

BUY (Maintain)

Target Price (IDR) 265 (from 200)

Potential Upside (%) 19.4

Price Comparison

Cons. Target Price (IDR) 177

SSI vs. Cons. (%) 149.7

Stock Information

Last Price (IDR) 222

Shares Issued (Mn) 23,788

Market Cap. (IDR Bn) 5,043

52-Weeks High/Low (IDR) 230/126

3M Avg. Daily Value (IDR Bn) 14.6

Free Float (%) 43.1

Shareholder Structure:

PT Mitra Agro Dharma (%) 37.2

Ir. Teguh Patriawan (%) 14.5

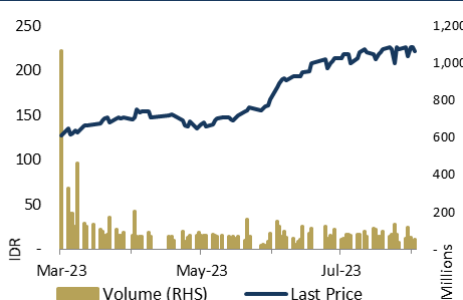
Others Non-Public (%) 27.4

Public (%) 20.9

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	N/A	(2.8)	54.7	N/A
JCI Return	0.5	1.3	1.9	(3.9)
Relative	N/A	(4.0)	52.8	N/A

Stock Price & Volumes, 12M



Company Background

NSS is an integrated upstream plantation company with 5 palm oil estates in Central Kalimantan. The company 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.

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Double Capacity, Double Performance

The second mill will commence operations soon. NSSS' second palm oil mill, which is located at its second estate (BSP), will commence operations within the next few months (the buildings have been completed, and the mechanical and electrical systems are being installed; the plan is for the mill to start operations in October 2023). The new mill has a total capacity of 60 tph, which will double NSSS' total CPO mill capacity to 120 tph. The new mill is dedicated to processing FFBs from NSSS's second estate into CPO. To note, BSP produced 69 million tons of FFBs in 1H23, some of which were sent to NSSS' first mill in NSP, and the rest were sold as is. Just like its first mill, the new mill will also be equipped with a pipeline system and a special terminal that can speed up CPO delivery from the mill to buyer's barges, which should maintain demand for CPOs from the new mill.

Why build another mill? NSSS' FFB production volume is constantly going up; in 2Q23, its nucleus FFB production rose +21.0% yoy, +29.4% qoq. Due to its limited mill capacity, however, NSS could only process 91.6% of its FFB (nucleus and plasma). Some of its excess FFB inventory was eventually sold, with 9,661 tons of FFB sold in 2Q23 (+38.6% qoq, +204.4% yoy) and 16,632 tons in 1H23 (+424.0% yoy), which brought IDR 30.9 billion of sales (5.8% of NSSS' 1H23 sales, at an ASP of IDR 1.86mn/ton). However, the excess FFB inventory could bring more revenue if they were processed into value-added products, such as CPO and kernel. With the second mill, NSSS can process all of its FFBs into CPO and kernels, which have ASPs of IDR 11.0mn/ton and IDR 5.2mn/ton. Assuming COPER of 22% and KER of 4.6% (2Q23 numbers), NSS could've booked IDR 44.2 billion if those excess FFBs were processed, +43% more than the IDR 30.9 billion it actually booked. We believe this is enough to illustrate the importance of the new mill.

Supported by young plants. We project NSSS' FFB production to grow +17.9% yoy and +23.6% yoy, respectively, in FY23F and FY24F. With its second mill, which is expected to commence operations in 4Q23, we expect NSSS' CPO production volume to increase by approx. +22.0% yoy in FY23F and +67.9% yoy in FY24F (as its second mill's utilization rate hits 100% and its BSP plants reach their prime age). Assuming flat ASP, we forecast NSSS to book revenue growth of +17.4% yoy/+56.2% yoy and EBITDA growth of +21.3% yoy/+62.9% yoy in FY23F/FY24F.

BUY, TP IDR 265 (EV USD 17,023/Ha). Supported by the catalysts outlined above, as well as its highly experienced management team, we maintain our BUY rating on NSSS with a TP of IDR 265, implying an EV/Ha of USD 17,023 (~10% lower than regional weighted average EV/Ha). Risk: regulatory changes, weather anomalies.

