

Astra Agro Lestari (AALI)

Hampered by lower production

12 September 2022



AALI II	BUY
Sector	CPO Plantation
Price at 09 Sep 2022 (Rp)	9,000
Price target (Rp)	11,150
Upside/Downside (%)	24.1

Stock Information

Astra Agro Lestari is an Indonesian plantation company, part of Astra International. The Company has grown into one of the largest oil palm plantations in Sumatra, Kalimantan, and Sulawesi totalling 287,604 hectares.

Market cap (Rp bn)	17,467
Shares outstanding (mn)	1,925
52-week range (Rp)	8,400-13,150
3M average daily vol. ('000)	2,269
3M average daily val. (Rp mn)	21,890

Shareholders (%)

Astra International	79.7
Public	20.3

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(4.5)	(21.6)	5.0

- AALI's 1H22 net profit grew 24.6% YoY to Rp809.3bn (-32.6% QoQ in 2Q22)
- We expect AALI to book revenue and net profit of Rp24.7tn and Rp1.92tn in 2022, respectively
- We reiterate our "BUY" call with 24% upside potential on a 12-month view on strong ASP

Slightly below estimate

AALI's net profit grew 24.6% YoY in 1H22 to Rp809.31bn (-32.6% QoQ in 2Q22), accounting for 42.3% of our FY estimate. Meanwhile, the company's revenue came in at Rp10.96tn in 1H22, increasing 1.2% YoY (-33.4% QoQ in 2Q22) or representing 44.4% of our FY forecast. Nevertheless, GPM fell from 20.4% in 1H21 to 16.6% in 1H22 (18.8% in 2Q22) as COGS escalated by 6.11% YoY in 1H22 to Rp9.14tn on the back of higher raw materials used. Meanwhile, operating expenses were up 13.1% YoY in 1H22 due to higher G&A from salaries. This led to contracted OPM from 15.2% in 1H21 to 10.8% in 1H22 (11.4% in 2Q22). Furthermore, AALI recorded finance cost of Rp197.7bn in 1H22. The company booked part of loss in share of JV of Rp45.84bn in 1H22 reversing from gain of Rp5.04bn last year. Its net gearing was at 1.3% in 1H22, or controllable in our view.

Soft top line performance impacted by challenging weather

AALI soft revenue growth in 1H22 was largely caused by declined CPO revenue due to shrinking sales volume by 30.3% YoY to 634,000 MT. Nevertheless, ASP increased significantly by 46.2% YoY to Rp15,023 per MT in 1H22, compared to Rp10,274 last year, driven by strong demands coupled with tight supply on the back of challenging weather. Lower sales volume was accompanied by sluggish production volume which tumbled 15.8% YoY to 638,000 MT in 1H22. Furthermore, PK and derivatives sales increased 38.7% YoY.

ASP expected to remain at high level YoY

We expect AALI's revenue of Rp24.7tn in 2022, relatively flattish YoY as we anticipate sales volume to decline to 1,45mn ton, impacted by slow production in 1H22. Meanwhile, we expect CPO price hikes to decelerate in 2H22 as oil prices tends to lower while The Fed goes ahead with its aggressive tightening stance. In addition, China's slow economic recovery following its strict covid-19 policy could mean decreased CPO demands coupled with higher supply. Despite that, we expect ASP is likely to remain at high level YoY at Rp14,850/MT this year, balanced by higher demands as the government maintains its biodiesel policy, Diwali festival in India and expected dry season of rapeseed producing countries and reduction in Malaysia's production given fewer workers.

