

Boustead Plantations (BPLANT MK)

4Q20: Strong finish; benefited from high CPO ASP

High leverage to CPO price manifested in 4Q20

4Q20 PATMI exceeded expectations on higher-than-expected CPO ASP achieved. We raise our FY21E-22E EPS by 65%/26% mainly on higher CPO ASP assumptions. BPLANT's EPS is highly leveraged to CPO price swings. A +MYR100/t deviation from our MYR2,700/t CPO ASP base case raises our FY21E PATMI by MYR16m or +29%. Trading at just 0.5x PBV and EV/planted ha of ~MYR33,000, BPLANT remains a prime privatisation target. We maintain our BUY call and MYR0.70 RNAV-TP. Furthermore, a reactivation of land disposals may provide upside to our EPS and DPS forecasts. After all, its holding company - Boustead Holdings (BOUS MK, CP: MYR0.615; Not Rated) will truly appreciate higher dividend payouts.

12M20 core results exceeded expectations

4Q20 core PATMI of MYR30m (9x YoY, +66% QoQ) brings 12M20 core PATMI to MYR45m (12M19 LATMI: MYR82m), which met 125% of our full-year estimates. 4Q20 outperformance was due to better-than-expected CPO ASP achieved at MYR3,324/t (+36% YoY, +20% QoQ), which was partly watered-down by a high effective tax rate of 45% due to a reversal of deferred tax assets of MYR15m (with no other details provided).

Its FY20 unit cost of production was down 4% YoY

12M20 core PATMI returned to the black mainly on higher CPO ASP of MYR2,811/t (+32% YoY) while FFB output rose 2% YoY. As for cost, we estimate its 12M20 all-in cost of production was at MYR2,428/t (-4% YoY). For FY21E, we have assumed zero FFB output growth and modest growths of +2% p.a. for FY22E-23E respectively.

Raising FY21E-22E EPS by 65%/26%

We have recently revised up our 2021-22 industry-wide CPO ASP forecasts to MYR2,700/t (from MYR2,500/t) and MYR2,600/t (from MYR2,500/t) respectively due to the industry's tight supply. This raises our FY21E/22E core EPS for BPLANT by 65%/26%; given its low EPS base. We also introduce our FY23 EPS forecast. And as expected, a 2nd interim DPS of 0.5sen was declared (ex-date: 7 April), bringing FY20 DPS to 1.0sen.

FYE Dec (MYR m)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	577	763	768	758	771
EBITDA	145	271	272	254	255
Core net profit	(82)	45	54	49	54
Core EPS (sen)	(3.6)	2.0	2.4	2.2	2.4
Core EPS growth (%)	nm	nm	18.3	(8.2)	9.7
Net DPS (sen)	1.0	1.0	1.4	1.3	1.4
Core P/E (x)	nm	30.1	24.4	26.6	24.3
P/BV (x)	0.7	0.5	0.5	0.5	0.5
Net dividend yield (%)	1.3	1.6	2.5	2.3	2.5
ROAE (%)	(5.5)	1.7	2.1	1.9	2.0
ROAA (%)	(2.0)	1.1	1.3	1.2	1.3
EV/EBITDA (x)	20.4	9.1	8.1	8.4	8.0
Net gearing (%) (incl perps)	55.3	48.8	40.4	36.1	31.9
Consensus net profit	-	-	na	na	na
MKE vs. Consensus (%)	-	-	na	na	na

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BUY

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

Company Description

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

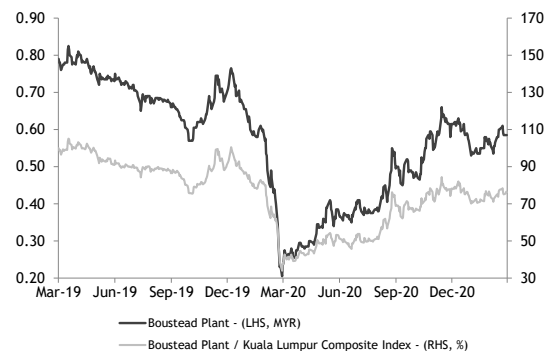
Statistics

52w high/low (MYR)	0.66/0.24
3m avg turnover (USDm)	0.5
Free float (%)	34.7
Issued shares (m)	2,240
Market capitalisation	MYR1.3B
	USD317M

