

# Boustead Plantations (BPLANT MK)

## 1Q bottom line hurt by high taxes

### Operating profits within expectations

1Q20 core results were below expectation, largely on high tax expenses. Earnings will likely play catch up in the coming quarters on higher output and lower taxes. With present low CPO price, we believe BPLANT may revisit past strategy of disposing small parcels of land to boost earnings. Maintain BUY with unchanged RNAV-TP of MYR0.62. Trading at just 0.3x PBV (Fig.4) and EV/planted ha of ~MYR27,000 (below new replacement cost), BPLANT is a prime privatisation target.

### 1Q loss due to high deferred tax reversal

BPLANT reported a 1Q20 core LATMI of MYR10m (-41% YoY, 1Q19 core PATMI: MYR3m) which met 86% of our full-year loss forecasts. The poor results were largely due to high taxes which included reversal of subsidiary deferred taxes of MYR9m. At the operating level, its EBIT of MYR17m met 34% of our full-year forecasts which would have been within expectations. The higher YoY EBIT was underpinned by higher revenue (+21% YoY, -9% QoQ) as high CPO ASP of MYR2,793/t (+39% YoY, +14% QoQ) more than offset the lower FFB output (-19% YoY, -17% QoQ).

### Maintaining our +3% YoY FFB growth for FY20E

Its 1Q20 FFB output was off to a slow start, and met just 21% of our full-year estimate but within historical ranges. April's YoY output grew +5% YoY, and we gather from industry sources that May's output will likely show similar positive YoY trend. Hence we are keeping our +3% YoY FFB growth for FY20E, anticipating stronger output in the coming quarters.

### Land disposal may just be back on the cards

We are keeping our earnings forecasts as we anticipate better earnings in the coming quarters. While BPLANT has previously abandoned its plan to dispose land given strong CPO prices between Nov 2019 and Feb 2020, the present low CPO price may just cause BPLANT to consider disposing small parcels of land no longer suited for plantation operations to bring down debt and/or pay some dividends to its ultimate shareholder.

FYE Dec (MYR m)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	584	577	664	711	759
EBITDA	119	145	199	221	250
Core net profit	(52)	(82)	(11)	15	39
Core EPS (sen)	(2.3)	(3.6)	(0.5)	0.7	1.7
Core EPS growth (%)	nm	nm	nm	nm	155.6
Net DPS (sen)	7.0	1.0	0.0	0.5	1.0
Core P/E (x)	nm	nm	nm	51.7	20.2
P/BV (x)	0.6	0.7	0.3	0.3	0.3
Net dividend yield (%)	9.3	1.3	0.0	1.4	2.9
ROAE (%)	(1.8)	(5.5)	(0.4)	0.6	1.5
ROAA (%)	(1.4)	(2.0)	(0.3)	0.4	0.9
EV/EBITDA (x)	22.6	20.4	10.0	8.8	7.5
Net gearing (%) (incl perps)	40.3	55.3	54.0	51.4	47.9
Consensus net profit	-	-	(11)	15	39
MKE vs. Consensus (%)	-	-	0.4	(0.2)	(0.1)

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# BUY

Share Price	MYR 0.35
12m Price Target	MYR 0.62 (+77%)
Previous Price Target	MYR 0.62

### Company Description

Boustead Plantations is a pure upstream oil palm plantation company with estates located principally in Malaysia.

