



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) has released its FY20 results. BAL's full-year net profit of Rp1,126.4bil exceeded consensus estimates of Rp960.6bil by 17.3%.
- BAL's net profit surged by 54.1% to Rp1,126.4bil in FY20 driven mainly by higher CPO price. Average CPO price rose by 24.5% to Rp8,334/kg (RM2,387/tonne) in FY20. FFB nucleus production inched up by 1.8% in FY20 after a 6% YoY decline in 9MFY20. Although there were heavy rains in certain areas of Kalimantan in 4QFY20, BAL's harvesting of FFB was not affected.
- BAL expects its FFB group production to grow by 10% in FY21F. Favourable weather conditions in FY20 are envisaged to underpin the recovery in FFB yields and FFB output in FY21F.
- We understand that BAL's FFB production in January 2021 was higher than in January 2020 but lower than in December 2020. BAL achieved its highest monthly FFB production in FY20 in December.
- BAL's cash cost was Rp4,363/kg (RM1,250/tonne) in FY20, which was almost the same as FY19's Rp4,361/kg.
- BAL anticipates its cash cost per kg to be flat in FY21F as a higher volume of CPO production compensates for higher costs. Potash costs are envisaged to increase by 10% in FY21F while cost of wages is expected to rise by 8%. BAL would be applying 5% more fertiliser in FY21F.
- BAL has locked in to sell 201,000 tonnes or 70% of its 1HFY21 CPO production at Rp8,364/kg (RM2,395/tonne). The selling price was agreed upon before the CPO export tax and levy were raised to US\$299/tonne in January 2021 and US\$348/tonne in February 2021 (November 2020: US\$58/tonne). Due to this, BAL has to bear the extra cost of US\$293/tonne from the hike in the CPO export tax and levy in 1HFY21. This is expected to affect BAL's bottom line in 1HFY21.
- BAL will be replanting 500ha of ageing oil palm trees in FY21F. New plantings of oil palm are expected to be insignificant in FY21F. New plantings of oil palm amounted to 350ha in FY20.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F	FY20E	FY21F	FY22F
Indonesia									
PT Astra Agro	24.7	19.2	18.7	1.0	1.8	2.1	4.4	5.6	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	22.2	18.3	18.7	1.3	2.0	2.3	4.6	5.4	5.3
BW Plantation	-	40.3	-	-	0.4	-	-16.7	2.1	2.2
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	31.1	31.1	-	-	-	-0.2	1.2	1.2
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	24.4	14.9	10.8	0.9	1.5	2.2	7.5	10.6	12.8
Sampoerna Agro	16.7	11.0	9.7	0.5	0.7	0.9	4.5	6.4	7.0
Sawit Sumbermas	24.4	14.7	12.3	0.8	1.0	1.8	9.4	13.9	14.5
Simple average	22.5	21.4	16.9	0.9	1.2	1.8	1.9	6.5	6.9
Singapore									
Wilmar International	18.5	17.4	16.2	2.9	2.5	2.6	8.4	8.4	8.6
Olam International	9.9	9.3	9.3	4.7	4.7	4.7	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	13.0	14.2	2.1	2.8	2.8	-0.1	3.4	3.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	13.8	10.4	10.1	2.3	2.3	2.3	11.9	12.6	11.5
Bumitama Agri	10.6	10.3	9.6	4.1	4.1	4.3	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	13.2	12.1	11.9	3.2	3.3	3.3	7.9	8.9	8.5
Malaysia									
Genting Plantations	33.6	28.1	26.0	1.7	2.1	2.2	4.7	5.3	5.7
IJM Plantations	39.3	17.9	17.7	1.7	1.9	2.3	2.3	6.8	7.2
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	35.3	27.4	25.9	1.8	2.3	2.4	7.9	10.1	10.5
Kuala Lumpur Kepong	29.6	23.2	23.2	2.1	2.5	2.6	7.7	9.7	9.6
Felda Global Ventures	38.5	29.8	23.0	1.8	2.1	2.2	4.0	4.6	6.0
Kulim	0.0	1.0	2.0	4.0	5.0	6.0	4.0	5.0	6.0
Sarawak Oil Palms	11.1	12.7	12.6	2.6	2.4	2.8	9.9	9.1	7.9
TH Plantations	16.9	13.8	12.9	0.0	-	-	4.2	5.6	6.0
TSH Resources	20.0	16.4	16.1	1.4	1.6	1.9	5.1	5.6	5.9
SD Plantation	36.9	33.4	35.1	1.7	1.8	1.8	6.5	7.8	7.5
Sarawak Plantations	11.3	10.7	11.9	2.3	3.5	2.3	9.2	8.0	7.8
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	13.5	12.1	11.8	3.6	3.5	3.5	6.3	6.7	6.6
Jaya Tiasa	-	9.0	11.7	-	2.8	2.4	-	7.8	5.7
Hap Seng Plantations	23.8	22.4	26.2	2.5	2.6	2.6	3.8	3.8	3.8
Simple average	23.8	18.4	18.3	2.1	2.6	2.7	5.8	6.9	6.9

Source: Bloomberg

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