Maybank IB Research

Shariah Compliant

Plantations

Malaysia

Boustead Plantations (BPLANT MK)

A blend of strong output and CPO ASP lifted 3Q results

Highly leveraged to CPO price movement

3Q20 PATMI was above expectations on strong CPO ASP and output. 4Q20 will be even better given present high CPO prices. Following our lofty EPS revisions, our new RNAV-TP is MYR0.70 (previously MYR0.62). Trading at just 0.5x PBV and EV/planted ha of just ~MYR32,000, BPLANT remains a prime privatisation target. Maintain BUY. Its EPS is highly leveraged to CPO price movement. Every MYR100/t change to our MYR2,500/t CPO ASP will lift our FY21E EPS by MYR16m or +51%. Upside to earnings and dividends may also come from fresh land disposal.

9M20 core results in the black again

3Q20 returned to the black compared to a year ago with core PATMI of MYR18m (3Q19 core LATMI: MYR33m, +154% QoQ), bringing 9M20 core PATMI to MYR16m (9M19 LATMI: MYR84m). The better-than-expected 3Q20 results were due to a concoction of higher CPO ASP (+37% YoY, +17% QoQ) and stronger FFB output (+14% YoY, +1% QoQ), but diluted by a high effective tax rate of 42%. As for cost, we estimate its 9M20 all-in cost of production at MYR2,449/t (-3% YoY).

Trimming our FY20E FFB output by 2%

9M20 FFB output (+3.6% YoY) was strong relative to industry peers but recently announced October output (-2% YoY, -2% MoM) are showing seasonal downtrend setting in. We have trimmed our FY20E FFB output by 2% to 0.99mt, which implies a modest +1% YoY FFB output growth. We are keeping our FY21E FFB output at 1.03mt, or 4.0% YoY growth.

Lofty EPS revisions due to its low earnings base

We have recently revised up our 2020/2021 industry-wide CPO ASP forecasts to MYR2,660/t (from 2,400) and MYR2,500/t (2,400) respectively due to industry's tight supply. Coupled with our output revisions, our FY20E/21E core EPS are raised by +659%/ +112% given its low earnings base. Our FY22E core EPS is unchanged. An interim DPS of 0.5sen was declared (ex-date: 8 December).

FYE Dec (MYR m)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	584	577	753	740	759
EBITDA	119	145	268	246	250
Core net profit	(52)	(82)	36	33	39
Core EPS (sen)	(2.3)	(3.6)	1.6	1.5	1.7
Core EPS growth (%)	nm	nm	nm	(9.4)	19.9
Net DPS (sen)	7.0	1.0	1.0	1.0	1.0
Core P/E (x)	nm	nm	36.4	40.2	33.5
P/BV (x)	0.6	0.7	0.5	0.5	0.5
Net dividend yield (%)	9.3	1.3	1.7	1.7	1.7
ROAE (%)	(1.8)	(5.5)	1.4	1.3	1.5
ROAA (%)	(1.4)	(2.0)	0.9	0.8	0.9
EV/EBITDA (x)	22.6	20.4	9.4	9.9	9.5
Net gearing (%) (incl perp	40.3	55.3	52.9	49.7	46.2
Consensus net profit	-	-	5	15	39
MKE vs. Consensus (%)	-	-	665.2	111.7	0.2

BUY

Share Price	MYR 0.59
12m Price Target	MYR 0.70 (+21%)
Previous Price Target	*MYR 0.62*

Company Description

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

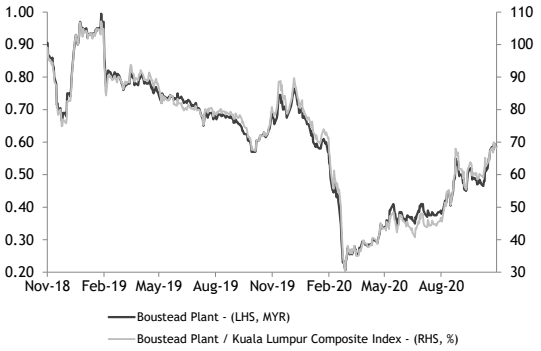
Statistics

52w high/low (MYR)	0.77/0.21
3m avg turnover (USDm)	1.3
Free float (%)	33.2
Issued shares (m)	2,240
Market capitalisation	MYR1.3B USD320M

