

Tuesday, 06 April 2021

BUY
Maintain

Last price (IDR)	970
Target Price (IDR)	1,900
Upside/Downside	+95.9%
Previous Target Price (IDR)	1,850

Stock Statistics

Sector	Plantations
Bloomberg Ticker	SSMS JJ
No of Shrs (mn)	9,525
Mkt. Cap (IDRbn/USDmn)	9,239/636
Avg. daily T/O (IDRbn/USDmn)	16.5/1.1

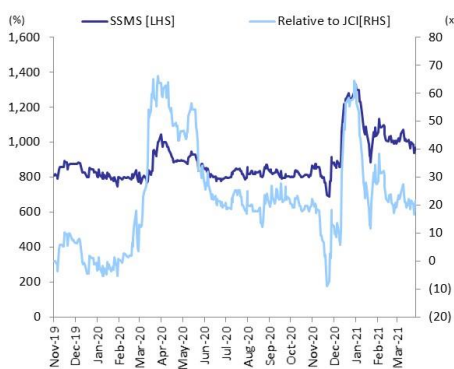
Major shareholders (%)

PT.Citra Borneo Indah	53.8
PT. Putra Borneo Agro Lestari	11.3
Estimated free float	31.8

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	60.5	86.6	100.1
Consensus	42.1	69.8	83.2
Danareksa/Cons	43.9	24.1	20.4

SSMS relative to JCI Index



Source : Bloomberg



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Sawit Sumbermas Sarana(SSMS JJ)

In For a Record Breaking year

SSMS' net income soared to IDR576.6bn in FY20 (+4,836.9% yoy) with IDR290.3bn of net income in 4Q20, ahead of our 2020 high bar and also ahead of the consensus. The profitability was driven by a higher CPO price of IDR8,770/kg (+21.7% yoy, 10.2% qoq) in 4Q20, culminating in a IDR8,071/kg (+23.9% yoy) 2020 average price, with volume of 449.3k tons (-0.6% yoy) leading to IDR4.0tn of sales (+22.4% yoy). We raise our 2021 CPO average price assumption to MYR3,200/ton (prev: MYR2,900/ton) leading to an IDR8.8k/kg effective price and thus our 2021F forecast earnings are a new all-time high at IDR825.1bn (+43.1% yoy, +19.6% from prev), 24.1% ahead of the consensus. **Maintain BUY with a higher TP of IDR1,900 (+IDR50).**

In-line sales, far above the net income aided by the price at IDR8.1k/kg in 2020 (+23.9% yoy) while volume of 449.3k ton was flattish yoy. The 4Q20 sales were driven by the price surging to IDR8.8k/kg (+21.7% yoy and 10.2% qoq) while CPO sales volume of 130.8k tons was +21.0% yoy and 17.2% qoq as production recovered. All in all, the IDR4.0tn of sales (+22.4% yoy) were in-line with our high bar estimate and above consensus estimates. Margins widened across the board, starting with the GPM (44.8% in 2020 or up from 30.8% in 2019), as prices soared. EBIT of IDR1.0tn (+174.7% yoy) reflected a 27.7% margin (+15.3p.p yoy) percolating to IDR576.6bn (+4,836.9% yoy) of reported profits, ahead of our estimate and far ahead of the consensus at 107.2% and 173.2%.

Our 2021F earnings estimate is raised by +19.6%. We factor in a higher CPO price assumption of MYR3,200/ton in 2021 (prev: MYR2,900/ton) leading to an effective price of IDR8,720/kg (+8.0% yoy, +13.7% vs prev). Due to relatively favorable weather we factor in a slightly lower FFB price and 7.4% yoy nucleus production growth, with 12.7% CPO production growth. These all lead to net income of IDR825.1bn (+43.1% yoy and +19.6% vs our previous 2021F forecast).

Ample FCF to expedite deleveraging. The high CPO price and robust sales growth will result in a 3-year cumulative FCF windfall as FCF is upsized by IDR596bn. This leaves room for lowering of its short-term loans and scheduled principal payment and partial global bond pay-down along with a 30% dividend payout, thus lowering the interest expenses further.

