



BUY

8 november 2023
Plantation, Equity

Price IDR 7000
Target Price IDR 8920
JKSE Index 6777.315



Investment Consideration

In 9M23, FFB production grew by +4.84%

As of 9M23, AALI produced 977,000 tons of CPO, a -0.71% decrease compared to the same period last year. On the other hand, FFB total production and FFB processed increased with positive single-digit growth during 9M23 of +4.84% and +1.24%, respectively. This increase is in line with the growth in FFB nucleus production at +6.2% YoY. AALI also produced Crude Palm Oil (CPO) as of 9M23, totaling 977,000 tons, a decrease of -0.7% compared to the same period in 2022. This decrease aligns with the decline in Kernel production by 1.2% to 210,000 tons during 9M23 compared to the same period in 2022 with 213,000 tons. For 2023, we maintain our production forecast targets with a conservative 3% year-on-year growth due to the mature age of the plants, but increasing yields seen over the past decade. Based on the 9M23 results, the adjusted targets for FFB and CPO production in 2023 are 4.40 million tons and 1.28 million tons, respectively.

Strong 3Q23 bottom line growth

As of 9M23, AALI experienced a 5.1% year-on-year decrease in revenue, amounting to IDR 15.7 trillion. This decline aligns with the 15.8% year-on-year decrease in the average CPO price and the 44.8% year-on-year decrease in the average Kernel price during 9M23. However, on a QoQ basis, in 3Q23, AALI posted very strong growth in bottom-line net profit of +203% QoQ as revenue grew by +36% QoQ compared to 2Q23. The increase in net profit in 3Q23 was also in line with an increase in COGS expenses and operating expenses that were not significant and therefore manageable. Based on the 9M23 results, we estimate that net profit in 2023-2024F will reach IDR 909 billion and IDR 1.28 trillion, respectively, compared to IDR 1.73 trillion in 2022FY, as the CPO price is expected to be lower in 2023 due to improved rainfall and higher industry output. Despite lower revenue and net profit, we estimate AALI's average EBITDA margin to be 14% during 2023-2024F, compared to 18.6% in 2022FY.

Valuation: 27.4% upside

Based on the 9M23 results, the adjusted target price (TP) for AALI within one year is IDR 8,920, representing an EV/EBITDA ratio of 5.26x and an EV/ha ratio of 3,129 USD/Ha, or trading at 13.39x PER. With a projected 27.4% upside, we maintain our recommendation to BUY.

| Financial Highlights | 2019 A | 2020 A | 2021 A | 2022 A | 2023 F | 2024 F | 2025 F |
|----------------------|--------|--------|--------|--------|--------|--------|--------|
| Profitability | | | | | | | |
| Operating Margin(%) | 5.5% | 9.8% | 14.1% | 10.8% | 8.4% | 10.3% | 10.4% |
| EBITDA margin(%) | 11.1% | 14.8% | 17.2% | 18.6% | 12.9% | 14.1% | 19.0% |
| NET Profit margin(%) | 1.2% | 4.4% | 8.1% | 7.9% | 4.5% | 5.9% | 6.0% |
| ROE (%) | 1.1% | 4.4% | 9.6% | 8.0% | 4.0% | 5.4% | 0.0% |
| ROA (%) | 0.8% | 3.0% | 6.5% | 5.9% | 3.0% | 3.9% | 0.0% |
| Stability | | | | | | | |
| Debt/ Equity (x) | 0.31 | 0.30 | 0.10 | 0.19 | 0.09 | 0.09 | 0.09 |
| Current ratio | 2.85 | 3.31 | 1.58 | 3.60 | 1.80 | 1.67 | 1.78 |
| Debt Ratio (x) | 0.30 | 0.31 | 0.30 | 0.24 | 0.25 | 0.26 | 0.25 |

Stock Code AALI J
Bloomberg code AALI J
Market cap (IDR.bn) 13620
52-Week High (IDR) 8900
52-Week Low (IDR) 6950
Avg Daily. Val (IDR) 7075
Free Float (%) 20.32%

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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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, 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 9M23

