

## Boustead Plantations (BPLANT MK)

# 1Q headline PATMI lifted by lumpy disposal gains

### HOLD for its 7.3sen 1<sup>st</sup> interim DPS

1Q22 core PATMI exceeded our expectations. Headline profits were boosted by lumpy one-off land disposal gains. However, its 1<sup>st</sup> interim DPS of 7.3sen announced has thus far lagged our expectation in terms of payout ratio. Looking forward, core PATMI is likely to weaken in 2H as we expect CPO price to soften in 2H and cost pressures (ie minimum wage hike and fertiliser cost) will become more apparent. We maintain our RNAV-TP of MYR1.03 and keep our HOLD call for its attractive dividends in FY22. We prefer KLK MK (BUY, CP: 26.42, TP: 30.70).

### 1Q core PATMI lifted by higher CPO ASP & output

1Q22 headline PATMI of MYR435m (+35x YoY, +411% QoQ) was largely lifted by a MYR364m gain on disposal of Kulai Young land in Johor. Adjusted for the disposal gain (net of real property gains tax), we estimate its 1Q22 core PATMI at MYR111m (+804% YoY, +30% QoQ) which met 35% of our full-year estimate/consensus. 1Q core performance was lifted by high CPO ASP achieved (MYR6,030/t; +61% YoY, +20% QoQ) and higher FFB output (+9% YoY, -21% QoQ). The CPO ASP achieved continues to reflect closely MPOB's average pricing, suggesting BPLANT has little, to no forward sales.

### Fertiliser application likely subdued in 1Q22

1Q FFB output met 21% of our full-year forecasts; within historical ranges. We are keeping our modest 3% YoY FFB growth forecast. We estimate its 1Q22 all-in operating cost of production to be MYR2,281/t, lower than FY21's MYR2,346/t average cost. Given our expectation of higher windfall taxes, increased Sabah and Sarawak sales taxes, and higher fertiliser prices, the lower unit cost in 1Q appears to suggest that BPLANT may not have sufficiently fertilised in 1Q22 as planned.

### 1Q dividend payout ratio shy of our expectation

A 1<sup>st</sup> interim DPS of 7.3sen was announced (ex-date: 9 June), on track to achieve our forecasted 14.1sen DPS for FY22E. Nonetheless, the DPS announced in 1Q22 translated to a payout ratio of just 38%, below our assumption of 49% for the year.

FYE Dec (MYR m)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	763	1,050	1,343	929	862
EBITDA	271	521	608	319	255
Core net profit	45	241	316	121	75
Core EPS (sen)	2.0	10.8	14.1	5.4	3.3
Core EPS growth (%)	nm	431.8	30.9	(61.8)	(37.9)
Net DPS (sen)	1.0	8.4	14.1	3.2	2.0
Core P/E (x)	30.1	6.0	7.2	18.8	30.2
P/BV (x)	0.5	0.5	0.7	0.7	0.7
Net dividend yield (%)	1.6	12.8	14.0	3.2	2.0
ROAE (%)	1.7	9.1	22.2	3.9	2.4
ROAA (%)	1.1	5.8	7.4	2.7	1.7
EV/EBITDA (x)	9.1	4.4	4.3	7.8	9.4
Net gearing (%) (incl perps)	48.8	35.7	14.6	10.8	7.5
Consensus net profit	-	-	526	95	80
MKE vs. Consensus (%)	-	-	21.6	27.2	(6.1)

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# HOLD

Share Price	MYR 1.01
12m Price Target	MYR 1.03 (+14%)
Previous Price Target	MYR 1.03

### Company Description

Boustead Plantations is a pure upstream oil palm plantation company with estates located principally in Malaysia.

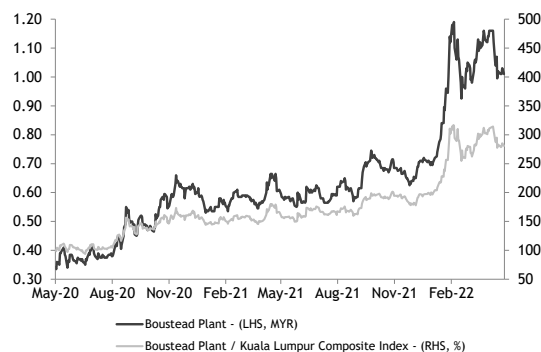
### Statistics

52w high/low (MYR)	1.19/0.55
3m avg turnover (USDm)	2.2
Free float (%)	37.7
Issued shares (m)	2,240
Market capitalisation	MYR2.3B
	USD515M

