

Wilbert

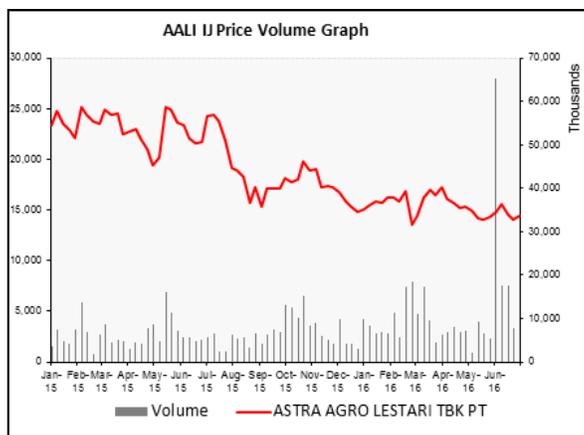
Equity Analyst

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PT Astra Agro Lestari Tbk operates palm oil plantations in both upstream and downstream businesses. Its upstream business manufactures palm oil and kernel. Besides, it also operates rubber plantations.

Current Price: IDR 14,450
52-Week Target Price: IDR 15,600
Previous Target Price: IDR 19,970

Share Price Performance

Price (IDR)	14,450
52-Week High (07/06/15)	24,774
52-Week Low (06/01/16)	13,126
52-Week Beta	0.79
YTD Change/%	(652.68) / (4.32%)

Stock Information

Market Cap (IDR)	27,811.7B
Shares Out/Float (M)	1,924.7 / 669.9 M

Company Update
PT Astra Agro Lestari Tbk (AALI)
More Clarity on Productivity and CPO Prices
NEUTRAL

We maintain our NEUTRAL outlook for plantation sector, considering the worse-than-expected productivity in 1Q16 and unsustainable CPO prices. Post rights issue, we estimate AALI FY16E EPS will be at IDR 889, diluted by about 15%. We also see its FFB production to decline by about 10% this year. **Factoring those conditions added with the uncertainty in the industry, we cut our target price to IDR 15,600 (from IDR 19,900) and maintain NEUTRAL recommendation for AALI. Our TP implies a forward PE of 15.2x (based on its historical average 7-year PE ratio) and represent a potential upside of 6.12%. At current conditions, we view AALI would be more suitable for short term trading, while waiting for more clarity on its production recovery in 2H16 and La Nina existence which should support CPO prices.**

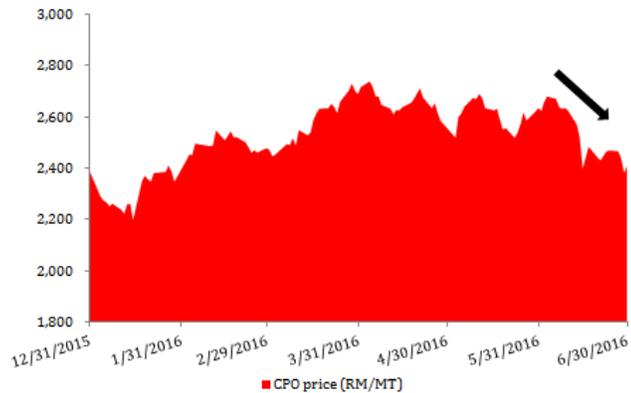
Rights issue executed, positive for AALI. Post rights issue, AALI will raise about IDR 3.998tn, which was planned to repay its revolving credit facilities. This will be positive as its leverage will be much lower, reducing its gearing to 14% (from 66% in FY15). Consequently, AALI will benefit from both lower financing costs and less forex exposure.

Production still at risks, recovery should be seen in 2H16. Per 1Q16, most CPO planters had recorded lower productivity. AALI itself, recorded significant decline both in FFB and CPO production, accounted for -16% and -12.2% YoY. Poor productivity will continue in 2Q16, however we expect to see production recovery starting in 2H16. FY16, we forecast AALI's FFB production will decreased by about 10% YoY.

