VERDHANA

PT Verdhana Sekuritas Indonesia

Tunas Baru Lampung TBLA.JK TBLA.IJ

3 July 2025

EQUITY: GENERAL CONSUMER

Growing Downstream

Rating Remains	Non-rated
Closing price 2 July 2025	IDR 730

Proven downstream track record

TBLA is an integrated palm oil and sugar producer with sales and EBIT CAGR 2014-2024 of 11% and 10%, respectively. A strong sales growth trajectory was mainly driven by a surge in biodiesel contribution (see *Fig. 4* and *6*), thanks to the progression of biodiesel mandate program. In addition, branded packaged sugar continues to enjoy a duopoly market structure (high barrier to entry due to difficulty of plantation operations and expensive manufacturing Capex), resulting in an ASP expansion and a thicker margin level (see *Fig. 5* and *9*). Meanwhile, cooking oil business is a low-margin business, given the more fragmented market situation. TBLA's NPAT 2014-2024 CAGR, however, grew at a slower pace of 5% in comparison to its EBIT trajectory; it was dragged down by a substantial increase in interest cost burden to fund Capex.

FY25F growth driver: a surge in biodiesel sales

TBLA obtained a large FY25 biodiesel contract of 809K KL (+113% y-y) from Pertamina, which might double biodiesel sales volume this year. In our view, Pertamina buys more biodiesel from TBLA due to several reasons: **1)** TBLA is the largest biodiesel producer in South Sumatra (see *Fig. 16*) with a new production capacity of 902K KL (+140% y-y), **2)** proximity advantage as TBLA's refinery distance is near Pertamina site, which helps Pertamina to reduce logistics costs, **3)** TBLA's palm oil plantation ownership helps to sustain the biodiesel availability, and **4)** B40 implementation (15.6mn KL demand; +17% y-y). We note that Pertamina regularly settles its payment within three months. Furthermore, biodiesel price continues to hover at a favorable level following CPO price, not to mention a potential biodiesel mandate expansion to B50 by FY26, which can be a booster for sales further. We believe a significant jump in biodiesel sales can compensate the lower sales of sugar business amid import limitations.

Undemanding valuation, double-digit earnings growth, and decent dividend yield

TBLA's integrated business model provides higher barrier to entry advantage, in our view. Balance sheet wise, TBLA stood at 1.7x debt/equity ratio, reflected in a substantial interest cost (see *Fig. 10-13*). Notwithstanding, TBLA may generate strong cash flow from biodiesel demand with no major Capex in the next three years ahead, which should ease down the leverage burden, in our view. With a surge in biodiesel sales, we can assume TBLA can grow NPAT by least at +15% y-y this year, giving us FY25F P/E of 5.4x, which we think is still undervalued. On top of that, TBLA can provide dividend yield of roughly 7%, which can be good shelter stock for investors as well.

Year-end 31 Dec	FY21	FY22	FY23	FY24	3M25
Currency (IDR)	Actual	Actual	Actual	Actual	Actual
Revenue (bn)	15,972	16,580	15,318	17,411	5,605
Reported net profit (bn)	795	801	611	700	274
Normalised net profit (bn)	795	801	611	700	274
FD normalised EPS	148.77	149.88	101.45	116.18	45.54
FD nom. EPS growth (%)	17.2	0.8	-23.7	14.5	24.5
FD normalised P/E (x)	4.9	4.9	7.2	6.3	4.0
EV/EBITDA (x)	5.2	5.1	6.8	6.7	5.6
Price/book (x)	0.6	0.6	0.5	0.5	0.5
Dividend yield (%)	3.4	12.3	2.7	10.3	1.6
ROE (%)	12.9	12.0	8.1	8.4	12.8
Net debt/equity (%)	138.4	146.9	151.9	161.2	171.0

Source: Company data, Verdhana estimates

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Key data on Tunas Baru Lampung

Performance

(%)	1M	3M	12M		
Absolute (IDR)	0.69%	35.19%	8.96%	M cap (USDmn)	269.0
Absolute (USD)	-0.08%	36.59%	9.32%	Free float (%)	40.31%
Rel to Jakarta Stock Exchange Composite Index	-0.34%	37.83%	5.00%	3-mth ADT (USDk)	130.13

Income Statement (IDRbn)

Year-end 31 Dec	FY21	FY22	FY23	FY24	3M25
Revenue	15,972	16,580	15,318	17,411	5,605
Cost of goods sold	-12,833	-13,105	-12,396	-14,409	-4,626
Gross profit	3,140	3,475	2,921	3,002	979
SG&A	-1,145	-1,270	-1,043	-996	-274
Employee share expense	0	0	0	0	0
Operating profit	1,995	2,205	1,878	2,006	705
EBITDA	2,499	2,752	2,474	2,684	859
Depreciation	-504	-548	-595	-678	-153
Amortisation	0	0	0	0	0
EBIT	1,995	2,205	1,878	2,006	705
Net interest expense	-836	-965	-1,185	-1,192	-330
Associates & JCEs	0	0	0	0	0
Other income	-137	-220	92	90	-34
Earnings before tax	1,023	1,020	786	904	341
Income tax	-231	-219	-174	-203	-66
Net profit after tax	792	801	612	701	275
Minority interests	-3	1	1	1	0
Other items	0	0	0	0	0
Preffered dividends	0	0	0	0	0
Normalised NPAT	795	801	611	700	274
Extraordinary items	0	0	0	0	0
Reported NPAT	795	801	611	700	274
Dividends	-134	-481	-107	-452	-72
Transfer to reserves	661	320	504	248	202
Valuations and ratios					
Reported P/E (x)	4.9	4.9	7.2	6.3	4.0
Normalised P/E (x)	4.9	4.9	7.2	6.3	4.0
FD normalised P/E (x)	4.9	4.9	7.2	6.3	4.0
Dividend yield (%)	3.4	12.3	2.7	10.3	1.6
Price/cashflow (x)	2.6	9.0	n.a.	7.9	n.a.
Price/book (x)	0.6	0.6	0.5	0.5	0.5
EV/EBITDA (x)	5.2	5.1	6.8	6.7	5.6
EV/EBIT (x)	6.5	6.3	9.0	9.0	6.8
Gross margin (%)	19.7	21.0	19.1	17.2	17.5
EBITDA margin (%)	15.6	16.6	16.2	15.4	15.3
EBIT margin (%)	12.5	13.3	12.3	11.5	12.6
Net margin (%)	5.0	4.8	4.0	4.0	4.9
Effective tax rate (%)	22.6	21.5	22.1	22.5	19.5
Dividend payout (%)	16.9	60.0	17.5	64.6	26.4
ROE (%)	12.9	12.0	8.1	8.4	12.8
ROA (pretax %)	5.0	4.6	3.2	3.4	4.9
Growth (%)					
Revenue	47.0	3.8	-7.6	13.7	27.7
EBITDA	7.5	10.1	-10.1	8.5	22.5
Normalised EPS	17.2	0.8	-23.7	14.5	24.5
Normalised FDEPS	17.2	0.8	-23.7	14.5	24.5

