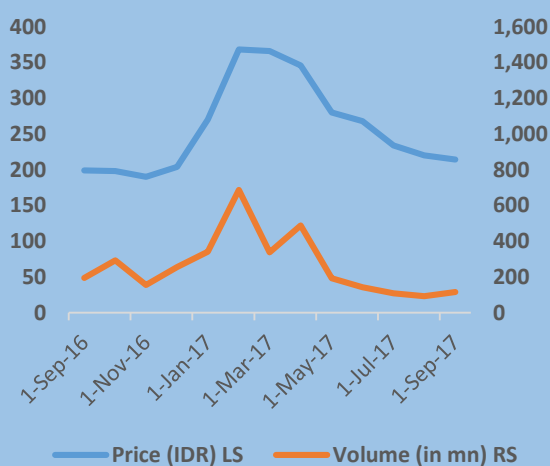


14 September 2017
Plantation, Equity

Price **IDR. 264**
Target Price **IDR. 525**
JKSE Index **5845.7**



Stock Code
Bloomberg code **BWPT IJ**
Market cap (IDR.bn) **8322.7**
52-Week High (IDR) **398**
52-Week Low (IDR) **181**
6-m Avg Daily. Val (IDR) **272**
Free Float (%) **25.48**

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

USD/IDR-YE
2016A **13,436**
2017F (6M Avg) **13,319**

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

Analyst: Revita Dhiah Anggrainy
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BUY

Investment Consideration

On track for higher production

We remain optimistic BWPT's production will resume growing starting in the 2H17 as a result of increased productivity from an increase in mature area and also following improved weather. As of 7M17, FFB nucleus production has increased 20% yoy to 635,647 tons while plasma increased 13% yoy to 101,343 tons. CPO increased 14.10% yoy to 162,037 tons and Palm Kernel increased 14.70% yoy to 25,372 tons. FB production remains on track to reach our target 1.7 mn and 1.99 mn tons in 2017F and 2018F respectively. We maintain our forecast for yield/ha at 13.9 tons in 2017F and 15.1 tons in 2018F. We believe the weakness in CPO prices was limited in 1H17 and prices will recover in 2H17. A better outlook for 2018 and predictions that El-Nino may return later this year will cause the price to rise again in 2018. We are targeting BWPT revenue CAGR growth of 23% 2017-2018, after declining in 2016A.

Profitability will come

We believe profitability will come for BWPT as the plantations continue to mature and the majority enter prime age in 2017. While we maintain our top line, we revise our target for BWPT's 2017-2018F profitability after an improved 1H17 performance. In the 1H17, BWPT managed to book an operating profit of IDR. 138 bn compared to a loss of IDR. 13.49bn in 1H16. And while the bottom line was still a loss, it improved 30% from 1H2016 showing that a return to profitability is coming soon. To reflect this improvement, we are adjusting our target for 2018F to a net profit, supported by the maturing of the young plantations. In numbers, the area maturing in 2017-2018F is 13,299 Ha and 8,158 Ha respectively.

Valuation: Reiterate BUY, expect higher potential upside

With improvements in production, CPO prices, and the benefits of the planted area entering prime age, we believe BWPT will move towards generating profits in the foreseeable future. Based on our DCF (WACC 7.63%), we maintain our BUY with TP of IDR. 525/share, reflecting a valuation of 18.40x EV/EBITDA and significant potential upside.

