

# Astra Agro Lestari Tbk (AALI)

## Higher ASP Boosts Performance

AALI's top line grew by 7.8% during pandemic and reached over IDR18.8 trillion, resulting in bottom line of IDR833 billion, or increased significantly by 294.6% YoY due to higher ASP which grew by 27.7% YoY or jump to IDR8,545/kg compared to previous year. We maintain BUY recommendation with lower Target Price at IDR13,175.

### Soaring Performance during Pandemic

- AALI managed to book a top line of IDR18.8 trillion in 2020, or up by 7.8% YoY (vs IDR17.4 trillion in 2019).
- It resulted in a bottom line of IDR833 billion in 2020, or increased significantly by 294.6% YoY (vs IDR211 billion in 2019) due to higher Average Selling Price (ASP) compared to previous year which grew by 27.7% YoY or jumped to IDR8,545/kg.
- However, both CPO and palm kernel sales volume decreased in 2020, down by 36.1% YoY and 24.5% YoY, respectively.
- We expect AALI's top line in 2021F to be IDR18.8 trillion (+0.2% YoY) and bottom line to reach IDR842 billion, or up by 1.1% YoY as we assume AALI's production will remain low in 2021F.
- We predict CPO price to decrease to around RM3,000/ton in 2021F as we see there are not many positive catalyst for CPO price to continue its uptrend. Besides, we see that current CPO's price is relatively high.

### Flat FFB and CPO Production

- AALI had flat FFB and CPO production in 2020, with FFB recorded at 4.6 million ton and CPO at 1.4 million ton, or decrease by 7.7% YoY and 13.6% YoY, respectively.
- Furthermore, we expect FFB production will reach over 4.7 million ton in 2021F (+1% YoY) and CPO production will be at 1.5 million ton in 2021F (+1% YoY) as extreme weather which includes heavy rain will still continue in 1Q21.

### Maintain BUY Rating with Lower Target Price of IDR13,175

- We maintain BUY recommendation for AALI with a lower target price of IDR13,175 for the next 12 month (previously IDR14,475).
- BUY rating considering AALI's soaring performance in 2020. On the other hand, our TP is lower as we expect CPO price to decline compared to its current price, and AALI's production which will be flat in 2021F.
- Our target price is derived from forward EV/Ton of 6.2x with a 19.2% potential upside from last price.
- AALI is currently traded at 5.3x EV/Ton.

### Astra Agro Lestari Tbk | Summary (IDR bn)

	2020A	2021F	2022F	2023F
Revenue	18,807	18,848	19,929	20,939
Growth	7.8%	0.2%	5.7%	5.1%
Net profit	833	842	929	921
Growth	294.6%	1.1%	10.3%	-0.9%
EPS	433	438	483	478
ROE	4.4%	4.3%	4.6%	4.4%
DER	0.3x	0.2x	0.2x	0.3x
P/E	28.5x	25.2x	22.9x	23.1x
EV/EBITDA	4.9x	4.1x	3.9x	3.7x
Dividend Yield	1.6%	1.8%	2.0%	1.9%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer



Company Update | Mar. 03, 2021

## BUY

<b>Target Price (IDR)</b>	<b>13,175</b>
Consensus Price (IDR)	14,573
TP to Consensus Price	-9.6%
vs. Last Price	+19.2%

### Shares data

Last Price (IDR)	11,050
Price date as of	Mar. 02, 2021
52 wk range (Hi/Lo)	13,350 / 4,140
Free float	20.3%
Outstanding sh.(mn)	1,925
Market Cap (IDR bn)	21,268
Market Cap (USD mn)	1,485
Avg. Trd Vol - 3M (mn)	3.2
Avg. Trd Val - 3M (bn)	38.3
Foreign Ownership	3.1%

### Agriculture

#### Plantation

Bloomberg	AALI IJ
Reuters	AALI.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret	-10.3%	-0.9%	-8.7%	16.3%
Rel. Ret	-16.7%	-6.1%	-18.1%	-2.3%

