

Bumitama Agri (BAL SP)

Post 9M22 results briefing

BUY

Share Price SGD 0.64
 12m Price Target SGD 0.89 (+50%)
 Previous Price Target SGD 0.88

Single-digit PER with good dividend yields

BAL is on track to deliver +16%-18% YoY FFB output growth in 2022, and its 3Q22 output was key to recent earnings outperformance. We raise our FY22E-24E by +19%/+7%/+7% mainly on higher output assumptions. Following our EPS revisions, we tweaked our TP slightly to SGD0.89 (from SGD0.88) on unchanged 8x FY23 PER, -0.5SD its 5Y mean. Valuation remains attractive trading at single-digit PER with >6% dividend yields.

Key takeaways

BAL hosted a post results briefing. Key takeaways: (1) Strong output was key to its outperformance in 3Q22. BAL maintains its +16-18% YoY FFB output growth guidance for 2022, expecting 2H22 output to be 50%-51% of full-year output. This implies that output has likely peaked in 2Q22 this year. 4Q22 output is likely to be trending down QoQ; (2) There was net inventory build-up QoQ in 3Q (ie. sales < output). BAL is holding slightly more than 2 months of inventory at end-Sept, and this may help lift sales in 4Q22 or 1Q23 to soften the declining output trend; (3) ~80% of its full-year fertiliser requirement has been applied in 9M22 (1H22: ~50%).

FY22E unit cost may be lower than earlier guidance

BAL guides that its 3Q22 nucleus cash cost of production was IDR4,200/kg, lower than 1H22's unit cost of IDR5,200/kg. This brings 9M22 cash cost to IDR4,800/kg. For FY22E, BAL has now revised down its unit cost guidance to ~IDR5,000/kg (down from ~IDR5,400/kg; FY21: IDR4,564/kg) assuming it cannot complete its fertilizer programme by year end.

Raising our EPS forecasts by 7%-19%

Following the strong output achieved in 9M22, we now raise our FY22E FFB nucleus growth assumption to 16% (from 10%), at the lower end of BAL's guidance of +16%-18%. This represents a 5.5% increase to our FY22E absolute output. At the same time, we raised our FY23E-24E FFB output by 3.7%/3.7% respectively. We have also lifted milling margins from 3rd party for FY22E as well as raised our CPO ASP (+2%) given better ASP achieved in 9M22. Overall, we raised our FY22E-24E EPS by +19%/+7%/+7%.

FYE Dec (IDR b)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	9,102	12,249	16,947	13,787	13,539
EBITDA	2,575	3,498	6,019	4,135	4,010
Core net profit	1,145	1,687	3,346	2,187	2,119
Core EPS (IDR)	660	973	1,929	1,261	1,222
Core EPS growth (%)	107.9	47.4	98.3	(34.6)	(3.1)
Net DPS (IDR)	262	393	772	504	489
Core P/E (x)	8.2	5.9	3.7	5.7	5.9
P/BV (x)	1.0	1.0	1.0	0.9	0.8
Net dividend yield (%)	4.8	6.9	10.7	7.0	6.8
ROAE (%)	13.2	17.8	29.6	16.9	14.9
ROAA (%)	6.4	9.4	17.3	10.1	9.3
EV/EBITDA (x)	6.3	4.4	2.7	3.7	3.5
Net gearing (%) (incl perps)	49.5	33.1	8.8	net cash	net cash
Consensus net profit	-	-	3,597	2,075	2,050
MKE vs. Consensus (%)	-	-	(7.0)	5.4	3.4

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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.

