



HOLD

Target Price : IDR10,350

Stock Data

Current Price : IDR9,275
 52wk Range H-L : IDR8,075-13,400
 Share Outstanding : 1,924.7 mn
 Free Float : 20.32%
 Mkt Capitalization : IDR17,941.8 bn

Major Shareholders

PT Astra International : 79.68%
 Public : 20.32%



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PT Astra Agro Lestari Tbk (AALI IJ)

Plantation Sector Industry

Unstable Policy Changes Still Overshadow Performance

1H22 Earnings Lower than expectations

- Revenue stood at IDR10.96 tn (+1.23% YoY), reaching 49.72%/39.92% of MNCS/consensus target in FY22E.
- The palm oil segment generated an 2.34% lower revenue of IDR9.52 tn as CPO sales volume declined by 23% YoY to 478k tons, contribute 87% of revenue due to the ban on the export of CPO and its derivatives on Apr – May 22.
- Profitability-wise, AALI managed to reduce the cost of losses on commodity futures contracts, which were previously recorded at IDR647 bn in 1H21. Meanwhile, COGS increased by +6.11% YoY to IDR9.14 tn, followed by general and administrative expenses which rose +21.25% YoY.
- As a result, the company managed to record net profit increase of +24.64% YoY to IDR809.31 bn in 1H22. NPM grew to a 7.38% level (vs 5.99% in 1H21).

Full Storage Refinery

- Total FFB production in 1H22 was lower by 12% YoY to 1.96 mn tons. CPO production decreased -16% YoY to 637k tons (vs MNCS target at 1.41 mn tons in FY22E), Kernel fell -12% YoY to 138k tons, and Olein decreased -43% YoY to 124k tons. We see a decline in CPO production in line with the maturity of palm tree age hence resulting in a lower yield. The average age of AALI's oil palms reaching 15.8 years (peak productivity age is 13 years).
- Management said it will reduce production inventory in 2H22 due to most of the company's CPO factory tanks being full. We consider this to be caused by the unstable government regulations related to export bans, making it difficult for companies to grow the business.

CPO Prices Will Remain High Above MYR3,500/mt Until FY22E

On (12/08) the price of CPO rose to the level of MYR4,407/mt, after experiencing a decline to reach MYR3,600/mt on July-22. On YTD basis, CPO prices fell -6.17% YTD due to the Indonesian Government's CPO export ban, followed by lower demand from China and India in 2Q22. We estimate that CPO prices will remain high ~MYR3,500/mt until FY22E accompanied by positive policies for the industry.

Focusing on Replanting

AALI in the future will focus on replanting, where the age of plantation crops is already at 15.8 years. For this reason, the company has budgeted a capex of IDR1.30 tn in FY22E, allocated for replanting and maintaining immature plants. In 1H22, capex absorption only reached 38% (IDR497 bn). This is something that companies must pay close attention to in order to increase their top line again. At least until FY22E, we estimate that the total mature plantations will grow by 5% - 7%.

Valuation & Recommendation: HOLD at Target Price IDR10,350

We revised our call for **AALI** to **HOLD** at TP: **IDR10,350** (form BUY at TP: IDR14,350) implying 12.69x/0.97x PE/PBV FY22E. We trimmed our estimates for revenue and net profit lower by -9.32% YoY / -20.34% YoY in FY22E. Downside risk to our call: 1) the limited production due to the ageing of the plants and full storage refineries; 2) decline CPO prices; 3) lower demand from China.

