

Boustead Plantations (BPLANT MK)

A possible dividend bonanza in FY21E?

2nd interim DPS of 2.3sen to whet appetite

1H21 PATMI was already at our full-year estimate as BPLANT benefited fully from the high CPO ASP. Its 2.3sen 2nd interim DPS (ex-date: 9 Sept) is a pleasant surprise, bringing 1H DPS to 2.6sen. As we expect BPLANT to continue its strong earnings delivery in 3Q21 on present high CPO ASP, we raise our FY21E DPR to 80% (from 60%) of core PATMI just for this year. Trading at just 0.5x PBV and EV/planted ha of ~MYR33,000, BPLANT remains a BUY and is a prime privatisation target. Following our PATMI upgrade, we raise our RNAV-TP to MYR0.81 (from MYR0.79).

2Q21 results exceeded our expectations

2Q21 PATMI of MYR48m (+583% YoY, +296% QoQ) brings 1H21 PATMI to MYR61m (1H20 LATMI: MYR3m) which met 100% of our FY21E. The strong 2Q earnings growth was due to better CPO ASP achieved at MYR4,014/t (+70% YoY, +7% QoQ) offsetting lower FFB output (-14% YoY, +29% QoQ).

High CPO ASP more than offset weak output

BPLANT is highly leveraged to CPO price movements given its relatively high cost of production. For 1H21, we estimate its all-in operating cost of production at MYR2,630/t (+20% YoY), in part due the low FFB yields which fell 18% YoY to just 5.9t/ha, and partly due to the higher progressive direct tax payments (in Sabah, Sarawak, and windfall taxes). On output, 1H21 FFB has lagged expectation (-14% YoY), partly due to labour shortage that has plagued the sector. Although we expect FFB output to pick up seasonally in 2H, we now cut our FY21E output by 6%, which implies a -11% YoY decline (previously -5% YoY).

Raising our CPO ASP and PATMI forecasts

Following our newly revised 2021 industry-wide CPO ASP forecasts to MYR3,500/t (from MYR3,100/t), and MYR2,800/t (from MYR2,600/t) for 2022-23E, and after adjusting for lower outputs, we have raised our FY21/22/23E core PATMI by 67%/6%/6%. Additionally, we have also incorporated a MYR37m one-off GST refund (received on 5 Aug) into our FY21E headline PATMI (+128%).

FYE Dec (MYR m)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	577	763	876	769	782
EBITDA	145	271	336	253	255
Core net profit	(82)	45	101	52	57
Core EPS (sen)	(3.6)	2.0	4.5	2.3	2.5
Core EPS growth (%)	nm	nm	122.5	(48.5)	9.7
Net DPS (sen)	1.0	1.0	3.6	1.4	1.5
Core P/E (x)	nm	30.1	13.1	25.4	23.2
P/BV (x)	0.7	0.5	0.5	0.5	0.5
Net dividend yield (%)	1.3	1.6	6.1	2.4	2.6
ROAE (%)	(5.5)	1.7	5.3	2.0	2.1
ROAA (%)	(2.0)	1.1	2.4	1.2	1.4
EV/EBITDA (x)	20.4	9.1	6.5	8.3	7.9
Net gearing (%) (incl perps)	55.3	48.8	38.4	34.1	30.1
Consensus net profit	-	-	61	49	54
MKE vs. Consensus (%)	-	-	128.4	6.0	5.7

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BUY

Share Price	MYR 0.59
12m Price Target	MYR 0.81 (+43%)
Previous Price Target	MYR 0.79

Company Description

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

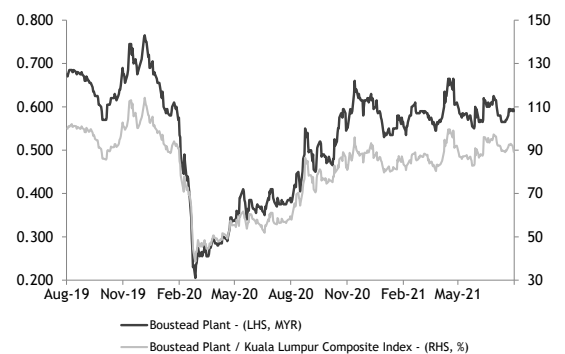
Statistics

52w high/low (MYR)	0.67/0.38
3m avg turnover (USDm)	0.3
Free float (%)	37.7
Issued shares (m)	2,240
Market capitalisation	MYR1.3B
	USD314M

Major shareholders:

Boustead Holdings Bhd.	57.4%
Lembaga Tabung Angkatan Tentera	12.1%
BIN WOK KAMARUDDIN LODIN	0.9%

