

### COMPANY RESULTS

#### Bumitama Agri (BAL SP)

2H23: Results Within Expectations

BAL's 2H23 results came in within expectations with strong sales volume and CPO production. With the increasing milling capacity, BAL would maintain its high portion of FFB external purchase. Despite higher external FFB, BAL still managed to deliver a good milling margin. We reckon that this was mainly undergirded by its proactive engagement with and support for smallholders. Maintain BUY with a target price of S\$0.70 on the back of its strong earnings and good dividend yield of about 5%.

#### 2H23 RESULTS

Year to 31 Dec (Rp)	2H23	hoh % chg	yoy % chg	2023	yoy % chg	Remarks
Revenue	7,497	0.0	9.3	15,443	(2.4)	
EBITDA	2,059	25.3	42.8	3,702	(33.5)	
PBT	2,028	10.6	57.0	3,862	(15.5)	
Net Profit	1,260	6.0	94.7	2,449	(13.3)	Higher hoh and yoy net profit in 4Q23, thanks to higher sales volume of both CPO and PK.
Core Net Profit	1,321	30.2	61.4	2,336	(25.2)	Within expectations.
EBITDA Margin	27.5	5.6	6.5	24.0	(11.2)	
Net Profit Margin	16.8	1.0	7.4	15.9	(2.0)	

Source: BAL, UOB Kay Hian

#### RESULTS

- **Results within expectations.** Bumitama Agri's (BAL) 2H23 earnings came in at Rp1,321b (+30% hoh, +61% yoy), bringing 2023 core net profit to Rp2,336b (-25% yoy). This is well within our expectation, contributing 98% to our full year forecast.
- **Qoq earnings dropped by 56% in 4Q23**, mainly due to lower production and sales volume. Having said that, we expect higher sales volume in upcoming quarters given that the inventory level in Dec 23 was higher than usual due to delays in shipments.
- **2023 CPO production came in within guidance at 3% yoy**, despite FFB production coming in at -4% yoy, below management's initial guidance of 0-5% yoy. This was mainly supported by its proactive management team increasing external FFB purchases to compensate for the lower internal FFB production. The higher CPO production is also supported by better oil extraction rate.

#### KEY FINANCIALS

Year to 31 Dec (Rp)	2022	2023	2024F	2025F	2026F
Net turnover	15,829	15,443	16,055	15,660	16,373
EBITDA	5,571	3,702	3,511	3,172	3,121
Operating profit	4,830	3,702	3,511	3,172	3,121
Net profit (rep./act.)	2,826	2,449	2,371	2,256	2,224
Net profit (adj.)	3,123	2,336	2,371	2,256	2,224
EPS (Rp)	1,783.5	1,334.2	1,354.4	1,288.8	1,270.0
PE (x)	4.2	5.6	5.5	5.8	5.9
P/B (x)	1.0	1.0	0.9	0.8	0.7
EV/EBITDA (x)	2.9	4.3	4.5	5.0	5.1
Dividend yield (%)	2.9	7.4	7.2	6.9	6.8
Net margin (%)	17.9	15.9	14.8	14.4	13.6
Net debt/(cash) to equity (%)	20.0	16.6	2.0	1.9	1.7
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	24.6	18.8	16.7	14.5	13.1
Consensus net profit	-	-	2,200	2,134	-
UOBKH/Consensus (x)	-	-	1.08	1.06	-

Source: Bumitama Agri, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	S\$0.650
Target Price	S\$0.700
Upside	+8.5%

#### 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):	1,118.5
Market cap (US\$m):	832.5
3-mth avg daily t'over (US\$m):	0.1

#### Price Performance (%)

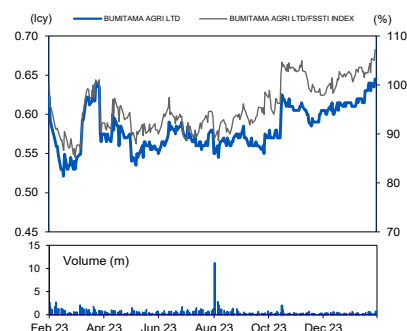
52-week high/low S\$0.645/S\$0.521

1mth	3mth	6mth	1yr	YTD
4.9	5.7	12.2	7.9	6.6

#### Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	32.1
FY24 NAV/Share (Rp)	8,504
FY24 Net Debt/Share (Rp)	174

