

COMPANY RESULTS

Bumitama Agri (BAL SP)

2H21: Results Above Expectations

BAL's 2021 results came in above our expectations, mainly due to the better-than-expected CPO ASP which was able to offset the impact from its previous forward sale contracts. We expect 2022 earnings to increase by 25% yoy on the back of: a) strong CPO prices; and b) higher CPO production, thanks to both internal and external FFB production. Maintain BUY with a higher target price of S\$0.85, after factoring in the higher CPO ASP for 2022.

2H21 RESULTS

Year to 31 Dec (Rp)	2H21	% chg qoq	% chg yoy	2021	% chg yoy	Remarks
Revenue	6,810	25.2	33.6	12,249	34.6	
EBITDA	1,941	63.0	29.6	3,498	15.1	
Net Profit	1,237	155.6	80.6	1,721	52.8	
Core Net Profit	1,083	82.4	78.9	1,677	45.9	Results above expectations.
		(+/-)	(+/-)		(+/-)	
EBITDA Margin	28.5	6.6	(0.9)	28.6	(4.8)	
Net Profit Margin	18.2	9.3	4.7	14.1	1.7	

Source: BAL, UOB Kay Hian

RESULTS

- Results above expectations.** Bumitama Agri (BAL) reported 4Q21 core net profit of Rp1,083b (+82% qoq, +79% yoy), bringing 2021 total core net profit to Rp1,677b (+46% yoy). This is above our and consensus' expectations, mainly buoyed by strong CPO net realised selling prices. BAL CPO net realised ASP came in above our expectations and better than some of its peers at Rp9,852/kg, despite BAL's large commitment of its 1H21 sales at Rp8,364/kg.
- Better hoh and yoy earnings.** The better hoh and yoy earnings were mainly buoyed by strong net realised selling price which had increased by 43% hoh, despite lower FFB production and sales volume in 2H21.
- FFB production came in below expectations.** Nucleus FFB production for 2021 came in below expectations, with 1.3% yoy growth. The lower FFB production was mainly dragged in 4Q21 where it had the lowest 4Q output since its listing, mainly due to the high rainfall. The average number of rainy days in BAL-managed estates reached 190 days in 2021, 22% more than the 10-year average. Having said that, its FFB yield had improved from 19.0 tonne/ha in 2020 to 19.3 tonne/ha in 2021. Oil extraction rate remains flat yoy at 22.6% despite higher rainfall and higher external FFB purchase (+4% yoy).

KEY FINANCIALS

Year to 31 Dec (Rp)	2020	2021	2022F	2023F	2024F
Net turnover	9,102	12,249	16,963	12,772	13,395
EBITDA	2,575	3,498	4,494	3,060	3,284
Operating profit	1,931	2,777	3,689	2,156	2,298
Net profit (rep./act.)	1,126	1,721	2,258	1,454	1,610
Net profit (adj.)	1,150	1,677	2,258	1,454	1,610
EPS (Rp)	656.7	957.9	1,289.6	830.6	919.5
PE (x)	11.7	8.0	5.9	9.2	8.3
P/B (x)	1.5	1.3	1.1	1.0	1.0
EV/EBITDA (x)	6.8	5.0	3.9	5.8	5.4
Dividend yield (%)	2.6	4.0	5.2	3.4	3.7
Net margin (%)	12.4	14.1	13.3	11.4	12.0
Net debt/(cash) to equity (%)	57.1	38.5	18.7	10.2	2.5
Interest cover (x)	n.a.	n.a.	92.7	n.a.	n.a.
ROE (%)	13.1	17.7	20.4	11.8	12.0
Consensus net profit	-	-	1,680	1,583	-
UOBKH/Consensus (x)	-	-	1.34	0.92	-

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.725
Target Price	S\$0.850
Upside	+17.2%
(Previous TP)	S\$0.65)

COMPANY DESCRIPTION

Pure upstream palm oil player in Indonesia.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	BAL SP
Shares issued (m):	1,734.1
Market cap (S\$m):	1,257.3
Market cap (US\$m):	925.5
3-mth avg daily t'over (US\$m):	0.3