Maintain BUY with a TP of IDR1,900 (+IDR50). Driven by a lower net debt position while we maintain the same EV/ha target of +1STD. SSMS is lagging far behind the commodity, as the Belawan price remains at IDR9,000-10,000/kg (despite a progressive levy and export tax). SSMS is currently trading near -1STD its historical average EV/ha and PBV level, making it an enticing prospect.

Key Financials

Year to 31 Dec	2018A	2019A	2020A	2021F	2022F
Revenue (IDRbn)	3,711	3,278	4,011	4,772	4,978
EBITDA (IDRbn)	1,157	702	1,427	1,843	1,798
EBITDA Growth (%)	(15.0)	(39.4)	103.4	29.2	(2.4)
Net profit (IDRbn)	86	12	577	825	954
EPS (IDR)	9.1	1.2	60.5	86.6	100.1
EPS growth (%)	(89.3)	(86.5)	4,836.9	43.1	15.6
BVPS (IDR)	425.3	425.2	508.9	565.3	643.7
DPS (IDR)	24.8	2.7	0.0	30.3	21.7
PER (x)	107.2	791.0	16.0	11.2	9.7
PBV (x)	2.3	2.3	1.9	1.7	1.5
Dividend yield (%)	2.6	0.3	0.0	3.1	2.2
EV/EBITDA (x)	11.1	19.1	9.6	7.3	7.3

Source : SSMS, Danareksa Estimates

Exhibit 1. Above our estimates and far ahead of the consensus

SSMS	Unit	2019	2020	y-y	4Q19	3Q20	4Q20	y-y	q-q	Cons	% Cons	DS	% DS
Sales	IDR bn	3,278	4,011	22.4%	859	969	1,272	48.1%	31.3%	3,574	112.2	3,841	104.4
Gross Profit	IDR bn	1,009	1,797	78.0%	333	462	530	59.1%	14.9%	1,588	113.2	1,687	106.5
EBIT	IDR bn	404	1,109	174.7%	101	314	265	161.5%	-15.7%	997	111.3	1,095	101.3
EBT	IDR bn	155	900	481.9%	(1)	218	413	-33901.2%	89.8%	811	110.9	811	110.9
Net Profit	IDR bn	12	577	4836.9%	(7)	143	290	-4329.0%	102.4%	333	173.3	520	110.8
Core Profit	IDR bn	38	637	1571.1%	(88)	211	167	-289.9%	-21.0%	563	113.2	594	107.2
Margins													
Gross Profit	(%)	30.8	44.8		38.8	47.6	41.7			44.4		43.9	
EBIT Margin	(%)	12.3	27.7		11.8	32.4	20.8			27.9		28.5	
Net Profit	(%)	0.4	14.4		(0.8)	14.8	22.8			9.3		13.5	
Core Profit	(%)	1.2	15.9		(10.2)	21.8	13.1			15.7		15.5	

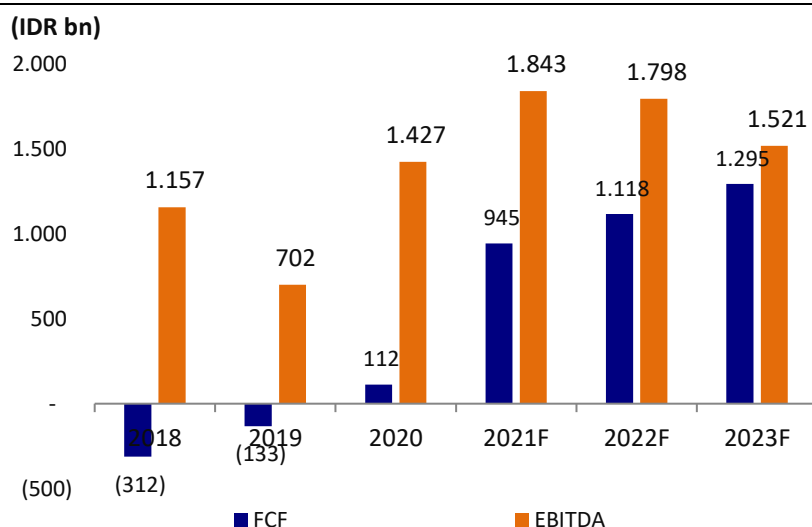
Source: Company, Danareksa Sekuritas

Exhibit 2. Net income is revised up by 19.6% in 2021 and is 24.1% ahead of the consensus

