

Another loss from forward contract. AALI booked 1Q21 revenue of IDR 5tn (-8.2% QoQ/+5.0% YoY), driven by lower CPO sales volume (-24.8% QoQ/-14.4% YoY) and higher CPO price (+2.6% QoQ/+8.0% YoY). On margin side, GPM dropped to 18.5% (vs. 19.3%/19.1% in 1Q20/4Q20) as AALI posted a higher revenue stream from refined product (+27.7% QoQ/+23.8% YoY) paired with rising cost/ton (+7.3% QoQ/+13.8% YoY) due to lower FFB production. Opex to sales was at 5.4% (vs. 6.0%/5.5% in 1Q20/4Q20), bringing operating profit to IDR 657bn (-11.6%/+2.9% YoY) with OPM of 13.1%. However, due to CPO price surge in 1Q21, AALI recorded a significant loss from forward commodity contracts of IDR 383bn. Hence, it brought AALI's net profit to IDR 162bn (-35.2% QoQ/-56.2% YoY) with NPM of 3.2%. In all, AALI's top-line and bottom-line reached 24%/25% and 10%/13% of our/consensus estimate.

FFB production was in-line with our estimate. In 3M21, AALI booked FFB/CPO production of 1.1mn tons/351.5k tons (-13.5% QoQ/-11.0%QoQ), driven by the impact from 2019 El Nino event. In all, the 3M21's FFB/CPO production had reached 23%/24% of our estimate. Going forward, we believe that the lower FFB production may persist until 2Q21 due to the impact from 2019 El Nino coupled with Eid Mubarak event in May-21. In addition, we estimate that the FFB production should recover in 3Q21 due to seasonality. Hence, we maintain our FFB/CPO assumption of 4.6mn tons/1.5mn tons in FY21E.

Maintain earnings estimate. We reiterate our CPO/blended ASP assumption at IDR 9,350/9,633/Kg as we had incorporated the new levy scheme. In terms of sales contribution, AALI booked a sizeable revenue from refined product and derivatives products in 1Q21, accounted 42.0% to AALI's topline (vs. 34.1%/30.9% in 1Q20/4Q20). We believe that this sales gave a positive impact to AALI's margin as the blended ASP increased by 6.6% QoQ/12.6% YoY. However, due to a higher cost/ton (lower FFB production), AALI posted a lower margin in 1Q21. Going forward, we believe that AALI could decrease the cost/ton, mainly due to a FFB production recovery in 2H21. Hence, we maintain AALI's GP/NP at IDR 4.3tn/1.6tn with GPM/NPM of 20.5%/7.6% in FY21E.

We maintain our BUY call on AALI, with FY21F TP of IDR 14,700, derived from USD 10,800 EV/Ha (+1SD from its 3yr-avg). We continue to like AALI driven by better CPO outlook and attractive valuation (currently trading at USD 8,300 EV/Ha, -0.7SD). Downside risks for our call are lower than expected CPO price and prolonged economic recovery.

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Sector	Plantation
Bloomberg Ticker	AALI IJ
Market Cap. (IDR tn)	18.8
Share Out./Float (mn)	1,924.7/391
Current Price (IDR)	9,800
FY21F Target Price	14,700
Upside	50.0%

Share Price Performance

52W High (06/01/21)	13,350
52W Low (24/03/20)	4,140
52W Beta	1.5
YTD Change	-20.5%

Relative Valuations

EV/Ha	9,500
Trailing P/E	25.7x
Forward P/E	19.1x
P/BV	1.1x

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	17,453	18,807	21,019	20,829	21,706
% growth	-8.5%	7.8%	11.8%	-0.9%	4.2%
Gross Profit	2,145	2,963	4,308	4,200	4,481
Net Profit	211	833	1,592	1,563	1,686
% growth	-85.3%	294.6%	91.1%	-1.8%	7.9%
Gross Margin (%)	12.3%	15.8%	20.5%	20.2%	20.6%
Net Margin (%)	1.2%	4.4%	7.6%	7.5%	7.8%
Return on Equity (%)	1.1%	4.4%	8.0%	7.6%	7.9%
Return on Assets (%)	0.8%	3.0%	5.8%	5.8%	6.1%
EPS (IDR)	110	433	827	812	876

AALI 1Q21 Earnings Summary

(IDR Bn)	1Q20	4Q20	1Q21	QoQ	YoY	1Q20	1Q21	YoY	DH%	Cons%
Revenue	4,796	5,483	5,035	-8.2%	5.0%	4,796	5,035	5.0%	24%	25%
Gross Profit	927	1,046	932	-10.9%	0.6%	927	932	0.6%		
Operating Profit	640	745	658	-11.6%	2.9%	640	658	2.9%		
Net Profit	371	251	162	-35.2%	-56.2%	371	162	-56.2%	10%	13%
Margin										
GPM	19.3%	19.1%	18.5%			19.3%	18.5%			
OPM	13.3%	13.6%	13.1%			13.3%	13.1%			
NPM	7.7%	4.6%	3.2%			7.7%	3.2%			
Revenue Stream										
CPO	3,160	3,788	2,922	-22.8%	-7.5%	3,160	2,922	-7.5%		
Kernel & its derivatives & others	1,518	359	276	-23.3%	-81.9%	978	457	-53.3%		
Refined Products	1,277	1,238	1,581	27.7%	23.8%	1,277	1,581	23.8%		
Operational										
FFB Production (kton)	1,109	1,240	1,073	-13.5%	-3.3%	1,109	1,073	-3.3%	23%	
CPO Production (kton)	354	395	352	-11.0%	-0.7%	354	352	-0.7%	24%	
CPO Sales Volume (kton)	350	398	299	-24.8%	-14.4%	350	299	-14.4%	20%	
CPO ASP (IDR/kg)	9,037	9,519	9,764	2.6%	8.0%	9,037	9,764	8.0%	104%	
Blended ASP (IDR/kg)	9,843	10,405	11,087	6.6%	12.6%	9,843	11,087	12.6%	115%	
Cost/ton (IDR mn/ton)	7,941	8,420	9,035	7.3%	13.8%	7,941	9,035	13.8%	118%	

