

Astra Agro Lestari Tbk (AALI IJ)

Solid Performance but Below Expectation

AALI reported 1H20 net profit of IDR391 billion or jumped 769% YoY, contributing to 72% of our 2020F target. ASP increase of 25.9%, lower tax rate, and cost efficiency were the main factors of solid performance despite the drop of FFB production by around 8.1% YoY. Maintain our 2020F estimates by factoring in recovery of demand and earnings growth. We continue a BUY recommendation for AALI.

Below Our Expectation but Still Solid

In 1H20, AALI posted a net profit of IDR391 billion (+769% YoY) supported by higher revenue to IDR9.1 trillion (+6.5% YoY) and a significant improvement of ASP (+25.9% YoY). The lower tax rate to 22% in 1H20 (from previously 25%) and cost efficiency helped AALI's bottom line during the pandemic. AALI's net profit is below our expectation (-8%) in 1H20 but we believe that AALI is capable of attaining net profit to IDR536 billion this year. 1H20 revenue and net profit have reached 50% and 72% of our 2020F target.

Lower Production

FFB production decreased to 2.28 million tonnes (-8.1% YoY) in 1H20 which is the impact of drought from last year and the COVID-19 pandemic. 1H20 production already reached 43% of our 2020F FFB production target (2020F of 5.25 million tonnes). In our opinion, the favorable weather circa July to September will allow AALI to reach peak FFB production in 3Q19 around 1.92 million tonnes (9M20E of 4.2 million tonnes).

CPO Price Rally and We Maintain Our Estimates for 2020F

We see CPO price rally unlikely to persist in 4Q20 as we expected CPO output peak has likely shifted to 4Q20 due to heavy rains in Indonesia, thereby leading to expectations of higher inventory towards the end of the year. However, we maintain our assumptions and 2020F estimates (in page 4), considering: 1) favorable weather in 3Q20; 2) global CPO prices in 2H20 are expected to hover around MYR2,400-2,800/tonne (USD569-663/tonne), which is expected to be better than 1H20.

Maintain BUY Rating with Higher TP of IDR14,200

We still recommend BUY and upgrade our TP to IDR14,200 (previously IDR10,000) because of: 1) recovery of demand from China and India which is good for the industry; 2) a significant growth of AALI's net profit this year. Our new TP is based on forward P/E of 29.4x (+0.2 SD of its 10-year historical mean), implying 2020F P/E of 51.0x.

Astra Agro Lestari Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	17,453	18,065	19,654	20,873
Growth (%)	-8.5	3.5	8.8	6.2
EBITDA (IDR bn)	2,264	2,563	3,547	3,779
Net Profit (IDR bn)	211	536	926	1,029
EPS (IDR)	110	278	481	535
Growth (%)	-85.3	153.9	72.8	11.1
P/E (x)	113.2	51.0	29.5	26.6
P/BV (x)	1.3	1.4	1.4	1.3
EV/EBITDA (x)	27.6	25.1	18.3	17.2
ROE (%)	1.2	2.8	4.7	5.0
DER (%)	42.1	45.6	44.8	44.6
Net Debt (IDR bn)	5,302	5,493	5,839	5,737

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	14,200
Consensus Price (IDR)	10,749
TP to Consensus Price (%)	+32.1
vs. Last Price (%)	+46.4

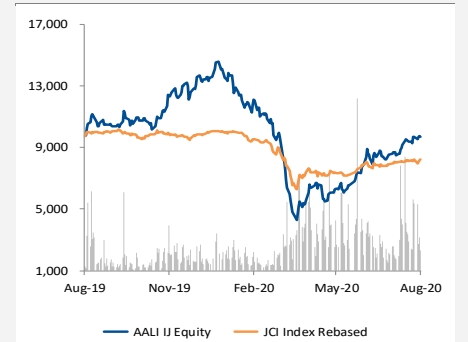
Shares Data

Last Price (IDR)	9,700
Price Date as of	Aug 06, 2020
52 wk Range (Hi/Lo)	14,675/4,140
Free Float (%)	20.3
Outstanding Shares (mn)	1,925
Market Cap (IDR bn)	18,669
Market Cap (USD mn)	1,270
Avg. Trd Vol - 3M (mn)	2.7
Avg. Trd Val - 3M (bn)	21.2
Foreign Ownership (%)	4.3