#### PRICE CHART



Source: Bloomberg

#### ANALYST(S)

**Jacquelyn Yow Hui Li**  
+603 2147 1995  
jacquelyn@uobkayhian.com

**Leow Huey Chuen**  
+603 2147 1990  
hueychuen@uobkayhian.com

### STOCK IMPACT

- **Higher external FFB milling margin despite higher external FFB purchases.** BAL's milling margin remains remarkably high at 14-15%, a standout performance in contrast to competitors who operate at single-digit margins. This achievement is particularly noteworthy considering that BAL procures a substantial 30% of its FFB production externally to accommodate its new mills. This success stemmed primarily from BAL's adeptness in procuring ample FFB despite facing escalating competition from commercial millers. This ensured that its mills operated at optimal efficiency.
- **Some of the key highlights from the briefing:**
  - a) **FFB production at 2-3% yoy for 2024.** Despite BAL's estates' young age profile, we only factor in 3% yoy, due to impact from El Nino. This is in line with management's guidance of 2-3% yoy for 2024, where the impact may be reflected in 2Q-3Q24.
  - b) **Higher cost of production for 2024 - catch up in fertiliser application.** The production cost is expected to increase by 6-9% yoy, mainly due to the higher fertiliser application volume as BAL only applied 75-80% of its initial target in 2023; there would be a catch up in fertiliser application in 1H24. BAL has already locked in about 30% of its budgeted fertiliser volume needed for 2024, where the pricing is 5-10% lower as compared with its last tender in 1H23.

### EARNINGS REVISION/RISK

- **Maintain earnings forecast.**

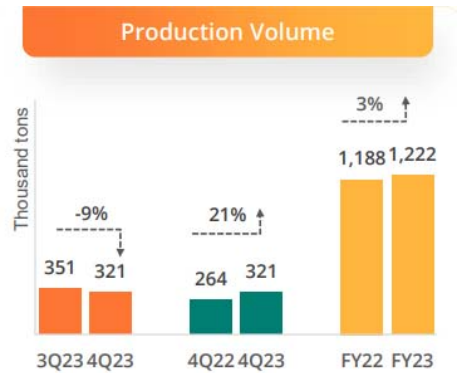
### VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of S\$0.70** based on 6x 2024F PE.
- **Potential high dividend yield of 5%.** Based on a dividend payout ratio of 40% for 2023, the potential upcoming dividend is expected to be at 3.5 cents per share (translating a dividend yield of 5%). With the company's strong cashflow and low gearing, there may be a high possibility that the payout ratio may be higher than 40%. Based on 40% dividend payout, the total dividend for 2023 would be at 4.75 cents, bringing to a dividend yield of 7%.

### SHARE PRICE CATALYST

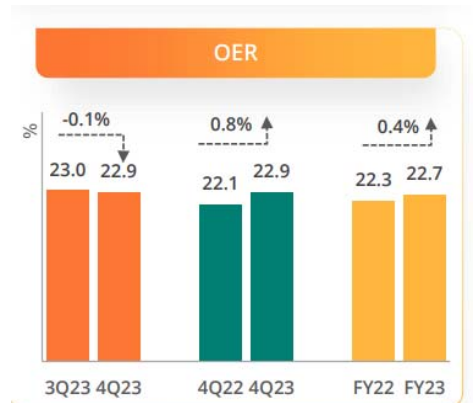
- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