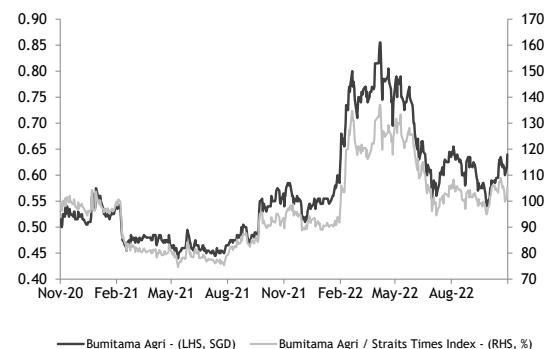
Statistics

52w high/low (SGD)	0.86/0.51
3m avg turnover (USDm)	0.3
Free float (%)	14.9
Issued shares (m)	1,758
Market capitalisation	SGD1.1B USD819M

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 (%)	16	1	13
Relative to index (%)	8	1	13

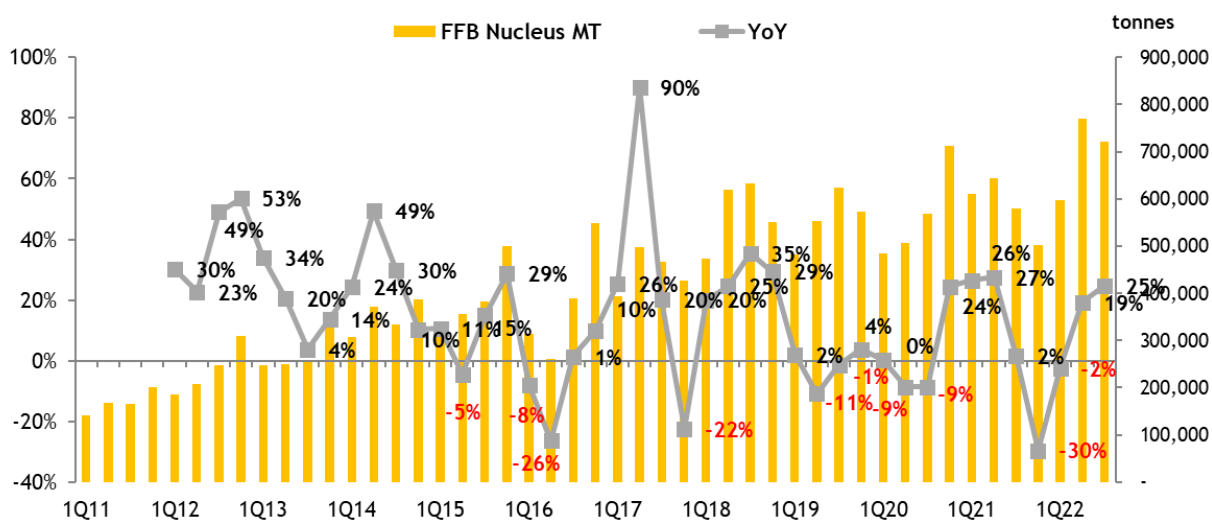
Source: FactSet

Fig 1: BAL's results summary

FYE Dec (IDR b)	Quarterly					Cumulative		
	3Q22	3Q21	% YoY	2Q22	% QoQ	9M22	9M21	% YoY
Revenue	3,590.6	3,058.6	17.4	5,068.8	(29.2)	12,559.0	8,496.8	47.8
EBITDA	1,259.7	1,028.7	22.5	2,298.1	(45.2)	5,032.6	2,219.5	126.7
Headline PATMI	654.9	588.7	11.2	1,305.7	(49.8)	2,833.7	1,072.8	164.1
			<i>+/- ppts</i>		<i>+/- ppts</i>			<i>+/- ppts</i>
EBITDA margin (%)	35.1	33.6	1.5	45.3	(10.3)	40.1	26.1	13.9
PATMI margin (%)	18.2	19.2	(1.0)	25.8	(7.5)	22.6	12.6	9.9
Operational								
Production								
FFB nucleus (mt)	721,962	578,554	24.8	769,319	(6.2)	2,087,590	1,834,740	13.8
CPO (t)	320,520	256,614	24.9	341,304	(6.1)	923,554	820,206	12.6
Sales								
CPO (t)	311,083	267,342	16.4	293,717	5.9	842,400	835,700	0.8
CPO ASP (IDR/kg)	10,435	10,024	4.1	14,923	(30.1)	12,890	8,784	46.7
PK ASP (IDR/kg)	5,105	6,337	(19.4)	10,700	(52.3)	9,085	6,635	36.9

