

BUY

TP: Rp1,060 (+19.1%)

Tunas Baru Lampung

Cheapest in the basket

Tailwind from biodiesel policy expansion

Tunas Baru Lampung (TBLA) has secured 216,875 kL procurement of biodiesel for the period of Jan – Dec 19 or 3% of total national biodiesel procurement of 6,197,101 kL. The amount is almost doubled than the company's acquired last year which is in line with the expansion of government 20% biodiesel blending policy (B20). Company's biodiesel sales volume during Jan – Sep 18 went up by 13.5% YoY to 86,926 kL while quarterly jumped 170.7% to 46,541 kL in 3Q18 (see Exhibit 2) backed by the B20 implementation and also new demand from China. The increase in sales volume managed to offset decline in biodiesel ASP which was down 9.8% YoY to Rp8,223/kg. In 9M18, TBLA generated revenue from biodiesel as much as Rp715 bn (+2.37% YoY).

Sluggish commodity prices give higher margin to downstream segments

The company booked margin expansions at operating line despite weak pricing within 9M18. Gross margin expanded to 26.6% (vs. 24.8% in 9M17) while operating margin grew 130 bps to 19.9% in 9M18. Margin wise, TBLA is benefited by the weaker CPO price as around 30% to 50% of company's CPO was sourced externally to supply their cooking oil and biodiesel refineries. In 9M18, TBLA purchased 145,157 tons of CPO or deduced by the numbers of CPO sold resulted to 89,279 tons or 32% of company's total CPO output. Raw sugar importing cost was also lower compared to previous year and with year on year total refining cost went down by around 10% hence TBLA was able to preserve their margin for the period.

Sugar business remains sweet in 2019

In 9M18, the company generated 28% of total revenues from sugar segment, significantly less compared to 36% in 9M17 due to lower sales volume and sugar ASP. Sugar sales volume during 9M18 only amounted to 190,606 tons (-20.1% YoY) while sugar ASP down by 7.7% YoY to Rp9,104/kg. By the end of 9M18, TBLA's sugar inventory reached 126,000 tons and with another 50,000 tons came from import supply in 4Q18, we expect our FY18 target of 311k tons of sugar sold should be achieved. TBLA acquired 225,000 tons of sugar import quota in 2018, less 10% than previous year however we expect this year quota should be back to around 250,000 tons in line with increasing demand in domestic sugar market. Nevertheless, we maintain flat target of 311k tons sugar sales in 2019 as domestic sugar market competition remains tight.

Maintain BUY, lower TP Rp1,060

We maintain our assumption of FY19 CPO price at RM2,300/ton (+2.91% YoY). We applied last 5 year mean PE of 8.0x resulted to 2019F TP of Rp1,060 (previously Rp1,280). Our 19F net profit is 15% lower than previously due to lower assumption of sales volume and increasing costs. Currently the stock is trading at 6.8x or lower than historical mean of 8.0x. Both current PE and EV/EBITDA (5.4x) are relatively cheap compared to the average peers at 17.4x and 7.1x, respectively. Our TP offers more than 15% upside from current market price, hence we reiterate BUY rating.

Exhibit 1 : Financial Highlights

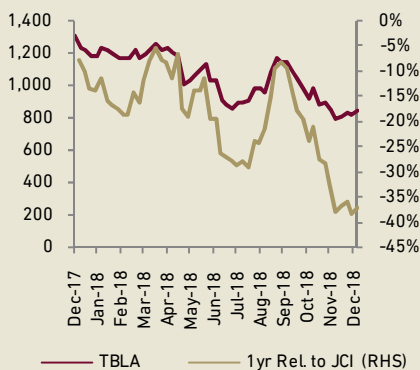
Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (Rpbn)	6,514	8,975	8,149	8,224	8,304
Operating profit (Rpbn)	1,104	1,670	1,651	1,406	1,410
Net profit (Rpbn)	615	949	768	699	719
EPS (Rp)	115.2	177.6	143.7	130.9	134.6
EPS growth (%)	212.4	54.2	-19.1	-8.9	2.8
EV/EBITDA (x)	6.8	4.7	4.8	5.4	5.2
PER (x)	7.7	5.0	6.2	6.8	6.6
PBV (x)	1.4	1.2	1.1	1.0	1.0
Dividend yield (%)	2.7	6.7	10.4	8.4	7.7
ROE (%)	18.1	23.8	18.1	15.4	14.6