Source: Company data, Verdhana estimates

Cashflow statement (IDRbn)

Year-end 31 Dec	FY21	FY22	FY23	FY24	3M25
EBITDA	2,499	2,752	2,474	2,684	859
Change in working capital	209	-915	-2,405	-822	-1,223
Other operating cashflow	-1,200	-1,404	-1,267	-1,306	-431
Cashflow from operations	1,508	434	-1,198	556	-795
Capital expenditure	-987	-1,047	-1,794	-1,295	-414
Free cashflow	521	-613	-2,993	-739	-1,209
Reduction in investments	0	0	0	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	96	-9	-201	19	-83
Inc in other LT liabilities	-236	32	9	20	-7
Adjustments	0	0	0	0	0
CF after investing acts	-1,127	-1,024	-1,986	-1,256	-504
Cash dividends	-134	-481	-107	-452	-72
Equitiy issue	0	0	443	0	0
Debt issue	21	951	2,364	1,753	1,130
Convertible debt issue	0	0	0	0	0
Others	-57	20	423	-3	73
CF from financial acts	-171	490	3,123	1,298	1,130
Net cashflow	211	-100	-61	598	-169
Beginning cash	480	690	591	529	1,127
Ending cash	690	591	529	1,127	958
Ending net debt	8,988	10,039	12,464	13,619	14,918

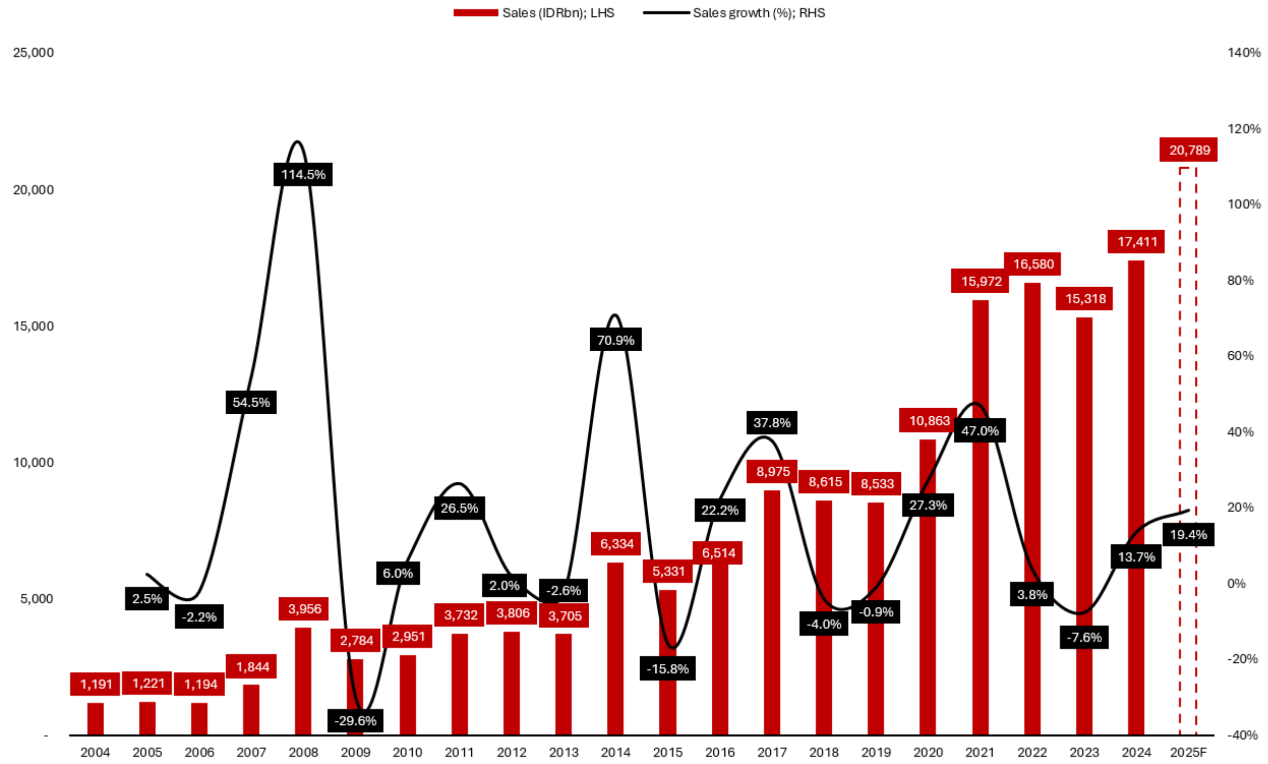
Balance sheet (IDRbn)

Year-end 31 Dec	FY21	FY22	FY23	FY24	3M25
Cash & equivalents	690	591	529	1,127	958
Marketable securities	0	0	0	0	0
Accounts receivable	3,457	3,567	3,854	4,751	5,776
Inventories	2,569	4,822	5,128	4,866	3,944
Other current assets	2,578	2,396	2,674	2,722	2,657
Total current assets	9,294	11,375	12,185	13,466	13,334
LT investments	0	0	0	0	0
Fixed assets	11,678	12,177	13,376	13,994	14,254
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Other LT assets	113	122	322	304	387
Total assets	21,084	23,674	25,883	27,764	27,975
Short-term debt	2,184	4,195	5,084	6,718	7,753
Accounts payable	3,174	4,495	3,545	3,398	2,198
Other current liabilities	850	795	212	221	234
Total current liabilities	6,208	9,486	8,841	10,336	10,186
Long-term debt	7,494	6,434	7,909	8,028	8,122
Convertible debt	0	0	0	0	0
Other LT liabilities	889	922	931	951	944
Total liabilities	14,592	16,841	17,680	19,315	19,252
Minority interest	8	12	12	13	14
Preffered stock	0	0	0	0	0
Common stock	1,155	1,155	1,598	1,598	1,598
Retained earnings	5,046	5,380	5,890	6,134	6,409
Proposed dividends	0	0	0	0	0
Other equity and reserves	284	286	703	703	703
Total shareholders' equity	6,492	6,832	8,203	8,448	8,723
Total equity & liabilities	21,084	23,674	25,883	27,764	27,975
Liquidity (x)					
Current ratio	1.50	1.20	1.38	1.30	1.31
Interest cover	2.39	2.29	1.59	1.68	2.13
Leverage					
Net debt/EBITDA (x)	3.60	3.65	5.04	5.07	4.34
Net debt/equity (%)	138.44	146.93	151.94	161.20	171.01
Per share					
Reported EPS (IDR)	148.77	149.88	101.45	116.18	45.54
Norm EPS (IDR)	148.77	149.88	101.45	116.18	45.54
FD norm EPS (IDR)	148.77	149.88	101.45	116.18	45.54
BVPS (IDR)	1,215.32	1,278.94	1,361.39	1,402.14	1,447.72
DPS (IDR)	25.00	90.00	20.00	75.00	12.00
Activity (days)					
Days receivable	73.9	77.3	88.4	90.2	84.5
Days inventory	69.3	102.9	146.5	126.6	85.7
Days payable	70.2	106.8	118.4	87.9	54.4
Cash cycle	72.9	73.4	116.5	128.8	115.8

