



22 June 2023  
Plantation, Equity

Price IDR 7600  
Target Price IDR 10245  
JKSE Index 6698.235

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## BUY Investment Consideration

### 1Q23 CPO production -14%

In the first quarter of 2023, AALI produced 268,000 tons of CPO, a 6.2% decrease compared to the same period last year. This decline was accompanied by a 5.30% year-on-year decrease in FFB processed, which can be attributed to a prolonged dry season in 2019. Kernel production also decreased by 13%, from 63,000 tons in 1Q22 to 55,000 tons in 1Q23. For 2023, our production forecast targets a conservative 3% year-on-year growth due to the mature age of the plant, but increasing yields seen over the past decade. It is anticipated that AALI's production growth in 2023 will mainly come from third-party fruit purchases and Plasma Plantations, with a slight increase from nucleus plantation yield optimization. Based on the 1Q23 results, the adjusted targets for FFB and CPO production in 2023 are 4.4 million tons and 1.36 million tons, respectively.

### Maintain a double-digit EBITDA margin

As of 1Q23, AALI experienced a 27.7% year-on-year decrease in revenue, amounting to IDR 4.8 trillion. This decline aligns with the 19.3% year-on-year decrease in the average CPO price and the 53.1% year-on-year decrease in the average Kernel price during 1Q23. The decrease in sales led to a 54% year-on-year fall in net profit attributable to shareholders in 1Q23, which amounted to IDR 225 billion. It is estimated that net profit in 2023-2024F will reach IDR 1.64 trillion and IDR 1.48 trillion, respectively, compared to IDR 1.73 trillion in 2022FY, as the CPO price is expected to be lower than in 2022 due to improved rainfall and higher industry output. Despite lower revenue and net profit, AALI aims to maintain an average EBITDA margin of 16% during 2023-2024F, compared to 18.6% in 2022FY.

### Valuation: 35% upside

Based on the 1Q23 results, the adjusted target price (TP) for AALI within one year is IDR 10,245, which represents an EV/EBITDA ratio of 5.25x and an EV/ha ratio of 3,086 USD/Ha, or trading at 13.32x PER. With a projected 35% upside, our recommendation to BUY is maintained.

Stock Code AALI J  
Bloomberg code AALI J  
Market cap (IDR.bn) 14630  
52-Week High (IDR) 10075  
52-Week Low (IDR) 7050  
Avg Daily. Val (IDR) 10340  
Free Float (%) 7575

Major Shareholders (%)  
PT Astra International 79.68%  
Public 20.32%

USD/IDR-YE  
2022A 15573  
2023F 14982

Key Indicators 2024F  
DER (x) 0.08  
Debt ratio (x) 0.24  
EBITDA Margin (%) 15.0

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Financial Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
<b>Profitability</b>						
Operating Margin (%)	5.5%	9.8%	14.1%	10.8%	12.6%	11.3%
EBITDA margin (%)	11.1%	14.8%	17.2%	18.6%	16.6%	14.9%
NET Profit margin (%)	1.2%	4.4%	8.1%	7.9%	7.6%	6.6%
ROE (%)	1.1%	4.4%	9.6%	8.0%	7.1%	6.0%
ROA (%)	0.8%	3.0%	6.5%	5.9%	5.1%	4.4%
<b>Stability</b>						
Debt/ Equity (x)	0.31	0.30	0.10	0.19	0.08	0.08
Current ratio	2.85	3.31	1.58	3.60	2.10	2.02
Debt Ratio (x)	0.30	0.31	0.30	0.24	0.25	0.24

