

10 in 10 with Bumitama Agri - Driving Productivity In The Palm Oil Sector



Company Overview

Founded in 1996 and listed on the Singapore Exchange in 2012, Bumitama Agri has grown to be a leading oil palm plantation operator and producer of Crude Palm Oil (CPO) and Palm Kernel (PK) in Indonesia. The Group seeks continuous improvement through introducing innovative technologies, such as drones or mobile phone applications into its operations, and by constantly reviewing and benchmarking performance against industry leaders.

SGX Code: P8Z	BBG: BAL SP	RIC: BUMI.SI
Market cap (S\$m)		1,413.1
Price (S\$)		0.815
52 wk high/low (S\$)		0.92 – 0.61
12m ADTV (S\$)		456,007
Shares Outstanding (m)		1,734.1
Float		15.7%
P/E		8.1
P/B		1.3
Dividend Yield		8.3%

Source: Bloomberg (24 Feb 2025)



10 Questions for [Bumitama Agri](#)

1. What is Bumitama Agri's business about, and what are some of your key business segments?

- Bumitama Agri is well-positioned in the highly lucrative palm oil industry. Apart from being one of the few remaining pure upstream producers in the industry, approximately 34% of the Group's almost 190,000 hectares of palm oil plantations are under the plasma scheme, well beyond the government-mandated level of 20%, highlighting the Group's triple bottom-line management approach.
- The balance between nucleus, the Group's own estates, and plasma, smallholders' estates managed by the Group, plantations allows Bumitama to navigate market challenges while upholding sustainable and responsible practices through active contributions to community development and social welfare of surrounding indigenous communities.
- Despite various challenges that clouded the industry in the past five years, including extreme weather conditions, high volatility in commodity prices, and rising cost pressures that followed the Black Sea conflict, the Group managed to book record-high performance across key financial metrics, paving the way to a surge in dividend distribution.
- Between 2019 to 2023, EBITDA margin improved seven percentage points to 30% and free cash flow spiked to more than 7-fold reaching IDR2.1 trillion (S\$174 million), while gearing ratio decreased substantially, to 0.2x.

2. Can you share more about trends to watch for in the palm oil industry for 2025 and beyond, and how is Bumitama positioning for these developments?

- Last year's net decline in global inventory of major vegetable oils is expected to continue into 2025, due to lingering supply-related constraint from unfavourable weather. As a result, palm oil price is expected to remain elevated in 2025. This represents further upside opportunity for Bumitama Agri in particular, due to its industry leading productivity performance.

3. Bumitama's operational performance is highly dependent on weather conditions. What are some strategies to mitigate against these risks?

- Our focus towards achieving greater productivity includes resilience amid unfavourable weather conditions, which have increased in frequency. Ongoing initiatives to optimize productivity such as our water management system have helped retain water during extreme drought and drain excess water during high rainfall periods.
- Other productivity-related initiatives such as using more organic fertilizers and leguminous cover crops are also beneficial in extreme weather conditions. The main purpose is to improve soil condition by maintaining a relatively stable moisture level.
- Additionally, continued efforts to take in more external Fresh Fruit Bunches (FFB) from independent smallholders to sustain high utilization of mills have helped to mitigate falling output and maintain higher economies of scale. External FFB contribution has risen from 27% of total FFB processed in 2020, to 35% in 9M24.



4. Given the recent extreme weather conditions, how will this affect the Crude Palm Oil (CPO) and Palm Kernel (PK) output for 2025 and beyond?

- Apart from extreme weather conditions in recent years, the slowdown of output growth in the palm oil industry since 2019 is due to a combined effect of absence of significant expansions in the past decade and declining industry yield figures from the peak between 2008 and 2011. As a result, the rate of growth in global palm oil output between 2019 to 2024 has slowed down to a CAGR of 1%.
- Today, industry experts expect some output growth for 2025 over last year's decline. The same goes for Bumitama, we believe both production and productivity will improve this year. We typically release the official guidance between February and May.
- Contrary to the industry's declining palm oil yield, Bumitama Agri has consistently stayed on the path towards achieving higher yields and extraction rates by investing in research and development, technology, and best practices in cultivation of oil palm. These efforts have made us one of the most efficient producers in the industry, boasting a CPO yield of 4.7 ton per ha in 2023.

