

Sawit Sumbermas

Stepping into its prime

Entering prime production at the right moment

Sawit Sumbermas (SSMS) is a palm oil company based in Pangkalan Bun, Central Kalimantan with total planted area of 81,168Ha (including plasma). The company manages 23 oil palm estates, 8 oil palm mills, and 1 palm kernel mills all located adjacent to each other, which provides an advantage in cost efficiency and lower risk of declining quality in FFA. SSMS's plantation profile is at its early prime, with average nucleus age of 13 years and attractive yield of 23 MT/Ha (the highest as compared to its peers; TAPG at 20.3MT/Ha, DSNG at 19.7MT/Ha, AALI at 16.8 MT/Ha and LSIP at 14.1MT/Ha as at FY21). From ESG standpoint, SSMS' mills and estates are all certified with 7 RSPO and 4 ISPO certifications. SSMS targets to achieve 100% RSPO and ISPO certifications for its mills and estates by end of 2022F and be recognized as one of the top sustainable oil planters.

Expect softer CPO price in 2H22F

As of 1H22, CPO price averaged at MYR6,300/MT with a historical record high of MYR8,163/MT on 1Mar22. We maintain our average CPO assumption at MYR5,000/MT in FY22F before export duty and levy as we expect a softer CPO price in 2H22F on the back of (i) peak production on 2H22 boosted by overall accommodating weather in 2020 and 2021, (ii) acceleration of Indonesian CPO export to help balance global CPO trade, and (iii) lower prices of other vegetable oils, especially soybean oil.

Lower sales volume risk to uncertainty in export regulation

~90% of SSMS's total sales are marketed locally to its affiliate, PT Citra Borneo Utama (CBU), which refines CPO to various downstream products such as PFAD, palm cooking oil, RBD palm oil, RBD palm olein, and RBD palm stearin. Currently, we can expect SSMS to supply PT CBU with ~450k MT CPO per year. Considering PT CBU's refinery capacity of 850k MT per year, there should not be any issues with SSMS' sales absorption and growth going forward. This insulates SSMS sales volume from the constantly changing government policy on export.

Initiate coverage with BUY call offering 42% upside

We utilize DCF valuation with WACC of 13.3% to arrive at SSMS's fair value of IDR2,040/sh, implying 7.2x FY22F PE and USD21,7k per Ha or at a premium as compared to other established Indonesian CPO companies. We view that SSMS should be trading similarly at a premium valuation given its (i) prime age profile and attractive FFB yield, (ii) strong ROE generation, and (iii) its compliance towards ESG. Considering our base estimates on CPO price and margins going forward, we expect SSMS to generate hefty earnings of IDR2.7tn and IDR2.3tn in FY22F and FY23F, highest earnings among our coverage.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	4,011	5,203	7,293	6,149	6,250
OP (IDR bn)	1,797	2,205	4,102	3,361	3,504
EBT (IDR bn)	1,109	1,552	3,326	2,611	2,755
NP (IDR bn)	577	1,516	2,685	2,247	2,517
EBITDA (IDR bn)	1,429	1,858	3,633	2,920	3,062
Net debt (IDR bn)	4,411	4,374	1,765	(83)	(1,616)
OP margin (%)	27.7	29.8	45.6	42.5	44.1
ROE (%)	13.0	27.7	37.6	25.5	25.0
Dividend yield (%)	-	3.1	4.1	7.2	6.0
EPS (IDR)	60.5	159.1	281.9	235.9	264.3
chg. (% YoY)	NA	155.6	111.7	(18.4)	5.3
BPS (IDR)	511.4	641.2	885.5	1,052.7	1,260.0
DPS (IDR)	-	30.5	39.8	70.5	59.0
PE (x)	14.0	6.1	5.1	6.1	5.4
PB (x)	8.8	7.4	4.5	5.0	4.1
EV/EBITDA (x)	1.7	1.5	1.6	1.4	1.1

Analysts who prepared this report are registered as research analysts in Korea but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

Company

In-depth

Plantation

July 29, 2022

12M rating **BUY (Initiation)**

12M TP **IDR 2,040**

Up/downside **+42%**

Stock Data

JCI (July 28)	6,957
Stock price (July 28, IDR)	1,440
Market cap (IDRbn)	13,716
Shares outstanding (mn)	9,525
52-week high/low (IDR)	1,490/790
6M avg. daily turnover (IDRbn)	49.2
Free float (%)	32.4

Major shareholders (%)

PT Citra Borneo Indah	53.8
PT Putra Borneo Agro Lestari	11.3

Performance

	1M	6M	12M
Absolute (%)	23.9	20.7	23.9
Relative to JCI (%p)	58.3	43.3	58.3

Stock price trend



Source: Bloomberg

Edward Tanuwijaya

edward.t@kisi.co.id

Nicholas Kevin Mulyono

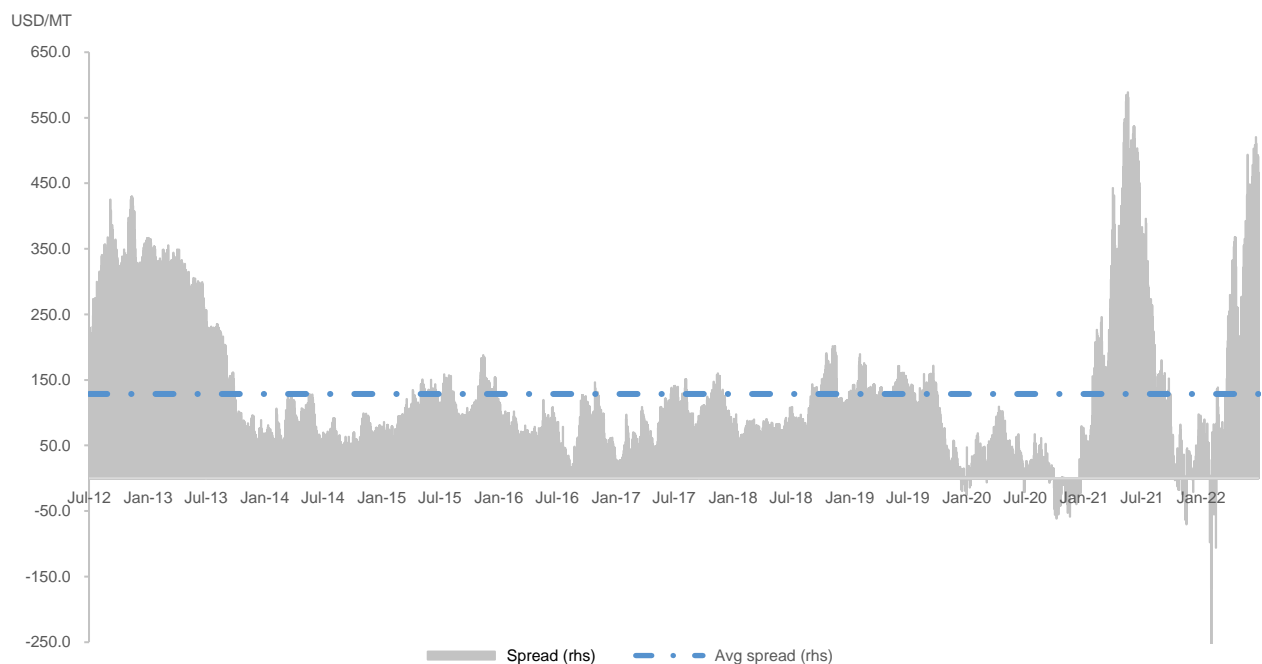
nicholas.k@kisi.co.id

I. A temporary breather from the ever-changing regulations in CPO

Entering 2022, CPO price continues its rise to a historical record high of MYR8,163/MT on 1Mar22, averaging ~MYR6,160/MT for 1Q22. The price momentum continued at the beginning of 2Q22, supported by Indonesia's decision to impose an export ban on CPO and its downstream products to curb domestic bulk cooking oil prices to IDR14,000 per liter in all regions across Indonesia. As the largest global palm oil producers and exporters, this policy caused havoc in global edible oil markets and kept global CPO prices hovering above MYR6,000/MT. Starting 23May2022, Indonesia lifted its export ban after securing enough domestic supplies of cooking oil. Given the abundant supply of CPO inventory, CPO price has rapidly fallen.

