

## BUY (Maintain)

Target Price (IDR) **1,050 (from 1,400)**  
 Potential Upside (%) **22.1**

### Price Comparison

Cons. Target Price (IDR) N/A  
 SSI vs. Cons. (%) N/A

### Stock Information

Last Price (IDR) 860  
 Shares Issued (Mn) 10,903  
 Market Cap. (IDR Bn) 9,377  
 52-Weeks High/Low (IDR) 1,205/800  
 3M Avg. Daily Value (IDR Bn) 6.5  
 Free Float (%) 16.7

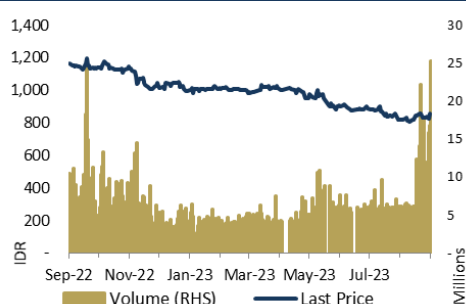
### Shareholder Structure:

PT Malibu Indah Lestari (%) 36.7  
 PT Kedaton Perkasa (%) 28.9  
 Others Non-Public (%) 17.6  
 Public (%) 16.8

### Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(17.7)	4.9	(4.4)	(26.2)
JCI Return	1.9	1.0	4.0	(4.4)
Relative	(19.6)	3.9	(8.5)	(21.8)

### Stock Price & Volumes, 12M



### Company Background

Established in 1970, STAA engages in the production of palm oil products. Today, the company owns more than 49 thousand Ha of oil palm plantations. In addition, it owns and operates 9 palm oil mills, 1 kernel crushing plant and 1 solvent extraction plant.

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## More Expansion Ahead

STAA currently operates 9 palm oil mills with a total capacity of 450 tph, which can accommodate twice the company's internal oil palm production (nucleus and plasma). To maximize the utilization rate of its mills, STAA purchases FFB from external parties (today, more than 50% of STAA's CPO is made from external FFBs). The strategy, which allows STAA to be not fully dependent on its own plantations, differentiates STAA from its peers. Aside from the unique strategy, another factor boosting our optimism about STAA's prospect is its expansion - the company is building a new palm oil refinery plant that will help generate more value from its products. This, coupled with the possibility of global CPO prices exceeding the pre-Covid levels (RM 4,000/ton) prompted us to maintain a BUY recommendation on STAA with a TP of 1,050/share, reflecting FY24F EV/ton of USD 1,570.

**Entering the midstream.** STAA, through its subsidiary, PT Sumber Tani Agung Oils and Fats (STAOF), is developing its own downstream palm oil industry by building a refinery plant in Dumai, which is expected to commence operations in 1H24F. In its first phase, the plant will be able to refine and fractionate 2,000 tons of palm oil/day. The plant will be supported by storage tanks that can store 64 thousand tons of refined palm oil and a 50 thousand DWT dock, making it easier for customers to stop by and purchase products from the plant. It is projected that once the plant becomes fully operational, it will help lift STAA's NPM by up to 300 bps.

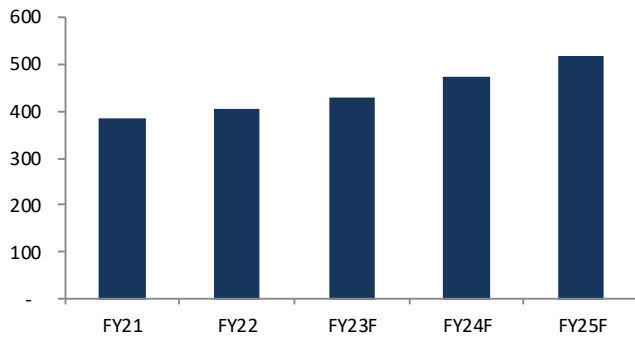
**Land and infrastructure expansion will continue until 2025.** STAA's acquisition of 6,000 Ha of land at the end of last year indicates the potential for more internal production in the future. To note, most of STAA's plants are in their prime (average: 13 years old; 74% of its plants are aged between 7-20 years old). We project the company's internal production volume to grow by 5% yoy in FY24F and FY25F, and we don't expect to see any significant drop in the quantity of FFB produced for at least 5 years. In addition, STAA has stated its commitment to acquire more land, with a target of 60,000 Ha in FY25F. Aside from land, STAA will continue to expand its infrastructure; the company will start the construction of two 45 tph mills in 2H23 and 1H24, respectively, bringing its total CPO production capacity to 540 tph.

