



Regional Industry Focus

Regional Plantation Companies

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Dec 2020

Undemanding valuations amid improving supply-demand trend

- Reiterating our 2021 average CPO price forecast of US\$617 per MT – some stocks are still offering attractive potential upside of 15-20%
- Lagging share price performance relative to CPO prices reflects market pessimism over palm oil prices despite 2H20 recovery
- CPO planters with strong margin performance preferred in 2021; our top BUY is First Resources (FR), followed by London Sumatra (LSIP) and Bumitama (BAL)
- We also like Wilmar (WIL) for its venture into branded consumer products

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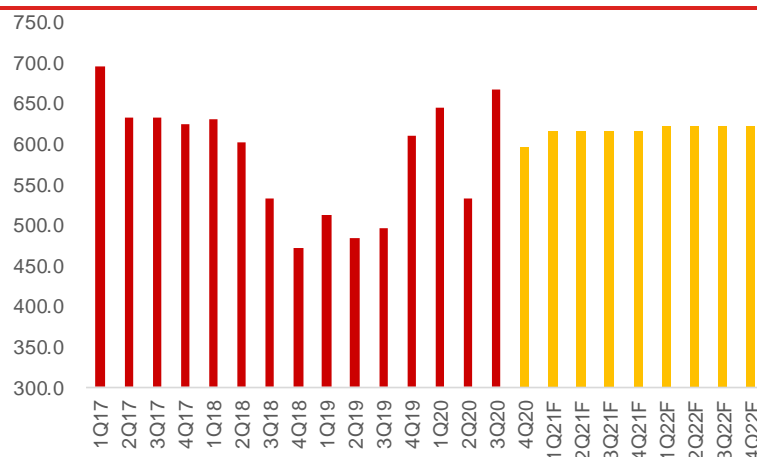
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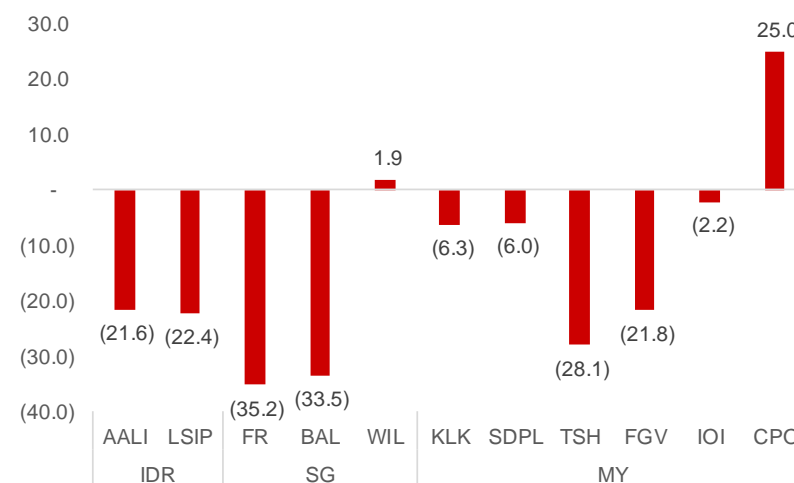
Contents

1. Executive summary	Page 3
2. CPO price forecast	Page 4
3. Supply: More than just a weather hiccup	Page 9
4. Indonesia B30 program	Page 14
5. Export demand: Tight edible oil market to support palm oil price	Page 16
6. Stock pick: Window opportunities still open as CPO stocks are lagged behind CPO prices	Page 18
7. First Resources: Capitalizing on CPO price trend	Page 20
8. Wilmar International: Margin expansion supported by consumer products penetration	Page 21
9. London Sumatra: Has the market overly discounted LSIP?	Page 23

SUMMARY: US\$617 /MT PALM OIL PRICE IN 2021, DEMAND RECOVERY TO ABSORB POTENTIAL SUPPLY EXPANSION

Quarterly CPO price trend
prices

CPO stocks' YTD performance has been lagging CPO



Source: Bloomberg Finance L.P., DBS Bank

CPO price to average at US\$617 per MT in 2021. Although we do not see CPO prices sustaining at US\$800 per MT as in the recent weeks, we believe they will remain firm at an average of US\$617 per MT in 2021 (+5% y-o-y). This should be primarily driven by continuous imports from China and India to meet their edible oil needs amid a relatively tight global edible oil market, and also our assumed 6m MT palm oil absorption by Indonesia for its biodiesel programme. We expect output to grow by 1% y-o-y to 71m MT on good density of rainfall in 4Q20 to prevent another year of declining output trend in 4QCY21.

Indonesia's CPO companies are still trading at a discount vs. Malaysian peers. CPO stock prices are lower vs. their early 2020 levels despite the strengthening palm oil price trend. With the view that palm oil prices will stay at US\$617 per MT in 2020, we believe that CPO stocks, especially those listed in Singapore and Indonesia, are laggards. There are concerns over how long CPO prices can remain at this high level, besides the possibility of Indonesia export levies hindering expansion next year. But we believe such concerns are overdone considering that even at the current US\$620 per MT CPO price level, valuations are still attractive – FR is trading at -2 standard deviation (SD) of its five-year average PE multiple.

CPO price: Strong footing to keep prices firm ahead

Key things to watch

(US\$ per MT)	1Q20	2Q20	3Q20	4Q20F	1Q21F	2Q21F	3Q21F	4Q21F
CPO price	644	531	667	617	617	617	617	617
Notes & key things to watch	B30 kicks in	COVID-19	Lockdown easing	La Nina, Deepavali	China CNY demand	Indo B30: Still ON?	M'sia stockpile <2.1m MT	Lagged 2020 La Nina effect?

Source: DBS Bank forecasts

- We believe the supply tightness will persist beyond the weather issue as Indonesia is facing structural stagnation, if not declining palm oil output outlook mainly due to ageing palm oil trees, and lack of proper maintenance during multi-year palm oil price declines in 2016-2019.
- Food-based palm oil demand is supported by relatively thin stockpiles of edible oils from China and India, which should satisfy their import appetite at least until 1Q21.
- Meanwhile, alternative edible oils are also facing supply-and-demand tightness, with soybean and sunflower oil providing sufficient headroom for palm oil prices to stay above US\$600 per MT in 2021.
- Indonesia's B30 programme is dependent on the availability of funding. We are forecasting a lower blending next year at 6m KL, as we see the possibility of shortage of financing for this programme. Indonesia's government plans to hike its export levies to capitalise on the high CPO price environment. This is to accelerate its fund collection and is a positive commitment to keep the programme running in 2021.

CPO price forecast

Our overall forecast summary

	15	16	17	18	19	20F	21F	22F
CPO price (RM/MT FOB P.Gudang)	2,168	2,652	2,760	2,340	2,434	2,450	2,540	2,560
CPO price (US\$/MT FOB P.Gudang)	560	640	645	588	566	596	617	622
Soybean price (US\$/MT FOB Chicago)	346	360	352	397	372	330	340	347
Soybean oil price (US\$/MT FOB Chicago)	667	696	753	711	697	706	727	742
STR20 price (US\$/MT)	1,337	1,392	1,497	1,516	1,431	1,468	1,507	1546
Sugar price (US\$/MT)	300	400	400	280	300	300	318	336

Source: DBS Bank forecasts

Key theme: Prices likely to sustain their uptrend until 2022

Supply	Insignificant estate expansion and replanting programme, also labour crunch in Malaysia should prevent price-destructive output expansion in 2020
Demand	Demand to outgrow supply on Indonesia Biodiesel Program, strong edible oil market
Key risks	Indonesia Biodiesel Program execution amid wide price spread between CPO and crude oil prices
Top picks	FR, BAL, LSIP, WIL

Source: DBS Bank Estimate

- We think the risk of palm oil price reversal in 2021, is minimal on poor organic output expansion due to limited upcoming maturing trees
- Urgency for Biodiesel delivery on 6.5-8.0m KL has put Indonesia's nationwide replanting programme behind schedule amid depleting CPO fund.
- Poor-quality fertilisers and ageing trees will prevent an excessive price-destructive recovery in supply next year, especially the late La Nina effect which is expected to arrive in 2H21.
- We see a scope for sustaining a healthy supply-and-demand situation in 2022-2030 as:
 - Decline in seed sales indicates that the replanting programme is behind schedule and may take its toll even on large palm oil companies

- Relatively low CPO prices since 2015 and costly greenfield project trend mean we do not have sufficient new trees for future harvest

CPO price to sustain at US\$620 per MT, while we see 2025-2030 CPO price at US\$680 per MT

CPO price

- We believe our US\$617 per MT assumption is fair and it allows for any higher-than-expected CPO price levies from Indonesia if CPO prices stay above US\$700 per MT in 2021 to support the national biodiesel programme.
- La Nina, could help normalise supplies in 2H CY21, but it should not be price destructive as poor fertilising in 2015-2020 and ageing trees have affected the output performance besides the weather dynamics next year.
- We believe CPO prices will sustain at above CY2021F level in the longer term, premised on a structural supply-and-demand tightness on limited new upcoming supply, and potential higher biodiesel blending, led by Indonesia.

Key risk: B30 programme and stiffer-than-expected geopolitical volatility

- If crude oil price stays at US\$40-45 per bbl beyond 2022, Indonesia's B30 programme will require a sustaining high export levies or runs the risk of collapsing and affecting around 6-8m MT of global palm oil demand.
- Trade tension and geopolitical risk which triggers a trade ban, or excessive import taxes for CPO in major importing countries.

Our assumption summary

Expecting edible oil market to slightly normalise post strong 4Q20 finish, but see supply and demand largely holding firm in 2021 and 2022. The constructive edible oil market means there will be minimal external pressure on palm oil price.

Soybeans

Palm Oil													
	CPO price (US\$/MT) FOB	Ending Stocks (k MT)	Global demand (k MT)	Global supply (k MT)	Stock/ usage ratio (%)	Soybean oil price (US\$/MT) FOB		Price of soybeans (US\$/MT) (FOB)	Ending Stocks (k MT)	Global demand (k MT)	Global supply (k MT)	Stock/ usage ratio (%)	Crude oil price (US\$/bbl)
2016	640	9,890	62,341	58,875	15.9%	696	2016	360	80,480	315,180	311,680	25.5%	42.5
2017	645	12,890	65,250	68,250	19.8%	753	2017	352	88,280	343,600	343,200	25.7%	51.6
2018	575	14,850	70,090	72,050	21.2%	706	2018	330	70,680	343,400	361,000	20.6%	56.7
2019	500	12,680	78,670	76,500	16.1%	630	2019	294	84,480	352,100	338,700	24.0%	60.4
2020F	596	12,123	70,046	69,489	17.3%	670	2020F	330	76,895	378,553	370,968	20.3%	40.0
2021F	617	9,819	72,380	70,076	13.6%	706	2021F	330	106,948	374,586	378,005	28.6%	45.0
2022F	622	9,334	72,380	71,895	12.9%	742	2022F	347	109,873	386,266	389,191	28.4%	55.0
2023F	624	7,186	73,265	71,117	9.8%	744	2023F	348	113,661	397,568	401,357	28.6%	55.0
2024F	687	7,641	74,595	75,051	10.2%	807	2024F	377	119,016	408,216	413,570	29.2%	55.0
2025F	701	8,861	77,601	78,821	11.4%	821	2025F	384	124,661	418,455	424,101	29.8%	55.0
2026F	701	10,985	79,374	81,498	13.8%	821	2026F	384	127,073	425,711	428,123	29.8%	55.0
2027F	701	11,620	82,833	83,467	14.0%	821	2027F	384	126,596	432,992	432,515	29.2%	55.0
2028F	687	11,394	85,176	84,949	13.4%	821	2028F	384	123,863	440,026	437,293	28.1%	55.0
2029F	687	10,740	87,041	86,387	12.3%	821	2029F	384	118,149	447,718	442,004	26.4%	55.0
2030F	687	10,724	87,398	87,381	12.3%	821	2030F	384	109,338	455,544	446,732	24.0%	55.0

Source: Malaysia Palm Oil Board, Indonesia Ministry of Agriculture and Forestry, Bloomberg Finance L.P DBS Bank

Supply: More than just a weather hiccup

Global output to normalise in 2021 but stagnate thereafter

Oil palm planted area ('000 hectares)

	2017A	2018A	2019A	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Mature	5,110.7	5,306.4	5,463.7	5,531.4	5,579.5	5,613.5	5,638.3	5,655.8	5,667.2	5,674.1	5,677.6	5,678.5	5,677.5	5,675.0
Immature	700.4	559.6	443.5	406.7	381.7	365.0	353.2	345.5	341.4	340.0	340.7	342.8	346.2	350.4
New planting	73.2	54.9	41.2	30.9	23.1	17.4	13.0	9.8	7.3	5.5	4.1	3.1	2.3	1.7
Malaysia	5,811.1	5,866.0	5,907.2	5,938.0	5,961.2	5,978.5	5,991.6	6,001.3	6,008.7	6,014.1	6,018.3	6,021.4	6,023.7	6,025.4
Mature	9,327.4	9,539.5	9,751.6	9,784.2	9,755.9	9,688.7	9,621.8	9,565.1	9,502.7	9,437.0	9,369.7	9,301.8	9,234.0	9,166.5
Immature	2,438.1	2,316.7	2,154.6	2,149.4	2,192.8	2,268.3	2,339.8	2,399.0	2,462.8	2,529.2	2,597.0	2,665.1	2,733.0	2,800.6
New planting	165.0	90.8	49.9	27.5	15.1	8.3	4.6	2.5	1.4	0.8	0.4	0.2	0.1	0.1
Indonesia	11,765.5	11,856.2	11,906.2	11,933.6	11,948.7	11,957.0	11,961.6	11,964.1	11,965.5	11,966.2	11,966.7	11,966.9	11,967.0	11,967.1
Mature	14,438.1	14,845.9	15,215.2	15,315.6	15,335.4	15,302.2	15,260.1	15,220.9	15,169.9	15,111.2	15,047.3	14,980.3	14,911.5	14,841.5
Immature	3,138.5	2,876.4	2,598.1	2,556.1	2,574.5	2,633.3	2,693.0	2,744.6	2,804.2	2,869.2	2,937.6	3,007.9	3,079.2	3,151.0
New planting	238.2	145.6	91.1	58.3	38.2	25.7	17.6	12.3	8.7	6.3	4.5	3.3	2.4	1.8
Total	17,576.6	17,722.3	17,813.3	17,871.6	17,909.9	17,935.6	17,953.2	17,965.4	17,974.1	17,980.4	17,984.9	17,988.3	17,990.7	17,992.5
% growth	1.4	0.8	0.5	0.3	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
		4.5	4.8	4.0	4.0	3.9	3.7	3.5	3.4	3.2	3.0	2.9	2.7	2.5

CPO production (m MT)

	2017A	2018A	2019A	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Malaysia	19.919	19.748	19.863	23.323	24.142	24.894	25.549	26.581	27.611	28.618	29.564	30.195	30.779	31.331
vol. growth	2.6	-0.2	0.1	3.5	0.8	0.8	0.7	1.0	1.0	1.0	0.9	0.6	0.6	0.6
% growth	15.0	-0.9	0.6	17.4	3.5	3.1	2.6	4.0	3.9	3.6	3.3	2.1	1.9	1.8
Indonesia	38.116	43.108	47.180	39.549	38.787	37.787	35.771	33.950	31.872	30.318	28.443	26.611	24.895	23.101
vol. growth	6.0	5.0	4.1	-7.6	-0.8	-1.0	-2.0	-1.8	-2.1	-1.6	-1.9	-1.8	-1.7	-1.8
% growth	18.7	13.1	9.4	-16.2	-1.9	-2.6	-5.3	-5.1	-6.1	-4.9	-6.2	-6.4	-6.4	-7.2
Others	7.215	9.194	9.457	6.617	7.147	9.213	9.798	14.520	19.337	22.562	25.461	28.144	30.713	32.949
vol. growth	-2.2	2.0	0.3	-2.8	0.5	2.1	0.6	4.7	4.8	3.2	2.9	2.7	2.6	2.2
% growth	-23.7	27.4	2.9	-30.0	8.0	28.9	6.3	48.2	33.2	16.7	12.8	10.5	9.1	7.3
Total	65.250	72.050	76.500	69.489	70.076	71.895	71.117	75.051	78.821	81.498	83.467	84.949	86.387	87.381
vol. growth	6.4	6.8	4.5	-7.0	0.6	1.8	-0.8	3.9	3.8	2.7	2.0	1.5	1.4	1.0
% growth	10.8	10.4	6.2	-9.2	0.8	2.6	-1.1	5.5	5.0	3.4	2.4	1.8	1.7	1.2
		4.5	4.8	4.0	4.0	3.9	3.7	3.5	3.4	3.2	3.0	2.9	2.7	2.5

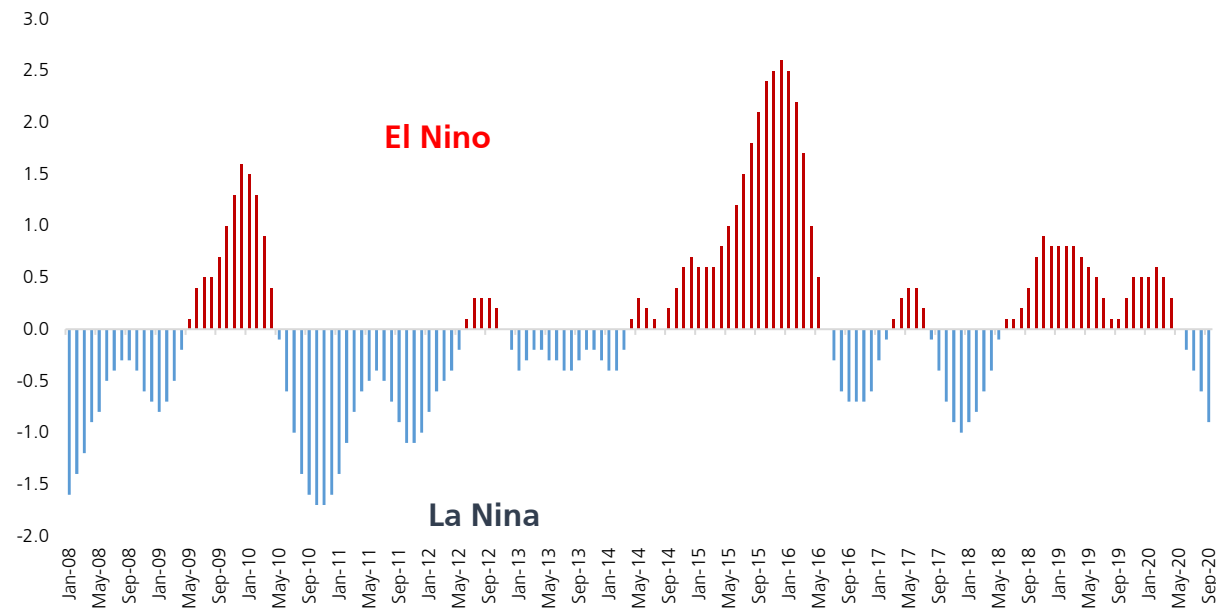
- Jun-Aug 2019 El Nino hindered seasonal output expansion in 2H20 and raised CPO prices ytd
- But we do not see La Nina disrupting prices on strong supply in 4Q21
- Indonesia planters' poor fertiliser application and replanting programme have negatively affected the country's yield expansion
- Peatland opening moratorium since 2012 and strict RSPO standard for land expansion will hinder greenfield land expansion, as seen in the stagnation in

Source: Oil World, MPOB, Ministry of Agriculture of Indonesia, DBS Bank Estimate

Weather: Friend or foe?

Twelve months of dryness and here today the La Nina. We close 2020 with La Nina in 4Q20 following the drought since June 2019, which carry over with dryness in 1H20. The dry weather hindered palm oil supplies expansion in 1H20 fortunately, and helped the supply and demand recovery despite lingering COVID-19.

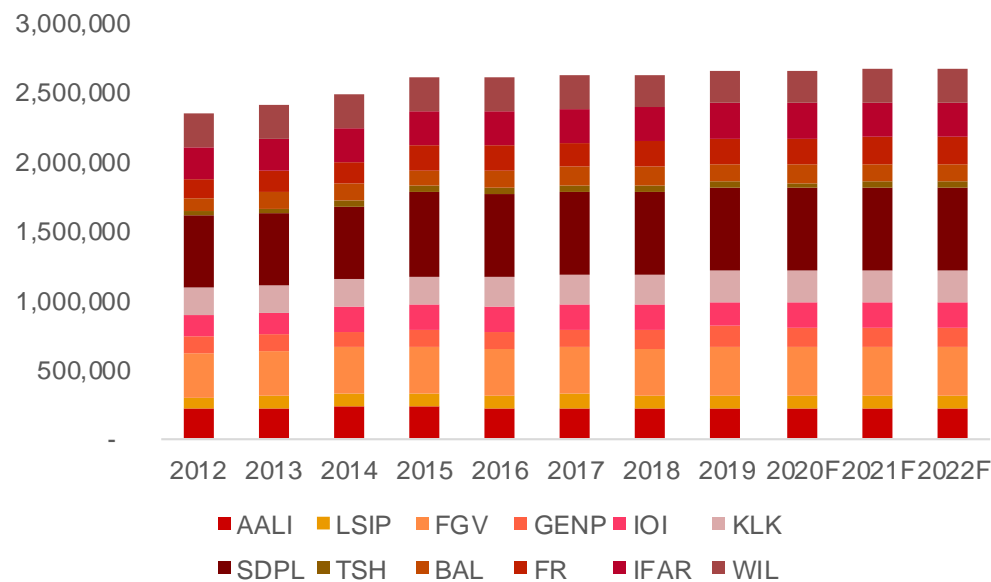
La Nina: Friend or foe? As we are hit by La Nina, heavy rainfall will reduce yield in the short term while logistical disruption may happen in some areas especially in less-established logistic regions such as Kalimantan. But it will also help the recovery in 4Q21.