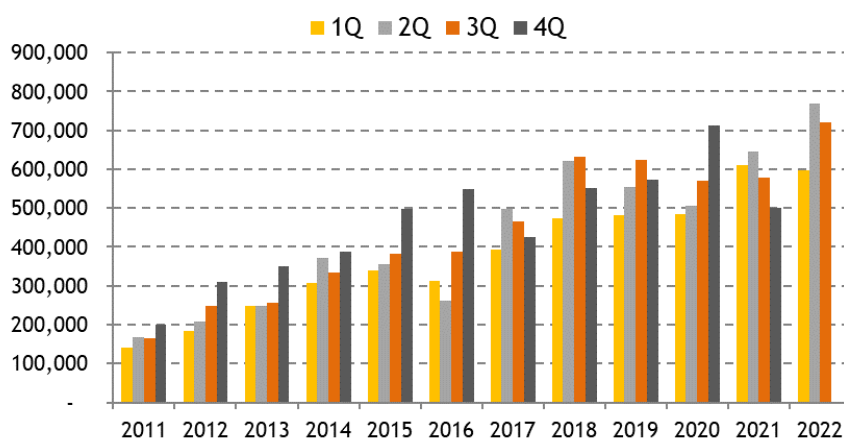
Source: Company

Fig 2: Quarterly FFB nucleus output & YoY growth



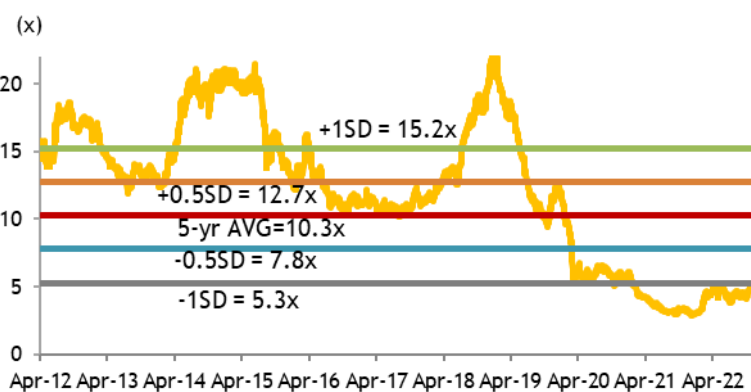
Source: Company

Fig 3: Quarterly FFB nucleus output trend (2011-22)