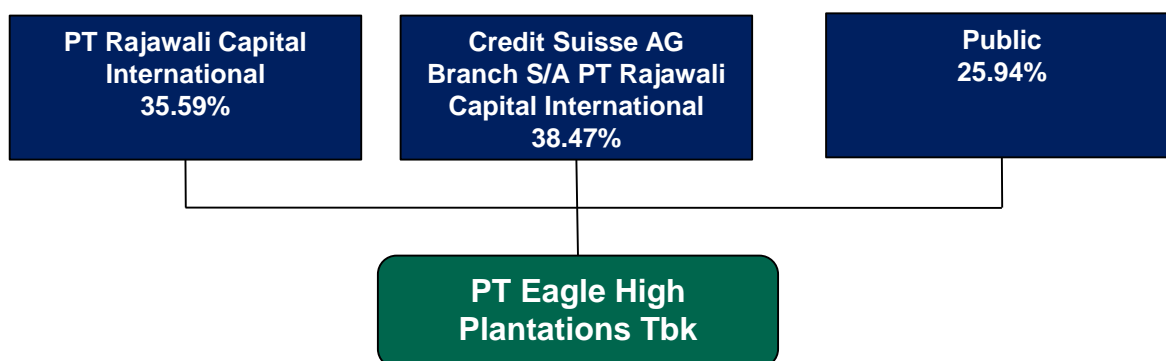
Profit and Loss (IDR.bn)	2014 A	2015 A	2016 A	2017 F	2018 F	2019 F
net sales	2,264.40	2,674.27	2,541.76	3,304.29	3,855.47	4,439.39
Cost of Sales	(1,635.26)	(2,100.50)	(1,948.27)	(2,473.10)	(2,938.80)	(3,440.24)
Gross Profit	629.13	573.77	593.49	831.19	916.68	999.15
Operating expense	(274.78)	(339.79)	(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. Before FICP transaction completed, 1Q17



II. After FICP transaction, as of 1H17

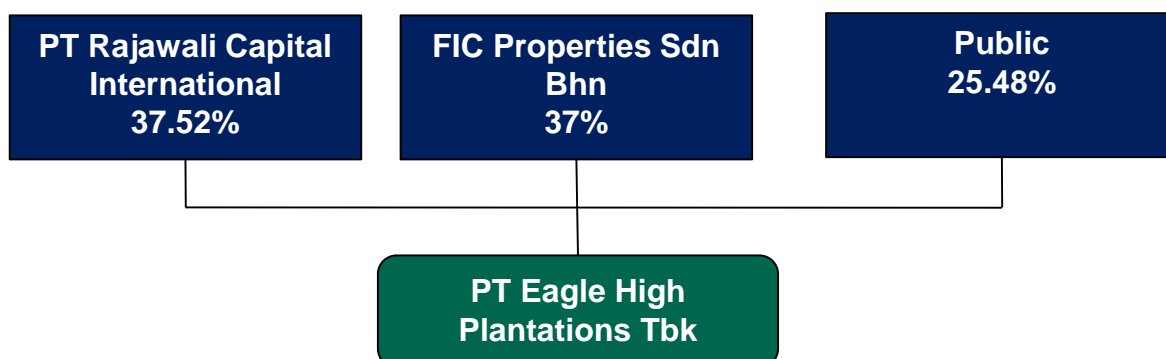


Chart: FFB vs CPO production yoy (in mn tons)

Chart Title

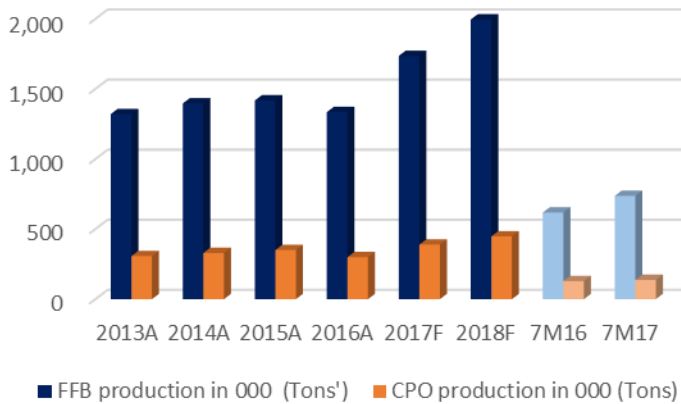


Chart: cash cost/ha yoy

Cash cost/ha (IDR.000)

