

BUY

TP: Rp1,770 (+20.8%)

Tunas Baru Lampung

On the right track

Satisfying 1Q17 performance

Tunas Baru Lampung (TBLA) posted stellar net earnings growth of +323% YoY to Rp276 bn, which made up 30% of our full year estimates. Revenue rose strongly to Rp2.2 tn (+118% YoY) with sales of palm products recorded at Rp1.58 tn (+80.3% YoY), contributing 70.6% to overall revenue, while sugar sales rose strongly to Rp657.4 bn (+335% YoY), thanks to the higher refined sugar sales contribution. Gross profit was recorded at Rp531 bn (+120% YoY) but with only a slight expansion in gross margin to 23.7% (+20bps YoY) despite the more favorable selling prices for the palm products throughout the quarter. We suspect that the flattish gross margin was attributed to more intense downstream palm oil activities (cooking oil and biodiesel). Nevertheless, with opex ratio improving significantly to 6.4% in 1Q17 vs 12.6% in 1Q16, TBLA managed to clock in stronger operating profit of Rp386 bn (+246% YoY), with much higher operating margin of 17.2% (+640bps YoY). Overall, we are satisfied with TBLA's 1Q17 results and prefer to maintain our earnings forecast as 1Q17 operating profit met 25% of our full year estimates.

Slight rebound in palm output, sugar continues to outperform

TBLA harvested 140k tons of FFB in 1Q17, up 10.6% YoY from 127k tons in 1Q16, mostly supported by higher output from plasma estate. Looking at its nucleus output alone, the company only produced 98k tons of FFB or somewhat similar to its output level a year earlier. At a glance, we reckon that the relatively slow growth in the fruit production, as compared to peers in the industry, might have caused by its smaller mature planted estate that has shrunk to 43,171ha (vs. 44,967ha in 1Q16) as the company appeared to beef up its replanting activities. This can be seen from the significant increase in its immature estate to 9,783ha, up from 7,715ha in 1Q16. Nonetheless, with strong contribution from third party fruits, TBLA still managed to increase its overall FFB supply to 307.5k tons (+11.0% YoY), which in turn resulted in higher CPO output of 63k tons (+6.3% YoY), although with lower OER of 22.2% (-50bps YoY). Meanwhile, sugar sales volume also rose quite significantly on yearly basis given the contribution from the refinery business. Note that TBLA has sold 63.8k tons out of its 330k tons of refined sugar inventory in 1Q17, leaving it with ample 266k tons of remaining inventory to be converted into revenue in near future.

Outlook remains positive, rolling over our valuation base year to FY18

We maintain our Buy rating on the stock with higher TP of Rp1,770 per share which implies FY18F PER of 9.0x. We expect the company to book stronger earnings in the coming quarters, which mostly supported by higher sugar sales volume derived from both refinery and sugarcane mill's output. Note that TBLA's newly-built sugar mill has just started operation in April and it already has access to almost 11,000ha of planted sugarcane estate. Furthermore, we also appreciate the management's deleveraging commitment given the current net debt to equity ratio has gone down to 1.36x as the company reportedly paid back Rp620 bn of its short term debt. The upcoming Ramadan season that typically drives up cooking oil and sugar consumptions will play as short-term catalyst to the stock.