## Company Profile

PT Astra Agro Lestari Tbk (AALI) was established in 1988 as a company engaged in palm oil production and various other business activities. AALI is a subsidiary of PT Astra International Tbk ("ASII"), one of the largest business groups in Indonesia. AALI is a publicly traded company on the Indonesia Stock Exchange (IDX), with 76.68% of the shares owned by Astra and the remaining 20.32% owned by the public. The Company manages a total planted area of 287,604 hectares of oil palm plantations across Sumatra, Kalimantan, and Sulawesi. Within this area, 215,375 hectares are Nucleus plantations, and 72,229 hectares are Plasma plantations. AALI expanded its operations into the downstream industry by establishing CPO and PKO refinery plants in West Sulawesi Province through its subsidiaries, PT Tanjung Sarana Lestari and PT Tanjung Bina Lestari. The Company also has a marketing office in Singapore under the name of Astra-KLK Pte. Ltd which is a joint venture between the Company and Kuala Lumpur Kepong Plantation Holdings Sdn, Bhd. In addition, the Company expanded its business line by setting up two Fertilizer Blending Plants producing NPK. The NPK Fertilizer Blending Plants are operated by PT Cipta Agro Nusantara in Central Sulawesi, established in 2016, and PT Bhadra Cemerlang in Central Kalimantan, established in 2017. Both are the Company's subsidiaries.

## Company Structure

I. As of 1Q23

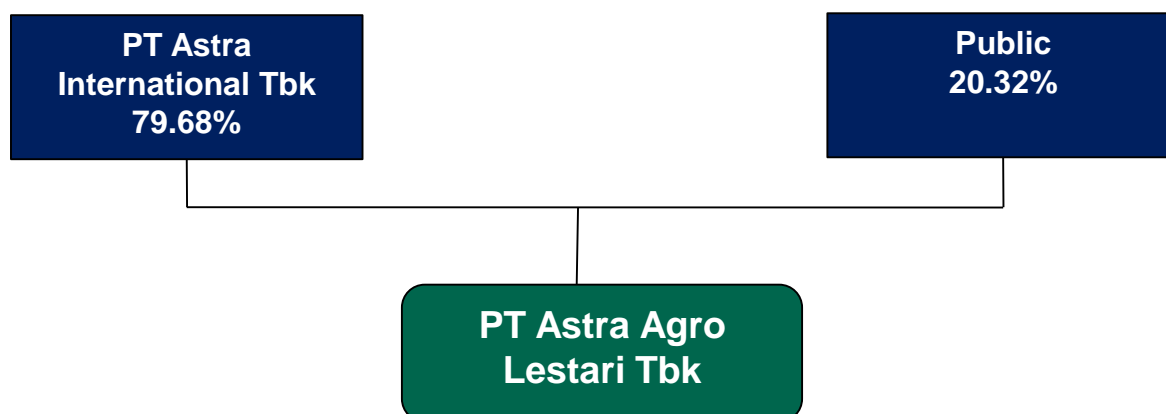


Chart: FFB vs CPO production yoy (in mn tons)

