

Thursday, 22 April 2021

BUY
Maintain

Last price (IDR) 10,300
Target Price (IDR) 17,500
Upside/Downside +69.9%
Previous Target Price (IDR) 17,000

Stock Statistics

Sector Plantation
Bloomberg Ticker AALI JJ
No of Shrs (mn) 1,925
Mkt. Cap (IDRbn/USDmn) 19,824/1,366
Avg. daily T/O (IDRbn/USDmn) 31.2/2.2

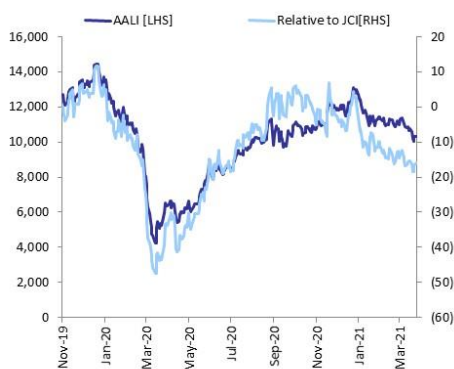
Major shareholders (%)

Astra International 79.7
Public 20.3

EPS Consensus (IDR)

	2021F	2022F	2023F
Danareksa	690.5	662.7	826.6
Consensus	672.4	673.2	716.1
Danareksa/Cons	2.7	(1.6)	15.4

AALI relative to JCI Index



Source : Bloomberg



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Astra Agro Lestari(AALI JJ)

Solid Core Profit, Blemished by Forward

AALI's core profits of ID496.3bn (+54.0% yoy, and +3.1% qoq) are above our estimate and the consensus by virtue of the CPO price surging 8.9% yoy to IDR9.9k/kg as price continues to surge. CPO Production was 351.5k ton in 1Q -0.7 yoy, still at -11.0 qoq on seasonality figure, sales volume of 1.5mn ton (-6.8% yoy, -13.8% qoq) mainly due to pre Covid-19 base. Reported profits are below the consensus and our estimate driven by forward sales mark to market losses totaling IDR384.0bn leading to IDR162.4bn of net profits (-56.2% yoy and -35.2% qoq). We still Maintain BUY with same TP of IDR17,500 while keeping all of our forecast unchanged.

In-line top line. The top line was aided by a price at IDR9.9k/kg in 1Q21 (+8.9% yoy, 15.7% qoq) compensating for -0.7% yoy CPO production which led to 299.3 k tons (-14.4% yoy, -24.8% qoq) of total CPO sales. FFB production of 1.1mn tons is still negative at -3.3% yoy and -13.5% qoq, but the March production is already good at 390.2k tons, or a 7.9% yoy increase and 24.7% mom increase. We believe the trend will continue going forward as rains have been abundant. All in all, the IDR5.0tn of sales (+5.0% yoy, -8.2% qoq) are in line with our estimate and the consensus.

Above core earnings, below reported profits. Operationally, the GPM inched down to 18.5% in 1Q21 from 19.3% in 1Q20, driven by the price surge and EBIT of IDR657.9bn (+2.9% yoy, -11.6% qoq) reflecting a 13.1% margin (-0.2p.p yoy) leading to IDR162.4bn of reported profits (-56.2% yoy and -35.2% qoq), below our estimate and the consensus. Reported earnings were dragged down by a loss from forward contracts fair value totaling some IDR384.0bn as per 1Q21 in relation to MYR174mn for delivery up to July 2021. Excluding the item, core profits reached IDR496.3bn (+54.0% yoy +3.1% qoq) or above our estimate and consensus.

The same earnings level, despite forward losses. As the forward position has been trimmed from MYR523mn in 4Q20 to a mere MYR174mn as per 1Q21, for Jan up to Jul 2021 delivery. Post the delivery the gain or loss impact will be gone, thus reported profit will be normal vs its core profit, thus we believe our number remains relevant compared to its FY2021F performance.

Maintain BUY with a TP of IDR17,500. As our estimates remains the same new forecast is still healthy at 59.5% yoy and the FV from forward contract to subside starting 3Q21. We believe AALI lags far behind the commodity, and with the KPB Medan price continues to be above IDR9,000 despite the progressive levy and the CPO price continuing to surge, AALI still looks enticing in our view.

