

**BUY**

#### Investment Consideration

##### Maintain productivity target

We maintain BWPT production target with higher productivity coming from both increased mature area and improved weather even though cpo prices have been lower than we expected. As predicted production has increased following the stronger rainfall pattern. August production reached a new all time high of 192,000 tons which is 3 times bigger than January's production of 70,000 tons. We maintain our full year target of 1.57mn tons in 2018F and 1.80mn tons in 2019F. With a 13% lower CPO price prediction compared to our previous target, we adjust our top line revenue growth to 7% CAGR during 2018-2019F.

##### Expecting a return to profit

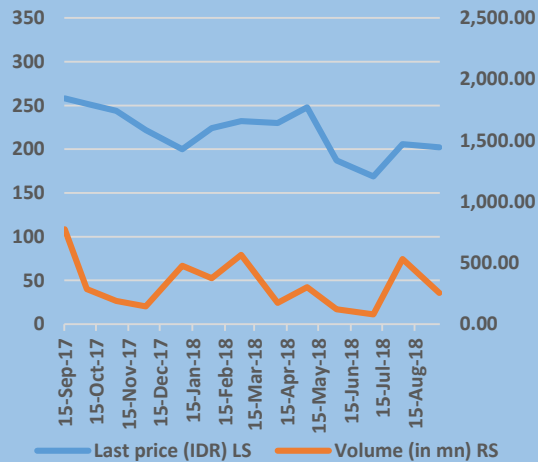
We maintain our belief that bottom line profitability is coming for BWPT. As is shown during 1H18, BWPT managed to book net profit of IDR. 12bn as a fully mature plantation compared to a net loss of IDR. 98bn in 1H17 which showed that a return to profitability is indeed coming. Due to adjustments to our top line and based on 1H18 result, we adjust our target net profit for 2018F and 2019F to IDR. 34bn and IDR. 105bn respectively, supported by the maturing of the young plantations.

##### Valuation: Reiterate BUY, with high potential upside

Based on 1H18 production, we adjust our target and continue to believe that BWPT will move towards generating a profit starting from this year. We maintain our BUY recommendation, with a TP of IDR. 500/share, reflecting a valuation of 16x EV/EBITDA and offering significant potential upside.

Sept 13th, 2018  
Plantation, Equity

Price **IDR. 208**  
Target Price **IDR. 500**  
JKSE Index **5798.151**



Stock Code **BWPT IJ**  
Bloomberg code **9772.8**  
Market cap (IDR.bn) **320**  
52-Week High (IDR) **160**  
52-Week Low (IDR) **209**  
6-m Avg Daily. Val (IDR) **25.30**  
Free Float (%) **25.30**

Major Shareholders (%)  
PT Rajawali Capital **37.70%**  
International **37.00%**  
FICP **25.30%**  
Public

USD/IDR-YE  
2017A **13,555**  
2018F (Avg) **14186**

Key Indicators **2019F**  
DER (x) **1.22**  
Debt ratio (x) **0.60**  
EBITDA Margin (%) **39.20**