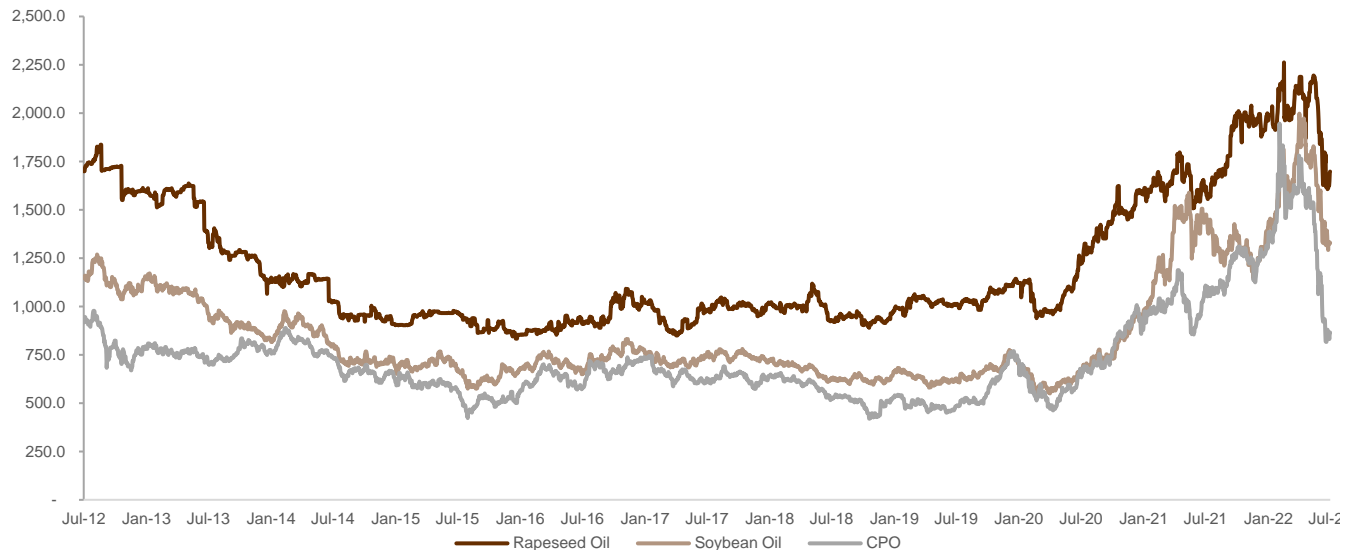
QTD, CPO price averaged around MYR4,100/MT, with the lowest price recorded at MYR3,632/MT, a level last seen in Jun2021. The falling CPO price is due to (i) lower prices of other vegetable oils especially soybean as La Nina's harsh drought residue dissipates, (ii) resumption of Indonesia's CPO export (and potential acceleration under *flush out* program by the government), and (iii) slower import demand from China

Fig 1. CPO and soybean oil 10-yr price spread



Source: Bloomberg, KISI

Fig 2. Vegetable oil price



Source: Bloomberg, KISI

Considering the roller-coaster ride on CPO prices this year, we have seen several changes in Indonesia's CPO export duty and levy this year. *Refer to Table 1 in the next page for more details*

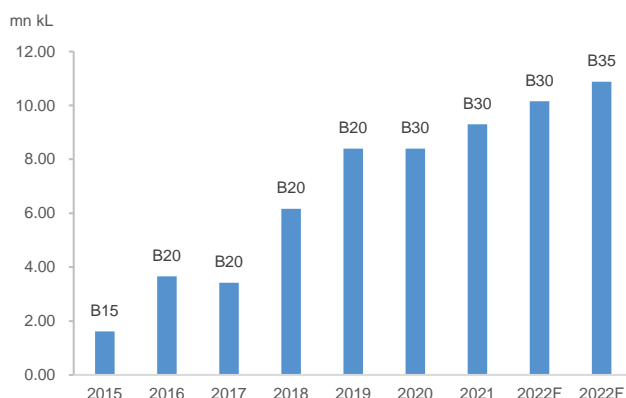
With CPO price surging to its record high level during 1Q22, Indonesian government adjusted the ceiling level of export duty to help fund the raising cost of biodiesel production. Under PMK 23/2022, CPO export levy progressive level was raised from USD175/MT for a ceiling price of USD1,000/MT to USD375/MT for a ceiling price of USD1,500/MT. Combined with the unchanged duty, the total tax for CPO at the ceiling reference price was USD575/MT and this was implemented from 17Mar2022 to 13Jun2022.

On 14Jun2022, Indonesian government announced an adjustment for the export duty and levy for CPO and its downstream. The export levy, which is used to support CPO fund for biodiesel program and subsidize bulk cooking oil, was revised down with a ceiling of USD200/MT levy depending on CPO price. On the other hand, the ceiling of export duty (which will flow to the state budget (APBN) as revenue) was revised up to USD288/MT depending on CPO price.

The bulging CPO inventory and underwhelming FFB price as a result of constant changes in regulation resulted in gov't to temporarily removing export levy from 15Jul2022 to 31Aug2022 to accelerate CPO export. This announcement should temporarily bring a positive sentiment, as without an export levy, we estimate a 15-19% increase in ASP for CPO exports for the period.

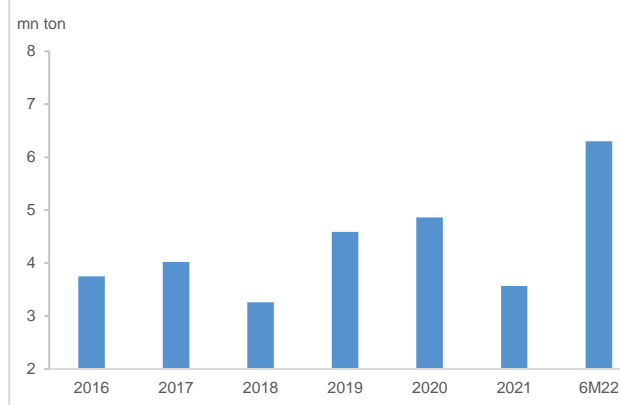
That being said, the temporary incentive will only last for one and a half months before the implementation of a new export levy. Ministry of Finance (MoF) has released PMK115/2022 which will impose a higher levy ceiling of USD240/MT depending on CPO price starting 1 Sept 2022.

Fig 3. Biodiesel consumption and estimation



Source: MEMR, KISI

Fig 4. Indonesia CPO inventory, end of year



Source: GAPKI, KISI

On the supply side, we have to monitor Malaysia's ending stocks trend too, as it accounts for ~26% of world's palm oil production. Currently, the foreign worker shortage situation of ~120,000 workers (vs. 36,000 before pandemic) has not really improved despite border reopening starting 1Apr2022. This leaves its plantation to operate at below full capacity for the next peak harvest season between September to November 2022. Furthermore, with Malaysian plantations having been severely understaffed for two full years, inconsistency in fertilizer and pesticide application may suppress Malaysia's future palm oil production.