Valuations (at closing price IDR 222 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)	6.8	14.6	12.4	7.7	6.6
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)	9.3	65.1	30.6	12.5	9.7
BVPS (IDR)	21	24	27	29	31
P/BV Ratio (x)	4.1	7.3	4.2	3.5	2.8
DPS (IDR)	-	-	-	129	166
Dividend Yield (%)	-	-	-	2.4	3.1
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

Table 1. 1H23 Results

NSSS (IDR Bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
Revenue	308	243	289	18.7	-6.2	595	532	-10.6
Gross Profit	119	31	67	115.3	-43.5	284	98	-65.4
Operating Profit	60	(15)	57	N/A	-6.3	230	41	-82.0
EBITDA	69	(6)	66	N/A	-3.4	247	60	-75.6
Net Profit	(8)	(61)	4	N/A	N/A	86	(57)	N/A
Gross Margin	38.6%	12.8%	23.2%	10.4%	-15.4%	47.7%	18.5%	-29.3%
Operating Margin	19.6%	-6.2%	19.6%	25.8%	0.0%	38.7%	7.8%	-30.9%
EBITDA Margin	22.3%	-2.5%	23.0%	25.5%	0.7%	41.4%	11.3%	-30.1%
Net Margin	-2.5%	-25.0%	1.4%	26.4%	3.9%	14.5%	-10.7%	-25.2%
Sales Performance	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
CPO (tons)	19,954	18,502	23,036	24.5	15.4	35,959	41,538	15.5
PK (tons)	3,592	3,683	4,861	32.0	35.3	6,851	8,544	24.7
FFB (tons)	3,174	6,971	9,661	38.6	204.4	3,174	16,632	424.0
ASP	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	1H22	1H23	YoY (%)
CPO (IDR/kg)	13,818	11,366	10,683	-6.0	-22.7	14,318	10,987	-23.3
PK (IDR/kg)	8,967	5,440	5,096	-6.3	-43.2	10,547	5,244	-50.3
FFB (IDR/kg)	2,596	1,867	1,854	-0.7	-28.6	2,596	1,860	-28.4

Source: Company, SSI Research

Table 2. Valuation

Company	Ticker	Market Cap (Mn USD)	Total Planted Area (HA)	EV/HA (USD)
Indonesia				
Astra Agro Lestari	AALI	963	214,815	5,458
Sawit Sumbermas Sarana	SSMS	718	81,863	12,781
Triputra Agro Persada	TAPG	732	138,400	5,689
Sumber Tani Agung	STAA	607	49,618	13,404
PP London Sumatra	LSIP	458	91,602	2,031
Dharma Satya Nusantara	DSNG	405	84,600	8,475
Malaysia				
IOI Corp	IOI	5,622	176,980	34,007
Kuala Lumpur Kepong	KLK	5,510	289,650	25,660
Genting Plantations	GENP	1,163	159,477	9,003
FGV Holdings	FGV	1,118	334,075	5,807
Singapore				
Golden Agri Resources	GGR	2,359	537,697	8,558
First Resources	FR	1,842	211,409	8,481.19
Bumitama Agri	BAL	729	187,628	5,430
Weighted Average				18,915
NSSS				
EV/HA (USD, 10% discount from Peers)		17,023		
TP (IDR/Share)		265		