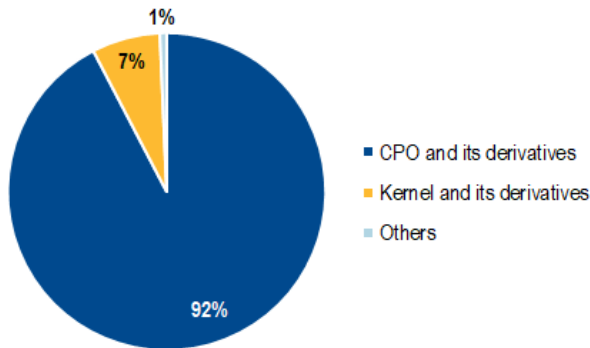
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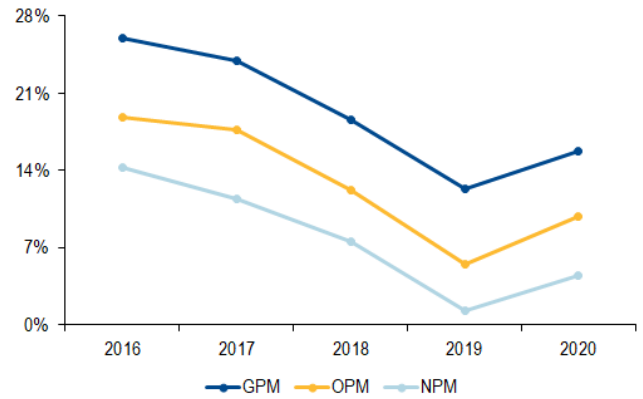
# Performance Highlights