Source: Bloomberg Finance L.P., psl.noaa.gov, DBS Bank

Global output uptrend likely to normalise in 2021, but stagnate thereafter

Matured area trend among listed plantation companies largely flat in the past decade



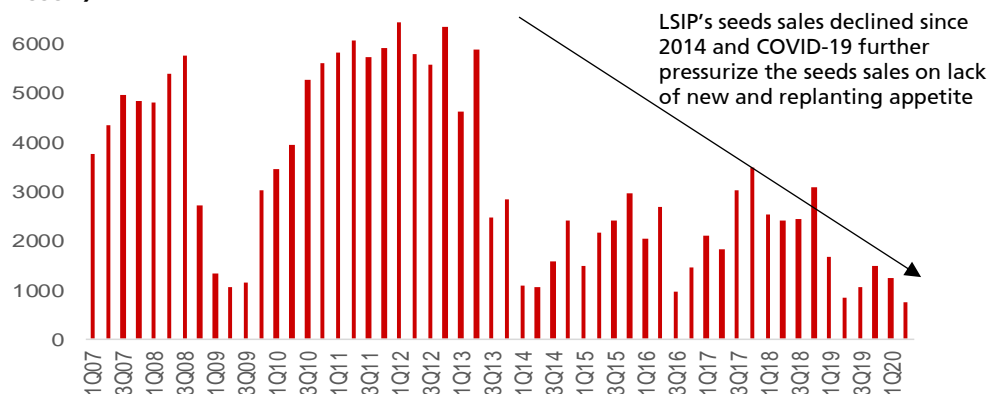
Source: Bloomberg Finance L.P., DBS Bank

- Listed companies' planted areas peaked in 2015 and have largely stagnated thereafter
- Replanting programme and mill expansion remain the key focus to maintain CPO production in the future
- CPO companies have 12-15% immature areas left vs. 20-25% 10 years ago
- Land moratoriums and strict RSPO standards hinder greenfield land expansion

Indonesia: Supply already at risk



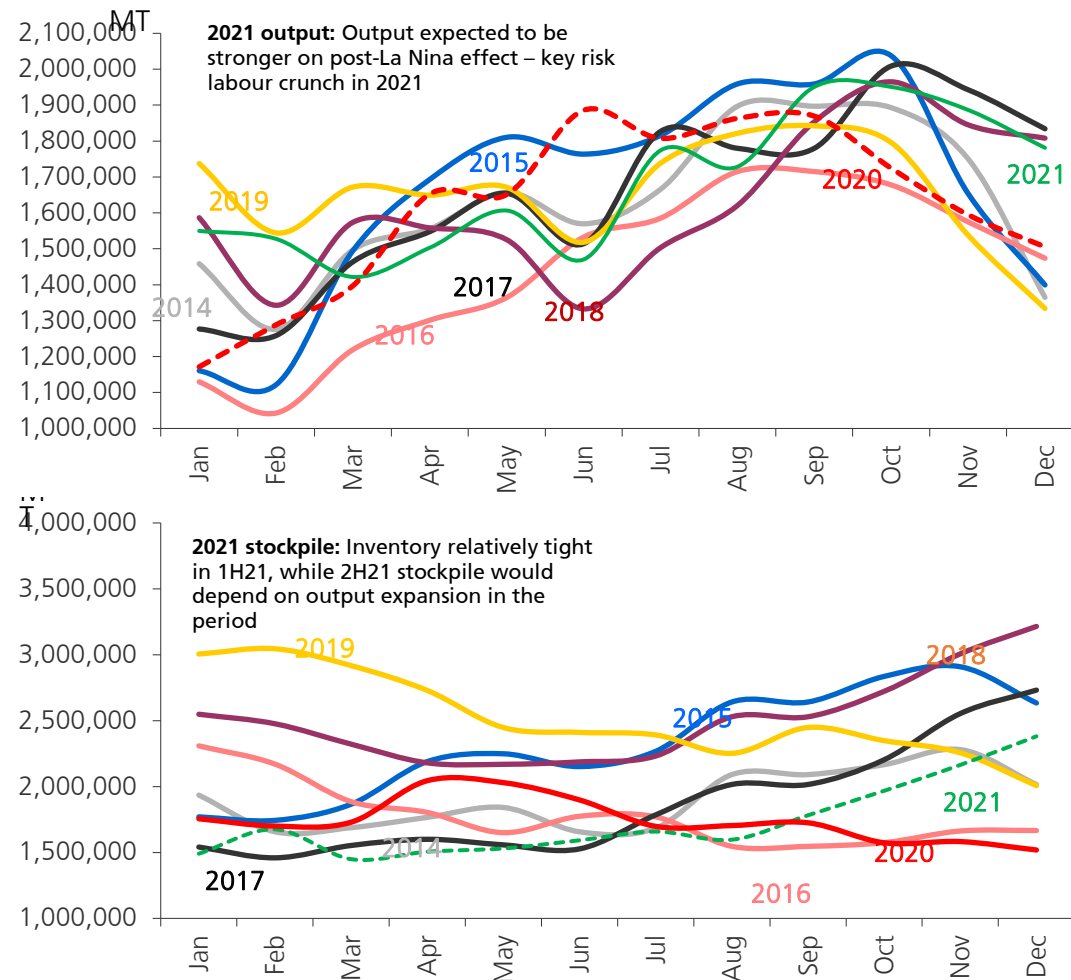
LSIP quarterly seeds sales volume ('000 seeds)



Source : Company, Ditjenbun, DBS Bank

- Indonesia's lands are fully occupied except the eastern part of the country. However, this also entails huge challenges
- Indonesia's eastern land bank is not feasible in terms of logistics, topography challenges and availability of workers
- New planting activities of listed companies remained low in 2020, also hit by COVID-19 social distancing measures. Lonsum's seeds sales have been declining since 2014 and even worse hit by COVID-19 in 2020
- Land moratoriums and strict RSPO standards hinder greenfield land expansion. Companies' new planting have been decreasing sharply since 2015

Malaysia: Limited room for output expansion, labour crunch could be structural



Source: MPOB, DBS Bank

- We end 2020 with quite a low inventory level of 1.5m MT, which is sufficient to buffer any slower-than-expected demand in 1HCY21
- Labour crunch could be extended in 2021 as long as a mass vaccine is still elusive. Labour shortage has been the key production risk in 2020, and if this is extended to 2021, our production rebound scenario may be at risk, especially in 2HCY21
- Relatively muted M&A transaction, targeting Indonesia's cheaper palm oil estates. Companies focus on strengthening their ESG factors by enhancing existing farming and fruit processing activities

Indonesia B30: Programme continuation is the key focus

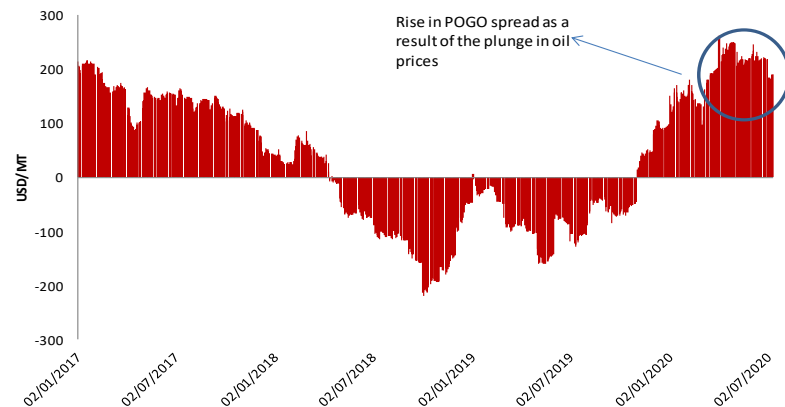
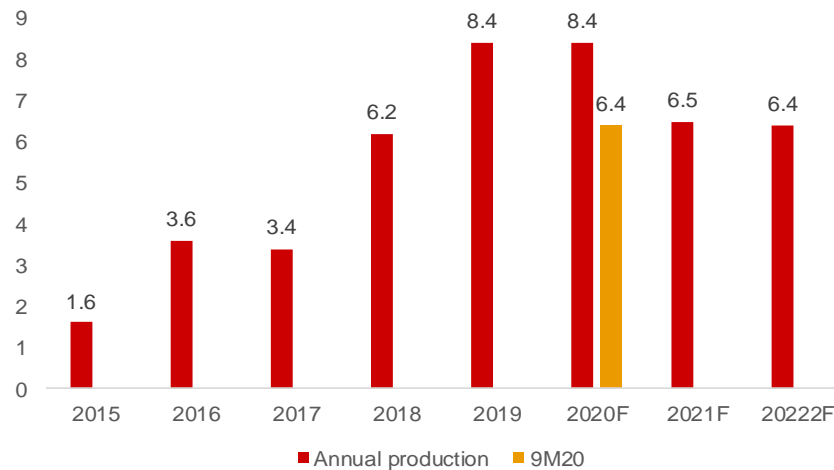
Indonesia	2014	2015	2016	2017	2018	2019	2020F	2021F	2022F	2023F	2024F	2025F
Transport diesel consumption (m litres)	26,437	26,142	26,220	26,966	27,053	27,140	27,092	27,092	27,179	27,267	27,355	27,443
in m MT	23.265	23.005	23.074	23.730	23.806	23.883	23.841	23.841	23.918	23.995	24.072	24.149
growth	-5%	-1%	0%	3%	0%	0%	0%	0%	0%	0%	0%	0%
GDP growth	5.0%	4.7%	5.1%	5.4%	5.5%	5.5%	-3.0%	0.0%	5.5%	5.5%	5.5%	5.5%
correlation	-108%	-24%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
Biodiesel exports (m litres)	1,629	328	476	187	1,802	1,319	-	-	-	-	-	-
Domestic biodiesel PSO (m litres)	1,844	915	3,008	2,571	3,750	6,392	6,542	6,391	6,250	6,864	4,990	4,241
implied blend	7%	4%	11%	10%	14%	24%	24%	24%	23%	25%	18%	15%
Domestic biodiesel non subsidised (m litres)	488	409	172	658	615	628	145	145	146	146	147	147
implied blend	2%	2%	1%	2%	2%	2%	1%	1%	1%	1%	1%	1%
Chg. in inventory (m litres)	50	-23	0	0	0	0	0	0	0	0	0	0
Total biodiesel produced (m litres)	3,961	1,652	3,656	3,416	6,167	8,339	6,687	6,537	6,396	7,011	5,136	4,388
growth	41%	-58%	121%	-7%	81%	35%	-20%	-2%	-2%	10%	-27%	-15%
Nameplate capacity (m litres)	5,670	6,750	7,280	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628	7,628
utilisation rate	70%	24%	50%	45%	81%	109%	88%	86%	84%	92%	67%	58%
Indonesia palm oil production (MT)	31,400,000	33,400,000	31,800,000	38,116,000	43,108,000	47,180,000	39,549,011	38,786,980	37,787,360	35,770,717	33,950,342	31,872,288
growth	9%	6%	-5%	20%	13%	9%	-16%	-2%	-3%	-5%	-5%	-6%
Palm oil required for biodiesel production (MT)	3,835,205	1,599,535	3,539,891	3,307,513	5,971,146	8,074,167	6,475,082	6,329,020	6,192,886	6,787,966	4,973,275	4,248,968
% energy recovery rate	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%	91%
Non biodiesel palm oil consumption (MT)	4,757,795	5,427,465	5,510,109	6,083,741	6,418,347	6,771,356	6,568,216	6,568,216	6,929,467	7,310,588	7,712,671	8,136,867
growth	-11%	14%	2%	10%	6%	6%	-3%	0%	6%	6%	6%	6%
correlation to GDP	-229%	299%	30%	193%	100%	100%	100%	100%	100%	100%	100%	100%
Total domestic palm oil consumption (MT)	8,593,000	7,027,000	9,050,000	9,391,255	12,389,493	14,845,523	13,043,298	12,897,236	13,122,354	14,098,555	12,685,946	12,385,836
growth	6%	-18%	29%	4%	32%	20%	-12%	-1%	2%	7%	-10%	-2%
Indonesia palm oil available for exports (MT)	22,807,000	26,373,000	22,750,000	28,724,745	30,718,507	32,334,477	26,505,713	25,889,744	24,665,006	21,672,163	21,264,396	19,486,453
growth	11%	16%	-14%	26%	7%	5%	-18%	-2%	-5%	-12%	-2%	-8%

Source: USDA, Handbook and Energy & Economic Statistics of Indonesia, Oil World, Pertamina, Kontan newspaper, DBS Bank estimates

Our Biodiesel pricing formula: CPO price + US\$125/MT vs. currently US\$80/MT

- Key focus is to top up the CPO fund in 2021, export levies likely to reach US\$120-150 per MT in 2021 if CPO prices stay at US\$750 per MT
- The commitment to keep the programme alive despite current price oil and palm oil price gap means the government would need to top up the CPO Fund amid current strong demand
- Indonesia's B30 programme has been successfully keeping palm oil price firm regardless of its spread vs. oil price and other edible oils. The programme is also designed to anticipated external pressures such as trade tensions, and geopolitical risks that may affect the prices.

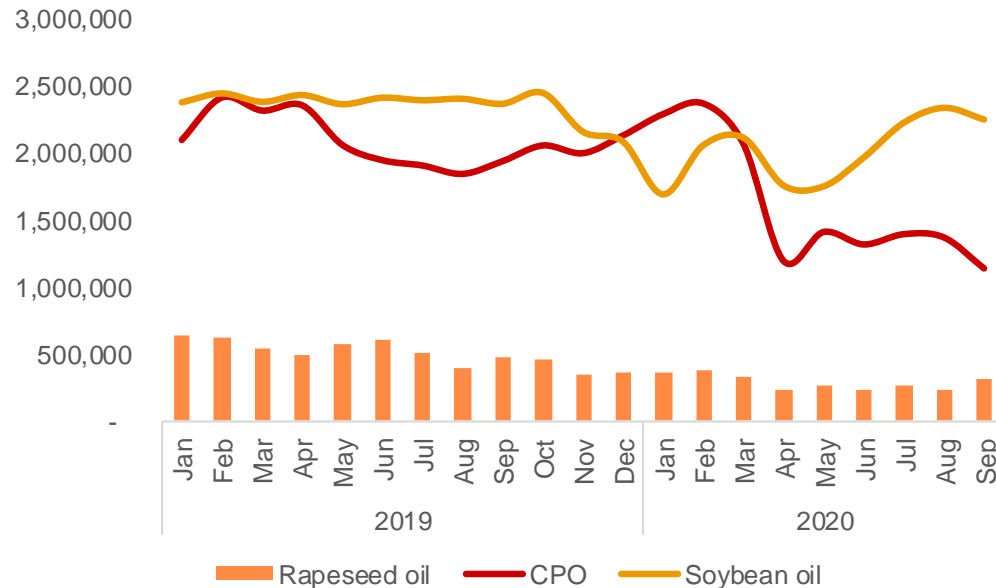
Indonesia B30 : Delivery has been promising



- Widening palm oil and gas oil (POGO) spread since COVID-19 pandemic is the key challenge of the B30 programme in 2021
- CPO fund has been successfully buffering the gap, resulting in a successful delivery in 2020
- The government is working to continue the programme ahead, and one of the key breakthrough solutions is to charge higher export levies and the new biodiesel pricing formula.
- If Indonesia successfully impose higher export levies of US\$120 per MT only in 1H21, and this could result in US\$1.8bn fund accumulation at 15m MT of CPO export, which is sufficient to support 4-6m MT of biodiesel, assuming net POGO spread of US\$300 per MT.

Source : APROBI, Bloomberg Finance L.P, DBS Bank

Export demand : Tight edible oil market supports palm oil as the cheapest option among them

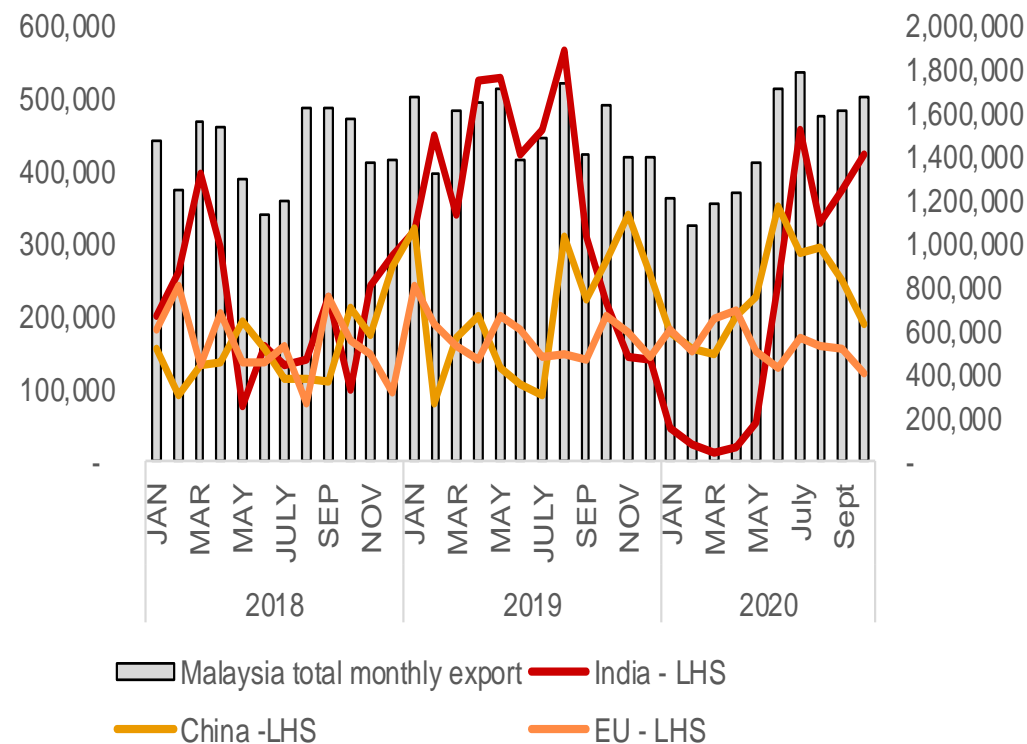


Source: MPOC, DBS Bank

- Firm soybean complexes prices provide a solid footing for CPO prices
- La Nina in equatorial region, means droughts in both the Northern/Southern hemisphere, and it will impact the harvest of soybean and other seeds such as sunflower seeds, at least in 1HCY21
- On the other hand, demand continues to recover following the easing of strict COVID-19 lockdowns. The lockdowns severely depleted the stockpiles of major consumers
- Meanwhile, key importers are having low edible oil stockpiles

Palm oil demand will be here to stay despite the strong prices – fuel demand is the key gamechanger

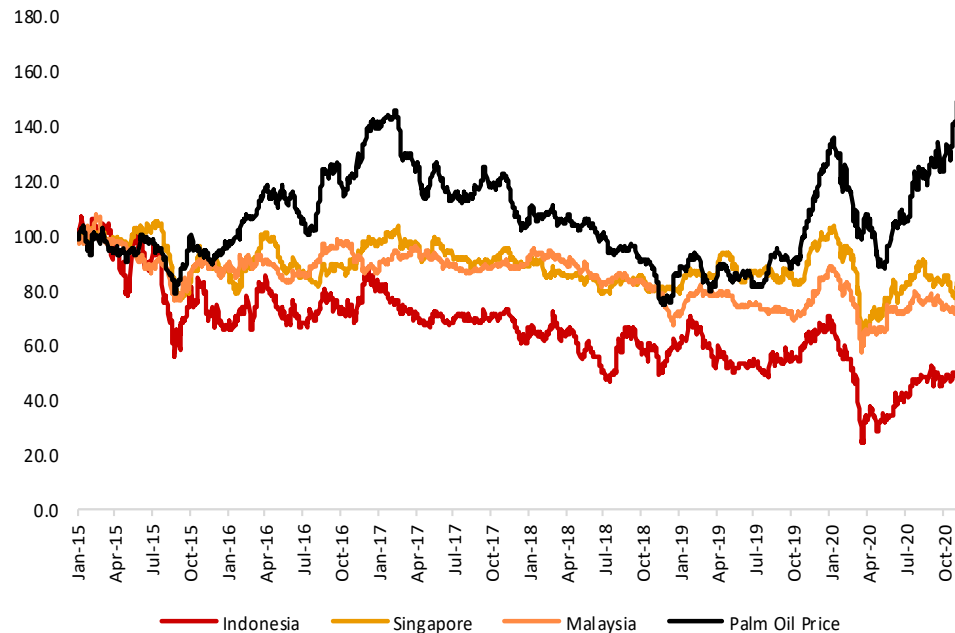
EU, China, India account for 40% of Malaysia's CPO exports