Domestically, fertilizer accounts for around 30-40% of total cost of CPO production (ex 3rd party FFB purchase). As we mentioned in our other report ([KISI Research ESSA - rapid deleveraging for future opportunity](#)), the ongoing war between Russia and Ukraine has resulted in the high price of fertilizer. To top it off, our channel check also finds that it is currently hard to secure fertilizer supply. With the current condition, **we view that the smallholders with limited capital and access to supply have a hard time maintaining proper application of fertilizer.** This further indicates another possibility of a lower supply of FFB from smallholders in the next few years.

Fig 5. Malaysia CPO production ('000 MT)

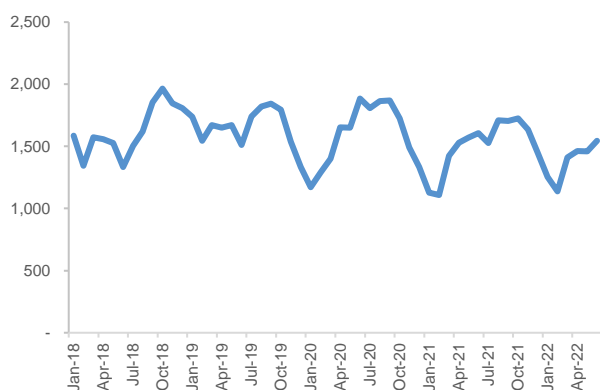
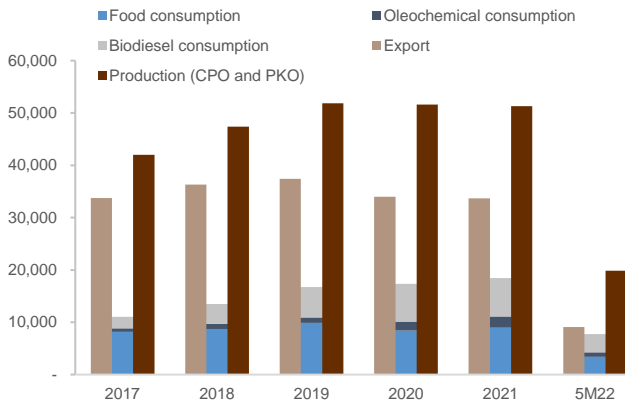


Fig 6. Malaysia CPO inventory ('000 MT)



Source: MPOC, KISI

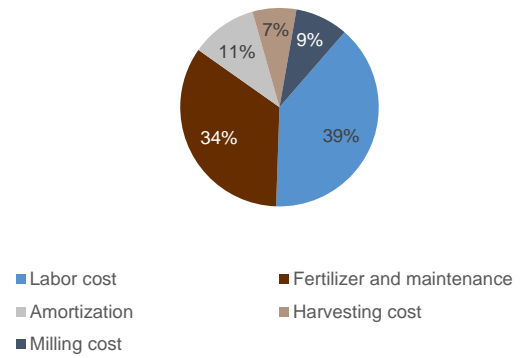
Fig 7. CPO production and domestic consumption trend



Source: GAPKI, KISI

Source: MPOC, KISI

Fig 8. CPO production cost breakdown



Source: Bloomberg, KISI

Therefore, we maintain our average CPO assumption at MYR5,000/MT in FY22F before export duty and levy. As of 1H22, CPO price averaged at MYR6,300/MT and we expect a softer CPO price in 2H22F on the back of (i) CPO peak production on 2H22 boosted by overall great weather in 2020 and 2021, (ii) realization of Indonesian CPO export to help balance global CPO trade, and (iii) lower prices of other vegetable oils, especially soybean oil.

II. Entering prime production...

Established in 1995, Sawit Sumbermas Sarana (SSMS) is a palm oil company based in Pangkalan Bun, Central Kalimantan. The company manages an integrated business of 23 oil palm estates, eight oil palm mills (PKS), and one palm kernel mill. All of these are located adjacent to each other, providing a cost efficiency advantage and lower risk of declining quality of FFA. As of 1H22, SSMS owns a total of approximately 116,029 hectares (ha) of land bank, of which about 81,237 ha was already planted with mature plants, consisting of approximately 68,880 ha of the planted nucleus and over 12,357 ha of planted plasma area.

With an average age of 13 years, SSMS's estate is currently in its early prime age, capable of reaching optimum productivity. SSMS's FFB nucleus yield stands at 23MT/Ha in FY21, meaning that it has the highest yield among all of Indonesia's established planters like TAPG (20.3MT/Ha), DSNG (19.7MT/Ha), AALI (16.8MT/Ha), and LSIP (14.1MT/Ha). From an ESG standpoint, SSMS' mills and estates are all certified and currently owns 7 RSPO and 4 ISPO certification. SSMS targets to achieve 100% RSPO and ISPO certification for its mills and estates by end of 2022F and be recognized as one of the top sustainable oil planters.

Table 2. Indonesia's palm oil plantation operational profile

FY21 Operational		SSMS	LSIP	TAPG	AALI	DSNG
Average age	yr	13.0	18.0	11.3	15.8	11.9
yield	Ton/Ha	23.0	14.1	20.3	16.8	19.7
Planted mature nucleus	Ha	68,880	85,630	129,943	192,025	79,466
FFB production	Ton	1,582,858	1,204,000	2,640,399	3,222,725	1,569,439
ROE	%	27.8	10.2	16.6	10.0	11.2

Source: Company, KISI

We recently had the opportunity to visit SSMS's estate and mills, as well as PT Citra Borneo Utama, an affiliate of SSMS. SSMS' CPO sales journey starts from FFB harvest in their estates. After being plucked by the laborers, harvested FFBs are collected using a machine to be sent to palm oil mills.

Fig 9. FFB harvested by laborers...



Source: Company, KISI

Fig 10. ...and collected using a machine



Source: Company, KISI

SSMS is using mechanization to apply *jankos* and fertilizer for a more efficient application and proper distribution. Mechanization in fertilizer application is able to provide SSMS with a cost efficiency of up to 40%. The amount of fertilizer and *jankos*

applied is also researched thoroughly by the R&D division by taking into an account the rainfall and the region of the plantation. Strong R&D background is one of SSMS's advantages to maintain FFB production at a high level. SSMS produces its own biofertilizer, SRS Mikoriza, which acts as a supplement in addition to the regular fertilizer application and supports the development of plants.

Fig 11. Mechanization of *jangkos* application



Source: Company, KISI

Fig 12. Mechanization of fertilizer application



Source: Company, KISI

Fig 13. Research samples



Source: Company, KISI

Fig 14. SSMS's locally produced biofertilizer



Source: Company, KISI

To complement the high FFB production, SSMS owns 8 palm oil mills with a production capacity of each factory of 540 tons of FFB per hour with an optimum OER of 24% as of 1Q22, 1 palm kernel processing plant, and 1 biogas factory.

Fig 15. FFB boiling process in palm oil mills before...



Source: Company, KISI

Fig 16. ...being crushed and processed into CPO



Source: Company, KISI

Fig 17. Palm kernel plant producing palm kernel oil...



Source: Company, KISI

Fig 18. ...and palm kernel expeller (for animal feed)



Source: Company, KISI

III. ..with lower risk on sales volume

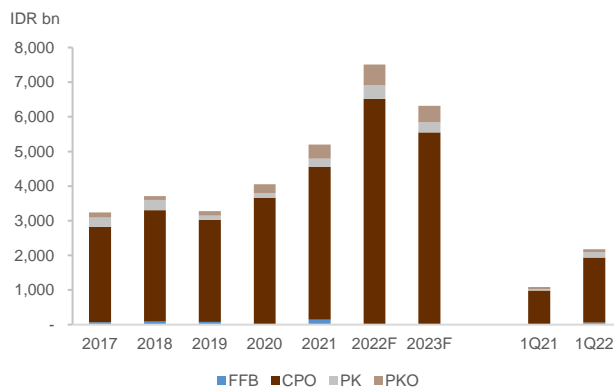
Spectacular 1Q22 performance as SSMS booked a whopping IDR2.2tn revenue (+100.3% YoY) supported by huge growth in ASP driven by all-time high palm oil prices and recovery in CPO sales volume. In addition, PK and PKO sales volume is up by 60% YoY, contributing 11% of the aggregate revenue.

