

Yields meaningful progress

6 December 2023



BWPT IJ	Non-Rated
Sector	Plantations
Price at 05 Dec 2023 (IDR)	55
Price target (IDR)	N/A
Upside/Downside (%)	N/A

Stock Information

Eagle High Plantations (BWPT) was first established on November 6, 2000 under the name Bumi Perdana Prima Internasional and changed its name to BW Plantation in 2007. EHP is currently engaged in the oil palm industry and plantations with crude palm oil and palm kernel as the main products. Total plantation area is currently 87,000 hectares.

Market cap (IDR bn)	1,777
Shares outstanding (mn)	31,170
52-week range (IDR)	54 -73
3M average daily vol. ('000)	12,068
3M average daily val. (IDR mn)	704.2

Shareholders (%)

Rajawali Corp	37.7
FIC Properties	37.0
Public	25.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	1.8	(8.1)	(14.9)

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BWPT's 9M23 performance has shown improvement yoy as it managed to book a net profit of IDR104.3 bn, compared to loss of IDR15.4 bn in 9M22 thanks to better efficiency. This was despite lower net revenue of by 6.4% yoy in 9M23 on the back of reduced ASP. In addition, the company demonstrated meaningful efforts for deleverage, reflected by lower net gearing at 2.5x in 9M23 compared to 3.4x in 2022. On valuation perspective, BWPT's current price is traded at 16.4x P/E '23, or lower than peers at c. 23.1x P/E '23.

Better bottom-line performance amid challenging CPO market

BWPT's 3Q23 net revenue was slightly down 2.3% qoq to IDR1.07tn, bringing 9M23 net revenue of IDR3.2tn or -6.4% yoy on the back of lower ASP throughout the year. This was despite higher sales volume of CPO and palm kernel by 8% yoy and 4% yoy. Meanwhile, this was also supported by higher production across the board with CPO and palm kernel increasing by 8% yoy and 7% yoy. Furthermore, the company's FFB yield also rose 14% yoy in 9M23 thanks to improving planting practice amid El-Nino season. Despite lower 9M23 revenue, BWPT managed to turn from loss of IDR14.03 bn in 9M22 to net profit of IDR120.14 bn in 9M23.

Improving costs management lifts 9M23 EBITDA

BWPT's 9M23 EBITDA margin was at 18.1%, improving 268bps yoy, bolstered by lower costs, especially on cost of sales, and sales expenses. This also resulted in higher EBITDA by 9.9% yoy to IDR581.74 bn. However, on quarterly basis, 3Q23 EBITDA decreased by 6.8% qoq to IDR200.73 bn as margin lowered from 19.6% in 2Q23 to 18.7%. This was despite reduced core cost by 1.7% qoq in 3Q23. Meanwhile, 9M23 interest expenses were slightly up +2.9% yoy in the midst of higher interest rate environment. Balance sheet wise, BWPT's net gearing was improved in 9M23 with net gearing standing at 2.5x from 3.4x in 2022.

Expects stable CPO market, expansion focused on capacity increase

Management expects that CPO market to remain stable going through 2024, mostly supported by domestic side on the back of government's intensification of B35 that was kicked off in August '23. Furthermore, demand is expected to grow at 4.9% yoy in '24 amid continuous decline in export market. On top of that, as rainfall is seen to be downtrending in two CPO producing islands and anticipated El-Nino in 2H24, this should be translated into lower production, yet potential upside in CPO price.

In 2024, BWPT is targeting to achieve a 10% production growth, while putting its expansion focus on its kernel crushing plant that is expected to start construction next year and biogas located in Central Kalimantan. Furthermore, BWPT is eyeing for mill capacity extensions in East Kalimantan by 30 tph, on top of existing 60 tph mil, as well as a 2,000 new planting area, and nursery that is anticipated to start planting by '24. On the other hand, BWPT also plans to add mill capacity by 15tph on top of its existing mill in Papua. Management expects to earmark c. IDR1 tn in capex over the next 3-4 years that will be prioritized for increasing mill capacity, biogas and kernel crushing plant. Meanwhile, BWPT eyes '23 revenue target at c. IDR 4 tn, or slightly lower than '22 on the back of lower ASP.