Source: MPOC, DBS Bank

- Palm oil is popular among bulk purchasers such as those in the Hotel, Restaurant, Catering (HORECA) sectors, besides large-scale manufacturers of food items such as instant noodles and biscuits
- India's current import tax is still 44%, but demand is relatively firm – this shows palm oil demand stickiness for some non-palm oil producer countries
- EU demand expected to remain firm despite RED II initiative which targets zero CPO biodiesel by 2030. However, Indonesia's biodiesel blending hike in the event of falling palm oil prices, to its initial target of B40 vs. B30 currently will be the key price cushion

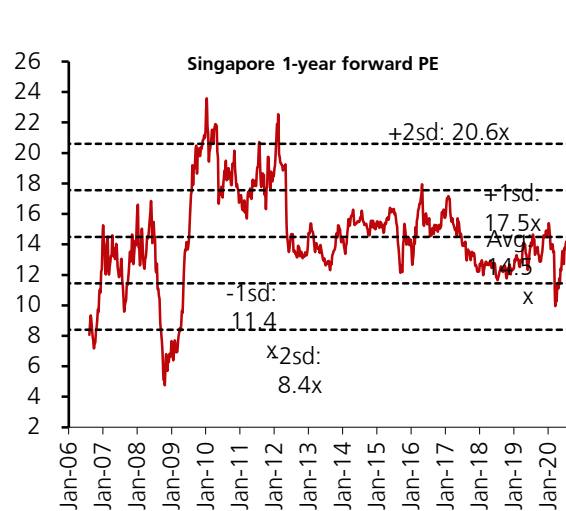
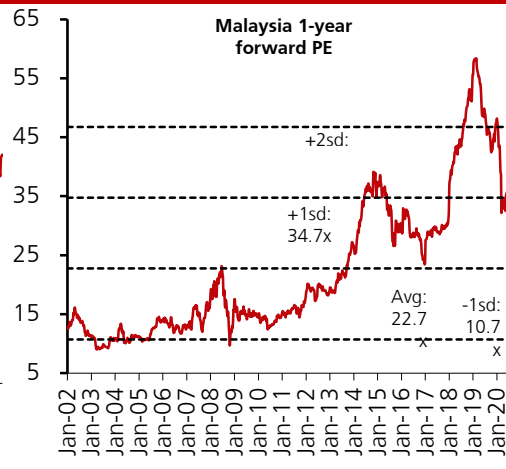
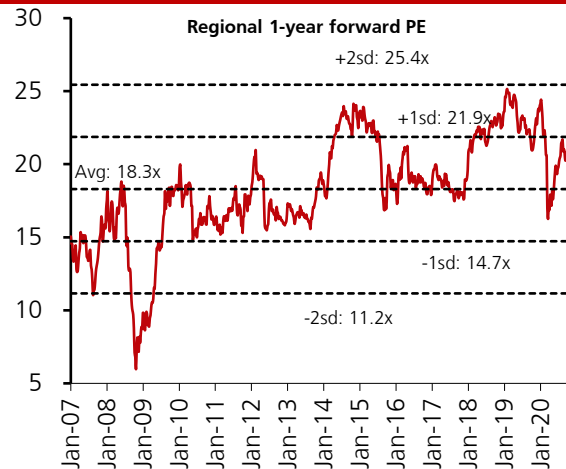
Stock price: Opportunity window still open , since CPO stocks performance lagged behind CPO prices



- Palm oil stock prices are lagging behind palm oil prices, as Singapore-listed FR and BAL are still hovering around their April 2020 COVID-19 sell-off levels.
- We believe palm oil companies will enjoy positive earnings growth of 13-15% FY19-22F CAGR earnings growth, premises earnings recovery at firmer palm oil price trend
- Concerns over whether palm oil companies will benefit from existing high prices, or whether the potentially higher export levies will hinder earnings expansion in 2021

Source: Bloomberg Finance L.P, DBS Bank

Undemanding valuations

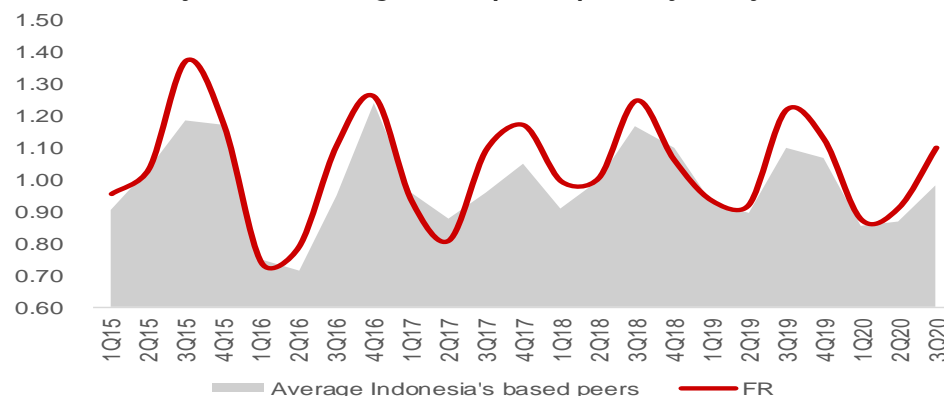


- Indonesia- and Singapore-listed palm oil companies are still trading at around their five-year average PE multiples despite surging palm oil prices
- Only Malaysia stocks have re-rated to +1 SD of their historical PE multiples
- Stocks with smaller market capitalisation like FR and BAL are eclipsed by the share price performance of their larger peers such as Wilmar and some Malaysia-listed plantation companies

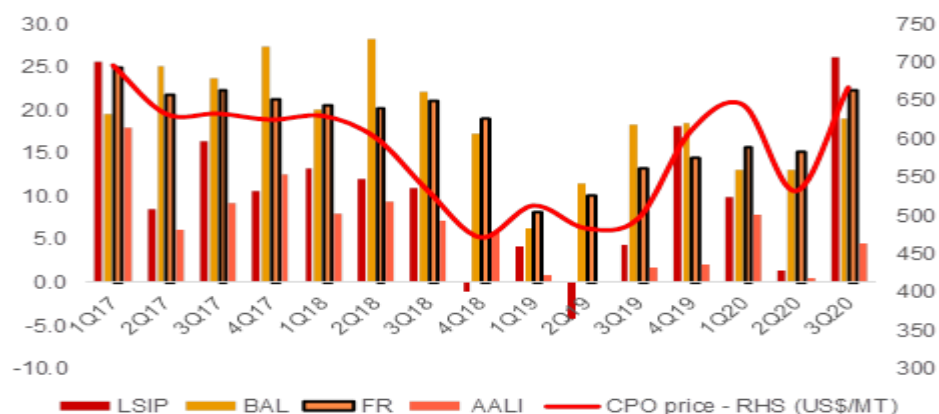
Source: Bloomberg Finance L.P., DBS Bank

First Resources: Capitalising on strong CPO price trend

FR consistently delivers stronger-than-peers quarterly CPO yield



High yield makes FR the highest profit margin performer among Indo-domiciled peers

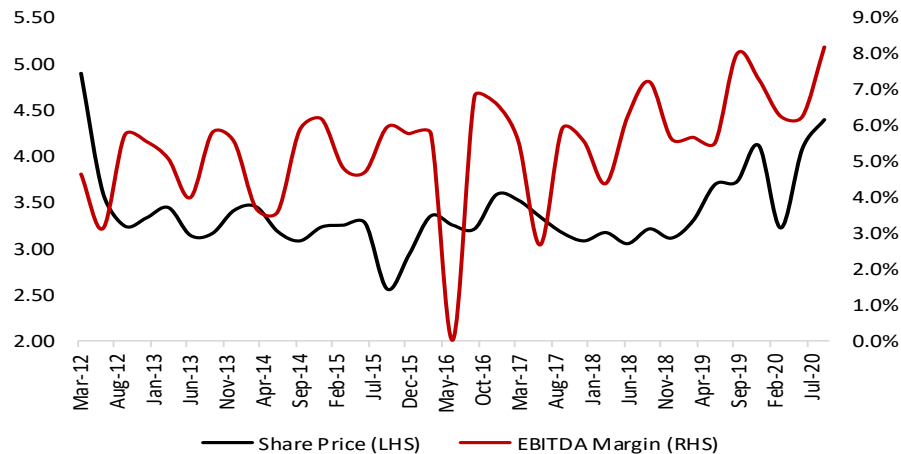


- Sequential earnings rebound on higher palm oil prices, yield expansion potential on young tree age. FR's trees, which have an average age of only 12 years, are at the beginning of their prime yield cycle of 11-22 years
- FR consistently delivers an above-average margin performance in various CPO price cycles, thanks to its superb yield performance
- Share price is trading at -2 standard deviation of its five-year average PE multiple. We believe the share price stagnation offers an opportunity to buy for an above-average yield and profitable performer

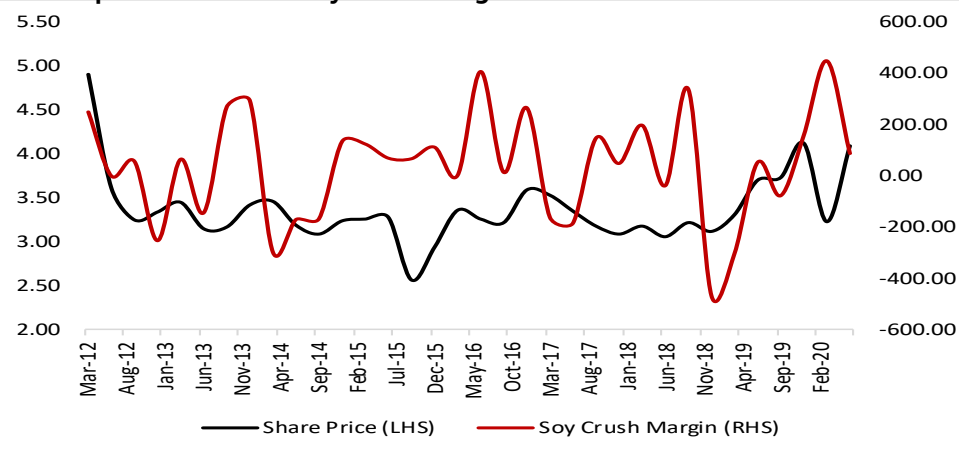
Source: Company, Bloomberg Finance L.P., DBS Bank

Wilmar: Margin expansion supported by consumer branded products penetration

Share price has been following the EBITDA margin expansion



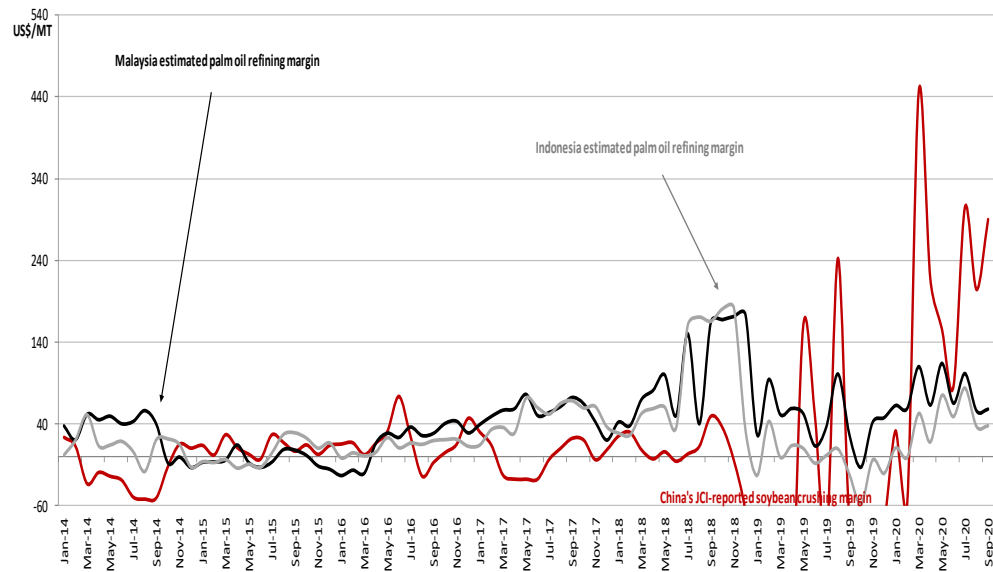
Share price also tracks soy crush margin trend



Source: Company, Bloomberg Finance L.P., DBS Bank

- More liquid and cheaper proxy to YKA, which generates only 60% of Wilmar's earnings and is trading at double Wilmar's PE multiple
- China crush margin improvement post ASF in 2019 bodes well for Wilmar, while its branded consumer products help to expand its profitability even further. Wilmar will be on track to achieve a double-digit ROE if it generates earnings exceeding US\$1.6bn per annum
- Higher dividend prospects post YKA listing initiated with a special dividend of 20% YKA's IPO proceeds. This sets a dividend yield of 5% for shareholders

Crushing and refining margin to be healthy in 2021, bodes well for Wilmar's performance

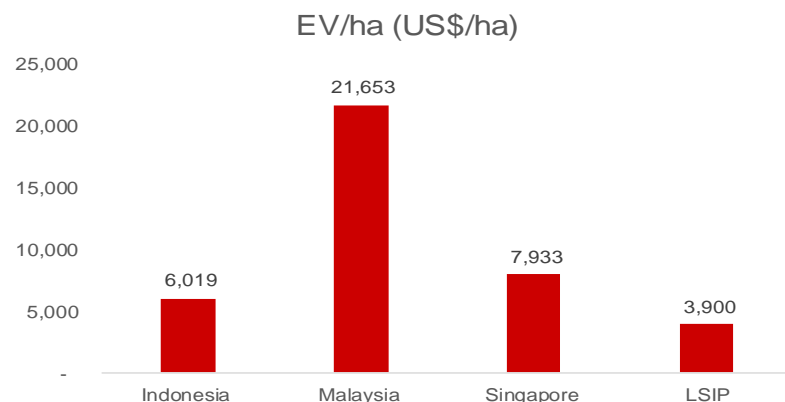


Source: Company, SEA of India, MPOB, Bloomberg Finance L.P, DBS Bank

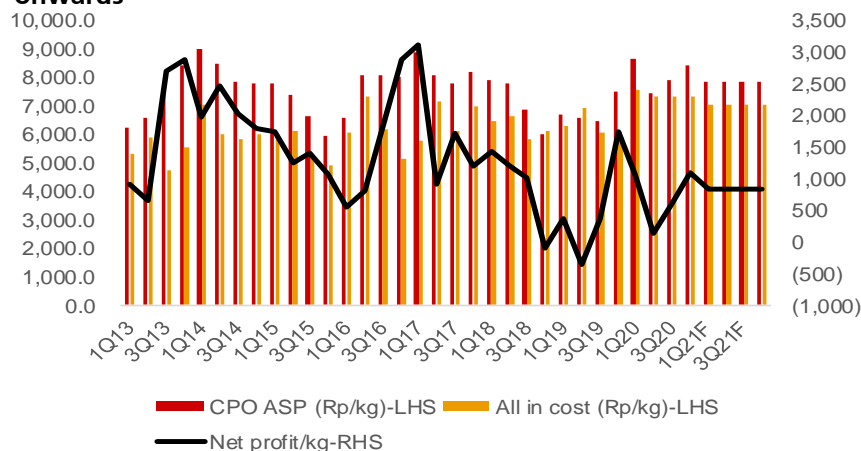
- Recovery in meal and edible oil consumption led by China results in a tight edible oil market
- Affordable soybeans are available from South America, while soymeal and soybean oil prices enjoy inland economic recovery post 2020 pandemic
- Soybean crushing margin has been performing well in 2020 and is expected to stay so in 2021
- Normalising hog population will support soymeal prices. However, tight edible oil market means that palm oil will still be needed in 2021 to fill the void

London Sumatra: Has the market over-discounted LSIP?

LSIP's EV/hectare is the lowest among its peers



Net profit per kg expected to improve alongside CPO price trend from 4Q20 onwards



Source: Company, Bloomberg Finance L.P, DBS Bank

- LSIP is the cheapest plantation stock out there, with EV/ha of only US\$3,900, the lowest within our plantation universe
- We see scope for profitability improvement in 2021 on higher CPO prices
- LSIP is largely in a similar situation with AALI on limited organic growth options. However, we prefer LSIP due to its 30% discount vs. AALI, alongside a higher net profit per kg of Rp1,300/kg in 3Q20 vs. AALI's Rp500/kg
- This makes LSIP a CPO price pure play, as its earnings are a function of higher CPO prices with total cost of Rp7,000 per kg

Key risks

Worse-than-expected COVID-19 second wave that leads to a global recession. Collapse in demand as a result of strict lockdowns in major palm oil importing countries such as India and China would lead to a worse-than-expected demand, from that seen in 2Q20.

Indonesia's realised biodiesel production < 6m KL in 2021. Our B30 assumption is based on US\$45 per bbl of oil price and US\$55 per ton of export levies. Worse-than-expected oil prices mean that Indonesia's biodiesel programme may be at risk, and so is the 6-8m MT of global palm oil demand.

Oversupply of palm oil substitutes. Slump in soybean oil prices means that cheaper substitutes such as palm oil also faces the risk of correction. Historically, palm oil and soybean oil prices have been moving in tandem.

