

# Singapore Company Update

## Bumitama Agri

Bloomberg: BAL SP | Reuters: BUMI.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

4 Jan 2024

### BUY

Last Traded Price (3 Jan 2024): S\$0.600 (STI: 3,199.44)

Price Target 12-mth: S\$0.90 (50% upside)

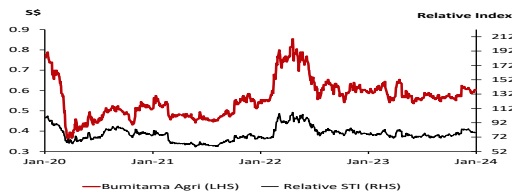
#### Analyst

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#### What's New

- We raise FY23F earnings by 38% as 9M23 earnings have already surpassed our previous estimate
- We maintain our FY24F/FY25F earnings forecast at Rp2tr per annum
- BAL's superb profitability performance set to sustain
- Maintain BUY with unchanged TP of S\$0.90

#### Price Relative



#### Forecasts and Valuation

FY Dec (Rpbn)	2022A	2023F	2024F	2025F
Revenue	15,829	12,685	12,368	12,693
EBITDA	5,272	3,826	3,854	3,766
Pre-tax Profit	4,571	3,396	3,486	3,493
Net Profit	2,826	2,217	2,273	2,284
Net Pft (ex. BA gains)	2,876	2,217	2,273	2,284
Net Pft (Pre Ex.)	2,826	2,217	2,273	2,284
Net Pft Gth (Pre-ex) (%)	64.2	(21.6)	2.5	0.5
EPS (S cts)	13.8	10.8	11.1	11.2
EPS Pre Ex. (S cts)	13.8	10.8	11.1	11.2
EPS Gth Pre Ex (%)	64	(22)	3	0
Diluted EPS (S cts)	13.8	10.8	11.1	11.2
Net DPS (S cts)	3.32	3.32	3.32	3.32
BV Per Share (S cts)	61.0	71.2	80.1	88.9
PE (X)	4.3	5.5	5.4	5.4
PE Pre Ex. (X)	4.3	5.5	5.4	5.4
P/Cash Flow (X)	7.6	1.7	3.3	3.3
EV/EBITDA (X)	3.2	2.8	2.2	1.5
Net Div Yield (%)	5.5	5.5	5.5	5.5
P/Book Value (X)	1.0	0.8	0.7	0.7
Net Debt/Equity (X)	0.2	CASH	CASH	CASH
ROAE (%)	24.8	16.4	14.7	13.2
<b>Earnings Rev (%):</b>		38	11	-
<b>Consensus EPS (S cts):</b>		12.4	10.8	10.4
<b>Other Broker Recs:</b>		B: 4	S: 0	H: 0

Source of all data on this page: Company, DBSVI, Bloomberg Finance L.P.

### Strong productivity to drive firm profitability outlook

#### Investment Thesis

**Capitalizing on recovering palm oil price.** Bumitama (BAL) is one of the few palm oil companies that is poised to benefit amid a tight CPO supply outlook from a limited palm oil estate expansion and rejuvenation in Indonesia. BAL has exposure to Indonesia's domestic CPO price trend, which is poised to have recover – in 2H23 on recovering demand and 2024 on limited supply outlook driven by El Nino. Its well-run palm oil estates is expected to be minimally impacted by the weather.

**Steady selling price and lower cost to drive earnings in 2024.** We forecast an average selling price (ASP) of Rp10,584/kg and earnings of Rp1.6tr (-43% y-o-y) in 2023, as well as Rp10,146/kg and earnings of Rp2tr (+28% y-o-y) in 2024. Despite earnings retreating from 2022's record high, we see BAL's return on average equity (ROAE) remaining in the double-digits. We believe BAL will perform well despite El Nino hindering significant production volume growth in 2023 and 2024.

**Palm oil price to drive BAL's share price amid flat production volume in 2023-2024.** BAL's earnings and share price requires palm oil price to improve to raise its NPAT/kg. We think BAL will churn out NPAT/kg of Rp1,400/kg in 2023, improving to Rp1,800/kg in 2024. We believe BAL's capability to manage operational costs and high productivity estates will enable it to capitalize on lower operating costs – mainly fertilizers.

