

BUY

TP: Rp920 (+35.3%)

Tunas Baru Lampung

Sweetness of the sugar and biodiesel business

Sugar and biodiesel drive revenue in 1Q23

Tunas Baru Lampung (TBLA)'s revenue rose by 13.3% YoY to Rp4.36 tn in 1Q23, on the back of higher sugar and FAME (biodiesel) sales. The sales volume for sugar and biodiesel increased by 80.4% YoY and 21.7% YoY to 124,283 kg and 87,262 kg respectively, in the period. Higher sales volume managed to offset the decline in prices where sugar ASP declined -1.6% YoY to Rp11,642/kg while biodiesel price decreased by -16.4% YoY to Rp11,835/kg. We expect biodiesel sales volume to continue to increase in subsequent quarters, in line with higher Indonesia's biodiesel blending mandate from B30 to B35 this year. As of end of March, TBLA has obtained 397,510 kl of biodiesel sales contract for the FY23 delivery, which is 14.5% higher compared to last year's volume.

Good harvest underpins lower pricing

Global CPO price hit historical peak in March 2022 and has since continues to move lower. Pricewise, the downward trend naturally put pressure on all CPO related products. ASPs for cooking oil, biodiesel and palm kernel oil (PKO) each decreased by -18.3%, -16.4% and -54.5% to Rp14,474/kg, Rp11,835/kg and Rp12,212/kg respectively, compared to 1Q22. Despite lower pricing, revenue contribution from CPO related products remained strong with sales volume growth from core products such as biodiesel and PKO. Bumper harvest in South Sumatera in the beginning of the year had increased overall fresh fruit bunch (FFB) processed by 65.0% YoY to 310,987 tons. The good harvest allowed for higher CPO production, as it soared 57.5% YoY to 60,427 tons. This enabled TBLA to reduce the proportion of external CPO usage for downstream production considerably to 109k tons. However due to lower demand, sales of palm cooking oil, sold under the name of Rose Brand, declined by -1.1% YoY to 74,314 kg in 1Q23. In contrast, the sales of PKO soared 235.7% YoY to 19,300 kg, supported by double digits growth in FFB production where FFB nucleus improved by 22.2% YoY to 137,444 tons while FFB plasma production improved 71.4% YoY to 34,324 tons.

No significant impact from rising global sugar price caused by El Niño

The World Meteorological Organization forecasts 60% probability of El Niño conditions emerging between May - July 2023, with the likelihood rising to more than 80% in 3Q23 onwards. The extreme weather poses a potential threat to the price of soft commodities, as they may result in dryness in Southeast Asia and Australia but bring beneficial rain to the US, Brazil, and Argentina. As evidenced, we saw 5.5% MoM uptick in sugar prices in June who attributed to reduced sugar production in India and revised estimates of global supply surplus. Sugar may be the most sensitive to El Nino due to vulnerability to drought of major producers such as India as well as excessive rainfall in Brazil. The fluctuation in global sugar price brings minimum disruption to TBLA. The company will pass it on to the market since national's sugar demand supply imbalance is too severe.

Maintain BUY with lower TP of Rp920/sh

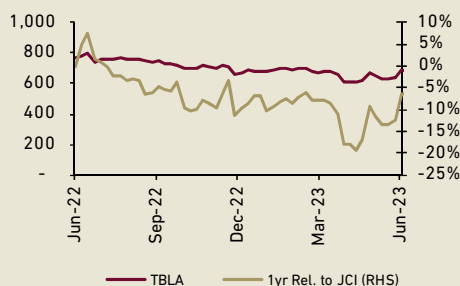
We fine tune our 2023F/2024F revenues and earnings, incorporating slightly lower revenues from palm oil business and narrower overall profit margins. We apply last 5-year mean PE of 5.7x as multiple and arrive at lower 2023F TP of Rp920/sh (from previously Rp1,150/sh) and maintain our BUY rating.

Exhibit 1 : Financial Highlights

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (Rpbn)	15,972	16,580	17,652	19,068	20,574
Operating profit (Rpbn)	1,995	2,205	3,337	4,139	5,475
Net profit (Rpbn)	795	801	851	1,016	1,247
EPS (Rp)	150.6	151.7	161.2	192.5	236.3
EPS growth (%)	17.4	0.8	6.2	19.4	22.8
EV/EBITDA (x)	5.3	5.1	3.9	3.6	3.1
PER (x)	4.5	4.5	4.2	3.5	2.9
PBV (x)	0.6	0.5	0.6	0.6	0.6
Dividend yield (%)	3.7	13.2	9.2	7.5	9.7
ROE (%)	12.3	11.7	13.1	16.3	21.2