Key Financials

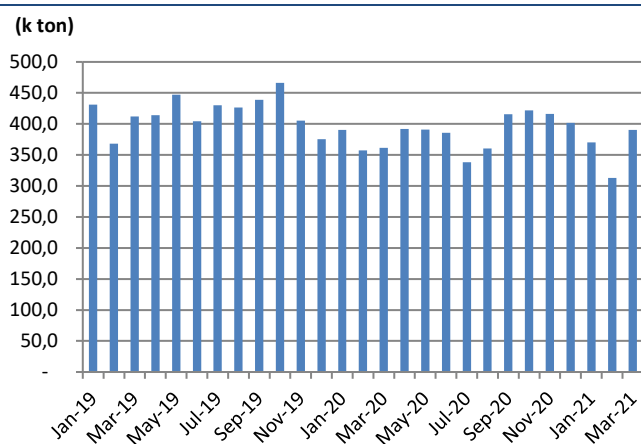
Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Revenue (IDRbn)	17,453	18,807	20,426	21,811	21,770
EBITDA (IDRbn)	2,226	3,091	3,814	3,777	3,881
EBITDA Growth (%)	(37.2)	38.8	23.4	(1.0)	2.8
Net profit (IDRbn)	211	833	1,329	1,275	1,591
EPS (IDR)	109.7	432.8	690.5	662.7	826.6
EPS growth (%)	(85.3)	294.6	59.5	(4.0)	24.7
BVPS (IDR)	9,622.9	9,743.1	10,264.4	10,650.9	11,212.4
DPS (IDR)	224.0	102.9	173.1	276.2	265.1
PER (x)	89.3	22.6	14.2	14.8	11.9
PBV (x)	1.0	1.0	1.0	0.9	0.9
Dividend yield (%)	2.3	1.0	1.8	2.8	2.7
EV/EBITDA (x)	10.9	7.6	5.7	5.6	5.1

Source : AALI, Danareksa Estimates

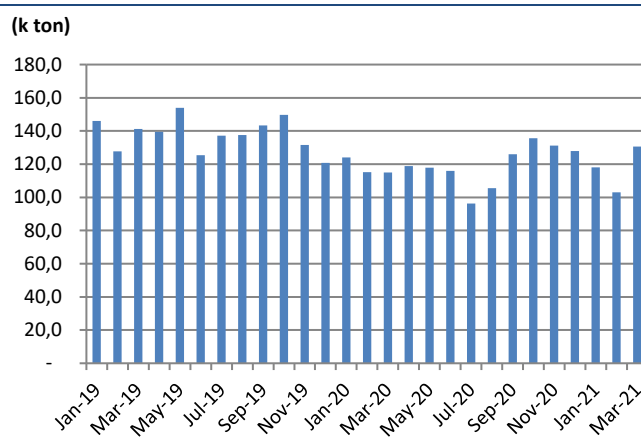
Exhibit 1. AALI 1Q21 result, In-line sales, below net profit, above core profit

AALI 1Q21 Results (IDR bn)	1Q20	4Q20	1Q21	YoY	QoQ	2021F	% of DS	2021C	% of Cons.
Revenue	4,796	5,483	5,035	5.0%	-8.2%	20,426	24.7%	20,179	25.0%
Gross profit	927	1,046	932	0.6%	-10.9%	3,678	25.3%	3,568	26.1%
EBIT	640	745	657.9	2.9%	-11.6%	2,449	26.9%	2,329	28.2%
Pretax profit	605	497	355	-41.3%	-28.6%	2,187	16.2%	1,942	18.3%
Net profit	371	251	162	-56.2%	-35.2%	1,329	12.2%	1,250	13.0%
Core Profit	322	481	496.3	54.0%	3.1%	1,309	37.9%	1,250	39.7%
ETR	-42.1%	-30.8%	-26.9%			-35.0%			
Margins									
Gross Profit	19.3%	19.1%	18.5%			18.0%		17.7%	
EBIT	13.3%	13.6%	13.1%			12.0%		11.5%	
Net Income	7.7%	4.6%	3.2%			6.5%		6.2%	

Source: Company, Danareksa Sekuritas

Exhibit 2. FFB production already 7.9% yoy increase in Mar21


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. CPO production also ticked up +13.6% yoy in Mar21


