



GNAM Investment Competition

University of Indonesia

PT Astra Agro Lestari Tbk (AALI.JK)

“The Rising of Agribusiness Industry in Indonesia”

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University of Indonesia

EXECUTIVE SUMMARY

1 LEADING COMPANY IN OIL PALM PLANTATION

2 AIMS LARGER VOLUME OF DOMESTIC SALES CPO

3 CONSISTENT AND PROVEN TRACK RECORD FOR OVER 15 YEARS

4 IMPOSED MORE TAXES ON CPO EXPORT IN ORDER TO MAKE REFINERY

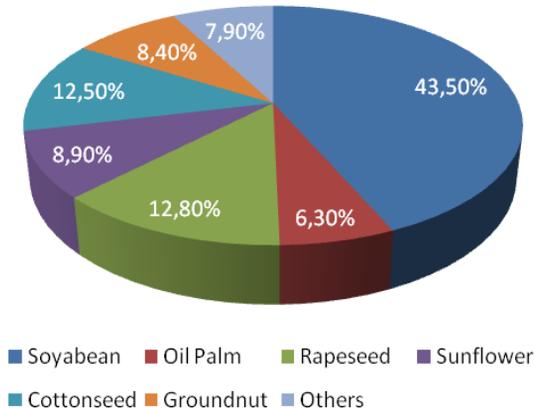
5 ASTRA INTERNATIONAL SUBSIDIARIES' COMPANY

6 AGRIBUSINESS INDUSTRY FORECASTED TO GROW 6.8% ANNUALLY (FROM 2016 TO 2020)



Oilseeds Overview

Harvested Area of 10 Major Oilseeds

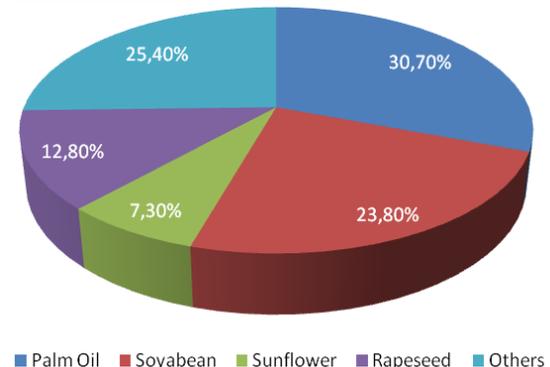


Source : Oilworld 2015

- Biggest consumption for palm oil: China and India
- Refining & Biodiesel Policies → Prediction of Palm oil consumption growth in 2015-2020: ↑33.8% to 11.2mn tones.
- Increasingly used as feedstock and biofuel.

- Palm oil → most efficient oilseed crop in the world.
- Accounts for 6.30% of the land used for cultivation
- Produces 30.70% of global oil and fats output.
- Indonesia and Malaysia produce 85% of the palm oil in the world.

Production



Source : Oilworld 2015

AAI Company Analysis

(Tools : Porter's Five Forces)

Threat of New Entry (low)

- Mature industry
- Costly and time-consuming for investment
- Oligopoly market structure



Threat of Substitute (medium)

- Several countries banned palm oil
- Palm oil production is the highest and followed with soyabean oil
- Many types of vegetable oil and animal oil variety

Internal Rivalry (high)

- IPO company
- State-Owned Company
- Private Company

Bargaining Power of Buyers (low)

- Trade regulated by commodity market

Bargaining Power of Suppliers (low)

- Plasma program & IGA
- Commodity
- Fair treatment among suppliers





Competitors Analysis

PARAMETER	HISTORICAL		CURRENT	FORECAST	
	Dec-14	Dec-15	28/10/2016	Dec-16	Dec-17
ROA (%)					
AALI	14.94	3.09	6.65	7.01	8.43
LSIP	11.03	7.12	2.59	6.28	8.17
SGRO	8.53	3.88	-2.24	3.55	4.40
BWPT	1.68	-1.06	-2.53	-2.40	-1.80
ROE (%)					
AALI	23.49	5.45	9.05	11.25	12.10
LSIP	13.25	8.57	3.11	6.99	9.37
SGRO	12.06	8.12	-5.28	8.20	9.95
BWPT	4.21	-2.69	-6.52	-6.40	-4.70
EPS					
AALI	1514.95	374.61	803.76	850.91	1,026.91
LSIP	134.00	91.00	33.14	71.92	107.20
SGRO	180.00	131.00	-88.64	140.20	184.54
BWPT	9.08	-5.70	-13.12	-12.80	-8.90
PBV					
AALI	2.26	2.29	1.77	1.77	1.69
LSIP	1.42	1.40	1.44	1.35	1.26
SGRO	1.22	1.17	1.44	1.09	1.01
BWPT	0.89	0.93	0.97	0.99	1.03
P/E					
AALI	10.31	41.71	19.28	18.36	15.22
LSIP	11.23	16.54	46.32	19.31	14.04
SGRO	10.69	14.69	-21.66	13.73	10.43
BWPT	21.15	-33.68	-14.86	-15.00	-21.57
BV					
AALI	6911.12	6823.14	8765.29	8826.39	9248.27
LSIP	1059.73	1075.10	1062.98	1028.72	1194.51
SGRO	1577.21	1644.78	1689.21	1766.01	1905.70
BWPT	215.78	206.43	201.17	193.94	186.38