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	17,453	18,807	21,019	20,829	21,706
Cost of Good Sold	(15,308)	(15,844)	(16,711)	(16,629)	(17,225)
Gross Profit	2,145	2,963	4,308	4,200	4,481
Operating Expenses	(1,184)	(1,121)	(1,357)	(1,308)	(1,365)
Other Income (Expenses)	61	(134)	(6)	(12)	(24)
EBIT	1,022	1,708	2,945	2,879	3,092
EBITDA	2,398	3,154	4,333	4,346	4,646
Net Financing Income (Expenses)	(361)	(246)	(196)	(181)	(181)
EBT	661	1,463	2,749	2,698	2,910
Tax Expenses	(417)	(569)	(1,069)	(1,049)	(1,132)
Net Income	211	833	1,592	1,563	1,686
EPS (IDR)	110	433	827	812	876

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	388	844	608	673	530
Trade Receivables	753	1,390	763	755	787
Inventories	1,974	2,166	2,432	2,405	2,509
Other Current Assets	1,356	1,538	1,495	1,446	1,482
Total Current Assets	4,472	5,938	5,297	5,278	5,308
Fixed Assets	9,842	9,242	9,738	10,142	10,464
Plantations	8,189	8,499	7,942	7,970	8,027
Other Non Current Assets	4,471	4,102	3,803	3,736	3,991
Total Assets	26,974	27,781	26,781	27,127	27,790
Short Term Debt	150	0	0	0	0
Other Current Liabilities	1,417	1,793	2,014	2,004	2,068
Total Current Liabilities	1,567	1,793	2,014	2,004	2,068
Long Term Debt	5,535	5,624	3,624	3,524	3,124
Other Non Current Liabilities	893	1,117	830	814	843
Total Liabilities	7,996	8,533	6,468	6,342	6,034
Share & APIC	4,677	4,256	4,256	4,256	4,256
Retained Earnings	13,844	14,497	15,339	15,794	16,730
Others	457	495	719	735	770
Total Equity	18,979	19,248	20,313	20,785	21,756
Total Liabilities & Equity	26,974	27,781	26,781	27,127	27,790

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	211	833	1,592	1,563	1,686
Dep. & Amortization	1,471	1,373	1,470	1,540	1,622
Chg. In NWC	(167)	(635)	626	74	(108)
CF from Operating	1,515	1,572	3,687	3,177	3,200
Capital Expenditure	(1,726)	(1,238)	(1,321)	(1,886)	(1,909)
Chg. in LT Assets	(251)	369	299	67	(255)
Others	333	193	136	(68)	(58)
CF from Investing	(1,644)	(676)	(886)	(1,888)	(2,221)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	954	(62)	-2,000	-100	-400
Dividends Paid	(473)	(249)	(750)	(1,108)	(750)
Others	(12)	(129)	(287)	(15)	29
CF from Financing	468	(440)	(3,038)	(1,224)	(1,121)
Chg. in Cash	339	456	(236)	65	(142)
Beginning Cash	49	388	844	608	673
Ending Cash	388	844	608	673	530

Financial Ratio	2019	2020	2021E	2022F	2023F
Profitability					
Gross Margin	12.3%	15.8%	20.5%	20.2%	20.6%
Operating Margin	5.9%	9.1%	14.0%	13.8%	14.2%
EBITDA Margin	13.7%	16.8%	20.6%	20.9%	21.4%
Net Margin	1.2%	4.4%	7.6%	7.5%	7.8%
Liquidity					
Current Ratio (x)	2.9	3.3	2.6	2.6	2.6
Solvency					
Debt to Equity (x)	0.3	0.3	0.2	0.2	0.1
Debt to Assets (x)	0.2	0.2	0.1	0.1	0.1
Valuation					
Price to Earnings (x)	134.0	34.0	17.8	18.1	16.8
Price to Book (x)	1.49	1.47	1.39	1.36	1.30

Key assumptions	2019	2020	2021E	2022F	2023F
FFB Proc. (Ths Tons)	8,203	7,240	7,403	7,672	7,962
FFB Prod. (Ths Tons)	5,020	4,633	4,664	4,680	4,618
FFB Yield (Ha/Ton)	20.1	19.5	19.0	19.3	18.6
CPO Prod. (Ths Tons)	1,654	1,429	1,477	1,522	1,584
CPO ER	20.2%	19.7%	19.9%	19.8%	19.9%
CPO Sales (Ths Tons)	1,740	1,498	1,506	1,553	1,616
CPO ASP (IDR/Kg)	6,689	8,546	9,350	9,052	9,151
Cost/ton (IDR/Kg)	6,253	7,289	7,659	7,455	7,503

Source: Company data, Sinarmas Investment Research

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