

# Bumitama Agri (BAL SP)

Agriculture - Plantation

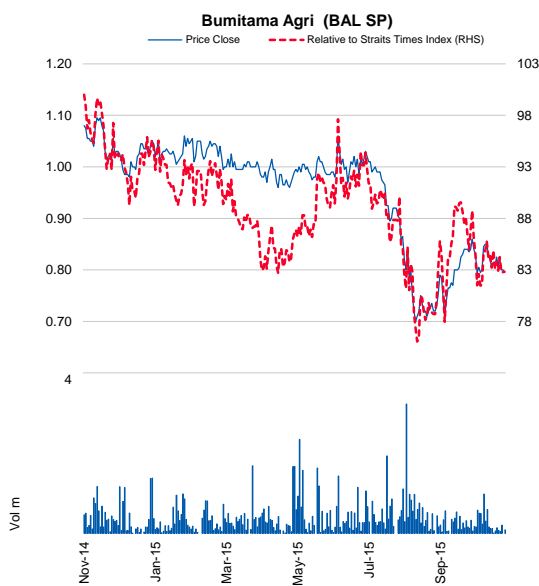
Market Cap: USD981m

**Buy** (Maintained)

 Target Price: **SGD1.41**

 Price: **SGD0.80**

## A BUY Despite Weak Results

 Macro   
 Risks   
 Growth   
 Value 


Source: Bloomberg

Avg Turnover (SGD/USD)	0.30m/0.21m
Cons. Upside (%)	47.5
Upside (%)	78.0
52-wk Price low/high (SGD)	0.70 - 1.10
Free float (%)	19
Share outstanding (m)	1,755
<b>Shareholders (%)</b>	
Hariyanto Family	50.9
IOI Corp	30.4

### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(23.9)	(5.4)	(12.2)	(18.1)	(26.7)
Relative	(12.5)	(4.8)	(6.8)	(4.0)	(17.3)

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Despite a weak set of results, we continue to like Bumitama due to its inexpensive valuation of under 10x FY16 earnings and good tree age profile capable of double-digit production growth under normal weather conditions. With the strong El Nino in place, its production could slow to single-digit but will at least continue to head higher. We expect palm oil price to be strong in 2016, which will benefit Bumitama's bottom line.

- ◆ **Weak results.** Bumitama's 9MFY15 core earnings were weaker than expected, making up 56% of our full year forecast and 61% of consensus expectation. Besides weaker than expected 9M production, it was largely due to lower than expected recognition of revenue. It had palm oil not loaded onto barges on time due to peak crop season. Consequently, 3Q CPO production was up by 20.6% YoY but sales volume was only up by 2.6%.
- ◆ **Production weaker than expected.** Nucleus FFB growth came in weaker than expected at 6.5%. This was due to haze-related drop in harvesting activity. Hence there was some spillover harvest in October as the haze improved. 4Q production could be flat to slightly higher QoQ.
- ◆ **Trimming production forecast.** Management lowered production growth guidance to 15% from 20% previously. Despite our already more conservative production growth of 14.6% for FY15, we are trimming it further to 8.9%. This puts our nucleus FFB forecast at 1.526m tonnes vs 1.605m previously. We also lowered our FY16 production growth estimate to 9.8% vs 11.2% previously.
- ◆ **Biodiesel sale to Pertamina.** Bumitama secured 20k tonnes of biodiesel sale for delivery over 6 months and has delivered 1,915 tonnes.
- ◆ **Earnings forecast.** We lower our FY15 forecast by 6.9% to IDR1,081bn. For FY16, despite the lower production number, our forecast is relatively unchanged at IDR1,390bn as we factor in lower biological asset depreciation charges of IDR175bn (IDR351.6bn previously). Management guided that it will be just IDR110.3bn net of tax.
- ◆ **Maintain Buy.** We maintain our BUY call on the stock with a marginally lower TP of SGD1.41 (78% upside), based on an unchanged FY16F P/E of 17x.

