



# SIPEF

## Analyst presentation

August 13, 2020



# Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Update expansion



SIPEF group - Production & prices



SIPEF group – Financial performance



SIPEF group - Peer review





Agriculture

- 1st segment of the supply chain - commodities

Tropical

- Recent industrialised countries

Sustainable

- Audited certifications

Connection

- Publicly quoted

Continuous  
production

- Continuous crops

Diversified in  
product

- **Palm oil** : basic commodity for food (and recently energy)
- **Rubber** : cyclic business - tire industry

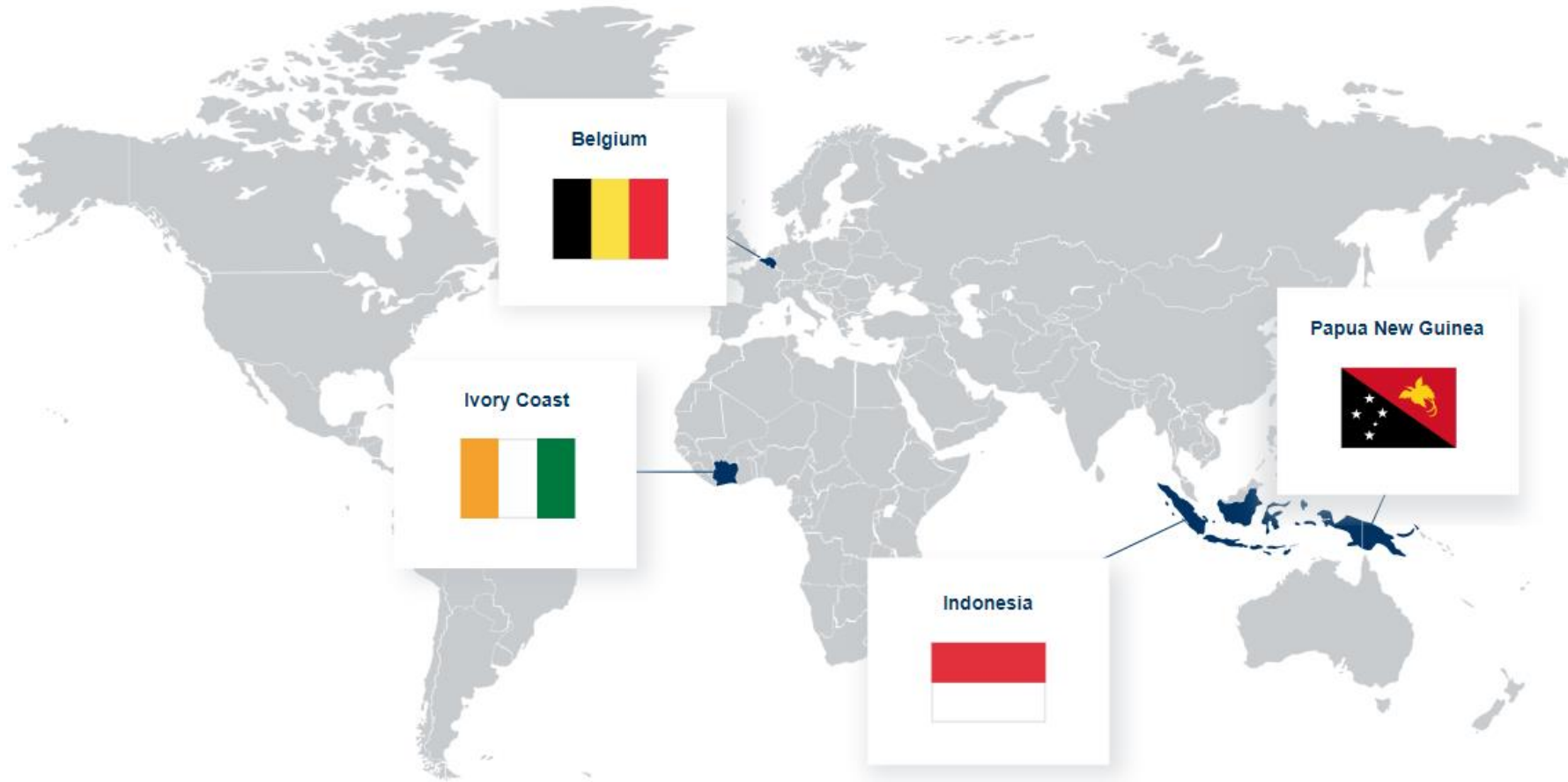
Diversified in  
origin

- **Indonesia** : leading producing country within Asian market
- **PNG** : export oriented with strong agronomical basics



# SIPEF group – Company profile

## Worldwide



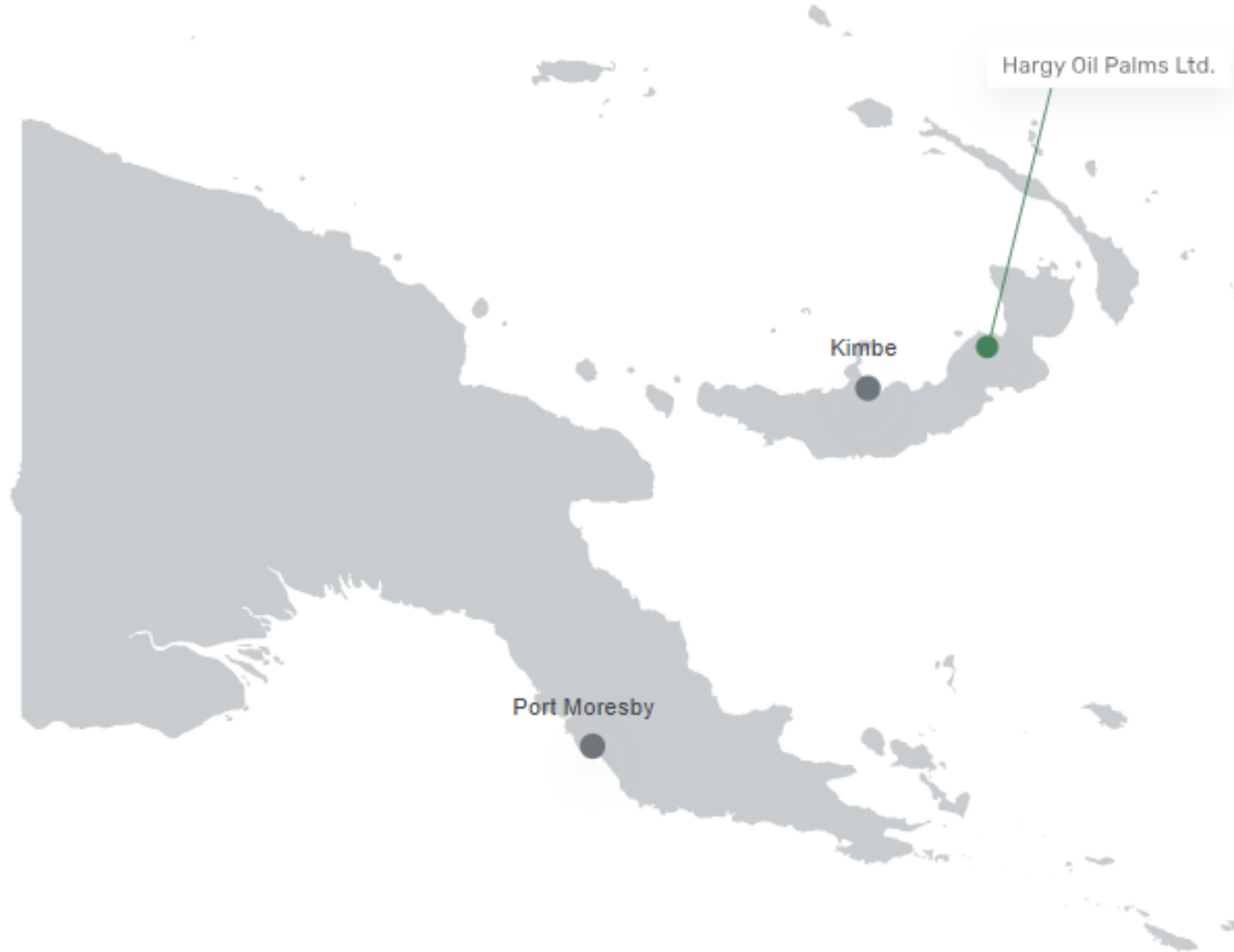
# SIPEF group – Company profile

## Indonesia



# SIPEF group – Company profile

## Papua New Guinea



**SIPEF group – Company profile**  
**Planted hectares summary 100% – 30 June 2020**



2020	Indonesia	PNG	Ivory Coast	Hectares 100%	% of total	Group share	% of total
Palm	61 038	13 628	0	74 666	90%	69 151	90%
Rubber	5 518	0	0	5 518	7%	4 980	7%
Tea	1 786	0	0	1 786	2%	1 612	2%
Bananas	0	0	794	794	1%	794	1%
Other	0	0	31	31	0%	31	0%
<b>Total planted</b>	<b>68 343</b>	<b>13 628</b>	<b>825</b>	<b>82 795</b>	<b>100%</b>	<b>76 568</b>	<b>92%</b>

% of total                      83%                      16%                      1%

<b>Group share</b>	<b>62 115</b>	<b>13 628</b>	<b>825</b>
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# Summary

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**SIPEF group - Company profile**



**SIPEF group - Palm oil in the world**



**SIPEF group - Update expansion**



**SIPEF group - Production & prices**



**SIPEF group – Financial performance**



**SIPEF Group - Peer review**

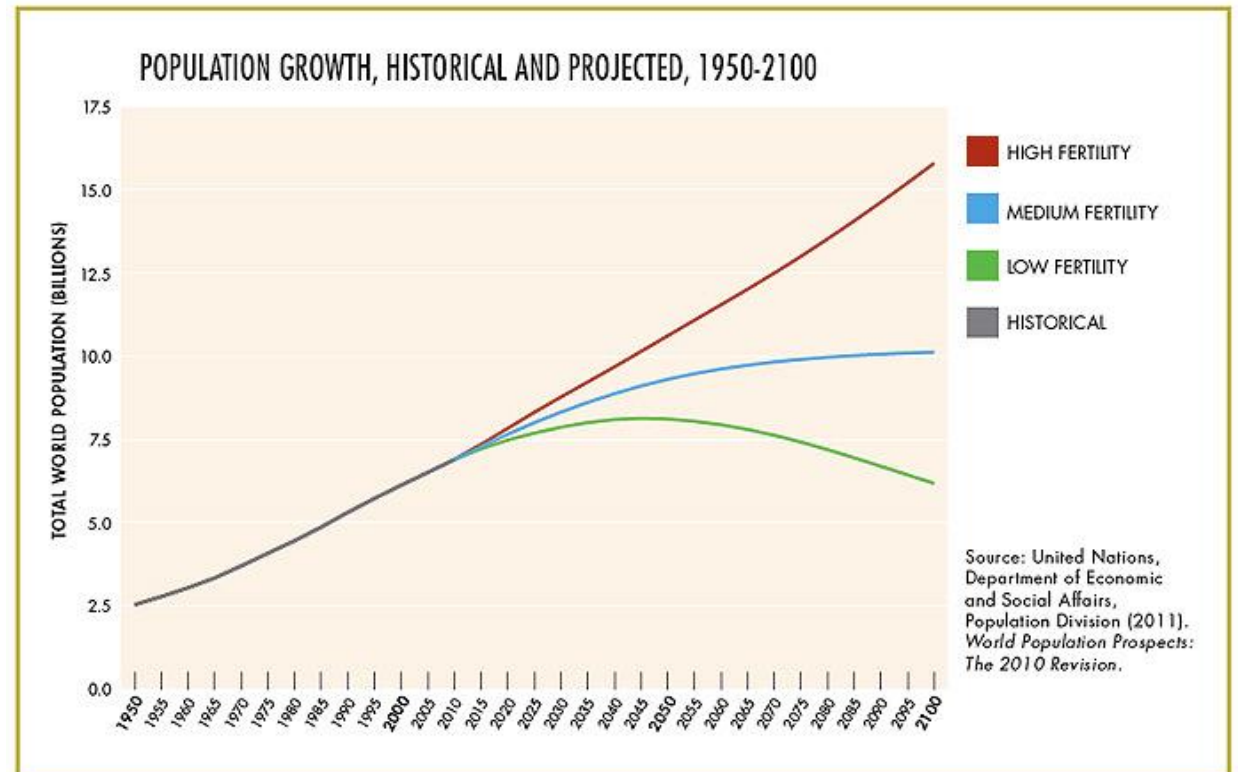


## SIPEF group – Palm oil in the world

### Palm oil in the world - Population growth



- In the coming 40 years, mankind will have to produce more food than in the previous 10 000 years put together
- Population growth will have a huge impact on future food demands
- Rising middle class is causing diet changes in developing countries
- Agricultural land is increasingly becoming scarcer





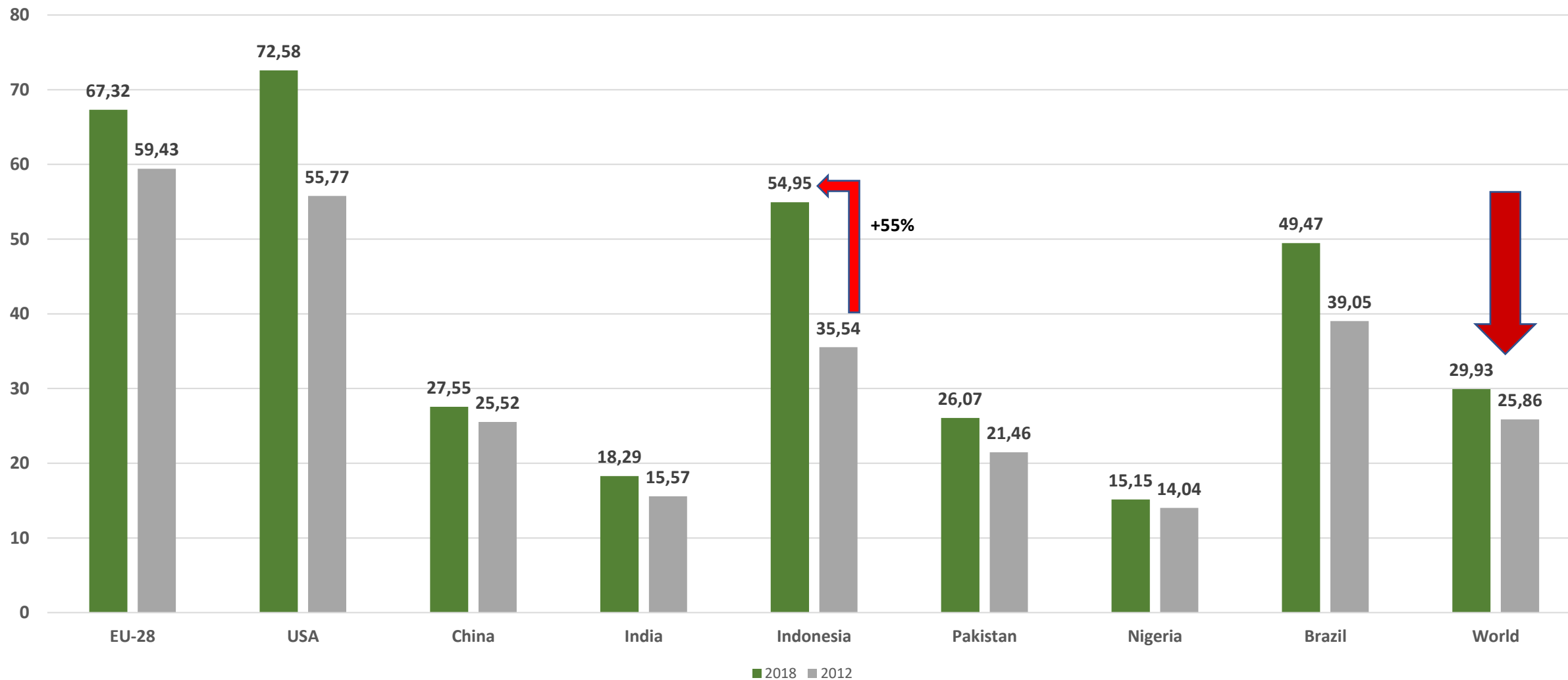
# SIPEF group – Palm oil in the world

## Oil and fat consumption



Oil and fat consumption per capita (in Kg)

Source: Oilworld

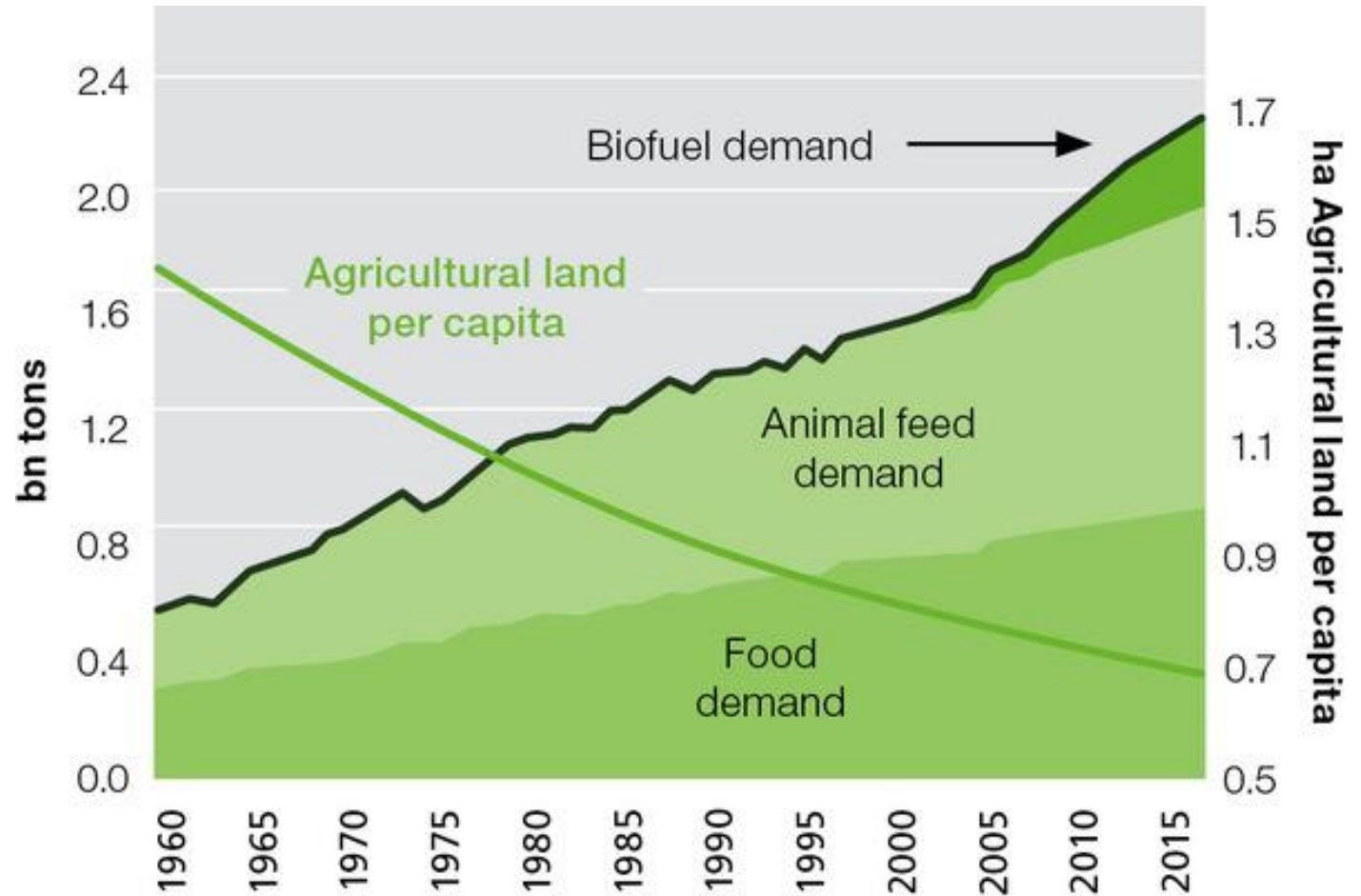


# SIPEF group – Palm oil in the world

## Palm oil in the world - Land input



- Increased demand for meat/fat/processed foods
- Increased demand for biofuel
- Decreasing Agricultural land per capita
- Disposable income growth in developing countries