Major shareholders:

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

Price Performance



	-1M	-3M	-12M
Absolute (%)	24	52	(10)
Relative to index (%)	17	50	(10)

Source: FactSet

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Fig 1: Boustead Plantations 3QFY20 results summary

	Quarterly					Cumulative		
FYE Dec (MYR m)	**3QFY20**	**3QFY19**	***% YoY***	**2QFY20**	***% QoQ***	**9MFY20**	**9MFY19**	***% YoY***
Revenue	205.7	139.2	*47.7*	167.1	*23.1*	535.4	398.1	*34.5*
EBIT	40.3	(11.7)	*NM*	19.4	*108.2*	76.9	(34.6)	*NM*
Interest income	0.3	0.1	*303.2*	0.1	*128.8*	0.5	1.0	*(54.7)*
Finance cost	(14.7)	(17.5)	*(15.9)*	(15.8)	*(6.9)*	(47.5)	(48.1)	*(1.4)*
Share of results of Associates	1.7	1.3	*28.5*	1.1	*56.4*	3.7	4.6	*(20.0)*
Gain on disposal of estate land	-	-	*NA*	-	*NA*	-	119.5	*(100.0)*
Pretax profit / (loss)	**27.5**	**(27.7)**	***NM***	**4.8**	***477.5***	**33.6**	**42.3**	***(20.6)***
Tax	(11.7)	(9.3)	*25.0*	(0.5)	*>20x*	(25.8)	(23.8)	*8.2*
Minority Interest	2.1	3.8	*(45.1)*	2.8	*(25.0)*	7.7	11.2	*(31.7)*
PATMI/ (LATMI)	**18.0**	**(33.3)**	***NM***	**7.1**	***153.8***	**15.5**	**29.7**	***(47.9)***
Core PATMI/ (LATMI)	**18.0**	**(33.3)**	***NM***	**7.1**	***153.8***	**15.5**	**(83.7)**	***NM***
			+/-ppt		*+/-ppt*			*+/-ppt*
EBIT margin	19.6	(8.4)	*28.0*	11.6	*8.0*	14.4	(8.7)	*23.1*
Effective Tax rate %	45.1	(32.1)	*77.2*	12.9	*32.2*	86.2	(29.1)	*115.3*
			% YoY		*% QoQ*			*% YoY*
FFB output (MT)	273,625	239,573	*14.2*	270,383	*1.2*	753,865	727,771	*3.6*
CPO ASP (MYR/t)	2,772	2,026	*36.8*	2,367	*17.1*	2,637	2,011	*31.1*

