.7	9.1	6.3	6.4	5.8
	EV/EBITDA (x)	3.40	4.17	5.46	5.13	5.54
	EV/EBIT (x)	3.93	5.11	7.42	6.99	7.96
Key drivers						
i. CPO price increase;						
ii. Higher FFB production output						
Key risks						
i. CPO price declining;						
ii. Weather risks;						
iii. Negative effect of a change in the demand-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.						
	Income statement (IDRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total turnover	15,829,281	15,442,893	14,151,547	15,071,184	15,429,522
	Gross profit	5,732,855	4,718,652	3,460,118	3,669,899	3,351,002
	EBITDA	5,696,882	4,607,639	3,567,099	3,789,466	3,509,695
	Depreciation and amortisation	(768,199)	(843,901)	(943,026)	(1,009,944)	(1,070,239)
	Operating profit	4,928,683	3,763,738	2,624,072	2,779,522	2,439,456
	Net interest	36,766	46,333	17,932	12,927	35,811
	Pre-tax profit	4,570,577	3,861,896	2,642,005	2,792,450	2,475,267
	Taxation	(1,171,708)	(930,728)	(607,661)	(642,263)	(569,311)
	Reported net profit	2,826,110	2,449,160	1,685,302	1,781,269	1,578,942
	Recurring net profit	3,210,187	2,417,065	1,685,302	1,781,269	1,578,942
	Cash flow (IDRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Change in working capital	(678,446)	703,642	1,696,076	1,009,210	1,031,963
	Cash flow from operations	3,513,374	3,276,802	2,686,354	3,003,404	2,810,239
	Capex	(1,245,681)	(1,626,833)	(1,610,258)	(1,610,258)	(1,610,258)
	Cash flow from investing activities	(493,958)	(1,178,125)	(1,504,038)	(1,488,061)	(1,444,196)
	Dividends paid	(1,169,889)	(1,794,498)	(933,241)	(947,075)	(862,891)
	Cash flow from financing activities	(2,377,777)	(2,539,428)	(605,273)	(640,088)	(576,885)
	Cash at beginning of period	175,964	826,210	374,050	951,094	1,826,349
	Net change in cash	641,639	(440,751)	577,044	875,255	789,158
	Ending balance cash	826,210	374,050	951,094	1,826,349	2,615,506
	Balance sheet (IDRm)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Total cash and equivalents	826,210	374,050	951,094	1,826,349	2,615,506
	Tangible fixed assets	14,988,938	15,217,570	15,936,810	16,589,197	17,181,353
	Total assets	19,898,166	19,232,753	21,110,676	22,812,348	24,352,489
	Short-term debt	78,655	1,270,326	2,036,582	2,802,838	3,569,094
	Total long-term debt	3,276,826	1,336,482	1,036,482	736,482	436,482
	Total liabilities	5,442,038	3,795,486	4,572,306	5,070,867	5,567,943
	Total equity	14,456,128	15,437,267	16,538,370	17,741,481	18,784,546
	Total liabilities & equity	19,898,166	19,232,753	21,110,676	22,812,348	24,352,489
	Key metrics	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
	Revenue growth (%)	29.2	(2.4)	(8.4)	6.5	2.4
	Recurrent EPS growth (%)	91.4	(24.7)	(30.3)	5.7	(11.4)
	Gross margin (%)	36.2	30.6	24.5	24.4	21.7
	Operating EBITDA margin (%)	36.0	29.8	25.2	25.1	22.7
	Net profit margin (%)	17.9	15.9	11.9	11.8	10.2
	Dividend payout ratio (%)	50.8	55.1	55.4	53.2	54.6
	Capex/sales (%)	7.9	10.5	11.4	10.7	10.4
	Interest cover (x)	37.8	29.2	19.0	17.5	13.5

Source: Company data, RHB

Figure 1: Results review

FYE Dec (IDRbn)	1H23	1H24	YoY (%)	Comments
Revenue	7,495.9	7,600.1	1.4	Lower FFB production, but offset by CPO (+c.2% YoY) and PK (+c.11% YoY) ASPs and FFB external purchases (+10% YoY).
EBITDA	2,056.7	1,791.8	(12.9)	Higher unit costs and lower FFB output.
EBITDA margin (%)	27.4	23.6		
Depreciation	(413.7)	(453.3)	(9.6)	
EBIT	1,643.0	1,338.5	(18.5)	
EBIT margin (%)	21.9	17.6		
Interest expense	(65.3)	(82.8)	(26.9)	
Interest income	82.1	88.5	7.8	
Associates	0.0	0.0	-	
El/others	174.3	(64.6)	(137.1)	Related to FX gains/losses on USD-denominated debt.
Pre-tax profit	1,834.1	1,279.6	(30.2)	
Core PBT	1,659.8	1,344.2	(19.0)	
Pre-tax margin (%)	24.5	16.8	(31.2)	
Tax	(413.5)	(277.7)	32.8	
Effective tax rate (%)	22.5	21.7		
Minority interest	(231.7)	(145.1)	37.4	
Net profit	1,188.9	856.8	(27.9)	
Core profit	1,014.6	921.4	(9.2)	Made up 44% and 52% of consensus and our full-year forecasts.
Net margin (%)	13.5	12.1		
Net DPS	1.3	1.2	(4.0)	

