

BUY

TP: Rp1,190 (+56.6%)

Tunas Baru Lampung

Sweetness of sugar and palm oil

Sugar division compensates limited palm oil productivity in 2022

Tunas Baru Lampung (TBLA) recently experienced a downtrend in term of palm oil productivity due to limited mature plantation area and lagged effect of harsh weather happened in 2019 (see Exhibit 2). However, we are optimistic of company's sustainability as palm oil producer. Amidst robust expansion in sugar division, TBLA still relies heavily on palm oil. As of end of June 2022, the palm oil segment generated 76% of total revenues, an increase from 71% portion a year ago. Meanwhile, sugar segment though have shown strong sales growth (see Exhibit 3) in the last couple years, is still far along to substitute palm oil as breadwinner.

Strong commodity prices become key driver amidst productivity constraint

This year strong commodity prices brought TBLA revenues higher by 17.2% YoY in 1H22 (see Exhibit 8). The combination of supply constraint, increasing demand post pandemic and the recent war in Europe caused global commodity prices including CPO, to spike. The company secured higher pricing for all main products with ASPs for cooking oil, FAME (biodiesel) and sugar that each went up by 48.0%/41.9%/14.8% YoY to Rp18,418/Rp14,631/Rp12,159 per kg respectively, for 1H22. We expect price hike will lower in 2H22 as supply stabilizes, however still a double digits growth YoY. Higher price and healthy export sales volume were the key drivers of revenue growth. Company's palm oil export contribution was exceptionally strong as it quadrupled compared to last year. The export numbers could have been much higher if not for the sudden cooking oil export ban which was imposed by the Government of Indonesia on 28 April to 23 May 2022. The month-long export ban and its after effect had an adverse impact on TBLA's cooking oil sales as total volume dropped -8.8% YoY to 133k tons as of end of June 2022.

Beneficiary of higher biodiesel blending program

In addition to CPO, TBLA also produces and sells sugar and cooking oil, marketable as Rose Brand. The sales continue to gain traction as evidenced on Exhibit 3 and Exhibit 4. Though both similarly on the uptrend, the rise in sugar sales are more robust due to persistent national sugar shortfall, meanwhile sales of cooking oil are relatively stable because of competitive market. The company also benefited from Indonesian Government plan to gradually increase the biodiesel blending. For this year, TBLA had received quota of 338,590 kL (-1.1% YoY), representing 3.3% of total national biodiesel allocation. We expect the volume will increase in 2023 in line with Government's decision to push the biodiesel blending up to 40% (B40) by next year.

Maintain BUY with 2023F TP of Rp1,190/sh

We reiterate 2022F and 2023F global CPO price at RM5,200/ton. We forecast CPO price would stabilize in 2023 as supply returns to normal. The strong price and improvement of production will support higher margins in 2022 forward (see Exhibit 6). We incorporate changes in earnings forecast, rollover valuation to 2023F and arrive at higher TP of Rp1,190/sh (previously Rp1,110/sh) which offers 56% upside, hence maintain BUY rating.

Exhibit 1 : Financial Highlights

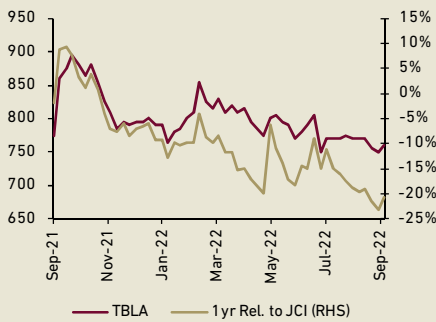
Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rpbn)	10,863	15,972	16,863	17,976	19,404
Operating profit (Rpbn)	1,825	1,995	2,244	2,409	2,361
Net profit (Rpbn)	678	795	773	960	850
EPS (Rp)	128.2	150.6	146.4	181.9	161.0
EPS growth (%)	3.4	17.4	-2.8	24.2	-11.5
EV/EBITDA (x)	6.0	5.5	4.9	4.7	4.8
PER (x)	5.9	5.0	5.2	4.2	4.7
PBV (x)	0.7	0.6	0.6	0.7	0.7
Dividend yield (%)	3.3	3.3	5.3	4.2	5.1
ROE (%)	11.5	12.3	12.3	15.7	14.4