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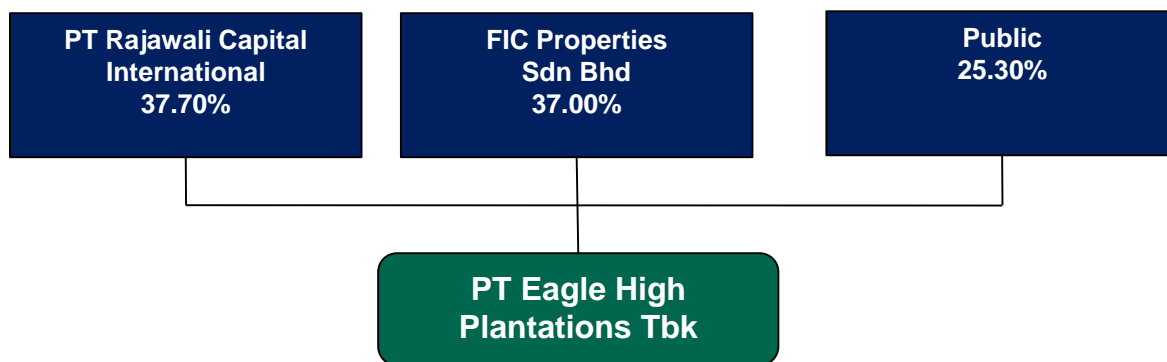
Profit and Loss (IDR.bn)	2014 A	2015 A	2016 A	2017 A	2018 F	2019 F
net sales	2,264	2,674	2,542	3,046	3,043	3,425
Cost of Sales	(1,635)	(2,101)	(1,948)	(2,277)	(2,098)	(2,359)
Gross Profit	629	574	593	769	946	1,066
Operating expense	(275)	(340)	(349)	(360)	(365)	(411)
Operating Profit	354	234	245	410	580	655
Other income	(80)	(438)	(581)	(576)	(538)	(518)
Pretax income(PBT)	274	(204)	(336)	(166)	43	137
taxes	(80)	22	(55)	(22)	(11)	(34)
Minority interest	(5)	2	2	2	2	2
EPS	6	(6)	(12)	(6)	1	3
Net Profit	189	(180)	(390)	(186)	34	105
EBITDA	670	732	834	1,018	1,245	1,343

**Company Profile**

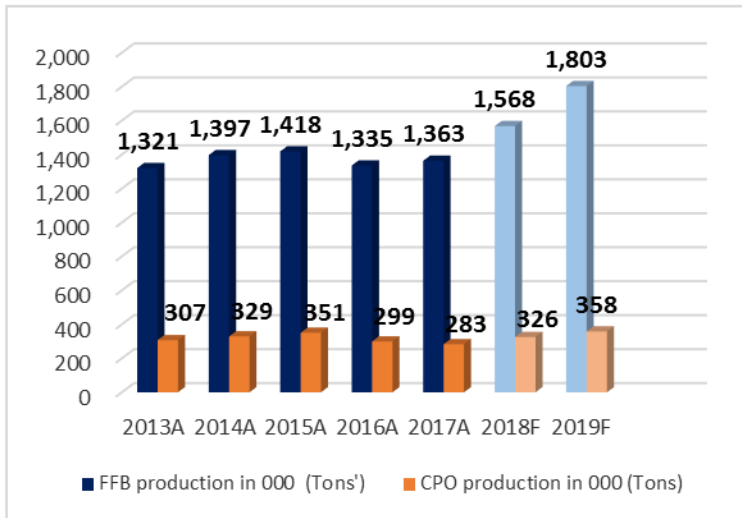
PT Eagle High Plantations Tbk, formerly known as BW Plantation, is an Indonesia-based company engaged in the palm oil sector. The company’s primary business activities are developing, cultivating, and harvesting fresh fruit bunches (FFB), extracting crude palm oil (CPO, and palm kernel (PK). The company 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**

