

COMPANY RESULTS

Bumitama Agri (BAL SP)

3Q22: Results Within Expectations

BAL's 3Q22 results came in within expectations. The lower qoq profit was mainly due to plummeting CPO and PK ASPs despite slightly higher sales volume. However, inventory levels remain high due to high production in 3Q22 and also logistic disruptions from heavy rainfall. BAL's 4Q22 profit is likely to be higher qoq on the back of higher CPO ASPs and higher sales volume. Maintain HOLD with a target price of S\$0.65 on the back of high 2022 dividend yield of 12%.

3Q22 RESULTS

Year to 31 Dec (Rpb)	3Q22	% chg	% chg yoy	9M22	% chg yoy	Remarks
Revenue	3,591	(29.2)	17.4	12,559	47.8	
EBITDA	1,260	(34.2)	22.5	4,648	109.4	
Net Profit	655	(49.8)	11.2	2,834	164.1	Within our expectation
		(+/-)	(+/-)		(+/-)	
EBITDA Margin	35.1	(2.7)	1.5	37.0	10.9	
Net Profit Margin	18.2	(7.5)	(1.0)	22.6	9.9	

Source: BAL, UOB Kay Hian

RESULTS

- Results within expectation.** Bumitama Agri's (BAL) 3Q22 earnings come in at Rp655m (-50% qoq, +11% yoy), bringing 9M22 net profit to Rp2,834m (+164% yoy). This accounts for 79% of our full-year assumption, which we deem is within our expectation. The high yoy earnings were mainly due to the higher CPO ASP.
- Lower qoq profit in 3Q22.** The lower qoq profit was not a surprise to us because as a pure upstream player, BAL's earnings will have higher correlation to CPO price movement compared to its peers which have downstream exposure. The lower qoq profit was mainly due to lower CPO and PK ASPs which had plummeted by 30% and 53% qoq respectively despite stronger sales volume in 3Q22. The lower domestic CPO prices were mainly due to the high inventory in Indonesia but inventory has declined recently due to the lower-than-market-expectation production.
- Inventory level remained high in 3Q22.** Despite lower qoq production, BAL's inventory level was slightly higher qoq in 3Q22 (about two months production) as logistic was disrupted due to the rainy season. Management expects inventory to normalise in 4Q22, provided there is favourable weather condition.

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)	11.1	7.6	3.5	6.1	5.8
P/B (x)	1.4	1.2	1.0	0.9	0.8
EV/EBITDA (x)	6.2	4.6	2.5	3.9	3.7
Dividend yield (%)	2.8	4.2	11.9	5.2	5.5
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	-	-	3,065	2,117	1,897
UOBKH/Consensus (x)	-	-	1.17	0.98	1.16

Source: Bumitama Agri, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	S\$0.64
Target Price	S\$0.65
Upside	+1.6%

COMPANY DESCRIPTION

Pure upstream palm oil player in Indonesia.

STOCK DATA

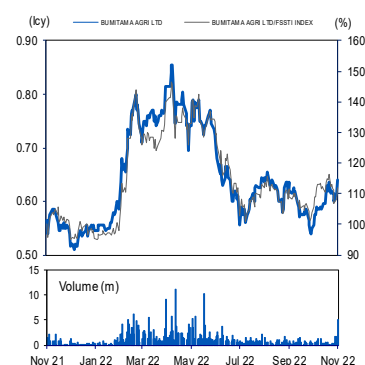
GICS sector	Consumer Staples
Bloomberg ticker:	BAL SP
Shares issued (m):	1,734.1
Market cap (S\$m):	1,109.9
Market cap (US\$m):	811.9
3-mth avg daily t'over (US\$m):	0.3
Price Performance (%)	

52-week high/low S\$0.855/S\$0.510

1mth	3mth	6mth	1yr	YTD
16.4	0.8	(13.5)	13.3	18.5

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

- **Double-digit FFB production growth for 2022.** BAL's 9M22 FFB production increased by 13% yoy on the back of higher FFB yield. The group's 9M22 FFB yield has hit record high at 16.6 tonne/ha. We think the FFB production is still within our expectation with 9M22 FFB production contributing to 78% of our full-year forecast. For 2023, we are expecting low single-digit yoy growth for FFB production after a higher base in 2022.
- **Higher qoq 4Q22.** We expect 4Q22 earnings to be higher qoq, on the back of stronger CPO ASP. Sales volume is also expected to be stronger with larger inventory drawdown. Most of the inventory build-up was mostly due to the logistic bottleneck in 3Q22, which has been resolved in 4Q22.
- **Applied 80% of fertiliser for 2022.** As of Sep 22, BAL has achieved 80% of its fertiliser application target for 2022. For full-year 2022, BAL's fertiliser application may not hit its target volume due to the current wet weather. Having said that, BAL's 80% application as at end-Sep 22 is the best achievement among companies under our coverage. Most of the companies guided that their fertiliser application was way behind schedule due to heavy rainfall or shortage of workers.
- **Secured 50% of fertiliser requirement for 2023.** BAL managed to secure 50% of fertiliser required for 2023. Management guided that fertiliser prices are still flat yoy and expects the price fluctuation to remain.
- **Replanting plan.** BAL had replanted around 700ha as of Sep-22 vs its initial target of 1,400ha. The delay in its replanting plan was also affected by the heavy rainfall.

EARNINGS REVISION/RISK

- **Maintain earnings forecast.** We maintain our earnings forecast at Rp3,597b, Rp2,076b and Rp2,209b for 2022-24 respectively.
- **Higher dividend payout for 2022.** With BAL's net gearing ratio at about 0.1x and potentially hitting record-high earnings for 2022, we expect a high dividend payout for 2022. With this, we anticipate a dividend yield of 12% for 202F with a 40% dividend payout.
- For 2023-24, we expect a dividend yield of 5-6%.

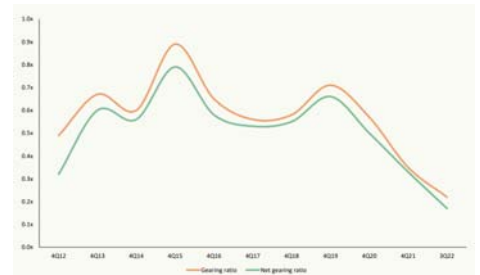
VALUATION/RECOMMENDATION

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

SHARE PRICE CATALYST

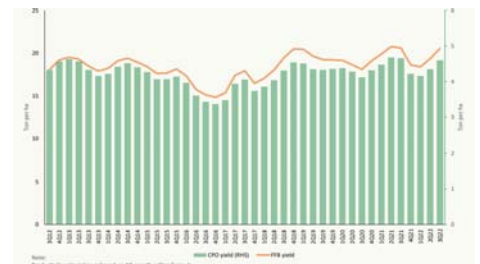
- Higher-than-expected CPO prices.
- Higher-than-expected FFB production.

DROPPING GEARING RATIO



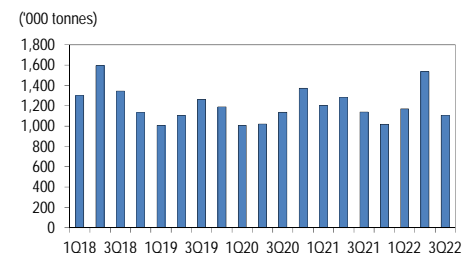
Source: BAL

CONSTANTLY IMPROVING PRODUCTIVITY



Source: BAL

FFB PRODUCTION TREND



Source: BAL

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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