Key Financial Highlight

IDR bn	FY19	FY20	FY21	FY22E	FY23F
Revenue	17,452.74	18,807.04	24,322.05	22,054.66	19,207.03
Net Income	211.12	833.09	1,971.36	1,570.35	1,117.75
EPS (IDR)	109.69	432.84	1,024.25	815.90	580.75
PE (x)	88.43	22.41	9.47	12.69	17.82
BVS (IDR)	9,861	10,000	10,077	10,692	11,000
PBV (x)	0.98	0.97	0.96	0.91	0.88
ROA (%)	0.78%	3.00%	6.48%	5.03%	3.58%
ROE (%)	1.11%	4.33%	9.31%	7.10%	4.89%
DER (x)	0.42	0.44	0.44	0.41	0.37

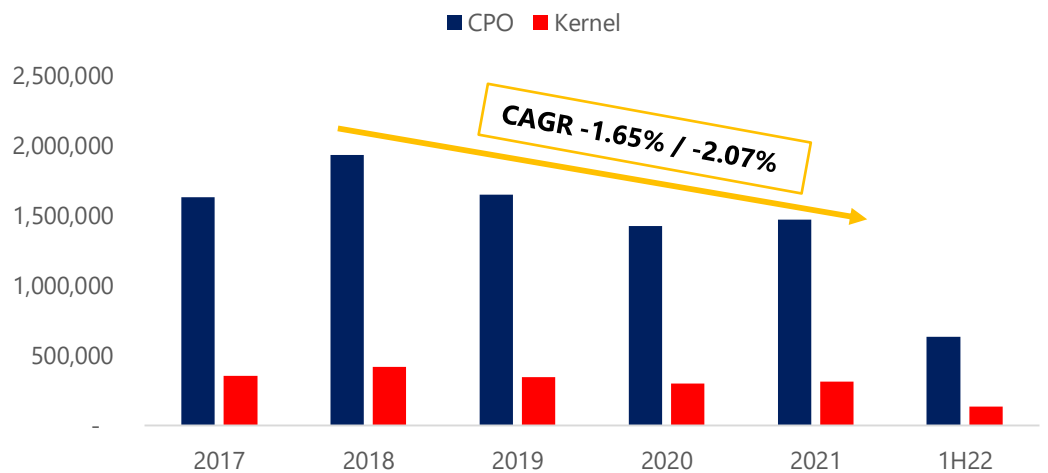
Sources: Bloomberg, MNCS

Exhibit 01. 1H22 Performance Realization on MNCS vs Consensus

IDR bn	1Q22	2Q21	%QoQ	1H21	1H22	% YoY	% MNCS	% Consensus
Revenue	6,581.32	4,383.46	-33.40%	10,832.08	10,964.78	1.23%	49.72%	39.92%
COGS	5,586.96	3,557.23	-36.33%	8,618.05	9,144.18	6.11%		
Gross Profit	994.36	826.23	-16.91%	2,214.03	1,820.60	-17.77%		
Gross Margin	15.11%	18.85%		20.44%	16.60%			
Operating Profit	681.05	499.23	-26.70%	1,647.88	1,180.28	-28.38%	43.84%	32.61%
Operating Margin	10.35%	11.39%		15.21%	10.76%			
Per-Tax Profit	708.64	494.76	-30.18%	1,110.93	1,203.40	8.32%		
Net Profit	483.45	325.86	-32.60%	649.34	809.31	24.64%	51.54%	32.23%
Net Margin	7.35%	7.43%		5.99%	7.38%			

