



**BUY**

### Investment Consideration

#### 9M22 CPO production -14%

As of 9M22, AALI produced 984,000 tons of CPO, a decrease of -14% compared to the same period last year. This decrease was accompanied by a decrease in FFB processed of -12.0% YoY because of a long dry season in 2019. For 2023 our production forecast conservatively targets growth of -3% YoY as the majority of plants are mature and yield has been increasing over the last 10 years. We believe, similar with last year, AALI production for 2023 will mostly come from 3rd party fruit purchases and Plasma Plantations with a slight increase from nucleus plantation yield optimization. We adjust our target for FFB and CPO production in 2023 to 3.9 mn tons and 1,21 mn tons respectively. We expect production in 2023 will remain affected by the long dry season in 2019 as it takes about four years for an oil palm tree to produce fruit which is large enough for processing.

#### Maintain double digit EBITDA margin

As of 9M22, AALI recorded a decrease in revenue by -8% YoY to IDR 16.5 trillion. The decrease in revenue was in line with the decrease in production of FFB and CPO, which was down by -6% and -14% YoY respectively. The net profit attributable to shareholders in 9M22 was IDR 1.22 trillion or -17.2% YoY. We estimate net profit in 2022-2023F will reach IDR 1.67 trillion and IDR 1.23 trillion respectively compared to IDR 1.97 trillion in 2021A as we believe the CPO price will be lower than 2021A due to better rainfall and a resulting higher industry output. Despite lower revenue and net profit, we maintain our EBITDA margin and double digit compound average growth of 16% during 2023-2024F compared to 16.9% in 2022F

#### Valuation: 35% upside

Based on the 9M22 result, We adjust our TP within one year to IDR 11,040, EV/EBITDA of 6.32x and EV/ha of 3.245 USD/Ha or trading at 18.2x PER. With 35% upside, we maintain our recommendation to BUY.

Financial Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
<b>Profitability</b>						
Operating Margin(%)	5.5%	9.8%	14.1%	10.7%	11.0%	10.3%
EBITDA margin(%)	11.1%	14.8%	17.2%	16.9%	16.8%	15.0%
NET Profit margin(%)	1.2%	4.4%	8.1%	7.6%	6.4%	5.9%
ROE (%)	1.1%	4.4%	9.6%	7.5%	5.3%	4.8%
ROA (%)	0.8%	3.0%	6.5%	5.4%	4.0%	3.7%
<b>Stability</b>						
Debt/ Equity (x)	0.31	0.30	0.10	0.09	0.07	0.07
Current ratio	2.85	3.31	1.58	2.17	2.48	2.24
Debt Ratio (x)	0.30	0.31	0.30	0.26	0.23	0.22

16 Feb 2023  
Plantation, Equity

Price IDR 8175  
Target Price IDR 11040  
JKSE Index 6893,11



**Stock Code**  
**Bloomberg code**  
**Market cap (IDR.bn)**  
**52-Week High (IDR)**  
**52-Week Low (IDR)**  
**Avg Daily. Val (IDR)**  
**Free Float (%)**

AALI J  
15730  
13400  
7800  
10340  
20.32

**Major Shareholders (%)**  
**PT Astra International**  
**Public**

79.68%  
20.32%

**USD/IDR-YE**  
**2021A**  
**2022F**

15592  
15140

**Key Indicators**  
**DER (x)**  
**Debt ratio (x)**  
**EBITDA Margin (%)**

2024F  
0.07  
0.22  
15.0

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## Company Profile

PT Astra Agro Lestari Tbk or AALI was established in 1988 as a company engaged in the palm oil and several other business activities. The Company is a subsidiary of PT Astra International Tbk (“ASII”), one of the largest business groups in Indonesia. The Company is a public company with shares registered and traded on the Indonesia Stock Exchange (IDX). Currently, 76.68% of the shares are owned by Astra, while the remaining 20.32% are owned by the public. The total planted area of Oil Palm Plantations managed by the Company is 287,604 hectares spread across Sumatra, Kalimantan and Sulawesi. Of this area, 215,375 hectares are Nucleus plantations and 72,229 hectares are Plasma plantations. The Company also expanded its business into the oil palm downstream industry by establishing a CPO refinery plant through its subsidiary, PT Tanjung Sarana Lestari in 2014 located in West Sulawesi Province. The Company established a Palm Kernel Oil (PKO) refinery through an additional subsidiary, PT Tanjung Bina Lestari in 2017 which is also located in West Sulawesi Province. 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 9M22