Forecasts and Valuations	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total turnover (IDRbn)	4,063	5,757	5,153	6,466	7,354
Reported net profit (IDRbn)	855	1,203	1,081	1,390	1,603
Recurring net profit (IDRbn)	868	1,232	1,081	1,390	1,603
Recurring net profit growth (%)	24.6	41.9	(12.2)	28.5	15.4
Recurring EPS (IDR)	494	701	615	791	912
Recurring P/E (x)	15.4	10.8	12.4	9.6	8.3
P/B (x)	2.37	2.06	1.75	1.47	1.24
P/CF (x)	12.4	7.7	8.9	7.8	6.9
EV/EBITDA (x)	11.3	7.9	8.8	7.1	6.0
Return on average equity (%)	16.3	19.9	15.3	16.6	16.2
Net debt to equity (%)	59.6	55.8	51.3	40.8	29.9
Our vs consensus EPS (adjusted) (%)			5.8	10.2	1.0

Source: Company data, RHB

Figure 1: Review of Bumitama's 9MFY15 results

FYE Dec (IDRbn)	3QFY14	2QFY15	3QFY15	QoQ (%)	YoY (%)	9MFY14	9MFY15	YoY (%)	Comments
<b>Revenue</b>	<b>1,366.2</b>	<b>1,581.3</b>	<b>1,178.9</b>	<b>(25.4)</b>	<b>(13.7)</b>	<b>4,187.4</b>	<b>4,094.1</b>	<b>(2.2)</b>	
<b>EBITDA</b>	526.2	369.2	360.7	<b>(2.3)</b>	<b>(31.4)</b>	1,597.9	1,121.1	<b>(29.8)</b>	Lower on CPO price and aggressive manuring in 1H
<i>EBITDA Margin (%)</i>	38.5	23.3	30.6			38.2	18.7		
Depreciation	(35.6)	(58.3)	(50.6)	(13.2)	42.0	(122.6)	(143.3)	16.8	
<b>EBIT</b>	<b>490.6</b>	<b>310.9</b>	<b>310.1</b>	<b>(0.3)</b>	<b>(36.8)</b>	<b>1,475.2</b>	<b>977.8</b>	<b>(33.7)</b>	
<i>EBIT Margin (%)</i>	35.9	19.7	26.3			35.2	23.9		
Interest expense	(32.0)	(36.1)	(34.4)	(4.8)	7.2	(83.5)	(111.4)	33.4	
Interest income	16.0	34.7	37.7	8.7	135.7	41.9	104.8	150.0	
Associates	(5.1)	(3.2)	(6.6)	108.1	28.6	(15.0)	(52.8)	252.7	
El/Others	(13.9)	(0.6)	(19.5)	3,059.3	40.0	(67.5)	(51.7)	(23.3)	
<b>Pretax profit</b>	<b>455.5</b>	<b>305.8</b>	<b>287.4</b>	<b>(6.0)</b>	<b>(36.9)</b>	<b>1,351.2</b>	<b>866.8</b>	<b>(35.9)</b>	Made up 49% of our full year forecast, 53% of consensus.
<b>Core PBT</b>	<b>469.4</b>	<b>306.4</b>	<b>306.9</b>	<b>0.2</b>	<b>(34.6)</b>	<b>1,418.7</b>	<b>918.5</b>	<b>(35.3)</b>	
<i>Pretax Margin (%)</i>	33.3	19.3	24.4			32.3	21.2		
Tax	(116.5)	(65.1)	(65.8)	1.1	(43.5)	(313.2)	(192.4)	(38.6)	
<i>Effective tax rate (%)</i>	(25.6)	(21.3)	(22.9)			(23.2)	(22.2)		
Minority Interest	(53.6)	(23.6)	(21.9)	(7.5)	(59.2)	(151.5)	(75.9)	(49.9)	
<b>Net Profit</b>	<b>285.4</b>	<b>217.1</b>	<b>199.8</b>	<b>(8.0)</b>	<b>(30.0)</b>	<b>886.6</b>	<b>598.4</b>	<b>(32.5)</b>	
<b>Core Profit</b>	<b>296.1</b>	<b>217.7</b>	<b>219.3</b>	<b>0.7</b>	<b>(26.0)</b>	<b>938.5</b>	<b>650.2</b>	<b>(30.7)</b>	Made up 56% of our full year forecast, 61% of consensus.
<i>Net Margin (%)</i>	24.5	13.8	18.6			22.4	15.9		
<b>Operating stats '000 t</b>	<b>3QFY14</b>	<b>2QFY15</b>	<b>3QFY15</b>	<b>QoQ (%)</b>	<b>YoY (%)</b>	<b>9MFY14</b>	<b>9MFY15</b>	<b>YoY (%)</b>	<b>Comments</b>
FFB Production (nucleus)	333.4	355.4	383.4	7.9	15.0	1,013.5	1,079.6	6.5	Below expectation. Made up 67.2% of our full year forecast of 1.6m. In comparison, 9MFY14 made up 72.3% of FY14 production.
CPO Production	150.7	178.3	182.0	2.0	20.8	444.3	520.7	17.2	
PK Production	27.8	36.0	31.8	(11.5)	14.4	82.1	98.3	19.9	
FFB Yield (tonne/ha)	4.3	4.2	4.4	4.8	2.3	13.4	12.7	(5.2)	
OER	23.2%	22.8%	23.2%	1.8	0.0	23.3%	23.1%	(0.9)	
KER	4.3%	4.6%	4.0%	(13.0)	(7.0)	4.3%	4.4%	2.3	
CPO Yield (tonne/ha)	1.0	1.0	1.0	6.6	2.1	3.1	2.9	(6.0)	
<b>Sales volume</b>									
CPO	152.7	188.1	156.6	(16.7)	2.6	440.8	497.6	12.9	Lower sale QoQ due to timing of loading onto ships.
PK	26.7	35.4	29.8	(15.7)	11.9	80.2	94.9	18.3	
<b>ASP (IDR/kg)</b>									
CPO	8,140.0	7,520.0	6,746.0	(10.3)	(17.1)	8,538.0	7,354.0	(13.9)	YTD ASP close to our assumption of IDR7,363
PK	4,633.0	4,708.0	3,566.0	(24.3)	(23.0)	5,281.0	4,406.0	(16.6)	