Agriculture Plantation

Bloomberg	AALI IJ
Reuters	AALIJK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-30.8%	12.8%	53.4%	-0.5%
Rel. Ret.	-13.2%	9.0%	41.0%	14.9%

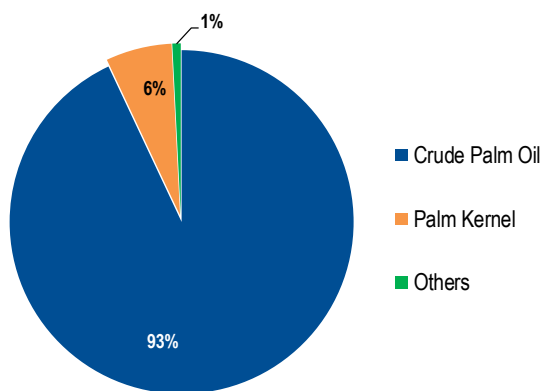


Meilki Darmawan

+6221 5088 9128, meilki.darmawan@nhsec.co.id

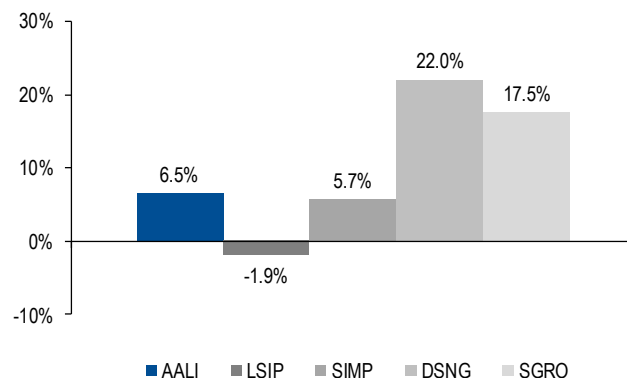
Performance Highlights in Charts

1H20 Revenue Breakdown



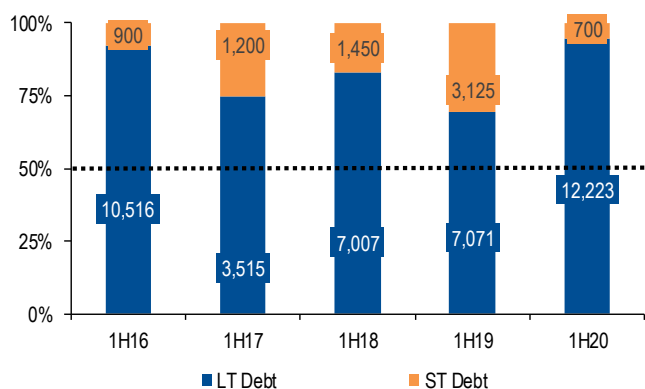
Source: Company Data, NHKSI Research

1H20 Revenue Growth



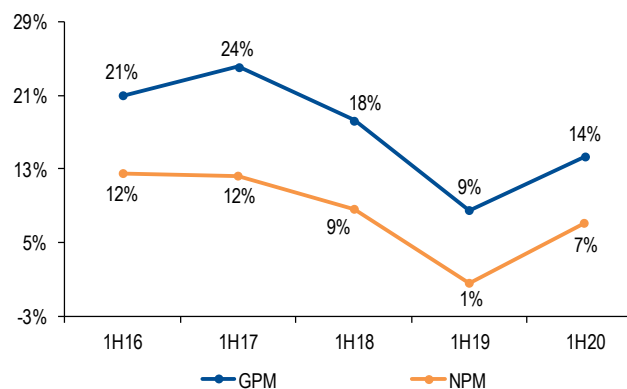
Source: Company Data, NHKSI Research

Debt Portion in IDR Billion



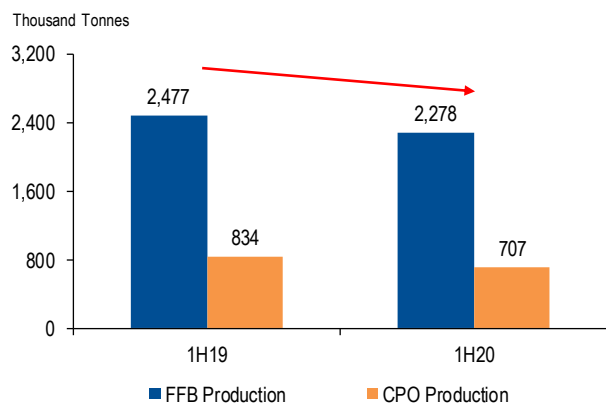
Source: Company Data, NHKSI Research

Margin Ratios



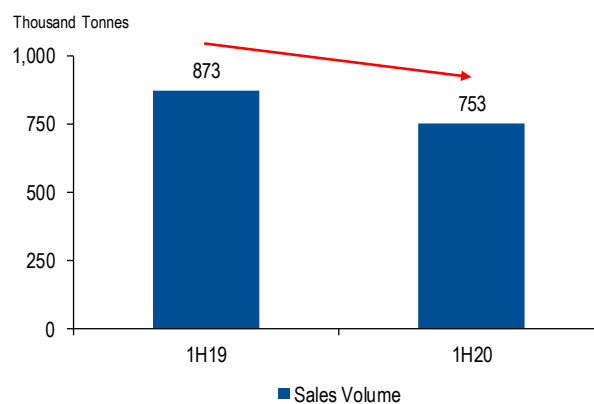