### Major shareholders:

Boustead Holdings Bhd.	57.4%
Lembaga Tabung Angkatan Tentera	12.1%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	(11)	(6)	67
Relative to index (%)	(8)	(3)	68

Source: FactSet

Fig 1: Boustead Plantations 1QFY22 results summary

FYE Dec (MYR m)	1QFY22	1QFY21	% YoY	4QFY21	% QoQ
Revenue	324.2	171.9	88.5	341.5	(5.1)
EBIT	151.3	33.4	353.0	148.5	1.9
Interest income	1.2	0.2	597.6	0.4	180.4
Finance cost	(8.8)	(12.7)	(31.1)	(10.5)	(16.4)
Share of results of Associates	1.8	(1.5)	NM	(1.2)	NM
Gain on disposal	364.1	-	NM	-	NM
<b>Pretax profit</b>	<b>509.5</b>	<b>19.3</b>	<b>26x</b>	<b>137.2</b>	<b>271.3</b>
Tax	(74.0)	(8.1)	811.3	(50.7)	45.8
Minority Interest	(0.4)	1.1	NM	(1.3)	(71.1)
<b>PATMI</b>	<b>435.2</b>	<b>12.2</b>	<b>35x</b>	<b>85.1</b>	<b>411.1</b>
<b>Core PATMI</b>	<b>110.6</b>	<b>12.2</b>	<b>804.4</b>	<b>85.1</b>	<b>29.9</b>
			<i>+/-ppt</i>		<i>+/-ppt</i>
EBIT margin	46.7	19.4	27.2	43.5	3.2
Effective Tax rate %	24.0	39.0	(15.0)	36.7	(12.6)
			<i>% YoY</i>		<i>% QoQ</i>
FFB output (MT)	195,882	180,165	8.7	248,328	(21.1)
CPO ASP (MYR/t)	6,030	3,751	60.8	5,044	19.5

Sources: Company, Maybank IBG Research

Fig 2: Boustead Plantations RNAV

Estates	Owner -ship	Status	Size Hectare	NBV MYR 'm	BV MYR psf	Market value MYR psf	Market Value (based on equity stake) MYR'm	SOTP on 45%- disc on estates MYR'm	SOP/sh MYR
Balau	100%	FH	247	280.0	10.52	12.00	319.4	319.4	0.14
Bukit Mertajam	100%	FH	2,165	142.1	0.61	4.00	931.7	931.7	0.42
Kuala Muda	50%	FH	**760	26.8	0.33	1.50	122.6	122.6	0.05
Malakoff	100%	FH	562	63.9	1.06	8.00	484.0	484.0	0.22
Telok Sengat	100%	FH	3,690	262.1	0.66	1.50	595.5	595.5	0.27
Batu Pekaka	100%	FH	969	45.8	0.44	1.50	156.3	156.3	0.07
Taiping Rubber	100%	FH	1,348	72.9	0.50	1.50	217.5	217.5	0.10
			<b>**9,741</b>	<b>893.6</b>	<b>0.85</b>		<b>2,827.1</b>	<b>2,827.1</b>	<b>1.26</b>
					Replacement cost MYR/ha				
Remaining adjusted planted (ha)			65,520			35,000	<u>2,293.2</u>	<u>2,293.2</u>	<u>1.02</u>
Value of re-valued estates at replacements costs/ market value							<b>5,120.3</b>	<b>5,120.3</b>	<b>2.29</b>
<b>Less: 45% discount</b>							-	<u>(2,304.2)</u>	<u>(1.03)</u>
Discounted value of estates							<b>5,120.3</b>	<b>2,816.2</b>	<b>1.26</b>
JV company at book value							30.6	30.6	0.01
Net debt (@ 31 Dec 2022)							(427.9)	(427.9)	(0.19)
Minority Interest (@ 31 Dec 2022)							<u>(102.7)</u>	<u>(102.7)</u>	<u>(0.05)</u>
<b>RNAV</b>							<b>4,620.4</b>	<b>2,316.3</b>	<b>1.03</b>
No of shares issued ('m)							2,240.0	2,240.0	
RNAV (MYR per share)							<b>2.06</b>	<b>1.03</b>	

\* excludes estimated EBIT of estates with property development potential; \*\* effective stake; FH = Freehold