Source : TBLA, Ciptadana Estimates

Sector Plantation
Bloomberg Ticker TBLA IJ

Share Price Performance

Last price (Rp)	890		
Avg. daily T/O (Rpbn/USDmn)	5.8/0.4		
	3m	6m	12m
Absolute (%)	-8.7	-0.6	-28.5
Relative to JCI (%)	-18.5	-9.7	-25.1
52w High/Low price (Rp)	1,390/745		



Outstanding shrs (mn)	5,342
Mkt. Cap (Rpbn/USDmn)	4,754/336
Estimated free float (%)	45.6

Major shareholders

Sungai Budi	28.1%
Budi Delta Swakarya	26.6%

EPS Consensus

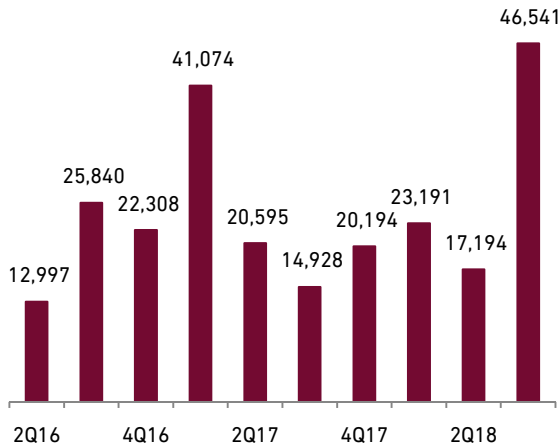
	Ciptadana	Cons.	% Diff
2018F	143.7	161.4	-11.0
2019F	130.9	191.4	-31.6
2020F	134.6	210.5	-36.1

Yasmin Soulisa

+62 21 2557 4800 ext. 799
soulisayasmin@ciptadana.com

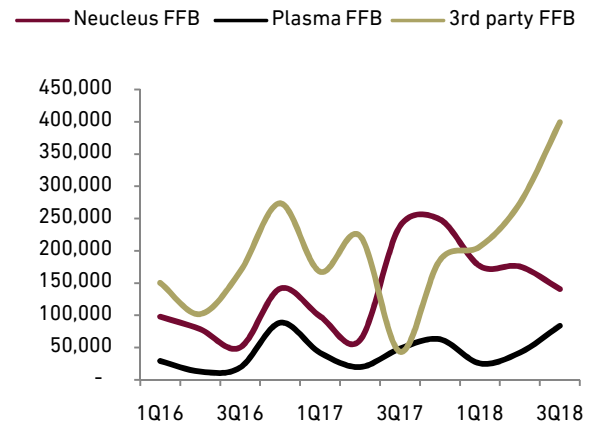
<http://www.ciptadana.com>

Exhibit 2 : TBLA Biodiesel Sales Volume (Tons)



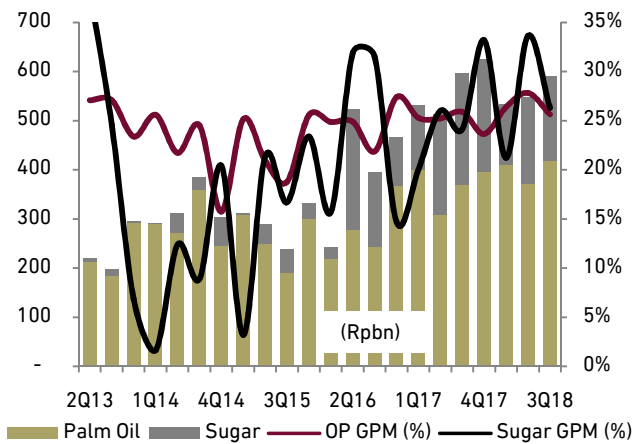
Source : TBLA, Ciptadana Estimates

Exhibit 3 : TBLA Quarterly FFB Harvested (Tons)