Source : TBLA, Ciptadana Estimates

Sector	Plantation		
Bloomberg Ticker	TBLA JJ		
Share Price Performance			
Last price (Rp)	680		
Avg. daily T/O (Rpbn/USDmn)	0.9/0.1		
	3m	6m	12m
Absolute (%)	0.6	1.3	-12.8
Relative to JCI (%)	1.6	5.4	-8.9
52w High/Low price (Rp)	799/600		



Outstanding shrs (mn)	5,342
Mkt. Cap (Rpbn/USDmn)	3,633/242
Estimated free float (%)	43.5
Major shareholders	
Sungai Budi	28.1%
Budi Delta Swakarya	27.2%

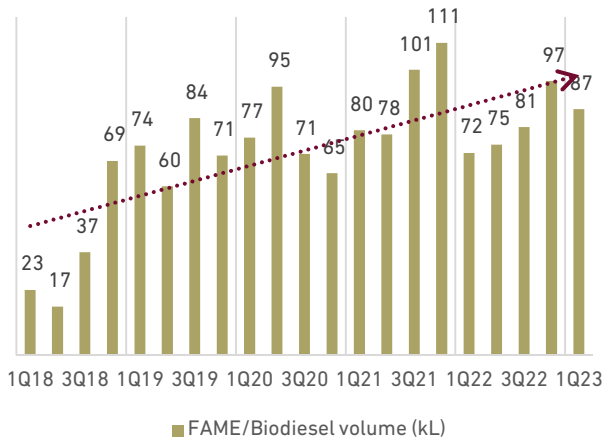
Yasmin Soulisha

+62 21 2557 4800 ext. 799

soulisayasmin@ciptadana.com

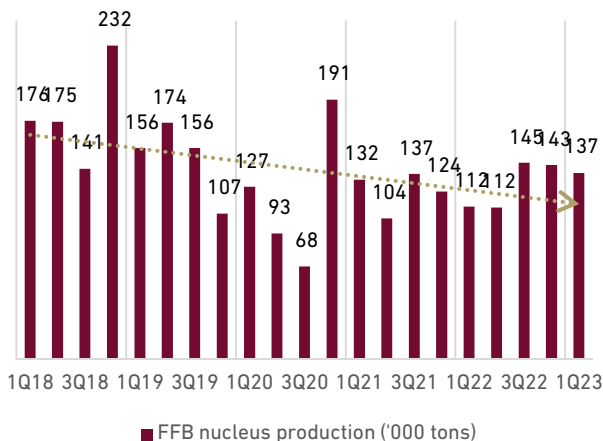
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Exhibit 2 : Biodiesel sales are on the rise in line with government's higher blending mandate



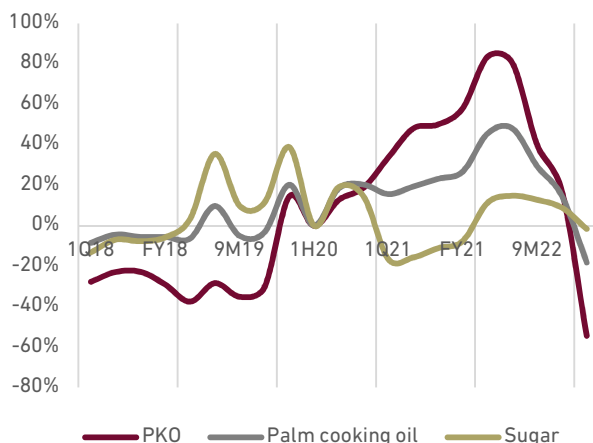
Source : TBLA, Ciptadana Estimates

Exhibit 4 : Quarterly nucleus production on downward trend due to abnormal weather



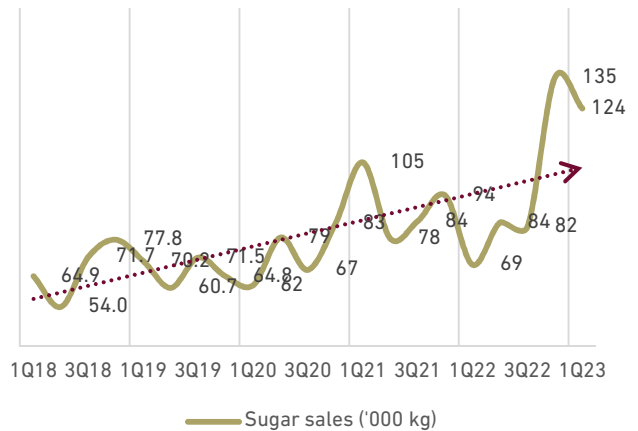
Source : TBLA, Ciptadana Estimates

Exhibit 6 : TBLA ASPs show inconsistent YoY growth with steep lower price in 1Q23