Source: Company, Maybank IBG Research

## Risk statement

There are several risk factors for our earnings estimates, target price and rating for BPLANT. Key risks to the palm oil sector and BPLANT are: (i) lack of asset disposal to sustain its high dividend payout; (ii) weather anomalies resulting in poorer-than-expected output growth; (iii) lower-than-expected CPO price achieved; (iv) negative policies imposed by import countries; (v) unfriendly policies imposed by the Malaysian and Indonesian government on upstream or downstream segments; (vi) sharply lower crude oil prices, which make palm biodiesel demand not viable; and (vii) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Metrics</b>					
P/E (reported) (x)	23.7	5.7	3.5	18.8	30.2
Core P/E (x)	30.1	6.0	7.2	18.8	30.2
P/BV (x)	0.5	0.5	0.7	0.7	0.7
P/NTA (x)	0.5	0.5	0.7	0.7	0.7
Net dividend yield (%)	1.6	12.8	14.0	3.2	2.0
FCF yield (%)	15.8	26.9	21.1	9.3	7.6
EV/EBITDA (x)	9.1	4.4	4.3	7.8	9.4
EV/EBIT (x)	17.7	5.8	5.4	12.9	18.2
<b>INCOME STATEMENT (MYR m)</b>					
Revenue	763.0	1,050.0	1,342.9	929.4	861.9
EBITDA	270.6	520.9	607.5	319.0	255.3
EBIT	139.4	390.6	475.1	193.1	131.7
Net interest income / (exp)	(58.5)	(47.1)	(44.8)	(33.2)	(30.8)
Associates & JV	4.8	1.4	5.0	5.1	5.2
Exceptionals	(2.4)	0.0	323.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	83.3	344.8	758.3	165.0	106.1
Income tax	(48.9)	(102.3)	(116.2)	(43.2)	(27.3)
Minorities	8.6	(1.2)	(3.2)	(1.2)	(3.9)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	43.0	241.3	638.9	120.6	74.9
Core net profit	45.4	241.3	315.9	120.6	74.9
<b>BALANCE SHEET (MYR m)</b>					
Cash & Short Term Investments	44.0	82.2	586.1	690.5	787.6
Accounts receivable	31.2	17.6	36.8	30.6	28.3
Inventory	29.2	62.4	40.4	34.3	34.0
Property, Plant & Equip (net)	3,929.1	3,784.1	3,595.8	3,530.0	3,466.4
Intangible assets	2.3	2.3	2.3	2.3	2.3
Investment in Associates & JVs	30.4	25.7	30.6	35.7	40.9
Other assets	62.4	150.1	84.8	85.1	85.5
<b>Total assets</b>	<b>4,128.6</b>	<b>4,124.4</b>	<b>4,376.8</b>	<b>4,408.5</b>	<b>4,445.0</b>
ST interest bearing debt	678.5	537.7	537.7	537.7	537.7
Accounts payable	26.1	59.9	59.4	40.3	40.0
LT interest bearing debt	574.4	476.2	476.2	476.2	476.2
Other liabilities	375.0	440.0	366.0	367.0	368.0
<b>Total Liabilities</b>	<b>1,653.5</b>	<b>1,513.9</b>	<b>1,439.8</b>	<b>1,421.3</b>	<b>1,421.6</b>
Shareholders Equity	2,584.1	2,716.7	3,039.7	3,087.9	3,117.9
Minority Interest	(109.0)	(107.8)	(102.7)	(100.8)	(94.5)
<b>Total shareholder equity</b>	<b>2,475.1</b>	<b>2,608.8</b>	<b>2,936.9</b>	<b>2,987.1</b>	<b>3,023.4</b>
<b>Total liabilities and equity</b>	<b>4,128.6</b>	<b>4,122.8</b>	<b>4,376.8</b>	<b>4,408.5</b>	<b>4,445.0</b>
<b>CASH FLOW (MYR m)</b>					
Pretax profit	83.3	344.8	758.3	165.0	106.1
Depreciation & amortisation	131.1	130.3	132.4	125.9	123.5
Adj net interest (income)/exp	58.5	47.1	44.8	33.2	30.8
Change in working capital	12.0	(11.0)	(280.9)	(10.9)	(0.4)
Cash taxes paid	(25.4)	(70.5)	(116.2)	(43.2)	(27.3)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	259.5	440.8	538.4	270.0	232.8
Capex	(43.6)	(49.1)	(60.0)	(60.0)	(60.0)
Free cash flow	215.9	391.6	478.4	210.0	172.8
Dividends paid	(11.2)	(108.6)	(315.9)	(72.4)	(45.0)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(125.3)	(240.0)	0.0	0.0	0.0
Other invest/financing cash flow	(64.1)	(5.3)	(44.8)	(33.2)	(30.8)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	23.6	38.1	503.9	104.5	97.0