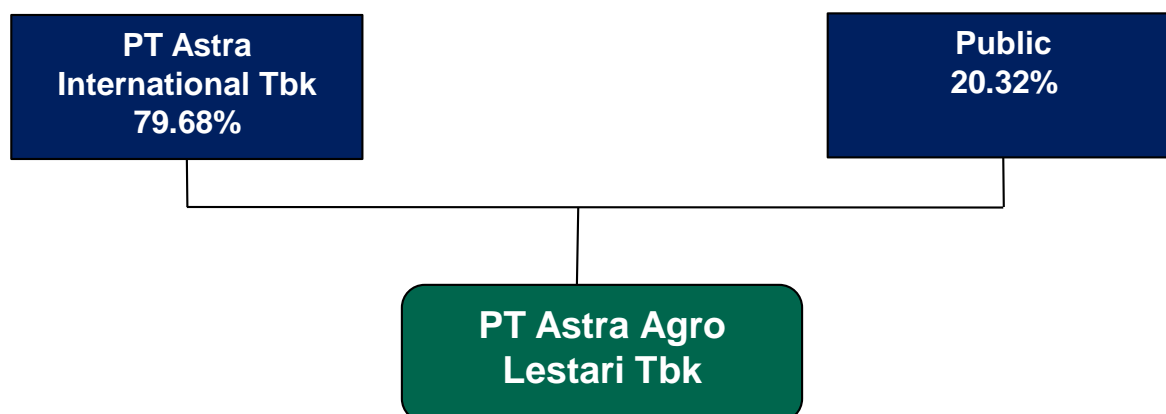


Chart: FFB vs CPO production yoy (in mn tons)

