

Tuesday, 05 November 2019

BUY
Maintain

Last price (IDR) 11,700
Target Price (IDR) 13,000
Upside/Downside +11.1%
Previous Target Price (IDR) 13,000

Stock Statistics

Sector Plantation
Bloomberg Ticker AALI JJ
No of Shrs (mn) 1,925
Mkt. Cap (IDRbn/USDmn) 22,519/1,607
Avg. daily T/O (IDRbn/USDmn) 8.7/0.6

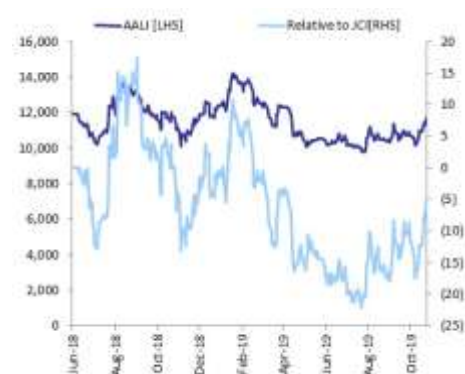
Major shareholders (%)

Astra International 79.7
Public 20.3
Estimated free float 20.3

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	81.1	460.7	548.2
Consensus	305.9	590.5	807.3
Danareksa/Cons	(73.5)	(22.0)	(32.1)

AAJI relative to JCI Index



Source : Bloomberg



Andreas Kenny

(62-21) 29555 777 ext.3509

andreas.kenny@danareksa.co.id

Astra Agro Lestari(AALI JJ)

Downward adjustments after a lackluster 9M19

The 9M19 result is below our forecast and the consensus, with sales of IDR12.3tn (-10.0% yoy) reaching 66.5% of our old forecast and 69.9% of the consensus. Earnings of IDR111.2bn (-90.1% yoy) were only 48.6% of our old forecast and 19.7% of the consensus. The sharp decline in earnings was driven by lower profitability plus an exceptionally high tax rate at 54.6% of EBT due to a subsidiary still paying tax, making the consolidated tax figure high in comparison to its consolidated EBT. We adjust our FY2019 and FY2020 forecasts, trim our 2019 ASP estimate by 3.3% and our CPO sales volume estimate by -8.9% and -9.5% for 2019-2020 to reflect the 9M19 achievement along with cost items. As a result, our bottom line estimates are -65.7% and -29.1% for FY19 and FY20.

Below-expected result but showing a QoQ jump in net income. Sales reached IDR12.3tn in 9M19 or only 66.5% of our initial forecast and 69.9% of the consensus, while the 3Q19 figure is -10.0% qoq on lower prices (-12.1% yoy and -3.8% qoq in 3Q19). The 9M19 bottom line reached IDR111.1bn or only 48.6% of our initial forecast and 19.7% of the consensus, while the 3Q19 figure actually surged from IDR6.3bn in 2Q19 to IDR67.5bn in 3Q19 or 970.6% sequential growth mainly attributable to the flat change in inventory. Given the lower-than-expected result, we revise our earnings estimates for 2019 and 2020.

Making adjustments: lower prices and volumes. We adjust down our CPO sales volume estimate by -8.9% to 1.5m tons in 2019 and by -8.3% to 1.6mn tons in 2020 driven by lower production. We cut our CPO production figure estimate to 1.7mn tons (-10.0% yoy) and to 1.8mn tons (+2.0% yoy) or -5.3% and -5.7% in 2019 and 2020 vs our initial estimates. The lower CPO production figure mainly stems from negative FFB production, which we now forecast to hit negative -10.0% yoy in 2019 and +2.0% yoy in 2020 from initially +2.5% and +3.0% yoy. We also slightly lower our ASP figure by -3.3% vs our previous figure. The result is a new sales forecast of IDR17.7tn for 2019 and IDR 20.1tn for 2020 or -5.1% and -4.3% vs. our initial estimates. The revisions mean the bottom line is lower by -64.6% in 2019 at IDR156.0bn and IDR886.7bn in 2020, or -26.2% vs our initial figure.

Maintain BUY TP13,000. As we value the company on an EV/ha basis, applying USD9,702/ha or at its 3 years average for the metric, the earnings revision doesn't significantly impact our valuation. The stock currently trades at a discount of USD9,184/ha or slightly above -0.5% STD its 3-year historical EV/ha. It also trades at 23.8x its 2020 earnings, or at 1.1x its book value.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	17,306	19,084	17,676	20,153	20,425
EBITDA (IDRbn)	4,178	3,546	1,751	3,298	3,424
EBITDA Growth (%)	14.1	(15.1)	(50.6)	88.4	3.8
Net profit (IDRbn)	2,010	1,439	156	887	1,055
EPS (IDR)	1,044.5	747.4	81.1	460.7	548.2
EPS growth (%)	0.2	(28.4)	(89.2)	468.4	19.0
BVPS (IDR)	9,474.7	9,866.3	9,723.4	10,143.6	10,461.4
DPS (IDR)	518.0	434.0	224.0	40.5	230.4
PER (x)	10.5	14.7	135.4	23.8	20.0
PBV (x)	1.2	1.1	1.1	1.1	1.0
Dividend yield (%)	4.7	4.0	2.0	0.4	2.1
EV/EBITDA (x)	5.9	7.3	15.1	7.7	7.3