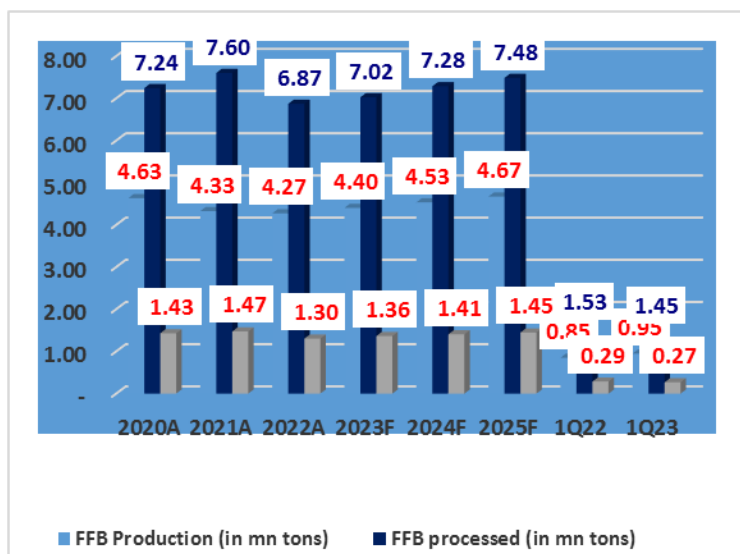


Chart: cash cost/ha (IDR.000) yoy

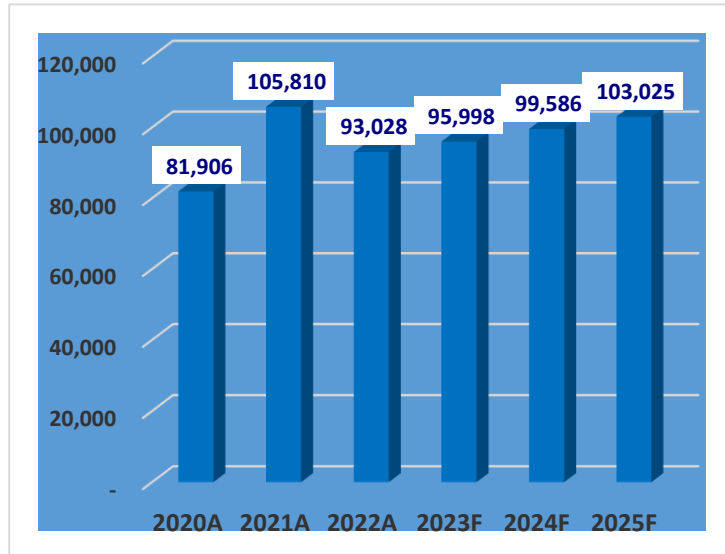


Chart: AALI's mature vs immature planted area (ha) yoy

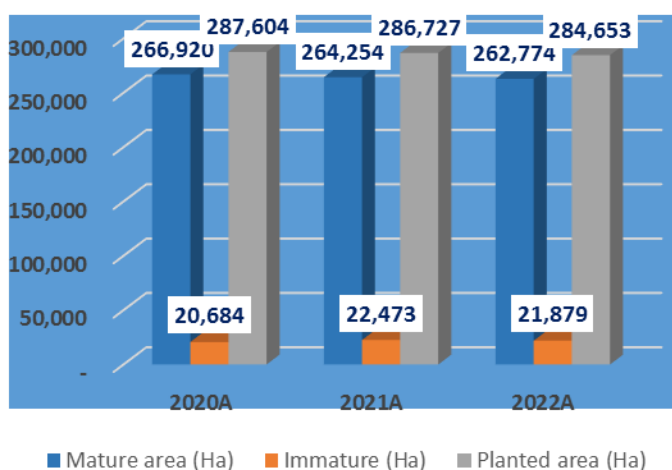


Chart: CPO extraction rate vs PK extraction rate (%) yoy

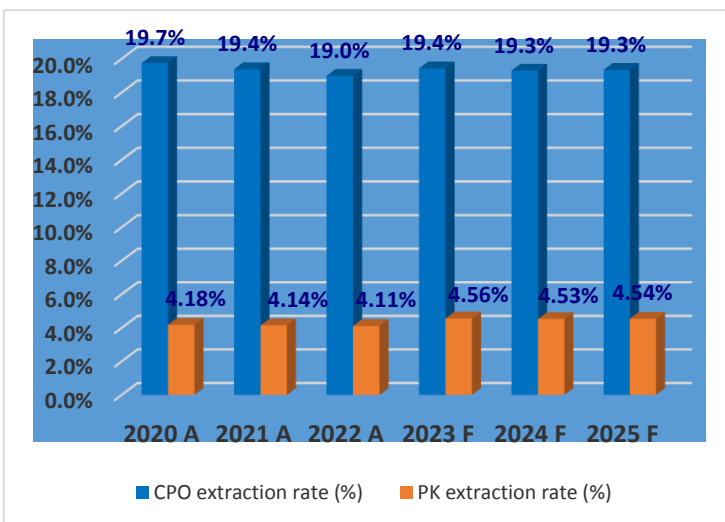
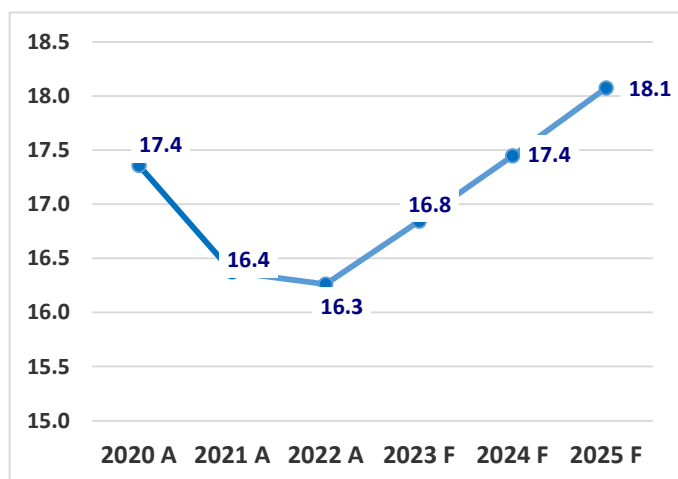


