

BUY

Investment Consideration

Still on track for higher production

We are optimistic BWPT's production will remain on track for higher productivity from the increase in mature area and improved weather. As of 9M17, FFB nucleus production had increased 20.5% while plasma increased 18.7%. September to November has achieved the highest fruit productions of the year, although November is lower than October. Based on 11M17 production, we adjust our full year target to 1.47mn tons in 2017F and 1.69mn tons in 2018F. In addition, CPO price is also on the rise during 2H17, as we predicted. CPO price in OC/Nov reached around MYR 2800/MT compared to the lowest level in May/June 2017, MYR 2400-2500/MT. We expect a much better outlook for 2018 and predict that El-Nino will return later this year causing the price to rise again in 2018. We adjust our target for top line based on 9M17 result, to 15% growth in CAGR during 2017-2018F.

Improving bottom line

We maintain our belief that bottom line profitability is coming for BWPT. As of 9M17, BWPT managed to reduce net loss by 30% yoy or 10% QoQ, which showed that a return to profitability is coming soon. We adjust our target for 2017F and 2018F to net loss IDR. 225.9bn in 2017F, lower than 2016FY, and a net profit of IDR. 45bn in 2018F, supported by the maturing of the young plantations.

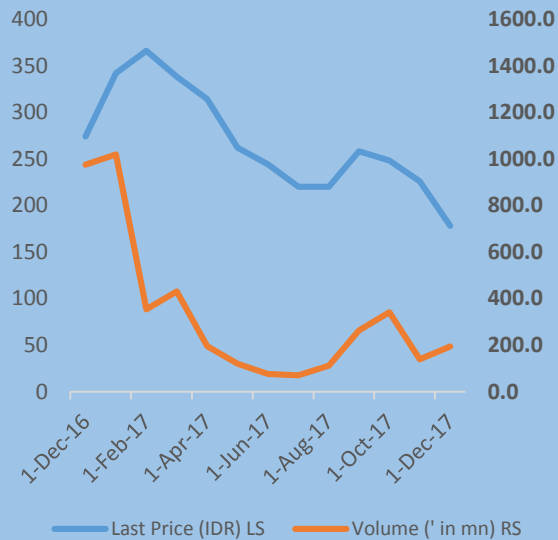
Valuation: Reiterate BUY, maintain target of higher potential upside

With improvements in production, CPO prices, and the benefits of the planted area entering prime age, based on 9M17 result we adjust our target and continue to believe that BWPT will move towards generating profits in the next year. Based on our DCF (WACC 6%), we maintain our BUY recommendation, with a higher TP of IDR. 560/share, reflecting a valuation of 9.35x EV/EBITDA and significant potential upside.

Profit and Loss (IDR.bn)	2014 A	2015 A	2016 A	2017 F	2018 F	2019 F
net sales	2,264.40	2,674.27	2,541.76	2,910.08	3,493.78	3,936.56
Cost of Sales	(1,635.26)	(2,100.50)	(1,948.27)	(2,253.25)	(2,523.33)	(2,747.21)
Gross Profit	629.13	573.77	593.49	656.83	970.45	1,189.34
Operating expense	(274.78)	(339.79)	(348.69)	(378.31)	(419.25)	(472.39)
Operating Profit	354.36	233.98	244.80	278.52	551.20	716.96
Other income	(79.88)	(437.60)	(580.97)	(582.02)	(493.94)	(422.35)
Pretax income(PBT)	274.47	(203.62)	(336.17)	(303.50)	57.25	294.60
taxes	(79.84)	22.22	(55.20)	75.87	(14.31)	(73.65)
Minority interest	(5.17)	1.66	1.62	1.75	2.10	2.36
EPS	6.01	(5.70)	(12.36)	(7.16)	1.43	7.08
Net Profit	189.47	(179.74)	(389.75)	(225.88)	45.04	223.31
EBITDA	611.28	701.68	766.06	903.87	1,214.70	1,388.57

3 January 2018
Plantation, Equity

Price IDR. 187
Target Price IDR. 560
JKSE Index 6339.238



Stock Code **BWPT IJ**
Bloomberg code **5674.6**
Market cap (IDR.bn) **398**
52-Week High (IDR) **177**
52-Week Low (IDR) **230**
6-m Avg Daily. Val (IDR) **25.36**
Free Float (%)