#### Maintain BUY and TP of S\$0.9 on higher earnings prospects in 2024.

We maintain our BUY rating with an unchanged TP of S\$0.90. We believe BAL, trading at a 50% discount vs. upstream peers despite its superior operational and financial metrics, seems unjustified. Our TP implies an FY24F PE of 8.1x, +2SD of its five-year average PE multiple, which is inline with Singapore listed palm oil companies average FY24F PE multiple of 7.7x. Earnings recovery from 1H23's low stands as a re-rating catalyst.

#### Key Risks

**Lower-than-expected palm oil price in 2H23 and 2024.** If CPO price fails to recover from the 2Q23 low, BAL earnings will miss our estimate on the absence of sequential earnings recovery trend in 4Q23 and 2024.

#### At A Glance

Issued Capital (m shrs)	1,734
Mkt. Cap (S\$bn/US\$m)	1.04 / 783
Major Shareholders (%)	
FORTUNE HOLDINGS LIMITED	52.2
IOI Corp Bhd	32.1
Free Float (%)	15.7
3m Avg. Daily Val (US\$m)	0.16
<b>GIC Industry :</b> Consumer Staples / Agricultural Products	

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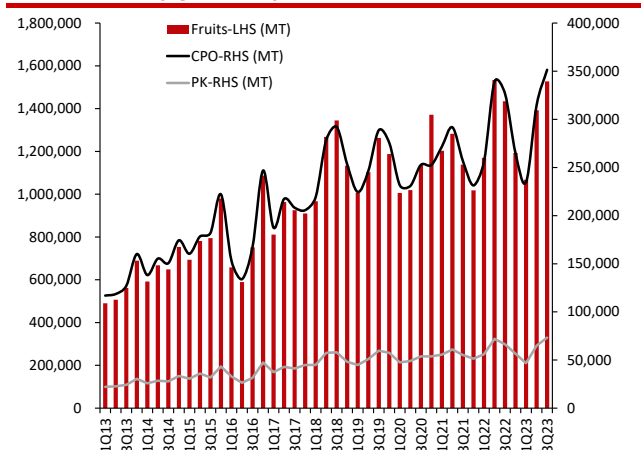
### WHAT'S NEW

#### Strong productivity to drive firm profitability outlook

##### Well-run upstream CPO company.

BAL is a well-run palm oil company since it consistently churns strong CPO yield, profitability, and ROE performances even during the palm oil price downcycle, thanks to its good estate management. Moving forward, we believe it will reap the benefits of the higher palm oil price trend ahead with a double-digit earnings recovery outlook in 2024. We revised up our FY23F / FY24F earnings by 38%/ 11%, respectively, to Rp2.2tr (-43% y-o-y) and Rp2.2tr (+18% y-o-y), mainly to account for our new CPO price assumption.

#### BAL consistently grows its production volumes



Source: Company, DBS Bank

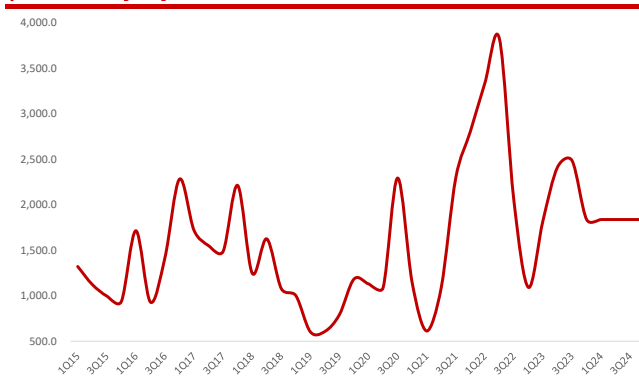
If the improving earnings trend holds in 2024, we think BAL's share price will perform even better going forward, coupled with the current undemanding valuation at FY24F PE of 5.4x, a 30%-40% discount vs. its older plantation companies' peers. Beyond 2024, given its prime age palm oil trees production cycle which will keep the overall cash cost low and CPO yield per hectare high, BAL will sustain its strong financial and return on equity achievement.

Global palm oil price recovery in 2024 will be supported by improving sunflower oil price and decent soybean oil premium to palm oil price outlook, which we believe will remain in good balance due to stable supply and demand outlook of edible oils and improving soymeal demand on China reopening. Meanwhile, we believe the palm oil price downside risk from current level is limited on improving crude oil price trend, as well as recovering demand from China.