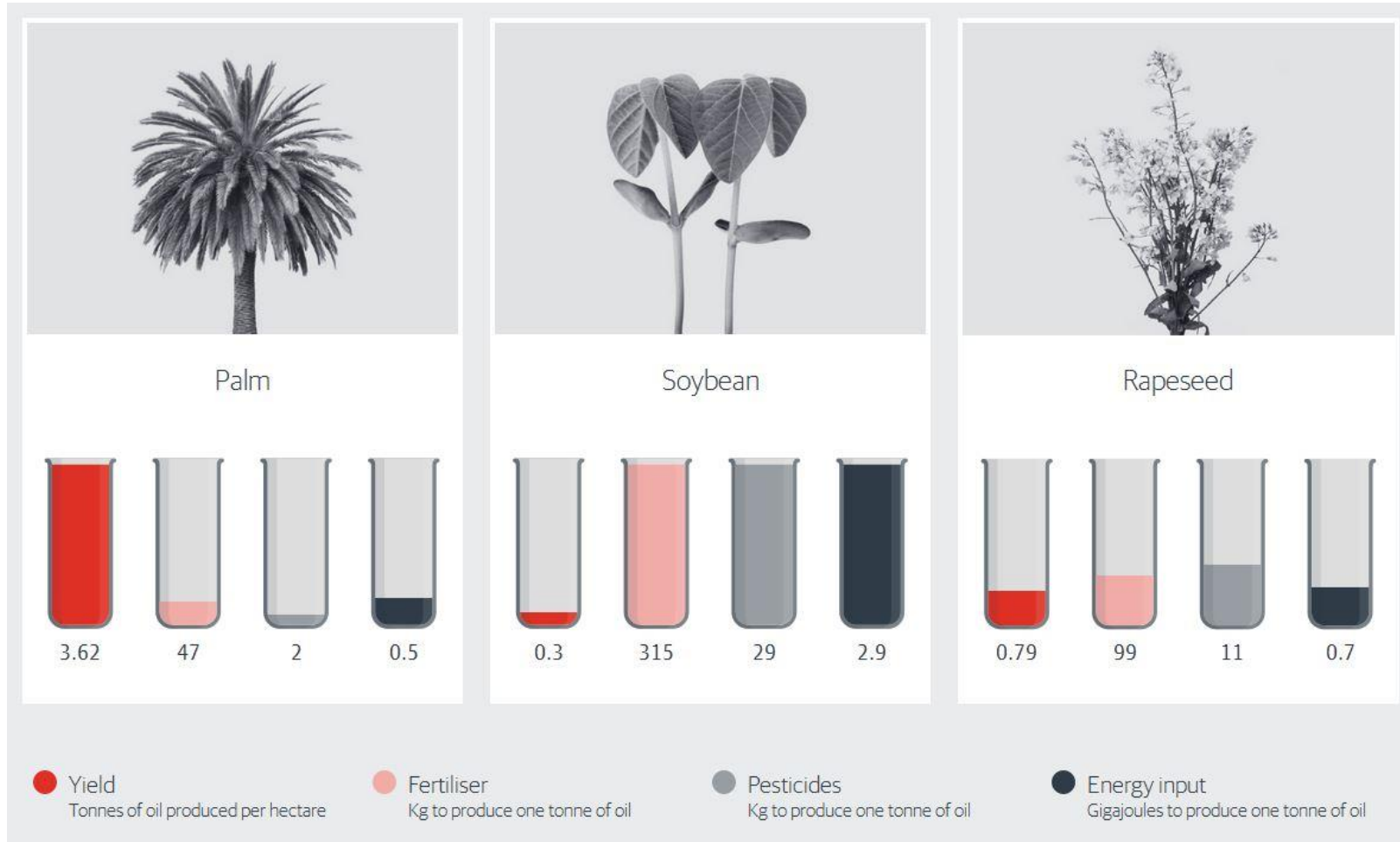




# SIPEF group – Palm oil in the world

## Palm oil in the world - Comparison to other oils

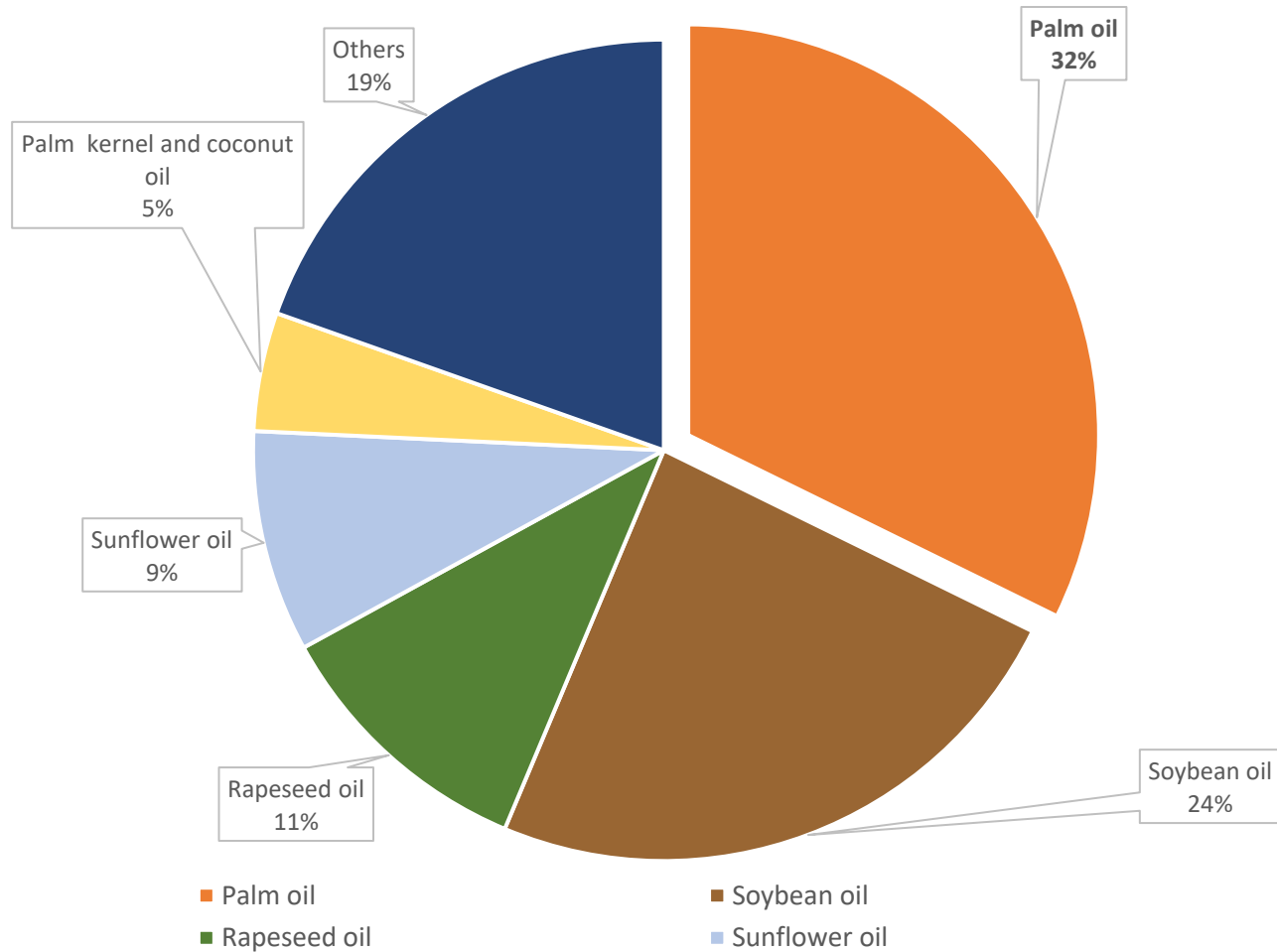
Resources used per vegetable oil:



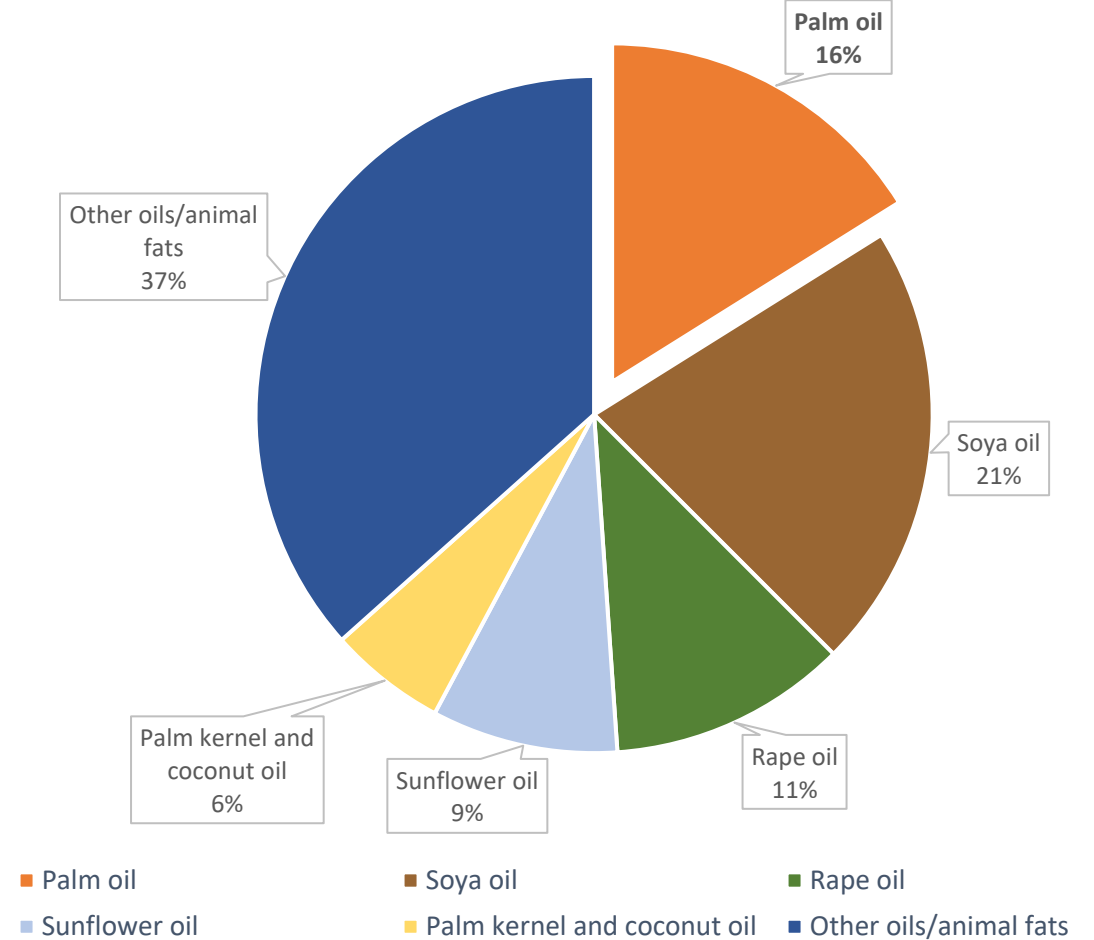
# SIPEF group – Palm oil in the world

## Palm oil in the world - Vegetable oils

2019 : 234,7 million Ton



1994/95: 93,1 million tonnes



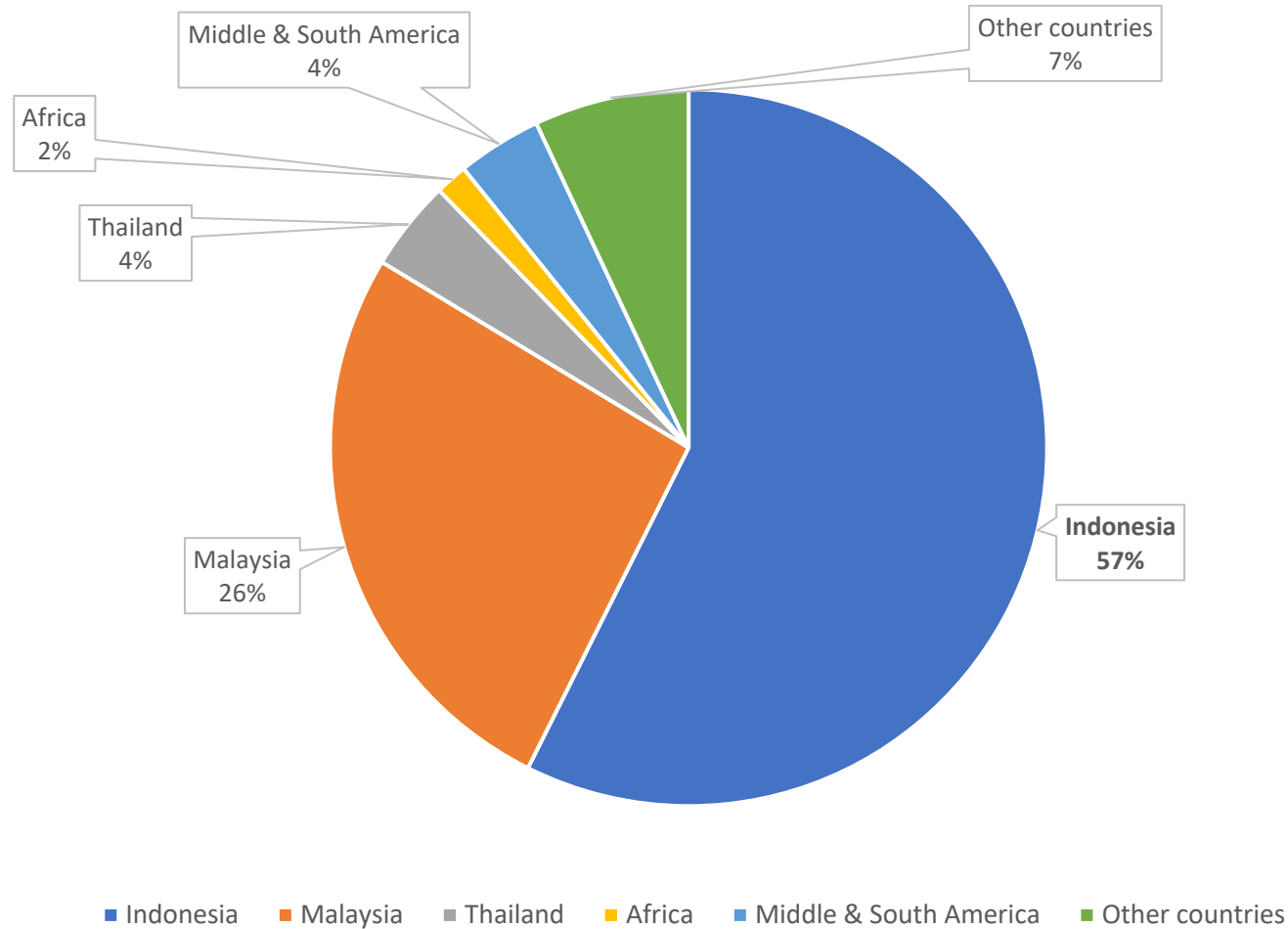
# SIPEF group – Palm oil in the world

## Palm oil in the world - Palm oil production



2019 Palm oil production  
Total of 75,6 Mn tonnes

Source: Oilworld



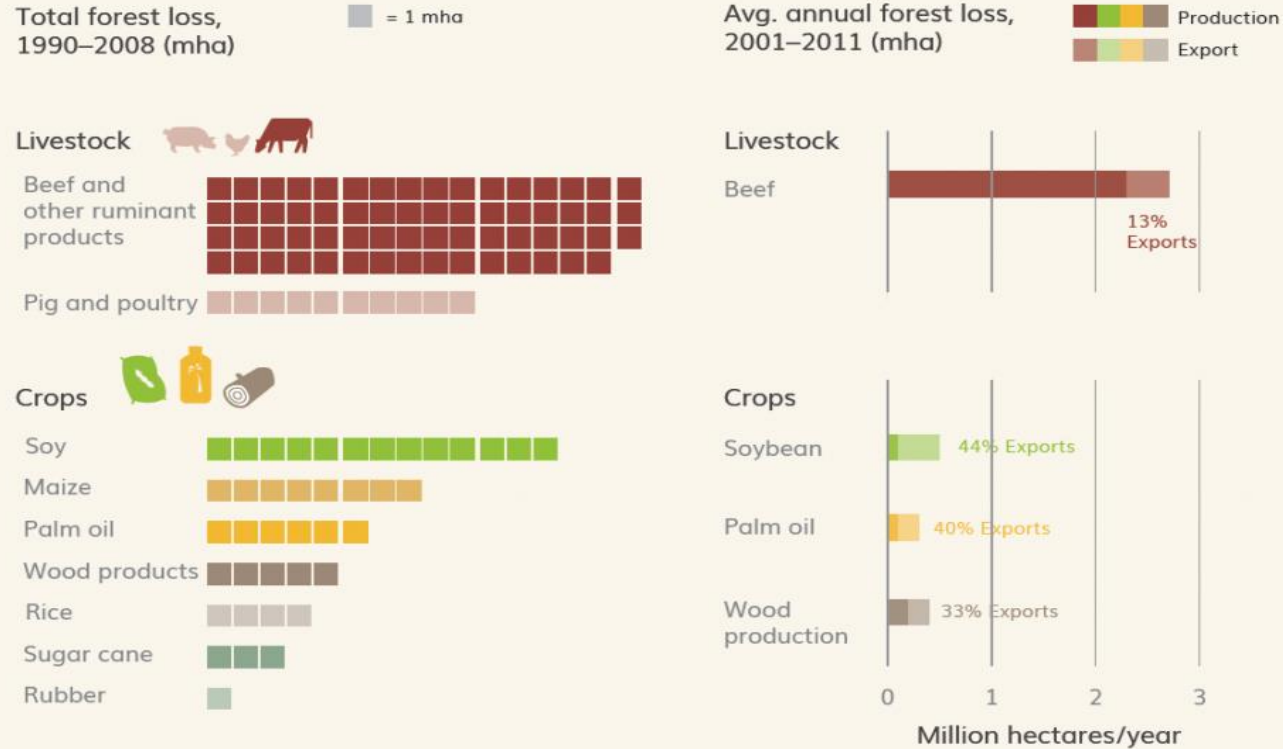
- **Palm oil remains confronted with a European perception problem based on**
  - Health issues
    - No fat <-> moderate use of saturated fat
    - Saturated fats – only 50% saturated and no transfats
  - Environmental issues
    - Deforestation – most efficient vegetable oil/hectare of land
    - Sustainable Development Goals – Palm Oil covers the majority of it!



