

BUY

6 November 2017
Plantation, Equity

Price **IDR. 246**
Target Price **IDR. 525**
JKSE Index **6039.54**



Investment Consideration

Remain on track for higher production

We are optimistic BWPT's production will remain on track for higher productivity contributed by the increase in mature area and improved weather. As of 9M17, FFB nucleus production has increased 20.5% while plasma increased 18.7%. In 8M17 alone, nucleus production growth reached 25% and plasma 19%. We maintain our production target, and should be on track to produce 1.7mn tons in 2017F and 1.99mn tons in 2018F. In addition, CPO price is also on the rise, as we predicted earlier. The weakness in CPO was limited to only during 1H17 and have recovered in 2H17. CPO price in Oct/Nov 2017 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 may return later this year causing the price to rise again in 2018. We maintain our target for BWPT's revenue CAGR growth of 23% 2017-2018.

Improving bottom line

We believe profitability is coming for BWPT. As of 9M17, BWPT managed to reduce loss in bottom line by 30% yoy or 21% QoQ, which showed that a return to profitability is coming soon. We maintain our target for 2017F and 2018F bottom line, 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, we maintain our believe that BWPT will move towards generating profits in the next quarter. Based on our DCF (WACC 7.63%), we maintain our BUY recommendation, with TP of IDR. 525/share, reflecting a valuation of 18.40x EV/EBITDA and significant potential upside.

Stock Code **BWPT IJ**
Bloomberg code **7755.2**
Market cap (IDR.bn) **7755.2**
52-Week High (IDR) **398**
52-Week Low (IDR) **188**
6-m Avg Daily. Val (IDR) **245**
Free Float (%) **25.36**

Major Shareholders (%)
PT Rajawali Capital **37.52%**
International **37%**
FICP **25.48%**
Public

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

Key Indicators **2018F**
DER (x) **1.03**
Debt ratio (x) **0.58**
EBITDA Margin (%) **31.7**

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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	3,304.29	3,855.47	4,439.39
Cost of Sales	(1,635.26)	(2,100.50)	(1,948.27)	(2,473.10)	(2,938.80)	(3,440.24)
Gross Profit	629.13	573.77	593.49	831.19	916.68	999.15
Operating expense	(274.78)	(339.79)	(348.69)	(363.47)	(424.10)	(488.33)
Operating Profit	354.36	233.98	244.80	467.72	492.57	510.82
Other income	(173.16)	(79.88)	(437.60)	(580.97)	(595.21)	(475.10)
Pretax income(PBT)	274.47	(203.62)	(336.17)	(127.50)	17.47	103.51
taxes	(79.84)	22.22	(55.20)	(31.87)	4.37	25.88
Minority interest	(5.17)	1.66	1.62	1.98	2.31	2.66
EPS	9.08	(5.70)	(12.36)	(4.99)	0.77	4.19
Net Profit	189.47	(179.74)	(389.75)	(157.39)	24.16	132.05
EBITDA	611.28	701.68	766.06	1,155.61	1,222.42	1,316.76

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

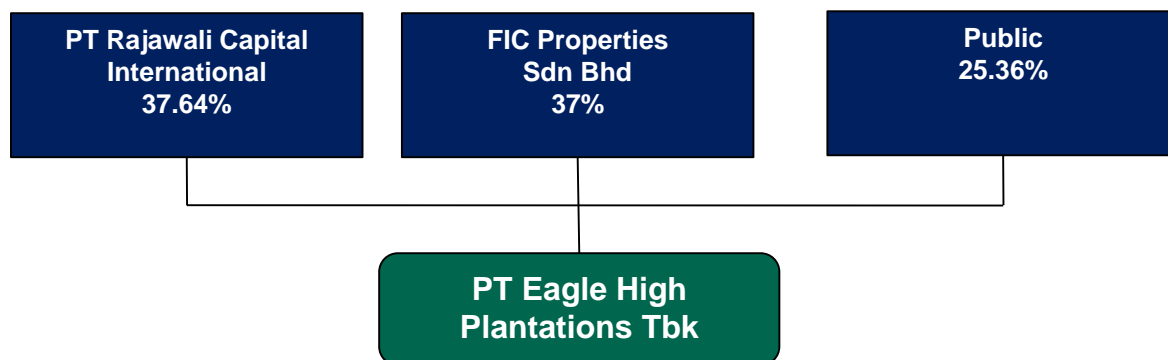


Chart: FFB vs CPO production yoy (in mn tons)

