

# Eagle High Plantations

(BWPT.JK / BWPT IJ)

REINSTATEMENT

Rating	<b>NEUTRAL*</b> [V]
Price (02 Feb 15, Rp)	355.00
Target price (Rp)	350.00 <sup>1</sup>
Upside/downside	-1.4%
Mkt cap (Rp bn)	11,191.48 (US\$0.88 bn)
Enterprise value (Rp bn)	14,753
Number of shares (mn)	31,525.29
Free float (%)	22.6
52-week price range	1,168.0 - 337.0
ADTO - 6M (US\$ mn)	2.3

\*Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

<sup>1</sup>Target price is for 12 months.

[V] = Stock considered volatile (see Disclosure Appendix).

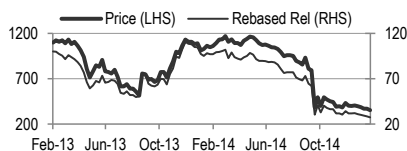
## Research Analysts

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## A new chapter begins

- **Following the reverse takeover...** After its rights issue in Dec-14, Eagle High Plantations (previously known as BW Plantations) has acquired Green Eagle Holdings' (Green) plantation assets at Rp10.8 tn. PT Rajawali Capital International (Rajawali) is now the major shareholder with a 70% stake.
- **...the transformation.** Post acquisition, Eagle High has doubled its planted area size (from 70,355 ha to 147,289 ha, as of Dec-14). Total land rights will be 4x larger (from 94,513 ha to 419,006 ha), implying a significant headroom for future expansion. In the meantime, the plantation profile should remain young at about eight years of nucleus mature area.
- **What's next?** We expect Eagle High to see more than twice YoY FFB and palm oil production output. It has the bulk of its young plantation transforming into prime age in the coming years which should increase yields. We forecast a 19% palm oil production CAGR over 2015-17. We expect its net gearing to come down to less than 0.5x (from BWPT 1.5x). The more flexible balance sheet does imply potential faster new planting.
- **Maintain NEUTRAL.** Following the rights issue, the company's share capital has ballooned seven-fold from 4.5 mn to 31.5 mn shares. We revise our EPS down by 28-77%. Based on our earnings revisions and 14.0x FY15E P/E, we have arrived at a target price of Rp350. At the current valuation, we reinstate and maintain our NEUTRAL rating. Our TP multiple is in line with the Indonesian plantation sector historical P/E average. (Note: we are assuming a CPO price assumption of RM2,600/t for 2015 and a Rp12,000/US\$ exchange rate, or a CPO price of around Rp8,400/kg). We reinstate coverage on Eagle High as it recently came off restriction.

### Share price performance



The price relative chart measures performance against the JSX COMPOSITE INDEX which closed at 5276.24 on 02/02/15. On 02/02/15 the spot exchange rate was Rp12690/US\$1

Performance over	1M	3M	12M
Absolute (%)	-10.6	-20.2	-66.1
Relative (%)	-11.2	-24.2	-85.5

### Financial and valuation metrics

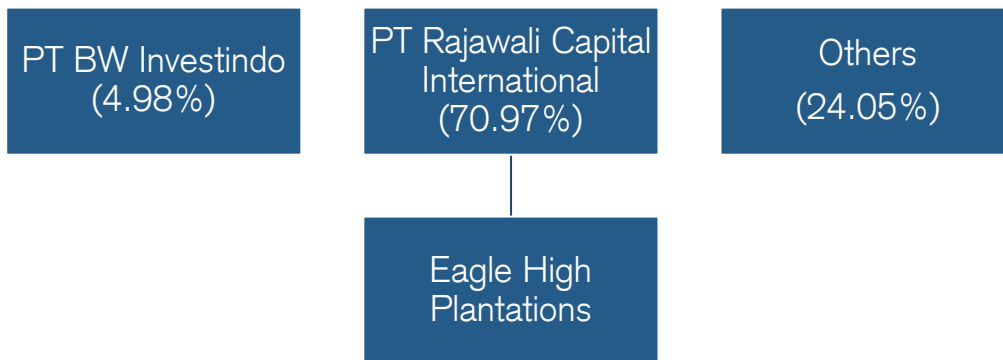
Year	12/13A	12/14E	12/15E	12/16E
Revenue (Rp bn)	1,144.2	1,399.3	3,878.8	4,731.4
EBITDA (Rp bn)	483.0	555.2	1,614.2	1,975.4
EBIT (Rp bn)	325.6	368.4	1,249.4	1,529.2
Net profit (Rp bn)	181.8	209.8	791.8	985.3
EPS (CS adj.) (Rp)	43.51	46.93	25.12	31.25
Change from previous EPS (%)	n.a.	-28.2	-73.1	-76.8
Consensus EPS (Rp)	n.a.	17.1	25.3	32.5
EPS growth (%)	-31.1	7.9	-46.5	24.4
P/E (x)	8.2	7.6	14.1	11.4
Dividend yield (%)	2.9	1.7	0.3	1.1
EV/EBITDA (x)	30.5	26.6	10.7	8.7
P/B (x)	0.74	0.68	0.90	0.84
ROE (%)	9.6	9.4	10.8	7.7
Net debt/equity (%)	162.0	150.5	50.0	45.4

Source: Company data, Thomson Reuters, Credit Suisse estimates.

**DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, AND THE STATUS OF NON-US ANALYSTS.** US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

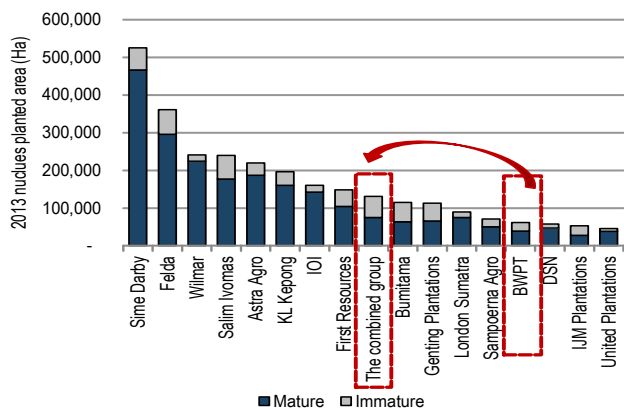
# Focus charts

Figure 1: Rajawali now owns 70% of Eagle High



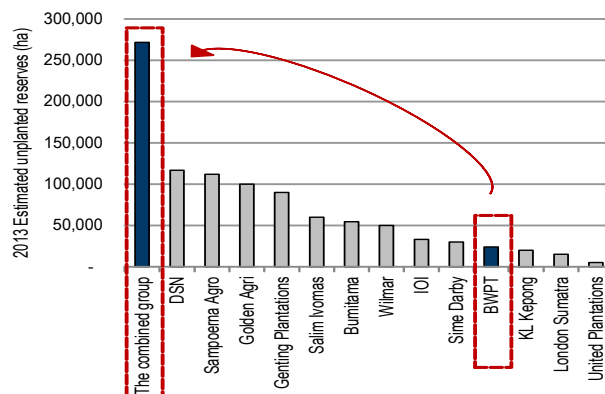
Source: Company data

Figure 2: Eagle high continues to have a young plantation profile, but a bigger scale versus peers'...



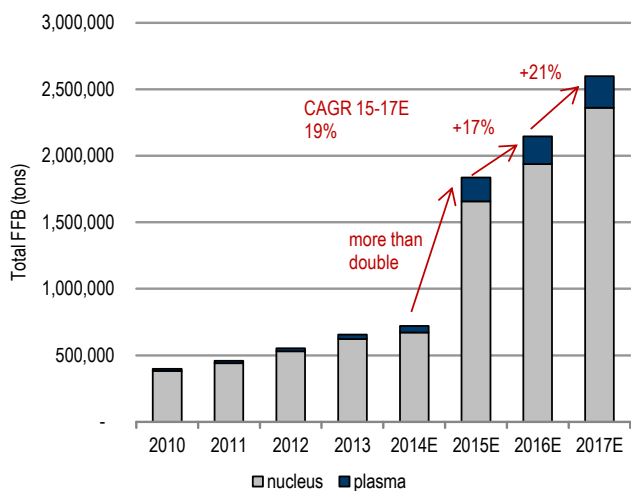
Source: Company data

Figure 3: ...and the largest unplanted reserve land bank (4x larger than before)



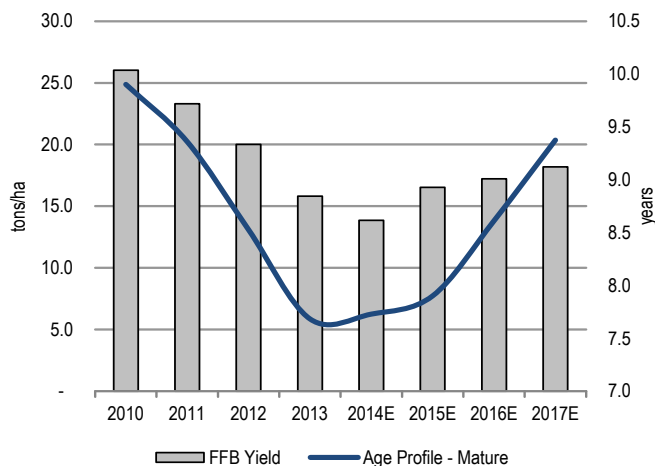
Source: Company data

Figure 4: FFB production should be more than twice the current size



Source: Company data, Credit Suisse estimates

Figure 5: Yield should improve along with maturity



Source: Company data, Credit Suisse estimates

## A new chapter begins

Eagle High Plantations (previously known as BW Plantations) recently offered a 6-to-1 rights issue to its shareholders with Rajawali as the standby buyer. Post the rights issue completed in December, the majority stockholding of the company has changed hands from PT BW Investindo (BWI) to PT Rajawali Capital International (Rajawali), which now owns a 70.97% stake. BWI's ownership has fallen from 34.86% to 4.98%.

### What's next?

Post acquisition, we expect Eagle High to see more than twice YoY FFB and palm oil production output. It has the bulk of its young plantation transforming into prime age in the coming years which should increase yields. We forecast a 19% palm oil production CAGR over 2015-17. We also expect its net gearing to come down to less than 0.5x (from BWPT 1.5x). The interest coverage ratio should also improve, meaning the company now has better capacity to pay off interest charges. In all, the more flexible balance sheet does imply potential faster new planting. We are assuming up to 10,000 ha of new planting p.a.

### Maintain NEUTRAL

Following the rights issue, the company's share capital has ballooned seven-fold from 4.5 mn to 31.5 mn shares. We have revised our earnings estimates to incorporate the rights issue and Green's acquisition to the company's financials. Based on the earnings revisions and 14.0x FY15E P/E, we arrive at our target price of Rp350. Our target price multiple in line with the Indonesian plantation sector historical P/E average, and a discount to Astra Agro (AALI) or London Sumatra (LSIP). *(Note: we are assuming a CPO price assumption of RM2,600/t for 2015 and a Rp12,000/US\$ exchange rate, or a CPO price of around Rp8,400/kg).*

At the current valuation, we maintain our NEUTRAL rating on the stock. We believe that the positive synergies from Green's acquisition will not accrue immediately but be realised over time. We would like to watch closely new management's track record.