# SIPEF group – Palm oil in the world

## Palm oil in the world - Sources for deforestation

### Deforestation linked to major agricultural commodities

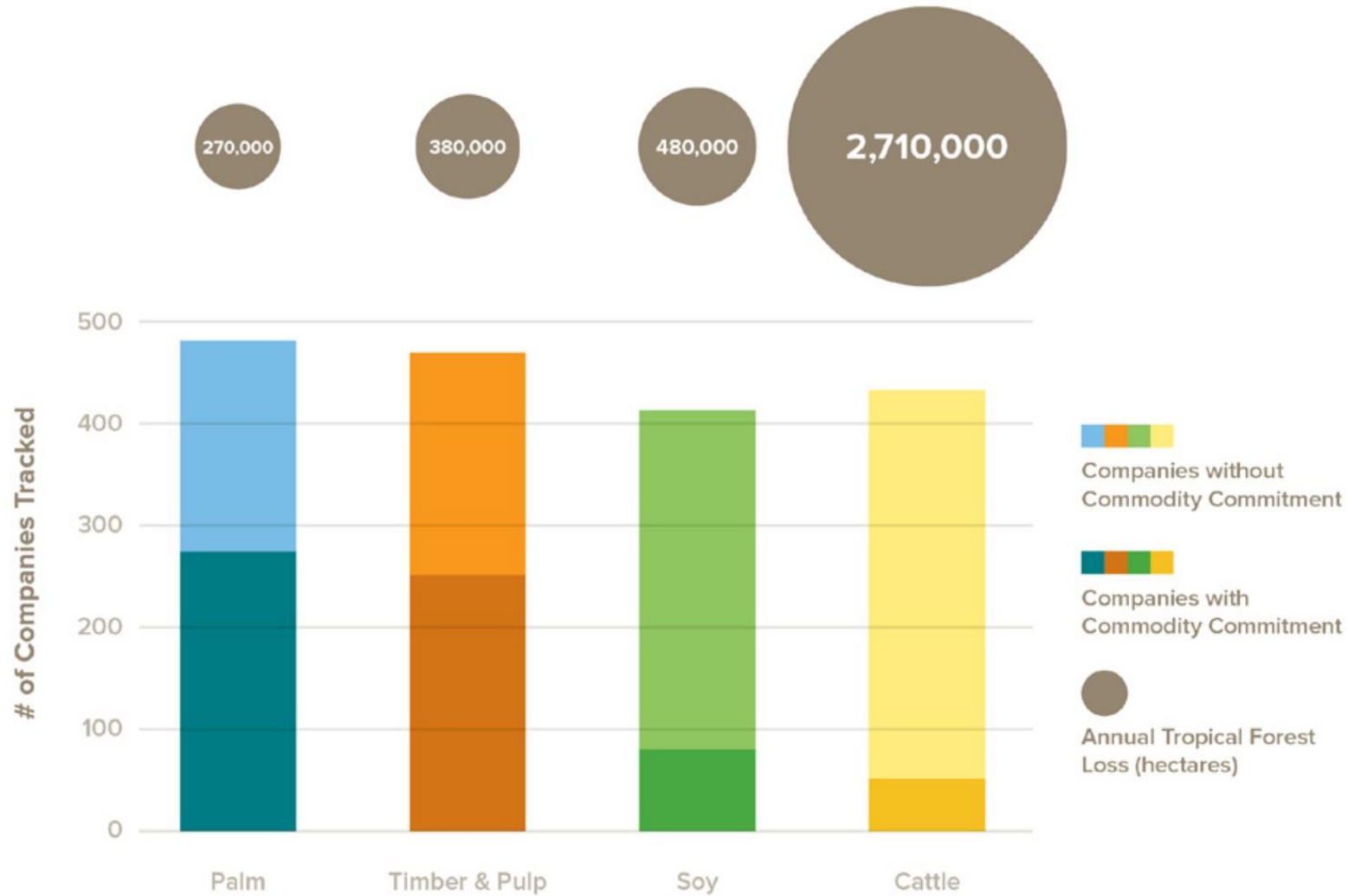


Source: (left) Climate Focus calculations based on European Commission, 2013; (right) Henders et al., 2015

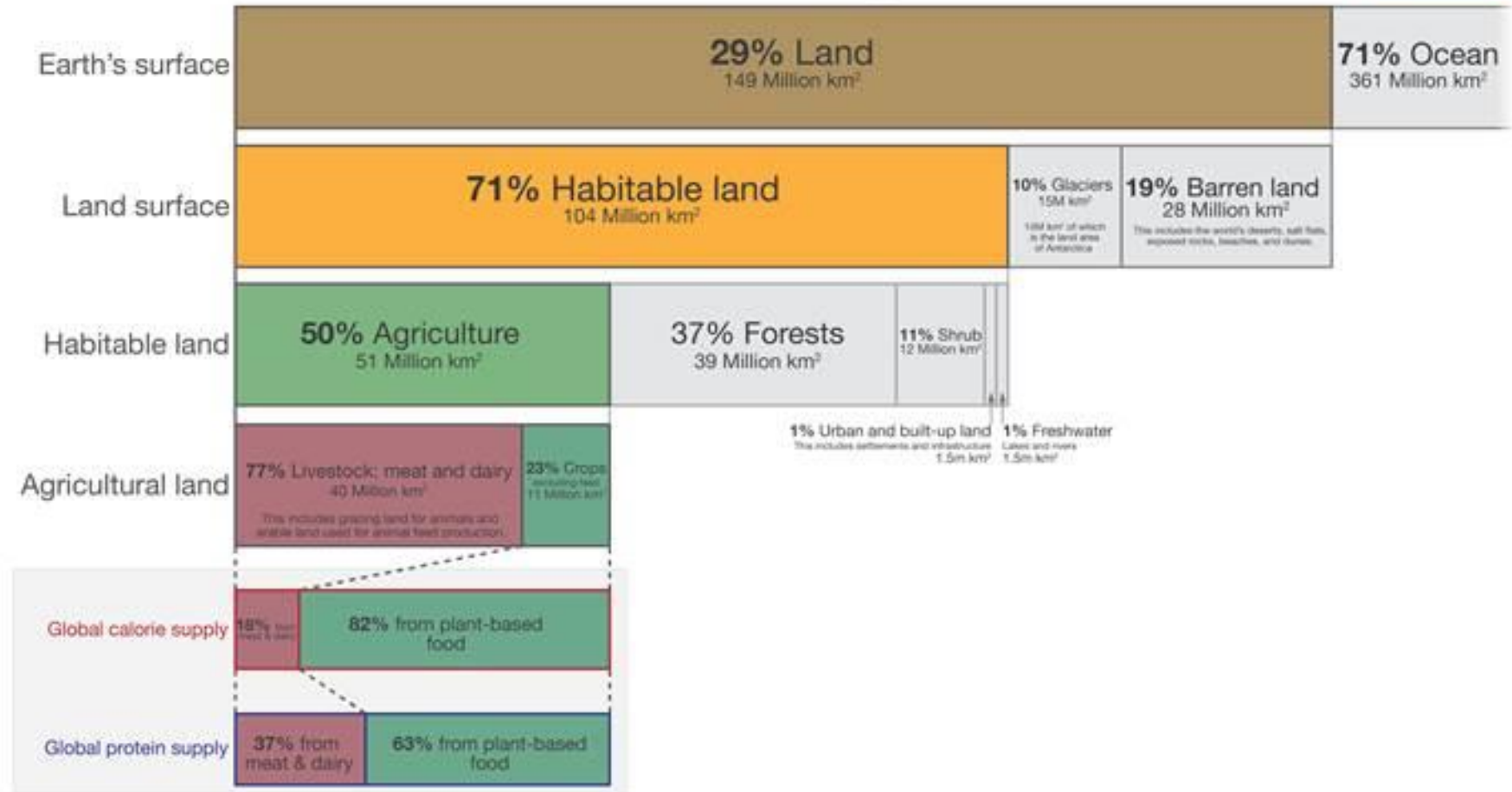
Figure 1. Figure illustrates two data sources, one for total forest loss between 1990 and 2008 and another for average annual forest loss in 2001-11. (8: 4)

# SIPEF group – Palm oil in the world

## Palm oil in the world – Commodity commitment



# Global land use for food production



Data source: UN Food and Agriculture Organization (FAO)  
 OurWorldinData.org - Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the authors Hannah Ritchie and Max Roser in 2019.

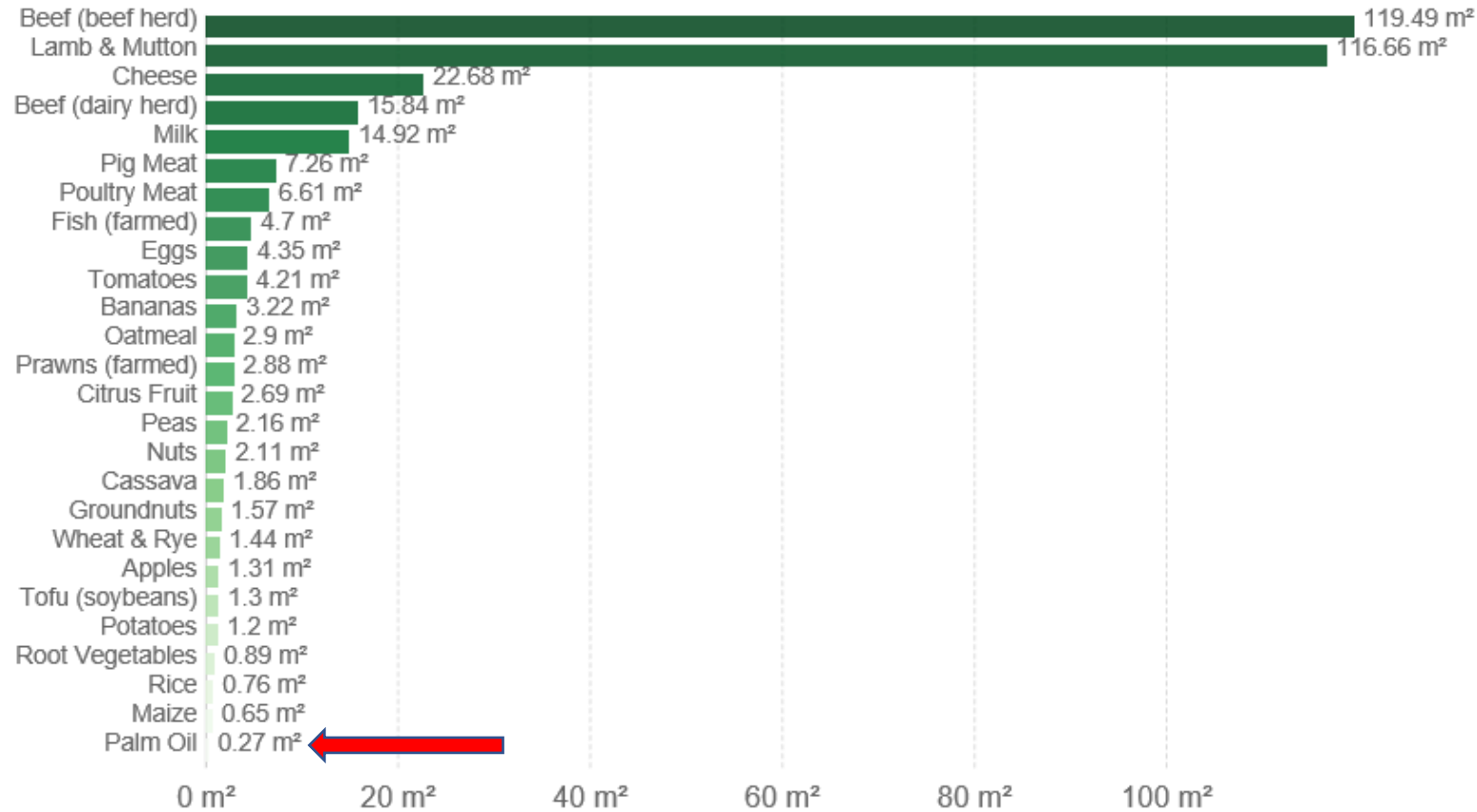
# SIPEF group – Palm oil in the world

## Palm oil in the world – Land use of foods per 1000 kcal

### Land use of foods per 1000 kilocalories

Our World  
in Data

Land use is measured in meters squared (m<sup>2</sup>) required to produce 1000 kilocalories of a given food product.



Source: Poore, J., & Nemecek, T. (2018). Additional calculations by Our World in Data.

Note: Data represents the global average land use of food products based on a large meta-analysis of food production covering 38,700 commercially viable farms in 119 countries.

OurWorldInData.org/environmental-impacts-of-food • CC BY



**SIPEF group – Palm oil in the world**  
**Palm oil in the world - Sustainable palm oil**

Less than 3 million tons is sold as IP/‘segregated’ (100% traceable)  
 SIPEF = 100% certified and > 310.000 tons ‘segregated’



**15.58 million tonnes**

Volume of RSPO-certified sustainable palm oil

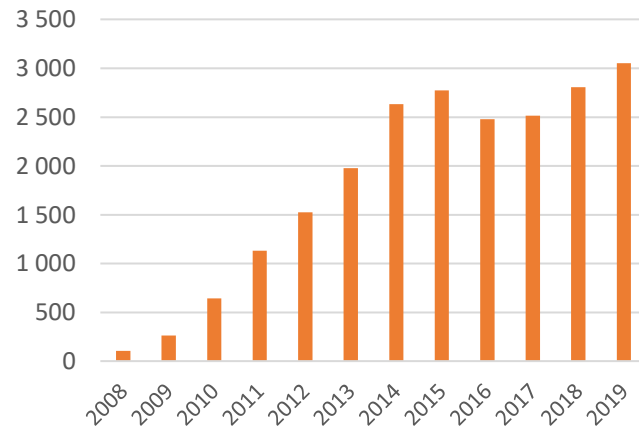


**19%**

Proportion of global palm oil certified by RSPO

3,05 Million Ha RSPO certified production area

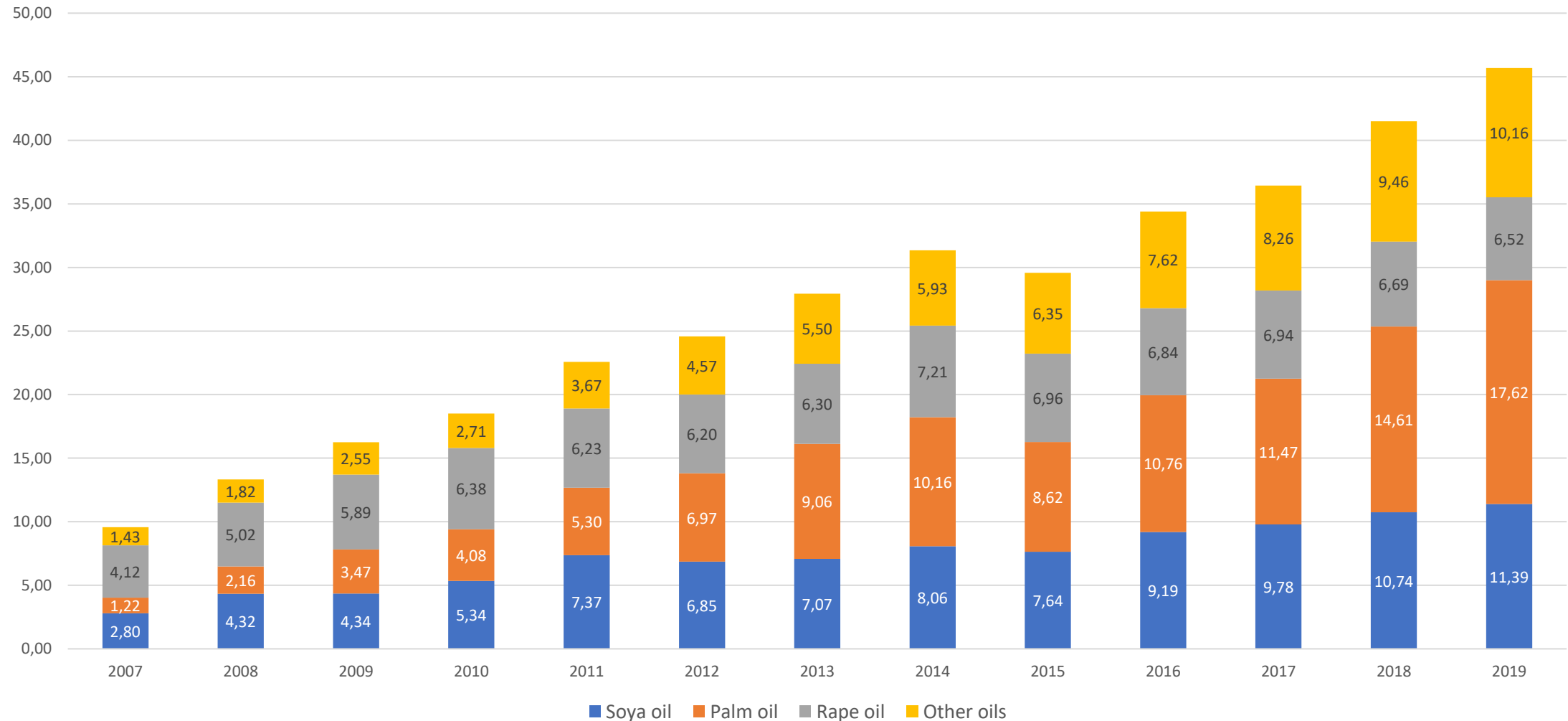
RSPO Certified Ha (in KHa)



# SIPEF group – Palm oil in the world

## Palm oil in the world - Biodiesel use of major feedstock (Mn T)

Biodiesel use of major feedstock (Mn T)