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Revenue	17,453	18,807	20,426	21,811	21,770
COGS	(15,308)	(15,844)	(16,748)	(18,168)	(18,060)
Gross profit	2,145	2,963	3,678	3,643	3,710
EBITDA	2,226	3,091	3,814	3,777	3,881
Oper. profit	960	1,842	2,449	2,348	2,395
Interest income	30	51	54	87	141
Interest expense	(350)	(418)	(465)	(465)	(47)
Forex Gain/(Loss)	(35)	33	20	0	0
Income From Assoc. Co's	(6)	88	103	103	103
Other Income (Expenses)	61	(134)	25	25	25
Pre-tax profit	661	1,463	2,187	2,099	2,618
Income tax	(417)	(569)	(765)	(734)	(916)
Minority interest	(33)	(61)	(92)	(89)	(111)
Net profit	211	833	1,329	1,275	1,591
Core Net Profit	246	800	1,309	1,275	1,591

Exhibit 5. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalent	383	979	2,500	3,156	4,341
Receivables	758	1,390	1,382	1,476	1,473
Inventory	1,974	2,166	2,233	2,271	2,257
Other Curr. Asset	1,356	1,403	1,469	1,571	1,564
Fixed assets - Net	11,409	10,786	10,207	9,941	9,962
Other non-curr.asset	11,093	11,057	11,355	11,724	11,769
Total asset	26,974	27,781	29,146	30,140	31,367
ST Debt	150	0	0	0	0
Payables	988	1,233	1,766	1,875	1,866
Other Curr. Liabilities	433	715	689	717	737
Long Term Debt	5,535	5,624	5,394	5,394	5,394
Other LT. Liabilities	889	961	954	979	1,002
Total Liabilities	7,996	8,533	8,803	8,964	8,999
Shareholder's Funds	18,521	18,752	19,756	20,500	21,580
Minority interests	457	495	588	676	787
Total Equity & Liabilities	26,974	27,781	29,146	30,140	31,367

Exhibit 6. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021F	2022F	2023F
Net income	211	833	1,329	1,275	1,591
Depreciation and Amort.	1,332	1,289	1,419	1,494	1,550
Change in Working Capital	452	(608)	293	(80)	14
Other Oper. Cash Flow	(98)	776	492	385	(50)
Operating Cash Flow	1,897	2,290	3,533	3,075	3,106
Capex	(1,227)	(999)	(816)	(1,307)	(1,514)
Others Inv. Cash Flow	(232)	349	(267)	(203)	39
Investing Cash Flow	(1,460)	(650)	(1,083)	(1,511)	(1,474)
Net change in debt	954	(62)	(230)	0	0
New Capital	(249)	(404)	7	0	0
Dividend payment	(431)	(198)	(333)	(532)	(510)
Other Fin. Cash Flow	(378)	(380)	(373)	(377)	63
Financing Cash Flow	(103)	(1,044)	(929)	(908)	(447)
Net Change in Cash	334	596	1,521	656	1,185
Cash - begin of the year	49	383	979	2,500	3,156
Cash - end of the year	383	979	2,500	3,156	4,341

Exhibit 7. Key Ratios

Year to 31 Dec	2019A	2020A	2021F	2022F	2023F
Growth (%)					
Sales	(8.5)	7.8	8.6	6.8	(0.2)
EBITDA	(37.2)	38.8	23.4	(1.0)	2.8
Operating profit	(58.7)	91.8	33.0	(4.1)	2.0
Net profit	(85.3)	294.6	59.5	(4.0)	24.7
Profitability (%)					
Gross margin	12.3	15.8	18.0	16.7	17.0
EBITDA margin	12.8	16.4	18.7	17.3	17.8
Operating margin	5.5	9.8	12.0	10.8	11.0
Net margin	1.2	4.4	6.5	5.8	7.3
ROAA	0.8	3.0	4.7	4.3	5.2
ROAE	1.1	4.5	6.9	6.3	7.6
Leverage					
Net Gearing (x)	0.3	0.2	0.1	0.1	0.0
Interest Coverage (x)	2.7	4.4	5.3	5.0	50.7

Source : AALI, Danareksa Estimates

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