Chart: FFB yield/ha yoy



Balance Sheet

Balance Sheet (IDR.bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Cash and cash equivalent	383	979	3,896	1,620	4,001	3,825	3,788
Trade Account Receivable	369	766	458	849	867	894	921
inventory	1,974	2,166	3,023	3,274	3,686	3,465	3,570
Other current asset	1,746	2,028	2,037	1,649	2,087	2,064	2,193
<b>Current Asset</b>	<b>4,472</b>	<b>5,938</b>	<b>9,414</b>	<b>7,391</b>	<b>10,641</b>	<b>10,248</b>	<b>10,472</b>
Fixed Asset	9,842	9,242	9,172	9,105	8,769	10,714	11,893
other long term asset	12,660	12,601	11,813	12,754	12,576	12,510	12,889
<b>Total non current Asset</b>	<b>22,502</b>	<b>21,843</b>	<b>20,986</b>	<b>21,859</b>	<b>21,345</b>	<b>23,224</b>	<b>24,782</b>
<b>Total Asset</b>	<b>26,974</b>	<b>27,781</b>	<b>30,400</b>	<b>29,249</b>	<b>31,986</b>	<b>33,472</b>	<b>35,253</b>
Trade Account Payable	827	770	1,027	1,224	1,474	1,519	1,565
Short Term bank loans	150	0	0	0	0	0	0
advances from customer	89	81	368	330	328	338	348
Other short term liabilities	501	941	1,001	493	892	919	947
current maturities of long term			3,564	5	2,602	2,457	2,532
<b>Total current liabilities</b>	<b>1,567</b>	<b>1,793</b>	<b>5,960</b>	<b>2,053</b>	<b>5,297</b>	<b>5,234</b>	<b>5,392</b>
Long term liabilities	5,535	5,624	2,132	4,049	1,901	1,958	2,017
Other Long term liabilities	893	1,117	1,136	904	1,013	1,044	1,075
<b>Total long term/ non current liabilities</b>	<b>6,429</b>	<b>6,741</b>	<b>3,268</b>	<b>4,953</b>	<b>2,914</b>	<b>3,002</b>	<b>3,093</b>
<b>Total Liabilities</b>	<b>7,996</b>	<b>8,533</b>	<b>9,229</b>	<b>7,006</b>	<b>8,210</b>	<b>8,236</b>	<b>8,485</b>
non controlling interest	457	495	552	559	499	529	561
<b>Total Equities</b>	<b>18,521</b>	<b>18,752</b>	<b>20,619</b>	<b>21,684</b>	<b>23,276</b>	<b>24,707</b>	<b>26,207</b>
<b>Total Liabilities &amp; Equity</b>	<b>26,974</b>	<b>27,781</b>	<b>30,400</b>	<b>29,249</b>	<b>31,986</b>	<b>33,472</b>	<b>35,253</b>