Competitor Analysis

- AALI has the highest ROA, ROE, EPS, PBV, and BV among competitors in current state.
- AALI's earnings valuation is the cheapest at 19.28 times.
- BWPT's book value is the cheapest.
- AALI has the highest ROA

Current Data (28/10/16) vs Forecast Data (Dec-16)

- ROA and EPS are slightly lower from forecast and still achievable to the target
- ROE on average per month would likely be achieve on 9.75% at the end of Dec-16 which is off target from 11.25%. Unless there is a high demand that will support the increasing of net income.

AALI	: Astra Agro Lestari Indonesia
LSIP	: London Sumatra Indonesia
SGRO	: Sampoerna Agro
SSMS	: Sawit Sumbermas Sarana
BWPT	: Eagle High Plantation

AAI.JK Financial Analysis

Key Ratios	Historical		Forecast	
	FY Dec-14	FY Dec-15	FY Dec-16	FY Dec-17
Enterprise Value/Revenue	2.60	2.51	2.40	2.18
Enterprise Value/EBITDA	9.96	13.03	10.91	9.07
Enterprise Value/EBIT	11.40	17.71	15.14	12.04
Total Debt/ Enterprise Value	0.10	0.24		
Total Debt/ EBITDA	1.04	3.07	2.47	2.05
EBITDA/Interest Expense	44.33	20.06	24.94	30.00
EBITDA- Capital Expenditures/ Interest Expense	78.45	40.66	45.55	50.61
EBIT/Interest Expense	38.74	14.70	17.97	22.59
PE	10.31	41.71	18.36	15.22
PEG	1.76	0.01	0.27	0.23
Price/Sales	1.85	2.31	2.12	1.93
Price/Cash Flow	8.54	25.13	24.34	17.50
Price/Book Value	2.26	2.29	1.77	1.69
ROA	14.94%	3.09%	7.01%	8.43%
ROE	23.49%	5.45%	11.25%	12.10%
Return on Invested Capital	16.89%	7.18%	8.50%	10.80%

Market Cap	30,135,691
Cash & Short Term Investment	3,285,860
Short Term Debt	200,000
Current Long Term Debt	1,681,966
Long Term Debt	5,030,366
Minority Interest	375,486
Enterprise Value	34,137,649
Shareholders Equity	16,047,836
Total Capital	23,335,654
Debt to Equity	43.07%
Debt to Capital	29.62%

- All Financials in IDR million
- Date field 30-Jun-2016

Sales Price ↓15.8% → Net revenue ↓19.9% → Sales volume ↓24.2%

- due to allocation changed of CPO production to re-processed palm oil derivatives products (RBDPO, Olein, Stearin, and PFAD).

Opportunities of right issue in 2016
AAI will become stronger until Q1 2017

Financial Summary	Historical		Forecast (Mean)	
	FY Dec-14	FY Dec-15	FY Dec-16	FY Dec-17
Revenue	16305.83	13059.22	14239.38	15644.78
Growth	28.65%	-19.91%	9.04%	9.87%
Gross Income	4951.79	3082.1	3552.99	4190.07
Margin	30.37%	23.60%	25.89%	28.22%
EBITDA	4258.99	2517.30	3130.00	3765.66
Margin	26.12%	19.28%	21.98%	24.07%
EBIT	3722.36	1853.15	2254.86	2834.82
Margin	22.83%	14.19%	15.84%	18.12%
Net Income	2503.70	619.11	1497.91	1897.93
Margin	15.35%	4.74%	10.52%	12.13%
EPS	1514.95	374.61	850.91	1026.91
Growth	38.99%	-75.27%	127.14%	20.68%
Free Cash Flow	715.11	-1826.56	319.33	1066.61

*Non Per Share in IDR Billion, Per Share IDR-Consolidated

Table Source : Thomson Reuters

EPS Growth ↓ 75.27% due to :

- Gross profit ↓ → Sales price ↓ → Sales volume ↓
- Loan interest expense ↑
- Stronger US currency stronger which lead to exchange rate losses due to loans in foreign currency.