Major shareholders:

Boustead Holdings Bhd.	57.4%
Lembaga Tabung Angkatan Tentera	12.1%
Employees Provident Fund	2.2%

Price Performance



	-1M	-3M	-12M
Absolute (%)	4	(5)	149
Relative to index (%)	1	(2)	101

Source: FactSet

Fig 1: Boustead Plantations FY20 results summary

FYE Dec (MYR m)	Quarterly					Cumulative		
	4QFY20	4QFY19	% YoY	3QFY20	% QoQ	12MFY20	12MFY19	% YoY
Revenue	227.6	179.1	27.1	205.7	10.7	763.0	577.2	32.2
EBIT	62.5	12.8	386.6	40.3	55.2	139.4	(21.8)	NM
Interest income	0.2	0.1	169.4	0.3	(9.8)	0.7	1.1	(37.6)
Finance cost	(11.7)	(16.7)	(29.8)	(14.7)	(20.2)	(59.2)	(64.8)	(8.7)
Share of results of Associates	1.1	2.0	NM	1.7	(36.2)	4.8	6.6	(27.9)
Impairment loss (net)	(2.4)	(176.0)	(98.6)	-	NM	(2.4)	(56.5)	(95.7)
Pretax profit / (loss)	49.7	(177.7)	NM	27.5	80.3	83.3	(135.4)	NM
Tax	(23.1)	1.9	NM	(11.7)	98.3	(48.9)	(21.9)	123.2
Minority Interest	0.9	3.1	(70.5)	2.1	(56.6)	8.6	13.3	(35.4)
PATMI/ (LATMI)	27.5	(172.7)	NM	18.0	52.8	43.0	(144.0)	NM
Core PATMI/ (LATMI)	29.9	3.2	822.8	18.0	66.2	45.4	(81.5)	NM
			+/-ppt		+/-ppt			+/-ppt
EBIT margin	27.5	7.2	20.3	19.6	7.9	18.3	(3.8)	22.0
Effective Tax rate %	45.3	51.0	(5.6)	45.1	0.2	60.4	(25.6)	86.1
			% YoY		% QoQ			% YoY
FFB output (MT)	247,693	252,202	(1.8)	273,625	(9.5)	1,001,557	979,973	2.2
CPO ASP (MYR/t)	3,324	2,446	35.9	2,772	19.9	2,811	2,134	31.7

Sources: Company, Maybank KE

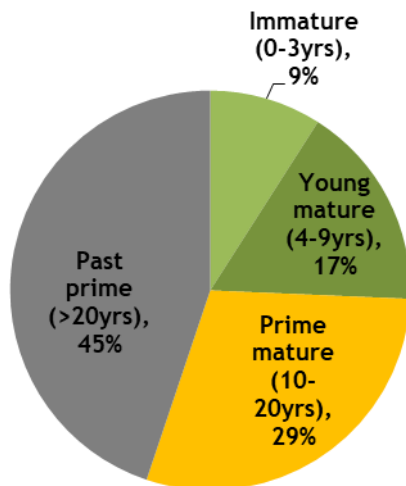
Fig.2: Boustead Plantations RNAV

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)			65,703			35,000	2,299.6	2,299.6	1.03
Value of re-valued estates at replacements costs/ market value							5,703.9	5,703.9	2.55
Less: 50% discount							-	(2,852.0)	(1.27)
Discounted value of estates							5,703.9	2,852.0	1.27
JV company at book value							30.4	30.4	0.01
Net debt (@ 31 Dec 2020)							(1,208.9)	(1,208.9)	(0.54)
Minority Interest (@ 31 Dec 2020)							(109.0)	(109.0)	(0.05)
RNAV							4,416.5	1,564.5	0.70
No of shares issued ('m)							2,240.0	2,240.0	
RNAV (MYR per share)							1.97	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 (73,494ha), tree age profile as at 31 Dec 2020



