

M.P. Evans

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M.P. Evans overview

Company overview

HQ
Kent, UK

Founded
in 1987

FTE
8200

- M.P. Evans PLC (AIM:MPE) is an Indonesian producer of crude palm oil with 6 plantations in five Indonesian provinces and some residual ex-plantation property-development land in Malaysia.
- The Group has a **robust capital structure** with **market cap. of \$615+m**, **cash of \$66 m**, **low levels of debt**, and improving returns & rising dividends.

312K tons
crude palm oil

55% sustainable
crops certified

53K h.a.
lands

GBX 958.83 ↑ 2,238.61% +917.83 MAX

Jun 2, 7:16:31 AM UTC+1 · GBX · LON · Disclaimer



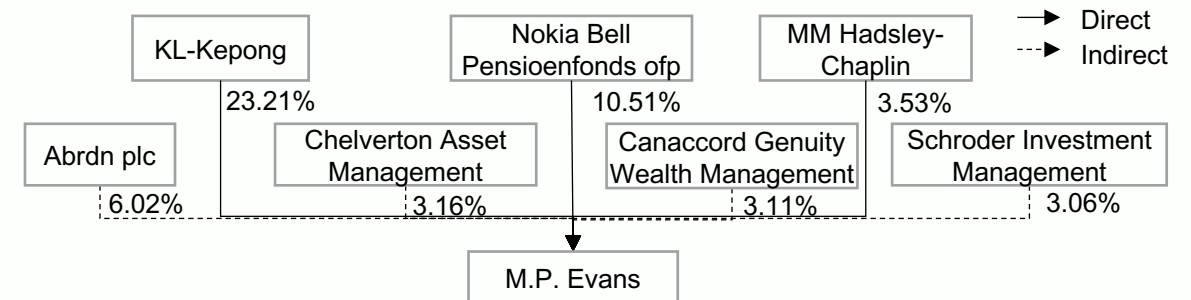
- 52w Max:** \$1368
- 52w Min:** \$841
- Mkt cap.:** \$657M GBP
- EV/EBITDA:** 5.67

Note: updated on 2 Jun, 2022

Basic financials

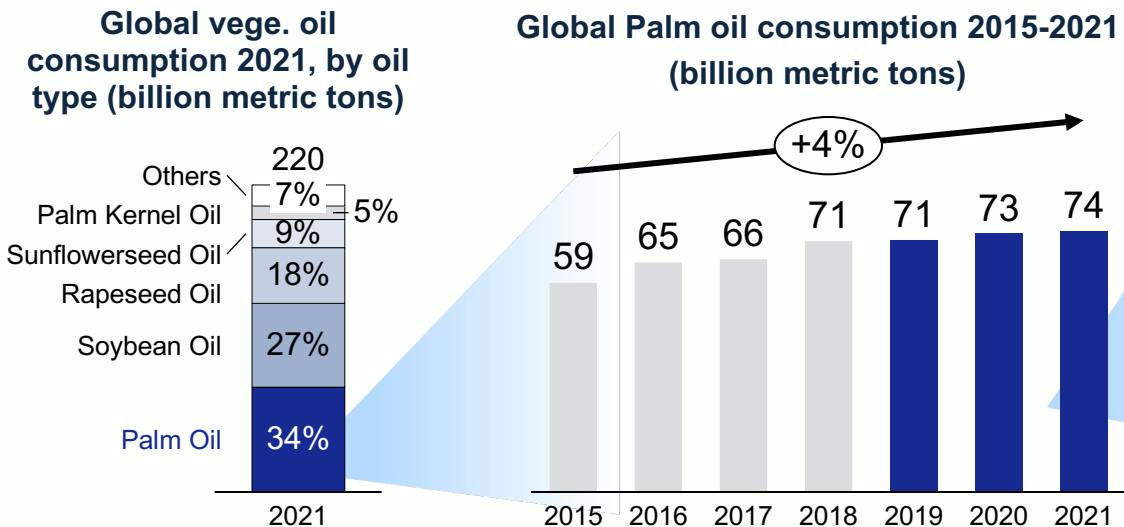
(USD'000)	2017	2018	2019	2020	2021
Revenue	116,536	108,553	119,341	174,510	276,592
Net income	91,129	5,405	6,333	20,371	86,406
Total asset	544,325	465,600	510,010	536,484	583,818
Cash & cash equiv.	113,910	21,626	25,947	27,222	65,609
Net asset	304,492	338,698	304,515	292,764	367,574
Net oper. cash flow	20,723	21,297	32,002	39,598	92,272
Gross margin	31%	24%	14%	20%	37%
Net margin	78%	5%	5%	12%	31%
Debt-to-asset ratio	44%	6%	19%	20%	12%
ROE	2%	2%	2%	6%	22%

