

Astra Agro Lestari Tbk (AALI IJ)

Soaring Financial Performance in 3Q20

Company Update | Dec 17, 2020

In 3Q20, AALI managed to record financial performance that grew beyond expectations, posting bottom line of IDR210 billion or jumping significantly by 695% QoQ (+177% YoY) and outperformed our previous expectation (IDR69 billion). Meanwhile, in 9M20 AALI was able to book bottom line of IDR619 billion or jumped 378% YoY. We revised our forecast for 2020-2022F to adjust with company's outlook. Thus, we maintain BUY recommendation with higher TP : 14,475.

Solid Performance and Exceeds Our Expectations

In 3Q20, AALI posted a top line of IDR4.2 trillion, -1% QoQ or +10% YoY, resulting in bottom line of IDR210 billion, +695% QoQ or +177% YoY. Meanwhile in 9M20, AALI recorded IDR13.3 trillion in top line (+7.6% YoY) and managed to record a bottom line of IDR619 billion (+37.8% YoY) due to an increase in CPO sales and decrease in operating expense by 5% YoY. We expect AALI's top line in 2021F to be IDR15.2 trillion, -4.3% YoY as we assume increasing CPO export levy will impact top line as AALI's revenue from the export segment is more than 50% to total revenue.

Changes in Indonesia CPO Export Levy

Indonesia Government revised CPO export levy from a fixed levy of USD55/ton into progressive levy based on different level of CPO prices. Starting on December 10, export levy is expected to be set at USD180/ton based on CPO reference price of USD870/ton (according to the Ministry of Trade). The pricing have also been incorporated with domestic CPO price. We see this will have minor impact for AALI as the levy will be pay from both sides, the company and buyer, and depending on the negotiations of both sides.

Tight CPO Supply in the First Quarter of 2021

During the global pandemic, the price of Crude Palm Oil (CPO) had been on a significant rise due to tight supply. Towards the end of 2020, CPO price already reached over RM3,740/ton. The tight supply was also caused by La Nina that occur in some of the major CPO producing countries. We see that CPO price will continue to strengthen as La Nina expected to continue until early 2021.

Maintain BUY rating with Higher Target Price at IDR14,475

We maintain BUY recommendation with higher Target Price to IDR14,475 (previously IDR14,200) because of: 1) solid performance during 3Q20; 2) tight CPO supply in early 2021 due to La Nina which will make CPO price continue to strengthen. Our new TP is based on forward EV/Ton 2021 of 4.30x, AALI currently traded at 3.66x EV/Ton.

Astra Agro Lestari Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue (IDR bn)	17,453	15,902	15,225	15,699
Growth (%)	-8.5	-8,9	-4,3	3,1
EBITDA (IDR bn)	1,909	2,290	2,269	2,366
Net Profit (IDR bn)	211	710	627	707
EPS (IDR)	110	369	326	368
Growth (%)	-85.3	236,3	-11,7	12,9
P/E (x)	132,9	32,1	36,3	32,2
P/BV (x)	1,5	1,2	1,1	1,1
EV/EBITDA (x)	17,5	11,5	11,5	10,9
ROE (%)	1,1	3,7	3,2	3,5
DER (%)	42,1	42,3	38,0	36,4
Net Debt (IDR bn)	5.302	3.475	3.357	3.056

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Buy

Target Price (IDR)	14,475
Consensus Price (IDR)	12,895
TP to Consensus Price (%)	+12.3
vs. Last Price (%)	+22.2