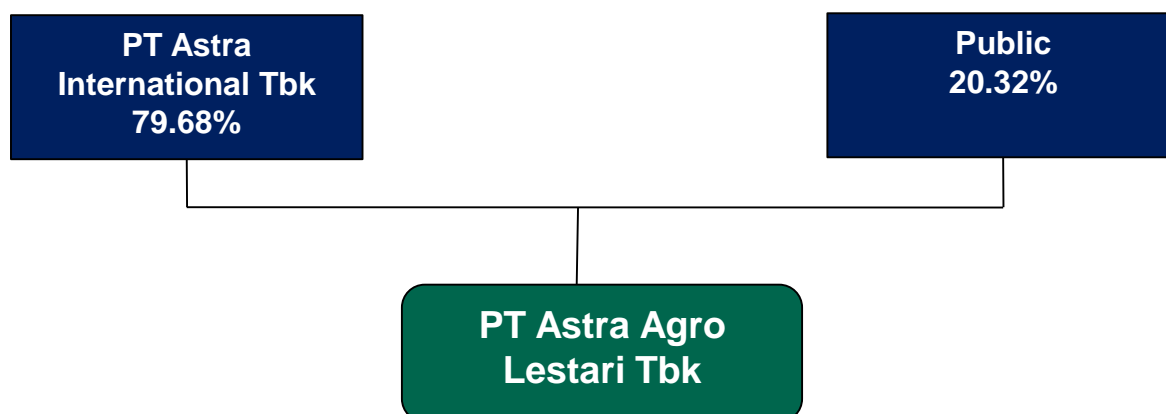


Chart: FFB vs CPO production yoy (in mn tons)