Price Performance



	-1M	-3M	-12M
Absolute (%)	(6)	(2)	51
Relative to index (%)	(7)	(1)	51

Source: FactSet

Fig 1: Boustead Plantations 2Q21 results summary

	Quarterly					Cumulative		
	2Q21	2Q20	% YoY	1Q21	% QoQ	1H21	1H20	% YoY
FYE Dec (MYR m)								
Revenue	242.8	167.1	45.3	171.9	41.2	414.7	329.7	25.8
EBIT	75.6	19.4	290.6	33.4	126.4	109.0	36.6	197.5
Interest income	0.1	0.1	(45.0)	0.2	(63.7)	0.2	0.2	7.5
Finance cost	(12.6)	(15.8)	(20.4)	(12.7)	(1.5)	(25.3)	(32.8)	(22.9)
Share of results of Associates	0.9	1.1	(12.5)	(1.5)	NM	(0.6)	2.0	NM
Pretax profit / (loss)	64.0	4.8	>12x	19.3	232.2	83.3	6.0	>12x
Tax	(15.1)	(0.5)	>30x	(8.1)	86.0	(23.2)	(14.1)	64.6
Minority Interest	(0.6)	2.8	(120.5)	1.1	(153.7)	0.5	5.6	(91.2)
PATMI/ (LATMI)	48.4	7.1	583.3	12.2	295.7	60.6	(2.5)	NM
Core PATMI/ (LATMI)	48.4	7.1	583.3	12.2	295.7	60.6	(2.5)	NM
			<i>+/-ppt</i>		<i>+/-ppt</i>			<i>+/-ppt</i>
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)	231,702	270,383	(14.3)	180,165	28.6	411,867	480,240	(14.2)
CPO ASP (MYR/t)	4,014	2,367	69.6	3,751	7.0	3,902	2,558	52.5

Sources: Company, Maybank KE

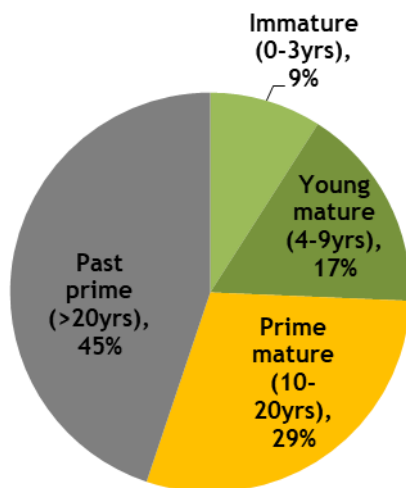
Fig.2: Boustead Plantations RNAV

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							32.9	32.9	0.01
Net debt (@ 31 Dec 2021)							(974.7)	(974.7)	(0.44)
Minority Interest (@ 31 Dec 2021)							(100.5)	(100.5)	(0.04)
RNAV							4,661.6	1,809.7	0.81
No of shares issued ('m)							2,240.0	2,240.0	
RNAV (MYR per share)							2.08	0.81	

* 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	9.6	25.4	23.2
Core P/E (x)	nm	30.1	13.1	25.4	23.2
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	6.1	2.4	2.6
FCF yield (%)	nm	15.8	27.8	14.0	13.4
EV/EBITDA (x)	20.4	9.1	6.5	8.3	7.9
EV/EBIT (x)	nm	17.7	11.5	18.4	16.9
INCOME STATEMENT (MYR m)					
Revenue	577.2	763.0	875.8	768.6	781.6
EBITDA	145.4	270.6	335.7	253.2	254.5
EBIT	(21.8)	139.4	190.3	114.0	118.3
Net interest income / (exp)	(63.7)	(58.5)	(51.9)	(51.2)	(48.9)
Associates & JV	6.6	4.8	2.5	5.0	5.1
Exceptionals	(56.5)	(2.4)	37.2	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	(135.4)	83.3	178.1	67.7	74.4
Income tax	(21.9)	(48.9)	(34.6)	(15.7)	(17.3)
Minorities	13.3	8.6	(5.3)	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Reported net profit	(144.0)	43.0	138.2	52.0	57.1
Core net profit	(81.5)	45.4	101.0	52.0	57.1
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	20.5	44.0	278.2	380.2	474.0
Accounts receivable	34.8	68.3	52.8	46.3	47.1
Inventory	28.6	29.2	35.7	34.1	34.5
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	32.9	37.8	42.9
Other assets	68.3	25.3	25.3	25.3	25.3
Total assets	4,199.5	4,128.6	4,189.1	4,208.7	4,232.6
ST interest bearing debt	722.5	678.5	678.5	678.5	678.5
Accounts payable	32.8	34.2	37.6	35.9	36.3
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	1,648.0	1,646.9	1,648.0
Shareholders Equity	2,552.3	2,584.1	2,641.5	2,662.3	2,685.1
Minority Interest	(100.1)	(109.0)	(100.5)	(100.5)	(100.5)
Total shareholder equity	2,452.2	2,475.1	2,541.0	2,561.8	2,584.7
Total liabilities and equity	4,199.5	4,128.6	4,189.1	4,208.7	4,232.6
CASH FLOW (MYR m)					
Pretax profit	(135.4)	83.3	178.1	67.7	74.4
Depreciation & amortisation	167.2	131.1	145.4	139.2	136.3
Adj net interest (income)/exp	63.7	58.5	51.9	51.2	48.9
Change in working capital	65.9	12.0	86.1	2.0	(5.3)
Cash taxes paid	(12.9)	(25.4)	(34.6)	(15.7)	(17.3)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	148.5	259.5	426.8	244.4	237.0
Capex	(446.8)	(43.6)	(60.0)	(60.0)	(60.0)
Free cash flow	(298.4)	215.9	366.8	184.4	177.0
Dividends paid	(67.3)	(11.2)	(80.8)	(31.2)	(34.3)
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)	(51.9)	(51.2)	(48.9)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(32.2)	23.6	234.2	102.0	93.8

