

CMBI Credit Commentary

TBLAIJ: Tunas Baru Lampung (TBLA) Initiation

Executive summary

Initiate Buy on TBLAIJ'23

We initiate the coverage on TBLA with a Buy recommendation on TBLA'23. At 98.2, TBLAIJ'23 is trading at a YTM of 8.6%. TBLAIJ'23 offers a good risk and reward profile and is a short-dated and lower-beta play away from Chinese HY given TBLA's focus on basic staples. TBLAIJ'23 had rebounded 13 pts after the early redemptions of USD82mn of bond since mid-2021, the outstanding amount of TBLAIJ'23 has reduced to USD168mn. TBLA is in talks with banks on refinancing the remaining outstanding amount of TBLAIJ'23 due in Jan'23 and 2 IDR bonds (total o/s cUSD84.2mn) due in Mar'23 with 5-year (extendable for another 2 years) syndicated loans. This could significantly lengthen the debt maturity profile, relieve the refinancing pressure and lead to positive rating actions.

An established producer of oil palm staples and sugar in Indonesia

TBLA is a vertically-integrated manufacturer of oil palm products with over 40-year track records. It has been diversifying into biodiesel (mainly sold to Pertamina) and sugar operations. TBLA is one of the nine refiners in Indonesia permitted by the government to import raw sugar, and is one of the few operators in Indonesia with the capability to mill sugarcane and refine raw sugar. In 1H21, the food basic staples such as cooking oil and sugar, as well as biodiesel contributed to 78.9% of TBLA's revenue. 88.8% of its sales were from Indonesia.

Strong operational and financial support from the Sungai Budi group

TBLA is controlled by Sungai Budi and its ultimate shareholders: Mr. Widarto and Mr. Santoso Winata. Sungai Budi is the sole distributor of TBLA's palm cooking oil, soap, margarine and white sugar in Indonesia, and charges a distribution fee of 1% to 2% of the selling prices, a level well below the industry standard of at least 5%. There has been no overdue and impaired account receivables from related parties over the past 5.5 years. Additionally, Sungai Budi and the controlling shareholder provide guarantees (corporate and personal) for TBLA's banking borrowings. As at Jun'21, Sungai Budi and controlling shareholders provided corporate and/or personal guarantees for TBLA's loan facilities totaled cUSD340mn (o/s USD156mn), compared with its total debts of cUSD657mn.

Key credit ratios to improve with lower capex

We expect a CAGR of c10% for the 3 years to 2023 in revenue and EBITDA to cIDR14.5tn and cIDR3tn, respectively, driven mainly by the new biodiesel capacity coming on stream from 4Q22 and lower feedstock costs. We also expect its capex to decline gradually after the completion of capacity additions in FY22. Given the EBITDA growth and lower capex, Over the coming few years, TBLA's EBITDA/int. and net debt/EBITDA will improve gradually to 3x and 3x from 2.8x and 3.9x for the LTM ended Jun'21, respectively. Its net debt/equity will also improve marginally to 1.3x, a level well below the covenanted level of 2x, from 1.4x in Jun'21 over the coming 2-3 years.

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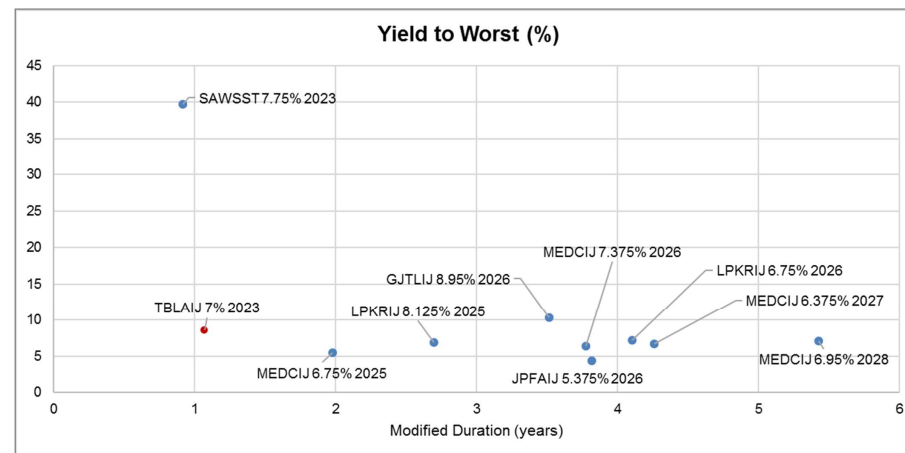
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Initiate Buy on TBLAIJ'23

We initiate the coverage on TBLA with a Buy recommendation on TBLA'23. At 98.2, TBLAIJ'23 is trading at a YTM of 8.6%. Within non-distressed Indonesia HY universe, TBLAIJ'23 offers a good risk and reward profile, in our view. We also consider TBLAIJ'23 a short-dated and lower-beta play away from Chinese HY given TBLA's focus on basic staples. Over the past few months, TBLA has been actively managing the refinancing of TBLAIJ'23, the company's only offshore bond, so as to lengthen the debt maturity profile and avoid the potential rating downgrade resulting from uncertainties on refinancing. TBLAIJ'23 had rebounded 13 pts after it redeemed USD82mn through tender offer (USD52mn) in Jun'21 and open market buyback (USD30mn) in Oct'21. Hence, the outstanding amount of TBLAIJ'23 has reduced to USD168mn. TBLA is in talks with banks on refinancing the remaining outstanding amount of TBLAIJ'23 and 2 IDR bonds (total o/s IDR1.2tn or cUSD84.2mn) due in Mar'23 with 5-year syndicated loans (extendable for another 2 years). These, if concluded as planned, will significantly lengthen its debt maturity profile, relieve its refinancing pressure and lead to positive rating actions, especially from Moody's which is reviewing TBLA's rating for downgrade on the concern of refinancing of the USD bonds.