# Eagle High Plantations BWPT.JK / BWPT IJ

Price (02 Feb 15): Rp355.00, Rating: NEUTRAL [V], Target Price: Rp350.00, Analyst: Priscilla Tjitra

Target price scenario			
Scenario	TP	%Up/Dwn	Assumptions
Upside	380.00	7.04	FY15E P/E of 16x
Central Case	350.00	(1.41)	FY15E P/E of 14x
Downside	290.00	(18.31)	FY15E P/E of 12x

Income statement (Rp bn)	12/13A	12/14E	12/15E	12/16E
<b>Sales revenue</b>	<b>1,144</b>	<b>1,399</b>	<b>3,879</b>	<b>4,731</b>
Cost of goods sold	603	784	2,013	2,447
SG&A	215.6	246.9	616.2	755.5
Other operating exp./inc.	(157.4)	(186.8)	(364.7)	(446.3)
<b>EBITDA</b>	<b>483</b>	<b>555</b>	<b>1,614</b>	<b>1,975</b>
Depreciation & amortisation	157.4	186.8	364.7	446.3
<b>EBIT</b>	<b>326</b>	<b>368</b>	<b>1,249</b>	<b>1,529</b>
Net interest expense/inc.	82.6	87.3	193.7	215.5
Non-operating inc./exp.	11.9	(1.4)	—	—
Associates/JV	—	—	—	—
<b>Recurring PBT</b>	<b>255</b>	<b>280</b>	<b>1,056</b>	<b>1,314</b>
Exceptionals/extraordinaries	—	—	—	—
Taxes	73.1	69.9	263.9	328.4
<b>Profit after tax</b>	<b>181.8</b>	<b>209.8</b>	<b>791.8</b>	<b>985.3</b>
Other after tax income	—	—	—	—
Minority interests	—	—	—	—
Preferred dividends	—	—	—	—
<b>Reported net profit</b>	<b>181.8</b>	<b>209.8</b>	<b>791.8</b>	<b>985.3</b>
Analyst adjustments	—	—	—	—
<b>Net profit (Credit Suisse)</b>	<b>181.8</b>	<b>209.8</b>	<b>791.8</b>	<b>985.3</b>

Cash flow (Rp bn)	12/13A	12/14E	12/15E	12/16E
<b>EBIT</b>	<b>326</b>	<b>368</b>	<b>1,249</b>	<b>1,529</b>
Net interest	—	—	—	—
Tax paid	—	—	—	—
Working capital	49.8	166.0	(587.5)	(72.4)
Other cash & non-cash items	(280.6)	28.2	(92.9)	(97.6)
<b>Operating cash flow</b>	<b>95</b>	<b>563</b>	<b>569</b>	<b>1,359</b>
Capex	(1,406)	(630)	(7,689)	(1,335)
<b>Free cash flow to the firm</b>	<b>(1,311)</b>	<b>(67)</b>	<b>(7,120)</b>	<b>24</b>
Disposals of fixed assets	—	—	—	—
Acquisitions	—	—	—	—
Divestments	—	—	—	—
Associate investments	—	—	—	—
Other investment/outflows	302	55	(5,357)	16
<b>Investing cash flow</b>	<b>(1,104)</b>	<b>(575)</b>	<b>(13,046)</b>	<b>(1,320)</b>
Equity raised	—	—	—	—
Dividends paid	(46.6)	(27.3)	(31.5)	(118.8)
Net borrowings	746	86	3,107	100
Other financing cash flow	327	17	9,948	181
<b>Financing cash flow</b>	<b>1,026</b>	<b>75</b>	<b>13,024</b>	<b>162</b>
<b>Total cash flow</b>	<b>16.8</b>	<b>62.7</b>	<b>546.7</b>	<b>201.6</b>
Adjustments	0.91	—	—	—
<b>Net change in cash</b>	<b>17.7</b>	<b>62.7</b>	<b>546.7</b>	<b>201.6</b>

Balance sheet (Rp bn)	12/13A	12/14E	12/15E	12/16E
Cash & cash equivalents	68.2	130.9	677.6	879.1
Current receivables	28.3	34.6	531.3	648.1
Inventories	159.5	107.4	330.9	402.2
Other current assets	63.0	77.1	310.3	378.5
<b>Current assets</b>	<b>319</b>	<b>350</b>	<b>1,850</b>	<b>2,308</b>
Property, plant & equip.	5,127	5,570	12,178	13,067
Investments	—	—	—	—
Intangibles	69	73	4,621	4,621
Other non-current assets	685	627	1,435	1,419
<b>Total assets</b>	<b>6,200</b>	<b>6,620</b>	<b>20,084</b>	<b>21,415</b>
Accounts payable	176.4	257.7	551.6	670.4
Short-term debt	362	739	800	1,380
Current provisions	—	—	—	—
Other current liabilities	176.8	229.8	302.0	367.0
<b>Current liabilities</b>	<b>715</b>	<b>1,226</b>	<b>1,654</b>	<b>2,417</b>
Long-term debt	3,245	2,954	6,000	5,520
Non-current provisions	—	—	—	—
Other non-current liab.	55.6	72.3	181.2	220.2
<b>Total liabilities</b>	<b>4,016</b>	<b>4,252</b>	<b>7,835</b>	<b>8,158</b>
<b>Shareholders' equity</b>	<b>2,143</b>	<b>2,326</b>	<b>12,391</b>	<b>13,258</b>
Minority interests	—	—	—	—
<b>Total liabilities &amp; equity</b>	<b>6,200</b>	<b>6,620</b>	<b>20,084</b>	<b>21,415</b>

Key earnings drivers	12/13A	12/14E	12/15E	12/16E
Matured Acreage (Ha)	41,448	52,060	112,980	129,852
Matured Acreage Growth	50.0	25.6	117.0	14.9
FFB Yield (tonnes/ha)	15.8	13.9	16.3	16.5
CPO Price Assumption	2,370	2,400	2,600	2,700
CPO Production Growth	12.8	9.6	170.1	18.5

Per share data	12/13A	12/14E	12/15E	12/16E
Shares (wtd avg.) (mn)	4,178	4,471	31,525	31,525
<b>EPS (Credit Suisse) (Rp)</b>	<b>43.5</b>	<b>46.9</b>	<b>25.1</b>	<b>31.3</b>
DPS (Rp)	10.4	6.1	1.0	3.8
BVPS (Rp)	479	520	393	421
Operating CFPS (Rp)	23	126	18	43

Key ratios and valuation	12/13A	12/14E	12/15E	12/16E
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<b>Growth(%)</b>				
Sales revenue	21	22	177	22
EBIT	(22)	13	239	22
Net profit	(31)	15	277	24
EPS	(31.1)	7.9	(46.5)	24.4

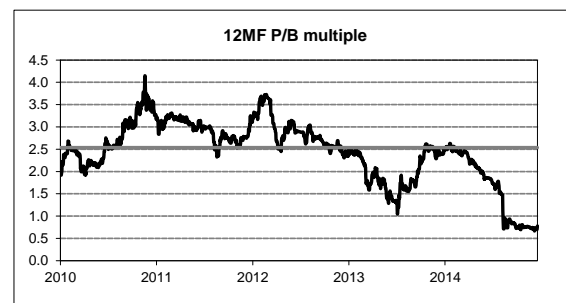
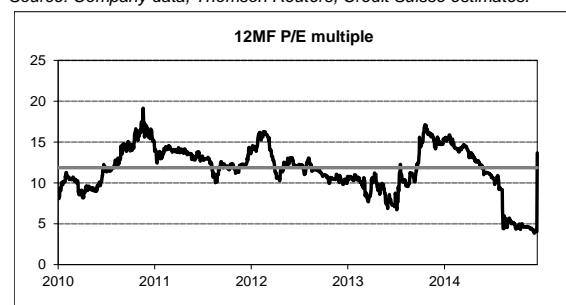
<b>Margins (%)</b>				
EBITDA	42.2	39.7	41.6	41.8
EBIT	28.5	26.3	32.2	32.3
Pre-tax profit	22.3	20.0	27.2	27.8
Net profit	15.9	15.0	20.4	20.8

<b>Valuation metrics (x)</b>				
P/E	8.2	7.6	14.1	11.4
P/B	0.74	0.68	0.90	0.84
Dividend yield (%)	2.94	1.72	0.28	1.06
P/CF	15.6	2.8	19.7	8.2
EV/sales	12.9	10.5	4.5	3.6
EV/EBITDA	30.5	26.6	10.7	8.7
EV/EBIT	45.2	40.0	13.9	11.3

<b>ROE analysis (%)</b>				
ROE	9.6	9.4	10.8	7.7
ROIC	4.55	4.74	7.71	6.09
Asset turnover (x)	0.18	0.21	0.19	0.22
Interest burden (x)	0.78	0.76	0.84	0.86
Tax burden (x)	0.71	0.75	0.75	0.75
Financial leverage (x)	2.84	2.80	1.64	1.62

<b>Credit ratios</b>				
Net debt/equity (%)	162	150	50	45
Net debt/EBITDA (x)	7.33	6.42	3.79	3.05
Interest cover (x)	3.94	4.22	6.45	7.10

Source: Company data, Thomson Reuters, Credit Suisse estimates.



Source: IBES

# A new chapter begins

Eagle High Plantations (previously known as BW Plantations) recently offered a 6-to-1 rights issue to its shareholders with Rajawali as the standby buyer. Post the rights issue completed in December, the majority stockholding of the company has changed hands from PT BW Investindo (BWI) to PT Rajawali Capital International (Rajawali), which now owns a 70.97% stake. BWI's ownership has fallen from 34.86% to 4.98%.

Eagle High Plantations is now majority owned by Rajawali Group.

