

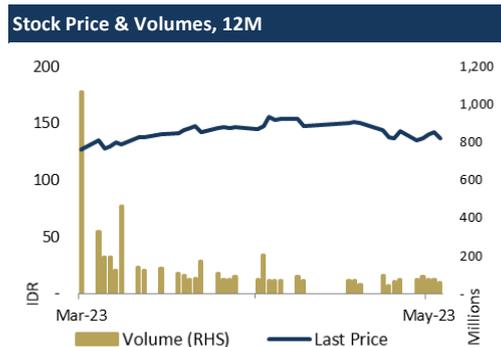
BUY (Maintain)

Target Price (IDR) 200 (Unchanged)
Potential Upside (%) 41.8

Price Comparison	
Cons. Target Price (IDR)	195
SSI vs. Cons. (%)	102.6

Stock Information	
Last Price (IDR)	141
Shares Issued (Mn)	23,788
Market Cap. (IDR Bn)	3,354
52-Weeks High/Low (IDR)	164/126
3M Avg. Daily Value (IDR Bn)	N/A
Free Float (%)	30.0
Shareholder Structure:	
PT Mitra Agro Dharma (%)	50.3
Ir. Teguh Patriawan (%)	14.6
Others non public (%)	20.1
Public (%)	15.0

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	N/A	(7.8)	N/A	N/A
JCI Return	(1.9)	(1.2)	(2.4)	1.8
Relative	N/A	(6.7)	N/A	N/A



Company Background
 NSSS, an upstream integrated plantation company with five palm oil plantations in Central Kalimantan, has sizeable ready-to-use landbank supporting its high-quality palm oil products. The company has strong leadership with the highest standard of operating framework.

Yosua Zisokhi
 +62 21 2854 8387
Yosua.zisokhi@samuel.co.id

Daniel A. Widjaja
 +62 21 2854 8322
Daniel.aditya@samuel.co.id

Abundant Fruit Ahead

Potential FFB production growth of +20.5% yoy in FY23F. In 1Q23, there were 37 ha of newly planted area in NSSS' 3rd palm oil plantation (under PT PMM), bringing the company's total planted area to 27,357 ha (including plasma land). Also, approximately 1,227 ha of its 'immature' planted area is expected to mature this year, prompting us to project substantial growth in the company's FFB production in FY23F and FY234F (+20.5% yoy and +23.6% yoy, respectively). Aside from the new mature planted area, other factors boosting NSSS' production growth potential is the very young age of its plants (approximately 8.1 years; none of the plants are older than 20 years old) and the fact that 85.2% of the company's planted area is entering the prime age.

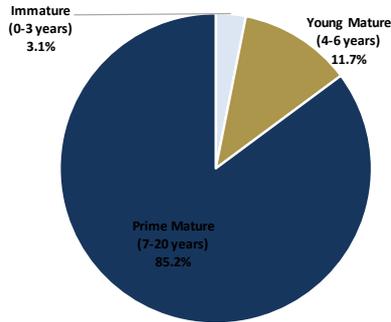
2nd CPO mill will start operations this year. The construction of the company's second CPO mill, which is located at BSP plantation (capacity: 60 tph), is going according to plan, and the mill is projected to commence operations in early 4Q23. The new CPO mill will practically double NSSS's CPO production capacity to 120 tph and help the company to keep up with its FFB production growth (the utilization rate of NSSS' first mill has reached 100%). We project NSSS to book CPO production growth of +24.3% yoy in FY23F and +67.9% yoy in FY24F.

1Q23 review and FY23F outlook. NSSS posted solid sales volume growth in 1Q23 (CPO +15.6% yoy, PK +13.0% yoy, and FFB +199.6% yoy), supported by the spike in internal FFB production volume. Specifically for FFB, another factor boosting sales volume was the fact that NSSS' second CPO mill was not yet operational, 'forcing' the company to sell excess FFB production. Despite the surge in sales volume, NSSS' revenue actually slumped -15.3% yoy in 1Q23, mainly due to the decline in its ASP as prices started to normalize (CPO -23.9% yoy, PK -55.7% yoy). Also, NSSS still uses expensive fertilizers, which have become inventories since mid-2022, leading to a -91.8% yoy drop in its EBITDA with an EBITDA margin of 6.8% (vs 70.2% in 1Q22). However, we expect conditions to improve in the remainder of 2023, primarily due to: 1) the company's CPO production growth potential in 2H23, supported by better weather (dry season), 2) its second CPO mill, and 3) lower fertilizer expenses as raw material prices continue to normalize. Therefore, we project NSSS to post revenue, gross profit and net profit growth of +17.4% yoy, 24.5% yoy and 143.9% yoy, respectively, in FY23F.