DBS REGIONAL PLANTATION COVERAGE

																				19-21F own FFB vol CAGR		19-21F EPS CAGR		12-month Rec target price		Basis		
	Est. land bank (ha.)	20F own mat. (ha.)	20F own planted (ha.)	Share price 07-December-2020	Market cap (m)	Adjusted plantation EV (m)		Adjusted 20F EV/planted (own)		Adjusted 20F EV/mature (own)		CYPER, x		FY Div. yield, %		EPS growth (inc. BA gains), %		FY Net gearing, %		FY EV/ EBITDA, x		19-21F own FFB vol CAGR %	19-21F EPS CAGR %	Rec	12-month target price	Basis		
						20F	21F	20F	21F	20F	21F	20F	21F	20F	21F	20F	21F	20F	21F	20F	21F						20F	21F
Indonesia																												
Astra Agro L.	n/a	220,501	236,311	Rp	11,675	US\$	1,593	US\$	2,000	US\$	8,465	US\$	9,072	24.9	22.5	0.4	1.5	327	11	13	9	8.6	8.7	-2.7	117.6	H	Rp 10,400	DCF
London Sum.*	215,917	87,917	97,032	Rp	1,205	US\$	583	US\$	495	US\$	5,101	US\$	5,630	25.0	21.1	1.3	1.6	29	19	NC	NC	16.9	12.9	1.2	24.0	B	Rp 1,500	DCF
Simple avg						US\$	2,176		US\$	6,783		US\$	7,351		25.0	21.8						12.7	10.8					
Malaysia																												
Felda Global V	355,864	285,638	338,161	RM	1.26	US\$	1,132	US\$	2,776	US\$	8,208	US\$	9,717	77.7	30.7	0.8	1.1	NM	NM	93	100	11.6	10.3	2.5	24.2	B	RM 1.45	DCF
Genting Plant	150,912	119,794	151,052	RM	9.90	US\$	2,187	US\$	2,387	US\$	15,804	US\$	19,928	42.0	31.3	0.6	0.8	49	34	27	27	22.2	18.4	0.2	197.0	H	RM 9.35	SOP
IOI Corp**	220,593	158,081	178,162	RM	4.48	US\$	6,911	US\$	5,962	US\$	33,465	US\$	37,717	40.9	72.2	1.7	1.2	-28	69	27	24	23.6	19.5	-1.1	55.3	H	RM 4.35	DCF
KL Kepong	245,905	186,645	224,712	RM	23.60	US\$	6,266	US\$	5,306	US\$	23,612	US\$	28,428	29.6	37.6	1.1	1.6	38	12	20	17	16.1	14.7	3.3	5.4	B	RM 27.00	DCF
SD Plant	647,373	494,546	599,992	RM	5.08	US\$	8,610	US\$	9,915	US\$	16,525	US\$	20,048	36.1	64.2	0.6	0.9	418	70	45	43	16.5	13.0	1.6	19.8	B	RM 5.80	SOP
TSH Res.	82,841	34,627	44,193	RM	1.11	US\$	377	US\$	619	US\$	14,009	US\$	17,879	24.1	16.2	0.6	1.0	63	48	83	74	11.7	9.8	4.5	n.a	B	RM 1.25	DCF
Simple avg						US\$	25,482		US\$	18,604		US\$	22,286		41.7	42.0						17.0	14.3					
Singapore																												
Bumitama A.	191,561	120,689	132,643	S\$	0.53	US\$	682	US\$	1,148	US\$	8,658	US\$	9,515	12.0	11.5	4.5	4.5	6	4	60	35	9.5	7.8	5.2	5.4	B	S\$ 0.66	DCF
First Resource	312,488	169,987	184,072	S\$	1.34	US\$	1,583	US\$	1,857	US\$	10,090	US\$	10,926	12.8	11.8	2.1	1.9	33	8	19	15	7.0	6.7	3.1	19.8	B	S\$ 1.70	DCF
Indofood Agri*	541,224	208,695	249,267	S\$	0.29	US\$	303	US\$	681	US\$	2,732	US\$	3,263	15.1	10.5	0.0	0.0	NM	NM	45	42	8.3	7.3	1.8	40.6	H	S\$ 0.33	DCF
Wilmar Intl	573,401	221,911	249,935	S\$	4.22	US\$	20,019	US\$	1,992	US\$	7,969	US\$	8,976	14.1	13.9	2.9	3.0	5	2	100	97	13.5	12.6	1.6	3.5	B	S\$ 5.28	SOTP
Simple avg						US\$	24,145		US\$	8,283		US\$	8,847		12.3	10.9						7.7	6.9					

*Including rubber and other crops

**Excluding effective stake in associates land bank

Source: Bloomberg Finance L.P., company, DBS Bank

Company Guide

Singapore Company Update

Bumitama Agri

Bloomberg: BAL SP | Reuters: BUMI.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

10 Nov 2020

BUY

Last Traded Price (10 Nov 2020): S\$0.500 (STI : 2,705.00)
Price Target 12-mth: S\$0.66 (32% upside)

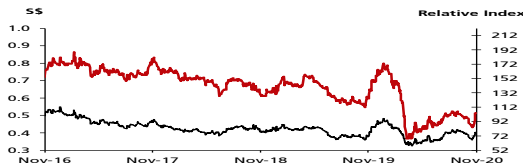
Analyst

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What's New

- 3Q20 earnings above our expectations on CPO price recovery
- Strong CPO price momentum to support earnings in 4Q20 and 2021
- Trading at 12.5x FY21 PE – COVID-19 vaccine and CPO price recovery not priced in
- Maintain BUY with unchanged TP of S\$0.66

Price Relative



Forecasts and Valuation

FY Dec (Rpbn)	2019A	2020F	2021F	2022F
Revenue	7,691	8,744	8,862	9,341
EBITDA	1,844	1,808	1,914	1,853
Pre-tax Profit	1,193	1,088	1,145	1,204
Net Profit	686	730	763	831
Net Pft (ex. BA gains)	697	730	763	831
Net Pft (Pre Ex.)	686	730	763	831
Net Pft Gth (Pre-ex) (%)	(37.4)	6.4	4.4	8.9
EPS (S cts)	3.74	3.98	4.16	4.53
EPS Pre Ex. (S cts)	3.74	3.98	4.16	4.53
EPS Gth Pre Ex (%)	(37)	6	4	9
Diluted EPS (S cts)	3.74	3.98	4.16	4.53
Net DPS (S cts)	2.41	2.41	2.41	2.41
BV Per Share (S cts)	44.1	45.7	47.4	49.5
PE (X)	13.5	12.7	12.1	11.1
PE Pre Ex. (X)	13.5	12.7	12.1	11.1
P/Cash Flow (X)	7.7	5.3	5.7	5.3
EV/EBITDA (X)	9.1	9.2	7.6	6.9
Net Div Yield (%)	4.8	4.8	4.8	4.8
P/Book Value (X)	1.1	1.1	1.1	1.0
Net Debt/Equity (X)	0.7	0.6	0.4	0.2
ROAE (%)	8.7	8.9	8.9	9.3
Earnings Rev (%):		0	0	N/A
Consensus EPS (S cts):		5.24	5.51	6.58
Other Broker Recs:		B: 3	S: 0	H: 1

Source of all data on this page: Company, DBSVI, DBS Bank, Bloomberg Finance L.P.



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Earnings rebound not priced in

Investment Thesis

Earnings recovery to continue in 2021. We believe that Bumitama Agri's (BAL) earnings recovery will continue in 2021 at our forecast of US\$617 per MT crude palm oil (CPO) prices. CPO prices are poised to remain firm despite prospects of higher output due to Indonesia's biodiesel program and appetite from key buyers such as China and India. BAL's good CPO yield performance may translate current high CPO prices into earnings and dividend for the company's investors.

Undemanding valuation and good asset quality. BAL is still trading at 12.5x FY20F price-to-earnings (PE), which we believe is undemanding. Liquidity has also played a role, but we believe the market should not ignore BAL based on this issue alone. Its estates are well managed, with low nucleus CPO cash cost level of around Rp5,000 per kg.

CPO prices will be the key earnings driver in 2021. With an outlook of low single-digit production in 2021, we are banking on higher CPO prices to drive BAL's earnings. We expect BAL's earnings to reach Rp763 bn (+4.4% y-o-y) in 2021.

Valuation:

We maintain our BUY rating with discounted cash flow (DCF)-based target price (TP) of S\$0.66 (weighted average cost of capital (WACC): 10.4%, Rf: 8.4%, Rm: 13.3%, β : 0.8, terminal growth (TG): 3%), offering 32% potential upside from the current levels.

Where we differ:

Valuation re-rating potential. We believe that any major announcements of a COVID-19 vaccine and current CPO prices may provide more headroom for BAL's share price to perform.

Key Risks to Our View:

Reversal in CPO price trend. Downside risk to CPO prices from stronger-than-expected pressure from soybean price, or higher-than-expected CPO output both in Indonesia and Malaysia in 2021.

At A Glance

Issued Capital (m shrs)	1,734
Mkt. Cap (S\$bn/US\$m)	0.87 / 650
Major Shareholders (%)	
Fortune Holdings Pte Ltd	52.3
IOI Corp Bhd	32.1
Free Float (%)	15.6
3m Avg. Daily Val (US\$m)	0.11
GIC Industry : Consumer Staples / Agricultural Products	



Live more, Bank less

WHAT'S NEW

Earnings rebound not priced in

Earnings rebound continued in 3Q20

BAL reported 3Q20 net earnings of Rp190bn (+0.7% y-o-y, +6.5% q-o-q) above our expectations on stronger than expected sales volume and palm oil prices, largely in line with consensus forecast. CPO and palm kernel (PK) sales volume reached 237.2k MT (-13.5% y-o-y, +6.1% q-o-q) and 48.9k MT (-17.5% y-o-y, -4.4% q-o-q) respectively.

CPO and PK average selling prices (ASP) reached Rp7,922 per kg (+23.4% y-o-y, flat q-o-q) and Rp3,995 per kg (+30.1% y-o-y, +1.1% q-o-q) respectively. CPO prices lagged benchmark prices in 3Q20, likely attributed to the reintroduction of US\$55 per MT of CPO price levies which commenced in June 2020 to support Indonesia's B30 biodiesel program.

Total processed fruits reached 1.1m MT (+3% y-o-y, +11.5% q-o-q) with BAL nucleus estate produced fruits leading the way. Nucleus fresh fruit bunches (FFB) reached 569k MT (+3% y-o-y, +12.6% q-o-q), followed by smallholders and externals fruits production of 258k MT (-0.5% y-o-y, +9.6% q-o-q) and 308k MT (+6.3% y-o-y, +11.1% q-o-q) respectively.

Nucleus CPO yield was estimated around 4.7MT per hectare, an improvement from last quarter at 4.2MT per hectare although still lower than last year at 5.3MT per hectare. The q-o-q improvement was largely anticipated in line with palm oil trees' seasonal high production in 2H of the year. However, BAL's extraction rate dropped marginally to 22.2% in 3Q20 (vs. last quarter at 22.6%). We suspect it was the result of the quality of external fruits that was affected amid a relatively dry season.

Outlook: Recovery to continue in 2021

BAL has room to further improve its earnings amid current high palm oil prices. We believe that it should finish strong in 4Q20 and continue its earnings growth recovery next year. We forecast earnings to grow by 4.4% y-o-y to Rp763bn before growing further by 8.9% y-o-y to Rp831bn in 2022. Our 2021 and 2022 earnings forecast are below the consensus. However, we believed that consensus has not fully adjusted their earnings forecast for Indonesia's US\$55 per MT export levies which could absorb high palm oil prices in BAL's realised ASP next year.

All in, BAL valuation is undemanding. It is trading at FY21 price-to-earnings (PE) of 12.5x, rebounding from -1SD (standard deviation) of its five year multiple recently. We believe that BAL deserves to trade at a premium relative to its Indonesian and Malaysian peers due to its stellar performance so far.

BAL consistently maintains its nucleus CPO yield at above 4.0MT per hectare which is positive for its profitability. This allows it to weather worse than expected CPOs price swing, or lower than expected external fruit purchases which may affect BAL's extraction rate and profitability.

Strong palm oil prices to support earnings

CPO prices will be the key earnings driver for BAL next year. We forecast BAL's CPO sales volume to grow by 6% y-o-y. We expect palm oil prices to reach US\$617 per MT in 2021 (+4% y-o-y), before improving slightly to US\$622 per MT in 2022. With structurally tight CPO price and supply in play, amid Indonesia ageing trees, poor fertiliser application and struggling state-owned enterprise (SOE) CPO planters, low CPO prices in the past three years have disrupted Indonesia's nationwide replanting program and forced planters to reduce fertiliser application to cut cost.

A tightening edible oil market is also positive for CPO prices to maintain its momentum despite current high prices. The risk of a short-term price reversal is unlikely due to good palm oil appetite from both China and India amid low palm oil stockpile in both countries. They are expected to keep importing at current prices.

Indonesia's B30 delivery in 9M20 almost hit our FY20 biodiesel blending target of 6.7m KL and achieve Indonesia's national B30 blending target of 8.0m KL. This is despite the ongoing COVID-19 pandemic and transitional PSBB (large scale social distancing) still in place.

Maintain BUY with TP of S\$0.66

We rolled forward our discounted cash flow (DCF) valuation year to FY21. However, target price (TP) changes are immaterial as maintain our FY21/22 forecast and long term CPO price assumption of US\$680 per MT from 2025F onward. We assume WACC and TG rate of 10.4% and 3% respectively.

BAL is one of our top BUYs in this universe due to its consistent CPO yield which supports its profitability. We believe that it is one of the best proxies for recovery of CPO prices in the market.

Company Background

Fast-growing palm oil producer Bumitama Agri (BAL) was established in 1996 by Harita Group through the acquisition of 17,500 ha of land bank in Central Kalimantan. After aggressive new plantings and a string of subsequent acquisitions, BAL controlled an aggregate of c.132,643 ha of land as at end-2019 (nucleus only), of which 117,590 ha were mature as at end-December 2019. BAL was listed on the Singapore Exchange in April 2012.

Quarterly earnings summary

	3Q20	2Q2020	1Q2020	3Q2019	y-o-y	q-o-q	9M2020	9M2019	y-o-y
	Rpbn	Rpbn	Rpbn	Rpbn	Change	Change	Rpbn	Rpbn	Change
Revenue	2,077,174	1,985,230	2,017,256	1,943,665	6.9%	4.6%	6,079,660	5,399,403	12.6%
Gross profit	500,422	498,702	539,676	509,798	-1.8%	0.3%	1,538,800	1,153,323	33.4%
NPATMI	190,884	179,182	262,069	189,613	0.7%	6.5%	632,135	424,858	48.8%
GPM (%)	24%	25%	27%	26%			25%	21%	
NPATMIM (%)	9%	9%	13%	10%			10%	8%	
Sales Statistics (MT)									
FFB production (MT)	1,136,597	1,019,597	1,005,971	1,103,204	3.0%	11.5%	3,162,165	3,372,306	-6%
Own	569,521	505,812	483,641	553,093	3.0%	12.6%	1,558,974	1,659,162	-6%
Smallholders	258,471	235,888	228,206	259,784	-0.5%	9.6%	722,565	768,487	-6%
External	308,605	277,897	294,124	290,327	6.3%	11.1%	880,626	944,657	-7%
CPO production (MT)	252,692	230,881	231,540	246,282	2.6%	9.4%	715,113	759,700	-6%
PK production (MT)	53,750	48,954	47,615	50,899	5.6%	9.8%	150,319	155,558	-3%
CPO sales volume	237,233.0	223,599.0	209,241.0	274,317	-13.5%	6.1%	670,073	742,973	-10%
PK sales volume	48,985.0	51,213.0	44,054.0	59,360	-17.5%	-4.4%	144,252	160,835	-10%
CPO ASP (Rp/kg)	7,922.50	7,973	8,707	6,421	23.4%	-0.6%	8,184	6,514	26%
PK ASP (Rp/kg)	3,995.93	3,954	4,434	3,072	30.1%	1.1%	4,128	3,478	19%

Source : Company, DBS Bank

Peers' comparison table

	Est. land bank (ha.)	20F own mat. (ha.)	20F own planted (ha.)	Share price 09-November-2020	Market cap (m)	Adjusted plantation EV (m)	Adjusted 20F EV/planted (own)	Adjusted 20F EV/mature (own)	CY PER, x 20F 21F	FY Div. yield, % 20F 21F	EPS growth (inc. BA gains), % 20F 21F	FY Net gearing, % 20F 21F	FY EV/ EBITDA, x 20F 21F	19-21F own FFB vol CAGR %	19-21F EPS CAGR %	12-month Rec target price	Basis
Indonesia																	
Astra Agro L.	n/a	220,501	236,311	Rp	10,900 US\$	1,476 US\$	1,888 US\$	7,992 US\$	23.3	21.0	0.4 1.6	327 11	13 9	8.1	8.2	-2.7	117.6 H Rp 10,400 DCF
London Sum.*	215,917	87,917	97,032	Rp	1,005 US\$	483 US\$	393 US\$	4,046 US\$	25.9	20.1	1.5 1.6	4 29	NC NC	17.4	11.7	1.2	15.8 B Rp 1,150 DCF
Simple avg					US\$ 1,959		US\$ 6,019	US\$ 6,515	24.6	20.6				12.7	9.9		
Malaysia																	
Felda Global V.	355,864	285,638	338,161	RM	1.15 US\$	1,016 US\$	2,660 US\$	7,866 US\$	70.9	28.0	0.9 1.2	NM NM	93 100	11.1	9.9	2.5	24.2 B RM 1.45 DCF
Genting Plant.	150,912	119,794	151,052	RM	9.90 US\$	2,151 US\$	2,354 US\$	15,586 US\$	42.0	31.3	0.6 0.8	49 34	27 27	22.2	18.4	0.2	197.0 H RM 9.35 SOP
IOI Corp**	220,593	158,081	178,162	RM	4.45 US\$	6,753 US\$	5,823 US\$	32,687 US\$	121.5	71.7	1.7 1.2	-28 69	27 24	23.5	19.3	-1.1	55.3 H RM 4.35 DCF
KL Kepong	245,905	186,645	224,712	RM	22.76 US\$	5,944 US\$	5,057 US\$	22,504 US\$	40.6	36.3	1.2 1.6	38 12	20 17	15.6	14.3	3.3	5.4 B RM 27.00 DCF
SD Plant.	647,373	494,546	599,992	RM	5.12 US\$	8,536 US\$	9,844 US\$	16,407 US\$	110.1	64.7	0.6 0.9	418 70	45 43	16.6	13.1	1.6	19.8 B RM 5.80 SOP
TSH Res.	82,841	34,627	44,193	RM	1.02 US\$	341 US\$	593 US\$	13,410 US\$	22.1	14.9	0.7 1.1	63 48	83 74	11.2	9.3	4.5	n.a B RM 1.25 DCF
Simple avg					US\$ 24,741		US\$ 18,077	US\$ 21,653	67.9	41.1				16.7	14.1		
Singapore																	
Bumitama A.	191,561	120,689	132,643	S\$	0.51 US\$	656 US\$	1,126 US\$	8,489 US\$	11.6	11.1	4.7 4.7	6 4	60 35	9.3	7.7	5.2	5.4 B S\$ 0.66 DCF
First Resource	312,488	169,987	184,072	S\$	1.25 US\$	1,463 US\$	1,736 US\$	9,433 US\$	11.9	11.0	2.3 2.0	33 8	19 15	6.5	6.3	3.1	19.8 B S\$ 1.70 DCF
Indofood Agri*	541,224	208,695	249,267	S\$	0.30 US\$	307 US\$	681 US\$	2,732 US\$	15.3	10.7	0.0 0.0	NM NM	45 42	8.4	7.3	1.8	40.6 H S\$ 0.33 DCF
Wilmar Intl	573,401	221,911	249,935	S\$	4.33 US\$	20,422 US\$	2,034 US\$	8,137 US\$	14.5	14.2	2.8 3.0	5 2	100 97	13.6	12.7	1.6	3.5 B S\$ 5.28 SOTP
Simple avg					US\$ 24,184		US\$ 7,933	US\$ 8,479	12.0	10.9				7.6	6.8		

*Including rubber and other crops

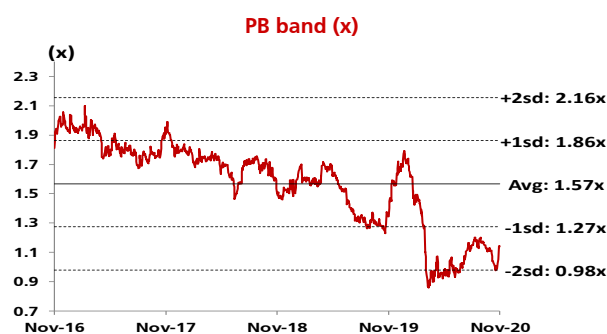
**Excluding effective stake in associates land bank

Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

Historical PE and PB bands

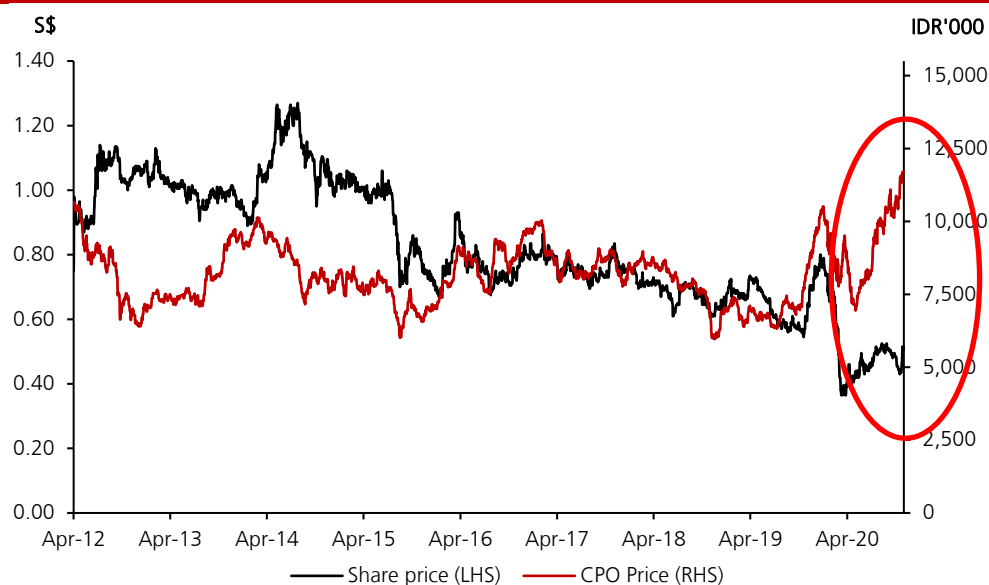


Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates



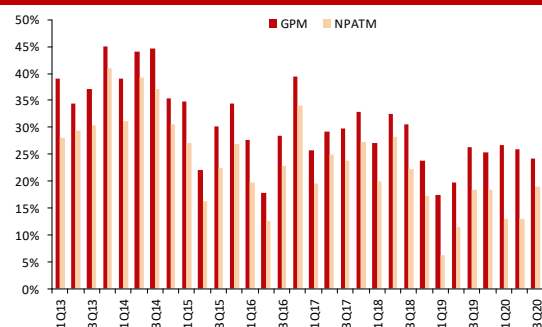
Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

