

Astra Agro Lestari Tbk (AALI)

Low CPO Sales in line with Declining Production

Amid the low production, AALI successfully booked a revenue growth of 1.2% YoY to IDR11.0 trillion in 6M22. Net profit in 6M22 also jumped 24.6% YoY on the back of foreign exchange gains and interest income. Meanwhile, in 6M22, FFB and CPO production declined by 12.1% YoY and 15.8% YoY to 1.96 million tons and 638 thousand tons (vs 6M21: FFB 2.22 million tons and CPO 758 thousand tons).

6M22 Sales Slightly Grow

- In 6M22, AALI booked sales of IDR11.0 trillion or up 1.2% YoY (vs 6M21: IDR10.8 trillion) amid low production.
- Sales of CPO and Misc. declined by 2.3% YoY and 44.5% YoY to IDR9.5 trillion and 39.8 billion. Meanwhile, Palm Kernel sales jumped 38.8% YoY to IDR1.4 trillion.
- By quarterly manner, sales in 2Q22 fell 24.4% YoY to IDR4.4 trillion (vs 2Q21: IDR5.8 trillion), due to the decline in sales of CPO (-27.3% YoY) and Misc. (-69.6% YoY).
- Geographically, in 6M22 sales from Sumatra grew 20.9% YoY while Kalimantan and Sulawesi declined by 15.8% YoY and 16.3% YoY.
- Production costs in 6M22 jumped 14.3% YoY due to an increase in the cost of using raw materials and processing (+16.1% YoY) as well as harvesting and maintenance costs (+7.6% YoY), leading to an increase in COGS of 6.1% YoY.

2Q22 Profitability Booked Lower

- As of 6M22, AALI recorded gross profit of IDR1.8 trillion (-17.8% YoY). Operating profit decreased by 28.4% YoY to IDR1.2 trillion amid a 13.1% YoY increase in operating expenses.
- 6M22 net profit jumped 24.6% YoY to IDR809.3 billion on the back of foreign exchange gains and interest income which grew 27.2% YoY and 81.5% YoY, respectively.
- On a quarterly basis, gross profit, operating profit and net profit in 2Q22 went down to IDR826.2 billion (-35.5% YoY), IDR499.2 billion (-49.6% YoY) and IDR325.9 billion (-33.1% YoY).
- In 2Q22, profitability margins were lower than 2Q21, with GPM at 18.8%, OPM at 11.4% and NPM at 7.4% (vs 2Q21: 22.1%; 17.1%; and 8.4 %).

Production Declines

- During 6M22, FFB production was recorded lower at 1.96 million tons (-12.1% YoY), followed by a decrease in CPO production (-15.8% YoY), Olein (-43.4% YoY), Kernel (-12.3% YoY), and PKO (-15.5% YoY) at 638 thousand tons, 124 thousand tons, 138 thousand tons and 19 thousand tons, respectively.
- For 2Q22, FFB and CPO production also decreased by 3.6% YoY and 13.3% YoY to 1.11 million tons and 353 thousand tons (vs 2Q21: 1.15 million tons FFB and 407 thousand tons CPO).
- Meanwhile, 6M22 CPO sales also fell 23.1% YoY to 478 thousand tons accompanied by lower sales of CPO derivative products to 157 thousand tons (-49.6% YoY).

Recommend Buy with TP IDR11.000

- We recommend BUY for AALI with a target price of IDR11,000/share (P/E 8.3x) with the potential upside of 20.9%. Meanwhile, risks to our recommendation are commodity price volatility, declining production, as well as government policy.

Astra Agro Lestari Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	24,322	26,091	27,827	28,943
Growth	29.3%	7.3%	6.7%	4.0%
Net Profit	1,971	2,570	2,618	3,069
Growth	136.6%	30.4%	1.9%	17.2%
EPS (IDR)	1,024	1,335	1,360	1,594
P/E	9.3x	8.2x	8.1x	6.9x
P/BV	0.9x	0.9x	0.8x	0.7x
EV/EBITDA	13.7x	13.5x	12.7x	11.5x
ROE	10.3%	12.7%	11.8%	12.4%
DER	43.6%	41.1%	35.9%	31.8%
Dividend Yield	2.7%	2.7%	2.9%	3.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	11,000
Consensus Price (IDR)	11,922
TP to Consensus Price	-7.7%
Potential Upside	+20.9%

Shares data

Last Price (IDR)	9,100
Price date as of	Aug 22, 2022
52 wk range (Hi/Lo)	13,400 / 8,075
Free float (%)	20.3
Outstanding sh.(mn)	1,925
Market Cap (IDR bn)	17,900
Market Cap (USD mn)	1,202
Avg. Trd Vol - 3M (mn)	2.41
Avg. Trd Val - 3M (bn)	24.84
Foreign Ownership	4.3%

Agriculture

Plantation

Bloomberg	AALI.IJ
Reuters	AALI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.9%	-1.6%	-23.8%	12.0%
Rel. Ret.	-10.5%	-8.1%	-28.9%	-7.6%