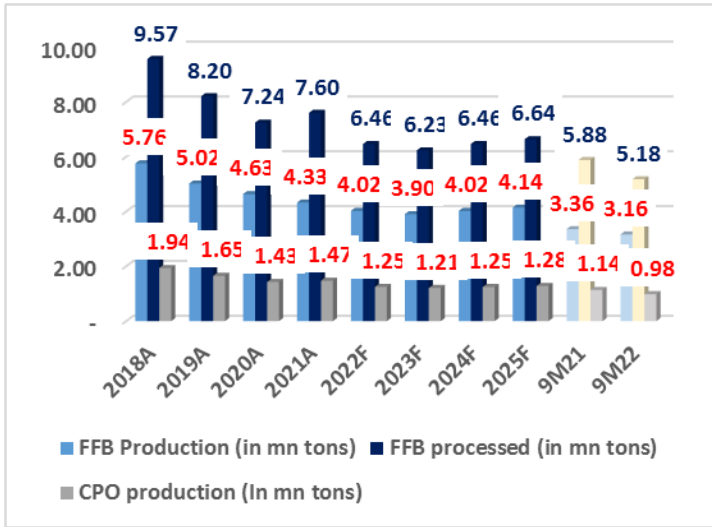


Chart: cash cost/ha (IDR.000) yoy

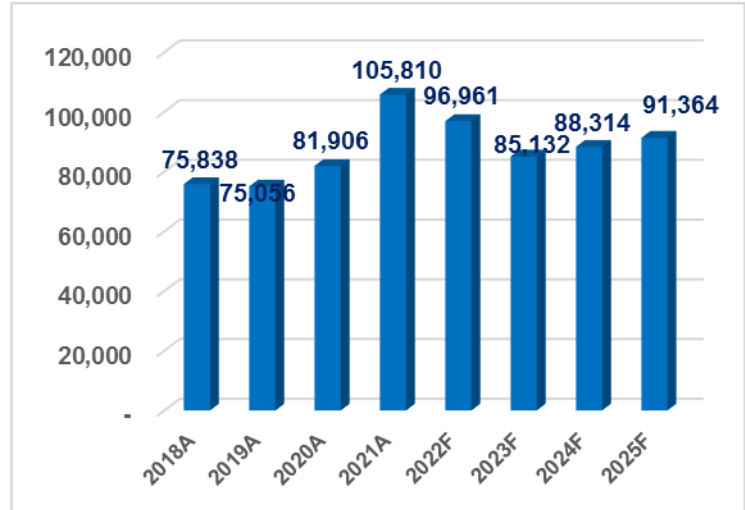


Chart: AALI's planted area (ha) yoy

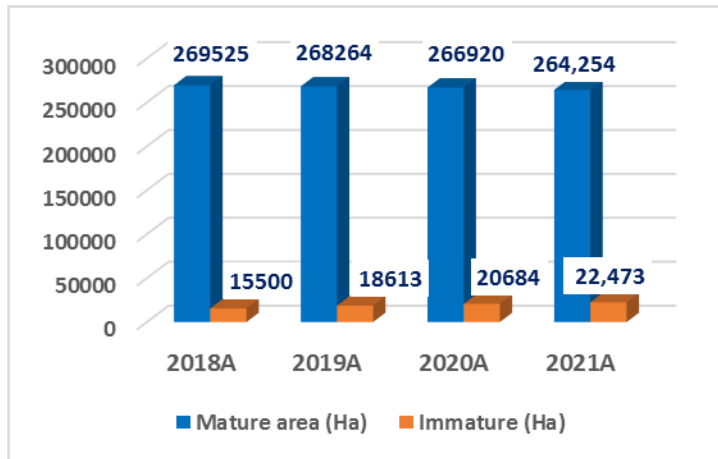


Chart: AALI's Nuclues vs plasma planted area (ha) yoy

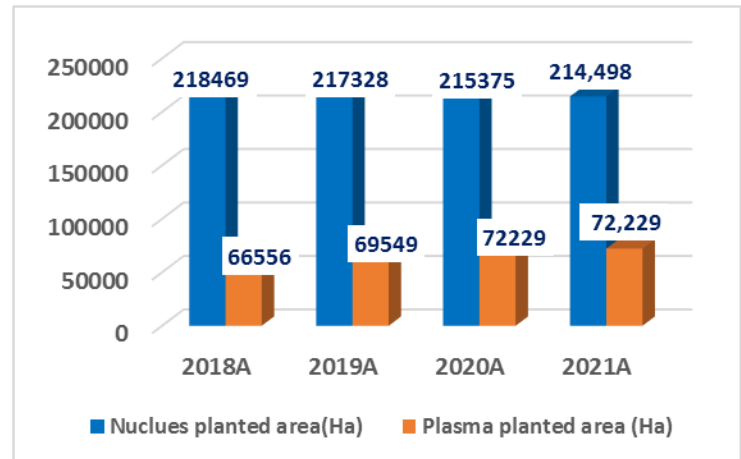


Chart: CPO extraction rate vs PK extraction rate (%) yoy

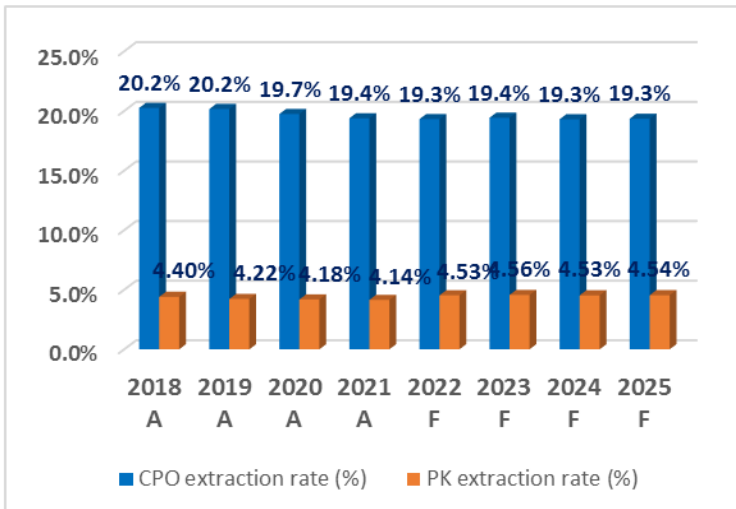
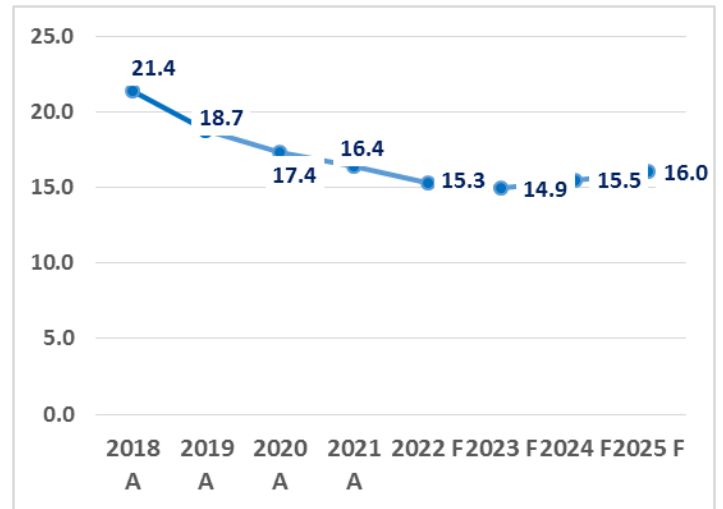


