

**BUY**

TP: Rp1,270 (+71.6%)

## Tunas Baru Lampung

Earnings reduction due to unrealized forex loss

### In-line 1H20 earnings; strong growth in palm and sugar division

Tunas Baru Lampung (TBLA) reported in-line net profit of Rp321 bn (-10.6% YoY), pressured by unrealized forex loss of Rp55 bn from USD denominated debt (mostly US dollar bond). Top line grew double digits, climbed 38.0% YoY as both Palm Oil Division and Sugar Division grew by 37.3% YoY and 39.4% YoY respectively. Palm oil/sugar proportion is relatively unchanged since last year at 69%/31%. COGS rose faster at 46.0% YoY hence gross profit only improved by 15.5% YoY to Rp1.26 tn. On the margin front, GPM contracted to 22.1% YoY (vs. 26.4% in 1H19). As opex ratio softened, operating profit grew 10.5% YoY to Rp905 bn with OPM reduced to 15.9% (vs. 19.9% in 1H19). On quarterly basis, 2Q20 revenues amounted to Rp2.92 tn (5.7% QoQ) while net profit jumped 116.6% QoQ to Rp220 bn.

### Sugar and biodiesel sales continue to climb

Sugar Division grew strong compared to last year, as TBLA received an abundant amount of sugar quota this year. On July, the Company received fourth raw sugar import quota of 10,000 tons. The latest allocation increased the total quota tally to 180,000 tons so far this year. More quota allocations is expected in the 2H20. Last year, TBLA's sugar production dropped significantly to 192k tons due to lack allocation of sugar quota by the government. Other than sugar, the Company also generates sales from production of Fatty Acid Methyl Ester (FAME), a component for biodiesel, which the sales volume went up with the implementation of B30 mandate. TBLA contracted around 342k tons of FAME to Pertamina for the FY20, a significant 32% increase from last year's 260k tons.

### Soft production in 1H20, margin decreases due to increase in external FFB

TBLA has not release 1H20 production highlights yet, hence we reflect to 1Q20 operational performance in the meantime. FFB harvest in the first quarter 2020 was lower compared to the same period last year, due to the effect of drought in Sumatera which also affected large planters including AALI and LSIP. Overall TBLA CPO production went down by 19.8% YoY in 1Q20. External CPO purchase increased to 80,746 tons in 1Q20, which is around 60% of overall downstream feedstock, to meet cooking oil and biodiesel production demand. Cooking oil production was pushed up by 20.0% YoY to meet sudden surge in household demand, which was instigated by lockdown concern. Based on 2Q20 financials, we believe production has not improved much, showed by GPM contraction, while sales volume expanded. Strong demand and lucrative price point incentivized TBLA to boost production by utilizing more external CPO though inextricably slashing margin.

### Maintain BUY, unchanged TP Rp1,270/sh

As Company's 1H20 financial performance is in-line with our estimate, we maintain our previous earnings forecast. Our 2020/2021 revenues of Rp10.76 tn/Rp11.61 tn are reflecting global ASP CPO of RM2,500/ton each year. Our net profits stay at Rp596 bn/Rp869 bn respectively while 2021F TP unchanged at Rp1,270/sh based on mean PE of 7.8x. Our TP offers an attractive upside from current market price hence we maintain BUY rating.

### Exhibit 1 : Financial Highlights

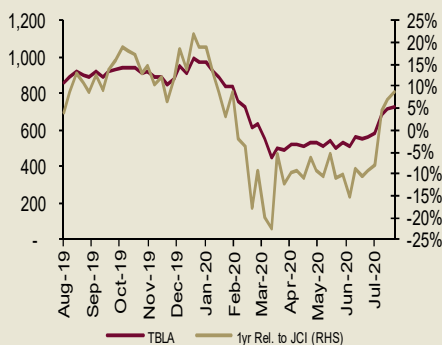
Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (Rpbn)	8,615	8,533	10,757	11,611	12,373
Operating profit (Rpbn)	1,694	1,425	1,600	2,008	2,680
Net profit (Rpbn)	758	663	596	865	1,629
EPS (Rp)	141.8	124.1	111.6	161.9	304.9
EPS growth (%)	-20.2	-12.5	-10.1	45.0	88.4
EV/EBITDA (x)	5.9	6.2	6.3	5.2	4.0
PER (x)	5.2	6.0	6.6	4.6	2.4
PBV (x)	0.8	0.7	0.8	0.8	0.8
Dividend yield (%)	6.1	3.4	3.0	2.7	3.9
ROE (%)	15.9	12.4	11.4	16.9	32.7