Revenue Contributions FY2020



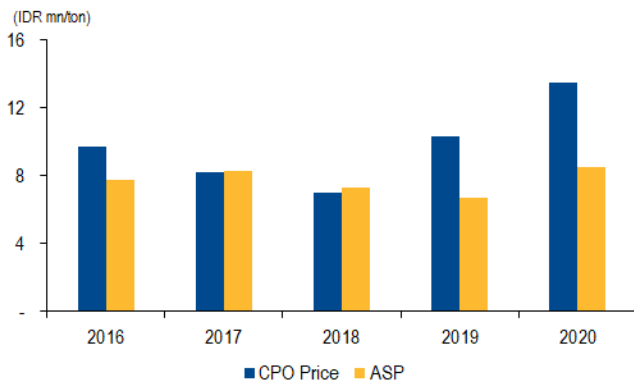
Source: Company, NHKSI Research

Margin Ratios



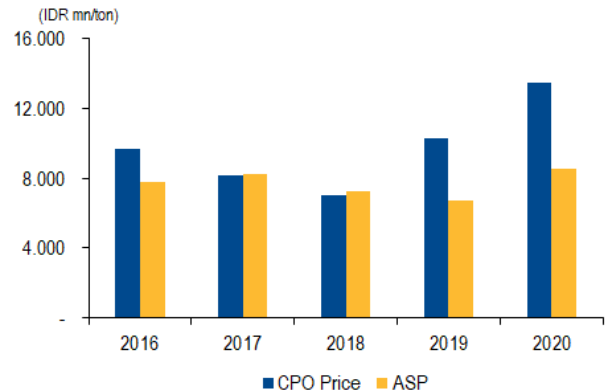
Source: Company, NHKSI Research

AALI's Production FY2020



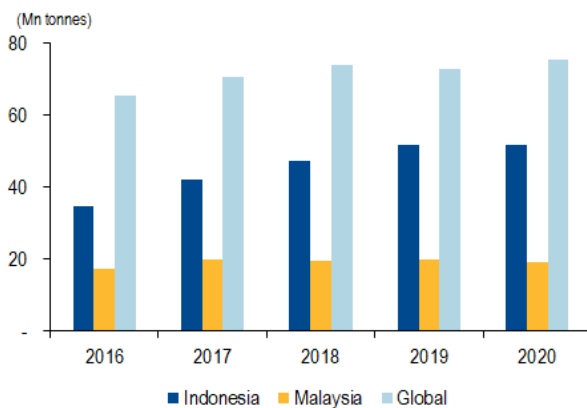
Source: Company, NHKSI Research

CPO Price and Average Selling Price



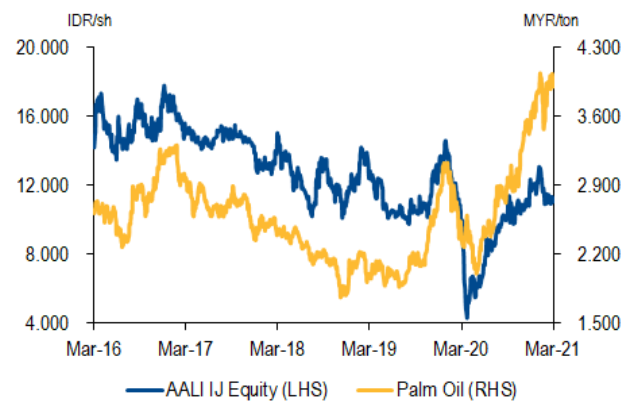
Source: Company, NHKSI Research

Global CPO Production



Source: Company, GAPKI, USDA, Bloomberg, NHKSI Research

AALI and CPO Price Movement



Source: Company, Bloomberg, NHKSI Research

## Company Overview



**PT Astra Agro Lestari Tbk (AALI)** entered the plantation industry in Indonesia more than 30 years ago by merger from some companies. Starting with a cassava plantation, and later developing a rubber plantation, in 1984 the Company established an oil palm plantation in Riau Province. Today the Company has grown into one of the largest and best managed oil palm plantations in Sumatra, Kalimantan, and Sulawesi operating planted oil palm with a total acreage of 286.877 hectares.

Apart from operating the oil palm plantations, the Company also diversified by developing a relevant downstream industry as a strategy to safeguard the continuity of its business. It is currently also operating a palm oil refinery in the Mamuju Utara Regency in West Sulawesi Province, and in Dumai, Riau Province. Processed palm oil products taking the form of *Olein, Stearin, dan PFAD* produced by the refinery serve to meet market demand for export to China, Bangladesh, Pakistan, Malaysia, Philippines and South Korea. The Company also set up a fertilizer blending plant in Donggala Regency, Central Sulawesi Province since 2016 and in Bumiharjo, Central Kalimantan Province since 2017. In addition, the Company also initiated an integrated cattle-in-plantation business in Kotawaringin Barat Regency, Central Kalimantan Province.

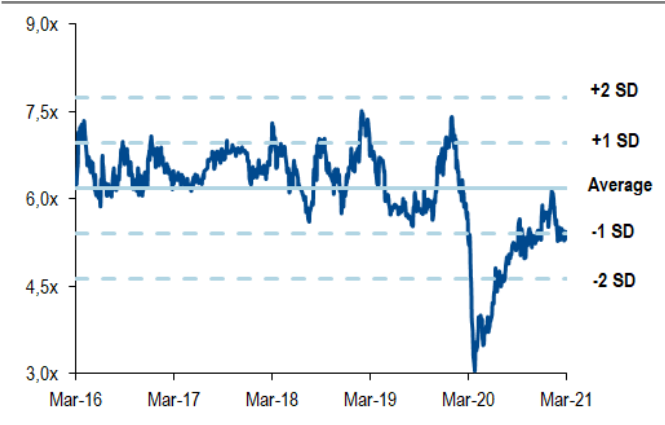
### Southeast Asia Peers Comparison

Company	Market Cap (USD mn)	Asset (USD mn)	Revenue LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Mar- gin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>								
AALI IJ	1,485	1,995	1,293	57	4.4%	4.5%	25.5x	1.1x
SSMS IJ	659	855	249	19	7.7%	6.9%	33.9x	2.3x
LSIP IJ	638	784	243	48	19.7%	7.8%	13.1x	1.0x
SIMP IJ	231	684	225	2	1.1%	0.9%	88.3x	0.8x
DSNG IJ	422	839	425	19	4.6%	7.7%	21.5x	1.6x
SGRO IJ	510	2,542	995	16	1.6%	1.6%	29.9x	0.5x
<b>Malaysia</b>								
SIME DARBY PLANTATIONS BHD	8,384	7,044	3,115	312	10.0%	9.0%	25.2x	2.5x
IOI CORPORATION BHD	6,593	3,905	2,144	208	9.7%	9.2%	30.7x	2.8x
KUALA LUMPUR KEPONG BHD	6,153	5,041	3,766	229	6.1%	9.1%	25.9x	2.3x
GENTING PLANTATIONS BHD	2,099	2,099	595	61	10.2%	5.2%	33.5x	1.7x
IJM PLANTATIONS BHD	1,187	4,328	3,351	36	1.1%	2.2%	31.4x	1.2x
FGV HOLDINGS BHD	1,464	5,435	1,445	75	5.2%	2.3%	18.8x	0.6x
<b>Singapore</b>								
WILMAR INTERNATIONAL LTD	25,097	51,020	50,527	1,534	3.0%	8.6%	16.5x	1.3x
FIRST RESOURCES LTD	1,681	1,786	660	100	15.1%	9.5%	16.8x	1.6x
GOLDEN AGRI RESOURCES LTD	1,809	9,126	7,078	32	0.4%	0.7%	54.8x	0.4x