Company background

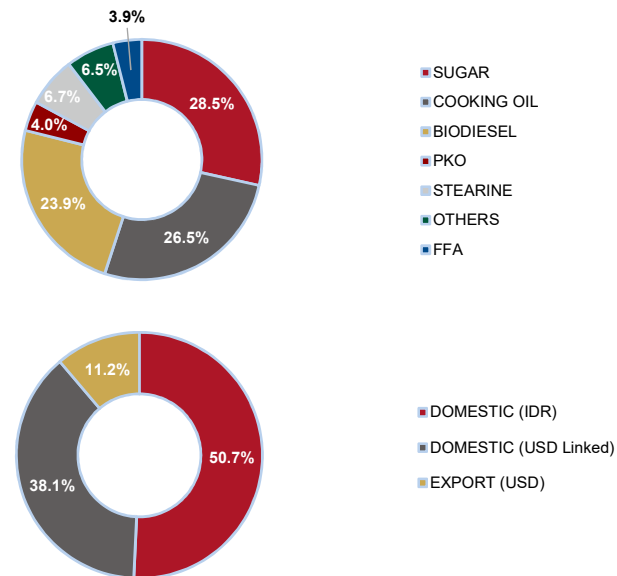


Source: TBLA

Headquartered in Jakarta and established in 1975, TBLA is a vertically-integrated manufacturer of a diverse range of oil palm products with over 40 years of experience in the oil palm industry. Its upstream operations cover the ownership, cultivation and harvesting of oil palm plantations, processing fresh fruit bunches (FFB) into crude palm oil (CPO), and crushing palm kernel (PK) into palm kernel oil (PKO). The downstream operations cover refining CPO into branded industrial and consumer products such as cooking oil, soaps and margarine. Starting from 2016, TBLA commenced the production of CPO-based biodiesel.

TBLA entered the sugar business to diversify its operations and capitalize on the growth in sugar demand in Indonesia. It commenced the sugar cane planting program in 2012 and its sugar mill facility commenced operations in 2017. Additionally, its sugar refinery commenced operations in 2013 to process raw sugar imported from Thailand and Brazil. The company is one of the nine refiners in Indonesia permitted by the Indonesian government to import raw sugar to be refined for the domestic market. It is one of the few operators in Indonesia with the capability to mill sugarcane and refine raw sugar.

TBLA Revenue Breakdown (1H21)



Source: TBLA

In 1H21, the food basic staples such as cooking oil and sugar, as well as well biodiesel contributed to 78.9% of TBLA's TBLA revenue. 88.8% of its sales were from Indonesia and 11.2% from export markets (including Singapore, Malaysia, China Dubai, Egypt, etc.). 38.1% of its sales were USD-linked. Substantially all export sales were from its palm operations.

Listed in Jakarta Stock Exchange since 14 Feb'20, TBLA had a market capitalization of IDR4.4tn (cUSD310mn) as at the close of 26 Nov'21. The company is 28.08% and 27.18% owned by Sungai Budi and Budi Delta Swakarya, respectively. Both Sungai Budi and Budi Delta Swakarya are controlled by Mr. Widarto and Mr. Santoso Winata. Collectively, Mr. Widarto and Mr. Santoso Winata hold 55.3% voting rights in TBLA.

TBLA is the flagship of Sungai Budi's oil palm and sugar operations

Established in 1947, Sungai Budi has gradually developed into one of Indonesia's largest manufacturers of agriculture-derived consumer goods. The group's major products include tapioca flour, sweeteners, rice and glutinous flour, rubber, coconut-based products such as desiccated coconut, coconut milk/cream and coconut water, in addition to TBLA's cooking oil, margarine, biodiesel and sugar. Sungai Budi is the

holding company of the group, responsible for the distribution of products of subsidiaries including those of TBLA. Budi Delta Swakarya, an affiliated company of Sungai Budi, is the property management company of the group. Sungai Budi and Budi Delta Swakarya are non-listed companies and their financials are not available.

As per our discussions with TBLA, it is the only company in the group to operate oil palm and sugar businesses. It is also one of the only two listed platform of the group. The other listed platform of the group is Budi Starch & Sweetener (BUDI IJ) which is a food additives (starch, sweeteners, etc.) manufacturer and is 26.7% and 31.2% owned by Sungai Budi and Budi Delta Swakarya. As at the close of 22 Nov'21, Budi Starch & Sweetener had a market capitalization of IDR814bn (cUSD57mn). TBLA is the only platform within the Sungai Budi group with access to diverse funding channels including loans, onshore bond market and offshore bond market.

Strong operational and financial support from Sungai Budi group....

On the operational front, Sungai Budi is the sole distributor of TBLA's palm cooking oil, soap, margarine and white sugar in Indonesia. The distribution agreement allows TBLA to market its palm and sugar products in Indonesia through Sungai Budi's extensive marketing network (23 marketing offices and 48,000 sales outlets).

Under the distribution agreement, Sungai Budi charges TBLA a distribution fee of 1% to 2% of the selling price of its products. The fee is deducted from the sales proceeds payable to TBLA. As per the company, the distribution fee is well below the industry standard. If TBLA has to replace Sungai Budi with an external distributor, the fee will be at least 5%. Sungai Budi only distributes the products of the group companies. TBLA is not permitted to market its products in Indonesia through other distributors without the approval from Sungai Budi. The distribution agreement has been extended several times with the distribution fee of 1-2% unchanged and the current agreement will be up for renewal in Dec'28.

In addition, TBLA is under a non-exclusive license, free of royalties, to market its products under the Rose brand. The brand has more than 50 years of history in Indonesia and is owned by CV Bumi Waras, a member of the Sungai Budi group. Major products sold under the Rose brand are medium to premium cooking oil and margarine. TBLA sold its low to medium laundry soap under the brands of Kompas, Bumi Waras and Rossy.

On the financial front, Sungai Budi, as well as the controlling shareholders, provide guarantees (corporate and personal) for TBLA's banking borrowings. As at Jun'21, Sungai Budi and controlling shareholders offered corporate and/or personal guarantees for TBLA's loan facilities totaled cUSD340mn (o/s USD156mn), compared with its total debts of cUSD657mn.

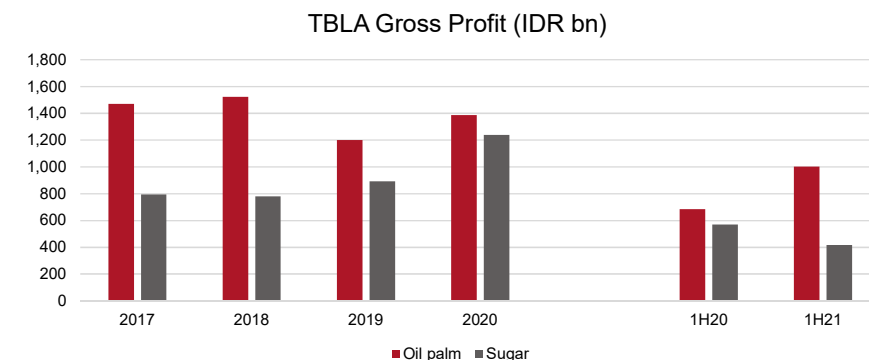
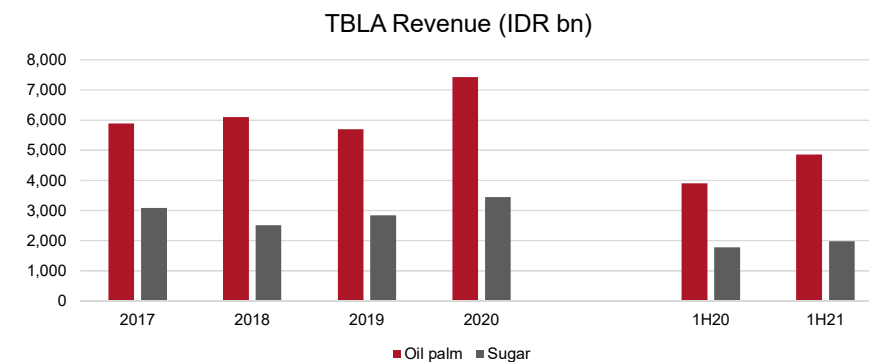
.... mitigates concerns on distributor model and affiliation risk

