

COMPANY UPDATE

Bumitama Agri (BAL SP)

Glows In The Dark

We expect higher sales volume in 2H22 on higher production and sales normalisation as refiners are able to draw down more stocks in 3Q22. As of Jun 22, BAL's inventory level was at 70% of its total capacity and we expect it to normalise by end-3Q22. CPO prices have recovered from the recent low with the temporary suspension on exports levy. Having said that, 2H22 earnings could come in lower hoh, mainly dragged by lower CPO and palm kernel ASPs hoh. Maintain HOLD with a target price of S\$0.65.

WHAT'S NEW

- **Higher utilisation rate for its milling operations.** Despite the tough environment in 2Q22 in Indonesia with most plantation companies' storage tanks being full, Bumitama Agri's (BAL) mills utilisation rate remains high. This was mainly supported by:
 - a) Continuous purchase from third parties when others were cutting back.** BAL's mills utilisation rate remains healthy on the back of consistent third-party FFB purchase. In 2Q22, most millers cut back or stopped buying from third parties due to storage limitation, which did not happen to BAL thanks to its larger storage capacity.
 - b) Better-than-peers sales volume.** BAL's sales volume came in higher hoh as compared with its peers which came in lower hoh in 1H22. We reckon that this was mainly supported by its business model where BAL only sells its products domestically. On top of that, BAL has a long-term contract, where it had contracted about 80% of its total production for 2022 but the ASP is not fixed.
 - c) Mostly in CIF contracts.** About 60% of BAL's products are in cost, insurance and freight (CIF) contracts, which allows BAL to monitor the delivery timing and hence not be negatively affected by the frequent changes in export duty and levy. Buyers usually rely on the changes on export duty and levy to determine their delivery timing.
- **Inventory to normalise in late-3Q22.** As of Jun 22, the inventory level is at 70% of its total storage capacity (about two months) of production and it is expected to normalise in 3Q22 with higher sales volume and to normalise to about 50% of its total capacity.
- **Increase in domestic CPO pricing.** The Indonesian government had waived the export levy from 15 Jul to 31 Aug 22 to ease supply glut. This would bring up the domestic CPO prices, where Indonesia domestic CPO prices had increased 40% ytd before the removal of the export levy.

KEY FINANCIALS

Year to 31 Dec (Rpb)	2020	2021	2022F	2023F	2024F
Net turnover	9,102	12,249	18,271	14,171	14,678
EBITDA	2,575	3,498	6,290	4,058	4,281
Operating profit	1,931	2,777	5,485	3,154	3,295
Net profit (rep./act.)	1,126	1,721	3,597	2,075	2,209
Net profit (adj.)	1,150	1,677	3,597	2,075	2,209
EPS (Rp)	656.7	957.9	2,054.2	1,185.4	1,261.5
PE (x)	10.5	7.2	3.4	5.8	5.5
P/B (x)	1.3	1.2	0.9	0.8	0.8
EV/EBITDA (x)	5.9	4.4	2.4	3.8	3.6
Dividend yield (%)	2.9	4.4	9.3	5.3	5.7
Net margin (%)	12.4	14.1	19.7	14.6	15.0
Net debt/(cash) to equity (%)	57.1	38.5	7.7	(2.7)	(11.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	13.1	17.7	31.2	15.4	14.8
Consensus net profit	-	-	2,789	2,103	1,816
UOBKH/Consensus (x)	-	-	1.29	0.99	1.22

Source: Bumitama Agri Ltd, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.645
Target Price	S\$0.650
Upside	+0.8%

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):	809.5
3-mth avg daily t'over (US\$m):	0.8

Price Performance (%)

52-week high/low S\$0.855/S\$0.470

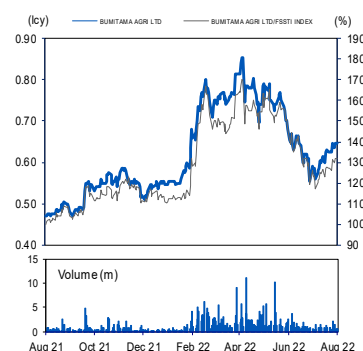
1mth	3mth	6mth	1yr	YTD
16.2	(17.8)	(5.1)	38.7	19.4

Major Shareholders

	%
Fortune Holdings Ltd	52.3
IOI Corporation	32.1

FY22 NAV/Share (Rp)	7,298
FY22 Net Debt/Share (Rp)	563

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **We expect lower 2H22 earnings** mainly due to lower CPO ASP, as domestic CPO prices have dropped by about 20% since Jun 22 due to the high inventory in Indonesia. Despite the domestic CPO prices increasing over the past one month, we expect international CPO prices in 2H22 to still be in a downtrend and hence we reckon that 2H22 CPO ASP for BAL would still be lower hoh. Having said that, we expect the lower CPO ASP to be partially offset by the stronger sales volume in 2H22 and result in lower margin.
- **Higher FFB production guidance for 2022.** BAL had raised its FFB production guidance from 5-10% yoy for 2022 to 16-18% yoy on the back of higher FFB yield. Having said that, we remain conservative on a 13% yoy FFB production growth where we expect 4Q22 production to come in lower than expected.
- **Secured its full-year fertiliser requirement since early this year.** BAL has managed to secure almost all the fertiliser required for 2022 early in the year as compared with its peers. The fertiliser cost is expected to increase by about 60-80% yoy. The cost of production for 2022 is expected to increase by 20-25% yoy. For fertiliser application, it's still within BAL's target with 50% applied as of 1H22.