Source : TBLA, Ciptadana Estimates

Sector	Plantation
Bloomberg Ticker	TBLA IJ

Share Price Performance

Last price (Rp)	760		
Avg. daily T/O (Rpbn/USDmn)	1.0/0.1		
	3m	6m	12m
Absolute (%)	-3.8	-6.2	-11.6
Relative to JCI (%)	-6.9	-6.9	-26.1
52w High/Low price (Rp)	910/730		



Outstanding shrs (mn)	5,342
Mkt. Cap (Rpbn/USDmn)	4,060/268
Estimated free float (%)	43.5

Major shareholders

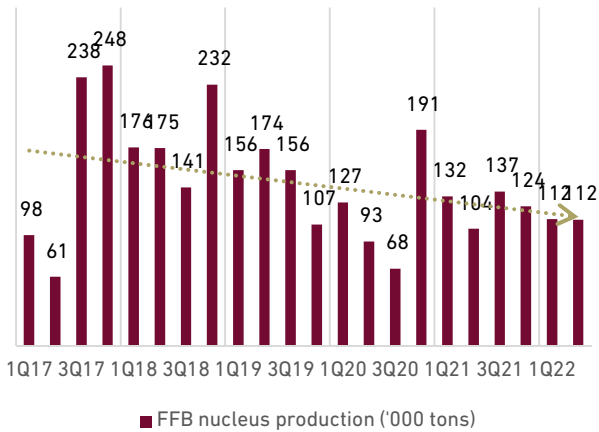
Sungai Budi	28.1%
Budi Delta Swakarya	27.2%

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Exhibit 2 : Palm oil productivity on the downtrend