TBLA recognizes sales at the point of products delivery to distributor. We take comfort that Sungai Budi is the sole distributor of its branded retail products and has been supportive for TBLA's operations. We draw additional comfort that that only 3% of its outstanding account receivables were overdue as at Jun'21, and there has been no overdue and impaired account receivables from related parties over the past 5.5 years.

Business profile

Oil palm operations

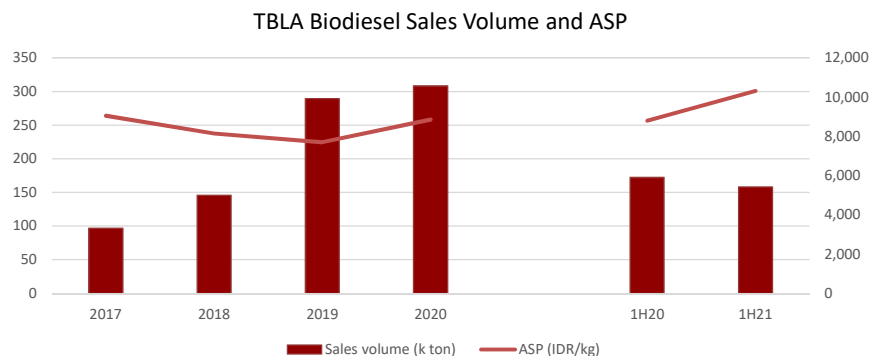
Oil palm staples will remain to be the key contributor of revenue and cash flow



Source: TBLA and CMBI

Oil palm operations accounted for 71% of TBLA's revenue and gross profit in 1H21 with a gross margin of 20.7%. In 1H21, TBLA generated 88.1% of its revenue from Indonesia. The major products of TBLA are basic staples such as cooking oil, margarine and soaps. These support a stable business profile, as evidenced by the sales and profit growth even facing the more challenging economic environment under COVID-19.

Growing contribution from biodiesel helps support growth and margin



Source: TBLA

Bio-diesel is a growing contributor to TBLA since the production commencement in 2016. In 1H21, sales of biodiesel accounted for 25.4% of its revenue. As per the company, the gross margin of biodiesel is 17-19%, 1-2pct. pts higher than that of other oil palm downstream products. Pertamina is the largest buyer for TBLA's biodiesel production. In 1H21, Pertamina accounted for c95% of TBLA's biodiesel sales.

Over the past few years, biodiesel demand has been growing, driven by the government's policy of mandatory biodiesel blending to 30% (B30) from Jan'20 for all the diesel fuel consumed in Indonesia. From FY16 to FY20, TBLA's sales volume of biodiesel increased to 308k ton from 61k ton. In 1H21, the sales volume was 158k ton. The overwhelming majority of TBLA's biodiesel production was sold to Pertamina through annual contracts. The selling price was fixed at CPO+85/ton, and the difference between diesel price and biodiesel price has been subsidized by Indonesia's CFO Fund financed by the CPO export tariff.

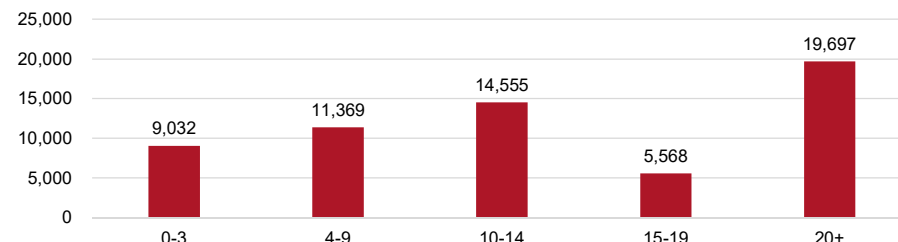
The current 315k ton biodiesel capacity is fully utilized. TBLA targets to complete new biodiesel production and CPO refinery facilities by end of 1H22. This will increase its biodiesel production capacity 143% to 765k ton p.a.

The Indonesia government is considering increasing the biodiesel blend to B40 although the timetable is not finalized, partly due to the high CPO price. In view of the capacity addition and Indonesia government's

push for increasing uses of biodiesel, we expect the oil palm segment to continue to contribute the majority of TBLA's revenue and cash flow.

Increasing internal feedstock helps lower cost and protect margin stability

Age profile of palm plantations



TBLA has a total palm plantation area of 76,721Ha, including 64,249Ha of oil palm nucleus, plantation owned by TBLA and 12,544Ha oil palm plasma, plantation owned by small landlords in the neighbourhood of TBLA's production facilities. Please see Appendix 1 and 2 for details on its plantation and production facilities.

The land use rights (HGU) of its plantation last for 25-35 years, and will expire from 2025 to 2056. Only c19% of HGU (in Ha) will expire prior to 2028. As per TBLA, the renewal of HGU is in general automatic without material costs incurred, as long as holders of UGH has been fulfilling the tax payment obligations.

In 1H21, internal CPO production increased 18.4% yoy because of more normalized rainfall level. This allowed TBLA to reduce external CPO purchases for downstream production. TBLA purchased 214,466 ton of external CPO in 1H21, which is c65% of its CPO feedstock, compared with 70% in 1H20. The cash cost of internal sourced CPO is cUSD250/ton, compared with the current international CPO price of cUSD1,250/ton.