Source : AALI, Danareksa Estimates

Exhibit 1. Earnings Revisions

AAII 9M19 Results	3Q18	2Q19	3Q19	YoY	QoQ	9M18	9M19	YoY	FY19F	% of DS	FY19C	% of cons
Revenue (IDR bn)	4,740.1	4,293.6	3,860.0	-18.6%	-10.1%	13,761.6	12,386.5	-10.0%	17,676	70.1%	17,722	69.9%
Gross profit (IDR bn)	992.4	395.9	486.4	-51.0%	22.9%	2,643.8	1,215.6	-54.0%	1,689	72.0%	2,118	57.4%
Operating Expense (IDR bn)	(308.8)	(286.7)	(278.8)	-9.7%	-2.8%	(873.5)	(864.9)	-1.0%				
Operating profit (IDR bn)	683.7	109.2	207.7	-69.6%	90.1%	1,770.3	350.7	-80.2%	480	73.0%	1,082	32.4%
Pretax profit (IDR bn)	571.4	62.1	149.8	-73.8%	141.4%	1,686.8	284.9	-83.1%	361	78.9%	860	33.1%
Net profit (IDR bn)	340.0	6.3	67.5	-80.2%	970.6%	1,123.9	111.2	-90.1%	156	71.3%	565	19.7%
Tax Rate	-36%	-78%	-49%			-29.9%	-54.6%					
Margins												
Gross Margin	21%	9%	13%			19%	10%		10%		12%	
Operating Margin	14%	3%	5%			13%	3%		3%		6%	
Net Income Margin	7%	0%	2%			8%	1%		1%		3%	

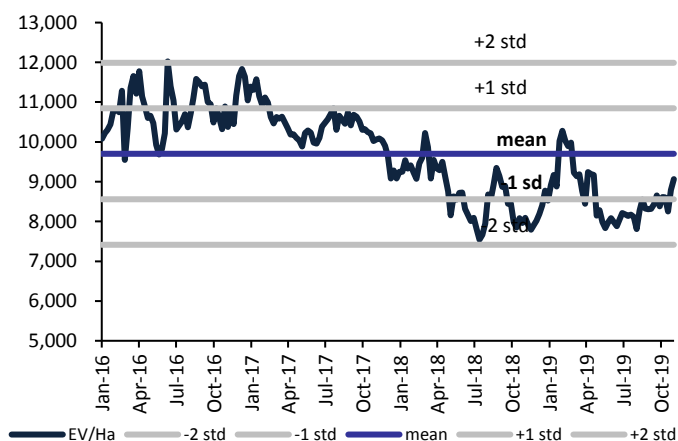
Source: Company, Danareksa Sekuritas

Exhibit 2. Earnings Revision

AAII In Rpbm	2019F			2020F		
	New	Old	%change	New	Old	%change
Profit & Loss						
Revenue	17,676	18,628	-5.1%	20,153	21,066	-4.3%
COGS	(15,987)	(16,327)	-2.1%	(16,888)	(17,573)	-3.9%
Gross profit	1,689	2,301	-26.6%	3,266	3,493	-6.5%
Operating profit	480	1,064	-54.9%	1,965	2,192	-10.4%
Net profit	156	440	-64.6%	887	1,201	-26.2%
Core Profit	156	440	-64.6%	887	1,201	-26.2%
EPS	81	229	-64.6%	461	624	-26.2%
Gross margin	9.6%	12.4%		16.2%	16.6%	
Operating margin	2.7%	5.7%		9.7%	10.4%	
Net margin	0.9%	2.4%		4.4%	5.7%	
CPO Price (MYR/ton)	2,100	2,100	0.0%	2,400	2,400	0.0%
AAII's CPO Price (Rp/kg)	6,395	6,611	-3.3%	7,346	7,346	0.0%
FFB Production (k tons)	5,181	5,469	-5.3%	5,284	5,578	-5.3%
Implied FFB purchased (k tons)	3,428	3,618	-5.3%	3,497	3,736	-6.4%
FFB Processed (k tons)	8,609	9,087	-5.3%	8,781	9,314	-5.7%
CPO Production (k tons)	1,743	1,840	-5.3%	1,778	1,886	-5.7%
CPO Sales Volume (k tons)	1,534	1,683	-8.9%	1,573	1,716	-8.3%
Kernel Sales Volume (k tons)	299	304	-1.5%	301	320	-5.7%
Refined Products Sales Volume (k tons)	557	595	-6.4%	557	595	-6.4%
CPO Trading Volume (k tons)	439	303	45.0%	373	303	23.3%
USD MYR Assumptions	4.2	4.2		4.2	4.2	
USD IDR Assumption	14,200	14,200		14,200	14,200	

