

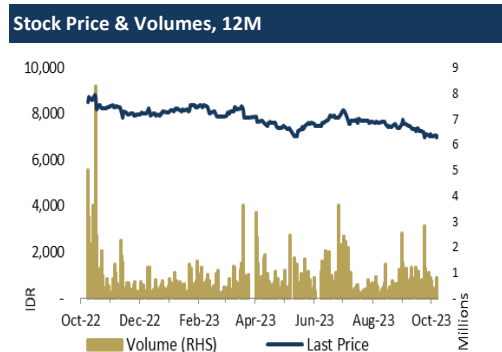
HOLD (Maintain)

Target Price (IDR) 7,500 (from 8,500)
Potential Upside (%) 6.4

Price Comparison	
Cons. Target Price (IDR)	8,076
SSI vs. Cons. (%)	92.9

Stock Information	
Last Price (IDR)	7,050
Shares Issued (Mn)	1,925
Market Cap. (IDR Bn)	13,521
52-Weeks High/Low (IDR)	8,900/6,950
3M Avg. Daily Value (IDR Bn)	5.2
Free Float (%)	20.3
Shareholder Structure:	
PT Astra International (%)	79.9
Public (%)	20.1

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	(12.5)	(6.3)	(7.0)	(17.4)
JCI Return	(2.6)	(3.9)	(3.1)	(5.4)
Relative	(9.8)	(2.4)	(3.8)	(11.9)



Company Background
 PT Astra Agro Lestari Tbk is a palm oil company with > 260 thousand Ha of nucleus plantation area in Sumatra, Kalimantan and Sulawesi.

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Hurt by ASP and Opex

CPO production growth of +3.7% YoY in 3Q23. AALI's FFB production volume experienced QoQ growth in 3Q23 (+3.3% QoQ), though it was flattish compared to 3Q22 (-0.1% YoY). However, CPO production rose +2.2% QoQ and +3.7% YoY, implying that AALI purchased more FFBs from third parties than in 3Q22. Regarding the cumulative figures, FFB production rose +4.8% YoY in 9M23 with an FFB yield of 12.4 tons/ha (+2.8% YoY), but CPO production fell -0.7% YoY to 977 thousand tons. It might be difficult for AALI to increase its FFB and CPO production, mainly because most of its plants are quite old (average age: 15.1 years); 37.3% of its plants are older than 20 years old, and only 37.9% of its plants are at their prime age. FFB yields fell further from 21.4 tons/ha in FY18 to ~16 tons/ha at the end of this year.

Net profit growth of +6.3% YoY in 3Q23. Even though its CPO production was relatively stable in 3Q23, AALI's CPO sales volume went up by +24.8% YoY (+42.5% QoQ), which helped offset the drop in CPO ASP (-19.7% YoY and -2.5% QoQ) and boost its revenue (+13.3% YoY and +35.9% QoQ). Its operating profit went up as well (+19.9% YoY, with an OPM of 8.5%), and its net profit rose +6.3% YoY with an NPM of 6.9%. However, AALI's cumulative revenue fell -5.1% YoY in 9M23, in line with SSI and consensus estimates, mainly due to the decline in CPO ASP (-23.2% YoY). Its net profit plunged -34.2% YoY amidst the increase in operating expenses of +4.9% YoY, putting pressure on its NPM (5.1%, vs. 7.4% in 9M22). AALI's 9M23 net profit fell short of expectations (48.5% of SSI's FY23F projection and 67.2% of consensus).

2024F outlook. We think it might be difficult for AALI to increase its nucleus FFB production at the moment, mainly due to its relatively old plants. Therefore, around 37% of the total FFB processed comes from external sources with relatively limited profit margins. To prevent further decline in profit margin, we believe that AALI will limit the proportion of external FFB to 45%; thus, we project AALI's CPO production to be flat (+0.5% YoY). Meanwhile, we estimate CPO prices to reach IDR 12K/kg (+8% YoY), supported by the El-Nino phenomenon and global economic recovery. Regarding AALI's future performance, we project the company to book revenue growth of +6.6% YoY and net profit growth of +9.4% YoY in FY24F.