Source: Company Data, NHKSI Research

FFB & CPO Production



Source: Company Data, NHKSI Research

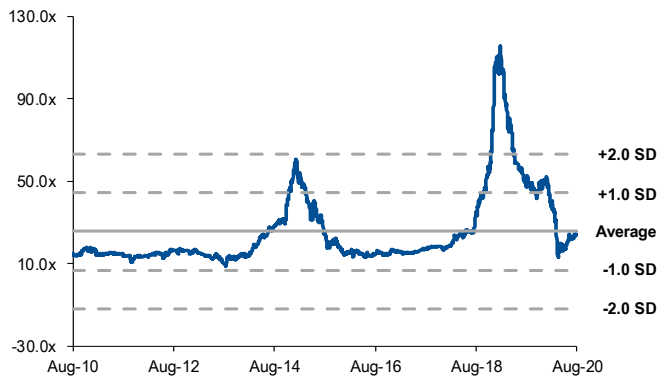
CPO Sales Volume



Source: Company Data, NHKSI Research

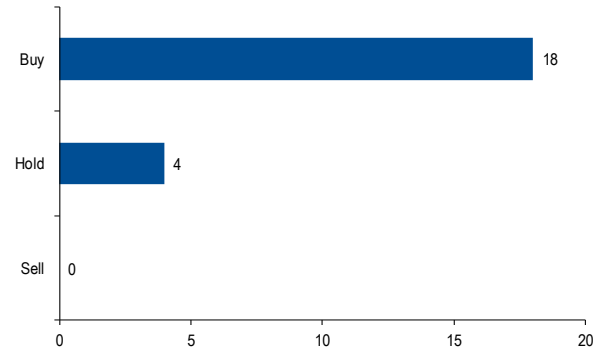
Valuation & Other Highlights in Charts

10-Year Forward P/E Band



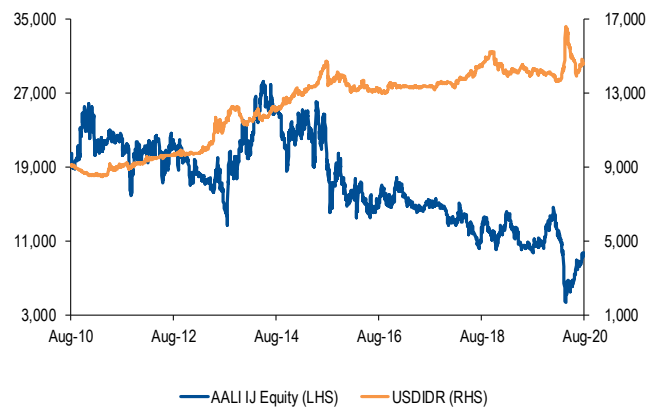
Source: Bloomberg, NHKSI Research

Recommendation by Analysts



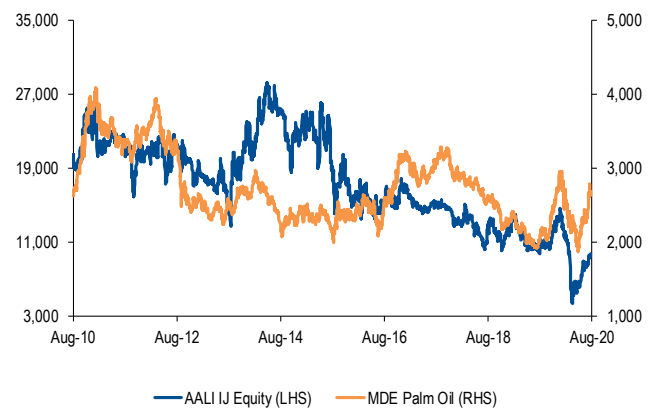
Source: Bloomberg, NHKSI Research

10-Year AALI & USDIDR Movement



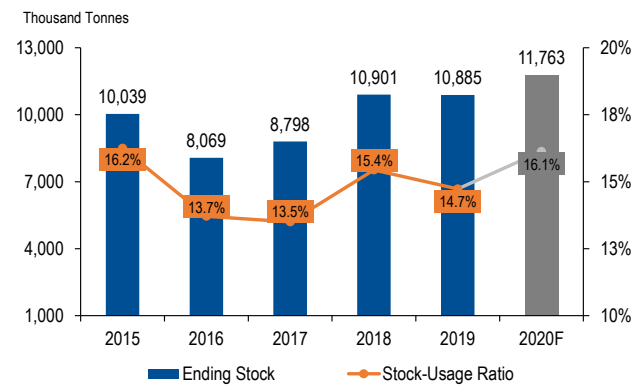
Source: Bloomberg, NHKSI Research

10-Year AALI & CPO Prices Movement



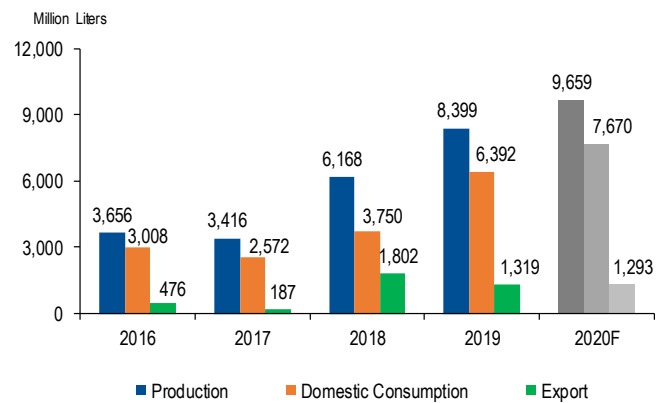
Source: Bloomberg, NHKSI Research

Global CPO Inventory



Source: USDA, NHKSI Research

Indonesia's Biodiesel Statistics



Source: APROBI, NHKSI Research

Financial Review

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	YoY %	QoQ %	Surprise %	
Income Statement										
Revenue	4,294	3,860	5,066	4,796	4,285	4,351	-0.2	-10.7	-1.5	4,385
Gross Profit	396	486	929	927	377	522	134.1	-0.2	-27.9	593
EBIT	109	208	610	640	117	261	485.5	4.9	-55.3	267
EBITDA	518	361	938	961	436	574	85.6	2.4	-24.0	581
Net Profit	6	67	100	371	21	55	5788.0	271.3	-62.0	69
Margin										
Gross Margin	9.2	12.6	18.3	19.3	8.8	12.0	12.4	2.3	-3.2	13.5
EBIT Margin	2.5	5.4	12.0	13.3	2.7	6.0	12.4	2.2	-3.3	6.1
EBITDA Margin	12.1	9.4	18.5	20.0	10.2	13.2	10.4	2.9	-3.0	13.3
Net Profit Margin	0.1	1.7	2.0	7.7	0.5	1.3	8.5	6.6	-0.8	1.6