Exhibit 1 : Financial Highlights

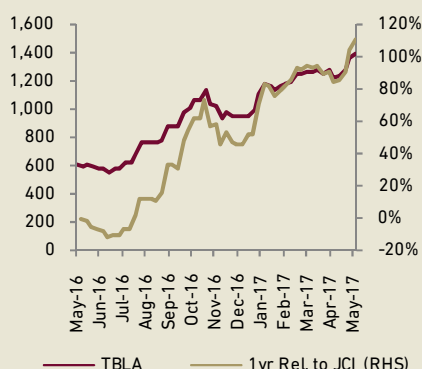
Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (Rpbn)	5,331	6,514	8,064	8,530	9,015
Operating profit (Rpbn)	606	1,104	1,514	1,643	1,608
Net profit (Rpbn)	197	615	922	1,024	1,019
EPS (Rp)	38.2	118.0	176.8	196.5	195.4
EPS growth (%)	-56.2	208.8	49.8	11.1	-0.5
EV/EBITDA (x)	13.0	7.9	5.2	4.6	4.4
PER (x)	38.3	12.4	8.3	7.5	7.5
PBV (x)	2.6	2.3	1.9	1.6	1.4
Dividend yield (%)	1.6	1.7	3.2	4.8	5.4
ROE (%)	6.9	18.1	22.7	21.7	19.1

Source : TBLA, Ciptadana Estimates

Sector Plantation
Bloomberg Ticker TBLA IJ

Share Price Performance

Last price (Rp)	1,465		
Avg. daily T/O (Rpbn/USDmn)	4.2/0.3		
	3m	6m	12m
Absolute (%)	22.6	60.1	148.3
Relative to JCI (%)	17.6	51.0	130.7
52w High/Low price (Rp)	1,475/535		



Outstanding shrs (mn)	5,215
Mkt. Cap (Rpbn/USDmn)	7,640/573
Estimated free float (%)	45.6

Major shareholders

Budi Delta Swakarya	27.8%
Sungai Budi	26.5%

EPS Consensus

	Ciptadana	Cons.	% Diff
2017F	176.8	177.4	-0.3
2018F	196.5	193.3	1.7
2019F	195.4	198.7	-1.7

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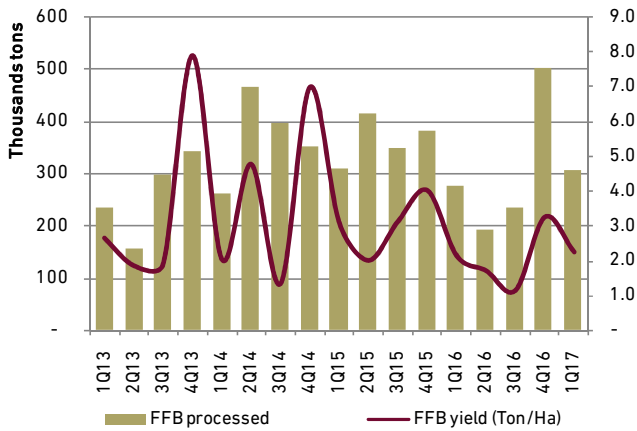
<http://www.ciptadana.com>

Exhibit 2: TBLA's 1Q17 performance

Rp bn	3M17	3M16	YoY	1Q17	4Q16	QoQ	2017F	3M/17F
Financial performance								
Revenue	2,236	1,027	118%	2,236	2,010	11%	8,064	28%
COGS	-1,705	-785	117%	-1,705	-1,544	10%		
Gross profit	531	242	120%	531	465	14%	2,215	24%
<i>Gross margin (%)</i>	<i>23.7</i>	<i>23.5</i>	<i>0.2</i>	<i>23.7</i>	<i>23.2</i>	<i>0.6</i>		
Operating expense	-145	-130	12%	-145	-120	21%		
Operating income	386	111	246%	386	345	12%	1,514	25%
<i>Operating margin (%)</i>	<i>17.2</i>	<i>10.8</i>	<i>6.4</i>	<i>17.2</i>	<i>17.2</i>	<i>0.1</i>		
Forex gain (loss)	20	26	-25%	20	-65	N/A		
Interest income	1	1	126%	1	-4	N/A		
Interest expense	-58	-57	1%	-58	-98	-41%		
Others	9	7	38%	9	-17	N/A		
Profit before tax	357	87	311%	357	161	122%		
<i>PBT margin (%)</i>	<i>16.0</i>	<i>8.5</i>	<i>7.5</i>	<i>16.0</i>	<i>8.0</i>	<i>8.0</i>		
Income Tax	-79	-22	263%	-79	-10	682%		
Net Income	276	65	323%	276	147	87%	922	30%
<i>Net margin (%)</i>	<i>12.3</i>	<i>6.3</i>	<i>6.0</i>	<i>12.3</i>	<i>7.3</i>	<i>5.0</i>		
Production performance								
FFB harvested (k ton)	98	98	1%	98	141	-30%		
External FFB (k ton)	209	179	17%	209	362	-42%		
CPO (thou ton)	63	59	6%	63	102	-38%		
Palm kernel (k ton)	12	13	-10%	12	1	799%		
Oil extraction rate (%)	22.2	22.7	-0.50	22.2	20.3	1.89		
Sales performance								
CPO (k ton)	13	21	-39%	13	8	53%		
Cooking oil (k ton)	57	55	3%	57	78	-27%		
Biodiesel (k ton)	41	0	N/A	41	22	84%		
Sugar (k ton)	64	14	346%	64	63	2%		
Average selling price								
CPO (Rp/kg)	8,826	6,749	31%					
Cooking oil (Rp/kg)	10,235	7,886	30%					
Sugar (Rp/kg)	10,271	10,531	-2%					

