



BUY

Investment Consideration

Slower 4M22 production

As of 4M2022, FFB and CPO production decreased -15.5% YoY and -16.9% YoY respectively driven by a long dry season in 2019. In addition to the weather low production is also the result of the Covid 19 pandemic which limited mobility and production in Plasma plantations. For 20222 we are targeting production growth of 5% YoY as the majority of plants are mature and yield has already increased over the last 10 years. AALI's planted area age was a high 15.8 years in 2021 compared to 15.5 years in 2020. As AALI targets to complete replanting of another 5,000 ha this year. nucleus area will decrease while the plasma area will increase. The increase in production this year will therefore mostly come from third party and Plasma Plantations with a slight increase from nucleus plantation yield optimization as digitalization has helped to overcome work and production constraints during the pandemic. We are targeting FFB and CPO production in 2022 of 4,54 mn tons and 1,41 mn tons respectively. We expect production in 2022 will now improve with more favorable weather.

Higher bottom line

In 1Q22 AALI revenue increased by 30.7% YoY from IDR 5,035 billion to IDR 6,581 billion. The increase in net revenue is in line with the rise in the selling price of CPO by 52.7% YoY, despite the weakness in production and sales volumes. As a result AALI was able to book a net profit of IDR 483 billion, up by 198% YoY. We estimate bottom line profit in 2022F will reach IDR 2.9 trillion compared to IDR. 1.97 trn in 2021A.

Valuation: 40% upside

We estimate a TP within one year of IDR. 13,000, EV/EBITDA at 6.29x and EV/ha of 4,151 USD/Ha or trading at 8.41x PER. With 40% upside, we recommend to BUY.

Financial Highlights	2019 A	2020 A	2021 A	2022 F	2023 F
Profitability					
Operating Margin(%)	5.5%	9.8%	14.1%	14.5%	10.2%
EBITDA margin(%)	11.1%	14.8%	17.5%	19.5%	14.9%
NET Profit margin(%)	1.2%	4.4%	8.1%	10.4%	5.8%
ROE (%)	1.1%	4.4%	9.6%	12.6%	5.4%
ROA (%)	0.8%	3.0%	6.5%	8.7%	4.0%
Stability					
Debt/ Equity (x)	0.31	0.30	0.10	0.11	0.08
Current ratio	2.85	3.31	1.58	1.85	2.35
Debt Ratio (x)	0.30	0.31	0.30	0.29	0.24

13 July 2022
Plantation, Equity

Price IDR 9275
Target Price IDR 13000
JKSE Index 6678.59



Stock Code AALI JI
Bloomberg code AALI JI
Market cap (IDR.bn) 18040
52-Week High (IDR) 13400
52-Week Low (IDR) 7275
Avg Daily. Val (IDR) 10340
Free Float (%) 20.32

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

USD/IDR-YE
2021A 14278
2022F 14988

Key Indicators
DER (x) 0.08
Debt ratio (x) 0.23
EBITDA Margin (%) 14.9

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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 groups of companies 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 1Q21

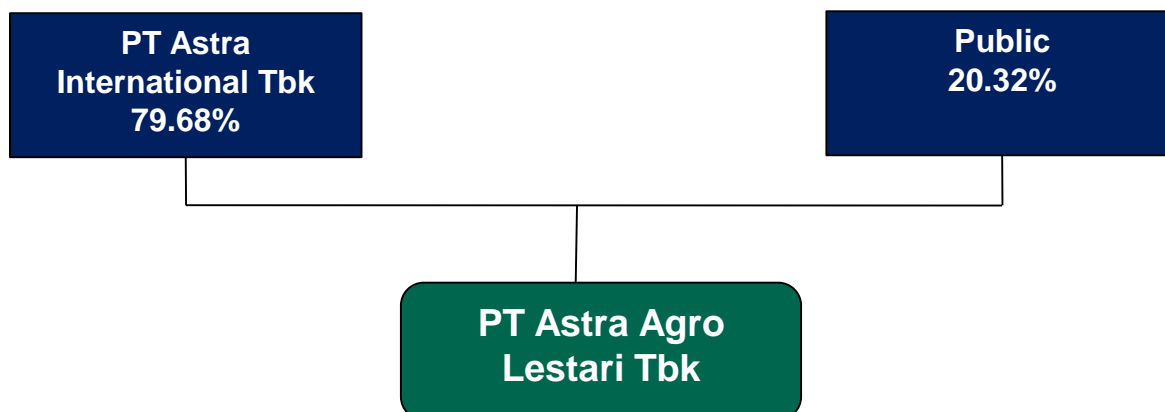


Chart: FFB vs CPO production yoy (in mn tons)