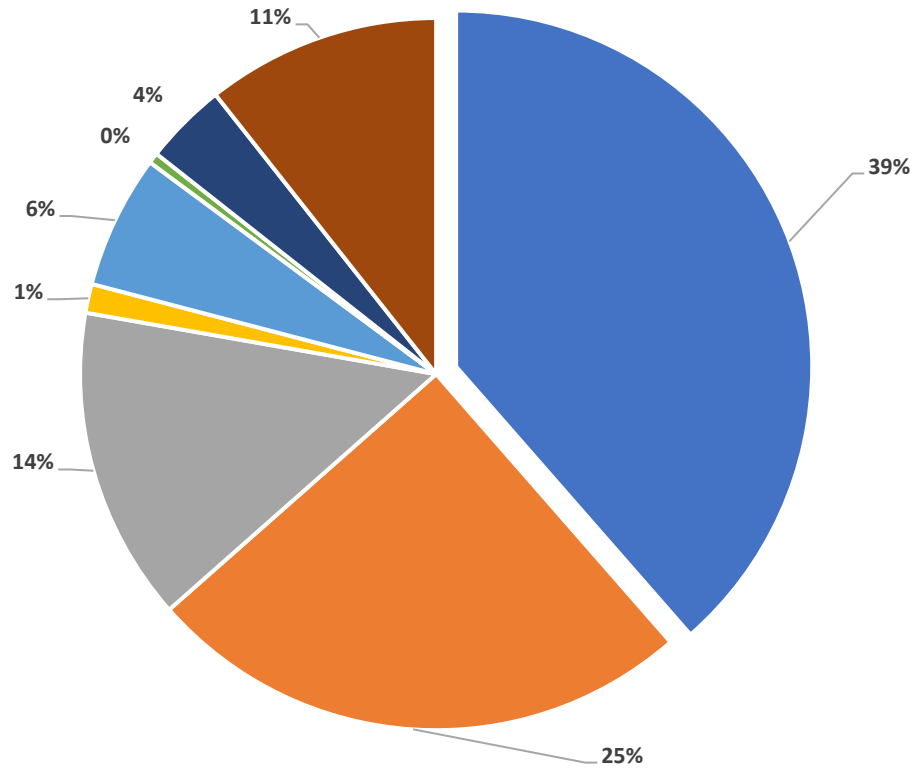


**SIPEF group – Palm oil in the world**  
**Biodiesel worldwide**



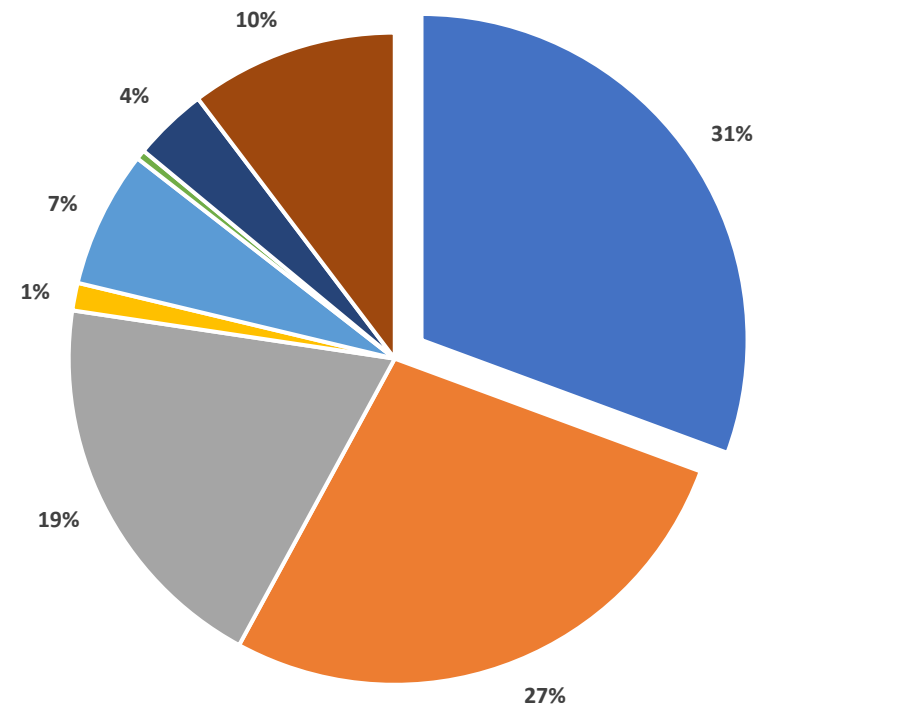
Source: Oilworld

**Biodiesel worldwide 2019**  
**Total of 45,7 Mn tonnes**



- Palm Oil
- Soya Oil
- Rapeseed Oil
- Sunflower Oil
- Tallow
- Coconut oil
- Other oils & fats
- Used cooking oil

**Biodiesel worldwide 2017**  
**Total of 35,8 Mn tonnes**



- Palm oil
- Soya
- Rapeseed oil
- Sunflower oil
- Tallow
- Coconut oil
- Other oils and fats
- Used cooking oil

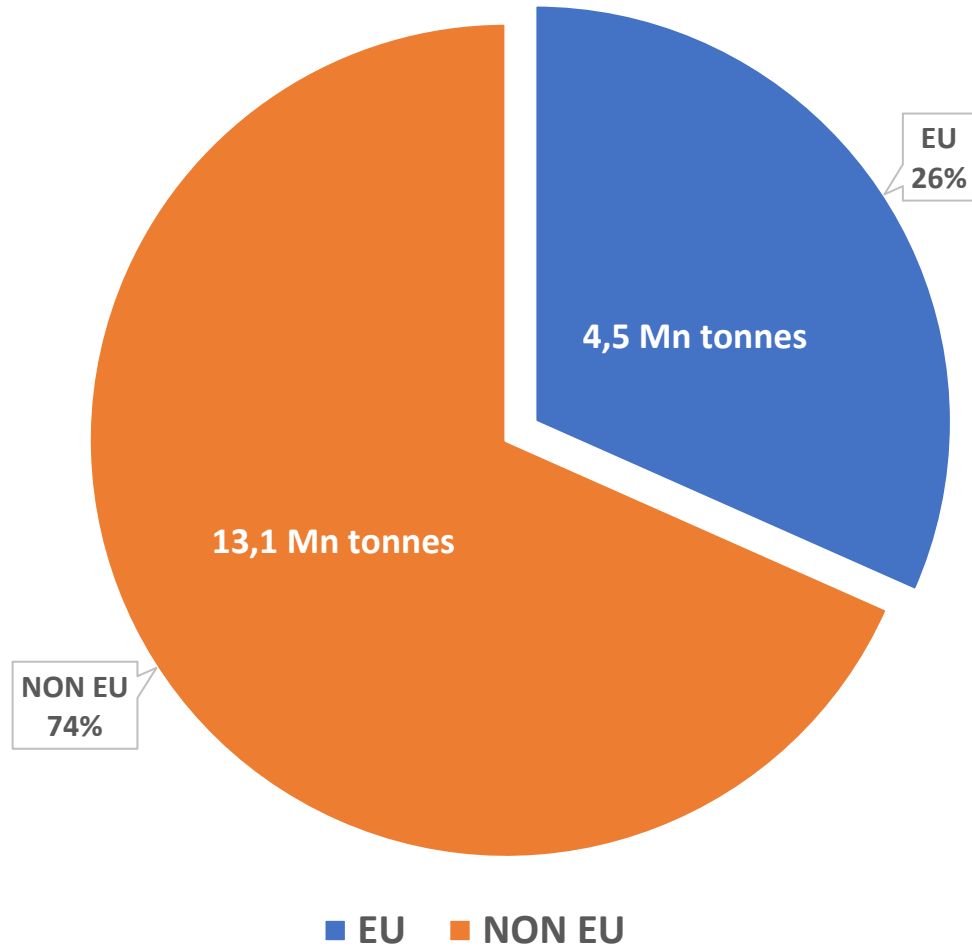
# SIPEF group – Palm oil in the world

## Palm oil use for biodiesel EU

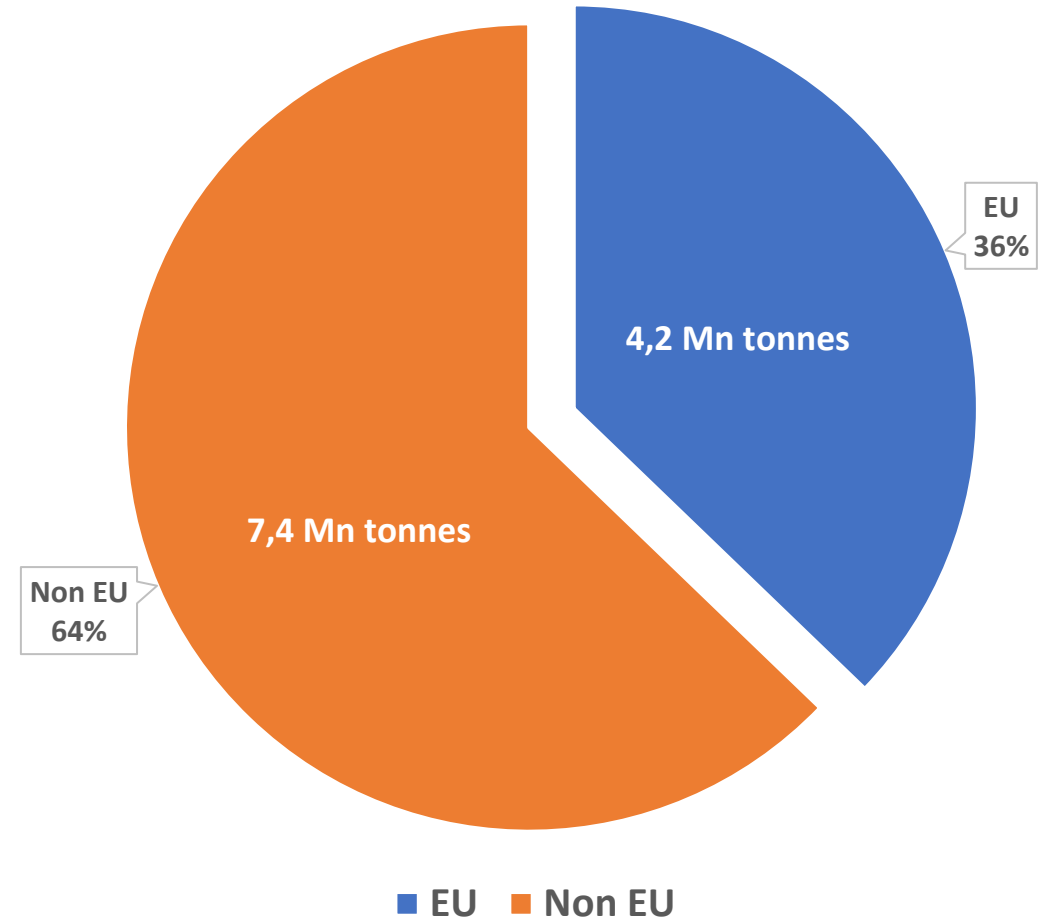


Source: Oilworld

### 2019: Palm oil use for Biodiesel Total of 17,6 Mn tonnes



### 2017 Palm oil use for Biodiesel Total of 11,7 Mn tonnes





# Summary

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**SIPEF group - Company profile**



**SIPEF group - Palm oil in the world**



**SIPEF group - Update expansion**



**SIPEF group - Production & prices**



**SIPEF group – Financial performance**



**SIPEF Group - Peer review**



# SIPEF group – Expansion

## Strategy & expansion



**SIPEF group = 100.000 Ha planted**

**Focus on core-business**

- Palmoil – Rubber – Bananas – Tea
- Indonesia – Papua New Guinea

**Focus on ‘Sustainable Agriculture’ (RSPO)**

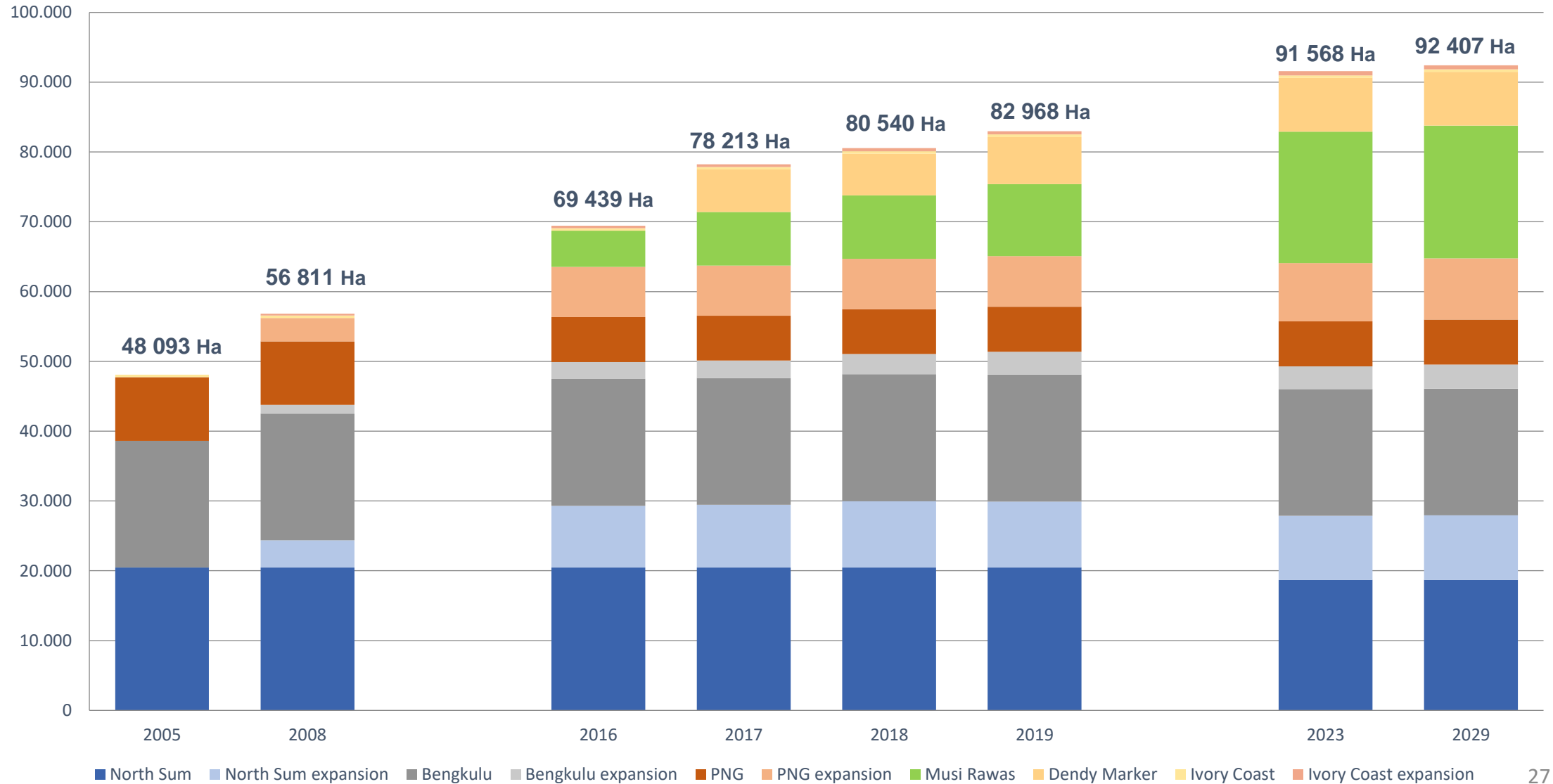
**Expansion of existing activities**

**Acquisition of new investments**

**Balanced leverage**

# SIPEF group – Expansion

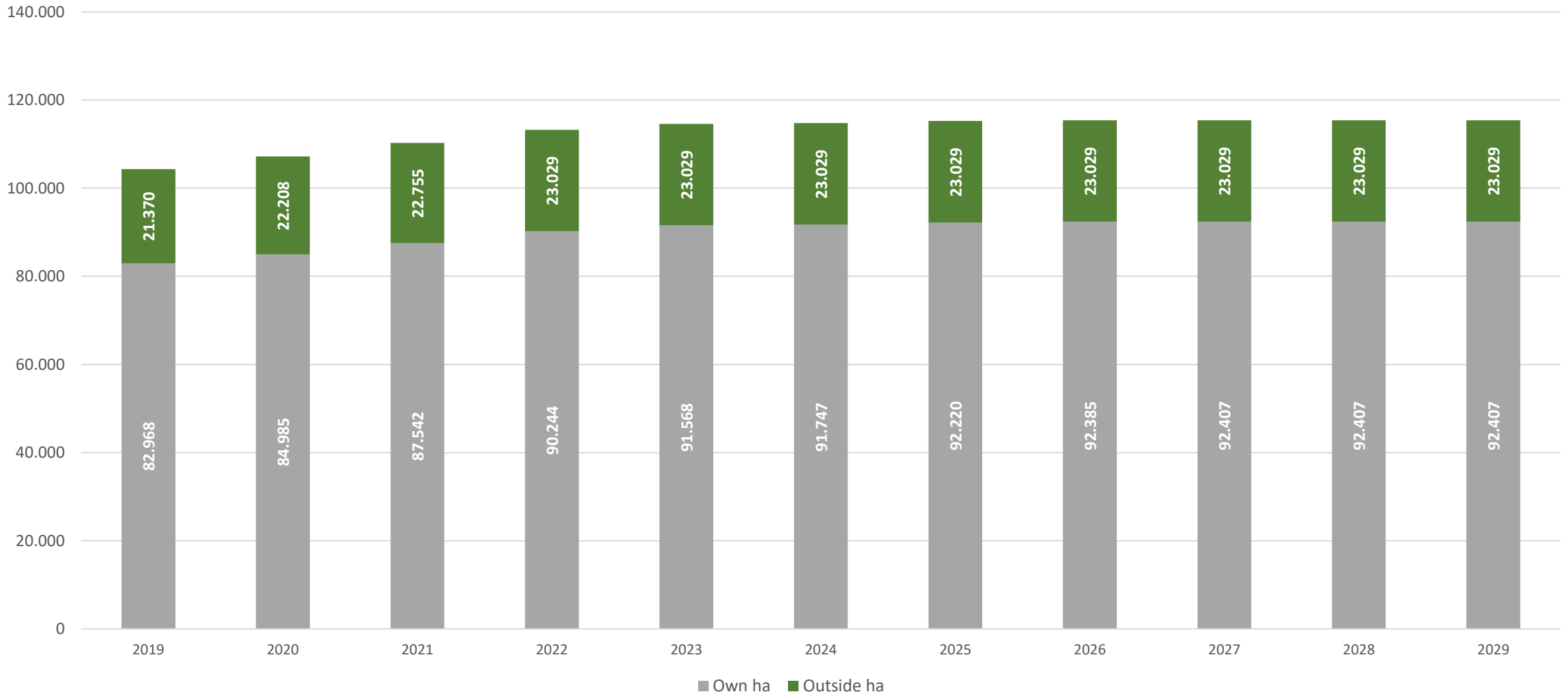
Increase in Ha (100%)