FYE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Key Ratios					
Growth ratios (%)					
Revenue growth	(1.2)	32.2	14.8	(12.2)	1.7
EBITDA growth	22.0	86.1	24.1	(24.6)	0.5
EBIT growth	nm	nm	36.5	(40.1)	3.7
Pretax growth	nm	nm	113.8	(62.0)	9.9
Reported net profit growth	nm	nm	221.7	(62.3)	9.7
Core net profit growth	nm	nm	122.5	(48.5)	9.7
Profitability ratios (%)					
EBITDA margin	25.2	35.5	38.3	32.9	32.6
EBIT margin	nm	18.3	21.7	14.8	15.1
Pretax profit margin	nm	10.9	20.3	8.8	9.5
Payout ratio	nm	52.2	58.5	60.0	60.0
DuPont analysis					
Net profit margin (%)	nm	5.6	15.8	6.8	7.3
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	5.3	2.0	2.1
ROAA (%)	(2.0)	1.1	2.4	1.2	1.4
Liquidity & Efficiency					
Cash conversion cycle	21.4	21.7	23.1	22.2	20.5
Days receivable outstanding	21.8	24.3	24.9	23.2	21.5
Days inventory outstanding	19.4	16.7	17.0	19.2	18.6
Days payables outstanding	19.8	19.3	18.8	20.2	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	0.8
Leverage & Expense Analysis					
Asset/Liability (x)	2.4	2.5	2.5	2.6	2.6
Net gearing (%) (incl perps)	55.3	48.8	38.4	34.1	30.1
Net gearing (%) (excl. perps)	55.3	48.8	38.4	34.1	30.1
Net interest cover (x)	na	2.4	3.7	2.2	2.4
Debt/EBITDA (x)	9.5	4.6	3.7	4.9	4.9
Capex/revenue (%)	77.4	5.7	6.9	7.8	7.7
Net debt/ (net cash)	1,356.9	1,208.9	974.7	872.7	778.9

Source: Company; Maybank

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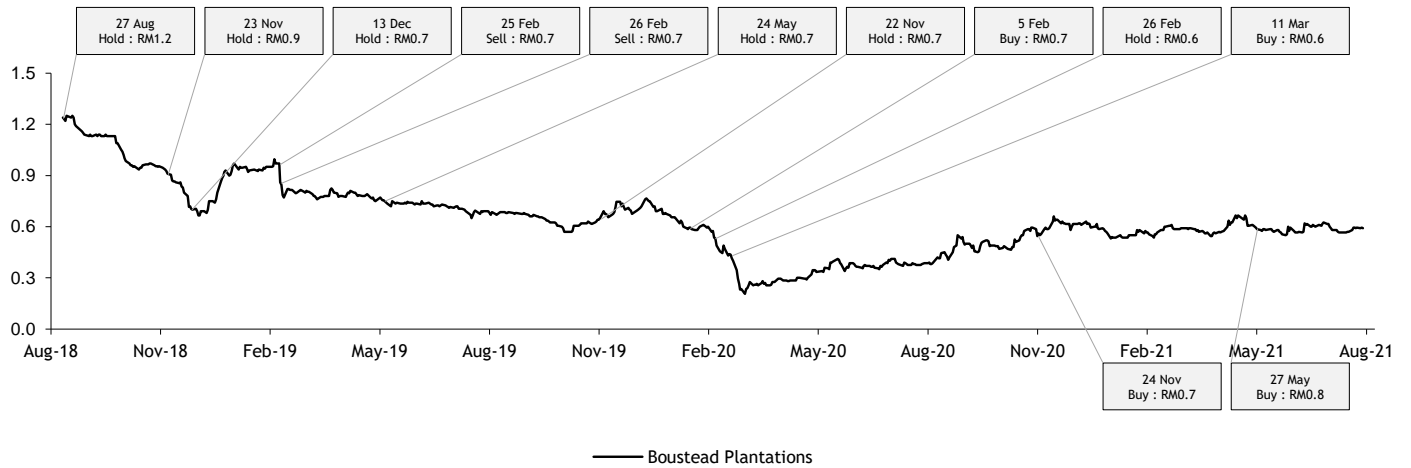
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