Share price lagged behind CPO price since May 2020



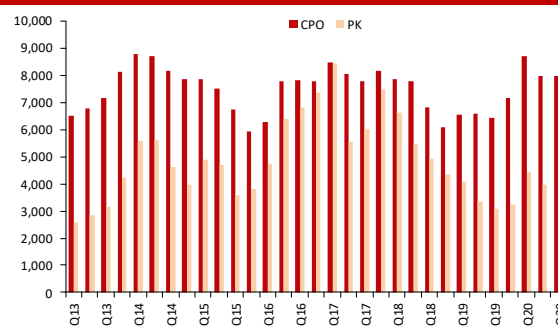
Source: Company, DBS Bank

Profitability rebounded in tandem with CPO prices



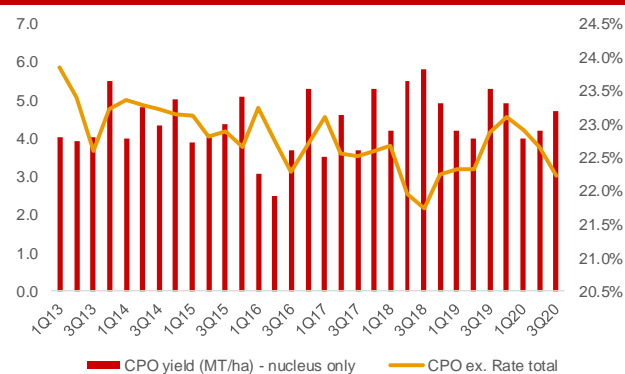
Source: Company, DBS Bank

CPO ASP is tracking global palm oil price trend, net of US\$55 per MT export levies (Rp/kg)



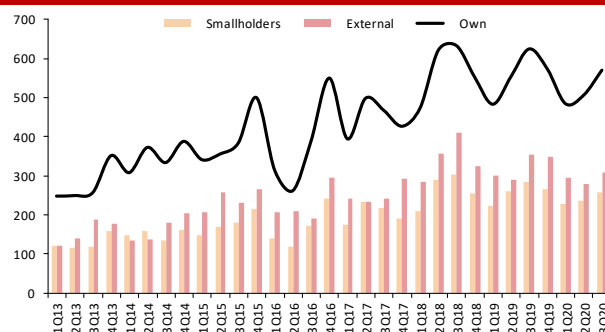
Source: Company, DBS Bank

Own-CPO yield and total extraction rate trend



Source: Company, DBS Bank

Total processed fruits have been trending upward since 2015



Source: Company, DBS Bank

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
CPO price (RM/MT)	2,340	2,090	2,450	2,540	2,560
Own mature oil palm	113,238	117,590	120,689	124,498	126,654
CPO sales volume (MT)	1,070,057	1,037,050	1,098,098	1,161,325	1,177,017
Palm kernel sales vol. (MT)	218,090	218,657	225,598	239,541	243,747
Avg. USD/IDR rate	14,527	14,362	14,150	14,150	14,150

Income Statement (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	8,381	7,691	8,744	8,862	9,341
Cost of Goods Sold	(5,990)	(5,958)	(7,003)	(7,003)	(7,549)
Gross Profit	2,391	1,733	1,741	1,859	1,791
Other Opng (Exp)/Inc	(543)	(647)	(619)	(662)	(693)
Operating Profit	1,848	1,086	1,121	1,197	1,098
Other Non Opg (Exp)/Inc	(108)	161	(9.9)	(20.2)	(18.7)
Associates & JV Inc	0.0	0.0	2.18	4.36	6.54
Net Interest (Exp)/Inc	(35.0)	(53.5)	(25.9)	(35.6)	118
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	1,705	1,193	1,088	1,145	1,204
Tax	(410)	(353)	(225)	(245)	(223)
Minority Interest	(198)	(154)	(132)	(138)	(150)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	1,097	686	730	763	831
Net Profit before Except.	1,097	686	730	763	831
Net Pft (ex. BA gains)	1,133	697	730	763	831
EBITDA	2,290	1,844	1,808	1,914	1,853
EBITDA (ex. BA gains)	2,338	1,824	1,808	1,914	1,853
Growth					
Revenue Gth (%)	3.1	(8.2)	13.7	1.4	5.4
EBITDA Gth (%)	(5.8)	(19.5)	(2.0)	5.9	(3.2)
Opg Profit Gth (%)	(4.7)	(41.3)	3.3	6.7	(8.2)
Net Profit Gth (Pre-ex) (%)	(8.1)	(37.4)	6.4	4.4	8.9
Margins & Ratio					
Gross Margins (%)	28.5	22.5	19.9	21.0	19.2
Opg Profit Margin (%)	22.1	14.1	12.8	13.5	11.8
Net Profit Margin (%)	13.1	8.9	8.4	8.6	8.9
ROAE (%)	14.4	8.7	8.9	8.9	9.3
ROA (%)	6.9	4.0	4.1	4.3	4.8
ROCE (%)	9.8	5.0	5.4	5.7	5.6
Div Payout Ratio (%)	52.0	64.4	60.5	58.0	53.2
Net Interest Cover (x)	52.9	20.3	43.3	33.6	NM

Source: Company, DBSVI, DBS Bank

Balance Sheet (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	3,459	3,526	3,840	3,831	3,700
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	10,670	11,412	11,382	9,538	8,347
Cash & ST Invts	299	504	580	1,899	2,754
Inventory	592	659	735	735	793
Debtors	480	350	472	478	504
Other Current Assets	1,039	993	1,073	1,073	1,089
Total Assets	16,539	17,444	18,082	17,555	17,187
ST Debt	4,289	626	339	339	339
Creditor	775	757	900	900	971
Other Current Liab	1,363	338	433	436	448
LT Debt	935	6,097	6,197	5,197	4,197
Other LT Liabilities	177	196	360	371	381
Shareholder's Equity	7,771	8,082	8,371	8,693	9,083
Minority Interests	1,229	1,349	1,481	1,619	1,769
Total Cap. & Liab.	16,539	17,444	18,082	17,555	17,187
Non-Cash Wkg. Capital	(27.2)	907	947	950	967
Net Cash/(Debt)	(4,925)	(6,219)	(5,956)	(3,637)	(1,781)
Debtors Turn (avg days)	16.7	19.7	17.1	19.6	19.2
Creditors Turn (avg days)	42.8	52.2	47.9	52.4	50.3
Inventory Turn (avg days)	34.8	42.6	40.3	42.8	41.1
Asset Turnover (x)	0.5	0.5	0.5	0.5	0.5
Current Ratio (x)	0.4	1.5	1.7	2.5	2.9
Quick Ratio (x)	0.1	0.5	0.6	1.4	1.9
Net Debt/Equity (X)	0.5	0.7	0.6	0.4	0.2
Net Debt/Equity ex MI (X)	0.6	0.8	0.7	0.4	0.2
Capex to Debt (%)	13.5	10.4	9.1	8.4	5.1
Z-Score (X)	2.0	2.1	2.1	2.4	2.4

Source: Company, DBSVI, DBS Bank

Cash Flow Statement (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	1,705	1,193	1,088	1,145	1,204
Dep. & Amort.	550	597	694	734	766
Tax Paid	(457)	(388)	(225)	(245)	(223)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(430)	(154)	40.5	(3.4)	(1.0)
Other Operating CF	149	(42.8)	161	6.56	6.89
Net Operating CF	1,517	1,206	1,758	1,637	1,753
Capital Exp.(net)	(706)	(700)	(593)	(464)	(231)
Other Invts.(net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(223)	(230)	(463)	1,583	772
Net Investing CF	(929)	(930)	(1,057)	1,120	541
Div Paid	(570)	(442)	(442)	(442)	(442)
Chg in Gross Debt	217	674	(187)	(1,000)	(1,000)
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(159)	(301)	3.53	3.71	3.90
Net Financing CF	(511)	(68.5)	(625)	(1,438)	(1,438)
Currency Adjustments	5.26	(2.6)	0.0	0.0	0.0
Chg in Cash	82.3	205	75.9	1,319	856
Opg CFPS (\$ cts)	10.6	7.42	9.37	8.95	9.57
Free CFPS (\$ cts)	4.43	2.76	6.35	6.40	8.30

Source: Company, DBSVI, DBS Bank

Target Price & Ratings History



Note : Share price and target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Nov 19	0.60	0.69	BUY
2:	12 Nov 19	0.62	0.72	BUY
3:	09 Dec 19	0.73	0.81	BUY
4:	18 Feb 20	0.68	0.81	BUY
5:	12 May 20	0.44	0.66	BUY
6:	17 Aug 20	0.52	0.66	BUY

Source: DBSVI, DBS Bank

Analyst: William Simadiputra

Woon Bing Yong

Singapore Company Update First Resources

Bloomberg: FR SP | Reuters: FRLD.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

13 Nov 2020

BUY

Last Traded Price (13 Nov 2020): S\$1.28 (STI : 2,711.39)

Price Target 12-mth: S\$1.70 (33% upside) (Prev S\$1.70)

Analyst

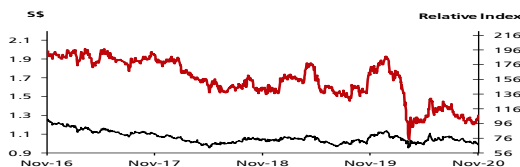
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What's New

- Stellar 3Q20 to sustain in 4Q20
- Firm profitability key to solid ROE
- Share price is trading at 11.8x FY21 PE, -2SD its five-year average PE multiple
- Maintain BUY with TP of S\$1.70

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2019A	2020F	2021F	2022F
Turnover	615	582	641	690
EBITDA	219	268	275	304
Pre-tax Profit	131	177	191	219
Net Profit	89	118	128	146
Net Pft (Pre Ex.)	89	118	128	146
Net Pft (ex. BA gains)	83	118	128	N/A
Net Pft Gth (Pre-ex) (%)	(25.7)	32.6	8.2	14.2
EPS (S cts)	7.59	10.1	10.9	12.4
EPS Pre Ex. (S cts)	7.59	10.1	10.9	12.4
EPS Gth Pre Ex (%)	(26)	33	8	14
Diluted EPS (S cts)	7.59	10.1	10.9	12.4
Net DPS (S cts)	2.8	2.5	3.3	3.7
BV Per Share (S cts)	88.9	92.9	100.5	109.2
PE (X)	16.9	12.7	11.8	10.3
PE Pre Ex. (X)	16.9	12.7	11.8	10.3
P/Cash Flow (X)	11.4	7.0	7.5	6.6
EV/EBITDA (X)	8.5	6.7	6.4	5.6
Net Div Yield (%)	2.2	2.0	2.6	2.9
P/Book Value (X)	1.4	1.4	1.3	1.2
Net Debt/Equity (X)	0.3	0.2	0.1	0.1
ROAE (%)	9.0	11.1	11.3	11.9
Earnings Rev (%):		0	0	-
Consensus EPS (S cts):		10.7	13.0	14.7
Other Broker Recs:		B: 7	S: 0	H: 0

Source of all data on this page: Company, DBSVI, DBS Bank, Bloomberg Finance L.P.



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Capitalising on strong CPO prices

Investment Thesis

FR is an above average performer. First Resources' (FR) share price remained sideways despite ascending crude palm oil (CPO) price although we believe it is going to catch up. FR has consistently achieved above average CPO yield and profitability leading to double digit return on equity (ROE). It deserves to trade at a higher valuation multiple due to the constructive CPO price outlook in 2021. We forecast 18% earnings compound annual growth rate (CAGR) in 2019-2022.

Market is pricing in CPO price of US\$430-450 per MT scenario in 2021 at FR's current share price. FR is currently trading at 11.8x FY21F price-to-earnings (PE) which is -2SD (standard deviation) of its 5-year average price-to-earnings (PE). We believe the valuation is pricing in a pessimistic CPO price scenario of US\$430-450 per MT and earnings of US\$60m-70m for 2021, even lower than 9M20.

Positive CPO price trend to support earnings and share price.

CPO prices seem to have the legs to stay firm. We expect an average price of US\$617 per MT next year. The positive price outlook will be driven by strong export performance which may mitigate a stronger than expected output next year. We expect FR's earnings to continue growing by 8.2% y-o-y to US\$128m.

Valuation:

We employed discounted cash flow (DCF) methodology (FY21F as base year; weighted average cost of capital (WACC) 11.8%; TG 3%) to arrive at a fair value of S\$1.70/share. Maintain BUY.

Where we differ:

We like FR's organic growth prospects. Higher CPO yields on maturing trees would improve FR's ROE and profitability metrics on the back of an expanded operating scale, which could lead to stronger earnings growth momentum.

Key Risks to Our View:

Reversal in CPO prices. If CPO prices drop below our forecast prices next year, FR may miss our earnings estimates and hinder any prospects of a valuation re-rating.

At A Glance

Issued Capital (m shrs)	1,578
Mkt. Cap (S\$m/US\$m)	2,020 / 1,497
Major Shareholders (%)	
Eight Capital Inc	66.0
FMR LLC	7.0
King Fortune International Inc	5.6
Free Float (%)	21.4
3m Avg. Daily Val (US\$m)	0.96
GIC Industry : Consumer Staples / Agricultural Products	



Live more, Bank less

WHAT'S NEW

Capitalising on strong CPO prices

Stellar 3Q20 earnings

FR) booked 3Q20 net profit of US\$37m (+33% y-o-y, +77% q-o-q), in line with our expectations. 9M20 of US\$80m (+40.1% y-o-y) formed 68% of our full year profit forecast of US\$118m (+32.6% y-o-y). We believe that the improvement may be attributed to stronger CPO prices in tandem with sequential q-o-q output and sales volume improvement, as palm oil trees entered seasonal high production in 2H20.

FR's total processed fresh fruit bunches (FFB) reached 928.9k MT (-8.3% y-o-y, +23.9% q-o-q), with its own and smallholder harvested FFB production volume of 830.5k MT (-7% y-o-y, +24.7% q-o-q) and 98.4k MT (-17.4% y-o-y, +17.6% q-o-q) respectively. This also explains the q-o-q FFB yield (nucleus+ plasma) improvement to 4.6MT/ha from 3.7MT/ha in 2Q20, albeit still lower than 5.1MT/ha in 3Q19.

CPO extraction was slightly lower q-o-q at 22.8% (vs. 23.1% the previous quarter), but still resulted in 24.6% q-o-q CPO production improvement to 238.2k MT (-2.1% y-o-y), followed by palm kernel (PK) production of 54.7k MT (-1.4% y-o-y, +30.1% q-o-q).

Room for earnings growth in 4Q20 and 2021

Based on our full year earnings forecast of US\$118m, we estimate 4Q20 earnings of US\$38m (+18.7% y-o-y, flat q-o-q) mainly attributed to the recent trend of high palm oil prices which positively affects FR's CPO average selling prices (ASPs), especially spot pricing scheme. It could carry forward high palm oil prices of October-November 2020 into the next two months.

CPO price year-to-date averaged US\$632/MT, above our estimates of US\$596 per MT, mainly driven by tight supply of global edible oil and demand. Malaysia's palm oil stockpile dropped to a three-year low to 1.5m MT, a strong sign that current prices could have legs to last at least until 1Q21.

Malaysia's palm oil production declined m-o-m in October and production may have peaked in September. We are entering seasonal low production in 1Q21. CPO demand will be supported by Indonesia resuming its B30 biodiesel program reaching 6.5m KL production until 9M20. Exports to India and China will likely to stay firm despite current high prices due to low palm oil stockpile levels in these countries.

Please click here for report: [Regional Plantation Companies: Stockpile retreats, prices to stay firm](#)

We see scope for CPO output improvement in 4Q20 especially for well-managed palm oil companies like FR. The worst of the El Nino effects is already over. El Nino hit Indonesia in July-September 2019 and affected palm oil productivity in the subsequent twelve months. Output in October-December 2020 is likely to maintain the same levels as in September 2020. Normalising weather in 4Q20 also means more available external fruits to maximise mills' utilisation rates.

Looking forward, we expect earnings to grow further by 8.2% y-o-y to US\$128m, mainly driven by upbeat CPO price momentum. We forecast CPO price of US\$617 per MT. However, poor fertiliser application in the past three years will severely affect palm oil production mainly in Indonesia. This may offset the strong in production among Indonesia's palm oil planters in general. We believe that Indonesia will deliver 6.7m KL of biodiesel production. However, bear in mind Indonesia's US\$55 per MT export levies when forecasting upstream CPO ASP.

Yield and profitability to drive high ROE; maintain BUY with TP of S\$1.7

We believe that FR's FY21 PE of 11.8x at -2SD of its five-year average PE multiple is undemanding. FR is expected to post double-digit ROE in 2021/2022 at 11.3%/11.9% respectively, with 18% earnings CAGR in 2019-2022.

Besides supportive CPO prices which are at above US\$700 per MT, FR's ROE will be supported by its strong underlying estates' yield. FR's well-managed estates could deliver yield stronger than its peers yield, profitability and ROE.

We maintain our BUY rating while we roll forward our DCF valuation year to FY21. However, our TP is unchanged at S\$1.7 per share. We believe that the market has priced in a US\$430-450 per MT CPO price scenario for FR at its current share price. We believe that this is unjustified considering FR's underlying operations and financial performance.

Company Background

First Resources (FR) is a mid-sized planter with a strong balance sheet and decent growth outlook. It has been aggressively planting since 2004 and is one of the few upstream planters that have successfully expanded downstream, albeit at a small scale.

Quarterly / Interim Income Statement (US\$m)

	3Q20	2Q20	1Q20	3Q19	y-o-y	q-o-q	9M20	9M19	y-o-y
	US\$m	US\$m	US\$m	US\$m	Change	Change	US\$m	US\$m	Change
Revenue	166	138	140	138	20.7%	20.5%	444	431	3.1%
EBITDA	71	53	54	62	15.4%	33.8%	178	143	24.4%
NPATMI	37	21	22	28	33.0%	76.7%	80	57	40.1%
EBITDAM (%)	42.9%	38.7%	38.2%	44.9%			40.1%	33.2%	
NPATMIM (%)	15.2%	15.2%	15.8%	20.3%			18.1%	13.3%	
Sales Statistics (MT)									
FFB harvested (MT)	928,900	749,572	709,977	1,012,520	-8.3%	23.9%	2,388,449	2,468,316	-3.2%
Own	830,476	665,897	628,978	893,327	-7.0%	24.7%	2,125,351	2,202,515	-3.5%
Smallholders	98,424	83,675	80,999	119,193	-17.4%	17.6%	263,098	265,801	-1.0%
CPO production (MT)	238,226	191,185	179,997	243,428	-2.1%	24.6%	609,408	519,530	17.3%
PK production (MT)	54,760	42,098	40,534	55,547	-1.4%	30.1%	137,392	135,581	1.3%
FFB yield (MT/ha)	4.6	3.7	3.5	5.1			11.9	12.5	
CPO yield (MT/ha)	1.1	1.0	0.8	1.2			2.8	2.9	
CPO extraction rate (%)	22.8	23.1	23.7	23.3			23.2	23.1	
PK extraction rate (%)	5.2	5.1	5.3	5.3			5.2	5.3	

Source: Company, DBSVI, DBS Bank estimates

Peer comparison table

*Including rubber and other crops

**Excluding effective stake in associates land bank

Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

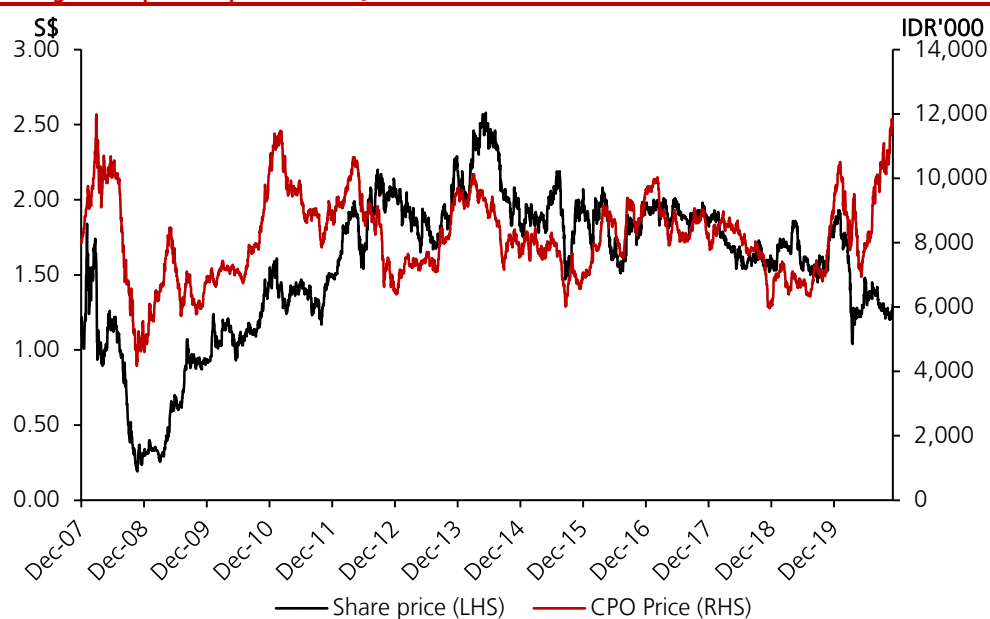
Historical PE and PB bands



Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates



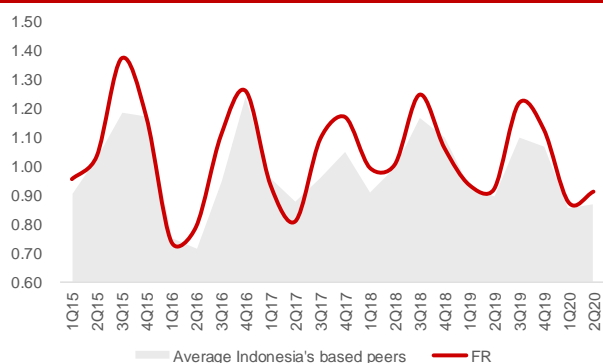
Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