SSMS In Rpbn	2021F			2022F			2021F YoY Change	2022F YoY Change
	New	Old	%change	New	Old	%change		
Profit & Loss								
Sales	4,772	4,302	10.9%	4,978	4,527	10.0%	19.0%	4.3%
COGS	(2,527)	(2,502)	1.0%	(2,736)	(2,734)	0.1%	14.1%	8.3%
Gross profit	2,245	1,800	24.7%	2,242	1,793	25.1%	24.9%	-0.1%
Operating profit	(717)	(626)	14.6%	(763)	(667)	14.3%	4.2%	6.4%
Net profit	825.1	690	19.6%	954	729	30.8%	43.1%	15.6%
EPS	86.6	72.4	19.6%	100.1	76.5	30.8%	43.1%	15.6%
ETR								
Gross margin	47.0%	41.8%	12.4%	45.0%	39.6%	13.7%		
Operating margin	-15.0%	-14.5%	3.3%	-15.3%	-14.7%	4.0%		
Net margin	17.3%	16.0%	7.8%	19.2%	16.1%	19.0%		
CPO Price (MYR/ton)	3,200	2,900	10.3%	3,000	2,700	11.1%	14.6%	-6.3%
SSMS's CPO Price (Rp/kg)	8,720	7,669	13.7%	8,694	7,644	13.7%	8.0%	-0.3%
FFB Production (k tons)	1,730	1,722	0.5%	1,707	1,741	-2.0%	7.4%	-1.4%
Implied FFB purchased (k tons)	515	515	0.0%	610	610	0.0%	33.5%	18.4%
FFB Processed (k tons)	2,245	2,237	0.4%	2,317	2,351	-1.5%	12.4%	3.2%
CPO Production (k tons)	505	514	-1.8%	521	541	-3.6%	12.7%	3.2%
CPO Sales Volume (k tons)	500	509	-1.8%	521	535	-2.6%	11.3%	4.2%
Kernel Sales Volume (k tons)	34	34	0.6%	35	36	-1.5%	12.4%	2.9%
PKO Sales Volume (k tons)	27	27	0.4%	28	28	-1.5%	5.5%	3.2%
USD MYR Assumptions	4.00	4.0		4.00	4.0			
USD IDR Assumption	14,000	14,000		14,000	14,000			