Source: Company

Fig 4: BAL 12M forward PER



Sources: Bloomberg, Maybank IBG Research

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	FY20A	FY21A	FY22E	FY23E	FY24E
Key Metrics					
P/E (reported) (x)	8.3	5.3	3.7	5.7	5.9
Core P/E (x)	8.2	5.9	3.7	5.7	5.9
P/BV (x)	1.0	1.0	1.0	0.9	0.8
P/NTA (x)	1.1	1.0	1.0	0.9	0.9
Net dividend yield (%)	4.8	6.9	10.7	7.0	6.8
FCF yield (%)	15.6	16.2	32.9	16.4	16.3
EV/EBITDA (x)	6.3	4.4	2.7	3.7	3.5
EV/EBIT (x)	8.4	5.6	3.1	4.5	4.5
INCOME STATEMENT (IDR b)					
Revenue	9,101.7	12,248.6	16,947.2	13,787.1	13,538.9
EBITDA	2,575.5	3,498.0	6,019.1	4,135.4	4,009.6
Depreciation	(644.9)	(720.9)	(746.5)	(779.7)	(827.8)
EBIT	1,930.6	2,777.1	5,272.6	3,355.8	3,181.8
Net interest income / (exp)	23.3	42.3	38.1	210.0	274.4
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	25.7	82.1	0.0	0.0	0.0
Other pretax income	(49.0)	(37.9)	0.0	0.0	0.0
Pretax profit	1,930.5	2,863.6	5,310.7	3,565.8	3,456.2
Income tax	(568.1)	(774.2)	(1,327.7)	(962.8)	(933.2)
Minorities	(236.0)	(368.0)	(637.3)	(416.5)	(403.7)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	1,126.4	1,721.4	3,345.7	2,186.5	2,119.3
Core net profit	1,144.6	1,687.0	3,345.7	2,186.5	2,119.3
BALANCE SHEET (IDR b)					
Cash & Short Term Investments	792.0	176.0	2,451.4	3,390.1	4,416.6
Accounts receivable	70.6	120.0	464.3	377.7	370.9
Inventory	852.4	822.4	1,199.1	1,060.7	1,050.2
Property, Plant & Equip (net)	11,538.7	11,918.1	12,189.8	12,428.3	12,618.6
Intangible assets	182.6	185.4	185.4	185.4	185.4
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	4,796.5	4,463.7	4,613.7	4,663.7	4,713.7
Total assets	18,232.8	17,685.5	21,103.8	22,106.0	23,355.5
ST interest bearing debt	282.1	0.0	0.0	0.0	0.0
Accounts payable	598.8	411.9	1,199.1	1,060.7	1,050.2
LT interest bearing debt	5,725.7	4,143.1	3,743.1	3,343.1	2,943.1
Other liabilities	1,092.0	1,132.0	1,518.0	1,331.0	1,315.0
Total Liabilities	7,699.0	5,687.0	6,460.5	5,734.3	5,308.6
Shareholders Equity	9,016.7	10,300.4	12,307.9	13,619.8	14,891.4
Minority Interest	1,517.2	1,698.1	2,335.4	2,751.9	3,155.6
Total shareholder equity	10,533.8	11,998.6	14,643.3	16,371.7	18,047.0
Total liabilities and equity	18,232.8	17,685.5	21,103.8	22,106.0	23,355.5
CASH FLOW (IDR b)					
Pretax profit	1,930.5	2,863.6	5,310.7	3,565.8	3,456.2
Depreciation & amortisation	644.9	720.9	746.5	779.7	827.8
Adj net interest (income)/exp	(23.3)	(42.3)	(38.1)	(210.0)	(274.4)
Change in working capital	56.6	(419.9)	452.4	(101.2)	(8.4)
Cash taxes paid	(163.0)	(473.1)	(1,327.7)	(962.8)	(933.2)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	2,445.8	2,649.1	5,143.8	3,071.5	3,068.0
Capex	(979.1)	(1,048.6)	(1,018.2)	(1,018.2)	(1,018.2)
Free cash flow	1,466.7	1,600.4	4,125.6	2,053.3	2,049.8
Dividends paid	(254.7)	(679.4)	(1,338.3)	(874.6)	(847.7)
Equity raised / (purchased)	40.6	0.0	0.0	0.0	0.0
Change in Debt	(863.3)	(1,854.1)	(400.0)	(400.0)	(400.0)
Other invest/financing cash flow	(122.1)	314.2	(111.9)	160.0	224.4
Effect of exch rate changes	21.1	2.8	0.0	0.0	0.0
Net cash flow	288.2	(616.0)	2,275.4	938.7	1,026.5