Source: Company data, Verdhana estimates

Fig. 1: TBLA's sales trend

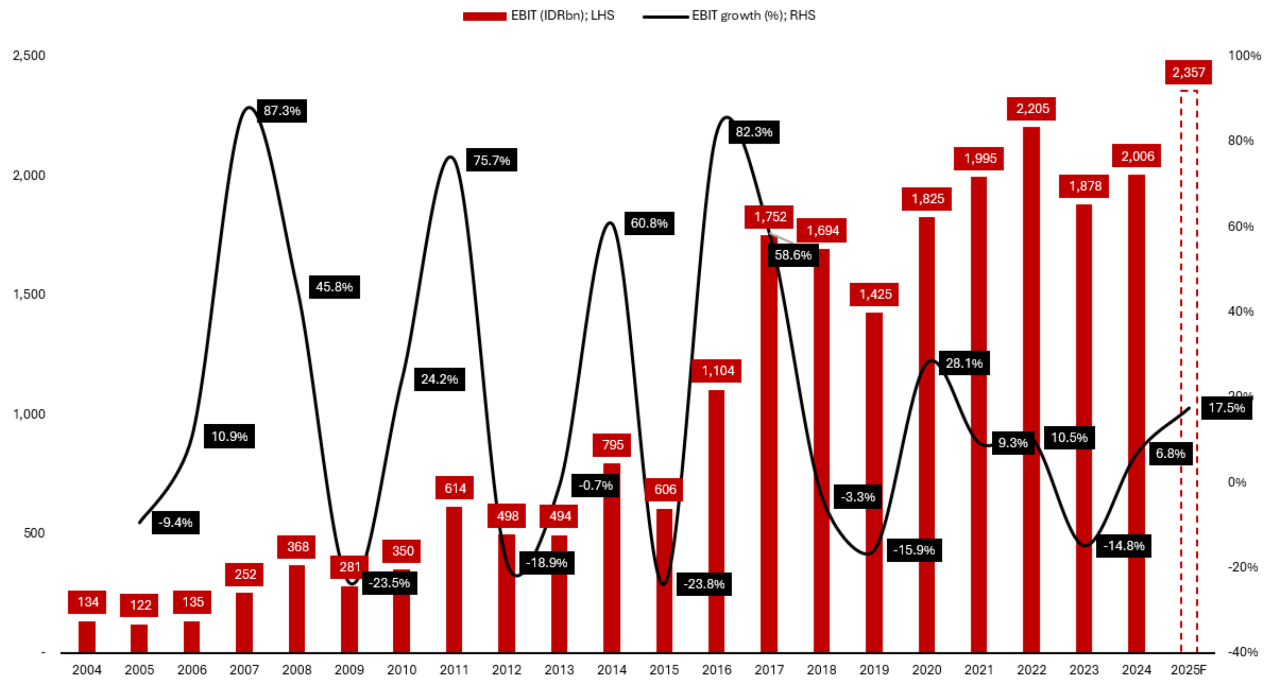
The company recorded 11% sales CAGR 2014-2024 backed by a strong biodiesel and branded packaged sugar sales. We foresee a +19% sales growth in 2025F on the back of a significant increase in biodiesel sales



Source: Company data, Verdhana estimates

Fig. 2: TBLA's EBIT trend

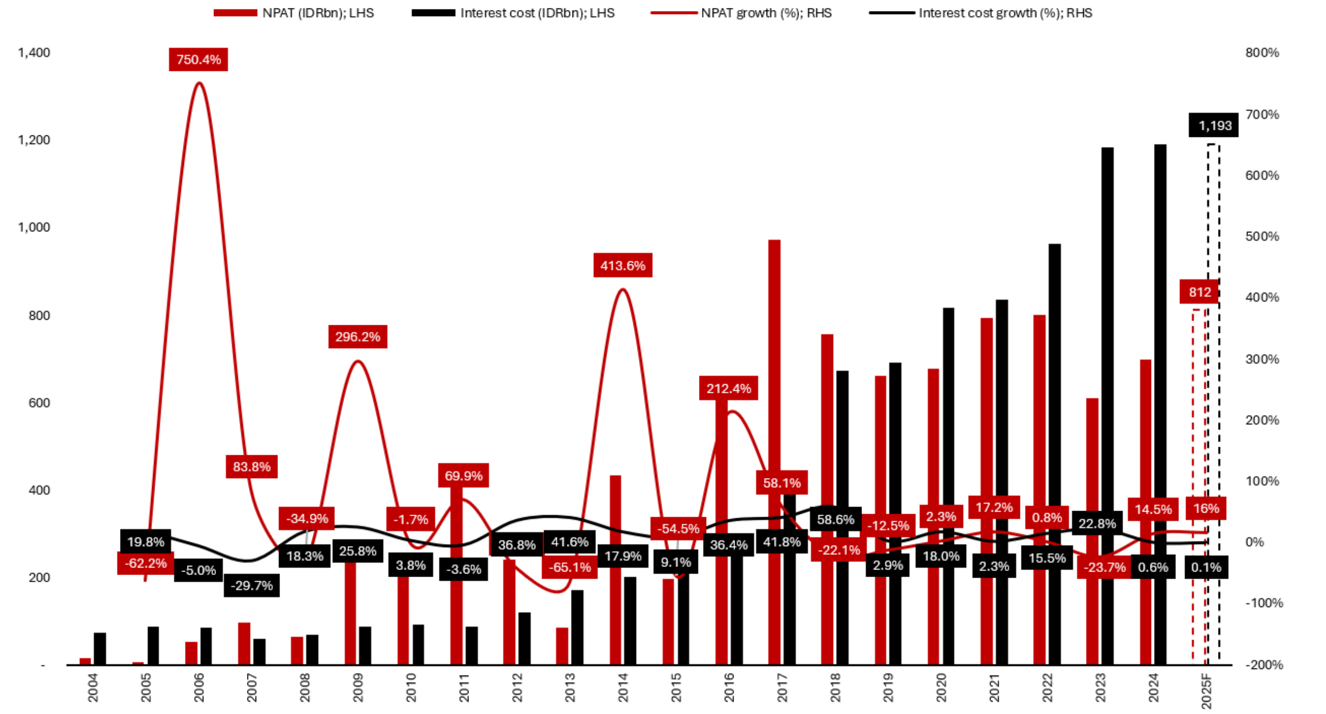
The company booked a solid 10% EBIT CAGR 2014-2024, driven by strong growth of biodiesel volume and ASP expansion of sugar business. We predict a double-digit EBIT growth this year, underpinned by a significant biodiesel sales volume expansion.