**Cash Flow**

Cash Flow (IDR.bn)	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	211	833	1,972	1,727	1,642	1,481	1,550
Depreciation	921	896	880	875	957	1,263	1,296
- Change in WC	(1,147)	(645)	3,609	(4,160)	2,375	154	(102)
<b>Cash From Operating Activities</b>	<b>(15)</b>	<b>1,085</b>	<b>6,460</b>	<b>(1,559)</b>	<b>4,974</b>	<b>2,898</b>	<b>2,743</b>
Net fixed asset	(543)	(297)	(810)	(808)	(621)	(3,208)	(2,475)
other long term asset	(523)	59	788	(940)	178	66	(379)
<b>cash from investing activities</b>	<b>(1,066)</b>	<b>(237)</b>	<b>(22)</b>	<b>(1,748)</b>	<b>(443)</b>	<b>(3,142)</b>	<b>(2,854)</b>
Long term liabilities	1,929	88	(3,492)	1,917	(2,148)	58	59
Other Long term liabilities	194	224	19	(232)	109	31	32
equity	(707)	(564)	(48)	(655)	(110)	(20)	(18)
<b>cash from financing activities</b>	<b>1,416</b>	<b>(252)</b>	<b>(3,521)</b>	<b>1,030</b>	<b>(2,150)</b>	<b>68</b>	<b>73</b>
Net Changes in Cash	334	596	2,917	(2,276)	2,381	(176)	(37)
<b>Beginning Balance</b>	<b>49</b>	<b>383</b>	<b>979</b>	<b>3896</b>	<b>1620</b>	<b>4001</b>	<b>3825</b>
<b>Ending balance</b>	<b>383</b>	<b>979</b>	<b>3,896</b>	<b>1,620</b>	<b>4,001</b>	<b>3,825</b>	<b>3,788</b>

**Ratio Financial Highlights**

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Growth (% YoY)</b>							
Net Revenue	-9%	8%	29%	-10%	-1%	3%	3%
OP	-59%	92%	86%	-31%	15%	-8%	4%
EBITDA	-42%	44%	51%	-3%	-11%	-7%	36%
NP	-85%	295%	137%	-12%	-5%	-10%	5%
EPS	-85%	295%	137%	-12%	-5%	-10%	5%
<b>Profitability</b>							
Operating Margin(%)	5.5%	9.8%	14.1%	10.8%	12.6%	11.3%	11.4%
EBITDA margin(%)	11.1%	14.8%	17.2%	18.6%	16.6%	14.9%	19.7%
NET Profit margin(%)	1.2%	4.4%	8.1%	7.9%	7.6%	6.6%	6.7%
ROE (%)	1.1%	4.4%	9.6%	8.0%	7.1%	6.0%	0.0%
ROA (%)	0.8%	3.0%	6.5%	5.9%	5.1%	4.4%	0.0%
<b>Stability</b>							
Debt/ Equity (x)	0.31	0.30	0.10	0.19	0.08	0.08	0.08
Current ratio	2.85	3.31	1.58	3.60	2.01	1.96	1.94
Debt Ratio (x)	0.30	0.31	0.30	0.24	0.26	0.25	0.24
<b>Per Share data (Rp)</b>							
EPS	109.69	432.84	1,024.44	897.08	853.34	769.36	805.07
BVS	9,622.9	9,743.1	10,713.0	11,266.3	12,093.6	12,837.0	13,616.1

## Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
net sales	19,084	17,453	18,807	24,322	21,829	21,682	22,339	23,016
Cost of Sales	(15,545)	(15,308)	(15,844)	(19,492)	(18,006)	(17,548)	(18,367)	(18,889)
Gross Profit	3,540	2,145	2,963	4,830	3,822	4,135	3,972	4,127
Operating expense	(1,214)	(1,184)	(1,121)	(1,400)	(1,462)	(1,409)	(1,452)	(1,496)
Operating Profit	2,326	960	1,842	3,430	2,360	2,725	2,520	2,631
Other income	(119)	(299)	(380)	(516)	69	(434)	(447)	(460)
Pretax income(PBT)	2,207	661	1,463	2,913	2,429	2,292	2,073	2,171
taxes	(686)	(417)	(569)	(846)	(637)	(573)	(518)	(543)
Minority interest	(82)	(33)	(61)	(96)	(65)	(76)	(74)	(79)
EPS	747	110	433	1,024	897	853	769	805
Net Profit	1,439	211	833	1,972	1,727	1,642	1,481	1,550
EBITDA	3,335	1,932	2,777	4,188	4,053	3,600	3,336	4,543

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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