Price Performance (%)

52-week high/low S\$0.735/S\$0.440

1mth	3mth	6mth	1yr	YTD
31.8	29.5	49.5	52.6	34.3

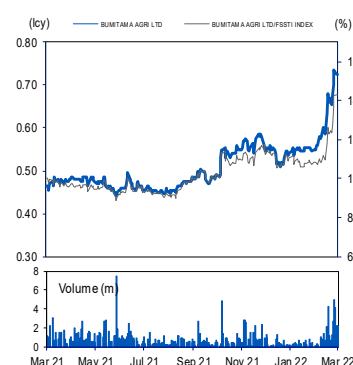
Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	30.9

FY22 NAV/Share (Rp) 6,772

FY22 Net Debt/Share (Rp) 1,266

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Expect earnings to continue performing.** With recent CPO prices continuing to spike, we reckon that BAL would continue to benefit with the current Indonesia tender price hovering around Rp17,000/kg (USD1,181/tonne). Management also guided that BAL did not enter into any forward sale since 1H21.
- **FFB production growth for 2022.** For 2022, management has guided for a 5-10% yoy nucleus FFB production growth with the production pattern starting to normalise recently. BAL has also guided for a ratio of 48:52 for 1H:2H FFB production for 2022. Besides, we expect CPO production to grow by 17% yoy as we expect BAL to increase its third-party FFB purchases in view of Indonesia's total FFB output increasing in 2022, which may result in higher mill utilisation rate.
- **Delay in fertiliser application.** The fertiliser application for 2021 was delayed, with BAL only applying 90% of its initial budgeted volume. The management also mentioned that the fertiliser cost increased by 60-80% yoy for 2022 and hence the total cost of production would increase by 20-25%. BAL's cash cost for 2021 was at Rp4,500/tonne.
- **Replanting activities.** BAL had replanted about 500 ha for 2021 and expects the same for 2022. On new planting, BAL targets to plant 1,400 ha, mostly at the West Kalimantan area.
- **Impact from DMO.** BAL has committed a certain volume of its monthly CPO production under Domestic Market Obligation (DMO) to its largest buyer – Wilmar International. Based on our channel check, the commitment from most upstream players to DMO worked out to be about 15% of their nucleus CPO production. After taking into consideration the CPO produce from plasma and third party FFB (about 50% of total FFB processed), the committed volume under DMO will dilute for BAL to only about 6% to 7%.

EARNINGS REVISION/RISK

- **Revised our earnings forecast.** We have adjusted our net profit forecasts by about 35% for 2022, factoring in higher CPO price assumption of RM4,200/tonne. Our net profit forecasts for 2022-24F net profit are at Rp2.30t, Rp1.80t and Rp1.97t respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$0.85** (previous TP: S\$0.65), based on 7x 2022F PE.

SHARE PRICE CATALYST

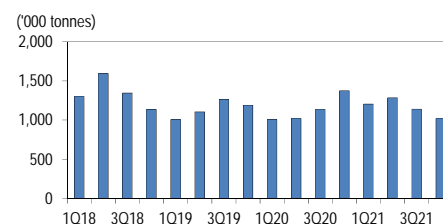
- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

STATISTICS SUMMARY

Production ('000 tonne)	2H21	Qoq % chg	Yoy % chg	2021	Yoy % chg
FFB	1,554	(14.6)	(16.5)	3,374	1.8
- nucleus	1,080	(14.0)	(15.7)	2,336	2.9
- plasma	474	(15.8)	(18.1)	1,037	(0.6)
FFB external	603	(9.6)	(7.0)	1,269	4.1
CPO	488	(13.4)	(13.2)	1,052	2.6
PK	106	(8.7)	(10.7)	223	3.4
Sales Volume ('000 tonnes)					
- CPO	513	(9.8)	(6.8)	1,081	10.0
- PK	112	(2.2)	(1.7)	226	43.4
ASP (Rp/kg)					
- CPO	11,683	42.5	40.1	9,852	18.2
- PK	7,342	8.1	62.2	7,063	61.8