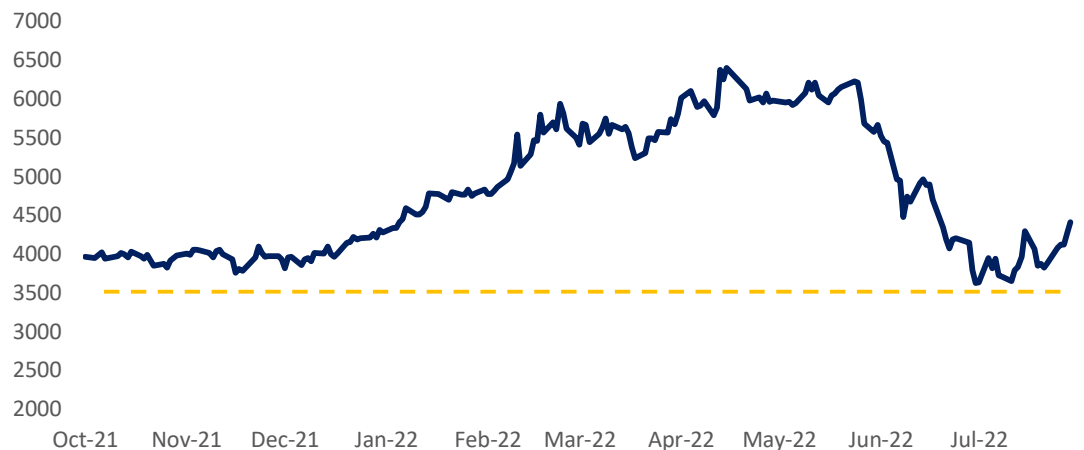
Sources : Bloomberg, MNCS

Exhibit 02. Trend Production CPO & Kernel AALI (in tons)



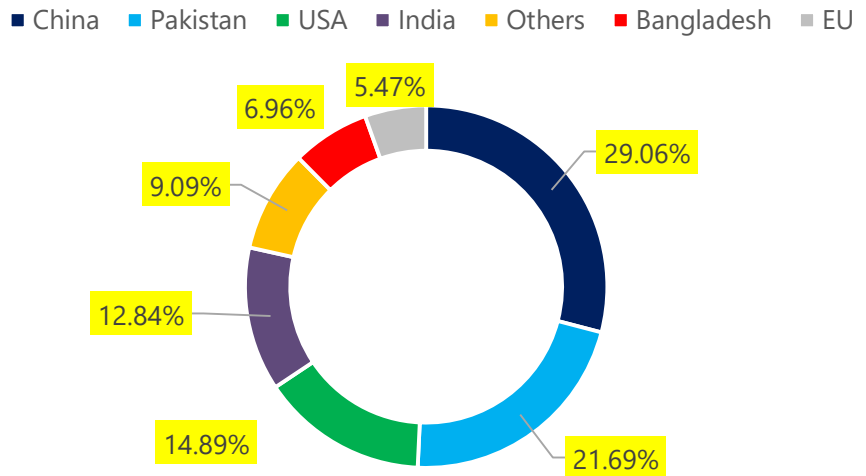
Sources : Bloomberg, MNCS

Exhibit 03. We Expect CPO Price remains high up to MYR3,500/mt until FY22E (in MYR/mt)