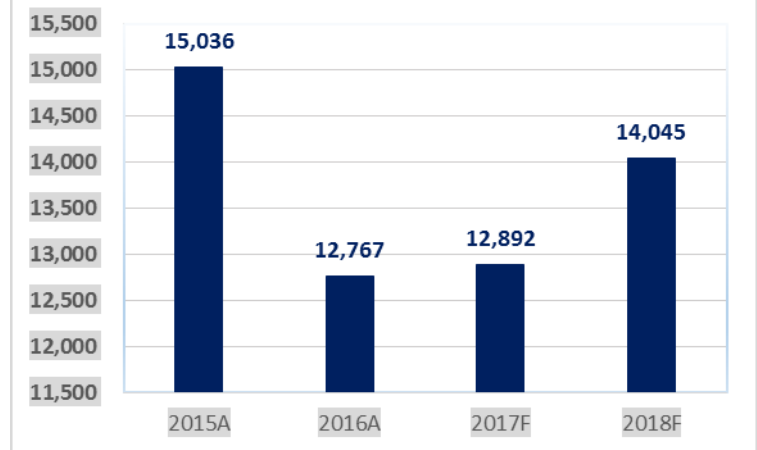


Chart: BWPT's planted area (ha) yoy

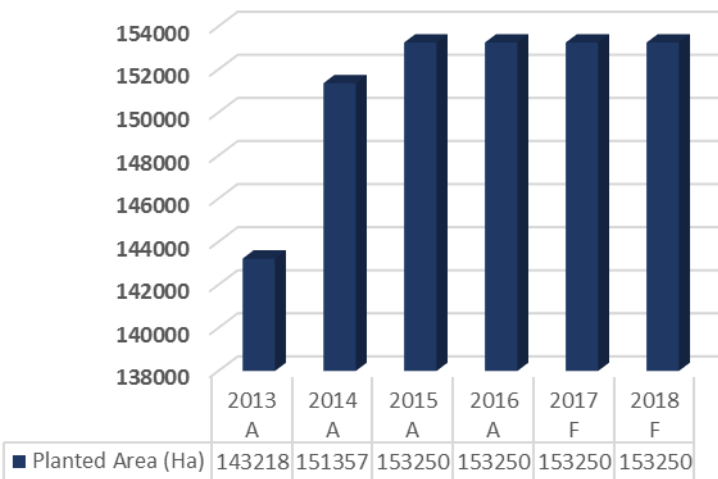


Chart: FFB yield/ha yoy

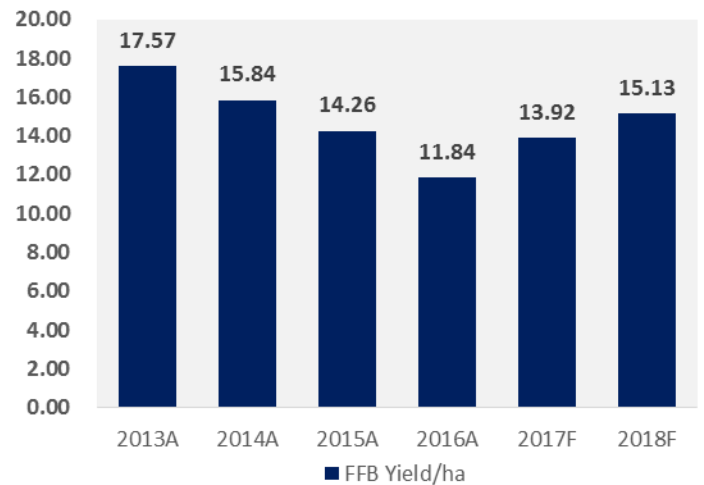


Chart: Percentage composition of mature vs immature area of BWPT's planted area yoy