In the longer term, we estimate BAL will generate steady annual dividend – at least S\$0.02/share – assuming a CPO price benchmark of at least at US\$900 per MT (Rp10,100/kg for domestic selling price). We think Indonesia's CPO price benchmark can sustain around Rp10,000/kg (US\$689 per MT) ahead, driven by Indonesia's biodiesel consumption, which will help offset any weakness from overseas CPO demand. We believe our selling price assumption is conservative since it is at a discount to our palm oil benchmark price assumption of

US\$976/MT (Rp14,600/kg) since BAL is exposed to Indonesia's domestic CPO prices, where the pricing mechanism is net of export levies and taxes.

#### Higher-than-expected NPAT/kg in 9M23 despite lower CPO price trend y-o-y

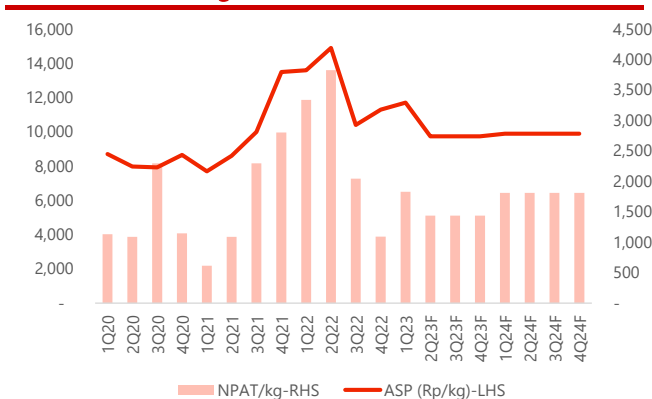


Source: Company, DBS Bank

#### Earnings revision summary

We revised up our FY23F earnings by 38% to Rp2.2tr (-43% y-o-y) and raise our FY24F earnings by 11% to Rp2.2tr (+18% y-o-y), mainly to account for our new CPO price assumption. We assume Rp10,584/kg CPO price in 2023 (US\$671/MT), before improving to Rp10,146/kg in 2024 (US\$682/MT) in line with our CPO price benchmark and USD-IDR exchange rate assumption. Our CPO selling price is at a slightly discount to domestic CPO price assumption of Rp10,500/kg in 2024, since BAL CPO sales volume concentrated three large palm oil refiners. Despite flat earnings growth in 2024 and 2025, BAL will generate high earnings of above Rp2tr per annum, higher than 2018-2021 levels due to BAL's strong profitability outlook on strong nucleus estates productivity.

#### CPO ASP and NPAT/kg outlook



Source: Company, DBS Bank

We assume CPO production volume will reach 1.1m MT in 2023 and 2024 in anticipation of an El Nino impact on BAL's

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production. BAL had previously outperformed its peers in 2022 by booking 17% y-o-y production volume growth on maturing young trees and good estate management. After record-high earnings and production trend, we conservatively assume mild production improvement in 2023 and 2024, anticipating any drier than expected weather that may impact its yield performance.

### Maintain BUY with TP of S\$0.9.

We maintain our BUY rating with an unchanged DCF TP of S\$0.9 (WACC: 10.4%, Rf: 8.4%, Rm: 13.3%,  $\beta$ : 0.8, terminal growth (TG): 3%) on lower earnings estimate in FY23, offset by higher earnings in FY24. Our target price implies an FY24F PE of 8.1x, +2SD of its five-year average PE multiple. We believe that BAL has the capability to deliver steady earnings and dividends, given the stable selling price outlook and low operating cost structure. This has the potential to re-rate the share price and PE multiple close to the average FY24F PE of its Singapore-listed upstream CPO plantation peers, which is 7.7x. Furthermore, we think BAL's stronger than expected 2023 earnings has not been priced in yet as investors have been focused on edible oil price volatility in 4Q23.

### Company Background

Fast-growing palm oil producer Bumitama Agri (BAL) was established in 1996 by the Harita Group through the acquisition of a 17,500ha land bank in Central Kalimantan. After aggressive new plantings and a string of subsequent acquisitions, BAL controlled an aggregate of c.132,643ha of land as at end-2019 (nucleus only), of which 117,590ha were mature as at end-December 2019. BAL was listed on the Singapore Exchange in April 2012.