Share holder's structure



Palm oil market reaches 74 billion metric tons in 2021, price stays high due to rising demands and land shortage

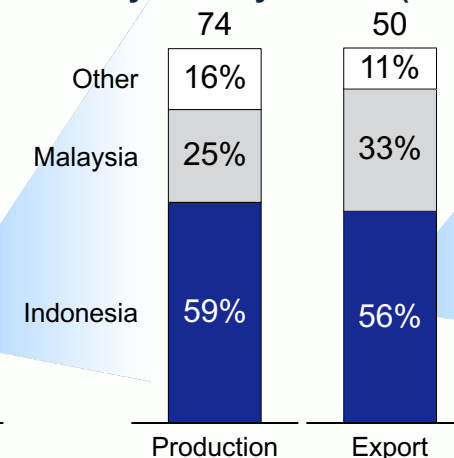
Palm oil dominates vegetable oil market; CPO prices stays high due to undersupply



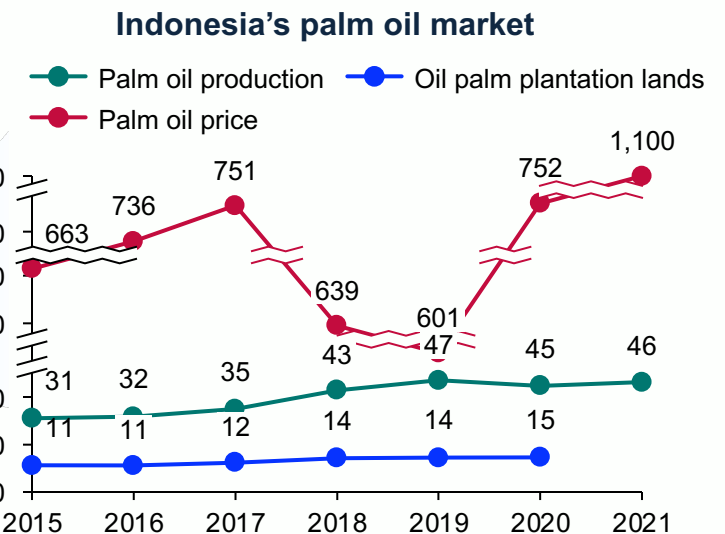
- Palm oil accounts for 34% of global vege. oil consumption, reaching 74 million tons in 2021, ~ 80 million tons expected in 2025,
- Major application scenarios for palm oil: cooking oil (65%), biofuel (10%) and others (shampoos, etc.).
- Recent growth mainly driven by growing health awareness and alternatives to biofuels, while palm oil supply limited by land scarcity.