Table 3. SSMS 1Q22 result snapshot

SSMS 1Q22 results snapshot						
IDR bn	1Q21	4Q21	1Q22	%QoQ	%YoY	% of FY22F KISI
Revenue	1,089	1,514	2,181	44%	100%	30%
Gross Profit	494	651	1,278	96%	159%	31%
Operating Profit	410	449	1,095	144%	167%	33%
Net Profit	174	488	990	103%	468%	37%
Gross Profit Margin	45.4%	43.0%	58.6%			
Operating Profit Margin	37.6%	29.7%	50.2%			
Net Profit Margin	16.0%	32.2%	45.4%			

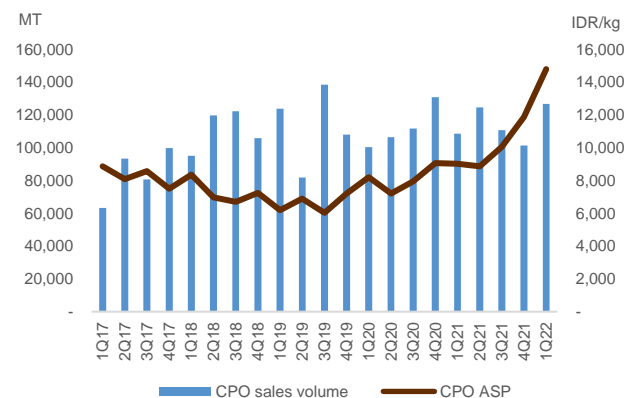
Source: Company, KISI

Fig 19. Revenue breakdown



Source: Company, KISI

Fig 20. Quarterly CPO sales volume and ASP



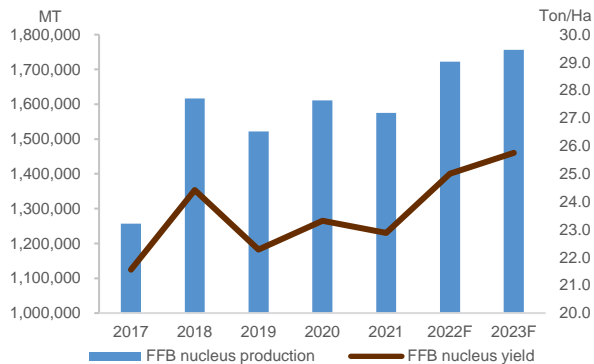
Source: Company, KISI

Lower risk to uncertainty in export regulation. ~90% of SSMS's total sales are marketed locally to its affiliate, PT Citra Borneo Utama (CBU), which refines CPO to various downstream products such as PFAD, palm cooking oil, RBD palm oil, RBD palm olein, and RBD palm stearin. Currently, we can expect SSMS to supply PT CBU with ~450k MT CPO per year. Considering PT CBU's refinery capacity of 850k MT per year, there should not be any issues with SSMS' sales absorption and growth going forward. This insulates SSMS sales volume from the constantly changing government policy on export.

Overall better performance to continue in FY22F and FY23F. SSMS has one of the lowest average ages of their palm oil trees of 13 years vs. Indonesian peers (16-18 years). We view that the company should book a robust production growth going forward

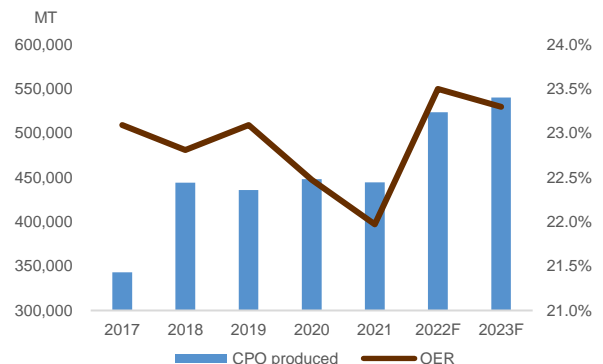
driven by their prime-aged trees and attractive FFB yield. Supported by good weather in 2020 and 2021, as well as the seasonality of better FFB production in 2H historically, we expect to see an average of 12% YoY growth in FFB production in both FY22 and FY23.

Fig 21. FFB production and yield



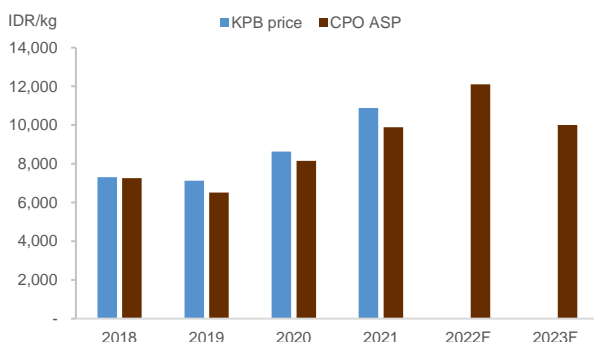
Source: Company, KISI

Fig 22. CPO production and OER



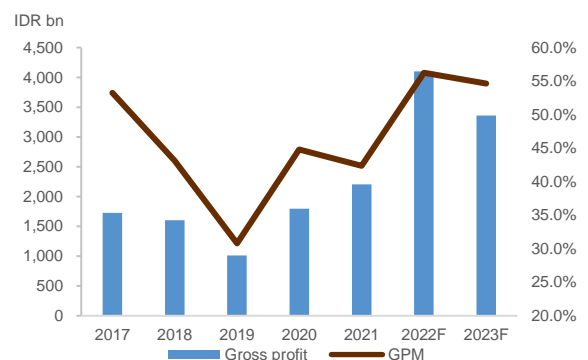
Source: Company, KISI

Fig 23. SSMS's ASP is trading at a 6-9% discount of KPB Nusantara price



Source: Company, KISI

Fig 24. Gross profit and gross margin



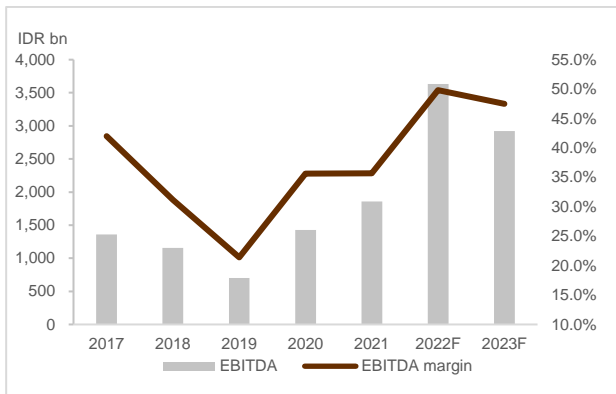
Source: Company, KISI

On the cost side, we estimate FY22F nucleus CPO cash cost at ~280USD/MT (vs 291USD/MT in FY21). The higher cost of production from rising prices in fertilizer is offset by a much higher FFB production as mentioned in paragraph above, supported by a high OER of 23.5% in FY22F. Accounting for other non-cash cost items, **we expect FY22F/FY23F GPM to stay at 56.2%/54.7%**

SSMS' debt has been munching on their earnings in the past years, especially on 2018 and 2019. Recently, SSMS obtained a syndicated loan with a 9% interest rate and 8 years tenor to refinance its USD300mn global bond. **The recent bond refinancing is favorable for SSMS as they are able to reduce their interest expense starting 2023.**

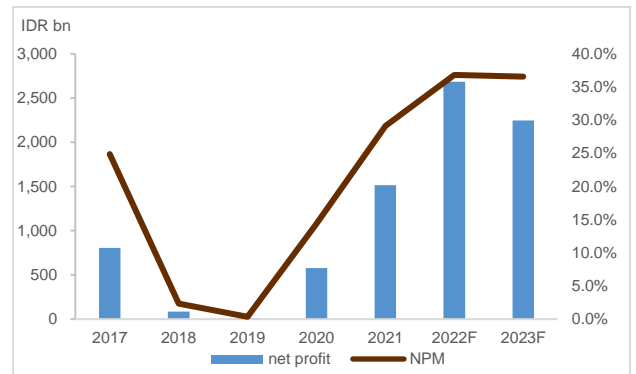
With NPM of 45%, SSMS generated IDR990bn earning in 1Q22. **We expect NPM to stay at 36.4% and 35% in FY22F and FY23F driven by superb revenue growth and better cost management.** The strong earning generation in FY22F and FY23F will open possibilities for SSMS to deleverage as it currently spends a moderate amount of capex for routine maintenance.