Source: Bloomberg

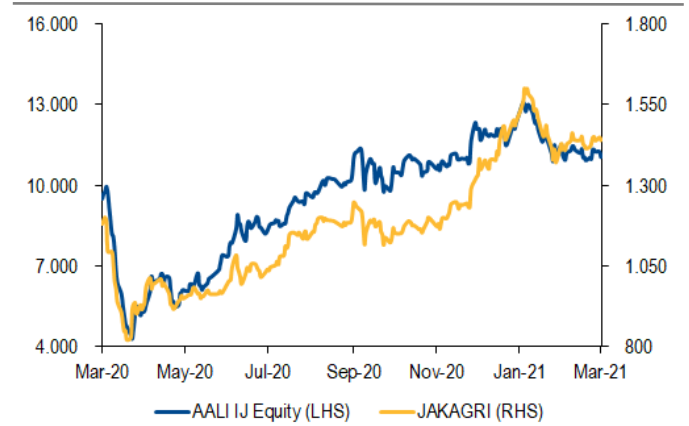
## Valuation Highlights

5-Year Forward EV/Ton Band



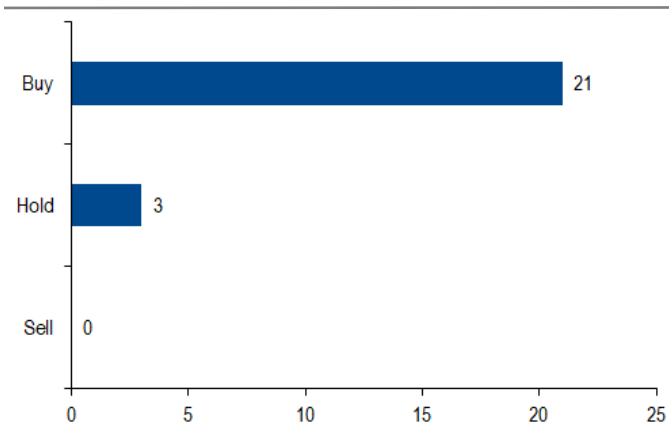
Source: Bloomberg, NHKSI Research

AALI vs JAKAGRI



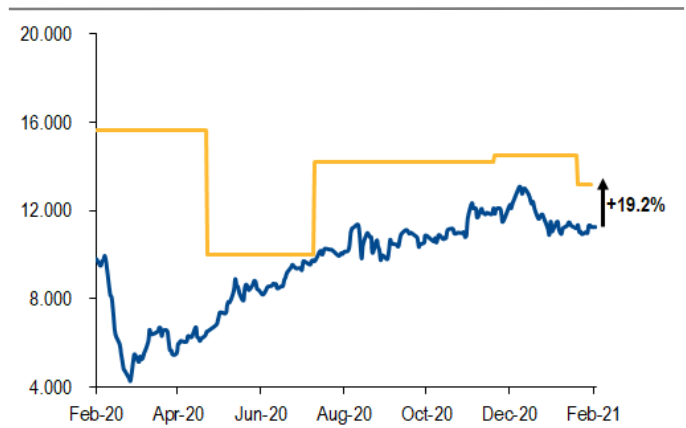
Source: Bloomberg, NHKSI Research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKSI Research

## Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
14/12/2020	Buy	14,475	12,325	12,895	+22.2%	+12.3%
02/03.2021	Buy	13,175	11,050	14,573	+19.2%	-9.6%