	Immature		Mature	
	Young	Prime	Old	
Age (years)	0-3	4-6	7-18	18+
FFB yield (tons per hectare)	N/A	8-19	20-33	20-30

Source: TBLA

TBLA has a relatively young plantation age by industry standard. The average age of its oil palms was c13 years across oil palm plantations. In general, oil palm trees take 3 to 4 years to mature before they

reach their most productive stage at between 7th and 18th years after planting. As at Jun'21, 19.0% of TBLA's oil palm plantation area was planted with oil palm from 4th to 9th years old, which will mature and significantly improve the FFB yield in the coming years. Furthermore, 15% of its oil palm plantation area was planted with immature oil palm, indicating that TBLA has a healthy pipeline of young trees to support sustainable growth. Additionally, TBLA plans to plant 2,000-3,000Ha new palm area over the next few years. The capex on new planting area will be USD12-21mn p.a.

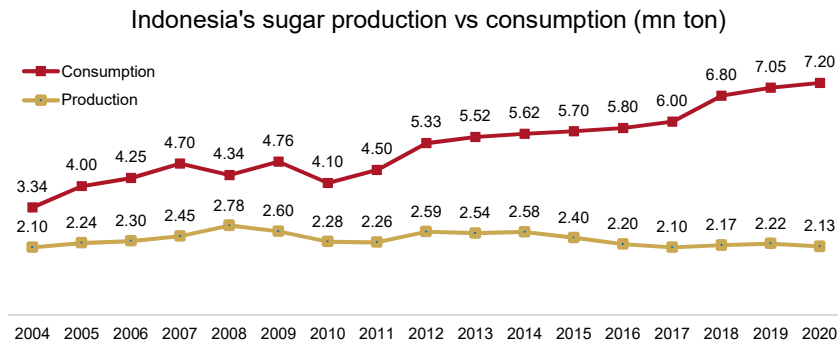
Going forward, the maturing plantation and new planting area will raise internal CPO production and cushion against the adverse impact on production resulting from dry weather. We expect TBLA to increase its internal CPO feedstock gradually to 45% over the next few years from 35% in 1H21. These should help lower the blended CPO costs, reduce the reliance of more expensive CPO sourced externally, and protect the profit stability. Over the past 3 years, international CPO price (KO1) moved from USD470/MT to the current level of USD1,256/MT.

ESG: adhering to ISPO guidelines

As per our discussions with TBLA, its plantation and production facilities are fully adhering to Indonesian Sustainable Palm Oil (ISPO) guidelines. It has already obtained ISPO certification covering 80% of TBLA's plantations and production facilities, while it is in the process of obtaining the ISPO certification for the remaining 20%. Due to commercial considerations, TBLA does not pursue RSPO for the time being. That said, it may consider the application of Roundtable on Sustainable Palm Oil (RSPO) certification in the future.

Sugar operations

Basic food staple operations with growing demand



Source: Kontan, Kemendag, AgroIndonesia, 2020 consumption based on USDA estimates

Indonesia has been a net importer of sugar as the growth of consumption outpaced that of domestic production. In 2020, sugar consumption in Indonesia was 7.2mn ton compared with production of only 2.13mn ton, and it is the largest sugar importer in the world. Indonesia government imposed import quota of raw sugar for domestic refinery. Over the past 4 years to 2020, the CAGR of per capita sugar consumption in Indonesia was 6.3%. The per capita sugar consumption of Indonesian has been relatively low compared with that of its neighboring countries. In 2019/20, the per capita consumption in Indonesia was 26.9kg, compared with 57.4kg in Malaysia and 33.8kg in Thailand.

TBLA started the sugar refinery operations in 2014 and the milled sugar operations in 2017. In 1H21, the sugar operations business contributed 29% of TBLA's revenue and gross profit, respectively. The sugar operations help diversify TBLA's businesses and reduce its reliance on oil palm products.

Vertically integrated milled sugar operations with higher margin

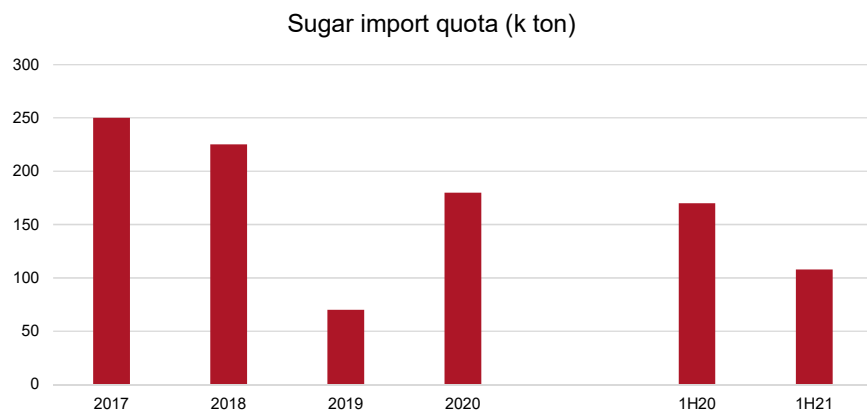
Its sugar operations are divided into 2 segments; milled sugar and refined sugar. Milled sugar accounted for c30% of the segment's sales volume.

The milled sugar operations are vertically integrated. TBLA sources all of its feedstock from its own cane plantation and process cane into milled sugar. As at Jun'21, TBLA has 13,707Ha of cane plantation and milled sugar capacity of 8k ton/day with an extraction rate of 8% (see Appendix 1 and 2 for details on cane plantations and production facilities). The utilization rate is in the range of 70-80% on a full year basis. The sales volume of milled sugar in FY20 is c80k ton.

In general, the cane plantation has a 4-year planting cycle: 1 year planting and 3 years of consecutive harvest. Starting from year 4, sugar content will decline, thus the crops will be replanted to start a new cycle. The cane production is relatively more stable and less sensitive to weather condition compared with that of FFB and CPO.

Its milled sugar sold to retail customer through the distribution agreements with Sungai Budi. In 1H21, the ASP and cash cost of milled sugar are cDR11.3k/kg and cDR7k/kg, respectively, translated into a gross margin of c38%. The higher ASP reflected retail, instead of wholesale, nature of its milled sugar operations.

Contribution of refined sugar hinged on the timing and size of sugar import quota

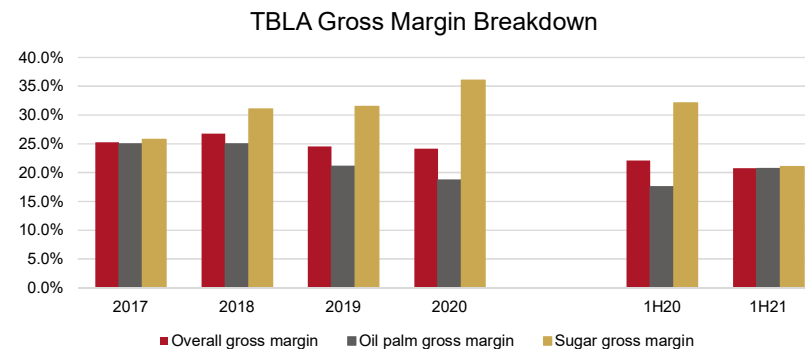


Source: TBLA

TBLA is one of the nine refiners in Indonesia to import raw sugar for processing into refined sugar for the sales to F&B industries at wholesale prices. Given the wholesale nature of the business, the gross margin of refined sugar is lower, in the range of 20-25% but the volume is notably larger than that of milled sugar. TBLA has a sugar refining capacity of 324k ton p.a. The utilization rate on a 12-month basis is c60%. The sales volume of refined sugar in FY20 was c280k ton.