Sources: Company, Maybank KE

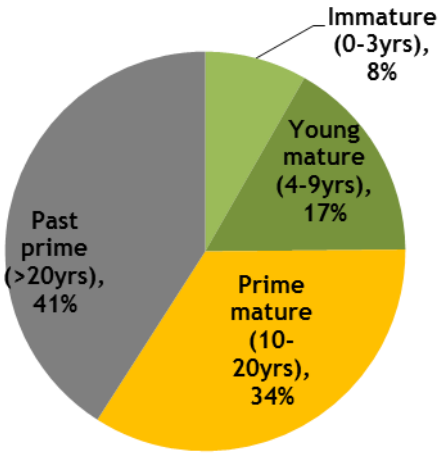
Fig 2: Boustead Plantations RNAV

Estates	**Owner -ship**	**Status**	**Size**	**NBV**	**BV**	**Market value**	**Market Value (based on equity stake)**	**SOTP on 50%-disc on estates**	**SOP/sh**
			Hectare	MYR 'm	MYR psf	MYR psf	MYR'm	MYR'm	MYR
Balau	100%	FH	247	280.0	10.51	12.00	319.4	319.4	0.14
Kulai Young	100%	FH	671	65.2	0.90	8.00	577.2	577.2	0.26
Bukit Mertajam	100%	FH	2,165	141.6	0.61	4.00	931.7	931.7	0.42
Kuala Muda	50%	FH	**760	27.1	0.33	1.50	122.6	122.6	0.05
Malakoff	100%	FH	562	64.2	1.06	8.00	484.0	484.0	0.22
Telok Sengat	100%	FH	3,690	266.4	0.67	1.50	595.5	595.5	0.27
Batu Pekaka	100%	FH	969	47.3	0.45	1.50	156.3	156.3	0.07
Taiping Rubber	100%	FH	1,348	74.4	0.51	1.50	217.5	217.5	0.10
			**10,412	**966.2**	**0.86**		**3,404.3**	**3,404.3**	**1.52**
					Replacement cost MYR/ha				
Remaining adjusted planted (ha)			70,988			35,000	2,484.6	2,484.6	1.11
Value of re-valued estates at replacements costs/ market value							**5,888.9**	**5,888.9**	2.63
Less: 50% discount							-	(2,944.5)	(1.31)
Discounted value of estates							**5,888.9**	**2,944.5**	**1.31**
JV company at book value							34.3	34.3	0.02
Net debt (@ 31 Dec 2020)							(1,377.4)	(1,377.4)	(0.61)
Minority Interest (@ 31 Dec 2020)							(105.3)	(105.3)	(0.05)
RNAV							**4,515.4**	**1,570.9**	**0.70**
No of shares issued ('m)							2,240.0	2,240.0	
RNAV (MYR per share)							**2.02**	**0.70**	

** 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)

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
Key Metrics					
P/E (reported) (x)	nm	nm	36.4	40.2	33.5
Core P/E (x)	nm	nm	36.4	40.2	33.5
P/BV (x)	0.6	0.7	0.5	0.5	0.5
P/NTA (x)	0.6	0.7	0.5	0.5	0.5
Net dividend yield (%)	9.3	1.3	1.7	1.7	1.7
FCF yield (%)	nm	nm	10.9	12.1	12.1
EV/EBITDA (x)	22.6	20.4	9.4	9.9	9.5
EV/EBIT (x)	nm	nm	21.0	24.5	22.3
INCOME STATEMENT (MYR m)					
Revenue	584.0	577.2	752.5	740.2	759.2
Gross profit	(20.5)	(21.8)	119.5	99.6	106.0
EBITDA	119.2	145.4	268.2	245.7	249.7
EBIT	(20.5)	(21.8)	119.5	99.6	106.0
Net interest income /(exp)	(35.5)	(63.7)	(65.6)	(63.0)	(60.0)
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)	60.6	43.5	53.1
Income tax	(12.9)	(21.9)	(27.9)	(9.1)	(11.5)
Minorities	12.1	13.3	3.3	(1.7)	(2.5)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(51.8)	(144.0)	36.0	32.6	39.1
Core net profit	(51.8)	(81.5)	36.0	32.6	39.1
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	57.8	20.5	74.8	147.8	224.1
Accounts receivable	35.2	34.8	45.4	44.6	45.8
Inventory	36.0	28.6	33.0	33.3	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
Total assets	**4,161.3**	**4,199.5**	**4,206.9**	**4,220.8**	**4,242.7**
ST interest bearing debt	744.6	722.5	722.5	722.5	722.5
Accounts payable	33.1	32.8	34.7	35.1	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
Total Liabilities	**1,530.2**	**1,747.3**	**1,746.4**	**1,747.4**	**1,748.6**
Shareholders Equity	2,717.9	2,552.3	2,565.8	2,576.0	2,592.7
Minority Interest	(86.8)	(100.1)	(105.3)	(102.6)	(98.6)
Total shareholder equity	**2,631.1**	**2,452.2**	**2,460.5**	**2,473.5**	**2,494.1**
Total liabilities and equity	**4,161.3**	**4,199.5**	**4,206.9**	**4,220.8**	**4,242.7**
CASH FLOW (MYR m)					
Pretax profit	(51.0)	(135.4)	60.6	43.5	53.1
Depreciation & amortisation	139.7	167.2	148.6	146.1	143.7
Adj net interest (income)/exp	35.5	63.7	65.6	63.0	60.0
Change in working capital	(13.0)	65.9	(24.6)	(5.0)	(6.6)
Cash taxes paid	(34.9)	(12.9)	(27.9)	(9.1)	(11.5)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	76.3	148.5	222.4	238.4	238.6
Capex	(821.4)	(446.8)	(80.0)	(80.0)	(80.0)
Free cash flow	(745.1)	(298.4)	142.4	158.4	158.6
Dividends paid	(176.5)	(67.3)	(22.4)	(22.4)	(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)	(63.0)	(60.0)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	36.9	(32.2)	54.4	73.0	76.3