### Historical PE and PB band



Source: Bloomberg Finance L.P., DBSVI estimates



Source: Bloomberg Finance L.P., DBSVI estimates

## Bumitama Agri

### Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
CPO price (Rp/kg)	9,900	12,500	10,584	10,146	10,301
Own mature oil palm	124,498	126,654	129,056	130,056	130,056
CPO sales volume (MT)	1,051,273	1,188,156	1,116,378	1,131,463	1,146,751
Palm kernel sales vol.	223,000	255,174	233,391	236,308	239,262
Avg. USD/IDR rate	14,150	14,150	14,150	14,150	14,150

### Segmental Breakdown

FY Dec	2021A	2022A	2023F	2024F	2025F
<b>Revenues (Rpbn)</b>					
CPO	10,650	13,792	11,816	11,479	11,813
PK	1,599	2,037	869	889	880
Biodiesel	0.0	0.0	0.0	0.0	0.0
Glycerin	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>12,249</b>	<b>15,829</b>	<b>12,685</b>	<b>12,368</b>	<b>12,693</b>

### Income Statement (Rpbn)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	12,249	15,829	12,685	12,368	12,693
Cost of Goods Sold	(8,792)	(10,096)	(8,822)	(8,410)	(8,825)
<b>Gross Profit</b>	<b>3,457</b>	<b>5,733</b>	<b>3,863</b>	<b>3,959</b>	<b>3,869</b>
Other Opng (Exp)/Inc	(697)	(804)	(831)	(873)	(919)
<b>Operating Profit</b>	<b>2,760</b>	<b>4,929</b>	<b>3,032</b>	<b>3,085</b>	<b>2,950</b>
Other Non Opng (Exp)/Inc	61.4	(395)	17.3	(19.9)	17.3
Associates & JV Inc	0.0	0.0	2.18	4.36	6.54
Net Interest (Exp)/Inc	42.3	36.8	344	416	520
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>2,864</b>	<b>4,571</b>	<b>3,396</b>	<b>3,486</b>	<b>3,493</b>
Tax	(774)	(1,172)	(715)	(737)	(731)
Minority Interest	(368)	(573)	(465)	(476)	(479)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>1,721</b>	<b>2,826</b>	<b>2,217</b>	<b>2,273</b>	<b>2,284</b>
Net Profit before Except.	1,721	2,826	2,217	2,273	2,284
Net Pft (ex. BA gains)	1,660	2,876	2,217	2,273	2,284
EBITDA	3,542	5,272	3,826	3,854	3,766
EBITDA (ex. BA gains)	3,460	5,359	3,826	3,854	3,766
<b>Growth</b>					
Revenue Gth (%)	34.6	29.2	(19.9)	(2.5)	2.6
EBITDA Gth (%)	38.8	48.8	(27.4)	0.7	(2.3)
Opg Profit Gth (%)	43.9	78.6	(38.5)	1.7	(4.4)
Net Profit Gth (Pre-ex) (%)	52.8	64.2	(21.6)	2.5	0.5
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	28.2	36.2	30.5	32.0	30.5
Opg Profit Margin (%)	22.5	31.1	23.9	24.9	23.2
Net Profit Margin (%)	14.1	17.9	17.5	18.4	18.0
ROAE (%)	17.8	24.8	16.4	14.7	13.2
ROA (%)	9.6	15.0	10.8	10.4	9.9
ROCE (%)	12.1	21.2	12.5	11.8	10.6
Div Payout Ratio (%)	39.5	24.0	30.6	29.9	29.7
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBSVI

