

COMPANY RESULTS

Bumitama Agri (BAL SP)

1Q22: Results Above Expectations

BAL's 1Q22 results beat our expectations on higher PK contributions. Management guided no significant impact from the export ban for now as the announcement was made right before the Lebaran holiday. Having said that, we expect 2Q22 earnings growth to be muted, mainly dragged by lower sales volume and net CPO ASP (impact from Indonesia's export ban). Maintain BUY with a higher target price of S\$0.93.

1Q22 RESULTS

Year to 31 Dec (Rpb)	1Q21	4Q21	1Q22	% chg qoq	% chg yoy	Remarks
Revenue	2,307	3,752	3,900	3.9	69.0	
EBITDA	510	912	1,475	61.6	189.0	
Net Profit	167	649	873	34.6	423.6	Above our and consensus expectations.
	(+/-)	(+/-)	(+/-)	(+/-)	(+/-)	
EBITDA Margin	22.1	24.3	37.8	13.5	15.7	
Net Profit Margin	7.2	17.3	22.4	5.1	15.2	

Source: BAL, UOB Kay Hian

RESULTS

- Results above expectations.** Bumitama Agri's (BAL) 1Q22 results came in at Rp873b (+35%qoq, +>100%yoy), accounting for 39% of our full-year forecast. This is above our and consensus expectations. The strong earnings in 1Q22 were mainly backed by higher contributions from palm kernel with higher palm kernel prices which had increased 40% qoq and 80% yoy.
- Better qoq performance mainly supported by higher contributions from palm kernel** despite lower CPO sales volume and flattish qoq CPO ASP in 1Q22. We reckon that the lower qoq CPO ASP was mainly due to: a) BAL delivering the remaining of the forward sales that the company had previously entered at lower prices, and b) the impact of domestic market obligation in 1Q22 whereby the company has to commit a certain volume at the price set under the domestic price obligation. Qoq FFB production came in higher at +19% due to the delay of the production cycle.
- Higher yoy earnings were mainly driven by higher CPO ASP which had increased 77% yoy. To recall, BAL's CPO ASP in 1Q21 came in much lower than market prices at that point. BAL's 1H21 ASP was dragged down by significant sales volume that was locked in much earlier in late-21 at a lower pricing as compared with the spot market back then. FFB production was marginally lower at -2.5% yoy.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2020	2021	2022F	2023F	2024F
Net turnover	9,102	12,249	14,790	14,171	14,678
EBITDA	2,575	3,498	4,641	4,058	4,281
Operating profit	1,931	2,777	3,837	3,154	3,295
Net profit (rep./act.)	1,126	1,721	2,492	2,017	2,145
Net profit (adj.)	1,150	1,677	2,492	2,017	2,145
EPS (Rp)	656.7	957.9	1,423.4	1,151.9	1,224.8
PE (x)	11.1	7.6	5.1	6.3	5.9
P/B (x)	1.4	1.2	1.1	0.9	0.9
EV/EBITDA (x)	6.5	4.7	3.6	4.1	3.9
Dividend yield (%)	2.8	4.2	6.1	4.9	5.2
Net margin (%)	12.4	14.1	16.9	14.2	14.6
Net debt/(cash) to equity (%)	57.1	38.5	15.6	4.7	(5.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	13.1	17.7	22.3	15.9	15.2
Consensus net profit	-	-	2,045	1,816	1,785
UOBKH/Consensus (x)	-	-	1.22	1.11	1.20

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.70
Target Price	S\$0.93
Upside	+33.8%
(Previous TP)	S\$0.850)

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):	1,205.2
Market cap (US\$m):	864.2
3-mth avg daily t'over (US\$m):	1.4

Price Performance (%)