Fig 25. EBITDA and EBITDA Margin



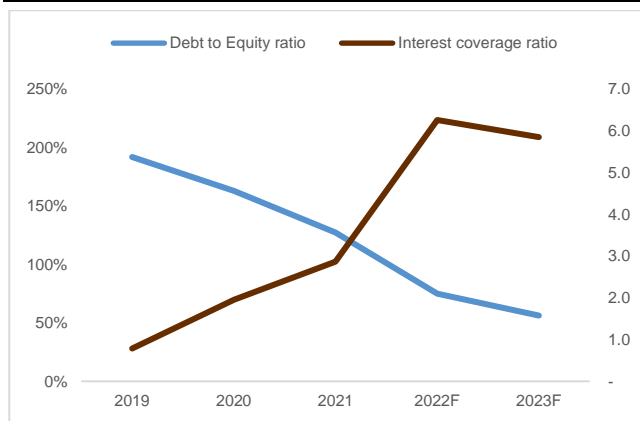
Source: Company, KISI

Fig 26. Net profit and profit margin



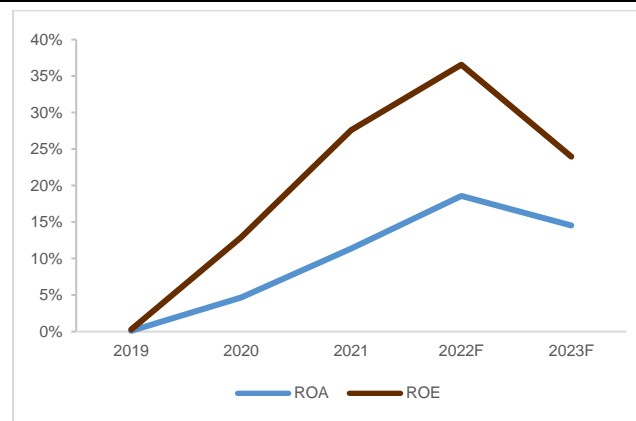
Source: Company, KISI

Fig 27. Leverage ratio



Source: Company, KISI

Fig 28. ROE and ROA



Source: Company, KISI

IV. Initiate coverage on SSMS with a BUY call

Initiate SSMS with a BUY call and with a TP of IDR2,040/share or +42% upside to the current price. We utilize DCF valuation with a WACC of 13.3% to arrive at SSMS's fair value of IDR2,040/sh, implying 7.2x FY22F PE and USD21.7k per ha or at a premium as compared to other established Indonesia CPO companies. Palm oil planters in neighboring countries with similar ESG and age profiles like Malaysia's IOI and KLK are trading at USD44k per Ha and USD31k per ha (with age profile of 12-13 years). We view that SSMS should be trading similarly at a premium valuation given its (i) prime age profile and attractive FFB yield, (ii) strong ROE generation, and (iii) move towards ESG compliance

Table 4. Peers comparison

Company	Bloomberg Ticker	Planted mature (Ha)	EV (USDmn)	Adjusted EV/planted	Market cap (USD mn)	PE (x)		PB (x)		Dividend yield		EPS growth (%)		EV/EBITDA (x)		ROE (%)	
						FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F	FY22F	FY23F
Indonesia																	
Astra Agro L	AALIJ	192,025	1,534	7,990	1,233	8.3	7.7	0.8	0.8	4.3	4.5	12.3	7.3	4.4	4.7	10.3	10.0
London Sum	LSIPJ	85,728	340	3,972	572	6.9	7.4	0.8	0.7	5.8	6.0	(7.1)	(7.0)	2.5	2.6	11.4	9.7
Dharma Satya N	DSNGJ	80,100	704	8,785	373	6.4	7.6	0.7	0.7	3.4	3.5	20.4	(16.3)	4.6	5.4	11.6	9.1
Tripura Agro P	TAPGJ	131,000	1,050	8,017	932	6.9	8.3	1.4	1.2	3.8	5.7	73.9	(17.3)	4.9	5.9	27.6	18.8
Sawit Sumbermas	SSMSJ	68,880	1,205	17,494	920	5.1	6.1	1.6	1.4	2.8	4.9	77.2	(16.3)	4.5	5.0	36.9	24.3
Indonesia weighted avg					3,110	7.4	7.8	1.0	0.9	4.3	5.0	28.1	(5.5)	4.2	4.7	15.8	12.5
Malaysia																	
Felda Global V	FGV MK	279,655	2,392	8,552	1,254	5.4	8.1	0.9	0.8	4.9	4.1	(12.2)	(32.7)	3.7	5.5	20.0	10.0
Genting Plant	GENP MK	116,829	1,521	13,015	1,294	9.7	12.5	1.0	1.0	5.4	4.0	37.1	(22.2)	6.0	7.6	10.7	7.7
IOI Corp	IOI MK	141,000	6,317	44,803	5,639	15.1	16.9	2.2	2.1	3.4	3.1	9.2	(10.5)	10.9	12.7	15.5	12.9
KL Kepong	KLK MK	235,583	7,332	31,123	5,324	10.8	12.9	1.8	1.7	4.3	3.8	(12.0)	(16.5)	7.7	9.0	17.5	13.4
Sime Darby	SIME MK	504,345	4,282	8,489	3,595	13.2	11.3	1.0	0.9	6.0	8.0	10.6	16.9	6.1	6.0	7.0	7.3
TSH Resource	TSH MK	40,540	503	12,416	319	7.6	0.6	0.8	0.7	3.2	2.6	11.5	1,118.4	5.2	7.3	12.3	7.4
Malaysia weighted avg					17,426	12.2	13.3	1.6	1.5	4.5	4.5	3.6	11.5	8.0	9.2	14.3	11.2
Singapore																	
Bumitama A	BAL SP	128,304	1,154	8,995	766	4.9	5.6	1.0	0.9	8.0	6.9	36.5	(13.1)	3.6	4.3	21.4	16.5
First Resources	FR SP	162,560	1,695	10,429	1,599	5.6	6.8	1.2	1.0	8.1	6.6	76.3	(17.8)	3.5	4.0	20.7	15.8
Golden Agri R	GGR SP	485,290	4,931	10,161	2,433	4.2	5.8	0.5	0.5	7.8	5.2	22.7	(28.3)	3.6	4.1	12.5	10.3
Wilmar Intl	WIL SP	211,800	41,196	194,506	18,342	10.0	9.6	0.9	0.9	3.8	4.3	0.2	4.4	10.3	9.9	9.2	9.5
Singapore weighted avg					23,139	8.9	8.8	0.9	0.8	4.7	4.6	9.0	(1.1)	8.9	8.7	10.8	10.2

Source: Company, KISI

Our sensitivity analysis shows that every IDR1,000/kg change in CPO ASP should impact SSMS's earnings by 15%, and every 5% change in CPO production should impact SSMS's earnings by 9%. Considering our base estimates on CPO price and margins going forward, we expect SSMS to generate hefty earnings of IDR2.7tn and IDR2.3tn in FY22F and FY23F, which are the highest among Indonesia listed planters.