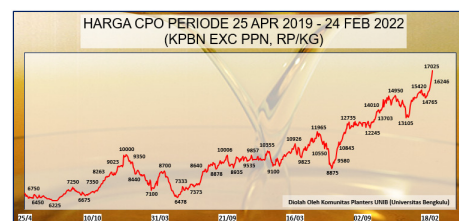
Source: BAL

LOW FFB PRODUCTION DUE TO HIGH RAINFALL



Source: Bumitama

BAL'S SPOT SELLING BENEFITTING FROM THE RECENT SURGED IN DOMESTIC CPO PRICE



Source: University Bengkulu

PROFIT & LOSS

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Net turnover	12,249	16,963	12,772	13,395
EBITDA	3,498	4,494	3,060	3,284
Deprec. & amort.	721	805	904	986
EBIT	2,777	3,689	2,156	2,298
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	1
Net interest income/(expense)	42	(48)	189	297
Pre-tax profit	2,864	3,641	2,345	2,596
Tax	(774)	(984)	(634)	(702)
Minorities	(368)	(398)	(257)	(284)
Net profit	1,721	2,258	1,454	1,610
Net profit (adj.)	1,677	2,258	1,454	1,610

CASH FLOW

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Operating	2,649	3,875	2,747	2,862
Pre-tax profit	2,864	3,641	2,345	2,596
Tax	(473)	(984)	(634)	(702)
Deprec. & amort.	721	805	904	986
Working capital changes	(424)	414	132	(19)
Other operating cashflows	(38)	0	0	0
Investing	(598)	(1,400)	(1,400)	(1,400)
Capex (maintenance)	(368)	(1,400)	(1,400)	(1,400)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(231)	0	0	0
Financing	(2,669)	(948)	(896)	(943)
Dividend payments	(679)	(702)	(452)	(501)
Issue of shares	0	0	0	0
Proceeds from borrowings	552	552	552	552
Loan repayment	(2,407)	(800)	(1,000)	(1,000)
Others/interest paid	(136)	2	4	5
Net cash inflow (outflow)	(619)	1,527	451	519
Beginning cash & cash equivalent	771	152	1,679	2,131
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	176	1,679	2,131	2,649

BALANCE SHEET

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Fixed assets	15,183	15,778	16,274	16,688
Other LT assets	323	346	343	339
Cash/ST investment	176	1,679	2,131	2,649
Other current assets	2,003	1,748	1,475	1,515
Total assets	19,268	19,698	19,699	19,700
ST debt	0	0	0	0
Other current liabilities	1,218	1,376	1,235	1,256
LT debt	4,143	3,896	3,448	3,000
Other LT liabilities	326	326	326	326
Shareholders' equity	10,300	11,856	12,858	13,968
Minority interest	1,698	2,097	2,353	2,637
Total liabilities & equity	19,268	19,698	19,699	19,700

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	28.6	26.5	24.0	24.5
Pre-tax margin	23.4	21.5	18.4	19.4
Net margin	14.1	13.3	11.4	12.0
ROA	9.1	11.6	7.4	8.2
ROE	17.7	20.4	11.8	12.0
Growth				
Turnover	34.6	38.5	(24.7)	4.9
EBITDA	35.8	28.5	(31.9)	7.3
Pre-tax profit	48.3	27.1	(35.6)	10.7
Net profit	52.8	31.2	(35.6)	10.7
Net profit (adj.)	45.9	34.6	(35.6)	10.7
EPS	45.9	34.6	(35.6)	10.7
Leverage				
Debt to total capital	25.7	21.8	18.5	15.3
Debt to equity	40.2	32.9	26.8	21.5
Net debt/(cash) to equity	38.5	18.7	10.2	2.5
Interest cover (x)	n.a.	92.7	n.a.	n.a.

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