Undemanding valuation compared to peers

On valuation standpoint, using net profit and EBITDA '23 target, BWPT's stock is currently trading at 16.4x P/E '23; or at 10.5x '23 EV/EBITDA. Note that at that current price, it is slightly lower than peers at 10.9x '23 EV/EBITDA and 23.1x P/E '23 or rather undemanding. BWPT has shown meaningful improvement to deleverage, reflected by lower DER at 2.5x in 9M23 compared to 3.5x in 2022.

Exhibit 1 : Key Statistics

Year end Dec (IDR bn)	2019A	2020A	2021A	2022A	9M23
Revenue (IDR bn)	2,513	2,199	2,938	4,574	3,218
EBITDA (IDR bn)	56	357	802	1,101	582
Net profit (IDR bn)	-1,137	-1,081	-1,403	17	120
EPS (IDR)	-36.5	-34.7	-45.0	0.6	3.9
ROA (%)	-7.2	-7.2	-11.7	0.1	1.2
PER (x)	-1.6	-1.7	-1.3	105.2	15.3
PBV (x)	405.4	534.2	907.4	908.9	862.2
EV/EBITA (x)	177.4	23.3	10.5	7.1	10.5
BV/share (Rp)	0.15	0.11	0.07	0.06	0.07
Div Yield (%)	0.0	0.0	0.0	0.0	0.0

