



12 July 2023
Plantation, Equity

BUY

Investment Consideration

Flat CPO production in 1Q23

In 1Q23, SIMP produced 144,000 tons of CPO, a modest increase of +1.4% compared to the same period last year. Total FFB production remained flat year-on-year at 752,000 tons, with higher purchases of FFB externally and lower FFB nucleus production. During this period, total sales volume of CPO increased by 48% YoY to 151,000 tons, and palm kernel production also saw a 29% YoY increase. Our adjusted targets for total FFB and CPO production in 2023 are 3.928 million tons and 773 thousand tons, respectively. Despite unfavorable weather conditions, we expect production in 2023 to show single-digit growth.

Double-digit EBITDA growth

Following the flat production growth in 1Q23, SIMP experienced a -49% decrease in net core profit for the period, amounting to IDR 150.3 billion. There was a slight increase of 0.25% YoY in total revenue in 1Q23, primarily due to higher sales volumes of palm products and edible oils & fats, but this growth was offset by lower average selling prices. EBITDA for the group in 1Q23 was IDR 731 billion, down -36% YoY. Despite the slower revenue growth, the EBITDA margin during 1Q23 remained high at 17%. We anticipate EBITDA margins to remain higher than 2021A, reaching 22% and 23% in 2023-2024F, respectively, in line with higher palm product prices projected during 2023F-2024F.

Valuation: significant upside

Based on the 1Q23 results, we have adjusted our one-year target price (TP) estimation to IDR 1,120, which corresponds to an EV/EBITDA of 2.96x an EV/ha of USD 3332/ha, and a 15.7x PER. Considering the significant upside potential, we recommend a BUY.

Financial highlights ratio	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
NP growth	613%	-143%	320%	22%	-23%	19%	10%
EBITDA margin(%)	17.1%	20.9%	21.3%	23.7%	21.9%	22.6%	22.4%
NET Profit margin(%)	-4.0%	1.6%	5.0%	6.7%	5.6%	6.1%	6.1%
Debt/ equity (x)	0.59	0.57	0.49	0.40	0.44	0.45	0.46
current ratio (x)	0.77	0.88	1.04	1.10	1.15	1.13	1.10

Price IDR 442
Target Price IDR 1120
JKSE Index 6799.68



Stock Code SIMPI IJ
Bloomberg code 6700
Market cap (IDR.bn) 480
52-Week High (IDR) 362
52-Week Low (IDR) 364
Avg Daily. Val (IDR) 19.86
Free Float (%) 19.86

Major Shareholders (%)
IFAR, Singapore 73.46%
PT Indofood Sukses Makmur, Tbk 6.68%
Public 19.86%

USD/IDR-YE
2022A 15592
2023F 15000

Key Indicators 2023F
DER (x) 0.47
Debt ratio (x) 0.27
EBITDA Margin (%) 24.5

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Company Profile

Established in 1992, PT Salim Ivomas Pratama Tbk became part of the Indofood group by 1997. In 2011, SIMP listed on the IDX. Together with its subsidiaries, PT Salim Ivomas Pratama Tbk operates as an integrated producer of edible oils and fats in various countries, including Indonesia, China, Singapore, Nigeria, Timor Leste, the Philippines, Germany, Myanmar, and others. The company operates in two segments: Plantations and Edible Oils and Fats. The Plantations segment is primarily involved in the development and maintenance of oil palm, rubber, sugar cane, and timber plantations, as well as the processing, marketing, and selling of finished goods and related products. This segment also includes the development and maintenance of cocoa, coconut, agroforestry, and tea plantations. The Edible Oil and Fats segment produces, markets, and sells edible oils, margarines, shortening, fats, and other related products. Additionally, the company invests in agricultural technology and cultivation. PT Salim Ivomas Pratama Tbk offers its products under various brand names, including Bimoli, Bimoli Spesial, Delima, Happy, Palmia, Amanda, Simas, Royal Palmia, and Malinda.