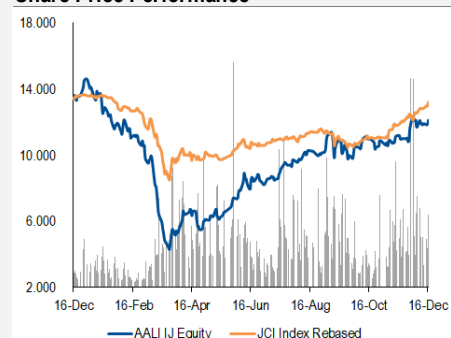
Shares Data

Last Price (IDR)	11,850
Price Date as of	Dec 17, 2020
52 wk Range (Hi/Lo)	14,675/4,140
Free Float (%)	20.3
Outstanding Shares (mn)	1,925
Market Cap (IDR bn)	22,808
Market Cap (USD mn)	1,608
Avg. Trd Vol - 3M (mn)	2.6
Avg. Trd Val - 3M (bn)	28.7
Foreign Ownership (%)	4.3

Agriculture Plantation

Bloomberg	AALI IJ
Reuters	AALIJK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-17,0%	8,3%	12,0%	-9,7%
Rel. Ret.	-14,1%	-3,1%	-8,9%	-8,2%

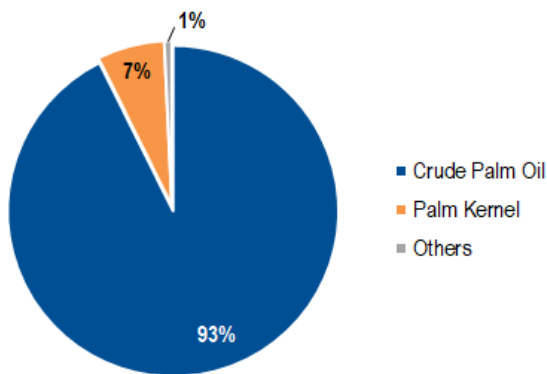
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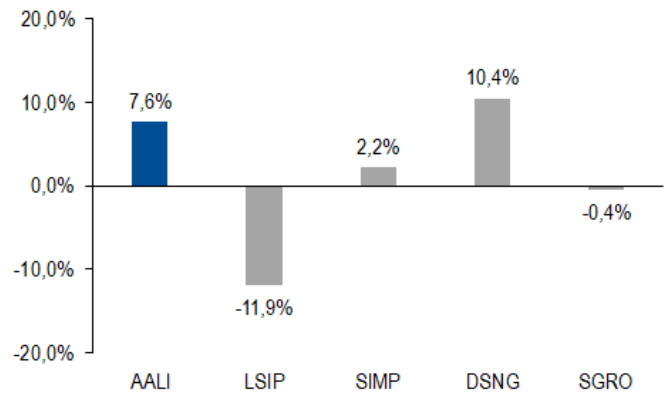
Performance Highlights in Charts

