

October 17, 2022



Research Center

# Morning KISI/

## ■ Market Commentary

## ■ Company Update

Surya Esa Perkasa, Tbk (ESSA): One step at a time

## ■ Macro Calendar

Research team:

Edward A. Tanuwijaya | [edward.t@kisi.co.id](mailto:edward.t@kisi.co.id) | Strategy, Banks, Real Estate  
Illona Freddy | [illona.f@kisi.co.id](mailto:illona.f@kisi.co.id) | Poultry, Consumer Staples, Cigarette

David Arie Hartono | [david.h@kisi.co.id](mailto:david.h@kisi.co.id) | Retailers, Media, Telecommunication  
Anton Hermansyah | [anton.h@kisi.co.id](mailto:anton.h@kisi.co.id) | Technical Analysis

## Surya Esa Perkasa (ESSA)

### One step at a time

#### Taking an initial step to execute blue ammonia project

After the announcement of blue ammonia project back in Mar2021, we finally get to see the first step to realizing this project. Currently, ESSA's blue ammonia project is at its first phase of feasibility study of measuring the GHG emission produced. The CO2-free ammonia project is expected to start its construction by the end of 2023 with an estimated capex of USD150mn-200mn with targeted commercial operation in 2026.

#### Strong performance in 3Q22

ESSA managed to score another quarterly record high revenue of USD206mn (+7% QoQ) in 3Q22, driven by volume growth of ~43% QoQ as plant utilization reached 113% after a huge turnaround from maintenance back in FY21. The strong 3Q22 revenue brought its 9M22 revenue to USD557mn (+132% YoY). As cash cost decreased by 8% QoQ, its 3Q22 GPM continues to be on the high side at 48.5% (vs 48% in 2Q22). However, higher management fees and other costs dragged its OPM down to 41.45% (vs 45% in 2Q22) and resulted in a 3Q22 net profit of USD38mn (-8% QoQ), the 2<sup>nd</sup> highest quarterly earnings ever. The 3Q22 profit achievement resulted in ESSA's booking 9M22 earnings of USD105mn (12x YoY). Refer to Table 1 for more details

Refer to Table 1 for more details

#### Expect similarly strong 4Q22 before maintenance in 1Q23

Currently, the ammonia plant is operating well beyond our expectation of 100% utilization, a huge turnaround after big maintenance done in 2021. We expect the plant to run optimally at the current rate high rate of 110% in FY22F before entering a short maintenance in 1Q23 (with an expected utilization of 70%). Therefore, we adjusted our FY22/23F utilization assumptions to 110%/95% (from 100%/105%) but retain our FY22F/FY23F ESSA's ammonia ASP assumption of USD885/MT and USD758/MT.

#### Rolled-forward valuation resulting in 15% lower TP at IDR1,210/sh

We rolled forward our DCF valuation to FY23F with WACC of 12% and 0% terminal growth rate which translates to lower TP of IDR1,210/sh (from IDR1,430/sh), implying a 12.5x FY23F PE and 6x FY23F EV/EBITDA (on its -0.5 std dev 5yr EV/EBITDA). ESSA's strong cash generation and already low gearing level should provide room for ESSA to splurge on the blue ammonia plan and dividend payment. We expect ESSA to deliver earnings of USD142mn & USD101mn in FY22F and FY23F, respectively. Currently, ESSA is trading at 10.3x FY23F PE and 5.2x FY23F EV/EBITDA. Note that our calculation does not include the upside potential from under development blue ammonia project.

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	176	303	728	548	470
GP (USD mn)	9	110	341	243	208
OP (USD mn)	(7)	86	300	209	176
NP (USD mn)	(19)	14	142	101	88
EBITDA (USD mn)	40	134	348	257	225
Net debt (USD mn)	376	392	255	88	(76)
OP margin (%)	(4)	28	41	38	38
ROE (%)	(6)	5	28	17	13
Dividend yield (%)	0%	0%	2%	3%	3%
EPS (IDR)	(18)	13	134	97	84
chg. (%. YoY)		(172)	950	(28)	(13)
BPS (IDR)	289	275	481	576	660
DPS (IDR)	-	-	1	40	29
PE (x)	(9.6)	26.3	7.4	10.3	11.8
PB (x)	0.6	1.2	2.1	1.7	1.5
EV/EBITDA (x)	32.8	9.9	3.8	5.2	5.9

## Company

### Update

#### Basic Materials

October 14, 2022

12M rating **BUY (Maintain)**

12M TP **IDR 1,210**

(from IDR1,430)  
Upside +21.6%

#### Stock Data

JCI (October 13)	6,880
Stock price ( October 13, IDR)	995
Market cap (IDR bn)	15,582.6
Shares outstanding (m)	15,660.9
52-week high/low (IDR)	1,610/300
6M avg. daily turnover (IDR bn)	79.7
Free float (%)	35.4

#### Major shareholders (%)

Trinugraha Akarya Sejahtera	23.1
Chander Vinod	13.0

#### Performance

	1M	6M	12M
Absolute (%)	-14.8	-29.8	200.4
Relative to JCI (%)	-8.8	-26.6	211.0

#### ESSA share price



Source: Bloomberg

**Nicholas Kevin Mulyono**

[nicholas.k@kisi.co.id](mailto:nicholas.k@kisi.co.id)

