



AmInvestment Bank

Sector report

PLANTATION

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Key takeaways from Bumitama's conference call

UNDERWEIGHT

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Rationale for report: Sector update

Quick Take

- Bumitama Agri Ltd (BAL) (UNRATED) has released its 1QFY20 results. At first glance, BAL's 1QFY20 net profit of Rp262.1bil appears to exceed consensus estimates of Rp844.7bil for the full year. However, we think that BAL's 1QFY20 results are in line with market expectations as CPO prices have plunged and are expected to remain weak in the next few quarters.
- BAL's revenue surged by 20.3% YoY to Rp2.0trillion in 1QFY20 as higher CPO prices compensated for unexciting FFB production. Average CPO price realised climbed by 32.8% YoY to Rp8,707/kg (RM2,558/tonne) in 1QFY20.
- On the other hand, BAL's nucleus FFB production inched up by only 0.3% YoY in 1QFY20. The flat YoY growth in nucleus FFB production in 1QFY20 was due to the lagged impact of the drought, which took place in Indonesia in 3QFY19. The 2.4% YoY drop in BAL's FFB yield in 1QFY20 was not due to Covid-19.
- BAL expects its FFB production to pick up in 2H2020. Hence, the group is sticking to its estimate of a 0% to 10% increase in FFB production in FY20F. 2H is expected to account for 55% of group FFB output in FY20F while 1H is envisaged to account for 45%. New mature areas are expected to be 4,000ha in FY20F.
- BAL expects the cash cost of CPO production to rise by 0% to 5% in FY20F due to the higher cost of wages. The group achieved a cash cost of Rp4,361/kg (RM1,277/tonne) in FY19. BAL is currently selling its CPO mainly at spot prices.
- We understand that so far, Indonesia is still implementing the B30 biodiesel policy although there were news reports that there may be a slowdown in the implementation and a change in the pricing formula. In early April, *Bloomberg* reported that Indonesia's biodiesel consumption may reach about 8.4mil kiloliters (7.3mil tonnes) in 2020F vs. the target of 9.6mil kiloliters (8.4mil tonnes) due to the Covid-19 pandemic.
- So far, BAL has not been affected by Covid-19. The group has been talking to its suppliers to ensure that there are adequate supplies of fertiliser, food and other essential items for its estate operations. Also, BAL has formed a woman's group to manufacture masks for its estate workers.

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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