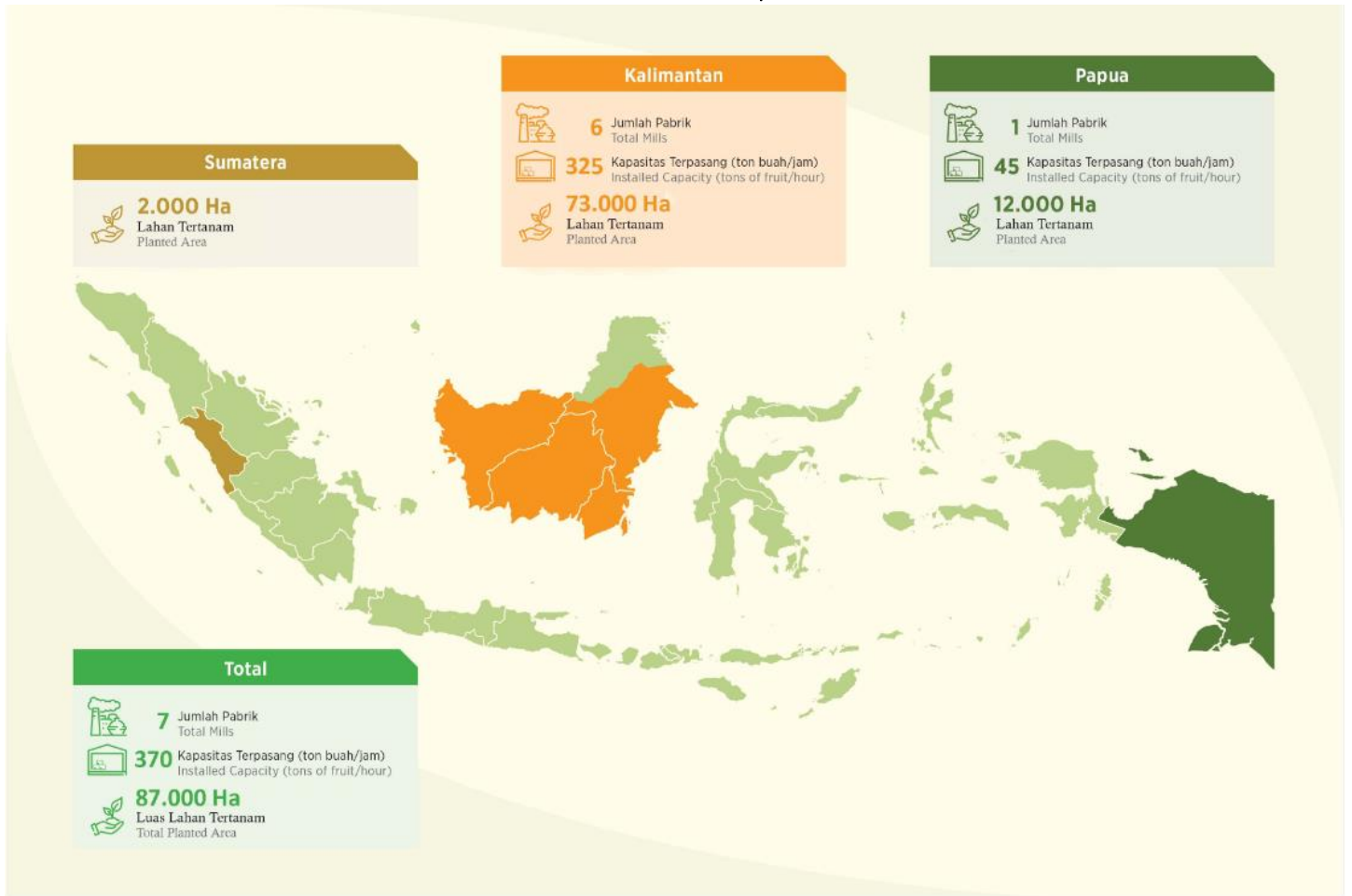
Sources: Company, KBVS Research

Exhibit 2: Performance overview

Income Statement (IDR bn)	9M23	9M22	YoY (%)	3Q23	3Q22	YoY (%)	2Q23	QoQ (%)
Net sales	3,218	3,439	-6.4	1,073	1,119	-4.1	1,099	-2.3
Costs	-2,460	-2,715	-9.4	-804	-856	-6.1	-835	-3.7
Gross profit	758	724	4.7	269	263	2.4	264	2.1
Operating expenses	-272	-280	-3.0	-98	-113	-13.1	-81	21.8
EBIT	487	444	9.6	171	150	14.1	183	-6.7
EBITDA	582	529	9.9	201	181	11.0	215	-6.8
Other income/ expenses	-588	-634	-7.2	-114	-142	-19.5	-346	-67.1
Pretax income	-102	-190	-46.4	57	8	593.4	-163	-134.9
Taxes benefit/ expenses	206	175	18.0	-16	165	-110.0	216	-107.6
Attributable net profit	120	-14	-956.4	46	174	-73.7	56	-18.5
Margins (%)								
Gross profit	23.6	21.1		25.1	23.5		24.0	
EBIT margin	15.1	12.9		15.9	13.4		16.7	
EBITDA margin	18.1	15.4		18.7	16.2		19.6	
Net margin	3.7	-0.4		4.3	15.6		5.1	
Production								
CPO	232,994	215,020	8.4					
Palm Kernel	42,629	39,927	6.8					
FFB	817,109	719,289	13.6					
Sales volume								
CPO	260,711	242,376	7.6					
Palm Kernel	46,009	44,133	4.3					