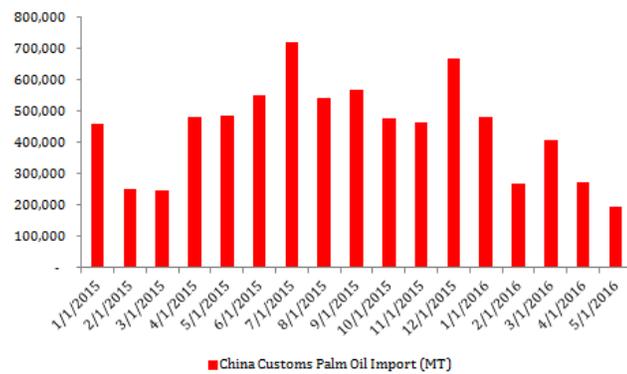
CPO prices might not sustain in the long run. Rallying CPO prices since the beginning of year apparently do not really beneficial for CPO planters, as it was not sustainable long enough. Currently, CPO future prices have fallen back to RM 2,320 compared to RM 2,740 by the end of March 2016. Thus, we see the chance for CPO prices to climb back above RM 2,700 in 2H16 is getting narrower. This is also exacerbated by global CPO weak demand shown by two largest CPO importers. In May, both China and India recorded significant decrease in CPO import data, accounted for -60% and -37% YoY respectively.

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue	16,306	13,059	14,262	15,573	16,691
EBIT	3,723	1,853	2,401	2,820	2,987
EBITDA	4,451	2,738	3,149	3,640	3,894
Net Income	2,504	619	1,711	2,004	2,124
EPS (IDR)	1,590	393	889	1,041	1,104
Gross Profit Margin	30.4%	23.6%	25.3%	26.8%	26.6%
Net Income Margin	15.4%	4.7%	12.0%	12.9%	12.7%
ROE	22.7%	5.3%	11.8%	11.2%	11.0%
ROA	14.9%	3.1%	7.9%	8.9%	8.9%

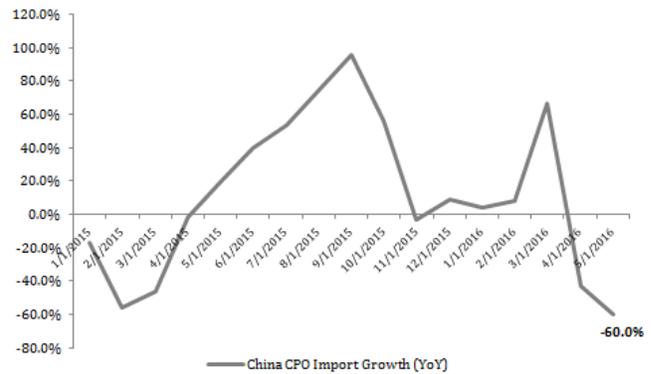
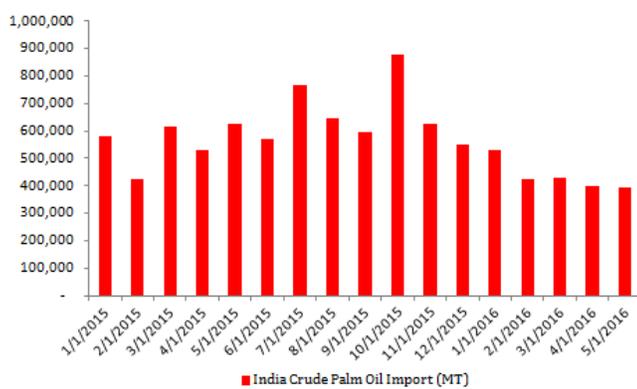
Source: Company, Sinarmas Investment Research