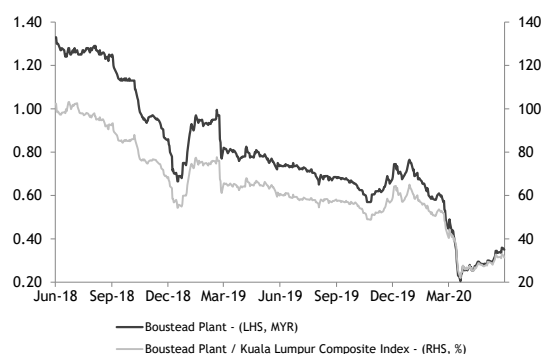
### Statistics

52w high/low (MYR)	0.77/0.21
3m avg turnover (USDm)	1.0
Free float (%)	33.2
Issued shares (m)	2,240
Market capitalisation	MYR784.0M USD183M

### Major shareholders:

Boustead Holdings Bhd.	57.4%
Lembaga Tabung Angkatan Tentera	12.1%
Employees Provident Fund	4.6%

### Price Performance



	-1M	-3M	-12M
Absolute (%)	23	(23)	(53)
Relative to index (%)	16	(24)	(48)

Source: FactSet

Fig 1: Boustead Plantations 1Q20 Summary results table

FYE Dec (MYR m)	Quarterly				
	1QFY20	1QFY19	% YoY	4QFY19	% QoQ
Revenue	162.7	134.9	20.6	179.1	(9.2)
EBIT	17.3	(0.9)	NM	12.8	34.5
Interest income	0.1	0.1	20.0	0.1	20.0
Finance cost	(17.0)	(13.9)	22.3	(16.7)	2.1
Share of results of Associates	0.9	0.7	43.6	2.0	(53.2)
Impairment of assets	-	-	NM	(176.0)	(100.0)
<b>Pretax profit/(loss)</b>	<b>1.3</b>	<b>(14.0)</b>	<b>NM</b>	<b>(177.7)</b>	<b>NM</b>
Tax	(13.6)	(5.7)	137.4	1.9	NM
Minority Interest	2.8	3.6	(22.2)	3.1	(9.2)
<b>(LATMI)/ PATAMI</b>	<b>(9.6)</b>	<b>(16.2)</b>	<b>(41.0)</b>	<b>(172.7)</b>	<b>(94.5)</b>
<b>Core (LATMI)/ PATAMI</b>	<b>(9.6)</b>	<b>(16.2)</b>	<b>(41.0)</b>	<b>3.2</b>	<b>NM</b>
			<b>+/- ppts</b>		<b>+/- ppts</b>
EBIT margin (%)	10.6	(0.6)	11.3	7.2	3.4
Effective Tax rate (%)	3,949.0	(39.0)	>100.0	51.0	>100.0
FFB output (MT)	209,857	258,995	(19.0)	252,202	(16.8)
CPO ASP (MYR/t)	2,793	2,017	38.5	2,446	14.2