Nonetheless, the contribution of refined sugar operations and working capital requirements are less predictable as timing of quota announcement and size of import quota vary. Indonesian government allocates raw sugar import quota to sugar refiners on an ad hoc basis. In general, the timing of allocation and the aggregate amount of raw sugar import quota are determined based on a range of factors including the expected demand for sugar in the domestic market and the expected production output of sugar refineries in Indonesia. The amount of raw sugar import quota allocated to sugar refiners is determined based on factors including the locations of the sugar refinery, the amount of investments made by the sugar refiners in developing and cultivating sugarcane plantations, the amount of unutilized raw sugar import quota held by the sugar refiners and the sugar refining capacity of the sugar refiners.

Higher-margin sugar operations cushion against margin volatility



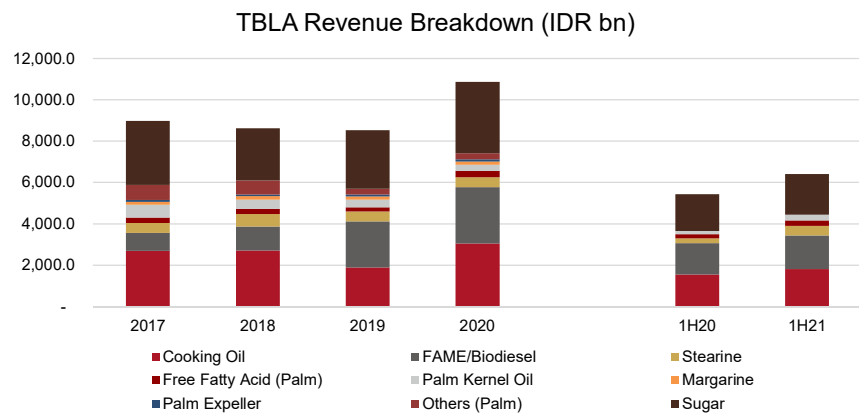
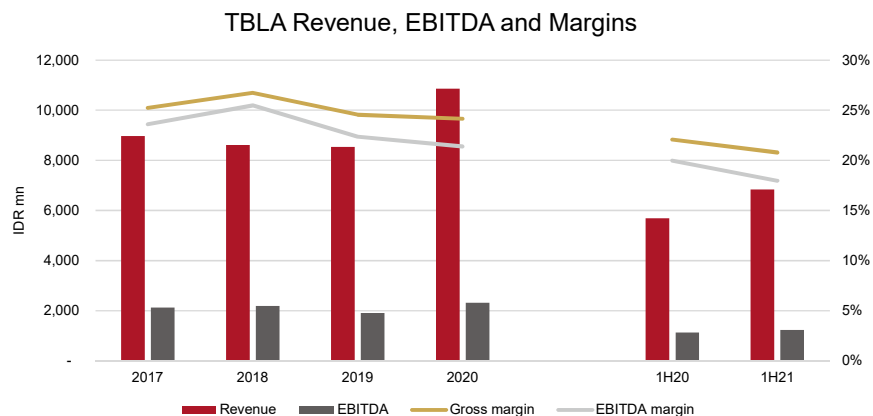
Source: TBLA and CMBI

The gross margin of sugar operations on a full-year basis has been consistently over 30%, compared with c20% of oil palm operations. The higher margin of the sugar operations helps cushion against the margin volatility of oil palm production resulting from the volatility of CPO price and FFB production.

For TBLA's sugar operations, the margin of 1H of the year is generally lower as the company sells most of the higher-margin milled sugar (gross margin close to 40%) in 2H after the harvesting season (April to Sep). Therefore, the gross margin of its sugar operations in 1H is generally more close that of refined sugar, i.e. 20-25%. It is noteworthy to point out that the gross margin of its sugar operations in 1H20 was exceptionally high. This reflected the sugar price hike as supply was depleted during the start COVID-19 outbreak.

Financial analysis

Biodiesel will continue to be growth driver



Source: TBLA and CMBI

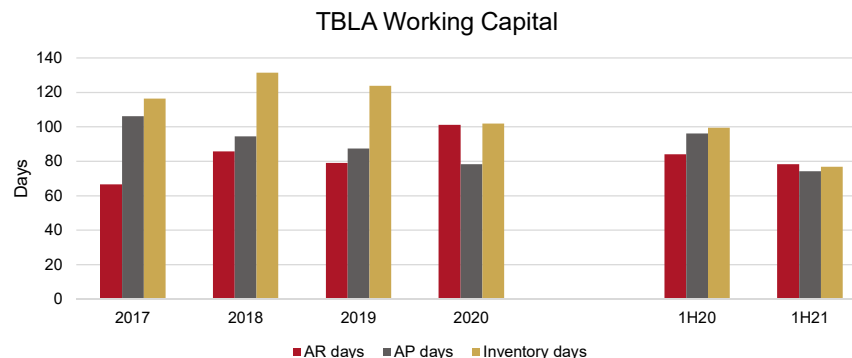
From 2017 to 2020, TBLA's revenue and EBITDA grew to IDR10.8tn and IDR2.3tn with CAGRs of 6.6% and 3.1%, respectively. The growth was primarily driven by the increasing sales of biodiesel. The increasing contribution from lower-margin oil palm operations (including biodiesel) and higher CPO costs led to moderate declines in gross and EBITDA margin.

In 1H21, its revenue and EBITDA increased 20.1% and 8.0% yoy, respectively, supported by the 19.3% increase in ASP of cooking oil. Indeed, the gross margin of oil palm operations improved to 20.7% in 1H21 from 17.5% in 1H20 while the average international CPO price increased 66.2% to cUSD978/MT over the same period. These reflected TBLA's ability to pass on cost increases to customers, as well as its less volatile feedstock costs. TBLA sourced 35% of CPO internally, the cash costs for internal-sourced CPO is largely stable at cUSD250/MT. Additionally, the company sourced all the remaining CPO requirements in proximity to its refineries in Indonesia where the CPO price is considerably lower than the international price. As per our discussions with TBLA, the domestically-sourced CPO costs cUSD650/MT on a FOB basis assuming international price at USD1,000/MT, factoring into the current export tariff of USD250/MT, transportation and insurance costs.