**BUY, TP IDR 1,050 (EV/Ton: USD 1,570).** Its expansion strategy (both horizontal and vertical), coupled with the possibility of global CPO prices exceeding the pre-Covid levels (global: RM 4,000/ton, domestic: IDR 11-12 thousand/kg) prompted us to maintain a BUY recommendation on STAA with a TP of 1,050/share, reflecting FY24F EV/ton of USD 1,570 (25% higher than EV/ton average of its peers). Risks: regulatory changes, weather anomalies, and fluctuations in other vegetable oil prices.

### Valuations (at closing price IDR 860 per share)

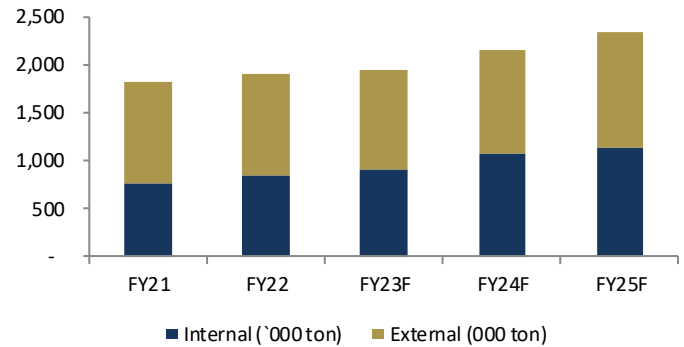
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	5,884	6,045	6,072	6,461	7,322
EBITDA (IDR Bn)	1,983	2,128	1,730	2,634	2,933
EV/EBITDA (x)	3.4	4.0	4.9	3.6	3.5
Net Profit (IDR Bn)	1,077	1,113	923	1,545	1,767
EPS (IDR)	108	102	85	142	162
EPS Growth (%)	186.5	(5.3)	(17.0)	67.4	14.3
P/E Ratio (x)	7.7	8.1	9.8	5.9	5.1
BVPS (IDR)	274	393	431	534	626
P/BV Ratio (x)	3.0	2.1	1.9	1.6	1.3
DPS (IDR)	-	10	46	38	71
Dividend Yield (%)	-	1.2	5.5	4.6	8.5
ROAE (%)	45.8	31.7	20.6	29.4	27.9
ROAA (%)	19.7	17.3	13.5	21.6	21.7
Interest Coverage (x)	8.7	11.9	18.7	58.4	126.0
Net Gearing (x)	0.5	0.0	0.0	n.c.	n.c.

Figure 1. STAA's CPO Production



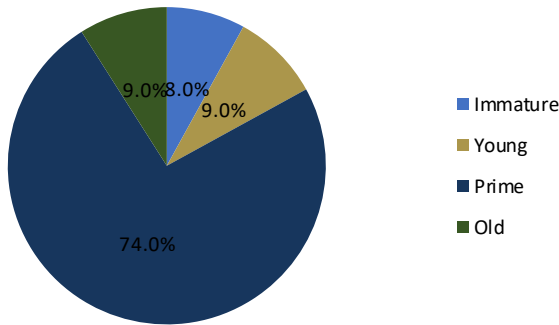
Source: Company, SSI Research

Figure 2. STAA's Processed FFB Contribution



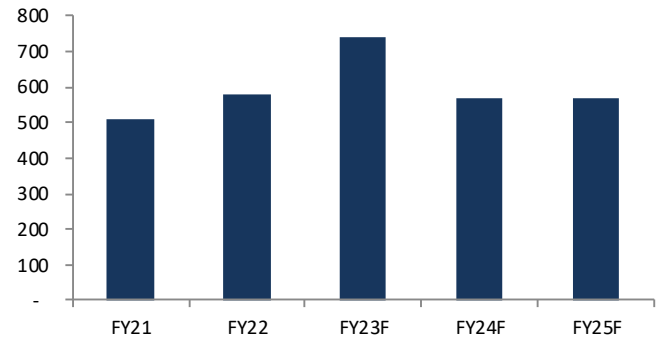
Source: Company, SSI Research

Figure 3. Plant Age Profile



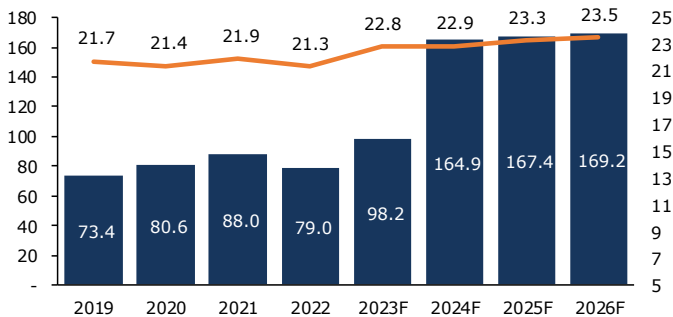
Source: Company, SSI Research

Figure 4. STAA's CPO Mill Capacity (Mton/hour)