Sources: Company, Maybank KE

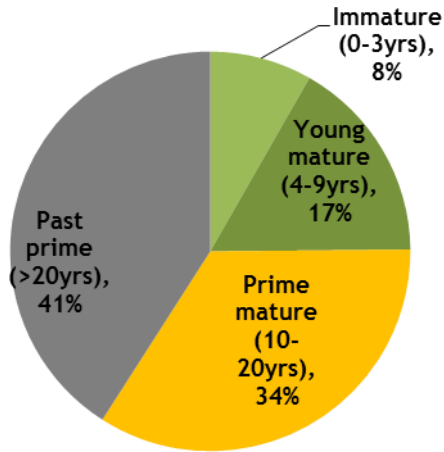
Fig 2: Boustead Plantations RNAV

Estates	Owner -ship	Status	Size	NBV	BV	Market price	Market Value (MV)	MV (based on equity stake)	SOTP on 50%-disc on estates	SOP/sh
			Hectare	MYR 'm	MYR psf	MYR psf	MYR'm	MYR'm	MYR'm	MYR
Balau	100%	FH	247	27.3	1.03	12.00	319.4	319.4	319.4	0.14
Kulai Young	100%	FH	671	53.8	0.80	8.00	577.2	577.2	577.2	0.26
Bukit Mertajam	100%	FH	2,165	139.5	0.60	4.00	931.7	931.7	931.7	0.42
Kuala Muda	50%	FH	1,520	34.0	0.21	1.50	245.2	122.6	122.6	0.05
Malakoff	100%	FH	562	42.1	0.70	8.00	483.8	483.8	483.8	0.22
Telok Sengat	100%	FH	3,690	280.3	0.71	1.50	595.5	595.5	595.5	0.27
Batu Pekaka	100%	FH	969	55.2	0.53	1.50	156.3	156.3	156.3	0.07
Taipng Rubber	100%	FH	1,379	81.3	0.55	1.50	222.6	222.6	222.6	0.10
			<b>**10,443</b>	<b>700.1</b>			<b>3,531.9</b>	<b>3,409.2</b>	<b>3,409.2</b>	<b>1.52</b>
						Replacement cost MYR/ha				
Remaining adjusted planted (ha)			70,953			30,000		<u>2,128.6</u>	<u>2,128.6</u>	<u>0.95</u>
Value of revalued estates at replacements costs/ market value								<u>5,537.8</u>	<u>5,537.8</u>	<u>2.47</u>
<b>Less: 50% discount</b>								-	<u>(2,768.9)</u>	<u>(1.24)</u>
Discounted value of estates								<b>5,537.8</b>	<b>2,768.9</b>	<b>1.24</b>
JV company at book value								34.3	34.3	0.02
Net debt (@ 31 Dec 2020)								(1,317.7)	(1,317.7)	(0.59)
Minority Interest (@ 31 Dec 2020)								<u>(101.0)</u>	<u>(101.0)</u>	<u>(0.05)</u>
<b>RNAV</b>								<b>4,153.4</b>	<b>1,384.5</b>	<b>0.62</b>
No of shares issued ('m)								2,240.0	2,240.0	
RNAV (MYR per share)								<b>1.85</b>	<b>0.62</b>	

\* excludes estimated EBIT of estates with property development potential; \*\* effective stake; FH = Freehold

Source: Company, Maybank KE

Fig 3: Total oil palm planted area (79,406ha), tree age profile as at 31 Dec 2019



Sources: Company, Maybank KE (Group average tree age profile estimated at ~15 years)

Fig 4: Boustead Plantations trailing PBV



Source: Bloomberg

### Risk statement

There are several risk factors for our earnings estimates, target price and rating for BPLANT. Key risks to the palm oil sector and BPLANT are: (i) lack of asset disposal to sustain its high dividend payout; (ii) weather anomalies resulting in poorer-than-expected output growth; (iii) lower-than-expected CPO price achieved; (iv) negative policies imposed by import countries; (v) unfriendly policies imposed by the Malaysian and Indonesian government on upstream or downstream segments; (vi) sharply lower crude oil prices, which make palm biodiesel demand not viable; and (vii) weaker competing oil prices (like soybean and rapeseed).