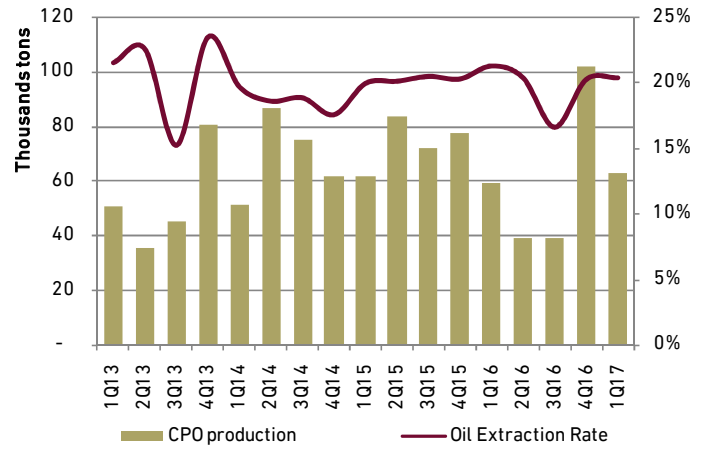
Source: TBLA, Ciptadana Estimates

Exhibit 3: Quarterly FFB production



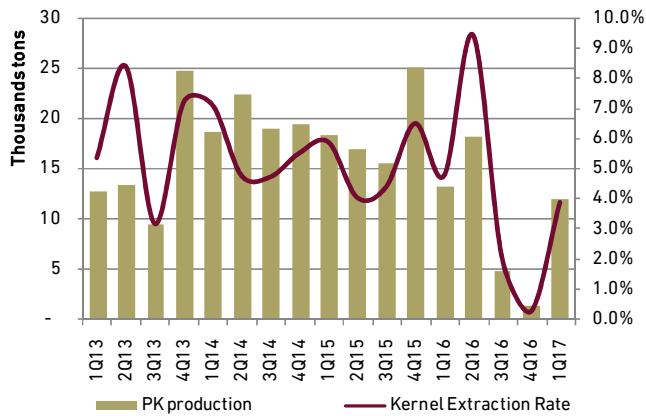
Source : Company, Ciptadana Securities

Exhibit 4: Quarterly CPO production



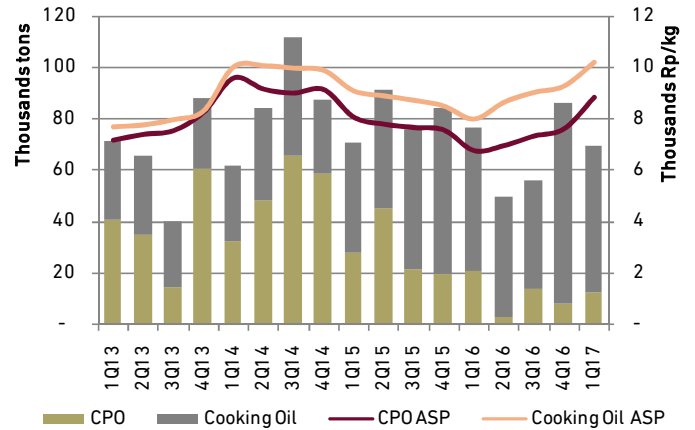
Source : Company, Ciptadana Securities

Exhibit 5: Quarterly PK production



Source : Company, Ciptadana Securities

Exhibit 6: Quarterly CPO & Cooking oil Sales volume



Source : Company, Ciptadana Securities

Exhibit 7: Quarterly Revenue

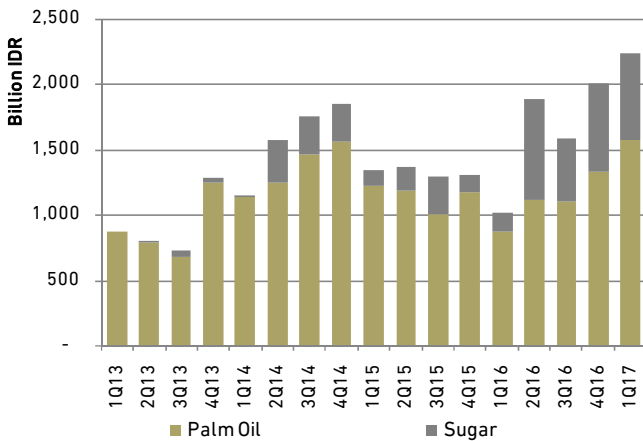


Exhibit 8: Quarterly Gross Profit