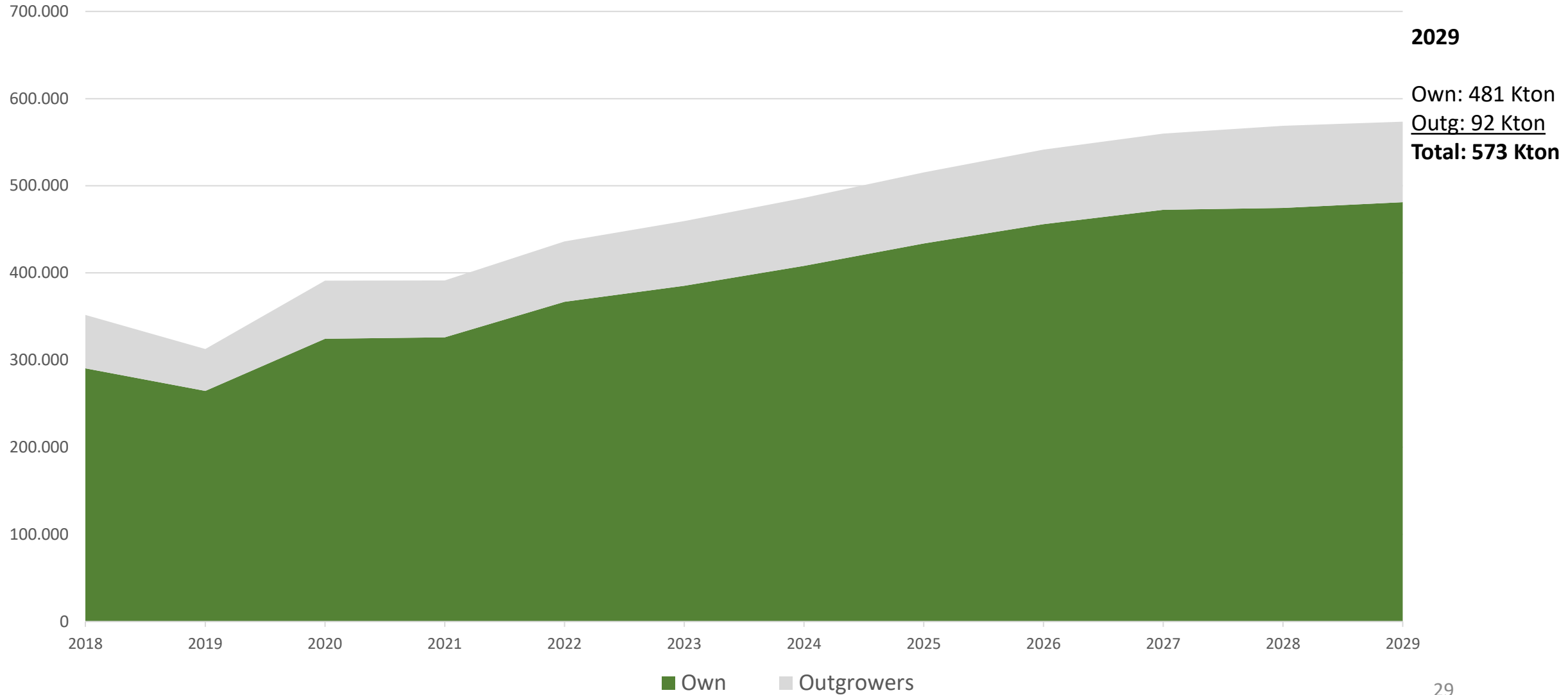
# SIPEF group – Expansion

Supply base (in hectares): own ha and outgrowers ha – 100%



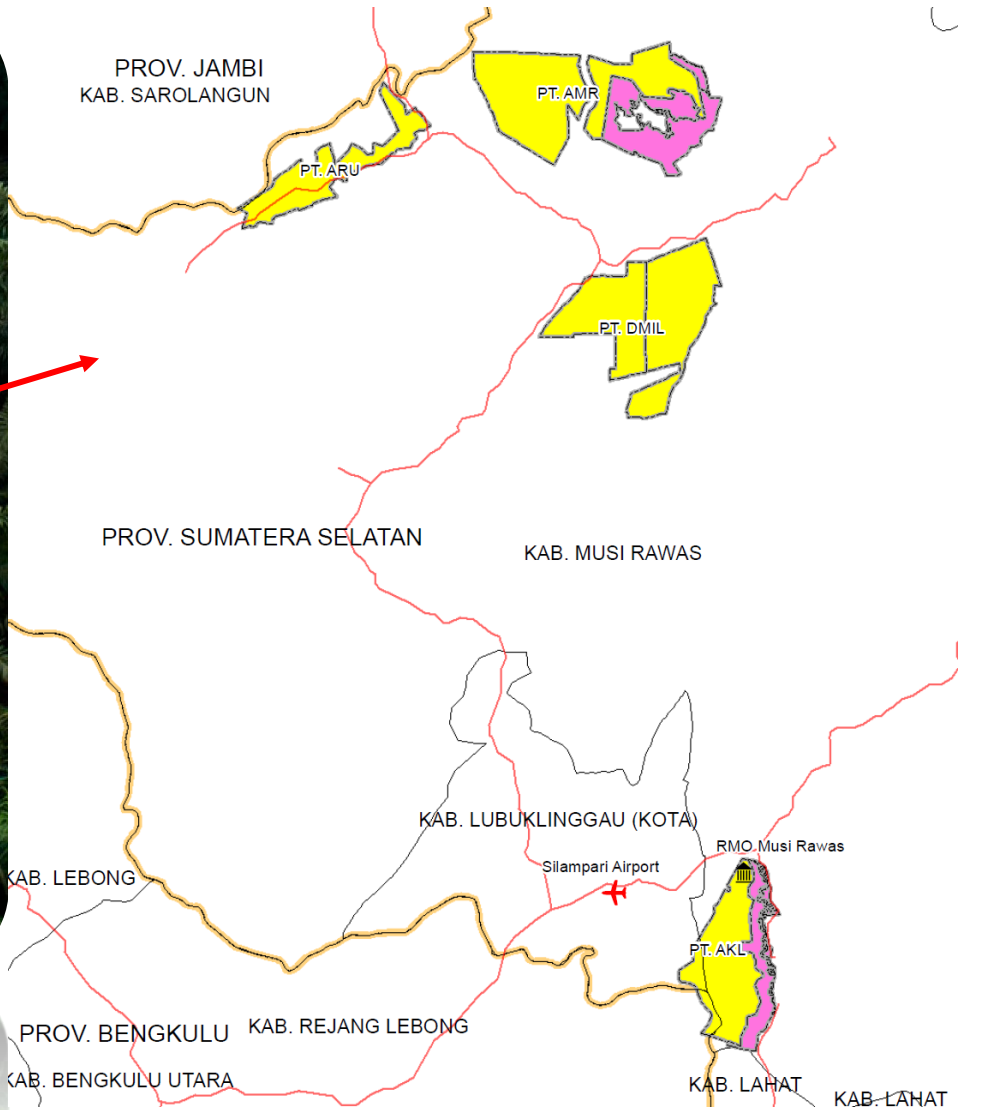
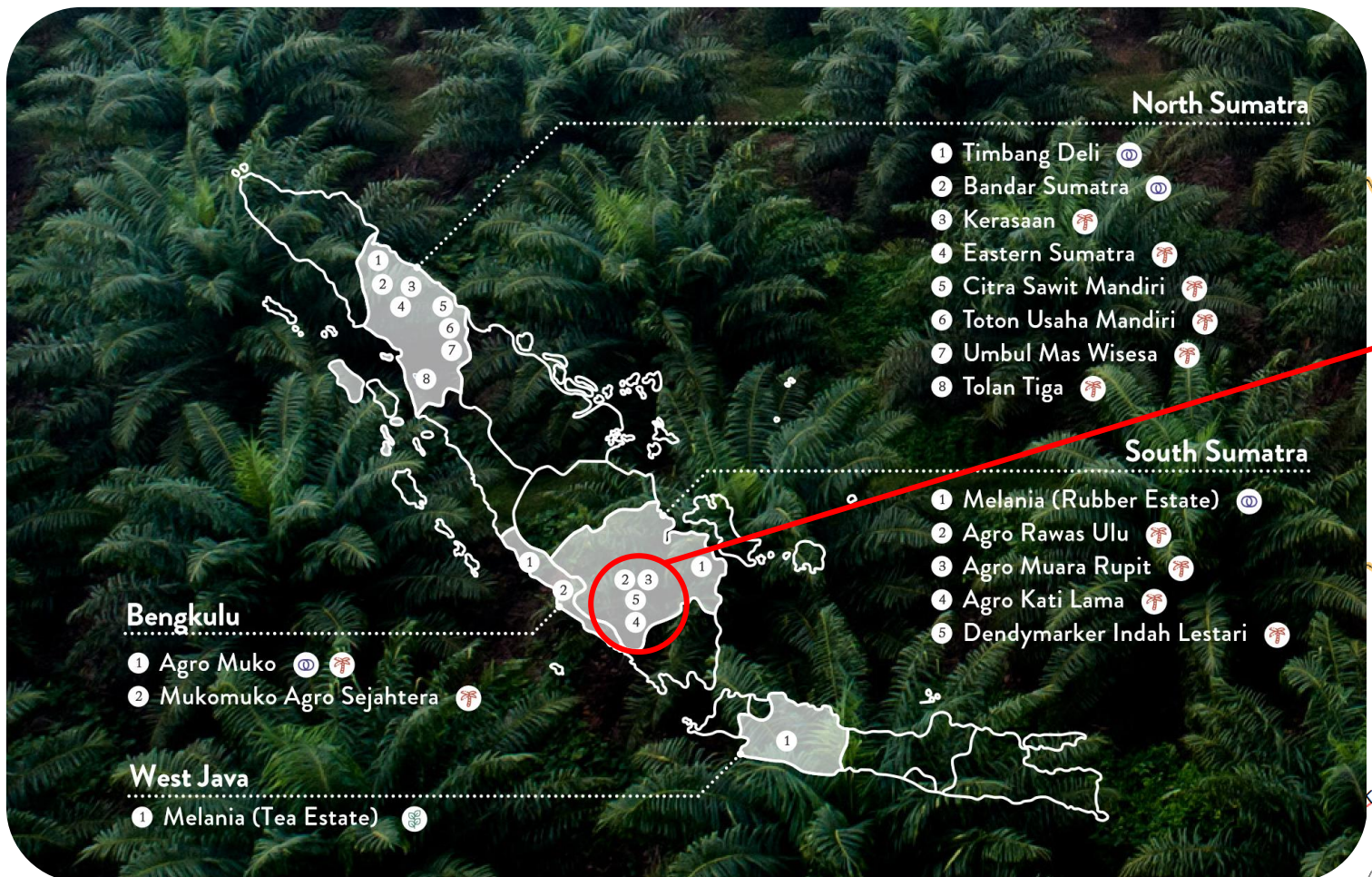
# SIPEF group – Expansion

100% CPO production (including plasma and outgrowers – NO FFB)





# Musi Rawas Projects: Area Map



## SIPEF group – Expansion

South Sumatra – full scope of development June 2020



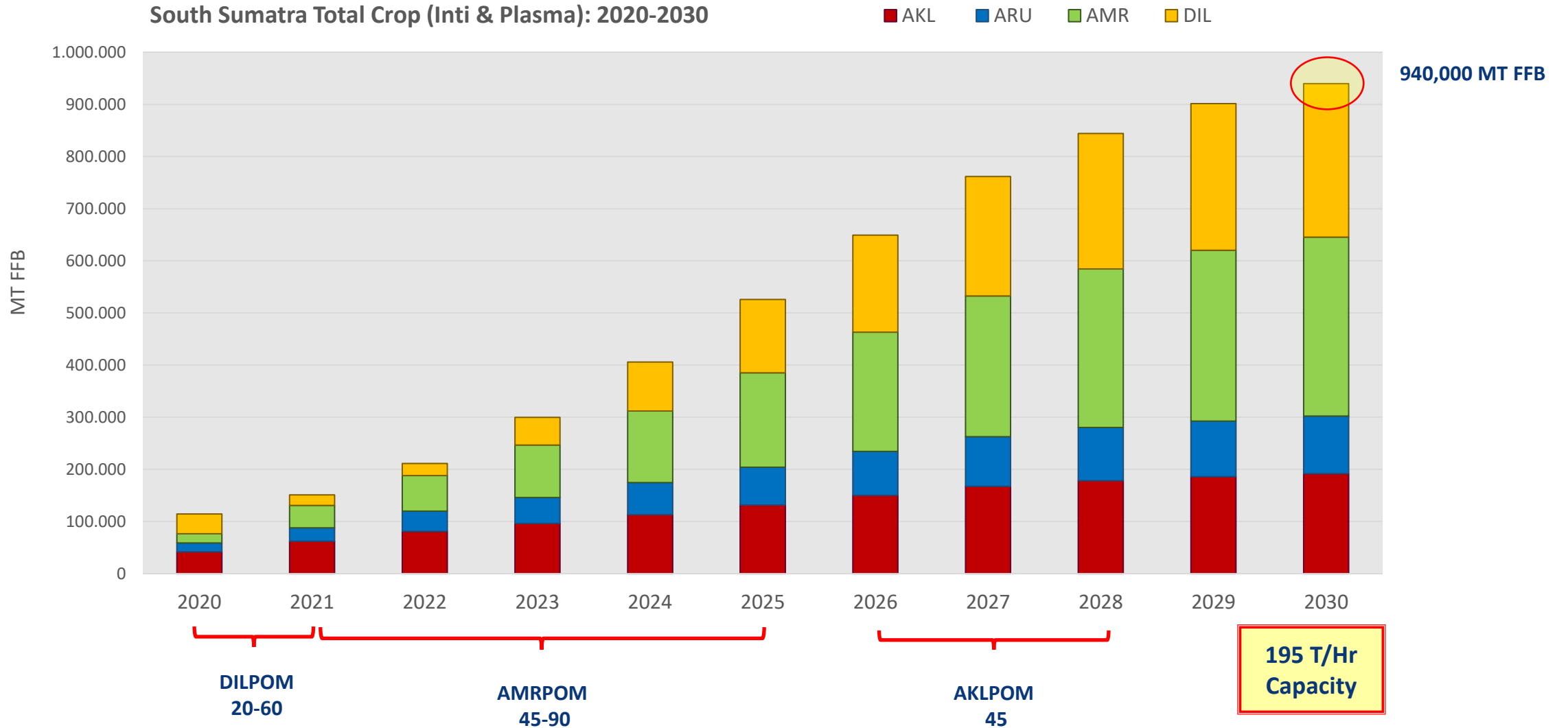
Latest update	Musi rawas	Dendymarker	Total
Total Planted / Cleared	12 958	8 986	21 944
Identified	9 847	1 607	11 454
<b>Potential development</b>	<b>22 805</b>	<b>10 594</b>	<b>33 399</b>
INTI	19 004	7 813	26 817
PLASMA	3 801	2 781	6 582

**SIPEF group – Expansion**  
**Musi Rawas – progress June 2020**



MUSI RAWAS	Acquired Ha	Secured Ha	
PT AKL	4.990	4.591	92%
PT ARU	3.672	2.770	75%
PT AMR	7.823	5.597	72%
<b>Total OLD</b>	<b>16.485</b>	<b>12.958</b>	<b>79%</b>
Potential Ha	18.507		
	89%		
AMR III	33	0	0%
AMRS	217	0	0%
AKLE	143	0	0%
<b>Total NEW</b>	<b>393</b>	<b>0</b>	<b>0%</b>
Potential Ha	4.298		
	9%		
<b>GRAND TOTAL</b>	<b>16.879</b>	<b>12.958</b>	<b>77%</b>
Potential HA	22.805	22.805	100%
<b>% of total</b>	<b>74%</b>	<b>57%</b>	

# Crop & Processing Requirements: Based on LTBP 2020-2030.





# Summary



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## SIPEF group - Production & prices

### Group production palm oil – June 2020



Palm Oil	June 2020	June 2019	Variance
<b>Own</b>			
Tolan Tiga Group	31 654	31 438	0,69%
Umbul Mas Wisesa Group	17 593	18 300	-3,86%
Agro Muko Group	42 630	35 723	19,33%
South Sumatra Group	6 764	5 548	21,92%
Hargy Oil Palms	32 253	37 069	-12,99%
<b>Total own</b>	<b>130 894</b>	<b>128 078</b>	<b>2,20%</b>
<b>Outgrowers</b>			
Tolan Tiga Group	158	0	-
Umbul Mas Wisesa Group	76	61	24,59%
Agro Muko Group	1 940	1 496	29,68%
South Sumatra Group	689	389	77,12%
Hargy Oil Palms	28 611	23 672	20,86%
<b>Total outgrowers</b>	<b>31 474</b>	<b>25 618</b>	<b>22,86%</b>
<b>Total Palm Oil</b>	<b>162 368</b>	<b>153 696</b>	<b>5,64%</b>

## SIPEF group - Production & prices

Group production rubber – June 2020



Rubber	June 2020	June 2019	Variance
<b>Own</b>			
Tolan Tiga Group	270	384	-29,69%
Melania	1 583	1 617	-2,10%
Agro Muko	934	1 067	-12,46%
<b>Total own</b>	<b>2 787</b>	<b>3 068</b>	<b>-9,16%</b>
<b>Outgrowers</b>			
Tolan Tiga Group	259	296	-12,50%
<b>Total Rubber</b>	<b>3 046</b>	<b>3 364</b>	<b>-9,45%</b>

## SIPEF group - Production & prices

### Group production tea & bananas – June 2020



Tea	June 2020	June 2019	Variance
Melania	1 478	1 312	12,65%
<b>Total Tea</b>	<b>1 478</b>	<b>1 312</b>	<b>12,65%</b>
Bananas	June 2020	June 2019	Variance
Azaguie 1	2 670	2 505	6,59%
Azaguie 2	4 327	4 311	0,37%
Agboville	4 552	4 804	-5,25%
Motobe	4 620	5 108	-9,55%
<b>Total Bananas</b>	<b>16 169</b>	<b>16 728</b>	<b>-3,34%</b>

# SIPEF group - Production & prices

Bull & Bear



	Rating	Bullish inputs	Bearish inputs
<b>Palm Oil</b> Aug 685 Sept 685 Oct 665 ND 660 JFM 665 AMJ 670	Neutral	<ul style="list-style-type: none"> <li>- Indo &amp; Mal prod is slightly lower than expected. Our BBC shows a flat production instead of the seasonal increase.</li> <li>- July and Aug prod will show the trend.</li> <li>- Demand, particular food, has been very strong to replenish low destination stocks. Triggering lower stocks and inverted markets.</li> <li>- EU biodiesel demand better than expected due to high rapeseed oil prices. Also Brasil B12 program seems to be still running.</li> <li>- Strong soybeans &amp; soybean oil exports from Latam, very low stocks.</li> <li>- Weak US dollar, good for most US denominated commodities.</li> <li>- How much will the Chinese State Reserve buy?</li> </ul>	<ul style="list-style-type: none"> <li>- Covid – 19: turned the global economy in a never foreseen recession. Impact not felt to the full extent.</li> <li>- Still a lot of uncertainty how Covid-19 will impact in the next 12 months.....</li> <li>- Permanent demand loss due to lockdown in March/May period...estimated to be 2 to 3 mln mt.</li> <li>- B30 program under serious financial constraints....the CPO Fund will run out of money in Q4 at current POGO spread. Or will the Indo government find an alternative manner to finance the biodiesel program (big risk to see an increase in export levy if price rise).</li> <li>- Fantastic US growing conditions, increasing yield, expectation of a big crop....Aug weather will be important how big the crop will be.</li> <li>- There is still a massive divergence on the palm oil crop assessment for the next 5 months.....if the big crop side is right, we will see a significant stocks build.</li> <li>- There is still a big (Chinese) speculator long position, when will they take profit?</li> </ul>
<b>Rubber</b> RSS3 1558 SIR10 1237	Neutral	<ul style="list-style-type: none"> <li>- Low price environment</li> <li>- Futures rallied (but no idea why!)</li> </ul>	<ul style="list-style-type: none"> <li>- Automobile industry hit by minimum 15% decline, based on Michelin's projection. Likely a bigger decline globally.</li> <li>- No physical activity as stocks at factories still filled.</li> </ul>
<b>Tea</b>	Neutral	<ul style="list-style-type: none"> <li>- Low price environment</li> </ul>	<ul style="list-style-type: none"> <li>- Kenyan prod still good and a lot of auction volume left unsold</li> <li>- Pakistan also suffering from Corona lockdown</li> </ul>