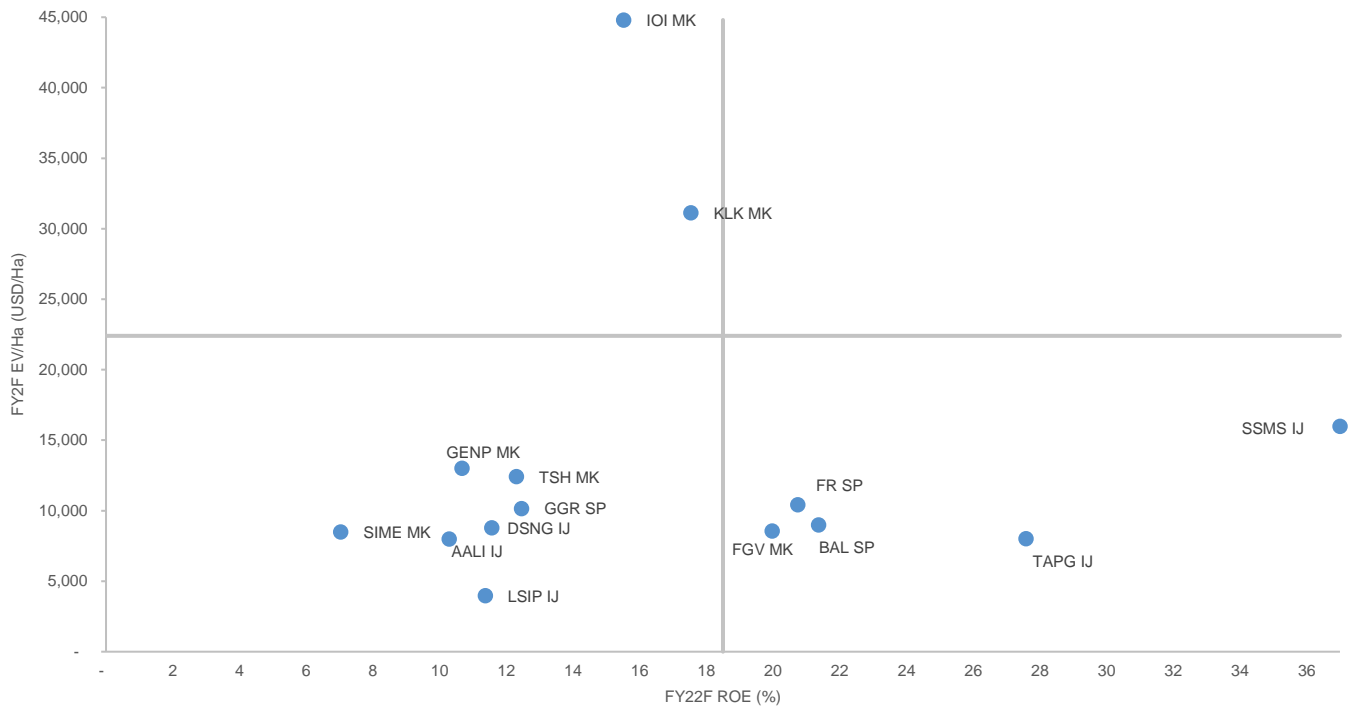
Table 5. Sensitivity analysis

CPO Production (MT)		CPO ASP (IDR/kg)					
		9,100	10,100	11,100	12,100	13,100	14,100
-15%	445,202	970	1,304	1,638	1,972	2,306	2,640
-10%	471,391	1,149	1,503	1,856	2,210	2,564	2,917
-5%	497,579	1,328	1,701	2,075	2,448	2,821	3,194
Base	523,767	1,507	1,900	2,293	2,685	3,078	3,471
5%	549,956	1,686	2,098	2,511	2,923	3,336	3,748
10%	576,144	1,864	2,297	2,729	3,161	3,593	4,025
15%	602,332	2,043	2,495	2,947	3,399	3,850	4,302

Source: Company, KISI

The significant earnings generation should result in 38%/24% ROE for FY22/23F, the highest compared to Indonesia planters peers which should justify its current premium EV/Ha.

Fig 29. EV/Ha and ROE quadrant



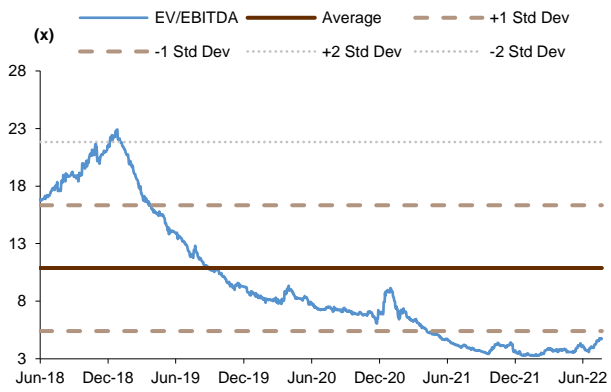
Source: Company, KISI

Table 7. SSMS Age profile

Age Profile as of 1Q22				
in Ha	Inti	Plasma	Total	% of total
Young (4-7 years)	5,756	5,028	10,784	13%
Prime (9-20 years)	62,512	7,329	69,841	86%
Mature (>20 years)	612	-	612	1%
Total	68,880	12,357	81,237	

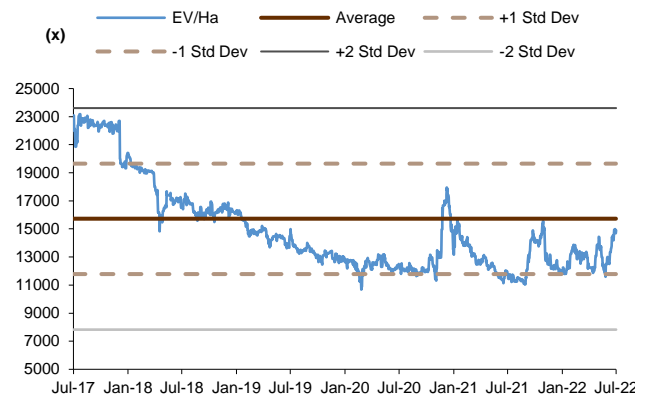
Source: Company, KISI

Fig 30. SSMS EV/EBITDA band



Source: Bloomberg, KISI

Fig 31. SSMS EV/Ha band



Source: Bloomberg, KISI

IV. Risks

Fluctuation in CPO price. The CPO price is determined from the international price and it also depends on other vegetable oils c. soybean oil, rapeseed oil, sunflower oil, and others; as CPO is the substitute product for vegetable oils. The company is influenced by the fluctuations of CPO price and any movement in CPO price will affect the revenue and earnings performance of the company.