**Edward Tanuwijaya**

[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

## Market Commentary

### Market Commentary

- JCI closed sharply lower on Friday and gave up its opening gain, as investors remain skeptical of a strong regional rebound and staying cautious amid fears of tightening monetary policy and its impact on slowing economic growth.
- JCI open modestly higher following regional gains before eroding as tech and digital banking stocks extended their decline and trigger a sell-off to the broader market as the index failed to hold above the MA200 level at 6930.
- From sectoral wise, Tech and Infrastructures remained under pressure. While Industrials, Property, and Consumer Cyclical remain elevated.
- RUPIAH +0.40% at 15,423 against USD.
- Tech and digital banking stocks remained on their way down and failed to gain traction from the global tech rebound. GOTO IJ -4.72%, ARTO IJ -6.94%, AGRO IJ -5.24%, BBYB IJ -6.25%.
- Consumer-related stocks remain elevated on rotational play and as investors stay on a defensive stance. MYOR IJ +5.88%, AMRT IJ +0.80%, ACES IJ +2.94%.
- Top value were: BBRI IJ -1.84%, BBKA IJ -0.30% IJ, BMRI IJ -0.79%
- Top Gainers : UNTR (+4.81%), MEGA (+5.96%), BRMS (+5.44%)
- Top Losers: GOTO (-4.72%), BBRI (-1.84%), BBNI (-3.71%)

## News

### Macroeconomic, Sector and Corporate News

- IPO – PT. Global Digital Niaga or marketplace Blibli plans to raise up to IDR8.2tn from IPO by offering up to 17.77bn shares (~15% of capital) at IDR410-460/sh. Initial bookbuilding: 17-24Oct2022. (Bisnis)
- IPO – PT. Menthobi Karyatama Raya plans to raise up to IDR375bn from IPO of up to 2.5bn shares (~20.8% of capital) at IDR100-150/sh. Initial bookbuilding: 17-24Oct2022. (Investor Daily)
- PTBA – Co. plan to acquire coal-fired power stations from PLN under govt. plan to move toward cleaner energy sources. (bbg)
- ADHI – Looks to secure 2 new contracts worth IDR 5tn from the LRT project in the Philippines. (Investor Daily)
- ADHI – Plans for pre-emptive rights issue of up to 7.0bn shares (~97% of capital) @IDR550/sh. Cum date: 24Oct2022. (Bisnis)
- WSKT – Received IDR5.8tn divestment proceeds of 2 toll roads (Kanci-Pejagan & Pejagan – Pemalang) from Indonesia Investment Authority (INA). (Investor Daily)
- IPAC – Mandatory tender offer by APAC Investment 2 for 15.023% stakes @IDR122/sh. Period: 18Oct-16Nov2022. (Investor Daily)
- SOHO – To distribute IDR118/sh interim dividend (~2.1% yield). Cum date:24Oct2022. (Investor Daily)
- INTA – 8M22 heavy equipment sales reached 101% of its FY22 target. (Kontan)

## Outliers

### Outlier Stocks

- Sharp Movers (Up) : SICO (+15.3%), VICO (+9.9%), PNIN (+9.5%)
- Sharp Movers (Down) : AMMS (-9.5%), ITMA (-7%), ARTO (-6.9%)

**Macro Calendar**

October 17, 2022

Mon	Tue	Wed	Thu	Fri
<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Korea> <b>Market closed (National Foundation Day)</b> September exports and imports (announced October 1) US> September ISM manufacturing PMI China> <b>Market closed (National Day)</b>	US> August durable goods (F) China> <b>Market closed (National Day)</b>	<b>OPEC+ ministerial meeting</b> Korea> September CPI US> September ISM services PMI MBA mortgage applications China> <b>Market closed (National Day)</b>	US> New jobless claims China> <b>Market closed (National Day)</b>	US> September non-farm payrolls September jobless rate China> <b>Market closed (National Day)</b> September FX reserves
<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>
Korea> <b>Market closed (substitute holiday for Hangul Day)</b> US> <b>Market closed (Columbus Day)</b> China> September Caixin services PMI (announced October 8) Japan> <b>Market closed (Sports Day)</b>	<b>OECD leading economic index</b>	<b>The OPEC Monthly Oil Market Report</b> Korea> <b>MPC meeting</b> US> <b>FOMC minutes release</b> MBA mortgage applications September PPI	Korea> <b>Stock options expiry</b> US> September CPI Initial jobless claims	Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance
<b>17</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>21</b>
US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)	US> September industrial production	US> <b>Fed Beige Book release</b> MBA mortgage applications September housing starts Europe> September CPI (F)	US> Initial jobless claims September existing home sales China> <b>PBOC LPR release</b>	Japan> September CPI
<b>24</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>28</b>
	US> October Conference Board Consumer Expectations Index	US> September new home sales	Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> <b>ECB MPC meeting</b>	US> September PCE October Michigan Consumer Confidence (F) Japan> <b>BoJ MPC meeting</b>
<b>31</b>				
Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)				

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change. 2) Earnings release date is from Bloomberg or company announcement