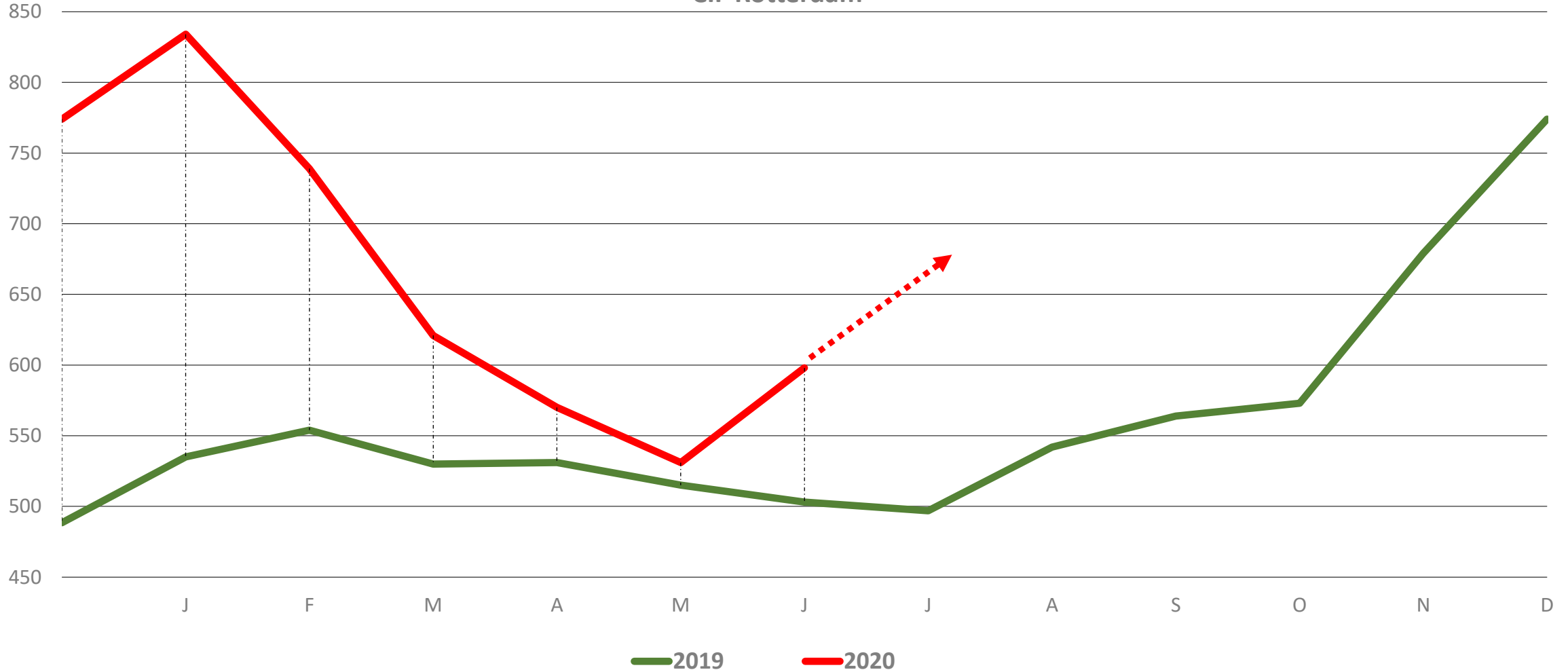
# SIPEF group - Production & prices

CPO prices CIF Rotterdam 2019-2020



Crude Palm Oil in \$/mt  
CIF Rotterdam

Source: Oilworld



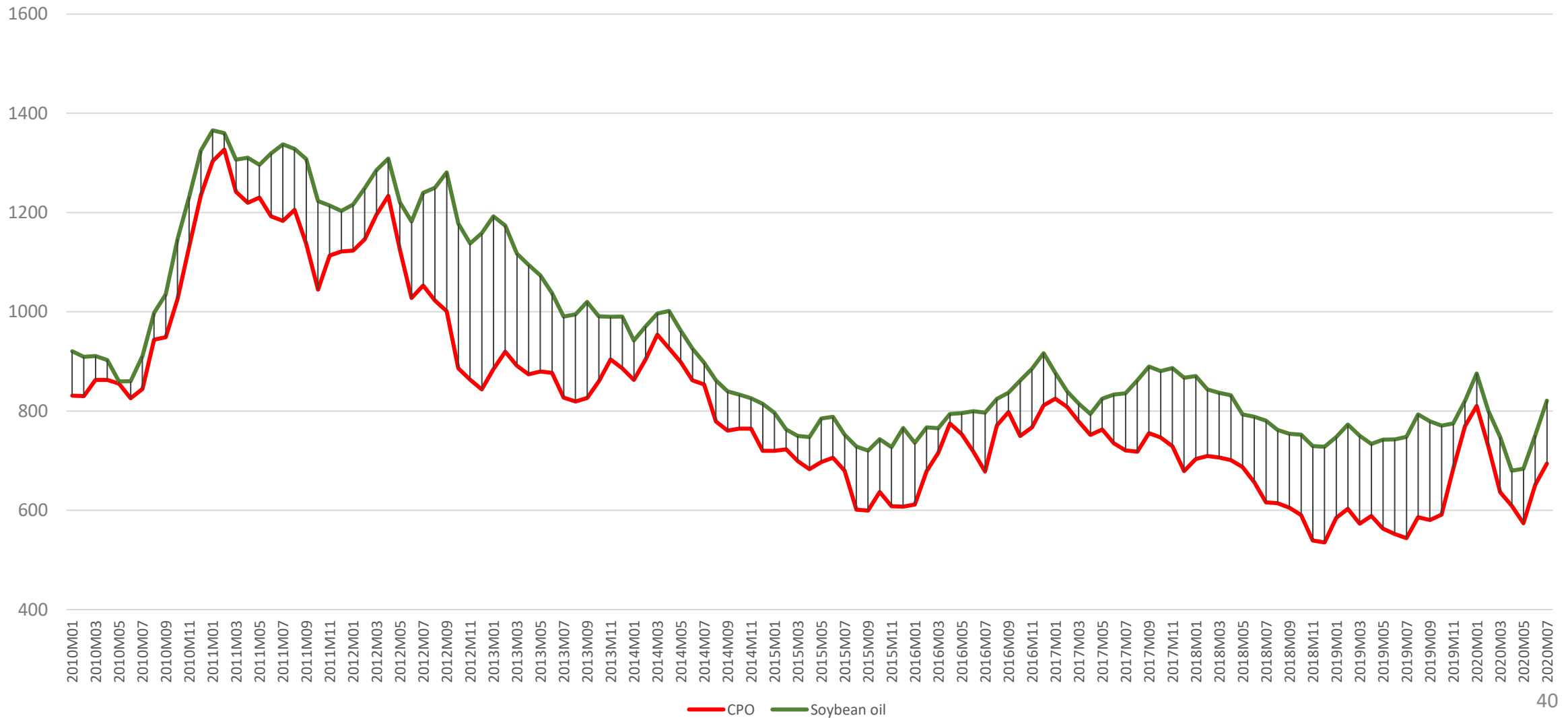
# SIPEF group - Production & prices

## Spread crude palm oil – soybean oil



Spread CPO - Soybean oil

Source: Worldbank





# SIPEF group - Production & prices

## Rubber prices CIF Rotterdam 2019-2020



RSS3 in \$/mt  
FOB Singapore

Source: Worldbank



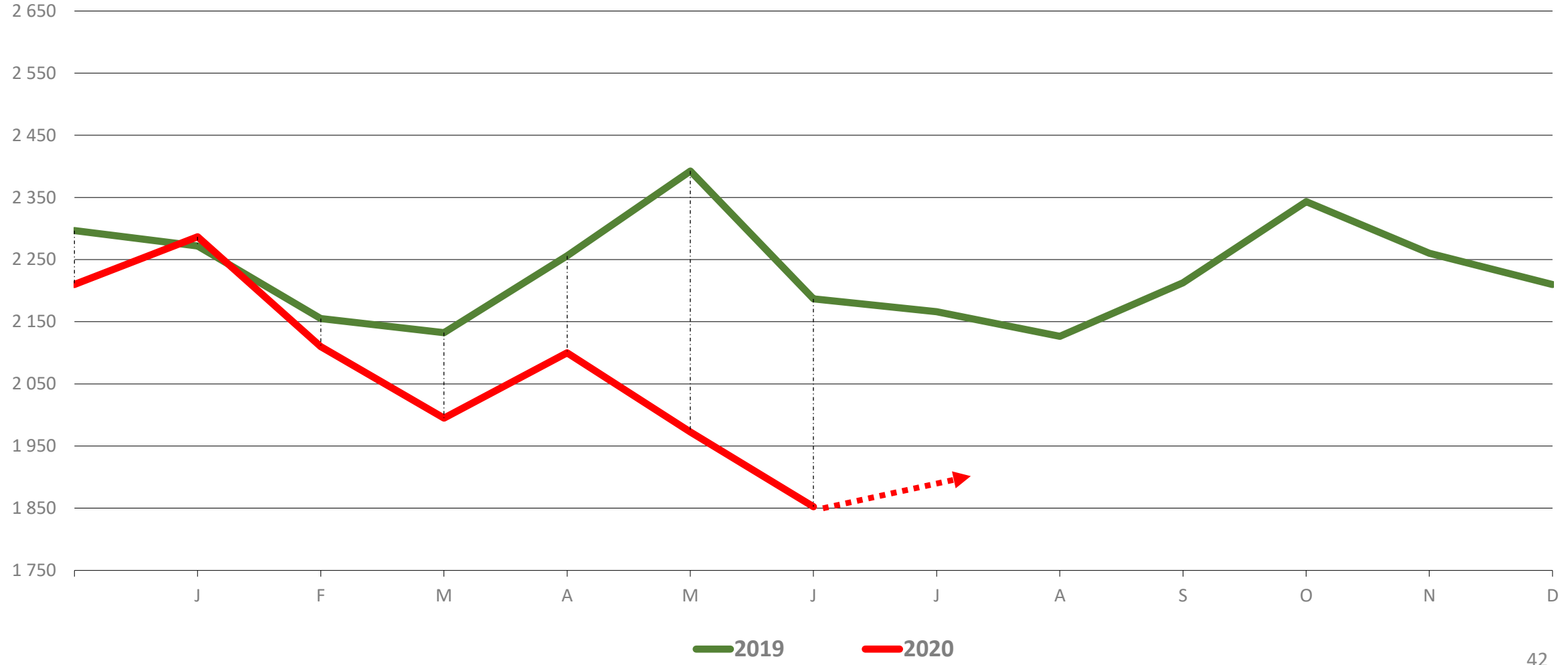
# Markets, sales prices & productions

Tea prices CIF Rotterdam 2019-2020



Source: Worldbank

### Tea in \$/mt average auction Mombasa



# Summary



**SIPEF group - Company profile**



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**SIPEF group - Update expansion**



**SIPEF group - Production & prices**



**SIPEF group – Financial performance**

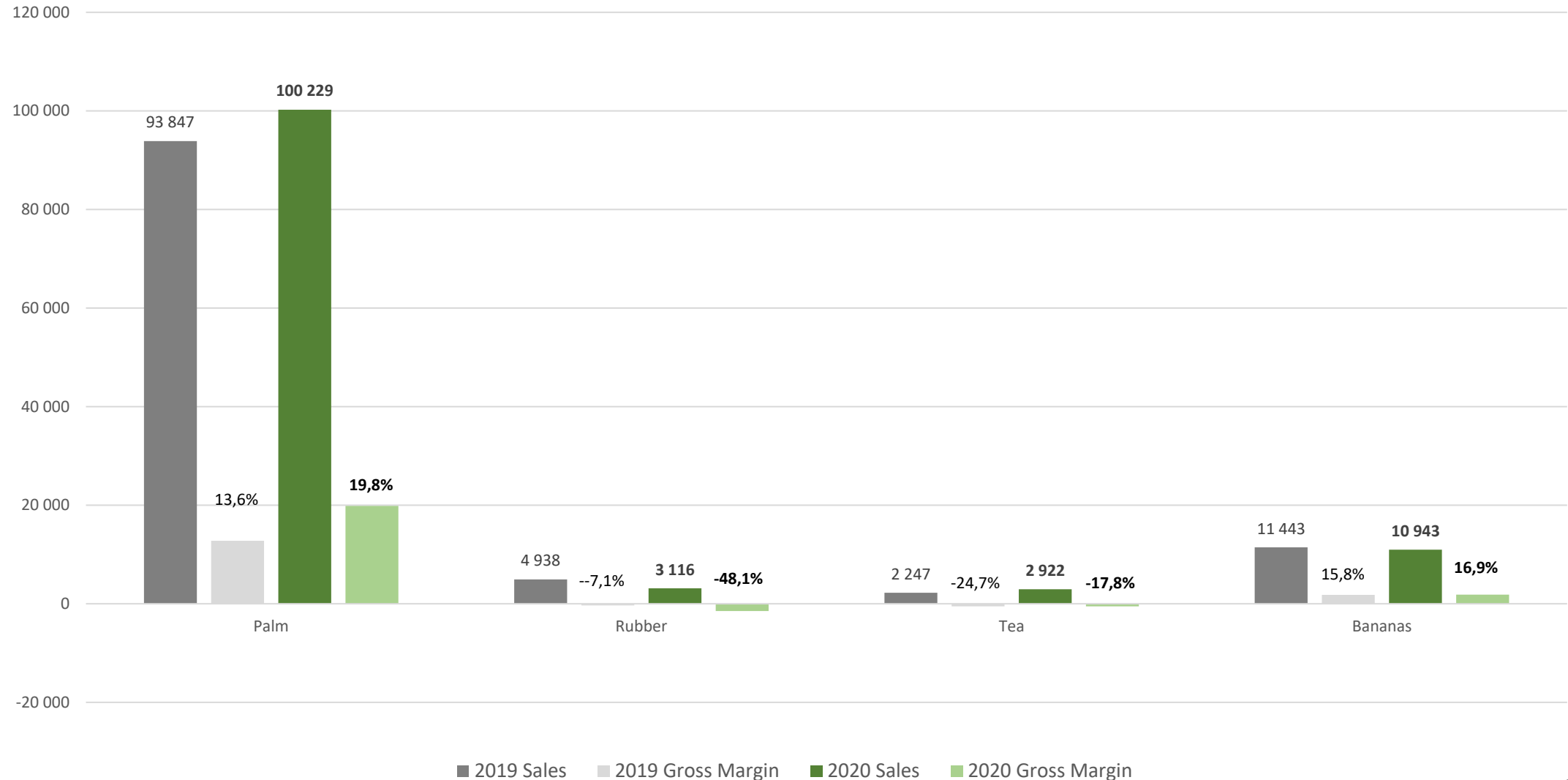


**SIPEF Group - Peer review**



# SIPEF group – Financial performance

## Sales – consolidated gross margin



## SIPEF group – Financial performance

### Gross margin – Results before tax (management presentation)



In KUSD (condensed)	June 2020	June 2019	%change
<b>Gross margin per product</b>			
Palm	19 823	12 748	7 075
Rubber	-1 498	- 350	-1 148
Tea	- 519	- 555	36
Bananas and flowers	1 844	1 806	38
<b>Total gross margin</b>	<b>19 650</b>	<b>13 649</b>	<b>6 001</b>
Net general & administrative expenses	-15 142	-15 929	787
Other operating income/(charges)	113	203	- 90
Financial income/(charges)	-2 247	-2 016	- 231
Discounting Sipef-CI	613	845	- 232
Exchange differences	- 519	- 478	- 41
<b>Profit before tax</b>	<b>2 468</b>	<b>-3 725</b>	<b>6 193</b>



**SIPEF group – Financial performance**  
**Net profit after tax (management presentation)**



In KUSD (condensed)	June 2020	June 2019	%change
<b>Profit before tax</b>	2 468	-3 725	6 193
Tax expense	-1 686	- 412	-1 274
Effective tax rate	-68,3%	11,1%	-79,4%
<b>Result after tax</b>	<b>782</b>	<b>-4 137</b>	<b>4 919</b>
Share of associated companies	- 578	- 883	305
<b>Profit after tax</b>	<b>204</b>	<b>-5 020</b>	<b>5 224</b>

## SIPEF group – Financial performance

### Consolidated balance sheet (management presentation)



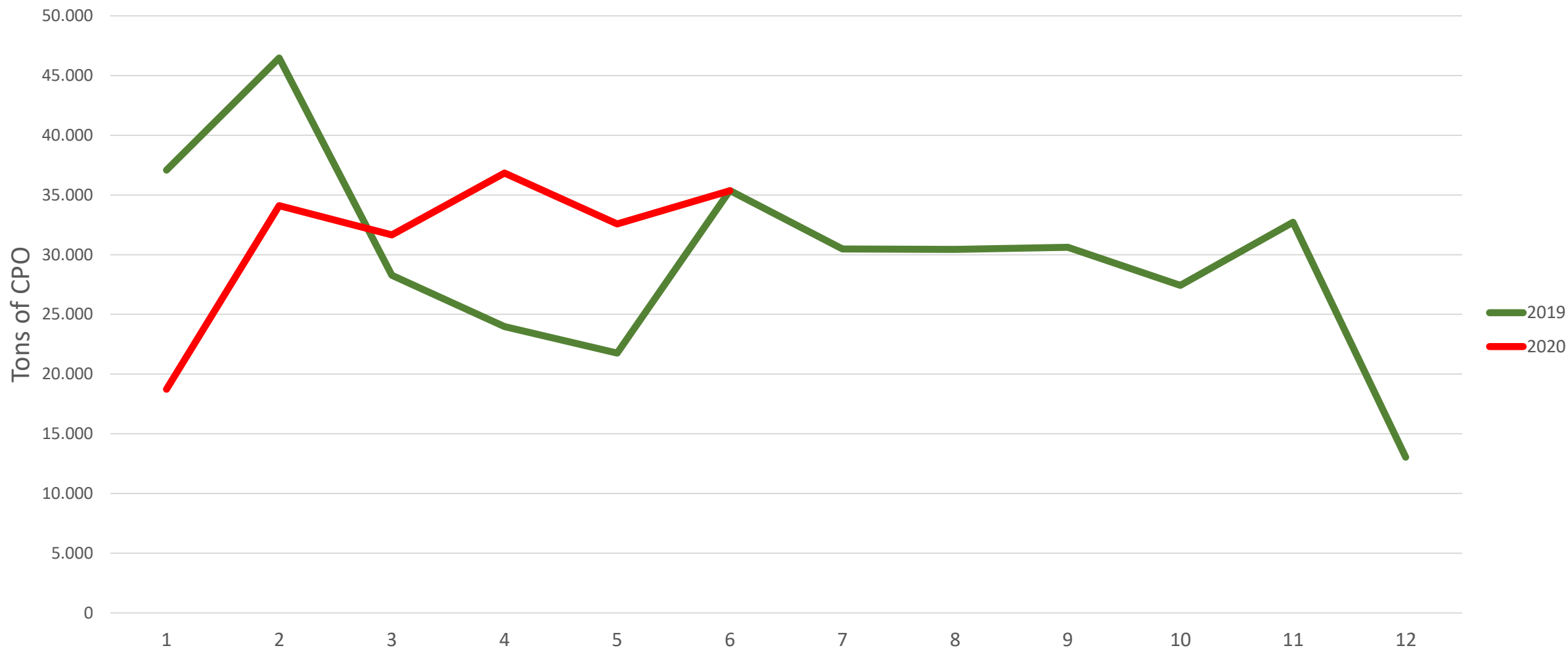
In KUSD (management presentation)	30/06/2020	31/12/2019
Biological assets (depreciated costs) - bearer plants	310 134	306 342
Goodwill	104 782	104 782
Other fixed assets	361 497	365 412
Receivables > 1 year	15 055	13 442
Net current assets, net of cash	89 385	94 013
Net cash position	-165 569	-164 623
<b>Total net assets</b>	<b>715 284</b>	<b>719 368</b>
Shareholders' equity, group share	625 786	628 686
Non controlling interest	35 240	34 325
Provisions and deferred tax liabilities	54 258	56 358
<b>Total net liabilities</b>	<b>715 284</b>	<b>719 368</b>

# SIPEF group – Financial performance

## Inventory overview



### CPO inventory overview



## SIPEF group – Financial performance

### Covenant testing



**Net debt (IFRS definition) June 2020** -165 569

	<u>7-12m19</u>	<u>1-6m20</u>	<u>12m period</u>
<b>Operating result</b>	<b>7 018</b>	<b>4 621</b>	<b>11 639</b>
Exceptional items	0	0	0
Recurring operating result	7 018	4 621	11 639
Depreciation	22 583	21 371	43 954
<b>REBITDA</b>	<b>29 601</b>	<b>25 992</b>	<b>55 593</b>
Minus minorities recurring	-416	-916	-1 332
REBITDA group share	29 185	25 076	54 261
<b>Net Senior Leverage</b>			<b>3,0513</b>

- Financial covenant per 30/06/2020 = 3,25x → OK!