Source: Company data, Verdhana estimates

Fig. 3: TBLA's NPAT versus interest cost trend

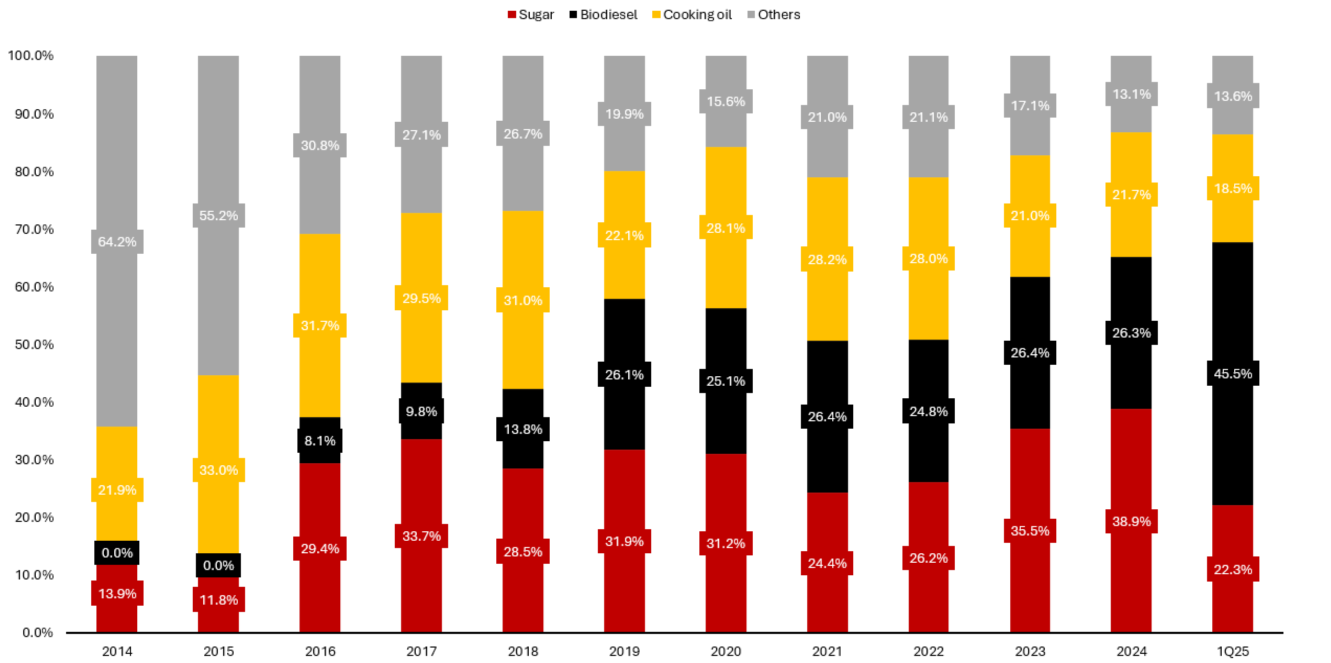
The company booked a slower NPAT CAGR 2014-2024 of 4.9% (vs. EBIT at 9.6%), dragged down by an increased in interest cost burden (+19.5% CAGR 2014-2024). We assume interest cost remains unchanged, given no major Capex cycle in the next three years, in our view. Hence, a strong mid-teens NPAT growth this year is feasible, underpinned by a surge in biodiesel sales volume.



Source: Company data, Verdhana estimates

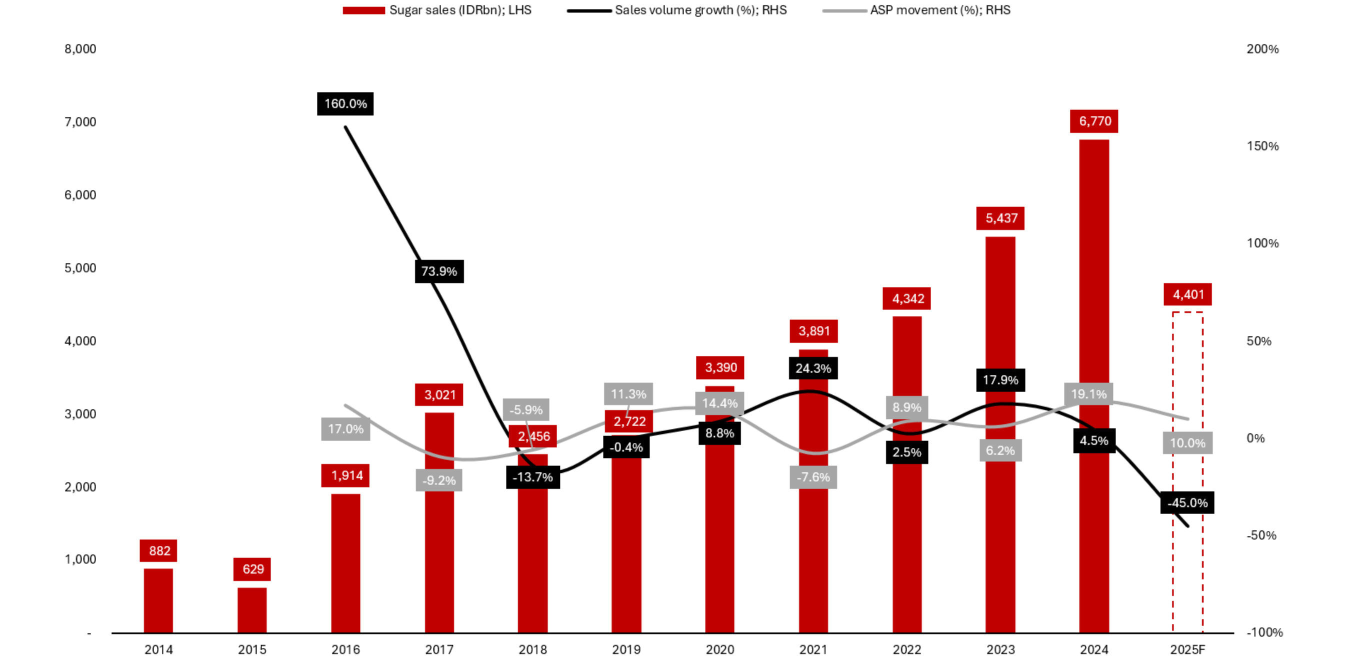
Fig. 4: TBLA's sales contribution breakdown

Biodiesel sales contribution jumps in 1Q25 due to additional new production capacity + B40 implementation, while sugar business is facing headwinds due to import limitations.