### HIGHER CPO PRODUCTION IN 2023



Source: BAL

### OIL EXTRACTION RATE IMPROVEMENT



Source: BAL

### PROFIT & LOSS

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
<b>Net turnover</b>	<b>15,443</b>	<b>16,055</b>	<b>15,660</b>	<b>16,373</b>
EBITDA	3,702	3,511	3,172	3,121
Deprec. & amort.	0	0	0	0
EBIT	3,702	3,511	3,172	3,121
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	46	160	321	322
<b>Pre-tax profit</b>	<b>3,862</b>	<b>3,671</b>	<b>3,493</b>	<b>3,442</b>
Tax	(931)	(881)	(838)	(826)
Minorities	(482)	(418)	(398)	(392)
<b>Net profit</b>	<b>2,449</b>	<b>2,371</b>	<b>2,256</b>	<b>2,224</b>
Net profit (adj.)	2,336	2,371	2,256	2,224

### CASH FLOW

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>3,277</b>	<b>4,116</b>	<b>2,304</b>	<b>2,290</b>
Pre-tax profit	3,862	3,671	3,493	3,442
Tax	(1,191)	(881)	(838)	(826)
Deprec. & amort.	0	0	0	0
Working capital changes	(576)	1,326	(351)	(326)
Other operating cashflows	1,181	0	0	0
<b>Investing</b>	<b>(1,178)</b>	<b>(1,400)</b>	<b>(1,400)</b>	<b>(1,400)</b>
Capex (maintenance)	(1,308)	(1,400)	(1,400)	(1,400)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	130	0	0	0
<b>Financing</b>	<b>(2,539)</b>	<b>(1,946)</b>	<b>(1,899)</b>	<b>(1,884)</b>
Dividend payments	(1,794)	(949)	(903)	(889)
Issue of shares	0	0	0	0
Proceeds from borrowings	766	0	0	0
Loan repayment	(1,389)	(1,000)	(1,000)	(1,000)
Others/interest paid	(122)	3	4	5
<b>Net cash inflow (outflow)</b>	<b>(441)</b>	<b>770</b>	<b>(995)</b>	<b>(994)</b>
Beginning cash & cash equivalent	826	385	1,156	161
Changes due to forex impact	0	0	0	0
<b>Ending cash &amp; cash equivalent</b>	<b>374</b>	<b>1,302</b>	<b>1,303</b>	<b>1,304</b>

### BALANCE SHEET

Year to 31 Dec (Rpb)	2023	2024F	2025F	2026F
<b>Fixed assets</b>	<b>15,218</b>	<b>16,618</b>	<b>18,018</b>	<b>19,418</b>
Other LT assets	320	322	323	324
Cash/ST investment	374	1,302	1,303	1,304
Other current assets	3,323	2,004	2,351	2,684
<b>Total assets</b>	<b>19,699</b>	<b>19,700</b>	<b>19,701</b>	<b>19,702</b>
ST debt	1,270	1,270	1,270	1,270
Other current liabilities	815	822	817	825
LT debt	1,336	336	336	336
Other LT liabilities	374	374	374	374
Shareholders' equity	13,467	14,890	16,244	17,578
Minority interest	2,131	2,550	2,948	3,341
<b>Total liabilities &amp; equity</b>	<b>19,699</b>	<b>19,700</b>	<b>19,701</b>	<b>19,702</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	24.0	21.9	20.3	19.1
Pre-tax margin	25.0	22.9	22.3	21.0
Net margin	15.9	14.8	14.4	13.6
ROA	12.4	12.0	11.5	11.3
ROE	18.8	16.7	14.5	13.1
<b>Growth</b>				
Turnover	(2.4)	4.0	(2.5)	4.6
EBITDA	(33.5)	(5.2)	(9.7)	(1.6)
Pre-tax profit	(15.5)	(4.9)	(4.8)	(1.5)
Net profit	(13.3)	(3.2)	(4.8)	(1.5)
Net profit (adj.)	(25.2)	1.5	(4.8)	(1.5)
EPS	(25.2)	1.5	(4.8)	(1.5)
<b>Leverage</b>				
Debt to total capital	14.3	8.4	7.7	7.1
Debt to equity	19.4	10.8	9.9	9.1
Net debt/(cash) to equity	16.6	2.0	1.9	1.7
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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