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Key Metrics</b>					
P/E (reported) (x)	nm	nm	nm	51.7	20.2
Core P/E (x)	nm	nm	nm	51.7	20.2
P/BV (x)	0.6	0.7	0.3	0.3	0.3
P/NTA (x)	0.6	0.7	0.3	0.3	0.3
Net dividend yield (%)	9.3	1.3	0.0	1.4	2.9
FCF yield (%)	nm	nm	13.4	17.4	20.1
EV/EBITDA (x)	22.6	20.4	10.0	8.8	7.5
EV/EBIT (x)	nm	nm	39.4	25.8	17.6
<b>INCOME STATEMENT (MYR m)</b>					
Revenue	584.0	577.2	664.2	710.8	759.3
Gross profit	(20.5)	(21.8)	50.7	75.3	106.2
EBITDA	119.2	145.4	199.4	221.4	249.8
EBIT	(20.5)	(21.8)	50.7	75.3	106.2
Net interest income / (exp)	(35.5)	(63.7)	(65.6)	(63.4)	(60.6)
Associates & JV	5.0	6.6	6.8	6.9	7.0
Exceptionals	0.0	(56.5)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(51.0)	(135.4)	(8.2)	18.8	52.6
Income tax	(12.9)	(21.9)	(3.6)	(2.9)	(10.9)
Minorities	12.1	13.3	0.6	(0.8)	(2.9)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(51.8)	(144.0)	(11.2)	15.2	38.8
Core net profit	(51.8)	(81.5)	(11.2)	15.2	38.8
<b>BALANCE SHEET (MYR m)</b>					
Cash & Short Term Investments	57.8	20.5	59.7	121.5	196.3
Accounts receivable	35.2	34.8	40.0	42.8	45.8
Inventory	36.0	28.6	31.9	33.1	34.0
Property, Plant & Equip (net)	3,609.3	4,017.5	3,948.8	3,882.7	3,819.1
Intangible assets	2.3	2.3	2.3	2.3	2.3
Investment in Associates & JVs	29.0	27.5	34.3	41.2	48.2
Other assets	391.6	68.3	68.4	68.8	69.3
<b>Total assets</b>	<b>4,161.3</b>	<b>4,199.5</b>	<b>4,185.4</b>	<b>4,192.4</b>	<b>4,215.0</b>
ST interest bearing debt	744.6	722.5	722.5	722.5	722.5
Accounts payable	33.1	32.8	33.6	34.8	35.8
LT interest bearing debt	373.1	654.9	654.9	654.9	654.9
Other liabilities	379.0	337.0	334.0	335.0	335.0
<b>Total Liabilities</b>	<b>1,530.2</b>	<b>1,747.3</b>	<b>1,745.3</b>	<b>1,747.1</b>	<b>1,748.6</b>
Shareholders Equity	2,717.9	2,552.3	2,541.1	2,545.1	2,561.4
Minority Interest	(86.8)	(100.1)	(101.0)	(99.7)	(95.1)
<b>Total shareholder equity</b>	<b>2,631.1</b>	<b>2,452.2</b>	<b>2,440.1</b>	<b>2,445.3</b>	<b>2,466.4</b>
<b>Total liabilities and equity</b>	<b>4,161.3</b>	<b>4,199.5</b>	<b>4,185.4</b>	<b>4,192.4</b>	<b>4,215.0</b>
<b>CASH FLOW (MYR m)</b>					
Pretax profit	(51.0)	(135.4)	(8.2)	18.8	52.6
Depreciation & amortisation	139.7	167.2	148.6	146.1	143.7
Adj net interest (income)/exp	35.5	63.7	65.6	63.4	60.6
Change in working capital	(13.0)	65.9	(17.7)	(9.1)	(8.1)
Cash taxes paid	(34.9)	(12.9)	(3.6)	(2.9)	(10.9)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	76.3	148.5	184.9	216.4	237.8
Capex	(821.4)	(446.8)	(80.0)	(80.0)	(80.0)
Free cash flow	(745.1)	(298.4)	104.9	136.4	157.8
Dividends paid	(176.5)	(67.3)	0.0	(11.2)	(22.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	976.0	265.7	0.0	0.0	0.0
Other invest/financing cash flow	(34.0)	(52.4)	(65.6)	(63.4)	(60.6)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
<b>Net cash flow</b>	<b>36.9</b>	<b>(32.2)</b>	<b>39.2</b>	<b>61.8</b>	<b>74.9</b>

