



AmInvestment Bank

Sector report

PLANTATION

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Key takeaways from Bumitama's conference call

NEUTRAL

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Rationale for report: Sector update

Quick Take

- Bumitama Agri Ltd (BAL) (UNRATED) released its 9MFY20 results yesterday. BAL's net profit of Rp632.1bil for 9MFY20 was within consensus estimates of Rp963.3bil for the full year.
- BAL's net profit rose by 48.8% YoY to Rp632.1bil in 9MFY20 as average CPO price realised surged by 25.6% to Rp8,184/kg (RM2,375/tonne). The increase in palm product prices compensated for weak FFB production in 9MFY20.
- BAL's group FFB production fell by 6.0% YoY in 9MFY20. The YoY decline in FFB output in 9MFY20 was due to the lagged impact of the drought and haze, which hit Indonesia in 3QFY19.
- BAL expects its group FFB production growth to range from -5% to 0% in FY20E. The group reckons the healthy increase in FFB output in 4QFY20 would help narrow the 6% YoY deficit in 9MFY20.
- BAL believes that its FFB production would achieve the highest level in 4QFY20. November is expected to be a good FFB production month for BAL. Overall, 2H is anticipated to account for 55% of its full year's FFB production while 1H is envisaged to account for another 45%. BAL has not provided guidance for its FFB output growth in FY21F yet.
- In spite of heavy rains since August 2020, BAL has not faced floods in its oil palm estates in Kalimantan. Hence, fruit evacuation was not affected. We understand that BAL has carried out flood mitigation works at its oil palm estates in the past couple of years.
- Due to the large-scale restrictions order in Indonesia, we gather that conditions have been stressful for estate workers and their management as they are isolated and confined in the oil palm estates. Hence, BAL's senior management have been working hard to keep the spirit of the workers up.
- BAL's cost of CPO production is expected to increase by 10% to 15% in FY20E (FY19: Rp4,361/kg). BAL is on track towards completing its fertiliser application programme in early 4QFY20.
- We understand that BAL would not be able to meet its new planting target of 1,500ha in FY20E (FY19: 2,402ha). The group was not able to submit its new planting programme (NPP) to the RSPO as the auditors have not been able to travel to carry out ground checks.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	23.3	20.8	21.4	0.7	1.6	1.9	4.4	5.1	5.3
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	21.3	17.7	16.7	1.5	2.0	2.5	3.6	4.4	4.6
BW Plantation	-	34.0	12.8	-	0.5	1.6	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	10.4	9.8	8.9	0.8	1.0	1.8	9.7	12.9	13.6
Sampoerna Agro	10.4	9.8	8.9	0.8	0.8	0.9	5.8	5.9	6.2
Sawit Sumbermas	20.8	14.5	13.3	1.2	1.0	1.7	9.3	12.3	12.1
Simple average	17.2	17.8	13.6	1.0	1.2	1.7	2.7	7.1	7.3
Singapore									
Wilmar International	15.4	14.4	13.4	3.9	3.3	3.4	8.0	8.1	8.3
Olam International	8.4	7.9	7.9	5.6	5.6	5.6	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	21.4	17.8	3.7	2.8	3.7	-1.0	0.8	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.5	9.7	8.4	2.5	3.0	3.3	10.8	11.8	12.0
Bumitama Agri	9.8	9.4	7.8	3.9	4.1	4.6	11.5	11.2	12.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	11.3	12.6	11.1	3.9	3.7	4.1	7.3	8.0	8.4
Malaysia									
Genting Plantations	37.6	30.8	26.2	1.4	1.5	1.7	4.5	5.2	6.1
IJM Plantations	39.8	25.9	21.3	1.7	2.0	2.3	2.3	5.2	6.1
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	37.3	31.0	28.8	1.7	2.0	2.1	7.9	9.5	9.8
Kuala Lumpur Kepong	29.1	25.6	24.6	2.2	2.3	2.4	7.7	8.7	8.8
Felda Global Ventures	-	48.8	32.5	1.7	2.2	2.5	0.6	2.8	4.0
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	14.9	13.5	13.9	2.1	2.2	2.6	6.5	7.0	7.0
TH Plantations	36.2	18.8	10.9	1.5	2.1	3.8	2.1	3.7	6.3
TSH Resources	20.8	17.6	15.7	1.4	1.6	2.0	4.5	5.2	5.7
SD Plantation	50.4	41.5	36.7	1.3	1.4	1.6	5.2	6.4	6.8
Sarawak Plantations	17.0	13.1	12.5	2.6	2.9	3.4	6.4	7.2	7.4
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	18.4	15.2	12.0	2.4	3.2	3.3	4.7	6.1	6.6
Jaya Tiasa	-	20.8	15.5	-	1.4	1.9	-	3.3	-
Hap Seng Plantations	32.2	26.8	24.9	1.9	2.2	2.7	2.6	3.0	3.0
Simple average	30.3	25.3	21.2	1.8	2.1	2.5	4.6	5.6	6.5

Source: Bloomberg

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