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	32.2	37.6	27.9	(30.8)	(7.3)
EBITDA growth	86.1	92.5	16.6	(47.5)	(20.0)
EBIT growth	nm	180.1	21.6	(59.3)	(31.8)
Pretax growth	nm	314.0	119.9	(78.2)	(35.7)
Reported net profit growth	nm	461.8	164.8	(81.1)	(37.9)
Core net profit growth	nm	431.9	30.9	(61.8)	(37.9)
<b>Profitability ratios (%)</b>					
EBITDA margin	35.5	49.6	45.2	34.3	29.6
EBIT margin	18.3	37.2	35.4	20.8	15.3
Pretax profit margin	10.9	32.8	56.5	17.8	12.3
Payout ratio	52.2	77.5	49.4	60.0	60.0
<b>DuPont analysis</b>					
Net profit margin (%)	5.6	23.0	47.6	13.0	8.7
Revenue/Assets (x)	0.2	0.3	0.3	0.2	0.2
Assets/Equity (x)	1.6	1.5	1.4	1.4	1.4
ROAE (%)	1.7	9.1	22.2	3.9	2.4
ROAA (%)	1.1	5.8	7.4	2.7	1.7
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	15.3	9.9	3.9	6.9	9.3
Days receivable outstanding	15.6	8.4	7.3	13.0	12.3
Days inventory outstanding	16.7	25.0	21.3	18.3	16.8
Days payables outstanding	17.0	23.5	24.8	24.4	19.8
Dividend cover (x)	1.9	1.3	2.0	1.7	1.7
Current ratio (x)	0.2	0.4	1.1	1.3	1.5
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.5	2.7	3.0	3.1	3.1
Net gearing (%) (incl perps)	48.8	35.7	14.6	10.8	7.5
Net gearing (%) (excl. perps)	48.8	35.7	14.6	10.8	7.5
Net interest cover (x)	2.4	8.3	10.6	5.8	4.3
Debt/EBITDA (x)	4.6	1.9	1.7	3.2	4.0
Capex/revenue (%)	5.7	4.7	4.5	6.5	7.0
Net debt/ (net cash)	1,208.9	931.7	427.9	323.4	226.4

Source: Company; Maybank IBG Research

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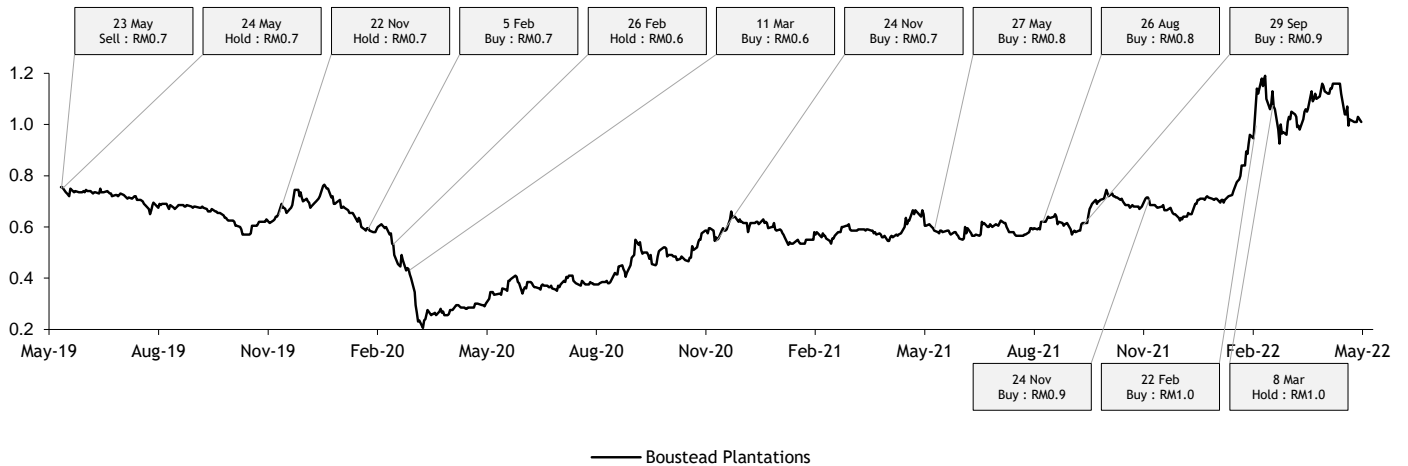
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Historical recommendations and target price: Boustead Plantations (BPLANT MK)



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