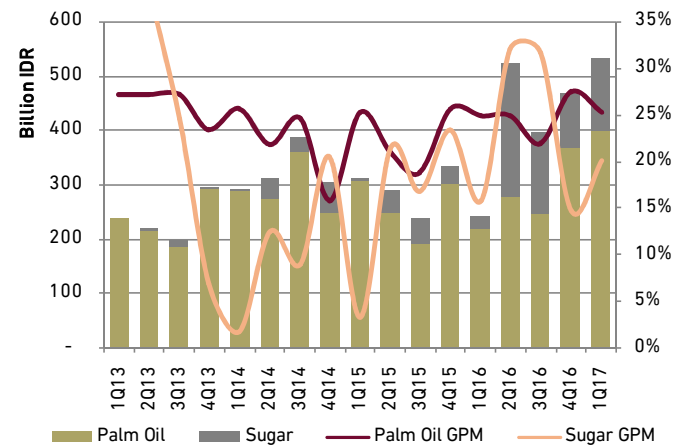


Exhibit 9 - Income Statement

Year to 31 Dec (Rpbn)	2015A	2016A	2017F	2018F	2019F
Revenue	5,331	6,514	8,064	8,530	9,015
COGS	-4,159	-4,889	-5,849	-6,145	-6,611
Gross profit	1,172	1,625	2,215	2,385	2,403
Oper. expenses	-567	-521	-702	-742	-796
Oper. profit	606	1,104	1,514	1,643	1,608
EBITDA	817	1,523	1,992	2,146	2,135
Interest income	4	2	0	0	0
Interest expense	-223	-302	-281	-281	-248
Other income (exp.)	41	3	3	0	0
Pre-tax profit	263	803	1,236	1,363	1,359
Income tax	-62	-182	-300	-321	-324
Minority interest	-4	-6	-13	-17	-16
Net profit	197	615	922	1,024	1,019