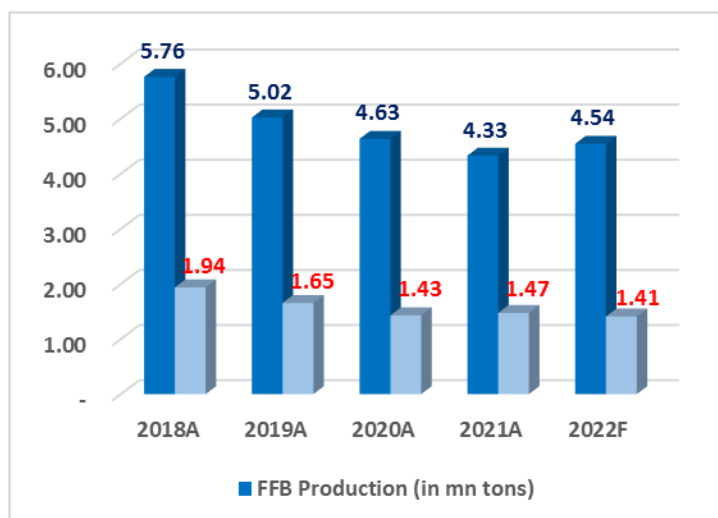


Chart: cash cost/ha (IDR.000) yoy

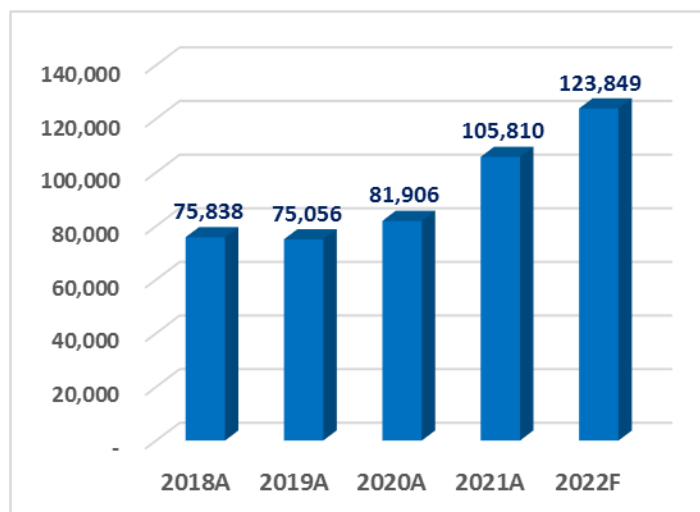


Chart: AALI's planted area (ha) yoy

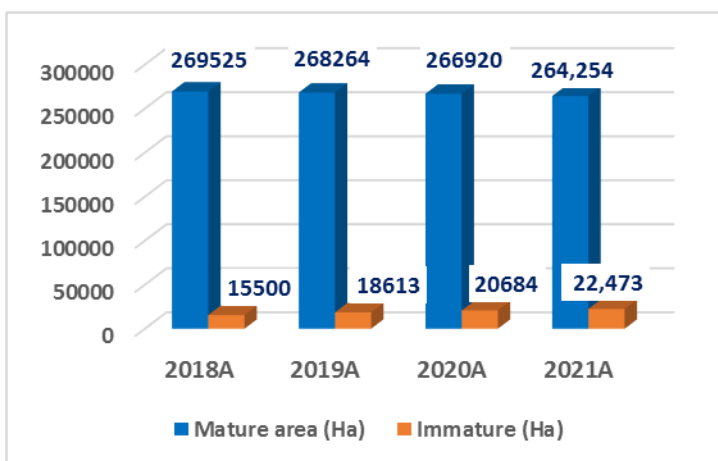


Chart: AALI's Nuclues vs plasma planted area (ha) yoy

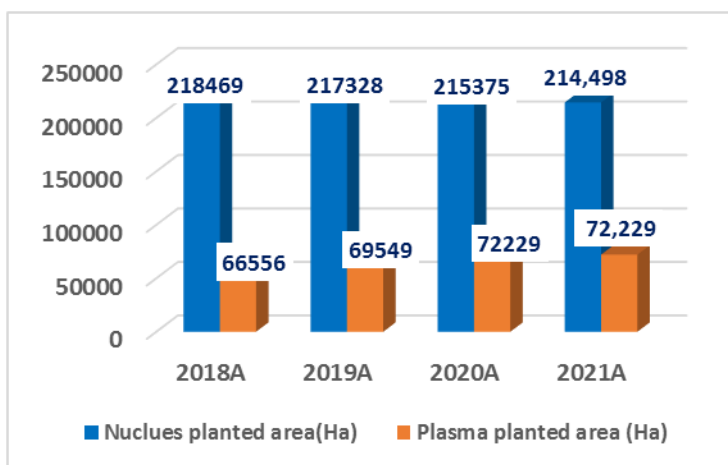


Chart: CPO extraction rate vs PK extraction rate (%) yoy

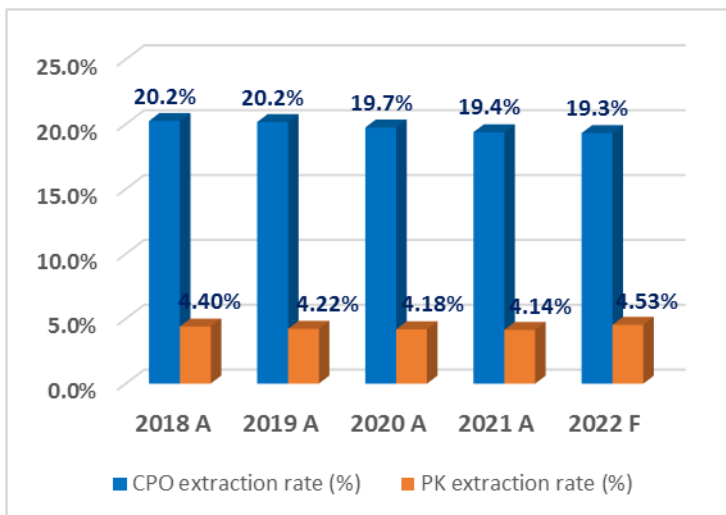
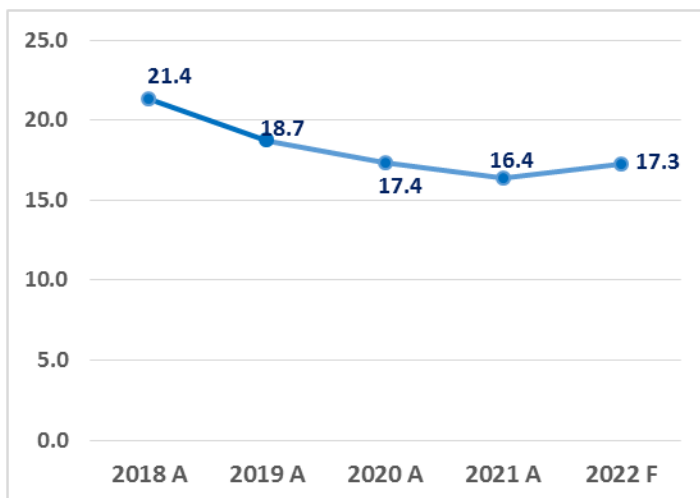


Chart: FFB yield/ha yoy



Profit and Loss

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
net sales	19,084	17,453	18,807	24,322	28,625	23,001
Cost of Sales	(15,545)	(15,308)	(15,844)	(19,492)	(22,751)	(19,160)
Gross Profit	3,540	2,145	2,963	4,830	5,875	3,841
Operating expense	(1,214)	(1,184)	(1,121)	(1,400)	(1,718)	(1,495)
Operating Profit	2,326	960	1,842	3,430	4,157	2,346
Other income	(119)	(299)	(380)	(516)	(83)	(460)
Pretax income(PBT)	2,207	661	1,463	2,913	4,074	1,886
taxes	(686)	(417)	(569)	(846)	(1,018)	(471)
Minority interest	(82)	(33)	(61)	(96)	(89)	(81)
EPS	747	110	433	1,024	1,541	693
Net Profit	1,439	211	833	1,972	2,967	1,334
EBITDA	3,335	1,932	2,777	4,254	5,591	3,439

