

Astra Agro Lestari Tbk (AALI)

4Q22 Profitability Recorded Higher

AALI's profit performance has shown improvement in 4Q22, with gross profit growing 38.1% QoQ along with growth in operating profit (+63.9% QoQ) and net profit (+25.6% QoQ). This was reflected in its profitability ratio, with GPM growing to 21.9%, OPM going upwards to 13.8%, and NPM that was higher, at 9.6%. Additionally, AALI's FFB and CPO production in 4Q22 was contracted by -7.3% QoQ and -7.4% QoQ, respectively.

Lower Production Costs Have Not Been Able to Grow Profits

- Throughout FY22, AALI booked revenue of IDR21.8 trillion, a decrease of 10.3% YoY (vs. FY21: IDR24.3 trillion). Sales across all segments declined with CPO (contribution to sales: 89.9%), contracting 10.9% YoY to IDR19.6 trillion, followed by a -0.9% YoY decline in Palm Kernel sales to IDR2.2 trillion.
- Geographically, sales also experience a decline, with the largest decline occurring in Kalimantan (-20.3% YoY), followed by Sulawesi and Sumatera at -6.7% YoY and -1.1% YoY, respectively.
- Amidst lower production expenses in FY22 (-12.5% YoY), FY22 gross profit contracted by 20.9% YoY to IDR3.8 trillion (vs. FY21: IDR4.8 trillion), leading the GPM to be recorded lower at 17.5% (vs. FY21: 19.9%).
- During FY22, selling expenses increased by 37.3% YoY, which we believe was a result of the increase in fuel prices that weighed on shipping and freight expenses. This caused operating profit to decline by 31.2% YoY to IDR2.4 trillion (vs. FY21: IDR3.4 trillion), while OPM fell to 10.8% (vs. FY21: 14.1%).
- Additionally, FY22 net profit was contracted by 12.4% YoY to IDR1.7 trillion (vs. FY21: IDR2.0 trillion), leading to a lower NPM of 7.9% (vs. FY21: 8.1%).

Performance Improved on a Quarterly Basis

- On a quarterly basis, earning performance showed an improvement in 4Q22, with gross profit growing 38.1% QoQ along with growth in operating and net profit of 63.9% QoQ and 25.6% QoQ, respectively. However, the 4Q22 top line failed to record an increase as it got contracted by 4.3% QoQ.
- The improvement in 4Q22 earnings performance was reflected in its profitability ratios, with GPM that recorded to have a growth of 21.9% (vs. 4Q21: 19.3% and 3Q22: 15.1%), OPM rose to 13.8% (vs. 4Q21: 12.1% and 3Q22: 8.1%), followed by NPM, which recorded higher this time at 9.6% (vs. 4Q21: 8.0% and 3Q22: 7.3%).

Production Decline Due to Replanting

- AALI's production in 4Q22 of both Fresh Fruit Bunches (FFB) and CPO decreased due to replanting and unfavorable weather conditions. FFB production in 4Q22 was 1.11 million tons (-7.3% QoQ), while CPO was 320 thousand tons (-7.4% QoQ). This led to a decline in cumulative FY22 production of FFB and CPO to 4.27 million tons (-1.2% YoY) and 1.30 million tons (-11.5% YoY), respectively.
- For 2023, AALI allocates CapEx of around IDR1.5 trillion to IDR1.7 trillion. The fund will be used for replanting and maintenance of immature plants, as well as infrastructure and machine tools. Additionally, AALI targets replanting in an area of around 5,000 ha.
- Moreover, the CPO price projection for 2023 ranges from RM4,000/ton to RM4,500/ton on average, with demand for CPO still expected to remain high for the largest consumers, such as Indonesia, India, and China. In addition, biodiesel program (B35) could be one of the factors driving the demand for palm oil both domestically and globally.

OVERWEIGHT Recommendation with a TP of IDR9,200

- We provide an OVERWEIGHT recommendation for AALI, with a target price of IDR9,200/share (PE 10.3x) and a potential upside of 10.2%. We project 2023F revenue and net profit of IDR23.3 trillion and IDR1.6 trillion, respectively. Additionally, risks to our recommendation include commodity price volatility, production decline, and government policies.