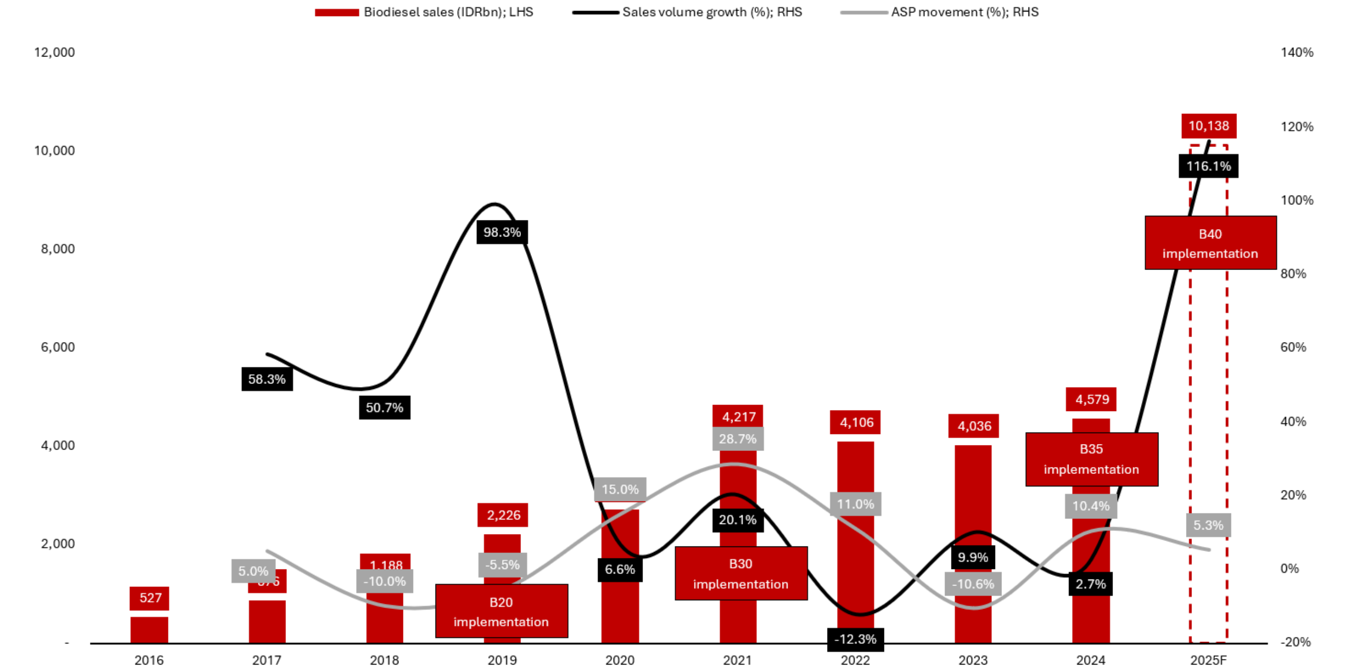
Source: Company data, Verdhana research

Fig. 5: TBLA's branded packaged sugar sales trend
Duopoly market structure advantage drives ASP expansion. However, we conservatively forecast a lower sugar sales volume this year due to a recent imported sugar limitation. We believe the government should normalize import activities, given a huge production deficit.



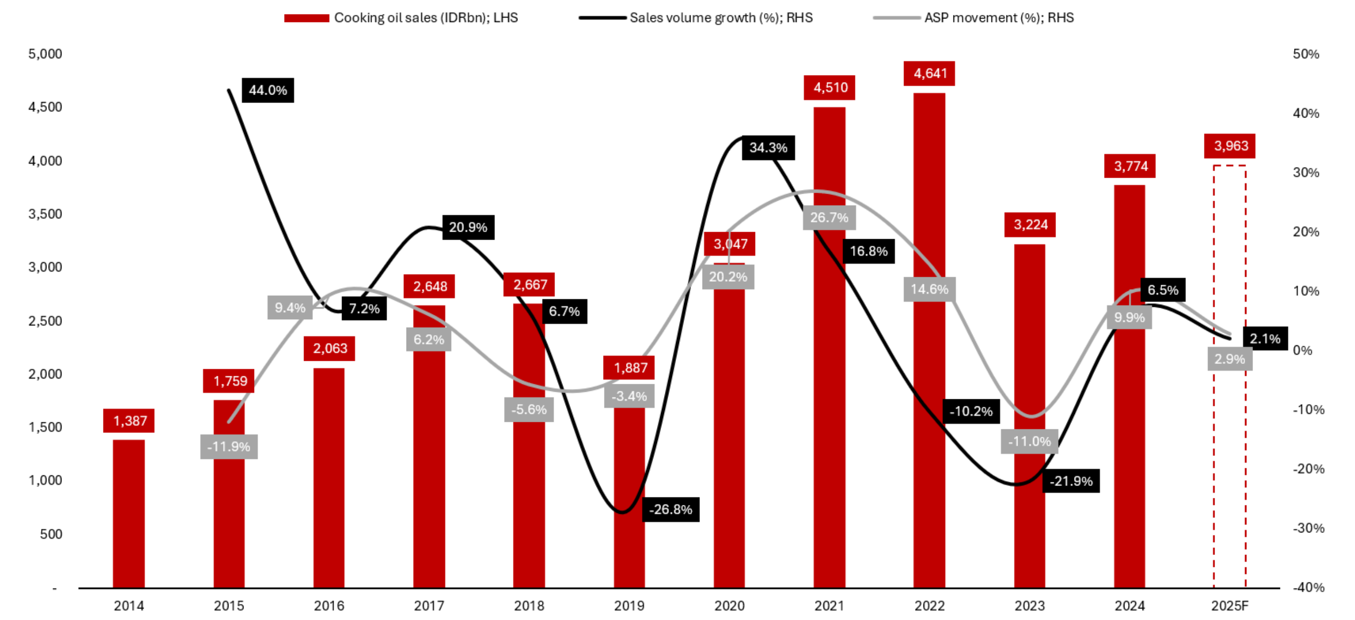
Source: Company data, Verdhana estimates

Fig. 6: TBLA's biodiesel sales trend
Historically, biodiesel sales surged along with biodiesel mandate expansion; hence, we predict biodiesel sales could be more than double this year on the back of additional new production capacity (+140% y-y) + B40 implementation.