Sources: Company, KBVS Research

Exhibit 2: 5 BWPT's areas of operations



Source: Company

Exhibit 3: BWPT's mill in Pangkalan Bun, C. Kalimantan



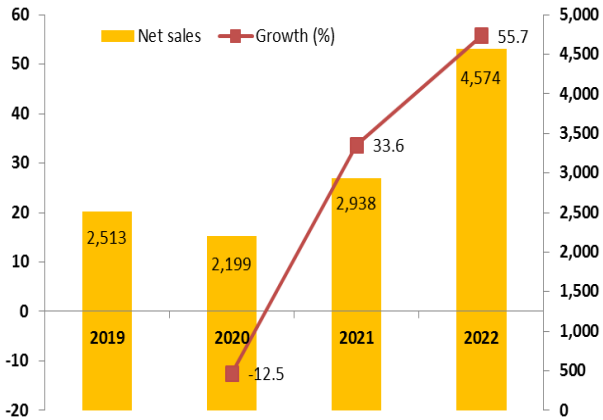
Source: Company, KBVS Research

Exhibit 4: BWPT's plantation in Pangkalan Bun, C. Kalimantan



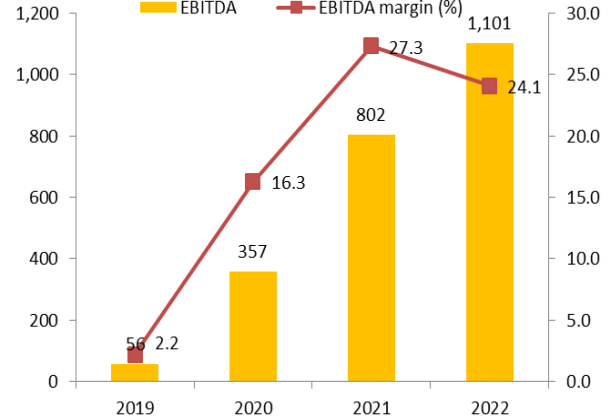
Source: Company, KBVS Research

Exhibit 3: BWPT's net sales and growth (%)



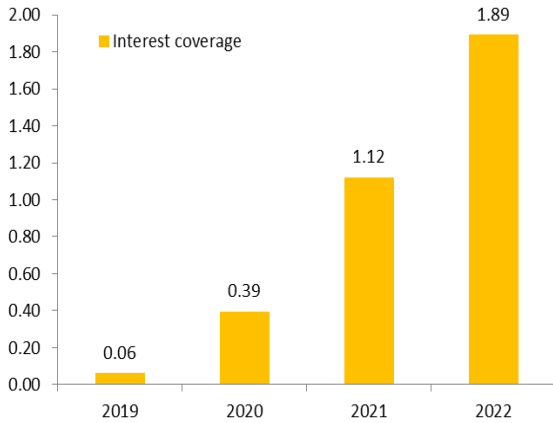
Source: Company, KBVS Research

Exhibit 4: EBITDA and EBITDA margin (%)



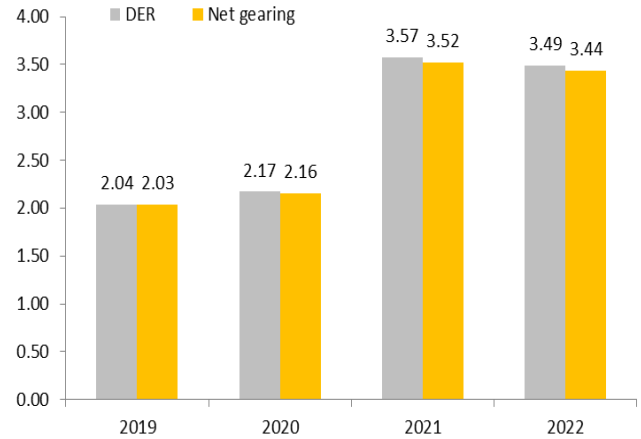
Source: Company, KBVS Research

Exhibit 3: BWPT's net profit



Source: Company, KBVS Research

Exhibit 4: BWPT leverage ratios



Source: Company, KBVS Research

Exhibit 10: Profit & Loss summary

Year End Dec (IDR bn)	2019A	2020A	2021A	2022A	9M23
Revenue	2,513	2,199	2,938	4,574	3,218
Cost of sales	-2,503	-2,143	-2,313	-3,543	-2,460
Gross profit	10	56	625	1,031	758
Operating expenses	-490	-343	-347	-370	-272
Operating profit	-587	-300	278	661	487
EBITDA	56	357	802	1,101	582
Other income/costs NET	(857)	(850)	(2,205)	(776)	(588)
Pretax profit/ loss	(1,444)	(1,150)	(1,927)	(115)	(102)
Income tax/benefit	277	42	510	128	206
After tax profit	(1,167)	(1,108)	(1,417)	13	104
Minority interests	30	27	14	5	16
Attributable profit/ loss	(1,137)	(1,081)	(1,403)	17	120