Share price lagged behind the palm oil price since 2Q20

Source: Bloomberg Finance L.P., DBSVI, DBS Bank

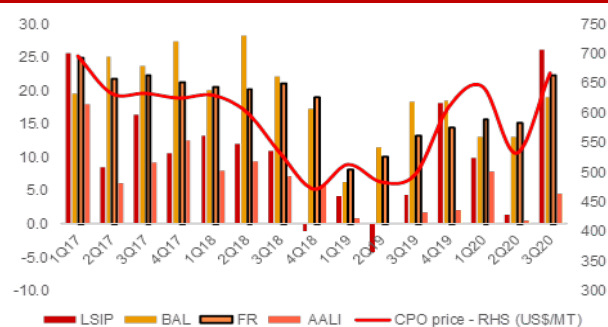
First Resources

FR's CPO yield vs. Indonesia-based peers



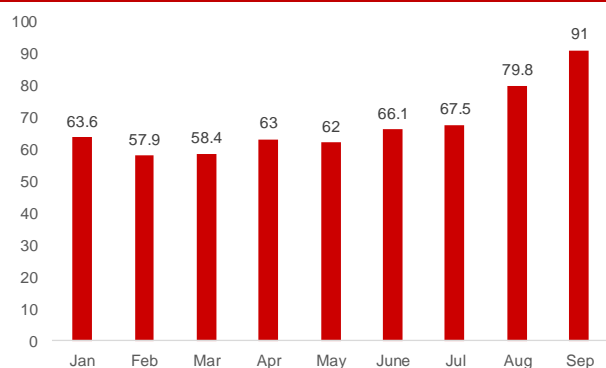
Source: Companies, DBSVI, DBS Bank

FR's NPAT margin vs. Indonesia-domiciled peers



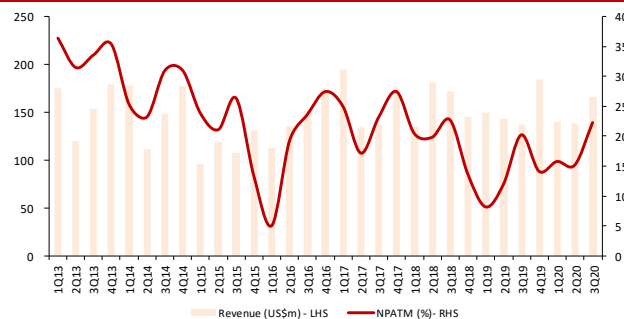
Source: Companies, DBSVI, DBS Bank

CPO production improved in 3Q20



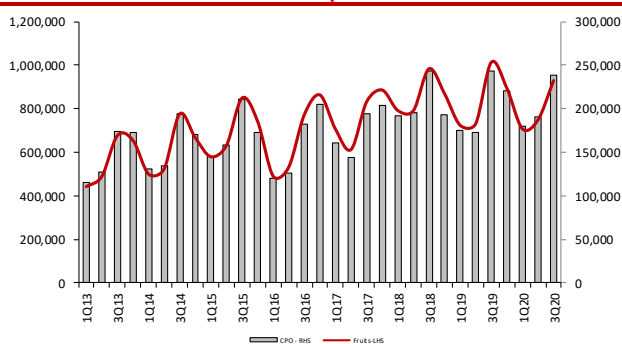
Source: Company, DBSVI, DBS Bank

Topline and NPAT margin trend



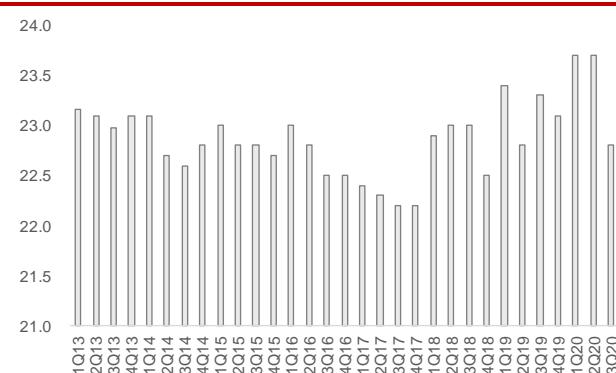
Source: Company, DBSVI, DBS Bank

Harvested fruits and CPO production trend (MT)



Source: Company, DBSVI, DBS Bank

CPO extraction rate (%)



Source: Company, DBSVI, DBS Bank

First Resources

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
CPO price (RM/MT)	2,340	2,090	2,450	2,540	2,560
Mature oil palm	161,759	168,927	169,987	171,110	170,761
CPO sales volume (MT)	823,679	833,368	770,379	833,266	904,915
Palm kernel sales vol. (MT)	188,471	202,495	187,190	202,362	218,669
Avg. USD/IDR rate	14,527	14,362	14,150	14,150	14,150

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (US\$m)					
CPO	367	372	392	444	487
Palm kernel	86	72	66	71	76
Olein, RBDPO, biodiesel	303	223	265	275	278
PKO	45	45	45	45	44
Others	(167)	(97)	(186)	(194)	(195)
Total	633	615	582	641	690

Income Statement (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	633	615	582	641	690
Cost of Goods Sold	(355)	(388)	(309)	(360)	(379)
Gross Profit	279	227	273	281	311
Other Opng (Exp)/Inc	(92)	(73)	(75)	(79)	(83)
Operating Profit	187	155	198	202	228
Other Non Opg (Exp)/Inc	11	(7)	(7)	(7)	(7)
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(17)	(17)	(13)	(4)	(2)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	181	131	177	191	219
Tax	(53)	(38)	(53)	(57)	(65)
Minority Interest	(8)	(4)	(6)	(7)	(8)
Preference Dividend	0	0	0	0	0
Net Profit	120	89	118	128	146
Net Profit before Except.	120	89	118	128	146
EBITDA	265	219	268	275	304
Growth					
Revenue Gth (%)	(2.1)	(2.9)	(5.4)	10.2	7.6
EBITDA Gth (%)	(9.3)	(17.4)	22.2	2.9	10.3
Opg Profit Gth (%)	(17.5)	(17.4)	27.8	2.3	12.6
Net Profit Gth (%)	(12.9)	(25.7)	32.6	8.2	14.2
Margins & Ratio					
Gross Margins (%)	44.0	36.9	46.9	43.9	45.1
Opg Profit Margin (%)	29.5	25.1	34.0	31.5	33.0
Net Profit Margin (%)	18.9	14.5	20.3	19.9	21.2
ROAE (%)	12.6	9.0	11.1	11.3	11.9
ROA (%)	7.3	5.4	7.1	7.9	8.7
ROCE (%)	8.4	7.1	8.9	9.3	10.1
Div Payout Ratio (%)	67.4	37.4	25.3	30.6	29.5
Net Interest Cover (x)	11.3	9.2	14.7	50.6	99.6

Source: Company, DBSVI, DBS Bank

First Resources

Balance Sheet (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	327	420	456	516	568
Invt in Associates & JVs	0	0	0	0	0
Other LT Assets	914	975	895	886	871
Cash & ST Invt	100	102	76	16	86
Inventory	98	82	69	80	84
Debtors	41	45	41	45	48
Other Current Assets	91	84	65	75	79
Total Assets	1,571	1,709	1,601	1,619	1,738
ST Debt	30	195	48	0	0
Creditor	64	109	56	65	69
Other Current Liab	21	11	20	22	23
LT Debt	351	217	243	200	200
Other LT Liabilities	119	76	78	81	84
Shareholder's Equity	932	1,044	1,091	1,180	1,283
Minority Interests	54	58	64	71	79
Total Cap. & Liab.	1,571	1,709	1,601	1,619	1,738
Non-Cash Wkg. Capital	145	91	99	113	120
Net Cash/(Debt)	(281)	(309)	(215)	(184)	(114)
Debtors Turn (avg days)	21.8	25.5	27.0	24.4	24.7
Creditors Turn (avg days)	81.8	99.4	129.5	79.2	82.7
Inventory Turn (avg days)	104.4	103.3	118.1	97.1	101.3
Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Current Ratio (x)	2.9	1.0	2.0	2.5	3.2
Quick Ratio (x)	1.2	0.5	0.9	0.7	1.5
Net Debt/Equity (X)	0.3	0.3	0.2	0.1	0.1
Net Debt/Equity ex MI (X)	0.3	0.3	0.2	0.2	0.1
Capex to Debt (%)	24.6	27.1	45.2	64.3	56.1
Z-Score (X)	3.8	3.3	4.2	4.8	4.8

Source: Company, DBSVI, DBS Bank

First Resources

Cash Flow Statement (US\$m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	181	131	177	191	219
Dep. & Amort.	67	71	77	80	83
Tax Paid	(76)	(65)	(53)	(57)	(65)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	(64)	(4)	(7)	(15)	(7)
Other Operating CF	5	(1)	20	0	(2)
Net Operating CF	112	132	214	200	228
Capital Exp.(net)	(94)	(112)	(131)	(129)	(112)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	0	(8)	40	(2)	(5)
Net Investing CF	(94)	(121)	(92)	(131)	(117)
Div Paid	(81)	(33)	(30)	(39)	(43)
Chg in Gross Debt	(116)	23	(120)	(91)	0
Capital Issues	0	0	0	0	0
Other Financing CF	(1)	0	1	1	2
Net Financing CF	(198)	(9)	(149)	(129)	(41)
Currency Adjustments	0	0	0	0	0
Chg in Cash	(179)	2	(26)	(60)	70
Opg CFPS (\$ cts)	11	9	14	14	15
Free CFPS (\$ cts)	1	1	5	5	7

Source: Company, DBSVI, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Nov 19	1.73	1.80	BUY
2:	12 Nov 19	1.78	1.95	BUY
3:	09 Dec 19	1.83	2.10	BUY
4:	26 Feb 20	1.58	1.99	BUY
5:	26 May 20	1.29	1.70	BUY
6:	17 Aug 20	1.35	1.70	BUY

Note : Share price and target price are adjusted for corporate actions.

Source: DBSVI, DBS Bank

Analyst: William Simadiputra

Woon Bing Yong

Indonesia Company Update London Sumatra Indonesia

Bloomberg: LSIP IJ | Reuters: LSIP.JK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

30 Nov 2020

BUY

Last Traded Price (27 Nov 2020): Rp1,170 (JCI : 5,783.30)
Price Target 12-mth: Rp1,500 (28% upside) (Prev Rp1,150)

Analyst

William Simadiputra +62 2130034939 williamsima@db.com

What's New

- 16x q-o-q earnings rebound to Rp186bn (+340% y-o-y), above our expectation
- LSIP's earnings is highly sensitive to CPO prices due to its relatively fixed cost per hectare, net cash balance sheet
- EV/hectare is the lowest among the peers
- Raised TP to Rp1,500, maintain our BUY rating

Source of all data on this page: Company, DBSVI, Bloomberg Finance

Price Relative



Forecasts and Valuation

FY Dec (Rpbn)	2019A	2020F	2021F	2022F
Revenue	3,699	3,869	4,067	4,190
EBITDA	287	348	412	422
Pre-tax Profit	353	437	520	537
Net Profit	254	329	390	404
Net Pft (Pre Ex.)	254	329	390	404
Net Pft Gth (Pre-ex) (%)	(23.4)	29.4	18.8	3.4
EPS (Rp)	37.2	48.1	57.2	59.2
EPS Pre Ex. (Rp)	37.2	48.1	57.2	59.2
EPS Gth Pre Ex (%)	(23)	29	19	3
Diluted EPS (Rp)	37.2	48.1	57.2	59.2
Net DPS (Rp)	13.3	15.1	19.5	23.2
BV Per Share (Rp)	1,245	1,277	1,314	1,350
PE (X)	31.4	24.3	20.4	19.8
PE Pre Ex. (X)	31.4	24.3	20.4	19.8
P/Cash Flow (X)	27.5	5.7	8.7	8.5
EV/EBITDA (X)	23.9	16.2	12.3	10.5
Net Div Yield (%)	1.1	1.3	1.7	2.0
P/Book Value (X)	0.9	0.9	0.9	0.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	3.0	3.8	4.4	4.4
Earnings Rev (%):		24	15	N/A
Consensus EPS (Rp):		46.3	53.4	61.1
Other Broker Recs:		B: 16	S: 1	H: 2
L.P.				

On the upswing

Investment Thesis:

CPO price pure play. London Sumatra (LSIP) is in its prime, mature production cycle. The estates are in stable production period and have some advantages including stable cost per hectare. This means LSIP will be highly leverage to palm oil price and we estimate 1 % change in ASP will swing its net profit by 4%, as seen in 3Q20 earnings performance.

LSIP's valuation heavily discounted by the market. Despite the recent share price uptrend, the valuation has not priced in the potential for strong earnings performance led by higher palm oil prices from June onwards. LSIP's enterprise value (EV) per hectare is around US\$3,900 per hectare, lower than new planting cost of US\$6,000 per hectare and Indonesia's strategic palm oil valuation of US\$12,000 per hectare in the past three years.

Net cash balance sheet. LSIP has been in net cash balance sheet, which make support our view on this counter earnings dynamic is largely CPO prices.

Valuation:

We have employed discounted cash flow (DCF) methodology to arrive at a fair value of Rp1,500/share (weighted average cost of capital [WACC] 12.9%; terminal growth [TG] 3%).

Where we differ:

LSIP to maximize current high CPO price to enhance its earnings performance. Our earnings forecast is 7% ahead consensus in 2021, as we believe LSIP's could capitalize the higher CPO prices into positive earnings trend due to its largely fixed cost per hectare.

Key Risks to Our View:

CPO prices. Stronger/weaker-than-expected average CPO price of above US\$596 per MT (RM2,450 per MT) may significantly affect LSIP's earnings in 2020 given its high sensitivity to CPO prices.

At A Glance

Issued Capital (m shrs)	6,823
Mkt. Cap (Rpbn/US\$m)	7,983 / 567
Major Shareholders (%)	
Salim Ivomas Pratama (%)	59.5
Free Float (%)	40.5
3m Avg. Daily Val (US\$m)	2.7
GIC Industry : Consumer Staples / Agricultural Products	



Live more, Bank less

WHAT'S NEW

On the upswing

3Q20 earnings was above our expectation. London Sumatra (LSIP) booked stellar 3Q20 earnings of Rp186bn (+340% y-o-y, +1,600% q-o-q) it jumped from low base in the previous quarter both y-o-y and q-o-q mainly on CPO price expansion in 3Q20, while LSIP continue to pursue its efficiencies program and keep the cost per hectare largely fixed.

The maturing trees means LSIP require less special fertilizers to ensure the trees are up to their maximum productivity when they mature, and at the same time, LSIP's trees are not on the critical period of declining production yet. This means LSIP could maximize the current higher CPO price to boost its earnings performance.

On the other hand, in line with the industry trend, LSIP also suffered from weaker production trend with lower CPO extraction rate. Total processed fruits reached 321k MT (-29% y-o-y, -6% q-o-q), which mainly driven by the lower external fruits. The external fruits volume reached 24.8k MT (-60% y-o-y, -34% q-o-q), followed own estates production volume of 296k MT (-24% y-o-y, -2% q-o-q). Nucleus FFB yield dropped slightly q-o-q to 3.4 MT per hectare from previous quarter 3.5 MT per hectare, also lower than last year 4.6 MT per hectare. The 2019 El Nino affects 2020 fruit harvest, which also seen in external parties fruits volume.

LSIP's CPO and Palm Kernel (PK) production reached 69.3k MT (-33% y-o-y, -11% q-o-q) and 20.4k MT (-29% y-o-y, -1% q-o-q) respectively, the CPO extraction rate contracted to 21.6% in 3Q20 this also primarily affected by weather factor, in our view.

Indonesia listed stocks has been performing well

Unlike its Singapore listed peers, Indonesia listed plantation stocks has been performing well since COVID-19 sell off. LSIP's PE multiple already climbed back to 20.4x PE, close to its five years average PE multiple of 23.7x. We believe the appetite from Indonesia domestic investors made the difference despite both Singapore and Indonesia listed stocks are exposed to similar export levies structure, weather pattern and younger trees (for Singapore listed).

For LSIP, despite the share price performance we still believe it has some legs to continue to perform. Beside the potential of strong earnings momentum in 4Q20, looking from different angle such as EV/hectare, LSIP is trading at the lowest multiple across our universe despite its net cash balance sheet and limited organic growth expansion prospect ahead. While we believe LSIP deserves some discount due to maturing estates, the valuation discount vs. other CPO companies is too wide in our view given that LSIP also enjoys the high CPO price and delivers strong earnings performance.

Maintain BUY with TP of Rp1,500

We maintain our BUY rating with higher TP of Rp1,500 per share as we raised our FY20/21 earnings by 24%/15% respectively to Rp329bn/Rp390bn, after it posted a stronger than expected earnings performance. We narrowed LSIP's ASP discount to our net export tax ASP at Rp7,726 per kg and Rp8,023 per kg in 2020 and 2021 respectively, considering current higher than expected CPO price trend. We rolled forward LSIP's DCF valuation year to FY21 with WACC and terminal growth rate assumption of 12.9% and 3% respectively.

We believe LSIP consider our BUY due to its share price which are still 18% lower than January 2020 level, despite the rebound in Palm oil prices. Meanwhile, its earnings magnitude from higher CPO prices is better for LSIP due to its net cash balance sheet, which means no financing cost component in P&L.

Company Background

London Sumatra Indonesia (LSIP) is the second-largest listed upstream plantation player in Indonesia and is a subsidiary of Indofood Agri Resources (IFAR SP). Besides palm oil, LSIP also has rubber, cocoa and seed businesses.

