

Astra Agro Lestari Tbk (AALI)

CPO Price Increase Supports Revenue

AALI posted 1Q22 revenue and net profit increase of 30.7% YoY and 197.6% YoY. CPO sales still supported the figures with a contribution of IDR 5.7 trillion. GPM declined due to higher fertilizer costs, while NPM posted an increase in 1Q22 to 7.3% (vs 1Q21: 3.2%).

CPO Sales Drive 1Q22 Performance

- AALI posted 1Q22 revenue of IDR6.6 trillion (+30.7% YoY). This growth was supported by CPO sales of IDR5.7 trillion, up 26.7% YoY (vs 1Q21 IDR4.5 trillion). 1Q22 revenue growth was driven by the selling price of CPO which was 52.7% higher than the same period the previous year.
- The increase in CPO prices also made AALI's net profit in 1Q22 to significantly jump to IDR483.4 billion or grow 197.6% YoY (vs 1Q22 IDR162.4 billion).
- Amid the growth in 1Q22 performance, the profitability ratios for GPM and OPM decreased to 15.1% and 10.3%, respectively (vs 1Q21: 18.5% and 13.1%). Meanwhile, GPM declined amid the high cost of fertilizer.
- In line with the increase in net profit, NPM recorded an increase to 7.3% in 1Q22 compared to 1Q21 which was only recorded at 3.2%.

1Q22 CPO Production Decreases

- In 1Q22, AALI produced 268 thousand tons of CPO or down 18.7% (vs 1Q21: 351 thousand tons). FFB production also fell 21.0% YoY to 848 thousand tons (vs 1Q21: 1.0 million tons). The decline was due to the long dry season which reduced crop productivity.
- The government raised the levy for CPO and its derivative products from a maximum of USD 355/ton to USD 375/ton in order to suppress domestic cooking oil prices. This increase will certainly hamper AALI's export performance, as it is known that the export destinations include China, South Korea, India, Bangladesh, the Philippines, Pakistan, Singapore, and Kenya.
- Another sentiment from the government is the implementation of DMO and DPO on CPO and its derivative products. Exporters are required to supply 20% of the export volume of CPO and its derivatives for domestic use. Meanwhile, the DPO rules apply the domestic selling price of CPO at IDR9,300/kg and olein at IDR10,300/litre.

Buy Recommendation with TP IDR14,900

- We recommend BUY for AALI with a target price of IDR14,900/share (PE 11.5x or +1 STD) with a potential increase of 22.1%. The risks from our recommendation are rising commodity prices, declining production and government policies.

Astra Agro Lestari Tbk | Summary (IDR bn)

| | 2021A | 2022F | 2023F | 2024F |
|----------------|--------|--------|--------|--------|
| Sales | 24,322 | 26,025 | 26,805 | 27,609 |
| Growth | 29.3% | 7.0% | 3.0% | 3.0% |
| Net Profit | 1,971 | 2,500 | 2,798 | 2,915 |
| Growth | 136.6% | 26.8% | 12.0% | 4.1% |
| EPS (IDR) | 1,024 | 1,299 | 1,454 | 1,514 |
| P/E | 9.3x | 11.5x | 10.2x | 9.8x |
| P/BV | 0.9x | 1.2x | 1.2x | 1.1x |
| EV/EBITDA | 13.7x | 12.3x | 12.1x | 11.7x |
| ROE | 10.3% | 12.4% | 12.5% | 12.2% |
| DER | 43.6% | 40.6% | 38.0% | 34.6% |
| Dividend Yield | 1.1% | 0.9% | 1.0% | 1.1% |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | May 20, 2022

BUY

| | |
|-----------------------|--------|
| Target Price (IDR) | 14,900 |
| Consensus Price (IDR) | 15,429 |
| TP to Consensus Price | -3.4% |
| Potential Upside | +22.1% |

Shares data

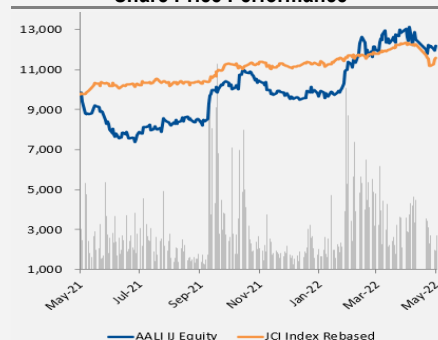
| | |
|------------------------|----------------|
| Last Price (IDR) | 12,200 |
| Price date as of | May 19, 2022 |
| 52 wk range (Hi/Lo) | 13,400 / 7,275 |
| Free float (%) | 20.3 |
| Outstanding sh.(mn) | 1,925 |
| Market Cap (IDR bn) | 23,481 |
| Market Cap (USD mn) | 1,594 |
| Avg. Trd Vol - 3M (mn) | 3.49 |
| Avg. Trd Val - 3M (bn) | 42.54 |
| Foreign Ownership | 3.1% |