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Revenues	18,807	18,848	19,929	20,939
Growth (% y/y)	7.8%	0.2%	5.7%	5.1%
Cost of Revenues	(15,844)	(15,833)	(16,621)	(17,623)
Gross Profit	2,963	3,016	3,308	3,316
Gross Margin	15.8%	16.0%	16.6%	15.8%
Operating Expenses	(1,121)	(1,230)	(1,274)	(1,341)
EBIT	1,842	1,786	2,035	1,975
EBIT Margin	9.8%	9.5%	10.2%	9.4%
Depreciation	1,290	1,516	1,610	1,722
EBITDA	3,132	3,301	3,645	3,698
EBITDA Margin	16.7%	17.5%	18.3%	17.7%
Interest Expenses	(418)	(275)	(305)	(353)
EBT	1,463	1,484	1,644	1,638
Income Tax	(569)	(577)	(639)	(637)
Minority Interest	(61)	(64)	(75)	(80)
Net Profit	833	842	929	921
Growth (% y/y)	294.6%	1.1%	10.3%	-0.9%
Net Profit Margin	4.4%	4.5%	4.7%	4.4%

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	4.4%	4.3%	4.6%	4.4%
ROA	3.0%	3.1%	3.3%	3.2%
Inventory Turnover	7.7x	7.1x	7.1x	7.3x
Receivables Turnover	24.6x	27.3x	32.0x	32.3x
Payables Turnover	20.6x	17.6x	16.4x	17.2x
Dividend Yield	1.6%	1.8%	2.0%	1.9%
Payout Ratio	45.1%	45.2%	45.0%	45.0%
DER	0.3x	0.2x	0.2x	0.3x
Net Gearing	24%	16%	15%	14%
Equity Ratio	69.3%	73.2%	72.5%	71.3%
Debt Ratio	20.2%	16.2%	17.4%	18.3%
Financial Leverage	143.2%	140.4%	137.3%	139.1%
Current Ratio	331.3%	301.4%	357.0%	376.2%
Quick Ratio	210.4%	183.4%	233.6%	253.2%
Par Value (IDR)	500	500	500	500
Total Shares (mn)	1,925	1,925	1,925	1,925
Share Price (IDR)	12,325	11,050	11,050	11,050
Market Cap (IDR tn)	23.7	21.3	21.3	21.3

### BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	979	1,273	1,956	2,477
Receivables	766	615	631	664
Inventories	2,166	2,322	2,355	2,486
Total Current Assets	5,938	5,934	6,813	7,608
Net Fixed Assets	9,242	9,045	8,823	8,675
Other Non Current Assets	12,601	12,448	12,711	13,133
Total Non Current Assets	21,843	21,494	21,534	21,809
Total Assets	27,781	27,428	28,347	29,416
Payables	770	1,032	1,001	1,051
ST Debt	-	-	-	-
Total Current Liabilities	1,793	1,969	1,908	2,022
LT Debt	5,624	4,456	4,940	5,383
Total Liabilities	8,533	7,345	7,803	8,430
Capital Stock + APIC	4,841	4,841	4,841	4,841
Retained Earnings	14,497	14,955	15,466	15,973
Shareholders' Equity	19,248	20,083	20,545	20,986

### CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(645)	475	(257)	(159)
Investing Cash Flow	659	350	(41)	(275)
Financing Cash Flow	581	(530)	980	955
Net Changes in Cash	596	294	683	522

Source: Company Data, NHKSI Research

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	28.5x	25.2x	22.9x	23.1x
PE/EPS Growth	0.1x	22.4x	2.2x	-25.9x
Price /Book Value	1.2x	1.1x	1.0x	1.0x
EV/EBITDA	4.9x	4.1x	3.9x	3.7x
EV (IDR bn)	15,224	13,416	14,342	13,637
Revenues CAGR (3-Yr)	-0.5%	2.6%	2.0%	3.6%
Net Income CAGR (3-Yr)	-16.6%	58.6%	3.7%	3.0%
Basic EPS (IDR)	433	438	483	478
BVPS (IDR)	10,000	10,434	10,674	10,904
DPS (IDR)	195	198	217	215

### OWNERSHIP

Top Shareholders	%
PT Astra International Tbk	79.7
Schroder Investment	0.7
Vanguard Group Inc	0.6
Others	19.1
By Geography	%
Indonesia	97.0
United States	2.5
Ireland	0.1
Luxembourg	0.1
Others	0.3

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1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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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