Source: Company data, RHB

Figure 2: Operating statistics

Op. stats ('000 tonne)	2Q23	1Q24	2Q24	QoQ (%)	YoY (%)	1H23	1H24	YoY (%)	Comments
FFB production (nucleus)	679.2	498.6	504.4	1.2	(25.7)	1,197.6	1,003.0	(16.2)	Below our +2.5% growth assumption and management's guidance of +3-5%.
CPO production	314.8	256.5	265.2	3.4	(15.7)	549.6	521.7	(5.1)	
PK production	63.9	53.5	55.4	3.7	(13.2)	111.6	108.9	(2.4)	
FFB yield (tonnes/ha)	5.3	4.2	4.3	2.4	(18.9)	9.4	8.5	(9.6)	
OER	22.6%	22.5%	22.0%	(2.2)	(2.7)	22.4%	22.2%	(0.9)	
KER	4.5%	4.7%	4.5%	(4.3)	0.0	4.5%	4.6%	2.2	
CPO yield (tonnes/ha)	1.2	0.9	0.9	0.1	(21.0)	2.1	1.9	(10.4)	
Sales volume									
CPO	303.3	305.0	273.5	(10.3)	(9.8)	587.3	578.5	(1.5)	
PK	59.0	59.0	54.4	(7.8)	(7.8)	109.0	113.4	4.1	
ASP (IDR/kg)									
CPO	11,740	11,620	12,257	5.5	4.4	11,720	11,921	1.7	Above our average price assumption of IDR10,146/kg.
PK	5,614	5,630	6,822	21.2	21.5	5,607	6,201	10.6	

Source: Company data, RHB

Figure 3: Key assumptions for BAL

	FY21	FY22	FY23	FY24F	FY25F	FY26F
Nucleus FFB production (tonnes)	2,336,178	2,676,926	2,597,097	2,413,964	2,416,282	2,437,560
% change	2.9%	14.6%	-3.0%	-7.1%	0.1%	0.9%
CPO price assumptions (IDR/kg)	9,852	12,519	11,283	10,146	10,118	10,118
% change	18.2%	27.1%	-9.9%	-10.1%	-0.3%	0.0%
PK price assumptions (IDR/kg)	7,063	8,285	5,332	6,313	5,943	6,333
% change	61.8%	17.3%	-35.6%	18.4%	-5.9%	6.6%

Source: Company data, RHB

Emissions And ESG

Trend analysis

In FY23, BAL's Scope 1 emissions increased to 1.9m tonnes of CO2e (FY21: 1.2m tonnes of CO2e), while its Scope 3 emissions increased to 455k tonnes of CO2e (FY21: 394k tonnes of CO2e).

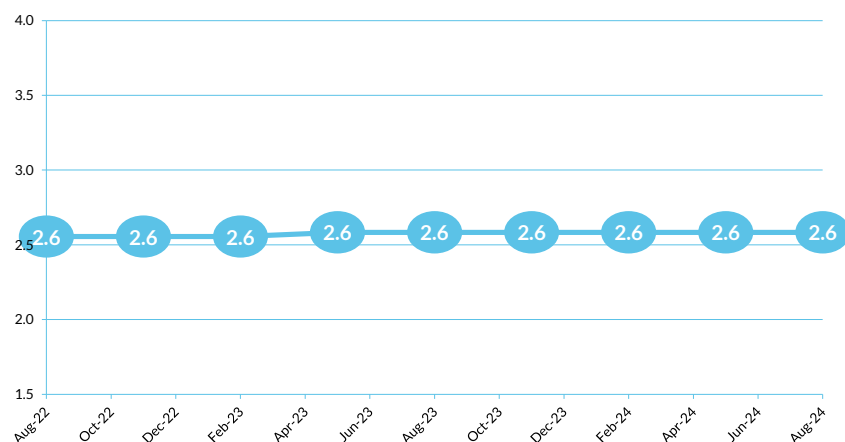
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	1,070,244	1,244,129	1,915,784
Scope 2	na	na	5,325
Scope 3	na	454,650	285,009
Total emissions	1,070,244	1,698,779	2,206,118

Source: Company data, RHB

Latest ESG-Related Developments

- **Sustainability certification:** As of end-2023, 57% of BAL's certifiable plantation area is RSPO-certified
- **Traceability:** In FY23, BAL managed achieved 99.4% traceability to plantation.
- **Reducing GHG emissions:** BAL plans to install methane capture facilities at its 15 existing mills by the end of 2029, to reach its goal of 30% reduction in emissions by 2030.

ESG Rating History



Source: RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-12	Neutral	0.70	0.71
2024-05-14	Neutral	0.70	0.69
2024-02-27	Buy	0.70	0.65
2023-11-14	Buy	0.70	0.61
2023-08-13	Neutral	0.61	0.56
2023-07-23	Neutral	0.61	0.58
2023-05-14	Neutral	0.60	0.60
2023-03-02	Neutral	0.66	0.61
2022-11-15	Buy	0.80	0.64
2022-08-15	Buy	0.80	0.64
2022-08-10	Buy	0.71	0.63
2022-05-12	Buy	0.95	0.70
2022-03-01	Buy	0.90	0.76
2021-12-12	Neutral	0.56	0.56
2021-11-14	Neutral	0.57	0.56

Source: RHB, Bloomberg

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