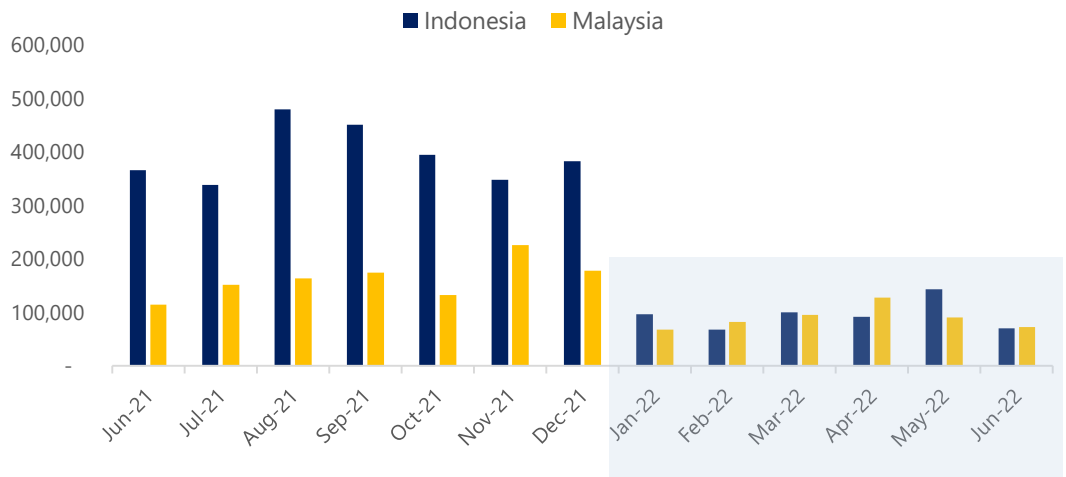
Sources : Bloomberg, MNCS

Exhibit 04. Indonesia CPO Export by Country in FY21



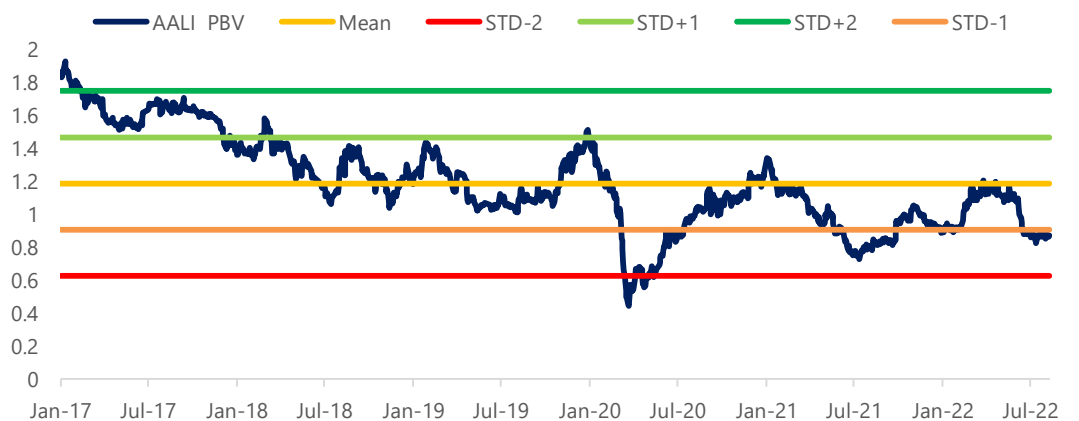
Sources : Bloomberg, MNCS

Exhibit 05. China CPO Import by Two Largest Country (in tons)



Sources : Bloomberg, MNCS

Exhibit 06. AALI is currently trading at -1STD at 0.87x PBV forward (5-year average)



Sources : Bloomberg, MNCS

Exhibit 07. Financial Projections

IDR bn	Income Statement				
	FY19	FY20	FY21	FY22E	FY23F
Revenue	17,452.74	18,807.04	24,322.05	22,054.66	19,207.02
Cost Of Revenue	(15,308.23)	(15,844.15)	(19,492.03)	(18,017.54)	(15,976.80)
Gross Profit	2,144.51	2,962.89	4,830.01	4,037.12	3,230.22
Operating Expenses	(1,184.20)	(1,120.73)	(1,400.36)	(1,344.83)	(1,170.95)
Operating Profit	960.31	1,842.16	3,429.66	2,692.29	2,059.27
EBITDA	2,291.46	3,131.89	4,642.52	3,783.74	3,217.67
Finance Cost	(350.34)	(418.29)	(394.50)	(57.72)	(60.51)
Finance Income	30.21	51.00	62.79	27.43	27.66
Profit Before Income Tax	660.86	1,462.64	2,913.17	2,221.80	1,618.33
Income Tax Expenses	(417.23)	(568.86)	(845.81)	(555.45)	(404.58)
Profit of the Year	243.63	893.78	2,067.36	1,666.35	1,213.75
Minority Interest	(32.51)	(60.69)	(96.00)	(96.00)	(96.00)
Net Profit	211.12	833.09	1,971.36	1,570.35	1,117.75
EPS (IDR)	109.69	432.84	1,024.25	815.90	580.75