EARNINGS REVISION/RISK

- **Revised our 2022 earnings forecast.** We had revised up our earnings forecast for 2022 by 44%, factoring in higher mill utilisation rate and hence higher third-party FFB purchase. We had also adjusted our net CPO ASP slightly higher by 10%, reflecting lower export duty and levy and hence better domestic CPO pricing.
- We maintain 2023-24 earnings at Rp2,076b and Rp2,099b respectively.

VALUATION/RECOMMENDATION

- **Maintain HOLD with target price of S\$0.65**, based on 6x 2023F PE.

SHARE PRICE CATALYST

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

2Q22 PEER COMPARISON

	Nucleus FFB production (‘000 tonnes)	qoq % chg	yoy % chg	CPO production (‘000 tonnes)	qoq % chg	yoy % chg	CPO ASP (‘000 tonnes)	qoq % chg	yoy % chg
Bumitama Agri	769	29.0	19.3	341	30.4	17.0	14,900	9.6	73.3
Astra Agro Lestari	1,109	30.7	(3.8)	180	(39.7)	(13.3)	15,971	20.1	50.7
First Resources	745	15.5	3.4	207	7.3	(3.7)	NA	NA	NA
Triputra Agro	892.0	26.7	21.4	273	24.1	16.1	13,880	(3.4)	62.1
London Sumatra	279	23.5	(6.4)	74	39.6	(5.1)	14,513	(1.2)	28.5

Source: Companies' Report

STRONGER 1H22 SALES VOLUME AND PRODUCTION GROWTH AS COMPARED WITH PEERS

	--- Sales Volume --- (‘000 tonnes)	Hoh % chg	--- FFB Processed --- (‘000 tonnes)	Hoh % chg
Bumitama Agri	531	3.65	2,704	25.37
Astra Agro Lestari	478	(29.30)	1,956	(6.90)
First Resources	344	(24.11)	1,630	(6.50)
Triputra Agro	272	N.A	1,596	33.8
London Sumatra	108	(27.52)	587	(8.14)

Source: Companies reports

3Q22 CPO ASP WOULD BE LOWER THAN 1H22



Source: University of Bengkulu

PROFIT & LOSS

Year to 31 Dec (Rpb)	2021	2022F	2023F	2024F
Net turnover	12,249	18,271	14,171	14,678
EBITDA	3,498	6,290	4,058	4,281
Deprec. & amort.	721	805	904	986
EBIT	2,777	5,485	3,154	3,295
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	1
Net interest income/(expense)	42	315	193	265
Pre-tax profit	2,864	5,799	3,347	3,561
Tax	(774)	(1,568)	(905)	(963)
Minorities	(368)	(635)	(366)	(390)
Net profit	1,721	3,597	2,075	2,209
Net profit (adj.)	1,677	3,597	2,075	2,209

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	2,710	3,072	3,561
Other current assets	2,003	1,720	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	1,420	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	12,779	14,209	15,731
Minority interest	1,698	2,333	2,699	3,089
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	5,522	3,405	3,573
Pre-tax profit	2,864	5,799	3,347	3,561
Tax	(473)	(1,568)	(905)	(963)
Deprec. & amort.	721	805	904	986
Working capital changes	(424)	486	60	(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)	(1,564)	(1,643)	(1,684)
Dividend payments	(679)	(1,118)	(645)	(687)
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)	2,558	362	489
Beginning cash & cash equivalent	771	152	2,710	3,072
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	176	2,710	3,072	3,561

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	28.6	34.4	28.6	29.2
Pre-tax margin	23.4	31.7	23.6	24.3
Net margin	14.1	19.7	14.6	15.0
ROA	9.1	18.5	10.5	11.2
ROE	17.7	31.2	15.4	14.8
Growth				
Turnover	34.6	49.2	(22.4)	3.6
EBITDA	35.8	79.8	(35.5)	5.5
Pre-tax profit	48.3	102.5	(42.3)	6.4
Net profit	52.8	108.9	(42.3)	6.4
Net profit (adj.)	45.9	114.4	(42.3)	6.4
EPS	45.9	114.4	(42.3)	6.4
Leverage				
Debt to total capital	25.7	19.6	13.8	8.3
Debt to equity	40.2	28.9	19.0	10.8
Net debt/(cash) to equity	38.5	7.7	(2.7)	(11.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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