Agriculture

Plantation

| | |
|-----------|---------|
| Bloomberg | AALI IJ |
| Reuters | AALI.JK |

Share Price Performance



| | YTD | 1M | 3M | 12M |
|-----------|-------|-------|------|-------|
| Abs. Ret. | 27.4% | -3.4% | 7.0% | 24.8% |
| Rel. Ret. | 25.0% | 1.9% | 8.0% | 6.4% |

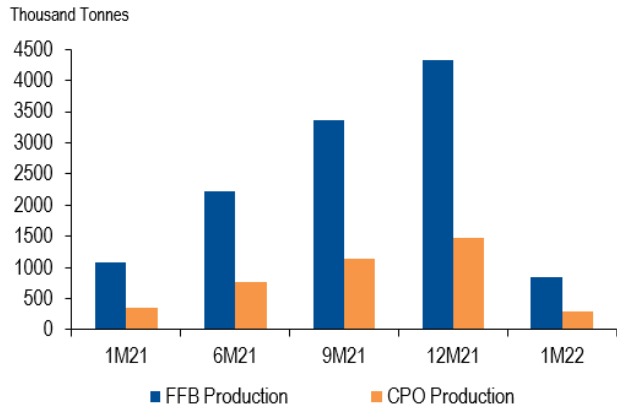
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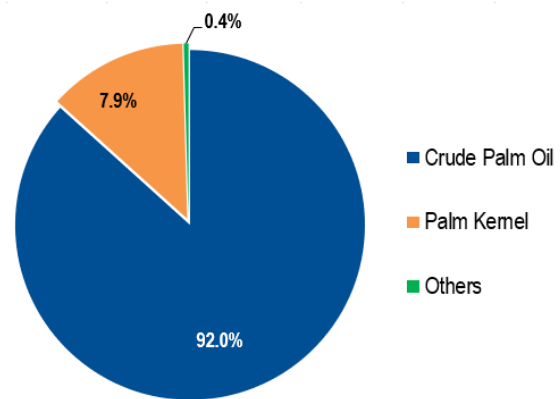
Performance Highlights