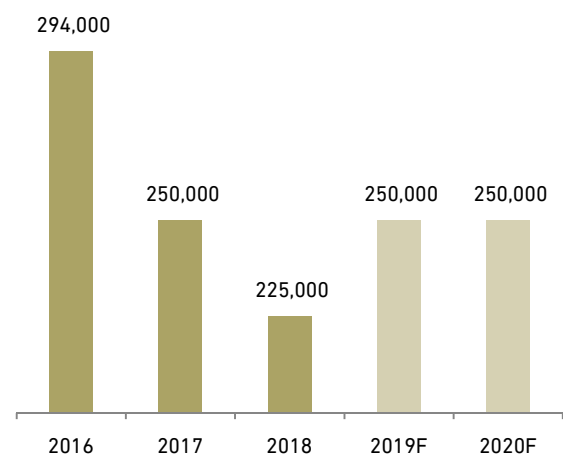
Source : TBLA

Exhibit 4 : TBLA Revenues by Segment



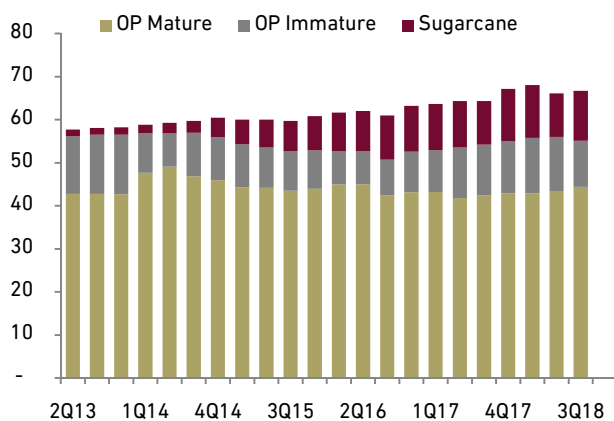
Source : TBLA, Ciptadana Estimates

Exhibit 5 : TBLA Annual Sugar Import Quota (Tons)



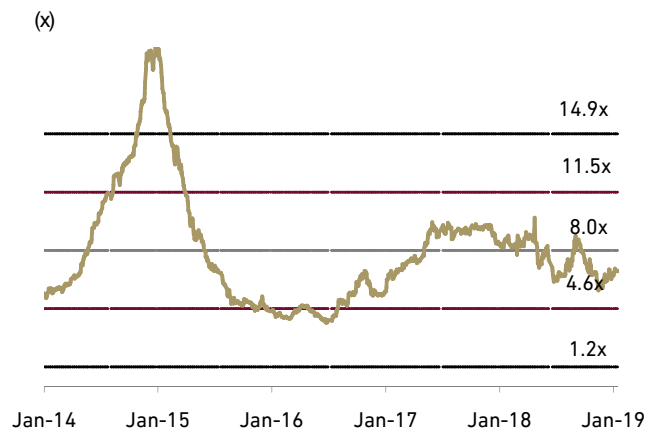
Source : TBLA, Ciptadana Estimates

Exhibit 6 : TBLA Planted Area (Ha)



Source : TBLA

Exhibit 7 : TBLA Forward PE Band



Source : Bloomberg, Ciptadana Estimates

Exhibit 8 : Income Statement

Year to 31 Dec (Rpbn)	2016A	2017A	2018F	2019F	2020F
Revenue	6,514	8,975	8,149	8,224	8,304
COGS	-4,889	-6,709	-5,904	-6,208	-6,267
Gross profit	1,625	2,266	2,246	2,016	2,037
Oper. expenses	-521	-596	-594	-610	-627
Oper. profit	1,104	1,670	1,651	1,406	1,410
EBITDA	1,523	2,184	2,216	2,009	2,071
Interest income	2	9	6	7	6
Interest expense	-302	-433	-464	-498	-507
Other income (exp.)	3	24	17	10	40
Pre-tax profit	803	1,245	1,014	925	949
Income tax	-182	-290	-233	-214	-219
Minority interest	-6	-5	-13	-11	-11
Net profit	615	949	768	699	719