CPO prices have fallen back and might not sustain for long term


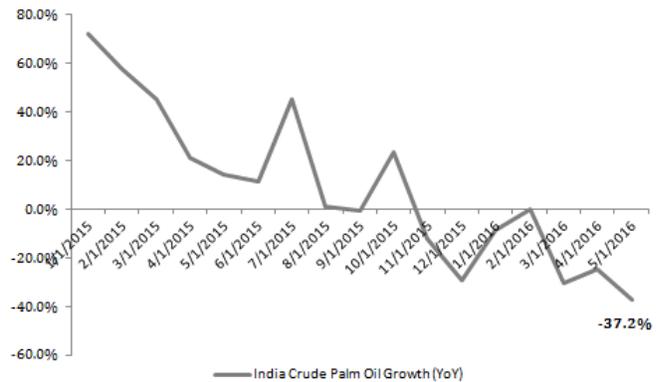
Source: Bloomberg, Sinarmas Investment Research

China palm oil import have declined by 60% YoY in May 2016


Source: Bloomberg, Sinarmas Investment Research


India CPO palm oil also declined by 37% YoY in May 2016


Source: Bloomberg, Sinarmas Investment Research



Appendix I: Financial Statements
Balance sheet

in IDR bn	2014	2015	2016E	2017F	2018F
Cash	611	294	951	1,092	1,102
AR	47	88	46	46	50
Inventories	1,278	1,692	1,119	1,154	1,236
Plantations	6,007	6,686	7,208	7,683	8,137
Fixed Assets	8,335	9,362	10,114	10,794	11,387
Total Assets	18,559	21,512	21,683	23,249	24,670
Account Payables	923	734	720	771	828
ST Debts	1,667	700	700	700	700
LT Debts	2,128	5,708	1,710	1,710	1,710
Total Liabilities	6,726	9,814	4,354	4,641	4,794
Total Equity	11,834	11,699	17,329	18,609	19,876

Source: Sinarmas Investment Research

Income statement

in IDR bn	2014	2015	2016E	2017F	2018F
Revenue	16,306	13,059	14,262	15,573	16,691
COGS	(11,353)	(9,977)	(10,649)	(11,406)	(12,256)
Gross Profit	4,953	3,082	3,612	4,168	4,435
Operating Income	3,723	1,853	2,401	2,820	2,987
EBITDA	4,451	2,738	3,149	3,640	3,894
Pre-Tax Income	3,682	1,176	2,402	2,813	2,982
Tax	(1,060)	(480)	(601)	(703)	(745)
Net Income	2,504	619	1,711	2,004	2,124
EPS	1,590	393	889	1,041	1,104

Source: Sinarmas Investment Research

Cash flow

in IDR bn	2014	2015	2016E	2017F	2018F
Net Income	2,504	619	1,711	2,004	2,124
Depreciation	727	885	748	820	907
Working Capital	(606)	(1,042)	884	157	(59)
Operating CF	2,744	539	3,433	3,087	3,084
Capital Expenditure	(3,698)	(2,584)	(2,072)	(1,996)	(1,953)
Investing CF	(3,683)	(3,508)	(1,079)	(2,239)	(2,199)
Debts	1,704	3,306	(5,323)	-	-
Dividends	(943)	(743)	(279)	(770)	(902)
Financing CF	877	2,659	(1,697)	(708)	(875)
Net - Cash Flow	(98)	(317)	657	141	10
Beginning Cash	709	611	294	951	1,092
Ending Cash	611	294	951	1,092	1,102

Source: Sinarmas Investment Research

Key ratios

	2014	2015	2016E	2017F	2018F
Revenue Growth	28.6%	-19.9%	9.2%	9.2%	7.2%
Gross Profit Growth	21.3%	-37.8%	17.2%	15.4%	6.4%
EBITDA Growth	24.5%	-38.5%	15.0%	15.6%	7.0%
Net Income Growth	39.0%	-75.3%	176.4%	17.1%	6.0%
EPS Growth	39.0%	-75.3%	126.2%	17.1%	6.0%
ROE	22.7%	5.3%	11.8%	11.2%	11.0%
ROA	14.9%	3.1%	7.9%	8.9%	8.9%
Debt to Equity	37.4%	66.1%	13.9%	13.0%	12.1%
EPS	1,590	393	889	1,041	1,104

Source: Sinarmas Investment Research

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