Indonesia dominates global palm oil production

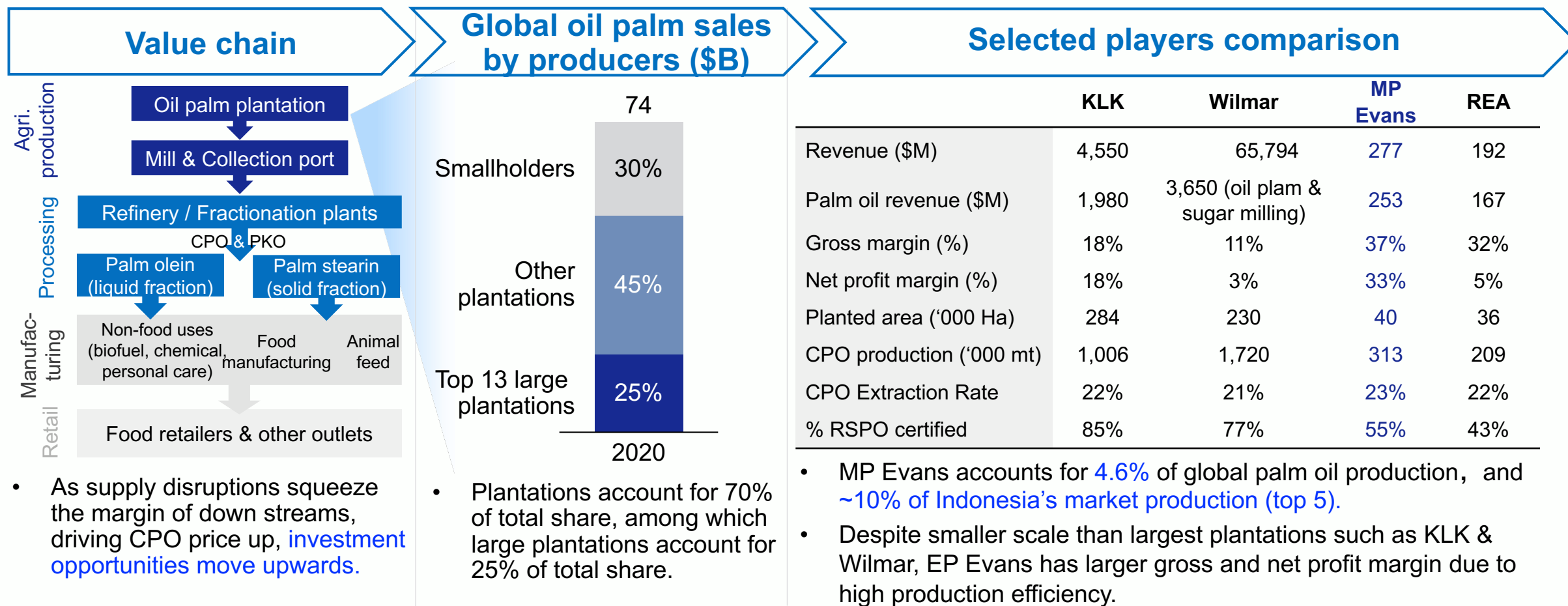
Global palm oil prod. & export by country in 2021 (b tons)



- Indonesia is the most important palm oil provider, with 59% production and 56% export, and would remain so in the future with steady growth.
- CPO prices reached record highs in the early part of 2022; price will stay high in the next 5 years, mainly driven by supply shortage limited by land scarcity.



Global oil palm dominated by large plantations; MPE as No.5 in Indonesia, with higher margins and efficiency than others



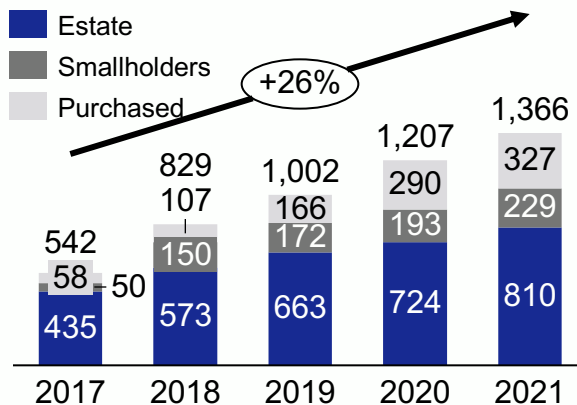
MPE's CPO¹ & PKO² growth is driven by increasing capacity, efficiency and sustainability, as well as property sale proceeds