Reiterate BUY on the back of robust balance sheet

We maintain our BUY recommendation with a DCF based price of Rp11,150/ share. The stock is currently traded at a 2022F PER of 11.2x and EV/EBITDA of 3.9x. We note several paramount catalysts, namely 1) our expectation of persistently high ASP throughout 2022, in line with strong demands from domestic and overseas; 2) robust balance sheet and 3) replanting program to boost productivity. Nevertheless, we highlight a number of downside risks to our recommendation, including 1) higher supply of edible oil as Ukraine resumes deliveries; 2) challenging weather; 3) aggressive monetary tightening and 4) possible change in government policy.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	18,807	24,322	24,688	22,678	21,169
Gross profit (Rp bn)	2,963	4,830	3,996	3,970	3,039
Operating profit (Rp bn)	15.8%	19.9%	16.2%	17.5%	14.4%
EBITDA (Rp bn)	2,738	4,310	3,519	3,344	2,500
EBITDA margin	14.6%	17.7%	14.3%	14.7%	11.8%
Net profit (Rp bn)	833	1,971	1,915	1,742	1,004
Net profit margin	4.4%	8.1%	7.8%	7.7%	4.7%
EPS (Rp)	6.55	10.92	8.20	7.94	8.95
ROAA	3.0%	6.8%	6.2%	5.4%	3.1%
ROAE	4.5%	10.0%	9.0%	7.6%	4.2%
EV/EBITDA (x)	6.0	3.1	3.9	2.7	5.3
PER (x)	25.8	10.9	11.2	12.3	21.4
PBV (x)	1.1	1.0	0.9	0.9	0.9

Analyst

Devi Harjoto

Astra Agro Lestari (AALI)

AALI's Financial Overview

Consolidated Statements of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenue	10,832	10,965	1.2%	6,581	4,383	(33.4%)
Cost of revenue	(8,618)	(9,144)	6.1%	(5,587)	(3,557)	(36.3%)
Gross profit	2,214	1,821	(17.8%)	994	826	(16.9%)
Gross profit margin (%)	20.4%	16.6%		15.1%	18.8%	
Operating expenses	(566)	(640)	13.1%	(313)	(327)	4.4%
Operating profit	1,648	1,180	(28.4%)	681	499	(26.7%)
Operating profit margin	15.2%	10.8%		10.3%	11.4%	
Other income/ expenses	(537)	23	(104.3%)	28	(4)	(116.2%)
Profit before tax	1,111	1,203	8.3%	709	495	(30.2%)
Income tax expenses	(416)	(366)	(12.0%)	(203)	(163)	(19.8%)
Net profit	649	809	24.6%	483	326	(32.6%)
Net profit margin	6.0%	9.0%		7.3%	7.4%	6.0%

Source: Company, KB Valbury Sekuritas

AALI's CPO sales volume expected to decrease, while ASP up

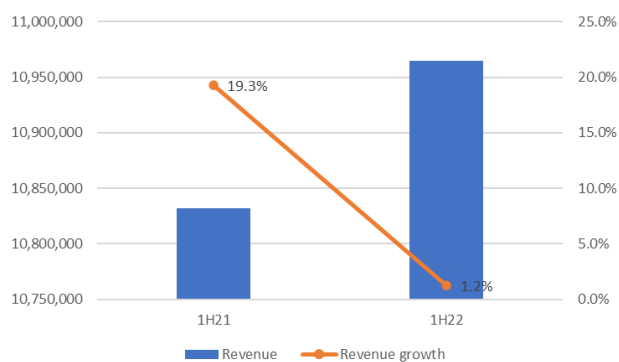


Exhibit 1. AALI's revenue and revenue growth
Source: Companies, KB Valbury Securities