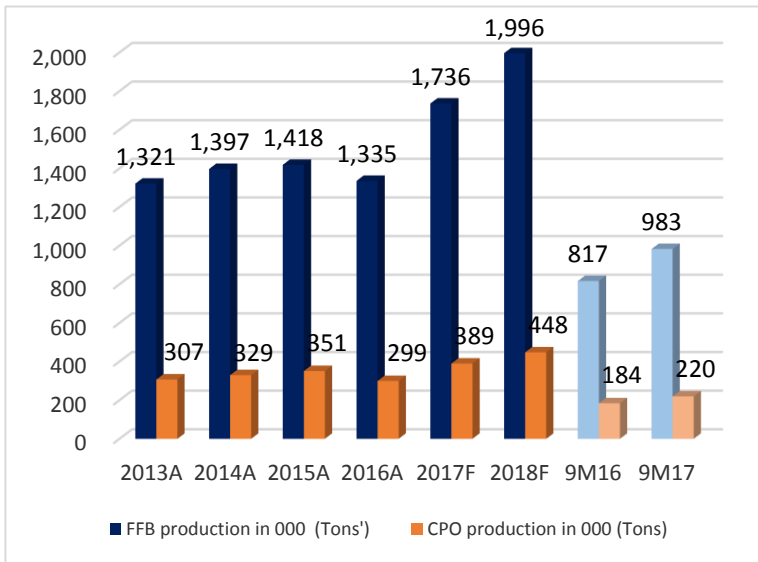


Chart: cash cost/ha yoy

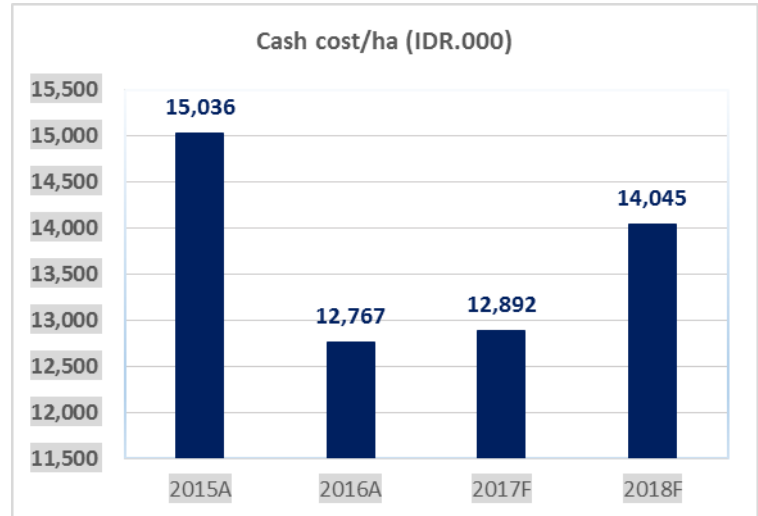


Chart: BWPT's planted area (ha) yoy

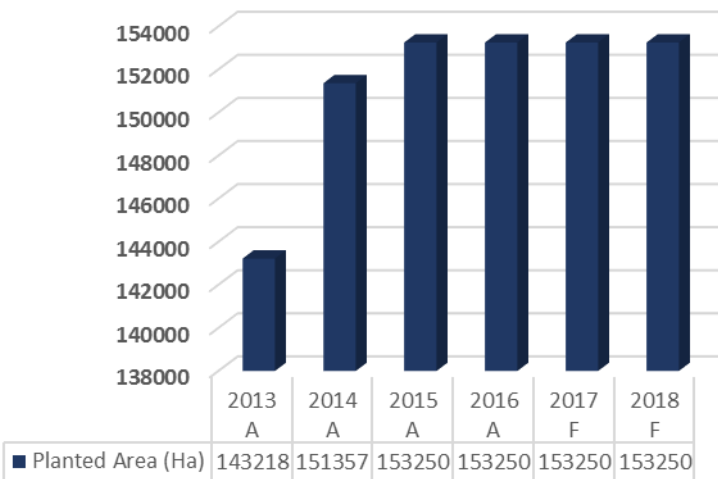


Chart: FFB yield/ha yoy



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

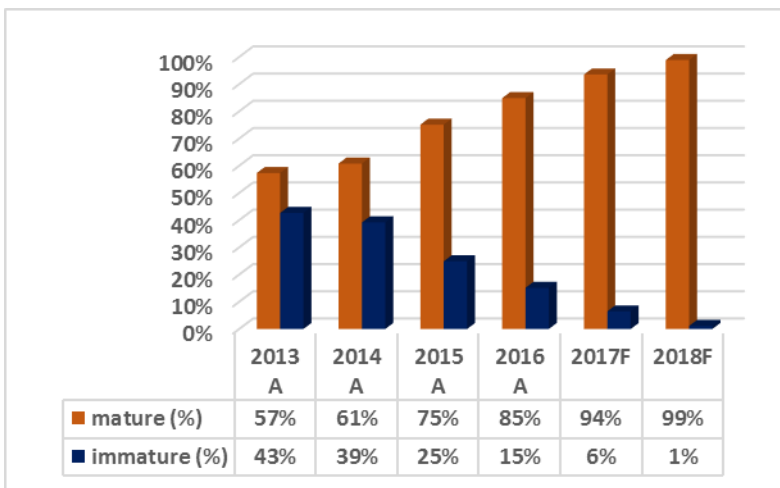
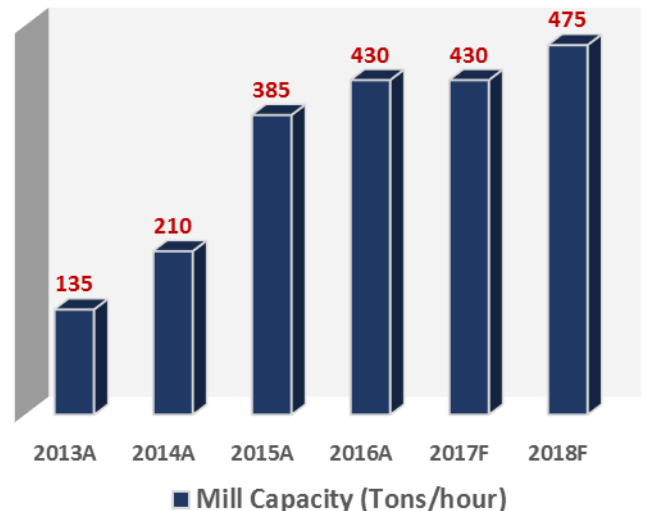


Chart: BWPT's mill capacity yoy



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.

**RESEARCH TEAM
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