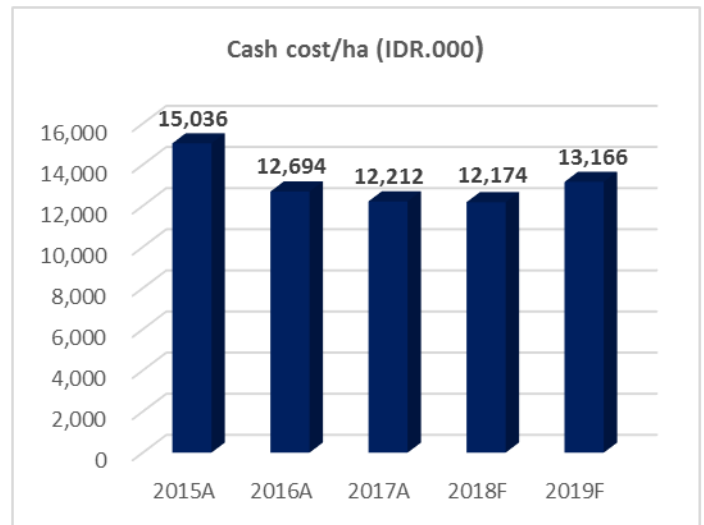
**I. As of 1H18**



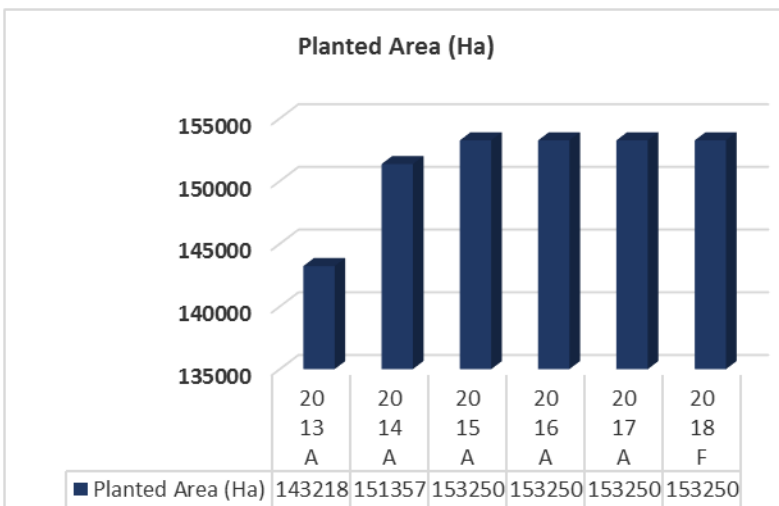
**Chart: FFB vs CPO production yoy (in mn tons)**



