



AmInvestment Bank

Sector report

PLANTATION

15 Nov 2021

Key Takeaways from Golden Agri's Conf Call

NEUTRAL

Gan Huey Ling, CFA

gan-huey-ling@ambankgroup.com

03-2036 2305

Rationale for report: Sector update

Quick Take

- Golden Agri Resources (GGR) (UNRATED) released its 3QFY21 results last Friday. On an annualised basis, GGR's 9MFY21 core net profit was 56.8% above consensus estimates of US\$328.3mil. GGR's core net profit surged to US\$386mil in 9MFY21 from US\$9mil in 9MFY20 as revenue climbed by 46%.
- GGR achieved an average CPO price of US\$702/tonne (RM2,900/tonne) in 9MFY21 compared with US\$628/tonne (RM2,659/tonne) in 9MFY20. Indonesia's CPO export tax and levy brought down GGR's realised CPO price by US\$345/tonne in 9MFY21 compared with US\$55/tonne in 9MFY20.
- GGR expects its FFB production (group level) to increase by 7% in FY21E in spite of a strong 17% YoY expansion in 9MFY21. For FY22F, GGR's FFB production is anticipated to increase by 5%.
- GGR's FFB output in 4QFY21 is envisaged to be similar to 3QFY21. On a YoY basis, GGR's FFB production in 4QFY21 may be lower than 4QFY20 as FFB yields were robust last year. We understand that GGR's FFB output had already achieved its peak in 1HFY21.
- Excluding the impact of acquisitions, GGR's FFB would have improved by 12% YoY in 9MFY21. Also although rainfall has been abundant at GGR's oil palm estates in Indonesia, the group has not faced issues with FFB harvesting and fruit evacuation yet.
- GGR's cash cost of CPO production is expected to increase by 10% to 15% in FY22F from US\$300/tonne in FY21E. The rise in the cash cost of CPO production per tonne in FY22F is mainly due to a 50% surge in fertiliser costs. Fertiliser accounts for 20% to 30% of GGR's cash cost of production. GGR usually purchases its fertiliser, twice a year.
- GGR recorded a cash cost of CPO production of US\$291/tonne (RM1,202/tonne) in 9MFY21 vs. US\$303/tonne (RM1,283/tonne) in 9MFY20. Cash cost of CPO production was US\$293/tonne (RM1,229/tonne) in 3QFY21. GGR's cash cost of CPO production is estimated to be US\$300/tonne in FY21E.
- GGR replanted about 10,000ha of ageing oil palm trees in 9MFY21. The target for FY21E is between 10,000ha and 15,000ha. GGR's replanting target for FY22F is envisaged to be 15,000ha to 20,000ha.

TABLE 1 : REGIONAL VALUATION COMPARISONS

	PE (x)			Div yield (%)			ROE (%)		
	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F
Indonesia									
PT Astra Agro	11.1	12.1	11.6	1.9	3.0	2.8	9.5	8.4	7.7
PT Bakrie Sumatra	-	-	-	-	-	-	-	-	-
PT London Sumatra	9.8	10.2	11.4	2.9	4.0	3.8	9.9	9.4	8.2
BW Plantation	-	-	-	-	-	-	-	-	-
Gozco Plantation	-	-	-	-	-	-	-	-	-
PT SMART	-	-	-	-	-	-	-	-	-
PT Salim Ivomas Pratama	-	-	-	-	-	-	-	-	-
JA Wattie	-	-	-	-	-	-	-	-	-
Provident Agro	-	-	-	-	-	-	-	-	-
Multi Agro Gemilang	-	-	-	-	-	-	-	-	-
Austindo Nusantara	-	-	-	-	-	-	-	-	-
Dharma Satya Nusantara	7.4	6.4	5.2	2.5	3.9	4.6	12.4	14.4	12.9
Sampoerna Agro	-	-	-	-	-	-	-	-	-
Sawit Sumbermas	9.0	10.0	10.9	2.7	2.8	3.0	22.5	17.4	14.2
Simple average	9.3	9.7	9.8	2.5	3.5	3.6	13.6	12.4	10.8
Singapore									
Wilmar International	12.0	11.7	11.1	3.5	3.7	3.6	8.7	8.6	8.6
Olam International	-	-	-	-	-	-	-	-	-
Noble Group	-	-	-	-	-	-	-	-	-
Golden Agri Resources	7.2	7.2	8.9	5.1	5.1	4.1	7.5	7.2	5.5
Indofood Agri Resources	-	-	-	-	-	-	-	-	-
Kencana Agri	-	-	-	-	-	-	-	-	-
First Resources	11.7	9.7	9.8	3.5	4.4	4.5	12.7	14.0	12.6
Bumitama Agri	8.1	7.4	7.8	4.5	4.7	4.8	12.2	13.0	12.0
Global Palm Resources	-	-	-	-	-	-	-	-	-
Mewah International	-	-	-	-	-	-	-	-	-
GMG Global	-	-	-	-	-	-	-	-	-
Simple average	9.8	9.0	9.4	4.2	4.5	4.2	10.3	10.7	9.7
Malaysia									
Genting Plantations	18.1	18.7	19.3	2.9	2.7	2.5	7.2	6.2	5.5
IJM Plantations	24.6	16.1	19.0	1.1	2.6	2.3	7.9	11.2	9.4
United Plantations	-	-	-	-	-	-	-	-	-
IOI Corporation	21.2	19.2	21.4	2.7	2.7	2.8	12.0	12.0	10.3
Kuala Lumpur Kepong	16.5	17.7	18.4	2.8	3.0	2.9	12.6	10.8	9.8
Felda Global Ventures	16.7	19.1	19.1	3.2	3.0	3.0	9.5	6.9	6.9
Kulim	1.0	2.0	3.0	5.0	6.0	7.0	5.0	6.0	7.0
Sarawak Oil Palms	6.5	8.9	8.6	4.4	3.0	3.6	11.5	8.8	8.8
TH Plantations	12.0	16.5	18.9	-	-	-	9.6	5.3	4.5
TSH Resources	11.7	13.2	13.4	2.1	2.1	2.2	9.5	7.2	6.8
SD Plantation	13.3	17.6	20.6	4.2	3.2	2.8	14.0	10.2	8.4
Sarawak Plantations	9.3	9.7	12.1	4.1	4.1	4.1	13.5	10.3	8.2
TDM Bhd	-	-	-	-	-	-	-	-	-
Ta Ann Holdings	8.0	9.5	10.4	5.0	4.1	4.1	12.3	8.9	7.8
Jaya Tiasa	9.4	8.4	11.0	4.1	3.5	2.6	7.0	7.5	-
Hap Seng Plantations	10.7	14.5	17.6	5.5	4.5	3.8	8.5	6.1	5.4
Simple average	12.8	13.6	15.2	3.6	3.4	3.4	10.0	8.4	7.6

Source: Bloomberg

DISCLOSURE AND DISCLAIMER

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures, investment or other products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.