**Figure 6: Shareholding structure pre and post rights issue**

Name of investor	Before rights issue			After rights issue		
	Shares	Nominal value	%	Shares	Nominal value	%
Rajawali capital	-	-	0.00%	20,660,451,346	2,066,045,134,600	65.54%
Credit Suisse	491,382,640	49,138,264,000	10.91%	1,090,075,000	109,007,500,000	3.46%
Cayman - Fund	-	-	0.00%	622,900,000	62,290,000,000	1.98%
Matacuna	67,000,000	6,700,000,000	1.49%	67,000,000	6,700,000,000	0.21%
Pegasus	405,100,000	40,510,000,000	9.00%	405,100,000	40,510,000,000	1.29%
PT BW Investindo	1,570,040,800	157,004,080,000	34.86%	1,570,040,800	157,004,080,000	4.98%
Public	1,970,089,560	197,008,956,000	43.74%	7,109,723,394	710,972,339,400	22.55%
<b>Total</b>	<b>4,503,613,000</b>	<b>450,361,300,000</b>	<b>100.0%</b>	<b>31,525,290,540</b>	<b>3,152,529,054,000</b>	<b>100.0%</b>

Source: Company information

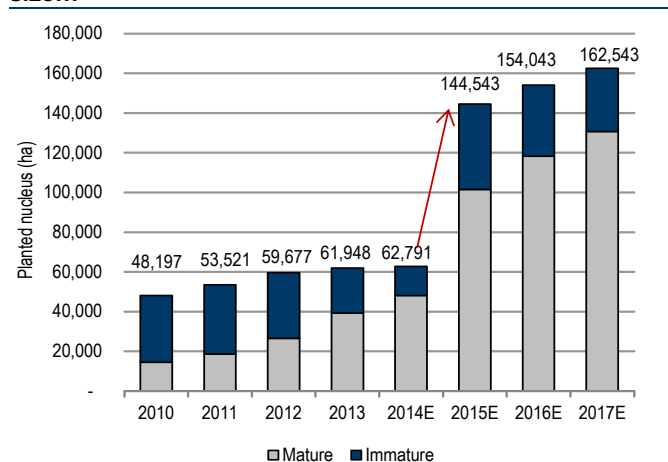
The proceeds of the rights issue were primarily used to acquire Green Eagle Holdings Pte. Ltd. and its subsidiaries (together, "Green"), which acquired additional nine oil palm plantation companies (the 'Additional Rajawali land bank') from Rajawali at Rp10.8 tn. The remainder of the funds of Rp253 bn will be used for working capital purposes.

## Transforming itself into a bigger-sized entity...

Eagle High was one of the smallest upstream palm oil producers among Indonesia-listed plantation companies. Its palm oil output was around 9% of Astra Agro's (AALI), and planted area was around 25% of AALI's total planted area. Post Green's acquisition, Eagle High doubled its planted area size (from 70,355 ha to 147,289 ha, as of Dec-14). Moreover, given Green's vast unplanted land bank reserves, Eagle High's land rights will be 4x higher. The land bank will be located in Kalimantan, Sulawesi, Papua and Sumatera. In addition, the combined group will have six CPO mills with a capacity of 2,040,000 tonnes FFB per year.

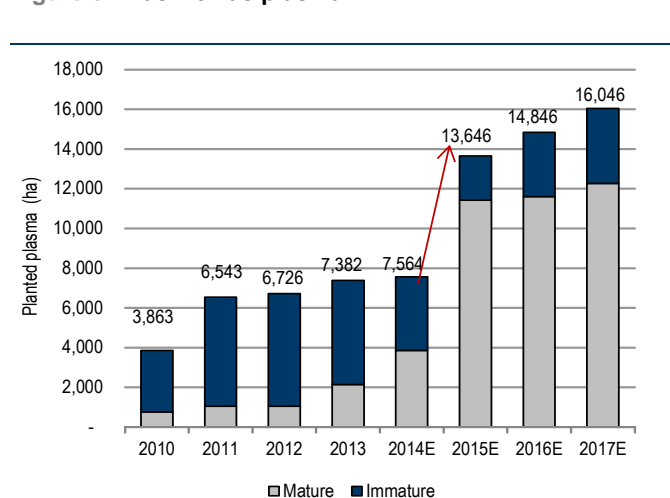
Post-Green's acquisition, Eagle High doubled its planted area and quadrupled its land rights

**Figure 7: Planted nucleus area will be twice the current size...**



Source: Company data, Credit Suisse estimates

**Figure 8: ...as well as plasma**



Source: Company data, Credit Suisse estimates

**Figure 9: Total land rights increased from 94,513 ha to 419,006 ha as of 30 June 2014**

	Nucleus (ha)	Plasma (ha)	Mature (ha)	Immature (ha)	Planted (ha)	Unplanted (ha)	Land rights (ha)	FFB processing (tons/yr)
BWPT	62,496	7,633	46,495	23,634	70,129	24,384	94,513	1,260,000
Green	66,748	4,882	43,198	28,432	71,630	123,910	195,540	780,000
Additional Rajawali	5,504	-	1,664	3,840	5,504	123,449	128,953	-
<b>The combined group</b>	<b>134,748</b>	<b>12,515</b>	<b>91,357</b>	<b>55,906</b>	<b>147,263</b>	<b>271,743</b>	<b>419,006</b>	<b>2,040,000</b>

Source: Company data, Jun-14

**Figure 10: Land rights to large unplanted land bank support new planting and future expansion plans**

Land Rights (in ha)	HGU	HGB	Kadastral	Ijin Lokasi	Total Area
BWPT	47,437	80	40,997	6,000	94,513
Green	45,173	18	44,934	105,415	195,540
Additional Rajawali Land bank	6,527	0	0	122,426	128,953
<b>The combined group</b>	<b>99,137</b>	<b>98</b>	<b>85,931</b>	<b>233,841</b>	<b>419,006</b>

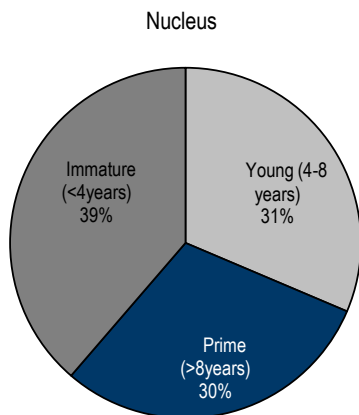
Source: Company data, Jun-14

## ...but will stay young and be more geographically diversified...

Both BWPT and Green have a young plantation profile (BWPT's age of nucleus mature area is 7.8 years and Green's is 8.4 years), with almost similar age composition. Thus, the combined entity, Eagle High, will continue to demonstrate a young profile, with 30% being prime area, 31% young (4-8 year old), and 39% immature (0-4 year old).

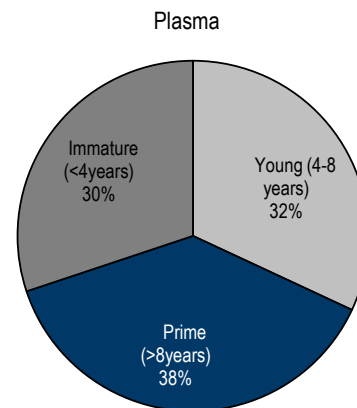
The combined group will continue to have a young profile

**Figure 11: Nucleus age breakdown of the combined group**



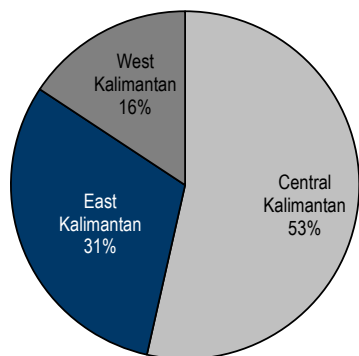
Source: Company data

**Figure 12: Plasma age breakdown of the combined group**



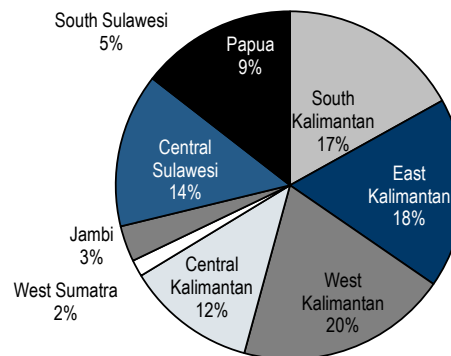
Source: Company data

**Figure 13: Moving away from BWPT's land rights concentration in Kalimantan...**



Note: Based on 94,513 ha total land rights  
Source: Company data

**Figure 14: ...to geographically diversified with land banks situated across Indonesia**



Note: Based on 419,006 ha total land rights  
Source: Company data

**Figure 15: Comparison before and after the transformation (pro forma at 30 June 2014)**

	Green	BWPT	Additional Rajawali land bank	Eagle High
Nucleus area	66,748	62,496	5,504	134,748
Plasma area	4,882	7,633	-	12,515
Mature area	43,198	46,495	1,664	91,357
Immature area	28,432	23,634	3,840	55,906
Planted area	71,630	70,129	5,504	147,263
Unplanted area	123,910	24,384	123,449	271,743
Average age of nucleus mature area	8.4	7.8	6.2	7.6
<b>Nucleus composition:</b>				
Immature <4	43%	32%	0%	39%
Young (4-8)	19%	45%	30%	31%
Prime >8	39%	23%	70%	30%
<b>Planted area location:</b>				
	Kalimantan	Kalimantan	Kalimantan	Kalimantan
	Sumatera		Sumatera	Sumatera
	Papua			Papua
<b>Unplanted area location:</b>				
	Kalimantan	Kalimantan	Kalimantan	Kalimantan
	Sumatera		Sumatera	Sumatera
	Papua		Sulawesi	Papua
	Sulawesi		Jambi	Sulawesi
				Jambi
FFB nucleus production	318,955	375,316		694,271
FFB nucleus yield	8.3	8.8		8.4
CPO production	85,676	71,757		157,433
CPO extraction rate	23.9%	23.0%		23.5%
PK extraction rate	3.7%	3.7%		3.7%

Source: Company data

## ...and be financially healthier for expansion

We analyse that post acquisition, Eagle High will have a more manageable balance sheet with net gearing coming down to around 0.5x compared with the previous 1.5x level as of Sep-14. The interest coverage ratio, EBIT coverage over interest expenses, should also improve. This means the company now has better capacity to pay off interest charges.