9M20 Revenue Breakdown



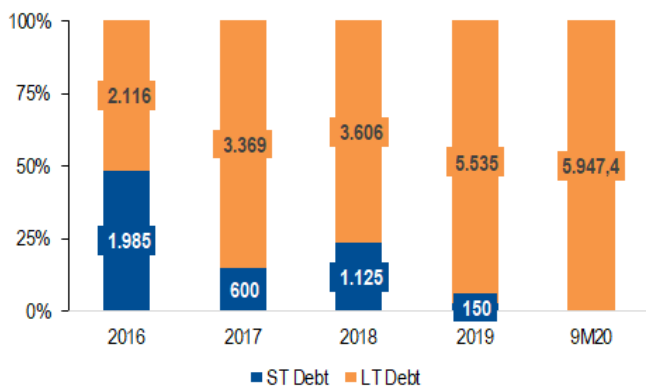
Source: Company Data, NHKSI Research

9M20 Revenue Growth



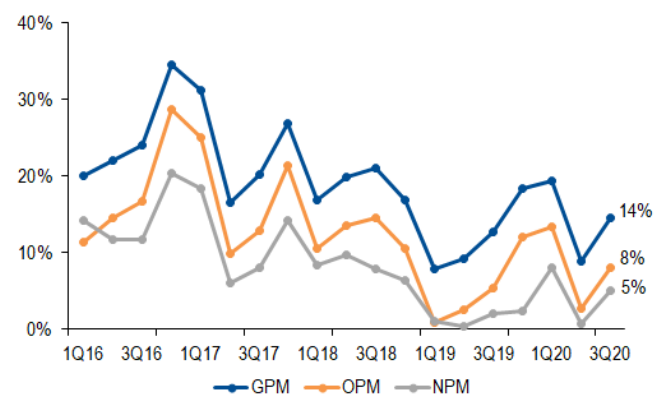
Source: Company Data, NHKSI Research

Debt Portion in IDR Billion



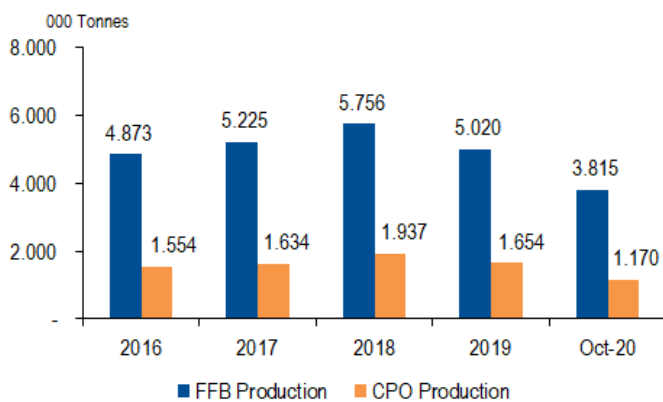
Source: Company Data, NHKSI Research

Margin Ratios



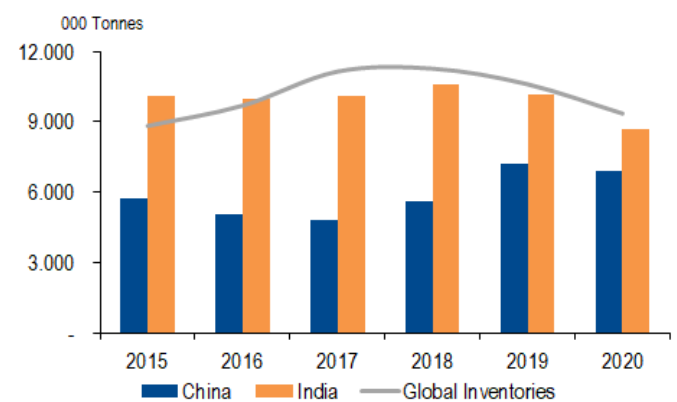
Source: Company Data, NHKSI Research

FFB & CPO Production



Source: Company Data, NHKSI Research

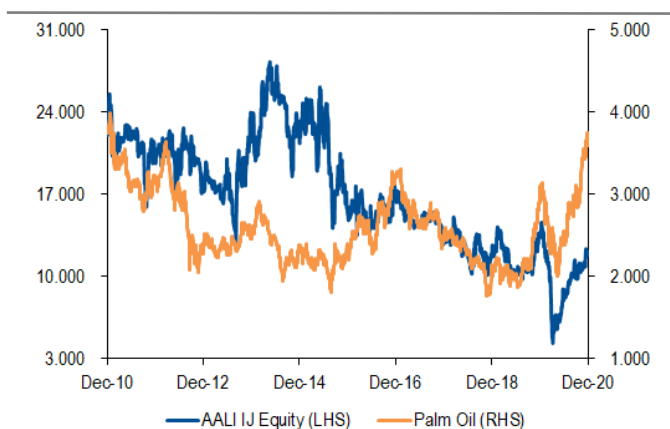
CPO Consumption and Inventories



Source: Bloomberg, GAPKI, USDA, NHKSI Research

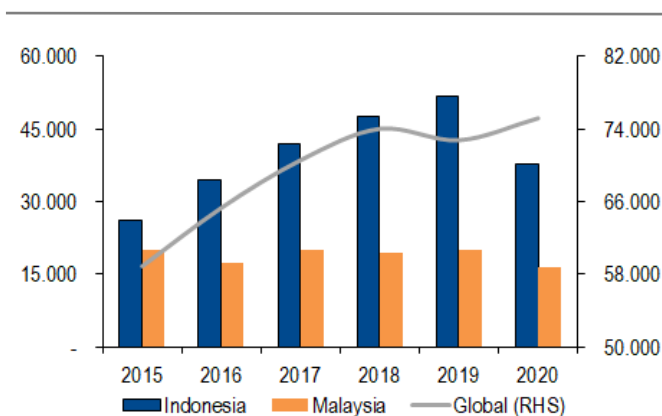
Other Highlights in Charts

AAJI & CPO Prices Movement



Source: Bloomberg, NHKSI Research

Global CPO Production (000 tonnes)



Source: Bloomberg, GAPKI, USDA, NHKSI Research

Financial Review