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	(23.2)	(1.2)	15.1	7.0	6.8
EBITDA growth	(54.2)	22.0	37.1	11.1	12.8
EBIT growth	nm	nm	nm	48.5	41.0
Pretax growth	nm	nm	nm	nm	179.4
Reported net profit growth	nm	nm	nm	nm	155.6
Core net profit growth	nm	nm	nm	nm	155.6
<b>Profitability ratios (%)</b>					
EBITDA margin	20.4	25.2	30.0	31.2	32.9
EBIT margin	nm	nm	7.6	10.6	14.0
Pretax profit margin	nm	nm	nm	2.6	6.9
Payout ratio	nm	nm	0.0	73.8	57.8
<b>DuPont analysis</b>					
Net profit margin (%)	nm	nm	nm	2.1	5.1
Revenue/Assets (x)	0.1	0.1	0.2	0.2	0.2
Assets/Equity (x)	1.5	1.6	1.6	1.6	1.6
ROAE (%)	(1.8)	(5.5)	(0.4)	0.6	1.5
ROAA (%)	(1.4)	(2.0)	(0.3)	0.4	0.9
<b>Liquidity &amp; Efficiency</b>					
Cash conversion cycle	26.1	21.4	18.5	20.0	20.0
Days receivable outstanding	25.1	21.8	20.3	21.0	21.0
Days inventory outstanding	18.5	19.4	17.8	18.4	18.5
Days payables outstanding	17.5	19.8	19.5	19.4	19.5
Dividend cover (x)	(0.3)	(6.4)	nm	1.4	1.7
Current ratio (x)	0.5	0.2	0.2	0.3	0.4
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	2.7	2.4	2.4	2.4	2.4
Net gearing (%) (incl perps)	40.3	55.3	54.0	51.4	47.9
Net gearing (%) (excl. perps)	40.3	55.3	54.0	51.4	47.9
Net interest cover (x)	na	na	0.8	1.2	1.8
Debt/EBITDA (x)	9.4	9.5	6.9	6.2	5.5
Capex/revenue (%)	140.6	77.4	12.0	11.3	10.5
Net debt/ (net cash)	1,059.9	1,356.9	1,317.7	1,255.9	1,181.0

Source: Company; Maybank

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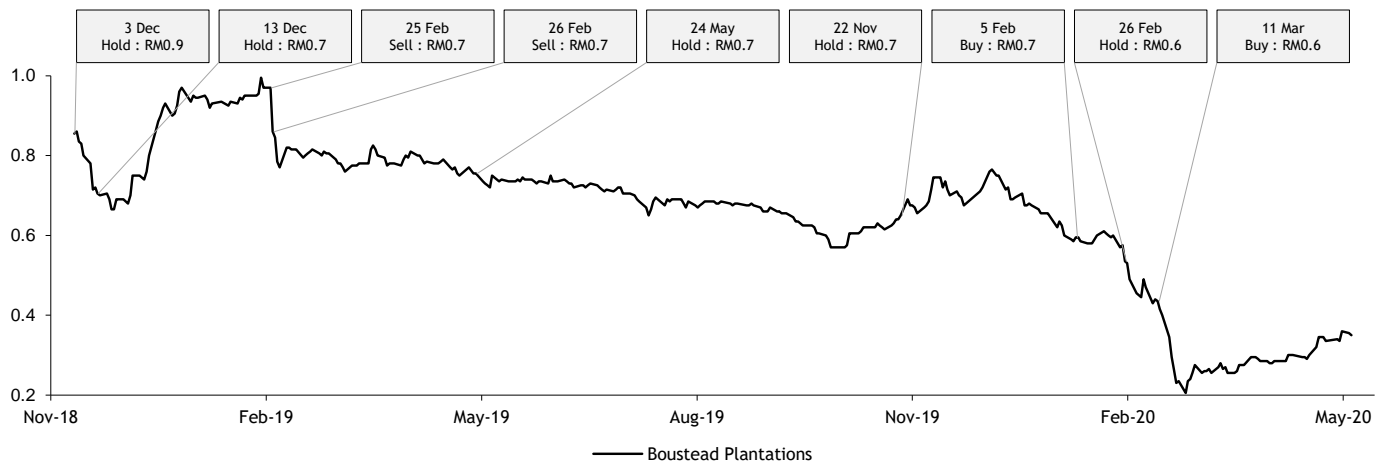
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