Production | 1Q22



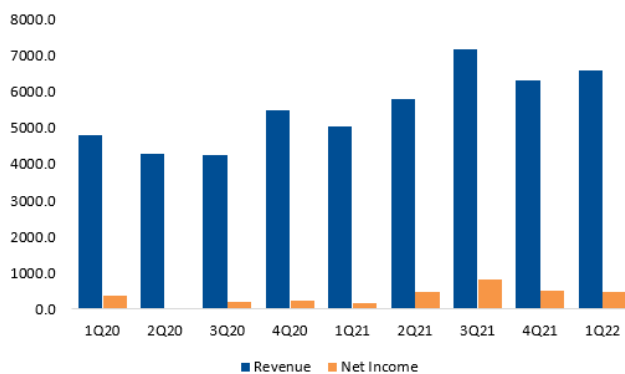
Source: Company, NHKSI Research

Revenue Breakdown | 1Q22



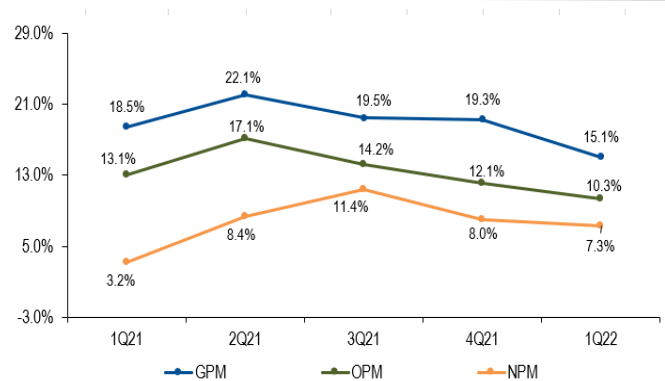
Source: Company, NHKSI Research

Revenue vs Net Income (Bn IDR) | 1M22



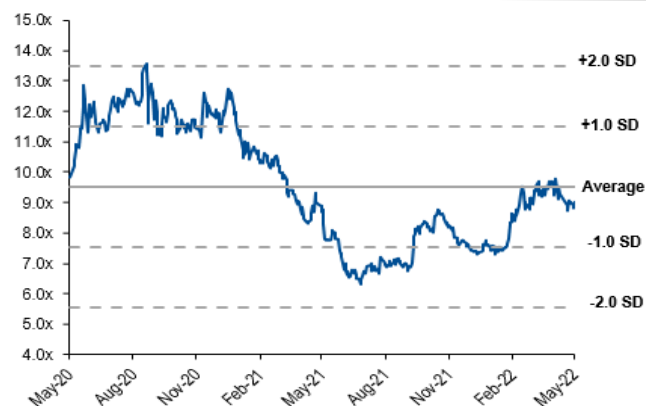
Source: Company, NHKSI Research

Margin Ratio | 1Q22



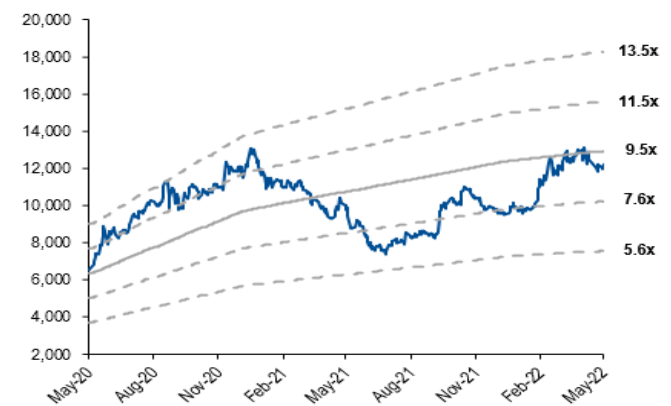
Source: Company, NHKSI Research

Forward P/E Band



Source: Company, NHKSI Research

Dynamic Forward P/E Band



Source: Company, NHKSI Research

Summary of Financials

| INCOME STATEMENT | | | | |
|-------------------|----------|----------|----------|----------|
| (IDR bn) | 2021/12A | 2022/12F | 2023/12F | 2024/12F |
| Revenue | 24,322 | 26,025 | 26,805 | 27,609 |
| Growth | 29.3% | 7.0% | 3.0% | 3.0% |
| COGS | (19,492) | (20,558) | (21,228) | (21,784) |
| Gross Profit | 4,830 | 5,466 | 5,577 | 5,826 |
| Gross Margin | 19.9% | 21.0% | 20.8% | 21.1% |
| EBIT | 3,430 | 3,968 | 4,034 | 4,236 |
| EBIT Margin | 14.1% | 15.2% | 15.0% | 15.3% |
| Depreciation | 1,282 | 1,308 | 1,309 | 1,300 |
| EBITDA | 4,712 | 5,276 | 5,343 | 5,536 |
| EBITDA Margin | 19.4% | 20.3% | 19.9% | 20.0% |
| Interest Expenses | (142) | 48 | 50 | 51 |
| EBT | 2,913 | 3,633 | 3,700 | 3,907 |
| Income Tax | (846) | (1,055) | (823) | (908) |
| Minority Interest | (96) | (78) | (78) | (84) |
| Net Profit | 1,971 | 2,500 | 2,798 | 2,915 |
| Growth | 136.6% | 26.8% | 12.0% | 4.1% |
| Net Profit Margin | 8.1% | 9.6% | 10.4% | 10.6% |

| PROFITABILITY & STABILITY | | | | |
|---------------------------|----------|----------|----------|----------|
| | 2021/12A | 2022/12F | 2023/12F | 2024/12F |
| ROE | 10.3% | 12.4% | 12.5% | 12.2% |
| ROA | 7.2% | 8.6% | 8.8% | 8.9% |
| Inventory Turnover | 5.9x | 6.5x | 6.3x | 6.2x |
| Receivable Turnover | 53.1x | 37.2x | 34.7x | 40.2x |
| Payables Turnover | 19.5x | 19.8x | 20.3x | 20.2x |
| Dividend Yield | 1.1% | 0.9% | 1.0% | 1.1% |
| Payout Ratio | 8.9% | 15.8% | 17.9% | 19.2% |
| DER | 43.6% | 40.6% | 38.0% | 34.6% |
| Net Gearing | 6.7% | 5.8% | 5.6% | 5.0% |
| Equity Ratio | 69.6% | 71.1% | 72.5% | 74.3% |
| Debt Ratio | 23.2% | 21.6% | 21.2% | 19.9% |
| Financial Leverage | 137.1% | 128.0% | 130.4% | 116.5% |
| Current Ratio | 157.9% | 196.7% | 164.7% | 159.3% |
| Par Value (IDR) | 500 | 500 | 500 | 501 |
| Total Shares (mn) | 1,925 | 1,925 | 1,925 | 1,925 |
| Share Price (IDR) | 9,500 | 14,900 | 14,900 | 14,900 |
| Market Cap (IDR tn) | 18.3 | 28.7 | 28.7 | 28.7 |