Indonesian palm oil plantation: expansion in a sustainable and cost-effective manner

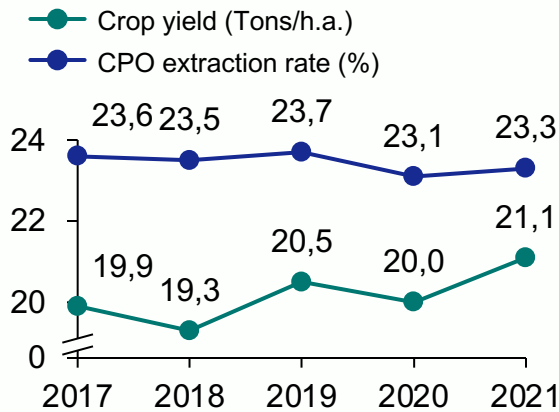
- Palm oil plantation** contributes to the majority of M.P. Evans revenues. MPE's principal activity is to run sustainable oil-palm estates in Indonesia, together with the management and development of attached 'scheme-smallholder' areas.
- Main growth driven by 3 pillars:**

	Selling Price (\$/tonne)	Production 2021 (tonne)
CPO	\$810	312,900
PKO	\$533	67,100

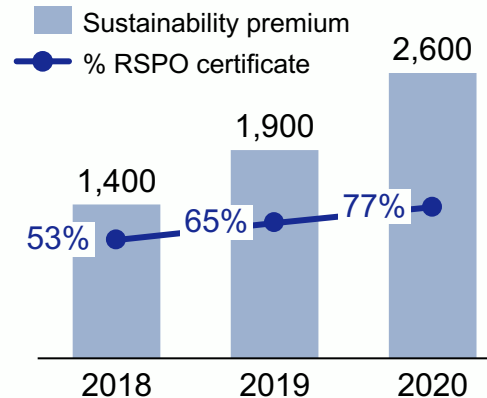
➤ **Capacity:** Continue increasing both its own crop and that from its scheme smallholders



➤ **Efficiency:** Crop yields on the rise and CPO extraction stayed high



➤ **Sustainability:** Reaching 100% RSPO by 2030



Notes: 1) CPO: Crude palm oil; 2) PKO: palm kernel oil

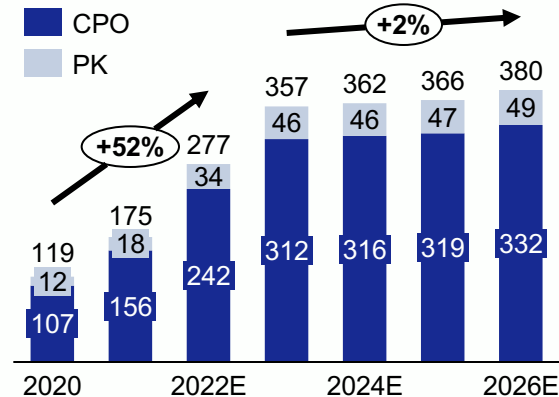
Malaysian property: gradual liquidation

- 6 small oil-palm estates in Malaysia (4,000h.a.), currently 1 remained.
- In 2021, MPE has sold 70 h.a. Bertam Estate to Bertam Properties, realized \$17.99M in revenue and \$5.69M in profits.
- Sale proceeds reinvested in Indonesian palm-oil projects: expansion of both its hectareage and production facilities as a producer of sustainable Indonesian palm oil.