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Earnings Revisions

		2020F	2021F	2022F
Income Statement				
Revenue	-Maintain	18,065	19,654	20,873
	-Previous	18,065	19,654	20,873
	-Change %	0.0	0.0	0.0
	-Consensus	18,198	19,769	20,448
Gross Profit	-Maintain	2,519	3,184	3,381
	-Previous	2,519	3,184	3,381
	-Change %	0.0	0.0	0.0
	-Consensus	2,710	3,281	3,441
EBIT	-Maintain	1,302	1,860	1,975
	-Previous	1,302	1,860	1,975
	-Change %	0.0	0.0	0.0
	-Consensus	1,399	1,856	1,999
EBITDA	-Maintain	2,563	3,547	3,779
	-Previous	2,563	3,547	3,779
	-Change %	0.0	0.0	0.0
	-Consensus	2,832	3,322	3,555
Net Profit	-Maintain	536	926	1,029
	-Previous	536	926	1,029
	-Change %	0.0	0.0	0.0
	-Consensus	711	1,006	1,120
Margin				
Gross Margin	-Maintain	13.9	16.2	16.2
	-Previous	13.9	16.2	16.2
EBIT Margin	-Maintain	7.2	9.5	9.5
	-Previous	7.2	9.5	9.5
EBITDA Margin	-Maintain	14.2	18.0	18.1
	-Previous	14.2	18.0	18.1
Net Profit Margin	-Maintain	3.0	4.7	4.9
	-Previous	3.0	4.7	4.9

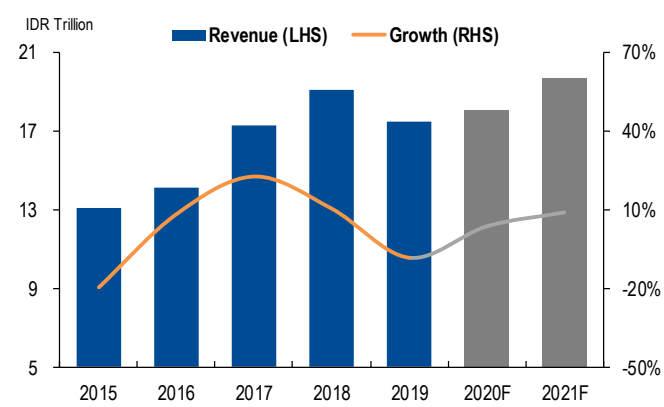
Unit: IDR bn, %

Source: Company Data, Bloomberg, NHKSI Research

Company Overview

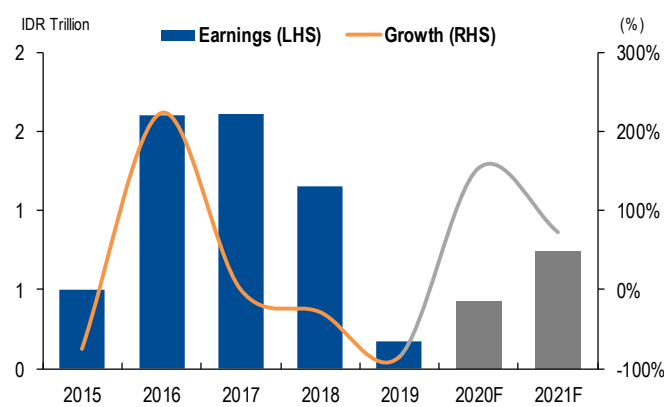
PT Astra Agro Lestari Tbk (AALI) was incorporated from the merger of several companies and started to develop a plantation industry since 1988. Today, it is one of the largest oil palm plantation companies in Indonesia. Until 2019, AALI owns 286,877 hectares of plantation areas spread across Sumatra, Kalimantan, and Sulawesi. AALI builds core-plasma partnerships and Income Generating Activity (IGA) models to manage productive and eco-friendly cultivation of oil palm and non-oil palm plantation. To maintain its sustainable business operation, AALI continues to develop its downstream businesses as to date it has operated refinery plants in North Mamuju, West Sulawesi, Dumai, and Riau.