Source: Company, SSI Research

Figure 5. STAA's Capex



Source: Company, SSI Research

Figure 6. EV/Ton

11-Sep-23	EV (USD Mn)	CPO Sales (Ton)	EV/Ton (USD)
AALI	1,150	1,342,035	857
LSIP	166	347,042	477
SSMS	1,061	556,249	1,907
DSNG	751	571,393	1,314
TAPG	786	852,704	922
NSSS	415	164,880	2,519
STAA	641	473,715	1,353
<b>Average</b>			<b>1,336</b>
EV/ton STAA (25% premium), USD			1,670
Target Price (IDR/Share)			1,050

Source: Bloomberg, Companies, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	5,884	6,045	6,072	6,461	7,322
Cost of Revenue	(3,613)	(4,000)	(4,282)	(3,834)	(4,329)
<b>Gross Profit</b>	<b>2,271</b>	<b>2,045</b>	<b>1,791</b>	<b>2,627</b>	<b>2,993</b>
<b>Operating Expense</b>	<b>(553)</b>	<b>(315)</b>	<b>(398)</b>	<b>(340)</b>	<b>(415)</b>
G&A Expense	(135)	(141)	(147)	(153)	(159)
Selling & Marketing Expense	(548)	(243)	(320)	(305)	(341)
Other Income (Expense)	131	69	69	118	85
<b>Operating Profit</b>	<b>1,718</b>	<b>1,731</b>	<b>1,392</b>	<b>2,287</b>	<b>2,578</b>
<b>EBITDA</b>	<b>1,983</b>	<b>2,128</b>	<b>1,730</b>	<b>2,634</b>	<b>2,933</b>
Interest Income	20	43	32	18	33
Interest Expense	(198)	(145)	(75)	(39)	(20)
Share of JV	10	9	9	10	11
Other Income (Expense)	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>1,550</b>	<b>1,638</b>	<b>1,359</b>	<b>2,275</b>	<b>2,601</b>
Taxes	(311)	(357)	(296)	(496)	(567)
Minority Interest	(162)	(168)	(140)	(234)	(267)
<b>Net Profit</b>	<b>1,077</b>	<b>1,113</b>	<b>923</b>	<b>1,545</b>	<b>1,767</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash	860	1,594	891	1,626	2,407
Receivables	37	91	91	97	110
Inventory	297	440	416	373	421
Others	268	176	176	176	176
<b>Total Current Asset</b>	<b>1,462</b>	<b>2,300</b>	<b>1,574</b>	<b>2,271</b>	<b>3,113</b>
Net Fixed Asset	3,882	4,093	4,495	4,718	4,933
Other Assets	514	620	620	620	620
<b>Total Asset</b>	<b>5,859</b>	<b>7,012</b>	<b>6,688</b>	<b>7,609</b>	<b>8,666</b>
Payables	131	195	167	149	168
ST. Debt and CMLTD	334	421	141	74	39
Other Current Liabilities	344	275	277	279	280
<b>Current Liability</b>	<b>808</b>	<b>891</b>	<b>584</b>	<b>502</b>	<b>487</b>
LT. Debt	1,796	1,330	758	398	208
Other LT. Liabilities	156	148	148	148	148
<b>Total Liability</b>	<b>2,760</b>	<b>2,369</b>	<b>1,491</b>	<b>1,048</b>	<b>844</b>
Minority Interest	360	360	500	733	1,001
<b>Total Equity</b>	<b>2,739</b>	<b>4,283</b>	<b>4,698</b>	<b>5,828</b>	<b>6,822</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	1,077	1,113	923	1,545	1,767
D&A	255	370	337	347	355
Changes in Working Capital	98	(97)	(6)	20	(42)
<b>Operating CF</b>	<b>1,430</b>	<b>1,386</b>	<b>1,255</b>	<b>1,913</b>	<b>2,080</b>
Capital Expenditure	(508)	(581)	(740)	(570)	(570)
Others	(3)	(105)	-	-	-
<b>Investing CF</b>	<b>(511)</b>	<b>(686)</b>	<b>(740)</b>	<b>(570)</b>	<b>(570)</b>
Dividend Paid	(1,206)	(109)	(502)	(416)	(773)
Net Borrowing	(380)	(379)	(851)	(427)	(225)
Others	1,087	522	135	235	269
<b>Financing CF</b>	<b>(499)</b>	<b>34</b>	<b>(1,218)</b>	<b>(608)</b>	<b>(729)</b>
<b>Net - Cash flow</b>	<b>420</b>	<b>734</b>	<b>(703)</b>	<b>735</b>	<b>781</b>
Adjustment	-	-	-	-	-
Cash at Beginning	440	860	1,594	891	1,626
<b>Cash at Ending</b>	<b>860</b>	<b>1,594</b>	<b>891</b>	<b>1,626</b>	<b>2,407</b>