Key financial metrics

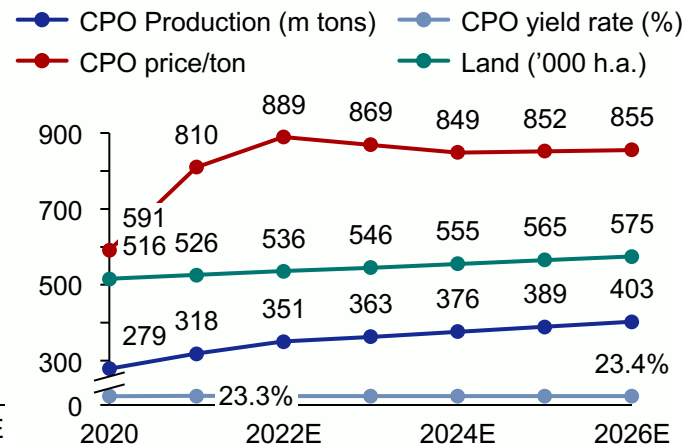
Revenue forecast

Revenue 2019-2027E (million \$)



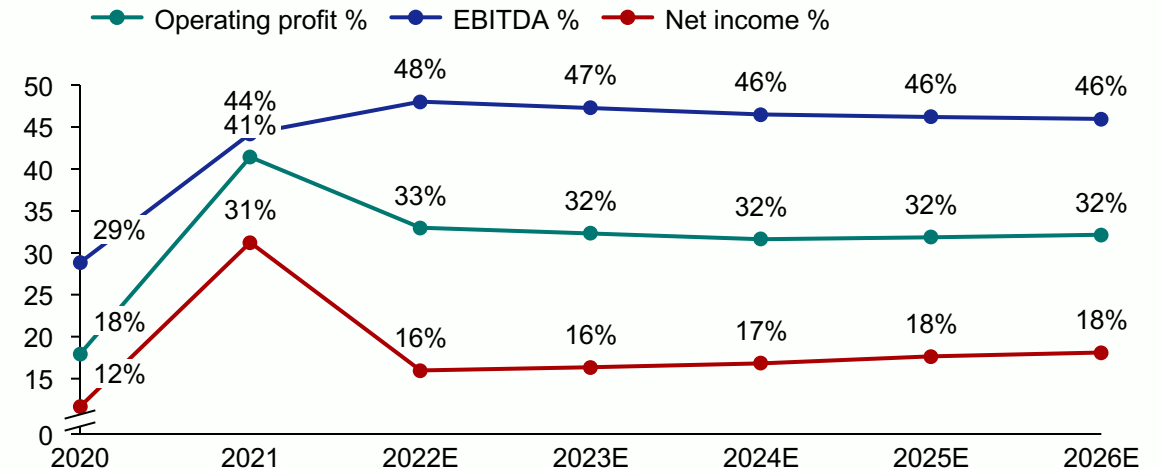
- **Historical trends:** revenue growth mainly driven by rising mill-gate prices and growing land mature rate.
- **Forecast:** rev. expected to stay high (with a stable CAGR of 2%), driven by stable growth in land hectareage and yield rates, as well as by sustained high and stable CPO and PK prices.

Operational forecast



Profitability forecast

Key profitability metrics

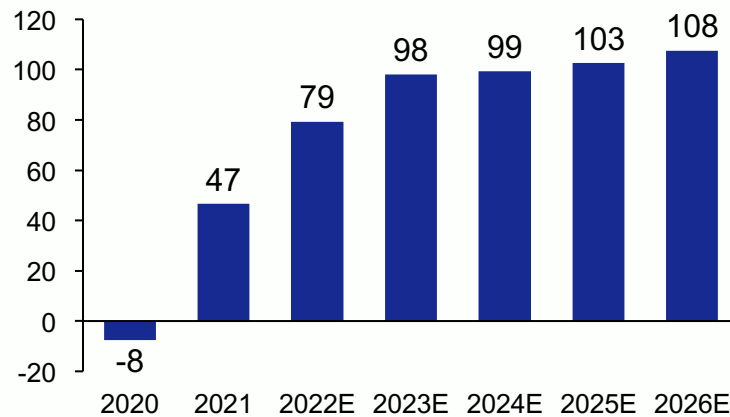


- **Historical trends:** margins vary due to price fluctuations and consequential external crop purchases.
- **Forecast:** profitability is expected to stay high and stable, with an EBITDA and operating margin of 46% and 32%, under assumptions of a proportionate percentage of crop purchase with a high and stable margin per hectare.