Exhibit 9 : Balance Sheet

Year to 31 Dec (Rpbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	137	118	111	79	134
Acct, receivables	1,132	1,638	960	1,319	1,294
Inventory	2,580	2,140	2,457	2,591	2,392
Other curr, asset	1,209	1,240	1,069	1,237	1,161
Total current asset	5,058	5,136	4,597	5,225	4,981
Fixed assets - net	7,317	8,647	9,158	9,629	10,043
Other non-curr.asset	222	233	226	226	227
Total asset	12,597	14,016	13,981	15,081	15,250
ST debt + curr. maturity	2,338	1,828	1,719	1,577	1,352
Acct, payable	1,878	1,950	1,484	1,916	1,777
Advances received	0	0	0	0	0
Other curr. liab	368	860	903	898	889
Long term debt	3,355	3,887	4,207	4,607	4,807
Other non-curr, liab,	1,238	1,500	1,402	1,520	1,508
Total liabilities	9,176	10,025	9,715	10,518	10,333
Shareholder equity	3,394	3,979	4,253	4,552	4,907
Minority interest	26	13	12	11	11
Total liab + SHE	12,597	14,016	13,981	15,081	15,250

Exhibit 10 : Per Share Data

(Rp)	2016A	2017A	2018F	2019F	2020F
EPS	115.2	177.6	143.7	130.9	134.6
BVPS	635.4	744.9	796.1	852.2	918.5
DPS	23.9	60.0	92.5	74.8	68.2
FCF per share	47.7	-34.0	51.5	20.9	83.2

Source : TBLA, Ciptadana Estimates

Exhibit 11 : Cash Flow

Year to 31 Dec (Rpbn)	2016A	2017A	2018F	2019F	2020F
Net income	615	949	768	699	719
Depreciation	419	515	565	604	662
Chg in working cap.	990	251	18	-116	139
Other	17	-61	0	0	0
CF-Oper activities	2,042	1,653	1,350	1,187	1,520
Capital expenditure	-1,786	-1,845	-1,075	-1,075	-1,075
Others	0	10	0	0	0
CF-Investing activities	-1,787	-1,835	-1,075	-1,075	-1,075
Net change in debt	106	976	212	258	-25
Net change in equity	0	0	0	0	0
Dividend payment	-128	-321	-494	-400	-364
Other financing	-422	-975	0	-2	0
CF-Financing activities	-424	-319	-282	-144	-389
Net cash flow	-169	-501	-7	-32	55
Cash - begin of the year	296	127	118	111	79
Cash - end of the year	127	-374	111	79	134

Exhibit 12 : Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth					
Revenue (%)	22.2	37.8	-9.2	0.9	1.0
Operating profit (%)	82.3	51.2	-1.1	-14.9	0.3
Net profit (%)	212.4	54.2	-19.1	-8.9	2.8
Profitability Ratios					
Gross margin (%)	25.0	25.2	27.6	24.5	24.5
Operating margin (%)	17.0	18.6	20.3	17.1	17.0
EBITDA margin (%)	23.4	24.3	27.2	24.4	24.9
Net margin (%)	9.4	10.6	9.4	8.5	8.7
ROA (%)	4.9	6.8	5.5	4.6	4.7
ROE (%)	18.1	23.8	18.1	15.4	14.6
Liquidity Ratios					
Current ratio (x)	1.1	1.1	1.1	1.2	1.2
Quick ratio (x)	0.5	0.6	0.5	0.6	0.6
Cash conversion cycle (days)	184.8	94.9	133.2	127.4	115.5
Activity Ratio					
Inventory turnover (days)	192.6	116.4	151.9	152.3	139.3
Receivable turnover (days)	54.0	56.3	58.2	50.6	57.4
Payable turnover (days)	61.8	77.8	76.9	75.5	81.2
Solvency Ratio					
Interest cover (x)	5.1	5.0	4.8	4.0	4.1
Debt to equity ratio (x)	1.7	1.4	1.4	1.4	1.3
Net debt to equity (x)	1.6	1.4	1.4	1.3	1.2

Source : TBLA, Ciptadana Estimates

EQUITY RESEARCH

HEAD OF RESEARCH

Arief Budiman

Strategy, Automotive, Heavy Equipment,
Construction, Oil & Gas
T +62 21 2557 4800 ext 819
E budimanarief@ciptadana.com

