

Boustead Plantations (BPLANT MK)

Monetising Kulai estate worth MYR429m or 19.2sen/sh

Interest savings more than offset profits foregone

BPLANT is accelerating its transformation by monetising and unlocking the value of its Kulai estate for MYR429m; 107x the estate's FY20 profit. While there is no mention of a special dividend, the resultant net interest savings and lower net gearing will allow BPLANT to comfortably raise its DPR to above its minimum 60% policy on FY22E and FY23E core PATMI. Balau and Malakoff estate disposals may just be next. BUY with a higher RNAV-TP of MYR0.90 (previously MYR0.81) as we reduce its RNAV-discount to 45% (from 50%) to better appreciate its capital management.

Selling 664 ha for MYR645,831/ha or MYR6psf

BPLANT is proposing to sell 664 ha of its Kulai Young Estate (KYE) in Kulai, Johor to SIPP Power SB, a subsidiary of YTL Power (YTLP MK, CP: MYR0.66, HOLD, TP: MYR0.70) for MYR429m cash. 659 ha of this estate is presently planted with oil palm with an estd. average age of 15 years, yielding 17.9t of FFB/ha and MYR4m in profits in FY20. The disposal price is said to be 10% above the MYR390m valuation done by CH Williams. We estimate its disposal price at MYR645,831/ha or MYR6psf. Nonetheless, it is 25% lower than our earlier ascribed value of MYR8psf, which was based on KLK-UEM Sunrise's Fraser land deal in 2014 (Fig.3). We now adjust our RNAV est. to reflect the agreed value of MYR6psf.

Expect MYR323m in one-off net disposal gain

BPLANT rationalises that the proposed disposal provides an opportunity to monetise and rebalance its assets as part of its reinvention strategy. It is expected to realise an estimated net gain on disposal of ~MYR323m (net of tax and estimated expenses) or 14.4sen/sh.

Disposal may save MYR15m in yearly interest

BPLANT intends to utilise MYR362m (84%) of the proceeds to repay bank borrowings due in FY22 and FY23, MYR27m (6%) for working capital, MYR39m (9%) for RPGT, and MYR1m (1%) for other expenses. The interest cost savings is guided at MYR15m p.a., higher than KYE's profit contribution of MYR4m (in FY20). Following the disposal, we estimate BPLANT's proforma net gearing as at 30 June 2021 to drop to 25% (from 45%). The deal is expected to be completed by 4Q21. We make no changes to our EPS and DPS forecasts for now pending deal completion.

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)	9.4
Net DPS (sen)	1.0	1.0	3.6	1.4	1.5
Core P/E (x)	nm	30.1	13.0	25.2	23.0
P/BV (x)	0.7	0.5	0.5	0.5	0.5
Net dividend yield (%)	1.3	1.6	6.2	2.4	2.6
ROAE (%)	(5.5)	1.7	3.9	2.0	2.2
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	39.0	35.1	31.1
Consensus net profit	-	-	101	52	57
MKE vs. Consensus (%)	-	-	(0.0)	(0.1)	(0.1)

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BUY

Share Price	MYR 0.59
12m Price Target	MYR 0.90 (+60%)
Previous Price Target	MYR 0.81

Company Description

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

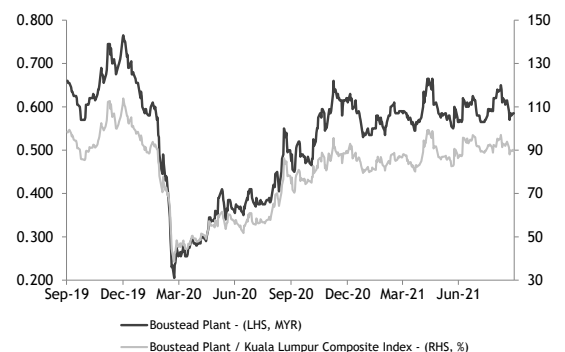
Statistics

52w high/low (MYR)	0.67/0.45
3m avg turnover (USDm)	0.4
Free float (%)	33.2
Issued shares (m)	2,240
Market capitalisation	MYR1.3B USD313M

Major shareholders:

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

Price Performance



	-1M	-3M	-12M
Absolute (%)	(6)	2	17
Relative to index (%)	(2)	3	15

Source: FactSet

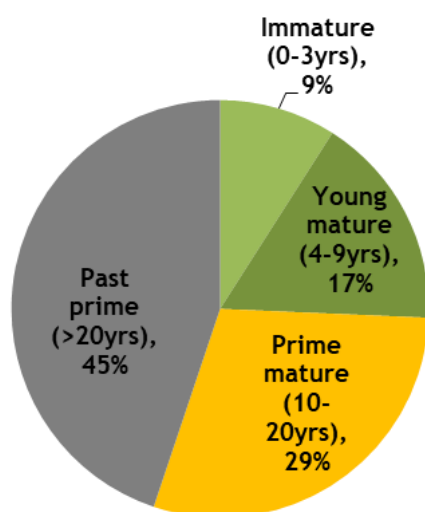
Fig 1: Boustead Plantations' RNAV

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	10.52	12.00	319.4	319.4	0.14
Kulai Young	100%	FH	671	65.1	0.90	6.00	432.9	432.9	0.19
Bukit Mertajam	100%	FH	2,165	142.1	0.60	4.00	931.7	931.7	0.42
Kuala Muda	50%	FH	**760	26.8	0.33	1.50	122.6	122.6	0.05
Malakoff	100%	FH	562	63.9	1.06	8.00	484.0	484.0	0.22
Telok Sengat	100%	FH	3,690	262.1	0.66	1.50	595.5	595.5	0.27
Batu Pekaka	100%	FH	969	45.8	0.44	1.50	156.3	156.3	0.07
Taiping Rubber	100%	FH	1,348	72.9	0.50	1.50	217.5	217.5	0.10
			**10,412	958.7	0.86		3,260.0	3,260.0	1.46
						Replacement cost MYR/ha			
Remaining adjusted planted (ha)			65,703			35,000	<u>2,299.6</u>	<u>2,299.6</u>	<u>1.03</u>
Value of re-valued estates at replacements costs/ market value							<u>5,559.6</u>	<u>5,559.6</u>	<u>2.48</u>
Less: 45% discount (previously 50% discount)							=	<u>(2,501.8)</u>	<u>(1.12)</u>
Discounted value of estates							<u>5,559.6</u>	<u>3,057.8</u>	<u>1.37</u>
JV company at book value							32.9	32.9	0.01
Net debt (@ 31 Dec 2021)							(977.6)	(977.6)	(0.44)
Minority Interest (@ 31 Dec 2021)							<u>(100.5)</u>	<u>(100.5)</u>	<u>(0.04)</u>
RNAV							4,514.4	2,012.6	0.90
No of shares issued ('m)							2,240.0	2,240.0	
RNAV (MYR per share)							2.02	0.90	

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

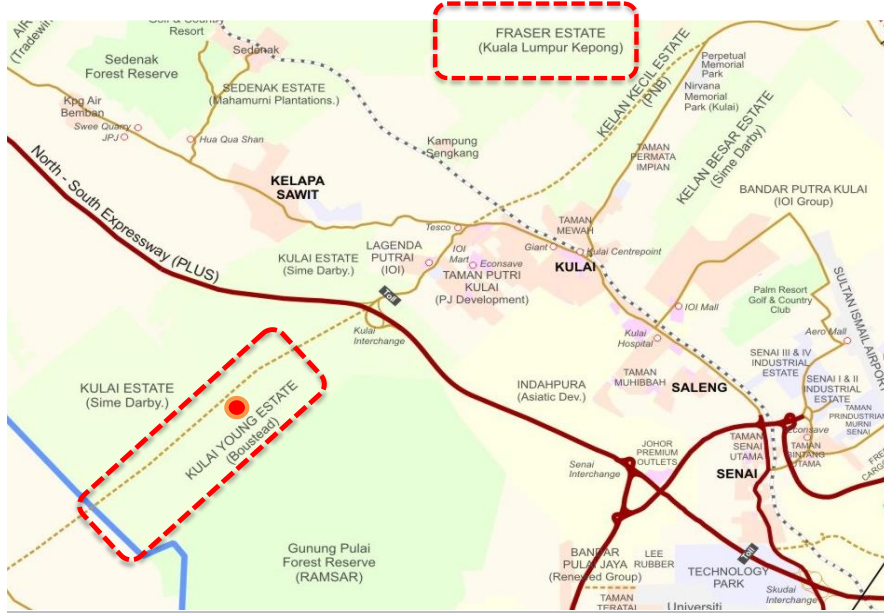
Source: Company, Maybank KE

Fig 2: 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)

Fig 3: Kulai Young Estates in Kulai, Johor (near Kulai Interchange)



Source: Ho Chin Soon map (dated)