Post acquisition, planted area and CPO output will double while age, growth profile and productivity will be similar. Net gearing should come down to 0.5x (from 1.5x)

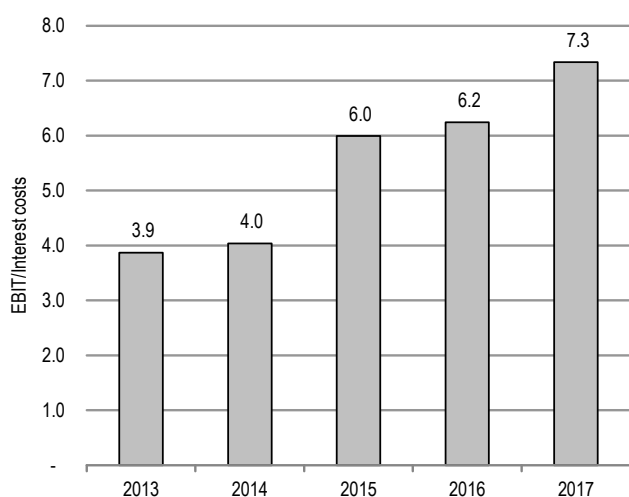
**Figure 16: Net gearing to improve on a higher asset base**

Pre and post-acquisition leverage position (pro forma at 30 June 2014)

	BWPT	Green	Eagle High
Total debt (Rp bn)	3,593	2,719	6,861
Net debt (Rp bn)	3,541	2,247	6,208
Net debt/equity (x)	1.51	0.92	0.45

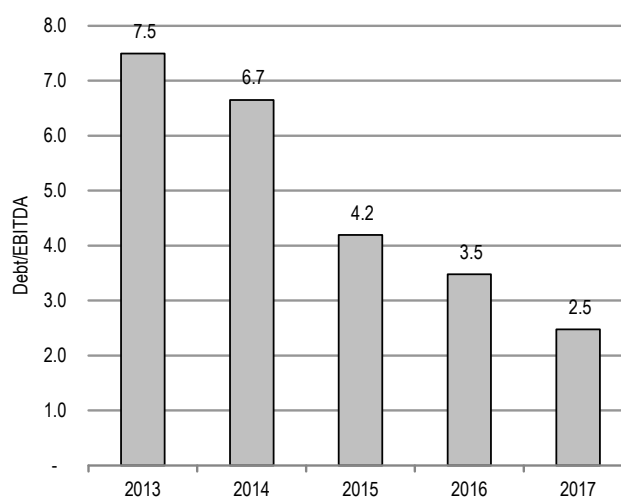
Source: Company data

**Figure 17: Better interest coverage ratio...**



Source: Company data, Credit Suisse estimates

**Figure 18: ...as well as debt-to-EBITDA ratio**



Source: Company data, Credit Suisse estimates

On dividend, the company policy is to pay between 10% and 30% payout. BWPT has been paying about 15% dividend payout historically.

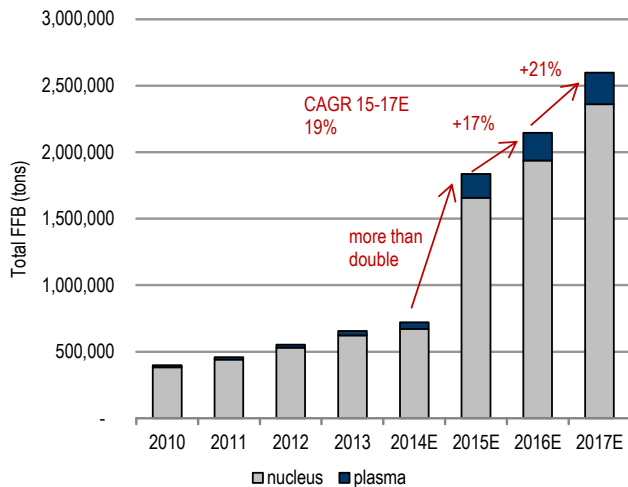
Overall, post Green's acquisition, Eagle High will have a twice the current planted area size, with twice as much FFB and CPO production, and potential for more geographically diversified locations, but maintaining a similar age, growth profile and productivity level. Given the more flexible balance sheet, the combined group will have a faster new planting, in our view. We are assuming up to 10,000 ha of new planting p.a.



# What's next?

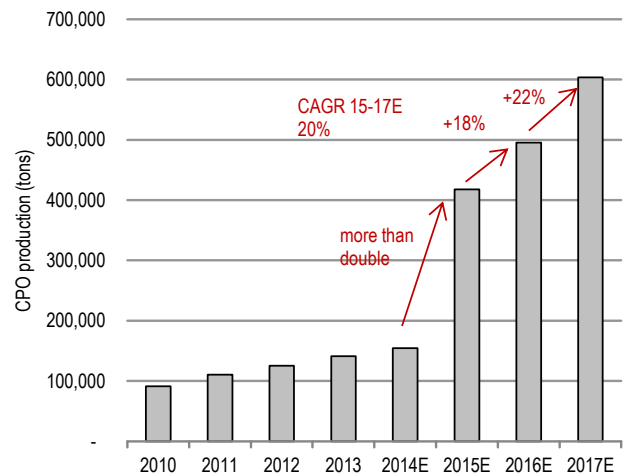
Post acquisition, we expect Eagle High to see more than twice FFB and palm oil production output in 2015. We assume FFB yield improvement along with the maturing plantation profile, as well as higher OER potential from Green's estates. We forecast a 19% palm oil production CAGR over 2015-17.

**Figure 19: FFB production will be more than twice this year after the acquisition...**



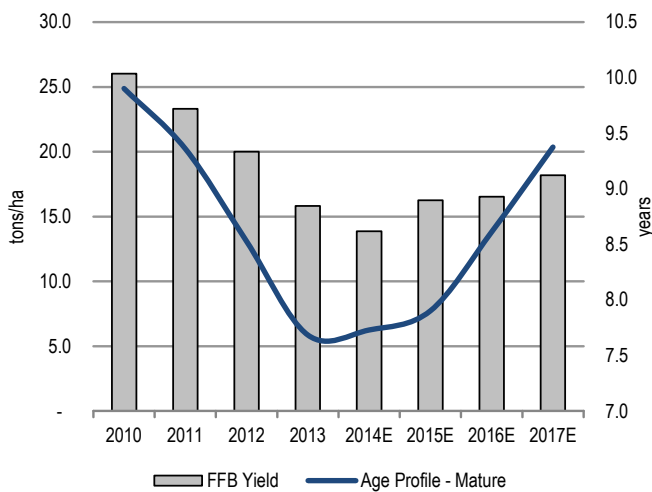
Source: Company data, Credit Suisse estimates

**Figure 20: ...same is the case with the palm oil production**



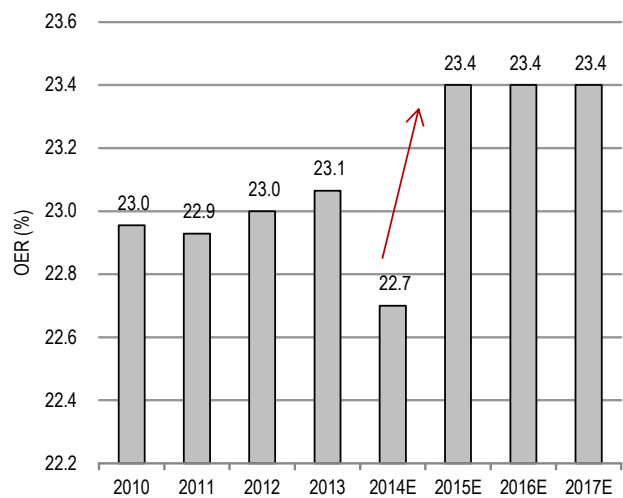
Source: Company data, Credit Suisse estimates

**Figure 21: FFB yield production should improve along with maturing plantation**



Source: Company data, Credit Suisse estimates

**Figure 22: Green's estate has a higher OER, thus lifted the combined group's overall OER**



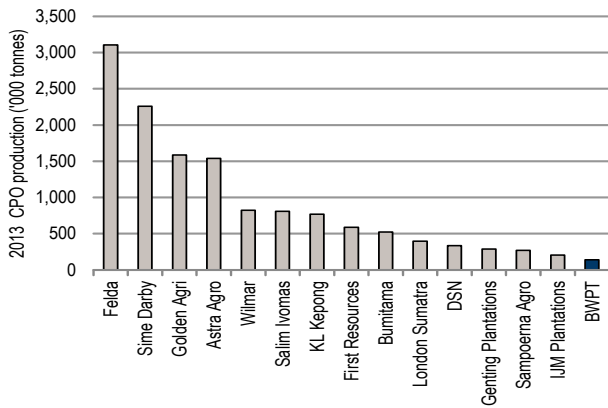
Source: Company data, Credit Suisse estimates

## How is it positioned relative to peers?

Given the relatively young maturity area of BWPT and Green, post acquisition, Eagle High's total palm oil output will remain small compared to peers. Moreover, considering the similar age profile of the two, post-acquisition yield (productivity) of the combined group yield will also remain similar, although it will have a higher proportion of plantation transforming from young to prime age in the coming years which is expected to improve yields significantly.

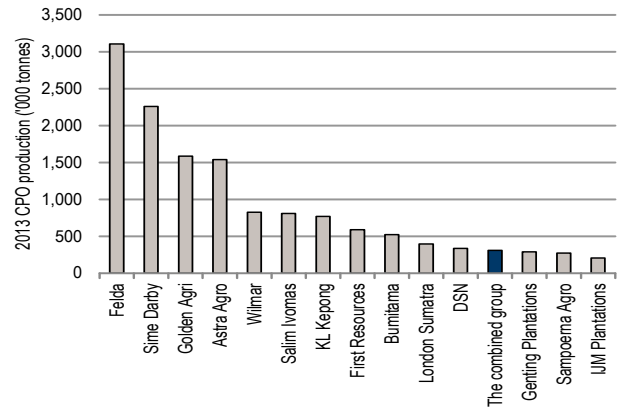
Post acquisition, CPO output will remain smaller compared to peers; however, the planted area will be twice its size with up to 10x larger unplanted reserves than before