Key financial metrics

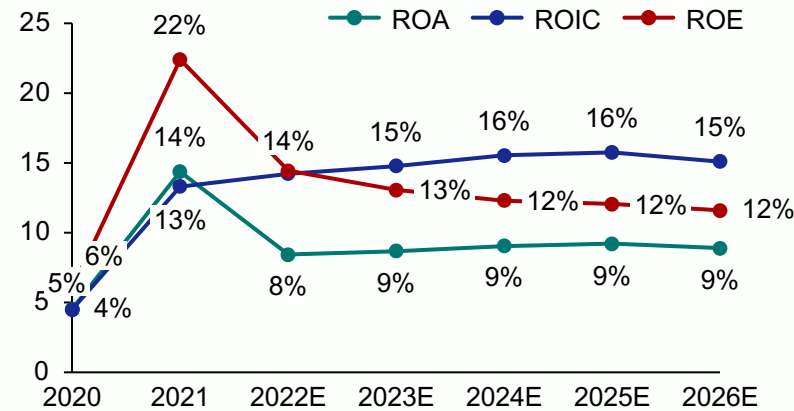
Critical ratios

Free cash flow 2020-2026E (million \$)



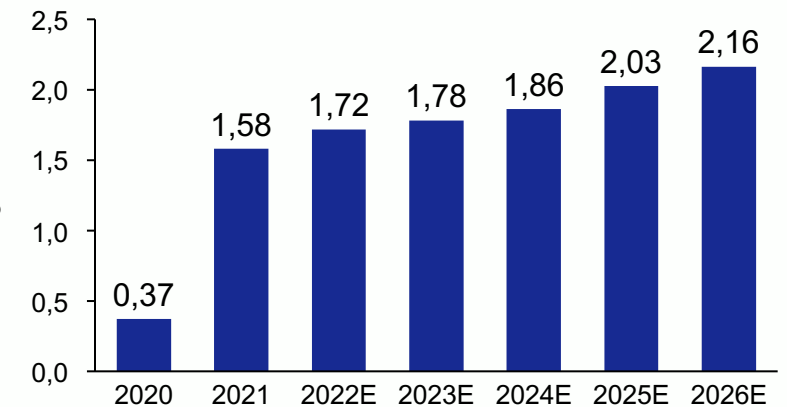
- Forecasted increase in cash flows driven by the sale of the rest properties in Malaysia as well as by robust main businesses.

Asset return ratios



- Returns remain high and stable, given that management maintains cost per ton consistent with historical averages, adopts a stable percentage of external crop purchase, and acquire new land at a stable rate.

EPS forecast



- Significant improvement in shareholder returns in 2021.
- EPS expected to have a steady growth from 2022 onwards.

LBO outputs

Sources and Uses			
SOURCES OF FUNDS	Multiple of LTM EBITDA	Value (\$000)	% of Total
Excess Cash		\$40,609	4.8%
Term Loan A	1.29x	\$157,614	18.7%
Term Loan B	0.97x	\$118,210	14.0%
Subordinated Note:	0.64x	\$78,807	9.3%
Mezzanine	0.32x	\$39,403	4.7%
Investor Equity		\$409,125	48.5%
Total Sources	3.2x	\$843,769	100%
USES OF FUNDS		Value (\$000)	% of Total
Equity Value of Company		\$769,068	91.1%
Refinance Debt		\$71,048	8.4%
Advisory Fees		\$385	0.05%
Financing Fees		\$3,168	0.38%
Legal Fees		\$100	0.01%
Total Uses		\$843,769	100%
Purchase Price Summary			
	Current	Offer	
Price Per Share	\$12.22	\$14.05	
Premium Over Current Price		15%	
Market Value of Equity	\$668,754	\$769,068	
Less: Cash and Investment	(65,609)		
Plus: Debt	71,086		
Plus: Minority Interest	13,524		
Enterprise Value	\$687,755	\$788,069	
EV/EBITDA	5.5x	6.4x	