Quarterly / Interim Income Statement (Rpbn)

FY Dec	3Q2019	2Q2020	3Q2020	% chg yoy	% chg qoq
Revenue	990	756	712	(28.1)	(5.8)
Cost of Goods Sold	(872)	(631)	(501)	(42.6)	(20.7)
Gross Profit	118	125	211	78.7	69.4
Other Oper. (Exp)/Inc	(64.1)	(67.9)	(61.2)	(4.5)	(9.8)
Operating Profit	53.9	56.6	150	177.6	164.6
Other Non Opg (Exp)/Inc	(3.6)	(69.4)	70.9	nm	nm
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	14.6	13.5	13.3	(8.8)	(1.5)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
Pre-tax Profit	64.9	0.70	234	260.1	32,287.7
Tax	(23.0)	10.1	(48.9)	112.3	nm
Minority Interest	0.20	(0.1)	0.70	178.3	nm
Net Profit	42.1	10.8	186	340.5	1,622.8
Net profit bef Except.	42.1	10.8	186	340.5	1,622.8
EBITDA	146	(3.1)	368	152.9	nm
Margins (%)					
Gross Margins	11.9	16.5	29.6		
Opg Profit Margins	5.4	7.5	21.0		
Net Profit Margins	4.3	1.4	26.1		

Source: Company

London Sumatra Indonesia

Historical PE and PB band

Forward PE band (x)



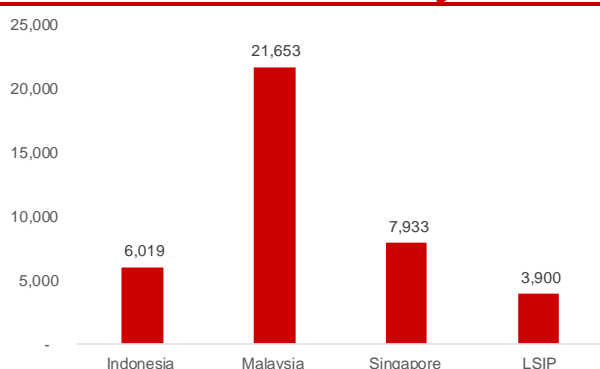
Source: Bloomberg Finance L.P., DBSVI estimates

PB band (x)



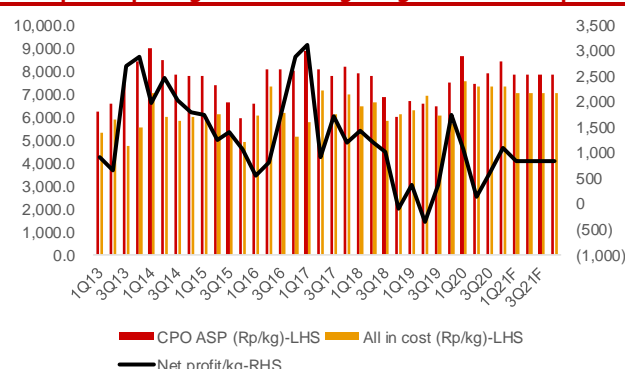
Source: Bloomberg Finance L.P., DBSVI estimates

LSIP's EV/hectare vs. countries average EV/hectare



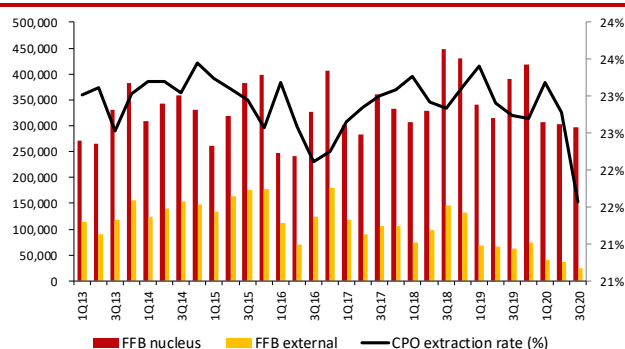
Source: Bloomberg Finance L.P., DBSVI

Net profit per kg is recovering alongside the CPO prices



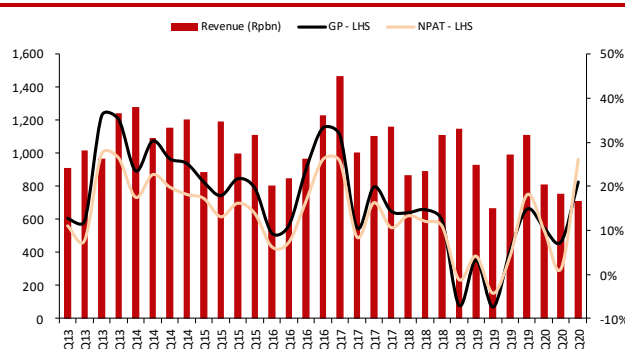
Source: Company, DBSVI

Lower fruits output and CPO extraction rate due to weather factor



Source: Company, DBSVI

Quarterly revenue and profitability trend



Source: Company, DBSVI

London Sumatra Indonesia

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
CPO price (RM/MT)	2,340	2,090	2,450	2,540	2,560
Mature oil palm	87,145	87,480	87,917	88,687	89,467
CPO sales volume (MT)	453,138	398,188	406,871	415,378	425,976
Palm kernel sales vol. (MT)	117,750	111,412	105,659	106,800	108,441
Avg. USD/IDR rate	14,527	14,362	14,150	14,150	14,150

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (Rpbn)					
Crude palm oil	2,841	2,954	3,143	3,333	3,449
Palm kernel	778	391	363	365	369
Rubber	268	220	223	226	227
Seeds	78.2	78.8	84.4	86.3	86.9
Others	55.0	55.4	55.6	56.7	57.7
Total	4,020	3,699	3,869	4,067	4,190

Income Statement (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	4,020	3,699	3,869	4,067	4,190
Cost of Goods Sold	(3,337)	(3,138)	(3,201)	(3,332)	(3,440)
Gross Profit	683	562	669	735	750
Other Opng (Exp)/Inc	(328)	(355)	(308)	(313)	(317)
Operating Profit	355	207	361	423	432
Other Non Opg (Exp)/Inc	(8.9)	79.9	(12.4)	(11.1)	(10.0)
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	70.7	65.9	89.0	108	115
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	417	353	437	520	537
Tax	(87.6)	(100)	(109)	(130)	(134)
Minority Interest	1.90	1.30	0.60	0.70	0.70
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	331	254	329	390	404
Net Profit before Except.	331	254	329	390	404
EBITDA	346	287	348	412	422

Growth

Revenue Gth (%)	(15.2)	(8.0)	4.6	5.1	3.0
EBITDA Gth (%)	(63.5)	(17.2)	21.4	18.2	2.5
Opg Profit Gth (%)	(62.9)	(41.8)	74.3	17.2	2.2
Net Profit Gth (Pre-ex) (%)	(56.6)	(23.4)	29.4	18.8	3.4

Margins & Ratio

Gross Margins (%)	17.0	15.2	17.3	18.1	17.9
Opg Profit Margin (%)	8.8	5.6	9.3	10.4	10.3
Net Profit Margin (%)	8.2	6.9	8.5	9.6	9.6
ROAE (%)	4.0	3.0	3.8	4.4	4.4
ROA (%)	3.4	2.5	3.1	3.6	3.6
ROCE (%)	3.0	1.5	2.7	3.1	3.1
Div Payout Ratio (%)	37.0	35.6	31.3	34.1	39.1
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBSVI

London Sumatra Indonesia

Quarterly Income Statement (Rpbn)

FY Dec	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
Revenue	990	1,113	810	756	712
Cost of Goods Sold	(872)	(846)	(658)	(631)	(501)
Gross Profit	118	268	152	125	211
Other Oper. (Exp)/Inc	(64.1)	(102)	(66.0)	(67.9)	(61.2)
Operating Profit	53.9	166	85.6	56.6	150
Other Non Opg (Exp)/Inc	(3.6)	89.5	(0.7)	(69.4)	70.9
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	14.6	14.8	10.3	13.5	13.3
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Pre-tax Profit	64.9	270	95.2	0.70	234
Tax	(23.0)	(68.7)	(14.3)	10.1	(48.9)
Minority Interest	0.20	0.20	(0.2)	(0.1)	0.70
Net Profit	42.1	201	80.7	10.8	186
Net profit bef Except.	42.1	201	80.7	10.8	186
EBITDA	146	353	267	(3.1)	368

Growth

Revenue Gth (%)	48.3	12.4	(27.2)	(6.7)	(5.8)
EBITDA Gth (%)	207.9	142.3	(24.5)	nm	nm
Opg Profit Gth (%)	(209.1)	207.1	(48.3)	(33.9)	164.6
Net Profit Gth (Pre-ex) (%)	(249.3)	378.0	(59.9)	(86.7)	1,622.8

Margins

Gross Margins (%)	11.9	24.0	18.7	16.5	29.6
Opg Profit Margins (%)	5.4	14.9	10.6	7.5	21.0
Net Profit Margins (%)	4.3	18.1	10.0	1.4	26.1

Balance Sheet (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	3,167	3,130	2,867	2,576	2,254
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	4,426	4,903	4,770	4,805	4,830
Cash & ST Invts	1,664	1,132	2,345	2,926	3,541
Inventory	489	342	566	589	608
Debtors	152	469	158	167	172
Other Current Assets	140	250	15.9	16.6	17.1
Total Assets	10,037	10,225	10,722	11,079	11,421
ST Debt	0.0	0.0	0.0	0.0	0.0
Creditor	312	320	322	335	346
Other Current Liab	213	147	361	376	387
LT Debt	0.0	0.0	0.0	0.0	0.0
Other LT Liabilities	1,180	1,260	1,327	1,398	1,472
Shareholder's Equity	8,328	8,496	8,710	8,968	9,213
Minority Interests	3.90	2.60	2.60	2.60	2.60
Total Cap. & Liab.	10,037	10,225	10,722	11,079	11,421
Non-Cash Wkg. Capital	256	594	57.5	60.7	63.5
Net Cash/(Debt)	1,664	1,132	2,345	2,926	3,541
Debtors Turn (avg days)	14.9	30.6	29.6	14.6	14.7
Creditors Turn (avg days)	28.7	36.7	36.6	36.0	36.1
Inventory Turn (avg days)	43.6	48.3	51.7	63.2	63.5
Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Current Ratio (x)	4.7	4.7	4.5	5.2	5.9
Quick Ratio (x)	3.5	3.4	3.7	4.3	5.1
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	N/A	N/A	N/A	N/A	N/A
Z-Score (X)	4.1	4.0	3.7	3.7	3.7

Source: Company, DBSVI

Cash Flow Statement (Rpbn)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	417	353	437	520	537
Dep. & Amort.	419	295	467	457	462
Tax Paid	(87.6)	(100)	(109)	(130)	(134)
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(171)	(302)	536	(4.3)	(3.9)
Other Operating CF	35.5	6.90	1.70	1.80	1.90
Net Operating CF	588	290	1,399	915	938
Capital Exp.(net)	(420)	(368)	(253)	(208)	(168)
Other Invt.(net)	0.0	(397)	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(16.8)	28.5	181	7.10	4.10
Net Investing CF	(436)	(736)	(72.1)	(201)	(164)
Div Paid	(123)	(90.5)	(103)	(133)	(158)
Chg in Gross Debt	0.0	0.0	0.0	0.0	0.0
Capital Issues	3.10	4.30	(11.4)	0.0	0.0
Other Financing CF	(1.9)	0.0	0.0	0.0	0.0
Net Financing CF	(121)	(86.2)	(114)	(133)	(158)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	30.0	(532)	1,213	581	616
Opg CFPS (Rp)	111	86.8	127	135	138
Free CFPS (Rp)	24.6	(11.3)	168	104	113

Source: Company, DBSVI

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	10 Dec 19	1430	1180	FULLY VALUED
2:	28 Jan 20	1170	1180	HOLD
3:	28 Feb 20	970	1180	BUY
4:	27 May 20	715	1000	BUY
5:	30 Jul 20	990	1150	BUY

Source: DBSVI

Analyst: William Simadiputra

Singapore Company Update

Wilmar International

Bloomberg: WIL SP | Reuters: WLIL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

2 Nov 2020

BUY

Last Traded Price (30 Oct 2020): S\$4.04 (STI : 2,423.84)

Price Target 12-mth: S\$5.28 (31% upside)

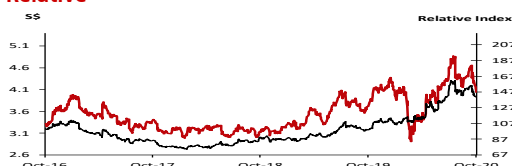
Analyst

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Singapore Research Team groupresearch@db.com

What's New

- Wilmar to maintain positive earnings momentum in 4Q20 and 2021
- Wilmar's valuation gap to YKA unlikely to sustain
- Special dividend to boost dividend yield to 4%-5%
- Maintain BUY with TP of S\$5.28

Price Relative



Forecasts and Valuation

FY Dec (US\$m)	2019A	2020F	2021F	2022F
Revenue	42,641	42,219	44,270	46,715
EBITDA	2,978	2,979	3,207	3,209
Pre-tax Profit	1,742	1,839	1,873	1,951
Net Profit	1,293	1,361	1,386	1,437
Net Pft (ex. BA gains)	1,273	1,361	1,386	1,437
Net Pft (Pre Ex.)	1,235	1,361	1,386	1,437
Net Pft Gth (Pre-ex) (%)	(5.3)	10.2	1.9	3.7
EPS (S cts)	27.6	29.0	29.6	30.7
EPS Pre Ex. (S cts)	26.3	29.0	29.6	30.7
EPS Gth Pre Ex (%)	(5)	10	2	4
Diluted EPS (S cts)	27.6	29.0	29.6	30.7
Net DPS (S cts)	12.4	13.1	13.3	13.8
BV Per Share (S cts)	358	374	391	408
PE (X)	14.6	13.9	13.7	13.2
PE Pre Ex. (X)	15.3	13.9	13.7	13.2
P/Cash Flow (X)	5.7	23.0	14.4	15.0
EV/EBITDA (X)	12.8	13.1	12.2	12.3
Net Div Yield (%)	3.1	3.2	3.3	3.4
P/Book Value (X)	1.1	1.1	1.0	1.0
Net Debt/Equity (X)	1.0	1.0	1.0	0.9
ROAE (%)	7.9	7.9	7.7	7.7

Earnings Rev (%)	12	12	N/A
Consensus EPS (S cts):	27.7	29.9	32.9
Other Broker Recs:	B: 12	S: 1	H: 1

Source of all data on this page: Company, DBSVI, DBS Bank, Bloomberg Finance L.P.



Brain Box

(Our NEW Pilot Research Platform) is available to Institutional Investors on Demand. Please contact your DBSV Institutional Sales contact for a demonstration.

Growth outlook intact

Investment Thesis

Wilmar set to close the valuation gap with recently listed subsidiary Yihai Kerry Arawana (YKA). Wilmar's earnings growth momentum from both its China and ex. China operations should help Wilmar's share price to perform and close the valuation gap between recently listed China subsidiary YKA. YKA's current market capitalisation of US\$40bn is currently larger than Wilmar's US\$20bn, implying that investors are undervaluing Wilmar's presence in China, as well as its profitable integrated tropical oil business outside China.

Food demand to sustain its margin expansion trend. Wilmar's operating profit margin (OPM) has been expanding in the last three years and is expected to remain firm from its growing exposure to higher-margin branded kitchen food segment. Wilmar is expected to post sublime 2020 earnings performance mainly driven by YKA in China.

Riding on China's growing food industry. Based on current trends and that COVID-19 situation in China seems to be under control as well as a recovering economy, we do not expect domestic consumption of oilseeds and other products to derail its consumer products segment in the longer term.

Valuation:

We used sum-of-the-parts (SOTP) valuation methodology to arrive at a target price (TP) of S\$5.28, which implies 17.8x FY21F PE.

Where we differ:

Undemanding valuation for a strong earnings performer.

Wilmar has consistently posted US\$300m-400m earnings per quarter due to its strong presence in China and ex. China food and tropical oil industries.

Key Risks to Our View:

Worse-than-expected second wave of COVID-19 could lead to global recession. Worse-than-expected fatality rates caused by COVID-19 may lead to a more severe impact on China's economy and affect Wilmar's operations in China.

At A Glance

Issued Capital (m shrs)	6,361
Mkt. Cap (S\$m/US\$m)	25,697 / 18,806
Major Shareholders (%)	
Archer-Daniels-Midland Co	22.1
Kuok Brothers Sdn Bhd	18.4
Kerry Group Ltd	5.7
Free Float (%)	48.4
3m Avg. Daily Val (US\$m)	51.1

GIC Industry : Consumer Staples / Agricultural Products



Live more, Bank less

WHAT'S NEW

Strong finish expected for 2020

3Q20 results – a winning streak

3Q20 core net profit was up 19.6% y-o-y/52.4% q-o-q to US\$501m. 9M20 core net profit rose to US\$1,137m (+34.4% y-o-y) – forming 93% of our full year earnings expectations. The strong performance was broad-based across all core segments, driven by stronger food products demand and higher crushing margins as the African Swine Fever (ASF) situation eased. Higher prices in the quarter also boosted the Plantation and Sugar Milling segment while refining margins for tropical oil and sugar refining remained robust.

YKA's performance was an important driver of Wilmar's 9M20 earnings. Revenue rose to RMB53.0bn (+12.7% y-o-y/+13.7% q-o-q) while attributable profit increased to RMB2.1bn (+16.2% y-o-y/+10.0% q-o-q) on steady development of Kitchen Food business and fading impact of ASF on Feed Ingredients business. YKA's reported net profit in 9M20 accounted for 64% of Wilmar's earnings.

Food Products (Consumer products, Medium pack and Bulk) – Insatiable demand powers growth

Sales of both Consumer Products, and Medium Pack and Bulk rose by 18.2% and 14.8% y-o-y in 3Q20 respectively. Consumer products demand was driven by increased sales volume of Sugar and Flour products and contributions from Goodman Fielder while Medium Pack and Bulk was led by easing of lockdown measures which likely saw Hotel, Restaurant, and Catering (HORECA) demand returning. Consumer products sales volumes grew 24.9% y-o-y to 7.2m MT in 9M20, while Medium Pack and Bulk sales volumes inched up 0.2% y-o-y to 12.5m MT on a strong post-lockdown recovery.

Raised earnings forecast on absence of capacity constraints

The strong set of 9M20 earnings performance prompted us to raise FY20/21 earnings by 12% each, driven by higher top line and profitability performance. We expect Wilmar's FY20F earnings to reach US\$1.36bn and further improve to US\$1.38bn in FY21. Our earnings forecast is largely in line with the consensus forecast, as we now expect that Wilmar can maintain strong refining margin performance despite our assumption of 4% y-o-y increase in CPO price next year to US\$617 per MT (RM2,540 per MT).

With its strong presence in China's food market and installed production capacity availability (average production plant utilisation stands at only 60% for YKA), we believe Wilmar will continue to benefit from China's improving economy as it seems to have successfully tamed COVID-19, while consumer preference for healthier and safer food is here to stay. Beyond China, the easing lockdown measures in some countries such as India and Indonesia also will help to boost its business in the region. Meanwhile, the current strong palm oil price trend will provide another leg of earnings growth for its tropical oil division. Wilmar has proven it can benefit from both upcycle and downcycle edible oil market trends to expand its tropical oil segment earnings.

Earnings delivery and dividend can lead to valuation re-rating

Wilmar's share price correction post YKA listing was odd in our view, considering the results are largely stronger than market estimates with q-o-q improvement since the beginning of the year. We believe the current share price valuation is undemanding, and just above its 5-year average multiple of 13.5x.

The correction, in our view, took place because Wilmar's PE multiple touched 16.3x, or +2 standard deviation of its 5-year average multiple in August-September before trading down to +1 standard deviation at around 14x-15x. In addition, Wilmar was also weighed down by the weak sentiment in the stock market in general.

As this juncture, the market is largely underestimating Wilmar's consumer downstream expansion journey and transformation in China under YKA, and its integrated tropical oil business model which should remain profitable across all edible oil market cycles as seen in 2018-1H19 (bear cycle) and 2H19/3Q20 (bull cycle). Wilmar's ROE is still hovering at the single digit level as it focuses on building up its capacity and platform. We believe it has scope to expand by capitalizing on these investments to expand its market share especially rice & flour, and grow the earnings in the next couple of years.

Wilmar is more affordable and liquid vs YKA; and we cannot underestimate its presence outside China too

YKA's share price is already 50% higher than its listing price, and is trading at 40x FY21F PE. YKA's market capitalization is now at US\$40bn while Wilmar's is just half of that at US\$18bn. In terms of trading liquidity, YKA only floated 10% new shares but the implied conglomerate discount of almost 50% on Wilmar is too wide considering Wilmar still owns 90% of YKA, and ex. YKA business segment has been performing well.

The market appetite towards the stock should regain traction if Wilmar continues to post strong earnings. Wilmar has posted decent earnings performance since 2Q19, and is less impacted by the volatility in the commodities price cycle. As Wilmar continues to deliver consistent earnings like in 3Q20, its ROE is also likely to improve to above 9% vs. our current forecast of 7.7% in 2021-2022.

Wilmar announced a special dividend 15% of its total net proceeds of US\$2.05bn, or U\$300m. With a regular payout ratio of 46% and 9M20 earnings of US\$1.15bn, we estimate Wilmar's dividend yield could reach at least 4%-5% this year (13 cents-15 Scents regular dividend based on 45% payout assumption as per our forecast, plus around 6 Scents of special dividend). This is a good start to show investors that YKA's IPO can deliver tangible value to investors in terms of higher dividend prospects as Wilmar frees up some cash, which we estimate could reach US\$400m-500m per annum for inorganic growth, or higher dividend payout ratio for Wilmar's investors.

Maintain BUY and TP S\$5.28 – valuation is undemanding for a strong earnings performer

We maintain our BUY rating with TP of S\$5.28. We believe Wilmar is considerably undervalued against its recently listed China subsidiary Yihai Kerry Arawana (YKA) judging from both market capitalization difference and Wilmar's strong set of earnings – this means the market couldn't strip out the ex. China operation in Wilmar's valuation, as its till performing very well.

We shift our valuation base to FY21, and we peg Wilmar's ex. YKA earnings (YKA accounts for 40% of Wilmar's consolidated FY21F earnings) at 15x PE vs. YKA's 19x FY21F PE. We believe our assumptions are conservative, as our target multiple for YKA is at around 50% discount to YKA's existing PE multiple of 38x-40x, while ex. YKA earnings PE multiple is largely in line with Wilmar's 5-year average PE multiple.

We also believe that Wilmar's businesses beyond China is underestimated such as its integrated tropical oil segment that has upstream and downstream products such as biodiesel and branded cooking oil. YKA has 11m tons of edible oil refining capacity and is operating at a 60% utilization rate, while Wilmar's tropical oil segment reported sales volume of 25m tons in 2019 – we believe this division is underpriced for now despite its strong earnings performance to date.

Company Background

Wilmar International (Wilmar) is an integrated agribusiness company. It is involved in oil palm cultivation, edible oil refining, oilseed crushing, consumer pack edible oil processing and merchandising, specialty fats, oleochemicals and biodiesel manufacturing, and grain processing and merchandising. Wilmar also manufactures and distributes fertilisers and owns a fleet of vessels.