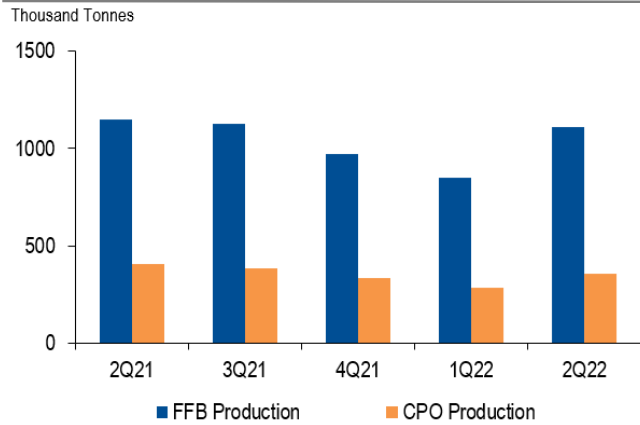
Cindy Alicia Ramadhania

(021) 5088 9129

cindy.alicia@nhsec.co.id

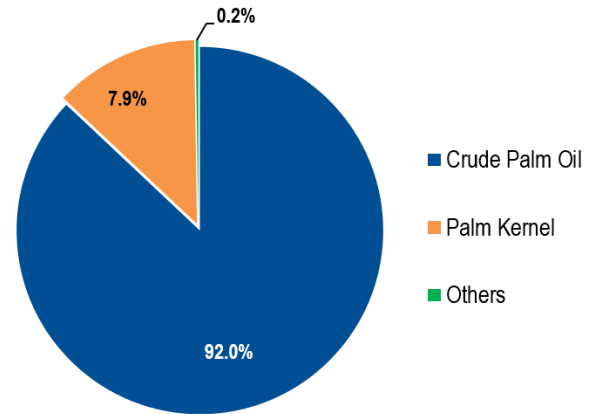
Performance Highlights

Production | 2Q21-2Q22



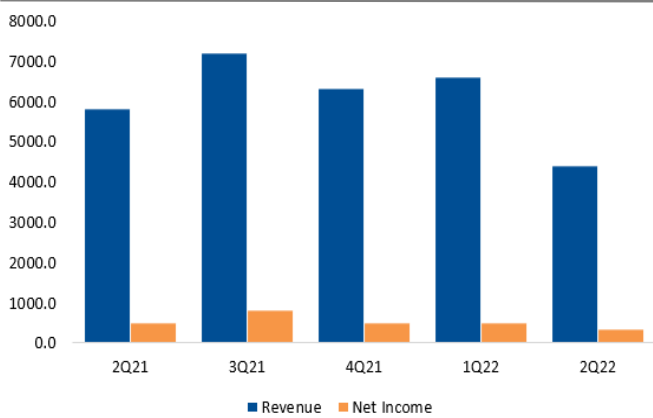
Source: Company, NHKSI Research

Revenue Breakdown | 2Q22



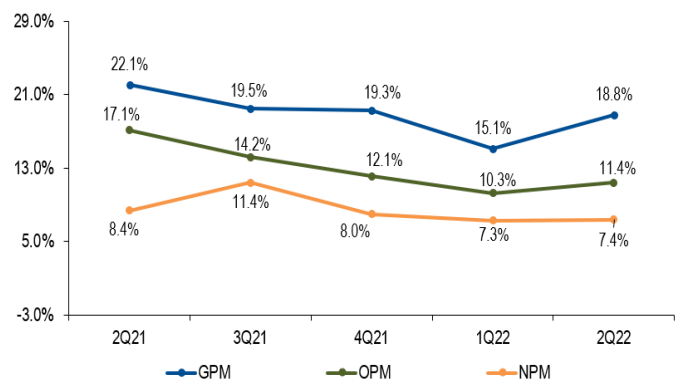
Source: Company, NHKSI Research

Revenue vs Net Income (IDR Bn) | 2Q21-2Q22



Source: Company, NHKSI Research

Margin Ratio | 2Q21-2Q22



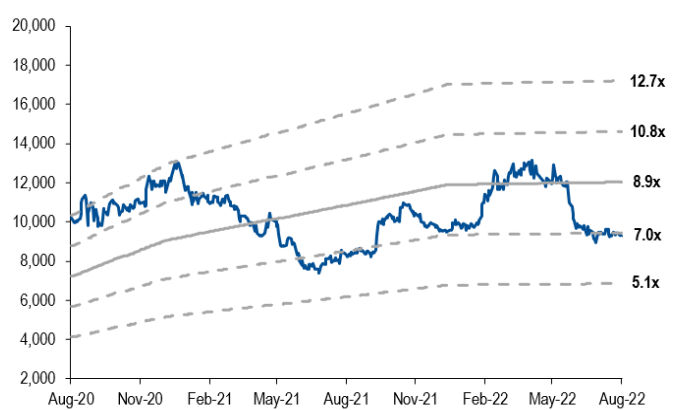
Source: Company, NHKSI Research

Forward P/E Band



Source: Company, NHKSI Research

Dynamic Forward P/E Band



Source: Company, NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F		2021/12A	2022/12F	2023/12F	2024/12F
Revenue	24,322	26,091	27,827	28,943	ROE	10.3%	12.7%	11.8%	12.4%
Growth	29.3%	7.3%	6.7%	4.0%	ROA	7.2%	8.8%	8.3%	9.0%
COGS	(19,492)	(20,978)	(22,311)	(22,836)	Inventory Turnover	5.9x	5.1x	5.8x	5.5x
Gross Profit	4,830	5,113	5,516	6,107	Receivable Turnover	53.1x	58.4x	39.1x	48.8x
Gross Margin	19.9%	19.6%	19.8%	21.1%	Payables Turnover	19.0x	15.8x	18.2x	17.6x
EBIT	3,430	3,517	3,813	4,336	Dividend Yield	2.7%	2.7%	2.9%	3.3%
EBIT Margin	14.1%	13.5%	13.7%	15.0%	Payout Ratio	24.9%	22.0%	19.6%	17.1%
Depreciation	1,282	1,280	1,300	1,288	DER	43.6%	41.1%	35.9%	31.8%
EBITDA	4,712	4,797	5,113	5,623	Net Gearing	6.7%	5.7%	5.0%	4.2%
EBITDA Margin	19.4%	18.4%	18.4%	19.4%	Equity Ratio	69.6%	70.9%	73.6%	75.9%
Interest Expenses	(142)	454	51	54	Debt Ratio	23.2%	21.7%	19.9%	18.1%
EBT	2,913	3,595	3,483	4,012	Financial Leverage	137.1%	129.5%	124.9%	112.0%
Income Tax	(846)	(939)	(785)	(856)	Current Ratio	157.9%	189.9%	247.2%	306.4%
Minority Interest	(96)	(86)	(81)	(87)	Par Value (IDR)	500	500	500	501
Net Profit	1,971	2,570	2,618	3,069	Total Shares (mn)	1,925	1,925	1,925	1,925
Growth	136.6%	30.4%	1.9%	17.2%	Share Price (IDR)	9,500	11,000	11,000	11,000