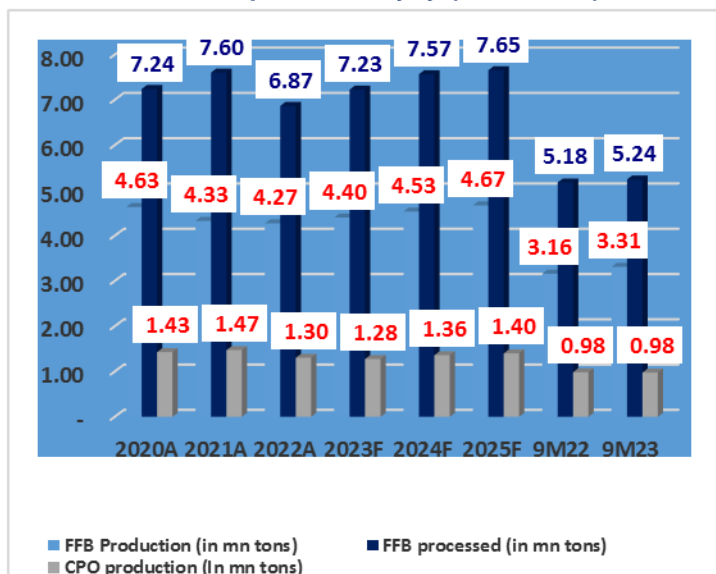


Chart: cash cost/ha (IDR.000) yoy

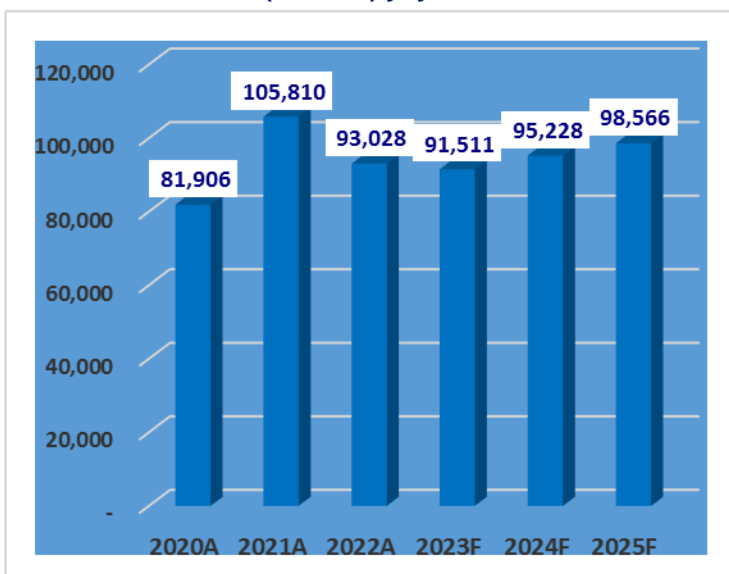


Chart: AALI's Net profit margin (%) yoy

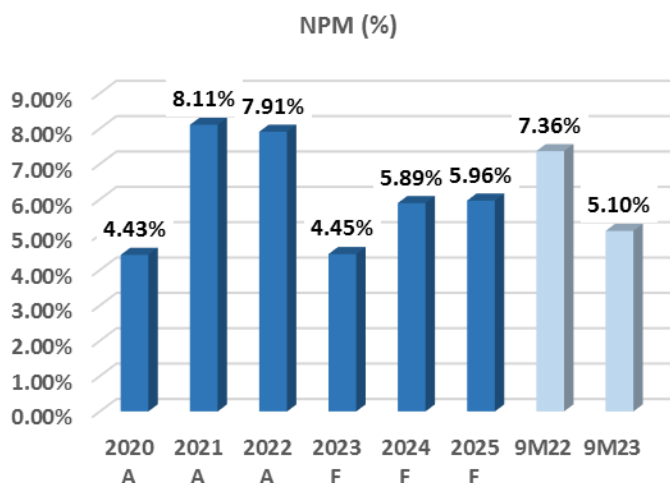


Chart: CPO extraction rate vs PK extraction rate (%) yoy

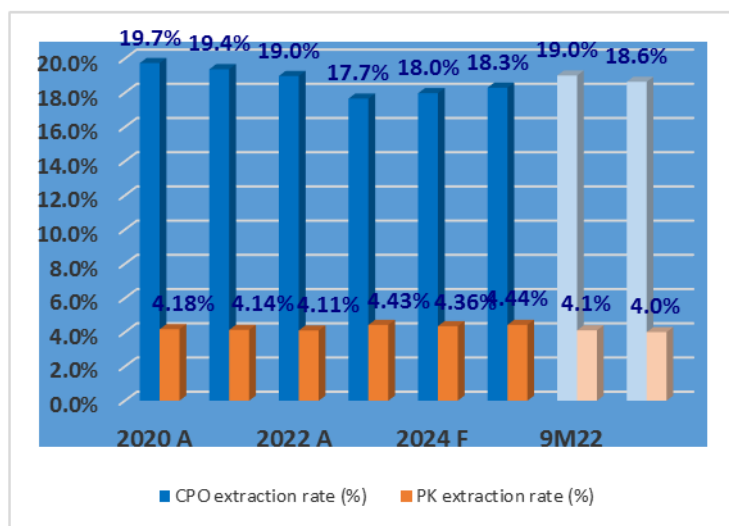
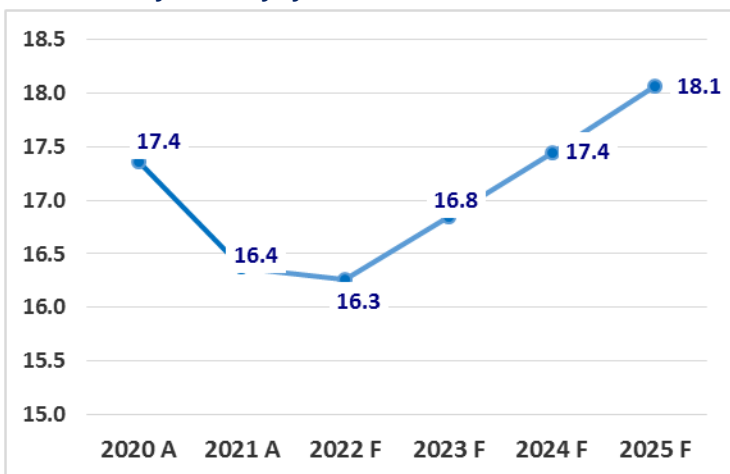


Chart: FFB yield/ha yoy



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 | 3,624 | 3,204 | 3,965 |
| Trade Account Receivable | 369 | 766 | 458 | 849 | 817 | 871 | 897 |
| inventory | 1,974 | 2,166 | 3,023 | 3,274 | 2,860 | 3,266 | 3,365 |
| Other current asset | 1,746 | 2,028 | 2,037 | 1,649 | 1,430 | 1,664 | 1,660 |
| Current Asset | 4,472 | 5,938 | 9,414 | 7,391 | 8,731 | 9,005 | 9,887 |
| 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 | 13,278 | 13,064 | 12,562 |
| Total non current Asset | 22,502 | 21,843 | 20,986 | 21,859 | 22,047 | 23,778 | 24,455 |
| Total Asset | 26,974 | 27,781 | 30,400 | 29,249 | 30,778 | 32,783 | 34,342 |
| Trade Account Payable | 827 | 770 | 1,027 | 1,224 | 1,389 | 1,481 | 1,525 |
| Short Term bank loans | 150 | 0 | 0 | 0 | 0 | 0 | 0 |
| advances from customer | 89 | 81 | 368 | 203 | 204 | 218 | 224 |
| Other short term liabilities | 501 | 941 | 1,001 | 621 | 1,226 | 1,306 | 1,346 |
| current maturities of long term | | | 3,564 | 5 | 2,043 | 2,395 | 2,468 |
| Total current liabilities | 1,567 | 1,793 | 5,960 | 2,053 | 4,862 | 5,400 | 5,563 |
| Long term liabilities | 5,535 | 5,624 | 2,132 | 4,049 | 2,043 | 2,177 | 2,243 |
| Other Long term liabilities | 893 | 1,117 | 1,136 | 904 | 846 | 902 | 929 |
| Total long term/ non current liabilities | 6,429 | 6,741 | 3,268 | 4,953 | 2,889 | 3,079 | 3,173 |
| Total Liabilities | 7,996 | 8,533 | 9,229 | 7,006 | 7,751 | 8,479 | 8,736 |
| non controlling interest | 457 | 495 | 552 | 559 | 484 | 527 | 542 |
| Total Equities | 18,521 | 18,752 | 20,619 | 21,684 | 22,543 | 23,776 | 25,064 |
| Total Liabilities & Equity | 26,974 | 27,781 | 30,400 | 29,249 | 30,778 | 32,783 | 34,342 |