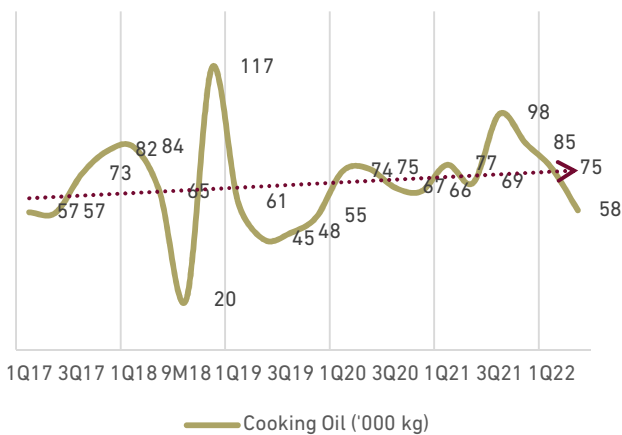
Source : TBLA and Ciptadana Estimates

Exhibit 3 : Quarterly sugar sales volume gain traction



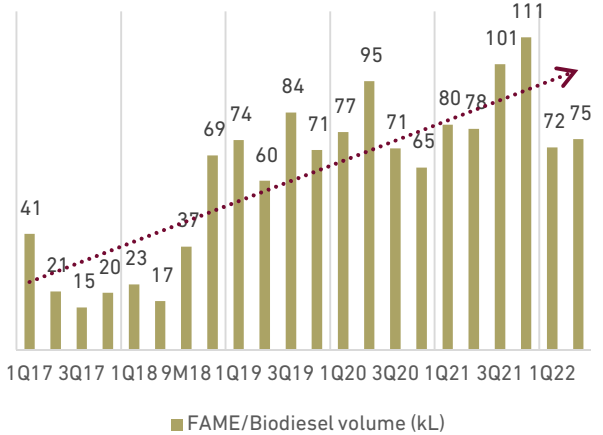
Source : TBLA and Ciptadana Estimates

Exhibit 4 : Cooking oil sales volume relatively stable



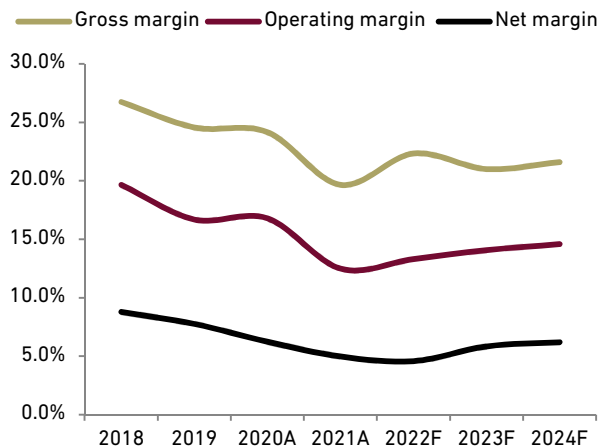
Source : TBLA and Ciptadana Estimates

Exhibit 5 : Biodiesel sales exponentially grow



Source : TBLA and Ciptadana Estimates

Exhibit 6 : Profitability climb with better ASP and cost control



Source : Bloomberg and Ciptadana Securities

Exhibit 7 : TBLA stocks is traded below -1SD forward PE ratio



Source : Bloomberg and Ciptadana Securities

Exhibit 8 : TBLA 1H22 Result

	1H22	1H21	YoY	2Q22	1Q22	QoQ	FY22F	1H/22F
Revenues	8,003	6,831	17.2%	4,152	3,851	7.8%	13,924	57%
Cost of revenue	-6,251	-5,411	15.5%	-3,283	-2,968	10.6%		
Gross profit	1,752	1,419	23.5%	869	883	-1.6%	3,052	57%
<i>Gross margin (%)</i>	<i>21.9</i>	<i>20.8</i>	<i>1.1</i>	<i>20.9</i>	<i>22.9</i>	<i>-2.0</i>		
G&A expenses	-261	-228	14.1%	-137	-123	11.1%		
Marketing expenses	-439	-216	102.9%	-217	-222	-2.4%		
Operating expenses	-699	-445	57.3%	-354	-345	2.4%		
Operating profit	1,053	975	8.0%	515	538	-4.2%	2,139	49%
<i>Operating margin (%)</i>	<i>13.2</i>	<i>14.3</i>	<i>-1.1</i>	<i>12.4</i>	<i>14.0</i>	<i>-1.6</i>		
Forex gain (loss)	-17	-46	-63.8%	4	-20	-118.3%		
Interest income	1	1	-15.5%	1	1	30.6%		
Interest expense	-462	-419	10.3%	-244	-218	11.9%		
Other income (exp)	-66	-30	118.4%	-37	-29	28.8%		
Total other inc (exp)	-543	-494	10.0%	-277	-267	3.7%		
Pre-tax profit	510	481	6.0%	239	271	-11.9%		
Tax	-127	-99	28.2%	-59	-68	-13.5%		
PBMI	382	382	0.2%	180	203	-11.4%		
MI	-0	-2	-81.0%	-0	-0	34.5%		
Net profit	382	380	0.6%	179	203	-11.5%	857	45%
<i>Net margin (%)</i>	<i>4.8</i>	<i>5.6</i>	<i>-0.8</i>	<i>4.3</i>	<i>5.3</i>	<i>-0.9</i>		
Revenue breakdown								
Palm oil	6,120	4,853	26.1%	3,084	3,036	1.6%		
Sugar	1,884	1,978	-4.8%	1,069	815	31.1%		
Gross profit margin								
Palm oil	22.1%	20.7%	1.5%	20.1%	24.2%	-4.1%		
Sugar	21.1%	21.1%	0.0%	23.3%	18.2%	5.2%		

Source : TBLA, Ciptadana Estimates

Exhibit 9 : Forecast Changes

	New		Original		Diff (%)	
	2022F	2023F	2022F	2023F	2022F	2023F
Financials (Rp bn)						
Revenue	16,863	17,976	13,924	15,048	21.1	19.5
Gross profit	3,765	3,653	3,052	3,371	23.4	8.4
Operating profit	2,244	2,409	2,139	2,389	4.9	0.8
Net profit	773	960	857	865	-9.9	10.9
Margins (%)						
Gross profit	22.3	20.3	21.9	22.4		
Operating profit	13.3	13.4	15.4	15.9		
Net profit	4.6	5.3	6.2	5.7		

Source : TBLA, Ciptadana Estimates

Exhibit 10 : Income Statement

Year to 31 Dec (Rpbn)	2020A	2021A	2022F	2023F	2024F
Revenue	10,863	15,972	16,863	17,976	19,404
COGS	-8,239	-12,833	-13,098	-14,323	-15,685
Gross profit	2,624	3,140	3,765	3,653	3,719
Oper. expenses	-799	-1,145	-1,521	-1,244	-1,358
Oper. profit	1,825	1,995	2,244	2,409	2,361
EBITDA	2,210	2,381	2,759	2,920	2,916
Interest income	10	3	16	6	8
Interest expense	-827	-839	-1,096	-1,129	-1,242
Other income (exp.)	-58	-73	-150	0	0
Pre-tax profit	901	1,023	1,014	1,286	1,128
Income tax	-221	-231	-229	-311	-264
Minority interest	-3	3	-12	-15	-14
Net profit	678	795	773	960	850