**Figure 23: BWPT is one of the smallest CPO output producers**



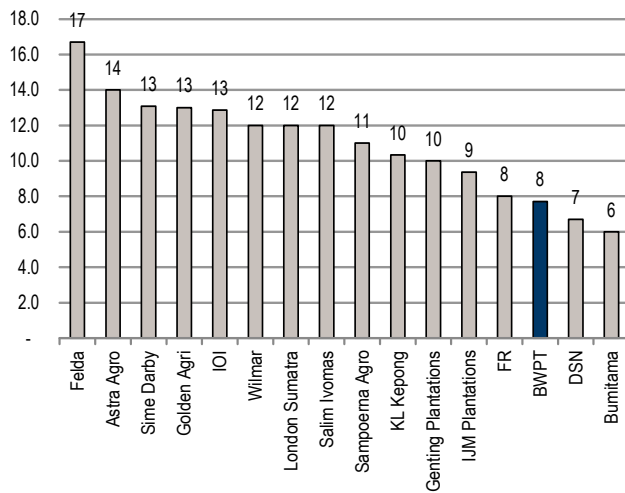
Source: Company data

**Figure 24: Post acquisition, output should be more than double (based on 2013 statistics)**



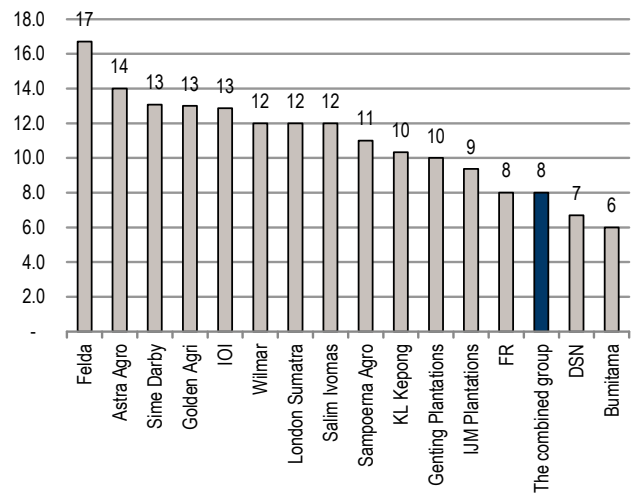
Source: Company data

**Figure 25: BWPT is one of the youngest against peers...**



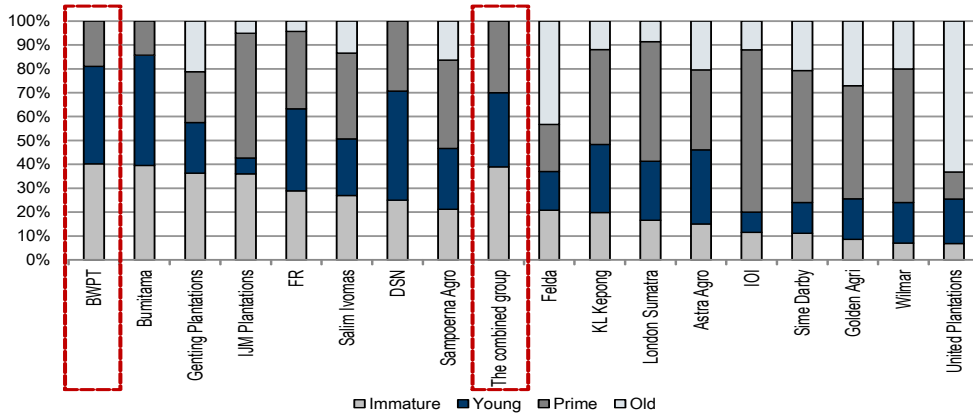
Source: Company data

**Figure 26: ...and remains young post-acquisition**



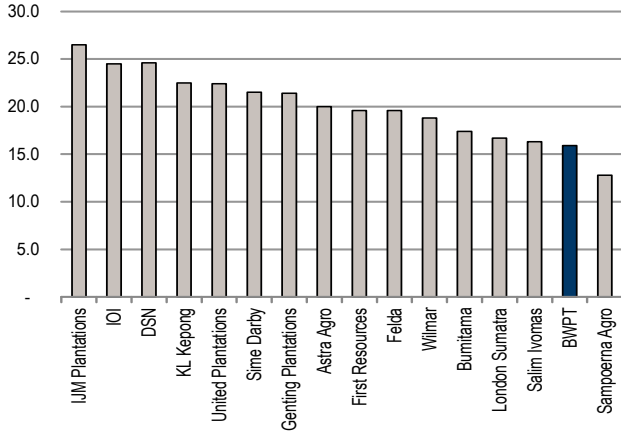
Source: Company data

**Figure 27: The combined group, Eagle High, will have more young plantation going into prime age in the coming years which should increase yields**



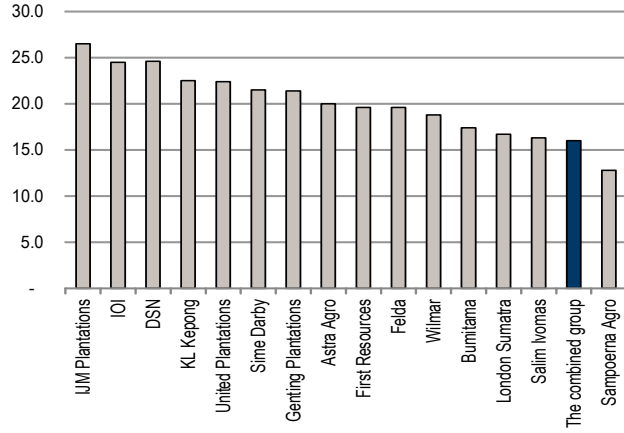
Source: Company data

**Figure 28: BWPT's nucleus FFB yield vs peers'**



Source: Company data

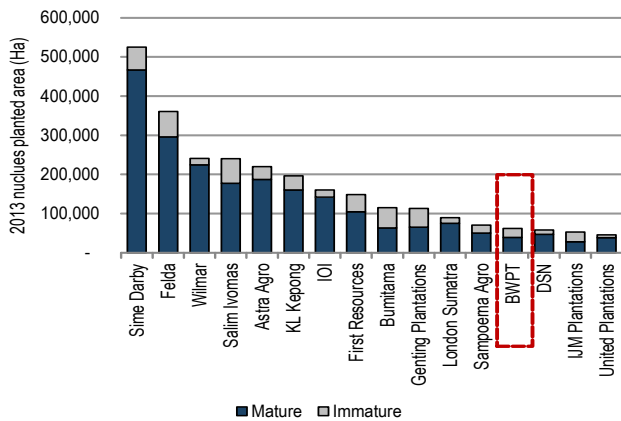
**Figure 29: Post acquisition, yields will remain similar**



Source: Company data

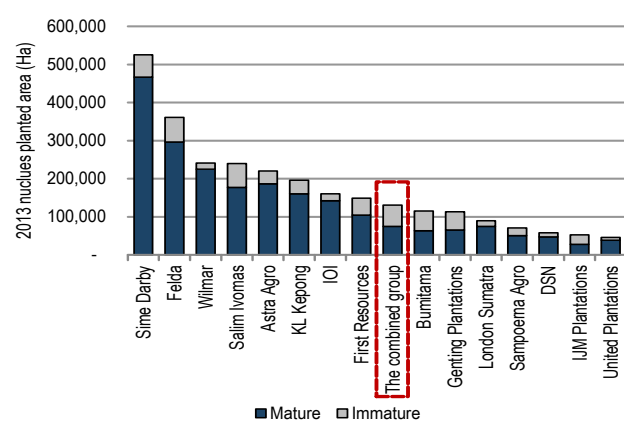
In terms of the planted area, post acquisition, the combined group will have a double planted area comparable to those of First Resources and Burnitama. More importantly, it will have a significant headroom for expansion, with up to 10x larger unplanted reserves than before. The total land rights of the combined group will also be the largest among peers.

**Figure 30: BWPT has one of the smallest planted areas compared to other CPO producers**



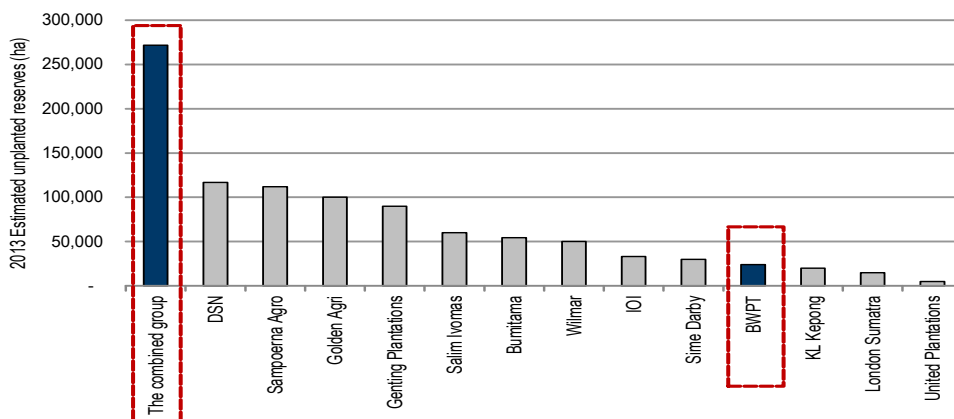
Source: Company data

**Figure 31: Post acquisition, Eagle has a bigger scale compared to peers**



Source: Company data

**Figure 32: Eagle High has the highest unplanted land bank reserves compared to other planters'**



Source: Company data, 2013

**Figure 33: Plantation companies' operational productivity comparison**

Description	Year	FFB (mt/Ha)	CPO (mt/Ha)	OER nucleus	KER nucleus	Nucleus area produce ('000 ha)	Nucleus area-non produce ('000 ha)	Nucleus area-non produce to area (%)	Total nucleus area ('000 ha)
Golden Agri Resources Ltd	2012	22.5	5.1	22.6%	5.3%	328.4	38.5	10.5%	366.9
	2013	20.7	4.7	22.8%	5.4%	338.5	32.6	8.8%	371.1
Sime Darby Bhd (Indonesia)	2012	17.9	4.1	22.8%	4.7%	195.1	9.8	4.8%	204.8
	2013	19.9	4.5	22.5%	4.7%	192.0	12.6	6.1%	204.5
PT Astra Agro Lestari Tbk	2012	23.6	5.3	22.3%	4.9%	174.8	37.8	17.8%	212.6
	2013	20.0	4.5	22.3%	4.8%	186.9	33.1	15.1%	220.0
PT Salim Ivomas Pratama Tbk	2012	16.9	3.6	21.4%	5.0%	176.1	54.8	23.7%	230.9
	2013	16.3	0.0	23.0%	4.7%	177.1	62.8	26.2%	239.9
First Resources Ltd	2012	22.4	5.2	23.4%	5.5%	85.9	39.9	31.7%	125.8
	2013	19.6	4.5	23.2%	5.3%	104.5	44.2	29.7%	148.7
PT Dharma Satya Nusantara	2012	25.5	5.8	22.6%	3.4%	38.4	9.4	19.7%	47.8
	2013	26.0	6.3	24.3%	3.1%	44.4	10.9	19.8%	55.3
Bumitama Agri	2012	18.4	4.4	23.9%	4.5%	51.5	42.9	45.4%	94.4
	2013	17.5	4.1	23.3%	4.4%	63.1	47.2	42.8%	110.3
PT BW Plantation Tbk	2012	19.9	4.6	23.0%	4.0%	26.6	33.1	55.5%	59.7
	2013	15.9	3.6	22.7%	3.8%	39.3	22.6	36.6%	61.9
Green Eagle Group	2012	17.1	4.2	24.5%	3.9%	32.3	25.1	43.7%	57.5
	2013	16.6	4.0	23.9%	3.4%	34.6	29.4	45.9%	64.1
Cons. BWPT and Green Eagle	2012	18.4	4.4	23.8%	3.9%	58.9	58.3	49.7%	117.2
	2013	16.2	3.8	23.3%	3.6%	73.9	52.1	41.3%	126.0
<b>Overall average</b>	<b>2012</b>	<b>20.6</b>	<b>4.7</b>	<b>22.6%</b>	<b>4.9%</b>	<b>123.2</b>	<b>32.4</b>	<b>18.4%</b>	<b>155.6</b>
	<b>2013</b>	<b>19.5</b>	<b>3.9</b>	<b>22.8%</b>	<b>4.8%</b>	<b>131.2</b>	<b>32.8</b>	<b>18.1%</b>	<b>164.0</b>

Note: OER and KER calculation is based on weighted average, with each nucleus area as the denominator

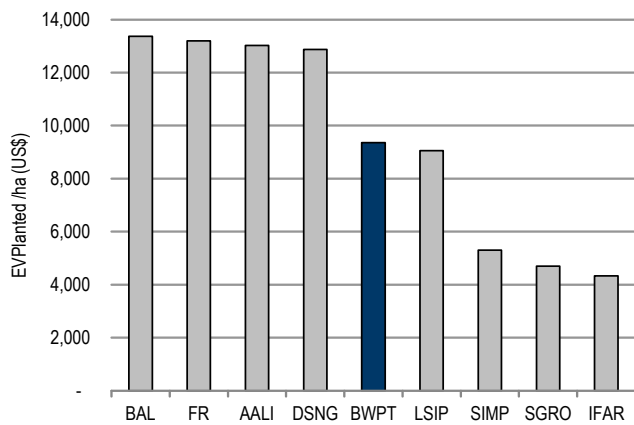
Source: Company data, LMC analysis

# Maintain NEUTRAL

Following the rights issue, the company's share capital has ballooned seven-fold from 4.5 mn to 31.5 mn shares. We have revised our earnings estimates to incorporate the rights issue and Green's acquisition to the company's financials. Based on the earnings revisions and 14.0x FY15E P/E, we arrive at our target price of Rp350. We use a 14.0x target price multiple in line with the Indonesian plantation sector historical P/E average, and a discount to Astra Agro (AALI) or London Sumatra (LSIP). (Note: we are assuming a CPO price assumption of RM2,600/t for 2015 and Rp12,000/US\$ exchange rate, or a CPO price of around Rp8,400/kg).