Earnings Revisions

		2020F	2021F	2022F
Sales	Revised	15.902	15.225	15.699
	Previous	17.922	19.676	20.896
	Change	-11,3%	-22,6%	-24,9%
Gross Profit	Revised	2.385	2.284	2.355
	Previous	2.539	3.187	3.385
	Change	-6,1%	-28,4%	-30,4%
Gross Margin	Revised	15,0%	15,0%	15,0%
	Previous	14,2%	16,2%	16,2%
EBIT	Revised	1.329	1.269	1.326
	Previous	1.377	1.912	2.030
	Change	-3,5%	-33,6%	-34,7%
EBIT Margin	Revised	8,4%	8,3%	8,4%
	Previous	7,7%	9,7%	9,7%
EBITDA	Revised	2.290	2.269	2.366
	Previous	3.163	3.598	3.833
	Change	-27,6%	-36,9%	-38,3%
EBITDA Margin	Revised	14,4%	14,9%	15,1%
	Previous	17,6%	18,3%	18,3%
Net Profit	Revised	710	627	707
	Previous	657	1.038	1.087
	Change	8,0%	-39,6%	-34,9%
Net Margin	Revised	4,5%	4,1%	4,5%
	Previous	3,7%	5,3%	5,2%

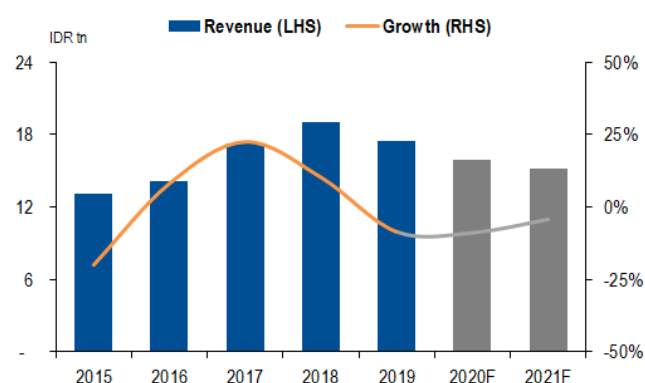
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