Share Price Performance Analysis



Sources: Thomson Reuters, 27/10/2016

Dividend Growth Rate

Price To Book Value Per Share

Price

Price to Earnings Per Share

- Historically AAL's price 2013-2016 → 13,000-14,000
- AAL's price crashed when earnings dropped.
- In 2015, the earnings dropped more severely due to AAL losing money from exchange rate losses.
- The stock appears to be very expensive when factoring high price to earnings per share.
- We strongly believe that AAL has bottomed out.
- AAL's price has yet to increase, its profitability has gone back to normal and PBV has reached 5 year low.

Future Valuation (Palm Oil and El Niño)

Statistical Data Palm Oil in Indonesia ('000 ton)

No	Description	2016							
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
1	Opening Stock	4500	4359	3435	3019	2266	1958	1803	1880
2	Production	2991	2473	2317	2335	2495	2687	2779	2976
3	Export (CPO, Lauric Oil, Oleochemical & Biodiesel)	2194	2419	1881	2235	1906	1886	1737	2234
4	Domestic Consumption	938	979	852	852	898	955	966	926
5	Ending Stock	4359	3435	3019	2266	1958	1803	1880	1695

Source : ESDM, Kementan, Kemenperin, BPS, GAPKI, APROBI, GIMNI, APOLIN, AIMMI

Indonesia Biodiesel Mandatory Target as stated
in Regulation 12/2015

Biodiesel (Minimum)				
Sector	April 2015	2016	2020	2025
Transportation, Public Service Obligation (PSO)	15%	20%	30%	30%
Transportation, Non-PSO	15%	20%	30%	30%
Industry	15%	20%	30%	30%
Electricity	25%	30%	30%	30%

Source : MEMR Regulation 12/2015

Note : Public Service Obligation (PSO) refers to subsidized fuel for road vehicles. It is uniquely sold through Pertamina, an Indonesia state-owned company. Non-PSO refers to unsubsidized fuel sold through private sector shops

El Nino in 2015 & 2016



CPO's production /
stock decrease

Biofuel regulation in
Indonesia & global market's
demand increase



CPO's demand increase

Supply < Demand



Price of CPO increase



CPO's Share price increase



AAI's shares price increase

Future Valuation (Palm Oil and Biofuel)

Biodiesel (Million Liters)					
Calender Year	2013	2014	2015	2016	2017
Beginning Stocks	55.00	7.00	57.00	34.00	34.00
Production	2.80	3.00	1.18	2.45	2.60
Imports	0	0	0	0	0
Exports	1,800.00	1,350.00	343.00	200.00	100.00
Consumption	1,048.00	1,600.00	860.00	2,250.00	2,400.00
Ending Stocks	7.00	57.00	34.00	34.00	134.00
Balance Check	0	0	0	0	0
Production Capacity					
Number of Biorefineries	26.00	26.00	27.00	28.00	29.00
Nameplate Capacity	5,670.00	5.67	6.75	7.28	7.62
Capacity Use (%)	0.49	0.53	0.17	0.34	0.34
Feedstock Use for Fuel					
Crude Palm Oil	2,576.00	2,760.00	1,086.00	2,254.00	2,392.00
Market Penetration					
Biodiesel, transport use	996.00	1.52	817.00	2,093.00	2,256.00
Diesel, transport use	27,950.00	26,437.00	26,142.00	26,220.00	26,960.00
Blend Rate (%)	3.6	5.7	3.1	8.0	8.4
Diesel, total use	34,150.00	32,767.00	32,472.00	32,569.00	33,495.00

Source : GAIN Report (USDA)

In 2015, ↓ biofuel price →
↓ biodiesel production → ↓ export
→ ↓ blend rate → ↓ export

Indonesia government plan will
increase palm oil usage for fuel

In 2016, ↑ biodiesel production →
↑ biodiesel for transport use →
↑ blend rate, but
↓ export

In 2017, ↑ CPO price →
↑ biodiesel production →
↑ biodiesel consumption →
↑ bio-refineries production capacity →
↑ total use of biodiesel & diesel for
transport use →
↑ blend rate, but
↓ export

Conclusion



- Fluctuation of Rupiah in 2015 affected AALI's debt
- El Niño 2016 → CPO production ↓ → shortage of CPO in Q1 2017
- Shortage of CPO → price ↑ → perceived value of agribusiness companies ↑
- PBV has reached five years low → profitability has restored.
- Price has yet to increase → Positive sentiment on the oil palm commodity in Q1 2017

AALI is one the market leader in this industry

**We strongly believe that AALI's share price
will increase in the coming year.**

THANK YOU