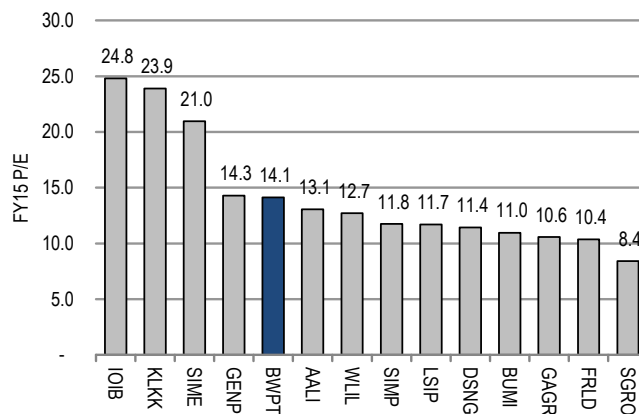
We maintain our NEUTRAL rating on the stock. We believe that the positive synergies from Green's acquisition will not accrue immediately and be realised over time. We would like to watch closely new management's performance Rajawali group is one of the largest conglomerates in Indonesia. Its previous successful investments include Excelcomindo Pratama (XL), the first privately owned Indonesia telecom company to use GSM technology, Rajawali Citra Televisi (RCTI), the first privately owned TV station which now belongs to MNC group, a collaboration with government on Semen Indonesia and a turnaround of PT Bentoel, a leading cigarette manufacturer in Indonesia. The group also owns Express Taxi, the second largest taxi operator in Indonesia. More details on Rajawali group are outlined in Appendix 2.

**Figure 34: EV/planted ha (nucleus) comparison**



Source: Credit Suisse estimates

**Figure 35: FY15E P/E comparison to peers**



Source: Credit Suisse estimates

**Figure 36: Indonesian plantation sector P/E average**



Source: Bloomberg, Credit Suisse

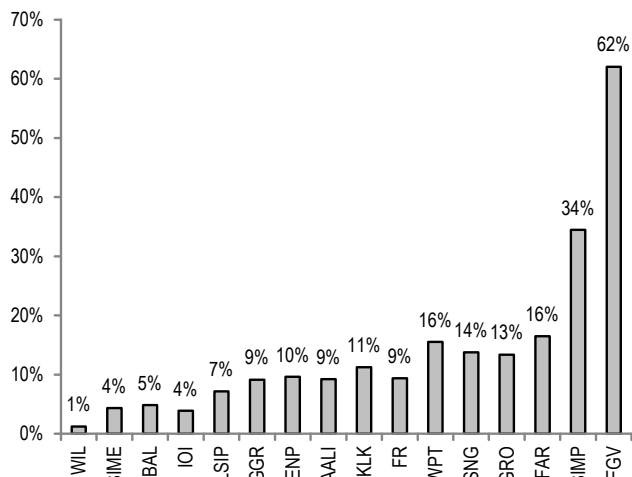
**Figure 37: Eagle High's profit sensitivity to palm oil price changes**

Year-end 31 Dec	CPO at RM1,500		CPO at RM2,000		CPO at RM2,500		CPO at RM3,000		CPO at RM3,500	
	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Net profit (Rp bn)	-112	-195	415	427	737	808	1,076	1,208	1,365	1,550
EPS (Rp)	-4	-6	13	14	23	26	34	38	43	49.2
P/E (x)	-101.5	-58.1	27.3	26.6	15.4	14.0	10.6	9.4	8.3	7.3

Source: Credit Suisse estimates

**Figure 38: FY15E EPS enhancement should CPO price increase by RM100/t**

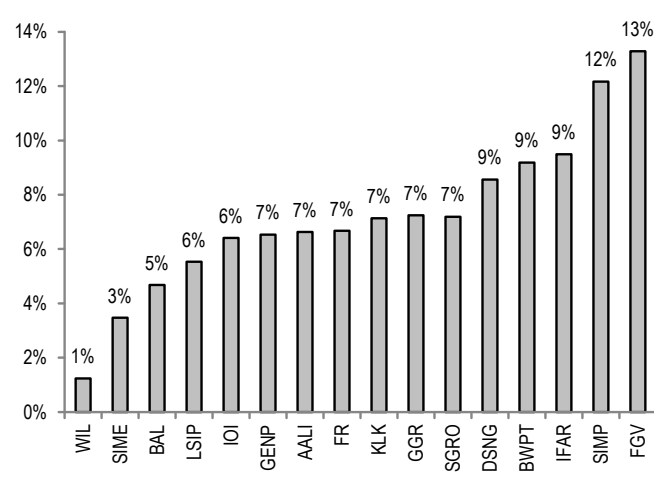
CPO price range of RM2,000-2,500



Source: Credit Suisse estimates

**Figure 39: FY15E EPS enhancement should CPO price increase by RM100/t**

CPO price range of RM2,500-3,000



Source: Credit Suisse estimates

**Figure 40: Regional plantation companies' comparative valuations**

Ticker	Calenderised	Ccy	Price	Rating	Target price	Upside (%)	Mkt Cap (US\$ bn)	ADV (US\$ mn)	P/E (x)				EV/EBITDA (x)			
									2013	2014E	2015E	2016E	2013	2014E	2015E	2016E
SIME MK	Sime Darby	RM	9.40	N	9.00	-4%	16.1	10.9	16.1	18.8	19.2	17.2	12.1	12.6	11.7	10.5
IOI MK	IOI Corp	RM	4.71	U	4.09	-13%	8.4	6.4	25.0	24.1	23.0	20.8	17.2	17.2	16.6	15.2
KLK MK	KLK	RM	22.66	U	20.00	-12%	6.7	2.3	25.8	24.2	22.9	19.8	17.9	16.0	15.1	13.3
FGV MK	Felda	RM	2.44	U	2.90	19%	2.5	2.5	9.1	22.4	14.3	17.4	14.1	7.5	7.1	7.0
GENP MK	Genting Plant	RM	10.16	U	12.05	19%	2.2	0.6	35.8	21.6	17.5	14.8	19.2	16.2	12.7	10.2
BPLANT MK	Boustead Plant	RM	1.43	N	1.46	2%	0.6		33.3	35.5	24.9	23.8	23.4	14.8	12.3	11.7
<b>Malaysia</b>									24.2	24.4	20.3	19.0	17.3	14.1	12.6	11.3
WIL SP	Wilmar	SGD	3.22	NR	NA	NA	15.2	12.4	11.8	14.2	12.7	10.2	13.0	14.7	14.2	12.1
GGR SP	Golden Agri	SGD	0.42	N	0.49	17%	4.0	12.7	12.5	16.7	10.6	9.4	10.0	10.5	8.1	7.4
FR SP	First Resources	SGD	1.87	O	2.40	29%	2.2	2.8	10.1	14.3	10.4	8.6	7.1	9.6	7.8	6.6
BAL SP	Bumitama	SGD	1.01	O	1.38	37%	1.3	0.4	19.3	13.6	11.0	7.9	14.1	9.6	7.6	5.5
IFAR SP	Indofood Agri	SGD	0.71	U	0.74	5%	0.8	0.6	17.5	12.2	11.0	9.7	5.7	4.7	4.5	4.2
<b>Singapore</b>									14.3	14.2	11.1	9.2	10.0	9.8	8.4	7.2
AALI IJ	Astra Agro	IDR	23,250	O	28,000	20%	2.9	3.0	20.3	14.2	13.1	11.6	10.9	10.3	9.5	8.5
LSIP IJ	London Sumatra	IDR	1,840	O	2,300	25%	1.0	3.3	16.3	13.6	11.8	10.8	10.0	7.3	6.4	5.9
SIMP IJ	Salim Ivomas	IDR	690	N	800	16%	0.9	0.5	20.8	13.7	11.7	9.9	6.1	5.1	4.7	4.3
DSNG IJ	Dharma Satya Nusantara	IDR	4,235	O	4,600	9%	0.7	0.3	44.2	13.6	11.4	9.7	12.6	8.4	7.4	6.5
BWPT IJ	BW Plantations	IDR	355	N	350	-1%	0.9	2.4	8.2	7.6	14.1	11.4	30.5	26.6	10.7	8.7
SGRO IJ	Sampoerna Agro	IDR	1,885	O	2,700	43%	0.3	0.1	29.9	9.4	8.4	6.7	12.1	6.4	5.6	4.6
<b>Indonesia</b>									23.3	12.0	11.7	10.0	13.7	10.7	7.4	6.4
<b>Region</b>									20.9	17.0	14.6	12.9	13.9	11.6	9.5	8.4

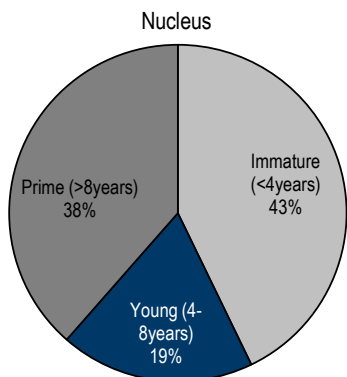
\*Pricing as of 2 Feb 2015

Source: Bloomberg, Credit Suisse estimates

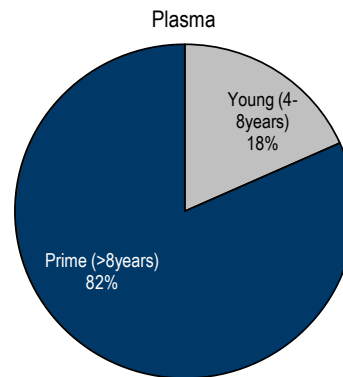
# Appendix 1: More about Green

The acquisition of Green Plantations increased BWPT's total land rights from 94,513 ha to 419,006 ha as of 30 June 2014. Total planted area also increased from 70,129 ha to 147,263 ha, including 12,515 ha of plasma area as of June 2014. Green has oil palm plantations in South Kalimantan, East Kalimantan, West Kalimantan and Papua with total land concession rights of 195,540 ha.