5-Year IRR and Purchase Premium vs. Exit Multiple						
Purchase	Per Share	Exit Multiple				
Premium	Price	5.0x	6.0x	7.0x	8.0x	9.0x
30%	\$15.89	12%	16%	16%	23%	26%
25%	\$15.28	13%	17%	17%	24%	27%
20%	\$14.66	15%	19%	19%	25%	28%
15%	\$14.05	16%	20%	20%	27%	30%
10%	\$13.44	17%	21%	21%	28%	31%
5-Year IRR and Purchase Premium vs. Leverage Ratio						
Purchase	Per Share	Leverage Ratio				
Premium	Price	1.2x	2.2x	3.2x	4.2x	5.2x
30%	\$15.89	15%	16%	17%	22%	27%
25%	\$15.28	16%	17%	19%	24%	31%
20%	\$14.66	17%	19%	20%	26%	35%
15%	\$14.05	18%	20%	22%	29%	39%
10%	\$13.44	19%	21%	23%	32%	45%

Investment thesis & risks: Evans has outstanding balance sheet and dividends but faces org. risks, gov't regulation, CPO volatility

Investment thesis

1. Steady profit margins & cash flows
2. Steady growth in revenues, with a strong moat in land property, production efficiency, and ESG
3. Proven record of successfully managing fluctuating market prices by optimizing the combination of low-cost in-house production and externally sourced crops
4. Robust capital structure with market cap. of \$615+m, cash of \$66, low levels of debt
5. Improving returns & rising dividends

Risks

1. Organizational risk: shifting of management team
2. Cash flow risk: future capex needed for land acquisition, compromising cash flow performance
3. Regulation risk: Indonesia exercised export ban on palm oil (though later withdrawn)
4. CPO price volatility expected to sustain, translating into uncertainties in margins and revenues

Appendix: Comparative firms show a medium EV/EBITDA of 5.06

Company	Market Data			LTM Financial Metrics			LTM Multiples		
	Share Price	Market Cap (\$M)	TEV (\$M)	Sales (\$M)	EBITDA (\$M)	Earnings (\$M)	EV/Sales	EV/EBITDA	P/E
R.E.A Holdings plc	\$2.08	\$91.17	\$410.61	\$191.91	\$72.67	\$9.26	2.14	5.65	2.14
Socfinasia S.A.	\$19.10	\$374.25	\$396.41	\$200.24	\$99.37	\$75.15	1.98	3.99	1.98
Anglo-Eastern Plantations Plc	\$10.99	\$435.60	\$318.43	\$433.42	\$145.67	\$82.92	0.73	2.19	0.73
Golden Agri-Resources Ltd	\$0.20	\$2,587.51	\$5,563.55	\$10,834.54	\$1,243.41	\$673.58	0.51	4.47	0.51
First Resources Limited	\$1.49	\$2,344.40	\$2,443.63	\$1,032.28	\$326.62	\$176.44	2.37	7.48	2.37
M.P. Evans Group PLC	\$12.29	\$672.59	\$691.82	\$276.59	\$122.07	\$91.78	2.50	5.67	2.50
Minimum	\$0.20	\$91.17	\$318.43	\$191.91	\$72.67	\$191.91	0.51	2.19	0.51
Median	\$6.54	\$554.09	\$551.21	\$355.01	\$133.87	\$355.01	2.06	5.06	2.06
Mean	\$7.69	\$1,084.25	\$1,637.41	\$2,161.50	\$334.97	\$2,161.50	1.71	4.91	1.71
Maximum	\$19.10	\$2,587.51	\$5,563.55	\$10,834.54	\$1,243.41	\$10,834.54	2.50	7.48	2.50

Note: all figures in USD, updated on 1st Jun, 2022