Sources: Company, Maybank KE (Group average tree age profile estimated at ~15.7 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	FY19A	FY20A	FY21E	FY22E	FY23E
Key Metrics					
P/E (reported) (x)	nm	23.7	24.4	26.6	24.3
Core P/E (x)	nm	30.1	24.4	26.6	24.3
P/BV (x)	0.7	0.5	0.5	0.5	0.5
P/NTA (x)	0.7	0.5	0.5	0.5	0.5
Net dividend yield (%)	1.3	1.6	2.5	2.3	2.5
FCF yield (%)	nm	15.8	22.0	13.8	13.7
EV/EBITDA (x)	20.4	9.1	8.1	8.4	8.0
EV/EBIT (x)	nm	17.7	17.5	18.5	17.1
INCOME STATEMENT (MYR m)					
Revenue	577.2	763.0	767.6	758.3	771.2
EBITDA	145.4	270.6	272.1	253.8	255.1
EBIT	(21.8)	139.4	126.7	114.6	118.9
Net interest income / (exp)	(63.7)	(58.5)	(57.9)	(52.1)	(49.8)
Associates & JV	6.6	4.8	4.9	5.0	5.1
Exceptionals	(56.5)	(2.4)	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(135.4)	83.3	73.7	67.5	74.1
Income tax	(21.9)	(48.9)	(17.2)	(15.6)	(17.3)
Minorities	13.3	8.6	(2.8)	(2.6)	(2.8)
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(144.0)	43.0	53.7	49.3	54.0
Core net profit	(81.5)	45.4	53.7	49.3	54.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	20.5	44.0	242.3	341.5	438.7
Accounts receivable	34.8	68.3	46.3	45.7	46.5
Inventory	28.6	29.2	33.4	33.5	34.0
Property, Plant & Equip (net)	4,017.5	3,929.1	3,761.9	3,682.7	3,606.4
Intangible assets	2.3	2.3	2.3	2.3	2.3
Investment in Associates & JVs	27.5	30.4	35.2	40.2	45.3
Other assets	68.3	25.3	25.3	25.3	25.3
Total assets	4,199.5	4,128.6	4,146.7	4,171.3	4,198.5
ST interest bearing debt	722.5	678.5	678.5	678.5	678.5
Accounts payable	32.8	34.2	35.1	35.3	35.7
LT interest bearing debt	654.9	574.4	574.4	574.4	574.4
Other liabilities	337.0	366.0	358.0	358.0	359.0
Total Liabilities	1,747.3	1,653.5	1,645.6	1,646.3	1,647.4
Shareholders Equity	2,552.3	2,584.1	2,605.6	2,625.3	2,646.9
Minority Interest	(100.1)	(109.0)	(104.5)	(100.3)	(95.8)
Total shareholder equity	2,452.2	2,475.1	2,501.1	2,525.0	2,551.1
Total liabilities and equity	4,199.5	4,128.6	4,146.7	4,171.3	4,198.5
CASH FLOW (MYR m)					
Pretax profit	(135.4)	83.3	73.7	67.5	74.1
Depreciation & amortisation	167.2	131.1	145.4	139.2	136.3
Adj net interest (income)/exp	63.7	58.5	57.9	52.1	49.8
Change in working capital	65.9	12.0	88.6	(2.3)	(3.5)
Cash taxes paid	(12.9)	(25.4)	(17.2)	(15.6)	(17.3)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	148.5	259.5	348.4	240.8	239.4
Capex	(446.8)	(43.6)	(60.0)	(60.0)	(60.0)
Free cash flow	(298.4)	215.9	288.4	180.8	179.4
Dividends paid	(67.3)	(11.2)	(32.2)	(29.6)	(32.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	265.7	(125.3)	0.0	0.0	0.0
Other invest/financing cash flow	(52.4)	(64.1)	(57.9)	(52.1)	(49.8)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(32.2)	23.6	198.3	99.2	97.2