Source: Companies, SSI Research

Figure 1. NSSS' 2nd Palm Oil Mill Progress



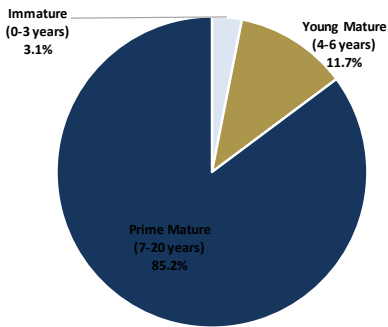
Source: SSI Research Documentation

Figure 2. NSSS' 2nd Palm Oil Mill Progress



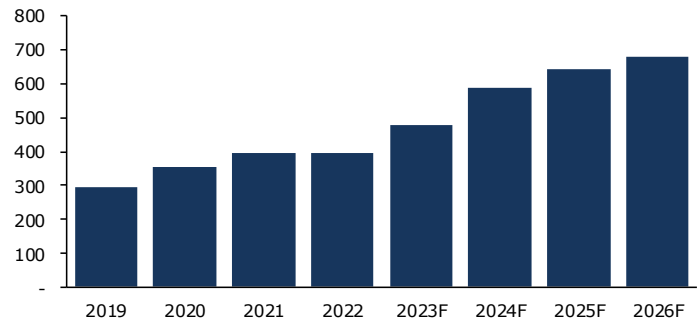
Source: SSI Research Documentation

Figure 3. Plant Age Profile



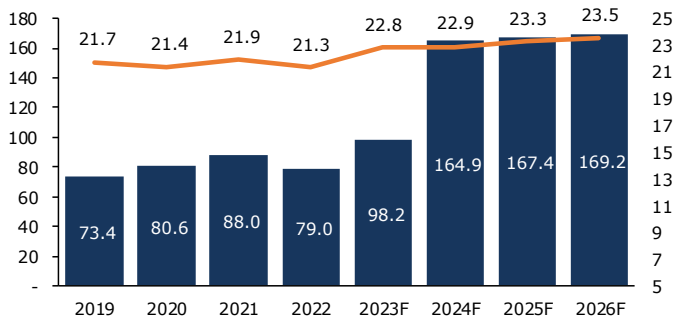
Source: Company, SSI Research

Figure 4. NSSS' FFB Production



Source: Company, SSI Research

Figure 5. NSSS' CPO Production



Source: Company, SSI Research

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	360	720	720	720
Nucleus CPOER	21.9	21.3	22.8	22.9	23.3

Figure 6. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
FGV HOLDINGS BHD	MY	FGV MK	1,121	10.5	12.3	6.2	5.8	0.8	0.8	5.3	6.2
GENTING PLANTATI	MY	GENP MK	1,162	17.7	17.3	9.0	9.1	1.0	1.0	5.2	5.3
IOI CORP BHD	MY	IOI MK	5,518	17.4	18.1	12.6	13.1	2.2	2.1	12.8	11.7
KUALA LUMPUR KEP	MY	KLK MK	5,407	16.6	17.1	10.1	10.4	1.8	1.7	10.2	9.6
SIME DARBY	MY	SIME MK	3,209	13.8	12.9	6.8	6.6	0.9	0.9	6.5	6.9
TSH RESOURCES	MY	TSH MK	304	13.8	12.5	6.9	7.8	0.7	0.7	5.6	5.6
BUMITAMA AGRI LT	ID	BAL SP	726	5.9	7.7	4.2	4.3	0.8	0.7	13.8	13.3
FIRST RESOURCES	ID	FR SP	1,777	8.9	8.4	4.9	4.8	1.3	1.2	13.0	13.5
GOLDEN AGRI-RESO	ID	GGR SP	2,397	6.5	7.0	3.5	3.5	0.5	0.4	6.9	21.0
WILMAR INTERNATI	CN	WIL SP	17,539	10.0	8.9	10.4	9.9	0.8	0.8	8.9	9.2
ASTRA AGRO LEST	ID	AALI IJ	974	13.2	11.2	5.8	5.7	0.7	0.6	5.4	5.7
DHARMA SATYA NUS	ID	DSNG IJ	404	7.3	5.9	4.9	4.4	0.7	0.7	10.7	10.6
PP LONDON SUMATR	ID	LSIP IJ	464	10.1	9.8	2.4	2.3	0.6	0.8	6.9	7.0
SAWIT SUMBERMAS	ID	SSMS IJ	710	10.2	11.1	11.9	12.0	1.6	1.5	17.5	15.7
TRIPUTRA AGRO PE	ID	TAPG IJ	737	7.2	9.0	4.8	4.4	1.0	0.9	16.3	15.7
NUSANTARA SAWIT	ID	NSSS IJ	331	29.7	22.4	12.3	10.9	4.8	3.9	15.0	16.3
Global Weighted Average			42,780	12.2	11.8	9.2	9.0	1.2	1.1	9.6	10.3

Source: Bloomberg, Company, SSI Research (*Valuation at closing price 10/8/2023)

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