



AmInvestment Bank

## Sector report

# PLANTATION

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Key takeaways from Golden Agri's conference call

**NEUTRAL**

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Rationale for report: Sector update

Quick Take

- Golden Agri Resources (GGR) (UNRATED) released its 9MFY20 results last Friday. GGR's core net profit of US\$9.0mil in 9MFY20 was above consensus estimates of a net loss of US\$42.5mil for the full year.
- GGR's group FFB production fell by 12.0% YoY in 9MFY20. Average CPO price realised climbed by 24.4% to US\$683/tonne (RM2,892/tonne) in 9MFY20 from US\$549/tonne (RM2,042/tonne) in 9MFY19.
- GGR expects its group FFB production to fall between 5% and 10% in FY20E (9MFY20: -12.0% YoY). Peak production of FFB is envisaged to take place in 4QFY20. GGR's FFB production in 4QFY20 is expected to be higher than 4QFY19.
- For FY21F, GGR thinks that it may achieve an FFB output growth of 5% to 10%. Although the weather has been wet at GGR's oil palm estates in Indonesia, there has not been any disruption to logistics, estate operations or fruits evacuation.
- GGR's cost of CPO production was US\$303/tonne in 9MFY20 vs. US\$305/tonne in 9MFY19. Cost of CPO production per tonne is anticipated to fall below US\$300/tonne in FY20E (FY19: US\$300/tonne) due to a higher volume of production in 4QFY20. Also, fertiliser costs are envisaged to be 5% lower YoY in FY20E.
- We understand that there may not be substantial funds left in Indonesia's Estate Crop Fund, which is used to subsidise the B30 biodiesel policy. There is a possibility that there may be a deficit in the Estate Crop Fund.
- We gather that the Indonesia government has two options i.e. the government can either increase the CPO export levy( which is used to finance the fund) or increase the government's budget allocation. The most likely option would be to increase the CPO export levy. So far, there has not been news that the Indonesia government would reduce its B30 biodiesel mandate. GGR does not know when the Indonesia government would officially announce the increase in the CPO export levy, which is at US\$55/tonne currently.
- In spite of depleting funds in the Estate Crop Fund, GGR has not faced problems collecting payment for its sales of biodiesel to Pertamina yet. GGR usually collects its payment 60 days after the delivery of the biodiesel. Average utilisation rate at GGR's biodiesel plants in Indonesia is 100% presently.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
<b>Indonesia</b>									
PT Astra Agro	24.1	21.5	22.2	0.6	1.6	1.8	4.4	5.1	5.3
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	22.8	18.9	17.8	1.4	1.8	2.3	3.6	4.4	4.6
BW Plantation	-	34.3	12.9	-	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	15.3	10.3	8.7	0.8	1.0	1.7	9.7	12.9	13.6
Sampoerna Agro	10.5	9.9	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
<b>Simple average</b>	<b>18.7</b>	<b>18.2</b>	<b>14.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.7</b>	<b>2.7</b>	<b>7.1</b>	<b>7.3</b>
<b>Singapore</b>									
Wilmar International	14.9	14.0	12.9	4.0	3.4	3.6	8.0	8.1	8.3
Olam International	8.6	8.1	8.1	5.4	5.4	5.4	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	-	22.1	18.4	3.6	2.7	3.6	-1.0	0.8	1.1
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.9	10.0	8.7	2.4	2.9	3.2	10.8	11.8	12.0
Bumitama Agri	9.9	9.6	9.0	4.3	4.4	4.6	11.5	11.1	11.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
<b>Simple average</b>	<b>11.3</b>	<b>12.8</b>	<b>11.4</b>	<b>4.0</b>	<b>3.8</b>	<b>4.1</b>	<b>7.3</b>	<b>7.9</b>	<b>8.1</b>
<b>Malaysia</b>									
Genting Plantations	38.0	31.1	26.4	1.4	1.5	1.6	4.5	5.2	6.1
IJM Plantations	40.0	2.3	21.4	1.7	1.9	2.3	2.3	5.2	6.1
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	38.0	31.7	29.4	1.7	2.0	2.1	7.9	9.5	9.8
Kuala Lumpur Kepong	29.7	26.1	25.1	2.1	2.3	2.3	7.7	8.7	8.8
Felda Global Ventures	-	48.3	32.2	1.7	2.2	2.5	0.6	2.8	4.0
Kulim	0.0	1.0	2.0	4.0	5.0	6.0	4.0	5.0	6.0
Sarawak Oil Palms	15.3	13.8	14.2	2.1	2.1	2.5	6.5	7.0	7.0
TH Plantations	39.6	20.6	12.0	1.4	1.9	3.5	2.1	3.7	6.3
TSH Resources	21.6	18.3	16.3	1.3	1.5	1.9	4.5	5.2	5.7
SD Plantation	51.0	41.9	37.1	1.3	1.3	1.6	5.2	6.4	6.8
Sarawak Plantations	17.2	13.2	12.6	2.5	2.9	3.4	6.4	7.2	7.4
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	19.1	15.8	12.4	2.3	3.1	3.2	4.7	6.1	6.6
Jaya Tiasa	-	21.3	15.9	-	1.4	1.9	-	3.3	-
Hap Seng Plantations	34.1	28.3	26.3	1.8	2.1	2.6	2.6	3.0	3.0
<b>Simple average</b>	<b>28.6</b>	<b>22.4</b>	<b>20.2</b>	<b>1.9</b>	<b>2.2</b>	<b>2.7</b>	<b>4.5</b>	<b>5.6</b>	<b>6.4</b>

Source: Bloomberg

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