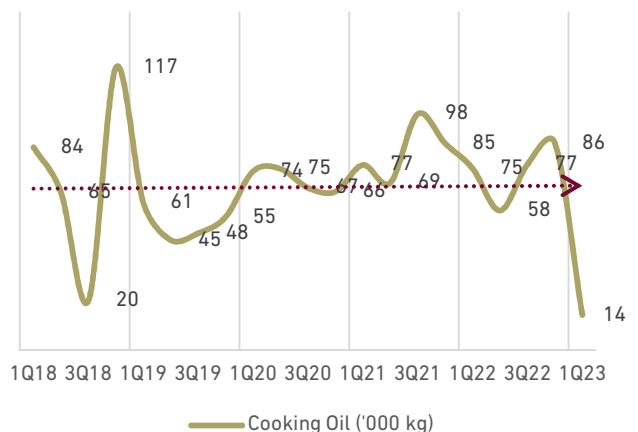
Source : TBLA, Ciptadana Estimates

Exhibit 3 : Quarterly sugar sales volume shows an uptrend amidst rising price



Source : TBLA, Ciptadana Estimates

Exhibit 5 : Cooking oil sales remains steady though experienced quarterly dynamic



Source : TBLA, Ciptadana Estimates

Exhibit 7 : TBLA is currently trading at around -1SD of its last 5-year mean PE



Source : Bloomberg, Ciptadana Securities

Exhibit 8 : Forecast Changes

	New		Original		Diff (%)	
	2023F	2024F	2023F	2024F	2023F	2024F
Financials (Rp bn)						
Revenue	17,652	19,068	18,218	19,623	-3.1	-2.8
Gross profit	4,677	5,564	4,430	5,273	5.6	5.5
Operating profit	3,337	4,139	2,805	3,540	19.0	16.9
Net profit	851	1,016	1,016	1,276	-16.3	-20.4
Margins (%)						
Gross profit	26.5	29.2	24.3	26.9		
Operating profit	18.9	21.7	15.4	18.0		
Net profit	4.8	5.3	5.6	6.5		

Source : TBLA, Ciptadana Estimates

Exhibit 9 : ESG Assessment

Company description	Palm oil and sugar producer
ESG-related opportunity or risk assessment	Environmental <ol style="list-style-type: none"> 1. TBLA is committed to obtain the ISPO certification, to operate in away that is both environmentally and socially friendly. 2. Committed to produce palm oil and other products such as sago and rubber from plantations that the company managed in accordance with the environment friendly principles. 3. Comply with the practice of sustainable industry adds great value to the company.
	Social <ol style="list-style-type: none"> 1. TBLA absorbs large number of labors to maintain and harvest palm oil and sugar plantations therefore provide huge employment for surrounding community. 2. Plasma plantation scheme offers new opportunities for smallholder plantation owner. 3. Committed to improve the quality of life in surrounding community, including the labors, smallholders and communities that are affected by TBLA operations.
	Governance <ol style="list-style-type: none"> 1. TBLA is committed to the standards of corporate governance and consistently strengthen its transparency, accountability, responsibility, fairness and independence practices. 2. Company's corporate governance practices are guided by all prevailing laws and regulations applicable in Indonesia. 3. Periodically monitors and welcomes any inputs as well as insights, such as through public consultation, survey and research of information, so that the company can identify interest and concerns.

Exhibit 10 : Income Statement

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Revenue	15,972	16,580	17,652	19,068	20,574
COGS	-12,833	-13,105	-12,974	-13,503	-13,585
Gross profit	3,140	3,475	4,677	5,564	6,989
Oper. expenses	-1,145	-1,270	-1,340	-1,425	-1,513
Oper. profit	1,995	2,205	3,337	4,139	5,475
EBITDA	2,381	2,670	3,847	4,692	6,069
Interest income	3	5	7	6	5
Interest expense	-839	-970	-1,841	-2,104	-2,450
Other income (exp.)	-73	-113	-339	-677	-1,354
Pre-tax profit	1,023	1,020	1,118	1,320	1,615
Income tax	-231	-219	-267	-305	-367
Minority interest	3	-1	0	1	0
Net profit	795	801	851	1,016	1,247