Exhibit 11 : Balance Sheet

Year to 31 Dec (Rpbn)	2020A	2021A	2022F	2023F	2024F
Cash & cash equivalent	480	690	434	597	804
Acct, receivables	3,013	3,457	3,807	4,286	4,567
Inventory	2,302	2,569	3,640	4,055	4,150
Other curr, asset	2,233	2,588	1,105	1,520	1,537
Total current asset	8,027	9,303	8,986	10,458	11,058
Fixed assets - net	11,196	11,678	13,606	14,768	15,891
Other non-curr.asset	209	103	44	44	44
Total asset	19,431	21,084	22,636	25,269	26,993
ST debt + curr. maturity	2,625	2,184	2,569	2,719	3,097
Acct, payable	1,765	3,174	3,276	3,467	3,743
Advances received	0	0	0	0	0
Other curr. liab	995	850	1,072	1,285	1,348
Long term debt	7,025	7,491	7,416	7,457	7,735
Other non-curr, liab,	1,133	892	2,020	4,228	5,159
Total liabilities	13,542	14,592	16,354	19,156	21,083
Shareholder equity	5,878	6,484	6,272	6,104	5,901
Minority interest	11	8	9	10	9
Total liab + SHE	19,431	21,084	22,636	25,269	26,993

Exhibit 12 : Per Share Data

(Rp)	2020A	2021A	2022F	2023F	2024F
EPS	128.2	150.6	146.4	181.9	161.0
BVPS	1,111.7	1,228.8	1,188.7	1,156.7	1,118.2
DPS	25.0	25.0	40.5	32.0	38.5
FCF per share	-252.3	76.2	-74.1	8.8	-66.6

Source : TBLA, Ciptadana Estimates

Exhibit 13 : Cash Flow

Year to 31 Dec (Rpbn)	2020A	2021A	2022F	2023F	2024F
Net income	678	795	773	960	850
Depreciation	385	385	515	511	555
Chg in working cap.	-1,097	354	1,478	1,194	753
Other	73	-2	0	0	0
CF-Oper activities	38	1,532	2,766	2,665	2,157
Capital expenditure	-985	-710	-863	-853	-809
Others	-387	-420	-2,294	-1,766	-1,700
CF-Investing activities	-1,372	-1,130	-3,157	-2,619	-2,509
Net change in debt	2,055	48	310	190	657
Net change in equity	-28	0	0	0	0
Dividend payment	-132	-132	-214	-169	-203
Other financing	-483	-110	38	95	105
CF-Financing activities	1,413	-192	135	117	559
Net cash flow	79	211	-256	163	207
Cash - begin of the year	401	480	690	434	597
Cash - end of the year	480	690	434	597	804

Exhibit 14 : Key Ratios

Year to 31 Dec	2020A	2021A	2022F	2023F	2024F
Growth					
Revenue (%)	27.3	47.0	5.6	6.6	7.9
Operating profit (%)	28.1	9.3	12.5	7.3	-2.0
Net profit (%)	2.3	17.2	-2.8	24.2	-11.5
Profitability Ratios					
Gross margin (%)	24.2	19.7	22.3	20.3	19.2
Operating margin (%)	16.8	12.5	13.3	13.4	12.2
EBITDA margin (%)	20.3	14.9	16.4	16.2	15.0
Net margin (%)	6.2	5.0	4.6	5.3	4.4
ROA (%)	3.5	3.8	3.4	3.8	3.1
ROE (%)	11.5	12.3	12.3	15.7	14.4
Liquidity Ratios					
Current ratio (x)	1.5	1.5	1.3	1.4	1.4
Quick ratio (x)	1.1	1.1	0.8	0.9	0.8
Cash conversion cycle (days)	128.1	90.5	110.2	117.1	112.0
Activity Ratio					
Inventory turnover (days)	102.0	73.1	101.4	103.3	96.6
Receivable turnover (days)	81.7	73.9	78.6	82.2	83.3
Payable turnover (days)	55.5	56.4	69.8	68.5	67.8
Solvency Ratio					
Interest cover (x)	2.7	2.8	2.5	2.6	2.3
Debt to equity ratio (x)	1.6	1.5	1.6	1.7	1.8
Net debt to equity (x)	1.6	1.4	1.5	1.6	1.7

Source : TBLA, Ciptadana Estimates

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