**Figure 41: 43% of Green's nucleus plantations are immature**

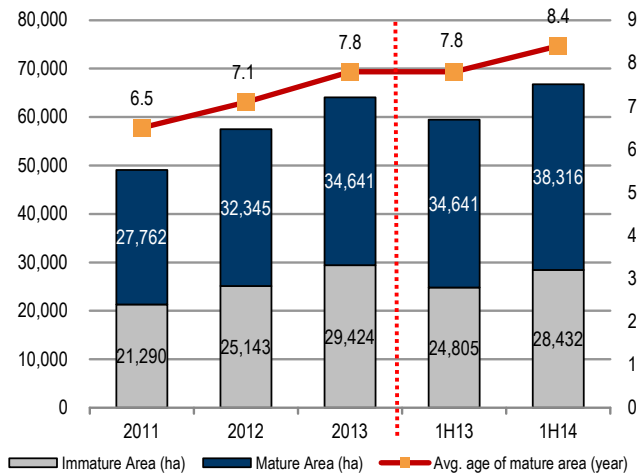


**Figure 42: Green's plasma plantations are 82% prime, with no immature acreage**



Source: Company data, Jun-14

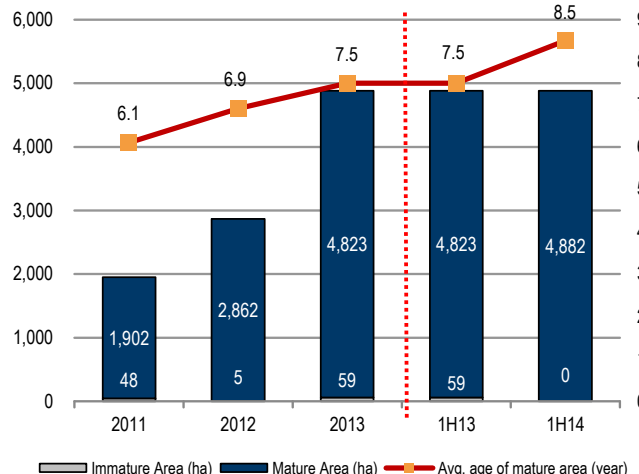
**Figure 43: Nucleus planted area breakdown**



Source: Company data, Jun-14

Source: Company data, Jun-14

**Figure 44: Plasma planted area breakdown**



Source: Company data, Jun-14

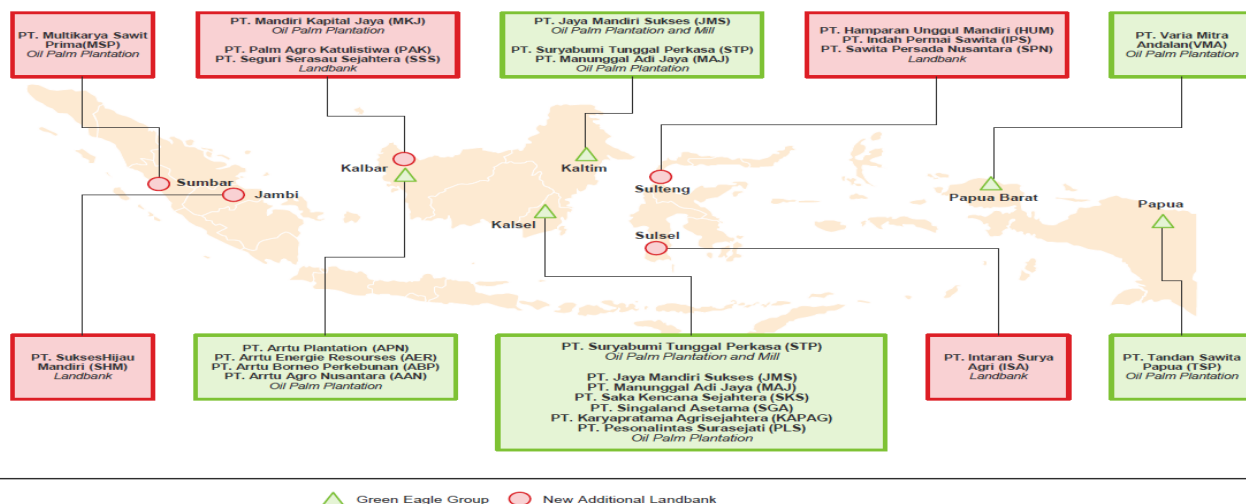
As of 30 June 2014, Green has 66,748 ha of planted nucleus area, out of which 38,316 ha is mature. The average age of its nucleus planted area is 8.4 years, with a composition of 38.7% prime, 18.7% young and 42.6% immature. It also has 4,882 ha of planted plasma area, which is all mature. Included in Green's land concession rights is an unplanted land bank area of 123,910 ha, a plentiful expandable reserve. New planting activity has been at a rate of over 8,000 ha each year.

Green has 66,748 ha of planted nucleus area, about the same size with BWPT

Green also recently acquired Additional Rajawali land bank consisting of nine oil palm plantation companies in Sumatra, West Kalimantan and Sulawesi. This includes a total land rights of approx.128,953 ha as of Jun-14. Total planted area amounted to 5,504 ha.

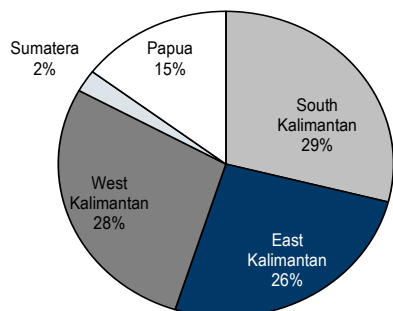
Green recently acquired an Additional Rajawali land bank with planted 5,504 ha

Figure 45: Location of Green's plantation assets (planted and unplanted)



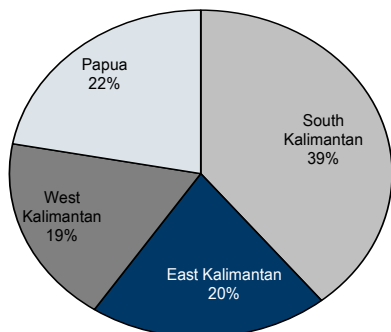
Source: Company data

Figure 46: 83% of Green's planted area is in Kalimantan



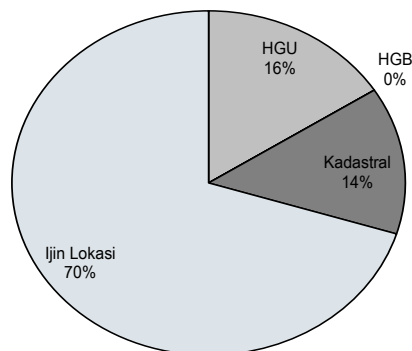
\*including Additional Rajawali planted area of 5,504 ha  
Source: Company data, Jun-14

Figure 48: Unplanted land bank of Green



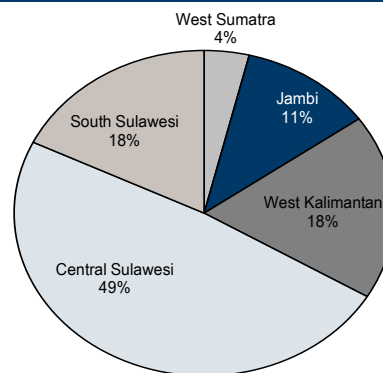
Source: Company data, Jun-14

Figure 47: Plantation land rights status breakdown



\*including Additional Rajawali land bank totalling to 324,493 ha  
Source: Company data, Jun-14

Figure 49: Unplanted Additional Rajawali's land bank



Source: Company data, Jun-14



Green has two CPO mills, one each in South Kalimantan and East Kalimantan, with a capacity of 130 t FFB/hour (around 780,000 t FFB/year). Compared to BWPT, which already has four mills and has been heavily investing in infrastructure from the start, Green's infrastructure development lags. Nonetheless, Green's third, fourth and fifth mills (in South Kalimantan, West Kalimantan and Papua) are under construction, and are expected to double production capacity to 1,590,000 FFB t per year by 2016. We note that potentially higher capex is needed for Green's plantations as it needs to ramp up the infrastructure.

Green has two CPO mills compared to BWPT's four mills now

Figure 50: Green has a current mill capacity of 780,000 t FFB/year

Description	Start	2011		2012		2013		1H13		1H14	
		Capacity	Utilisation	Capacity	Utilisation	Capacity	Utilisation	Capacity	Utilisation	Capacity	Utilisation
CPO mills:											
South Kalimantan	Apr-08	360,000	63%	420,000	94%	420,000	90%	210,000	95%	210,000	89%
East Kalimantan	Feb-12	-		165,000	70%	360,000	87%	180,000	68%	180,000	95%
<b>Total</b>		<b>360,000</b>		<b>585,000</b>		<b>780,000</b>		<b>390,000</b>		<b>390,000</b>	

Source: Company data

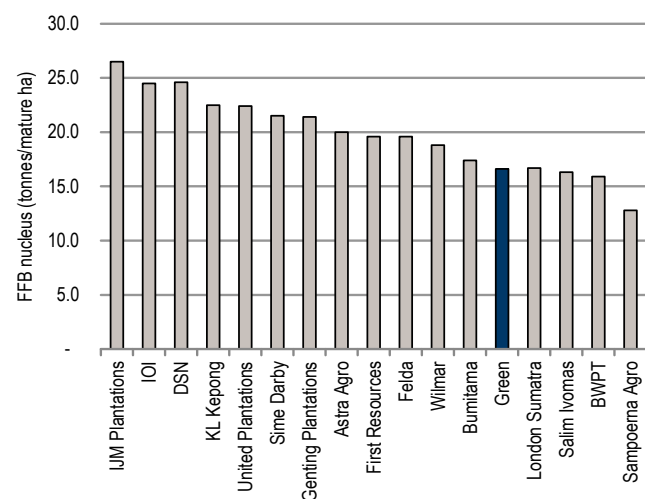
## Yield and productivity is comparable to BWPT

As a result of more planted area coming into maturity and more mature area going into prime age, Green produced 662,033 t of FFB (including 574,065 t of nucleus FFB) in 2013, or 10% higher YoY. If we calculate the productivity, Green's nucleus FFB yield continued to increase from 9.4 t/ha in 2011 to 16.6 t/ha in 2013. This was slightly higher than BWPT's 15.9 t/ha within the same year. We expect Green's yield to increase due to more planted area maturing.