Exhibit 11 : Balance Sheet

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	690	591	602	464	451
Acct, receivables	3,457	3,567	4,274	4,522	4,916
Inventory	2,569	4,822	4,360	4,509	4,732
Other curr, asset	2,588	2,396	1,357	1,562	1,734
Total current asset	9,303	11,375	10,592	11,058	11,833
Fixed assets - net	11,678	12,177	14,084	15,133	16,147
Other non-curr.asset	103	122	42	42	42
Total asset	21,084	23,674	24,719	26,232	28,023
ST debt + curr. maturity	2,184	4,195	4,824	5,647	6,483
Acct, payable	3,174	4,495	3,381	3,523	3,603
Advances received	0	0	0	0	0
Other curr. liab	850	795	1,064	1,184	1,309
Long term debt	7,491	6,404	7,220	8,129	9,394
Other non-curr, liab,	892	951	1,721	1,505	1,332
Total liabilities	14,592	16,841	18,211	19,989	22,121
Shareholder equity	6,484	6,820	6,490	6,221	5,872
Minority interest	8	12	18	23	30
Total liab + SHE	21,084	23,674	24,719	26,232	28,023

Exhibit 12 : Per Share Data

(Rp)	2021A	2022A	2023F	2024F	2025F
EPS	150.6	151.7	161.2	192.5	236.3
BVPS	1,228.8	1,292.5	1,229.9	1,178.9	1,112.7
DPS	25.0	90.0	62.6	50.9	66.2
FCF per share	76.2	-50.3	-228.0	-324.3	-359.2

Source : TBLA, Ciptadana Estimates

Exhibit 13 : Cash Flow

Year to 31 Dec (Rpbn)	2021A	2022A	2023F	2024F	2025F
Net income	795	801	851	1,016	1,247
Depreciation	385	466	510	553	594
Chg in working cap.	354	-243	-1,740	-2,510	-2,946
Other	-2	0	0	0	0
CF-Oper activities	1,532	1,023	-379	-941	-1,105
Capital expenditure	-710	-777	-824	-770	-790
Others	-420	-512	0	0	0
CF-Investing activities	-1,130	-1,289	-824	-770	-790
Net change in debt	48	950	1,445	1,731	2,101
Net change in equity	0	0	0	0	0
Dividend payment	-132	-475	-330	-269	-349
Other financing	-110	-344	99	111	130
CF-Financing activities	-192	166	1,214	1,574	1,882
Net cash flow	211	-100	11	-137	-14
Cash - begin of the year	480	690	591	602	464
Cash - end of the year	690	591	602	464	451

Exhibit 14 : Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth					
Revenue (%)	47.0	3.8	6.5	8.0	7.9
Operating profit (%)	9.3	10.5	51.4	24.0	32.3
Net profit (%)	17.2	0.8	6.2	19.4	22.8
Profitability Ratios					
Gross margin (%)	19.7	21.0	26.5	29.2	34.0
Operating margin (%)	12.5	13.3	18.9	21.7	26.6
EBITDA margin (%)	14.9	16.1	21.8	24.6	29.5
Net margin (%)	5.0	4.8	4.8	5.3	6.1
ROA (%)	3.8	3.4	3.4	3.9	4.4
ROE (%)	12.3	11.7	13.1	16.3	21.2
Liquidity Ratios					
Current ratio (x)	1.5	1.2	1.1	1.1	1.0
Quick ratio (x)	1.1	0.7	0.7	0.6	0.6
Cash conversion cycle (days)	90.5	127.2	122.3	140.0	147.7
Activity Ratio					
Inventory turnover (days)	73.1	134.3	122.6	121.9	127.1
Receivable turnover (days)	73.9	77.3	81.1	84.2	83.7
Payable turnover (days)	56.4	84.4	81.4	66.1	63.2
Solvency Ratio					
Interest cover (x)	2.8	2.8	2.1	2.2	2.5
Debt to equity ratio (x)	1.5	1.6	1.9	2.2	2.7
Net debt to equity (x)	1.4	1.5	1.8	2.1	2.6

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

ANALYST

Yasmin Soulisa

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

ANALYST

Putu Chantika Putri

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

TECHNICAL ANALYST

Asrul Husni

T +62 21 2557 4800 ext 780
E husniasrul@ciptadana.com

ECONOMIST

Renno Prawira

Economist
T +62 21 2557 4800 ext 735
E prawirarenno@ciptadana.com

ANALYST

Gani

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

ANALYST

Nicko Yosafat

Retail, Pharmaceutical
T +62 21 2557 4800 ext 760
E yosafatnicko@ciptadana.com

RESEARCH ASSISTANT

Sumarni

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

ANALYST

Erni Marsella Siahaan, CFA

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

ANALYST

Thomas Radityo

Coal, Metal Mining
T +62 21 2557 4800 ext 795
E radityothomas@ciptadana.com

ANALYST

Muhammad Gibran

Cement, Poultry, Toll road
T +62 21 2557 4800 ext 798
E gibranmuhammad@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

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

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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