Astra Agro Lestari Tbk | Summary (IDR bn)

	2022A	2023F	2024F	2025F
Sales	21,829	23,257	24,519	26,507
Growth	-10.3%	6.5%	5.4%	8.1%
Net Profit	1,727	1,593	1,717	2,005
Growth	-12.4%	-7.7%	7.8%	16.8%
EPS (IDR)	897	828	892	1,042
P/E	8.9x	11.1x	10.3x	8.8x
P/BV	0.7x	0.7x	0.7x	0.6x
EV/EBITDA	17.7x	18.4x	17.5x	16.3x
ROE	8.5%	7.3%	7.5%	8.1%
DER	31.5%	29.4%	27.5%	26.1%
Dividend Yield	5.5%	3.3%	4.2%	4.6%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Report | March 6, 2023

OVERWEIGHT

Target Price (IDR)	9,200
Consensus Price (IDR)	9,162
TP to Consensus Price	0.4%
Potential Upside	10.2%

Shares data

Last Price (IDR)	8,350
Price date as of	March 3, 2023
52 wk range (Hi/Lo)	13,400 / 7,800
Free float (%)	20.3
Outstanding sh.(mn)	1,925
Market Cap (IDR bn)	16,071
Market Cap (USD mn)	1,051
Avg. Trd Vol - 3M (mn)	0.63
Avg. Trd Val - 3M (bn)	5.16
Foreign Ownership	4.0%

Agriculture

Plantation

Bloomberg	AALI.IJ
Reuters	AALI.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	3.7%	2.5%	0.9%	-33.9%
Rel. Ret.	4.3%	3.9%	3.4%	-32.2%

Cindy Alicia Ramadhania

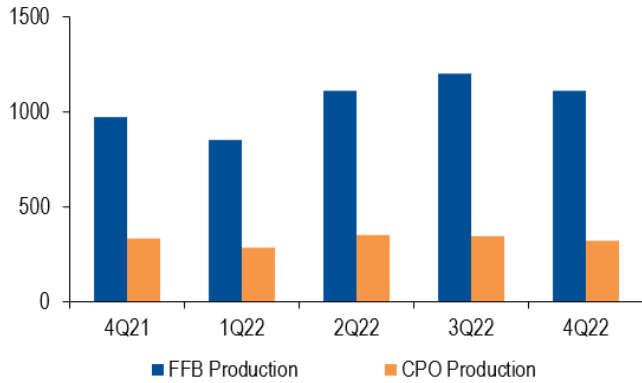
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Performance Highlights