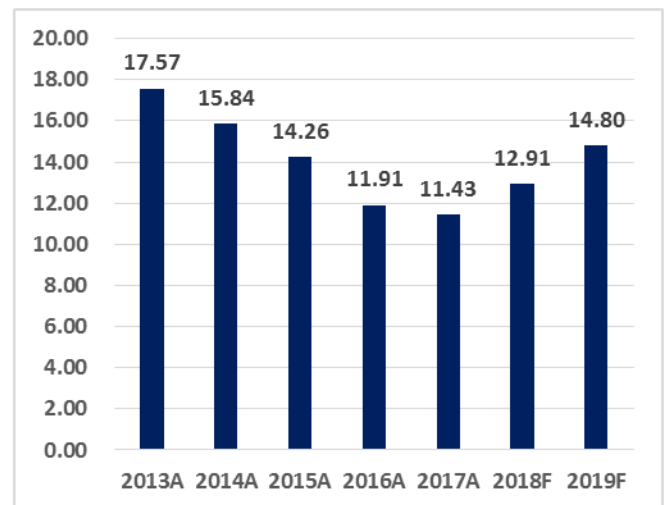
**Chart: cash cost/ha (IDR.000) yoy**



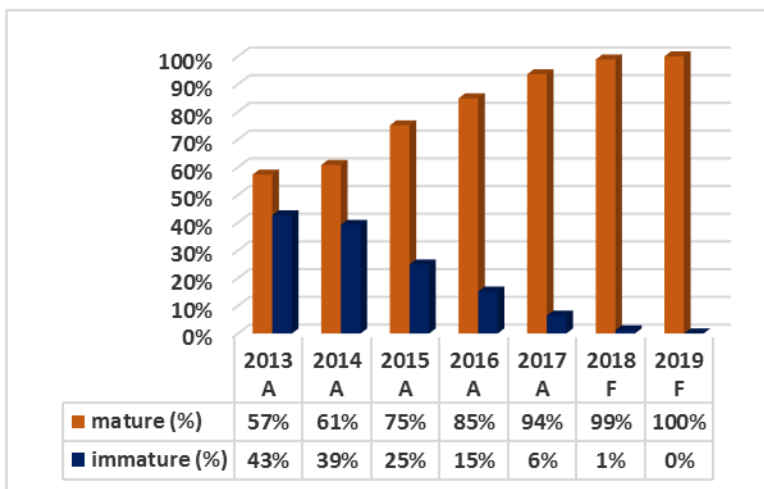
**Chart: BWPT's planted area (ha) yoy**



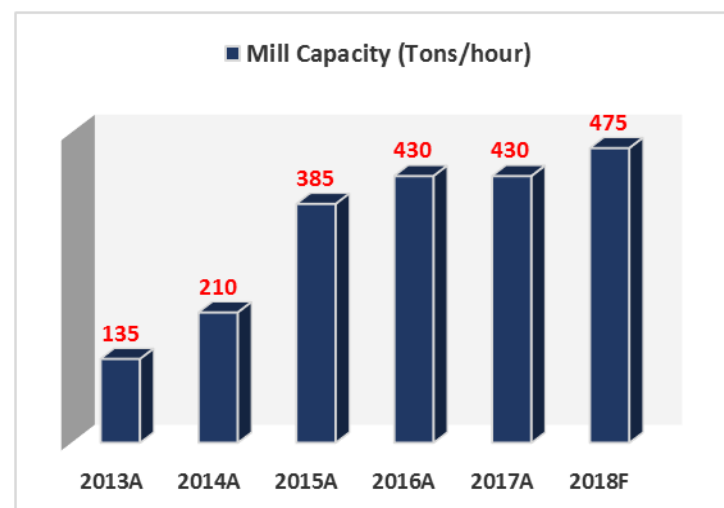
**Chart: FFB yield/ha yoy**



**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**

<b>Profit and Loss (IDR.bn)</b>	<b>2014 A</b>	<b>2015 A</b>	<b>2016 A</b>	<b>2017 A</b>	<b>2018 F</b>	<b>2019 F</b>
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Cost of Sales	(1,635)	(2,101)	(1,948)	(2,277)	(2,098)	(2,359)
<b>Gross Profit</b>	<b>629</b>	<b>574</b>	<b>593</b>	<b>769</b>	<b>946</b>	<b>1,066</b>
Operating expense	(275)	(340)	(349)	(360)	(365)	(411)
<b>Operating Profit</b>	<b>354</b>	<b>234</b>	<b>245</b>	<b>410</b>	<b>580</b>	<b>655</b>
Other income	(80)	(438)	(581)	(576)	(538)	(518)
<b>Pretax income(PBT)</b>	<b>274</b>	<b>(204)</b>	<b>(336)</b>	<b>(166)</b>	<b>43</b>	<b>137</b>
taxes	(80)	22	(55)	(22)	(11)	(34)
<b>Minority interest</b>	<b>(5)</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
EPS	6	(6)	(12)	(6)	1	3
<b>Net Profit</b>	<b>189</b>	<b>(180)</b>	<b>(390)</b>	<b>(186)</b>	<b>34</b>	<b>105</b>
<b>EBITDA</b>	<b>670</b>	<b>732</b>	<b>834</b>	<b>1,018</b>	<b>1,245</b>	<b>1,343</b>

**Balance Sheet (IDR.bn) yoy**

<b>Balance Sheet (IDR.bn)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>
Cash and cash equivalent	179	1,251	129	85	191	259
Trade Account Receivable	47	64	85	48	152	171
inventory	304	304	346	364	548	411
Other current asset	1,086	1,084	818	642	548	616
<b>Current Asset</b>	<b>1,615</b>	<b>2,703</b>	<b>1,377</b>	<b>1,139</b>	<b>1,439</b>	<b>1,458</b>
Fixed Asset	3,636	3,786	3,825	3,850	4,221	3,573
other long term asset	11,129	11,076	11,052	11,002	10,408	11,097
<b>Total non current Asset</b>	<b>14,765</b>	<b>14,862</b>	<b>14,877</b>	<b>14,852</b>	<b>14,630</b>	<b>14,670</b>
<b>Total Asset</b>	<b>16,380</b>	<b>17,565</b>	<b>16,254</b>	<b>15,991</b>	<b>16,068</b>	<b>16,127</b>
Trade Account Payable	450	552	258	478	426	479
Short Term bank loans	435	698	603	824	1,055	1,005
Other short term liabilities	2,219	2,611	1,507	1,350	1,231	1,196
<b>Total current liabilities</b>	<b>3,105</b>	<b>3,861</b>	<b>2,368</b>	<b>2,652</b>	<b>2,712</b>	<b>2,681</b>
Long term liabilities	5,533	6,271	6,857	6,485	6,265	6,166
Other Long term liabilities	795	779	770	791	670	753
<b>Total long term/ non current liabilities</b>	<b>6,328</b>	<b>7,051</b>	<b>7,627</b>	<b>7,276</b>	<b>6,935</b>	<b>6,920</b>
<b>Total Liabilities</b>	<b>9,433</b>	<b>10,912</b>	<b>9,995</b>	<b>9,928</b>	<b>9,647</b>	<b>9,601</b>
non controlling interest	119	121	119	120	119	119
<b>Total Equities</b>	<b>6,828</b>	<b>6,532</b>	<b>6,140</b>	<b>5,943</b>	<b>6,303</b>	<b>6,408</b>
<b>Total Liabilities &amp; Equity</b>	<b>16,380</b>	<b>17,565</b>	<b>16,254</b>	<b>15,991</b>	<b>16,068</b>	<b>16,127</b>