Quarterly / Interim Income Statement (US\$m)

	3Q2020 US\$m	2Q2020 US\$m	3Q2019 US\$m	y-o-y change	q-o-q Change	9M2020 US\$m	9M2019 US\$m	y-o-y Change
Revenue	13,318	11,737	11,164	19.3%	13.5%	35,975	31,390	14.6%
EBITDA	1,088	782	908	19.8%	39.2%	2,576	2,095	23.0%
Net Profit	537	387	389	37.9%	38.7%	1,147	855	34.2%
Core Net Profit	501	329	419	19.7%	52.2%	1,137	846	34.4%
EBITDA	8.2%	6.7%	8.1%			7.2%	6.7%	
Net Profit	4.0%	3.3%	3.5%			3.2%	2.7%	
Core Net Profit	3.8%	2.8%	3.8%			3.2%	2.7%	
Sales Statistics ('000MT)								
<i>Food Products</i>								
Consumer Products	2,454	1,871	2,077	18.2%	31.2%	7,180	5,750	24.9%
Medium Pack and Bulk	4,964	4,223	4,324	14.8%	17.5%	12,502	12,473	0.2%
<i>Feed and Industrial Products</i>								
Tropical Oils	5,603	5,477	6,059	-7.5%	2.3%	16,317	17,673	-7.7%
Oilseeds and Grains	6,309	5,902	5,099	23.7%	6.9%	16,491	13,478	22.4%
Sugar	4,543	3,367	3,015	50.7%	34.9%	9,992	7,080	41.1%
Yihai Kerry Arawana (RMBm)								
Revenue	53,020	46,632	47,057	12.7%	13.7%	139,993	125,318	11.7%
Profit attributable to owners of the company	2,082	1,892	1,792	16.2%	10.0%	5,090	3,489	45.9%
Profit attributable to owners of the company less non-recurring gains and losses	3,398	1,664	1,523	123.1%	104.2%	6,261	2,904	115.6%

Source : Company, DBS Bank

DBS Wilmar's sum of parts valuation summary

Ex. China NPATMI	China NPATMI	Blended PE (X)	DBS Wilmar 2021 NPATMI (US\$m)	Wilmar US\$ Market Cap (US\$m)	Wilmar S\$ Market Cap (S\$m)	Share price (S\$)
40%	60%					
15	8.3	11.0		15,176.70	20,884.70	3.30
15	9.3	11.6		16,008.30	22,029.07	3.48
15	10.3	12.2		16,839.90	23,173.43	3.66
15	11.3	12.8		17,671.50	24,317.80	3.84
15	12.3	13.4		18,503.10	25,462.17	4.02
15	13.3	14.0		19,334.70	26,606.54	4.20
15	14.3	14.6		20,166.30	27,750.90	4.38
15	15.3	15.2		20,997.90	28,895.27	4.56
15	16.3	15.8	1,386.0	21,829.50	30,039.64	4.74
15	17.3	16.4		22,661.10	31,184.00	4.92
15	18.3	17.0		23,492.70	32,328.37	5.10
15	19.3	17.6		24,324.30	33,472.74	5.29
15	20.3	18.2		25,155.90	34,617.10	5.47
15	21.3	18.8		25,987.50	35,761.47	5.65
15	22.3	19.4		26,819.10	36,905.84	5.83
15	23.3	20.0		27,650.70	38,050.21	6.01
15	24.3	20.6		28,482.30	39,194.57	6.19

Source : DBS Bank

SGD/USD 1.37

Shares Outstanding 6,333m shares

Assuming China NPATMI is 60% of WIL's consolidated NPATMI

Peers comparison table – China food processors and consumer companies

			PE			EVEBITDA		ROE	
			FY20	FY21	FY22	FY20	FY21	FY22	12M Trailing
Meat processors, agriculture crushing	COFCO Meat	1610 HK Equity	3.0	2.7	3.2	6.7	6.9	7.6	54.9
	China Food	506 HK Equity	13.6	11.4	9.8	5.7	5.0	4.3	10.0
DBS assumption	Wilmar International Ltd*	WIL SP Equity	13.9	13.7	13.2	13.1	12.2	12.3	9.2
	Yihai Kerry Arawana	300999 CS Equity	20.0	19.0	18.6				8.7
Consumer staples	Tingyi	322 HK Equity	17.8	17.6	16.2	6.8	6.8	6.4	22.6
	Uni-President	220 HK Equity	16.9	15.8	14.7	7.1	6.8	6.4	10.8
	Want Want	151 HK Equity	13.9	13.3	12.6	7.6	7.4	7.2	23.8
Condiment & soysauce producer	Foshan Haitian	603288 CH Equity	79.8	67.0	56.9	66.1	55.1	46.4	36.6

Source : Bloomberg Finance L.P

* Wilmar's multiple is based on DBS earnings forecast, while we do not forecast YKA EV at the moment

Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

Peers comparison table – DBS plantation universe

	Est. land bank (ha.)	20F own mat. (ha.)	20F own planted (ha.)	Share price 01-November-2020	Market cap (m)	Adjusted plantation EV (m)		Adjusted 20F EV/planted (own)	Adjusted 20F EV/mature (own)	CYPER, x		FY Div. yield, %		EPS growth (inc. BA gains), %		FYNet gearing, %		FY EV/EBITDA, x		19-21F own FFB vol CAGR %	19-21F EPS CAGR %	12-month Rec target price	Basis
										20F	21F	20F	21F	20F	21F	20F	21F	20F	21F				
Indonesia																							
Astra Agro L.	n/a	220,501	236,311	Rp	10,875 US\$	1,431 US\$	1,885 US\$	7,976 US\$	8,548	23.2	20.9	0.4	1.6	327	11	13	9	8.1	8.1	-2.7	117.6	H	Rp 10,400 DCF
London Sum.*	215,917	87,917	97,032	Rp	980 US\$	457 US\$	380 US\$	3,914 US\$	4,320	25.3	19.6	1.5	1.6	4	29	NC	NC	16.7	11.2	1.2	15.8	B	Rp 1,150 DCF
Simple avg					US\$ 1,888			US\$ 5,945	US\$ 6,434	24.2	20.3							12.4	9.6				
Malaysia																							
Felda Global V.	355,864	285,638	338,161	RM	1.06 US\$	931 US\$	2,575 US\$	7,613 US\$	9,013	65.3	25.8	0.9	1.3	NM	NM	93	100	10.8	9.6	2.5	24.2	B	RM 1.45 DCF
Genting Plant.	150,912	119,794	151,052	RM	9.82 US\$	2,120 US\$	2,326 US\$	15,396 US\$	19,414	41.6	31.0	0.6	0.8	49	34	27	27	22.1	18.3	0.2	197.0	H	RM 9.35 SOP
IOI Corp**	220,593	158,081	178,162	RM	4.30 US\$	6,484 US\$	5,588 US\$	31,364 US\$	35,348	117.4	69.3	1.8	1.3	-28	69	27	24	22.8	18.8	-1.1	55.3	H	RM 4.35 DCF
KL Kepong	245,905	186,645	224,712	RM	21.22 US\$	5,507 US\$	4,718 US\$	20,994 US\$	25,276	37.8	33.8	1.3	1.8	38	12	20	17	14.7	13.4	3.3	5.4	B	RM 27.00 DCF
SD Plant.	647,373	494,546	599,992	RM	4.84 US\$	8,018 US\$	9,346 US\$	15,576 US\$	18,897	104.1	61.2	0.7	1.0	418	70	45	43	15.9	12.6	1.6	19.8	B	RM 5.80 SOP
TSH Res.	82,841	34,627	44,193	RM	0.94 US\$	311 US\$	570 US\$	12,908 US\$	16,473	20.3	13.7	0.8	1.2	63	48	83	74	10.7	8.9	4.5	n.a	B	RM 1.25 DCF
Simple avg					US\$ 23,370			US\$ 17,309	US\$ 20,737	64.4	39.1							16.2	13.6				
Singapore																							
Bumitama A.	191,561	120,689	132,643	S\$	0.44 US\$	554 US\$	1,034 US\$	7,794 US\$	8,567	9.9	9.5	5.4	5.4	6	4	60	35	8.7	7.0	5.2	5.4	B	S\$ 0.66 DCF
First Resource	312,488	169,987	184,072	S\$	1.21 US\$	1,399 US\$	1,671 US\$	9,077 US\$	9,829	11.5	10.7	2.4	2.1	33	8	19	15	6.3	6.0	3.1	19.8	B	S\$ 1.70 DCF
Indofood Agri*	541,224	208,695	249,267	S\$	0.29 US\$	292 US\$	680 US\$	2,729 US\$	3,260	14.8	10.3	0.0	0.0	NM	NM	45	42	8.3	7.3	1.8	40.6	H	S\$ 0.33 DCF
Wilmar Intl	573,401	221,911	249,935	S\$	4.04 US\$	18,805 US\$	1,865 US\$	7,464 US\$	8,406	13.5	13.3	3.1	3.2	5	2	100	97	13.1	12.2	1.6	3.5	B	S\$ 5.28 SOTP
Simple avg					US\$ 22,360			US\$ 7,652	US\$ 8,174	11.3	10.9							7.3	6.5				

*Including rubber and other crops

**Excluding effective stake in associates land bank

Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

We believe the market is mispricing Wilmar's transformation into an integrated food company



Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

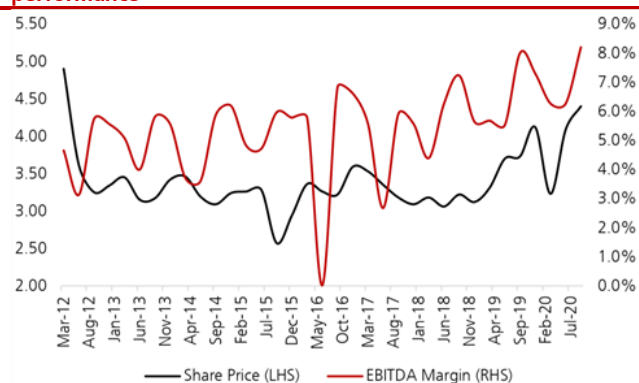


Source: Bloomberg Finance L.P., DBSVI, DBS Bank estimates

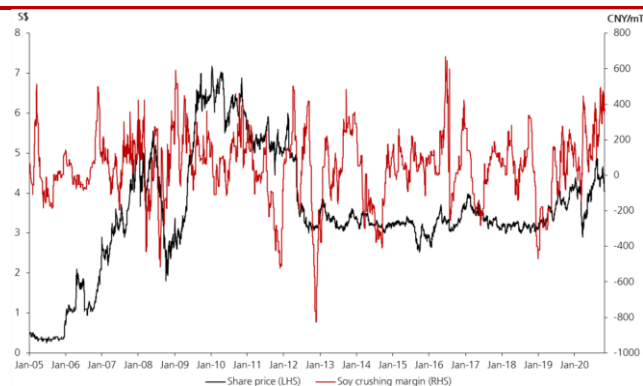
Quarterly sales statistics based on new segmental disclosure

Sales Statistics ('000MT)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
<i>Food Products</i>							
Consumer Products	2,118	n.a	2,077	n.a	2,855	1,871	2,454
Medium Pack and Bulk	4,144	n.a	4,324	n.a	3,315	4,223	4,964
<i>Feed and Industrial Products</i>							
Tropical Oils	5,812	n.a	6,059	n.a	5,237	5,477	5603
Oilseeds and Grains	3,649	n.a	5,099	n.a	4,280	5,902	6309
Sugar	2,146	n.a	3,015	n.a	2,082	3,367	4543

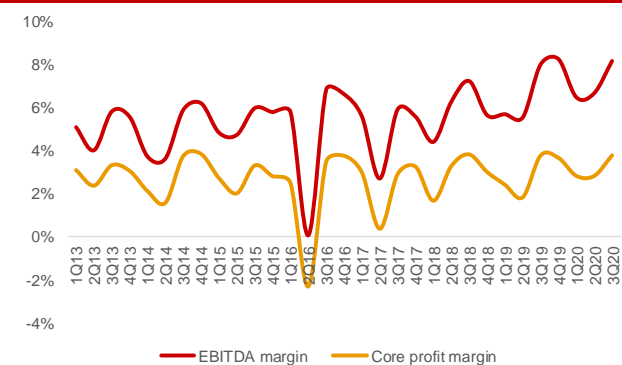
Source: Company, DBS Bank

EBITDA margin improvement to support share price performance


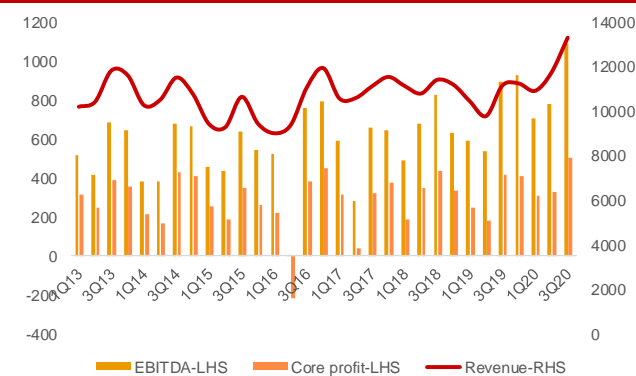
Source: Company, DBS Bank

China's crushing margin trend vs. share price


Source: Company, DBS Bank

Consistent margin expansion since 2Q16 low


Source: Company, DBS Bank

Earnings performance to support valuation re-rating to consumer territory for Wilmar


Source: Company, DBS Bank

Key Assumptions

FY Dec	2018A	2019A	2020F	2021F	2022F
CPO price (RM/MT)	2,340	2,090	2,450	2,540	2,560
Oilseeds & grains pretax	23.9	17.5	27.6	29.9	32.0
Tropical oils pretax	21.9	24.1	27.6	25.6	22.0
Sugar pretax (US\$/MT)	(10.48)	0.34	0.94	1.03	2.75
Oil palm planted area	244,935	249,935	254,935	259,935	264,935

Segmental Breakdown

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenues (US\$ m)					
Tropical oils	16,766	15,350	17,157	17,658	17,809
Oilseeds & grains	23,035	18,386	21,213	22,300	24,086
Sugar	3,585	4,033	4,240	4,731	5,266
Others	2,297	2,155	2,260	2,371	2,487
Elimination	(1,185)	2,716	(2,652)	(2,789)	(2,932)
Total	44,498	42,641	42,219	44,270	46,715
Pretax (US\$ m)					
Tropical oils	547	597	678	627	538
Oilseeds & grains	875	528	895	989	1,147
Sugar	(123)	4	12	14	39
Others	20	14	15	13	14
Unallocated costs	250	599	239	231	213
Total	1,569	1,742	1,839	1,873	1,951
Pretax Margins (%)					
Tropical oils	3.3	3.9	4.0	3.5	3.0
Oilseeds & grains	3.8	2.9	4.2	4.4	4.8
Sugar	(3.4)	0.1	0.3	0.3	0.7
Others	0.9	0.6	0.6	0.6	0.6
Total	3.5	4.1	4.4	4.2	4.2

Income Statement (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Revenue	44,498	42,641	42,219	44,270	46,715
Cost of Goods Sold	(40,107)	(38,154)	(38,010)	(39,768)	(42,084)
Gross Profit	4,390	4,486	4,209	4,502	4,631
Other Opnq (Exp)/Inc	(2,600)	(2,539)	(2,366)	(2,481)	(2,619)
Operating Profit	1,790	1,947	1,843	2,022	2,011
Other Non Opq (Exp)/Inc	0	0	0	0	0
Associates & JV Inc	310	153	274	274	249
Net Interest (Exp)/Inc	(352)	(417)	(278)	(422)	(310)
Exceptional Gain/(Loss)	(180)	59	0	0	0
Pre-tax Profit	1,569	1,742	1,839	1,873	1,951
Tax	(350)	(372)	(389)	(396)	(413)
Minority Interest	(95)	(77)	(89)	(91)	(101)
Preference Dividend	0	0	0	0	0
Net Profit	1,124	1,293	1,361	1,386	1,437
Net Profit before Except.	1,304	1,235	1,361	1,386	1,437
Net Pft (ex. BA gains)	1,145	1,273	1,361	1,386	1,437
EBITDA	2,933	2,978	2,979	3,207	3,209
Growth					
Revenue Gth (%)	2.1	(4.2)	(1.0)	4.9	5.5
EBITDA Gth (%)	22.4	1.6	0.0	7.6	0.1
Opq Profit Gth (%)	28.5	8.8	(5.4)	9.7	(0.5)
Net Profit Gth (%)	(6.0)	15.1	5.2	1.9	3.7
Margins & Ratio					
Gross Margins (%)	9.9	10.5	10.0	10.2	9.9
Opq Profit Margin (%)	4.0	4.6	4.4	4.6	4.3
Net Profit Margin (%)	2.5	3.0	3.2	3.1	3.1
ROAE (%)	7.0	7.9	7.9	7.7	7.7
ROA (%)	2.6	2.8	3.0	3.0	3.0
ROCE (%)	3.6	3.7	3.5	3.8	3.6
Div Payout Ratio (%)	43.5	45.0	45.0	45.0	45.0
Net Interest Cover (x)	5.1	4.7	6.6	4.8	6.5

Source: Company, DBSVI, DBS Bank

Balance Sheet (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Net Fixed Assets	9,345	9,851	9,908	9,841	9,693
Invt's in Associates & JVs	3,715	3,103	3,377	3,651	3,900
Other LT Assets	6,362	8,520	8,716	8,863	9,014
Cash & ST Invt's	5,163	5,745	2,737	3,279	3,944
Inventory	7,911	7,961	7,906	8,272	8,753
Debtors	11,868	11,530	11,583	12,146	12,817
Other Current Assets	1,348	339	339	339	339
Total Assets	45,713	47,049	44,566	46,390	48,461
ST Debt	17,821	18,288	16,106	16,889	17,822
Creditor	3,356	4,140	2,961	3,098	3,278
Other Current Liab	1,664	567	540	544	551
LT Debt	5,523	5,419	5,419	5,419	5,419
Other LT Liabilities	574	758	796	836	877
Shareholder's Equity	16,046	16,763	17,540	18,311	19,119
Minority Interests	729	1,114	1,203	1,294	1,394
Put Equity Reserve	N/A	N/A	N/A	N/A	N/A
Total Cap. & Liab.	45,713	47,049	44,566	46,390	48,461
Non-Cash Wkg. Capital	16,108	15,122	16,327	17,115	18,080
Net Cash/(Debt)	(18,182)	(17,963)	(18,789)	(19,029)	(19,297)
Debtors Turn (avg days)	87.5	100.1	99.9	97.8	97.5
Creditors Turn (avg days)	29.0	36.7	34.9	28.5	28.3
Inventory Turn (avg days)	75.0	77.7	78.0	76.0	75.5
Asset Turnover (x)	1.0	0.9	0.9	1.0	1.0
Current Ratio (x)	1.2	1.1	1.2	1.2	1.2
Quick Ratio (x)	0.7	0.8	0.7	0.8	0.8
Net Debt/Equity (X)	1.1	1.0	1.0	1.0	0.9
Net Debt/Equity ex MI (X)	1.1	1.1	1.1	1.0	1.0
Capex to Debt (%)	5.7	7.6	4.8	4.1	3.7
Z-Score (X)	2.0	1.9	2.0	2.0	2.0

Source: Company, DBSVI, DBS Bank

Cash Flow Statement (US\$ m)

FY Dec	2018A	2019A	2020F	2021F	2022F
Pre-Tax Profit	1,569	1,742	1,839	1,873	1,951
Dep. & Amort.	832	878	863	911	948
Tax Paid	(387)	(247)	(389)	(396)	(413)
Assoc. & JV Inc/(loss)	(310)	(153)	(274)	(274)	(249)
Chg in Wkg.Cap.	149	1,098	(1,178)	(792)	(972)
Other Operating CF	(352)	19	(39)	(10)	(6)
Net Operating CF	1,501	3,338	822	1,313	1,259
Capital Exp.(net)	(1,325)	(1,813)	(1,039)	(910)	(861)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(44)	126	(144)	(157)	(171)
Net Investing CF	(1,370)	(1,687)	(1,182)	(1,067)	(1,032)
Div Paid	(495)	(462)	(589)	(615)	(629)
Chg in Gross Debt	819	794	(2,182)	783	933
Capital Issues	3	31	0	0	0
Other Financing CF	(46)	(1,338)	38	40	42
Net Financing CF	281	(975)	(2,733)	207	345
Currency Adjustments	0	0	0	0	0
Chg in Cash	412	676	(3,093)	454	571
Opg CFPS (\$ cts)	21.1	35.0	31.2	32.9	34.8
Free CFPS (\$ cts)	2.7	23.8	(3.4)	6.3	6.2

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	11 Nov 19	3.83	4.25	BUY
2:	14 Nov 19	4.00	4.35	BUY
3:	09 Dec 19	4.10	4.60	BUY
4:	21 Feb 20	4.11	4.60	BUY
5:	27 Mar 20	3.22	4.00	BUY
6:	12 May 20	3.82	4.00	BUY
7:	01 Jul 20	4.10	4.60	BUY
8:	12 Aug 20	4.79	5.28	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: DBSVI, DBS Bank

Analyst: William Simadiputra

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 3 Dec 2020 16:03:46 (WIB)

Dissemination Date: 7 Dec 2020 13:45:55 (WIB)

Sources for all charts and tables are DBSVI, AllianceDBS, DBS Bank unless otherwise specified

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