Source: Company data

## Financial Exhibits

<b>Profit &amp; Loss (IDRbn)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
Total turnover	4,063	5,757	5,153	6,466	7,354
Cost of sales	(2,463)	(3,416)	(3,029)	(3,875)	(4,362)
<b>Gross profit</b>	<b>1,600</b>	<b>2,342</b>	<b>2,124</b>	<b>2,591</b>	<b>2,991</b>
Gen & admin expenses	(151)	(184)	(221)	(266)	(319)
Selling expenses	(106)	(173)	(155)	(194)	(221)
<b>Operating profit</b>	<b>1,344</b>	<b>1,984</b>	<b>1,749</b>	<b>2,132</b>	<b>2,452</b>
Operating EBITDA	1,477	2,168	1,966	2,388	2,754
Depreciation of fixed assets	(134)	(184)	(217)	(256)	(302)
<b>Operating EBIT</b>	<b>1,344</b>	<b>1,984</b>	<b>1,749</b>	<b>2,132</b>	<b>2,452</b>
Net income from investments	(16)	(17)	(85)	(50)	(49)
Other recurring income	(9)				
Interest income	22	107	121	101	94
Interest expense	(57)	(105)	(141)	(100)	(98)
Exchange gains	(45)	(76)	-	-	-
Other non-recurring income	29	(38)	-	-	-
<b>Pre-tax profit</b>	<b>1,268</b>	<b>1,854</b>	<b>1,643</b>	<b>2,083</b>	<b>2,399</b>
Taxation	(286)	(433)	(432)	(533)	(612)
Minority interests	(126)	(219)	(130)	(160)	(184)
<b>Profit after tax &amp; minorities</b>	<b>855</b>	<b>1,203</b>	<b>1,081</b>	<b>1,390</b>	<b>1,603</b>
<b>Reported net profit</b>	<b>855</b>	<b>1,203</b>	<b>1,081</b>	<b>1,390</b>	<b>1,603</b>
<b>Recurring net profit</b>	<b>868</b>	<b>1,232</b>	<b>1,081</b>	<b>1,390</b>	<b>1,603</b>