HOLD, TP IDR 7,500/share. In light of the factors outlined above, we decided to reiterate our HOLD rating on AALI with a TP of IDR 7,500/share, implying an EV of USD 3,520/Ha. **Main risks:** Price fluctuations and regulatory changes.

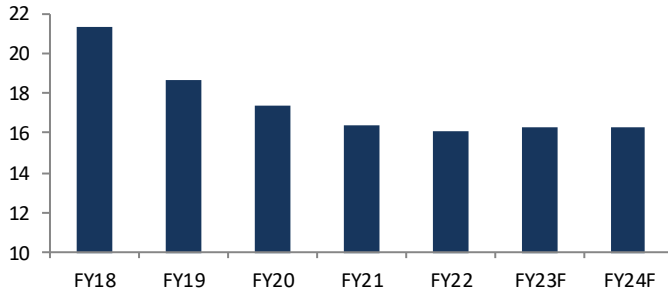
Valuations (at closing price IDR 7,050 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	24,322	21,829	21,987	23,445	23,488
EBITDA (IDR Bn)	4,643	3,530	3,168	3,206	3,257
EV/EBITDA (x)	4.1	5.6	5.3	5.0	4.8
Net Profit (IDR Bn)	1,971	1,727	1,228	1,344	1,370
EPS (IDR)	1,024	897	638	698	712
EPS Growth (%)	136.7	(12.4)	(28.9)	9.4	2.0
P/E Ratio (x)	8.7	9.9	14.0	12.8	12.5
BVPS (IDR)	10,713	11,266	11,565	12,033	12,513
P/BV Ratio (x)	0.8	0.8	0.8	0.7	0.7
DPS (IDR)	255	444	361	239	257
Dividend Yield (%)	2.9	5.0	4.1	2.7	2.9
ROAE (%)	10.0	8.2	5.6	5.9	5.8
ROAA (%)	6.8	5.8	4.3	4.6	4.6
Interest Coverage (x)	8.7	6.4	8.3	10.5	12.5
Net Gearing (x)	8.7	11.2	(1.3)	(4.5)	(6.5)

Table 1. 9M23 Results

AAAI (IDR Bn)	3Q22	2Q23	3Q23	QoQ (%)	YoY (%)	9M22	9M23	YoY (%)	FY23/SSI	FY23/Cons
Revenue	5,552	4,630	6,291	35.9	13.3	16,517	15,682	-5.1	73.3	75.7
Gross Profit	840	517	923	78.5	9.9	2,661	1,950	-26.7		
Operating Profit	447	168	535	217.7	19.6	1,627	865	-46.8		
EBITDA	663	394	759	92.8	14.6	2,284	1,537	-32.7		
Net Profit	407	143	433	203.1	6.5	1,216	801	-34.2	48.5	67.2
Gross Margin	15.1%	11.2%	14.7%	350 bps	-46 bps	16.1%	12.4%	-368 bps		
Operating Margin	8.0%	3.6%	8.5%	486 bps	45 bps	9.9%	5.5%	-434 bps		
EBITDA Margin	11.9%	8.5%	12.1%	356 bps	13 bps	13.8%	9.8%	-403 bps		
Net Margin	7.3%	3.1%	6.9%	380 bps	-44 bps	7.4%	5.1%	-226 bps		
Sales	3Q22	2Q23	3Q23	QoQ (%)	YoY (%)	9M22	9M23	YoY (%)		
CPO (000 Tons)	179.9	234.4	245.1	4.6	36.3	478.3	479.5	0.3		
CPO ASP (IDR Mn)	35.4	11.7	25.9	121.5	-26.9	22.6	19.0	-16.2		

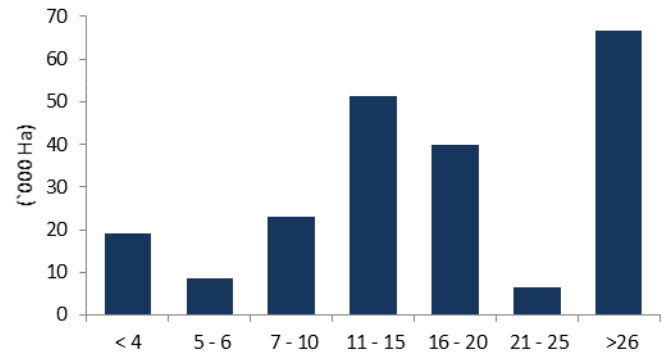
Source: Company, SSI Research

Figure 1. FFB Yield (Ton/Ha)



