

BUY

TP: Rp1,290 (+29.6%)

Tunas Baru Lampung

New sugar import quota

TBLA secured 100,000 tons of new sugar import quota

Tunas Baru Lampung (TBLA) just announced that it has secured the first raw sugar import quota for this year totaling 100,000 tons for the period ending June 2017. The announcement of the sugar import was somewhat unexpected to us as we previously assumed that the new sugar import quota would only be given in 2Q17. Nonetheless, we are thrilled by the good news as it would have positive impact to the company's overall performance going forward.

Expect sugar business to improve significantly in 1H17

Judging from the relatively small sugar sales contribution in 1H16 as well as strong sugar demand during this seasonally tight sugar supply period, we expect TBLA to book much stronger sugar revenue in 1H17 as compared to the same period last year. Given the 100k tons of new sugar import quota, coupled with roughly 130k tons of sugar inventory carried forward from last year's import quota, the company will now have access to 230k tons of raw sugar, which is far more than enough to meet the market demand. Note that we expect TBLA to sell up to 200k tons of refined sugar in FY17, conservatively higher compared to 170k tons in FY16. On top of that, we also expect additional revenue contribution from TBLA's new sugar mill which could produce up to 84k tons of white sugar in its first year of operation. Overall, we believe TBLA's sugar business would improve significantly with FY17F revenue reaching Rp3.07tn (+43.7% YoY).

Supported by modest recovery in CPO output

Production recovery in CPO output this year will also serve as strong catalyst to TBLA's top line growth as we expect FFB production to improve by +30% YoY to 1.37 tons with CPO output of more than 253k tons (+33.4% YoY). On the ASP front, we also expect CPO prices to remain favorable during the 1H17 given the low inventory level in both Indonesia and Malaysia, coupled with seasonally low harvesting period. We believe CPO price would remain in its current level of USD700/ton within the 1H17 before normalizing to USD650/ton in 2H17 as stronger production recovery kicks in.

Reiterate Buy call with TP of Rp1,290 per share

We expect TBLA to continue outperform its peers in the industry, mainly supported by its compelling sugar business. Margins expansions from its lucrative sugar business will remain as key catalyst to earnings growth going forward. We reiterate our Buy call on TBLA with TP of Rp1,290 per share, implying FY17F PER of 8.6x, which is still attractive in our view as compared to other plantation companies PER range of 12 – 15x. Furthermore, we also like TBLA's higher dividend policy which translates into 4.6% dividend yield in FY17F.

Exhibit 1 : Financial Highlights

| Year to 31 Dec | 2014A | 2015A | 2016F | 2017F | 2018F |
|-------------------------|-------|-------|-------|-------|-------|
| Revenue (Rpbn) | 6,338 | 5,331 | 5,927 | 7,368 | 7,930 |
| Operating profit (Rpbn) | 795 | 604 | 971 | 1,352 | 1,437 |
| Net profit (Rpbn) | 433 | 197 | 571 | 794 | 849 |
| EPS (Rp) | 87.3 | 38.2 | 106.8 | 148.6 | 158.9 |
| EPS growth (%) | 411.0 | -56.2 | 179.6 | 39.1 | 6.9 |
| EV/EBITDA (x) | 6.1 | 9.8 | 6.3 | 4.8 | 4.4 |
| PER (x) | 11.4 | 26.0 | 9.3 | 6.7 | 6.3 |
| PBV (x) | 2.0 | 1.8 | 1.6 | 1.4 | 1.2 |
| Dividend yield (%) | 1.2 | 2.4 | 1.1 | 4.3 | 6.0 |
| ROE (%) | 17.8 | 6.9 | 16.9 | 20.2 | 19.0 |

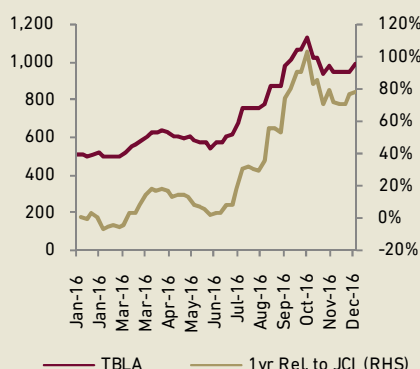
Source : TBLA, Ciptadana Estimates

Sector Plantation
Bloomberg Ticker TBLA IJ

Share Price Performance

Last price (Rp) 995
Avg. daily T/O (Rpbn/USDmn) 4.7/0.3

| | 3m | 6m | 12m |
|-------------------------|-----------|------|------|
| Absolute (%) | -1.5 | 74.6 | 99.0 |
| Relative to JCI (%) | 0.4 | 68.4 | 82.1 |
| 52w High/Low price (Rp) | 1,150/480 | | |