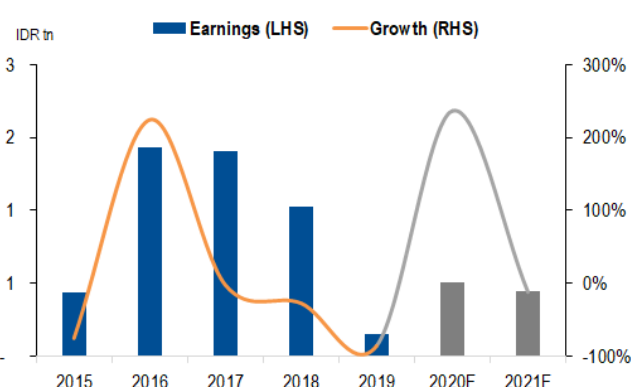
PT Astra Agro Lestari Tbk (AALI) was incorporated from the merger of several companies and have started to develop a plantation industry since 1988. Today, it is one of the largest oil palm plantation companies in Indonesia. Until 2019, AALI owns 286,877 hectares of plantation areas across Sumatra, Kalimantan, 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. 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	1.615	1.948	1.271	47	3,7	3,7	32,1	1,2
SAWIT SUMBERMAS SARANA TBK	574	855	249	19	7,7	6,9	29,3	2,0
LONDON SUMATRA INDONESIA TBK	592	738	234	33	14,1	5,7	17,5	1,0
SALIM IVOMAS PRATAMA TBK	229	684	225	2	1,1	0,9	86,8	0,8
DHARMA SATYA NUSANTARA TBK	460	839	425	19	4,6	7,7	23,2	1,7
SAMPOERNA AGRO TBK	444	2.521	958	-	17	-1,8	N/A	0,4
Malaysia								
SIME DARBY PLANTATIONS BHD	8.501	6.969	3.041	261	8,6	7,5	37,7	2,5
IOI CORPORATION BHD	6.875	3.905	2.017	173	8,6	7,8	38,3	3,0
KUALA LUMPUR KEPONG BHD	6.335	5.041	3.700	183	5,0	7,3	33,2	2,4
GENTING PLANTATIONS BHD	2.154	2.068	570	56	9,9	4,9	36,9	1,8
IJM PLANTATIONS BHD	1.059	4.328	3.137	22	0,7	2,2	45,4	1,0
FGV HOLDINGS BHD	1.532	5.435	1.375	53	3,8	2,3	28,2	0,6
Singapore								
WILMAR INTERNATIONAL LTD	19.958	47.049	45.072	1.496	3,3	9,2	14,3	1,2
FIRST RESOURCES LTD	1.642	1.709	600	103	17,2	10,4	16,0	1,6
GOLDEN AGRI RESOURCES LTD	1.482	8.779	6.656	83	1,3	2,0	17,8	0,4

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	15.902	15.225	15.699	ROE	1,1%	3,7%	3,2%	3,5%
<i>Growth</i>	-8,5%	-8,9%	-4,3%	3,1%	ROA	0,8%	2,6%	2,3%	2,6%
COGS	(15.308)	(13.517)	(12.941)	(13.344)	ROIC	2,6%	7,3%	7,5%	8,0%
Gross Profit	2.145	2.385	2.284	2.355	Cash Dividend (IDR bn)	647	234	210	216
<i>Gross Margin</i>	12,3%	15,0%	15,0%	15,0%	Dividend Yield	2,3%	1,0%	0,9%	0,9%
Operating Expenses	(1.184)	(1.057)	(1.015)	(1.029)	Payout Ratio	45,0%	110,8%	29,6%	34,5%
EBIT	960	1.329	1.269	1.326	DER	42,1%	42,3%	38,0%	36,4%
<i>EBIT Margin</i>	5,5%	8,4%	8,3%	8,4%	Net Gearing	37,9%	35,8%	33,4%	31,7%
Depreciation	949	962	1.000	1.040	LT Debt to Equity	29,2%	27,8%	26,0%	24,9%
EBITDA	1.909	2.290	2.269	2.366	Capitalization Ratio	24,4%	24,8%	22,9%	22,1%
<i>EBITDA Margin</i>	10,9%	14,4%	14,9%	15,1%	Equity Ratio	70,4%	70,3%	72,5%	73,3%
Interest Expenses	(350)	(370)	(357)	(362)	Debt Ratio	22,7%	23,2%	21,5%	20,8%
EBT	661	1.010	887	1.000	Financial Leverage	140,0%	142,2%	140,1%	137,2%
Income Tax	(417)	(253)	(222)	(250)	Current Ratio	285,4%	286,3%	335,4%	363,0%
Minority Interest	(33)	(48)	(39)	(42)	Par Value (IDR)	500	500	500	500
Net Profit	211	710	627	707	Total Shares (mn)	1.925	1.925	1.925	1.925
<i>Growth</i>	-85,3%	236,3%	-11,7%	12,9%	Share Price (IDR)	14.575	11.850	11.850	11.850
<i>Net Profit Margin</i>	1,2%	4,5%	4,1%	4,5%	Market Cap (IDR tn)	28,1	22,8	22,8	22,8