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	38.6	33.8	29.5	40.7	40.9
Operating Margin (%)	29.2	28.6	22.9	35.4	35.2
Pretax Margin (%)	26.3	27.1	22.4	35.2	35.5
Net Profit Margin (%)	18.3	18.4	15.2	23.9	24.1
Revenue Growth (%)	40.0	2.7	0.4	6.4	13.3
EBITDA Margin (%)	33.7	35.2	28.5	40.8	40.1
EBITDA Growth (%)	82.4	7.3	(18.7)	52.3	11.3
Debt to Equity (x)	0.8	0.4	0.2	0.1	0.0

Major Assumptions					
Y/E Dec	21A	22A	23F	24F	25F
FFB Yield (Ton/Ha)	22.8	23.2	24.0	25.0	26.0
Mills capacity (Mton/hour)	450	450	450	495	540
CPOER (%)	21.1	21.2	22.0	22.0	22.0
CPO sales volume growth (%)	(5.6)	5.5	7.2	10.0	9.9

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	1,083	12.4	14.2	6.9	6.6	0.8	0.8	4.5	5.3
GENTING PLANTATI	MY	GENP MK	1,027	17.5	15.8	8.7	8.3	0.9	0.9	5.3	5.6
IOI CORP BHD	MY	IOI MK	4,980	16.8	17.5	12.3	12.9	2.0	1.9	11.5	10.5
KUALA LUMPUR KEP	MY	KLK MK	5,370	19.0	18.0	11.2	10.8	1.8	1.7	8.4	9.0
SIME DARBY	MY	SIME MK	3,129	12.5	11.4	6.6	6.4	0.9	0.8	7.1	7.4
TSH RESOURCES	MY	TSH MK	298	15.8	12.5	7.1	6.5	0.7	0.7	5.5	5.6
BUMITAMA AGRI LT	ID	BAL SP	725	5.2	5.5	3.9	4.1	0.8	0.8	16.3	14.1
FIRST RESOURCES	ID	FR SP	1,759	8.8	7.9	5.5	5.1	1.3	1.2	13.2	13.8
GOLDEN AGRI-RESO	ID	GGR SP	2,280	5.6	6.0	3.6	3.6	0.4	0.4	8.3	11.6
WILMAR INTERNATI	CN	WIL SP	17,410	12.9	9.9	12.3	10.1	0.8	0.8	6.8	8.4
ASTRA AGRO LEST	ID	AALI IJ	949	15.1	11.4	6.2	5.4	0.6	0.6	4.9	5.5
DHARMA SATYA NUS	ID	DSNG IJ	411	7.9	4.8	5.2	4.2	N/A	N/A	9.6	12.6
PP LONDON SUMATR	ID	LSIP IJ	442	10.9	9.7	2.2	2.0	0.6	0.6	7.2	7.5
SAWIT SUMBERMAS	ID	SSMS IJ	729	10.6	11.4	12.3	12.4	1.6	1.5	17.5	15.7
TRIPUTRA AGRO PE	ID	TAPG IJ	717	7.0	8.8	5.0	4.5	1.0	0.9	14.8	15.3
NUSANTARA SAWIT	ID	NSSS IJ	266	N/A	N/A	12.4	7.6	N/A	N/A	N/A	N/A
<b>Global Weighted Average</b>			<b>41,574</b>	<b>13.3</b>	<b>11.8</b>	<b>10.1</b>	<b>9.1</b>	<b>1.1</b>	<b>1.1</b>	<b>8.3</b>	<b>9.1</b>

Source: Bloomberg, Company, SSI Research (\*Valuation at closing price 15/9/2023)

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