Source: Company data, RHB

<b>Cash flow (IDRbn)</b>	<b>Dec-13</b>	<b>Dec-14</b>	<b>Dec-15F</b>	<b>Dec-16F</b>	<b>Dec-17F</b>
<b>Operating profit</b>	<b>1,344</b>	<b>1,984</b>	<b>1,749</b>	<b>2,132</b>	<b>2,452</b>
<b>Depreciation &amp; amortisation</b>	<b>134</b>	<b>184</b>	<b>217</b>	<b>256</b>	<b>302</b>
<b>Change in working capital</b>	<b>(80)</b>	<b>(84)</b>	<b>(153)</b>	<b>(43)</b>	<b>(102)</b>
Other operating cash flow	200	(15)	246	37	37
<b>Operating cash flow</b>	<b>1,597</b>	<b>2,069</b>	<b>2,059</b>	<b>2,381</b>	<b>2,689</b>
Interest received	22	107	4	8	13
Interest paid	(218)	(156)	(125)	(138)	(147)
Tax paid	(322)	(291)	(432)	(533)	(612)
<b>Cash flow from operations</b>	<b>1,079</b>	<b>1,729</b>	<b>1,506</b>	<b>1,718</b>	<b>1,943</b>
Capex	(1,390)	(1,752)	(1,373)	(1,139)	(1,164)
Other new investments	-	(82)	(87)	(91)	(95)
Other investing cash flow	(567)	(151)	(159)	(167)	(175)
<b>Cash flow from investing activities</b>	<b>(1,958)</b>	<b>(1,985)</b>	<b>(1,618)</b>	<b>(1,397)</b>	<b>(1,434)</b>
Dividends paid	(183)	(290)	(183)	(182)	(181)
Increase in debt	855	171	539	370	(21)
Other financing cash flow	(210)	54	54	54	54
<b>Cash flow from financing activities</b>	<b>462</b>	<b>(65)</b>	<b>410</b>	<b>241</b>	<b>(148)</b>
Cash at beginning of period	887	482	311	518	1,107
<b>Total cash generated</b>	<b>(416)</b>	<b>(322)</b>	<b>298</b>	<b>562</b>	<b>361</b>
Forex effects	12	(20)	-	-	-
<b>Implied cash at end of period</b>	<b>482</b>	<b>140</b>	<b>609</b>	<b>1,080</b>	<b>1,468</b>

Source: Company data, RHB

## Financial Exhibits

Balance Sheet (IDRbn)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Total cash and equivalents	482	311	518	1,107	1,569
Inventories	379	527	606	775	872
Accounts receivable	102	140	129	162	184
Other current assets	340	367	367	367	367
<b>Total current assets</b>	<b>1,302</b>	<b>1,344</b>	<b>1,619</b>	<b>2,410</b>	<b>2,992</b>
Total investments	337	366	375	384	394
Tangible fixed assets	9,255	10,870	11,681	12,513	13,262
Intangible assets	180	171	171	171	171
Total other assets	770	1,052	1,200	1,367	1,542
Total non-current assets	10,541	12,459	13,427	14,435	15,369
<b>Total assets</b>	<b>11,844</b>	<b>13,803</b>	<b>15,046</b>	<b>16,846</b>	<b>18,361</b>
Short-term debt	559	589	471	377	302
Accounts payable	508	773	636	814	916
Other current liabilities	417	561	475	481	415
<b>Total current liabilities</b>	<b>1,484</b>	<b>1,923</b>	<b>1,583</b>	<b>1,671</b>	<b>1,633</b>
Total long-term debt	3,585	3,691	4,231	4,600	4,579
Other liabilities	635	1,081	1,083	1,085	1,087
<b>Total non-current liabilities</b>	<b>4,220</b>	<b>4,772</b>	<b>5,313</b>	<b>5,685</b>	<b>5,667</b>
<b>Total liabilities</b>	<b>5,703</b>	<b>6,695</b>	<b>6,896</b>	<b>7,356</b>	<b>7,299</b>
Share capital	1,807	1,807	1,807	1,807	1,807
Retained earnings reserve	3,956	4,889	6,056	7,495	9,148
Other reserves	(133)	(213)	(213)	(213)	(213)
<b>Shareholders' equity</b>	<b>5,630</b>	<b>6,483</b>	<b>7,650</b>	<b>9,089</b>	<b>10,742</b>
Minority interests	511	625	500	400	320
Other equity	-	-	(0)	(0)	(0)
<b>Total equity</b>	<b>6,141</b>	<b>7,109</b>	<b>8,150</b>	<b>9,490</b>	<b>11,062</b>
<b>Total liabilities &amp; equity</b>	<b>11,844</b>	<b>13,803</b>	<b>15,046</b>	<b>16,846</b>	<b>18,361</b>