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F		2019/12A	2020/12F	2021/12F	2022/12F
Cash	383	1.932	1.820	2.015	Price/Earnings	132,9x	32,1x	36,4x	32,2x
Receivables	369	400	449	439	Price/Book Value	1,5x	1,2x	1,1x	1,1x
Inventories	1.974	2.005	1.909	1.896	Price/Sales	1,6x	1,4x	1,5x	1,5x
Total Current Assets	4.472	5.600	5.447	5.720	PE/EPS Growth	-0,2x	0,0x	-0,3x	0,3x
Net Fixed Assets	9.842	9.552	9.252	8.939	EV/EBITDA	17,5x	11,5x	11,5x	10,9x
Other Non Current Assets	5.670	5.114	4.949	5.039	EV/EBIT	34,7x	19,8x	20,6x	19,5x
Total Assets	26.974	27.680	27.428	27.791	EV (IDR bn)	33.354	26.283	26.164	25.864
Payables	827	948	899	873	Sales CAGR (3-Yr)	7,3%	-2,8%	-7,3%	-3,5%
Other Liabilities	590	1.008	725	703	EPS CAGR (3-Yr)	-52,8%	-28,8%	-24,2%	49,6%
LT Debt	5.535	5.407	5.176	5.071	Basic EPS (IDR)	110	369	326	368
Total Liabilities	7.996	8.224	7.546	7.417	Diluted EPS (IDR)	110	369	326	368
Capital Stock	962	962	962	962	BVPS (IDR)	9.861	10.108	10.330	10.586
Retained Earnings	13.844	14.320	14.737	15.228	Sales PS (IDR)	9.068	8.262	7.910	8.157
Shareholders' Equity	18.979	19.456	19.881	20.374	DPS (IDR)	336,0	121,5	109,0	112,4

CASH FLOW STATEMENT					TOP OWNERSHIP			
(IDR bn)	2019/12A	2020/12F	2021/12F	2022/12F	By Geography	% Shareholders	%	
Operating Cash Flow	(1.147)	809	(291)	(127)	Indonesia	95,7	Astra International Tbk	79,7
Investing Cash Flow	(146)	422	99	(90)	United States	3,6	Sun Life Financial	0,9
Financing Cash Flow	1.527	316	80	411	Ireland	0,2	Dimensional Fund	0,8
Net Changes in Cash	235	1.548	(112)	195	Malaysia	0,1	Schroder Investment	0,7

Source: Company Data, NHKSI Research

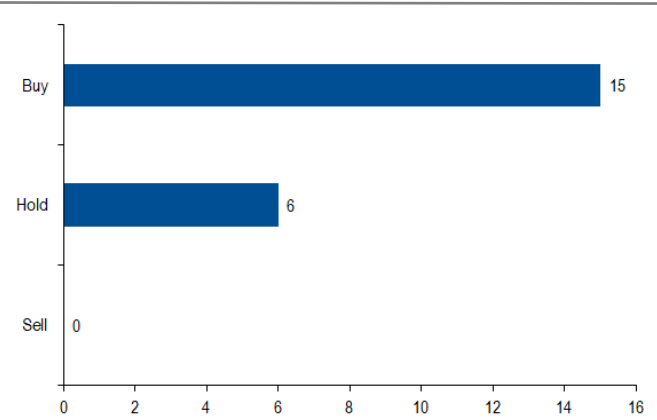
Valuation

5-Year Forward EV/Ton Band



Source: Bloomberg, NHKSI Research

Recommendation by Analysts



Source: Bloomberg, NHKSI Research

Closing & Target Price Update



Source: Bloomberg, NHKSI Research

Rating & Target Price Update

Date	Rating	Target Price	Consensus
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
2020.12.14	Buy	IDR14,475	IDR12,895

Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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