Company Structure

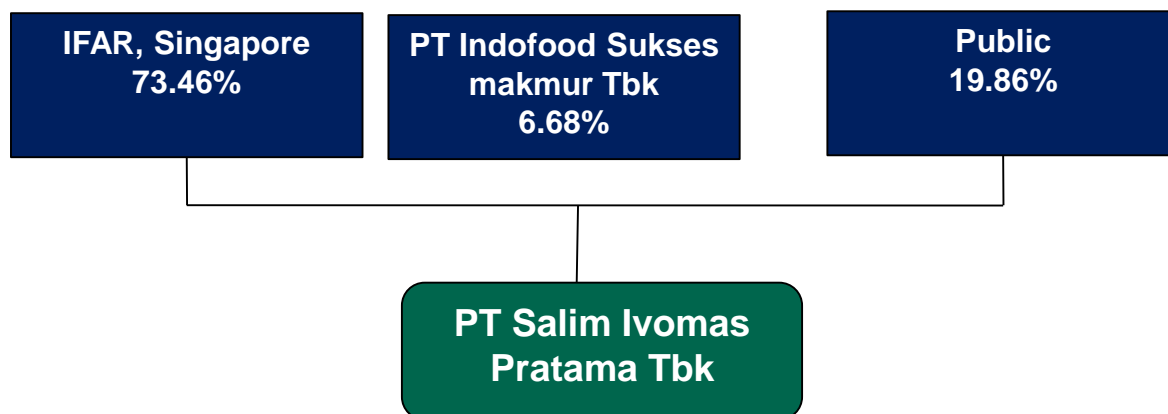


Chart: FFB vs CPO production yoy (in '000 tons)