Major Shareholders (%)
PT Rajawali Capital **37.64%**
International **37.00%**
FICP **25.36%**
Public

USD/IDR-YE
2016A **13,436**
2017F (Avg) **13,365**

Key Indicators **2018F**
DER (x) **1.14**
Debt ratio (x) **0.59**
EBITDA Margin (%) **34.8**

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Company Profile

PT Eagle High Plantations Tbk, formerly known as BW Plantation, is an Indonesia-based company engaged in the palm oil sector. The company’s primary business activities are developing, cultivating, and harvesting fresh fruit bunches (FFB), extracting crude palm oil (CPO, and palm kernel (PK). The company was first established on November 6, 2000 and listed on the IDX on Oct 27, 2009. As of the end of 2016, the company manages a total planted area of 153,250 hectares stretching across Indonesia from Sumatera to Papua, with an average tree age of 7.4 years and 85% percent of the trees fruit-bearing. The company has a current mill capacity of 430 tons per hour or about 2.5 millions tons of FFB per year after completing the construction of a new mill in West Kalimantan. The company is also working on the construction of another new mill with 45 tons per hour capacity in Papua. In terms of ownership, FIC SDN BHD property (FICP), a wholly owned subsidiary of Federal land Development Authority (Felda), officially owns 37% of BWPT. The acquisition of 37% of BWPT shares from Rajawali Group was completed on April 18, 2017 through a crossing transaction of 11.67 billion shares worth Rp. 6.7 trillion. After the transaction, Rajawali Group ownership in BWPT shrank to 37.06%. Based on the monthly report of BWPT shareholders per 30 April 2017, BWPT top shareholders are PT Rajawali Capital International 37.06%, FIC SDN BHD Property 37%, and the Public 25.94%.

Company Structure

I. As of 9M17

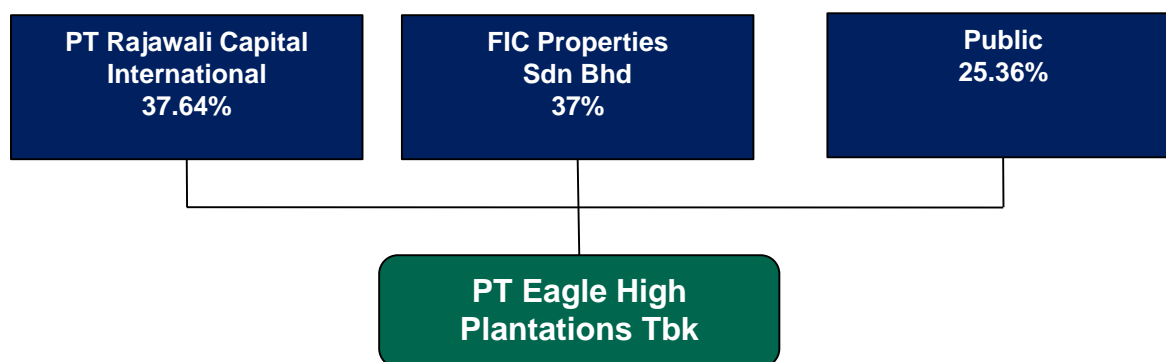


Chart: FFB vs CPO production yoy (in mn tons)