Net Profit Margin	8.1%	9.9%	9.4%	10.6%	Market Cap (IDR tn)	18.3	21.2	21.2	21.2

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F		2021/12A	2022/12F	2023/12F	2024/12F
Cash	3,896	4,895	8,274	12,169	Price/Earnings	9.3x	8.2x	8.1x	6.9x
Receivables	458	447	711	594	Price/Book Value	0.9x	0.9x	0.8x	0.7x
Inventories	3,315	4,141	3,871	4,118	PE/EPS Growth	0.0x	0.0x	0.4x	0.0x
Total Current Assets	9,414	11,792	15,215	19,244	EV/EBITDA	13.7x	13.5x	12.7x	11.5x
Net Fixed Assets	16,335	16,173	15,985	15,773	EV/EBIT	18.8x	18.4x	17.0x	15.0x
Other Non Current Assets	4,651	4,646	4,649	4,648	EV (IDR bn)	64,403	64,878	64,879	64,880
Total Non Current Assets	20,986	20,820	20,634	20,420	Sales CAGR (3-Yr)	11.1%	130.0%	46.5%	15.9%
Total Assets	30,400	32,612	35,849	39,665	Net Income CAGR (3-Yr)	10.9%	33.6%	23.0%	8.1%
Payables	1,027	1,324	1,223	1,298	Basic EPS (IDR)	1,024	1,335	1,360	1,594
Other Liabilities	4,934	4,885	4,933	4,983	BVPS (IDR)	11,000	12,012	13,707	15,632
LT Debt	2,132	2,201	2,201	2,201	DPS (IDR)	255.0	293.8	318.9	362.3
Total Liabilities	9,229	9,493	9,467	9,579					
Capital Stock	962	962	962	962					
Additional Paid-in Capital	3,879	3,879	3,879	3,879					
Retained Earnings	16,003	17,891	21,183	24,873					
Shareholders' Equity	21,171	23,119	26,381	30,086					

CASH FLOW STATEMENT					TOP OWNERSHIP				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F					
Operating Cash Flow	2,254	2,745	3,822	4,347	Shareholders				%
Investing Cash Flow	(1,229)	(1,300)	(869)	(913)	Astra International Tbk				79.7
Financing Cash Flow	(493)	(493)	426	461	Vanguard Group				0.7
Net Changes in Cash	532	952	3,379	3,895	Dimensional Fund Advisors LP				0.6
					Macquarie Group Ltd				0.5
					By Geography				%
					Indonesia				95.7
					United States				3.1
					Luxembourg				0.5
					Ireland				0.3

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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