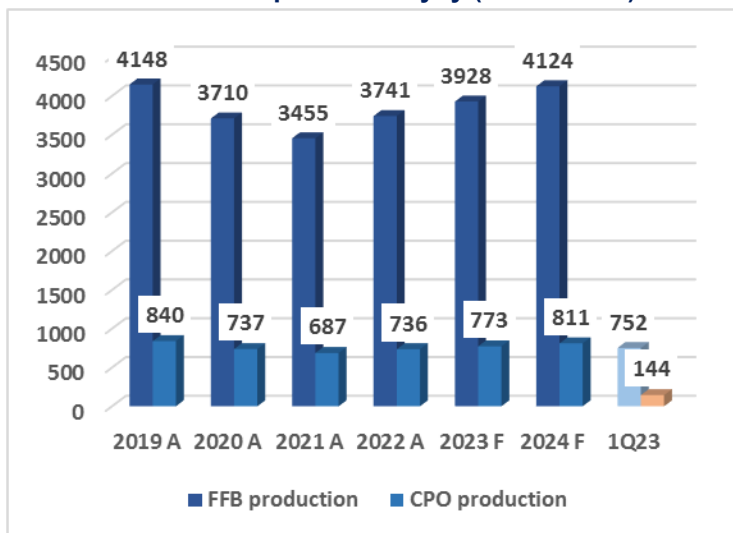


Chart: SIMP's planted area (ha) yoy

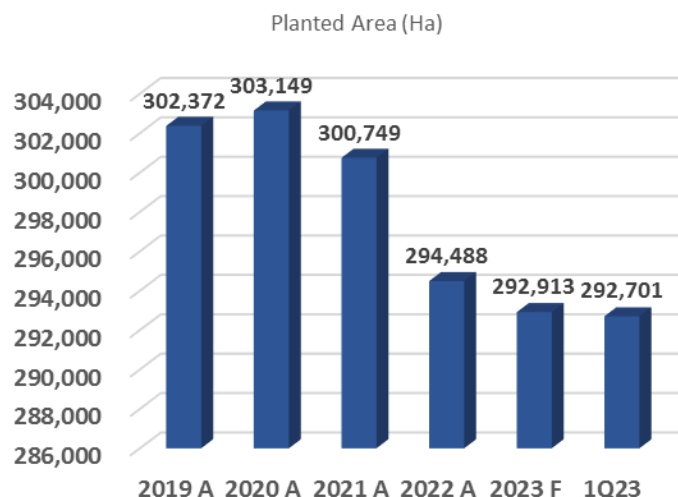


Chart: SIMP's Palm Nuclues vs plasma planted area (ha) yoy

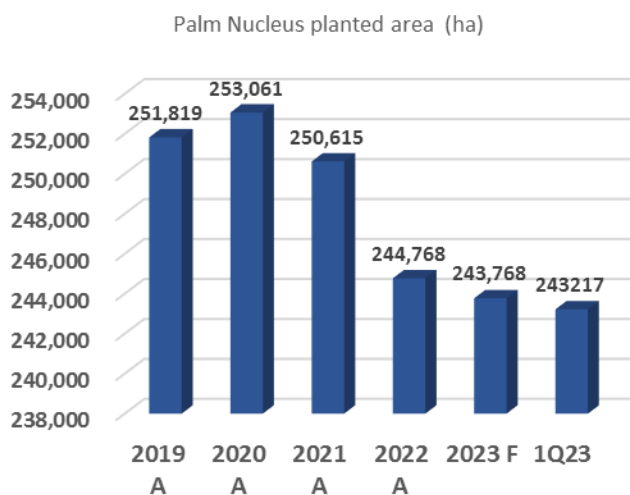
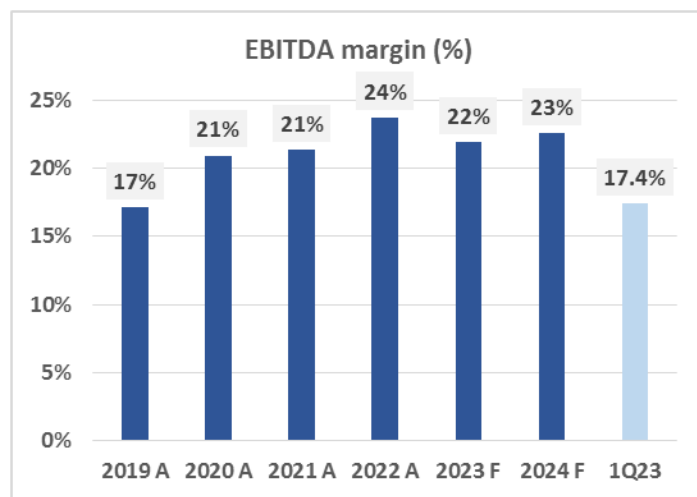


Chart: SIMP's EBITDA margin (%) YoY



Profit and Loss

Profit and Loss (IDR.bn)	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
Revenue	13,650	14,475	19,659	17,794	16,420	18,032	19,813
COGS	(11,565)	(11,470)	(14,508)	(13,145)	(12,122)	(13,163)	(14,464)
Gross Profit	2,086	3,005	5,151	4,649	4,298	4,869	5,350
Operating expense	(1,447)	(1,233)	(2,238)	(1,729)	(1,677)	(1,842)	(2,024)
Operating Profit	639	1,772	2,913	2,920	2,620	3,027	3,326
Other income	(836)	(754)	(635)	(523)	(531)	(583)	(640)
Pretax income(PBT)	(197)	1,018	2,278	2,397	2,090	2,444	2,685
taxes	(445)	(677)	(944)	(887)	(849)	(993)	(1,091)
Minority interest	96	(106)	(349)	(311)	(314)	(345)	(379)
EPS	(35)	15	64	77	60	71	78
Net Profit	(546)	234	984	1,198	926	1,106	1,215
EBITDA	2,334	3,030	4,197	4,224	3,597	4,071	4,444