Source: Company data, RHB

Key Ratios (IDR)	Dec-13	Dec-14	Dec-15F	Dec-16F	Dec-17F
Revenue growth (%)	15.2	41.7	(10.5)	25.5	13.7
Operating profit growth (%)	12.7	47.7	(11.9)	21.9	15.0
Net profit growth (%)	10.1	40.6	(10.1)	28.5	15.4
EPS growth (%)	(44.7)	40.6	(10.1)	28.5	15.4
BVPS growth (%)	15.2	15.2	18.0	18.8	18.2
Operating margin (%)	33.1	34.5	33.9	33.0	33.3
Net profit margin (%)	21.1	20.9	21.0	21.5	21.8
Return on average assets (%)	8.2	9.4	7.5	8.7	9.1
Return on average equity (%)	16.3	19.9	15.3	16.6	16.2
Net debt to equity (%)	59.6	55.8	51.3	40.8	29.9
Recurrent cash flow per share	614	984	857	977	1,106

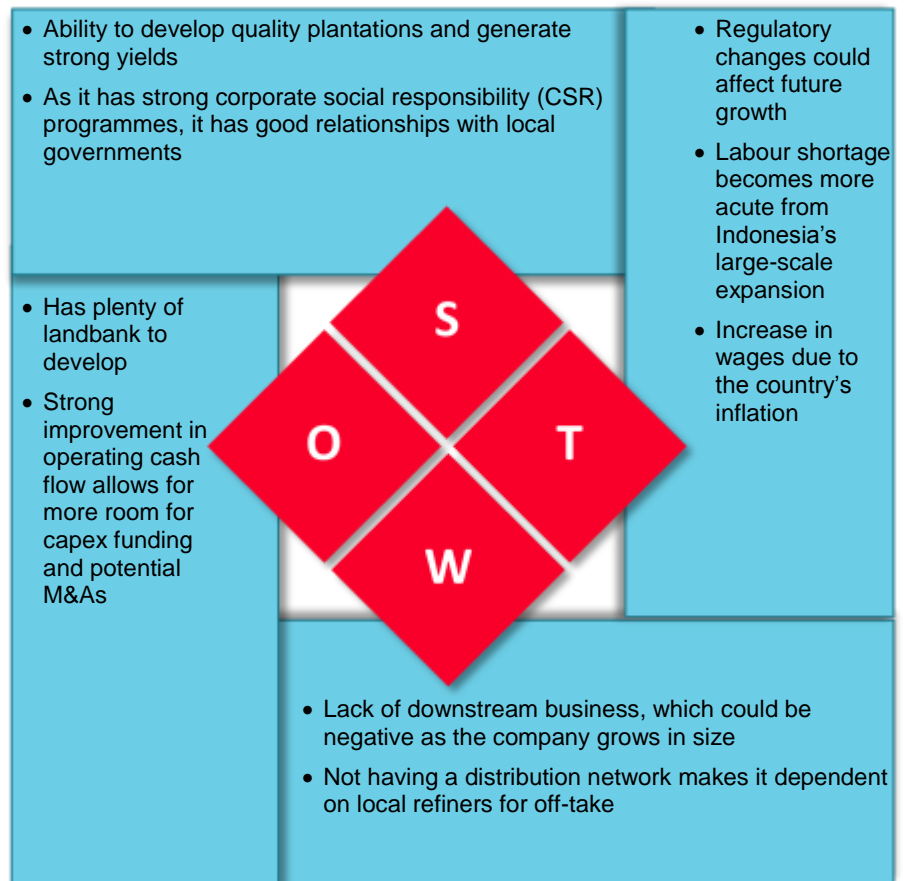
Source: Company data, RHB

### Figure 2: Key assumptions

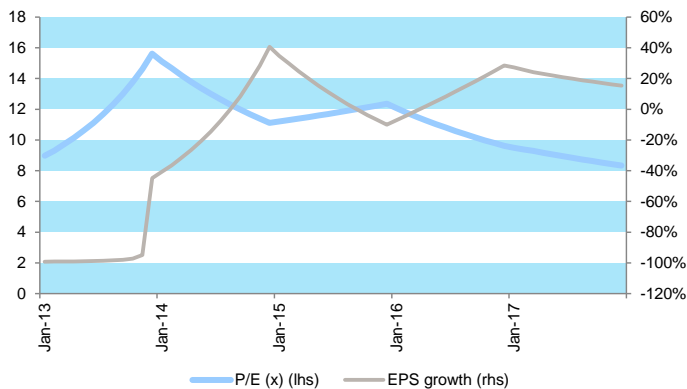
	FY12	FY13	FY14	FY15F	FY16F	FY17F
Nucleus FFB production, tonnes	948,603	1,105,358	1,401,040	1,526,246	1,676,335	2,025,262
% change	39.8%	16.5%	26.7%	8.9%	9.8%	20.8%
CPO price assumption, IDR/kg	7,193	7,169	8,331	7,363	8,553	8,553
% change	-4.5%	0.1%	16.7%	-12.3%	16.2%	0.0%
Cost of production, IDR/kg	3,625	3,780	3,874	4,533	5,512	5,534
% change	14.7%	4.3%	2.5%	17.0%	21.6%	0.4%

Source: Company data, RHB estimates

## SWOT Analysis

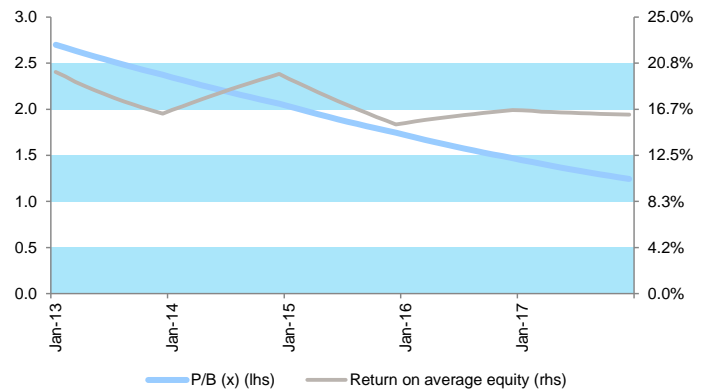


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE

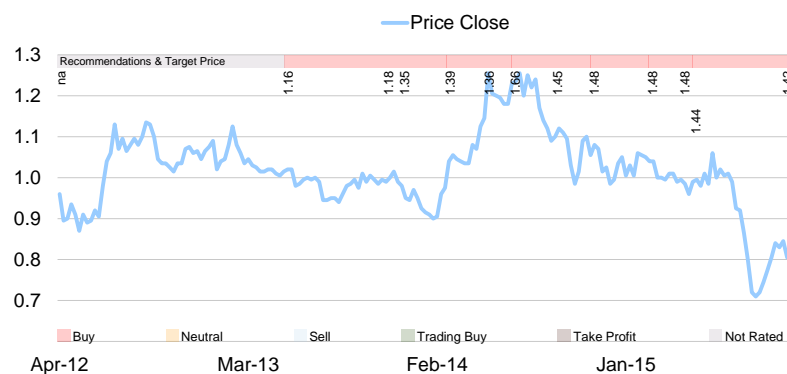