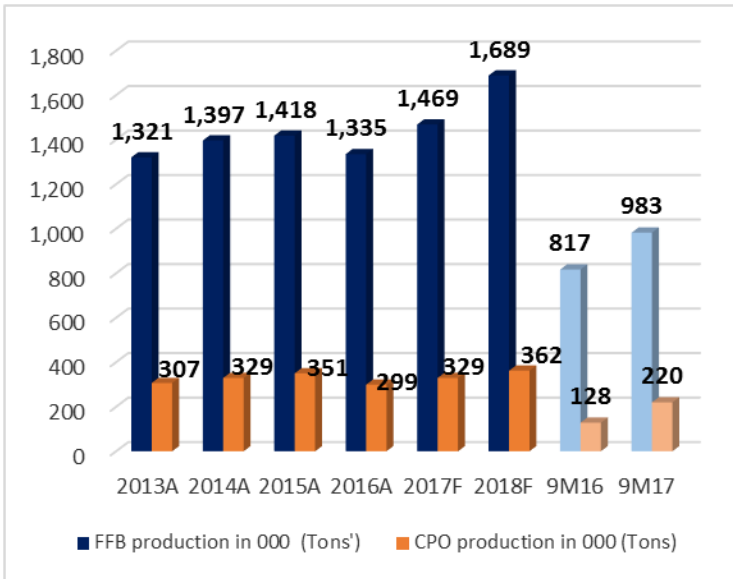


Chart: cash cost/ha (IDR.000) yoy

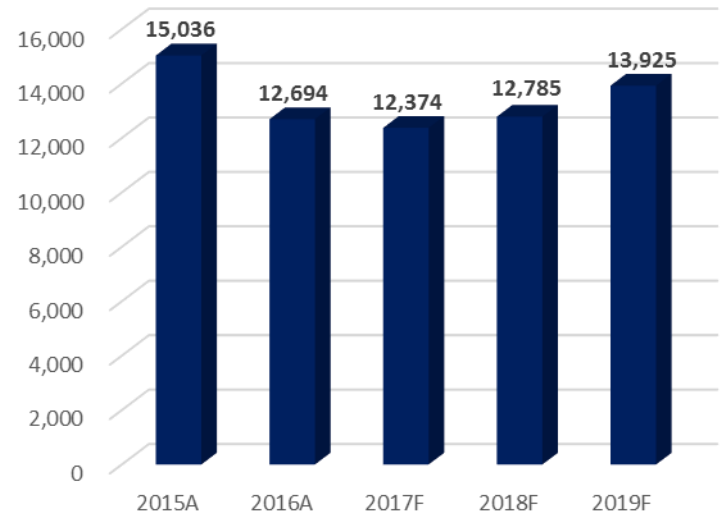


Chart: BWPT's planted area (ha) yoy

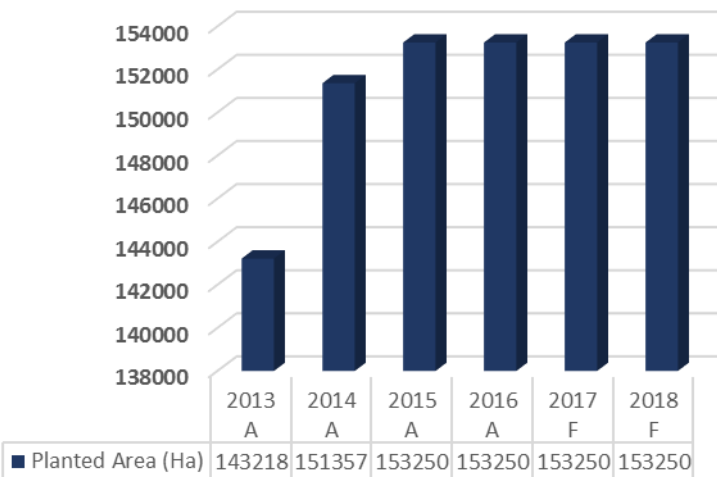


Chart: FFB yield/ha yoy

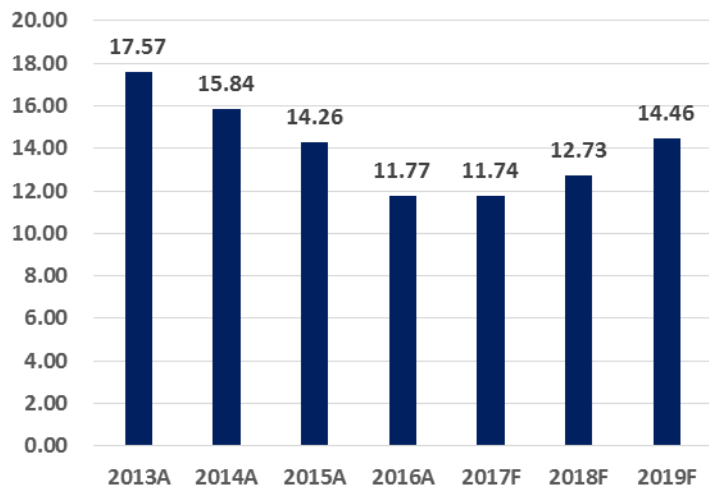


Chart: Percentage composition of mature vs immature area of BWPT's planted area yoy