Source : TBLA, Ciptadana Estimates

Sector Plantation  
Bloomberg Ticker TBLA IJ

### Share Price Performance

Last price (Rp)	740		
Avg. daily T/O (Rpbn/USDmn)	2.7/0.2		
	<b>3m</b>	<b>6m</b>	<b>12m</b>
Absolute (%)	37.0	-11.9	-13.5
Relative to JCI (%)	28.4	4.7	6.9
52w High/Low price (Rp)	1,010/394		



Outstanding shrs (mn)	5,342
Mkt. Cap (Rpbn/USDmn)	3,953/270
Estimated free float (%)	45.6

### Major shareholders

Sungai Budi	28.1%
Budi Delta Swakarya	26.6%

### EPS Consensus

	Ciptadana	Cons.	% Diff
2020F	111.6	145.9	-23.5
2021F	161.9	178.5	-9.3
2022F	304.9	304.9	0.0

### Yasmin Soulisa

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

<http://www.ciptadana.com>

**Exhibit 2 : TBLA 1H20 Result**

Rp bn	1H20	1H19	YoY	2Q20	1Q20	QoQ	FY20F	1H/20F
Revenues	5,687	4,122	38.0%	2,922	2,765	5.7%	10,757	53%
Cost of revenue	-4,431	-3,035	46.0%	-2,317	-2,114	9.6%		
Gross profit	1,256	1,087	15.5%	604	651	-7.2%	2,346	54%
<i>Gross margin (%)</i>	<i>22.1</i>	<i>26.4</i>	<i>-4.3</i>	<i>20.7</i>	<i>23.6</i>	<i>-2.9</i>		
G&A expenses	-198	-163	21.3%	-109	-90	21.2%		
Marketing expenses	-152	-105	45.3%	-87	-66	32.2%		
Operating expenses	-351	-268	30.7%	-195	-155	25.9%		
Operating profit	905	819	10.5%	409	496	-17.6%	1,600	57%
<i>Operating margin (%)</i>	<i>15.9</i>	<i>19.9</i>	<i>-3.9</i>	<i>15.9</i>	<i>19.9</i>	<i>-3.9</i>		
Forex gain (loss)	-55	22	n.a	100	-155	n.a		
Interest expense	-395	-332	19.2%	-220	-175	25.7%		
Other income (exp)	-43	-8	436.1%	-15	-28	-47.2%		
Total other inc (exp)	-492	-318	54.9%	-135	-358	-62.4%		
Pre-tax profit	413	501	-17.6%	274	138	98.4%		
Tax	-91	-141	-35.1%	-55	-37	48.4%		
PBMI	321	360	-10.8%	220	102	116.5%		
MI	-0	-1	-81.3%	-0	-0	n.a		
Net profit	321	359	-10.6%	220	101	116.6%	596	54%
<i>Net margin (%)</i>	<i>5.6</i>	<i>8.7</i>	<i>-3.1</i>	<i>7.5</i>	<i>3.7</i>	<i>3.9</i>		
<b>Revenue breakdown</b>								
Palm oil	3,908	2,846	37.3%	1,946	3,908	-50.2%		
Sugar	1,779	1,276	39.4%	976	1,779	-45.1%		
<b>Gross profit margin</b>								
Palm oil	17.5%	26.3%	-8.8%	15.9%	17.5%	-1.6%		
Sugar	32.1%	26.5%	5.5%	30.0%	32.1%	-2.1%		