## Bumitama Agri

### Balance Sheet (Rpbn)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	4,147	4,569	3,356	3,089	2,717
Invt in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	11,359	10,791	9,284	8,916	8,541
Cash & ST Invt	176	826	6,564	8,516	10,573
Inventory	822	2,327	840	801	840
Debtors	120	215	98.7	96.2	98.8
Other Current Assets	1,061	1,170	1,010	1,004	1,010
<b>Total Assets</b>	<b>17,686</b>	<b>19,898</b>	<b>21,153</b>	<b>22,422</b>	<b>23,780</b>
ST Debt	0.0	78.7	339	339	350
Creditor	412	459	507	483	507
Other Current Liab	806	1,320	594	586	595
LT Debt	4,143	3,277	2,377	1,377	377
Other LT Liabilities	326	307	322	338	355
Shareholder's Equity	10,300	12,494	14,587	16,395	18,214
Minority Interests	1,698	1,962	2,427	2,903	3,382
<b>Total Cap. &amp; Liab.</b>	<b>17,686</b>	<b>19,898</b>	<b>21,153</b>	<b>22,422</b>	<b>23,780</b>
Non-Cash Wkg. Capital	786	1,933	847	832	847
Net Cash/(Debt)	(3,967)	(2,529)	3,848	6,800	9,846
Debtors Turn (avg days)	2.8	3.9	4.5	2.9	2.8
Creditors Turn (avg days)	22.9	17.0	21.9	23.7	22.5
Inventory Turn (avg days)	37.9	61.4	71.8	39.3	37.3
Asset Turnover (x)	0.7	0.8	0.6	0.6	0.5
Current Ratio (x)	1.8	2.4	5.9	7.4	8.6
Quick Ratio (x)	0.2	0.6	4.6	6.1	7.3
Net Debt/Equity (X)	0.3	0.2	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	0.4	0.2	CASH	CASH	CASH
Capex to Debt (%)	26.1	6.9	6.0	8.6	6.1

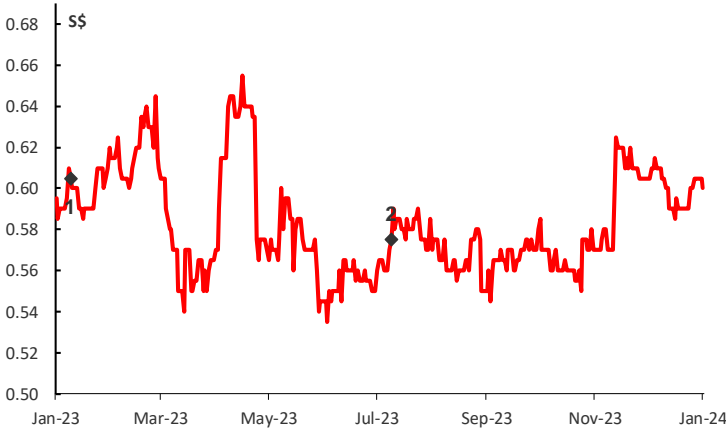
### Cash Flow Statement (Rpbn)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	2,864	4,571	3,396	3,486	3,493
Dep. & Amort.	721	738	775	785	792
Tax Paid	(473)	(1,172)	(715)	(737)	(731)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(431)	(3,893)	3,374	10.1	(10.1)
Other Operating CF	(31.6)	1,367	223	223	224
<b>Net Operating CF</b>	<b>2,649</b>	<b>1,611</b>	<b>7,053</b>	<b>3,768</b>	<b>3,769</b>
Capital Exp.(net)	(1,083)	(231)	(163)	(148)	(44.3)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	485	565	160	5.75	(5.8)
<b>Net Investing CF</b>	<b>(598)</b>	<b>334</b>	<b>(2.1)</b>	<b>(142)</b>	<b>(50.1)</b>
Div Paid	(679)	(679)	(679)	(679)	(679)
Chg in Gross Debt	(1,854)	(788)	(640)	(1,000)	(988)
Capital Issues	(7.5)	173	0.0	0.0	0.0
Other Financing CF	(128)	(1.9)	5.70	5.99	6.29
<b>Net Financing CF</b>	<b>(2,669)</b>	<b>(1,296)</b>	<b>(1,314)</b>	<b>(1,673)</b>	<b>(1,661)</b>
Currency Adjustments	2.80	0.96	0.0	0.0	0.0
Chg in Cash	(616)	650	5,737	1,952	2,057
Opg CFPS (S cts)	15.0	26.9	18.0	18.3	18.5
Free CFPS (S cts)	7.65	6.74	33.6	17.7	18.2

Source: Company, DBSVI

**Bumitama Agri**

**Target Price & Ratings 12-mth History**



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Jan 23	0.61	1.00	BUY
2:	11 Jul 23	0.58	0.90	BUY

*Note : Share price and Target price are adjusted for corporate actions.*

Source: DBSVI

Analyst: William Simadiputra

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**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 4 Jan 2024 14:38:02 (SGT)

Dissemination Date: 4 Jan 2024 15:40:22 (SGT)

Sources for all charts and tables are DBSVI unless otherwise specified.

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