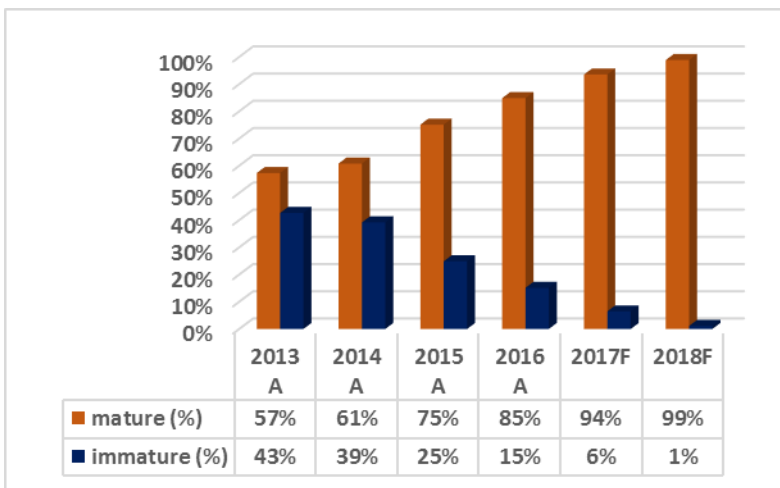
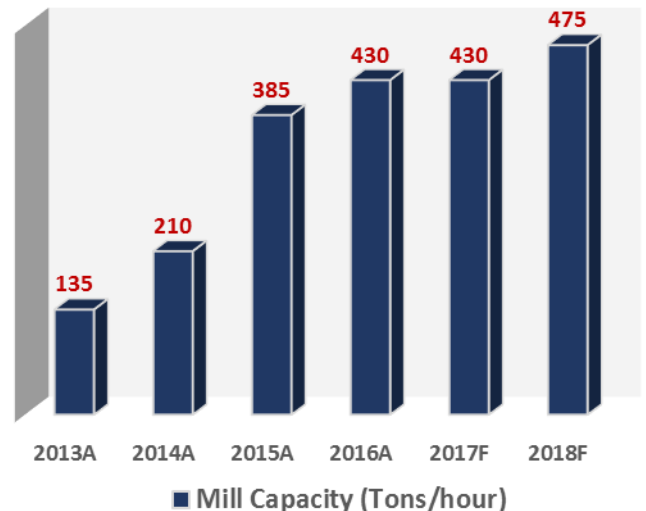


Chart: BWPT's mill capacity yoy



Profit and Loss (IDR.bn)

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	3,304.29	3,855.47	4,439.39
Cost of Sales	(1,302.44)	(1,635.26)	(2,100.50)	(1,948.27)	(2,473.10)	(2,938.80)	(3,440.24)
Gross Profit	428.10	629.13	573.77	593.49	831.19	916.68	999.15
Operating expense	(271.77)	(274.78)	(339.79)	(348.69)	(363.47)	(424.10)	(488.33)
Operating Profit	156.33	354.36	233.98	244.80	467.72	492.57	510.82
Other income	(65.88)	(173.16)	(79.88)	(437.60)	(580.97)	(595.21)	(475.10)
Pretax income(PBT)	(16.84)	274.47	(203.62)	(336.17)	(127.50)	17.47	103.51
taxes	(11.37)	(79.84)	22.22	(55.20)	(31.87)	4.37	25.88
Minority interest	11.15	(5.17)	1.66	1.62	1.98	2.31	2.66
EPS	(3.82)	9.08	(5.70)	(12.36)	(4.99)	0.77	4.19
Net Profit	(17.06)	189.47	(179.74)	(389.75)	(157.39)	24.16	132.05
EBITDA	380.76	611.28	701.68	766.06	1,155.61	1,222.42	1,316.76

Balance Sheet (IDR.bn)