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Ratios					
Growth ratios (%)					
Revenue growth	(1.2)	32.2	0.6	(1.2)	1.7
EBITDA growth	22.0	86.1	0.6	(6.7)	0.5
EBIT growth	nm	nm	(9.1)	(9.6)	3.7
Pretax growth	nm	nm	(11.5)	(8.4)	9.9
Reported net profit growth	nm	nm	25.0	(8.2)	9.7
Core net profit growth	nm	nm	18.3	(8.2)	9.7
Profitability ratios (%)					
EBITDA margin	25.2	35.5	35.4	33.5	33.1
EBIT margin	nm	18.3	16.5	15.1	15.4
Pretax profit margin	nm	10.9	9.6	8.9	9.6
Payout ratio	nm	52.2	60.0	60.0	60.0
DuPont analysis					
Net profit margin (%)	nm	5.6	7.0	6.5	7.0
Revenue/Assets (x)	0.1	0.2	0.2	0.2	0.2
Assets/Equity (x)	1.6	1.6	1.6	1.6	1.6
ROAE (%)	(5.5)	1.7	2.1	1.9	2.0
ROAA (%)	(2.0)	1.1	1.3	1.2	1.3
Liquidity & Efficiency					
Cash conversion cycle	21.4	21.7	25.0	20.8	20.5
Days receivable outstanding	21.8	24.3	26.9	21.8	21.5
Days inventory outstanding	19.4	16.7	17.6	18.7	18.6
Days payables outstanding	19.8	19.3	19.5	19.7	19.6
Dividend cover (x)	(6.4)	1.9	1.7	1.7	1.7
Current ratio (x)	0.2	0.2	0.5	0.6	0.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.4	2.5	2.5	2.5	2.5
Net gearing (%) (incl perps)	55.3	48.8	40.4	36.1	31.9
Net gearing (%) (excl. perps)	55.3	48.8	40.4	36.1	31.9
Net interest cover (x)	na	2.4	2.2	2.2	2.4
Debt/EBITDA (x)	9.5	4.6	4.6	4.9	4.9
Capex/revenue (%)	77.4	5.7	7.8	7.9	7.8
Net debt/ (net cash)	1,356.9	1,208.9	1,010.6	911.4	814.2

Source: Company; Maybank

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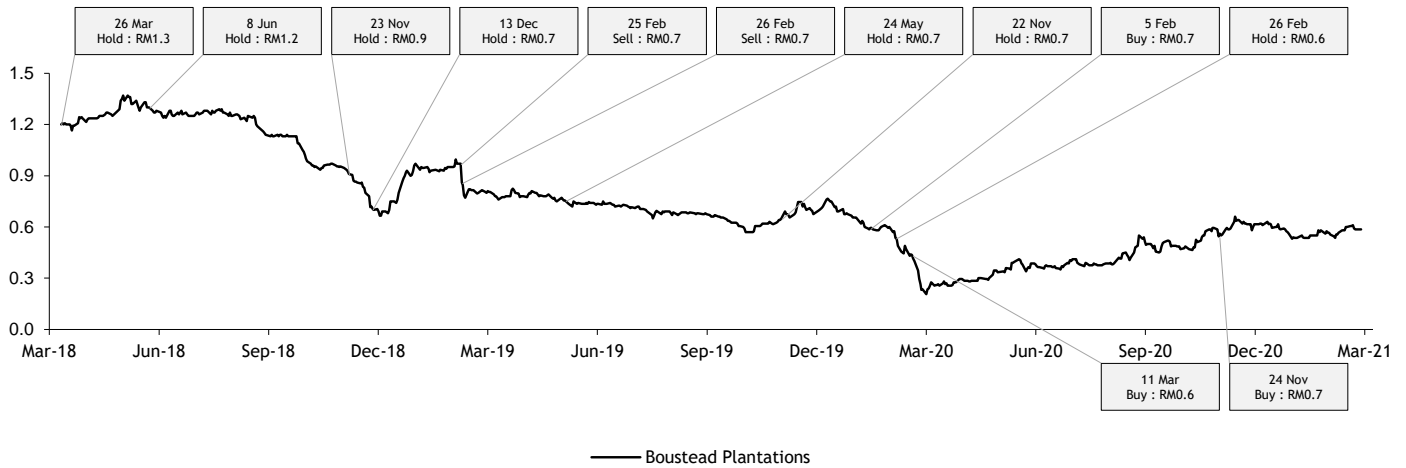
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