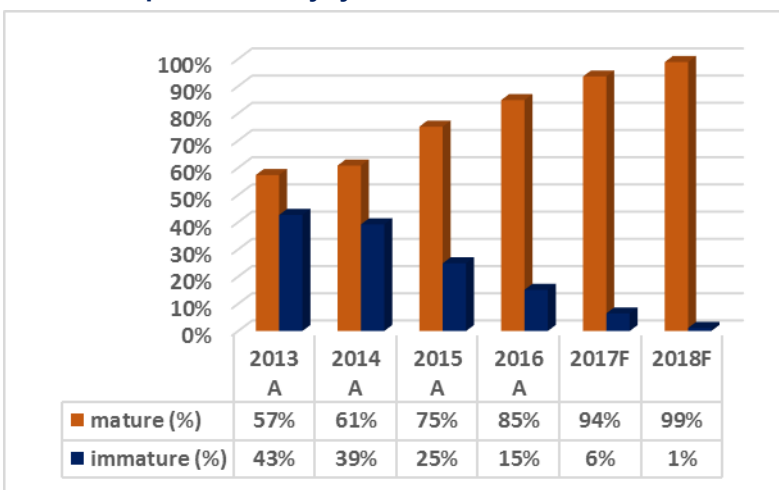
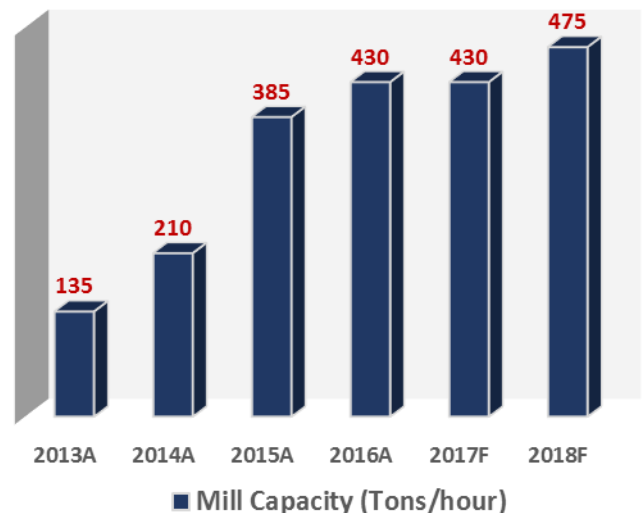


Chart: BWPT's mill capacity yoy



Profit and Loss (IDR.bn) yoy

Profit and Loss (IDR.bn)	2013 A	2014 A	2015 A	2016 A	2017 F	2018 F	2019 F
net sales	1,730.53	2,264.40	2,674.27	2,541.76	2,910.08	3,493.78	3,936.56
Cost of Sales	(1,302.44)	(1,635.26)	(2,100.50)	(1,948.27)	(2,253.25)	(2,523.33)	(2,747.21)
Gross Profit	428.10	629.13	573.77	593.49	656.83	970.45	1,189.34
Operating expense	(271.77)	(274.78)	(339.79)	(348.69)	(378.31)	(419.25)	(472.39)
Operating Profit	156.33	354.36	233.98	244.80	278.52	551.20	716.96
Other income	(173.16)	(79.88)	(437.60)	(580.97)	(582.02)	(493.94)	(422.35)
Pretax income(PBT)	(16.84)	274.47	(203.62)	(336.17)	(303.50)	57.25	294.60
taxes	(11.37)	(79.84)	22.22	(55.20)	75.87	(14.31)	(73.65)
Minority interest	11.15	(5.17)	1.66	1.62	1.75	2.10	2.36
EPS	(3.82)	6.01	(5.70)	(12.36)	(7.16)	1.43	7.08
Net Profit	(17.06)	189.47	(179.74)	(389.75)	(225.88)	45.04	223.31
EBITDA	380.76	611.28	701.68	766.06	903.87	1,214.70	1,388.57