Chart: FFB yield/ha yoy



## Balance Sheet

Balance Sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
Cash and cash equivalent	49	383	979	3,896	4,840	5,530	4,211	3,895
Trade Account Receivable	617	369	766	458	884	769	792	816
inventory	2,368	1,974	2,166	3,023	3,098	2,769	2,901	2,930
Other current asset	1,467	1,746	2,028	2,037	2,147	1,851	1,830	1,945
<b>Current Asset</b>	<b>4,501</b>	<b>4,472</b>	<b>5,938</b>	<b>9,414</b>	<b>10,968</b>	<b>10,919</b>	<b>9,735</b>	<b>9,586</b>
Fixed Asset	10,219	9,842	9,242	9,172	8,936	9,174	11,209	12,442
other long term asset	12,137	12,660	12,601	11,813	10,823	10,768	11,094	11,430
<b>Total non current Asset</b>	<b>22,356</b>	<b>22,502</b>	<b>21,843</b>	<b>20,986</b>	<b>19,759</b>	<b>19,942</b>	<b>22,303</b>	<b>23,872</b>
<b>Total Asset</b>	<b>26,857</b>	<b>26,974</b>	<b>27,781</b>	<b>30,400</b>	<b>30,727</b>	<b>30,861</b>	<b>32,039</b>	<b>33,459</b>
Trade Account Payable	552	827	770	1,027	1,163	1,013	1,043	1,075
Short Term bank loans	1,125	150	0	0	0	0	0	0
advances from customer	698	89	81	368	334	291	300	309
Other short term liabilities	701	501	941	1,001	909	791	815	840
current maturities of long term				3,564	2,651	2,307	2,179	2,245
<b>Total current liabilities</b>	<b>3,077</b>	<b>1,567</b>	<b>1,793</b>	<b>5,960</b>	<b>5,057</b>	<b>4,403</b>	<b>4,338</b>	<b>4,469</b>
Long term liabilities	3,606	5,535	5,624	2,132	1,936	1,685	1,736	1,789
Other Long term liabilities	700	893	1,117	1,136	1,032	898	926	954
<b>Total long term/ non current liabilities</b>	<b>4,306</b>	<b>6,429</b>	<b>6,741</b>	<b>3,268</b>	<b>2,968</b>	<b>2,584</b>	<b>2,662</b>	<b>2,743</b>
<b>Total Liabilities</b>	<b>7,382</b>	<b>7,996</b>	<b>8,533</b>	<b>9,229</b>	<b>8,026</b>	<b>6,986</b>	<b>7,000</b>	<b>7,212</b>
non controlling interest	485	457	495	552	462	452	496	527
<b>Total Equities</b>	<b>18,990</b>	<b>18,521</b>	<b>18,752</b>	<b>20,619</b>	<b>22,240</b>	<b>23,423</b>	<b>24,543</b>	<b>25,719</b>
<b>Total Liabilities &amp; Equity</b>	<b>26,857</b>	<b>26,974</b>	<b>27,781</b>	<b>30,400</b>	<b>30,727</b>	<b>30,861</b>	<b>32,039</b>	<b>33,459</b>