Cash Flow

| Cash Flow (IDR.bn) | 2019A | 2020A | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------------|----------------|--------------|----------------|----------------|----------------|----------------|----------------|
| + Net Income | 211 | 833 | 1,972 | 1,727 | 909 | 1,283 | 1,338 |
| Depreciation | 921 | 896 | 880 | 875 | 957 | 1,263 | 1,296 |
| - Change in WC | (1,147) | (645) | 3,609 | (4,160) | 3,473 | (156) | 43 |
| Cash From Operating Activities | (15) | 1,085 | 6,460 | (1,559) | 5,339 | 2,390 | 2,677 |
| Net fixed asset | (543) | (297) | (810) | (808) | (621) | (3,208) | (2,475) |
| other long term asset | (523) | 59 | 788 | (940) | (524) | 215 | 502 |
| cash from investing activities | (1,066) | (237) | (22) | (1,748) | (1,145) | (2,993) | (1,973) |
| Long term liabilities | 1,929 | 88 | (3,492) | 1,917 | (2,006) | 134 | 66 |
| Other Long term liabilities | 194 | 224 | 19 | (232) | (58) | 56 | 27 |
| equity | (707) | (564) | (48) | (655) | (125) | (7) | (36) |
| cash from financing activities | 1,416 | (252) | (3,521) | 1,030 | (2,189) | 183 | 58 |
| Net Changes in Cash | 334 | 596 | 2,917 | (2,276) | 2,005 | (420) | 761 |
| Beginning Balance | 49 | 383 | 979 | 3896 | 1620 | 3624 | 3204 |
| Ending balance | 383 | 979 | 3,896 | 1,620 | 3,624 | 3,204 | 3,965 |

Ratio Financial Highlights

| Ratio Highlights | 2019 A | 2020 A | 2021 A | 2022 A | 2023 F | 2024 F | 2025 F |
|----------------------------|---------|---------|----------|----------|----------|----------|----------|
| Growth (% YoY) | | | | | | | |
| Net Revenue | -9% | 8% | 29% | -10% | -6% | 7% | 3% |
| OP | -59% | 92% | 86% | -31% | -27% | 31% | 4% |
| EBITDA | -42% | 44% | 51% | -3% | -35% | 16% | 39% |
| NP | -85% | 295% | 137% | -12% | -47% | 41% | 4% |
| EPS | -85% | 295% | 137% | -12% | -47% | 41% | 4% |
| Profitability | | | | | | | |
| Operating Margin(%) | 5.5% | 9.8% | 14.1% | 10.8% | 8.4% | 10.3% | 10.4% |
| EBITDA margin(%) | 11.1% | 14.8% | 17.2% | 18.6% | 12.9% | 14.1% | 19.0% |
| NET Profit margin(%) | 1.2% | 4.4% | 8.1% | 7.9% | 4.5% | 5.9% | 6.0% |
| ROE (%) | 1.1% | 4.4% | 9.6% | 8.0% | 4.0% | 5.4% | 0.0% |
| ROA (%) | 0.8% | 3.0% | 6.5% | 5.9% | 3.0% | 3.9% | 0.0% |
| Stability | | | | | | | |
| Debt/ Equity (x) | 0.31 | 0.30 | 0.10 | 0.19 | 0.09 | 0.09 | 0.09 |
| Current ratio | 2.85 | 3.31 | 1.58 | 3.60 | 1.80 | 1.67 | 1.78 |
| Debt Ratio (x) | 0.30 | 0.31 | 0.30 | 0.24 | 0.25 | 0.26 | 0.25 |
| Per Share data (Rp) | | | | | | | |
| EPS | 109.69 | 432.84 | 1,024.44 | 897.08 | 472.41 | 666.61 | 695.19 |
| BVS | 9,622.9 | 9,743.1 | 10,713.0 | 11,266.3 | 11,712.7 | 12,353.3 | 13,022.5 |

Profit and Loss**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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