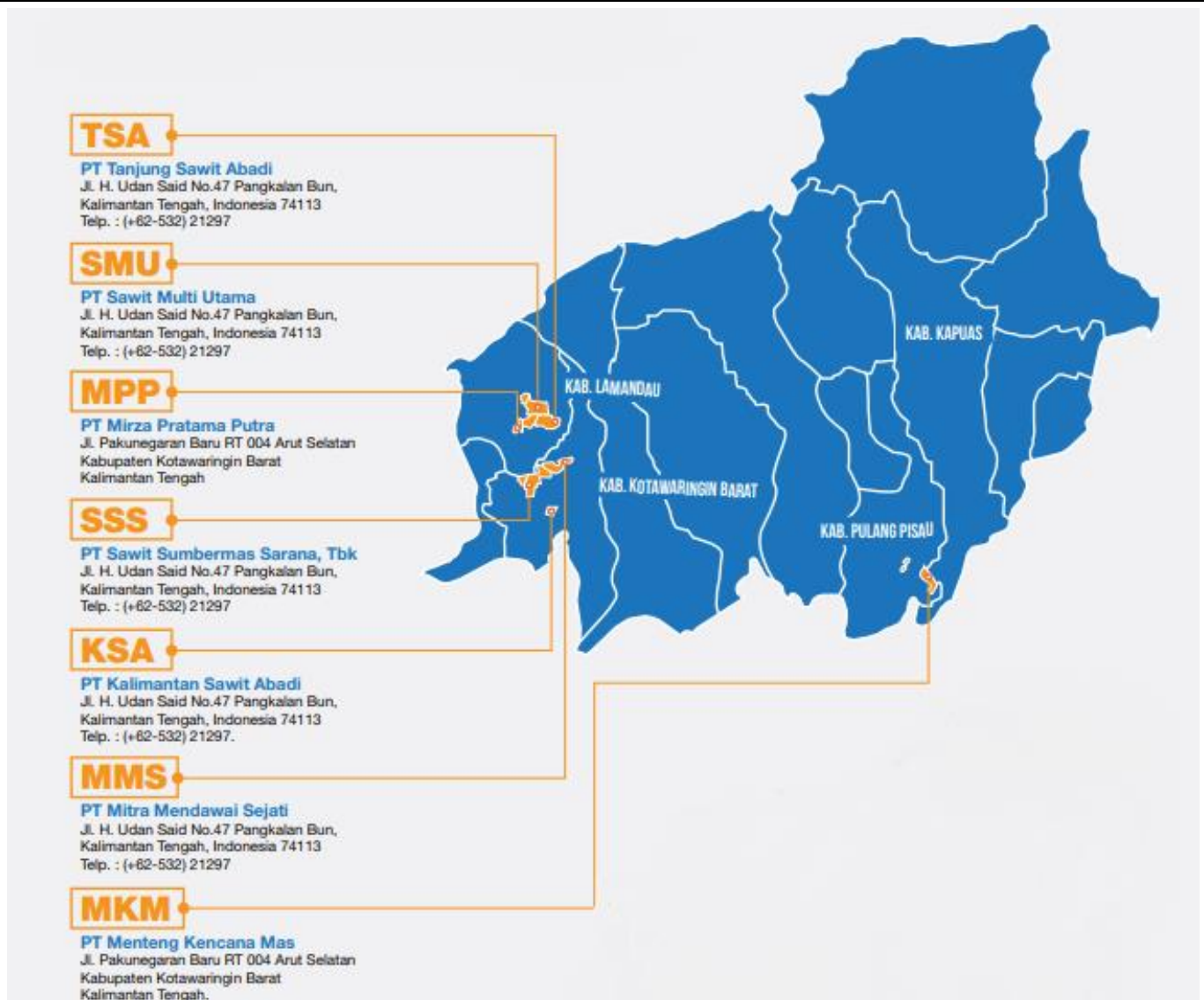
Unpredictable weather pattern. The extreme and unpredictable weather could affect the company's production performance and it will directly impact the revenue growth of the company.

Changes in Government policies. The plantation business activities may be affected by the policy changes from Government either directly or indirectly. For instance, the Government introduced the export tax levy to support the biodiesel program – the policy created the price cap towards the strong CPO price movement which resulted in softer revenue growth.

Company overview

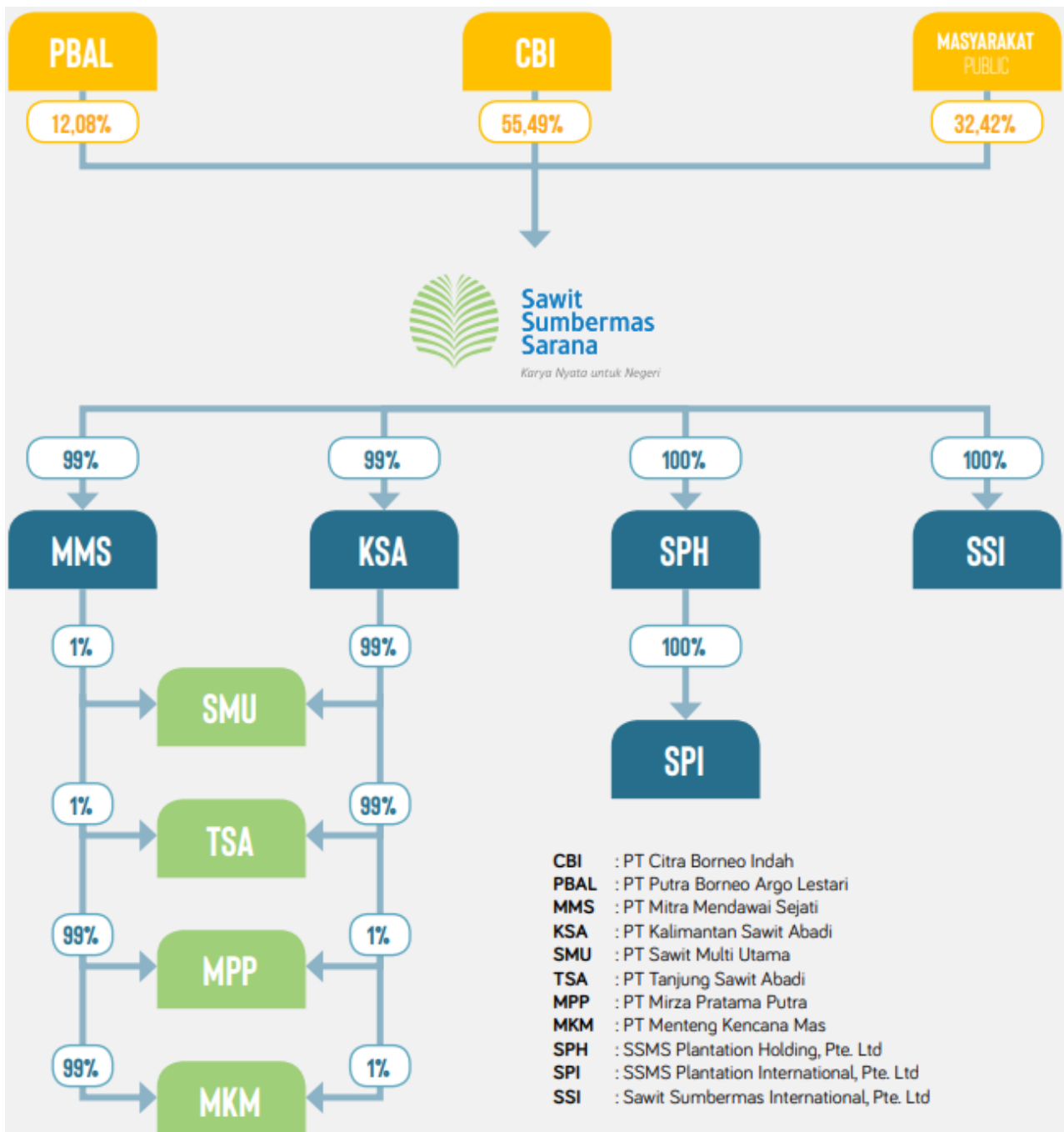
PT Sawit Sumbermas Sarana Tbk is an Indonesia-based palm oil company. The Company manages an integrated business across over 23 oil palm estates, eight oil palm mills (PKS) and one palm kernel mill out of Pangkalan Bun, Central Kalimantan, Indonesia. The Company manages a total of approximately 116,029 hectares (ha) of land bank, of which about 81,237 ha was already planted with mature plants, consisting of approximately 68,880 ha of the planted nucleus and over 12,357 ha of planted plasma area. The Company's subsidiaries include PT Mitra Mendawai Sejati, PT Kalimantan Sawit Abadi, PT Mirza Pratama Putra, PT Sawit Mandiri Uatama, PT Tanjung Sawit Abadi, PT Menteng Kencana Mas, Sawit Plantation Holding (SPH), Sawit Plantation International (SPI) and Sawit Sumbermas International (SSI).