## Cash Flow

Cash Flow (IDR.bn)	2019A	2020A	2021A	2022F	2023F	2024F	2025F
+ Net Income	211	833	1,972	1,671	1,233	1,170	1,227
Depreciation	921	896	880	1,053	1,180	1,321	1,356
- Change in WC	(1,147)	(645)	3,609	(1,513)	84	(200)	(36)
<b>Cash From Operating Activities</b>	<b>(15)</b>	<b>1,085</b>	<b>6,460</b>	<b>1,211</b>	<b>2,497</b>	<b>2,291</b>	<b>2,547</b>
Net fixed asset	(543)	(297)	(810)	(817)	(1,418)	(3,356)	(2,589)
other long term asset	(523)	59	788	990	56	(326)	(336)
<b>cash from investing activities</b>	<b>(1,066)</b>	<b>(237)</b>	<b>(22)</b>	<b>173</b>	<b>(1,362)</b>	<b>(3,682)</b>	<b>(2,925)</b>
Long term liabilities	1,929	88	(3,492)	(196)	(251)	51	53
Other Long term liabilities	194	224	19	(104)	(134)	27	28
equity	(707)	(564)	(48)	(140)	(60)	(5)	(19)
<b>cash from financing activities</b>	<b>1,416</b>	<b>(252)</b>	<b>(3,521)</b>	<b>(441)</b>	<b>(444)</b>	<b>73</b>	<b>62</b>
Net Changes in Cash	334	596	2,917	944	690	(1,319)	(317)
<b>Beginning Balance</b>	<b>49</b>	<b>383</b>	<b>979</b>	<b>3896</b>	<b>4840</b>	<b>5530</b>	<b>4211</b>
<b>Ending balance</b>	<b>383</b>	<b>979</b>	<b>3,896</b>	<b>4,840</b>	<b>5,530</b>	<b>4,211</b>	<b>3,895</b>

## Ratio Financial Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
<b>Growth (% YoY)</b>							
Net Revenue	-9%	8%	29%	-9%	-13%	3%	3%
OP	-59%	92%	86%	-31%	-10%	-4%	5%
EBITDA	-42%	44%	51%	-11%	-14%	-8%	40%
NP	-85%	295%	137%	-15%	-26%	-5%	5%
EPS	-85%	295%	137%	-15%	-26%	-5%	5%
<b>Profitability</b>							
Operating Margin(%)	5.5%	9.8%	14.1%	10.7%	11.0%	10.3%	10.5%
EBITDA margin(%)	11.1%	14.8%	17.2%	16.9%	16.8%	15.0%	20.4%
NET Profit margin(%)	1.2%	4.4%	8.1%	7.6%	6.4%	5.9%	6.0%
ROE (%)	1.1%	4.4%	9.6%	7.5%	5.3%	4.8%	0.0%
ROA (%)	0.8%	3.0%	6.5%	5.4%	4.0%	3.7%	0.0%
<b>Stability</b>							
Debt/ Equity (x)	0.31	0.30	0.10	0.09	0.07	0.07	0.07
Current ratio	2.85	3.31	1.58	2.17	2.48	2.24	2.14
Debt Ratio (x)	0.30	0.31	0.30	0.26	0.23	0.22	0.22
<b>Per Share data (Rp)</b>							
EPS	109.69	432.84	1,024.44	867.96	640.65	607.75	637.44
BVS	9,622.9	9,743.1	10,713.0	11,555.0	12,169.7	12,751.4	13,362.9

## Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
net sales	19,084	17,453	18,807	24,322	22,088	19,228	19,810	20,411
Cost of Sales	(15,545)	(15,308)	(15,844)	(19,492)	(18,397)	(15,859)	(16,480)	(16,947)
Gross Profit	3,540	2,145	2,963	4,830	3,691	3,369	3,331	3,464
Operating expense	(1,214)	(1,184)	(1,121)	(1,400)	(1,325)	(1,250)	(1,288)	(1,327)
Operating Profit	2,326	960	1,842	3,430	2,366	2,119	2,043	2,137
Other income	(119)	(299)	(380)	(516)	(47)	(385)	(396)	(408)
Pretax income(PBT)	2,207	661	1,463	2,913	2,319	1,734	1,647	1,729
taxes	(686)	(417)	(569)	(846)	(580)	(434)	(412)	(432)
Minority interest	(82)	(33)	(61)	(96)	(68)	(68)	(66)	(70)
EPS	747	110	433	1,024	868	641	608	637
Net Profit	1,439	211	833	1,972	1,671	1,233	1,170	1,227
EBITDA	3,335	1,932	2,777	4,188	3,730	3,226	2,968	4,161

**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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