



AmInvestment Bank

Sector report

PLANTATION

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Key Takeaways from Golden Agri's Conference Call

UNDERWEIGHT

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Rationale for report: Sector update

Quick Take

- Golden Agri Resources (GGR) (UNRATED) has released its 1QFY20 results. GGR's core net loss of US\$25mil in 1QFY20 fell short of consensus estimates of a net profit of US\$69.0mil for the full year.
- Although GGR's revenue inched up by 2% YoY to US\$1,657mil in 1QFY20, the group was in the red as the downstream division was hit by higher input and logistics costs.
- GGR was also affected by costs of a CPO export tax and levy in 1QFY20. FFB production edged down by 2% YoY in 1QFY20 while average CPO price surged by 31% to US\$672/tonne (RM2,810/tonne).
- GGR's sales volume of downstream products dropped by 14% YoY to 2.3mil tonnes in 1QFY20 due to logistics issues and a stricter selling policy. We understand that due to the lock-down in China and India, there were issues with the delivery of cargo at the ports. Also, GGR was more conservative in selling products to its customers. Customers must have letters of credit before purchasing palm products from GGR.
- GGR expects China's demand for palm products to pick up in the beginning of 3QFY20. Although the country lifted the lockdown in Wuhan in early April, China's demand was still slow. It was only recently that GGR started receiving more enquiries from Chinese buyers. GGR reckons that the trend would be similar for India when the country ends its lockdown in a few weeks' time.
- GGR did not disclose its FFB growth and production cost outlook for FY20F. However in February 2020, GGR said that its FFB production would be flat in FY20F due to the lagged impact of the drought and haze, which took place in Indonesia in 3QFY19. Cash cost of CPO production is envisaged to be unchanged at US\$304/tonne (RM1,319/tonne) in FY20F.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Indonesia									
PT Astra Agro	13.4	11.9	11.3	1.1	3.1	2.8	4.5	5.1	5.6
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	11.3	9.7	9.3	1.9	4.1	4.6	4.6	5.5	6.4
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	73.3	22.0	20.0	-	-	-	0.3	0.9	0.9
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	22.7	16.0	12.6	1.3	2.7	3.0	9.3	9.6	9.9
Sampoerna Agro	22.7	16.0	12.6	0.6	0.6	0.6	5.0	6.7	7.7
Sawit Sumbermas	19.9	13.4	-	0.2	1.7	-	10.8	16.3	-
Simple average	27.2	14.8	13.2	1.0	2.4	2.8	5.8	7.3	6.1
Singapore									
Wilmar International	13.6	12.2	11.1	3.2	3.6	3.8	6.9	7.6	7.7
Olam International	9.2	9.2	9.2	4.8	4.8	4.8	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	15.0	13.1	11.7	3.8	3.8	4.8	1.7	1.8	1.9
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	10.4	8.6	8.1	3.2	3.4	4.0	12.3	12.8	12.8
Bumitama Agri	9.4	8.4	7.6	5.4	5.8	6.7	10.2	11.0	11.3
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	11.5	10.3	9.5	4.1	4.3	4.8	7.8	8.3	8.4
Malaysia									
Genting Plantations	32.1	25.0	23.2	1.6	1.9	2.1	5.0	5.8	6.8
IJM Plantations	30.4	19.6	17.6	2.2	3.1	3.1	2.6	4.3	4.9
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	28.1	25.1	23.9	2.2	2.5	2.6	8.7	9.6	9.9
Kuala Lumpur Kepong	26.3	24.3	22.4	2.4	2.5	2.6	7.9	8.4	8.7
Felda Global Ventures	33.6	20.0	23.5	2.1	2.6	2.4	2.3	3.8	4.4
Kulim	-	-	-	-	-	-	-	-	-
Sarawak Oil Palms	13.8	11.1	9.8	2.7	2.7	3.6	4.9	5.8	6.9
TH Plantations	155.0	11.1	6.5	0.0	1.0	11.3	2.2	2.9	7.1
TSH Resources	15.8	12.5	10.8	2.1	2.6	3.2	5.0	5.6	6.5
SD Plantation	45.3	37.5	34.0	1.5	1.8	1.7	5.1	6.4	6.9
Sarawak Plantations	11.9	11.0	8.9	3.5	5.2	3.5	5.7	6.4	7.1
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	10.6	9.0	7.6	4.2	4.6	4.7	6.5	7.6	8.2
Jaya Tiasa	31.6	14.4	9.2	1.0	2.0	5.1	3.0	5.2	7.0
Hap Seng Plantations	17.9	17.3	16.9	3.0	3.1	2.6	3.4	3.4	3.7
Simple average	34.8	18.3	16.5	2.2	2.7	3.7	4.8	5.8	6.8

Source: Bloomberg

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