Exhibit 10 - Balance Sheet

Year to 31 Dec (Rpbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	306	137	408	841	944
Acct, receivables	797	1,132	884	1,005	1,058
Inventory	1,147	2,580	1,502	1,690	1,734
Other curr, asset	852	1,209	1,020	1,145	1,215
Total current asset	3,102	5,058	3,814	4,681	4,951
Fixed assets - net	5,950	7,317	7,523	7,531	7,541
Other non-curr.asset	241	222	251	259	268
Total asset	9,293	12,597	11,587	12,471	12,761
ST debt + curr. maturity	1,606	1,354	1,491	1,491	1,383
Acct, payable	330	1,878	400	441	458
Advances received	0	0	0	0	0
Other curr. liab	773	368	346	396	401
Long term debt	1,810	3,157	1,629	1,629	1,379
Other non-curr, liab,	1,887	2,420	3,615	3,748	3,766
Total liabilities	6,406	9,176	7,481	7,706	7,387
Shareholder equity	2,866	3,394	4,070	4,726	5,335
Minority interest	21	26	36	39	38
Total liab + SHE	9,293	12,597	11,587	12,471	12,761

Exhibit 11 - Per Share Data

Year to 31 Dec(Rp)	2015A	2016A	2017F	2018F	2019F
EPS	38.2	118.0	176.8	196.5	195.4
BVPS	555.9	650.9	780.6	906.3	1,023.1
DPS	23.8	24.5	47.2	70.7	78.6
FCF per share	-319.6	-139.9	54.3	153.1	167.3

Source : TBLA, Ciptadana Estimates

Exhibit 12 - Cash Flow

Year to 31 Dec (Rpbn)	2015A	2016A	2017F	2018F	2019F
Net income	197	615	922	1,024	1,019
Depreciation	212	419	479	503	527
Chg in working cap.	-113	6	-433	-218	-137
Other	8	17	0	0	0
CF-Oper activities	304	1,058	967	1,310	1,409
Capital expenditure	-1,951	-1,786	-684	-512	-537
Others	0	0	0	0	0
CF-Investing activities	-1,951	-1,787	-684	-512	-537
Net change in debt	1,292	1,090	225	0	-359
Net change in equity	-8	20	0	0	0
Dividend payment	-123	-128	-246	-369	-410
Other financing	263	-422	10	3	-1
CF-Financing activities	1,424	560	-12	-366	-769
Net cash flow	-224	-169	271	433	103
Cash - begin of the year	520	296	127	398	831
Cash - end of the year	296	127	398	831	933

Exhibit 13 - Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth					
Revenue (%)	-15.8	22.2	23.8	5.8	5.7
Operating profit (%)	-23.8	82.3	37.1	8.6	-2.2
Net profit (%)	-54.5	212.4	49.8	11.1	-0.5
Profitability Ratios					
Gross margin (%)	22.0	25.0	27.5	28.0	26.7
Operating margin (%)	11.4	17.0	18.8	19.3	17.8
EBITDA margin (%)	15.3	23.4	24.7	25.2	23.7
Net margin (%)	3.7	9.4	11.4	12.0	11.3
ROA (%)	2.1	4.9	8.0	8.2	8.0
ROE (%)	6.9	18.1	22.7	21.7	19.1
Liquidity Ratios					
Current ratio (x)	1.1	1.4	1.7	2.0	2.2
Quick ratio (x)	0.7	0.7	1.0	1.3	1.4
Cash conversion cycle (days)	131.0	184.8	87.8	122.8	119.3
Activity Ratio					
Inventory turnover (days)	100.7	192.6	93.7	100.4	95.8
Receivable turnover (days)	51.6	54.0	45.6	40.4	41.8
Payable turnover (days)	21.3	61.8	51.5	18.0	18.2
Solvency Ratio					
Interest cover (x)	3.7	5.1	7.1	7.6	8.6
Debt to equity ratio (x)	1.2	1.3	0.8	0.7	0.5
Net debt to equity (x)	1.1	1.3	0.7	0.5	0.3

Source : TBLA, Ciptadana Estimates

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