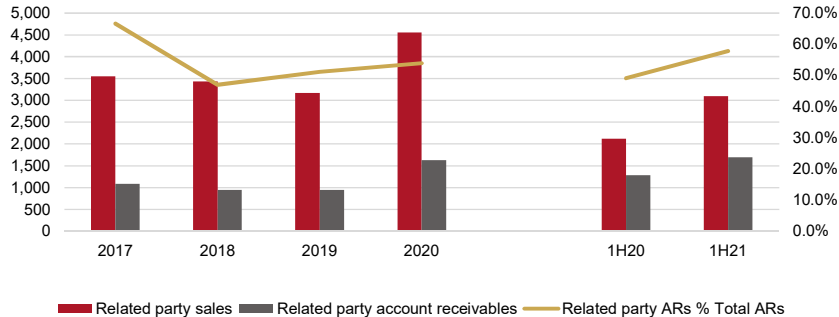
During 1H21, TBLA's overall margin was adversely affected by the lower margin of its sugar operations. As discussed before, the margin of sugar operations is generally lower in 1H of the year given the seasonality, i.e. majority of the sales will be from lower-margin refined sugar. Additionally, the ASP of sugar declined 15.7% yoy in 1H21, reflected the front-loaded announcement on import quota this year and higher inventory level.

Going forward, we expect the significant increase in biodiesel sales starting from 4Q22 because the new biodiesel capacity coming on stream. We also expect the relatively stable product prices and moderate declines in feedstock costs as TBLA will use a higher proportion of lower-cost internal feedstock in its production and external feedstock prices will decline from the current high levels. This will drive a CAGR of c10% for its revenue and EBITDA to cIDR14.5tn and cIDR3tn over the 3 years to 2023. The benefit of lower feedstock costs will be offset by growing contribution from lower-margin oil palm operations, driven by the increasing contribution from biodiesel. Therefore, its profit margin will remain largely stable

Working capital cycle to remain largely stable



TBLA Related Party Account Receivables



Sources: TBLA and CMBI

In general, the AR days and inventory days of TBLA are c90 days while the payable terms depending from cash on deliveries to 180-day credit. Overall, the cash conversion cycle is about 3-month. The related party account receivables increased significantly in FY20, partly reflected the increase in sales, partly reflected the lengthened working capital cycle because of COVID-19. That said, the working capital cycle normalized in 1H21.

Recalled that related party sales include the sales through the distribution agreement with Sungai Budi. Over the past 4-5 years, related party sales accounted for 40-45% of TBLA's total revenue, and related party receivables accounted 47%-67% of its total account receivables. As discussed before, we do not consider related party transactions and receivables are major concerns in view of the operational and financial support Sungai Budi and controlling shareholders' have demonstrated. We take additional comfort that only 3% of its outstanding account receivables were overdue as at Jun'21, and there has been no overdue and impaired account receivables from related parties over the past 5.5 years.

Going forward, we expect its working capital cycle to be largely stable. The related party transactions and receivables as a percentage of total revenue and receivables to reduce as biodiesel, accounting for an increase proportion of TBLA's sales, is sold directly to customers (majority sold to Pertamina), without the involvement of related parties.

Key credit ratios to improve with lower capex

TBLA budgets capex of cIDR1.2tn (cUSD85mn) and cIDR1tn (USD70mn) capex in FY21 and FY22. The capex includes cIDR355tn (cUSD25mn) on the new biodiesel production capacity to be coming on stream in 3Q22, and two smaller capacity additions, i.e. cIDR142bn (cUSD10mn) on the glycerin plant and cIDR142bn (cUSD10mn) FFA esterification plant. Both facilities will come on stream in 1Q22 (See Appendix 2). The capex on capacity additions will be completed by FY22, and the annual maintenance capex will be largely stable at cIDR877-924bn (cUSD60-65mn), including palm sugarcane planting costs of cIDR284-355bn (cUSD20-25mn) p.a. Given the EBITDA growth and lower capex, we expect TBLA's

EBITDA/int and net debt/EBITDA to improve gradually to 3x and 3x over the coming 2-3 years from 2.8x and 3.9x for the LTM ended Jun'21, respectively. Its net debt/equity will also improve marginally to 1.3x, well below the loan covenanted level of 2x, from 1.4x in Jun'21 over the coming 2-3 years.

Syndicated loans, if concluded as planned, will remove refinancing risk of the USD bonds

TBLA has been proactively managing its onshore and offshore bond maturities. In Jun'21 and Oct'21, it has early redeemed a total of USD82mn of its USD bonds due Jan'23 to reduce outstanding amount to USD168mn from USD250mn. The company is arranging syndicated loans of 5-year USD200mn (extendable for another 2 years) for the refinancing of USD bonds and 2 IDR bonds (total o/s IDR1.2tn or cUSD84.2mn) due in Mar'23. The syndicated loans, if concluded as planned, will help significantly lengthen its debt maturity profile and reduce its refinancing risk. Moody's is reviewing TBLA's rating for downgrade, we expect TBLA's rating to be affirmed with a stable outlook should the syndicated cans be concluded as planned.

As at Jun'21, it had cash on hand on IDR480.8bn (cUSD33mn), equivalent to 18% of its short-term debts. We understand that it is the company's policy to maintain cash on hand of cUSD30mn, a level TBLA considers adequate for its daily operations. As at Jun'21, TBLA has total bank facilities of cIDR4.3tn (cUSD300mn), cIDR2.3tn (cUSD165mn) of them remain undrawn. We take comfort with its diversified funding channels with access to onshore loan and bond market, as well as USD bond market. TBLA hedged USD168mn of the remaining outstanding amount of its USD bonds with cross currency swap and call spread with strike prices ranging from IDR15,000-17,500/USD. Its forex exposure is low.