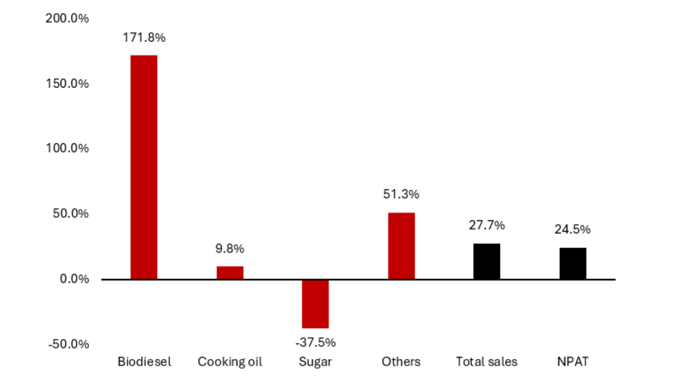
Source: Company data, Verdhana estimates

Fig. 7: TBLA's cooking oil sales trend
Branded cooking oil business faces a more fragmented market in Indonesia



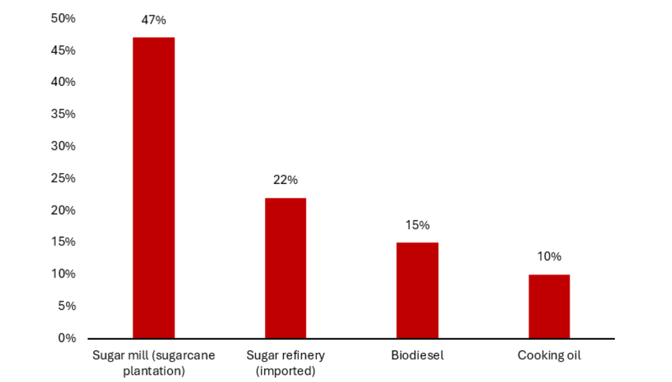
Source: Company data, Verdhana estimates

Fig. 8: TBLA's 1Q25 sales growth by segment + NPAT growth y-y



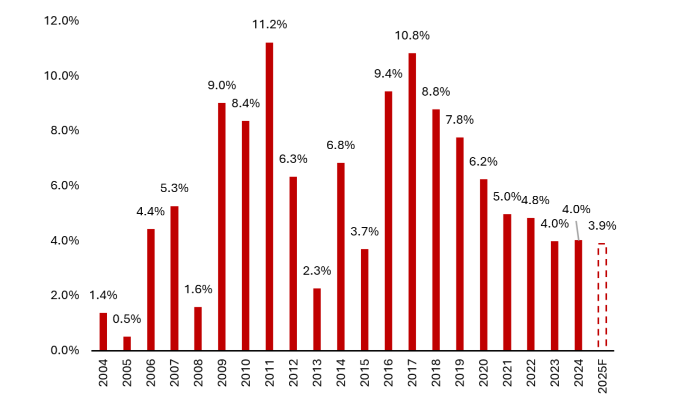
Source: Company data, Verdhana research

Fig. 9: TBLA's estimated gross margin by segment
Sugar division contributes the highest margin, given duopoly structure and higher barrier to entry



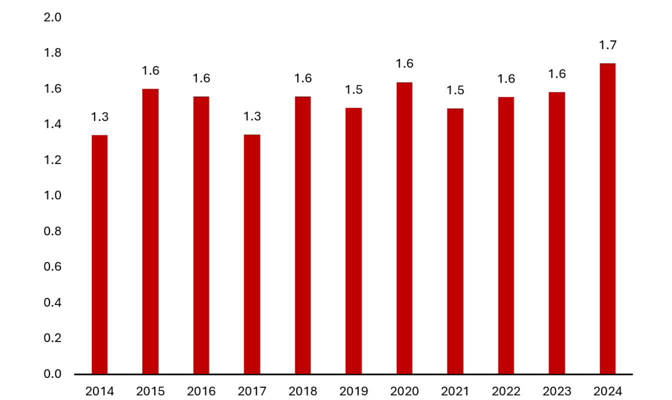
Source: Company data, Verdhana research

Fig. 10: TBLA's net profit margin trend
Lower net margin was driven by higher interest costs



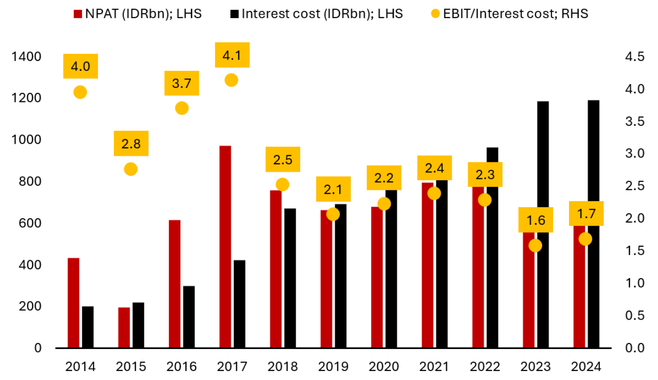
Source: Company data, Verdhana estimates

Fig. 11: TBLA's debt/equity ratio (x)
Most of the debt is used for Capex; management plans to deleverage post-Capex cycle.



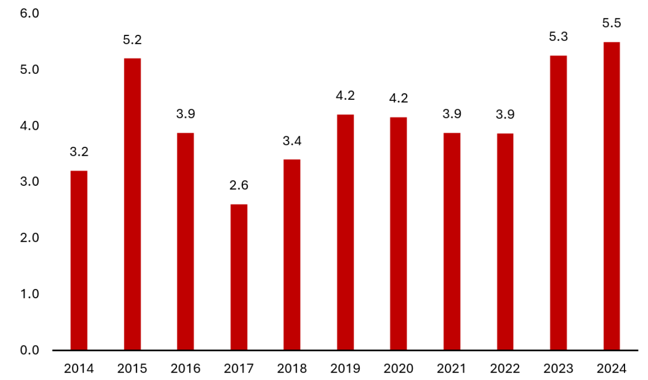
Source: Company data, Verdhana research

Fig. 12: TBLA's NPAT, interest cost, and EBIT/interest cost trend
Deleveraging efforts will have significant impact to boost profitability.



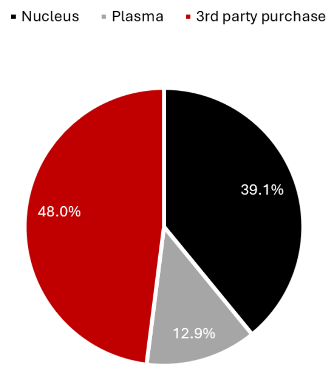
Source: Company data, Verdhana research

Fig. 13: TBLA's debt/EBITDA (x)
We expect stronger cash flow contribution three years ahead, driven by biodiesel business to improve the ability to pay. On the other hand, refinancing can be another option to prolong the debt payment.



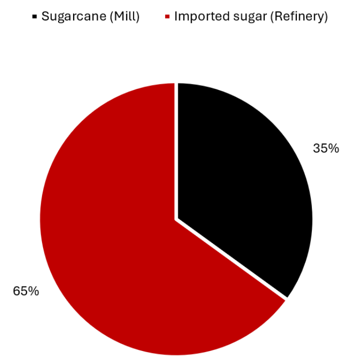
Source: Company data, Verdhana research

Fig. 14: TBLA's sources of palm oil
The company potentially will order more third party FFB to fulfill expansion of biodiesel mandate demand.