Balance Sheet

Balance Sheet (Rp.bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Cash and cash equivalent	2,071	1,717	2,427	3,726	4,297	4,680	4,830	5,037
Trade Account Receivable	1,283	1,209	1,196	1,463	1,200	1,256	1,397	1,525
inventory	2,428	2,254	2,672	2,655	3,268	3,210	3,638	3,935
Other current asset	1,206	1,579	1,514	1,683	1,678	1,484	1,672	1,814
Current Asset	6,989	6,759	7,809	9,527	10,443	10,629	11,537	12,311
Fixed Asset	20,066	20,342	20,267	19,510	19,212	19,388	20,745	22,198
other long term asset	7,612	7,810	7,319	6,942	6,459	6,568	7,213	7,925
Total non current Asset	27,678	28,152	27,586	26,452	25,670	25,956	27,958	30,123
Total Asset	34,667	34,911	35,395	35,979	36,113	36,586	39,495	42,434
Trade Account Payable	882	892	785	755	792	680	766	827
Short Term bank loans	4,882	6,244	5,944	6,019	5,870	6,457	7,103	7,813
Other short term liabilities	1,023	1,170	1,652	1,800	1,975	1,596	1,804	1,954
current portion of long term bank loan	1,005	500	449	586	824	494	546	598
Total current liabilities	7,791	8,807	8,830	9,160	9,461	9,228	10,218	11,192
Long term bank loan	4,218	3,833	4,141	3,088	1,838	2,463	2,705	2,774
Due to related parties	1,653	1,660	1,582	1,563	1,461	1,327	1,469	1,608
Employee benefits liability	2,324	2,424	1,914	1,893	1,530	1,496	1,597	1,780
Deffered tax laibilities	361	370	379	440	493	411	476	509
Other Long term liabilities	32	35	60	50	163	83	103	97
Total long term/ non current liabilities	8,588	8,323	8,075	7,033	5,485	5,781	6,349	6,768
Total Liabilities	16,380	17,130	16,905	16,193	14,946	15,009	16,567	17,959
non controlling interest	3,423	3,296	3,557	4,118	4,335	3,541	3,786	4,117
Total Equities	14,863	14,485	14,933	15,668	16,832	18,036	19,142	20,357
Total Liabilities & Equity	34,667	34,911	35,395	35,979	36,113	36,586	39,495	42,434

Cash Flow

Cash Flow (IDR in bn)	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
+ Net Income	(546)	234	984	1,198	926	1,106	1,215
Depreciation	1,695	1,258	1,284	929	977	1,045	1,118
- Change in WC	891	(317)	(89)	(44)	(36)	232	407
Cash From Operating Activities	2,040	1,176	2,179	2,083	1,867	2,383	2,740
Capex	(1,971)	(1,183)	(527)	(630)	(1,153)	(2,402)	(2,570)
other long term asset	(198)	491	377	483	(109)	(645)	(712)
Cash From investing Activities	(2,170)	(692)	(149)	(147)	(1,263)	(3,047)	(3,283)
Long term bank loan	(386)	308	(1,053)	(1,250)	626	242	69
Due to related parties	8	(78)	(20)	(101)	(135)	142	139
Employee benefits liability	101	(511)	(21)	(363)	(34)	100	183
Deffered tax laibilities	9	9	61	53	(82)	64	34
Other Long term liabilities	3	24	(9)	113	(80)	19	(6)
equity	41	474	312	183	(517)	246	331
Cash From Financing Activities	(225)	227	(730)	(1,366)	(221)	814	750
Net Changes in Cash	(355)	710	1,299	570	383	150	207
Beginning Balance	2071	1717	2427	3726	4297	4680	4830
Ending balance	1,717	2,427	3,726	4,297	4,680	4,830	5,037

Ratio Financial Highlights

	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Revenue	-4%	6%	36%	-9%	-8%	10%	10%
OP	-34%	177%	64%	0%	-10%	15%	10%
EBITDA	4%	30%	38%	1%	-15%	13%	9%
NP	613%	-143%	320%	22%	-23%	19%	10%
EPS	613%	-143%	320%	22%	-23%	19%	10%
Profitability							
Operating Margin(%)	4.7%	12.2%	14.8%	16.4%	16.0%	16.8%	16.8%
EBITDA margin(%)	17.1%	20.9%	21.3%	23.7%	21.9%	22.6%	22.4%
NET Profit margin(%)	-4.0%	1.6%	5.0%	6.7%	5.6%	6.1%	6.1%
Stability							
Debt/ equity (x)	0.59	0.57	0.49	0.40	0.44	0.45	0.46
current ratio (x)	0.77	0.88	1.04	1.10	1.15	1.13	1.10
Debt Ratio (x)	0.30	0.30	0.27	0.24	0.26	0.26	0.26
Per Share data (Rp)							
EPS	(35.2)	15.1	63.5	77.3	59.8	71.3	78.4
BVS	1,147.1	1,192.8	1,276.4	1,365.5	1,391.9	1,479.1	1,578.9

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.

**RESEARCH TEAM
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