ECONOMIST

Imanuel Reinaldo

T +62 21 2557 4800 ext 820
E reinaldoimanuel@ciptadana.com

ANALYST

Robert Sebastian

Retail, Healthcare
T +62 21 2557 4800 ext 760
E sebastianrobert@ciptadana.com

TECHNICAL ANALYST

Trevor Gasman

T +62 21 2557 4800 ext 934
E gasmantrevor@ciptadana.com

ANALYST

Erni Marsella Siahaan, CFA

Banking
T +62 21 2557 4800 ext 919
E siahaanerni@ciptadana.com

ANALYST

Fahressi Fahalmesta

Cement, Toll Road, Poultry
T +62 21 2557 4800 ext 735
E fahalmestafahressi@ciptadana.com

ANALYST

Thomas Radityo

Coal, Metal Mining
T +62 21 2557 4800 ext 739
E radityothomas@ciptadana.com

RESEARCH ASSISTANT

Sumarni

T +62 21 2557 4800 ext 920
E sumarni@ciptadana.com

ANALYST

Yasmin Soulisha

Property, Plantations
T +62 21 2557 4800 ext 799
E soulisayasmin@ciptadana.com

ANALYST

Stella Amelinda

Consumer, Cigarette
T +62 21 2557 4800 ext 740
E amelindastella@ciptadana.com

ANALYST

Gani

Telco, Tower, Media
T +62 21 2557 4800 ext 734
E gani@ciptadana.com

EQUITY SALES

Co HEAD OF INSTITUTIONAL SALES

Dadang Mulyana

Plaza ASIA Office Park unit 2
Jl. Jend. Sudirman Kav. 59
Jakarta - 12190
T +62 21 2557 4800 ext 838
F +62 21 2557 4900
E mulyanadadang@ciptadana.com

Co HEAD OF INSTITUTIONAL SALES

The Fei Ming

Plaza ASIA Office Park unit 2
Jl. Jend. Sudirman Kav. 59
Jakarta - 12190
T +62 21 2557 4800 ext 807
F +62 21 2557 4900
E thefeiming@ciptadana.com

BRANCH OFFICES

JAKARTA - MANGGA DUA

Komplek Harco Mangga Dua
Rukan Blok C No.10
Jl. Mangga Dua Raya
Jakarta - 10730
T +62 21 600 2850
F +62 21 612 1049

JAKARTA - PURI KENCANA

Perkantoran Puri Niaga III
Jl. Puri Kencana Blok M8 No.2E
Kembangan
Jakarta - 11610
T +62 21 5830 3450
F +62 21 5830 3449

SURABAYA

Intiland Tower Surabaya
Ground Floor Suite 5 & 6
Jl. Panglima Sudirman 101-103
Surabaya - 60271
T +62 31 534 3938
F +62 31 534 3886



Analyst Certification

Each contributor to this report hereby certifies that all the views expressed accurately reflect his or her personal views about the companies, securities and all pertinent variables. It is also certified that the views and recommendations contained in this report are not and will not be influenced by any part or all of his or her compensation.

Disclaimer

This report does not constitute an offer to buy or sell any security/instrument, invitation to offer or recommendation to enter into any transaction. Nor are we acting in any other capacity as a fiduciary to you. When making an investment decision, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such transaction. In this regard, by accepting this report, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any transaction and our disclaimer as to these matters).

The information contained in this report is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates and opinions contained in this report constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results. PT CIPTADANA SECURITIES AND ITS AFFILIATES SPECIFICALLY DISCLAIMS ALL LIABILITY FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL OR OTHER LOSSES OR DAMAGES INCLUDING LOSS OF PROFITS INCURRED BY YOU OR ANY THIRD PARTY THAT MAY ARISE FROM ANY RELIANCE ON THIS REPORT OR FOR THE RELIABILITY, ACCURACY, COMPLETENESS OR TIMELINESS THEREOF.

Disclaimer: This document is not intended to be an offer, or a solicitation of an offer, to buy or sell relevant securities (i.e. securities mentioned herein or of the same issuer and options, warrants or rights to or interest in any such securities). The information and opinions contained in this document have been compiled from or arrived at in good faith from sources believed to be reliable. No representation or warranty, expressed or implied, is made by PT CIPTADANA SECURITIES or any other member of the Ciptadana Capital, including any other member of the Ciptadana Group of Companies from whom this document may be received, as to the accuracy or completeness of the information contained herein. All opinions and estimates in this report constitute our judgment as of this date and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. The information in this document is subject to change without notice; its accuracy is not guaranteed; and it may be incomplete or condensed.