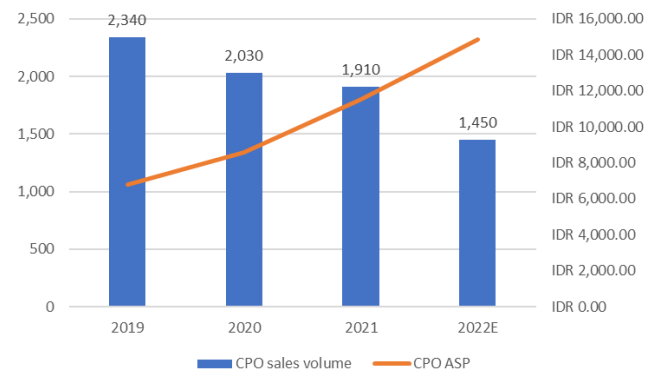


Exhibit 2. CPO sales and ASP
Source: Companies, KB Valbury Securities

AALI's leverage remains controllable while gross profit declines YoY

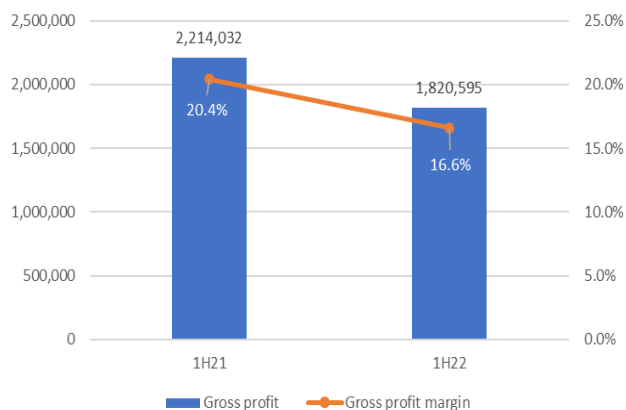


Exhibit 3. AALI's gross profit and GPM
Source: Companies, KB Valbury Securities

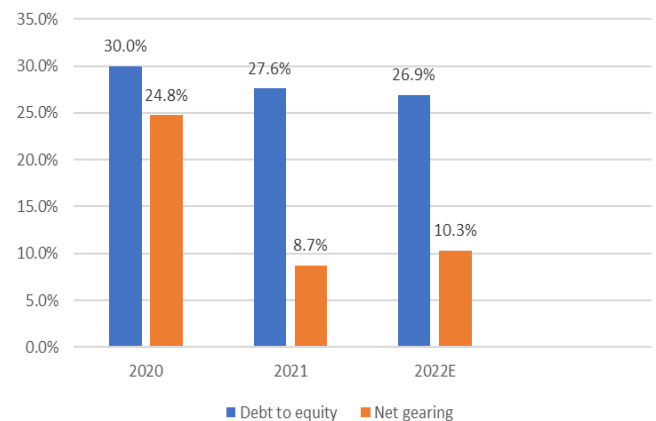


Exhibit 4. Leverage metrics
Source: Companies, KB Valbury Securities

Astra Agro Lestari (AALI)

FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenue	18,807	24,322	24,688	22,678	21,169
Cost of revenue	(15,844)	(19,492)	(20,692)	(18,707)	(18,130)
Gross profit	2,963	4,830	3,996	3,970	3,039
Gross profit margin	15.8%	19.9%	16.2%	17.5%	14.4%
Operating expenses	(1,121)	(1,400)	(1,341)	(1,446)	(1,313)
Operating profit	1,842	3,430	2,656	2,524	1,726
Operating profit margin	9.8%	14.1%	10.8%	11.1%	8.2%
EBITDA	2,738	4,310	3,519	3,344	2,500
EBITDA margin	14.6%	17.7%	14.3%	14.7%	11.8%
Net. other income/ expenses	(380)	(516)	143	23	(258)
Pretax profit	1,463	2,913	2,799	2,547	1,468
Income tax	(569)	(846)	(784)	(713)	(411)
After tax profit	833	1,971	1,915	1,742	1,004
Net profit margin	4.4%	8.1%	7.8%	7.7%	4.7%