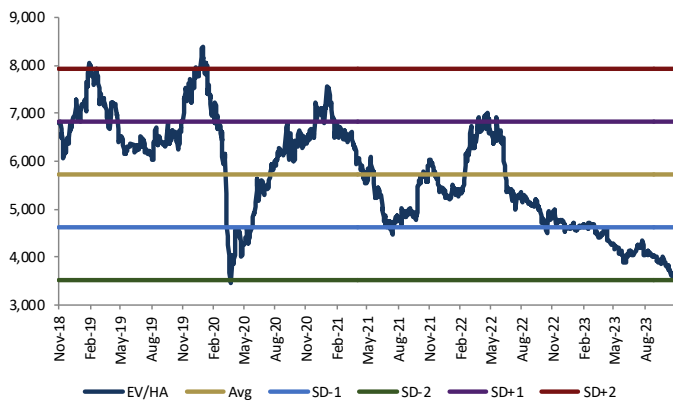
Source: Company, SSI Research

Figure 2. Age Profile (9M23)



Source: Company, SSI Research

Figure 3. EV/Hectare Band



Source: Bloomberg, Company, SSI Research

Table 2. 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	1,001	15.2	16.4	6.9	6.9	0.8	0.8	3.0	4.6
GENTING PLANTATI	MY	GENP MK	1,006	17.7	15.7	9.2	8.6	0.9	0.9	5.2	5.5
IOI CORP BHD	MY	IOI MK	5,069	17.8	17.9	13.1	13.2	2.1	2.0	11.1	10.7
KUALA LUMPUR KEP	MY	KLK MK	4,984	18.3	17.3	10.8	10.5	1.7	1.6	8.3	8.9
SIME DARBY	MY	SIME MK	3,227	12.9	11.8	6.7	6.6	0.9	0.9	7.2	7.6
TSH RESOURCES	MY	TSH MK	275	15.6	11.7	6.9	6.2	0.7	0.6	5.5	5.7
BUMITAMA AGRI LT	ID	BAL SP	728	5.4	5.7	4.0	4.3	0.8	0.8	16.3	14.1
FIRST RESOURCES	ID	FR SP	1,727	8.6	7.7	5.4	4.9	1.3	1.2	13.2	14.1
GOLDEN AGRI-RESO	ID	GGR SP	2,500	6.2	6.6	3.7	3.8	0.5	0.5	8.3	11.6
WILMAR INTERNATI	CN	WIL SP	16,361	12.0	9.1	11.3	9.7	0.8	0.8	6.6	8.3
ASTRA AGRO LEST	ID	AALI IJ	848	15.6	11.0	5.6	5.1	0.6	0.6	4.9	5.3
DHARMA SATYA NUS	ID	DSNG IJ	366	7.4	2.7	4.6	4.0	N/A	N/A	10.5	11.8
PP LONDON SUMATR	ID	LSIP IJ	396	11.8	10.2	1.8	1.6	0.6	0.5	5.0	6.4
TRIPUTRA AGRO PE	ID	TAPG IJ	673	6.0	4.6	5.2	4.3	N/A	N/A	15.6	17.9
NUSANTARA SAWIT	ID	NSSS IJ	240	N/A	N/A	11.9	7.3	N/A	N/A	N/A	N/A
Global Weighted Average			39,400	13.1	11.4	9.6	8.9	1.1	1.0	8.0	9.1

Source: Bloomberg, SSI Research (Valuation at 1/11/2023)

Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Revenue	24,322	21,829	21,987	23,445	23,488
Cost of Revenue	(19,492)	(18,006)	(18,608)	(19,969)	(19,975)
Gross Profit	4,830	3,822	3,378	3,476	3,513
Operating Expense	(1,400)	(1,462)	(1,553)	(1,616)	(1,643)
G&A Expense	(979)	(883)	(894)	(913)	(939)
Selling & Marketing Expense	(421)	(579)	(660)	(703)	(705)
Other Income (Expense)	-	-	-	-	-
Operating Profit	3,430	2,360	1,825	1,860	1,869
EBITDA	4,643	3,530	3,168	3,206	3,257
Interest Income	63	82	57	96	134
Interest Expense	(394)	(366)	(219)	(177)	(149)
Share of JV	113	216	113	113	113
Other Income (Expense)	(298)	137	6	18	19
Pre-tax Profit	2,913	2,429	1,782	1,911	1,987
Taxes	(846)	(637)	(467)	(501)	(521)
Minority Interest	(96)	(65)	(86)	(65)	(95)
Net Profit	1,971	1,727	1,228	1,344	1,370

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash	3,896	1,620	2,750	3,842	3,218
Receivables	458	849	686	768	769
Inventory	3,023	3,274	2,886	3,097	3,098
Others	2,037	1,649	1,459	1,438	1,488
Total Current Asset	9,414	7,391	7,780	9,145	8,572
Net Fixed Asset	16,287	16,415	16,402	16,417	16,425
Other Assets	4,699	5,444	4,283	4,300	4,309
Total Asset	30,400	29,249	28,465	29,861	29,306
Payables	1,027	1,224	1,243	1,322	1,116
ST. Debt and CMLTD	3,564	5	246	279	164
Other Current Liabilities	1,369	824	1,007	1,037	1,001
Current Liability	5,960	2,053	2,497	2,638	2,282
LT. Debt	2,132	4,049	2,337	2,651	1,560
Other LT. Liabilities	1,136	904	786	802	751
Total Liability	9,229	7,006	5,620	6,092	4,593
Minority Interest	552	559	586	609	629
Total Equity	20,619	21,684	22,259	23,161	24,083

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Net Profit	1,971	1,727	1,228	1,344	1,370
D&A	1,213	1,170	1,342	1,346	1,388
Changes in Working Capital	1,414	(946)	2,029	(115)	(265)
Operating CF	4,598	1,951	4,600	2,576	2,493
Capital Expenditure	(1,252)	(1,298)	(1,329)	(1,362)	(1,396)
Others	(68)	(439)	(1)	(31)	(42)
Investing CF	(1,320)	(1,737)	(1,330)	(1,393)	(1,438)
Dividend Paid	(491)	(855)	(696)	(461)	(494)
Net Borrowing	72	(1,643)	(1,470)	347	(1,206)
Others	417	155	27	23	20
Financing CF	(1)	(2,342)	(2,140)	(90)	(1,679)
Net - Cash flow	3,278	(2,129)	1,130	1,092	(624)
Adjustment	(361)	(148)	-	-	-
Cash at Beginning	979	3,896	1,620	2,750	3,842
Cash at Ending	3,896	1,620	2,750	3,842	3,218

Key Ratios					
Y/E Dec	21A	22A	23F	24F	25F
Gross Profit Margin (%)	19.9	17.5	15.4	14.8	15.0
Operating Margin (%)	14.1	10.8	8.3	7.9	8.0
Pretax Margin (%)	12.0	11.1	8.1	8.1	8.5
Net Profit Margin (%)	8.1	7.9	5.6	5.7	5.8
Revenue Growth (%)	29.3	(10.3)	0.7	6.6	0.2
EBITDA Margin (%)	19.1	16.2	14.4	13.7	13.9
EBITDA Growth (%)	48.2	(24.0)	(10.3)	1.2	1.6
Debt to Equity (x)	0.3	0.2	0.1	0.1	0.1

Major Assumptions					
Y/E Dec	21A	22A	23F	24F	25F
CPO Volume (000 Ton)	1,473	1,304	1,391	1,396	1,396
CPO Price (MYR/Ton)	4,300	4,500	4,000	4,000	4,000
FFB Yield (Ton/Ha)	18.9	21.3	21.3	21.3	21.3
CPO Extraction Rate (%)	19.4	19.0	20.3	20.3	20.3

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