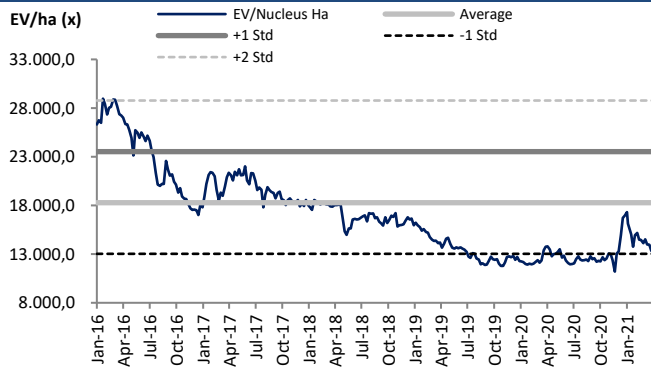
Source: Company, Danareksa Sekuritas

Exhibit 3. An enlarged FCF for dividends, deleveraging



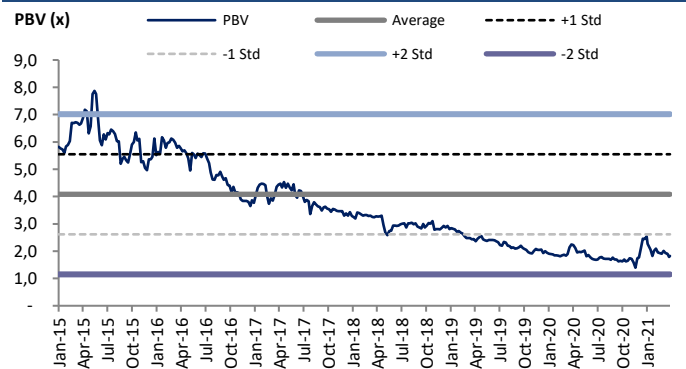
Source: Company, Danareksa Sekuritas

Exhibit 4. EV/ha is only a touch above -1STD



Source: Company, Danareksa Sekuritas estimates

Exhibit 5. The PBV too is below -1STD



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020A	2021F	2022F
Revenue	3,711	3,278	4,011	4,772	4,978
COGS	(2,110)	(2,268)	(2,214)	(2,527)	(2,736)
Gross profit	1,601	1,009	1,797	2,245	2,242
EBITDA	1,157	702	1,427	1,843	1,798
Oper. profit	890	404	1,109	1,528	1,479
Interest income	210	239	325	251	299
Interest expense	(487)	(514)	(567)	(539)	(444)
Forex Gain/(Loss)	(159)	129	(46)	42	0
Income From Assoc. Co's	0	(17)	(65)	(60)	(52)
Other Income (Expenses)	(112)	(86)	143	68	70
Pre-tax profit	341	155	900	1,289	1,352
Income tax	(254)	(143)	(319)	(458)	(393)
Minority interest	(1)	0	(4)	(6)	(6)
Net profit	86	12	577	825	954
Core Net Profit	246	(117)	622	783	954

Exhibit 7. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020A	2021F	2022F
Cash & cash equivalent	2,325	2,202	1,908	1,873	1,303
Receivables	778	258	611	681	667
Inventory	253	255	315	308	239
Other Curr. Asset	2,747	571	581	594	595
Fixed assets - Net	2,220	2,435	2,479	2,412	2,341
Other non-curr.asset	2,973	6,124	6,881	7,271	7,763
Total asset	11,296	11,845	12,776	13,139	12,907
ST Debt	104	144	185	339	399
Payables	602	750	748	757	772
Other Curr. Liabilities	450	415	506	490	512
Long Term Debt	5,852	6,222	6,164	5,816	4,717
Other LT. Liabilities	218	246	303	323	340
Total Liabilities	7,227	7,777	7,905	7,725	6,740
Shareholder's Funds	4,051	4,050	4,848	5,384	6,132
Minority interests	19	19	23	29	35
Total Equity & Liabilities	11,296	11,845	12,776	13,139	12,907

Exhibit 8. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020A	2021F	2022F
Net income	86	12	577	825	954
Depreciation and Amort.	267	298	317	315	319
Change in Working Capital	102	179	(336)	465	(107)
Other Oper. Cash Flow	331	(202)	74	104	(60)
Operating Cash Flow	786	286	632	1,709	1,105
Capex	(452)	(360)	(220)	(108)	(152)
Others Inv. Cash Flow	(208)	(345)	(528)	(99)	(51)
Investing Cash Flow	(660)	(705)	(749)	(207)	(203)
Net change in debt	1,282	409	(16)	(194)	(1,039)
New Capital	36	13	221	0	0
Dividend payment	(236)	(26)	0	(288)	(206)
Other Fin. Cash Flow	(489)	(500)	(567)	(539)	(444)
Financing Cash Flow	593	(104)	(361)	(1,022)	(1,689)
Net Change in Cash	720	(523)	(478)	481	(787)
Cash - begin of the year	2,201	2,325	2,202	1,908	1,873
Cash - end of the year	2,325	2,202	1,908	1,873	1,303

Exhibit 9. Key Ratios

Year to 31 Dec	2018A	2019A	2020A	2021F	2022F
Growth (%)					
Sales	14.5	(11.7)	22.4	19.0	4.3
EBITDA	(15.0)	(39.4)	103.4	29.2	(2.4)
Operating profit	(19.1)	(54.6)	174.7	37.7	(3.2)
Net profit	(89.3)	(86.5)	4,836.9	43.1	15.6
Profitability (%)					
Gross margin	43.1	30.8	44.8	47.0	45.0
EBITDA margin	31.2	21.4	35.6	38.6	36.1
Operating margin	24.0	12.3	27.7	32.0	29.7
Net margin	2.3	0.4	14.4	17.3	19.2
ROAA	0.8	0.1	4.7	6.4	7.3
ROAE	2.1	0.3	13.0	16.1	16.6
Leverage					
Net Gearing (x)	0.9	1.0	0.9	0.8	0.6
Interest Coverage (x)	1.8	0.8	2.0	2.8	3.3

Source : SSMS, Danareksa Estimates

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