Source: Company data, RHB

## Company Profile

Bumitama Agri is a high-growth oil palm plantation company with all its plantations in Indonesia. It has 149,795 ha of total planted area. This group, which was listed on the Singapore Exchange on 12 April 2012, started initial planting in 2004 with 5,023ha of nucleus area. It has, to date, planted a total of 112,885 ha of nucleus area across Sumatra as well as West and East Kalimantan. Bumitama Agri was started and controlled by the Hariyanto family, which currently holds a 50.9% stake.

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-10-21	Buy	1.42	0.80
2015-08-14	Buy	1.44	0.87
2015-05-12	Buy	1.44	0.98
2015-04-22	Buy	1.48	1.00
2015-02-24	Buy	1.48	1.02
2014-11-13	Buy	1.48	1.08
2014-09-09	Buy	1.45	1.15
2014-09-09	Buy	1.45	1.15
2014-06-26	Buy	1.66	1.19
2014-05-11	Buy	1.36	1.15

Source : RHB, Bloomberg

## RHB Guide to Investment Ratings

**Buy:** Share price may exceed 10% over the next 12 months

**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months

**Take Profit:** Target price has been attained. Look to accumulate at lower levels

**Sell:** Share price may fall by more than 10% over the next 12 months

**Not Rated:** Stock is not within regular research coverage

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