Revenue & Growth Movement



Source: Company Data, NHKSI Research

Earnings & Growth Movement



Source: Company Data, NHKSI Research

Southeast Asia Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Total Sales* (USD mn)	Net Profit* (USD mn)	NPM* (%)	ROE (%)	P/E (x)	P/BV (x)
Indonesia								
ASTRA AGRO LESTARI TBK	1,270	1,948	1,257	39	3.1	3.0	33.4	1.0
SAWIT SUMBERMAS SARANA TBK	531	855	237	-31	-13.1	-11.2	N/A	2.1
LONDON SUMATRA INDONESIA TBK	459	738	256	23	9.1	4.0	20.1	0.8
SALIM IVOMAS PRATAMA TBK	346	2,521	979	-37	-3.8	-3.9	N/A	0.3
DHARMA SATYA NUSANTARA TBK	264	839	440	20	4.7	5.3	13.2	1.0
SAMPOERNA AGRO TBK	230	684	245	4	1.6	0.8	59.3	0.8
Malaysia								
SIME DARBY PLANTATIONS BHD	8,461	6,969	2,909	76	2.6	1.7	88.3	2.7
IOI CORPORATION BHD	6,770	3,988	1,802	98	5.5	4.5	70.4	3.2
KUALA LUMPUR KEPONG BHD	5,953	4,870	3,696	101	2.7	4.0	59.5	2.5
GENTING PLANTATIONS BHD	2,137	2,068	532	46	8.7	4.3	46.7	1.9
IJM PLANTATIONS BHD	1,370	5,435	1,586	60	3.8	2.6	23.2	0.6
FGV HOLDINGS BHD	1,033	4,373	3,066	-92	-3.0	-9.0	N/A	1.1
Singapore								
WILMAR INTERNATIONAL LTD	21,356	47,049	43,117	1,261	2.9	7.6	17.8	1.3
FIRST RESOURCES LTD	1,577	1,709	606	99	16.4	9.0	14.2	1.5
GOLDEN AGRI RESOURCES LTD	1,449	8,779	6,472	81	1.2	1.9	18.0	0.3

Note: * = Last Twelve Months (LTM)

Source: Bloomberg, NHKSI Research

Financial Summary

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F		2019/12A	2020/12F	2021/12F	2022/12F
Revenue	17,453	18,065	19,654	20,873	ROE	1.1%	2.8%	4.7%	5.0%
<i>Growth</i>	-8.5%	3.5%	8.8%	6.2%	ROA	0.8%	1.9%	3.2%	3.5%
COGS	(15,308)	(15,546)	(16,470)	(17,492)	ROIC	2.6%	5.6%	7.6%	7.7%
Gross Profit	2,145	2,519	3,184	3,381	Cash Dividend (IDR bn)	431	95	262	509
<i>Gross Margin</i>	12.3%	13.9%	16.2%	16.2%	Dividend Yield	1.8%	0.3%	1.0%	1.9%
Operating Expenses	(1,184)	(1,217)	(1,324)	(1,406)	Payout Ratio	30.0%	45.0%	49.0%	55.0%
EBIT	960	1,302	1,860	1,975	DER	42.1%	45.4%	44.8%	44.6%
<i>EBIT Margin</i>	5.5%	7.2%	9.5%	9.5%	Net Gearing	6.0%	2.0%	3.8%	2.7%
Depreciation	1,304	1,261	1,687	1,804	LT Debt to Equity	29.2%	28.2%	30.2%	32.3%
EBITDA	2,264	2,563	3,547	3,779	Capitalization Ratio	24.4%	22.9%	24.5%	25.6%
<i>EBITDA Margin</i>	13.0%	14.2%	18.0%	18.1%	Equity Ratio	70.4%	68.8%	69.1%	69.2%
Interest Expenses	39	34	37	39	Debt Ratio	22.7%	20.5%	22.4%	23.8%
EBT	661	917	1,585	1,762	Financial Leverage	139.8%	140.3%	141.2%	137.3%
Income Tax	(417)	(348)	(601)	(668)	Current Ratio	285.4%	183.6%	261.9%	348.1%
Minority Interest	(33)	(34)	(58)	(65)	Par Value (IDR)	500	500	500	500
Net Profit	211	536	926	1,029	Total Shares (mn)	1,925	1,925	1,925	1,925
<i>Growth</i>	-85.3%	153.7%	72.9%	11.1%	Share Price (IDR)	12,416	14,200	14,200	14,200
<i>Net Profit Margin</i>	1.2%	3.0%	4.7%	4.9%	Market Cap (IDR tn)	23.9	27.3	27.3	27.3