FYE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Key Ratios					
Growth ratios (%)					
Revenue growth	(23.2)	(1.2)	30.4	(1.6)	2.6
EBITDA growth	(54.2)	22.0	84.4	(8.4)	1.6
EBIT growth	nm	nm	nm	(16.7)	6.5
Pretax growth	nm	nm	nm	(28.3)	22.2
Reported net profit growth	nm	nm	nm	(9.4)	19.9
Core net profit growth	nm	nm	nm	(9.4)	19.9
Profitability ratios (%)					
EBITDA margin	20.4	25.2	35.6	33.2	32.9
EBIT margin	nm	nm	15.9	13.5	14.0
Pretax profit margin	nm	nm	8.1	5.9	7.0
Payout ratio	nm	nm	62.3	68.7	57.3
DuPont analysis					
Net profit margin (%)	nm	nm	4.8	4.4	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)	1.4	1.3	1.5
ROAA (%)	(1.4)	(2.0)	0.9	0.8	0.9
Liquidity & Efficiency					
Cash conversion cycle	26.1	21.4	17.5	20.9	20.4
Days receivable outstanding	25.1	21.8	19.2	21.9	21.4
Days inventory outstanding	18.5	19.4	17.5	18.6	18.6
Days payables outstanding	17.5	19.8	19.2	19.6	19.5
Dividend cover (x)	(0.3)	(6.4)	1.6	1.5	1.7
Current ratio (x)	0.5	0.2	0.3	0.4	0.5
Leverage & Expense Analysis					
Asset/Liability (x)	2.7	2.4	2.4	2.4	2.4
Net gearing (%) (incl perps)	40.3	55.3	52.9	49.7	46.2
Net gearing (%) (excl. perps)	40.3	55.3	52.9	49.7	46.2
Net interest cover (x)	na	na	1.8	1.6	1.8
Debt/EBITDA (x)	9.4	9.5	5.1	5.6	5.5
Capex/revenue (%)	140.6	77.4	10.6	10.8	10.5
Net debt/ (net cash)	1,059.9	1,356.9	1,302.5	1,229.5	1,153.3

Source: Company; Maybank

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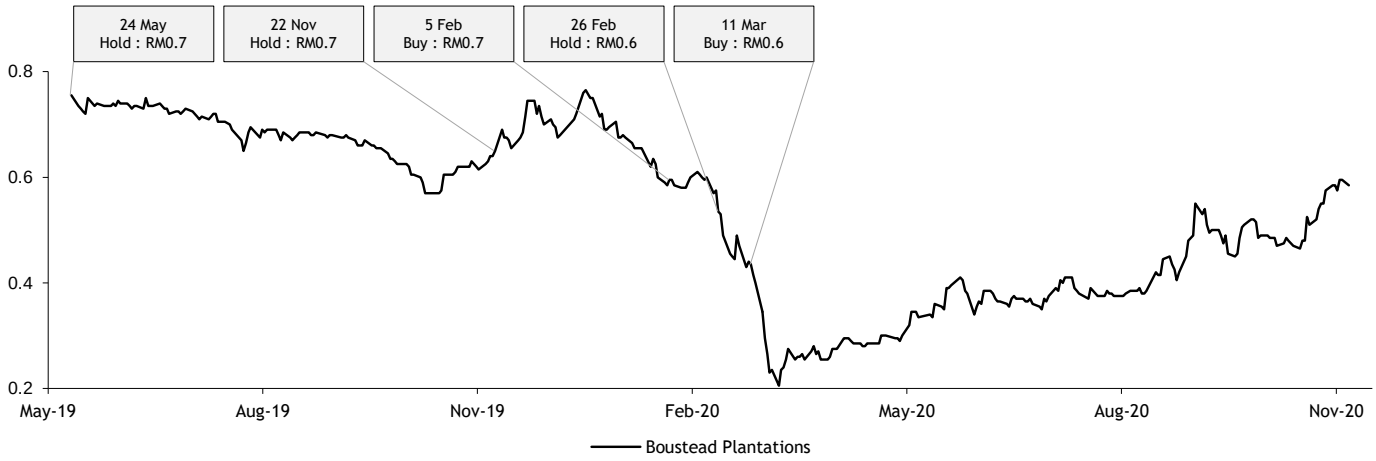

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