Outstanding shrs (mn) 5,342
Mkt. Cap (Rpbn/USDmn) 5,315/394
Estimated free float (%) 45.6

Major shareholders

Budi Delta Swakarya 27.8%
Sungai Budi 26.5%

EPS Consensus

| | Ciptadana | Cons. | % Diff |
|-------|-----------|-------|--------|
| 2016F | 106.8 | 119.8 | -10.8 |
| 2017F | 148.6 | 156.6 | -5.1 |
| 2018F | 158.9 | 184.5 | -13.9 |

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Exhibit 2 - Income Statement

| Year to 31 Dec (Rpbn) | 2014A | 2015A | 2016F | 2017F | 2018F |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 6,338 | 5,331 | 5,927 | 7,368 | 7,930 |
| COGS | -5,045 | -4,161 | -4,422 | -5,375 | -5,803 |
| Gross profit | 1,293 | 1,170 | 1,505 | 1,993 | 2,127 |
| Oper. expenses | -497 | -567 | -533 | -641 | -690 |
| Oper. profit | 795 | 604 | 971 | 1,352 | 1,437 |
| EBITDA | 1,065 | 843 | 1,397 | 1,819 | 1,928 |
| Interest income | 6 | 4 | 16 | 0 | 0 |
| Interest expense | -207 | -223 | -306 | -308 | -308 |
| Other income (exp.) | 73 | 43 | 20 | 20 | 0 |
| Pre-tax profit | 562 | 263 | 762 | 1,064 | 1,129 |
| Income tax | -126 | -62 | -181 | -258 | -266 |
| Minority interest | -3 | -4 | -10 | -11 | -14 |
| Net profit | 433 | 197 | 571 | 794 | 849 |

Exhibit 3 - Balance Sheet

| Year to 31 Dec (Rpbn) | 2014A | 2015A | 2016F | 2017F | 2018F |
|----------------------------|--------------|--------------|---------------|---------------|---------------|
| Cash & cash equivalent | 529 | 306 | 955 | 71 | 328 |
| Acct, receivables | 711 | 797 | 739 | 807 | 934 |
| Inventory | 956 | 1,146 | 1,142 | 1,372 | 1,570 |
| Other curr, asset | 664 | 880 | 872 | 959 | 1,098 |
| Total current asset | 2,861 | 3,129 | 3,708 | 3,209 | 3,930 |
| Fixed assets - net | 4,245 | 5,984 | 6,849 | 7,065 | 7,086 |
| Other non-curr.asset | 222 | 171 | 177 | 194 | 200 |
| Total asset | 7,328 | 9,284 | 10,734 | 10,469 | 11,216 |
| ST debt + curr. maturity | 1,440 | 1,606 | 2,343 | 2,023 | 2,023 |
| Acct, payable | 292 | 330 | 300 | 367 | 417 |
| Advances received | 0 | 0 | 0 | 0 | 0 |
| Other curr. liab | 857 | 772 | 753 | 774 | 805 |
| Long term debt | 648 | 1,810 | 2,040 | 1,410 | 1,410 |
| Other non-curr, liab, | 1,636 | 1,887 | 1,896 | 1,912 | 2,045 |
| Total liabilities | 4,875 | 6,405 | 7,331 | 6,486 | 6,700 |
| Shareholder equity | 2,436 | 2,857 | 3,369 | 3,934 | 4,466 |
| Minority interest | 18 | 21 | 35 | 48 | 51 |
| Total liab + SHE | 7,328 | 9,284 | 10,734 | 10,469 | 11,216 |