Source: Company data, Verdhana research

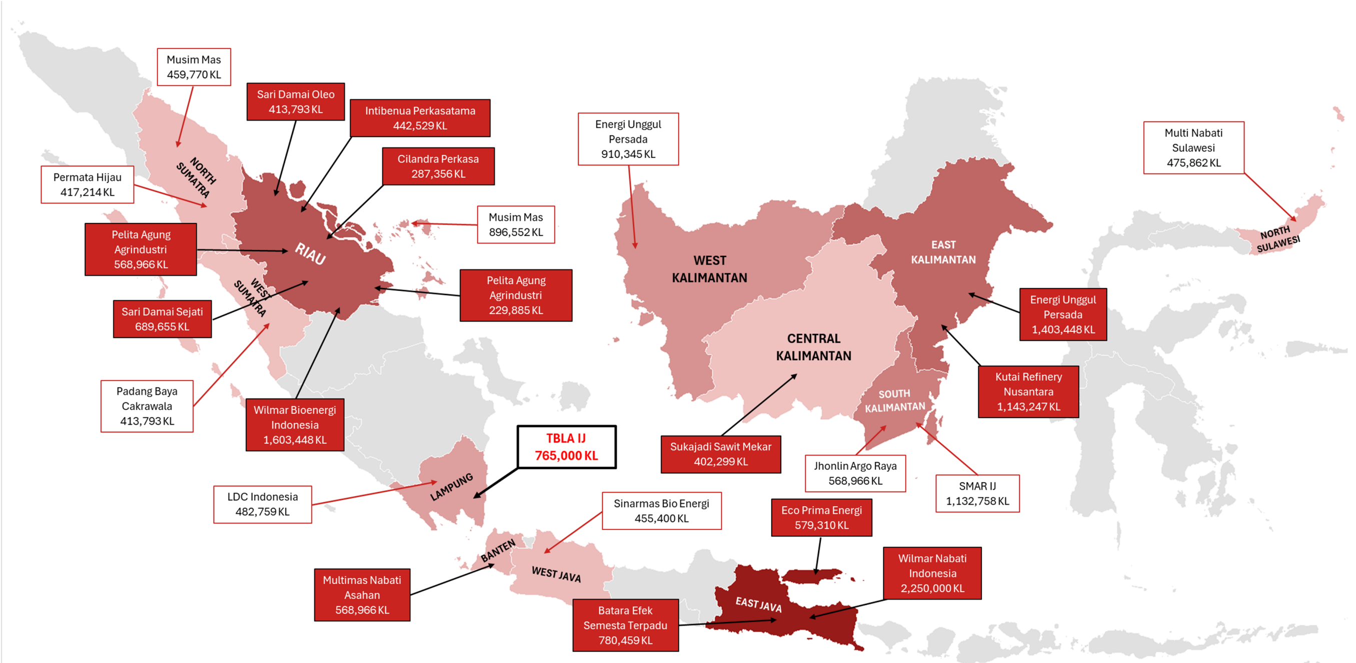
Fig. 15: TBLA's estimated sources of sugar raw material
Limitation of imported sugar can directly disrupt TBLA's branded packaged sugar sales, while increasing sourcing from domestic sugarcane will take longer time.



Source: Company data, Verdhana research

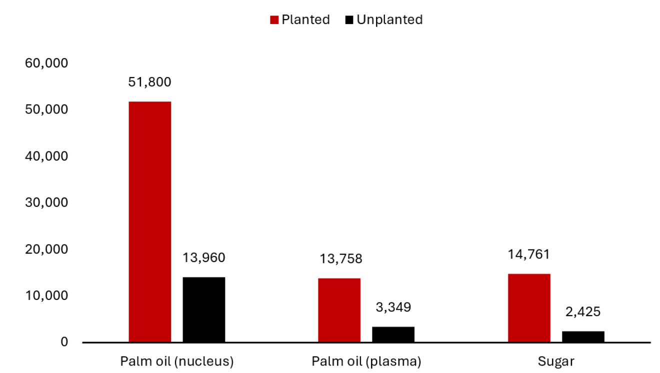
Fig. 16: Indonesia biodiesel production capacity by companies

Current national biodiesel capacity reaches 18.3mn KL (vs. B40 demand at 15.6mn KL). TBLA has the largest refinery in South Sumatra with a proximity advantage close to Pertamina refinery in Palembang, which benefit Pertamina in terms of logistics cost saving. TBLA refinery location is also in the sweet spot to cover the largest biodiesel consumers, such as South Sumatra, Banten, Greater Jakarta, and West Java.



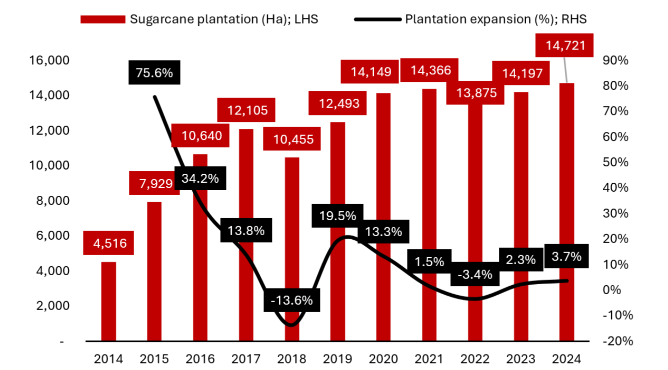
Source: Aprobi, Verdhana research

Fig. 17: TBLA's plantation area (Ha)



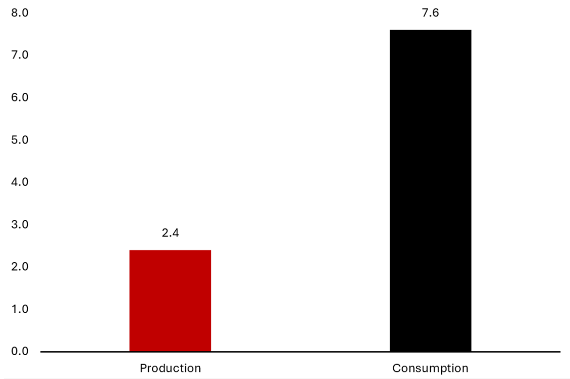
Source: Company data, Verdhana research

Fig. 18: TBLA's sugarcane plantation expansion trend (Ha) from 2014-2024



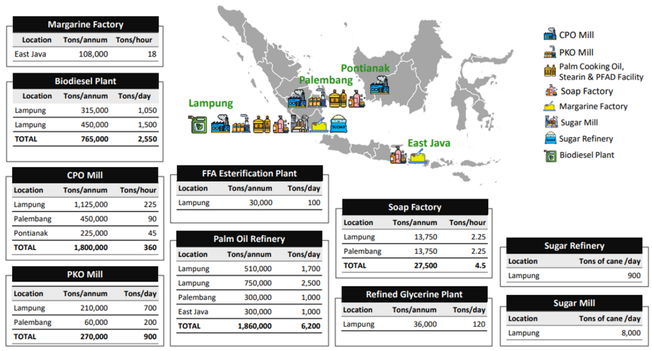
Source: Company data, Verdhana research

Fig. 19: Indonesia's sugar supply and demand (mn tons)
5.2mn tons of supply deficit should be covered by imported products. Given a huge deficit gap, a recent import limitation will trigger a substantial sugar price hike. Increasing sugar domestic production in near term will be very difficult due to 1) limited plantation areas, 2) very expensive sugar mill facilities (>USD100mn for 100K tons annual production capacity), and 3) research for productive and proper seed. Hence, sooner or later, we think government will gradually relax the import restriction policy.