Balance Sheet (IDR.bn) yoy

Balance Sheet (IDR.bn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Cash and cash equivalent	328	179	1,251	129	92	296	526
Trade Account Receivable	22	47	64	85	87	105	118
inventory	126	304	304	346	291	349	394
Other current asset	773	1,086	1,084	818	698	629	709
Current Asset	1,250	1,615	2,703	1,377	1,169	1,379	1,747
Fixed Asset	1,993	3,636	3,786	3,825	3,637	3,332	2,871
other long term asset	3,778	11,129	11,076	11,052	10,913	10,831	10,629
Total non current Asset	5,771	14,765	14,862	14,877	14,550	14,163	13,500
Total Asset	7,021	16,380	17,565	16,254	15,719	15,541	15,246
Trade Account Payable	251	450	552	258	407	489	551
Short Term bank loans	36	435	698	603	653	603	553
Other short term liabilities	965	2,219	2,611	1,507	1,303	1,193	1,117
Total current liabilities	1,251	3,105	3,861	2,368	2,363	2,285	2,221
Long term liabilities	2,525	5,533	6,271	6,857	6,533	5,892	5,278
Other Long term liabilities	1,013	795	779	770	794	978	1,142
Total long term/ non current liabilities	3,538	6,328	7,051	7,627	7,327	6,870	6,419
Total Liabilities	4,789	9,433	10,912	9,995	9,690	9,155	8,641
non controlling interest	224	119	121	119	115	112	108
Total Equities	2,009	6,828	6,532	6,140	5,914	6,274	6,498
Total Liabilities & Equity	7,021	16,380	17,565	16,254	15,719	15,541	15,246

Cash Flow (IDR.bn) yoy

Cash Flow (IDR.bn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
+ Net Income	(17)	189	(180)	(390)	(226)	45	223
Depreciation	224	257	468	521	625	663	672
- Change in WC	(223)	1,339	741	(1,289)	166	(84)	(201)
Cash From Operating Activities	(16)	1,785	1,029	(1,158)	566	624	694
Net fixed asset	(682)	(1,900)	(617)	(561)	(437)	(359)	(211)
other long term asset	(282)	(7,350)	52	25	139	82	202
cash from investing activities	(964)	(9,250)	(565)	(536)	(298)	(276)	(9)
Long term liabilities	1,283	3,008	738	585	(324)	(641)	(614)
Other Long term liabilities	111	(218)	(16)	(9)	24	184	163
equity	(128)	4,525	(114)	(4)	(5)	312	(4)
cash from financing activities	1,265	7,315	609	572	(304)	(145)	(455)
Net Changes in Cash	286	(150)	1,073	(1,122)	(37)	203	231
Beginning Balance	43	328	179	1251	129	92	296
Ending balance	328	179	1,251	129	92	296	526

Ratio Highlights yoy

	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Growth (% YoY)							
Sales	83%	31%	18%	-5%	14%	20%	13%
OP	-63%	127%	-34%	5%	14%	98%	30%
EBITDA	-27%	61%	15%	9%	18%	34%	14%
NP	-107%	-1210%	-195%	117%	-42%	-120%	396%
EPS	-106%	-257%	-195%	117%	-42%	-120%	396%
Profitability							
Operating Margin(%)	9.0%	15.6%	8.7%	9.6%	9.6%	15.8%	18.2%
EBITDA margin(%)	22.0%	27.0%	26.2%	30.1%	31.1%	34.8%	35.3%
NET Profit margin(%)	-1.0%	8.4%	-6.7%	-15.3%	-7.8%	1.3%	5.7%
ROE (%)	-0.8%	2.8%	-2.8%	-6.3%	-3.8%	0.7%	3.4%
ROA (%)	-0.2%	1.2%	-1.0%	-2.4%	-1.4%	0.3%	1.5%
Stability							
Total debt/ total equity (x)	1.21	1.05	1.36	1.35	1.34	1.14	0.98
int. & ST debt coverage (x)	2.81	0.32	0.67	1.08	0.96	0.86	0.84
Debt Ratio (x)	0.68	0.58	0.62	0.61	0.62	0.59	0.57
Per Share data (Rp)							
EPS	-3.82	6.01	-5.70	-12.36	-7.16	1.43	7.08
BVS	449.3	216.6	207.2	194.8	187.6	199.0	206.1

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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