Exhibit 4 - Per Share Data

| Year to 31 Dec(Rp) | 2014A | 2015A | 2016F | 2017F | 2018F |
|--------------------|--------|--------|-------|-------|-------|
| EPS | 87.3 | 38.2 | 106.8 | 148.6 | 158.9 |
| BVPS | 490.4 | 554.2 | 630.6 | 736.5 | 835.9 |
| DPS | 11.9 | 23.8 | 11.1 | 42.7 | 59.4 |
| FCF per share | -175.5 | -318.4 | -48.8 | 52.5 | 107.0 |

Source : TBLA, Ciptadana Estimates

Exhibit 5 - Cash Flow

| Year to 31 Dec (Rpbn) | 2014A | 2015A | 2016F | 2017F | 2018F |
|--------------------------------|-------------|---------------|---------------|---------------|--------------|
| Net income | 433 | 197 | 571 | 794 | 849 |
| Depreciation | 270 | 239 | 425 | 468 | 491 |
| Chg in working cap. | -568 | -107 | 22 | -297 | -257 |
| Other | -8 | 8 | 0 | 0 | 0 |
| CF-Oper activities | 126 | 338 | 1,018 | 965 | 1,084 |
| Capital expenditure | -999 | -1,979 | -1,289 | -684 | -512 |
| Others | 1 | 0 | 10 | 0 | 0 |
| CF-Investing activities | -998 | -1,979 | -1,279 | -684 | -512 |
| Net change in debt | 309 | 1,292 | 966 | -950 | 0 |
| Net change in equity | 289 | -8 | 0 | 0 | 0 |
| Dividend payment | -59 | -123 | -59 | -228 | -318 |
| Other financing | 204 | 257 | 13 | 14 | 3 |
| CF-Financing activities | 744 | 1,418 | 920 | -1,165 | -315 |
| Net cash flow | -128 | -224 | 659 | -884 | 257 |
| Cash - begin of the year | 648 | 520 | 296 | 955 | 71 |
| Cash - end of the year | 520 | 296 | 955 | 71 | 328 |

Exhibit 6 - Key Ratios

| Year to 31 Dec | 2014A | 2015A | 2016F | 2017F | 2018F |
|------------------------------|-------|-------|-------|-------|-------|
| Growth | | | | | |
| Revenue (%) | 71.0 | -15.9 | 11.2 | 24.3 | 7.6 |
| Operating profit (%) | 60.8 | -24.1 | 60.9 | 39.2 | 6.3 |
| Net profit (%) | 413.6 | -54.5 | 189.7 | 39.1 | 6.9 |
| Profitability Ratios | | | | | |
| Gross margin (%) | 20.4 | 22.0 | 25.4 | 27.0 | 26.8 |
| Operating margin (%) | 12.5 | 11.3 | 16.4 | 18.3 | 18.1 |
| EBITDA margin (%) | 16.8 | 15.8 | 23.6 | 24.7 | 24.3 |
| Net margin (%) | 6.8 | 3.7 | 9.6 | 10.8 | 10.7 |
| ROA (%) | 5.9 | 2.1 | 5.3 | 7.6 | 7.6 |
| ROE (%) | 17.8 | 6.9 | 16.9 | 20.2 | 19.0 |
| Liquidity Ratios | | | | | |
| Current ratio (x) | 1.1 | 1.2 | 1.1 | 1.0 | 1.2 |
| Quick ratio (x) | 0.7 | 0.7 | 0.8 | 0.6 | 0.7 |
| Cash conversion cycle (days) | 88.0 | 130.9 | 122.2 | 114.9 | 120.8 |
| Activity Ratio | | | | | |
| Inventory turnover (days) | 69.2 | 100.5 | 94.3 | 93.1 | 98.7 |
| Receivable turnover (days) | 32.5 | 51.6 | 47.3 | 38.3 | 40.1 |
| Payable turnover (days) | 13.7 | 21.3 | 19.4 | 16.5 | 18.0 |
| Solvency Ratio | | | | | |
| Interest cover (x) | 5.2 | 3.8 | 4.6 | 5.9 | 6.3 |
| Debt to equity ratio (x) | 0.9 | 1.2 | 1.3 | 0.9 | 0.8 |
| Net debt to equity (x) | 0.6 | 1.1 | 1.0 | 0.9 | 0.7 |

Source : TBLA, Ciptadana Estimates

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