**SIPEF group – Financial performance**  
**Cash flow (management presentation)**



Cash flow in KUSD	June 2020
<b>Cash flow from operations before working capital</b>	<b>26 416</b>
Working capital movements	160
Taxes paid	-3 821
<b>Cash flow from operations (a)</b>	<b>22 755</b>
Cash flow from investing	-21 948
Cash flow from desinvesting	1 344
Cash flow from investing in VBS	-1 609
Cash flow from sales Sipef CI	1 371
<b>Investing activities (b)</b>	<b>-20 842</b>
<b>Free cash flow (a+b)</b>	<b>1 913</b>



**SIPEF group – Financial performance**  
**Cash flow (management presentation)**



Cash flow in KUSD (continued)	June 2020
<b>Free cash flow (a+b)</b>	<b>1 913</b>
Dividends paid by subsidiaries to minorities	-516
Interest received/paid	-2 343
<b>Net increase/decrease in NFP</b>	<b>-946</b>

Net financial position in KUSD	June 2020
NFP opening position	- 164 623
Net increase/decrease in cash	-946
<b>NFP closing position</b>	<b>-165 569</b>

**SIPEF group – Financial performance**  
Value per hectare



**Sensitivity 30/06/2020**

Stock price @	USD per hectare
30,00	5 796
40,00	7 289
50,00	8 781
60,00	10 274
70,00	11 767
80,00	13 259
46,50 (dd 11/08/2020)	8 259

#### ✓ **Production**

- Prospects for palm oil production for the third quarter are rather poor (likely affected by last year's long drought);
- The previously announced 10% increase in annual volumes will probably not be achieved;
- The Pestalotiopsis fungus is expected to continue to affect rubber activities negatively in the second half;
- Expectations for tea and banana production for second half of the year remain slightly positive.

#### ✓ **Markets**

- General production prediction in Indonesia is rather poor which triggered significant stock reductions in palm oil → supported rally in palm oil price in June/July;
- How will B30 biodiesel blending program evolve in coming months?
- Rubber very dependent on automobile industry which is highly effected by the pandemic;
- Tea production is declining seasonally which should move prices up moderately.

✓ **Cash flow and expansion**

- Investment policy remains to be fully focused on development of palm oil activities in South Sumatra;
- Steadily continuing on replanting of own palm plantation areas in Dendymarker;
- Group remains faithful to its intention to renew the old Dendymarker plantings and to develop Musi Rawas concessions despite the uncertainties that covid-19 brings;
- Due to the persistently low prices for natural rubber and the lack of prospects for the future, specific measures are also being worked out for a restructuring of the rubber activities in the SIPEF group

✓ **Result**

- 76% of expected production volumes have been sold at an average price of USD 692 CIF Rotterdam, premiums included. Production volumes gradually brought onto the market;
- Considering the already realized sales of palm oil and based on the recent market prices, the Group expects a return to a recurring profit position for the year 2020

# Summary



SIPEF group - Company profile



SIPEF group - Palm oil in the world



SIPEF group - Update expansion



SIPEF group - Production & prices



SIPEF group – Financial performance



SIPEF Group - Peer review



## Peer review

### Disclaimer



The information contained in this section is provided for your general information only and is not designed nor intended to offer anything more than information only.

The information with respect to the companies included in the Peer Review was retrieved from publicly available information being annual reports and company websites on the one hand and from analyst reports we received on the other hand. In some cases we had to give our own interpretation to the available information in order to get comparable indicators.

As a consequence of using different sources combined with giving our own interpretation to the available information, the information may not always be correct and SIPEF does not accept any liability for loss and damage that may arise from relying upon this information.



## Peer review

### Principle assumptions

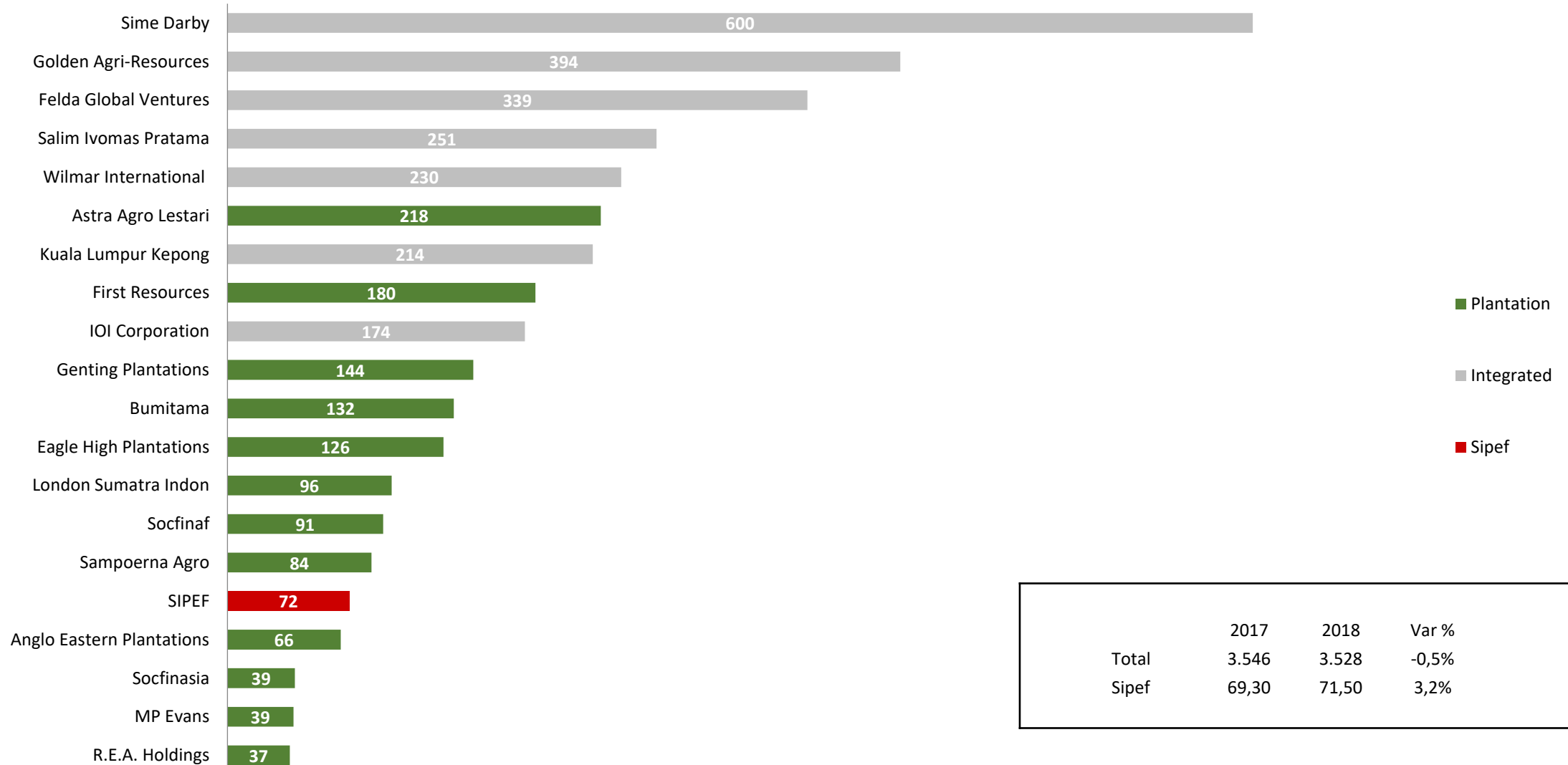
- Benchmark of main industrial competitors
- Age profile based on own ageing interpretation
- Market capitalization is calculated based on the average exchange rate & average share price of the year
- Benchmark based on own CPO productions of competitors:

	Tons
CPO own production benchmark (2018)	11.605.720
Worldwide production ( <i>Oilworld 2018</i> )	72.875.000

- Representative sample of comparable industry competitors (2018): **31,9%**
  - Industrial comparable companies (50%)

# Peer review

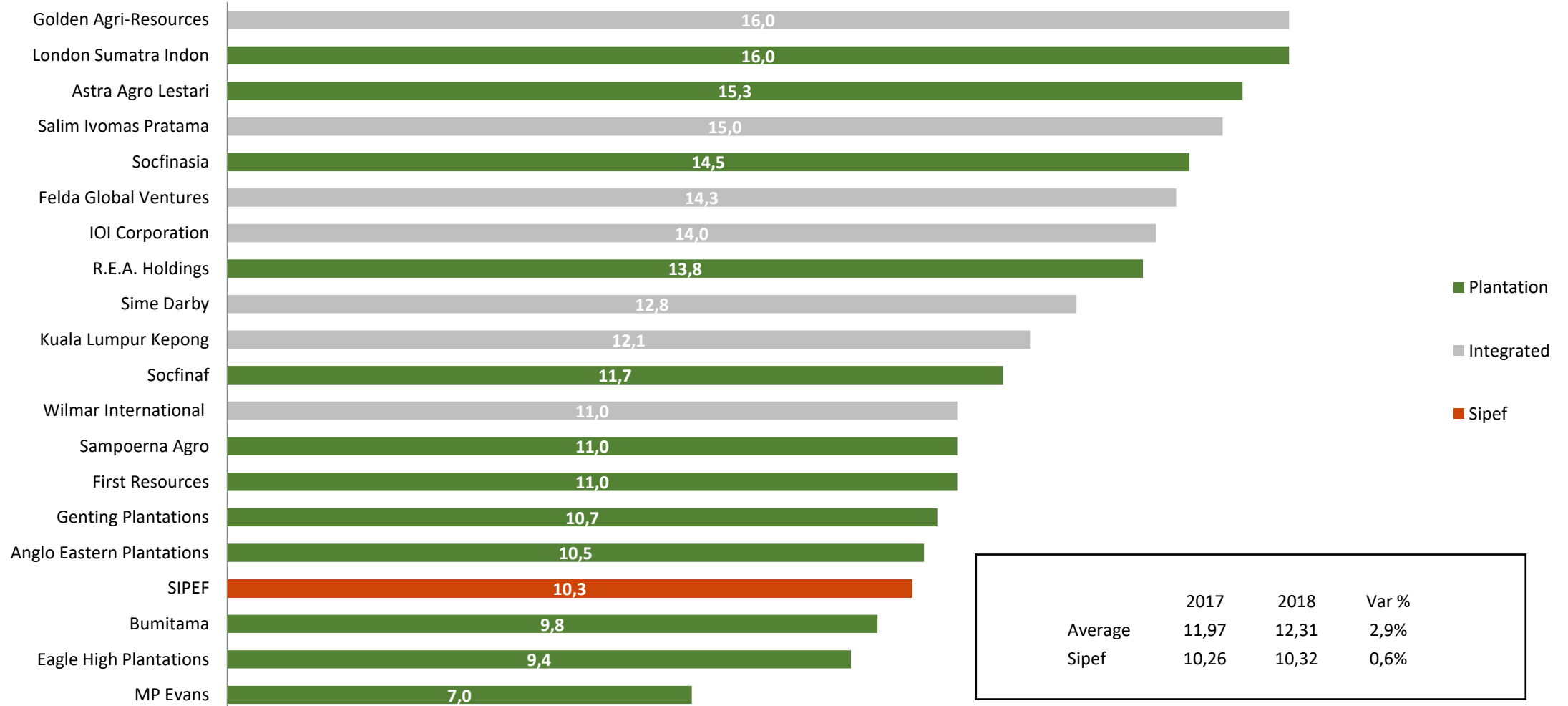
## Own planted Oil Palm Hectares in KHa (2018)



	2017	2018	Var %
Total	3.546	3.528	-0,5%
Sipef	69,30	71,50	3,2%

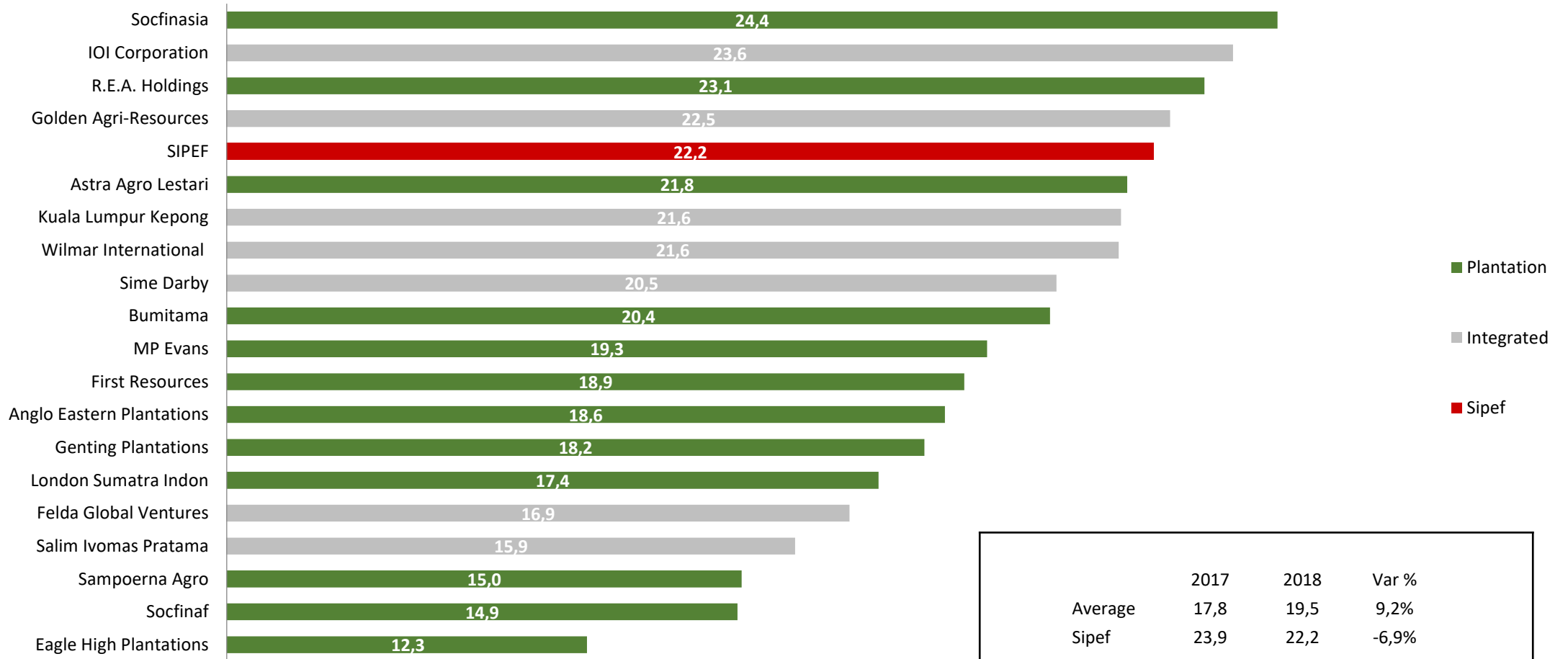
# Peer review

## Age Profile: Average age planted hectares (2018)



# Peer review

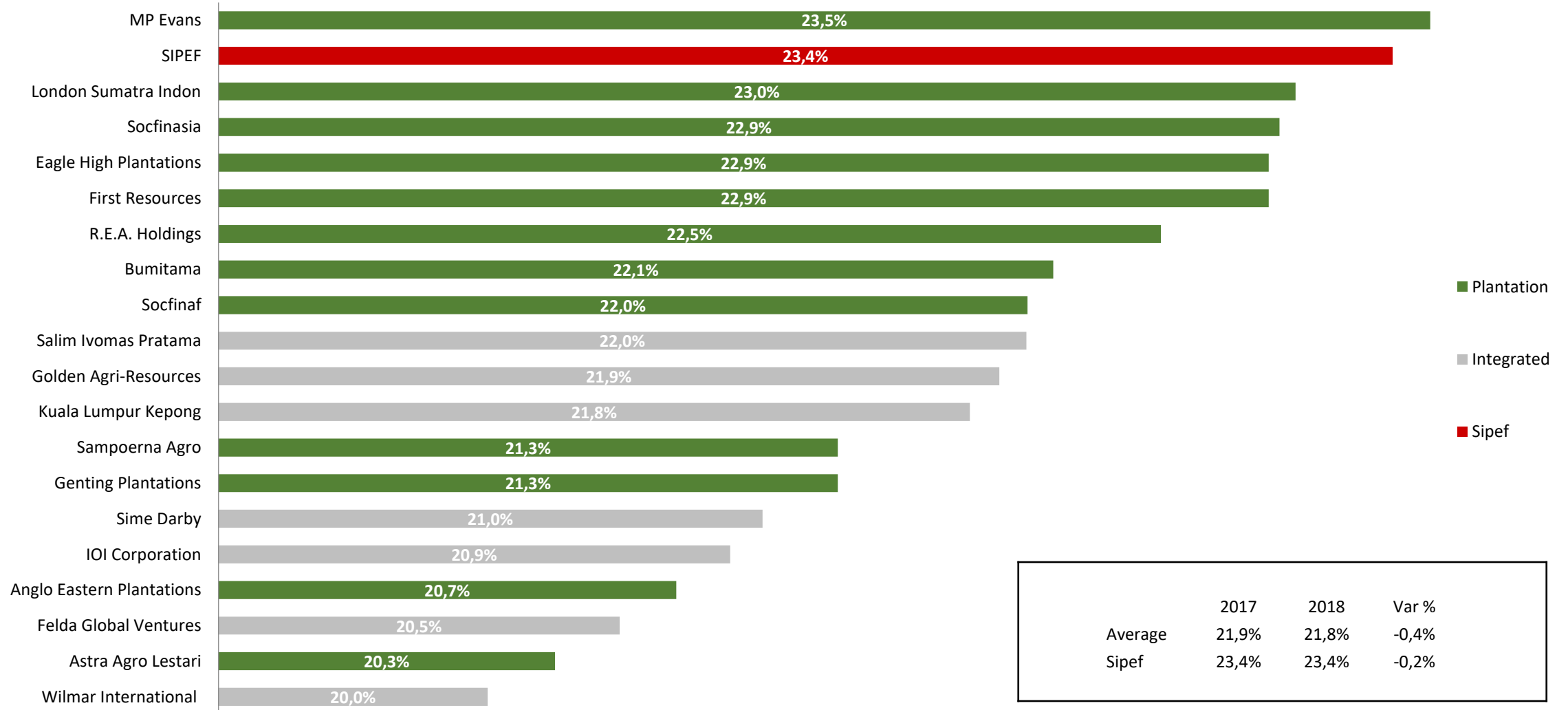
## FFB Yield – MT/ha (2018)