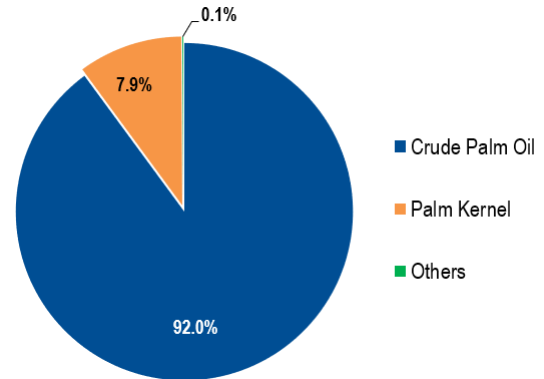
Production | 4Q21-4Q22

Thousand Tonnes



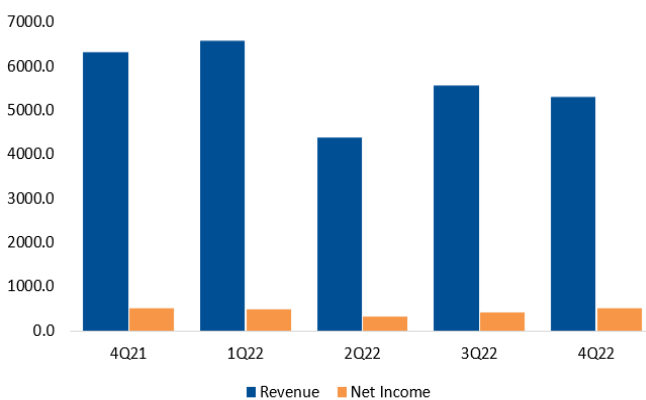
Source: Company, NHKSI Research

Revenue Breakdown | FY22



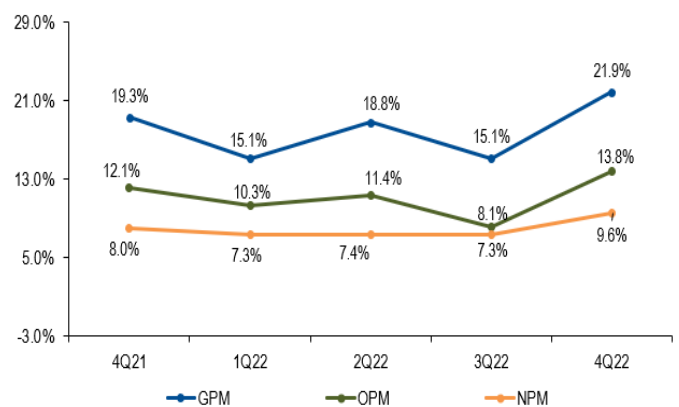
Source: Company, NHKSI Research

Revenue vs Net Income (IDR Bn) | 4Q21-4Q22



Source: Company, NHKSI Research

Margin Ratio | 4Q21-4Q22



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)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Revenue	21,829	23,257	24,519	26,507	ROE	8.5%	7.3%	7.5%	8.1%
Growth	-10.3%	6.5%	5.4%	8.1%	ROA	5.9%	5.3%	5.7%	6.3%
COGS	(18,006)	(19,075)	(20,095)	(21,730)	Inventory Turnover	5.3x	5.9x	5.7x	5.6x
Gross Profit	3,822	4,181	4,424	4,777	Receivable Turnover	25.7x	30.5x	33.1x	29.4x
Gross Margin	17.5%	18.0%	18.0%	18.0%	Payables Turnover	14.7x	17.7x	16.9x	16.4x
EBIT	2,360	2,624	2,782	3,002	Dividend Yield	5.5%	3.3%	4.2%	4.6%
EBIT Margin	10.8%	11.3%	11.3%	11.3%	Payout Ratio	49.5%	47.0%	40.2%	37.1%
Depreciation	1,296	905	922	967	DER	31.5%	29.4%	27.5%	26.1%
EBITDA	3,657	3,529	3,704	3,969	Net Gearing	5.1%	5.2%	4.5%	4.2%
EBITDA Margin	16.8%	15.2%	15.1%	15.0%	Equity Ratio	76.0%	77.3%	78.4%	79.3%
Interest Expenses	417	99	100	118	Debt Ratio	16.7%	15.9%	15.0%	14.1%
EBT	2,429	2,351	2,517	2,759	Financial Leverage	132.2%	127.0%	117.7%	114.1%
Income Tax	(637)	(684)	(722)	(681)	Current Ratio	360.0%	496.5%	555.9%	623.1%
Minority Interest	(65)	(74)	(78)	(73)	Par Value (IDR)	500	500	501	502
Net Profit	1,727	1,593	1,717	2,005	Total Shares (mn)	1,925	1,925	1,925	1,925
Growth	-12.4%	-7.7%	7.8%	16.8%	Share Price (IDR)	8,025	9,200	9,200	9,200
Net Profit Margin	7.9%	6.8%	7.0%	7.6%	Market Cap (IDR tn)	15.4	17.7	17.7	17.7

BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		2022/12A	2023/12F	2024/12F	2025/12F
Cash	1,620	3,656	5,207	6,859	Price/Earnings	8.9x	11.1x	10.3x	8.8x
Receivables	849	763	740	900	Price/Book Value	0.7x	0.7x	0.7x	0.6x
Inventories	3,395	3,253	3,544	3,879	PE/EPS Growth	-0.1x	-0.1x	0.1x	0.1x
Total Current Assets	7,391	9,500	11,292	13,600	EV/EBITDA	17.7x	18.4x	17.5x	16.3x
Net Fixed Assets	16,474	16,247	16,150	16,166	EV/EBIT	27.5x	24.7x	23.3x	21.6x
Other Non Current Assets	5,385	5,018	5,201	5,109	EV (IDR bn)	64,878	64,879	64,880	64,881
Total Non Current Assets	21,859	21,264	21,352	21,276	Sales CAGR (3-Yr)	101.5%	24.1%	-4.5%	5.1%
Total Assets	29,249	30,764	32,644	34,876	Net Income CAGR (3-Yr)	21.2%	12.2%	-2.9%	7.7%
Payables	1,224	1,076	1,186	1,329	Basic EPS (IDR)	897	828	892	1,042
Other Liabilities	829	837	845	854	BVPS (IDR)	11,557	12,356	13,302	14,367
LT Debt	4,049	4,049	4,049	4,049	DPS (IDR)	444	308	387	419
Total Liabilities	7,006	6,982	7,043	7,223					
Capital Stock	962	962	962	962					
Additional Paid-in Capital	3,879	3,879	3,879	3,879					
Retained Earnings	16,920	18,536	20,317	22,388					
Shareholders' Equity	22,243	23,781	25,601	27,653					

CASH FLOW STATEMENT					TOP OWNERSHIP	
(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F		%
Operating Cash Flow	1,418	2,285	2,516	2,468	Shareholders	
Investing Cash Flow	(1,142)	(393)	(1,283)	(1,022)	Astra International Tbk	79.7
Financing Cash Flow	(2,589)	144	318	207	Vanguard Group	0.7
Net Changes in Cash	(2,313)	2,036	1,551	1,652	Dimensional Fund Advisors LP	0.5
					Macquarie Group Ltd	0.5
					By Geography	
					Indonesia	96.0
					United States	3.2
					Luxembourg	0.3
					Ireland	0.2

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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