**Cash Flow (IDR.bn) yoy**

<b>Cash Flow (IDR.bn)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>
+ Net Income	189	(180)	(390)	(186)	34	105
Depreciation	257	468	521	581	651	670
- Change in WC	1,339	741	(1,289)	478	(134)	18
<b>Cash From Operating Activities</b>	<b>1,785</b>	<b>1,029</b>	<b>(1,158)</b>	<b>874</b>	<b>551</b>	<b>793</b>
Net fixed asset	(1,900)	(617)	(561)	(606)	(1,022)	(21)
other long term asset	(7,350)	52	25	50	594	(689)
<b>cash from investing activities</b>	<b>(9,250)</b>	<b>(565)</b>	<b>(536)</b>	<b>(556)</b>	<b>(429)</b>	<b>(710)</b>
Long term liabilities	3,008	738	585	(372)	(220)	(99)
Other Long term liabilities	(218)	(16)	(9)	21	(121)	84
equity	4,525	(114)	(4)	(11)	325	(0)
<b>cash from financing activities</b>	<b>7,315</b>	<b>609</b>	<b>572</b>	<b>(362)</b>	<b>(16)</b>	<b>(15)</b>
Net Changes in Cash	(150)	1,073	(1,122)	(44)	106	68
<b>Beginning Balance</b>	<b>328</b>	<b>179</b>	<b>1251</b>	<b>129</b>	<b>85</b>	<b>191</b>
<b>Ending balance</b>	<b>179</b>	<b>1,251</b>	<b>129</b>	<b>85</b>	<b>191</b>	<b>259</b>

**Ratio Highlights yoy**

	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>
<b>Growth (% YoY)</b>						
Sales	31%	18%	-5%	20%	0%	13%
OP	127%	-34%	5%	67%	42%	13%
EBITDA	116%	9%	14%	22%	22%	8%
NP	-1210%	-195%	117%	-52%	-118%	209%
EPS	-257%	-195%	117%	-52%	-118%	209%
<b>Profitability</b>						
Operating Margin(%)	15.6%	8.7%	9.6%	13.4%	19.1%	19.1%
EBITDA margin(%)	29.6%	27.4%	32.8%	33.4%	40.9%	39.2%
NET Profit margin(%)	8.4%	-6.7%	-15.3%	-6.1%	1.1%	3.1%
ROE (%)	2.8%	-2.8%	-6.3%	-3.1%	0.5%	1.6%
ROA (%)	1.2%	-1.0%	-2.4%	-1.2%	0.2%	0.6%
<b>Stability</b>						
Total debt/ total equity (x)	1.05	1.36	1.35	1.34	1.27	1.22
int. & ST debt coverage (x)	0.32	0.67	1.08	0.73	0.52	0.53
Debt Ratio (x)	0.58	0.62	0.61	0.62	0.60	0.60
<b>Per Share data (Rp)</b>						
EPS	6.01	(5.70)	(12.36)	(5.90)	1.07	3.32
BVS	216.6	207.2	194.8	188.5	199.9	203.3

**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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