IDR bn	Cash Flow				
	FY19	FY20	FY21	FY22E	FY23F
Net Income	211.12	833.09	1,971.36	1,570.35	1,117.75
Depreciation	1,331.15	1,289.73	1,212.87	1,091.44	1,158.41
Change in Working Capital	380.23	(645.26)	(293.71)	1,125.82	34.70
Change in others	(579.61)	188.57	3,959.09	(270.08)	(339.19)
CFO	1,342.88	1,666.13	6,849.61	3,517.54	1,971.67
Capital Expenditure	(1,133.65)	(490.80)	(1,287.16)	(1,183.38)	(1,232.69)
Others	(173.73)	(508.39)	100.48	(561.01)	(472.95)
CFI	(1,307.38)	(999.20)	(1,186.69)	(1,744.39)	(1,705.64)
Net Change in Debt	(975.00)	(150.00)	-	-	-
Equity Fund Raised	-	-	-	-	-
Dividend Payment	(26.87)	(197.99)	(887.28)	(722.36)	(514.17)
Others	(667.78)	(1,115.93)	(1,778.68)	(1,444.06)	(1,049.46)
CFF	334.09	(767.95)	(891.40)	(721.70)	(535.29)
Net Cash Increase	319.06	555.02	2,817.03	1,051.45	(269.27)
Closing Balance	383.37	978.89	3,896.02	5,052.57	4,893.67

IDR bn	Balance Sheet				
	FY19	FY20	FY21	FY22E	FY23F
Cash and cash equivalents	383.37	978.89	3,896.02	5,052.57	4,893.67
Trade Receivables	368.74	765.85	458.14	459.47	523.26
Inventory	1,974.04	2,165.60	3,023.48	2,252.19	1,997.10
Other Current Assets	1,745.87	2,027.55	2,036.57	1,846.72	1,608.27
Total Current Assets	4,472.01	5,937.89	9,414.21	9,610.96	9,022.31
Fixed Assets - net	9,841.62	9,242.16	9,067.38	8,958.00	8,822.35
Other Non-Current Assets	12,660.49	12,601.18	11,918.32	12,680.64	13,363.53
Total Non-Current Assets	22,502.11	21,843.34	20,985.70	21,638.64	22,185.88
TOTAL ASSETS	26,974.12	27,781.23	30,399.91	31,249.60	31,208.19
Trade Payables	826.85	770.26	1,026.72	1,382.59	1,225.99
Short-term Debt	150.00	-	-	-	-
Other current liabilities	589.92	1,022.24	4,933.68	4,473.74	3,896.11
Total Current Liabilities	1,566.77	1,792.51	5,960.40	5,856.34	5,122.10
Long-term Debt	5,535.47	5,623.93	2,131.94	2,238.54	2,350.47
Other Long-term liabilities	893.37	1,117.00	1,136.39	1,030.45	897.41
Total Long-term Liabilities	6,428.83	6,740.93	3,268.34	3,269.00	3,247.87
Total Equity	18,978.53	19,247.79	21,171.17	22,124.27	22,838.22
TOTAL LIABILITY AND EQUITY	26,974.12	27,781.23	30,399.91	31,249.60	31,208.19

	Ratios				
	FY19	FY20	FY21	FY22E	FY23F
Growth Year on Year					
Revenue Growth	-8.55%	7.76%	29.32%	-9.32%	-12.91%
Gross Profit Growth	-39.41%	38.16%	63.02%	-16.42%	-19.99%
Operating Profit Growth	-58.71%	91.83%	86.18%	-21.50%	-23.51%
Net Income Growth	-85.32%	294.61%	136.63%	-20.34%	-28.82%
Profitability					
GPM	12.29%	15.75%	19.86%	18.31%	16.82%
OPM	5.50%	9.80%	14.10%	12.21%	10.72%
EBITDA Margin	13.13%	16.65%	19.09%	17.16%	16.75%
NPM	1.21%	4.43%	8.11%	7.12%	5.82%
ROA	0.78%	3.00%	6.48%	5.03%	3.58%
ROE	1.11%	4.33%	9.31%	7.10%	4.89%
DER (x)	0.42	0.44	0.44	0.41	0.37
Current Ratio (x)	2.85	3.31	1.58	1.64	1.76
Quick Ratio (x)	0.48	0.97	0.73	0.94	1.06

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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