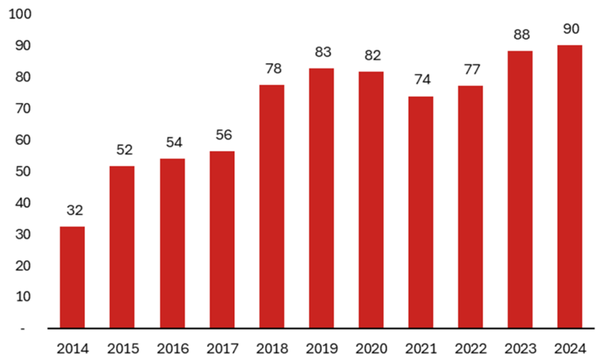
Source: Company data, Verdhana research

Fig. 20: TBLA's production facilities
We predict sugar, cooking oil, and biodiesel production facilities' overall utilization rate will hover at 75-80% by end of this year, which should be sufficient to push the growth for three years ahead.



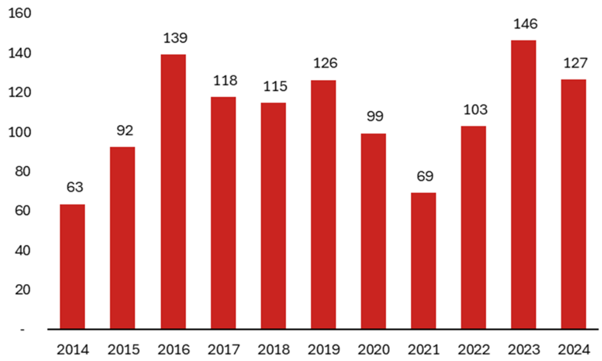
Source: Company data, Verdhana research

Fig. 21: TBLA AR days (2014-2024)
Ranging between 70-90 days, which is still healthy



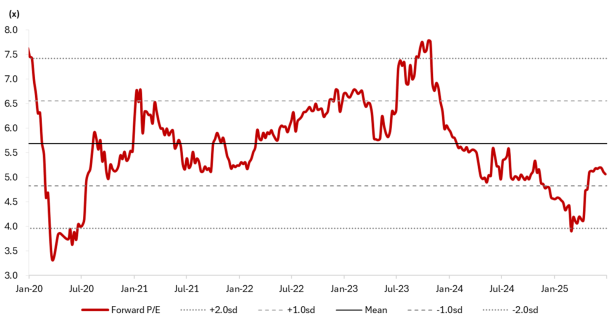
Source: Company data, Verdhana research

Fig. 22: TBLA's inventory days (2014-224)
Hovering at 4 months period on average



Source: Company data, Verdhana research

Fig. 23: TBLA P/E band



Source: Company data, Verdhana estimates

Fig. 24: Integrated peers' comparison table

Ticker	NPAT Growth %		P/E (x)		ROE (%)		Div. yield (%)	
	FY24	*FY25F*	*FY24*	*FY25F*	*FY24*	*FY25F*	*FY24*	*FY25F*
TBLA IJ	14.5	16.0	6.3	5.4	8.4	9.5	6.4	7.4
INDF IJ	6.1	22.5	8.3	6.7	15.3	15.6	3.5	4.5
JPFA IJ	224.7	2.7	7.5	5.5	21.0	21.6	4.7	6.0
CPIN IJ	60.1	3.9	21.1	20.0	13.0	13.4	2.3	3.0
INKP IJ	3.1	*N/A*	5.4	*N/A*	6.8	*N/A*	0.9	*N/A*
SMAR IJ	39.3	*N/A*	8.2	*N/A*	6.6	*N/A*	0.9	*N/A*

Source: Bloomberg Finance L.P., Verdhana estimates

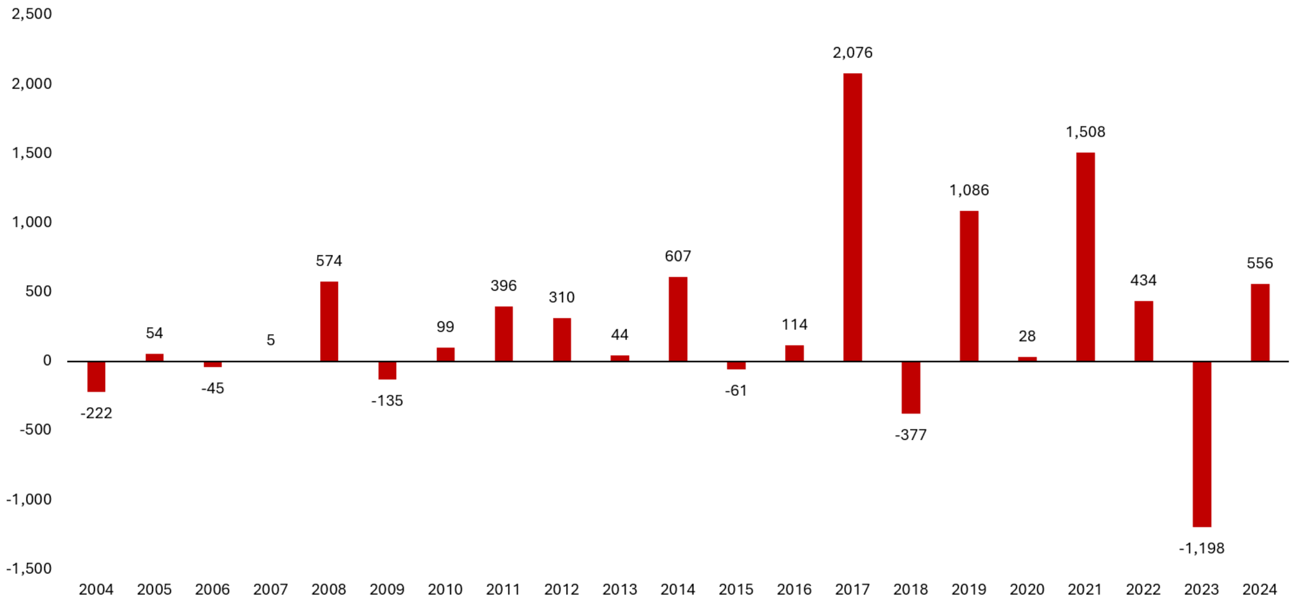
Fig. 25: TBLA's cooking oil brand
Facing more fragmented market

Source: Company, Verdhana research

Fig. 26: TBLA's packaged sugar brand
There are only two major players in the market

Source: Company, Verdhana research

Fig. 27: TBLA's operating cash flow trend (IDRbn)



Source: Company data, Verdhana research

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