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	13.0	25.2	23.0
Core P/E (x)	nm	30.1	13.0	25.2	23.0
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	6.2	2.4	2.6
FCF yield (%)	nm	15.8	27.8	13.3	13.5
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)	(51.3)	(49.2)
Associates & JV	6.6	4.8	2.5	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	140.9	67.6	74.1
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	101.0	52.0	56.9
Core net profit	(81.5)	45.4	101.0	52.0	56.9
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	20.5	44.0	275.3	367.5	461.6
Accounts receivable	34.8	31.2	24.0	25.3	25.7
Inventory	28.6	29.2	30.1	30.5	30.9
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	62.4	25.3	25.3	25.3
Total assets	4,199.5	4,128.6	4,151.7	4,171.4	4,195.2
ST interest bearing debt	722.5	678.5	678.5	678.5	678.5
Accounts payable	32.8	26.1	37.6	35.9	36.3
LT interest bearing debt	654.9	574.4	574.4	574.4	574.4
Other liabilities	337.0	375.0	357.0	358.0	359.0
Total Liabilities	1,747.3	1,653.5	1,647.9	1,646.8	1,647.8
Shareholders Equity	2,552.3	2,584.1	2,604.3	2,625.1	2,647.8
Minority Interest	(100.1)	(109.0)	(100.5)	(100.5)	(100.5)
Total shareholder equity	2,452.2	2,475.1	2,503.8	2,524.6	2,547.3
Total liabilities and equity	4,199.5	4,128.6	4,151.7	4,171.4	4,195.2
CASH FLOW (MYR m)					
Pretax profit	(135.4)	83.3	140.9	67.6	74.1
Depreciation & amortisation	167.2	131.1	145.4	139.2	136.3
Adj net interest (income)/exp	63.7	58.5	51.9	51.3	49.2
Change in working capital	65.9	12.0	120.4	(7.8)	(4.8)
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	423.9	234.7	237.5
Capex	(446.8)	(43.6)	(60.0)	(60.0)	(60.0)
Free cash flow	(298.4)	215.9	363.9	174.7	177.5
Dividends paid	(67.3)	(11.2)	(80.8)	(31.2)	(34.1)
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)	(51.3)	(49.2)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	(32.2)	23.6	231.3	92.2	94.2

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	69.1	(52.0)	9.6
Reported net profit growth	nm	nm	135.0	(48.5)	9.4
Core net profit growth	nm	nm	122.5	(48.5)	9.4
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	16.1	8.8	9.5
Payout ratio	nm	52.2	80.0	60.0	60.0
DuPont analysis					
Net profit margin (%)	nm	5.6	11.5	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	3.9	2.0	2.2
ROAA (%)	(2.0)	1.1	2.4	1.2	1.4
Liquidity & Efficiency					
Cash conversion cycle	21.4	15.3	10.2	8.0	8.8
Days receivable outstanding	21.8	15.6	11.4	11.5	11.7
Days inventory outstanding	19.4	16.7	15.6	16.6	16.7
Days payables outstanding	19.8	17.0	16.7	20.2	19.6
Dividend cover (x)	(6.4)	1.9	1.3	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	39.0	35.1	31.1
Net gearing (%) (excl. perps)	55.3	48.8	39.0	35.1	31.1
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	977.6	885.4	791.3

Source: Company; Maybank

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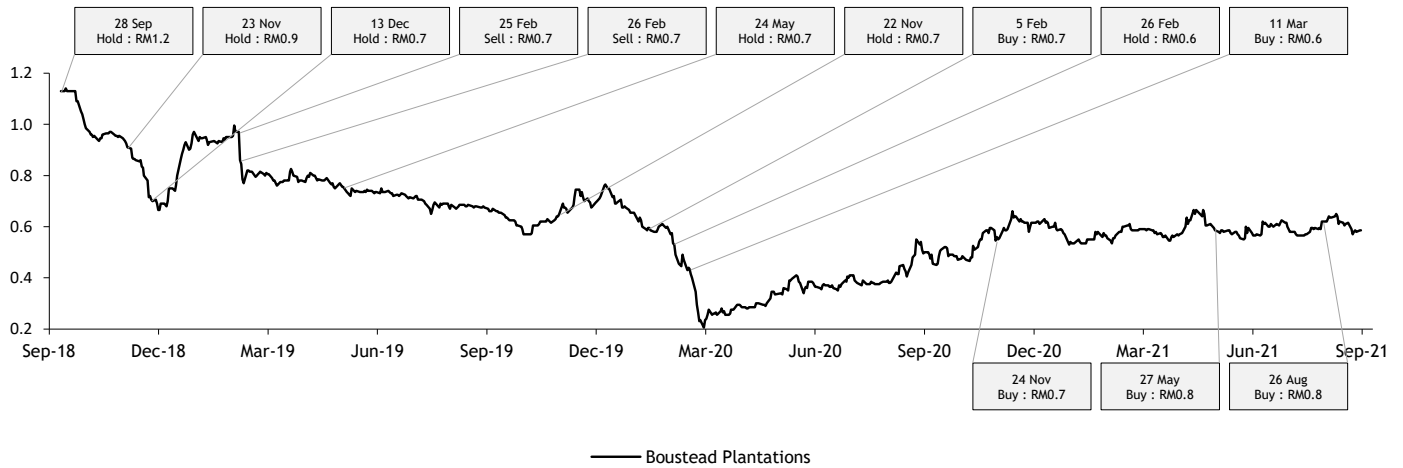
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