| BALANCE SHEET | | | | |
|----------------------------|----------|----------|----------|----------|
| (IDR bn) | 2021/12A | 2022/12F | 2023/12F | 2024/12F |
| Cash | 3,896 | 6,499 | 5,153 | 7,483 |
| Receivables | 458 | 700 | 772 | 686 |
| Inventories | 3,315 | 3,229 | 3,381 | 3,515 |
| Total Current Assets | 9,414 | 12,474 | 11,548 | 13,896 |
| Net Fixed Assets | 16,335 | 16,103 | 17,260 | 17,275 |
| Other Non Current Assets | 4,651 | 4,670 | 4,660 | 4,665 |
| Total Non Current Assets | 20,986 | 20,773 | 21,920 | 21,940 |
| Total Assets | 30,400 | 33,247 | 33,468 | 35,836 |
| Payables | 1,027 | 1,294 | 1,040 | 1,067 |
| Other Liabilities | 4,934 | 5,047 | 5,098 | 5,149 |
| LT Debt | 2,132 | 2,140 | 2,006 | 1,966 |
| Total Liabilities | 9,229 | 9,606 | 9,210 | 9,210 |
| Capital Stock | 962 | 962 | 962 | 962 |
| Additional Paid-in Capital | 3,879 | 3,879 | 3,879 | 3,879 |
| Retained Earnings | 16,003 | 18,421 | 19,063 | 21,418 |
| Shareholders' Equity | 21,171 | 23,642 | 24,258 | 26,626 |

| CASH FLOW STATEMENT | | | | |
|---------------------|----------|----------|----------|----------|
| (IDR bn) | 2021/12A | 2022/12F | 2023/12F | 2024/12F |
| Operating Cash Flow | 2,254 | 3,732 | 3,680 | 4,028 |
| Investing Cash Flow | (1,229) | (1,332) | (635) | (904) |
| Financing Cash Flow | (493) | 637 | 309 | 383 |
| Net Changes in Cash | 532 | 2,246 | 3,609 | 3,384 |

| VALUATION INDEX | | | | |
|------------------------|----------|----------|----------|----------|
| | 2021/12A | 2022/12F | 2023/12F | 2024/12F |
| Price/Earnings | 9.3x | 11.5x | 10.2x | 9.8x |
| Price/Book Value | 0.9x | 1.2x | 1.2x | 1.1x |
| PE/EPS Growth | 0.0x | 0.0x | 0.1x | 0.2x |
| EV/EBITDA | 13.7x | 12.3x | 12.1x | 11.7x |
| EV/EBIT | 18.8x | 16.4x | 16.1x | 15.3x |
| EV (IDR bn) | 64,403 | 64,878 | 64,879 | 64,880 |
| Sales CAGR (3-Yr) | 11.1% | 127.9% | 49.8% | 13.9% |
| Net Income CAGR (3-Yr) | 10.9% | 36.6% | 23.5% | 6.4% |
| Basic EPS (IDR) | 1,024 | 1,299 | 1,454 | 1,514 |
| BVPS (IDR) | 11,000 | 12,283 | 12,604 | 13,834 |
| DPS (IDR) | 102.0 | 138.2 | 149.7 | 158.5 |

| TOP OWNERSHIP | |
|------------------------------|------|
| Shareholders | % |
| Astra International Tbk | 79.7 |
| Schroder Investment | 0.7 |
| Vanguard Group | 0.6 |
| Dimensional Fund Advisors LP | 0.5 |
| By Geography | % |
| Indonesia | 96.9 |
| United States | 2.2 |
| Luxembourg | 0.5 |
| Ireland | 0.1 |

Source: Bloomberg, NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

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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