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F		2019/12A	2020/12F	2021/12F	2022/12F
Cash	383	932	1,240	1,561	Price/Earnings	113.2x	51.0x	29.5x	26.6x
Receivables	369	569	592	686	Price/Book Value	1.3x	1.4x	1.4x	1.3x
Inventories	2,161	2,255	2,357	2,779	Price/Sales	1.4x	1.5x	1.4x	1.3x
Total Current Assets	4,472	5,650	6,155	7,323	PE/EPS Growth	-0.1x	0.0x	0.0x	0.2x
Net Fixed Assets	19,683	18,830	17,834	18,143	EV/EBITDA	27.6x	25.1x	18.3x	17.2x
Other Non Current Assets	5,670	6,390	6,753	7,360	EV/EBIT	65.1x	49.4x	34.9x	32.9x
Total Assets	26,974	28,523	29,214	29,996	EV (IDR bn)	62,475	64,403	64,878	64,879
Payables	827	887	915	1,054	Sales CAGR (3-Yr)	-0.2%	2.8%	2.0%	2.0%
Other Liabilities	590	300	445	449	EPS CAGR (3-Yr)	-27.0%	-4.3%	14.8%	14.8%
LT Debt	5,535	5,535	6,089	6,698	Basic EPS (IDR)	110	278	481	535
Total Liabilities	7,996	8,913	9,035	9,250	Diluted EPS (IDR)	110	278	481	535
Capital Stock	962	962	962	962	BVPS (IDR)	9,861	10,189	10,484	10,779
Retained Earnings	13,844	14,285	14,948	15,468	Sales PS (IDR)	9,068	9,386	10,211	10,845
Shareholders' Equity	18,979	19,611	20,178	20,746	DPS (IDR)	224.0	49.4	136.4	264.6

CASH FLOW STATEMENT					TOP OWNERSHIP			
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F	By Geography	% Shareholders	%	
Operating Cash Flow	957	1,609	2,589	2,129	Indonesia	95.7	Astra International Tbk	79.7
Investing Cash Flow	(1,307)	(2,630)	(1,577)	(1,565)	United States	3.8	Sun Life Financial	0.9
Financing Cash Flow	670	1,606	(705)	(243)	Ireland	0.2	Dimensional Fund	0.8
Net Changes in Cash	319	585	308	321	Luxembourg	0.1	Schroder Investment	0.7

Source: Company Data, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
2017.07.28	Buy	IDR18,425	IDR17,659
2018.01.03	Hold	IDR14,425	IDR16,932
2018.03.09	Buy	IDR18,375	IDR15,955
2018.05.17	Buy	IDR14,800	IDR15,438
2018.08.30	Buy	IDR16,925	IDR13,320
2019.12.11	Buy	IDR15,600	IDR13,743
2020.05.20	Buy	IDR10,000	IDR9,382
2020.08.07	Buy	IDR14,200	IDR10,749

Source: NHKSI Research

NHKSI Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
- This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

Disclaimer

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.