5. Can you share more about the recent financial performance of Bumitama Agri and what have been the key drivers?

- Bumitama Agri recorded a 2% year-on-year dip in revenue in 9M24, which amounted to IDR11.58 trillion. Both net profit and EBITDA also declined by 30% and 22% respectively, due to lower output, which resulted in higher unit costs during the period.
- In line with the muted production by Bumitama, Oilworld – Europe-based analyst specializing in global edible oils and fats – had confirmed the “surprisingly low volume” occurrence across Indonesia-based palm oil growers in their monthly report publication dated November. Lagged negative effect from the successive extreme weather conditions in past years was cited as a likely reason.
- Despite the soft performance in 9M24, Bumitama's management remains confident that the year 2024 would end in a high note as the company is likely to record accelerated financial performance in the fourth quarter. The combined effect from an upturn in production cycle and rising palm oil prices, which have persisted till September, is expected to boost financial performance in the final quarter.

6. Does Bumitama have any dividend policy?

- Yes, our policy is to distribute up to 40% payout ratio. However, in the past two years, we have also included special dividends in the distribution, which totalled 55% payout ratio each year, due to surplus cash and low leverage ratio following the robust free cash flow periods in recent years. As a result, our annual dividend yield in the past two years reached double digits.



7. How does Bumitama remain competitive against other players in the industry?

- Being in the commodity business, Bumitama is mindful to be ready to tackle any economic and environmental challenges that come our way. Hence, we aim to be the most efficient producer in the industry by achieving optimal levels of operational productivity in addition to keeping tight control on costs and prudent capital management, while ensuring sustainability initiatives are updated with the changing dynamics of our business. To get there, we are mindful of balancing the needs of all stakeholders.
- The Group has also invested in research and development, technology, and best practices in cultivation of oil palm, which have made the Group one of the most efficient producers in the industry.

8. Given the focus on sustainable agriculture, how has Bumitama committed to its sustainability goals.

- The Group's commitment towards sustainability dates back a decade ago when we took a major stride forward by implementing an NDPE-based sustainability policy (No Deforestation, No Peat, No Exploitation), being one of the first palm oil growers to do so.
- Today, we are managing some 40,000 hectares of conservation areas under our operational permits, in collaboration with local communities and biodiversity experts on ecosystem restoration, including 130 hectares manually restored and 800 hectares through drone seeding. Our key purpose is to safeguard critical orangutan habitats and wildlife migration corridors. This approach was recognized by the 2023 RSPO (Roundtable on Sustainable Palm oil) Excellence Award in Conservation Leadership for integrating plantations and conservation areas into a holistic landscape approach.
- Through initiatives like the Sekolah Desa Berdaya, a community sustainable agriculture training centre, Bumitama actively engages local communities in promoting integrated farming practices and offering sustainable livelihood alternatives, such as forest patrolling and reforestation using agroforestry methods. The main idea is to de-link income generation from deforestation.
- This mindset extends to plantation and production operations, integrating carbon-centric practices with regenerative agriculture. Organic waste and by-products, such as biogas methane and biocharcoal derived from Empty Fruit Bunches (EFB), are used to generate electricity and enrich soil, reducing dependence on chemical fertilizers and enhancing soil health. Biological pest control strategies, like the use of barn owls, have reduced rodenticide usage by 90%, demonstrates the Group's commitment to minimizing chemical inputs.
- By integrating conservation, carbon management, and innovative farming practices, Bumitama showcases a sustainable model where biodiversity, oil palm plantations, and resilient communities coexist.



9. Why should investors take a closer look at Bumitama Agri?

- Despite short term fluctuations, palm oil prices have remained elevated in the past few years, which is considerably higher than the pre-pandemic years due to structurally different industry dynamics.
- Aside from an accelerated financial performance expectation in the fourth quarter of 2024, Bumitama Agri is also a good proxy to the palm oil industry due to its pure upstream nature and leading industry productivity.

10. What is Bumitama Agri's value proposition to its shareholders and potential investors? What do you think investors have overlooked?

- To date, Bumitama has gained traction to be regarded as a good dividend stock in SGX's market due to the bullish track record in recent years.
- Going forward, industry analysts covering Bumitama Agri – including the most recent coverage by Bloomberg palm oil specialist in mid-January – believe that there is ample free cash flow to sustain high dividends, given the already low net gearing ratio of 0.14 as of September 2024.
- Additionally, the current valuation of Bumitama is still undemanding, relatively less than industry peers' average.

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This report contains factual commentary from the company's management and is based on publicly announced information from the company.

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