Source : TBLA, Ciptadana Estimates

**Exhibit 3 : Income Statement**

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
<b>Revenue</b>	<b>8,615</b>	<b>8,533</b>	<b>10,757</b>	<b>11,611</b>	<b>12,373</b>
COGS	-6,312	-6,438	-8,411	-8,800	-8,848
<b>Gross profit</b>	<b>2,303</b>	<b>2,095</b>	<b>2,346</b>	<b>2,811</b>	<b>3,526</b>
Oper. expenses	-609	-670	-746	-804	-846
Oper. profit	1,694	1,425	1,600	2,008	2,680
EBITDA	1,899	1,805	1,915	2,334	3,038
Interest income	4	2	10	6	5
Interest expense	-677	-694	-835	-435	-415
Other income (exp.)	74	131	54	-300	-4
<b>Pre-tax profit</b>	<b>1,043</b>	<b>905</b>	<b>829</b>	<b>1,203</b>	<b>2,266</b>
Income tax	-279	-244	-224	-325	-611
Minority interest	-7	2	-9	-14	-26
<b>Net profit</b>	<b>758</b>	<b>663</b>	<b>596</b>	<b>865</b>	<b>1,629</b>

**Exhibit 4 : Balance Sheet**

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	224	401	210	167	112
Acct, receivables	2,023	1,850	1,996	2,220	2,468
Inventory	2,273	2,184	2,615	2,862	2,931
Other curr, asset	1,683	2,117	2,219	1,713	1,103
<b>Total current asset</b>	<b>6,203</b>	<b>6,552</b>	<b>7,040</b>	<b>6,962</b>	<b>6,614</b>
Fixed assets - net	9,835	10,508	11,806	12,450	12,966
Other non-curr.asset	302	304	168	168	168
<b>Total asset</b>	<b>16,340</b>	<b>17,363</b>	<b>19,014</b>	<b>19,579</b>	<b>19,747</b>
ST debt + curr. maturity	900	1,105	1,345	1,307	1,289
Acct, payable	1,635	1,541	2,107	2,506	2,343
Advances received	0	0	0	0	0
Other curr. liab	766	1,381	1,371	1,364	1,887
Long term debt	6,556	6,485	7,011	7,128	7,020
Other non-curr, liab,	1,705	1,487	1,934	2,131	2,213
<b>Total liabilities</b>	<b>11,562</b>	<b>12,000</b>	<b>13,768</b>	<b>14,436</b>	<b>14,752</b>
Shareholder equity	4,758	5,352	5,235	5,130	4,977
Minority interest	20	10	11	14	18
<b>Total liab + SHE</b>	<b>16,340</b>	<b>17,361</b>	<b>19,014</b>	<b>19,579</b>	<b>19,747</b>

**Exhibit 5 : Per Share Data**

Year to 31 Dec(Rp)	2018A	2019A	2020F	2021F	2022F
EPS	141.8	124.1	111.6	161.9	304.9
BVPS	890.7	1,001.8	979.9	960.3	931.7
DPS	45.0	25.0	21.9	19.7	28.5
FCF per share	-220.7	-44.9	-56.8	46.0	17.0

Source : TBLA, Ciptadana Estimates

**Exhibit 6 : Cash Flow**

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
Net income	758	663	596	865	1,629
Depreciation	205	380	315	327	359
Chg in working cap.	-1,053	81	459	624	276
Other	6	2	0	0	0
<b>CF-Oper activities</b>	<b>-85</b>	<b>1,125</b>	<b>1,370</b>	<b>1,815</b>	<b>2,263</b>
Capital expenditure	-570	-895	-1,045	-864	-844
Others	-524	-470	-629	-705	-1,329
<b>CF-Investing activities</b>	<b>-1,094</b>	<b>-1,365</b>	<b>-1,674</b>	<b>-1,569</b>	<b>-2,173</b>
Net change in debt	1,713	147	765	79	-126
Net change in equity	0	0	0	0	0
Dividend payment	-240	-134	-117	-105	-152
Other financing	-196	403	-536	-263	133
<b>CF-Financing activities</b>	<b>1,277</b>	<b>417</b>	<b>112</b>	<b>-289</b>	<b>-145</b>
<b>Net cash flow</b>	<b>98</b>	<b>177</b>	<b>-191</b>	<b>-43</b>	<b>-55</b>
Cash - begin of the year	126	224	401	210	167
Cash - end of the year	224	401	210	167	112