Sipef including the South Sumatra Group as of 2018

# Peer review

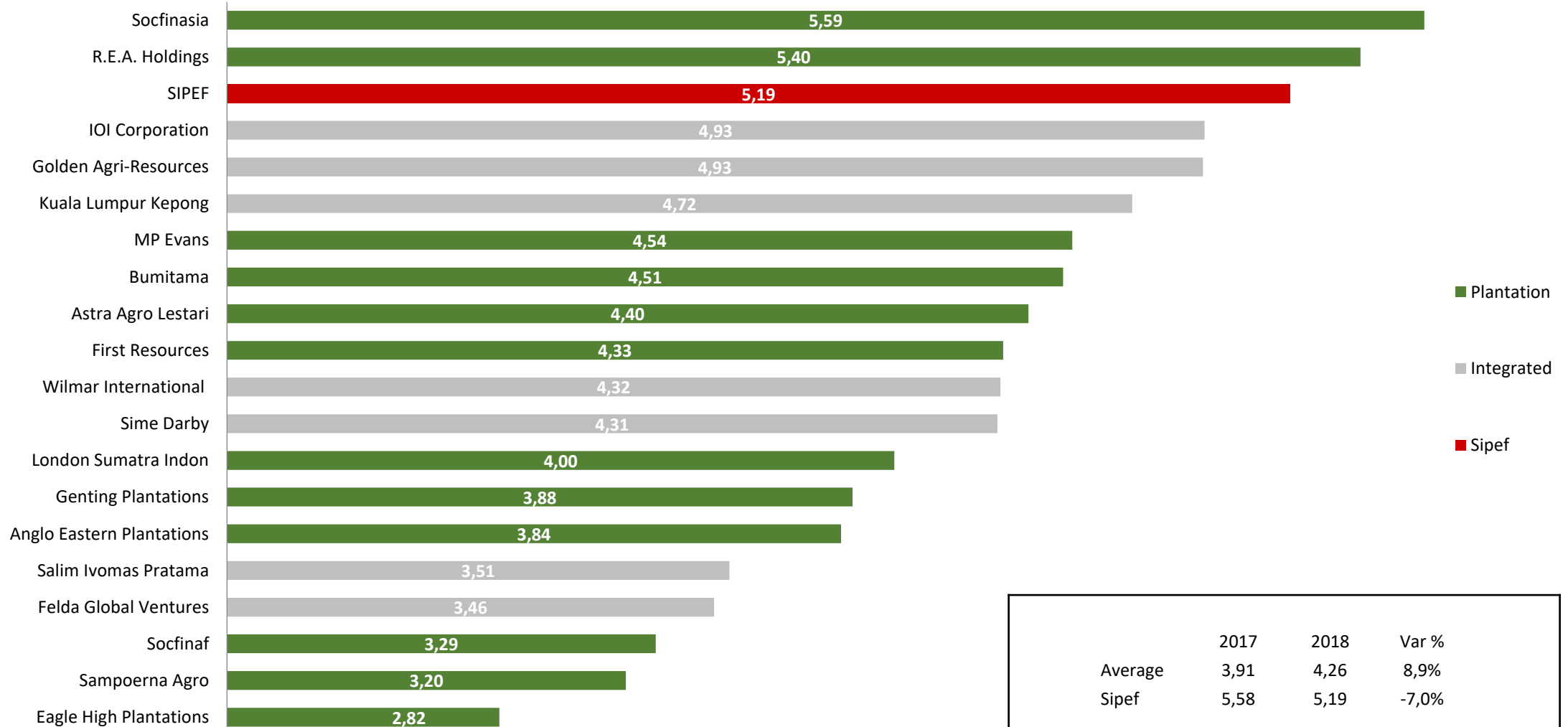
## Extraction rate from FFB to CPO (2018)





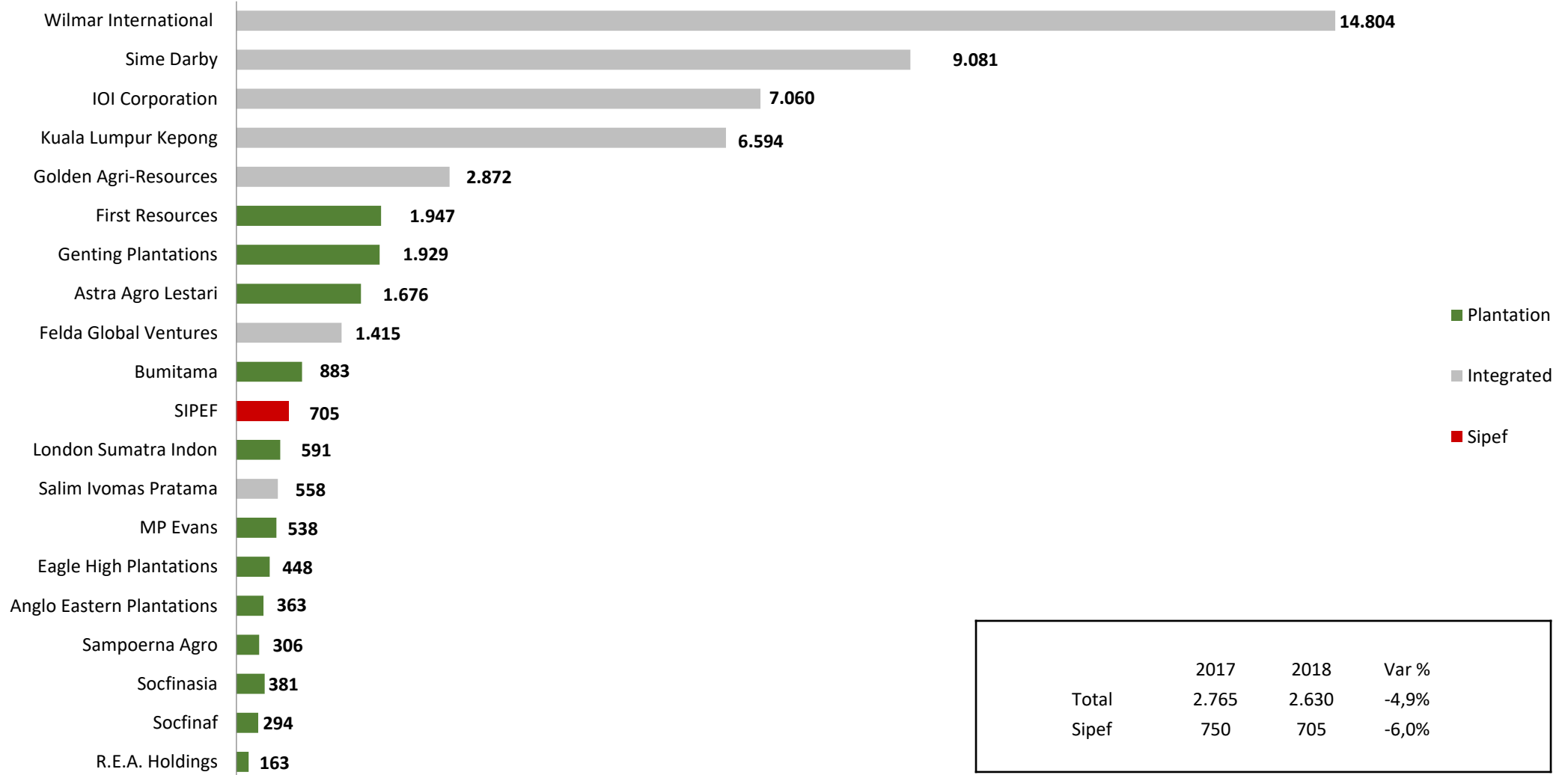
# Peer review

## CPO Yield – MT/ha (2018)



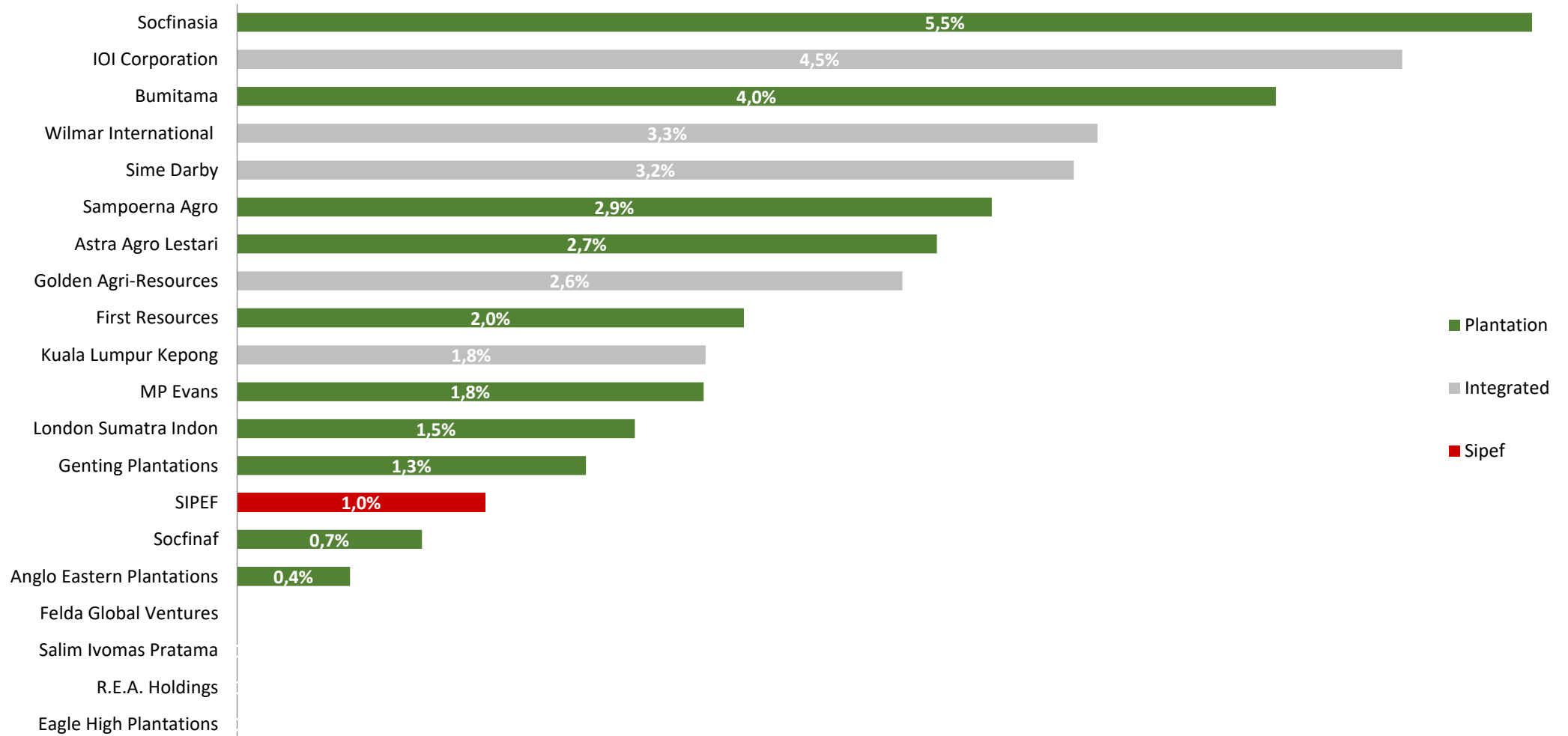
# Peer review

## Market Cap in MU\$ (2018)



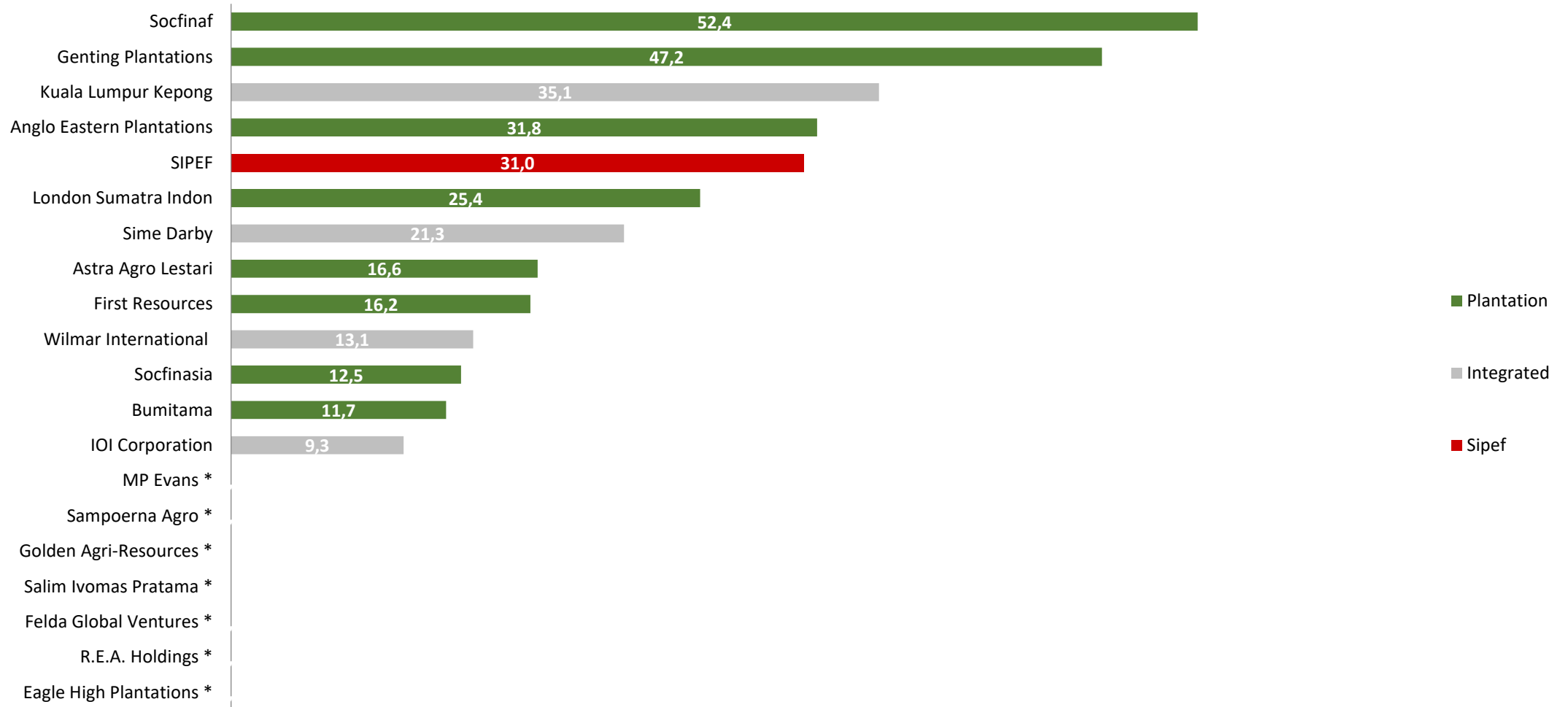
# Peer review

Dividend Yields (based on average market cap 2018)



# Peer review

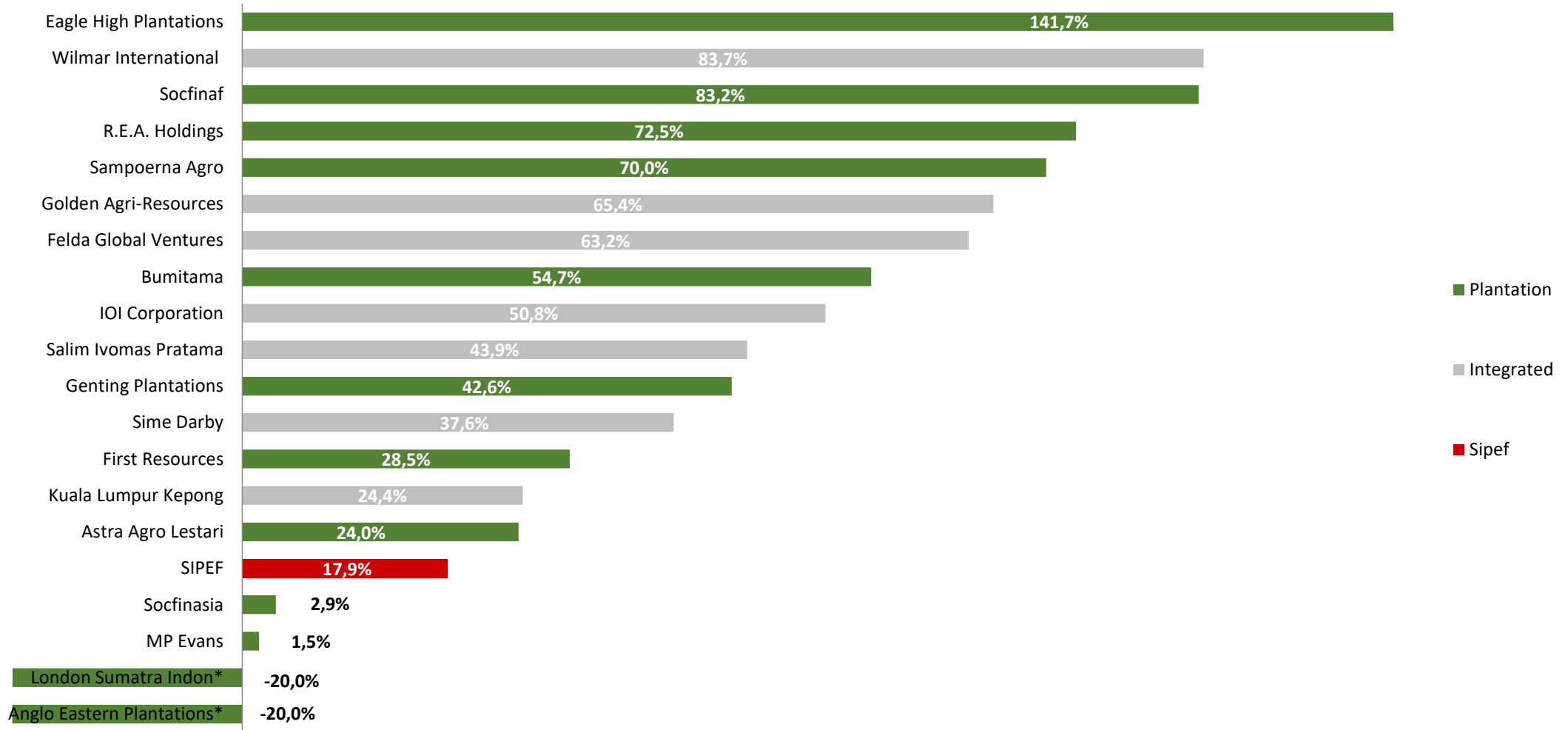
Price Earning Ratio (based on average market cap 2018)



\* Not included as irrelevant (profit close to break-even or loss for the year)

# Peer review

## Net financial position/Equity Ratio (2018)



\* Cash surplus at the end of the year





The Connection to the world of Sustainable Tropical Agriculture