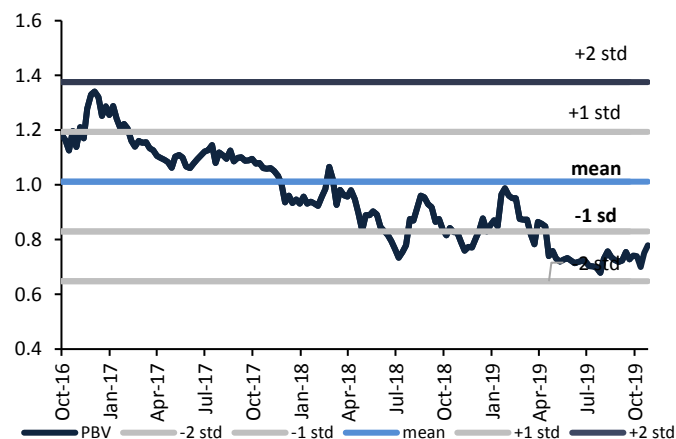
Source: Company, Danareksa Sekuritas

Exhibit 3. 2016-YTD Historical EV/ha



Source: Company, Danareksa Sekuritas estimates

Exhibit 4. 2016-YTD Historical PBV



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	17,306	19,084	17,676	20,153	20,425
COGS	(13,160)	(15,545)	(15,987)	(16,888)	(17,072)
Gross profit	4,145	3,540	1,689	3,266	3,353
EBITDA	4,178	3,546	1,751	3,298	3,424
Oper. profit	3,051	2,326	480	1,965	2,022
Interest income	24	26	5	24	48
Interest expense	(132)	(225)	(341)	(426)	(426)
Forex Gain/(Loss)	5	66	0	0	0
Income From Assoc. Co's	(84)	(15)	(3)	10	13
Other Income (Expenses)	75	29	219	219	219
Pre-tax profit	2,939	2,207	361	1,791	1,876
Income tax	(825)	(686)	(188)	(806)	(703)
Minority interest	(103)	(82)	(17)	(99)	(117)
Net profit	2,010	1,439	156	887	1,055
Core Net Profit	2,005	1,372	156	887	1,055

Exhibit 6. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	262	49	197	1,157	1,784
Receivables	705	663	625	712	722
Inventory	1,993	2,368	2,460	2,413	2,439
Other Curr. Asset	1,520	1,420	1,455	1,527	1,542
Fixed assets - Net	11,745	11,586	11,209	11,045	11,048
Other non-curr.asset	8,894	10,770	11,542	11,692	11,788
Total asset	25,120	26,857	27,487	28,546	29,322
ST Debt	600	1,125	0	0	0
Payables	921	1,208	1,430	1,502	1,516
Other Curr. Liabilities	712	651	569	631	647
Long Term Debt	3,369	3,606	5,501	5,501	5,501
Other LT. Liabilities	805	793	770	788	805
Total Liabilities	6,407	7,382	8,271	8,422	8,470
Shareholder's Funds	18,236	18,990	18,715	19,523	20,135
Minority interests	477	485	502	601	718
Total Equity & Liabilities	25,120	26,857	27,487	28,546	29,322

Exhibit 7. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	2,010	1,439	156	887	1,055
Depreciation and Amort.	1,068	1,131	1,326	1,391	1,460
Change in Working Capital	(404)	(148)	126	(13)	(33)
Other Oper. Cash Flow	(30)	242	240	455	408
Operating Cash Flow	2,644	2,664	1,849	2,719	2,891
Capex	(1,466)	(1,534)	(1,733)	(1,274)	(1,455)
Others Inv. Cash Flow	(72)	(1,204)	18	(80)	(55)
Investing Cash Flow	(1,538)	(2,738)	(1,716)	(1,354)	(1,511)
Net change in debt	(132)	762	770	0	0
New Capital	(125)	151	0	0	0
Dividend payment	(997)	(835)	(431)	(78)	(443)
Other Fin. Cash Flow	(122)	(217)	(324)	(328)	(309)
Financing Cash Flow	(1,375)	(140)	15	(406)	(752)
Net Change in Cash	(269)	(213)	148	960	627
Cash - begin of the year	532	262	49	197	1,157
Cash - end of the year	262	49	197	1,157	1,784

Exhibit 8. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	22.5	10.3	(7.4)	14.0	1.3
EBITDA	14.1	(15.1)	(50.6)	88.4	3.8
Operating profit	14.8	(23.8)	(79.3)	308.9	2.9
Net profit	0.2	(28.4)	(89.2)	468.4	19.0
Profitability (%)					
Gross margin	24.0	18.5	9.6	16.2	16.4
EBITDA margin	24.1	18.6	9.9	16.4	16.8
Operating margin	17.6	12.2	2.7	9.7	9.9
Net margin	11.6	7.5	0.9	4.4	5.2
ROAA	8.1	5.5	0.6	3.2	3.6
ROAE	11.3	7.7	0.8	4.6	5.3
Leverage					
Net Gearing (x)	0.2	0.2	0.3	0.2	0.2
Interest Coverage (x)	23.0	10.3	1.4	4.6	4.7

Source : AALI, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.