Balance Sheet (IDR.bn)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Cash and cash equivalent	328	179	1,251	129	245	530	806
Trade Account Receivable	22	47	64	85	66	39	89
inventory	126	304	304	346	397	463	577
Other current asset	773	1,086	1,084	818	661	694	888
Current Asset	1,250	1,615	2,703	1,377	1,369	1,725	2,360
Fixed Asset	1,993	3,636	3,786	3,825	3,324	2,938	2,205
other long term asset	3,778	11,129	11,076	11,052	10,937	10,795	10,655
Total non current Asset	5,771	14,765	14,862	14,877	14,262	13,733	12,859
Total Asset	7,021	16,380	17,565	16,254	15,630	15,458	15,220
Trade Account Payable	251	450	552	258	397	501	622
Short Term bank loans	36	435	698	603	653	272	127
Other short term liabilities	965	2,219	2,611	1,507	1,119	1,029	962
Total current liabilities	1,251	3,105	3,861	2,368	2,169	1,803	1,710
Long term liabilities	2,525	5,533	6,271	6,857	6,540	6,222	5,796
Other Long term liabilities	1,013	795	779	770	826	1,002	1,154
Total long term/ non current liabilities	3,538	6,328	7,051	7,627	7,366	7,224	6,950
Total Liabilities	4,789	9,433	10,912	9,995	9,534	9,027	8,660
non controlling interest	224	119	121	119	113	110	106
Total Equities	2,009	6,828	6,532	6,140	5,983	6,322	6,454
Total Liabilities & Equity	7,021	16,380	17,565	16,254	15,630	15,458	15,220

Cash Flow (IDR. Bn)

Cash Flow (in bnIDR)	2013A	2014A	2015A	2016A	2017F	2018F	2019F
+ Net Income	(17)	189	(180)	(390)	(157)	24	132
Depreciation	224	257	468	521	688	730	806
- Change in WC	(223)	1,339	741	(1,289)	(75)	(438)	(451)
Cash From Operating Activities	(16)	1,785	1,029	(1,158)	456	316	487
Capex other long term asset	(682)	(1,900)	(617)	(561)	(187)	(343)	(73)
	(282)	(7,350)	52	25	114	142	141
Cash From investing Activities	(964)	(9,250)	(565)	(536)	(73)	(201)	68
Long term liabilities	1,283	3,008	738	585	(317)	(318)	(426)
Other Long term liabilities equity	111	(218)	(16)	(9)	56	176	152
	(128)	4,525	(114)	(4)	(7)	312	(4)
Cash From Financing Activities	1,265	7,315	609	572	(268)	170	(278)
Net Changes in Cash	286	(150)	1,073	(1,122)	116	285	277
Beginning Balance	43	328	179	1,251	129	245	530
Ending balance	328	179	1,251	129	245	530	807

Ratio Highlights

	2013A	2014A	2015A	2016A	2017F	2018F	2019F
Growth (% YoY)							
Sales	83%	31%	18%	-5%	30%	17%	15%
OP	-63%	127%	-34%	5%	91%	5%	4%
EBITDA	-27%	61%	15%	9%	51%	6%	8%
NP	-107%	-1210%	-195%	117%	-60%	-115%	447%
EPS	-106%	-338%	-163%	117%	-60%	-115%	447%
Profitability							
Operating Margin(%)	9.0%	15.6%	8.7%	9.6%	14.2%	12.8%	11.5%
EBITDA margin(%)	22.0%	27.0%	26.2%	30.1%	35.0%	31.7%	29.7%
NET Profit margin(%)	-1.0%	8.4%	-6.7%	-15.3%	-4.8%	0.6%	3.0%
Stability							
Debt/ equity (x)	1.27	0.87	1.07	1.21	1.20	1.03	0.92
Int. Coverage (x)	-0.16	1.98	-0.44	-0.52	-0.21	0.03	0.22
Debt Ratio (x)	0.68	0.58	0.62	0.61	0.61	0.58	0.57
Per Share data (Rp)							
EPS	(3.8)	9.1	(5.7)	(12.4)	(5.0)	0.8	4.2
BVS	449.3	327.1	207.2	194.8	189.8	200.5	204.7

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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