52-week high/low S\$0.855/S\$0.440

1mth	3mth	6mth	1yr	YTD
(9.7)	15.8	25.2	43.3	28.7

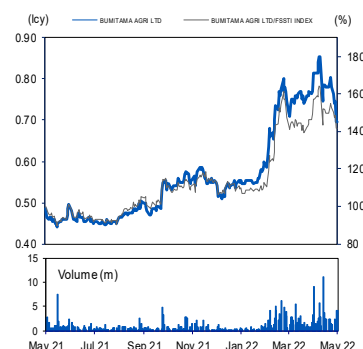
Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	32.1
-	-

FY22 NAV/Share (Rp) 6,864

FY22 Net Debt/Share (Rp) 1,068

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Impact from export ban has not been reflected yet** as the announcement came in right before the Lebaran holiday and hence BAL has not seen any significant impact to their current sales. Interestingly, management had also highlighted that there are not many willing sellers in the market given that the gap between bid/ask prices in Indonesia's domestic CPO pricing widened after the announcement of the export ban.
- **Storage capacity is still good for one month of production.** BAL's end-Mar 22 inventory was slightly higher as compared with end-Dec 21 but it is still relatively low compared with normal levels. Management does not expect operational disruptions as its storage capacity is sufficient for another month of production.
- **2Q22 outlook.** We expect earnings growth to be muted in 2Q22 mainly dragged by the current export ban from the Indonesian government which could lead to lower sales volume. As oil palm trees are in the yield recovery phase and entering high production cycle, 2Q22 production is expected to be higher qoq but sales volume is likely to be lower. Based on our channel check, refiners are slowing down in receiving CPO deliveries due to the export ban. To recap, Indonesia is a net palm oil exporter with domestic market only taking up about 1/3 of annual production. There is also a risk of seeing lower realised CPO ASP for 2Q22 vs 1Q22 if the ban prolongs into June.
- **FFB production growth for 2022.** For 2022, management has guided for a 5-10% yoy nucleus FFB production growth as the production pattern has started to normalise recently. BAL has also guided for a ratio of 48:52 for 1H:2H FFB production for 2022. With this, we had factored in a CPO production growth of 10% yoy.
- **Secured its full-year fertiliser requirement.** BAL has managed to secure almost all the fertiliser required for 2022 where about 70% of the total had been delivered to BAL. The fertiliser cost is expected to increase by 60-80% yoy. The cost of production for 2022 is expected to increase by 20-25% yoy.
- **Forward sales and pricing mechanism.** Currently, there are no more forward contracts for BAL. Yet, about 80% of its total production is in long-term contracts with buyers where only the sales volume is fixed, but not the pricing. Pricing will be set based on the market price on the delivery date.
- **Replanting activities.** BAL targets to replant about 14,000ha for 2022, where they had replanted about 100ha and fell about 700ha as of end-1Q22.

EARNINGS REVISION/RISK

- **Revised our earnings forecast.** We have factored in higher CPO assumption of RM5,200/tonne and RM4,000/tonne for 2022-23 (previous: RM4,200/tonne and RM3,000/tonne). We had revised up our net profit forecasts by 10%/38% for 2022/23 factoring in: a) higher CPO price assumption, b) higher export levy, c) assumption of one month impact from Indonesia's export ban, and d) higher cost of production.

VALUATION/RECOMMENDATION

- **Maintain BUY with a higher target price of S\$0.93** (previous target price: S\$0.85), based on 7x 2022F PE.

SHARE PRICE CATALYST

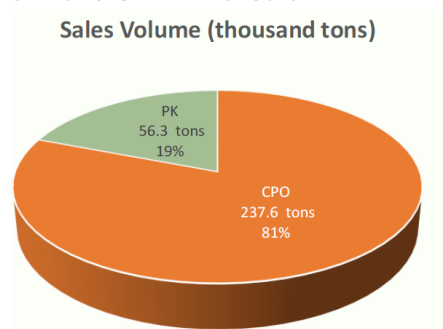
- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

