



AmInvestment Bank

Sector report

PLANTATION SECTOR

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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 (BAL) (UNRATED) has released its 9MFY22 results. BAL's annualised 9MFY22 net profit was 22% above consensus estimates.
- BAL's 9MFY22 net profit surged by more than 2x YoY to Rp2.8tril, underpinned by strong CPO prices and production. Consensus had estimated a net profit of Rp3.1tril for BAL for the full year.
- BAL's nucleus FFB production improved by 13% YoY in 9MFY22 while average CPO price climbed 37% to Rp12,889/kg (RM3,828/tonne).
- BAL's FFB output growth of 13% in 9MFY22 was driven largely by West Kalimantan. FFB output at BAL's oil palm estates in West Kalimantan increased by 22% YoY in 9MFY22. West Kalimantan accounted for a third of the group's FFB production in 9MFY22.
- Although there were heavy rains in Kalimantan, we understand that harvesting activities have not been affected significantly. Also in recent weeks, the weather conditions at BAL's oil palm estates in Kalimantan have improved.
- BAL's FFB production growth is expected to be 16% to 18% in FY22E (9MFY22: 13%). BAL's FFB output growth is higher than its peers due to the group's water management and good estate practices. Astra Agro Lestari's FFB production fell by 5.9% YoY in 9MFY22 while First Resources achieved a small nucleus FFB output growth of 2.9%.
- BAL hopes to achieve a cash cost of Rp5,000/kg (RM1,485/tonne) in FY22E vs. Rp4,500/kg (RM1,305/tonne) in FY21. The rise in the cash cost per kg in FY22E can be attributed mainly to a 60% climb in fertiliser costs. BAL's cash cost was Rp4,800/kg (RM1,426/tonne) in 9MFY22. The group has applied 80% of its full year fertiliser requirements.
- BAL has secured 50% of its fertiliser requirements for FY23F. We understand that the price of fertilisers secured is higher than FY22E. BAL will be tendering for another batch of fertilisers soon to capitalise on the recent fall in prices.
- BAL replanted 700ha of ageing oil palm trees in 9MFY22. This was below the target of 1,400ha for the full year as heavy rains disrupted replanting plans.

TABLE 1 : REGIONAL VALUATION COMPARISONS

Company	Price	Mkt Cap	P/E (x)		ROE (%)		Net Dividend Yield (%)	
	(Icl cry)	(Icl cry mil)	CY22F	CY23F	CY22F	CY23F	CY22F	CY23F
Malaysia								
IOI Corp	4.03	25,018.1	15.7	18.1	14.7	12.1	3.3	3.0
Kuala Lumpur Kepong	21.34	23,007.9	10.6	13.2	16.1	11.8	4.6	3.7
Sime Darby Plantation	4.33	29,945.0	11.4	15.5	16.2	11.1	5.0	3.8
TSH Resources	1.06	1,463.0	7.0	10.0	12.5	7.2	3.3	2.5
Genting Plantations	6.30	5,652.3	9.3	13.1	10.8	6.9	5.4	4.1
Hap Seng Plantations Holdings	2.10	1,679.3	6.6	10.7	13.0	7.7	9.0	6.1
FGV Holdings	1.33	4,852.0	3.9	7.7	21.3	9.3	6.5	4.4
Boustead Plantations	0.70	1,568.0	3.8	10.8	18.0	4.4	19.0	7.3
Sarawak Oil Palms	2.62	2,332.2	4.6	7.6	16.3	9.0	4.1	3.2
Ta Ann Holdings	3.70	1,629.7	5.0	7.2	18.7	10.8	10.5	6.6
Singapore								
Wilmar International	4.01	25,028.5	8.4	9.4	10.8	9.1	4.7	4.4
First Resources	1.54	2,417.2	6.8	7.7	20.3	15.5	7.2	6.4
Bumitama Agri	0.625	1,083.8	3.6	5.8	30.3	16.3	11.0	7.1
Golden Agri-Resources	0.29	3,677.7	4.1	6.4	17.5	8.2	8.6	5.2
Indonesia								
Astra Agro Lestari	8200	15,782,444.3	7.8	8.2	8.4	7.2	5.8	4.7
Perusahaan Perkebunan London S	1095	7,471,036.0	7.0	7.5	9.0	8.1	4.0	4.0
Dharma Satya Nusantara	600	6,359,905.4	6.4	6.4	12.4	10.2	3.2	4.3
Sawit Sumbermas Sarana	1410	13,430,250.0	5.0	6.8	28.9	21.8	5.6	10.0

Source: Bloomberg

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