BUY, TP IDR 200 (EV USD 12,000/ha). In light of all of the factors outlined above, as well as its competent management team, we reiterate our BUY rating on NSSS shares with a TP of IDR 200/share, implying an EV/HA of USD 12,000 (~35% discount to regional weighted average EV/HA). Risks: regulatory changes, weather anomalies, and price fluctuations.

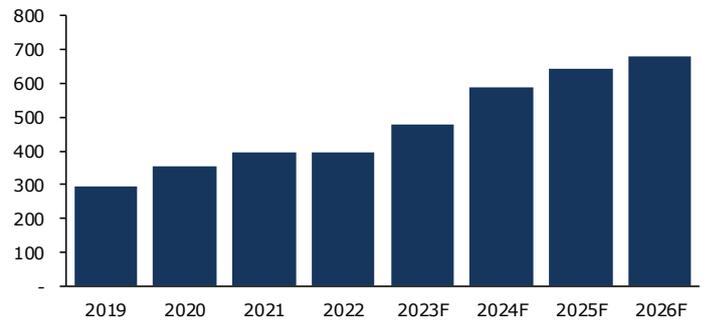
Valuations (at closing price IDR 141 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	1,147	1,134	1,331	2,078	2,107
EBITDA (IDR Bn)	622	456	553	901	1,057
EV/EBITDA (x)	5.4	10.8	8.9	5.4	4.7
Net Profit (IDR Bn)	245	70	171	429	554
EPS (IDR)	24	3	7	18	23
EPS Growth (%)	n/a	(85.7)	112.6	144.3	29.1
P/E Ratio (x)	5.8	40.6	19.1	7.8	6.1
BVPS (IDR)	21	24	27	29	31
P/BV Ratio (x)	2.5	4.4	2.6	2.1	1.7
DPS (IDR)	-	-	-	129	166
Dividend Yield (%)	-	-	-	3.8	5.0
ROAE (%)	56.2	11.1	18.3	30.8	31.9
ROAA (%)	8.6	2.3	5.1	11.4	14.2
Interest Coverage (x)	2.5	1.7	2.4	4.5	6.1
Net Gearing (x)	3.5	3.3	1.3	1.0	0.8

Figure 1. Age profile



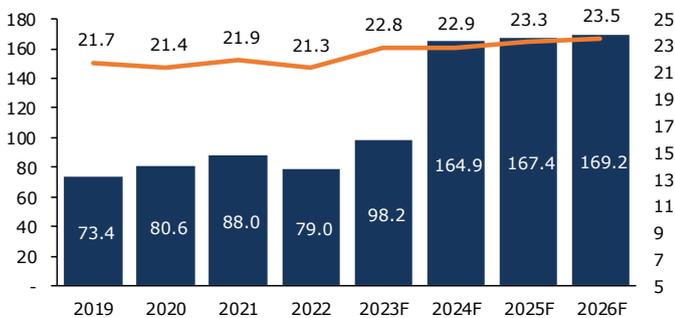
Source: Company, SSI Research

Figure 2. FFB production



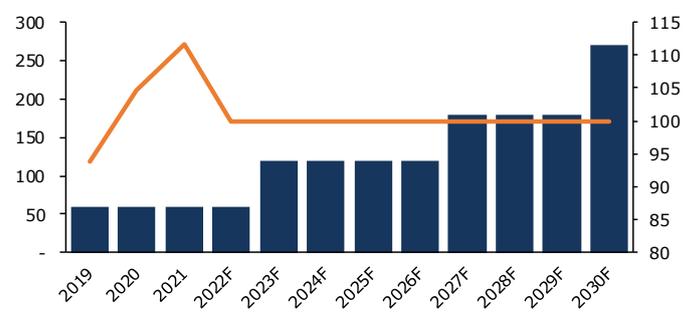
Source: Company, SSI Research

Figure 3. CPO production



Source: Company, SSI Research

Figure 4. CPO mills' capacity and utilization rate



Source: Company, SSI Research

Company	Ticker	Market Cap	Total planted area (HA)	EV/HA
Indonesia				
Astra agro lestari	AALI	1,007	214,499	5,432
Sawit Sumbermas Sarana	SSMS	1,034	68,880	20,997
Triputra Agro Persada	TAPG	833	138,000	6,396
Sumber Tani Agung	STAA	706	37,747	18,884
London Sumatra	LSIP	450	92,649	2,243
Dharma Satya Nusantara	DSNG	452	84,500	8,582
Malaysia				
IOI Corp	IOI	5,264	176,926	32,480
Kuala Lumpur Kepong	KLK	5,006	275,037	26,415
Genting Plantations	GENP	1,195	139,022	10,203
FGV Holdings	FGV	1,221	336,315	6,018
Singapore				
Golden Agri-resources	GGR	2,548	536,013	8,890
First Resources	FR	1,797	179,521	8,645
Bumitama Agri	BAL	729	132,728	7,871
Weighted Average				18,766
NSSS				
EV/HA (USD, 35% discount from Peers)	12,000			
TP (IDR/Share)	200			