Financial summary

PT TBLA TBK Consolidated, Figures IDR mn FY ended 31 December	2017	2018	2019	2020	1H20	1H21
INCOME STATEMENT						
Revenue	8,974,708	8,614,889	8,533,183	10,863,256	5,686,581	6,830,818
Cost of sales	(6,709,085)	(6,312,129)	(6,438,390)	(8,239,389)	(4,430,933)	(5,411,359)
Gross profit	2,265,623	2,302,760	2,094,793	2,623,867	1,255,648	1,419,459
General and administrative expenses	(338,455)	(367,312)	(422,635)	(465,508)	(207,360)	(228,330)
Selling expenses	(257,459)	(241,262)	(247,362)	(333,337)	(152,229)	(216,278)
Gain (Loss) on foreign exchange - net	(24,551)	(52,859)	41,545	(48,802)	(54,502)	(46,188)
Interest income	8,811	4,070	2,083	10,215	6,030	1,443
Gain on change in fair value of biological assets	-	87,047	149,615	23,947	12,305	17,839
Gain/Loss on sale of property, plant and equipment	12,840	(12,056)	-	-	-	-
Others - net	10,706	(829)	(18,532)	(81,755)	(52,569)	(47,928)
Interest Expense and Other Financial Charges	(432,879)	(676,514)	(694,349)	(827,293)	(402,154)	(419,134)
Bank loans	385,287	355,229	341,726	395,999	184,140	227,635
Bonds	24,786	260,654	288,635	377,935	183,806	189,016
Medium term notes	7,455	58,820	60,316	47,583	29,990	-
Borrowings	1,494	1,515	2,052	3,440	2,261	791
Finance lease liabilities	3,857	2,296	1,620	2,336	1,957	1,692
Profit before tax	1,244,596	1,043,045	905,158	901,334	405,169	480,883
Income tax expense (Benefit)	(290,239.0)	(278,665)	(244,124)	(220,604.0)	(89,759)	(99,303)
Profit for the year	954,357	764,380	661,034	680,730	315,410	381,580
BALANCE SHEET						
Non-current Assets:						
Due from related parties	18,377	10,737	11,830	11,751	23,907	12,952
Due from plasma - net	129,771	160,779	154,756	54,871	181,718	127,412
Deferred tax assets	5,353	3,041	1,117	1,063	996	1,802
Bearer Plants						
Mature plantations	1,435,313	2,022,128	2,298,180	2,852,448	2,778,067	3,344,346
Immature plantations	1,019,635	1,364,346	1,717,731	1,827,876	1,505,842	1,567,211
Property, plant and equipment	6,192,524	6,428,456	6,491,794	6,515,193	6,675,490	6,489,717
Other noncurrent assets	79,619	127,094	135,835	140,912	139,580	134,667
Total non-current assets	8,880,592	10,136,581	10,811,243	11,404,114	11,305,600	11,678,107

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	2017	2018	2019	2020	1H20	1H21
Current Assets:						
Cash and cash equivalents	125,992	224,334	400,674	479,577	1,000,185	353,980
Restricted cash	106,502	101,367	121,633	123,419	125,143	126,840
Short-term investments						
Trade accounts receivable						
Related party	1,091,369	950,789	946,433	1,624,444	1,285,212	1,695,180
Third parties	546,494	1,072,224	903,195	1,388,413	1,332,754	1,237,019
Other accounts receivable - net	15,370	12,980	7,576	10,718	15,456	10,801
Inventories	2,140,137	2,273,320	2,184,021	2,301,868	2,415,403	2,277,927
Biological assets		271,775	421,390	445,337	421,390	463,176
Prepaid taxes	301,767	399,351	581,613	624,196	496,028	828,021
Prepaid expenses	28,058	22,879	17,943	12,769	32,620	27,180
Other current assets	798,205	874,316	967,262	1,016,438	912,033	1,031,777
Total current assets	5,143,894	6,203,335	6,551,766	8,027,179	8,036,224	8,951,901
Total assets	14,024,486	16,339,916	17,363,003	19,431,293	19,341,824	19,730,008
Current Liabilities:						
Short-term bank loans	1,027,167	409,703	442,663	1,851,674	1,383,726	1,973,606
Trade accounts payable - third parties	1,950,315	1,635,206	1,541,000	1,765,286	2,334,778	2,199,011
Taxes payable	51,574	32,416	27,989	36,782	14,762	39,969
Accrued expenses	105,352	168,701	193,786	183,089	161,860	165,743
Current portion of long-term liabilities:						
Long-term bank loans	792,294	480,597	647,924	760,714	704,740	677,829
Advances received	505,804	488,009	736,390	741,238	635,943	623,039
Borrowings	8,400	9,509	14,522	12,848	12,188	12,857
Finance lease liabilities	27,384	19,283	10,922	25,298	9,658	30,153
Medium term notes	-	-	410,136	-	649,220	-
Bond Payable	169,689	57,220	2,037	8,096	1,972	1,323
Other current liabilities						
Total current liabilities	4,637,979	3,300,644	4,027,369	5,385,025	5,908,847	5,723,530

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	2017	2018	2019	2020	1H20	1H21
Non-current Liabilities:						
Due to related parties	19,517	25,813	9,965	18,604	9,152	18,409
Long-term employee benefits liability	218,041	253,398	205,173	199,571	205,091	195,000
Deferred tax liabilities	247,068	433,255	549,055	624,853	574,580	650,304
Long-term liabilities - net of current portion:						
Long-term bank loans	3,478,036	2,273,133	1,960,716	2,226,363	1,882,313	2,550,231
Advances received	984,653	976,319	691,608	277,412	289,023	173,520
Borrowings	12,107	3,983	18,327	7,392	13,870	3,583
Finance lease liabilities	18,506	6,365	13,172	4,849	8,526	26,077
Medium term notes	408,565	647,238	238,395	-	-	-
Bonds payable - net	-	3,636,096	4,286,223	4,798,368	4,795,951	4,116,184
Other noncurrent liabilities	68	56	76	-	36	-
Total non-current liabilities	5,386,561	8,255,656	7,972,710	8,157,412	7,778,942	7,733,308
Total liabilities	10,024,540	11,556,300	12,000,079	13,542,437	13,667,389	13,456,838
Equity:						
Capital stock	667,762	667,762	667,762	667,762	667,762	667,762
Treasury stocks	-	-	-	(8,157)	(6,967)	(8,157)
Additional paid-in capital - net	514,679	514,679	514,679	487,030	491,848	487,030
Difference in value arising from transactions w/ non-cc	16,978	16,978	15,772	15,772	15,772	15,772
Revaluation increment in value of property, plant and equ	358,006	358,006	358,006	278,090	358,006	278,090
Fair value adjustment on cash flow hedging instruments	-	5,651	1,537	72,861	1,537	66,561
Unrealized gain on increase in value of available for sale investments	-	-	-	-	-	-
Retained earnings						
Appropriated	8,000	8,500	9,000	9,500	9,000	9,500
Unappropriated	2,421,887	3,192,096	3,786,560	4,355,189	4,107,677	4,743,737
Non-controlling interests	12,634	19,944	9,608	10,809	9,900	12,875
Total equity	3,999,946	4,783,616	5,362,924	5,888,856	5,654,435	6,273,170
Total liabilities and equity	14,024,486	16,339,916	17,363,003	19,431,293	19,341,824	19,730,008