Table 7. SSMS operational map photo



Source: Company, KISI

Table 8. SSMS company structure



Source: Company, KISI

Balance sheet (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	1,908	1,833	2,739	3,522	4,919
Accounts & other receivables	611	668	871	636	657
Inventories	315	353	350	306	301
Others	581	647	647	647	647
Non-current assets					
Fixed assets	4,531	4,401	4,602	4,479	4,350
Intangible assets	9	11	12	14	15
Total investment	1,880	1,951	1,951	1,951	1,951
Other non-current assets	2,940	3,987	3,992	3,997	4,003
Total assets	12,776	13,851	15,164	15,551	16,843
Current liabilities					
Accounts & other payables	748	653	485	461	424
ST debt & bond	-	-	-	-	-
Current portion of LT debt	185	257	224	195	170
Others	507	554	554	554	554
Non-current liabilities					
LT debt & financial liabilities	6,159	6,002	5,190	4,036	3,415
Other non-current liabilities	308	277	277	277	277
Total liabilities	7,905	7,743	6,730	5,524	4,841
Controlling interest					
Capital stock	953	953	953	953	953
Additional paid-in capital	541	541	541	541	541
Retained earnings	2,999	4,225	6,531	8,107	10,063
Others	355	357	357	357	357
Minority interest	23	33	53	69	88
Total equity	4,871	6,108	8,434	10,027	12,001

Cash flow (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	(290)	466	2,620	2,809	2,768
Net profit	577	1,516	2,685	2,247	2,517
Depreciation	320	306	307	309	307
Net incr. in W/C	(1,186)	(1,357)	(375)	249	(61)
Others	-	-	-	-	-
C/F from investing	(209)	(175)	(506)	(183)	(175)
CAPEX	(209)	(176)	(508)	(186)	(179)
Others	-	-	-	-	-
C/F from financing	204	(363)	(1,203)	(1,838)	(1,188)
Incr. in equity	-	-	-	-	-
Incr. in debts	(22)	(84)	(844)	(1,183)	(645)
Dividends	-	(290)	(379)	(671)	(562)
Others	226	12	20	17	19
Increase in cash	(295)	(72)	910	789	1,405

Income statement (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
Sales	4,011	5,203	7,293	6,149	6,250
COGS	-2,214	-2,998	-3,191	-2,788	-2,747
Gross profit	1,797	2,205	4,102	3,361	3,504
SG&A expense	-688	-654	-775	-750	-749
Operating profit	1,109	1,552	3,326	2,611	2,755
Financial income					
Interest income	64	509	240	359	461
Financial expense					
Interest expense	(541)	(541)	(481)	(379)	-
Other non-operating profit	53	163	163	163	163
Gains (Losses) in associates, subsidiaries and JV	(65)	70	160	128	128
Earnings before tax	900	1,874	3,469	2,903	3,251
Income taxes	(319)	(347)	(763)	(639)	(715)
Non-controlling interest	4	11	20	17	19
Net profit	577	1,516	2,685	2,247	2,517
EBITDA	1,429	1,858	3,633	2,920	3,062

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	60.5	159.1	281.9	235.9	264.3
BPS	511.4	641.2	885.5	1,052.7	1,260.0
DPS	-	30.5	39.8	70.5	59.0
Growth (%)					
Sales growth	22.4	29.7	40.2	(15.7)	1.7
OP growth	174.7	39.9	114.4	(21.5)	5.5
NP growth	4,845.6	162.8	77.2	(16.3)	12.0
EBITDA growth	103.7	30.0	95.6	(19.6)	4.9
Profitability (%)					
OP margin	27.7	29.8	45.6	42.5	44.1
NP margin	14.4	29.1	36.8	36.6	40.3
EBITDA margin	35.6	35.7	49.8	47.5	49.0
ROE	4.7	11.4	18.5	14.6	15.5
ROA	13.0	27.8	37.2	24.5	23.0
Dividend yield	-	3.1	4.1	7.2	6.0
Dividend payout ratio	-	50.4	25.0	25.0	25.0
Stability					
Net debt (IDR bn)	4,435	4,426	2,197	372	-1,031
Int.-bearing debt/equity (%)	142.6	114.6	85.1	17.4	13.3
Valuation (X)					
PE	14.0	6.1	5.1	6.0	5.4
PB	8.8	7.4	4.5	4.9	4.0
EV/EBITDA	1.7	1.5	1.6	1.4	1.1

Disclaimer

This Research Report ("Report") is prepared by PT Korea Investment and Sekuritas Indonesia, or its subsidiaries or its affiliates ("KISI").

By receiving this Report, you confirm that: (a) you have previously requested KISI to deliver this Report to you and you are legally entitled to receive the Report in accordance with Indonesian prevailing laws and regulations, and (b) you have fully read, understood and agreed to be bound by and comply with the terms of this Report as set out below. Your failure to comply with the terms below may constitute a violation of law.

All the material presented in this Report is under copyright to KISI. This Report is strictly confidential and is for private circulation only to clients of KISI. This Report is being supplied to you strictly on the basis that it will remain confidential and that you will maintain its confidentiality at all times. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form of by any means or altered in any way, or transmitted to, or distributed to any other party without prior written consent of KISI.

This Report is based on the information obtained by KISI from sources believed to be reliable, however KISI do not make representations as to their accuracy, completeness or correctness. This Report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. KISI accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this Report and further communication given or relied in relation to this document.

This Report is intended for circulation among KISI' clients only and does not consider any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Report. The entire content of this Report is not and cannot not be construed or considered as an offer, recommendation, invitation or solicitation to enter into any transaction (including trading and hedging) relating to the securities, other financial instruments, and other form of investments issued or offered by the company(ies) covered in this Report. It is your own responsibility to: (a) independently evaluate the content of this Report, (b) consider your own individual investment objectives, financial situation and particular needs, and (c) consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this Report.

This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and analysis should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts, and estimates contained in this report reflects a judgment at its original date of publication by KISI and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The views expressed in this Report reflect the personal views of the individual analyst(s) at KISI about the securities or company(ies) mentioned in the Report and the compensation of the individual analyst(s), is, or will be directly or indirectly related to the performance of KISI' activities. KISI prohibits the individual analyst(s) who prepared this Report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company (including those covered in the Report). However, the individual analyst(s) may receive compensation based on the scope of his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations.

In reviewing this Report, you should be aware that any or all of the above activities of KISI and its officers, directors and employees, among other things, may give rise to real or potential conflicts of interest. KISI and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. KISI may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published.

Please note that the securities of the company(ies) covered in this Report might not be eligible for sale in all jurisdictions or to all categories of investors. The availability of those securities and your eligibility to invest in those securities will be subject to, among others, the prevailing laws of the relevant jurisdiction covering those securities. Furthermore, the value and income of any of the securities covered in this Report can fall as well as rise and an investor (including you) may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred.

PT Korea Investment and Sekuritas Indonesia is Securities Company Member of the Indonesia Stock Exchange, licensed, registered and supervised by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan).

©Copyright 2019, PT Korea Investment and Sekuritas Indonesia