STATISTICS SUMMARY

Production ('000 tonne)	1Q21	4Q21	1Q22	qoq% chg	yoy% chg
FFB	1,203	1,018	1,170	14.9	(2.8)
- nucleus	888	720	852	18.4	(4.0)
- plasma	611	501	596	18.9	(2.5)
FFB external	277	218	256	17.3	(7.4)
CPO	315	299	317	6.2	0.7
PK	272	231	262	13.1	(3.7)
Sales Volume ('000 tonnes)					
- CPO	251	245	238	(2.9)	(5.2)
- PK	55	52	56	7.7	1.8
ASP (Rp/kg)					
- CPO	7,700	13,500	13,600	0.74	76.6
- PK	6,600	8,500	11,900	40.0	80.3

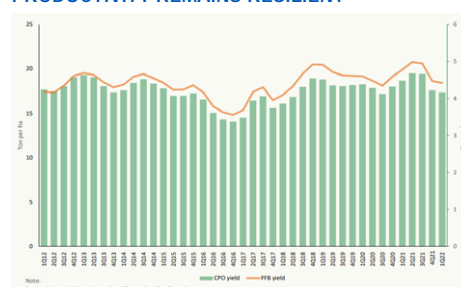
Source: BAL

SALES VOLUME BY PRODUCTS



Source: Bumitama

PRODUCTIVITY REMAINS RESILIENT



Source: Bumitama

PROFIT & LOSS

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Net turnover	12,249	14,790	14,171	14,678
EBITDA	3,498	4,641	4,058	4,281
Deprec. & amort.	721	805	904	986
EBIT	2,777	3,837	3,154	3,295
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	1
Net interest income/(expense)	42	182	98	162
Pre-tax profit	2,864	4,018	3,252	3,458
Tax	(774)	(1,086)	(879)	(935)
Minorities	(368)	(440)	(356)	(378)
Net profit	1,721	2,492	2,017	2,145
Net profit (adj.)	1,677	2,492	2,017	2,145

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	1,826	2,065	2,499
Other current assets	2,003	1,532	1,523	1,552
Total assets	19,268	19,698	19,699	19,700
ST debt	0	0	0	0
Other current liabilities	1,218	1,303	1,282	1,299
LT debt	4,143	3,696	2,696	1,696
Other LT liabilities	326	326	324	322
Shareholders' equity	10,300	12,018	13,408	14,885
Minority interest	1,698	2,138	2,494	2,872
Total liabilities & equity	19,268	19,698	19,699	19,700

CASH FLOW

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Operating	2,649	4,294	3,265	3,497
Pre-tax profit	2,864	4,018	3,252	3,458
Tax	(473)	(1,086)	(879)	(935)
Deprec. & amort.	721	805	904	986
Working capital changes	(424)	557	(12)	(12)
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)	(1,220)	(1,625)	(1,664)
Dividend payments	(679)	(775)	(627)	(667)
Issue of shares	0	0	0	0
Proceeds from borrowings	552	552	0	0
Loan repayment	(2,407)	(1,000)	(1,000)	(1,000)
Others/interest paid	(136)	2	2	3
Net cash inflow (outflow)	(619)	1,674	240	434
Beginning cash & cash equivalent	771	152	1,826	2,065
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	176	1,826	2,065	2,499

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	28.6	31.4	28.6	29.2
Pre-tax margin	23.4	27.2	22.9	23.6
Net margin	14.1	16.9	14.2	14.6
ROA	9.1	12.8	10.2	10.9
ROE	17.7	22.3	15.9	15.2
Growth				
Turnover	34.6	20.7	(4.2)	3.6
EBITDA	35.8	32.7	(12.6)	5.5
Pre-tax profit	48.3	40.3	(19.1)	6.3
Net profit	52.8	44.8	(19.1)	6.3
Net profit (adj.)	45.9	48.6	(19.1)	6.3
EPS	45.9	48.6	(19.1)	6.3
Leverage				
Debt to total capital	25.7	20.7	14.5	8.7
Debt to equity	40.2	30.8	20.1	11.4
Net debt/(cash) to equity	38.5	15.6	4.7	(5.4)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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