**Exhibit 7 : Key Ratios**

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
<b>Growth</b>					
Revenue (%)	-4.0	-0.9	26.1	7.9	6.6
Operating profit (%)	1.5	-15.9	12.3	25.4	33.5
Net profit (%)	-20.2	-12.5	-10.1	45.0	88.4
<b>Profitability Ratios</b>					
Gross margin (%)	26.7	24.5	21.8	24.2	28.5
Operating margin (%)	19.7	16.7	14.9	17.3	21.7
EBITDA margin (%)	22.0	21.2	17.8	20.1	24.6
Net margin (%)	8.8	7.8	5.5	7.4	13.2
ROA (%)	4.6	3.8	3.1	4.4	8.2
ROE (%)	15.9	12.4	11.4	16.9	32.7
<b>Liquidity Ratios</b>					
Current ratio (x)	1.9	1.6	1.5	1.3	1.2
Quick ratio (x)	1.2	1.1	0.9	0.8	0.7
Cash conversion cycle (days)	133.1	138.7	116.8	112.5	118.5
<b>Activity Ratio</b>					
Inventory turnover (days)	131.5	123.8	113.5	118.7	120.9
Receivable turnover (days)	77.6	82.8	65.2	66.3	69.1
Payable turnover (days)	76.0	67.9	61.9	72.5	71.5
<b>Solvency Ratio</b>					
Interest cover (x)	2.8	2.6	2.3	5.4	7.3
Debt to equity ratio (x)	1.6	1.4	1.6	1.6	1.7
Net debt to equity (x)	1.5	1.3	1.6	1.6	1.6

Source : TBLA, Ciptadana Estimates

**EQUITY RESEARCH**

**HEAD OF RESEARCH**

**Arief Budiman**

Strategy, Automotive, Heavy Equipment,  
Construction, Oil & Gas and Shipping  
T +62 21 2557 4800 ext 819  
E [budimanarief@ciptadana.com](mailto:budimanarief@ciptadana.com)

**ECONOMIST**

**Nicko Yosafat**

T +62 21 2557 4800 ext 820  
E [yosafatnicko@ciptadana.com](mailto:yosafatnicko@ciptadana.com)

**ANALYST**

**Gani**

Telco, Tower, Media  
T +62 21 2557 4800 ext 734  
E [gani@ciptadana.com](mailto:gani@ciptadana.com)

**TECHNICAL ANALYST**

**Asrul Husni**

T +62 21 2557 4800 ext 780  
E [husniasrul@ciptadana.com](mailto:husniasrul@ciptadana.com)

**ANALYST**

**Erni Marsella Siahaan, CFA**

Banking  
T +62 21 2557 4800 ext 919  
E [siahaanerni@ciptadana.com](mailto:siahaanerni@ciptadana.com)

**ANALYST**

**Fahressi Fahalmesta**

Cement, Toll Road, Poultry  
T +62 21 2557 4800 ext 735  
E [fahalmestafahressi@ciptadana.com](mailto:fahalmestafahressi@ciptadana.com)

**ANALYST**

**Thomas Radityo**

Coal, Metal Mining  
T +62 21 2557 4800 ext 795  
E [radityothomas@ciptadana.com](mailto:radityothomas@ciptadana.com)

**RESEARCH ASSISTANT**

**Sumarni**

T +62 21 2557 4800 ext 920  
E [sumarni@ciptadana.com](mailto:sumarni@ciptadana.com)

**ANALYST**

**Yasmin Souliisa**

Property, Plantations  
T +62 21 2557 4800 ext 799  
E [soulisayasmin@ciptadana.com](mailto:soulisayasmin@ciptadana.com)

**ANALYST**

**Robert Sebastian**

Retail, Healthcare  
T +62 21 2557 4800 ext 760  
E [sebastianrobert@ciptadana.com](mailto:sebastianrobert@ciptadana.com)

**ANALYST**

**Muhammad Fariz**

Consumer, Cigarette  
T +62 21 2557 4800 ext 740  
E [farizmuhammad@ciptadana.com](mailto:farizmuhammad@ciptadana.com)

**EQUITY SALES**

**DIRECTOR OF INSTITUTIONAL EQUITY 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](mailto:mulyanadadang@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

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