FYE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Key Ratios					
Growth ratios (%)					
Revenue growth	18.3	34.6	38.4	(18.6)	(1.8)
EBITDA growth	54.7	35.8	72.1	(31.3)	(3.0)
EBIT growth	80.9	43.8	89.9	(36.4)	(5.2)
Pretax growth	61.8	48.3	85.5	(32.9)	(3.1)
Reported net profit growth	64.1	52.8	94.4	(34.6)	(3.1)
Core net profit growth	107.5	47.4	98.3	(34.6)	(3.1)
Profitability ratios (%)					
EBITDA margin	28.3	28.6	35.5	30.0	29.6
EBIT margin	21.2	22.7	31.1	24.3	23.5
Pretax profit margin	21.2	23.4	31.3	25.9	25.5
Payout ratio	40.3	39.6	40.0	40.0	40.0
DuPont analysis					
Net profit margin (%)	12.4	14.1	19.7	15.9	15.7
Revenue/Assets (x)	0.5	0.7	0.8	0.6	0.6
Assets/Equity (x)	2.0	1.7	1.7	1.6	1.6
ROAE (%)	13.2	17.8	29.6	16.9	14.9
ROAA (%)	6.4	9.4	17.3	10.1	9.3
Liquidity & Efficiency					
Cash conversion cycle	12.6	16.4	13.0	11.0	10.0
Days receivable outstanding	8.3	2.8	6.2	11.0	10.0
Days inventory outstanding	41.4	34.3	33.3	42.0	39.7
Days payables outstanding	37.1	20.7	26.5	42.0	39.7
Dividend cover (x)	2.5	2.5	2.5	2.5	2.5
Current ratio (x)	1.5	1.8	2.2	2.9	3.4
Leverage & Expense Analysis					
Asset/Liability (x)	2.4	3.1	3.3	3.9	4.4
Net gearing (%) (incl perps)	49.5	33.1	8.8	net cash	net cash
Net gearing (%) (excl. perps)	49.5	33.1	8.8	net cash	net cash
Net interest cover (x)	na	na	na	na	na
Debt/EBITDA (x)	2.3	1.2	0.6	0.8	0.7
Capex/revenue (%)	10.8	8.6	6.0	7.4	7.5
Net debt/ (net cash)	5,215.8	3,967.1	1,291.7	(47.1)	(1,473.6)

Source: Company; Maybank IBG Research

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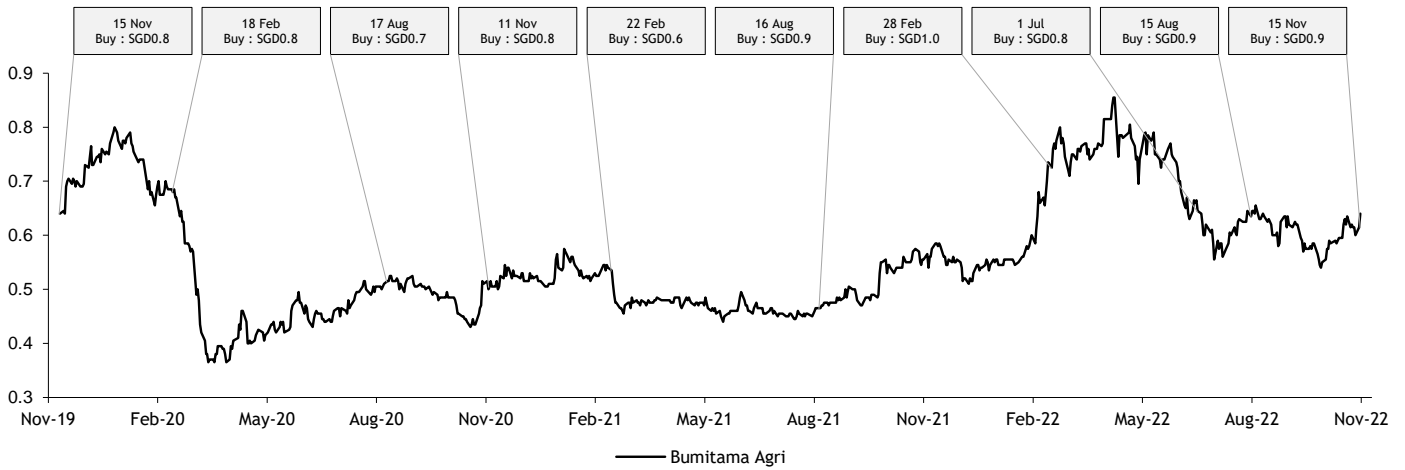
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