Source: Company, KBVS Research

Exhibit 11: Balance sheet

Year End Dec (IDR bn)	2019A	2020A	2021A	2022A	9M23
Current Assets					
Cash and cash equivalents	27	41	104	109	53
Trade receivables	110	64	42	41	89
Other current assets	1,461	4,540	1,628	1,734	1,423
Total Asset	1,599	4,646	1,773	1,884	1,564
Non-current assets					
Fixed assets	3,870	3,350	3,296	3,488	3,043
Other non-current assets	10,323	7,064	6,976	6,852	5,609
Total non-current assets	14,193	10,415	10,272	10,340	8,652
Total assets	15,792	15,061	12,045	12,224	10,216
Current liabilities					
Trade payables	282	333	452	715	642
Taxes payables	198	233	242	238	253
Accruals	166	234	230	225	137
Short term debts	1,267	1,904	1,241	1,532	2,115
Other current liabilities	526	2,342	692	684	530
Total current liabilities	2,440	5,046	2,857	3,394	3,677
Non-current liabilities					
Long-term debts	7,994	5,570	5,997	5,527	3,215
Other non-current liabilities	750	958	1,134	1,252	1,182
Total non-current liabilities	8,744	6,527	7,131	6,780	4,396
Minority Interests	72	45	31	26	10
Shareholders' equity	4,536	3,443	2,027	2,023	2,133
Total liabilities and equity	15,792	15,061	12,045	12,224	10,216

Source: Company, KBVS Research

Exhibit 9: Cash flow

Year End Dec (IDR bn)	2019A	2020A	2021A	2022A	9M23
Net profit	-1,137	-1,081	-1,403	17	120
Depreciation & Amortization	643	657	524	440	95
Changes in working capital	-26	-2,902	3,097	292	-38
CF from operating activities	-521	-3,326	2,217	749	177
Investment in fixed assets	579	2,686	666	303	1,068
Others	-1,004	435	-1,047	-810	525
CF from investing activities	-425	3,121	-381	-507	1,592
Dividends paid	0	0	0	0	0
Debt raised/ repaid	1,022	-1,788	-236	-179	-1,729
Others	-70	2,006	-1,538	-57	-97
CF from financing activities	952	218	-1,774	-236	-1,826
Change in cash	6	14	62	5	-56
Cash and cash equivalents, beginning	21	27	41	104	109
Cash and cash equivalents, ending	27	41	104	109	53

Source: Company, KBVS Research

Exhibit 10: Ratio analysis

Year End Dec	2019A	2020A	2021A	2022A	9M23
Gross profit margin (%)	0.4	2.5	21.3	22.5	23.6
Operating profit margin (%)	-23.4	-13.6	9.5	14.5	15.1
EBITDA margin (%)	2.2	16.3	27.3	24.1	18.1
Net profit margin (%)	-45.3	-49.2	-47.8	0.4	3.7
Receivable turnover (x)*	22.8	34.1	70.7	111.6	48.3
Inventory turnover (x)*	10.5	11.5	10.8	9.4	19.8
Payable turnover (x)*	9.8	7.2	7.1	7.1	5.0
ROA (%)	-7.2	-7.2	-11.7	0.1	1.6
ROE (%)	-25.1	-31.4	-69.2	0.9	7.5
Debt/ Equity (x)	2.0	2.2	3.6	3.5	2.5
Net debt/Equity (x)	2.0	2.2	3.5	3.4	2.5
Net debt/ EBITDA (x)	165.7	20.8	8.9	6.3	6.8
Interest coverage (x)	0.1	0.4	1.1	1.9	1.9
BV/Share (IDR)	0.15	0.11	0.07	0.06	0.07
Dividend yield (%)	-	-	-	-	-

Source: Company, KBVS Research

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