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	1,147	1,134	1,331	2,078	2,107
Cost of Revenue	(576)	(728)	(826)	(1,206)	(1,077)
Gross Profit	571	406	505	872	1,030
Operating Expense	(65)	(80)	(94)	(116)	(120)
G&A Expense	(37)	(49)	(61)	(64)	(67)
Selling & Marketing Expense	(28)	(31)	(33)	(52)	(53)
Others	-	-	-	-	-
Operating Profit	505	326	411	756	910
EBITDA	622	456	553	901	1,057
Interest Income	2	4	4	7	4
Interest Expense	(205)	(192)	(172)	(169)	(149)
Gain (Loss) on Asset	33	(3)	-	-	-
Other Income (Expense)	(0)	(10)	(10)	(10)	(10)
Pre-tax Profit	334	124	233	585	755
Taxes	(89)	(54)	(62)	(156)	(201)
Minority Interest	(0)	(0)	(0)	(0)	(0)
Net Profit	245	70	171	429	554

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash	191	40	495	413	82
Receivables	24	33	36	54	67
Inventory	90	160	92	135	120
Others	93	97	115	121	123
Total Current Asset	397	331	738	722	392
Net Fixed Asset	542	623	833	813	792
Other Assets	2,036	2,081	2,117	2,339	2,746
Total Asset	2,975	3,035	3,688	3,874	3,930
Payables	140	178	196	269	239
ST. Debt and CMLTD	166	109	164	150	128
Other Current Liabilities	57	50	58	55	47
Current Liability	363	337	418	474	414
LT. Debt	1,990	1,996	1,964	1,796	1,533
Other LT. Liabilities	63	72	64	61	52
Total Liability	2,416	2,405	2,445	2,331	1,999
Minority Interest	0	0	0	0	0
Total Equity	559	630	1,243	1,543	1,931

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	245	70	171	429	554
D&A	117	130	142	145	147
Changes in Working Capital	163	203	313	331	318
Operating CF	525	403	626	904	1,019
Capital Expenditure	999	(315)	(848)	(348)	(1,000)
Others	(965)	188	603	146	613
Investing CF	34	(127)	(245)	(202)	(387)
Dividend Paid	(90)	(150)	(108)	(115)	(133)
Net Borrowing	(408)	(162)	831	22	72
Others	89	(114)	(651)	(692)	(903)
Financing CF	(410)	(427)	73	(785)	(964)
Net - Cash flow	150	(151)	455	(83)	(331)
Adjustment	-	-	-	-	-
Cash at Beginning	42	191	40	495	413
Cash at Ending	191	40	495	413	82

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	49.8	35.8	37.9	42.0	48.9
Operating Margin (%)	44.1	28.7	30.9	36.4	43.2
Pretax Margin (%)	29.2	10.9	17.5	28.1	35.8
Net Profit Margin (%)	21.4	6.2	12.9	20.6	26.3
Revenue Growth (%)	53.5	(1.1)	17.4	56.2	1.4
EBITDA Margin (%)	54.3	40.2	41.6	43.3	50.2
EBITDA Growth (%)	126.3	(26.7)	21.4	62.9	17.4
Debt to Equity (x)	3.9	3.3	1.7	1.3	0.9

Key Assumption					
Y/E Dec	21A	22A	23F	24F	25F
Nucleus FFB Yield (Ton/Ha)	16.3	15.5	18.3	22.2	24.0
Mills Capacity (ktpa)	360	371	430	720	720
Nucleus CPOER	21.9	21.3	22.8	22.9	23.3

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
William Mamudi, CFTe, CMT, CCT	Senior Technical Analyst	william.mamudi@samuel.co.id	+6221 2854 8382
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392

Equity Institutional Team			
Benny Bambang Soebagjo	Head of Institutional Equity Sales	benny.soebagjo@samuel.co.id	+6221 2854 8312
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Anthony Yunus	Institutional Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Widya Meidrianto	Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Head of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyo	Dealer	wahyudi.budiyo@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305

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