Green's yield is similar to BWPT's, but its extraction rate is slightly higher

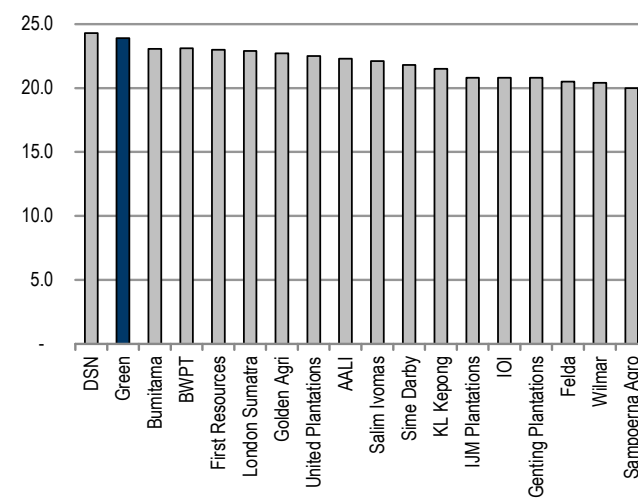
Green's CPO production in 2013 reached 165,826 t, higher than BWPT's 141,194 t, explained by its slightly bigger and older planted area as well as its better oil extraction rate. Green's CPO extraction rate in 2013 reached 23.9% compared with BWPT's 23.1%. In terms of quality, Green produced CPO in 2013 at a 3.8% free fatty acid ("FFA") rate, compared with BWPT's 2.9%, below the industry standard of 5.0%.

Figure 51: Nucleus FFB yield comparison with peers



Source: Company data, Dec-13

Figure 52: Palm oil extraction rate comparison with peers



Source: Company data, Dec-13

## Acquisition price at a premium

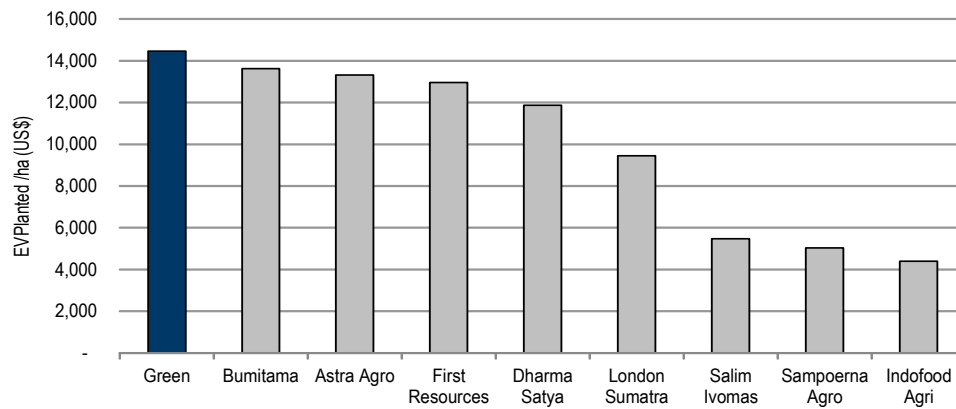
Based on our calculation, the acquisition value of Green of Rp10.5 tn (US\$872 mn) translates into an EV/planted ha of US\$14,147 (nucleus area only), which was a premium to its Indonesian peers.

**Figure 53: EV/ha calculation of Green acquisition**

<b>Green</b>	
Acquisition value	Rp10.8 tn
Add: Net debt	Rp 2.2 tn
EV (assuming Rp12,500/USD)	US\$1.04 bn
Planted ha (nucleus)	72,252 ha
<b>EV/planted ha (nucleus)</b>	<b>US\$14,446/ha</b>

Source: Company data

**Figure 54: EV/planted ha comparison to peers**



\*Prices as of the effective acquisition date 26 December 2014

Source: Credit Suisse

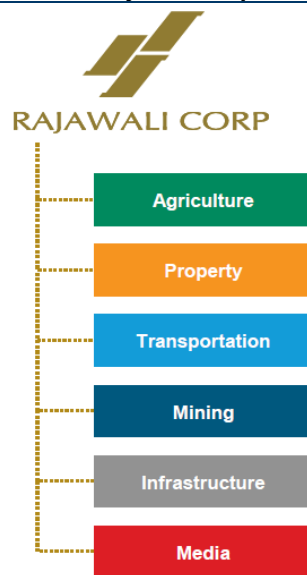
## Appendix 2: Rajawali Group

PT Rajawali Corporation is an industrial conglomerate that operates in the telecommunications, hotel, cement, consumer goods, retail, department store and transportation businesses in Indonesia. The company has strategic partnerships with Sheraton and Novotel to operate hotel chains in Indonesia; Metro (Private) Limited to operate Metro retail stores in Jakarta and Bandung; and Verizon, AIF, and Mitsui to engage in cellular operations in Indonesia. PT Rajawali Corporation was founded in 1984 and is based in Jakarta, Indonesia.

Some of its transactions include:

- Its collaboration with the Government of Indonesia should significantly increase the shareholder value of PT Semen Indonesia Tbk, Indonesia's largest cement producer.
  - Value achieved by streamlining its operations after acquiring an equity interest in July 2006.
  - Over the period of acquisition of equity interest by Rajawali Group and its first divestment in April 2010, the share price of PT Semen Indonesia Tbk increased by more than three times.
- Development of PT Express Transindo Utama Tbk into one of the largest taxi operators in Indonesia by the number of taxis.
- Business and financial turnaround of PT Bentoel International Investama Tbk into one of the leading cigarette manufacturers in Indonesia.
- Establishment of PT Excelmindo Pratama Tbk, the first privately owned cellular network provider.
- Establishment of Rajawali Citra Televisi Indonesia, the first privately owned free-to-air television broadcaster.
- Navigation of PT Excelmindo Pratama Tbk through the Asian financial crisis and positioning it to become one of the top three telecom providers in Indonesia.

**Figure 55: Key investment sectors of Rajawali Corp**



Source: Company data

**Companies Mentioned** (Price as of 02-Feb-2015)

**Bentoel Internas** (RMBA.JK, Rp500)  
**Boustead Plantation** (BOPL.KL, RM1.43)  
**Bumitama Agri Limited** (BUMI.SI, S\$1.01)  
**Dharma Satya Nusantara** (DSNG.JK, Rp4,195)  
**Eagle High Plantations** (BWPT.JK, Rp355, NEUTRAL[V], TP Rp350)  
**Express Trans** (TAXI.JK, Rp1,005)  
**Felda Global Ventures** (FGVH.KL, RM2.44)  
**First Resources Ltd** (FRLD.SI, S\$1.85)  
**Genting Plantations Bhd** (GENP.KL, RM10.16)  
**Golden Agri-Resources** (GAGR.SI, S\$0.42)  
**IOI Corporation** (IOIB.KL, RM4.71)  
**Indofood Agri Resources Ltd** (IFAR.SI, S\$0.72)  
**Kuala Lumpur Kepong** (KLKK.KL, RM22.66)  
**Media Nusantara Citra** (MNCN.JK, Rp2,845)  
**PT Astra Agro Lestari Tbk** (AALI.JK, Rp23,450)  
**PT London Sumatra Indonesia** (LSIP.JK, Rp1,815)  
**Salim Ivomas Pratama** (SIMP.JK, Rp685)  
**Sampoerna Agro Tbk** (SGRO.JK, Rp1,875)  
**Semen Indonesia** (SMGR.JK, Rp14,500)  
**Sime Darby** (SIME.KL, RM9.4)  
**Wilmar International Ltd** (WLIL.SI, S\$3.25)  
**XL Axiata Tbk** (EXCL.JK, Rp4,620)

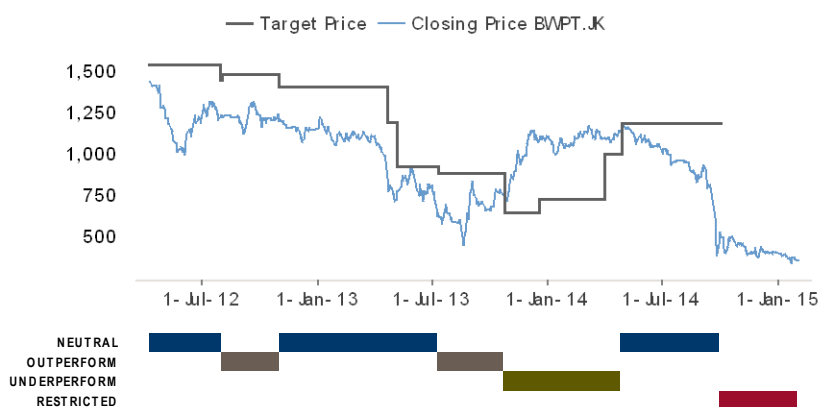
Disclosure Appendix

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**3-Year Price and Rating History for Eagle High Plantations (BWPT.JK)**

BWPT.JK	Closing Price	Target Price	
Date	(Rp)	(Rp)	Rating
09-Apr-12	1,438	1,538	N
10-Apr-12	1,438		*
23-Apr-12	1,372	1,538	N
30-Jul-12	1,222	1,447	
02-Aug-12	1,222	1,480	O
01-Nov-12	1,197	1,405	
02-Nov-12	1,205	1,405	N
22-Apr-13	840	1,189	
07-May-13	773	923	
12-Jul-13	615	881	O*
25-Oct-13	715	640	U
19-Dec-13	1,089	723	
01-Apr-14	1,097	998	
28-Apr-14	1,147	1,180	N
03-Oct-14	495		R



\* Asterisk signifies initiation or assumption of coverage.

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Restricted	\$disclosure.disclosureModel.stockRatingDistribution.restrictedDist%	

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#### Price Target: (12 months) for Eagle High Plantations (BWPT.JK)

**Method:** Our target price of Rp350 for PT BW Plantation (BWPT.JK) is based on 14x 2015E P/E (price/earnings) or at discount to 15E P/E implied by our target price for AALI. The lower 15E P/E implied by our target price for BWPT is due to BWPT's smaller plantation size, concentrated area, and higher net gearing ratio.

**Risk:** The following risks could impede achievement of our Rp350 target price for BWPT: 1) the company's realised selling prices for CPO are materially different from our estimates; 2) the company's cash flow could be adversely affected by production costs, particularly if FFB purchase prices, fuel and consumable materials costs increase at a significantly different rate than we forecast because of movements in input commodity prices; 3) major changes in government policy and regulation, including taxation, concession terms etc., which could significantly impact the company's cash flow; 4) any significant fluctuation of the Indonesian rupiah against the US dollar and Malaysian ringgit against the US dollar could have a material impact on revenues and earnings; and 5) a continued surge in CPO prices may also spark further government intervention, creating regulatory uncertainties as the government seeks to curb inflation driven by higher cooking oil prices.

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