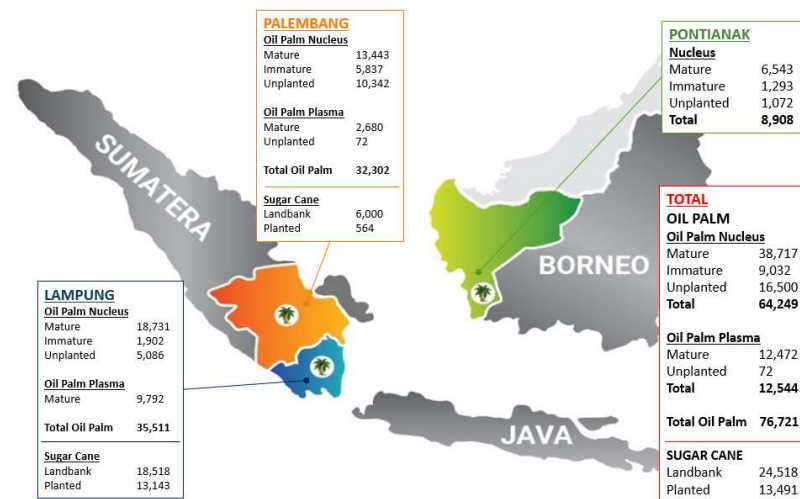
	2017	2018	2019	2020	1H20	1H21
CASH FLOW - RE-ARRANGED						
Profit before tax	1,244,596	1,043,045	905,158	901,334	405,169	480,883
Depreciation and amortisation	448,356	500,895	484,176	499,048	240,054	252,659
Others	224,948	(858,984)	(469,369)	(300,311)	(414,381)	(515,353)
Funds from operations (FFO)	1,917,900	684,956	919,965	1,100,071	230,842	218,189
Net changes in working capital						
Cash flow from operations (CFFO)	1,917,900	(101,905)	1,114,505	38,235	(28,133)	742,271
Gross capex	(1,114,498)	(689,929)	(640,184)	(556,878)	(423,750)	(216,004)
Disposals	12,859	71,169	14,485	-	-	-
Investments	(941,656)	(462,140)	(730,742)	(625,338)	(315,076)	(270,568)
Others	319,152	4,070	2,083	10,215	6,030	1,443
Free operating cash flow (FOCF)	193,757	(1,178,735)	(239,853)	(1,333,766)	(760,929)	257,142
Dividends paid to the equity holders of the company	(160,263)	(400,655)	(133,352)	(131,941)	-	-
Free cash flow (FCF)	33,494	(1,579,390)	(373,405)	(1,465,707)	(760,929)	257,142
Debt Raised	1,540,541	3,869,715	1,227,035	2,956,107	1,734,763	874,745
Repayments	(1,573,583)	(2,192,141)	(676,856)	(1,376,420)	(354,548)	(1,257,958)
Equity						
Others	(861)	-	-	(35,806)	(29,798)	-
Change in cash	(409)	98,184	176,772	78,174	589,488	(126,071)

	2017	2018	2019	2020	1H20	1H21
CREDIT STATISTICS						
Gross margin (%)	25%	27%	25%	24%	22%	21%
Operating margin (%)	19%	20%	17%	17%	16%	14%
EBITDA margin (%)	24%	25%	22%	21%	20%	18%
EBIT/total gross interest (x)	3.9	2.5	2.1	2.2	2.2	2.3
Net profit margin (%)	11%	9%	8%	6%	6%	6%
Debt/EBITDA (x)	2.7	3.4	4.0	4.2	3.9	3.8
Net debt/EBITDA (x)	2.6	3.3	3.7	3.9	3.4	3.6
Net debt/EBITDA (x) - incl share of profit of associates and JV and attributable debts						
FFO/debt (%)	33%	9%	12%	11%	5%	5%
FFO/net debt (%)	35%	10%	13%	12%	6%	5%
Debt/FFO (x)	3.0	(73.2)	6.8	252.6	(156.3)	6.3
Net debt/FFO (x)	2.9	(70.0)	6.4	236.8	(136.3)	6.0
FFO/ Gross Interest (x)	4.4	(0.2)	1.6	0.0	(0.1)	1.8
Debt/equity (%)	143.2%	156.0%	141.9%	164.0%	155.5%	148.8%
Net debt /equity (%)	137.4%	149.1%	132.1%	153.8%	135.6%	141.1%
Debt/total capitalisation (%)	58.9%	60.9%	58.7%	62.1%	60.9%	59.8%
Net debt (debt - unrestricted cash)/net total capitalisation	57.9%	59.9%	56.9%	60.6%	57.6%	58.5%
Cash excl restricted cash /total assets (%)	0.9%	1.4%	2.3%	2.5%	5.2%	1.8%
Cash excl restricted cash / Total debt (%)	2.2%	3.0%	5.3%	5.0%	11.4%	3.8%
Cash/ST debts	12.7%	36.2%	47.3%	23.0%	53.6%	18.0%
Working capital cycles:						
AR days	66.6	85.7	79.1	101.2	84.0	78.3
AP days	106.1	94.6	87.4	78.2	96.2	74.2
Inventory days	116.4	131.5	123.8	102.0	99.5	76.8
Cash conversion cycle	76.9	122.6	115.6	125.0	87.3	81.0

Source: TBLA and CMBI

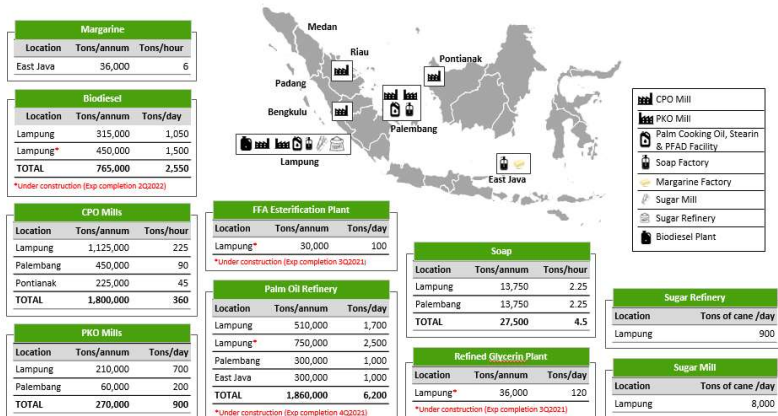
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Appendix 1: Plantation details



Source: TBLA

Appendix 2: Production facilities



Source: TBLA

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