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	979	3,896	3,673	8,386	4,178
Trade receivables	766	458	539	603	463
Inventories	2,166	3,023	4,112	1,233	3,947
Other current assets	2,028	2,037	2,450	2,498	2,627
Total current assets	5,938	9,414	10,774	12,720	11,216
Non-current assets					
Fixed assets	9,242	9,172	8,989	8,270	8,022
Bearer plants, mature plantation	5,462	5,500	5,538	5,577	5,616
Other non-current assets	7,139	6,314	6,476	6,710	6,893
Total non-current assets	21,843	20,986	21,003	20,557	20,531
Total assets	27,781	30,400	31,776	33,277	31,746
Current liabilities					
Trade payables	770	1,027	886	807	697
Taxes payables	223	576	288	317	412
Accruals	165	132	409	123	141
Bank loans	0	3,564	3,743	3,818	1,909
Other current liabilities	635	661	496	527	530
Total current liabilities	1,793	5,960	5,821	5,591	3,689
Non-current liabilities					
Bank loans	5,624	2,132	2,217	2,661	2,262
Other non-current liabilities	1,117	1,136	1,059	1,039	1,057
Total non-current liabilities	6,741	3,268	3,276	3,700	3,319
Shareholders' equity	19,248	21,171	22,679	23,986	24,739
Total liabilities and equity	27,781	30,400	31,776	33,277	31,746

Source: Company, KB Valbury Sekuritas

Astra Agro Lestari (AALI)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	828	1,997	1,915	1,742	1,004
Depreciation & amortization	896	880	863	820	774
Changes in working capital	(495)	44	(1,900)	2,462	(2,697)
CF from operating activities	1,230	2,921	877	5,024	(919)
Investment in fixed assets	(297)	(810)	(679)	(101)	(526)
Others	59	788	(201)	(273)	(222)
CF from investing activities	(237)	(22)	(880)	(373)	(748)
Dividends paid	(175)	(491)	(632)	(435)	(251)
Debts raised/repaid	(62)	72	264	518	(2,308)
Others	(160)	437	148	(20)	18
CF from financing activities	(397)	18	(221)	63	(2,541)
Free cash flows	596	2,917	(223)	4,713	(4,208)
Cash and cash equivalents, beginning	383	979	3,896	3,673	8,386
Cash and cash equivalents, ending	979	3,896	3,673	8,386	4,178

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin	15.8%	19.9%	16.2%	17.5%	14.4%
Operating profit margin	9.8%	14.1%	10.8%	11.1%	8.2%
EBITDA margin	14.6%	17.7%	14.3%	14.7%	11.8%
Net profit margin	4.4%	8.1%	7.8%	7.7%	4.7%
Receivables turnover (x)	11.01	9.18	7.37	9.19	9.19
Inventory turnover (x)	7.7	7.5	5.8	7.0	7.0
Payable turnover (x)	19.6	20.7	20.5	25.5	20.5
ROAA	3.0%	6.8%	6.2%	5.4%	3.1%
ROAE	4.5%	10.0%	9.0%	7.6%	4.2%
ROIC	0.0	0.1	0.1	0.1	0.0
Debt/ Equity	0.3	0.3	0.3	0.3	0.2
Net debt/Equity (x)	0.2	0.1	0.1	(0.1)	(0.0)
Net debt/ EBITDA (x)	1.7	0.4	0.7	(0.6)	(0.0)
Sales/asset turnover (x)	0.7	0.8	0.8	0.7	0.7
Dividend per share (Rp)	91.0	255.0	328.3	226.3	130.5
Dividend yield per share (Rp)	0.8%	2.3%	2.9%	2.0%	1.2%
EPS (Rp)	432.8	1,024.3	994.8	905.1	521.8

Source: Company, KB Valbury Sekuritas

Astra Agro Lestari (AALI)

Disclaimer

This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will be related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.

KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav 1-2
Jakarta 12950, Indonesia
T +62 21 255 33 600
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading
Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah
Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit
Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung
Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang
Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta
Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6231111
F +62 274 - 6232222

Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Surabaya
Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 2955777
T +62 31 - 2955788
F +62 31 - 2955716

Denpasar
Komplek Biss Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 255888
T +62 361 - 225229
F +62 361 - 225339

Benjarmasin
Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Solo
Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Makassar
Ratulangi Points Lt. 3
Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso
Makassar, Sulawesi Selatan 90125
T +62 411 8955999

Malang
Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 Jl. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Medan
Komplek Jati Junction No. PS-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru
Jl. Tuanku Tambusai
Komplek CNN Blok A No.3 Pekanbaru 28291
T +62 761 - 839393
Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 Jl. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541