Balance Sheet

Balance Sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F
Cash and cash equivalent	49	383	979	3,896	3,064	4,765
Trade Account Receivable	617	369	766	458	1,145	920
inventory	2,368	1,974	2,166	3,023	3,864	3,151
Other current asset	1,467	1,746	2,028	2,037	2,937	2,380
Current Asset	4,501	4,472	5,938	9,414	11,010	11,216
Fixed Asset	10,219	9,842	9,242	9,172	8,936	9,174
other long term asset	12,137	12,660	12,601	11,813	14,026	12,881
Total non current Asset	22,356	22,502	21,843	20,986	22,962	22,055
Total Asset	26,857	26,974	27,781	30,400	33,972	33,271
Trade Account Payable	552	827	770	1,027	1,208	971
Short Term bank loans	1,125	150	0	0	0	0
advances from customer	698	89	81	368	123	99
Other short term liabilities	701	501	941	1,001	1,178	947
current maturities of long term				3,564	3,435	2,760
Total current liabilities	3,077	1,567	1,793	5,960	5,945	4,777
Long term liabilities	3,606	5,535	5,624	2,132	2,509	2,016
Other Long term liabilities	700	893	1,117	1,136	1,431	1,150
Total long term/ non current liabilities	4,306	6,429	6,741	3,268	3,940	3,166
Total Liabilities	7,382	7,996	8,533	9,229	9,885	7,943
non controlling interest	485	457	495	552	551	508
Total Equities	18,990	18,521	18,752	20,619	23,536	24,819
Total Liabilities & Equity	26,857	26,974	27,781	30,400	33,972	33,271

Cash Flow

Cash Flow (IDR.bn)	2019A	2020A	2021A	2022F	2023F
+ Net Income	211	833	1,972	2,967	1,334
Depreciation	921	896	946	1,053	1,180
- Change in WC	(1,147)	(645)	3,609	(2,444)	327
Cash From Operating Activities	(15)	1,085	6,527	1,576	2,840
Net fixed asset	(543)	(297)	(876)	(817)	(1,418)
other long term asset	(523)	59	788	(2,213)	1,146
cash from investing activities	(1,066)	(237)	(89)	(3,030)	(272)
Long term liabilities	1,929	88	(3,492)	377	(493)
Other Long term liabilities	194	224	19	295	(281)
equity	(707)	(564)	(48)	(51)	(93)
cash from financing activities	1,416	(252)	(3,521)	621	(867)
Net Changes in Cash	334	596	2,917	(832)	1,701
Beginning Balance	49	383	979	3896	3064
Ending balance	383	979	3,896	3,064	4,765

Ratio Financial Highlights

	2019 A	2020 A	2021 A	2022 F	2023 F
Growth (% YoY)					
Net Revenue	-9%	8%	29%	18%	-20%
OP	-59%	92%	86%	21%	-44%
EBITDA	-42%	44%	53%	31%	-39%
NP	-85%	295%	137%	50%	-55%
EPS	-85%	295%	137%	50%	-55%
Profitability					
Operating Margin(%)	5.5%	9.8%	14.1%	14.5%	10.2%
EBITDA margin(%)	11.1%	14.8%	17.5%	19.5%	14.9%
NET Profit margin(%)	1.2%	4.4%	8.1%	10.4%	5.8%
ROE (%)	1.1%	4.4%	9.6%	12.6%	5.4%
ROA (%)	0.8%	3.0%	6.5%	8.7%	4.0%
Stability					
Debt/ Equity (x)	0.31	0.30	0.10	0.11	0.08
Current ratio	2.85	3.31	1.58	1.85	2.35
Debt Ratio (x)	0.30	0.31	0.30	0.29	0.24
Per Share data (Rp)					
EPS	109.69	432.84	1,024.44	1,541.38	692.86
BVS	9,622.9	9,743.1	10,713.0	12,228.4	12,895.3

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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